

The Industrial Democracy and Implementing Tools from Quality Circles to Resource Groups

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Abstract - This paper describes and analyzes the implementing processes of industrial democracy and efficiency in 2 sampled business companies in South Norway. The analysis is based on action research (AR) related document studies, surveys, interviews and observations on the employees from these companies. The study emphasizes on collaboration between employers and employees, and the employees' understanding and implementing of industrial democracy into their daily work and the real outcomes of the implementations. Both sampled companies are project members of Value Creation 2010 (Verdiskaping 2010), which is an action research based project implemented industrial democracy into the local business companies.

The analysis indicates employees' same expectations and wishes on industrial democracy, but differences on their practices, used tools and situations. One best practice has been noticed as implementing cross-personnel teams, named as Resource Groups (RG) in a sampled company and received particularly positive benefits. This RG approach has nevertheless similar nature and functions as quality circles in TQM practice early 80s, but RG concept rather focuses on organizational development than merely quality issues.

Keywords: Industrial democracy, value creation project, action research, resource group, employees' participation

THE INDUSTRIAL DEMOCRACY IN NORWAY

The industrial democracy was a theory invented as a form of industrial management strategies, primarily in USA and Sweden by early 60s, but practically applied in Japan during the 80s and in Norway throughout 90s. The theory is a part of recognized and classic management theories and it has been widely applied in Scandinavia [2]. The theory's essential philosophy and practice focus on employees' participation and self-engagement in an organizational changing process. It is also focused on the ways of research results manifested through redesigned organizations improving the participants' ability to control their own situation, named as action research approach (AR).

One real implementing practice on industrial democracy in Norway is the project Value Creation 2010, named as Verdiskaping 2010 in Norwegian and shorten as VS2010, started from 2000 upon to 2010. It is a national dimension of an action research project supported by the Research Council of Norway (NFR). The project intends to, via action research approaches, collaborate research institutes, confederation of Norwegian enterprise (NHO), labor unions (LO) and participated business companies to apply industrial democracy into the participated companies. The overall expectation of this collaboration is increasing of productivity and efficiency for companies and upgrading competence for employees.

The VS2010 has an intention to upgrading Norwegian industrial competence in general and meeting the Norwegian welfare policy goals. There is a challenge for the Norwegian industries to understand properly and engaged heavily in research activities and collaborating research institutions in their development. On the other hand, many Norwegian researchers are unable to or not good at cooperating with industries and draining industrial resources to help with their own professional research work. VS2010 focuses therefore on these objectives [1]:

- Contributing to increased value creation by involving the social partners in participative processes at the company and the network levels
- Supporting regional development strategies
- Strengthening the knowledge base in the field of organizational innovation, networking and regional development through scientific production and publication

The current study describes sampled company cases from a VS2010 regional project in a province located in South Norway. The province is one of smallest in geography, but highest density in population, so there are a lot of activities, especially business and commercial ones in this province. Another typical characteristic of this province is heavy concentration of industrial sites, and there are totally 22000 business units are registered in this province. The province has a long tradition of labor intensive based industries, as mechanic engineering productions, producers, manufacturing units, process engineering industries and food processing industries as well as a large number of service

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based industries and commercial units. These industries are unique targeting groups for VS2010 projects.

ACTION RESEARCH APPROACHES AND METHODS

VS2010 has an action research based focus on methods so the researchers are not only analytic thinkers, but also active actors or catalysts throughout the process, even locomotives for process changing.

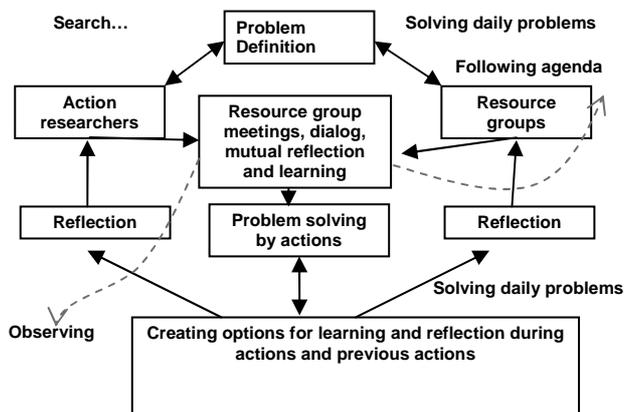


FIGURE 1
RESEARCH MODEL FOR CASE COMPANIES IN VS2010

One exemplified research model for case companies is illustrated in figure 1. The action researchers, according to this model, will have greater and more dynamic functions than what traditional researchers shall do during a research process: They will not only define the problems, analyze the results and suggest the conclusions, but also ought to initiate and follow up the meetings, dialogs, conduct and consult a reflection process, and undertake the research observation during the whole process.

There are few essential phases for initiating this action research project in sampled companies and an acceptance by the sampled company is the must. Following up by this acceptance, there shall be engagement both from employers' and employees' representatives. Furthermore, a dialog based opening conference shall be conducted for major actors in the sampled company, so the dialog between both parts, hence, employers and employees, is initiated and mutual understanding of the project is reached. Such conferences shall be conducted regularly, preferably an annual interval.

The action researchers might question the company's employers and employees and make them to reflect the problems and how they can identify and exam the problems from a research point of view. In a way the researchers are not providing the solutions for the company directly, but they question to the company's actors so lead them to find their own solutions.

Resource group (RG) is a group of employees, often consist of trade union representatives and personnel safety representatives at a lower level, for instance at a section. They have regular meetings to discuss work related issues and employee engaged problems, gathering feedback and criticism among the colleagues, as well as communicating with all parts. RG is defined and introduced as a channel for connecting employers and employees. It has also a vital

function to understand and implement top management's strategy into an operative level. This RG approach is associated with quality circles in TQM practice in early 80s [3], but rather focused on organizational development issues.

SAMPLED CASE COMPANIES IN THIS VS2010 PROJECT

The main focus and sampled companies for this regional VS2010 project has been decided on food processing and package industries. The industries are representing relatively large part of total employment for this region, and this is also an industrial sector that is growing particularly fast in recent years. There are totally 12 companies, hereof 10 food processing and 2 packaging companies, are participating in the project and there has been a challengeable process to involve them in and stay in the project. Most of the companies stay however in the project after one year and acknowledging their benefits from the project.

The current study picked up 2 sampled companies, a meat producer, named as Company M, and a beverage producer, named as Company B, as the study focus. Both companies have relatively high revenues and profits, but both companies' owners require them to be even more efficient and profitable. Other similar characteristics are for instance both are in a process oriented industry so the logistic issues are essential for the companies, and there is no sophistic technology or highly advanced equipments needed in both productions, so the personnel and organizational issues are more crucial for further efficient and profitable approaches.

There are however some difference between these two sampled companies. Company M is a relatively large size company with 500 employees and their daily tasks are pretty heavily manual work based, so the individual and personal operation complex degree is relatively high. Company B is a small size company with 30 employees and the majority part of their work is initiating and controlling an automation process of beverage producing, so there is very little manual work in the factory site.

As a vital stage of research model mentioned previously, both companies have undertaken a dialog based opening conference for the major actors whom involving in the project. Furthermore, the action researcher team has visited and observed both companies few times during the interval over a year, and undertaken few interviews on managers and employees from both companies. The researcher team also attempted to provide feedback and evaluations to the companies during the process, as an important approach of action research.

Company M has many employees and their backgrounds are also diversified. There are relatively many foreign workers and untrained personnel, so there is a challenge for coordinating and communicating between and among the different employee groups. As the company's daily operation tasks are heavily manual work based so the importance of coordinating and communicating between and among the people are the vital element for the efficient and profitable results. The resource group (RG) is therefore a practical tool, suggested and implemented already during an early dialog

conference in 1999. The arrangement seems to be well accepted and applied by the most employees in the company.

THE DATA COLLECTION AND INFORMATION GATHERING

The data collection and information gathering for this project study are multiplex sources based. Aside of observations in companies and interviews with organizational personnel, conference documentations and meeting notes are also a part of essential sources for analysis. Project conducting itself is a long term process over a certain time interval and there is a significant part of the process spent to promote, convince, plan and structure the sampled companies to joint the project. This step by step process can be viewed in the documents from the first conference for the project and last meeting notes in a detailed project journal.

- Great challenge in the future!
- Everyone in the company is on the same boat
- Cooperating within sections and cross-sections
- A culture of taking care of each other
- Dialog between "bosses" and "boys" at the all levels
- Thematic focus:
Health and personnel safety issues
Attendance on job and reducing absence
Efficiency and work smarter

FIGURE 2
ASSIGNED FURTHER TASKS FROM DIALOG
CONFERENCE AT COMPANY M IN 2005

Figure 2 shows a typical conference document from an early stage of the process. Company M initiated a dialog opening conference in 2005, and the major actors discussed and agreed on the assigned further tasks for the next phase listed up in the figure. The company managers are also working actively on these tasks and budget quite sufficient resources to realize these.

Aside of annual dialog conferences, the RG tool is also heavily implemented in Company M. Right after the dialog conference in 2005, there were planed total 32 RG meetings for the rest year, divided into all 6 sections, each has 3 to 9 meetings. The researcher team has participated in most of these RG meetings and studied sampled meeting notes. This is a good start for getting familiar with company and employees and an efficient way to learn the case details. The following citation from a working note after a section RG meeting illustrates this point:

"The RG meeting today discussed throughout the assigned agenda from last RG meeting. A few practical issues have been debated. It seems understandable for a problem occurred between cutting and packaging sections, that different working tempo and loading

created a critical delay of the whole process. It appears that few employees' attitudes are the key solution to this problem. After meeting we were informed from a site manager that a diversified wage system, thus trained versus untrained workers and accord wage for cutting workers are probably the major conflict sources for communication and attitude creation for this case."

Unlike the traditional survey based research, this is a quick approach to collect information, though data reliability needs more fundamentally and structurally gathering. As an action research based approach, the researcher team needs to provide quick and updated analysis and consultation for the company, so the quick and easy access to data information is a crucial issue.

THE FUNCTIONS OF A REFLECTION PROCESS

Another essential part of data collection and information gathering are reflection notes, which reflect researchers' own analytical thoughts and subjective observations. In a sense, this is a half way for analysis and summary for the study. The following notes exemplified such a reflection:

"After being participated in 3 RG meetings, there has been notice that all these 3 RG meetings were positive and constructive. People are working in details with identified problems and there is a good routine for improvement process. The results seem to be good so far.

The challenge is, however, communication and understanding at different working situations such as employees from different sections. The possible solution might be crating a positive organizational culture for a stressful working environment and an accord based wage system.

Few detailed improving suggestions:

- *Group and job rotation, for instance followed up by top manager and researcher team together*
- *Disseminating information and decisions from RG meetings down to individual employees*
- *Creating an organizational culture for communication, understanding and supportive actions*
- *We should also emphasize on the information spreading, so that people most are able to receive information, of course, we are talking about general information that goes to everyone*
- *We should focus on our work into 2 essential words: Culture and Value Creation. Both are creation and action related, but also are long term issues. The challengeable part is putting these two in a detailed and operative level, especially under our stressful daily tasks.*

Our future needs:

- *More dialog between managers, researcher team and employees*
- *Information about employees and their attitudes for researcher team*
- *Reinforcing and transplanting RG meeting results into the sections and individual employees"*

Aside of data collection and information gathering, the above reflection note also recommended few improving

suggestions and summarized future needs. Hence, a research process with such a reflection note underway and frequent feedback might provide the company a quick and updated analysis. Also, there is a possibility for creating the options for learning and reflection both for the organization and employees, according to the research model in figure 1.

As an active mentor in an action research process, the researcher team is expected, not only to make the reflection notes and observations, but also to lead the reflection process for the employees to think critically. In a sense, it will be the best that the company and the employees come up with the improvement or suggestions, rather than what researcher team would recommend.

THE IMPORTANCE OF RESOURCE GROUP (RG) WORK

Although all 12 participating companies in this VS2010 project have all granted the openings for the researcher team to research on industrial democracy and efficiency upgrading at their own companies, there is distinction between sampled companies in term of individual project focus.

TABLE I

TWO SAMPLED COMPANIES' PROJECT DESCRIPTIONS FOR VS2010

| Company | Company M | Company B |
|---------------------------|---|---|
| Project title | A better organizational culture and higher efficiency on work | Team development on cross shifting in continual production |
| Objective | Establishing an organizational culture to meet the future challenges in both short and long terms | Creating a common team climate and ownership to production among the employees and management |
| Project managers | Company's general manager and trade union representative | Company's production manager and trade union representative |
| Dialog opening conference | Annually arranged 3 times since 2005 | Arranged once in 2006 |
| RG established | Yes | No |

Table I listed up the current study's two sampled companies in their project titles, objectives, arrangements for dialog opening conferences and RG establishments. There is indeed a different focus in their individual project objective. However, the greater difference can be noticed on project managers, arrangements for dialog opening conferences and RG establishments.

Company M has apparently conducted the project in a longer term and undertaken tasks in a more detailed level. The general manager has been heavily involved in this project and provides the full supports for the employees to participate in the VS2010 project. The dialog opening conference is arranged annually since 2005 for the major actors in the project. Such conference provides not only positive signals, but also opportunities to gathering updated information in the company and opinions among the employees. The RG has been implemented in Company M since 1999 and RG becomes an important working tool for the company.

Table II has summarized two opinion surveys about RG work and RG effects for Company M conducted during two dialog conferences in 2006 and 2007.

TABLE II

RG EFFECT SURVEYS DURING DIALOG CONFERENCES – COMPANY M

| April 2007 conference | | September 2006 conference | |
|------------------------------------|----|---------------------------------|----|
| Positive elements for RG | | Positive elements for RG | |
| Total frequencies mentioned | 88 | Total frequencies mentioned | 96 |
| Fully discussion for cases/details | 15 | Dialog | 21 |
| Openness | 15 | Getting case and details done | 19 |
| Cooperation | 14 | Cooperation | 18 |
| Mutual plan for all | 12 | Working in a team | 14 |
| Able to joint the decision process | 8 | Communication | 12 |
| Showing results | 7 | Showing suggestions | 5 |
| Good working climate | 6 | Good working climate | 3 |
| Equality | 4 | Openness | 2 |
| Showing feelings | 3 | Good social climate | 1 |
| Health and safety issues done | 1 | Reducing absence | 1 |
| Engagement | 1 | | |
| Better information | 1 | | |
| RG Means a lot for the section | 1 | | |
| Negative elements for RG | | Negative elements for RG | |
| Total frequencies mentioned | 43 | Total frequencies mentioned | 52 |
| Delay for the actions | 13 | Take long time to fix up things | 10 |
| Ta long time to fix up things | 6 | Poor actions | 6 |
| Lack of openness | 4 | Responsibility for employees | 6 |
| Lack of responsibility for actions | 4 | Hard to get people in meeting | 5 |
| Results missing | 4 | Disagreement | 4 |
| Lack of focus | 3 | Lack of money to project | 4 |
| Disagreement | 3 | Too many cases | 4 |
| Only technical issues discussed | 2 | Not all can meet together | 3 |
| Passive | 2 | Poor engagement | 2 |
| Wish to have strong leaders | 1 | | |
| Certain sensitive cases mentioned | 1 | | |
| Shall RG work continual? | 32 | Shall RG work continual? | 34 |
| Yes | 31 | Yes | 31 |
| Blank answer | 1 | Do not know | 2 |
| | | Maybe | 1 |

Reviewing the results from the two opinion surveys in table II, we can summarize the following points for RG work at Company M:

- There is a clear tendency showing a greater number of positive elements mentioned during the opinion surveys than negative elements for RG work
- There is a concentration on fewer positive elements for RG work indicating that people most have the same opinions and views on these few positive elements
- The negative elements are rather diversified into many directions, but only a limited number for each element that indicating negative elements are mostly mentioned as personal or individual opinions rather than a common view
- For differences in positive elements, there seems to be a development on types of positive elements, that focus has been changed from 2006 survey's "dialog, communication, showing suggestions, working in a team" to 2007 survey's "able to joint the decision process, mutual plan for all, showing results", thus, a development seen from creating a cooperative climate in 2006 to practicing cooperative tasks in an operative level in 2007
- Overwhelming part of employees wish to continue with RG work in the future (31 answered yes for both years)

As a summary for RG work in Company M, it is reasonable to conclude that RG work has been a successful experience and efficient approach to reach the assigned objectives.

THE SOCIAL CHALLENGES IN A TECHNOLOGY PROJECT

Company B has another story to tell from its VS2010 project engagement. As mentioned early, the company is a small size unit with 30 approximately employees. Technically, it is relatively simple to follow the daily tasks since most of them are automation and controlling based, which contain very little manual work. There has also been however acknowledged a weak culture for trade union. As for the process with VS2010 project, the company has arranged a dialog conference once, but so far there is no resource group (RG) established yet.

The researcher team has been focused on the study of a particular project the company has been conducted in 2006. It was a new installation of machine equipments for a new production line with better capacity. Hence, the project was categorized as technology transferring and there is a need for technical updating for personnel in order to utilize the new machine completely.

The study was based interviews with personnel and few on site observations, as well as organizational structure description and analysis [4]. The organization study noticed the nature of this company is a family owned private business and the company structure is rather as centralized and top-down format. It is a clear boundary between management and production workers, so the information and messages have to cross this boundary and communication seems to be much one way based.

The practical/physical location of the company's plant confirmed the mentioned structural sketch. The management and production workers are in fact divided into two different and depended locations with a physical distance in one km. Further observation noticed there are clear definitions of functions and tasks between these two groups, though job rotation is a common practice among and within the plant production employees.

Table III summarized the interview citations on three different groups, *i.e.* management, production and operation workers. Examining and reflecting on these citations, there is an indication noticed as different views or understandings among these groups on the same issues.

For instance, the backgrounds of the project is understood as crucial option of increasing volume for the management, but only as a big project from another company for the production personnel. Similarly, for the early decision on how the project is organized, the management considered it was a priority project and the information was given before hand, but the production understood as a happening the day after the agreement.

The most significant differences in opinions among the groups are noticed through training and involvement issues, where the management believes a flat organization with a quick decision process while production criticized the lack of training and the operation workers were unhappy with lack of involving process for the project.

TABLE III
A SUMMARY OF INTERVIEWS OF DIFFERENT GROUPS AT COMPANY B

| | Management | Production | Operation |
|--|--|---|---|
| Backgrounds of the project | We could have rejected the deal, but then we would have no added value and economic growth in the company. The deal give us opportunities in the increased volumes produced | A big project initiated by a direct enquiry from a company abroad in December 2005 on outsourced production capacity | |
| Decided it early how project is organized? | It was a priority project A small organization and given who to participate in the project | The employee representative were oriented about the project the day after the agreement | |
| How employees involved in technical solutions? | There has been assigned two project groups, one for commercial and another for technical issues There has been held totally 5 project meetings The most employees were not much involved in the project, only representatives of local trade union | The company has a simple organization structure, rather characteristic as informal meetings with a horizontal organizational structure The employees could not influence or participate in the choice of technological solutions for the project | |
| Did employees get relevant training? | The whole process spent 3 months, we have a horizontal organizational structure and quick decision process, but at the same time a possible problem that the company owner dominates the management and the process | Training activities for the new installation machine has been a poor dimension. There was no training course before the machine was installed in the factory, so the company management should have to priority the training package with machine subcontractor | The project should be set up as first priority and involve in everyone in the company and giving the information after signing the contract'...if you are not involving in the decision making process, you just sit there and waiting, a bad culture |

Nevertheless, despite criticism and unhappiness, most of the employees appear to be cooperative and understandable, also during this project. The employees' handling of a most critical project phase in summer 2006 confirmed this fact. As a management's citation commented below, the employees made good efforts for restructuring of shifting arrangement, from 2 to 3 in order to save the problems for the company.

"The most critical project phase was at beginning of May 2006, when we have no products at our restore, at the same time it was high season and new orders are coming and on top of that we have the new machine newly installed to deal with. The employees were agreed to restructure from 2 to 3 shifts in the summer to save the situation, so here management and employees stood at the same side".

Table IV has listed up further sampled interviews on different groups and the answers on the first issue also indicated the employees' positive attitudes and engagements for the project. In fact, this is a good start for RG work.

A general impression on details from table IV is that both management and operation worker were motivated and engaged for the company, but in different directions. There is a need for further cooperation between these groups and the key element might be RG establishment.

TABLE IV

FURTHER SAMPLED INTERVIEWS ON DIFFERENT GROUPS AT COMPANY B

| | Management | Production | Operation |
|---|---|---|---|
| The ways of communication and starting new projects, as well as | It is a nature reaction among the employees that the project would result more work to do. We succeed because our production managers were engaged in for extra shift work.motivation of money for extra shifting work | There was less negative reaction than what we expected among the employees for this project. Project started quickly and rumors spread fast The daily control followed by the shift itself as self-organized, due to our professional and good shift leaders | Examples for how can we save the time though better logistic, say produce apple before orange and before orange with fruit meat will save some time for logistic |
| A need of employee involvement into the project and need for an involving culture | Quick and uncertain projects are good exercises for organizations The company should use this project as a model for further project, especially tempo of the project, and we did very well, the other companies would not be able to do the same project, great satisfaction with our customers | There has been done very little for create ownership attitudes among the employees. This is a family company with no tradition for employee involvement | There has been a built culture.....that management is located in another building.....have no information until you absolutely must get.....we have meetings with management about the need for information, but nothing happened |

As a summary for VS2010 project work in Company B, it was noticed few different opinions among the different groups in the company. The employees did well on cross shifting in production, especially during the critical phase in summer 2006. There is however limited common team climate and ownership to production among the operation workers yet. The resource group (RG) arrangement is not established in the company. The cooperative climate needs to be improved.

For the case project on new machine installation at the planet, there was a need of learning and further process in terms of organizational development and social challenge for management and planet workers, though technically and economically the project was a successful case.

THE CONCLUSIONS AND FURTHER REMARKS

The current study reviewed the two sampled companies from VS2010 project as cases. Both companies are working within the same VS2010 project framework, industrial democracy but each with own individual theme to focus on. Each has also implemented own approach to realize the project. While one company focused on creating a cooperative and mutual culture for the whole organization, the other emphasized a quick and rational approach to run daily business. While one has established RG as an essential communication channel for cooperation and an efficient tool for management, the other prefers the formal structure to transfer the information.

The different effects, as mentioned, are clearly noticed through comparing the surveys in both companies. There is a confirmation for RG effects on organizational development and as an efficient tool for a better working climate. The RG seemed to be well accepted by the most of employees after implementing, but also desired when not establishing yet.

As a conclusion from the current study, we might appreciate the necessity of the industrial democracy in the Norwegian industries and its positive effects on efficiency upgrading. On other hand, there is still a potential to implement this philosophy and practice in certain companies and there will be a learning process for many to understand and accept that.

As a final remark, we might notice that the RG is one of the best practices implementing industrial democracy. However, like quality circle approach and TQM practice, the top management in a company ought to invest sufficient time and resources, as well as to engage all the employees to implement RG work in order to be successful, and this is a continual process that has to be taken care and focused on all the times.

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