



# HIGH PERFORMANCE MANUFACTURING WORKPLACES STUDY

Initial Findings, September 2014

The Australian Government Department of Industry commissioned the Centre for Workplace Leadership, at The University of Melbourne to conduct a study that investigates the use of management practices that increase performance and innovation in Small and Medium Enterprises (SMEs) in the manufacturing sector.

The study sought to understand the issues that shape the ability of Australian manufacturing SMEs to drive high performance outcomes, and the support required for such a transition to take place.

The study consisted of three parts:

1. A survey of 1,054 SME manufacturing workplaces.
2. Demonstration case studies.
3. A selective review of government and industry programs.

## HIGH PERFORMANCE WORK PRACTICES (HPWPs)

Academic research has previously shown that the following bundles of management practices, known as High Performance Work Practices (HPWP), are key drivers for improving business and employee performance.

- ▶ Developing the **Knowledge, Skills and Abilities (KSA)** of employees – through recruitment and selection practices, and provision of development and training opportunities.
- ▶ **Motivating** employees and rewarding their **effort** – through performance management, performance pay, and reward and recognition schemes.
- ▶ Providing employees with **opportunities to contribute** to their workplace and input into how their work is done – primarily through structures that promote communication, consultation, and employee involvement in work processes.

Yet, despite the evidence of the benefits of implementing these practices, up-take among Australian manufacturing SMEs is low.

### Knowledge, Skills and Abilities HPWPs

- ▶ The majority (61%) of manufacturing workplaces were only using less than half of the practices that fall under this bundle, that is, those practices that ensure the workforce has the appropriate skills. See Figure 1.
- ▶ The most common KSA practice was to train employees to do more than one job in the workplace, undertaken by 87% of workplaces. However, the presence of formal off-the-job training was considerably more scarce, with only 20% of workplaces providing this type of training to more than half of their workforce. See Table 1.

### Motivation and Effort HPWPs

- ▶ Again, the majority (56%) of manufacturing workplaces had adopted less than half of the possible practices that are aimed at motivating employee effort by managing and rewarding good performance. See Figure 2.

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- ▶ The most common Motivation and Effort practice was link employees' pay increases to their performance or skill level, which occurred in most (92%) of workplaces. However, the incidence of other practices in this bundle dropped off notably, such that pay was determined using objective performance measures (such as group or workplace output) only occurred in 19% of workplaces. Further, only 5% of workplaces had an employee share ownership scheme in place. See Table 2.

### Opportunities to Contribute HPWPs

- ▶ Practices that provided employees with opportunities to contribute to their workplace were most common in Australian manufacturing workplaces, with 68% of workplaces having adopted at least half of practices surveyed. See Figure 3.
- ▶ All manufacturing SMEs had made available at least one flexible working time arrangement (such as flexi-time or the ability to work part-time) to their employees. Providing alternative working arrangements can increase participation of employees, thus providing them with an opportunity to contribute to the workplace. In addition, most workplaces held regular workplace meetings between managers and all staff (94%) and most communicated with their staff using a channel other than meetings (such as noticeboards or suggestion schemes). See Table 3.
- ▶ What was less common in manufacturing SMEs were structures in place to facilitate genuine consultation between managers and employees. Consultative committees that dealt with a range of issues were only present in 23% of workplaces, and committees that were focused on seeking solutions to problem (rather than management providing set options or just information) were even less common – in only 11% of workplaces.

Figure 1 Number of KSA HPWP adopted, 2014 (%)

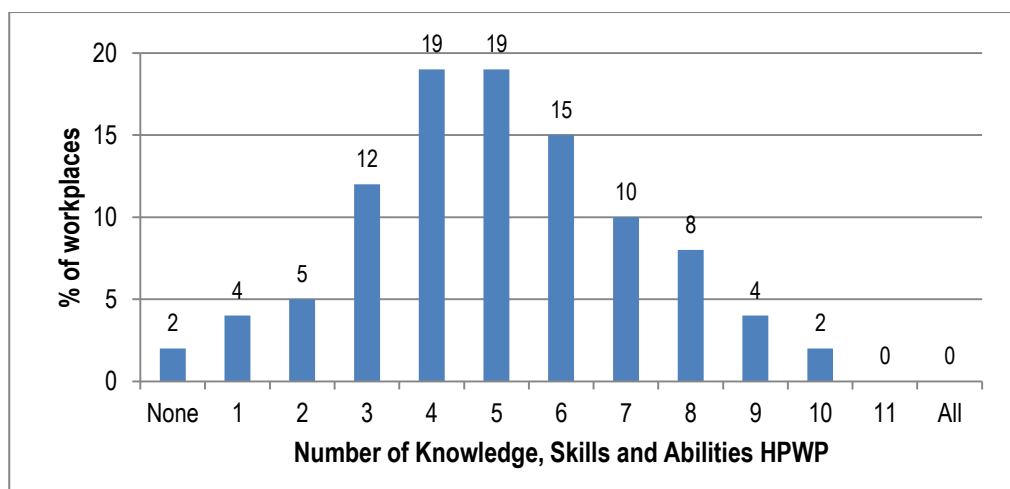


Table 1 Types of KSA HPWPs adopted by workplace size, 2014 (%)

	Small workplaces	Medium workplaces	All workplaces
Formally trained employees to do more than one job in the workplace	85	93	87
Employees routinely performing jobs other than their own	78	86	80
Considered both internal and external applicants when filling vacancies	64	84	71
Provided on-the-job training for all employees	68	57	64
Used multiple channels of recruitment	43	60	49
Conducting performance or competency based tests before hiring	44	49	46
Provided training on quality control procedures	38	52	43
Provided training on leadership or management skills	23	43	30
Provided training on team working	25	40	30
Conducted personality or attitude tests before hiring	22	23	23
Provided off-the-job training for more than 50% of employees	20	20	20
Identify training needs through performance appraisals.	10	9	10

Source: Management Work Practices Survey (n=1,054)

Figure 2 Number of Motivation and Effort HPWP adopted, 2014 (%)

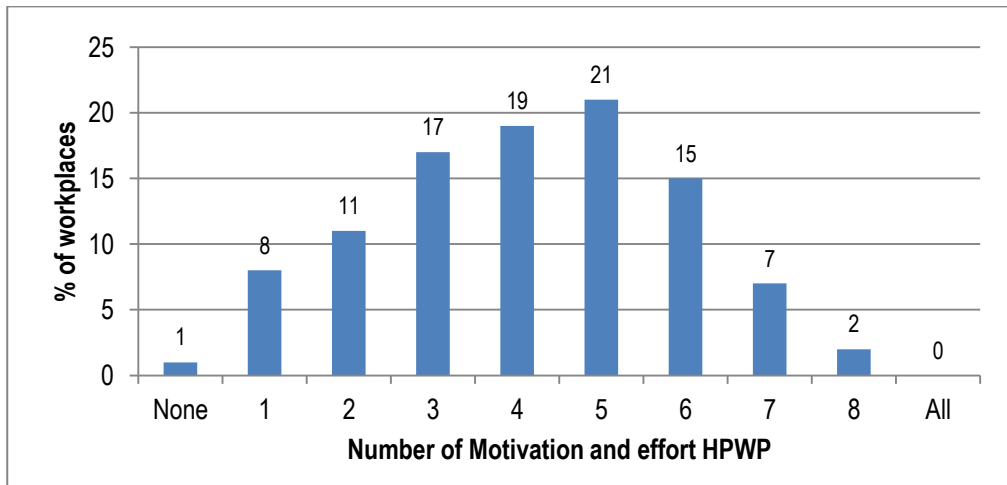


Table 2 Types of Motivation and Effort HPWP adopted by workplace size, 2014 (%)

	Small workplaces	Medium workplaces	All workplaces
Linking pay increases to skills, qualifications or performance	91	95	92
Promoted a current employee within the last 2 years	57	84	66
Utilised at least one of the following criteria to determine employee promotion:			
• Acquiring a new qualification or job-related skill			
• Performing well	55	84	65
• Ability to work in a team			
• Having leadership ability			
Non-monetary rewards for performance	60	62	60
Conduct formal performance appraisal not limited to managerial employees	46	64	53
Used subjective measures to determine pay, not limited to managerial employees	26	36	30
Employees receiving profit-related payments, not limited to managerial employees	27	19	24
Used objective measures to determine pay, not limited to managerial employees	17	22	19
Availability of employee share ownership schemes, not limited to managerial employees	5	3	5

Source: Management Work Practices Survey (n=1,054)

Figure 3 Number of Opportunities to Contribute HPWP adopted, 2014 (%)

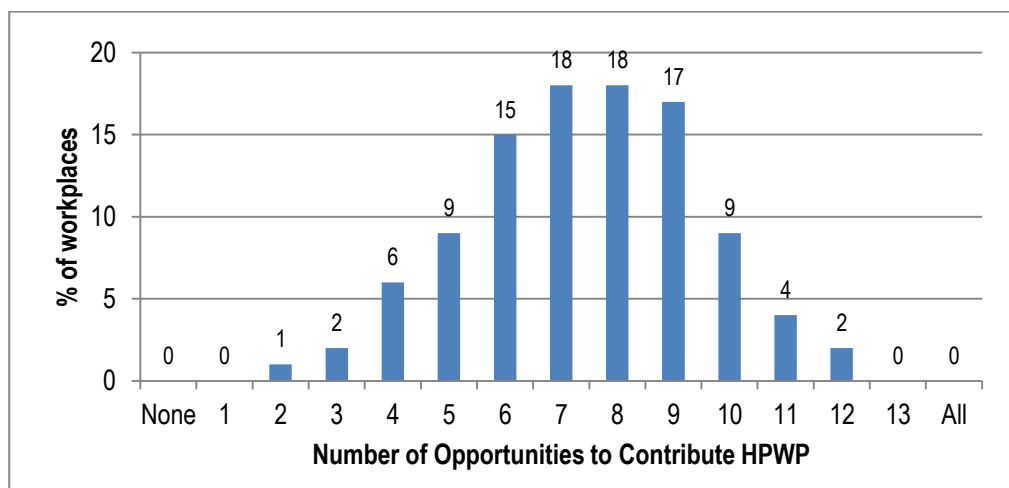


Table 3 Types of Opportunities to Contribute HPWP adopted by workplace size, 2014 (%)

	Small workplaces	Medium workplaces	All workplaces
At least one flexible working time arrangement is available to employees	100	100	100
Used at a least one channel to communicate with employees	94	97	95
At least fortnightly meetings between management and all staff	93	96	94
At least fortnightly meetings between line managers and workers	68	74	70
Management shares financial, operations, or strategic information with employees	93	96	94
Teams are self-managed (i.e. decide how work is done, elect leader, responsible for a product or service, and depend on each other to do work)	82	88	84
Formal procedure in place for dealing with individual employee grievances	56	79	64
Program in place to incorporate employees' input into how work is done	60	64	61
Employees have 'a lot' of discretion to decide how they do their work	53	28	45
Employees have 'a lot' of involvement over how their work is organised	44	33	40
Employees have 'a lot' of control over the pace at which they work	41	30	37
Conducted an employee survey in the last 2 years	20	28	23
Consultative committee that deals with a range of issues	21	28	23
Management seeks solutions to problems when consulting with committee	9	17	11

Source: Management Work Practices Survey (n=1,054)

### The Cumulative Effects of HPWPs

HPWPs work best as a synergistic system. That is, to work effectively all three of the HPWP bundles need to be practiced together. While clearly KSAs are important in facilitating employee and organisational performance, employees need to be motivated to apply their skills and exert effort at work. By the same token, motivated workers without the necessary KSAs are unlikely to perform at a high level. As well as being motivated and skilled, however, employees also need opportunities to apply their KSAs. Thus, where practices maximise KSAs, motivate employees and allow them the opportunity to apply their skills, potential performance gains are most likely to be maximised and realised.

- ▶ However, the research shows that no manufacturing SME workplaces in Australia had a strong HPWP system in place, see Table 4.
- ▶ However, only 1% of workplaces had no HPWP system to speak of.
- ▶ More than one-third (37%) of manufacturing SME workplaces had a HPWP system that was classified as 'moderate', that is, at least half of the practices in each HPWP bundle had been adopted.

Table 4 HPWP System by workplace size, 2014 (%)

	Small workplaces	Medium workplaces	All workplaces
No viable HPWP system (at least 1 practice in all 3 areas)	2	0	1
Weak HPWP system (at least one-quarter of practices in all 3 areas)	74	88	79
Moderate HPWP system (at least half of practices in all 3 areas)	31	47	37
Strong HPWP system (at least three-quarters of practices in all 3 areas)	0	0	0

Source: Management Work Practices Survey (n=1,054)

## IMPACTS ON PERFORMANCE

The survey results revealed that the deployment of HPWPs was associated with better performance for Australian manufacturing workplaces, see Table 5 for details.

- ▶ In fact, the stronger the HPWP system in place, the greater the impact across a range of performance outcomes.
- ▶ The results showed that, in many cases, the relationship between the HPWP system and the performance outcome was facilitated by workplace climate, that is, the relationship between managers and employees at the workplace. This can occur in two ways:
  - The adoption of HPWPs will improve the relationship between employees and managers, as managers look to ways to develop, motivate and involve employees at the workplace. This will naturally create a better workplace climate as employees will be more satisfied with work conditions and managers are also likely to see improvements in their performance.
  - Alternatively, a good workplace climate is also conducive to managers introducing new management practices and employees contributing more to their workplace.

So it is not surprising that workplace climate facilitates the link between the adoption of HPWPs and a host of economic, people, and sustainability outcomes.

- ▶ Table 5 shows that as more HPWPs are adopted across all three bundles performance will increase in the areas of achieving quality targets, labour productivity, innovation and marketing.
- ▶ Table 5 also shows that as more HPWPs are adopted in a manufacturing workplace the workplace climate will improve, which will then lead to increases in profits, labour productivity, and employee retention, just to name a few.

Table 5 The impact of HPWP systems on performance, 2014

Performance Measure	HPWP has a direct effect	HPWP system has an indirect effect (facilitated by workplace climate)
<b>Economic Outcomes</b>		
Profits	✘	✓
Product quality targets	✓	✘
Relative quality offerings	✘	✓
Relative labour productivity	✓	✓
<b>People outcomes</b>		
Relative ability to attract key personnel	✘	✓
Relative ability to retain key personnel	✘	✓
Relationships among employees	✘	✓
<b>Sustainability outcomes</b>		
Innovation leadership	✓	✓
Customer satisfaction targets	✘	✓
Relative customer satisfaction	✘	✓
Relative marketing performance	✓	✘

## CASE STUDY EVIDENCE

Seven demonstration case studies were conducted with manufacturing SMEs across a range of manufacturing sectors, workplace size, and locations. Please see the case studies in the attached.

- ▶ These case studies demonstrate that HPWPs can be tailored to suit the individual workplace context, and no one system looks the same.
- ▶ Further, managers typically did not recognize their management practices as a 'HPWP system'. Some identified that their practices were complementary and mutually reinforcing, but others did not make the connection. However, all managers and employees were unanimous that the practices were beneficial to them and their workplace.

## CHALLENGES FACED BY MANUFACTURING SMEs

So if the benefits of HPWPs are clear, why is take-up so low?

A distinction was made between the manufacturing workplaces that were: 'adopters', that is, where at least a 'moderate HPWP system' was present (please refer to Table 5); and 'non-adopters' where there was a weak or no viable HPWP system in place.

- ▶ There was some evidence that adopters were operating in different market environments to the non-adopters.
  - HPWP non-adopters were more likely to operate in a local or regional market (42% compared with 36% of adopters) and more likely to have more than 50% of market share (22% compared with 16% of adopters).
  - HPWP adopters were more likely to operate in markets with either high or very high competition (84% compared with 77% of non-adopters) and to have benchmarked themselves against their competition (32% compared with 20% of non-adopters).
- ▶ More evident, is that adopters were more likely to be exposed to sources of expert or specialist advice.
  - Workplaces that had adopted HPWPs were more likely to be a member of either employer or business organisation (66% compared with 57% of non-adopters).
  - Adopters were also more likely to have sought advice from management consultants, lawyers or accountants in the last 12 months (73% compared with 53% of non-adopters).

However, regardless of whether HPWP had been adopted by manufacturing SMEs it was clear that workplace managers anticipated a great deal of challenges in the coming 12 months, see Tables 6 and 7.

- ▶ Above all else, two-fifths (41%) of workplace managers considered the financial climate and demand to be the biggest challenge for their business, as shown in Table 6. Further, growth of sales was reported as a key challenge by one-in-ten workplace managers. Also related is the third most commonly reported challenge of managing costs (13% of workplaces).
- ▶ Perhaps not surprisingly, the second most common challenge cited by workplace managers was international competition at 16 per cent.
- ▶ It is noteworthy that 'government policies or red tape' was cited by only 4 per cent of workplace managers.
- ▶ The most common HR challenge identified by respondents was the difficulty in recruiting from the external job market (30%), as shown in Table 7. Related to this, is a commonly cited challenge of a lack of skills among existing employees (12%).
- ▶ The next most common HR challenge, but only reported by 13% of respondents was employment costs.

**Table 6 Main challenge for the business in the next 12 months and the adoption of HPWPs, 2014 (%)**

	Non-Adopters	Adopters	All workplaces
Financial climate and weak demand	43	39	41
International competition	16	15	16
Managing costs	11	15	13
General HR Challenges (e.g. training, hiring, OH&S issues)	11	10	11
Growth of sales	7	13	10
Domestic competition	9	8	9
Government policies or red tape	4	4	4
High Australian dollar	3	4	4
Profitability	2	4	3
Keeping up with demand	4	2	3
Sourcing of materials	2	2	2
Management capability	1	2	2
Access or availability to new technologies	1	2	2
Effective product marketing	1	2	2
Relocation of business	2	1	1
Access to finance	1	2	2
Other challenges	5	6	5
No challenges foreseeable	2	1	1
Total	100	100	100

Source: Management Work Practices Survey (n=1,054)

**Table 7 Main HR challenge for the business in the next 12 months and the adoption of HPWPs, 2014 (%)**

	Non-Adopters	Adopters	All workplaces
Difficulty recruiting from the external job market	28	31	30
Employment costs	13	13	13
Insufficient skills among existing employees	11	12	12
High labour turnover or retention difficulties	6	11	8
Motivating staff	7	7	7
Lack of employee flexibility	7	6	6
Difficulties with cultural or process changes	2	6	4
Other government – related issues (e.g. red tape, union regulation)	4	3	4
Ageing workforce and succession planning	3	3	3
Poor relations between management and employees	3	3	3
Improving workplace productivity	2	3	2
OH& Issues	1	2	2
Inability to provide training	2	2	2
Problems between staff (interpersonal issues)	1	2	1
Efficiency issues	1	2	1
Employee absenteeism	1	1	1
Problems with numeracy, literacy, or language barriers	0	1	1
Other HR challenges	3	4	3
No HR challenges foreseeable	18	10	14

Source: Management Work Practices Survey (n=1,054)

## RECOMMENDATIONS FOR POLICY

The research findings point to the potential ways in which government can support manufacturing to develop a strong high performance culture. It is not possible to legislate for high performance. It is however possible to create such a culture through a range of innovative initiatives directed building knowledge at workplace and industry levels that will facilitate the diffusion of better workplace practices. These initiatives include:

- the provision of technical information and guidance as to how better management and HRM practices can be implemented;
- the dissemination of best practice case studies that demonstrate how such practices can be tailored to the particular workplace context and the benefits of such;
- providing financial incentives to implement innovative work and management practices as a means to overcome the financial barriers associated with adoption;
- supporting training for managers in SMEs to gain expert management capabilities which would not otherwise be available to them; and
- supporting the development and maintenance of business information networks to share information, engage in problem-solving and collaborate in best practice in work processes.

Among the most important policy initiatives will be those that promote a greater understanding of the types of practices associated with a high performance workplace and how these can drive better performance. Moreover, the evidence points to the need to find ways of assisting SMEs translate these principles into practices that align with their own specific workplace context. This may involve the development of evaluation tools, a framework for accrediting or recognising workplaces that adopt more comprehensive systems of HPWPs. Finally it will require investment in creating 'high performance networks' among small and medium-sized manufacturing workplaces.

# CASE STUDY: BUNDABERG BREWED DRINKS

## WORKPLACE CHARACTERISTICS

**Size:** 160 Employees  
**Products:** Beverages and soft drinks  
**Location:** Bundaberg, Queensland

**Annual revenue:** over \$100 million  
**Privately owned:** Family owned since 1960

## MANAGEMENT PRACTICES

Employees are selectively hired based on their fit with the company's family culture, their skills and previous experience in manufacturing. Internal career progression is emphasised with all positions first advertised internally. There are workforce development plans for each employee in which they nominate their own career goals for the next five and ten years. This is complemented by a training request system where employees can identify their own skill gaps. Supervisory employees have access to external courses. Production employees have on-the-job training, including mentoring by more senior employees and rotation through different areas to become multi-skilled.

**KNOWLEDGE,  
SKILLS &  
ABILITIES**

Toolbox meetings are held regularly where employees are encouraged to contribute their ideas and identify any issues. Employees also feel comfortable speaking one-on-one with their line manager especially as these managers have often been promoted from the production line and have technical expertise themselves. There is a twice-yearly employee survey that examines employee engagement. There are also employee representatives who meet and liaise with managers including union representatives in operational areas and a health and safety committee that meets weekly.

**OPPORTUNITIES  
TO CONTRIBUTE**

Individual key performance indicators are set by employees, with twice-yearly performance reviews with their manager. Line managers also give employees regular ongoing feedback about their individual performance. Team performance is often recognised by line managers in informal ways such as the team being able to leave early if they have met their daily targets. There are monthly BBQs and an employee of the month scheme where nominations are made by other employees. At the annual employee recognition dinner, the service milestones that have been reached are acknowledged and the employee of the year is awarded an overseas trip.

All employees are awarded individual discretionary bonuses that are calculated by the CEO.

**MOTIVATION  
& EFFORT**

**“If you do a good job and you get a bonus, to me it just makes things more pleasant, a good place to work. For me, you tend to put in a bit more effort if you know you're getting recognised for it... If you can do the right thing for the company, it means they're going to be around a bit longer”**

*Operator Ricki Stehbens*





Everyone's responsible for our productivity. If we didn't have our people on the floor... we wouldn't have our product going out the door. Everyone plays a vital part in that, not just managers or supervisors, every employee here. By providing everyone with updates on what's going on and how the company's performing, rather than just giving that information to management, it allows employees to take ownership and makes them feel more responsible for the product and what they do.

*Human Resource and Safety Manager Karen McMonigal*

## IMPLEMENTATION

Since John McLean became CEO 5 years ago, he has championed the introduction of these management practices, particularly increasing employee involvement. The need for greater employee involvement became apparent after the business' previous experience hiring external managers, who made the management structure more rigid and hierarchical, leading to a loss of the teamwork valued by Bundaberg Brewed Drinks. Since McLean's appointment, this renewed emphasis on creating a more inclusive culture has been extended into systems by the senior management and Human Resources team through their development of policies and practices, as well as providing leaders with training on how to manage employees.

## BENEFITS

In the past five years, since the appointment of CEO John McLean and the implementation of many of these practices, there has been **lower staff turnover** and an **increase in profits**. Employees' greater contribution to their work through input into processes and new ideas has boosted productivity and **increased efficiency**. Further, employees have felt more appreciated for their effort at work, as well as having more autonomy to do their jobs without constant direct supervision.



Knowledge that works.

# CASE STUDY: CMAC INDUSTRIES

## WORKPLACE CHARACTERISTICS

<b>Size:</b>	35 Employees	<b>Established:</b>	45 years ago
<b>Products:</b>	Fabricated Sheet Metal Products	<b>Privately owned:</b>	Employee share ownership scheme in process to transfer ownership from current owner Robert McMaster to employees.
<b>Location:</b>	Giraween, Sydney		
<b>Annual revenue:</b>	\$5 million		

## MANAGEMENT PRACTICES

A technical knowledge test is conducted to assess the potential of new apprentices, while interviews are used to measure prospective employees' attitude, organisational fit and willingness to learn. Age diversity is sought when hiring to have a broader range of experience and for mature-aged employees to mentor younger employees. Employees are ongoing rotated through different manufacturing areas to become multi-skilled and are provided with ongoing on-the-job training to use new design and process technology as it is introduced. Upskilling and internal career progression are favoured. Employees are encouraged to suggest additional training that they would like, while trades employees with leadership potential are encouraged to pursue tertiary business qualifications so they can become managers with both technical experience and business knowledge. Employee study is supported by providing flexible working and paying fees for some relevant courses.

**KNOWLEDGE,  
SKILLS &  
ABILITIES**

As skilled tradespeople, employees are given a certain degree of autonomy to decide how their work is done, within the constraints of time and budget demands that are driven by client needs. Informal systems are particularly emphasised to capture employee feedback and ideas, supported by formal structures. Employees are encouraged to speak in toolbox meetings and there is an open door policy that means all employees are able to go to their direct manager with any ideas or issues. This is supported by formal schemes, including a grievance procedure to address individual issues and an employee committee with elected representatives.

**OPPORTUNITIES  
TO CONTRIBUTE**

Informal recognition is primarily used to motivate employees. This will be supplemented by formalised practices that are being implemented. Individual employee achievements (both in work and study) are recognised in team meetings and through one-on-one feedback from managers. In particular, employees are encouraged to speak to the manufacturing manager about their role and work processes to better understand the nature of the business. Performance reviews are conducted to give employees the opportunity to reflect on their strengths, areas for improvement and additional training required. \$50 fuel vouchers are awarded at the manager's discretion to recognise innovative ideas and extra effort from individual employees. There is also a social club that organises activities outside of work, such as a recent cruise, to develop friendships among the team.

**MOTIVATION  
& EFFORT**

**"Managers here are always happy to hear what you've got to say...the fact that we know what's going on and what we have to do, it gets you motivated... it makes you feel like you're not just working for the company, you're actually part of the company."**

*Third Year Apprentice Chris Dolman*





'I'm very passionate about educating and upskilling our young... My Engineering Manager is one I've guided all the way from apprentice to manager of a section and he's just one of many. People who work their way up from the shop floor, they're your key employees, they know the place back to front. If you can upskill them in the areas they're good at and comfortable in, then they're the best people in your workplace, the most stable and efficient.'

*Manufacturing Manager Stephen Grlyak*

## IMPLEMENTATION

In the past five years owner Robert McMaster's involvement in the business has been winding down in preparation for his impending retirement so there has been an increasing focus on developing employees' skills and increasing their involvement so they can run the business themselves. Manufacturing manager, Stephen Grlyak has taken over the people management aspect – questioning whether existing approaches are working, adopting new practices through trial and error, and speaking directly to employees to get their input on what could be done better. Given constraints on profitability, they have found it difficult to fully implement and consistently use all of their practices, but they are still in the process of developing their approach. They were also assisted by a government grant six years ago to help develop the employee share ownership transition which is still in process.



## BENEFITS

While these practices were not conceptualised by CMac as a system, benefits from each have fed into each other. Developing their employees has enabled C-Mac to retain employees, be adaptable to client needs through multi-skilling and cope with demand fluctuations. Employees are more motivated to contribute those suggestions and expend higher discretionary effort as they feel part of the company, through their opportunities for career progression and open relationship with managers. Providing more opportunities for employees to contribute has led to work process and product improvements through employee suggestions, which has in turn, improved safety, reduced costs, improved productivity and efficiency.



Knowledge that works.

# CASE STUDY: DOWELL WINDOWS GEEBUNG

## WORKPLACE CHARACTERISTICS

**Size:** 100 Employees  
**Products:** Residential windows and doors  
**Location:** Brisbane, Queensland

**Annual revenue:** \$25 million  
**Ownership:** Part of a larger privately owned company Dowell, but branches are managed autonomously

## MANAGEMENT PRACTICES

Employees are selectively hired based on their ability to work in a team and their previous experience in manufacturing. There are experienced, long-term employees called 'experts', who mentor and provide on-the-job training to new employees. Standard Operating Procedures (SOPs) are in place for each role.

These have been recently updated in consultation with employees. Each team has a skills matrix displayed, which lists the competencies of every employee in relation to each task, based on whether they can work unsupervised and whether they can train others, among other things. Employees' skill levels are rated by their team leader in consultation with the employee.

Team meetings are held for ten minutes every day at the beginning of the shift to discuss the day's production targets, with employees encouraged to raise any pressing safety or work concerns. One hour 'Cause Concern Countermeasure' (CCC) team meetings are held weekly to discuss issues, how to resolve them, and suggest improvements. If the issue cannot be resolved by the team or needs higher authorisation, it is escalated to the weekly team leaders' meeting where they meet in their specially designed 'war-room' that visually displays problems, progress and steps taken to resolve them. If the issue cannot be settled at this level, then it is escalated to the operations manager. There are elected employee representatives in the health and safety committee, which meets monthly, and an employee consultation group, which meets on an as-needs basis to address particular areas of concern or negotiate the enterprise agreement.

KNOWLEDGE,  
SKILLS &  
ABILITIES

MOTIVATION  
& EFFORT

OPPORTUNITIES  
TO CONTRIBUTE

Performance is measured at the team level, with production targets and outcomes visibly displayed. Employees' pay is linked to their competencies in the skills matrix. An additional training allowance is provided for employees who are able to train others.

Good performance is recognised by managers and team leaders through individual praise, an achievements board in the lunchroom, and rewards including leaving early and team morning teas. An incentive-based pay scheme was discarded in favour of a wage increase, due to concerns that it led to divisions across departments and reduced discretionary effort.

**"The [employees], especially the new ones, are coming up with ideas that we haven't thought of. We've done things a certain way for so long, but now the employees are coming up with suggestions within their roles that we're taking onboard every day, it's great."**

*Warehouse Team Leader Allan Bremner*



## IMPLEMENTATION

Dowell Geebung's senior management team adopted these practices in the past two years, after learning about Lean Manufacturing and how certain principles for managing employees could improve work systems. Regional Manager for South East Queensland, Darin Dinneen, trialled the implementation of these practices and found that they were well-suited to the fast-paced nature of the business, as they facilitate continuous improvement and change – much like the changes in the business fluctuating in response to client demand.

## BENEFITS

Since the introduction of these practices, particularly the CCC meetings, there has been improved communication between employees and managers. This has led to health and safety improvements, including **fewer injuries**, as issues are identified and solved more proactively before problems arise. By having employees contribute their ideas for work process improvements, there have been changes to the layout of the factory leading to **cost reductions, increases in productivity**, and ultimately, **profitability**.

“There’s 60-odd different types of roles in the business so employees get to move around and see where they’re best and most capable. The analogy is we make sure we don’t put David Beckham in goal. If we’ve got a good player, we bat to their strengths.”

*Regional Manager for South East Queensland Darin Dinneen*



Knowledge that works.

# CASE STUDY: HELLA AUSTRALIA

## WORKPLACE CHARACTERISTICS

<b>Size:</b>	200 production employees	<b>Annual revenue:</b>	\$120 million
<b>Products:</b>	Automotive lighting	<b>Established:</b>	1961
<b>Location:</b>	Mentone, Melbourne	<b>Ownership:</b>	Privately owned subsidiary of multinational company

## MANAGEMENT PRACTICES

Employees are selectively hired based on their previous experience and their fit with HELLA's culture of teamwork and continuous improvement. They are then trialled for three months. For more specialised roles, behavioural and cognitive testing is conducted. Production employees are trained in metal trades competency standards and client work processes. Employees also receive health and safety training, and the company provides support for TAFE certificates in relevant areas to upskill employees. Leadership training is provided to managers, with a strong emphasis on promoting production employees into supervisory roles.

**KNOWLEDGE,  
SKILLS &  
ABILITIES**

There are active employee representatives who have a productive relationship with managers, with high union density in operational areas and monthly meetings between union delegates and managers to discuss issues, company updates and upcoming changes. There is also a health and safety committee with elected employee representatives that meets regularly. Information from these meetings is posted on information boards around the site. Cardboard simulations are used when production lines for new products are developed to get employee input into the design. There is also an employee suggestion scheme, known as the 'best system' where employees are encouraged to contribute their ideas about work processes and workplace wellbeing. Ten employees have been appointed as champions and to encourage employees to participate, various prizes are set as rewards for the most useful suggestions, including an iPad or shopping voucher.

**OPPORTUNITIES  
TO CONTRIBUTE**

Team performance targets are set and visibly displayed, motivating employees to work together to meet their goals. Individual employees are recognised for their positive attitude, extra effort or high quality work by praise from team leaders who can also award vouchers. Line managers also give employees regular, ongoing feedback about their individual performance. Service milestones are recognised

in awards and regular company newsletters.

There is a wellness program, with regular lunchtime seminars on improving employees wellbeing, including

managing stress and nutrition. Bonuses are

awarded twice yearly based on the company's key performance indicators, including sales, quality and efficiency.

**MOTIVATION  
& EFFORT**

**"Managers are always willing to listen and try to resolve situations as best they can... the new CEO has made a big difference... he goes for a walk around on the floor most days and talks to people... [Most important] is to be able to communicate with each other and understand each other's situation... I can call managers up and get onto them... it's things like that that make the relationship so good."**

*Union Delegate and Production Planner Mark Mackie*



“The benefits of these practices are retention for a start... our average years of service is 17 years. As well, 99.9% of our workers will assist us if we need something outside the norm, like if we need somebody to go to another department or work another shift. And also, just seeing people happy... knowing that I can walk out on the shop floor any day and people are happy to discuss things with you openly.”

*General Manager Human Resources Nola McAuliffe*

## IMPLEMENTATION

Since the appointment of their new CEO, Olavi Rantala, seven years ago, there has been more focus on employee involvement. The General Manager of Human Resources, Nola McAuliffe has helped HELLA develop systematic people management practices, trialling new practices and monitoring them by consulting employees. HELLA has also hired external consultants to help them develop their employee suggestion system and to target absenteeism, through government grants awarded under the Automotive Supplier Excellence in Australia program.

## BENEFITS

By using these practices, HELLA has helped employees to feel involved in the company, leading to **high employee retention** rates and **low staff turnover**, **higher discretionary effort** by employees, which ultimately **reduces costs** and **improves productivity**. In particular, their employee suggestion scheme has generated lots of valuable ideas, including changes to the production line that have **increased efficiency** and the introduction of a company gym, which improves employee health and facilitates good relationships among staff, which ultimately **improves teamwork**.



Knowledge that works.

# CASE STUDY: HOMART PHARMACEUTICALS

## WORKPLACE CHARACTERISTICS

**Size:** 100 employees, 30 in production  
**Products:** Vitamins and health supplements, cosmetics, and powdered milk

**Location:** Rydalmere, Sydney  
**Established:** Over 20 years ago  
**Ownership:** Privately owned

## MANAGEMENT PRACTICES

Employees are hired based on their attitude, motivation and reliability, as well as their fit with Homart's organisational culture of teamwork and integrity. An induction is held for new staff to familiarise them with Homart's history and principles of safety, quality and efficiency. Prior to their start, production employees are also trained by the Quality Assurance Team to ensure their compliance with industry regulations. Coloured hats distinguish more experienced operators (green hats) who provide mentoring to new employees (white hats). Team leaders provide on-the-job training, while external consultants are brought in for specialised training, including leadership training for managers. Internal hiring is emphasised, with leaders often promoted from the factory floor.

There is an employee of the quarter scheme, decided on the basis of the employee's efficiency, attitude and reliability. Winners are awarded a monetary gift voucher and a certificate of recognition that sits in the lunchroom for three months as a public recognition, after which time they can take it home. Team building activities are often held, including monthly BBQs, regular Pilates classes, and charity fundraisers, while the lunchroom has a ping pong table and a snooker table. There are individual performance appraisals for office staff, the Production Manager, and production team leaders, while production team members meet individually with their team leader and production manager to discuss their competencies and performance, which is linked to their pay scale.

Communication and consultation practices are in the process of being formalised, but at the moment they are largely informal and mostly devolved to department and frontline managers. There is a message board to facilitate communication between the production, quality assurance and warehouse departments. Team leaders and employees have started to develop an action plan system where they set and agree on production targets together. Employees are encouraged to approach team leaders one-on-one and raise suggestions or issues in meetings. The production manager has an open door policy and welcomes employee suggestions.

KNOWLEDGE,  
SKILLS &  
ABILITIES

MOTIVATION  
& EFFORT

OPPORTUNITIES  
TO CONTRIBUTE

**"We want to grow our business but we want to have a happy enterprise... In the short-term, these [practices] can actually cost us money but in the long-term, employees are happier so they'll stay with the company longer. From the customer point of view, they will feel they've been taken care of better... the customer satisfaction will be higher too."**

*Operations Director Jeffrey Yeh*





“I think that’s why things run so smoothly and efficiently, because there’s that open communication, people feel that they’re a valid member of the company... everyone feels like they’re treated with respect... It just feels like we’re all one big team... like we’re working for the same purpose”

*Operator Lucy Shaheen*

## IMPLEMENTATION

Homart was started by Lynn Yeh as a family business and in the past twelve years has grown from four employees to over one hundred, across three different countries. In that time, owners Lynn and Jeffrey Yeh, the Operations Director, have developed a ‘hands-on’ approach to employee management and training. Some of Homart’s management practices are still being developed. They have hired an HR officer in the past year to systematise the way they manage employees and have just received a government grant with the Enterprise Connect program to hire external consultants to help them implement Lean Manufacturing processes, which will allow them develop more formal opportunities for employees to contribute.



## BENEFITS

Operations Director, Jeffrey Yeh, emphasises the big picture benefits of HPWPs. There is a high degree of **safety**, including no major health and safety incidents, as employees feel comfortable reporting their concerns to team leaders. Employees are **happier** and teams work well together, in the long-term leading to **lower turnover** and **higher quality** products. Homart’s success has also been developed through their focus on a niche market, their emphasis on quality, customer service, and marketing, as well as their investment in new technology.



Knowledge that works.

# CASE STUDY: QUALITY PRINTERS & CARTRIDGES

## WORKPLACE CHARACTERISTICS

**Size:** 11 Employees  
**Products:** Remanufactured Printer Cartridges

**Location:** Perth, Western Australia  
**Ownership:** Privately owned by Jason and Lisa Spark

## MANAGEMENT PRACTICES

Employees are selectively hired based on their competencies and cultural fit with the company. The selection process includes a week-long paid trial period to assess the applicant's ability and fit with the workplace. All employees go through a tailored training program when they start working, and are provided with continuous training and development identified through regular one-on-one meetings with co-owners Jason and Lisa Spark. In particular, technicians are provided with extensive on-the-job training, including mentoring by the senior technician.

**KNOWLEDGE,  
SKILLS &  
ABILITIES**

QPC holds weekly meetings with all staff, where employees are encouraged to identify any issues, contribute their ideas, and are provided with both financial and operational information. An open book policy is adopted for both financial information and the strategic direction of the business, and these are made available for employees to review. Employees are also consulted before any changes are implemented in the business. For instance, as QPC looks to expand their operations, the new proposed factory layout has been made available in the employee common area, and employees have had input into the design. Employees are also provided with a large degree of autonomy when it comes to how their job is done. They are encouraged and empowered to make their own decisions, allowed to make mistakes and to learn from them, and to approach the owners with any recommended changes.

**OPPORTUNITIES  
TO CONTRIBUTE**

Jason and Lisa Spark have recently introduced a number of performance management and reward practices to motivate their employees, starting with regular individual feedback sessions with all their employees. Annual performance reviews are conducted with employees who opt in. Technicians' performance is measured by the number of faulty cartridges returned – giving a focus to quality rather than quantity. QPC also provides financial bonuses for employees.

Financial goals are set for the business as a whole and if met are rewarded, such as a trip to Bali for employees.

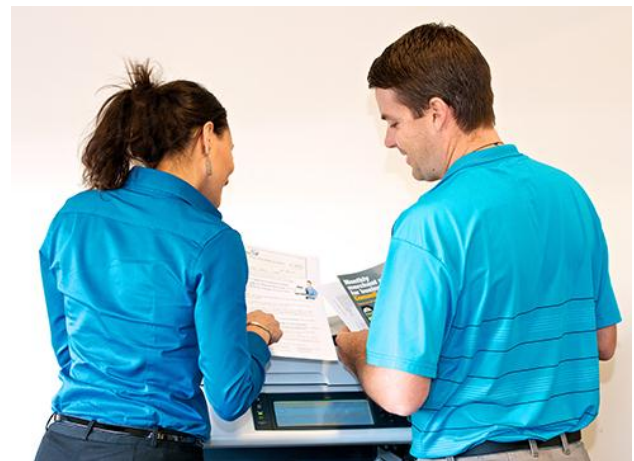
Individual performance is recognised through nominating employees for an external employee of the year scheme, which they have successfully won every time. A number of team building activities are held, such as bowling nights, company lunches and dinners.

**MOTIVATION  
& EFFORT**

**“By implementing these [practices] ... it allows us to work on the business, rather than in the business...trying to move the business forward from a higher point of view rather than getting stuck on the day to day running of the business.”**

*Co-owner and manager, Jason Spark*





## BENEFITS

QPC has seen an increase in **client satisfaction** since implementing many of these practices, specifically as product quality and customer service quality has increased. Selective hiring and developing employees through training programs ensures that QPC have employees with the best skills and abilities, and motivating and providing employees with opportunities to contribute allows employees expend a high level of discretionary effort, and take pride in their work and accomplishments. They have seen **productivity, efficiency, and quality** increases on their product line through the technicians' input into work processes. Employees feel appreciated for their contribution at work, and have autonomy at work. This also enables both Lisa and Jason to take time off work to look for new business opportunities and ways to improve processes at QPC by attending trade shows. Employees feel like they are part of the family, and there is **low turnover**. Despite increased competition from cheaper imported cartridges, QPC is also now able to educate customers about quality as their employees are passionate about the business as well. They have also won a number of **business awards**.

## IMPLEMENTATION

Both Jason and Lisa have championed the implementation of these practices since they started QPC in February 2008. They began using these practices because they did not want to be relied on for the day-to-day running of the business, preferring to work on the business rather than in it. To facilitate this, they adopted these practices to equip their employees with the necessary skills and empower them to make decisions about the daily operations. Jason and Lisa continually evaluate their management practices, including obtaining feedback from employees, in order to improve these processes. For instance, the recruitment and selection process has been refined from just hiring based on the interview process to now include a probationary period.

**"This business is like a second house for me. I don't just work here physically or financially, I actually work from my heart, and I want to be working here."**

*Head Technician Ali*



**Knowledge that works.**

# CASE STUDY: REDARC ELECTRONICS

## WORKPLACE CHARACTERISTICS

**Size:** 100 Employees  
**Products:** Automotive electronic voltage converters and associated products  
**Location:** Lonsdale, Adelaide

**Annual revenue:** \$30 million  
**Established:** Over 35 years ago  
**Privately owned:** Bought by current CEO and Managing Director, Anthony Kittel in 1997

## MANAGEMENT PRACTICES

A thorough, three stage interview process is used to assess the experience, skills and cultural fit of prospective employees, starting with an interview with their future direct manager, then a manager from a different department and finally, the CEO and senior managers. A job-skills-gap analysis is conducted to identify the employee's training needs. Employees are encouraged to suggest additional training (both on and off the job). Further study is supported by providing flexible working, mentoring and paying relevant course fees.

**KNOWLEDGE,  
SKILLS &  
ABILITIES**

Individual employee achievements— both in and out of work— are recognised in company meetings and newsletters. Production targets are visibly displayed, along with team achievements. Annual performance reviews are conducted, with salaries linked to competency levels. There is also a bonus scheme based on gross marginal profit that is divided equitably among all employees.

**MOTIVATION  
& EFFORT**

Both formal and informal systems are used to capture employee feedback and ideas. Emphasis is placed on employees being able to speak in meetings and one-on-one with their manager. This system is supported by formal schemes, including an ideas log for all departments, a business-wide suggestion scheme and an annual employee survey. Their purpose-built factory has a layout that encourages teamwork, as managers and employees work in the same building, with glass walls to remove barriers between them. There is also a health and safety committee with elected employee representatives.

**OPPORTUNITIES  
TO CONTRIBUTE**

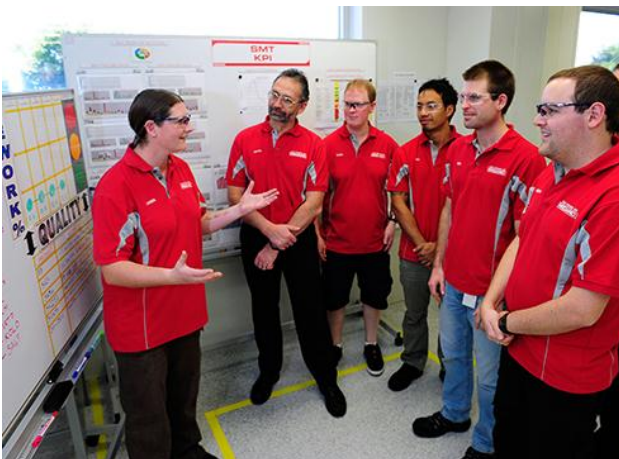
**“Most important has been our commitment to training and creating a learning environment. Without that, we couldn't have innovation, regardless of how much money we put into the technology. Unless you've got a team that can create it, implement it and commercialise it, then we couldn't achieve our company targets.”**

*CEO Anthony Kittel*



“At other factories, I could barely recognise the bosses and wouldn’t know who they were... Anthony and the managers here know everyone’s name, which is amazing... I think just acknowledging people as an individual and asking ‘what do you think about it’ makes a real difference... It means you actually do think about your job and you do care... If something’s wrong, you think about what you can do instead of just thinking ‘that’s not my problem’... and that makes everyone’s job easier.”

*Technician Lorien Goddard*



## IMPLEMENTATION

The business’ teamwork and innovation focus was championed by CEO Anthony Kittel when he bought the company in 1997, and developed in collaboration with his senior management team. Anthony models REDARC’s focus on employee involvement by trying to speak to all his employees individually about their experience working at REDARC and career development needs. As the business has matured, the way employees are managed has become more formalised. Initial practices were adopted through trial and error, while new practices are now developed and monitored with the advice of external consultants.

## BENEFITS

The synergy of these practices working together creates a supportive workplace and learning environment, benefiting both employees and the business. CEO Anthony Kittel believes these practices have helped REDARC innovate in product and work process improvements, which in turn have **improved efficiency, productivity** and ultimately, **profitability**. REDARC’s product innovation is further driven by their investment in research and development, having 20 employees working fulltime on R&D.



Knowledge that works.

# CHECKLIST

## DO YOU HAVE A HIGH PERFORMANCE WORK SYSTEM?

High Performance Work Systems (HPWS) are comprised of three elements. First, employees need the **Knowledge, Skills and Abilities** to do their jobs properly. Second, they need to feel **Motivation and Effort** to do their best. And finally, they need **Opportunities to Contribute** to their workplace, so that they can solve problems and innovate. Each of these steps is important on its own, but to really lift performance you need three of all of them working together. Below are some examples of management practices that fit into the elements of High Performing Work Systems.

Tick the boxes to see which practices is your workplace currently using and which new ones you could introduce to make your workplace a high performing one.

### Knowledge, Skills and Abilities

- Do job applicants undergo structured interviews? These include job-related questions, the same questions for all applicants and using rating scales.
- Do job applicants undergo formal tests— work sample or competency based?
- Do employees receive ongoing training?
- Are employee training needs regularly evaluated?
- Are employees reimbursed for completing external courses related to their work?

### Motivation & Effort

- Do employees receive a formal evaluation of their performance at least once a year?
- Are pay rises based on job performance?
- Do employees earn bonuses based on their individual, team or company performance outcomes?
- Do skilled and qualified employees have the opportunity to be promoted to positions of greater responsibility or pay?

### Opportunities to Contribute

- Are there regular (at least once a week) meetings between employees and managers (either line or workplace managers)?
- Is there a reasonable and fair complaints process for employees?
- Are there formal participation and consultation processes for employees to input into how work is done (such as problem-solving groups, quality circles)?
- Are there elected employee representatives (either union or non-union)?
- Do employees receive regular communication regarding the business' goals and operating performance?

### How many practices do you have of each?

Knowledge, Skills and Abilities: \_\_\_\_\_

Motivation and Effort: \_\_\_\_\_

Opportunities to Contribute: \_\_\_\_\_