

Anticipating and managing changes





Network ProMCR

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December 2012



This publication is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

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The publication can be downloaded free of charge from the website of the Association of Employers of Slovenia: www.zds.si

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December 2012

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Introduction

Competitiveness of the European economy and conservation activities and jobs in Europe will increasingly depend on the ability of European companies to increase their own competition through innovation and rapid and smooth adaptation to change. The positive export performance of some Member States is proof that success in global markets is based not only on price competitiveness, but also on other factors in broader sense; sector specialization, innovation and skill levels, and other factors which enhance real competitiveness. In this regard, structural weaknesses in the period before the crisis, which have not been adequately addressed, have become extremely obvious. It is not even necessary to point out that the system, which is built around the principles of job stability, is less and less able to offer each worker a real opportunity of providing him/her a quality career and future when their jobs are at risk because the companies are not encouraged enough to adapt to relevant changes.

Treatment of restructuring and adapting to changes in general in a positive way includes both; anticipating changes and managing them. To minimize the negative impact of restructuring, it is necessary to carry out preliminary steps well in advance. Skills, knowledge and qualifications are among the key pillars of change management, as well as being a driving force for long-term success of companies.

From November 2011 to December 2012 nine partners from Slovenia, Hungary and Czech Republic were involved in a European project “Network ProMCR - Network Proactive Management of Change and Restructuring”. The network of partners involved:

Employer Organisations:

- Association of Employers of Slovenia (ZDS)
- Confederation of Industry of the Czech Republic (SP CR)
- Confederation of Hungarian Employers and Industrialists - BUSINESSHUNGARY (MGYOSZ)

Trade Unions:

- Slovenian Association of Free Trade Unions (ZSSS)
- Czech Moravian Confederation of Trade Unions (ČMKOS)
- National Confederation of Hungarian Trade Unions (MSZOSZ)

Public Employment Services and Ministry:

- National Employment Service Hungary (NFSZ)
- Employment Service of Slovenia (ZRSZ)
- Ministry of Labour and Social Affairs of the Czech Republic (MPSV)

The project was supported by BUSINESSEUROPE and ILO – Country Office for Central and Eastern Europe.

The purpose of the project Network ProMCR was to contribute to the development and dissemination of better expertise and capabilities among the actors concerned in the area of anticipating, preparing for and providing for a socially acceptable response when restructuring occurs. The objectives of the project were to:

- Establish a partnership of social partner organisations and the relevant public authorities for proactive management of restructuring and change;
- Carry out an analysis (survey) among companies of the main industry sectors in Slovenia, Czech Republic and Hungary for the anticipation of future restructuring;
- Raise awareness of stress factors and resistance to change during restructuring;
- Produce recommendations to avoid or reduce the harmful consequences of restructuring and identify preventive measures and thus contribute to the creation of an EU framework of anticipation and management of change and restructuring.

In April 2012 the team of the Network ProMCR project carried out a survey aiming at restructuring processes and education and training policies in the company. The processes and policies in regard represent a key link between the future needs of the labour process and the current situation in the company. Still, it is possible to determine that many of the companies do not give sufficient attention to this fact. Lack of attention in regard is often complemented with poor government financial support of needed investments in training and education in the companies. In relation to education it is of essence, that companies are provided with proper institutional framework and proper content of educational programs, corresponding to the actual needs of the companies.

Based on the results of the survey, Network ProMCR project team prepared a set of interview questions for the range of companies. The companies included in the in-depth interviews come from all three participating countries, Slovenia, Hungary and Czech Republic. The range of companies from each country consists of one large multinational company, one large company from service sector, one large company from manufacturing sector, one medium sized company and one small company. The goal was to explore in detail different approaches as regards the size of the company, the sector the company operates in and as regards the national/multinational element.

Based on the results of all fifteen interviews the project team picked up six interviews that, in teams' opinion, represent best practice examples as regards change management. There are several common points of all best practice examples: reviewing the actual situation, thorough planning and well timed execution. What is also important for the long term effect is the legitimacy of the measures taken, as regards the perspective of all relevant stakeholders: employees, shareholders, business partners,

local communities and others. Management of changes gains legitimacy through transparent and objective and well contemplated measures and procedures that are well communicated to all relevant stakeholders. It has been documented in one of the interviews that the measured level of satisfaction among workers can be even higher after the changes than before the changes, even though the changes resulted in number lay-offs. The communication, transparency and confidence in management decisions are of essence.

The experiences gained in the project, through the survey and through in-depth interviews, resulted in a set of recommendations. The recommendations do not address solely the companies and workers' representatives. The recommendations also address the governments and national employment services, taking part in the creating of environment that is favourable to quality management of changes. What is concerning is the fact that companies do not see the advantage of benefit in (directly or indirectly) government run or government (co)financed programs. Most of such programs are administratively too challenging for the vast majority of the companies, mostly small and medium companies.

Unlike government' measures, most of the companies estimate the role of workers' representatives as an important and positive one. Most of the companies point out that the quality communication with workers through workers' representatives importantly influenced workers' notion of changes related measures taken. Quality communication is one of the pillars of successful change management, and an important widget of transparency.

Case study – Slovenia #1

The company was established in 1954 and was later on acquired by foreign automotive multinational company. Throughout the years, it has developed into one of the most advanced companies in automotive industry, employing well over 2000 employees. One of the important characteristic of the company is constant fluctuation in the volume of its production. 98% of the products produced are exported to EU and other countries, whereas the main market is EU. It produces technologically demanding final products, requiring high level of innovation. Their product cycle is 1 to 5 years.

On restructuring process

Company operates in automotive sector, which is significantly affected by the economic development in previous years. Due to the severe drop in demand in automotive sector the company had to adapt to the change in regard. However, the changes in regard were planned three years in advance; hence the methods for adapting to the changed situation could be less invasive as regards the core of the workers. The total number of employees has dropped somehow by more than 20%, but the number of actual layoffs due to business reasons was relatively low (around 10%). The company first reduced the number workers by enabling them to retire. Retirement in Slovenia is strictly voluntary, therefore proper communication with workers eligible for retirement was of essence. Second set of measures regarding the number of workers was cancelation of temporary (agency) workers and the number of fixed-term employment workers. What needs to be emphasized is the fact that a vast majority of agency workers continued to work for another large manufacturing company in the region.

Many of the previously outsourced working processes were in-sourced, workers were internally relocated to other processes and significant resources have been invested in retraining of workers, enabling the internal relocation of workers. With regard to the measures for tackling the changes it is necessary to point out role of the trade union in the company including the agreement on future work-related income policies in exchange to lesser number of redundant workers. It also needs to be pointed out that redundant workers were given legal lay-off period and legal severance fee, but the total package was upgraded with additional financial bonus for loyalty. Laid off workers were also entitled to additional education and “priority treatment”.

Since measures were planned three years in advance it is difficult to imagine tackling the changes in different manner. Considering the level of changes the company could not avoid the redundancies, whereas other measures (relocation, retraining...) were implemented in best manner possible. All of the measures were planned within the company by companies HRM experts without any external expert; however employee representatives were included in the change management process in large extent. As

regards the role of workers' representatives the "same boat" rule was taken very seriously; hence the workers' representatives are always included in the management of the change driven processes.

On communication

The management planned and carried out changes in cooperation of workers' representatives, striving to find the best solution and to ensure that the company can survive in this tough time and be ready for tomorrow. After negotiations the company took a diverse set of actions to inform all employees on the changes and related actions. The CEO communicated to each employee individually as well. The company organized several groups for providing the information to all workers. Employees appreciated the efforts of employer and such model of communication. Workers were able to get all the relevant information to be able understand the situation and the necessity of the measures taken/planned. Different means of communication were use: intranet, internal monthly newspaper, internal weekly e-mail information, direct monthly communication between CEO and managers, weekly information in each organization unit... What is also important is the two-way communication process, enabling the employer to collect good ideas, exchanging good practices... The measures to be taken were beforehand communicated to the owners also in order to check the measures.

Since some of the measures taken are given a negative connotation in general public, the role of workers' representatives and consensualty of the solutions provides leverage for PR campaign: necessary measures were taken, but measures in regard were agreed upon by social partners and the best possible as well. Hence there was no negative response from the general public. What is also important is future oriented planning: The company is preparing to start a production of new car model in 2014. The measures taken were necessary but the trend of the measures is planned to be reversed soon due to the planned production of the new model.

The change management model caught interest of other companies in the region as well, which is the highest recognition and acknowledgment of the quality of actions/measures taken.

The message: trust, communication, transparency and inclusion of workers' representatives

One of the key challenges was the communication. Solutions needed to be implemented in certain time-frame, whereas the communication at certain phase could be even better. Key message on communication would be honesty and transparency as regards the situation and measures to be taken as well. In that regard it is of essence to establish quality communication with workers' representatives (before the changes), and include them in the process of change management.

Case study - Slovenia #2

The company was established newly established in 2010 through a merger of two companies from the region, both with several decades of tradition. The company operates in manufacturing industry and it employs almost 1000 employees. The company is situated in Slovenia only, and it exports over 95% of its products. It produces low-tech intermediate goods and final products (industrial and other abrasives); however the required level of innovation is still medium-high. Its typical product cycle is 1 to 5 years.

On restructuring process

Company operates in manufacturing industry which in general was affected by crisis; however the main reason for restructuring was merger due to ownership consolidation. Both of the predecessor companies were acquired by the same owner. The main reason for merger of the both competing companies is the optimization of the production processes and maintaining the market share.

The companies planned the merger in 2008 – 2009, before it merged in 2010. It started with the strategic planning of merger, establishing of the project and project council. The project of formal merger took about 6 months (period 2009 – 2010), whereas the relocation of the production and its optimization was carried out from April until the end of December 2010.

The process affected all of the employees, but the merger related measures resulted in different ways: retiring of employees on voluntary basis, by terminating employment contracts (the measure in regard almost exclusively affected workers, with the sufficient level of social security, such as other incomes, pension, unemployment benefit until eligible for retirement...), by not prolonging fixed-term employment contracts... In general: The company was aiming at applying the measures with the least negative effect on employees. The measures taken are not related to the maturity of planning, since the results would be exactly the same even if planned even further in advance. The redundancies were solely the consequence of the work process optimization and could not be avoided by any means.

The changes were managed by internal experts of both merging companies, forming project team and project council. However, trade unions of both companies played important role in the process of the merger. Works council was not established continuously informed on each step/ measure to be taken. All of the documents (employers' general acts) were given to trade unions on order to obtain their position on the individual content/subject.

On communication

The merger was announced two years in advance, hence the workers accepted the fact in regard. It is also estimated that continuous information of the issue by the company had positive effect. The company worked intensively on the communication policy by using different approaches: bulletin board notices, meetings of different work units, assembly of workers, companies' newspaper, and information given at common sports and other events. However the lack of works council was obvious since the trade union did not play the role of the representative of all workers, but mostly member only.

Another important issue from the workers' perspective (as regards the merger) is unifying the cultures of both companies. The culture of the company is not possible to be changed in such a short period, and the unification cannot start before the merger and unification of the working process.

All of the measures taken were carried out with the knowledge and approval of the only (100%) shareholder. The restructuring was also communicated to business partners; first the merger was announced to the partners, and afterwards the communication on concrete measures took place as well. The company and the project team carried out several meetings with business partners in order to reassure them. The image control measures regarding the changes were not necessary since the company communicated with business partners simultaneously.

The company measured the level of satisfaction among workers (SIOK) before and after the merger. The level of satisfaction among workers was higher after the merger of the companies, hence the merger is to be considered as a success, as regards the employees. Main business partners remain pleased with the level of service/ products. However the main issue as regards other stakeholders was the communication with local communities, mostly due to the effects of the relocation of the part of the production line.

The message and lessons learned: representativeness of workers' representatives, including other stakeholders, reviewing the situation and exact planning

One of the key challenges was the communication. It is important to find trustworthy partner representing the employees. Trade unions sometimes seem unable to pass their interest solely membership driven will, therefore works council seems more appropriate partner in restructuring.

Solutions needed to be implemented in certain time-frame, whereas the time is always an issue. In concrete case the main effect of the lack of time is maintaining uninterrupted core business activities.

It is of essence to prepare diligent review of the actual state in both of the merging companies and accordingly set the goals straight and prepare exact and well timed execution of changes necessary.

Case study – Czech Republic #1

Following case study is based on large company, providing telecommunications and postal services that had to react to competitive pressure and lower sales due to falling demand for traditional services. Restructuring has been ongoing since 2007 and the company has gradually implemented measures like change of organisational structure from 7 fairly independent regional centres to line management, sale of assets, improvement of service quality, more thorough communication with customers with the aim of changing their perception and rationalisation with the aim of achieving savings, e.g.: modernisation of equipment and systems or headcount reduction. Several thousands of employees were made redundant during the restructuring process.

Introduction of modern services that get positive customer feedback was the goal of the restructuring process and also the positive side of the project, whereas the measures taken accordingly had several side effects. What has been learned is the fact that insufficient procedural analysis led to some erroneous decision, processes were introduced by people who lacked the necessary knowledge and employees were asked to do other tasks than those for which they had been hired.

The key lesson learned is that managing changes is a specific procedure and it should also be treated as such. General management and organizational skills usually do not suffice; therefore adequate external help is usually required or at least welcome. Changes should always be planned meticulously and checked before their execution. An (internal) audit and getting proper feedback from employees that is further used in a procedural analysis is necessary. Involving employees in introducing changes so as to enhance their motivation and minimise speculations and open communication are one of the pillars of change management.

The company engaged external experts assistance. Selecting the right partners for consultancy services is of essence when lacking internal expertise. Their asset is that they can make use of knowledge gained from similar processes abroad.

Restructuring outcome

Operating income is still relatively high. New services reflecting market demand have been successfully introduced, enabling competitiveness of the company.

Case study – Czech Republic #2

Following case study is based on the engineering company employing 300-400 employees and exporting around 60 % of its products. The main reason for restructuring was the expansion of the operations. Manufacturing halls could not be extended on the original premises and the company lacked labour force as well. Besides, there was pressure to reduce prices after the onset of the economic crisis in order to maintain competitiveness.

Changes have been planned for several years, but the economic crisis served as a stimulus for their speedy implementation, with the main change implemented in the crisis management regime. The management believed that lower demand would make it easier to satisfy orders (the automotive sector has fairly strict deadlines and requires just-in-time supplies) and also to negotiate with employees. One of the key restructuring measures was to build a new manufacturing hall and to move the main plant there.

Communication with employees

Communication with employees was one of the key challenges, even though the management concedes that in certain respects it did not comply with the usual recommendations:

- Employees were informed about moving of the main plant to the new site only once the new hall was ready for machines to be moved in. Leaders of working groups were informed only a couple of hours in advance. The meeting took place two days before Christmas.
- An hour after the changes were announced, the CEO informed employees that they would have the opportunity to move to the new plant. The CEO announced that employees would be selected.
- The management and group leaders started negotiations with influential employees and offered them the possibility to move to the new plant. This helped to create islands of support among the employees.
- Servicemen were the first to be selected by the management, as they were needed to disassemble the machinery.
- In January meetings were held every week with individual working groups and details of the moving were debated.

Experiences gained and recommendations

A quality planning is the cornerstone of successful change management. External assistance was used mainly to plan the lean production system and was seen as a great benefit, as it allowed the company to make use of experience from other companies. Insufficient planning, e.g. in the tool shop, led to inadequate operational decisions. Working group leaders had to manage both moving of the machines and new manufacturing control. It essentially meant that they had a double workload and certain things were underestimated. Technologies were set up incorrectly and now have to be moved again, which means extra costs

Use the crisis as an opportunity to make positive changes. It gives you a chance to newly set up processes, abandon work stereotypes and set up manufacturing in a more beneficial and forward-looking manner. A long-term goal has been fulfilled: to have three manufacturing plants and run the lean production system. The company has remained profitable in all the years.

Case study – Hungary #1

The head office of all Hungarian-owned, continuously growing company was established in 1983 and after the political changes it was privatized and acquired by two well-known multinational companies, one of whom the current owner purchased the company from in 2003, since when they have been running it as a family enterprise. Its main profile is the production of quick-frozen foodstuff. The number of employees is 317, but due to the seasonal nature of this line of business, nearly half of the employees are on a temporary basis.

The company responded to the crisis with continuous innovation, which resulted in growth.

Technological developments

With Hungary's accession to the European Union the West-European market opened for the company, the market in which it sought to gain market even before 2004. The long term plans for keeping the market however, require continuous adaptation in general and not only regarding the economic crisis: it is only possible through ensuring appropriate product quality and cost rationalization. The company has been able to rationalize not only the production and maintenance costs, but also the efficiency of the

labour force through the EU funded technological developments of the cooling system since 2008.

The employer considered the cooperation of the employers to be constructive. Regarding the innovations having been implemented since 2008, the employer has striven for *retraining its employees mostly carrying out semi-skilled tasks to become skilled workers*. In this context, it cooperated with one of the well-known vocational institution of the county, which created an on-location class in the premises of the employer, this way the participants received practical training along with the certificate (it was not only for the company's own employees, but external students could also participate).

An important element of the employer's training program is to ensure that employees acquire the *qualifications required by the authorities*. Here, in order to facilitate the flexible adaptation of the labour force, the employer strove for more people acquiring such a qualification. In this context, for example, forklift drivers were sent to a light machinery operator training, and vice versa, as well as boiler-room workers went on a powerhouse operating training and vice versa. *This way the substitution of the missing skilled workers became a lot easier.*

The management of the company involves their employees in the *product innovation* process too. They maintain so called idea boxes in the area of the workplace, where employees can throw in their ideas contributing to the company's success. According to our interviewee employees have very efficient ideas for the management mostly in the area of product range extension.

Work peace – preparation for the new Labour Code

The relation of the employer and the trade union operating there is constructive. There is a collective agreement in effect between the trade union and the employer, which is about to be modified due to the changes in the Labour Code regarding the regulations for paying the wage supplement and for the new methods of organization of work. Based on these changes, the employer wishes to introduce a four-shift working schedule, replacing the three-shift schedule, where calculating the wages is in accordance with the new regulations. While earlier there were differentiated wage supplements for working in the morning, the afternoon and the night shift, now this is going to be replaced by a unified rate wage supplement, though which is 10% higher than the earlier, but is only payable for the working period between 6 pm and 6 am.

The new system is difficult to understand and accept for the employees; however the trade union has accepted the fact, that due to the changes in the legal background, modifying the collective agreement is absolutely necessary. In spite of the difficulties the employer considers the cooperation to be constructive, and does not find conflicts imminent.

Case study – Hungary #2

The subject of the case study is a footwear manufacturer, which was established in 1990 in one of the least developed areas of Hungary in the eastern region. The former employees of the once state-owned factory quit and founded the company. The factory itself consists of two enterprises: a Hungarian-owned footwear manufacturing company that has its own label brand, but mainly producing shoes for orders; and a German-owned footwear manufacturing firm. The two companies do not only share the premises, but also the owner managing director.

The case study is an excellent example to show how restructuring resulting in serious shocks can be avoided and market position can be kept and even increased through responsible managing, innovative thinking and continuous adaptation. With its nearly 600 employees, the factory is the biggest employer of the region, through its suppliers and subcontractors it provides a living to nearly 1000 people month by month.

Handling the economic crises is characterized by the continuous optimization of the activity, so the company – unlike its competitors – has been able to maintain its market position in spite of the unfavourable economic conditions, and with the introduction of a new product it was able to increase.

The headcount of employees has increased since the beginning of the economic crisis, outplacement involving a larger group of employees or any other similar managerial decision unfavourable to workers has not been made since 2008, regardless of the fact that it is not only the management, but also the employees who constantly have to adapt to the circumstances.

The company's example deserves further attention because of the factors related to the Network ProMCR project:

Conflagration

On the 20th of December, one of the production halls of the company burned down due to an electrical malfunction. The production lines were saved but the warehouse was destroyed, resulting in a damage of nearly 2 billion HUF. (It means 2500 pairs of shoes, in the area of 3600 square meters.) The German owner of the company requested that the destroyed warehouse would be rebuilt by August 2008 the latest; otherwise they would be forced to relocate production from the town.

Production was re-started in the beginning of January, 2008 after the introduction of a new plant structure (the production area was decreased so that there would be more space for storage). Recovery was initiated with the help of a development program and the sum paid by the insurance company and was complete by the end of the summer of 2008. Employees demonstrated an exceptional commitment. In spite of being forced by

the employer to go on a leave, the employees voluntarily reported at the company to take part in cleaning up the ruins, so that production could restart as soon as possible

The introduction of a new product

The company started producing footwear for children as a new product in 2007, which went through technological development in 2008.

The introduction of the new brand did not result in an increase in headcount, the company used its existing capacity: they used the creative resources of the employees, the shoes were designed by the employees, who besides carrying out their daily routine tasks, did not only take part in designing, but were also involved in continuous controlling of the production process.

Plant extension in 2010

Three years after the conflagration the company prospers again. This is significantly a result of technological development made in the plant. In this project a new 1800 m² warehouse was built and the number of production lines was increased and in 2001 a new production hall began to operate. With the investment in 2010 and 2011 the headcount of the German owned enterprise increased from 14 to nearly 150.

The employees' contribution to the growth of the company:

The company is located in the least developed area, it is the largest – and the one and only significant – employer of the town with a population of 5500 and its area. As a result, the public relations of the company are good and the commitment of the employees is outstanding.

Workers are not organized in the company. This way the employer is entitled to make all the major decisions on their own regarding the labour force, nonetheless they consider their cooperation with the community of the employees to be exemplary. The employer regularly informs the employees about the changes regarding them either in a workers' assembly or in a written form. In each case a consultation is held at the change of seasons and at the end of the year, during which the parties discuss the conditions of the success in the period ahead and their mutual expectations.

Network ProMCR survey summary

The Survey¹

Carrying out restructuring processes and adapting to changes in general in a positive way includes both; anticipating changes and managing them. To minimize the negative impact of restructuring, it is necessary to carry out preliminary steps far in advance. Skills, knowledge and qualifications are among the key pillars of change management, as well as being a driving force for long-term success of companies.

The survey among companies in Slovenia, Hungary and Czech Republic was carried out in April 2012. The survey aimed at education and training policies in the company and worker's representatives' role in the processes in regard. These policies represent a key link between the future needs of the labour process and the current situation in the company. Still, it is possible to determine that many of the companies do not give sufficient attention to this fact. Lack of attention in regard is often complemented with poor government financial support of needed investments in training and education in the companies. In relation to education it is of essence, that companies are provided with proper institutional framework and proper content of educational programs, corresponding to the actual needs of the companies.

On restructuring

Main part of the survey was focused on organizational restructuring according the period of time the companies went through relevant changes – period “before 2008”, period “2008 till today” and period “from present on”. Definition of restructuring was included in an introduction of questionnaire: “A significant modification made to the debt, operations or structure of a company or gradual adjustments to the working process due to organizational, structural or market changes.”

Main thesis regarding the question in regard was: The crisis in 2008 increased the incidence and the number of relevant changes made in the companies. The crisis turned out to be the additional driver of changes in the companies, and also an opportunity to embrace the changes as an integral part of company's “natural development”. The results of the survey show that companies in Slovenia restructured in largest extent in period “2008 till today”. In accordance to the companies' projections, in the “near future” period we can expect larger percentage of organizational restructuring, compared to the “before 2008” period, however with lower intensity. It is not just the

¹ Detailed Comparative survey report (in English) and three National survey reports (in national languages) can be downloaded from <http://www.zds.si/si/projekti/network-promcr/>

number of companies which have restructured or plan to restructure that is important. The intensity of measures / actions taken also has to be taken into consideration. For example: Slovenia has lowest share of companies that underwent significant organizational restructuring in periods “before 2008” and “2008 till today”, but the intensity of measures taken in those periods was the highest of all participating countries. Slovenian sample somehow follows the thesis that the crisis forced employers to take more intense measures (high level of lay-offs; soft methods retiring, retraining, relocation were not widely used). The trend shows that the methods of restructuring applied in “2008 and later” period aimed mostly at reducing the number of employees, whereas other approaches remain relatively stable throughout all three observed periods, with exception of method “internal organizational restructuring – decrease in number of employees”.

Besides the incidence of restructuring as defined for the purpose of the survey and the intensity of the measures applied, another important factor was “the average number of measures taken due to restructuring”. The highest averages were recorded for the period of “2008 till today”. The trend can be explained by the fact that companies approached to restructuring in several steps, and also several measures have been applied. Most of the measures were aimed at reducing the number of employees; however reduction was made by introducing different concrete measures (retirement, transfer, outsourcing etc.) and by combining different measures.

However it is not just about reducing the number of employees. Increase of the number of employees was also one of the most common measures.

On the role of worker's representatives

The fact that according to the survey, workers’ representatives *always* have some kind of role (at least informative role) in the process of managing changes in the company is important. None of the participating companies reported complete exclusion of workers’ representatives in the process of managing changes

Slovenian respondents see workers’ representatives’ as an important and constructive, especially compared to other two participating countries. The constructiveness of workers’ role in Slovenia significantly improved in “2008 and later” period. The reason for the trend could be a changed role of workers’ representatives since their role in the certain restructuring procedures is increased by national collective labor law legal provisions. In period “before 2008” Hungarian companies estimate worker’s representatives’ role below average, taking into consideration responses from Czech Republic and Slovenia. Average response for the period “2008 till today” is 3.47 (1 - 5). In that period Czech respondents are close to the overall average but Slovenian respondents stand above average.

The trend of how employers see the role of workers' representatives in Slovenia is rather positive. It can be interpreted within the changed role of the workers' representatives in the processes of restructuring. The role of workers' representatives changed in restructuring process from mostly informative in the first period to mostly consultative. It needs to be added that their role exceeds solely consulting, since some measures require the consent of workers' representatives. It may be concluded that the measures taken in restructuring process not only strengthened the cooperation of employers and workers' representatives, but also increased the level of trust between those two actors. Such interpretation can also explain the trend for the future, although it has to be emphasized that the trend is only an estimation of future development of the issue in regard, not actual record of actual situation. Although the results for Czech Republic are close to the average ("neutral") value (and therefore strong conclusions cannot be drawn) we can see that the average estimation is a little bit more positive than "neutral". It is not different from other countries' results and it shows that, finally, the trade unions were able to find a compromise and accept the need of restructuring;

Also deducted from the interviews carried out in the second stage of the project, three qualities (related to workers and their representatives) of restructuring process are emphasized: transparency, trust, and communication including exchanging of ideas and viewpoints.

On training and education policies

Set of questions regarding the education was set for all respondents, irrespective of the fact the company did or did not go through relevant organizational restructuring. Special attention was taken when interpreting the data containing different periods of restructuring, since the periods are not the actual periods that education policy refers to (questions on the education policy in certain period and about financial assets available). Presented results represent the education policies of the companies, were divided into clusters in accordance to the period in which they have restructured / intend to restructure.

There were significant differences measured in regard to approach to lifelong learning policies among companies in participating countries: Lifelong learning policy is part of 58% of Slovenian, 61% Czech companies but only 18% of Hungarian companies. The result shows very different approaches to integrated educational policies in all three participating countries. It seems that Hungarian companies still have a long way (compared to Slovene and Czech companies) to the integration of educational policies as a part of integral companies' policies. What is still somehow reassuring is the fact that Hungarian companies nevertheless invest in education of employees, although the lifelong policies are not integral and continued part of policies of the company. The

percentage of companies that do not carry out any training and education activities is relatively low. 5% in Hungary and 3% in Czech Republic, whereas examples of companies who do not carry out any training or education activities in Slovenia is not recorded.

The survey data show that companies, which have not restructured recently, developed long-term education policy in 58% of the cases, whereas only 36% of such companies developed lifelong learning policy outside of an integrated education and training policy approach. Companies that have restructured in period “before 2008” have developed lifelong learning policy in greatest extent.

The information on the change in financing education is also interesting. Even though Hungarian companies do have lifelong learning policy integrated in continued company’s policy they intend to preserve the same amount of financial resources for training and education of employees. Slovenian companies, even though they forefront in the percentage of companies that have lifelong learning policy integrated in continued company’s policy; anticipate a reduction of financial resources for education and training.

According to the gathered data, most of the companies do not intend to change the amount of financial resources for training and education. The percentage of the companies which will maintain the same or similar amount of financial resources for education and training is similar throughout all three participating countries, with Czech Republic slightly exceeding the average. What is interesting is the fact that slight increase (by up to 10%) of amount of financial resources for education and training is more common than decrease. What needs to be addressed is also the fact that Hungarian companies record the highest percentage of companies that will increase the amount of financial resources for education and training in 2012 by more than 50% (as much as 23,1% of the companies), but on the other hand Hungarian companies also record the highest percentage of the companies that are going to cancel (although temporarily) education and all training activities (as much as 5,1% of the companies). One of the important messages derived from the survey is, that investing in knowledge is also as a tool for enhancing the competitiveness of the employees.

The most common reason for education and training in Slovenia and Hungary is “the need to upgrade workers’ existing knowledge and skills in order to enhance the work process/workplaces”, whereas the trend in Czech Republic is exactly the opposite: In Czech Republic only a few of the companies claim the “need to upgrade workers’ existing knowledge and skills in order to enhance the work process/workplaces” as main reason for education and training activities. Most commonly chosen options in Czech Republic are “Upgrade of existing knowledge and skills due to changes of work process /

workplaces” and “Maintenance of knowledge of knowledge and skills that are necessary for work process”. The least frequently chosen answer in all participating countries was “filling the knowledge/skill gap due to retirement of workers”.

The structure of education level needs differs from one country to another; the highest share of upper secondary education needs are recorded in the Czech Republic where companies lack qualified technical workers, whereas the highest share of higher education is recorded in Slovenia. Czech companies have the highest (around 10%) share of companies that have no plan regarding the future needs.

I turned out that, according the time period, companies that plan the changes in near future are more prone to regularly monitoring labour market. Monitoring of labour market has been constantly increasing during time periods, from 28% within companies that have changed “before 2008” period, to 43% in “2008 till today” period and to 54% in the companies that plan to take organizational changes in “near future” period. However more thorough approach “companies’ individual analysis of the labour market S&D” decreases through the time period. Companies seem to rely more and more on public data available, slowly but consistently. Enabling the companies to access the public data related to labour market situation (supply and demand) is therefore of most importance.

According to the gathered information on the supply and demand on the relevant labour market, companies intend to recruit new employees with necessary knowledge in different ways. Most common answer to the question on recruiting new workers (in countries overall) was “the local area/region”. Hungary is more country-wide oriented, whereas Slovenia and Czech Republic are less country-wide oriented. When recruiting new employees Hungarian companies are oriented to finding new employees in EU in greatest extent, compared to companies in other two participating countries.

It can also be concluded that companies are somehow over-staffed, but expect improvement of the situation. Therefore it is anticipated to prepare their employees for future process requirements. It has to be noted that Employers in Slovenia have legal obligation to retrain employees or provide them with additional training in order to avoid layoffs due to business reasons. Companies in Slovenia are intending to retrain currently employed workers in 2/3 of the cases, while in Hungary the share of companies intending to retrain currently employed workers is even higher – 3/4 of all participating companies. It may be interpreted that one of the key reasons for relatively high level of internal retraining in Hungary could be relatively high discrepancy between available VET programs and actual requirements of the working process. Training and education for employees is mostly conducted by external and internal training and education programs.

Most of the companies are not associated with any formal educational institution. Companies provide external education for employees more often, compared to the “through scholarship” category, which is most common in Czech Republic. The results show that the companies invest in already employed workers but, on the other hand are less willing to invest in young people who are still in the process of formal education. The trend in regard can be explained by the fact that companies (applies mostly SME’s) relatively seldom plan working process need far in advance and also calculate the risk of investing in young people, due to uncertainty of the future needs for additional workforce.

A large majority of the companies in Slovenia finance their education and training programs and activities solely with company’s financial resources, while in Czech Republic and Hungary the share of such companies is only significantly lower. Slovenian government seems to be least favourable to the financing training and education, while in Czech Republic and Hungary as much as $\sim 1/5$ of the financial resources for education and training are provided from programs funded by the government. Czech companies managed to actively participate in the EU structural funds. Training and education required and organized by the company was never paid by workers, in any of the participating countries.

Although most of the Slovenian companies are aware with possibility of public (co)financing of training and education programs they do not use them, but what is even more concerning is the fact that as much as $\sim 1/5$ of Slovenian companies (higher share, compared to the other countries) is not familiar with possibilities of public (co)financing, which shows lack of interest or lack of proper information flow. Reasons for not using public (co)financing are foremost complicated application process. Numerous of respondents that answered this question is smaller because the question was asked only to those who responded negatively to the previous. Second most common reason is strict administrative procedure. Slovenian companies claim above average share of companies that have lack of information about options. Before 2008 there was a lack of information about (co)financing training and education, but later complicated application process become more problematic and more common reason. The opinion about inadequate programs is decreasing according to time period of organizational constructing. It needs to be addressed that the process of applying for public (co)financing is relatively big challenge for majority of the companies, especially considering the adequacy of the public (co)financing programs available.

Recommendations ProMCR

1. Continuous adaptation to changes generally requires less intensive and more cost-effective measures for adapting to change; hence the companies should be encouraged to plan relevant changes in advance and take early actions correspondingly.
2. It is highly recommended for the companies to develop a mid and long-term strategic plan, including set of measures for less than optimum scenarios.
3. Companies should be encouraged to regularly monitor the workforce structure (skills and age structure and other relevant factors), the situation on the relevant labour market (e.g. available profiles) and to the early planning and management of change.
4. When designing government support policies for change management, a variety of economic entities should be considered, especially as regards the size of the company, geographical dispersion, sector the company operates and other relevant factors – There is no “one size fits all” approach!
5. Training and education of employees are of essence as regards quality change management and sustainable and qualified workforce. Companies should be encouraged at implementing integrated lifelong learning policies (also by tax incentives/tax legislation).
6. Help of the government is welcome. Governments should strive to establish proper supportive programs of (co)financing training and education and other actions/measures of managing changes.
7. Restructuring measures like “termination of employment contracts” or “not prolonging fixed time employments” are tools how to lower cost in a short-time period. For the near future measures like training and education or introducing new technology will be of rising importance – EU should support these activities.
8. The government and the EU must not burden companies through excessive regulation because “adjustments to environmental and other standards/legislation” are ranked among reasons for restructuring. The RIA process must be thoroughly applied and include an impact on companies’ competitiveness.
9. The processes for applying to the programs in regard should be simple, clear and not administratively demanding as the companies see “application process” and “strict administrative procedure” as key barriers for using public funds. Programs

should be accessible and adapted also to SMEs that lack departments specialized in obtaining financial sources from public funds.

10. In pursuing the highest quality of change driven decisions / solutions, workers and/or their representatives should be included in the process of change management (at the level of information and consultation, whereas the employer remains the decision maker).

Summary

Treatment of restructuring and adapting to changes in general in a positive way includes both; anticipating changes and managing them. To minimize the negative impact of restructuring, it is necessary to carry out preliminary steps well in advance. Skills, knowledge and qualifications are among the key pillars of change management, as well as being a driving force for long-term success of companies.

The processes and policies regarding restructuring and managing changes in general represent a key link between the future needs of the labour process and the current situation in the company. It is possible to determine that many of the companies do not give sufficient attention to this fact. Lack of attention in regard is often complemented with poor government financial support of needed investments in training and education in the companies. In relation to education it is of essence, that companies are provided with proper institutional framework and proper content of educational programs, corresponding to the actual needs of the companies.

Carried out interviews correspond to best and worst practice examples, and are therefore an important guideline on how to tackle the changes, and what approaches are not the most appropriate. There are several common points of all best practice examples: *reviewing the actual situation, thorough planning and well timed execution*. What is also important for the long term effect is the *legitimacy of the measures taken*, as regards the perspective of all relevant stakeholders: employees, shareholders, business partners, local communities and others. Management of changes gains legitimacy through *transparent, objective and well contemplated measures and procedures* that are *well communicated* to all relevant stakeholders. It has been documented in one of the interviews that the measured level of satisfaction among workers can be even higher after the changes than before the changes, even though the changes resulted in number lay-offs. *The communication, transparency, inclusion of stakeholders and confidence in management's decisions are of essence*.

The experiences gained in the project, through the survey and through in-depth interviews, resulted in a set of recommendations that do not address solely the companies and worker's representatives. The recommendations also address the governments and national employment services, taking part in the creating of environment that is favourable to quality management of changes. What is concerning is the fact that companies do not see the advantage of benefit in (directly or indirectly) government run or government (co)financed programs. Most of such programs are administratively to challenging for the vast majority of the companies, mostly small and medium companies.

Quality change management should be founded on objective evaluation of current situation, thorough planning of necessary measures, exact and well timed execution of all planned measures. All three steps should be complemented with quality communication, in every step of the way, with all stakeholders, especially with employees (directly or indirectly) and transparency of measures all taken.