(2) Tushman, M.L. and Anderson, P. (eds), *Managing Strategic Innovation and Change* (Oxford: Oxford University Press, 1997), ISBN 0-19-510011-5. Useful readings on how change management can be used to support innovation. A classic.
(3) Jelinek, M. and Schoonhoven, C.B., *The Innovation Marathon: Lessons from High Technology Firms* (Oxford, UK: Basil Blackwell, 1990), ISBN 0-631-15392-6. Insights into the cultures of leading innovative companies.

Main Case Study **Lever Fabergé, Unilever – encouraging innovation**[81]

Before reading this case, consider the following generic innovation management issues:

- How can a culture of innovation be introduced?
- How can the message be communicated to staff effectively?
- How can reward and recognition stimulate both the achievement of both business goals and the development of new skills?
- What levels of innovation can result?

Unilever's Lever Fabergé plant in Leeds, UK, is a showpiece factory and in 2000 it won the 'factory of the year' prize in the demanding Management Today/Cranfield School of Management Best Factory Awards. Lever Fabergé's approach clearly demonstrates how good people management can be an enabler of excellent manufacturing processes. The factory's mission is to produce Unilever's range of personal care products. 'It's the largest aerosol factory in the world, producing 300 million aerosols a year', says Gary Calveley, works director at the time of the award, and now Unilever Home and Personal Care Europe (HPCE) logistics director. While half the factory produces deodorants in aerosol form, the other half produces personal care products in a wide range of packaging variants, such as: sticks, roll-ons, creams and liquids – examples of which are found on virtually every bathroom shelf in Europe. The personal care products market is highly competitive and consequently the Leeds factory's performance must constantly improve.

All of the plant's products are produced in high volumes and the quality, cost-efficiency and dependability of the operation has been based on a number of manufacturing process improvement initiatives. A programme for reducing the cost of non-quality succeeded in cutting it by a factor of eight in three years. Autonomous maintenance has passed the responsibility for maintaining production line equipment to operators and reduced 'down-time' to insignificant levels. Productivity improvements, set-up time reductions, and workplace management have all met exacting targets. Management has played a significant role in starting such operations initiatives but it is the drive of the operators on the factory floor that is the key to Lever Fabergé's success.

The Way Forward

When Calverley arrived in 1997, the Leeds factory had several particular characteristics. Firstly, the workforce was 75 per cent female, many of whom

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had started their careers working 'part-time' shifts of five hours to fit in with their domestic obligations. It was a unionized plant with 'good but not exceptional' industrial relations. Thirdly, the factory had experimented with many of the new approaches that swept through British manufacturing industry in the 1980s and 1990s (most of which originated from Japan) but the results had been decidedly average.

Yet management knew that success could be achieved because many of the manufacturing practices being considered were already successfully in operation in the Unilever Cartersville plant in Georgia, USA. In teamwork, for example, Cartersville was recognized as probably the best Unilever factory worldwide. However, the best way forward for Leeds was far from clear.

Recognizing this, Calverley put together a formal proposal to senior Unilever executives within HPCE, to invest in a 'manufacturing change programme'. Its objective: to transform the plant into something resembling (and hopefully surpassing) Cartersville. With senior management signed-up, Calverley's next action was to appoint Eugene Toner, a 22-year Unilever veteran to spearhead the transformation on a day-to-day basis. Together, Toner, human resources manager John Clayton and senior union convenor Malcolm Colbeck were to prove highly instrumental in the journey ahead. 'Although Malcolm and I perform very different roles, we're actually quite similar', is how Clayton puts it. 'We've both been here a long time, are passionate about the business, and are desperate to see it succeed'.

Toner and Clayton took Colbeck and two other union representatives to Cartersville. An outcome of this visit was the decision to closely emulate the way in which Cartersville had used a joint management-union working party and a series of small ad-hoc groups with individual tasks in achieving its transformation. One task that was urgent was to spread the vision. Unusually, to achieve this, Toner hired a small theatre company to spend a few days working in the factory and to then write and stage a play about their experiences. A redundant building was turned into a temporary theatre, and HPCE divisional board members were invited along for the opening night.

It was, says Toner, something of a gamble but one that paid off brilliantly. In three performances, viewed by over 600 employees, the theatre group vividly portrayed the factory's past, present and future. The working practices of the 1960s and 1970s were contrasted with those of the mid-1990s – and again with those of the post-change programme future; when empowered, autonomous teams would pervade the factory. After each performance of the play, employees were asked to challenge and modify the vision – the principal feedback was along the lines of 'Great. But when is it going to happen?'

Before it could happen, several crucial changes had to be made to the way

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that people were motivated, developed and rewarded within the plant. 'Being willing to work in a new way . . . is one thing,' says Clayton. 'Having the relevant confidence and competencies is quite another.' This became very apparent when employee focus groups determined the skills and competencies needed for autonomous teams. The gulf between employees' actual abilities and the required levels was huge.

Coaching the Change

Based on what he had seen at Cartersville, Calveley sought the authority to recruit a team of full-time 'coaches' to work alongside the factory's employees, developing their skills and competencies. Four of the dozen who were eventually hired came from within the factory and the remainder came from backgrounds such as the air force, the police, fitness instruction and teaching. Their first few weeks were rocky and the coaches wondered what they had let themselves in for. 'Looking back, there was a great deal of misunderstanding, doubt and confusion', says coach Nigel Spencer. Nevertheless, the scope for improvement was very obvious: Spencer vividly recalls working with one production team for a week, fine-tuning the running of their line to a state of perfection, only to come in on the following Monday morning to find that weekend maintenance had disrupted all the settings and put the line back to where it was a week before.

Two developments were to give focus to the work of the coaches. The first was the emerging understanding of precisely which skills and competencies contributed to successful performance in particular jobs within the factory. A listing, the 'competencies framework', proved particularly useful, in tackling areas such as communication, safe working, and teamwork.

The second development concerned pay. For many years, pay had been based upon the results of an annual round of negotiation between management and the union. Calveley and his team recognized that a mechanism was needed to positively reinforce the messages that they were trying to get across. This, says Clayton, was a huge leap – not just for the factory's union representatives but also for the workforce. It also took a great deal of midnight oil, invested by both management and union to develop a mutually acceptable mechanism.

'Right from the start, we knew that we wanted to reward people for exceptional effort – and not reward people who were just coasting along', Clayton says. As the work of the coaches gradually produced results, it was a philosophy with which more and more of the workforce were in agreement. 'We began to get a lot of feedback saying: "Thank God you're doing this – because I'm sick of working hard to just carry other people",' he says. 'Now, every single person on site is paid according to their achievement of personal objectives', observes Calverley.

Despite its apparent complexities, the new system was really fairly

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straightforward to administer. In effect it put an incentive on two dimensions: specific 'work targets', and 'personal goals' – the acquisition of new 'skills and competencies'. Typically, each year individuals were given three work targets to achieve, and three enabling skills and competencies to acquire. The work targets were not simply output- or productivity-based, but focused on achieving specific parts of the factory's transformation – for example implementing autonomous maintenance on a specific line. The second dimension can be explained as follows: 'skills' are learning how to carry out a specific job in the factory, and 'competencies' are behaviours, such as communication and taking the initiative.

Employees' performance on these two dimensions was determined in appraisals by line managers using a matrix (Figure 8.12), guided by observations from the coaches and regular feedback. 'The idea is that at the end of the year, there shouldn't be any surprises', says Spencer, who, in his role as a coach, often facilitates interim appraisals. To determine the appropriate payment, a scoring system is used. First, each individual's performance against their personal goals is classified into four categories. These are: 'none achieved', '1 achieved', '2 achieved', '3 achieved' or 'over-achieved'. The work target classifications are: 'hardly/none', 'partial', 'full', and 'exceptional'. Each individual's position in the matrix is determined and this determines the level of pay award that they are to receive. It does so in the form of a multiplying factor based on the 'standard' increase, which is linked to the overall achievements of the factory's

Figure 8.12 **Lever Fabergé's achievements and rewards matrix**

Pay Awards Through The Integrated Approach

Achievement of Personal Goals					
Work Target Achievement	None Achieved	1 Achieved	2 Achieved	3 Achieved	Over Achieved
Hardly/None	6	6	6	6	6
Partial	6	5	5	4	3
Full	6	5	1	3	2
Exceptional	6	4	3	2	1

Individual performance pay

1 standardx4
2 standardx2
3 standard
4 0.5 standard
5 None
6 None

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objectives. The individual's position in the matrix gives a 'score' (for example, 'over-achieved' personal goals and 'full' achievement of work targets leads to a '2'), which in turn leads to a pay increase of 'standard ×2'. Employees who over achieve on both dimensions receive a score of '1' and an increase of 'standard ×4'. Underachievement on either dimension reduces pay increases or, for poor performance in both dimensions gives no increase.

How important has the scheme been in bringing about the factory's manufacturing excellence? It is hard to overstate its value, say managers such as Toner and Clayton who have now seen it in operation for four years. Not everybody happily signs up to the principle, adds Spencer, but they do at least recognize that by not doing so, they are influencing their salary level, particularly when increases are compounded over several years. What is more, adds Calveley, the approach has leveraged top-level objectives, by linking them directly to individuals' targets and pay. This supports constant process innovation.

People Make Processes Work

The top-level results achieved speak for the value of the pay system. Targets and visual communications abound in the factory – notice boards containing breathtaking detail on the initiatives that have led to significant performance improvements. Clear links to the management metrics can be found in the performance measures used on the lines. Next to every production line is a wealth of data; statistics on yield, set-up time, maintenance, and so on – up to 30 graphs which the operators take a pride in explaining both to colleagues and visitors.

Matching the thoroughness of the communications, Fabergé's housekeeping programmes have been meticulously implemented. Operators have clearly specified procedures and prepared problem-recording charts. These are backed by maintenance trolleys with colour-coded lubricants and cleaners, glass inserts let into machinery so that belt drives, relays and actuators can be inspected without removing the covers, superb workshops . . . the list goes on. Even routine cleaning is embraced. Purpose-built cleaning trolleys are placed in strategic positions, and contain everything needed to support housekeeping and cleaning activities: buckets, mops, brushes, spades, cleaning materials and solutions, gloves, wipes and so forth. Standard operating procedures, checklists, 'lock-off' boards and schematic diagrams of each cell – as well as ample provision of the tools and materials required for each task. Quite simply, the factory is superbly well-organized, and clean well-laid-out factories pay dividends in terms of product quality and efficiency.

The factory has made huge strides with workplace practice. Rightly, the emphasis on innovation at Fabergé has been on the human resources

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practices that have brought about the extraordinary change in a short time. Coaches, a vision play, genuine empowerment, and a payment scheme that combines skills acquisition with the achievement of objectives – these are the people management approaches that have brought extraordinary process innovations.