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Workplace Cooperation in Action

Two Case Studies

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Mindful of the on-going debate swirling around the issues of "voice" and employee involvement and representation, this paper aims to present actual cases of companies that have delved recently on these IR/HR issues. These research-based cases focus on "best practices" which were reported as narratives and analytically examined. As such, it does away with the theoretical and conceptual debate and concentrates instead on the operational aspects of "what is happening on the ground." Nevertheless, we incorporated quantitative presentations of positive and negative changes that have taken place as outcomes of strategic initiatives taken. The International Container Terminal Services, Inc. (ICTSI) and the Ebara Benguet, Inc. (EBI) reportedly experienced transformation in their relationship with militant unions after having adopted the workplace cooperation strategy. These companies purportedly experienced significant improvements in quality, productivity and industrial relations.

Workplace Cooperation and the LMC – Grounded in Practice

Praxis is the process by which a theory, lesson, or skill is enacted or practiced (Wikipedia, 2008). We present the following accounts of workplace cooperation based on actual involvement and hands-on experiences in the following companies.

A. Rhetoric vis-à-vis Results: Ebara Benguet, Inc.

Ebara Benguet, Incorporated (EBI) was established in Laguna on March 27, 1991 as a joint business venture between Japanese and Filipino investors for the production of stainless steel castings and cast components for pumps and pump systems for local and foreign markets. A few years after its inception, as the general business situation deteriorated, a militant union federation was able to organize workers inside EBI. Labor-management relations were confrontational, characterized by mutual distrust and suspicion. Negotiations for a collective bargaining contract were protracted, eventually culminating in a crippling strike in mid-1998. As the Asian financial crisis worsened in the late 90s and the market for its products shrank, the company found itself in a life-threatening situation.

Hemorrhaging by almost P80 million pesos in annual losses, Ebara suffered high rates of product rejections exacerbated by intermittent disputes and wrangling between a militant union and a harassed management, among others. Quality was amiss, not only in the products but more so in work relationships. In a highly competitive global market this only made the situation more critical as its business viability was placed on the line. At the turn of the decade, EBI Philippines was at the brink of either company closure or plant relocation to China. How to arrest its rapid deterioration and infuse some hope in the company's bleak circumstances were among the initial questions and challenges faced by the company president in early 1999.

"Partnerships for Quality, Productivity and Profitability (PQP^2)" was the intervention program carried out through an LMC. Its overall thrust was aimed to foster partnerships: internally, between management and workers; and externally, between the company and its suppliers, buyers, and other stakeholders. The PQP^2/LMC had a joint body composed of representatives from employees and management, with a Steering Committee and various action groups. The LMC focused on specific areas of mutual concern such as productivity, quality assurance, cost reduction, work environment and the well being of employees. It also served as a venue where labor and management would be able to confer and resolve problems and issues between them. The LMC decided jointly on the formation of action committees and the selection of its members, based on jointly-determined priorities requiring urgent and immediate action, and the capabilities and competencies of its members.

The following major activities of the PQP^2 were carried out in several phases:

I. Series of dialogues between consultants, management and labor representatives

II. Strategic planning for quality and organization of the Quality Steering Committee

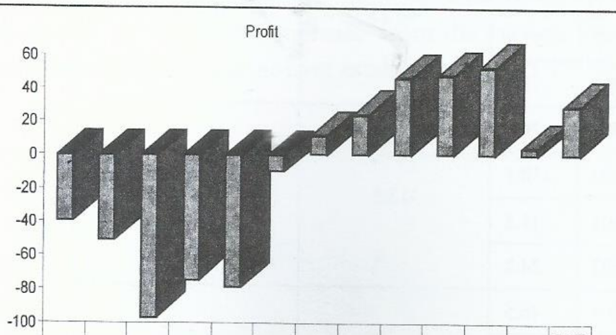
III. Companywide promotion of PQP², training in problem-solving techniques, team

building, principled negotiations, and activation of quality improvement teams

IV. Periodic evaluation of the program in terms of the parameters agreed upon. Three of the major parameters utilized to measure change included: (a) production volume, (b) rejection rate by weight, and (c) profit and loss statement.

With the institutionalization of the PQP²/LMC, productivity appeared to have improved, product quality was enhanced, and profits increased at Ebara Benguet, Inc. This was attested to by documented data demonstrating how EBI's profitability had improved in recent years, coinciding with the initiatives undertaken by the LMC-intervention program (Figure 1). Graphically, figures show how much EBI had incurred financial losses from 1995 to 1999, corresponding with the period before the implementation of the PQP²/LMC. But just a year after its creation in 2000, the level of profitability started to rise steadily until 2005. There was a sudden drop in profitability in 2006 which EBI attributes to new competition from other subsidiaries and rivals in the

Fig. 1 EBI's Profitability from 1995 to 2nd Qtr 2007 (Gonzaga, 2007)



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (2Qtr)
Profit (in millions)	-40	-51.6	-97.7	-75.2	-79.6	-10.1	11.5	24.2	46.5	48.2	53.2	4.4	29.9

international market. Moreover, the company settled a number of debts that had matured during that period. The company seems to be bouncing back in recent years as shown by the resumption of profit rates up to the 2nd quarter of 2007. Table 1 shows a comparison of profitability levels before and after the institution of the LMC based on original data earlier gathered (Gatchalian 2002) and updated (Gonzaga 2007).

The impact of the intervention program is shown by graph above, suggesting a 55% growth in profitability after the establishment of the PQP^2/LMC. The highest growth rate was from 1999 to 2002, which significantly coincides with the introduction and implementation of the PQP^2/LMC at EBI (Gatchalian 2002). PQP^2/LMC appeared to have made an impact as well on productivity by coming up with programs to motivate employees during bleak business periods. LMC facilitated communication between management and employees, particularly during those instances when there were problems at the production line. The company's efforts to mobilize its people to greater productivity were boosted by the PQP/LMC's programs and activities. Initially opposed by the union, some of whose members participated with reluctance, the campaign gradually made headway.

Table 1. Comparison of EBI's Level of Profitability Before and After the LMC

<table>
<tr><th>Year</th><th>Profit</th><th>Average 4 years</th><th colspan="2">% Growth</th></tr>
<tr><th></th><th></th><th></th><th>After LMC vs. 4 Year Ave.</th><th>Before LMC vs. After LMC</th></tr>
<tr><td>1995</td><td>-40</td><td rowspan="4">-66.13</td><td rowspan="4">15.27%</td><td rowspan="12">55%</td></tr>
<tr><td>1996</td><td>-51.6</td></tr>
<tr><td>1997</td><td>-97.7</td></tr>
<tr><td>1998</td><td>-75.2</td></tr>
<tr><td>1999</td><td>-79.6</td><td rowspan="4">-13.5</td><td rowspan="4">74.81%</td></tr>
<tr><td>2000</td><td>-10.1</td></tr>
<tr><td>2001</td><td>11.5</td></tr>
<tr><td>2002</td><td>24.2</td></tr>
<tr><td>2003</td><td>46.5</td><td rowspan="4">38.75</td><td rowspan="4">24.39%</td></tr>
<tr><td>2004</td><td>48.2</td></tr>
<tr><td>2005</td><td>53.2</td></tr>
<tr><td>2006</td><td>4.4</td></tr>
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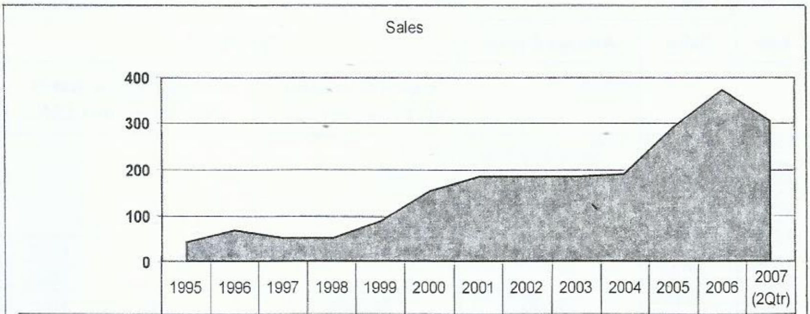
Figure 2. EBI's Annual Sales from 1995 to 2nd Qtr 2007



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (2Qtr)
Sales (in millions)	43.9	68.4	52.4	52.2	89.3	152.8	184.5	183.6	184.8	190.5	292.6	373.1	307

As shown in Figure 2, EBI's total sales gradually increased after the installation of the PQP/LMC. At present, management's optimism that the positive trend will continue is bolstered by the 2007 2nd quarter sales report which has already shown an increase of P307 million.

Table 2 presents a comparison of EBI's change in productivity levels measured in terms of sales volume before and after the introduction of LMC-PQP. Note that after the first four years of PQP[2] (1999-2002), there was a notable increase in volume of sales

(98.32%) as compared with average sales volume four years earlier (1995-1998). Furthermore, sales volume continued to increase (70.60%) as shown by comparing the four year average for years 2003 to 2006, and the four year average immediately after LMC installation (1999-2002). The average percentage point increase between the two four year averages shows an 84.46 % increase from the average four year sales volume when the LMC was not yet established (1995-1998).

Table 2. Comparison of EBI's Level of Productivity in Terms of Sales Before and After the LMC

Year	Sales	Average 4 years	% Growth	
			% growth in terms of 4 year averages	Before LMC vs. last 4 year average after LMC
1995	43.9	54.23	---	84.46%
1996	68.4			
1997	·52.2			
1998	52.4			
1999	89.3	152.55	98.32%	
2000	152.8			
2001	184.5			
2002	183.6			
2003	184.8	260.25	70.60%	
2004	190.5			
2005	292.6			
2006	373.1			

EBI's total production of casting and pumps, the main products manufactured in its Laguna plant, appears to have increased too. Production had risen to a total of 625 metric tons (the highest) of casting and 1,679 units of pumps in 2006, as shown in Table 3. The production of pumps actually started only in 2003 after the company's recovery. With the salutary effect of the LMC, particularly in the significant improvement of labor management relations, the company was able to engage in the production of pumps as management felt increasingly confident that employees could now adequately produce such product. There was a growth of 88.41% in the production of castings which was primarily attributed to the productivity programs introduced through the PQP²/LMC (Figure 3 and Table 3).

Figure 3. Production of castings (in metric tons) from year 1999 - 2007

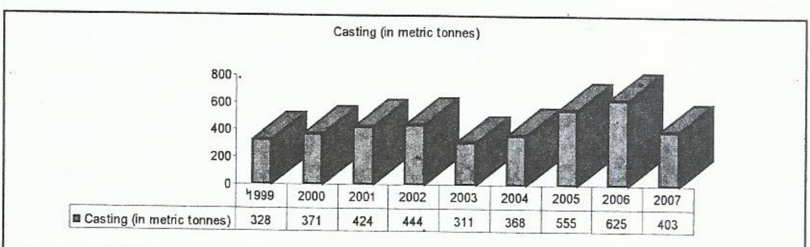
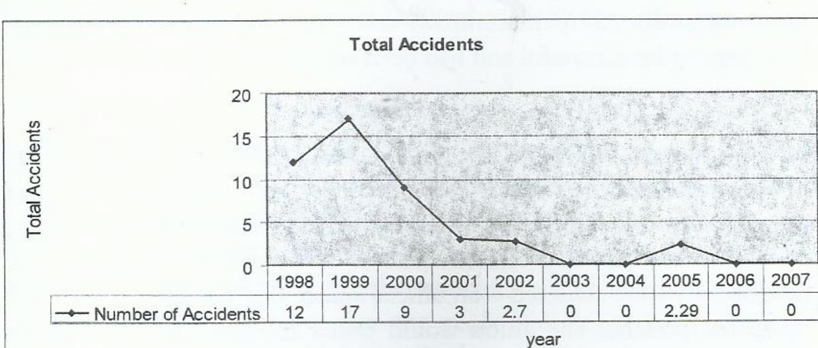


Table 3. Comparison of EBI's Level of Productivity in Terms of Production Volume for Casting Before and After the LMC

Year	Production Volume	Average 4 years	% Growth	
			Percent point difference before and after LMC using 4 year averages	Before LMC vs. after LMC
1999	328	391.75	94.70%	88.41%
2000	371			
2001	424			
2002	444			
2003	311	464.75	79.18%	
2004	368			
2005	555			
2006	625			

Improvement in terms of quality may also be deduced from the declining incidents of work accidents as seen in Figure 4. Before the PQP[2], the frequency of mishaps were high, coinciding with the high level of negative attitude of employees some of whom deliberately produced low quality products or resorted to sabotage activities. As mutual trust developed, quality improvement and increased productivity became shared goals for both management and workers. After the LMC was set up, the total number of accidents occurring in a year showed a significant decline, from an average of 7.75 during 1998-2001 to as low as a single incident or none at all.

Figure 4. Total Accidents from 1998 to 2nd Qtr 2007



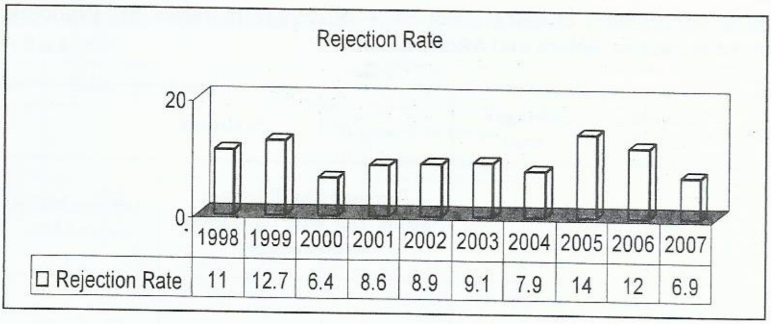


Figure 5. Rejection Rates from 1998 to 2nd Qtr 2007

Another indicator of quality is the product's rate of rejection. As shown in Figure 5, the rejection rate was lowest in the year 2000, one year after the PQP^2/LMC was established. While there was an increase in rejection rate in 2005, it was explained that this was because some of the programs were not monitored. In the succeeding years (2006 and 2007), however, the PQP/LMC program on quality was revived and LMC committees and quality circles are currently reinvigorating the efforts to improve quality.

During EBI's recovery period, much effort was exerted to ensure that resources were utilized to the maximum and that losses were minimized, if not prevented. Monitors and security cameras were installed in strategic areas to prevent theft and wastage. Strict control was imposed in the inventory of raw materials and employees were encouraged to participate in cost-saving measures. EBI's expenses had significantly decreased after the PQP/LMC's establishment in 1999. The cost saving measures instituted by the company and supported by the LMC seem to have been quite successful and had been substantially instrumental in the company's recovery.

Interestingly on hindsight, the union did not welcome the idea of an LMC within EBI, nor has it recognized the above achievements as an outcome of workplace cooperation. Its militant leadership would rather credit the workers solely, for whatever achievements in quality and productivity were achieved—an official stance that has been carried over up to the present. The union would rather recognize the PQP^2 as the strategy that led to the company's business turnaround, but would not want to acknowledge the contribution of the LMC. Nevertheless, the significant divide between ideological rhetoric and pragmatic results is clear.

B. From Militancy to Mutuality—the ICTSI Saga

The International Container Terminal Services, Inc. (ICTSI) is a Philippine-based multinational founded in December 1987 and engaged in the business of acquiring, developing, managing and operating container ports and terminals worldwide. ICTSI and its subsidiaries provide cargo handling and related services to container, storage facilities and services, and roll-on roll-off (RORO) and anchorage services to non-container cargo or general cargo. Owing to the success of its Manila operations, ICTSI expanded both locally and internationally. In 1994, it commenced international port operations in such countries as Hong Kong, Miami, Jakarta, Sydney, and Dubai. The company operates eight (8) other terminals in such countries as Brazil, Poland and Madagascar. It is currently pursuing an active program to acquire new terminal concessions in Asia, Australia, the Indian Subcontinent, the Middle East, Africa, Europe and the Americas.

Behind the story of ICTSI's business success are myriad people problems that indicate the once turbulent relationship between management and labor. Conflict and confrontation at the workplace was particularly prevalent during the years 1988 to 2000. Collective bargaining negotiations were often marred by deadlocks between ICTSI and the union, and punctuated by violence due to intra-union rivalries. Drug related problems proliferated and the intervention of the National Conciliation and Mediation Board (NCMB) was often needed to avert strikes and settle disputes that often cropped up between management and the union.

The introduction of labor management cooperation (LMC) through a provision in its 2001 Collective Bargaining Agreement is considered a major turning point in the labor relations history of the company. It provided the impetus for the establishment of a steering committee, the mechanism which spearheaded the plans and programs of the LMC. Companywide orientations and refresher courses were conducted among officers and members to ensure that the goals of industrial harmony, quality and productivity would be realized. Joint problem-solving committees were constituted and one such body was mandated to handle data research and related matters concerning the interpretation of the collective bargaining agreement.

Other LMC task forces were formed, with focus on special concerns such as attendance, communication/IMS, safety and transportation, equipment breakdown and maintenance, training, promotion, employee welfare and wellness, and supply and development of nanpower.

The LMC provided support for the Productivity Incentive Program (PIP) for terminal operators, which resulted to an increase in productivity targets and greater employee motivation. The LMC endorsed numerous requests from the union regarding workplace improvements and facilitated CBA negotiations, enabling it to proceed expeditiously. Through the LMC, union and management worked out innovative grievance machinery unique to ICTSI, utilizing indigenous processes for the early and speedy resolution of issues. The latest project of the joint body is an anti-tipping campaign which aims to put an end to the practice of truck drivers, operators and security guards to accept tips. A consensus is growing that ICTSI clients should be serviced well without the workers expecting tips, extra payments or special favors/gifts.

Through the LMC, labor and management were able to plan for common projects and activities such as training for employees, livelihood projects, and employee rewards and recognition. They are able to help each other identify mutually shared issues and determine ways to effectively address these through joint action programs. Moreover, since many issues and concerns are threshed beforehand through the LMC, recent CBA negotiations have been conducted in a relatively peaceful and speedy manner. It facilitated the process and made it easier for both sides to reach agreement while it maintained mutual trust and fostered mutual respect across the negotiating table.

Both union and management have come to realize that strikes and disputes affect the company negatively by straining work relationships and slowing down production. Since the institution of the LMC the past seven years had been conflict-free and the company was able to enjoy steady growth. Figure 6 shows significant trends coincident with the periods when the LMC was non-operational and when it was functioning again. Thus a sharp drop in profits is seen from 2002 to 2003 corresponding to the transition phase during which the LMC had been shelved temporarily, as management and labor attempted to iron out their issues of contention with each other.

When tension subsided in 2004 and the LMC was put back in place, profits correspondingly started to increase once again. In recognition of its noteworthy business performance, the ICTSI was selected by the Asian Development Bank as one of the five top maritime terminal operators in the world. By the second quarter of 2007, the company already surpassed its 2006 record in annual profit, with ICTSI experiencing an 89.47% increase in profit after the LMC's creation.

In line with the LMC's efforts to promote productivity at the workplace, several programs to motivate employees have been initiated. Among these are the incentive programs, merit performance increase, perfect attendance award, AWOL and tardiness policy campaign and training programs for all employees. As the records demonstrate, there has been a steady rise in sales revenues (see Figure 7).

In the relentless pursuit of ever higher levels of quality service, the LMC of the ICTSI encourages all employees to observe processes to ensure the safety and security of cargoes. Operators are encouraged to check on small details such as oil, water, steering and tire pressure, and to report defective parts found in any equipment. They are reminded that failure to follow these quality measures would affect customer satisfaction and lead to future losses. The safety and security of employees have likewise become a primary concern. Employees are given protective gears such

Figure 6. Profitability in ICTSI

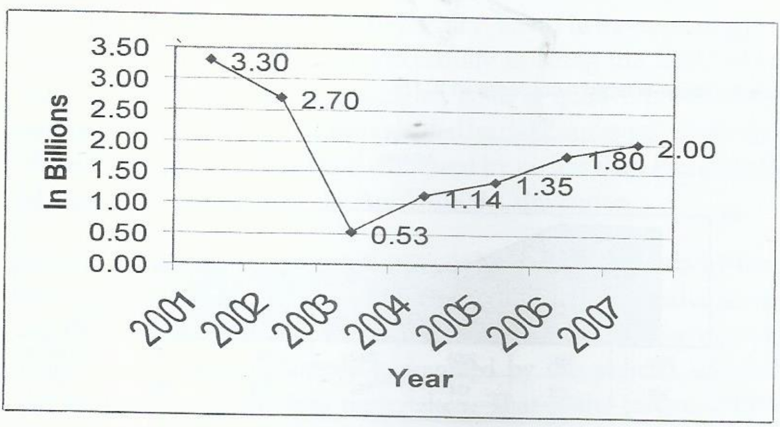
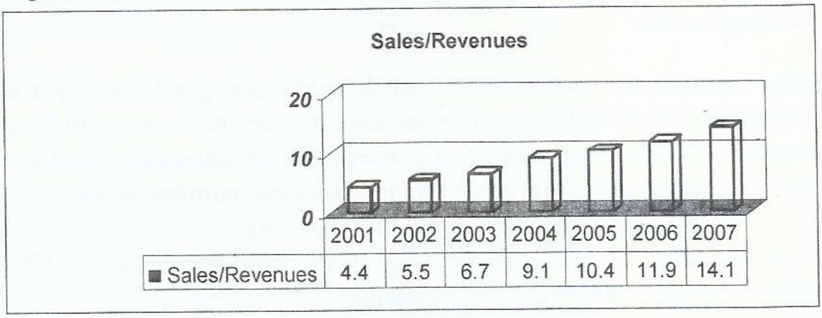


Figure 7. Productivity in ICTSI



as hard hats, safety shoes, gloves, masks and harnesses. This campaign helped to significantly reduce the number of accidents at the workplace as shown in Figure 8.

The ICTSI acknowledges that its manpower, machines and equipment are its primary resources. To ensure that these major assets are utilized properly, the LMC through the different task forces reviews the status of each resource and comes up with plans to improve and ensure their safety. Pre-operations check-up are done to maintain the good working condition of equipment. Similarly, employees are provided with free health checks.

Records indicate a sharp decrease of 16 % in the rate of employee turnover in 2003, down to not more than 7% in the succeeding years when the LMC was activated (see figure 9).

Figure 8. Work-related Accidents in ICTSI

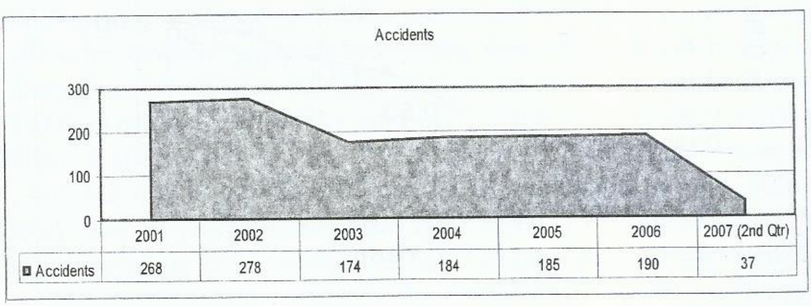
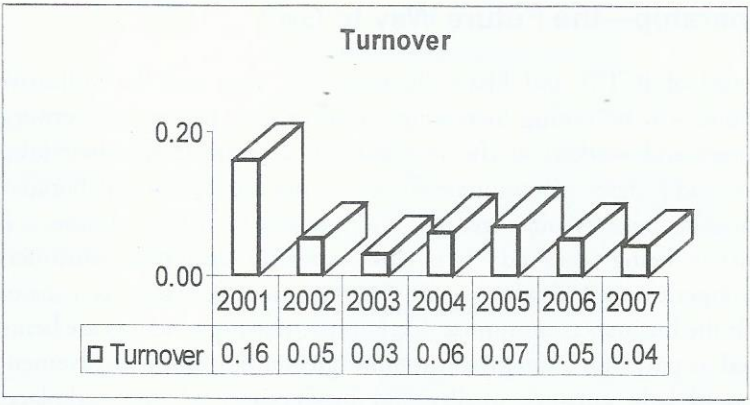


Figure 9. ICTSI's Turnover Rate from 2001 to 2007 (2nd Qtr)



In the case of ICTSI, the transformation of the labor-management relationship from confrontation to cooperation is of major significance. Considering the long history of the union's militancy and its adversarial position vis-à-vis the employer, its adoption of a more cooperative stance led to a marked change in work relations from ***militancy to mutuality***. This, in turn, was matched by a positive response from its social partner, as tangibly demonstrated by management in offering unexpectedly much better terms and conditions of employment in the collective bargaining negotiations of 2006. The role of the LMC in this development is acknowledged by both key leaders of the union and the HR officials of the company, as shown by the ***"win-win"*** strategy of principled negotiations accepted and utilized by both partners in arriving at a mutually-satisfying Collective Bargaining Agreement (CBA).

In view of the company's exemplary achievements in harmonizing its labor management relationship and successfully utilizing the LMC to elevate the partnership to focus on the higher goals of quality, productivity and competitiveness, the ICTSI was awarded by the Employers' Confederation of the Philippines (ECOP) and conferred by no less than President Gloria Macapagal Arroyo during the April, 2009 Convention.

In fine, the initiatives in workplace cooperation undertaken by the cited companies exhibited close alignment with their respective corporate and strategic goals. Sustainability, however, is a time-determined issue which cannot be conclusively guaranteed by the policies adopted and the programs and activities undertaken. That is the foremost caveat to be considered.

From Workplace Cooperation to Workplace Partnership—the Future Way to Go?

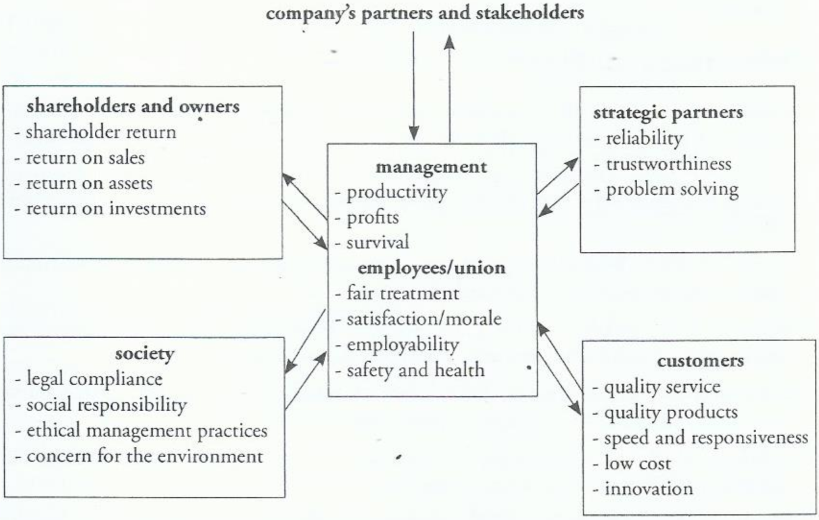
The cases of ICTSI and Ebara Benguet, Inc. may well be indicative of a trend – it becoming increasingly evident that partnering between employers and workers at the workplace is a requisite for their joint survival and progress. Parenthetically, a growing number of collaborative relationships between management and workers (and their unions – if present), is being observed. It is also eminently clear that consumers and competition are driving quality improvement activities as a major force in the business community. Certain partnership practices are being adopted as part of a strategy to mobilize greater employee involvement that could help enhance quality and productivity at the workplace. More workplaces in the future are expected to employ the progressive approaches mentioned above.

In this regard, Workplace Cooperation (WPC) may be evolving further - from a largely bilateral effort between labor and management narrowly working together for the benefit of their organization and for themselves, to the higher plateau of Workplace Partnership. At this elevated base, their work relations can encompass a broader range of workplace actions, behaviors and attitudes that promote innovation, productivity and an improved quality of working life that not only delivers mutual gains - but also benefits more stakeholders in the wider community.

From a broader perspective, it must be considered that quality goods and services are produced and transacted in a web of relationships, among multiple stakeholders of the organization, linked together in a variety of internal and external partnerships. These stakeholders are individuals or groups that have their interests, rights or ownership in an organization and its activities. Customers, suppliers, employees (or their unions/associations), and other strategic partners are examples of such groups which have a stake in the company as shown in the diagram (Figure 10).

The partnership between the company and its employees (and with their union, if present) remains vitally significant, in the light of actual and potential impact on the quality of outputs and their outcome. Properly fostered and adequately nurtured, this partnership can provide the competitive edge needed by the company (Gatchalian 2000). A parallel

Figure 10. Workplace Partnership and Strategic Stakeholders in the Wider Community



view is held by Guest and Peccei (2001), who describe partnership as "a concerted effort by owners and managers to create an environment where employees take a significant psychological stake in the success of the organization. This is achieved through building high levels of attachment, commitment, and involvement in the enterprise. A partnership philosophy relies on both employees and management to focus on shared goals and interests without being derailed by potentially different positions on specific issues" (cited in New Models 2008).

Partnership represents a philosophy of integration and mutuality with a move away from conflicting positions and distinctions, according to Martinez Lucio & Stuart (2002). McCartan discusses the primary values espoused by partnership philosophies including: mutual trust and respect, a joint vision for the future, continuous information exchange, employment security, and dispersed decision making (2002). Partnership has been argued to increase productivity, boost quality, provide a more motivated workforce, and precipitate drops in absenteeism and turnover (Roscow and Casner-Lotto 1998). All these confirm a growing consensus among IR/HR scholars, students and practitioners, and collectively project a positive outlook for workplace partnership in the future.

Notes

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