

WORKING PAPER – DO NOT QUOTE WITHOUT PERMISSION FROM THE AUTHORS

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Teams, continuous improvement, the unions and conditional trust in the company Scania

In this paper, it will be discussed if there is a “team dimension” connected to legitimacy/trust in manufacturing companies. The “improvement teams” in the truck producing company Scania, that also are the basic organisational unit in production, can be described as “open micro systems”, with external relations and links between the teams and the organisation as a whole (Sederblad, 2011b). Our interpretation is that the result of continuous improvement activities in the improvement teams is dependent on blue collar workers believe that they will, at least indirectly and in a long time perspective, benefit from involvement in developing the production system. We will introduce the concept “conditional trust” to analyse the relations in production (Sederblad, 2011a; see also page 5 in this paper). This concept will also be used to understand the negotiation system on the company level and we will especially focus on the role of the unions. In the final section of the paper we will analyse how the production system and negotiation system are linked to each other.

We will discuss and analyse the following questions:

1. How is the “improvement teams” organised in the company Scania and how do they work with “continuous improvement”?
2. How is conditional trust established in production and in improvement activities (among supervisors, team-leaders and workers)?
3. How is conditional trust established in the negotiations in the company (management, unions and workers)?
4. How is trust in production linked to trust in the negotiation system, and how functions the system at the workplace as a whole?

We have conducted research on the production system and negotiations between the management and the unions in the truck producing company Scania for more than two years. In our research project, multiple research methods are used, and for the study of the production

system and negotiation system interviews with managers, workers and union representatives, observations of the work process and documentation studies have been used. In the company, we have a reference group including HR-managers and union representatives we meet every half year. We present our empirical research results and we can confirm, or adjust, our analyses of the results.

In a classical book for Scandinavian working life research, the Norwegian sociologist Sverre Lysgaard (1961) presented a system analyse of an industrial workplace with focus on the workers and their collective. Lysgaard described the work organisation as consisting of three systems: the technical/economical system, the worker collective and the human system. The worker is involved in the systems as employed, work mate respectively human being. Further on, he recognised in the book four levels of the work organisation: the power level, the control level, the involvement level and the reality level, were the individuals meet as persons. The union are seen as part of the technical/economical system, but has also a role as actor in the negotiations on the power level. We will in the paper propose that the union also have a function as connecting the levels in the organisation with each other, from the power level down to the individual level.

This will be discussed in the later part of the paper, which is structured after the four research questions presented above. We will discuss these questions in order below, but first we will give some basic facts about the company Scania and our research project on the conversion strategy of the company.

Scania has around 37 500 employees. The head office and largest production unit is located in Södertälje, south of Stockholm. There are production units also in two other places in Sweden, in Oskarshamn, on the south-east coast and in Luleå, in the North. We have mainly studied the cab production unit of Sweden. There are large production units in Brazil and the Netherlands, and smaller units in some other countries. The main owner of Scania is Volkswagen. Our discussion in this paper is based on results from an ongoing research project. The project, financed by VINNOVA¹, started in late 2009. The project is organised in three sub-projects, focusing the production system, negotiations and cooperation between involved actors and competence development of the workers. The background to the project is that Scania during the recession in 2009 presented a conversion strategy, where the basic elements were to offer employees (apart from them with short-time contracts) continual employment, but with reduced payment (90%) and working hours (80 %).

Now, we will discuss our research questions:

¹ VINNOVA is the Swedish Governmental Agency for Innovation Systems

1. How is the “improvement teams” organised in the company Scania and how do they work with “continuous improvement”?

The production system in Scania has a focus on the basic organisation of production in the company, where team organisation is a central component. The teams in Scania are called “improvements groups”, as they are important for the “continuous improvement” strategy in the company. However, they are also the basic organisational unit for the entire production system. Scania Production System (SPS) is developed in collaboration with Toyota and with obvious similarities with Toyota Production System (TPS). This system has distinct characteristics, such as the importance of culture in the organisation and trust between management and workers. In Scania, usually the term SPS is used and often there are references made to TPS (Sederblad, 2011b).

SPS was introduced in the company during the first years of the 2000's, but there were other similar concepts used in Scania earlier, even if not so elaborated and far-reaching. The main principle in the systems, especially in SPS (as well as in TPS), is to organise production in a flow, which means that line production and the assembly line has been re-introduced. However, there are also some elements from socio-technical models, used in Volvo cars and trucks/busses, SAAB and Scania, which have been transferred to SPS. These elements are focusing quality, delivery and economy – and in the case of SAAB and Scania the “human” element, including a resource perspective on the employees and focus on work environment (Thompson & Sederblad, 1994). SPS has been developed during the years of 2000's, with a comprehensive training program for the first line managers in 2003 and with the introduction in 2007 of the “Andon” role in the work teams. The Andon should be resource if problems come up on the production line, to immediately act and solve the problem.

The improvement group size vary, from three up to twenty workers, but normal is around ten workers. The groups are led by a “group coordinator”, a title often used in previous Scandinavian socio-technical models. Then the position was rotating among workers in the team, up to half of them were in some organisations involved (Sederblad, 1993), but now the position is held by one worker in each team. The teams in the socio-technical models were described as autonomous, or later semi-autonomous, while the teams in SPS have been described as “self-managing teams” (Holmqvist & Maravelias, 2011, p 54). There are, apart from the Andon role and the group coordinator, some other identified roles in the teams, focusing customer issues, health and safety and waist elimination. These roles reflect the core values of the company. The next level in the organisation is departments lead by production leaders, responsible for two to four improvement groups. Further up, we will in Scania Oskarshamn find six production managers and on the top, two factory managers (for Body production respectively Cab assembly).

The core idea for improvement of the production system is the alteration between standardized work methods for each position and the introduction of improvements for a work task. There are

in every improvement group held weekly meetings focused on suggestions of improvements. If the improvement is evaluated as successful it will be a new standardized work method, if relevant also introduced in other work teams. The procedure is repeated in a never ending process and the label “continuous improvement” seems to be suitable. However, more far reaching innovations of work methods and components are handled in a parallel process to the production flow, in a “Kaizen project”. The workers and engineers involved in these projects have reserved time in their working hours to work intensively in the project teams.

The communication structure in the organisation is very elaborated and intense: There are every morning held “daily steering meetings” first at the departments (in some cases also at the team level, in the improvement groups), then at the production unit level and finally at the factory level. To get a total overview, all the production managers and the factory manager meet every Monday in meetings chaired by the plant manager. The communication structure means that problems, as well as suggestions of improvements, in production will be well known on a daily basis in each factory, and for the plant manager in the beginning of the following week. This communication structure also is used for information from the managers out in the organisation and decisions can almost immediately be implemented.

The company was under severe financial pressure and had an organisation of a Tayloristic type when SPS was introduced. The unions first regarded the system as a new way to focus the effectiveness in production. They were not really involved in the introduction of SPS, they proposed the “Good work” concept, presented by the Metalworkers union in the 80’s. However, as has earlier been mentioned, there are elements from socio-technical models in SPS, including focus on development of employees and work health and safety, and the unions accepted the new system. It can be regarded as “hybrid” organisation, with elements of TPS (and partly Lean Production) and the socio-technical models (c f Börnfelt, 2006). The unions have an important task to protect the workers from too hard pressures and intensification at work.

In a book by Deborah Ancona and Henrik Bresman (2007), the authors call the new teams in working life “X-teams”, where X stands for that the members of the team is externally oriented. Ancona & Bresman criticizes the previous perspectives on team working for have been too much focused on internal relations and effectiveness. There are three characteristics of the X-team: 1. Members of the team work also outside the team with establishing relations with other persons inside and outside the organisation. The work includes three stages: scouting, ambassadorship and task coordination 2. In the teams, there is an “extreme” execution, meaning it is very effective and functions well. The teams must build up a “safe culture” and the authors give suggestions for tools that can be used for this purpose 3. The team has “flexible phases” including exploring, exploiting and exporting phases. This means that the teams, after has implemented the improvements in their team also engage in the diffusion of them to other teams in the organisation. The leadership is important for leading the team through the phases, using e g sense-making, visioning and relating activities.

The X-teams have intense relations to top managers, other teams and support functions resulting in an integration of levels in the organisation. These relations are described as extensive ties, expandable tiers and interchangeable membership in the teams. This means there is continual movement in relationships inside and outside the team. Individuals change positions inside the teams, and come and leave the teams. “Distributed leadership” is practiced, meaning there is a distribution and delegation of leadership from the top managers to the team, and in the teams from team leaders to team members.

In a previous paper (Sederblad, 2011b), empirical material from our on-going research project with Scania was used to find if the X-team model is possible to apply on the team organisation in this industrial company. The result gives indications that the X-team model fits quite well with the team organisation model used in Scania, part of the Scania Production system. The explanation to this conclusion might be that Scania is in the fore front of using the Japanese production systems, and SPS can be regarded as a developed and transferred version of Toyota Production system. There are also some specific aspects of SPS that make it even more similar with project organisations, and the Scania teams more alike project teams.

2. How is conditional trust established in production and in improvement activities (among supervisors, team-leaders and workers)?

In the company's production systems are the employees' involvement in the company and in improvement work of great importance for the system to work. This commitment is based on that the employees feel a degree of trust in each other and to the supervisors and the managers, so that they feel that the proposals for improvements does not cause deterioration of their work situation or a too high work intensity. It is enriching to closer penetrate into the international research on the trust concept. An interesting distinction in this research is between *calculative trust* and *value- or norm-based trust*. The first form can shortly be described as the trust that other players “sticks to the rules of the game”, while the other form of trust, also known as *trust in a strong sense*, means complete trust between actors (Lane 1998; Nooteboom, 2002, s. 65; Nooteboom & Six 2003, pages 4-5).

In this paper, we will use the term “conditional trust”, which we have introduced for the purpose of our preliminary analysis, and for the continuing studies within the project. The concept of conditional trust is based on *calculative trust*, which I think is characterized of social conditions in the United States and mainly applicable to time-delimited phenomena, such as business transactions. The trust that exists in the production system at Scania is more permanent and based on relationships between individuals and actors. It is, however, not exhaustive, but is limited to the workplace and the company and its standard system. In other words, this form of

trust is “conditional”, it is depending of the power relations of the actors and the situation on the market for the company.

There have been several examples of this form of trust described in interviews with workers, group coordinators and production leaders in the company, and also in the internal monthly information journal. For example, a lot of improvements have been made recently in the painting section of production based on the engagement of the workers and the production leader. In another section of production, where the final cabs are assembled, the production leader described how he has quite a high degree of autonomy to organise the work in the section. He has introduced improvement meetings on the group level of the organisation, normally held at the section level. These meetings are led by the group coordinators and have resulted in several ideas for improvement of production.

However, it is not all the workers that are engaged in the improvement activities. It is enough for the system to function that there are some engaged in the work group and the level of activity varies between the groups. In our presentations for the reference group, this conclusion has been confirmed. That is also the case with our interpretation of the prevalence of “conditional trust” in the company, both regarding the improvement activities and how they are used for increased effectiveness in production and for the bargaining system in the company. The improvement system is also motivated as necessary for the company, to meet increased demands from customers and for increased international competition. The union perspective on the rationalization has its background the “Swedish model”, formulated in the Saltsjöbad-agreement from 1938 and several other agreements later, meaning a positive attitude towards rationalizations as long as the employees benefit in the long run. In general, the trade union movement also has a long tradition of involvement in the technical and organisational development of working life (Abrahamsson and Johansson, 2009).

3. How is conditional trust established in the negotiations in the company (management, unions and workers)?

Scania's employment strategy for blue collar workers is to respond to changing skills needs and cyclical fluctuations. Therefore, Scania generally differentiate between permanently and temporarily employed. The purpose of the category permanently employed is to secure core competence and continuity, whereas the category temporarily employed, above all, is intended to respond to the need to change the number of employees in case of cyclical fluctuations. Thus, management in Scania is particular dependent on permanently employed workers experiencing that they are benefiting from involvement in continuous improvement work. The experience of a "bonus" for the permanently employed the management tries to achieve not only by redoubling permanently employed workers notice period, but also by starting competence development and

education programs as well as not giving notice during the economic downturn between fall 2008 and summer 2010. Let us give some examples.

The truck production enterprise is considered to be highly sensitive to economic fluctuations. Like other truck manufacturers, Scania has experienced sharply decreased sales volumes in connection with economic downturns (Fagerström, 2004:1). In Sweden, this sensitivity is partly dealt with through agreements with trade organisations that differentiate between permanent and temporary employment (to vary the number of staff). One of these agreements, the so-called Flexibility Agreement between Scania and IF Metall,² stipulates that *permanently employed* blue collar workers have a stronger position than before; they now have an extended term of notice by two, four or six months depending on the length of employment, which furthermore results in a maximum notice period of 12 months, a redoubling of the previous maximum period.

Temporarily employed blue collar workers, on the other hand, may only be employed for periods of a maximum of six months. In total, they can consist of a maximum of 20 percent of 'assembly personnel' and 10 percent of the 'remaining personnel'. In other words, if the company has hired 20 percent of its assembly personnel on a temporary basis, this personnel category may be promptly cut back by 20 percent. This system came into effect during the economic downturn between fall 2008 and summer 2010: Scania gave the permanent blue collar workers in Södertälje, Oskarshamn and Luleå, who were said to be 40 percent too many compared to the need of the company (i.e., 2,000 permanent employees), opportunities to engage in competence development and education instead of giving them notice. The temporary workers - about 1,000 employees - did not get new contracts and left the company when their maximum employment period of six months expired, which sometimes was within the span of only a few weeks and in other cases after several months.

In Scania, the categorisation in permanent and temporary employed is supposed to contribute to creating legitimacy for permanent employed to involve in continuous improvement work (beneath permanent employed is referred to as just employed or blue collar workers). Another way to create legitimacy in this respect is to start competence development and education programs for the employees. The latter was not only used (for blue collar workers) during the economic down turn but even combined with not giving notice of dismissals. This action, Scania managers argued, sent the signal to the employees that the company kept to its core value, respect for the individual employee and underlined that Scania not is:

... a company consisting of only machines and equipment! Scania is a company consisting of human beings! As simple as that! (Interview, top manager)

² The actual name of the agreement is 'Huvudavtal avseende flexibilitet och anställningstrygghet' ['Basic agreement concerning flexibility and security of employment']. It was signed in 2002. The agreement is mentioned in IF Metall (2003) as an example how the unions can have influence over the manning of a company.

The *competence development programs* were strongly linked to the workplace, and started right after Christmas 2008. It was to deal with the SPS production system, health, the working environment, product knowledge, group coordination and the science of electricity. Also, employees were given opportunities to participate in in-service training at other workplaces within and outside the company. The *education programs* were to be carried out in collaboration with the municipal adult education system and were meant to concentrate mainly on the primary and secondary 'core subjects': mathematics, Swedish and English.

All blue collar workers – more than 5,000, excluding those on leave – participated in competence development and education. For example, in Oskarshamn, 1,300 workers participated in the programs on a half-time basis (up to the vacation period of 2009). During a given week, half of the workforce was engaged in competence development while the other half was working. In the following week, the tables were turned: Those who had participated in competence development the week before were now working, and vice versa. In this way, the company was expected not only to create legitimacy for involvement into continuous improvement work but also to be able to increase its production rate with a minimum of quality and delivery problems when the economic situation eventually improved.

The management's actions were strongly supported by union representatives. For example, union representatives said that 'it was really good for employees to get education in Swedish, English, maths and such things' and it was lucky there were not only short-sighted capitalists in the world, but those who take a long-term view of what we must do to lie low now in order to produce trucks in the future. 'Here there's a will to keep personnel!'. Representatives of the unions also meant that the management had acted in a responsible and an exemplary manner and shared manager's view that the company assumed social responsibility.

However, in spring 2009 further savings were considered to be necessary beside savings done by not renewing the contracts for temporary employees. In order to achieve these savings, negotiations with the trade organisations were initiated. One of the negotiations - probably the most important for continuing the chosen path - concerned management's ambition to bring about an agreement on a four-day work week (normal amount of hours per day) at 90 percent of original wages. The management argued it was important to keep the staff intact and not to give notice of dismissals. The company's blue collar worker union, IF Metall, was not entirely pleased. One of their counterarguments was that there was a risk that this type of 'emergency agreement' would become permanent and that it constituted a change-over to wages that were conditioned by the state of the market. Another counterargument was that a ten percent wage reduction at the 20,000 to 25,000 SEK monthly income level would hit union members fairly hard, particularly 'if two from the same family work here'. Further counterarguments were that members could receive smaller unemployment and illness benefits as well as run the risk of being given notice despite the agreement.

Nonetheless, the company and IF Metall came to an agreement on a four-day work week meaning that the company guaranteed employees unchanged benefit rates in case of illness or unemployment and that notice could not be given during the period of the agreement.³ Furthermore, it made it possible to continue the competence development and the education programs for all workers. There was indeed a reduction in time spent on competence development and education, from every other week to three and a half hours every morning, four days a week. Similarly there was an increase in job activity. The personnel certainly had more to do: The inventory of ready-built trucks was running out and the demand for components had developed positively at the company's plant in Brazil.

During the autumn 2009 new negotiations were initiated concerning a new agreement on a four-day work week at 90 percent of original wages for the spring of 2010. Management's proposal for a four-day work week was met with the same reaction from IF Metall as when the previous four-day agreement was introduced. For example, the union was critical of the proposal, as a 10 percent wage reduction was judged to be too hard on some members. However, the negotiating parties reached a settlement, but this time on a partially different four-day agreement, which was to be valid from January 1 through June 30, 2010. The most noticeable difference between this agreement and the previous one was that the employees were now to work four days for a five-day-week wage. The union representatives found this extremely satisfactory.

The agreement, it was said, did not involve wage reductions, and it was certain not to lead to reduced benefits from the social insurance or unemployment benefit fund. In addition, the company undertook not to give notice of dismissal owing to shortage of labour during the agreement period. However, the trade organisations and the employees had to make certain concessions. The employees, for instance, had to accept certain curtailments in the bonus systems and a delay in the payment of their vacation supplement for 2010.

However, throughout the spring 2010 the market for truck manufacturers improved and there was less time available for competence development and education. For example, management in Oskarshamn terminated some of the initiated competence development and educational programs prematurely. Competence development programs called 'Education by the week' and 'Bonus education' – which were largely directed at Scania's production system – had been planned to be underway from January through June, but were discontinued in March. Other education programs, such as 'Full-time educational programs', which concentrated on, e.g., senior high school mathematics, Swedish and English – as well as technology, lean production, robotics, team development and leadership – were pursued up to the vacation period in July. Also, plant management agreed with the trade organisations about resuming the five-day work

³ According to 'Scania's agreement on a four-day work week, May 15, 2009'.

week earlier than previously agreed upon. This was put into effect in May, whereas the original agreement extended until the end of June.

4. How is trust in production linked to trust in the negotiation system, and how functions the system at the workplace as a whole?

The examples from the negotiation system illustrate the prevalence of conditional trust between the management and the unions. The agreements connect the power level in the organisation with the individual worker level, and the union is an important link between the levels. The legitimating role of the unions seems to be accomplished when union representatives inform the workers on different labour issues. It's often done in union meetings with members such as regular union meetings but also information meetings on urgent issues, e g during on-going negotiations with the employer. Sometimes, a union representative in the company board is leading these meetings. In other words, the unions can also be said to communicate and translate between the technical-rational system and the workers collective system (c f Lysgaard, 1961).

Before the union accept the short-time work system introduced in late 2009 they decided to arranged a referendum for the members. This is quite uncommon in Swedish working life and illustrates the complexity and novelty of the situation. The result showed a majority pro the short-time work system, even if the majority in especially Oskarshamn were small: 53 % for, 47 % against the system. By arranging the referendum, the union gave the company support for the system and also contributed to legitimate the system. However, the role of the unions is bidirectional. The unions also inform the managers in the technical-economical system about opinions among the workers in the collective. The result of the referendum gave the company information that most of the workers accepted the short-time work system and indicated that they also were prepared to work with improvements in production. This was organised, in combination with competence and educational programs, during the recession and quite a large of the working hours were spent on improvement activities.

Of course, also the company contributes to connecting the different levels of the organisation. This is e g done by the mentioned “daily steering meetings” on several levels of the organisation, from sections (sometimes group)-level up to the plant level. The internal information journal “Inside” (Scania Oskarshamn) almost always include articles about the improvements made in production, often recognising the importance of suggestions from individual workers, group coordinators and production leaders. It also includes comments from the plant managers about the current situation for the company and for the production in Oskarshamn.

In conclusion, the conditional trust in the production system and in the negotiation system is connected to each other and supportive. The work organisation at the plant can be analysed with

the model presented by Lysgaard(1961) with three different sub-systems and four levels of the organisation, from power relations down to the individual level. Our contribution for the understanding of the work organisation is that we see the union as a link between the subsystems and the levels. The development of models for continuous improvement in production has been going on since Lysgaard wrote his book and is an important activity for companies nowadays. In Scania, we will argue, the continuous improvement work is depending of the support from the unions and for the continued prevalence of conditional trust.

Finally, the recent development of Scania includes a decision of an increased level of temporary workers up to 30 % of the work force in production (the same level as Volvo Trucks). The decision means employment by work agencies up to these 30 %, which is a change compared to the former “Flexibility agreement, which strongly restricted the use of work agencies outside the company. This will create partly new conditions for the conditional trust in the company and for the union as representative for the workers. Scania is now more obviously a part of the Volkswagen conglomerate and the MD of Scania, Leif Östling has been appointed as responsible for the truck division in VW, including Scania and MAN. In our research project, we will follow and study the implications for the team work organisation, the continuous improvement system and for the conditional trust in the company of these processes. Is an European model for production systems and bargaining emerging in the truck industry?

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