Aiming for collaborative transformation

A case study of Orora Fibre Packaging and the AMWU Printing Division

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This is a case study of a significant change in the strategic relationship between management and the dominant union in an Australian manufacturing organisation. The organisation is Orora Fibre Packaging (OFP). The union is the Printing Division of the Australian Manufacturing Workers’ Union (AMWU). The case study covers the period from mid-2012 to November 2014, from a time when the division was making a loss and facing a much bigger one to, more recently, the reversal of this negative slide and better prospects for the future.

This turnaround in performance is largely attributed to a collaborative transformation process—a transformation in how work was done as well as a transformation in relationships at work. This process was led by two people each from management and the union, who staked a great deal to lead the organisation and the workforce along a different path.

Three independent third parties were integral to the process; the Fair Work Commission (the Commission), members of which guided and supported the process; McKinsey & Co, employed first to evaluate the viability of the business and then to advise on how to improve operations; and CoSolve, the two principals of which worked with the leaders of OFP and the union, and on individual sites, to support change efforts. This case study pays particular attention to the role of the third parties in the transformation process. This case study is part of a larger project led by independent researchers and supported by the Fair Work Commission. This case study uses extracts from this project’s report, and the 25 in-depth interviews which were conducted in October, November and December 2014.

BACKGROUND

The Orora Group was created in late 2013 when Amcor demerged its Australasian Fibre and Beverage and North American Distribution Business. OFP is one Division of the new Orora; and this case study focuses on the Australian operations of OFP.

The main business of OFP is corrugated box making, manufactured using various machines for sizing, corrugating, cutting, printing and assembling boxes. In 2012, there were 11 sites in the Australian operations of Amcor Fibre Packaging—those identified in Figure 1, plus one at Somerton in Victoria which closed during the transformation process.

Across Australia there are about 995 employees (full-time equivalent) in OFP. The majority of waged employees are male; work full-time; and are employed as operators.

Sites vary in size, number of employees, and number of shifts (from one and a half up to three shifts per day). A large site has between 140–170 employees; a small one between 60–80 employees.

The site-based OFP workforce is almost entirely unionised, represented (with a few exceptions) by the Printing Division of the AMWU. The union is strong at the workplace, with a high member density and active workplace delegate structure. In keeping with printing industry tradition, the union structure on sites is called ‘the Chapel’.

In 2012, Amcor Fibre Packaging (as it still was then) faced serious problems that threatened its viability.

Productivity was poor at all sites. Machinery and equipment was ageing and not well maintained, affecting machine performance and increasing downtime. Absenteeism, planned and unplanned, was high. Many workers did not have the skills to rotate across machines. Overtime costs were high.

Management turnover at the sites had been high for many years. On their arrival, new managers would attempt to make changes but faced resistance from a workforce sceptical of their competence and commitment. One employee said:

‘I have seen about 10 managers through the place. We have been through process improvements with each one. Nothing is ongoing. We start a lot of things and then abandon them when the people move on or it gets busy.’

The nature of the production process, the speed of which was largely in the workers’ control, supported workers in their resistance to change.

Workplace relationships between management and unions were characterised by poor communication, and a lack of respect between the workforce and management. As one lead delegate reflected, it was ‘fit for tat’ behaviour:

‘…traditionally unions and companies have just butted heads, like, “We want you to do this”, “No, we’re not going to do that”… So nobody ever really got anywhere and it was always fit for tat… It was more fighting than working together and trying to get a result.’

The Enterprise Agreement included a Dispute Resolution Procedure which came into effect for any ‘dispute’ in relation to the terms of the Agreement, ‘any workplace industrial policy, practice or procedure’, or about interpretation of the Award. In such a case, work was to continue as normal, requiring that the ‘status quo’ be maintained while the dispute was addressed. The union saw the clause as a way to encourage management to consult about change. Management saw the clause as a way for the union to block change. Whatever the explanation, some disputes took several months to resolve.

Figure 1: OFP production locations
In 2012, a series of developments brought home that major change must occur. These developments occurred at different levels—corporate, organisational and site—and between various parties. Not all were consciously co-ordinated but together they generated the necessary commitment among key decision-makers to a collaborative transformation process.

There were many contributors to the transformation process, but four leaders:

- the Group General Manager (GM) of Amcor (later Orora) Fibre Packaging (OFP), Rick Woods;
- the National Secretary of the AMWU—Printing Division, Lorraine Cassin;
- the General Manager Human Resources (GM HR) for OFP, Chris Zyner; and
- the National Industrial Officer, AMWU - Printing Division, Katrina Ford.

The single most important development was the continuing slide in the fortunes of the business. Its deteriorating financial performance led the Amcor Board to put their support for the Fibre Packaging Division on notice. The Board insisted on a comprehensive turn-around strategy and commissioned McKinsey & Co’s Recovery and Transformation Services Unit to conduct a review and to provide a detailed picture of the changes that would be required to save the business.

At the same time workplace relations at one site in the Division were recognised as particularly toxic. To address matters, the Group GM and the two key union people facilitated an independent investigation that produced a damning report on behaviours and relationships. That report had the salutary effect of getting management and union leadership to agree on whole-scale workplace relations would that business imperatives, were to be saved, workplace relations would have to support business imperatives, especially as a tough and uncompromising McKinsey

analysis and set of prescriptions were anticipated.

Employing a third party experienced in structuring and supporting collaborative change with unionised workforces, but also seen by both as independent, was something management and union agreed was a necessary step.

In October 2012 the parties agreed to approach CoSolve Pty Ltd, a two-person consulting firm, and with them a strategy for change was sketched out. This involved selecting a pilot site, surveying the local stakeholders, workshop with them the emerging picture, building in business metrics and then agreeing a joint turn-around plan.

The Group GM was, however, concerned that engaging McKinsey & Co to review the business at the same time as discussions were being held with the union about taking a collaborative approach to change would send mixed messages to the workforce. Fortuitously, the involvement of the Fair Work Commission provided an opportunity to reduce this risk.

Around this time, the Group GM had the opportunity to meet the President of the Commission, who offered to set up a meeting of key stakeholders to assess how the Commission could support the proposed cooperative process.

After initial discussions, a meeting was arranged at the Commission in February 2013, described by the Printing Division National Secretary as “an off the record but Fair Work conversation”. Participants included: the Printing Division National Secretary; the National Secretary of the AMWU; the Group GM of Fibre Packaging and the CEO of Amcor Australasia; and the President of the Commission, and the two Commission Members, Deputy President Anna Booth and Commissioner Julius Roe, who later supported the Orora/AMWU transformation. These two Members had expertise in and commitment to collaborative approaches to workplace change; moreover, DP Booth was on the Commission’s relevant industry Panel, and Commissioner Roe had worked in the industry for many years before joining the Commission.

In February 2013, following a successful pilot engagement at a major site a meeting was held with the four leaders of the transformation process and the two CoSolve principals. (The GM HR had been appointed in December 2012.) At this meeting McKinsey & Co consultants delivered an extremely confronting and detailed presentation on the business predicament of the overall OFP Division. One of the CoSolve principals described the significant impact of the presentation in this way:

‘[The McKinsey’s Partner] then presented a synopsis of the situation …. He said that the slides that he was using were in fact some of the same slides that he had shared with the [Amcor] Board. … The first curve showed the actual profit and loss of the Amcor Fibre Packaging division … 2005 was profitable and since 2005 there had been a very steady and accelerating drop from profitability into loss. … Everyone was just gobsmacked, and what the union said was, “Well s***, that’s really serious.”

At that meeting of the project leaders, agreement was reached to hold a forum in Sydney to present the same information to the lead union delegates at each site and OFP managers. The purpose would be to seek agreement on a path forward. As the Union Secretary recalled saying to the Group GM:

“This is your forum, you need to stand up, you need to be open and transparent, you need to open the books. Our guys know your business, so if you put any data up there that is not factual that’s the end of it. … They need to know [what you want]… You need to be clear with your ‘ask’. Don’t confuse them. What do you want?”

The Turning Point—The Delegates’ Forum

The Delegates’ Forum, facilitated by CoSolve, was held on 13 March 2013. A presentation was made by the McKinsey &
Co consultant, again laying out the full picture of the performance woes of the business and the challenges lying ahead.

The Group GM also made a presentation. He explained that to have any chance of achieving the target of a 25 per cent reduction in operating costs, management, employees and union had to work together. The change had to be collaborative. He recalls telling the group of how to get costs down:

‘... [There are] five things. We can cut overtime, we can cut [casuals and contractors], we can close machines, we can close shifts, or we can close plants. Five things. I’ll give you a commitment that for twelve months we’re not going to close a single plant. Alright? But I need to be able to do all the rest.’

And the National Secretary of the union addressed her delegates:

‘I said [to the delegates], we owe it to our 800-odd members to lead them through this. If we leave it to them [management] to make this call, they are just going to cut jobs, they’re going to cut wages, they’re going to attack us, we’re going to be in and out of Fair Work and our members are going to go through hell and we’ll lose a lot of members. And we’ll lose the business... You know your plants better than anyone, you know what can be improved in your plants, you know productivity, you’re always telling me things and telling me that management won’t listen to you. Here is your opportunity to get to the table and put it.’

Participants at the forum agreed to try the collaborative approach to transformation, although it is fair to say it was not yet clear how this would happen, only that it had to happen. As one Manager described:

‘[It] was really a process of how the business reset the communication on the financial position of the business. So there was an immense amount of work done by many people in many different levels of the organisation to ensure that there was a common understanding through the business of the financial performance, a common understanding through the business that things needed to change, and that there were some guidelines or a path to making that improvement, and delivering a more successful business.’

THE TRANSFORMATION PROCESS

An early step in the transformation was the negotiation of a new Memorandum of Understanding (MoU) that provided a formal platform for both parties to reference as they tried to adopt new behaviours towards each other.

The parties committed to use the problem-solving approach outlined in the MoU before invoking the Dispute Resolution Procedure in the Enterprise Agreement (while retaining their right to do so). The Clause was not invoked at any point in 2013 and 2014. Issues that emerged—and there were many—were tackled through transparent problem-solving techniques.

Coupled with the MoU was an innovative Protocol on Consultation. On the face of it, the Protocol abolished the managerial prerogative—nothing could change without full consultation with union members and their site leadership. But the document did allow, in special cases, for “accelerated consultation”. If time were of the essence, management were authorised not only to identify an issue but to propose (before consultation) the desired solution. The parties would then consult—or even negotiate—over the proposed plan. The accelerated pathway was actually invoked, successfully, on a number of occasions.

Governance Structure

Because of the breadth of the process, the leadership group established a three-tiered governance structure to share tasks, responsibilities and decision-making (see Figure 2). At the apex was a Steering Group comprised of the four leaders of the transformation process, supported by the two CoSolve consultants. Reporting to them (and supported by them) was the Improvement Support Team (IST) and Site Change Teams (SCTs).
Support Team (IST), led by an Operations manager and including internal and external ‘experts’ (including from McKinsey). The IST collected and analysed operational data site-by-site, and made suggestions for improvement. Joint union-management Site Change Teams (SCTs) were created at most sites, their overall purpose being to provide a consultative forum where improvements could be suggested, reviewed and agreed. The work of the IST supported the work of the SCTs, and vice versa. These four groups are shown in grey in Figure 2.

Figure 2 also shows (in orange) the role of facilitative processes. These included consistent and regular communication between all groups; use of informal problem-solving processes where appropriate; and a clear path to escalate issues not able to be resolved informally/at the workplace, to ensure those issues were addressed quickly and in a manner seen as fair to all.

All previously established site consultative forums (for example, OH&S Committees and Delegates Committees) were retained and SCTs worked in parallel and with the support of these.

The entire initiative was overseen by the two Members of the Commission (shown in blue in Figure 2), who met with the Steering Group periodically and provided general support, guidance and encouragement.

The consultants were integral to the transformation process. McKinsey & Co were critical at the front end of the process, providing the initial independent and credible business performance assessment as well as developing data reporting and analysis frameworks that would become the shared and agreed evidence base on which change was built. They also continued to provide technical assistance to members of the IST, although in a much-reduced role. The two CoSolve principals were central to the transformation process, supporting the establishment and conduct of change activities on various sites, working with the Steering Group, helping to design, plan for and implement the overall process, and trouble-shooting generally.

### Workplace Change

The most important changes at individual workplaces occurred through the work of their SCTs. Their operations and achievements varied, and each SCT had to find its own way to develop and implement the changes required at each site.

For example, at one site, the SCT were actively involved in planning for and implementing the introduction of new equipment on site. This SCT invited other delegates to participate in various projects, to take advantage of their expertise but also to broaden involvement in and commitment to change.

At another site the original SCT was slow to kick off, and very large (around 25 people), perhaps reflecting past poor relationships and a lack of trust between management and union. During 2014, the SCT was reduced in size, and rechartered to focus more on operational issues at the site, and how to make improvements.

This SCT confronted and dealt with many difficult issues—for example, how to improve the fairness and transparency of overtime allocation—and made some good progress. The Site Manager described how, overall, SCT meetings had become more productive:

“So .. we have some really great meetings and then also we have the odd poor one still, but a lot better. We had one today and people are taking accountability for certain initiatives while before, they didn’t want to have names written down because obviously they would get grief from the members on the floor ... so I think it’s come a long way. We need to do a lot more work on it … but we’ll get there.”

However, while the SCT members at this site learned to work well together, site management and lead delegates at this (and other) sites emphasised the challenges of effectively communicating with the whole workforce, and engaging them in the change process. The lead delegate at this site said:

“I’ll tell you one thing we’ve done very well here is we’ve been very, very open with the people, the members on the floor. They’ve got all the information [we] can give them …because in the past, like I said earlier, they’ve kept it to themselves, the chapel. But now we just share it, and I think management are happy that we share it too.”

OFP introduced a set of metrics, data on which was collected and regularly and openly shared across all sites. The data showed site performance against transformational targets and how each site was performing against all of the other sites within the OFP network. There was a great deal of time invested in ensuring participants understood and used the data in their SCT forums. In essence, the data provided the ‘single point of truth’ upon which all debates and decisions could be based.

Not everyone was keen on the type and speed of change required, and some changes had negative effects on the workforce, notably a reduction in take-home pay for many workers, because as efficiency improved, overtime was reduced. While, for various reasons, some workers were quite willing to take a voluntary redundancy, the job losses were hard for others. One lead delegate described his experience in this way:

“We’ve seen a lot of changes in the way we run and efficiencies and stuff like that. We’ve also had three rounds of redundancies in that time, which is probably the worst thing we’ve had to deal with as a Chapel.”

It was the union delegates and officials, site managers and the Steering Group who acted as trouble-shooters when required, and bore a significant part in the process of raising and constructively addressing concerns about change.
By November 2014, a range of operational and financial improvements had been achieved. At each site, workers and managers pointed to specific improvements in performance, supported by improved processes and new investment. There was a focus on productivity, machine speed and performance, quality, waste, downtime and direct labour cost comprising all aspects, absenteeism, wage costs, and productivity improvement. Progress varied, as each site sought its own solution to the shared problem. One Site Manager attributed these improvements to the transparent data provided to everyone at every site:

‘Because it takes a lot of energy to fight, it takes much less energy to get along ... you just have to be considerate of the next person, think about where they’re coming from, and understand them.’

A lead delegate at another site agreed:

‘Since the transformation [it] has been an absolute pleasure to be here. I actually look forward to coming to work. It gives the workers on the floor a little bit of ownership for the machinery and their actual day to day work. It’s not so much management-driven since the transformation, which is a lot, a lot better.’

While not the driver for collaboration, the demonstrated improvements in productivity nevertheless provided tangible evidence to support the business case for investments in new machinery, which helped to demonstrate to the workforce the commitment of management to their future work and job security. Many workers had feared the company would fold, or at least some sites would close.

In addition, there has been more training in operational skills—for managers and workers—to support improved performance. There has also been training in ‘soft skills’, to support better understanding within and between parties about the nature of the transformation process. This included training for managers about how a union like the AMWU Printing Division worked and the roles and responsibilities of site representatives.

Central to these improved relationships, according to most interviewees, were senior managers and union leaders who modelled more respectful behaviour and raised expectations of better behaviour. At some sites, however, these improvements were built on a ‘low base’, and there is acknowledgement from management and union that there is still work to do.

As one manager said:

‘It’s not like Rick and Lorraine and Katrina and Chris had a conversation and the world changed. It’s not like that at all. It’s not even close to like that. Every day is difficult, every single day is difficult and it’s difficult for a thousand reasons. But so long as everybody is working together through those difficulties and [we’re] discussing issues and trying to do what we can—that is a significant change.’

ROLE OF THE COMMISSION

Before the transformation, the Commission had played a traditional dispute resolution role for Amcor Fibre Packaging and the AMWU Printing Division. The union official describes their earlier engagement with the Commission in this way:

‘[In the] lead up to the 2010 enterprise agreement, we spent six months doing protocols for the EA before we even sat at the table, and I think we were in the Commission twice before we even got around the table for the enterprise agreement.’

During the transformation process, the Commission, of course, retained all the formal legal roles specified in the Fair Work Act, and performed those when required, as in reviewing and approving the enterprise agreement. But it was also recognised that the Commission could take on an effective role which was different from its ‘traditional’ role. As the GM HR and then the Union Secretary described:

‘And then ultimately we all realised we would need help, but recognising that Fair Work can play this different role other than conciliation and arbitration, they can steer us in different ways.’

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At first they [union members] thought it was like arbitration or conciliation and they didn’t want Fair Work making rulings, and we said ‘no, this is something quite different’.

While the Commission Members were not often involved in the day-to-day change process, they worked with the parties behind the scenes. As DP Booth described it:

‘Here, we’re neither the architects nor the builders. We’re the sort of consulting specialist engineers on the side … a sounding board, there [for] advice when the parties needed it in relation specifically to the application of the Fair Work Act and industrial relations.’
For example, early in the process the President and the two Members acted as relationship brokers, helping with the initial, difficult discussions, and giving the parties confidence to commence the process:

‘So what … we decided to do at the outset was simply convene a joint conference of the parties to introduce ourselves.’ (DP Booth)

‘It was … more a scene-setting meeting than anything else. The Amcor Australasia CEO and the National Secretary of the AMWU were never going to be heavily involved in the exercise. But it just showed the commitment.’ (GM HR)

Members were available to assist regularly and also on an as-needs basis, as Commissioner Roe described:

‘Oh, look, the intensity varies, but certainly, at least once a month throughout the period, we’d be asked about something or have some contact, and sometimes a bit more frequently but it’s that sort of level.’

The Members also provided counsel and the benefit of their own experience to assist the parties to introduce the issues:

‘I picked up the phone to DP Booth regularly, “help me with this, I’m trying to position this”. It’s all about in my mind putting yourself in their shoes and understanding, that’s the difference, it’s being able to think about it from the other side’s perspective.” (Group GM)

Parties reported that having two Members involved was helpful, since one could advise management, and the other advise the union, while also appreciating the overarching goal of the process and its sensitivities:

‘[The Commission could] … understand what the parties are doing and … be gently, carefully responsive, supportive and nurturing when needs be, but not visible to the larger group of players.

Moreover, once the transformation process had commenced, the involvement of the Commission gave the leadership group credibility with their respective stakeholders, as the Group GM described:

‘Obviously the company had seen how serious it was [because the senior managers and senior union representatives] got together with President Ross and Fair Work, under their auspices … That type of stuff is really important because it adds credibility to both teams.’

Both management and the union observed that this credibility relied, in part, on the fact that involving the Commission was seen as a public commitment to do as promised:

‘So if you’re going to tell them “I’m going to do this and I’m going to do” that and it’s done in front of an esteemed group of people, if I can put it that way, nobody can go back on their word.’ (Group GM)

‘Now what became evident to us … was that our members liked the idea of Fair Work overseeing the process. … They liked the idea because they thought … “well at least we’ve got senior people [involved ie. the Commission] and if we end up in dispute they’re going to see what we’re really like.”’ (Union Secretary)

Several meetings were convened at the Commission with the four leaders with DP Booth and Commissioner Roe in 2013 and 2014, to discuss issues and review progress:

‘We … injected the Fair Work Commission, Deputy President Booth, and Commissioner Roe. … Not as holding any formal legal authority or binding authority over what we were doing, but again as a sounding board, as an advisory board, as potentially a circuit breaker, as part of the transformation.’ (GM, HR)

CONCLUSIONS

The transformation process at Orora involved a significant investment of time, effort and thought by many people. Current evidence (as at November 2014) is that the transformation process has been successful in reversing the business’ decline and establishing a robust platform for sustainable operational efficiency and profitability into the future.

In a generally combative industry with a long history of adversarial, low-trust workplace relations, this resolution to persevere with a collaborative relationship between management and union is striking.

However, it was not always evident that this success would be the outcome. A series of significant challenges and setbacks have been negotiated along the way and the collaborative relationship will face further challenges, with management changes and more hard work required to improve shareholder returns.

Perhaps the most remarkable feature of the change process—and a vital ingredient for its success—has been the leadership and unwavering commitment of the four senior management and union figures. They staked their personal credibility on collaborative change.

‘…Sitting in your office, clunking on your computer and expecting stuff to happen—It’s not going to happen. A collaborative transformation cannot work that way. It’s consultation, communication and involvement, there’s no other option.’ (Group GM)
This case study is part of a larger project led by Johanna Macneil, Mark Bray, Andrew Stewart and Sarah Oxenbridge, and supported by the Fair Work Commission. This short version of the case study summarises a much longer report, prepared by Johanna Macneil. The report draws on data from interviews and documents. With respect to the former, a total of 25 semi-structured interviews were conducted (face-to-face or via Skype or telephone) in Melbourne, Sydney and Newcastle with Orora Fibre Packaging managers, AMWU Printing Division delegates and officials, CoSolve consultants, and members of the Fair Work Commission. The interviews were conducted in October, November and December 2014, and were between 50 and 120 minutes duration. All were digitally recorded and professionally transcribed. A collection of documents was made available by Orora and the consultants, and publicly-available documents were also used.

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