



THE FUTURE OF THE EUROPEAN PRINT INDUSTRY – IN OUR OWN HANDS

WHAT THE INDUSTRY SAYS

THE FUTURE OF THE EUROPEAN PRINT INDUSTRY – IN OUR OWN HANDS

WHAT THE INDUSTRY SAYS



With support from
the European Union



**Best Practices in Socially
Responsible Restructuring for
Printing Companies**

This publication is supported under the European Community programme for Employment and Solidarity – PROGRESS (2007-2013).

This programme is managed by the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon 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.

PROGRESS's mission is to strengthen the EU contribution in support of Member States on EU objectives and priorities; and

- Provide analysis and policy advice on PROGRESS policy areas;
- Monitor and report on the implementation of EU legislation and policies in PROGRESS policy areas;
- Promote policy transfer, learning and support among Member States on EU objectives and priorities; and
- Relay the views of the stakeholders and society at large.

For more information see: <http://ec.europa.eu/social/main.jsp?catId=327&langId=en>



Facta Consult has realised this report as a part of a joint project by Intergraf, UNI Europa Graphical, Assografici, bvdM, KVGGO, Ver.di, Unite and FISTEL-CISL, financed by the European Commission (Directorate-General for Employment, Social Affairs and Equal Opportunities). The report itself however, does not necessarily reflect the views of all the organisations.

Intergraf represents the interests and competencies of the European printing industry, while UNI Europa Graphical represents the European graphical employees. Assografici (Italy), bvdM (Germany) and KVGGO (the Netherlands) are national printing federations, and Ver.di (Germany), Unite (UK) and FISTEL-CISL (Italy) are national trade unions.

The views expressed in this report, as well as information included in it, do not necessarily reflect the opinion or the position of the European Commission and in no way commit the institution.

INTERGRAF
International confederation for printing and allied industries a.i.s.b.l.

UNI europa
graphical
global
union

bvdM.
Bundesverband Druck
und Medien e.V.

ASSOGRAFICI
CONFEDERAZIONE

KONINKLIJKE
KVGGO

EXECUTIVE SUMMARY	5
Recommendations at industry level	8
Recommendations at Company level	9
1. INTRODUCTION	11
2. PRESSURES FACING THE INDUSTRY	15
2.1. Background	16
2.2. Factors impacting the industry	21
3. IMPACT ON COMPANIES	23
3.1. Impact of company size	24
3.1.1. Impact of overcapacity	24
3.1.2. Impact and potential of technology	26
3.1.3. Impact of government	27
4. WORKFORCE IMPLICATIONS	29
5. SOCIALLY RESPONSIBLE RESTRUCTURING	31
5.1. Poor practice	33
5.1.1. A definition of social responsibility	33
6. BUILDING FOR A SUCCESSFUL FUTURE: THE CUSTOMER PERSPECTIVE	35
6.1. The customer viewpoint	36
7. BUILDING FOR A SUCCESSFUL FUTURE: FOCUS ON EXTERNAL RELATIONSHIPS – COMPANY RESPONSE	39
7.1. Strategy development	40
7.2. Options under consideration	40
7.2.1. Socially responsible restructuring: an industry-wide response	42
7.2.2. Company response	42
7.3. Developing strategic alliances, partnerships and mergers	43
7.4. Building customer confidence	44
7.5. Building an image to attract future staff	45
8. CHALLENGES & POTENTIAL SOLUTIONS: INTERNAL FOCUS	47
8.1. Partnership working	48
8.1.1. Developing the partnerships needed for change and restructuring	48
8.1.2. Developing partnership arrangements with staff	50
8.2. New ways of working within the company: flexibility	51
8.3. New ways of working – future skill requirements	51
8.3.1. Technical skills	53
8.3.2. Other skills needs	54
8.4. Getting the resource required for socially responsible restructuring	55
9. APPENDIX	57
Appendix one – Background and methodology	58
Appendix two – Summary of quantitative data	60
Appendix three – Breakdown of responses to quantitative study	65
10. CASE STUDIES	69
Case studies / Contents	71
MediaPlaza	72
07 Group/Case study 1	74
Roto Smeets/Case study 1	76
07 Group/Case study 2	78
Roto Smeets/Case study 2	80
Schleunungsdruck	82
Corelio	84
Polestar	86
Hjemmet Mortensen Trykkeri	88







EXECUTIVE SUMMARY



The study shows that the impact of external factors (such as developments in communication technology, market shifts and changes in production technology) and the company response to it can differ according to organisational size. While small and medium-sized companies are found to be at great risk, they have the advantage of being able to be more agile, and respond more swiftly to market needs. Large companies are primarily struggling with how to resolve the issue of overcapacity, which has resulted in a huge price war across the industry.

The project demonstrates a consensus amongst large companies and trade unions for more positive action to be taken at a pan-European level. The current rate of company failure, combined with European competition laws that prevent co-ordination across larger companies, could result in a sector so weak that either European companies will fail and print imports from developing countries will come to dominate the market, or a near-monopoly will be created as companies become vulnerable to acquisition, leaving very few large players in the market. Either scenario has profound social implications for the European workforce. The overriding view of leaders of large companies and trade unions is that urgent permission is required from the European Union to enable larger companies to co-operate across the continent so that planned

restructuring can take place, allowing capacity to be removed in a co-ordinated and socially responsible way, following consultation and agreement with trade unions and the workforce.

While the issue of overcapacity and price competition impacts the sector as a whole, technology offers both a threat and an opportunity. Changes in customer behaviour and a shift to the web and other e-solutions are reducing demand for print. However, technology also helps increase productivity and provides access to new markets for companies agile enough to take advantage of the opportunities on offer. While SMEs are best placed in terms of flexibility here, they can find it more difficult to access capital particularly in the current economic climate.

The workforce implications of the changes underway are significant, as both comments and the quantitative study confirm. When asked what strategies companies were considering in both the short and the long term, just 5% of companies in the study view closure as an option in the short term. However, 47% see ceasing to operate as a longer term scenario, while 45% consider they may have no option but to sell. Other defensive strategies include reducing the size of plant, equipment and numbers of staff (currently being considered by 29% of participants, rising to 36%



in the longer term). Around half the sample (51%) view redundancies as an overall implication, with 34% including early retirement in the mix and 20% anticipating the need to prepare staff for redeployment outside the industry.

Other actions underway or being considered also have significant implications for staff. Almost one in three participants list outsourcing of print (29%) and use of temporary workers (also 29%) and amendments to contracts of employment (32%) as implications of the current situation.

Ways of working for those remaining in businesses will continue to change. Competitiveness will require additional flexibility to meet an increasingly demanding market – and, while some respondent companies already have these solutions in place, 63% of respondents are considering introducing flexible working patterns, while 67% view multi-skilling as a future requirement.

General upskilling will also be essential, to meet the demands of new technology. Here, 57% of those surveyed say they are considering retraining existing staff in new skills – with 38% considering recruitment of staff with different skill sets.

The dilemma created by the human implications of restructuring is acute but cannot be avoided. It will require information to be provided, a proactive approach, careful management, communication, consultation, negotiation and agreement with unions and employees in order that restructuring can be managed in a fair and reasonable way.

The inescapable conclusion is that socially responsible restructuring is going to require the willing contribution of all those involved in the industry – Intergraf, UNI Europa Graphical, the federations, companies, unions and staff themselves. And it cannot succeed without the active support of government at both a national and a European level.

Union voices stress the business value of involving unions and works councils in monitoring and evaluating how strategies are being implemented on an ongoing basis. This allows all relevant issues to be identified and resolved as early as possible.

Social responsibility starts with companies building economic sustainability and ensuring that they are able to provide staff with the employability they require. The industry needs to reinvent itself for the twenty-first century and to create an image that places it in the centre of the communication industry. The potential exists to build on the industry's 550-year old history and to become the trusted advisers for customers struggling to make sense of the complex and constantly changing communication choices available to them. But this requires

a focus on strategy development, as well as the capability to forge new working relationships with others in the sector.

Despite the many challenges, there is agreement that building skills is essential. While in technical terms, IT skills are the key requirement for the future, the consensus view is that interpersonal, customer management and managerial skills will be increasingly critical.

Repositioning the industry, diversification of activities and work to change the culture of organisations to help make them more attractive to young people will all support the change required to attract the workforce of the future.

In tandem with this, the industry needs to ensure that it will attract the skills required to supplement, and in the longer term replace, an ageing workforce with traditional skills. These challenges require a transformation of the industry. The capability is in place to achieve this as long as understanding customer needs become central to industry thinking.

A clear message emerging from the study is that effective partnership working – between managers, unions, staff representatives and staff within companies, is implicit both to managing change effectively and to restructuring in a socially responsible way.



There is strong evidence of the benefits of working in partnership, both with staff representatives/works councils, where these are in place, and also in following partnership principles with staff directly. An effective cycle of information, communication and consultation is viewed by participants as core to both social responsibility and to commercial success.

Note

This report is based on nine months of primary research into the issues facing the European printing industry. This took the form of 45 interviews with senior executives responsible for leading some of the printing industry's largest companies, owners and senior managers of a range of small and medium-sized enterprises (SMEs), senior union figures, and staff representatives. It also gathered views from customers and suppliers to give an 'outside-in' view of the current state of the industry and the challenges ahead. Two residential workshops, one for large companies and one for SMEs were held in Milan. Over 90 industry and union representatives attended the sessions to debate the challenges and start to formulate solutions. An on-line survey also provided the opportunity for broader input (148 respondents).

RECOMMENDATIONS AT INDUSTRY LEVEL

- Intergraf and UNI Europa Graphical to bring together large companies together with the EU authorities, including at least the Directorate General Employment and Directorate General Competition to enable:
 - Contact between the companies
 - Views to be shared on the industry and the total market
 - Building of a shared vision for the industry
 - Management of capacity whilst precluding discussion of (groups of) clients, dividing markets, or prices.
 - Social partners including Intergraf, UNI Europa Graphical, the national federations and their union counterparts as well as employers to make workforce planning an industry level activity.
 - Social partners to jointly seek government support for re-schooling inside and outside the industry, enabling staff whose jobs are made redundant to seek alternative employment elsewhere.
 - Intergraf, UNI Europa Graphical, the national federations and their union counterparts to describe what is acceptable behaviour within the industry in the context of company failures and pre-pack agreements* – developing an industry-wide code. Once agreement is achieved, the social partners to jointly seek changes in legislation as appropriate.
- ⊕
- The creation of a platform for industry issues. This forum should include Intergraf, UNI Europa Graphical, the national federations and their union counterparts as well as companies, customers and other stakeholders. The agenda should focus on key industry issues. Strategy workshops would also be beneficial.
 - Intergraf, UNI Europa Graphical, the national federations and their union counterparts to continue to emphasise the importance of an effective cycle of communication and consultation to all facing change in the industry, to identify and highlight examples of good practice and to encourage companies to build and maintain robust partnerships.
 - Intergraf, federations and unions to lobby for effective, well-funded business support programmes to incite companies to action and enable them to go through restructuring.
 - National federations forging links with other federations within the communications industry will help companies in the task of identifying suitable partners.
 - Create a cohesive campaign to demonstrate the attraction of the industry, focusing on leading edge technology, as well as positioning the sector as a key part of the communication industry. Current examples include initiatives such as PrintPower (www.printpower.eu) and Two Sides (www.twosides.info). Intergraf, UNI Europa Graphical, the national federations and their union counterparts all have a role to play here.

* Where insolvency arrangements allow the owners to restart their business by buying back its assets and writing off its debts.



RECOMMENDATIONS AT COMPANY LEVEL

- Organisations undergoing restructuring to seek government support and funding where available and to ensure that it is used effectively to provide staff with maximum employability.
- Use the toolkit to ensure strategy development based on a better understanding of customer needs, with a strong focus on planning and a commitment to employability.
- Increase preparedness to work with others, both inside the printing industry and with other communication specialists, is likely to be essential to survival. The focus on forging strong external links needs to be combined with a commitment to working with staff, and staff representatives to build understanding of planned changes from an early stage.
- Invest in knowledge and skills at all levels of the company.
- Prioritise building an understanding of customers and their needs. Involve staff and staff representatives in this so that there is a common understanding both of the need to change to meet these requirements and of the changes that will be needed to ensure sustainability.
- Develop links with local schools and colleges to change perceptions.
- Prioritise the effective management of restructuring and change by establishing appropriate forums and channels for communication and consultation and using them effectively.
- Develop good relationships with local employment agencies and identify the opportunities for support.







1. INTRODUCTION

Reasons for the study

The printing industry in Europe is facing a period of unprecedented change. Competition, in the form of new technology and price cutting from local and emerging markets, together with the impact of the global economic crisis is resulting in company closures at an unprecedented level.

The skills needs in those companies that survive will need to transform along with the organisations themselves. Many of those leaving the industry are also ill-equipped to find work elsewhere, as they are typically long service staff with highly specialised skills who fail to recognise the potential transferability of the more general competencies they also have.

This study, *“The Socially Responsible Restructuring of the European Printing Industry”*, was commissioned jointly by Intergraf and UNI Europa Graphical with support from the European Union to help support companies through these difficult times. The social partners together with companies from across the industry in Europe have been involved throughout the study, ensuring that the output will provide practical support for the industry as well as for individual companies.



A previous study conducted by Intergraf with the help of the European Commission, *“Competitiveness in the European Graphic Industry”*, published in 2007, pointed to the limitations of a diversified industry comprised primarily of relatively small companies. This identified problems including a focus on internal competition rather than global challenges, weak capacity to invest in non-manufacturing activities, and an inability to pursue collective action plans.

The factors identified in 2007 have since been compounded by a worsening global economic situation. It is against this background that the social partners within the industry launched this joint initiative.

Background to the social partners

Intergraf (International Confederation for Printing and Allied Industries) represents 23 national printing federations in 20 countries in Europe. Its main task is to promote and protect the interests of the printing industry by working with the European institutions. Intergraf and its member associations have been involved in discussions on enhancing the sector’s competitiveness, and the project is a logical follow-up to the previous work.

UNI Europa Graphical is part of UNI Europa, a European trade union federation uniting trade unions organising in services and skills sectors. UNI Europa Graphical represents 350,000 graphical employees through its 55 affiliated trade union organisations located in 50 different European countries. European integration and globalisation means that trade unions can no longer be effective if they work solely at national or local level. In order to win better conditions for their members, unions representing workers in specific industries have to act together across Europe and internationally.

Methodology

This report is based on nine months of primary research into the issues facing the industry. This took the form of 45 interviews with senior executives responsible for leading some of the printing industry's largest companies, owners and senior managers of a range of small and medium sized enterprises (SMEs), senior union figures, and staff representatives. It also gathered views from customers and suppliers to give an 'outside-in' view of the current state of the industry and the challenges ahead. Two residential workshops, one for large companies and one for SMEs were held in Milan. Over 90 industry and union representatives attended the sessions to debate the challenges and start to formulate solutions. An on-line survey also provided the opportunity for broader input.

The nature of the study means that the contributing organisations are more likely to be those who have an interest and commitment to the concept of restructuring in a socially responsible way, and who are at the leading edge of the changes transforming the industry. This is likely to mean that the results reflect the opinions of those who have been considering a way through these issues, rather than the thoughts of the average printing company simply struggling with the challenges.

The report aims to capture just some of the richness of the contributions that people have made. It summarises the challenges faced by the industry. It also attempts to reflect the learning that has emerged in terms of a way forward that will help to maximise the probability of companies staying in business, and to equip individuals for a lifetime of employability.

The report consists of an analysis of the findings from the qualitative and quantitative parts of the study, supported by case studies that provide a snapshot of best practice. It also includes a highly practical toolkit – designed to give practical support to companies and staff as they navigate the complexities ahead. A limited number of secondary sources are quoted in the study, while a more extensive bibliography is also provided for those who wish to explore the background further. The pace of change continues to be rapid. This means that the conclusions in the report will need to be reviewed and adapted to keep pace with the impact of external forces. However, the inescapable conclusion of the work so far is that socially responsible restructuring is going to require the willing contribution of all those involved in the industry – Intergraf, UNI Europa Graphical, the federations, companies, unions and staff themselves. And it cannot succeed without the active support of government at both a national and a European level.







2. PRESSURES FACING THE INDUSTRY

2.1. Background

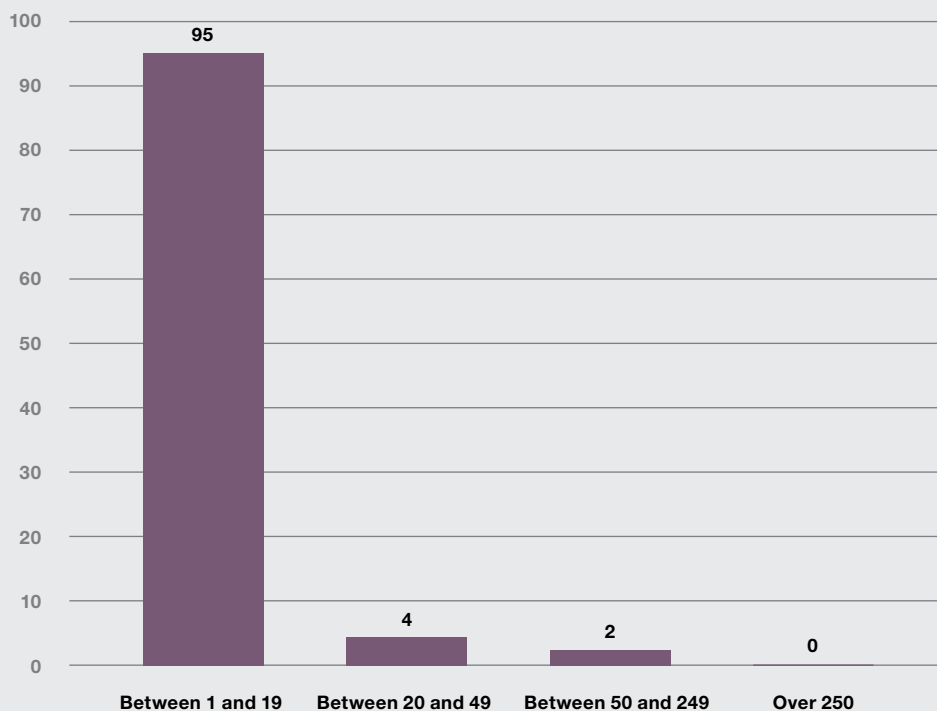
According to latest figures available, the printing industry in the 27 European countries comprises roughly some 134,000 companies and employs some 850,000 people. The turnover in the printing industry is estimated to be about 100 billion EUR¹.

The industry is highly fragmented. More than 95% of companies are SMEs employing less than 20 workers². Previous studies have shown that this increases the vulnerability of the industry as a whole as historically small and medium-sized companies have been the most prone to closure³.

There is no question that the crisis has impacted the European printing industry. In most European countries, it has led to a general decline in gross domestic product, in industrial output, in capacity utilisation and to reluctance on the part of banks to lend to each other and to corporate and individual clients. A 2009 study of the impact on the industry concluded:

‘Given the positive relationship between growth in a country’s GDP and economic activity in the graphical industry this [is] all bad news for printing, packaging and publishing firms in Europe already operating in an industry with significant overcapacity’⁴.

Graph 1. 2007 - Distribution of number of companies according to size categories - as percentages



Source: Eurostat - all data were not available for all countries.

The European Commission study, *Competitiveness in the European Graphic Industry*, published in 2007 concluded (p16) that:

“The crucial restructuring necessary to reshape the industry and be able to face new competition could require profound transformation and potentially significant cutbacks in terms of the number of companies and employment.

Since the publication of the study, Europe, along with the rest of the world, has faced a major economic crisis. This has had a major impact on countries across Europe and has resulted in social unrest in Spain and Greece.

The impact of the economic situation has been exacerbated within the printing industry in Europe because of the ‘good years’ immediately before. Between March 2003 and December 2007, the industry was generally growing, with short periods of contraction. From the end of 2007 to the middle of 2009, the production index declined by just over 11% in total for printing and reproduction of recorded media. Industry figures reflect the general downturn in demand across the printing industry as a whole:



Table 1. Demand for selected printing products 2007 - 2009

PRODCOM CODE 18.121.230: PRINTED COMMERCIAL CATALOGUES							
	2007	2008	2009	2008/2007	% - 2008/07	2009/2008	% - 2009/08
Austria	87,764,300	82,249,000	61,453,700	-5,515,300	-6,28	-20,795,300	-25,28
Belgium	126,898,764	148,687,238	129,778,875	21,788,474	17,17	-18,908,363	-12,72
Bulgaria	8,304,019	1,568,156	3,476,582	-6,735,863	-81,12	1,908,426	121,70
Croatia	36,675,614	35,701,045	57,805,147	-974,569	-2,66	22,104,102	61,91
Czech Republic	32,411,943	51,399,984	43,688,065	18,988,041	58,58	-7,711,919	-15,00
Denmark	36,709,258	0	0	-36,709,258			
Germany	1,134,461,898	1,143,292,422	1,141,525,858	8,830,524	0,78	-1,766,564	-0,15
Spain	662,152,757	599,565,104	466,055,412	-62,587,653	-9,45	-133,509,692	-22,27
Estonia	1,419,861	981,555	475,758	-438,306	-30,87	-505,797	-51,53
Finland	58,035,803	64,994,355	35,114,395	6,958,552	11,99	-29,879,960	-45,97
France	317,047,000	327,479,397	322,845,759	10,432,397	3,29	-4,633,638	-1,41
Greece	814,674	700,304	633,311	-114,370	-14,04	-66,993	-9,57
Hungary	28,567,352	26,786,557	43,458,873	-1,780,795	-6,23	16,672,316	62,24
Ireland	29,357,000	16,751,000	13,477,000	-12,606,000	-42,94	-3,274,000	-19,55
Italy	1,215,846,000	1,280,765,000	1,128,381,000	64,919,000	5,34	-152,384,000	-11,90
Latvia	1,257,829	983,630	1,256,894	-274,199	-21,80	273,264	27,78
Lithuania	1,303	206,383	102,641	205,080	15,739,06	-103,742	-50,27
Netherlands	71,003,000	76,719,000	66,216,000	5,716,000	8,05	-10,503,000	-13,69
Poland	3,668,816	4,714,701	9,776,574	1,045,885	28,51	5,061,873	107,36
Portugal	35,282,081	32,731,988	22,972,670	-2,550,093	-7,23	-9,759,318	-29,82
Romania	30,745,694	18,582,307	9,893,255	-12,163,387	-39,56	-8,689,052	-46,76
Slovakia	2,224,219	18,352,665	1,627,254	16,128,446	725,13	-16,725,411	-91,13
Slovenia	5,329,963	19,216,905	6,526,684	13,886,942	260,54	-12,690,221	-66,04
Sweden	108,921,201	:	7,876,374				
United Kingdom	1,071,010,024	666,083,538	576,392,350	-404,926,486	-37,81	-89,691,188	-13,47
EU 27 TOTALS	5,030,185,047	4,592,000,000	4,093,005,284	-438,185,047	-8,71	-498,994,716	-10,87
Norway	24,860,351	19,547,527	37,880,680	-5,312,824	-21,37	18,333,153	93,79

PRODCOM CODE 18121250: OTHER PRINTED TRADE ADVERTISING MATERIAL (EXCL COMMERCIAL CATALOGUES)							
	2007	2008	2009	2008/2007	% - 2008/07	2009/2008	% - 2009/08
Austria	491,370,200	576,065,000	528,166,300	84,694,800	17,24	-47,898,700	17,24
Belgium	858,908,005	728,555,049	635,110,172	-130,352,956	-15,18	-93,444,877	-15,18
Bulgaria	34,236,630	10,120,667	9,222,467	-24,115,963	-70,44	-898,200	-70,44
Croatia	:	:	:				
Czech Republic	246,240,762	249,597,491	210,596,520	3,356,729	1,36	-39,000,971	1,36
Denmark	415,227,364	0	0	-415,227,364	-100,00	0	-100,00
Germany	4,839,691,378	4,977,921,708	4,585,104,997	138,230,330	2,86	-392,816,711	2,86
Spain	715,749,848	651,966,619	550,335,467	-63,783,229	-8,91	-101,631,152	-8,91
Estonia	25,868,304	24,857,541	18,375,046	-1,010,763	-3,91	-6,482,495	-3,91
Finland	215,154,064	189,064,927	145,946,165	-26,089,137	-12,13	-43,118,762	-12,13
France	1,924,214,000	2,036,008,383	1,866,870,564	111,794,383	5,81	-169,137,819	5,81
Greece	76,375,409	63,810,457	57,706,348	-12,564,952	-16,45	-6,104,109	-16,45
Hungary	92,246,537	63,104,696	172,003,275	-29,141,841	-31,59	108,898,579	-31,59
Ireland	62,082,000	74,025,000	52,604,000	11,943,000	19,24	-21,421,000	19,24
Italy	1,737,881,000	1,774,334,000	1,601,445,000	36,453,000	2,10	-172,889,000	2,10
Latvia	22,442,081	9,491,954	5,261,196	-12,950,127	-57,70	-4,230,758	-57,70
Lithuania	20,903,354	:	17,844,040				
Netherlands	1,121,521,000	1,127,235,000	981,868,000	5,714,000	0,51	-145,367,000	0,51
Poland	64,156,091	107,130,150	43,494,246	42,974,059	66,98	-63,635,904	66,98
Portugal	121,880,344	142,890,505	96,248,155	21,010,161	17,24	-46,642,350	17,24
Romania	55,179,250	58,935,234	:	3,755,984	6,81		6,81
Slovakia	19,485,922	26,357,655	14,869,021	6,871,733	35,27	-11,488,634	35,27
Slovenia	48,905,612	59,679,949	61,430,765	10,774,337	22,03	1,750,816	22,03
Sweden	:	:	:				
United Kingdom	2,987,912,441	2,476,410,308	1,694,362,134	-511,502,133	-17,12	-782,048,174	-17,12
EU 27 TOTALS	16,565,240,486	15,675,608,203	13,580,000,000	-889,632,283	-5,37	-2,095,608,203	-5,37
Norway	150,027,568	118,702,774	100,628,108	-31,324,794	-20,88	-18,074,666	-20,88

PRODCOM CODE 18.121.300: PERIODICALS							
	2007	2008	2009	2008/2007	% - 2008/07	2009/2008	% - 2009/08
Austria	303,186,000	283,594,900	266,310,500	-19,591,100	-6,46	-17,284,400	-6,09
Belgium	275,725,192	310,718,495	289,810,784	34,993,303	12,69	-20,907,711	-6,73
Bulgaria	20,939,769	17,555,885	21,180,182	-3,383,884	-16,16	3,624,297	20,64
Croatia	62,403,464	:	:				
Czech Republic	94,756,681	152,781,809	150,245,773	58,025,128	61,24	-2,536,036	-1,66
Denmark	0	0	0	0			
Germany	2,671,006,461	2,532,136,231	2,176,621,730	-138,870,230	-5,20	-355,514,501	-14,04
Spain	453,034,186	507,287,959	385,472,703	54,253,773	11,98	-121,815,256	-24,01
Estonia	42,257,232	47,987,103	46,800,072	5,729,871	13,56	-1,187,031	-2,47
Finland	394,328,316	503,014,262	328,970,434	108,685,946	27,56	-174,043,828	-34,60
France	887,647,000	816,506,720	842,472,885	-71,140,280	-8,01	25,966,165	3,18
Greece	44,103,108	148,321,020	131,528,114	104,217,912	236,31	-16,792,906	-11,32
Hungary	109,326,636	89,388,330	137,114,108	-19,938,306	-18,24	47,725,778	53,39
Ireland	39,651,000	29,238,000	30,728,000	-10,413,000	-26,26	1,490,000	5,10
Italy	:	740,174,000	824,026,000		25	83,852,000	11,33
Latvia	18,148,299	13,929,525	15,411,971	-4,218,774	-23,25	1,482,446	10,64
Lithuania	28,398,778	:	17,331,991				
Netherlands	516,464,000	534,918,000	471,610,000	18,454,000	3,57	-63,308,000	-11,84
Poland	:	650,044,589	553,162,769			-96,881,820	-14,90
Portugal	55,835,193	123,197,977	142,237,249	67,362,784	120,65	19,039,272	15,45
Romania	67,456,019	70,828,247	42,994,131	3,372,228	5,00	-27,834,116	-39,30
Slovakia	94,953,249	94,987,269	85,773,719	34,020	0,04	-9,213,550	-9,70
Slovenia	44,096,571	42,593,938	23,168,778	-1,502,633	-3,41	-19,425,160	-45,61
Sweden	224,054,983	204,985,960	166,756,693	-19,069,023	-8,51	-38,229,267	-18,65
United Kingdom	1,504,176,287	1,529,252,273	1,270,167,464	25,075,986	1,67	-259,084,809	-16,94
EU 27 TOTALS	8,700,000,000	9,467,360,876	8,419,896,050	767,360,876	8,82	-1,047,464,826	-11,06
Norway	158,355,267	166,432,384	112,312,267	8,077,117	5,10	-54,120,117	-32,52

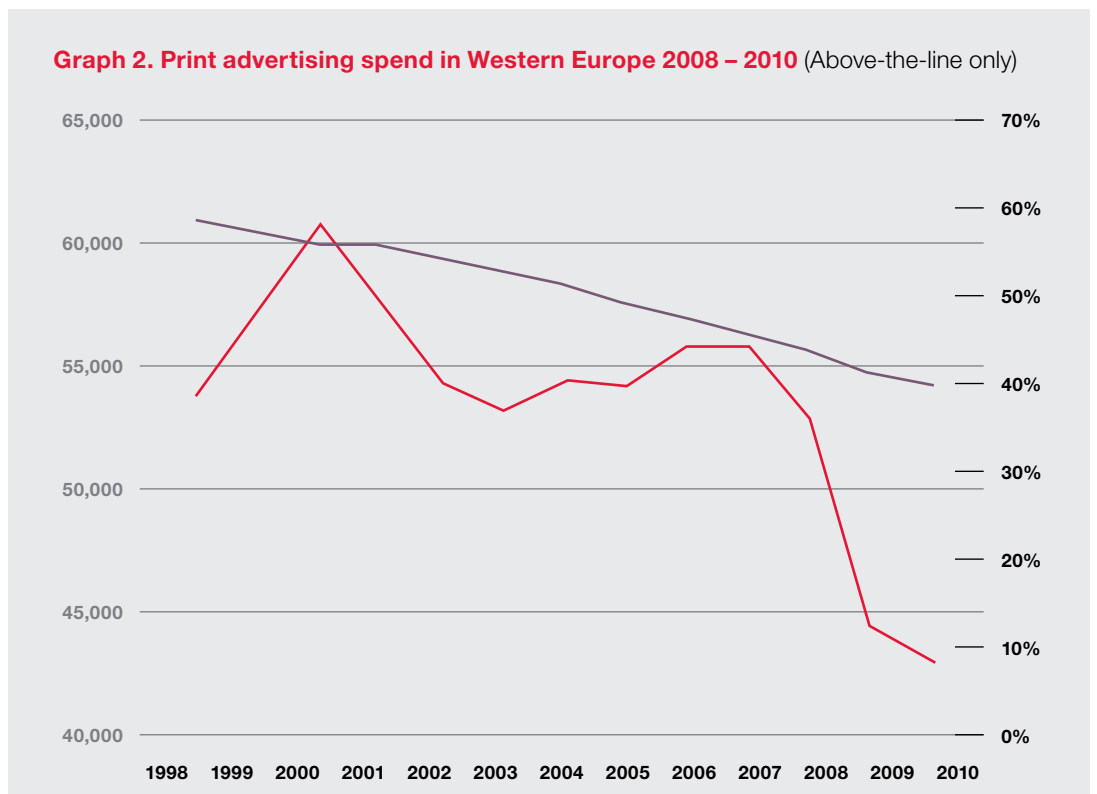


PRODCOM CODE 18.121.414: PRINTED BOOKS BROCHURES				
	2008	2009	2009/2008	% - 2009/08
Austria	93.847.800	84.312.400	-9.535.400	17,24
Belgium	105.611.211	102.761.436	-2.849.775	-15,18
Bulgaria	7.285.868	6.899.478	-386.390	-70,44
Croatia	:	:		
Czech Republic	124.896.096	120.942.463	-3.953.633	1,36
Denmark	0	0	0	-100,00
Germany	:	723.665.326		2,86
Spain	482.296.396	426.853.870	-55.442.526	-8,91
Estonia	:	1.171.756		-3,91
Finland	226.275.066	158.833.543	-67.441.523	-12,13
France	259.030.204	267.688.588	8.658.384	5,81
Greece	3.913.269	3.504.564	-408.705	-16,45
Hungary	57.303.280	96.424.785	39.121.505	-31,59
Ireland	22.169.000	10.728.000	-11.441.000	19,24
Italy	846.503.000	627.351.000	-219.152.000	2,10
Latvia	22.065.216	14.978.939	-7.086.277	-57,70
Lithuania	49.726.859	5.891.653	-43.835.206	
Netherlands	245.814.000	198.767.000	-47.047.000	0,51
Poland	609.464.793	256.566.018	-352.898.775	66,98
Portugal	68.758.069	105.573.547	36.815.478	17,24
Romania	9.709.126	4.529.084	-5.180.042	6,81
Slovakia	58.121.489	49.279.501	-8.841.988	35,27
Slovenia	14.571.904	15.142.702	570.798	22,03
Sweden	:	:		
United Kingdom	805.714.070	876.458.572	70.744.502	-17,12
EU 27 TOTALS	5.118.800.000	4.799.415.184	-319.384.816	-5,37
Norway	52.883.130	51.982.057	-901.073	-20,88

Source: Eurostat



A more detailed look at advertising spend on print reflects the same trend:



Print (mln USD) —
Share in Ad spend —

Source: ZenithOptimedia,
March 2010

This downturn in traditional printing activity has already had a significant impact on those employed in the industry⁵:

Table 2. Numbers of staff employed in European printing industry

	de222 Printing and service activities related to printing L'industrie graphique dans son ensemble Die Druckindustrie insgesamt			de2221 Printing of newspapers L'impression de journaux Zeitungsdruck			de2222 Printing n.e.c. L'imprimerie Druckgewerbe			de2223 Bookbinding Reliure et finition Druckverarbeitung			de2224 Pre-press activities Composition and plate-making Composition et photogravure Schriftsatz und Reproduktion			de2225 Ancillary activities related to printing ('Other activities' in NACE Rev.1) Divers services Sonstige Druckleistungen		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
be Belgium	23205	18954	18073	2186	1938	1926	15515	13472	12672	1024	808	933	2162	1664	1422	2318	1072	1120
bu Bulgaria	9494	9565	9815	642	648	708	7816	8158	8290	135	72	61	447	408	496	454	279	260
cz Czech Republic	24138	19717	21458				11570	10887	13084	2101	1817	1820	1408	1415	1138	3982	1536	1515
dk Denmark	10640	10207	10007	576	700	972	7935	7509	7174	1133	1093	1005	788	732	680	208	173	176
de Germany	172003	155260	159118	7443	7779	7819	129408	113448	114475	14309	11931	12812	13753	: (c)	16940	7090	: (c)	7073
ee Estonia	2817	2906	: (c)	651	: (c)	626	1941	1934	2184	: (c)	: (c)	: (c)	98	115	98	: (c)	88	58
ie Ireland	6799	5988	5745	: (c)	: (c)	: (cu)	: (c)	5439	: (u)	224	188	: (u)	173	147	: (u)	143	: (c)	: (cu)
gr Greece	12668	8109	8534	624	550	528	8163	5242	5581	959	587	614	1697	1056	1111	1225	674	700
es Spain	93256	83903	81367	1662	1576	1775	71944	63724	60309	5573	5412	6228	10061	9910	9423	4016	3281	3632
fr France	103625	96714	92307	2909	3663	3352	75038	70267	66763	7267	6648	5829	9216	8205	8333	9195	7931	8030
it Italy	120793	90240	89887	2637	2636	2357	85974	64630	65969	9860	7988	7388	12954	9431	8462	9368	5555	5711
cy Cyprus	1559	1497	1434	9	4	4	1462	1419	1366	32	36	32	53	32	: (c)	3	6	: (c)
lv Latvia	4353	4713	4974	0	1	0	4048	4425	4604	116	89	101	42	30	38	147	168	231
lt Lithuania	4022	4733	4939	446	439	465	2878	3738	3903	132	22	24	241	178	231	325	356	316
lu Luxembourg	1224	1166	: (c)	0	0	0	1127	1086	1040	37	28	: (c)	31	37	38	29	15	40
hu Hungary	22691	18195	19560	436	293	366	15460	13002	13126	1317	1131	1023	1070	788	1010	4408	2981	4035
mt Malta	:	:	1685	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
nl Netherlands	41973	34947	34889	2589	1632	1571	31395	27517	27735	3852	3239	3229	3836	1939	2147	303	620	206
at Austria	14934	14119	14305	828	797	855	12138	11658	11767	865	755	759	818	708	742	285	201	182
pl Poland	54891	42695	45789	1139	976	1064	46491	37343	40032	2974	1914	1999	3109	1806	1974	1178	656	720
pt Portugal	25368	23143	22210	594	527	497	16645	15666	14734	684	756	763	3452	2845	2591	3993	3349	3625
ro Romania	20243	19780	20583	2166	2363	2457	16211	15446	15772	532	586	821	454	522	626	880	863	907
si Slovenia	6145	5477	5441	: (c)	: (c)	: (c)	4494	4249	4189	: (c)	: (c)	: (c)	699	500	533	827	637	625
sk Slovakia	4346	4683	5573	558	367	370	3018	3382	4386	240	403	266	178	152	296	352	379	255
fi Finland	11755	11175	11586	1018	867	860	9668	9391	9808	200	167	190	710	585	545	159	165	183
se Sweden	21885	18422	18468	2346	1775	1831	14343	12791	12534	1177	1031	1019	1269	1107	1125	2750	1718	1959
uk United Kingdom	161405	147364	142702	1392	1661	1550	132875	122921	120297	8428	6987	6302	5377	4763	4120	13333	11032	10433
eu27 European Union	976232	853672	850449	(eiu)	: (c)	:	727557	648744	:	63171	53688	:	74096	: (c)	:	66971	:	:
no Norway	8425	7905	7634	1222	1268	1276	5190	4964	4703	526	487	483	215	153	163	1272	1033	1009
ch Switzerland ¹	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:

Source: Eurostat / (1) Member Federation source / c: confidential / u: unreliable

Views about pressures facing the industry gathered as part of this study reflect both the themes identified in the 2007 report, and the new dimension of economic uncertainty. In addition to depressed demand for advertising, this is viewed as potentially speeding the migration of printed materials to the web, as customers seek to reduce costs in response to more difficult trading conditions. The industry is on a cliff edge.

This situation is having a profound impact on the lives of individuals. Typically, print industry staff are long servers, with specialised skill sets and lacking experience either of moving to other jobs or of appreciating where more general skills may be transferable. This combination of factors makes it far harder for those whose jobs are made redundant to pick up the pieces and begin employment elsewhere. The need to develop an industry-wide approach to restructuring in a socially responsible way is pressing.

2.2. Factors impacting the industry

While the global financial crisis has added additional pressure to the issues facing the industry across Europe, the overall picture is far more complex. A range of political, economic, social and technological issues interrelate to create a 'perfect storm' for the industry. These can be seen in table 6, while the analysis is included in full in the toolkit (A.1.2) as a strategic planning tool for organisations. The analysis was drawn up in the light of feedback from participants and stakeholders in the project.

Political

- Legislative frameworks differ significantly offering varying levels of social protection; market freedom; and stipulating different levels of information and consultation with the workforce
- EU competition law precluding collaboration by large companies



- Differing levels of governmental support: e.g. - subsidies by some governments impacting on print prices/competition between the print sector in different countries
- Differing tax/social security costs across Europe impacting on competitiveness
- Expansion of EU – recent expansion plus the current ‘waiting list’
- EU level playing field and ‘social dumping’^A
- Varying levels of government bureaucracy
- Growing environmental awareness – EU targets for carbon emissions/local agreements for production sectors
- Availability/accessibility of European social funds/ European Globalisation Fund (EGF) (including differing regional funding regimes allowed in some countries).
- The impact of ‘pre-packaged administration’, whereby insolvency arrangements allow the owners to restart their business by buying back its assets and writing off its debts (there are also political dimensions in the different approaches to ‘pre-packs’).
- Fragmentation of printing industry and preponderance of smaller firms
- Print seen by EU/ national governments as a mature sector with limited job creation opportunities – making it difficult to attract political or financial support
- Impact of national frameworks on priorities for training or retraining over which employers have little, if any control

Economic

- Emergence of new economies (e.g. China) investing in print and undercutting European prices
- Offshoring of customers operations to new economies – facilitating use of local print
- Global economic crisis: reduced investment by banks/difficulties in raising loans
- Impact of currency fluctuations within Europe on prices
- Recession: reduction in advertising revenues
- Cost of paper/ink/energy
- Varying labour costs across Europe
- Shareholder pressure for greater returns
- Growth of new media companies creating increased competition
- Shift of advertising expenditure towards internet
- Impact of print brokers
- Market demand for shorter lead times, increased customisation and shorter runs
- Market pressure for lower costs
- Market focus on brands which is fuelling demand for multi-media approaches rather than print alone
- Sharp reductions in public sector print purchasing

Social

- Print replacement by digital storage and retrieval, and web-based media
- Growth in usage of social media/on-line media
- Digitalisation of official forms by authorities
- Demographic changes: fewer young people in all of Europe
- Potential impact of generation z: ‘digital natives’ on culture, ethics, values and communication preferences
- Pensions crisis (demographic changes leading to reduced ability to meet pension commitments at a governmental level) and increased pensions age in some countries
- Reduced opportunities for redeployment of older workers due to economic conditions
- Current industry image among potential recruits: viewed as low technology/male/lack of security/limited career opportunities
- Greater pressure to demonstrate good environmental performance and track record
- Changing skills and competency requirements
- Management capability and confidence
- Employee relations – effective information, consultation and workforce engagement
- Quality of workforce training (e.g. limited training to operate only one type of equipment)

Technological

- Overcapacity/low capacity usage rate due to increased efficiency of new machinery
- Improvements in conventional technology (e.g.: reel-fed cut sheet printing)
- Other incremental improvements (digitisation of page make up/computer to plate)
- Fundamental technology changes: digital printing/variable data print
- Impact of web/e-books/i-pads/social media/ related technology
- Increased on-line data storage and retrieval
- Shift in focus away from pure print manufacturing to implementing technological solutions that add value to customers through non-print services, such as web design
- Need for production to address environmental concerns through waste reduction, recycling and reduced use of energy, water and chemicals
- New technologies: printed electronics, RFID, 2D bar codes to enhance interactivity of print

A. The European Commission defines social dumping as “the export of a good from a country with weak or poorly enforced labour standards, where the exporter’s costs are artificially lower than its competitors in countries with higher standards, hence representing an unfair advantage in international trade. It results from differences in direct and indirect labour costs, which constitute a significant competitive advantage for enterprises in one country, with possible negative consequences for social and labour standards in other countries.”





3. IMPACT ON COMPANIES

The combined impact of the various political, economic, social and technological factors is significant across the industry. However, it varies dependent on the size of organisation:

3.1. Impact of company size

In previous studies, small and medium-sized companies have been identified as facing most challenges and lacking the financial capacities that would allow their managers to support a long term strategic vision, or to invest in non-productive activities, such as research and development or marketing⁶.

Historically, this situation has caused under utilisation of equipment, a lack of differentiation between local competitors and competition based almost exclusively on price⁷. Added to this mix is the difficulty smaller companies have in withstanding long periods of poor trading because they do not have the resources of their larger competitors. However, participants within the study also point to the potential advantages held by smaller companies – notably the opportunity to be more agile, and respond (within the constraints of available technology) to market needs. Several participants in the study demonstrate the potential for innovation and creativity here. The MediaPlaza and 07 case studies in section 10 both reflect this.

Large companies face different challenges. They have made significant capital investment, and are also suffering from declining markets and competition from both inside and outside Europe. Previous studies have demonstrated that this combination is creating a ‘fierce price war’ between gravure and web offset, a finding validated by this research,

which has also found competition between companies using the same processes. The combination of factors has led to a single focus for larger companies – how to resolve the issue of overcapacity.

3.1.1. Impact of overcapacity

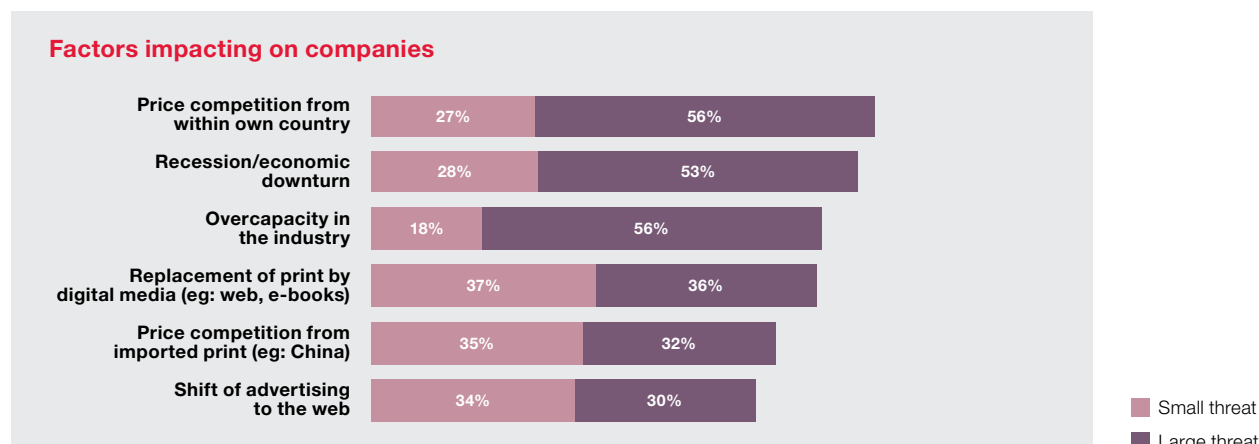
The causes of overcapacity are complex. A combination of the various factors impacting on the industry has created an unprecedented situation. These include the efficiencies offered by new print technology, over-investment by companies in an attempt to reduce production costs and cut prices, the growth in competition from outside Europe, changes in customer behaviour and the current economic situation.

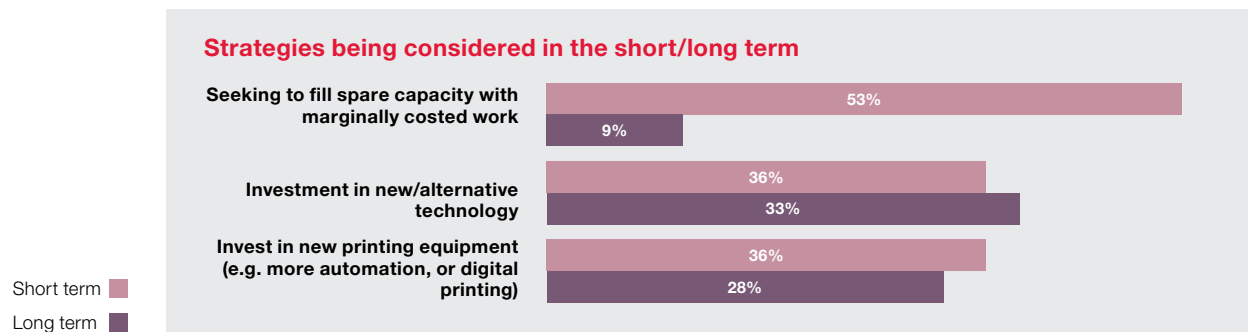
Previously published figures show the scale of the issue. Between 2006 and 2009, the European print industry’s productive capacity increased by 30%, but aggregate demand for the product by only 1%⁸. This means that investment and productivity cycles are out of synchronisation. The offset printing sector alone is estimated to have excess capacity of some 15-20%⁹, while for the web offset and rotogravure sector analysts have recently indicated an overcapacity of 25-30%¹⁰. This has major implications both for the sustainability of businesses, and for social responsibility. A 2009 conference for union representatives in gravure and web offset concluded that one of the main reasons for job losses, on which all the speakers were unanimous, was overcapacity¹¹.

Comments in the current study support this. The industry is described by one senior manager as “a battlefield, where participants attack each other, and new multi-media attacks the industry as a whole”.

“There is one and only one issue facing the industry – overcapacity.”

Senior manager, large company





“Printers are not selling – they are prostituting themselves.” Senior manager, large company

The quantitative analysis demonstrates that overcapacity is an industry-wide issue, with 74% of respondents citing overcapacity as a threat. However, both the workshops and interviews demonstrate that the problem of excess capacity is the predominant factor impacting on larger companies, but is less likely to dominate the thinking of SMEs, which tend to operate sheet-fed machinery.

The quantitative element of the study illustrates the factors that have combined to create the overcapacity crisis. Primary factors viewed as a threat by participants comprise local price competition (from within the same country) cited by 83%, recession (81%), price competition from print imported from China and other non European countries (67%), and changes in customer behaviour including replacement of print by digital media (73%), and a shift of advertising to the web (64%).

One large company participant summarised the issue: *“The biggest problem is the combination of technological and economic factors, combined with the scale of investment in the past five to eight years which has been enormous, but with no corresponding growth in the market for our product. All the new technology has made printing easier, and make ready faster, but there is no corresponding volume for the additional capacity.”*

The outcome is that all companies across the sector compete mainly on price, driving down prices and margins. Over half of respondents to the questionnaire (53%) have a short term strategy of seeking to fill spare capacity with marginally costed work. A quote from one large company participant graphically illustrates the problem faced: *“Our prices have dropped by 25% in the last two years, and our costs have gone up, both direct costs like paper and ink, and indirect costs like electricity”.*

The result is seen in the cannibalisation of the industry, with company failures on the increase. Interviewees revealed that a bankruptcy is responded to *“with glee”* by competitors in an over-crowded market.

The level of failure has created associated problems with the misuse of pre-pack agreements, which allow companies to be closed, placed into administration and then swiftly bought and reopened with debts written off. This enables asset stripping, further price decreases and erodes the confidence that customers have in the industry.

Several participants in the study voiced concerns that printing companies may assume that they can ‘ride out’ current financial conditions and that print volumes will return to pre-recessionary levels: *“This is a dangerous assumption. [B-2-B] customers may have made long lasting behaviour changes, such as permanent reliance on internet applications”* said one interviewee.

Others voices raised concerns that companies may not fully appreciate the level of risk, as despite significant overcapacity, machine suppliers continue to report sales of machines. The quantitative element of this study supports this: 36% of respondents are considering investing in new printing equipment in the short term, with an equivalent number contemplating investment in new or alternative technology. Suppliers who participated in the study confirmed their view that significant levels of job cuts are likely to continue, and that the capacity issue must be addressed. One commented: *“There is only one short-term objective for printing companies. Survival.”*

The project demonstrates a consensus amongst large companies for more positive action to be taken at a pan-European level. The current rate of company failure, combined with European competition laws that prevent co-ordination across larger companies, could result in a sector so weak that either European companies will fail and print imports from developing countries will come to dominate the market, or a near-monopoly will be created as companies become vulnerable to acquisition, leaving very few large players in the market. Either scenario has profound social implications for the European workforce. The overriding

view of leaders of large companies is that urgent permission is required from the European Union to enable larger companies to co-operate across the continent so that planned restructuring can take place, allowing capacity to be removed in a co-ordinated and socially responsible way.

Recommendations at industry level

- Intergraf, UNI Europa Graphical, the national federations and their union counterparts to take the lead in a communication campaign to ensure that the sector as a whole is fully aware of the scale and implications of overcapacity,
- Intergraf and UNI Europa Graphical to bring together large companies plus the EU authorities including at least the Directorate General Employment and Directorate General Competition to enable:
 - Contact between the companies
 - Views to be shared on the industry and the total market
 - Building of a shared vision for the industry
 - Reduction of capacity without mentioning and/or discussing (groups of) clients, dividing markets, or talking prices.

3.1.2. Impact and potential of technology



“New technology will help us to stay competitive and to defend our place in the industry.”

Large company interviewee

While the issue of overcapacity and price competition impacts the sector as a whole, technology offers both a threat and an opportunity. Changes in customer behaviour and a shift to the web and other e-solutions are reducing demand for print. However, technology also helps increase productivity and provides access to new markets for companies agile enough to take advantage of the opportunities on offer. While SMEs are best placed in terms of flexibility here, they can find it more difficult to access capital particularly in the current economic climate. Opportunities mentioned by interviewees include:

- Integration of print, software and graphic design offers the opportunity to increase the value chain, offer integrated services and reduce costs.
- On-line data means that companies can shift from being the providers of forms and other traditional products, to being data administrators, and managing on-line processes.
- The ability to transmit data provides other opportunities – for example, national newspapers being printed in other jurisdictions.
- An increase in niche products with shorter runs as in the magazine market, for example.
- Web-to-print offers a range of commercial

opportunities to satiate the hunger for personalised products. Offerings range from personal greetings cards, posters and photo albums, to short-run books, personalised as a ‘one-off’ present. Personalised products for the commercial market include specialised label printing and specific formats for particular applications.

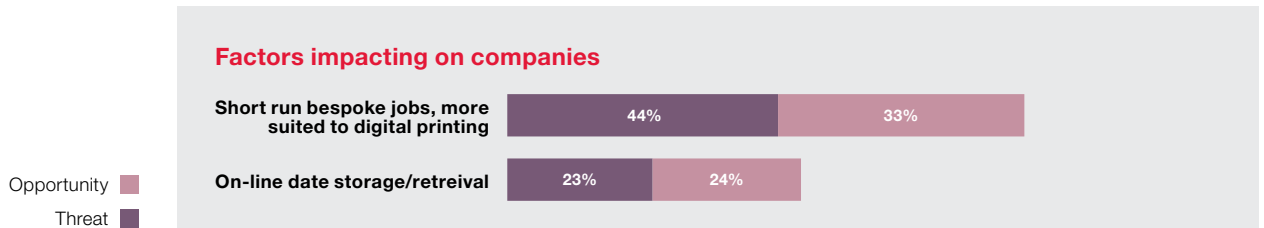
- Interactive print using micro-chip technology can help redefine the concept of what print is capable of.
- The opportunities afforded by new technology for increased efficiencies, together with additional competitiveness in relation to other media; improved work flows, faster and more efficient production, reduced materials usage and less wastage.



Technology – the supplier perspective

Suppliers also offered a glimpse into the future. A summary of their scenarios for future demand as well as technical developments follows:

- Increased focus on print management with auto refill of stock levels in customers’ warehouses. Benefits for print companies include tying the customer to the printer and bringing more control over what to print and when.
 - Prestigious tactile products that ‘say something about you’ (e.g.: arts magazines) will fuel future demand for print. Mass market awareness-raising print will also retain a strong market presence because of its good return on investment.
 - The trend towards personalisation will continue, thus helping drive the development and investment in hybrid presses.
 - Conventional press utilisation will improve with rapid make-ready, reduced down time and increased productivity. Cost break points between digital and conventional litho will reduce as litho becomes more competitive at shorter run lengths. As the quality of digital challenges the quality of litho, the focus for digital will be personalisation – creating more demand for hybrid presses combining litho and digital printing units on the same press.
 - More automatic colour management – from agreeing the proof to the print run. Verification software will review and evaluate whether the colour measurement bar is within tolerance. This may result in print businesses running fewer high quality and more sophisticated presses.
 - Technology will include automatic sheet registers and flexible inking systems, enabling shorter runs and rapid changeovers.
 - Faster run speeds for digital will result from liquid toner. Ink jet is also likely to develop further.
 - Sheet sizes are likely to be bigger, with more large format presses and A0 sheet size conventional presses – and digital presses are also likely to increase their maximum sheet sizes.
 - Dramatic changes in skills in the finishing area; and significant automation will require more integrated planning.
 - Digital production of plates will alleviate the need for processing chemicals, an environmental benefit; and require fewer operators.
 - The pace of automation will impact on warehousing and logistics (for example one book printer runs a ‘dark warehouse’ controlled by robots with no people present (with emergency lighting for maintenance and repair only).
- While suppliers confirm the need for companies to plan for the future, they also highlight that the technology currently available may not be used in the most effective way. For example, the key justification for digital printing is personalisation – yet less than 20% of digitally printed output is personalised.



“We’ve been investing in IT for 10 years now. We set up a new company that supports publishers in the digital transformation of their businesses. We add value to existing services – consultancy, IT services. We started this change 10 years ago and are managing it through natural wastage.” SME interviewee

The quantitative element of the study demonstrates that attitudes towards the benefits of technology differ. 44% consider that short-run jobs more suited to digital printing are an opportunity, while 33% consider them a threat. Views about on-line data storage and retrieval are equally divided, with 23% considering the potential to move data electronically is a benefit, and 24% seeing it as a threat.

The opportunities afforded by technology offer their own challenges in the context of social responsibility. Among these are the need to equip individuals with the skills required to thrive in a wired-up world, and to manage the reduction of the workforce which has come about as a result of increased automation. Recommendations for addressing the challenges are covered in section 8.

3.1.3. Impact of government

The lack of ‘a level playing field’ is one of the key issues to emerge from the research in terms of governmental impact. The PEST analysis highlights the various factors affecting competitiveness across Europe (see above, pages 21-22; and Toolkit A.1.2, pages 11 to 13). This section looks at the legislative structure in terms of industrial relations, as is the most relevant issue for socially responsible restructuring.

In principle, there are minimum standards in place for information and consultation across Europe, and the works council directive^B has established a framework linking national and European concerns. However, studies have shown that in practice, application of social legislation may vary considerably. One study highlights that this is not just an issue of the quality of the procedures or structures, but also of culture. While Nordic countries demonstrate respect for all laws, including those derived from EU information and consultation legislation, others (including Greece, Portugal, Italy and, perhaps surprisingly, France) have less respect for EU legislation, or view it as subservient to national concerns (the case in Germany, the UK and Spain¹²). This means that practices differ. National labour law and collective bargaining arrangements

also vary. Other studies have shown that in the context of socially responsible restructuring, a key element is the differing use of labour market policy instruments designed to support wage subsidies and to enable protection of employment via short-time working. These measures compensate staff for loss of wages/salaries or having to work fewer hours than normal. These are in place in many parts of Western Europe. Where this is the case, studies have shown that the impact of the global economic crisis has been less severe. Maintenance of employment via short-time working may also be achieved in countries that do not have the equivalent labour market policy instruments (notably the UK and Ireland) via collective agreements between employers and trade unions¹³. Within this study, union voices in particular have highlighted the enhanced security offered through wage subsidy and the potential benefits this offers to the industry.

Other differences between countries in Europe include a range of collective bargaining methods, as well as significant differences in redundancy arrangements.

The clearest finding within the current research is that attitudes towards legislation differ according to work role. Several comments by managers of large companies with plants in countries covered by stronger and more restrictive legislation focused on the reduced flexibility that legislation creates. They typically regard the situation in countries like the UK that have a legislative ‘light touch’ as providing more freedom to operate. Conversely, union voices reflect the value of the higher level of protection offered to workers by legislation.

The concern felt by companies over what can be perceived as government bureaucracy is reflected in the quantitative element of the study, with 56% viewing it as a threat. Lack of government support is also an issue for 54% of participants.

While some governments offer financial support for capital investment to support their home industry, this is controversial elsewhere, and viewed as exacerbating unfair competition within the EU.

B. ‘Works Council’ may be used generically to refer to any elected staff representative body, with or without trade union involvement (commonplace in the UK); or the term may have specific legal status, as provided for in EU Directives: on National Works Councils (Council Directive 2002/14/EC of 11th March 2002); and European Works Councils (European Works Council Directive of 22nd September 1994). National legislation may specify the issues on which employers are obliged to inform and consult works councils; or may set out a framework for staff representatives to negotiate the terms of an information and consultation agreement. The definition of what constitutes ‘consultation’ can be close to negotiation, as for example in the EU directives, which stipulate that in relation to specific issues, consultation must be ‘with a view to reaching agreement’. National legislation lays down rights and protection for members of works councils.

Examples of labour policy instruments in different European countries

Short-time working – in other words, the reduction in hours worked by staff over a specific time-frame – is a method that has been introduced by various European governments to enable companies to retain skilled employees and staff to continue to stay in employment. This short-term solution is intended to help support companies through specific periods of crisis. Brief details of two such schemes follow:

Netherlands

Part-time unemployment agreements are helping a very limited number of printing companies in the Netherlands to cope for the time being with the economic crisis. These temporary arrangements mean that working hours and salaries can be temporarily decreased. This brings benefits for companies in retaining skilled staff, and provides individuals with continuity of employment. Agreement must be reached with trade unions if there are more than 20 staff working reduced hours. The arrangements, which are possible thanks to temporary social protection legislation, mean that staff are paid a basic salary for their worked hours. Unemployment benefit is paid by the government for hours where staff are not active. Arrangements are capped over a time period of a maximum of 65 weeks, and in the event of subsequent unemployment, claims are capped as a result of the benefits drawn while in employment. The scheme is budgeted to cost the government 950 million Euros over two years from April 2009 to April 2011, the period of the temporary measure.

Germany

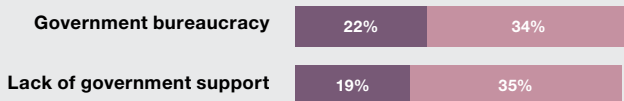
Short-time working is also an option for companies in Germany. This is permitted under government legislation where there has been a considerable downturn in work due to economic circumstances or other unavoidable circumstances, and there are grounds for believing that the changes are only temporary. The legislation is activated where at least one third of the workforce will lose more than 10% of their gross wages. The Federal Employment Agency pays an allowance of 60% (at base rate) of the wages lost as a result of reduced working hours. While the normal duration of the arrangements is six months maximum, exceptional circumstances such as the current market crisis mean that periods for which the allowance can be paid are lengthened by the government to 24 months. Temporary staff can also benefit from reduced hours compensation until the end of 2010. This was not possible by law before March 2009.

Recommendation

- **Industry level:** Social partners including Intergraf, UNI Europa Graphical, the national federations and their union counterparts as well as employers to make workforce planning an industry level activity
- Social partners to jointly seek government support for re-schooling inside and outside the industry, enabling staff whose jobs are made redundant to seek alternative employment elsewhere
- **Company level:** Organisations undergoing restructuring to seek government support and funding where available and to ensure that it is used effectively to provide staff with maximum employability

“The greatest progress comes from combinations of existing technologies, rather than brand new ideas. Future innovations in printing will be incremental combinations and adaptations of existing technologies. The successful business will adapt the technology to new market conditions.” Supplier

Factors impacting on companies



Large Threat 
Small Threat 



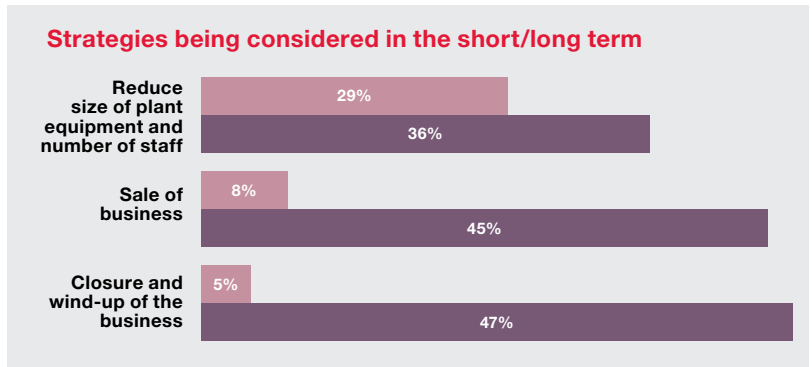
4. WORKFORCE IMPLICATIONS

The workforce implications of the changes underway are significant, as both comments and the quantitative study confirm. When asked what strategies companies were considering in both the short and the long term, just 5% of companies in the study view closure as an option in the short term, however 47% see ceasing to operate as a longer term scenario, while 45% consider they may have no option but to sell. Other defensive strategies include reducing the size of plant, equipment and numbers of staff (currently being considered by 29% of participants, rising to 36% in the longer term). Over half the sample (51%) view redundancies as an overall implication, with 34% including early retirement in the mix and 20% anticipating the need to prepare staff for redeployment outside the industry.

Other actions underway or being considered also have significant implications for staff. Almost one in three participants list outsourcing of print (29%) and use of temporary workers (also 29%) and amendments to contracts of employment (32%) as implications of the current situation.

Ways of working for those remaining in businesses will continue to change. Competitiveness will require additional flexibility to meet an increasingly demanding market – and, while some respondent companies already have these solutions in place, 63% of respondents are considering introducing flexible working patterns, while 67% view multi-skilling as a future requirement.

General upskilling will also be essential, to meet the demands of new technology. Here, 57% of those surveyed say they are considering retraining existing staff in new skills – with 38% considering recruitment of staff with different skill sets.



“The future will mean shorter lead times and fewer people.” Large company interviewee

■ Short term
■ Long term

The dilemma created by the human implications of restructuring is acute but cannot be avoided. It will require information to be provided, a proactive approach, careful management and consultation with Unions and employees in order that restructuring can be managed in a fair and reasonable way.

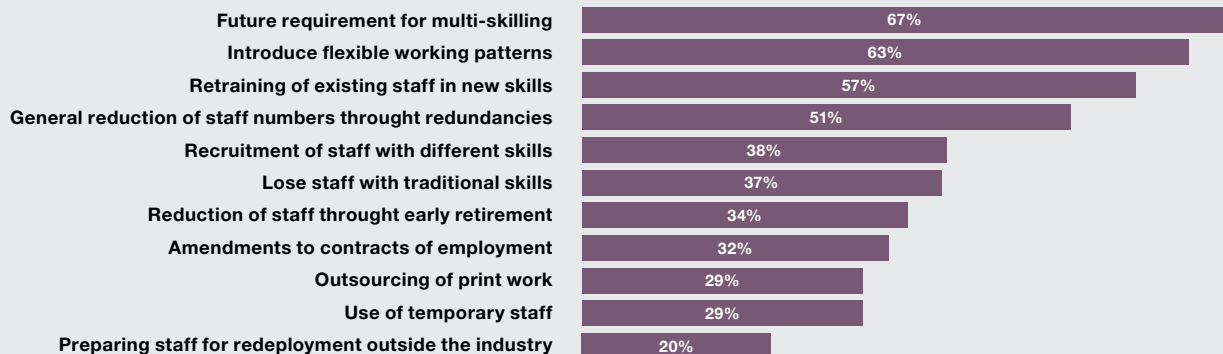
An employee representative: *“The short-term problems for the unemployed and older workers must not stop the industry making itself fit for the future. The short-term pain must not inhibit the long-term gain.”*

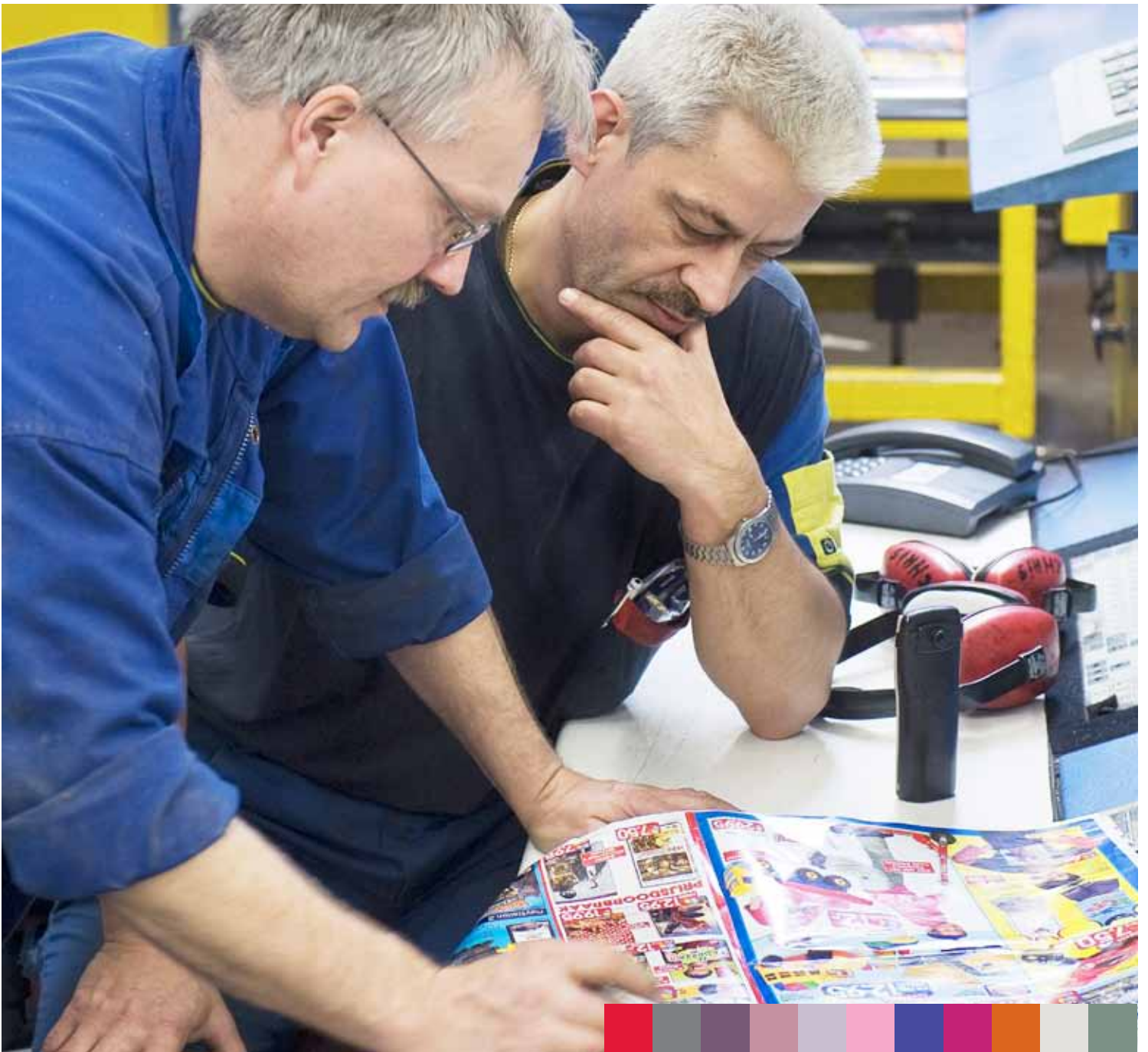
A union perspective: *“Unions recognise that job numbers will reduce over a period of time. This needs to be done in a sustainable and socially responsible manner. Unions need to be kept informed and consulted at all stages of restructuring. Restructuring will also mean enhancing employability of staff, providing reskilling, retraining and outplacement support for those who may lose their jobs, and building professional mobility”.*

“The new world is very challenging. In past crises the unemployed received money from government, now governments have deficits. The West cannot compete with China and India on production.”

Large company interviewee

Workforce implications





5. SOCIALLY RESPONSIBLE RESTRUCTURING

“Workers agreed to a 10% cut in wages but the promised investment did not arrive and the workers still lost their jobs.”

Union interviewee





The scale of the challenge makes the case for social responsibility in restructuring clear. Even more impetus can be gained from the range of poor practice in evidence.

The following section looks first at examples of poor practice in the industry, emphasising the importance of ensuring that a socially responsible approach to restructuring is adopted and promoted industry wide. It goes on to look at the broad definition of social responsibility discussed by federations, companies, unions and staff representatives during the study workshops, as well as addressing the challenges identified by study participants.

5.1. Poor practice

While companies participating in the study are, by implication, concerned with the process of socially responsible restructuring, practices elsewhere vary significantly.

Examples of poor practice highlighted by participants in the study include:

- Staff made redundant at short notice, with no warning or opportunity to identify alternative employment
- Reduction in wages with no equivalent benefit (e.g. of working hours)
- Pressure on staff to take a pay cut to 'safeguard' their job – followed by redundancy
- Heavy reliance on temporary, casual and part time staff
- Use of low cost labour
- Outsourcing of print by large companies to SMEs, at prices so low that costs are not covered
- Abuse of pre-pack agreements, which is leading to bankruptcies. Associated poor practice, for example reducing staff wages, can also be a feature of pre-pack agreements. This issue is now so significant in the UK that the British Printing Industries Federation will no longer accept pre-pack companies into membership until the company has been solvent for two years, and is actively lobbying for rules to be tightened.

Recommendation

- Intergraf, UNI Europa Graphical, the national federations and their union counterparts to describe what is acceptable behaviour within the industry in the context of company failures and pre-pack agreements – developing an industry-wide code.
- Once agreement is achieved, the social partners to jointly seek changes in legislation as appropriate and to exclude companies not adhering to the industry code of conduct.

5.1.1. A definition of social responsibility

The Milan workshops, held as part of the project for both large companies and SMEs, sought to define what social responsibility entails for the printing industry. A number of key points emerged. Chief among these were two main principles:

- The need for print companies to remain competitive and so to continue to offer rewarding employment for individuals. This will require additional flexibility and improved productivity in future
- The need to develop a 'culture of employability' for all involved in the industry – building on the concept of flexicurity.^c This involves recognition by all parties that no print company can offer a job for life, and that people may need to move sectors in the future. It also involves organisations providing the opportunities for training and retraining – ensuring that continual upskilling can become part of the pattern of working life. In turn, staff need to be prepared to take advantage of the opportunities on offer.

Other characteristics of socially responsible restructuring identified by participants include:

- Recognition from employers of the impact of change on the company overall (staff, customers, market, product range)
- Robust workforce planning and succession planning – to enable companies to be better equipped to support staff through change
- Regular and effective information, communication and consultation – building dialogue with staff into the way the company runs as standard
- Collaboration rather than competition with other employers, for example when training staff
- Ensure that staff have warning that redundancy is a possibility – not allowing it to be a surprise
- Consider moves to reduced working hours rather than redundancy where overcapacity is a temporary issue – making use of social instruments such as wage subsidies where these exist
- Avoid compulsory redundancies wherever possible – providing retraining and redeployment where possible, job counselling support where not
- Provide outplacement support for those leaving the organisation to help them secure alternative employment
- Consider the worklife balance needs of all in the company: aim to avoid the need for overtime following redundancy



^c Flexibility in work organisation is an essential element of efficiency, productivity, competitiveness and growth. However flexibility and the resultant productivity is often achieved at the cost of jobs. Flexicurity describes the concept of achieving a balance of both labour flexibility and employment security. For more information see: <http://publications.jrc.ec.europa.eu/repository/handle/111111111/13518>

The workshops also began the process of establishing a set of principles for socially responsible restructuring, summarised below. A practical toolkit has been developed to support companies in turning these principles into practice (see Toolkit document). The toolkit is based on findings from the research together with generic workplace best practice. The case studies in section 10 also give live examples of socially responsible restructuring.

The challenge of social responsibility

The challenges of behaving in a socially responsible way were debated. All participants believed in the importance of building a sustainable future – potentially meaning unpalatable change. However, examples from across the industry show that a combination of open communication plus investment in training and development is more likely to result in people across the company accepting the need for change.

Examples from both large and small companies illustrate the way that early and transparent communication explaining the challenges the business is facing and the strategies it plans to adopt, can create buy-in from staff. This includes buy-in to taking advantage of training opportunities that are on offer, which workers unused to change may not immediately welcome. Interviewees commented that building understanding of business needs is a long-term process – a point illustrated in the Roto Smeets case study (see pages 76 and 80). Strong partnership working between the managers and staff representatives is also important, as trust and relationships can be stronger with such representatives than with management. This also requires effective long-term relationship development with unions and other representative bodies.

Section 8 of the report explores the detailed issues associated with introducing socially responsible approaches, while the toolkit provides practical hints and tips to support companies.

“Restructuring should be planned and subject to consultation with those affected, so that people can plan what changes they want to make to their working lives and be helped to achieve them.” Union interviewee



Examples of effective socially responsible approaches

Example one

Roto Smeets: the closure of a plant employing ±250 in 2009 was accepted ‘with sadness’ as the right course of action by the works council and staff (see case study on pages 76 and 80).

Example 2

Following the introduction of regular meetings to explain the competitive situation and talk about the company strategy, staff who previously insisted on overtime to move to three shift working in busy periods now work on Saturdays without overtime, taking time off instead. (Family-owned SME with 40 staff).



6. BUILDING FOR A SUCCESSFUL FUTURE: THE CUSTOMER PERSPECTIVE

“The industry needs to learn how to sell. The industry needs to get alongside its customers and understand their business. The industry needs to develop, market and sell a complete graphics package.”

Customer interviewee

One of the primary weaknesses identified by industry participants in the study is the lack of understanding printing companies typically have of customers and their needs.

The section “Building for a successful future” therefore starts with an analysis of customer views, based on interviews with four customers – a print buyer with an annual turnover of 42 million euros, one with a print budget of 1 million euros, a magazine publisher with an annual print spend of around 285,000 euros and a design, print and marketing business with a print spent of around 400,000 euros.

6.1. The customer viewpoint

Although a small sample, customers’ views are consistent – and not complimentary:



A key customer complaint is that companies have their focus on the printing process. Printers typically sell on price and see their product as a commodity. This leads to a market where there is constant underselling. Interviews demonstrate a real hunger to develop a relationship based on printers understanding customers’ needs and taking the initiative in showing how they can help customers improve their products and businesses. **This points to a big opportunity for printing companies – to cross-sell a range of graphics products and other support services.** Trust, rather than price, needs to be at the heart of this relationship so that customers will have confidence in the printing company’s provision of new services.

While this focus on the process and on presses is understandable given the significant capital investment that printers need to make, clearly, moving beyond that to focus on the customer and their needs is the next step.

A lack of customer understanding is also at the heart of the difficulties that printing companies have when it comes to marketing. One customer commented: *“Managing Directors of print companies are very good at cost control when it comes to clients. But they think marketing is about taking on sales people, and buying new equipment, to grow their business. Then they produce a catalogue, which they see as a vehicle to sell a printing press. They don’t have a consistent marketing effort,*

no marketing responsibility at a board or management level. Sales training is related to creating an estimate and closing a deal not to understanding the client’s needs. It’s very myopic and it sets the tone for how the industry works.”

Comments and advice to the industry from customers include:

- **Printers lack pro-activity** in showing they want to understand customer needs or the customer’s own client base, or in taking more of a project management role.
- At a purely transactional level, customer decisions on which printer to use will depend on the specific needs of a particular job. Price may be the determining factor where the customer knows that the files being supplied are good. But if there is a question mark – for example, the customer is sending files sent by their own clients, then **what is wanted is a trusted supplier with high quality standards who will spot mistakes.**
- Most print buying decisions are made out of ignorance and buying decisions are based on the relationship with the existing printer. Customers know you understand their brand and marketing messages – changing printers is a leap into the unknown. **If you build the relationship then that brings you a great opportunity to cross-sell.**
- **Build a strategic picture of what your customer is trying to do and how you can support them in that.** Make sure you can see their big picture and can demonstrate that you understand their business. Printers are typically poor at that. You can then talk to them about how you can help them grow their offer. That enables you to move into related services – selling advertising space for example, or managing subscription databases.
- The skill set of **the industry** means that it **is well-placed to offer a broad range of services** – becoming the channel for all digital delivery. Once you have customers’ trust, then you can start to offer them tangential services, based on what you have learned about their needs. A lot of customers are in need of complementary services, both other graphics products and support services, but a strong relationship is needed first.

Understanding future needs is as complex for customers as it is for the print industry. As one customer said: *“Everything is changing so quickly and there are so many routes to market. We will end up seeing integration of media to a far larger extent. Media will need to work together, still involving print but including electronic media and different inks. Certainly it will be more personalised.”*

Key future needs anticipated by customers include looking for suppliers with proactive expertise, who will ‘own’ specific types of media. This requires advising customers about what works and what doesn’t with different media forms. Suppliers that can talk to customers in ways that can grow their business, either in terms of numbers or profitability, are the ones who will be valued, while flexibility is also important.

“Print is just seen as a purchasing vehicle and a route to market. The only people seen to be adding value are print management, marketing and design. Printing companies are too focused on press.” Customer interviewee

Building trust and strong relationships: the customer’s voice

“Come and see the person responsible for buying print. Tell me about the new technology and the developments. Tell me what’s changed. Show me competitor’s products – remember, we can get isolated too. Give me ideas about how I can improve my product rather than constantly competing on price.”

“Handle estimates quickly. Printers usually wait three days to supply a spec and then it’s not what I asked for. Make sure you follow the specification. If there’s anything new, suggest it. If you can’t fulfil the spec, let us know in advance so we’re not waiting for something that will be unsuitable anyway. If someone else quotes quicker, with more information about the result, I would go for it tomorrow because it saves me time.”

“I met a printer recently who said “I know your publication, we’ve printed it.” That’s how I found out that my printer had been outsourcing my work. My relation with him was finished as a result.”

“If you’ve introduced new kit and been able to offer other customers lower prices, come clean at the end of the year. There’s nothing more annoying than finding out your competitors have been paying less than you.”

“Build up a ‘goodwill account’ with me. If we’ve got a strong relationship, then you can call me to say you’ve got a problem and need to put another job in front of mine, and if I can. I’ll agree. That’s the level of trust I want to build up.”

“Do exit surveys. Take a customer out for a meal and ask them why they have moved the account. Make it clear you are happy to offer advice still. In the long term, you may well get them back again because they can return to you without losing face.”

“Federations could also raise their profile in terms of the way problems are handled. When there’s an issue with a job, printers can try and mislead you, so you need to check with a third party and come back and quote the technical terms at them after which they back down. It will take four, five even seven days to come back with corrections. It would never happen in another industry.”



“Printers are very good at printing. They are moderately good at serving on a transactional basis. They see their core business as putting print on paper and looking at how to fill presses as a core reason for existing. Decisions are made around whether it makes a press move and how much that will make. That outlook was OK in the 1970s, by the 80s it was tired, by the 90s irrelevant, by 2000 it was obsolete. And in 2010? It is suicide.” Customer interviewee





**7. BUILDING FOR
A SUCCESSFUL
FUTURE: FOCUS
ON EXTERNAL
RELATIONSHIPS –
COMPANY RESPONSE**

Social responsibility starts with companies building economic sustainability and ensuring that they are able to provide staff with the employability they require. The industry needs to reinvent itself for the twenty-first century and to create an image that places it in the centre of the communication industry. The potential exists to build on the industry's 550-year old history and to become the trusted advisers for customers struggling to make sense of the complex and constantly changing communication choices available to them. But this requires a focus on strategy development, as well as the capability to forge new working relationships with others in the sector.

In tandem with this, the industry needs to ensure that it will attract the skills required to supplement, and in the longer term replace, an ageing workforce with traditional skills. These challenges require a transformation of the industry. The capability is in place to achieve this as long as understanding customer needs become central to industry thinking.

This section of the report therefore focuses on four key needs identified during the research:

- Strategy development
- Building relationships with others in the communication industry, whether via strategic alliances or mergers
- Building customer confidence
- Developing an image that will attract the talent required for the future

7.1. Strategy development

Interviews with company and federation participants reflect customers' views that strategy development is not a strength for the industry. Key issues include:

- The focus on print and machinery rather than on understanding the market and customer needs
- Slowness in adapting to the emergence of e-technology and the subsequent erosion of demand for print

- Lack of ability to respond to the short market cycles that the e-revolution has created
- The industry seeing itself as a commodity, trading on the basic requirements of price, quality and service, rather than identifying and delivering added value

Challenges facing the industry and individual companies include the uncertainty of a fast changing market and the pace of technological change – making it harder to envision the future.

However, the industry is potentially well placed to make this adjustment. A print broker commented: *“The skill set of the industry is a key advantage. We're used to handling data, digital images, IT delivery. All of this is incredibly relevant to the modern world. We can be the interface between a gamut range of new services. Customers don't want to talk to a plethora of suppliers. All printers can supply and deliver these services, and we're on every street corner, in every town and have local relationships.”*

7.2. Options under consideration

Analysis of the range of strategies being considered by organisations shows reasonable awareness of the need to make swift progress in investing in client management and researching new opportunities (56% of companies that responded to the quantitative survey are considering each of these in the short term). Beyond this, the study evidence suggests that short-term strategies most likely to be considered include specialisation in niche markets (41%) and offering of integrated services (32%), while 27% are considering the exploration of business opportunities beyond mainstream printing. While the relatively low percentages considering each option may be a concern, this demonstrates that a critical mass of companies seeking to change focus may be beginning to emerge.

However, while companies are beginning to explore new business models, the traditional focus on technology continues to be apparent. Just over a third of companies (36%) are considering investing in equipment (such as increased automation or digital technology) or in alternative technology in the short term.

“How can the industry engage with the market as the environment becomes more fluid? We need to operate on the market's terms. We need to be dynamic and move faster – for example looking at the big players (e.g. search engines) and how we could partner them. There needs to be leadership and entrepreneurialism. We need to be dynamic and have creative ideas. Then we also need to apply process and management skills.”

SME interviewee

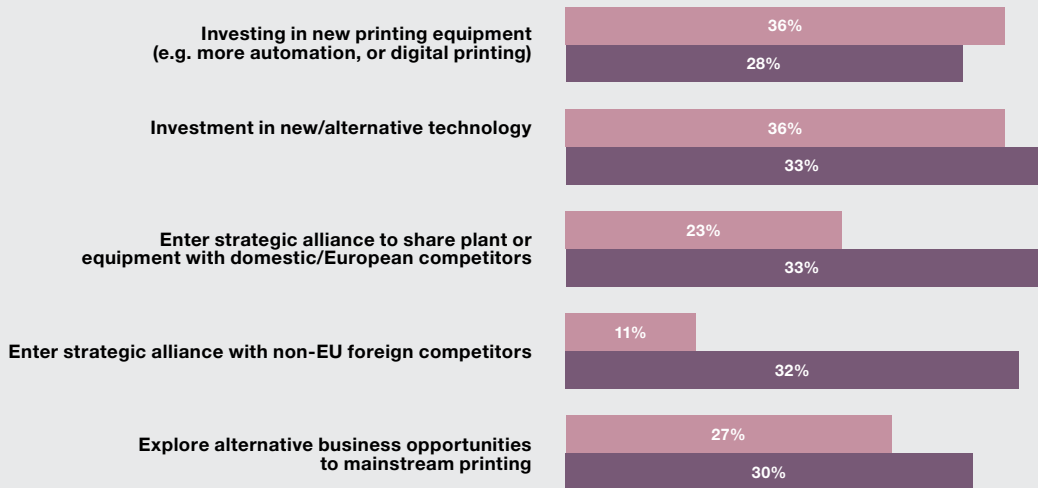


Strategies being considered in the short/long term

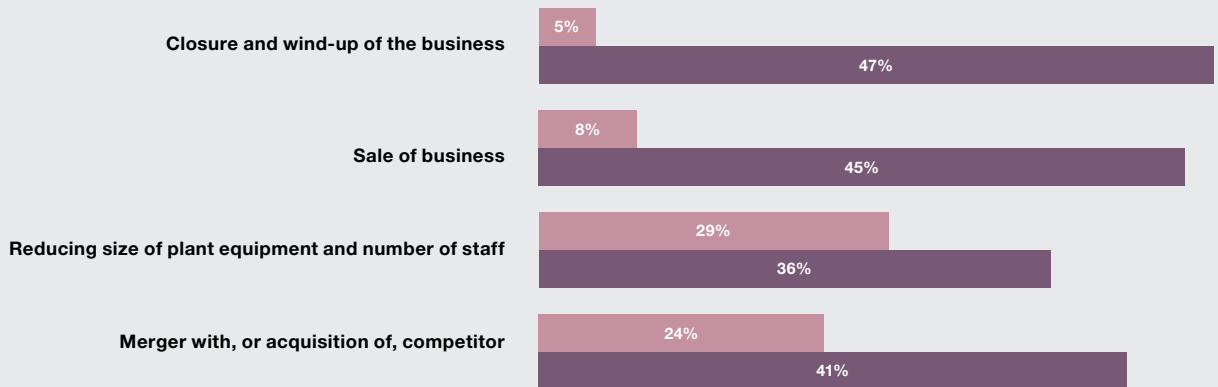
EXPLORING BUSINESS MODELS



TECHNOLOGY AND EQUIPMENT



DEFENSIVE STRATEGIES



Short term ■
Long term ■



Longer term strategies reflect a growing awareness of the need to work with others, with an emphasis on pooling technology. Strategies being considered include investment in alternative technology (33%) as well as strategic alliances to share plant and equipment with either domestic and European competitors (33%) or non-European Union foreign competitors (32%). Almost a third of participating companies (30%) anticipate that exploration of alternative business opportunities will continue into the long term.

It is telling that the greatest long-term emphasis is currently on defensive strategies. 47% of companies anticipate needing to consider closure and wind up, 45% see sale of the business as an option while 41% are considering merger with or acquisition of a competitor. Over a third (36%) view reduction of plant size as a long-term strategy.

7.2.1. Socially responsible restructuring: an industry-wide response

The sector-wide crisis requires an industry-wide response to develop appropriate strategies to help businesses achieve sustainability and to be able to support staff in gaining the skills and attitude to learning they need to ensure life-long employability. The research included calls for a common platform to discuss key industry issues focusing on market analysis and projection of future scenarios, to focus on how the industry overall should position itself and to keep updated on technology opportunities and skills and training implications (including funding). This should include employers, unions, customers and communication industry representatives.

Strategy workshops drawing together companies from across the industry as well as social partners and customers would also be valued. A structure enabling regular dialogue on key company issues could also then be used to influence future key decision makers and funders.

Other calls in terms of support from federations include robust forecast tools, supporting companies in their local planning.

7.2.2. Company response

At a company level, the first priority for strategy development must be to get closer to the customers and understand their needs better. Several participants stressed that this, together with being prepared to collaborate with other printers and communication specialists from other disciplines, is the route to successful innovation.

In addition to the urgent requirement for organisations to improve market awareness and develop appropriate business strategies, the need for effective workforce planning was recognised by participants in the study, to ensure that both the people and the capabilities required to succeed can be in place.

Early communication and dialogue with unions, works councils, employee representatives and the workforce directly is also seen as a vital part of the strategy process. This requires:

- Building a clear vision, together with an understanding of the business context, to help people see the need for change
- Long-term workforce planning to ensure that future staff needs are identified
- Building confidence that the organisation will equip workers for ongoing employability – through skills development and an aptitude for ongoing learning
- Seeking funding where necessary to ensure that skills development for employability can occur
- Early communication of proposed plans to staff representatives to enable genuine consultation (i.e. prior to final decisions being taken) to allow for amendment of change proposals and help build buy-in

Union voices stress the business value of involving unions and works councils in monitoring and evaluating how strategies are being implemented on an ongoing basis. This allows all relevant issues to be identified and resolved as early as possible.

Recommendations

At an industry level: the creation of a platform for industry issues. The forum should include Intergraf, UNI Europa Graphical, the national federations and their union counterparts as well as companies, customers and other stakeholders. The agenda should focus on key industry issues. Strategy workshops would also be beneficial.

At a company level: Use of the toolkit to ensure strategy development based on a better understanding of customer needs, with a strong focus on planning and a commitment to employability.

Toolkit: Strategy development support in the toolkit includes tools for developing:

- Purpose, mission, vision and values (A.1.1.)
- PEST: an analysis of relevant political, economic, social and technical issues (A.1.2.)
- SWOT: an analysis of company strengths, weaknesses, opportunities and threats (A.1.3.)
- Market/customer analysis (A.1.4.)
- Customer Relationship Management – CRM (A.1.5.)
- Product diversification (A.1.6.)



“We need to get away from the idea that we are printers. We are communicators, and that includes all media.” SME interviewee

7.3. Developing strategic alliances, partnerships and mergers

While one favoured scenario for participants is to focus on niche markets, diversification is the route that will best help position the printing industry as central to the communication industry. This includes offering customers the full range of e-enabled communication products as well as advice on how they can best be used to achieve success.

A move to offering more integrated services requires changed and specialised skill sets. Participants commented that this is most likely to require strategic alliances or mergers because of the wide gulf in skills and aptitudes.

Other scenarios leading to amalgamation could be the desire to pool resources to provide a product – for example, franchisees clubbing together to buy the latest digital technology.

Even where companies opt for increased specialisation, they may benefit from becoming part of a network of specialists with a single web presence or with one printer operating as a trade service, all operating under a single brand, thus forming a “*network of excellence*”.

Motivation may also come from the need for a defensive strategy – the requirement to merge to remain in business. Companies may also be subject to takeovers.

Key challenges

There are a number of challenges in achieving a successful merger or alliance:

- Competition law precludes some larger companies from developing alliances
- The uncertainty created in customers in the early stages of alliance forming
- Long standing fears about business being ‘poached’ can lead to a strong reluctance to companies to start down the route of collaboration
- There can be reluctance to the idea of alliances in small and family owned businesses “*many companies would rather go bust than merge*”, as one franchisee said. Stories told during interviews revealed difficulties that had arisen where managers within a family business attempted to bring in others with different skills, because of the perceived ‘competition’ that would arise

- The strong culture within printing companies, arising from a 550 year history of print in Europe, is viewed as potentially ‘stifling’ other disciplines. Keeping divisions offering different services separate, while working closely together to meet customer needs in an integrated way, may be the best way forward and is advocated in the 07 case study on pages 74 and 78.
- Other challenges can include knowing who to build a partnership with in order to meet specific client needs that go beyond the traditional skill set of the printer. A closer relationship between the various elements of the communication industry, spearheaded by the federations, could help support companies seeking appropriate connections. **A recommendation emerging from the study is for federations to build relationships with their equivalents in the rest of the communication industry, paving the way for building relationships at every level.**
- Despite the various challenges, companies that have gone down the route of diversification stress the benefit of working in partnership with e-communication specialists who can deliver the equivalent level of quality that they can achieve in print.
- Adhering to social responsibility principles in alliances and mergers:
- Principles of social responsibility again come to the fore where considering a merger or strategic alliance, as various contributors to the study stress:
- It is important to find a partner with whom there is a good fit. This does not only mean ensuring that there are common objectives, but also ensuring solid, robust working relationships and investing significant time in developing them. The MediaPlaza (see page 72) and 07 (see pages 74 and 78) case studies both reflect this.
- Making sure that staff are kept informed about plans for a merger or strategic alliance is critical to ensuring their continued motivation. The MediaPlaza example (see page 72) shows the benefit in an SME context of sharing the vision of bringing companies together and then listening to and involving people in the process.
- For larger companies that are quoted on stock markets, there can be particular challenges where confidentiality rules apply and rumours emerge about potential mergers or takeovers. Ensuring that there is a solid foundation of trust based on communication and consultation, together with building confidence that communication will begin as early as possible, will help to minimise the damage here.





- Building strong relationships with the people in either the companies being acquired, or the alliances, whilst keeping a common focus on customers' needs is the key to success. The cultural differences and ways of thinking for those involved in providing e-solutions or other services are likely to differ widely. Structurally, the case studies listed above indicate that the best model is to operate so that units with different specialisms are distinct so that the newer specialisms do not get stifled. But there needs to be a common focus on building trust, mutual understanding and a shared determination to meet customer needs.
- Openness between the parties is important. Discuss problems such as issues with schedules and capacity.
- All of this will require a strong focus by managers on managing and on relationships, rather than a focus on machines and technology.

Recommendations

- **At an industry level:** Federations forging links with other federations within the communications industry will help companies in the task of identifying suitable partners
- **At a company level:** Increased preparedness to work with others, both inside the printing industry and with other communication

specialists, is likely to be essential to survival. The focus on forging strong external links needs to be combined with a commitment to working with staff, and staff representatives to build understanding of planned changes from an early stage.

- **Toolkit:** the toolkit includes tools for supporting
 - Mergers and acquisitions (A.2.1.)
 - People issues check-list (A.2.2.)

7.4. Building customer confidence

While the customer view is captured in section 6 above, company participants added valuable insights into building the robust customer relationships needed for the future. Most contributions here came from participants working within SMEs – possibly reflecting a trend for smaller companies to be focusing more on the customer dynamic, while their larger counterparts continue to grapple with the issues of overcapacity.

One valuable insight is the lack of understanding that customers may have of print, as well as the assumptions that can be built as a result of “everyone having a printer at home”, meaning that print and its capabilities may not be fully respected.



Participants commented on the value of bringing customers into facilities and showing them what is involved in production. This builds awareness. More valuable still are initiatives such as holding seminars on a regular basis – especially where these are focused specifically on challenging customers about their own needs and supporting them in thinking about how they can build their business.

Whatever initiatives are developed, the key advice is to start with customer needs and focus on meeting those rather than keeping the focus on print capabilities. One cautionary tale came from a SME participant who attempted to market test a new product on a customer. Little response was forthcoming: *“the customer was only thinking about it from their own perspective”*.

The importance of building strong relationships and providing added value is increasing with the growing level of competition coming from design agencies and designers.

Focusing on who the print buyer is can be critical in the sales process. One SME interviewee high-

lighted the difference between the typical “aging” print sales person, with a mindset focusing on sheet and machine specifications, and the interests of the print buyer, typically a young graduate with an innate understanding of electronic communication and whose concerns focus on getting a good return on investment and running a successful campaign. This leads to a key competitive risk – as design agencies will “speak the same language” as buyers. Those promoting the print industry need to learn the lexicon fast.

Other participants also focused on the importance of not just listening to customers but also adapting to them: *“In our company, the customer will visit. We need to be flexible in how we receive the customer. We also need to talk a language that the customer will understand”*.

While understanding customer needs is vital, solutions and products developed may include provision of services over the web that result in no direct customer contact. Several participants in the study have developed services enabling customers to buy personalised products direct from the web – from basic fliers and marketing material to posters and even personalised postcards. This provides a potential world-wide market.

“The industry is currently seen as male, pale and stale”

Union interviewee

Several SME companies interviewed for the study are making the transformation from being print providers to selling total solutions – providing a range of marketing materials and being a “one-stop solution” for campaigns, based on having built a network of excellence in bringing together the different items, as well as providing support such as database management.

The key issue for them remains building the customer understanding that they provide more than print, as one interviewee explains: *“We’re selling a brand that’s bigger than print, but we need to build confidence in the customer that we have those capabilities.”*

Considering who can best promote the right image for a company and building confidence is important. Work inside the company may also be required so

Recommendations

- **Company level:** Prioritise building an understanding of customers and their needs. Involve staff and staff representatives in this so that there is a common understanding both of the need to change to meet these requirements and of the changes that will be needed to ensure sustainability.



7.5. Building an image to attract future staff

The combination of an aging workforce and an ‘inky’ image which does not appeal to young people is “a timebomb waiting to happen”, according to one supplier interviewed for the study. The view is replicated across federations, companies and unions.

Summary of comments on future recruitment needs

- The decline in the number of apprentice schemes is a concern, raised particularly by union interviewees, though 25% of companies responding to the study see recruitment of apprentices as a possible consequence of the issues the printing industry is facing
- Changing needs mean young ‘technology savvy’ graduates need to be attracted into the industry
- There is potentially more opportunity to recruit women in future with the reduction in manual roles and shift to digital technology. Achieving better gender mix across the company, including management level, is viewed as beneficial

- Young “digitally native” sales people are required to match the profile and attitude of print buyers and to compete with design agencies also offering print as well as the customers buying it
- Diversification strategies will require a new range of skills, such as web design. Building these skills internally is viewed as difficult, as roles require different competencies. External recruitment is therefore likely to be required. The study indicates that 38% of participating companies see recruitment of different skills as a possible consequence of the situation they are facing.
- The experience of interviewees is that young people are typically not attracted to an industry viewed as traditional in focus. Related disciplines, such as graphic design, are more likely to be seen as providing a stimulating career path. Levels of company failures and redundancies are also disincentives to join.

Repositioning the industry, diversification of activities and work to change the culture of organisations to help make them more attractive to young people will all support the change required to attract the workforce of the future. The British Printing Industries Federation BPIF started this process ten years ago with the creation of PRINT – the original IT industry. Other federations are also focusing on this area – for example, the Italian federation Assografici currently views its campaigns in schools and colleges as a key priority both for increasing applications and for spreading the concept of the ‘enterprise culture’.



Recommendations

- **Industry level:** a cohesive campaign is required to demonstrate the attraction of the industry, focusing on leading edge technology as well as positioning the industry as a key part of the communication industry. Intergraf, UNI Europa Graphical, the national federations and their union counterparts all have a role to play here.
- **Company level:** Companies to develop links with local schools and colleges to change perceptions
- **Industry level:** a cohesive campaign to demonstrate the attraction of the industry, focusing on leading edge technology, as well as positioning the sector as a key part of the communication industry; current examples are initiatives like PrintPower (www.printpower.eu) and Two Sides (www.twosides.info/). Intergraf, UNI Europa Graphical, the national federations and their union counterparts all have a role to play here.





**8. CHALLENGES & POTENTIAL SOLUTIONS:
INTERNAL FOCUS**

The internal challenges involved in restructuring in a socially responsible way are significant, especially in an industry that has an established and long-serving workforce with highly specialised skills. The future requirements of organisations and individuals converge – with a need for lifelong learning to adapt to the changes ahead. Other changes include a shift to more flexible working patterns as well as personal flexibility in the form of multi-skilling. Organisations may also be in a position where they need to reduce the numbers employed – while ensuring that those leaving are equipped with the support and employability they need to continue in satisfying employment.

Both building understanding of the need for change, and having the resource to do so, will require a significant stretch for many organisations. External funding support to manage change is in the interest of companies, individuals and the economies which they are a part of.

This section of the report focuses on the internal challenges faced by organisations and addresses the need for:

- Partnership working and effective communication and consultation
- Flexible working
- Skills requirements
- Preparing people to leave the company
- Resource and support required to manage change in a socially responsible way

8.1. Partnership working

A clear message emerging from the study is that effective partnership working – between managers, unions, staff representatives and staff within companies, is implicit both to managing change effectively and to restructuring in a socially responsible way.

Clear evidence has emerged from the research of the benefits of working in partnership, both with staff representatives/works councils, where these are in place, and also in following partnership principles with staff directly.

The case studies point to the way that change is accepted more readily where partnership principles of effective information, communication and consultation are in place. These show the benefits of a twin focus on developing effective relationships based on a depth of understanding about the commercial environment, and on following the principles of social responsibility.

An effective cycle of information, communication and consultation is viewed by participants as core to both social responsibility and to commercial success.

The framework for achieving this varies, as the European Union’s Information and Consultation Directive is interpreted differently across different countries. While legislation may differ, the strong advice emerging from the study, based on both company and union experience, is that simple adherence to legislative requirements is insufficient. It is the spirit, not just the letter, of the law that counts.

8.1.1. Developing the partnerships needed for change and restructuring:

The vital importance of robust partnership arrangements emerging from this research is a point that is reflected in other studies. These indicate that while restructuring is often perceived to be problematic in environments with strong trade unions, workers are less resistant to change and respond more positively to such challenges in organisations where they feel they are supported by effective trade union representation¹⁴.

Print unions across most of Europe have responded to the financial crisis by using collective bargaining and political lobbying to minimise the effect on employment security on their members¹⁵. Short-time working and income protection public policy provisions have been used to avoid redundancies and make sure that the drop in wages as a result of working fewer hours can be offset. Where redundancies have not been prevented, the unions have sought redeployment within the company, redundancy compensation and the opportunity to learn new skills¹⁶ – all continuing themes within this study.^P

A range of perspectives within the current research shows the tensions that can be created between those involved in efforts to restructure in a way that is both commercially sustainable and socially responsible. The view of some company or federation interviewees is that they have found unions to be ‘against flexibility’ – resisting initiatives to move to part-time working or changes that impact on pay. In contrast, some union voices call for the urgent need for the industry to change and to provide a ‘platinum service’ for customers,

D. In Italy companies have reacted to the crisis using, in agreement with the Unions, the following income protection public policy provisions: wage integration fund, retirement or resignation incentives, specific laws providing early retirement for the publishing-printing industry; furthermore companies have cut temporary work contracts.

“These future developments will be unpopular and not easy to agree, and pose a significant risk for the union. They will require a great deal of information and explanation from employers. Union and management need to work together to influence governments. We either compete and suffer the consequences, or collaborate on new employment agreements and on mergers and restructuring.”

Large company interviewee



requiring operations that run 24 hours, 7 day a week, and investment in multi-skilling to ensure that staff are equipped to deliver. They also stress the role that they can play in helping staff to understand the need for change. A different individual company view is that while national union officers are more likely to reject changes under negotiation, local union representatives are more inclined to understand the need for changes to be made. Clearly, there is scope to strengthen relationships between the parties committed to socially responsible restructuring.

The varied collective bargaining arrangements across Europe also provide different levels of complexity when negotiating proposed restructuring. Strengthening trust and understanding between the partners at a national and local level will support efforts to manage changes in a socially responsible way and smooth the path to successful change. The study workshops provided neutral ground to discuss key issues and share perspectives. Feedback showed the value of this to participants.

Partnership working between managers and unions at a local company level is equally important. Here, examples demonstrate that proactivity is one of the most important elements – first building a depth of understanding about the business and the challenges it faces (see toolkit), then anticipating the various workforce issues that could arise and negotiating a framework to agree them. Waiting until problems emerge is ‘too late’. Establishing ongoing communication as a principle may be challenging – one manager reported a perceived reluctance for unions to accept commercial information in advance of meetings: *“they are not interested – it is almost as though they feel the workers will reject them”*. But as an effective partnership is built, and unions are themselves convinced of the need for change, so they can play a role in helping convince staff of the importance of change. The Roto Smeets case study on page 76 is an example of the benefit of proactive partnership working.

- Toolkit:** Tools in the toolkit include support for:
- 10 Steps to effective joint and partnership working (B.2.1.)
 - Progres checklist for effective partnership working (B.2.2.)



An example of partnership working: Netherlands

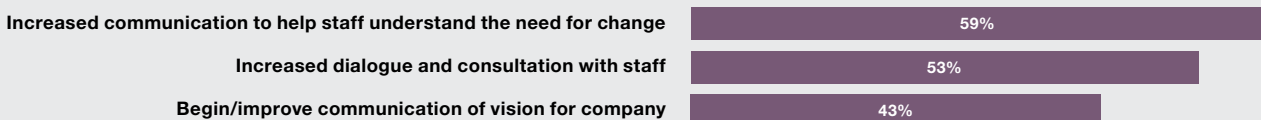


The Mobility Centre for the Creative Industries C3 in the Netherlands has been a success. Since its launch on October 1st, 2009, over 3,500 people who had lost their jobs in the graphical industries due to restructuring or bankruptcy have been registered. In many cases, C3 succeeded in finding them a new job. The centre has also enabled applicants to study or train in order to enhance their potential on the labour market. The Mobility Centre C3 is an initiative of the social partners in the printing, media and creative industries. Among them are the Royal Association for the Printing and Allied Industries (KGVO) and the Federation for Publishers (NUV) as well as the printing industry unions FNV-Kiem and CNV-Media are also partners in the initiative. C3 offers support and advice to both employers and employees. The centre provides information and guidelines about grants, subsidies and other possibilities to bring people who lose their jobs back to work as soon as possible.

Employers can apply to C3 for training and other support not only where actual restructuring is underway but also to help develop preventive measures when problems appear on the horizon. Employees can ask the Centre for help and support in finding another job, advice on job planning and outplacement, and tips and courses on how to apply for a job.

C3 is the First Mobility Centre in the Netherlands to work for a whole sector of industry and on a national scale. It also is the first such organisation to receive a substantial grant from the European Commission (European Globalisation Adjustment Fund). The social partners were reminded that unfortunately the waiting period between the submission of the project and the Commissions conclusions was very long.

Workforce implications



“The context for dialogue is rigid, unfortunately. This is the real issue for us.”

Large company interviewee

8.1.2. Developing partnership arrangements with staff

Interviews revealed the difficulties that companies can face when introducing change, even where this is change planned to improve circumstances in the company. Examples included attempts to introduce training programmes – but being faced by reluctance to attend, or the training making no difference with people reverting to their ‘old’ ways of doing things. These challenges mean that **effective partnership working is fundamental to managing change and restructuring at a company level, too.**

Here, fundamental requirements identified by the study include the importance of an open relationship with staff, building understanding of issues and commercial circumstances in advance of any restructuring, avoiding it coming as a surprise. Information and communication are not sufficient, however. Genuine consultation is required to build acceptance and buy-in, as well as to ensure that the best decisions are made.



The quantitative study shows that more than half of participating organisations see this as a priority. 59% view increasing communication to help build understanding of the need to change as an implication of their current circumstances, while 53% plan to increase the level of dialogue and consultation already underway and 43% see beginning or improving the communication of the vision for the company as a need. However, given that participating companies are likely to be at the forefront of thinking about restructuring in a socially responsible way, then the need to spread the message further in the industry is central to survival.

Principles identified by the research include:

- Ongoing communication with staff to help educate them about the business situation – sharing facts and figures, and helping people to understand them
- Moving beyond informing staff of decisions to genuinely consulting them. This is fundamental to socially responsible behaviour as well as to building acceptance of change
- Ongoing communication. One union observation is that companies tend to communicate when things are not good, but not when they are, and that companies tend not to explain varying volumes of work or to tell staff the circumstances in which a job has been accepted – making it hard for staff to understand the actual financial circumstances.

- Having systems in place for communication. Examples include having good meeting structures in place, keeping people apprised of company circumstances and plans, as well as staff magazines and other media in larger organisations
- Joint training for managers, staff and representatives, with the establishment of works councils or other consultation mechanisms

Social partners have a role to play in the process. While staff may be sceptical of company messages in an environment where there has not been a history of positive and open communication, they may be more likely to listen to union representatives. In fact, several union participants in the study stressed the positive role they could play in helping ensure that workers are aware of the business situation the company is facing.

The difficulties are significant. While larger companies may be quoted on stock markets, commercial sensitivities are also an issue. Confidentiality agreements may be needed. Shift patterns and other logistical considerations can also be barriers to communication that need to be overcome. But the strong consensus is that companies have no option but to look towards co-operation, while the case studies provide compelling evidence of the success of the approach.

Recommendations

- **Industry level:**
 - Form an ongoing forum at a European level bringing social partners together to discuss key issues and build mutual understanding
 - Intergraf, UNI Europa Graphical, the national federations and their union counterparts to continue to emphasise the importance of an effective cycle of communication and consultation to all facing change in the industry, to identify and highlight examples of good practice and to encourage companies to build and maintain robust partnerships
- **Company level:**
 - Companies to prioritise the effective management of restructuring and change by establishing appropriate forums and channels for communication and consultation and using them effectively.

“It’s hard to convince people that the traditional ways are not the ways of the future.”

Large company interviewee

- Toolkit:** tools in the toolkit include hints and tips on developing:
- Stakeholder analysis (C.2.1.)
 - Understanding the nature of change – the psychology of change and how to support individuals through each stage (C.2.2., C.2.3 and C.2.3.4)
 - Change template– planning and implementation check-list (C.2.5.)
 - How to survive a recession
 - Communications policy and principles of effective internal communications (B.1.1.)
 - Confidentiality (B.1.3.)
 - Alignment of information, consultation and decision making (B.1.5.)
 - Effective consultation (B.1.6.)
 - Meetings – best practice (B.1.7.)
 - Communication of 'bad news' (B.1.8.)
 - 10 Steps to effective employee engagement (B.1.9.)

8.2. New ways of working within the company: flexibility

The combined challenges of technology and a more demanding market mean that from a company perspective, flexibility is a core requirement for the industry moving forward. However, it is also an area that is highly challenging, having a significant impact on staff. The importance of strong partnership arrangements and dialogue with staff and their representatives comes to the fore where fundamental changes in working lives are required. In unionised organisations, the introduction or expansion of different aspects of flexibility will be a matter for negotiation as well as consultation.

“Significant changes in working patterns are anticipated with the need for a more flexible workforce. This is a trend that needs to be continued, and is more challenging currently as each change needs to be negotiated and the current economic climate means there is little scope for paying for these changes.” Large company interviewee

The quantitative study illustrates the priority that the industry places on the introduction or expansion of flexible working. 63% of respondents to the quantitative survey view the introduction of multi-skilling as a consequence of the changes underway, while 67% cite the introduction of more flexible working patterns. Examples of the patterns required vary – for example the introduction of 12-hour shifts, three shift operations or a move to annualised hours where the employee is paid for the total number of hours worked over the year, though the actual hours worked will vary according to busy or quiet periods.

The current financial situation for organisations means that negotiating changes in working practices is hard because of the lack of scope in paying for them. An example was cited of “battles” with the unions following investment in new machinery where changes to working hours were required. The core disagreement was over money. Other examples include a need to move to a seven day week working pattern from previous five day operations, but being “stuck with union rates”, for example double pay at weekends.

Other challenges include the different priorities for companies and individuals: *“Flexibility means different things to companies and to the individual. Individuals want to be able to work when they want. Companies need to be able to rack up and down to meet need”*, said one union official.

The use of part-time working, temporary and casual labour can also be challenging. Companies may need different working patterns to provide the level of flexibility required – with for example the use of casual labour for unskilled jobs. 29% of respondents to the quantitative survey see use of temporary staff as a consequence of current conditions. However, the risk is that use of different working patterns can send messages of not being valued to highly skilled staff. This may cause them to become disillusioned and leaving a company or the industry overall.

Once again, the importance of following the principles of social responsibility comes to the forefront. Effective information, communication and consultation, and recognising the importance of balancing the needs of both the company and individuals is essential, for example enabling staff to ‘bank’ hours worked so that they can take time off at other times to fit with their personal lives. This needs strong dialogue and the building of trust that can only come from a strong focus on relationships.

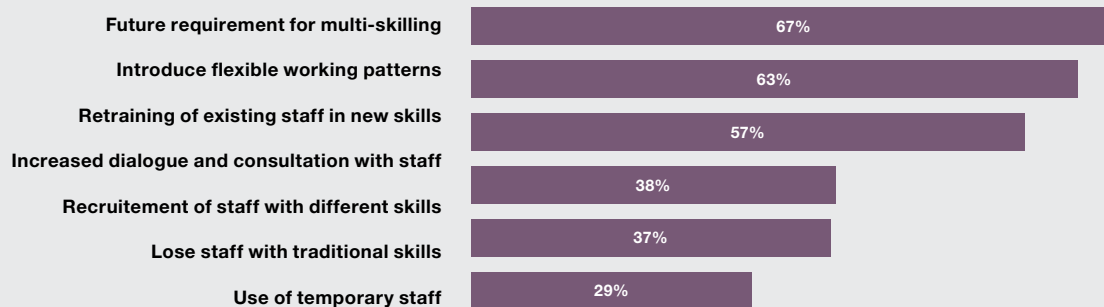
- Toolkit:** support in the toolkit includes support for
- Workforce flexibility (B.3.5.)
 - Workforce capacity (B.3.3.)

8.3. New ways of working – future skill requirements

The need for upskilling to meet changing technical requirements as well as different market conditions is recognised across the industry. Twinned with this, the importance of ensuring that staff are equipped – not just with the skills for the job – but also employability skills for the future, is a core requirement for managing restructuring in a socially responsible way.



Workforce implications



“Everyone will need to work more efficiently, be multi-skilled, and ‘upstream’ their skill levels. We all need to upstream our knowledge, our skills, and the quality of our thinking – to change the way we see customers. We need to learn from other industries in how to adapt to a whole new approach – we need ‘systems thinking.’” Large company interviewee

A ‘constant preparedness to change and learn’ was identified by interviewees as critical for success. Multi-skilling is a growing requirement, in particular for larger organisations. Two thirds (67%) of respondents to the questionnaire cite the introduction of multi-skilling as a consequence of their commercial situation, heading the list, with 57% saying that retraining of their existing workforce is an implication for them. Union voices stress the importance of not using multi-skilling as a means of job reduction, while emphasising that providing staff with a range of skills is essential in equipping them for the future, as well as helping to manage change more effectively. As one union official said: *“Education and skills are critical in bringing people with you”*.

The conclusion is that behaving in a socially responsible way demands that employers take the opportunity to equip people with a range of skills that are transferrable – and increasingly, the ICT and engineering skills required will equip people to move into other industries. Responsible employers will ensure that people understand how these competencies are transferable.

The risk for those who are not given the opportunity to retrain is considerable. 37% of companies see ‘losing staff with traditional skills’ as a consequence for the workforce of the changes in the industry. The prediction is that staff must accept the challenge of working with fewer, multi-skilled people.

While many companies are diversifying into new areas including web design and other services within the communication industry generally, the common consensus is that retraining existing staff into these

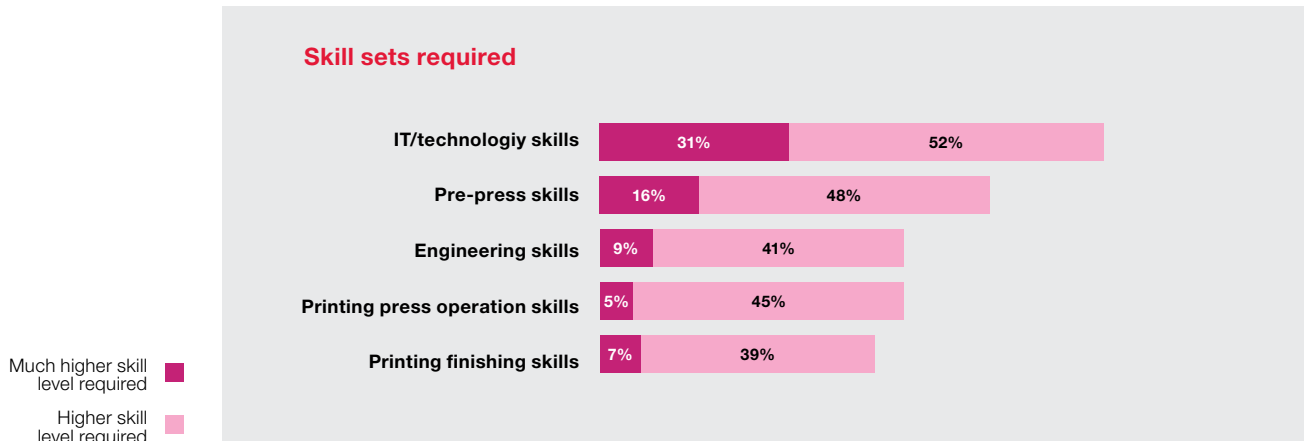
areas is less likely to be successful. The core competencies required differ, and feedback from SMEs who have attempted to reskill staff is that finding training programmes at an appropriately advanced level in disciplines, such as web design, is problematic. This points to the use of alliances as a way forward (a strategy being considered by 43% of respondents), or to recruiting people with different skills. 38% of those participating are considering this, though it brings different challenges in terms of social responsibility, summarised by one SME manager: *“It’s hard. I don’t want to let my people go and work with others”*.

A related factor here is the need for support for companies to provide retraining for those who will leave the company as a result of restructuring. This issue is covered in more depth in section 8.6 below.

- Toolkit:** Support in the toolkit includes tools for:
- Future people needs (B.3.1.)
 - Skills matrix (B.3.2.)
 - Learning and Development (B.3.4.)

“Some companies are responding by cutting to the bone and reducing pay and conditions. That is not the way forward. Companies need to be smarter and will need a skilled workforce that will go with them. This requires a closer relationship between employers, unions and staff.”

Union official



8.3.1. Technical skills

“Technology will constantly push change and hence the nature of jobs.”

Large company interviewee

An analysis of qualitative responses shows that companies are seeking higher skills levels across the print production process:

- Higher level IT and technology skills required: 83%
- Higher pre-press skills required: 64%
- Higher engineering skills required: 50%
- Higher printing press operation skills required: 50%
- Higher print finishing skills required: 46%

The supplier perspective

Suppliers comment that “woefully inadequate training” means that printing companies will typically not get the return in investment they need, because staff lack the trust and confidence to run machines to their potential. SMEs in particular have skills levels that are too low. This results in companies not getting the return on investment that they should. One supplier commented that skills issues are an issue in the UK in particular, lagging behind the rest of Europe.


Specific technical skills needs identified during supplier interviews include:

- Craftpeople will continue to be needed to identify and resolve problems, for example on hybrid presses and with the increased use of A0 sized presses. Continuous cover will need to be available, though numbers will reduce significantly.
- The one specific technical knowledge requirement for the future will be information technology, with digital data, workflow, integrated planning and costing as the keys

to success and to productivity. The efficiency and consistency of output that comes with technology will mean no need for engineers or people with computer knowledge.

- Maintenance is going to be a bigger issue, and skills here will need to improve significantly with the increased use of digital presses, though maintenance will become increasingly automated with proactive diagnostic and warnings.

Challenges in upskilling

Participants in the study raised multiple challenges. These include: 

- Financial instability meaning that companies may not be in a position to augment pay as a result of multi-skilling.
- High salaries commanded by those with traditional skill sets can be a barrier to retraining, as new roles may not pay as well.
- Shift patterns and time pressures preventing staff from taking advantage of training.
- The challenge for individuals of moving from a craft based to a process role.
- For small companies, freeing machines up to allow training can be problematic, as can identifying suitable training on offer.
- The difficulty for older staff with low or traditional skills who are reluctant to change

While challenges exist, there is consensus that building skills is essential. Views include there having been a significant skills shortage in advance of the current economic crisis, and that it remains “an ongoing problem and a potential limitation to recovery”.

“People have proved that they can learn new technologies – they are used to learning and know that if they don’t they will lose their jobs.” Union interviewee

8.3.2. Other skills needs

While in technical terms, IT skills are the key requirement for the future, the consensus view is that interpersonal, customer management and managerial skills will be increasingly critical – to the extent that one supplier comments that *“interpersonal and client relationship skills will become the core skill of all of the future workforce in all industries”*.

While findings for the need for higher skills levels across the workforce could potentially have been anticipated, possibly the most revealing findings are around perceptions of the need for increased managerial skills – reflecting the urgent need to adapt and change to a fast changing market. The quantitative study reflects this, with a higher standard of non-technical skills being seen as more of a requirement than all process skills (other than IT).

The importance of customer relationship and sales skills are viewed as particularly critical, while better managerial and leadership skills are also vital:

- Higher level of customer relationship building skills 82%
- Higher level of sales skills 81%
- Higher levels of leadership skills: 75%
- Higher level of management skills: 74%
- Higher level of strategic skills 70%
- Higher level of creative skills: 62%



Skills required from managers include the ability to develop a clear strategy for the future, developing new solutions, and ensuring synergies both up and downstream. Managing change – and the associated implications of managing a successful process of informing, communicating with and consulting with – is also a key requirement.

- Toolkit:** tools in the toolkit include support for:
- An integrated approach to leadership (C.3.1.)
 - Managing people’s performance (C.3.2.)

Preparing people to leave the company

Managing redundancy and preparing people to leave the company, are core requirements given the dramatic reduction in jobs across the industry.

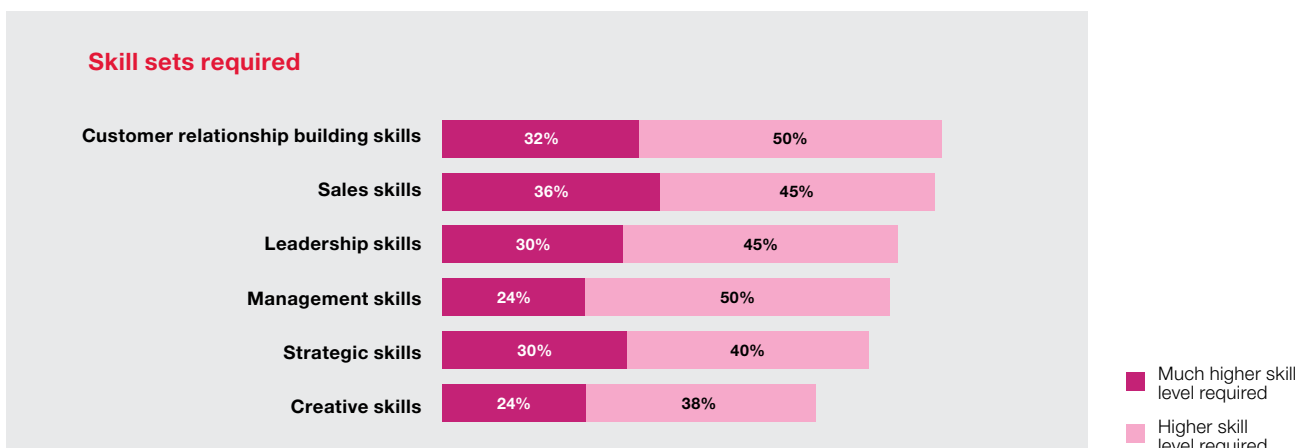
The implications for those losing their jobs are significant. With a predominantly older workforce who have worked in the same industry for a lifetime, respondents talked about the potential for people *“going into shock”* with a long-term inability to adapt – meaning that they become unemployable, with the related social and economic implications.

The importance of developing a ‘culture of employability’ for the industry is critical for the future, equipping people with the skills they need to be able to transfer to other jobs and sectors. The longer term change in skills requirements identified by suppliers – with fewer specialist skills and more transferable skills – will help here. In the short term, it will be important to ensure that staff understand that while their skill set may be specialised, they will also have more generic competencies – for example, in team working. These can play an important part in helping those whose roles become redundant in finding alternative employment. Individuals may need help in seeing the potential of these competencies. Programmes to help with this as well as support in upskilling, are therefore important elements in ensuring that redundancy can be managed in a socially responsible way.

Levels of support from governments and other agencies for these types of programmes differ across Europe. Where support is available, companies have worked successfully within that framework to ensure that staff can be reskilled and offered support as they leave the company. The financial situation of most companies makes this difficult where such support is not available.

“The industry needs financial assistance— not subsidies – but cheap loans to enable restructuring.”

Large company interviewee





Principles identified within the study include:

- The importance of having a clear vision and strategy – beyond the redundancy process
- An agreement for managing redundancies agreed in advance of the situation occurring
- A plan for handling the consequences – to include looking at the external support available
- Early warning for those affected – so that it does not come as a surprise
- Co-ordination with support mechanisms

Ultimately, the responsibility for ensuring that those leaving the company can do so in a way that ensures their future employability is shared:

- With companies taking the lead in ensuring that restructuring happens in the most socially responsible way
- Staff accepting the need to retrain
- Federations accepting the need to work with unions to lobby national governments
- Unions accepting the responsibility of advising their members of the commercial realities
- Governments accepting the need to support the industry in the restructuring process.

- Toolkit:** the toolkit provides support for:
- Managing redundancies and early retirements in a responsible way (C.4.2.)
 - Check-list – preparing people for a new life beyond the company (C.4.3.)

8.4. Getting the resource required for socially responsible restructuring

Socially responsible restructuring may be an aspiration for many companies. However, the financial circumstances of many organisations implies that they are not in a position to fund either the level

of training required for ongoing employability or the level of outplacement support required to help people make the transition to other sectors where redundancies occur.

Interviews demonstrate that the experience of seeking loans can differ. However, generally the global economic uncertainty makes access to capital more challenging.

Financial support for restructuring, as well as support from other agencies is therefore required. The level of restructuring support available depends on location as the Scheunungdruck case study (page 82) illustrates, while the Polestar (page 86) case study demonstrates the value of being able to work with outside agencies to ensure that downsizing can be managed in the way that ensures the best outcome not just for organisations, but also for those leaving.

While the lack of availability of support is an issue that needs to be tackled at an industry and federation-wide level by lobbying for a more consistent approach to support and funding across Europe, making the most of the support that is available depends on companies working closely with the relevant agencies to open good channels of communication. Understanding the potential support that is available, and working with the agencies to amend and deliver it in a way that best meets the needs of the business and its people, is critical.



Recommendations

- **Industry level:**
Intergraf, federations and unions to lobby for effective, well-funded business support programmes to incite companies to action and enable them to go through restructuring
- **Company level:**
Companies to develop good relationships with local agencies and identify the opportunities for support

“Unfortunately, a look at the finances of so many companies demonstrates that they are in no position to scale down in a socially responsible way.”

Large company interviewee





9. APPENDIX

APPENDIX ONE – BACKGROUND AND METHODOLOGY

Background

Intergraf and UNI Europa Graphical commissioned Facta Consult to conduct a study investigating best practices in socially responsible restructuring for printing companies in Europe. A broad view was required and Facta Consult adopted an approach which encompassed both primary (qualitative and quantitative) and secondary research methodologies.

A previous European Commission study, Competitiveness in the European Graphic Industry (2007) identified a number of strengths, weaknesses, opportunities and threats, relevant to printing companies across Europe. The report pointed to the limitations which are pertinent to the restructuring issue, of a diversified industry comprised primarily of relatively small companies:

- Focused on internal competition without anticipating the evolution of the competition on a global scale
- Weak capacity to invest in non-productive activities
- Inability to pursue collective action plans



The resultant six-point plan provided a blueprint to improve the performance of the industry.

This new study into the socially responsible restructuring of the printing industry seeks to fill some of the gaps and addresses:

- The threats and opportunities facing companies in the industry, taking into account economic and technical changes
- An assessment of potential changes to working patterns and employment in the industry
- Guidance for employers and staff facing restructuring scenarios, and specifically the partnership arrangements required for success
- Guidance on the skills required for the future of the industry.

It takes a broader view of the challenges facing the industry, recognising that technological and market changes may have radical and far-reaching impacts on the industry, as other media not only introduce new technologies, but may also:

- Compete with printing
- Replace the print medium
- Require much of the industry to rethink its role – moving from manufacturer of specialised bespoke products, to a more integrated service provider.

The Commission's 2005 report on the impact of ICT and Electronic Business in the Publishing and Printing Industry characterised the challenges as:

- Convergence and substitution
- Channel diversification
- Cross-media publishing and customisation

The report noted the particular challenges of investment for an SME-dominated industry, but also highlighted potential opportunities for harnessing the technology to improve workflow management and to access new markets.

Details of this study

This study focuses primarily on how the changes required need to be carried out to ensure this happens in a socially responsible way. It is intended primarily as a highly practical resource for those working in the industry.

Methodology

In order to ensure that the guidance in the study will be of direct benefit, the methodology adopted combined qualitative and quantitative research with those with 'hands on' experience of dealing with restructuring. Following an initial literature review, a series of qualitative interviews was undertaken to capture the views of those working in the industry about the pressures and opportunities facing them, the restructuring issues resulting from these and the implications of these for the workforce. Interviewees included managers in small and medium (up to 500) and large organisations, union representatives, and chairs of works councils. A pan-industry view was also gained from senior national federation, union and Intergraf personnel.

A total of 45 interviews were carried out in total, as follows:

- 11 Senior managers of companies employing over 500 staff
- 10 owners/senior managers of smaller organisations
- 5 full time trade union leaders
- 4 staff representatives
- 6 national federation/Intergraf personnel
- 4 customers
- 5 suppliers



The results of the qualitative research were used to help inform two workshops focusing on socially responsible restructuring. Separate workshops were held for large and small companies, to enable the differing emphasis on both problems and solutions to be explored. Attendees included industry managers, unions, and employee representatives, as well as federation personnel. In addition to contributing to the study, the workshops also provided a valuable opportunity for the printing industry across Europe to share issues, insights and solutions. Some participants at the workshops were also interviewed face-to-face (either in their mother tongue or with the aid of an interpreter) in order to gain a richer understanding of all the factors at play.

Simultaneously with the qualitative research, an on-line questionnaire (in four languages) sought views on the same issues, as well as asking respondents what toolkit items would be of most value to them. 148 responses were returned predominantly from organisations employing under 500 staff (130) with 16 from larger companies (and

two who did not state their organisational size). A breakdown by type of company and other factors is included in appendix B.

In addition to the ‘inside-out’ perspective of those within the industry, the study also includes an ‘outside-in’ element. Here, the views of manufacturing machine and printing industry customers were elicited. Their insights help to paint a picture of the industry currently, and to give an insight into the challenges of the future.

Finally, best practice in socially responsible restructuring was captured through additional in-depth interviews.

This report now brings together the views of the various participants about the challenges of restructuring in a socially responsible way, as well as potential solutions in the form of a toolkit – designed specifically to meet the needs of the industry – and case studies to provide exemplars of best practice.



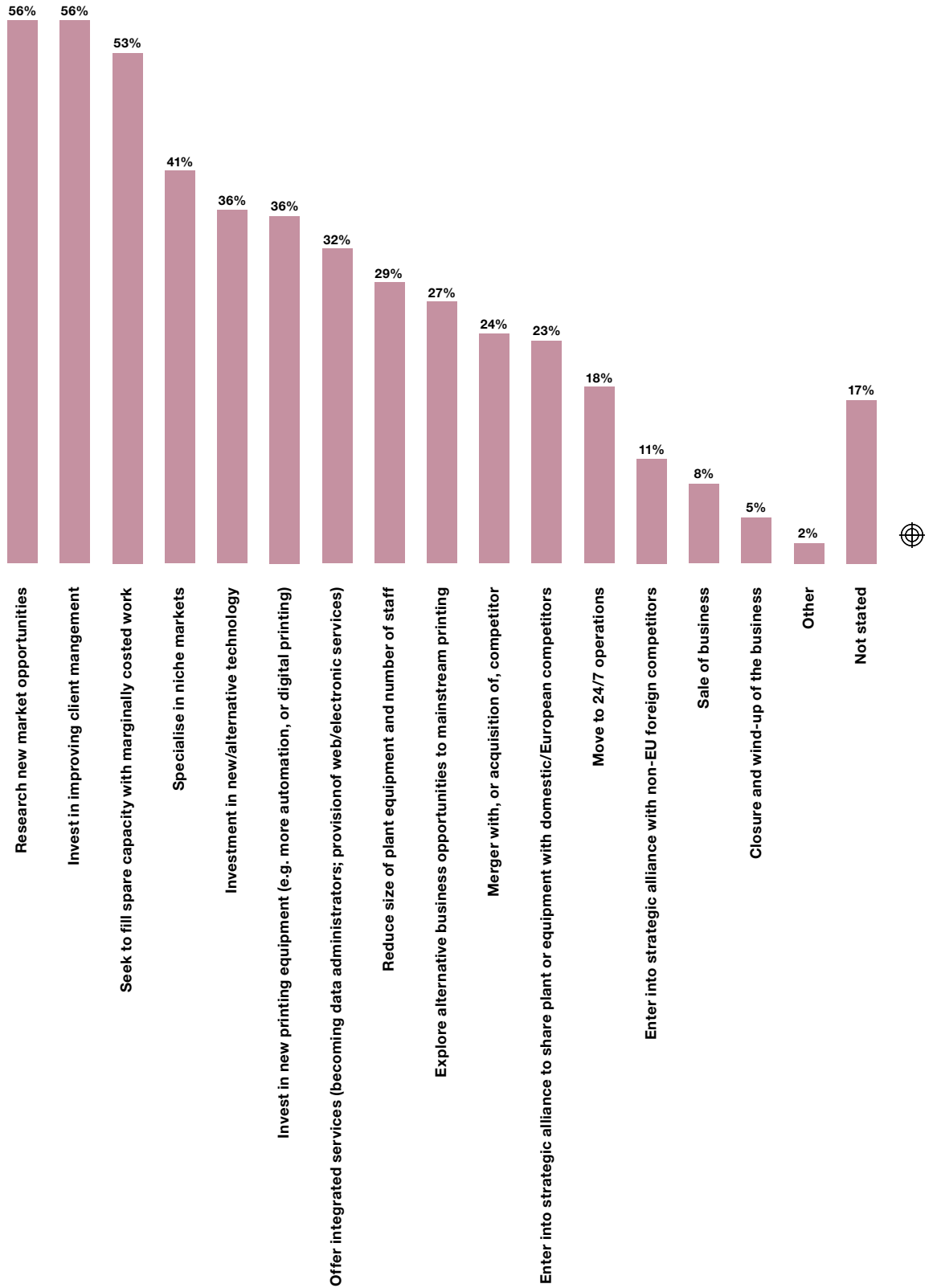
APPENDIX TWO – SUMMARY OF QUANTITATIVE DATA

Graph 3. Factors impacting on companies

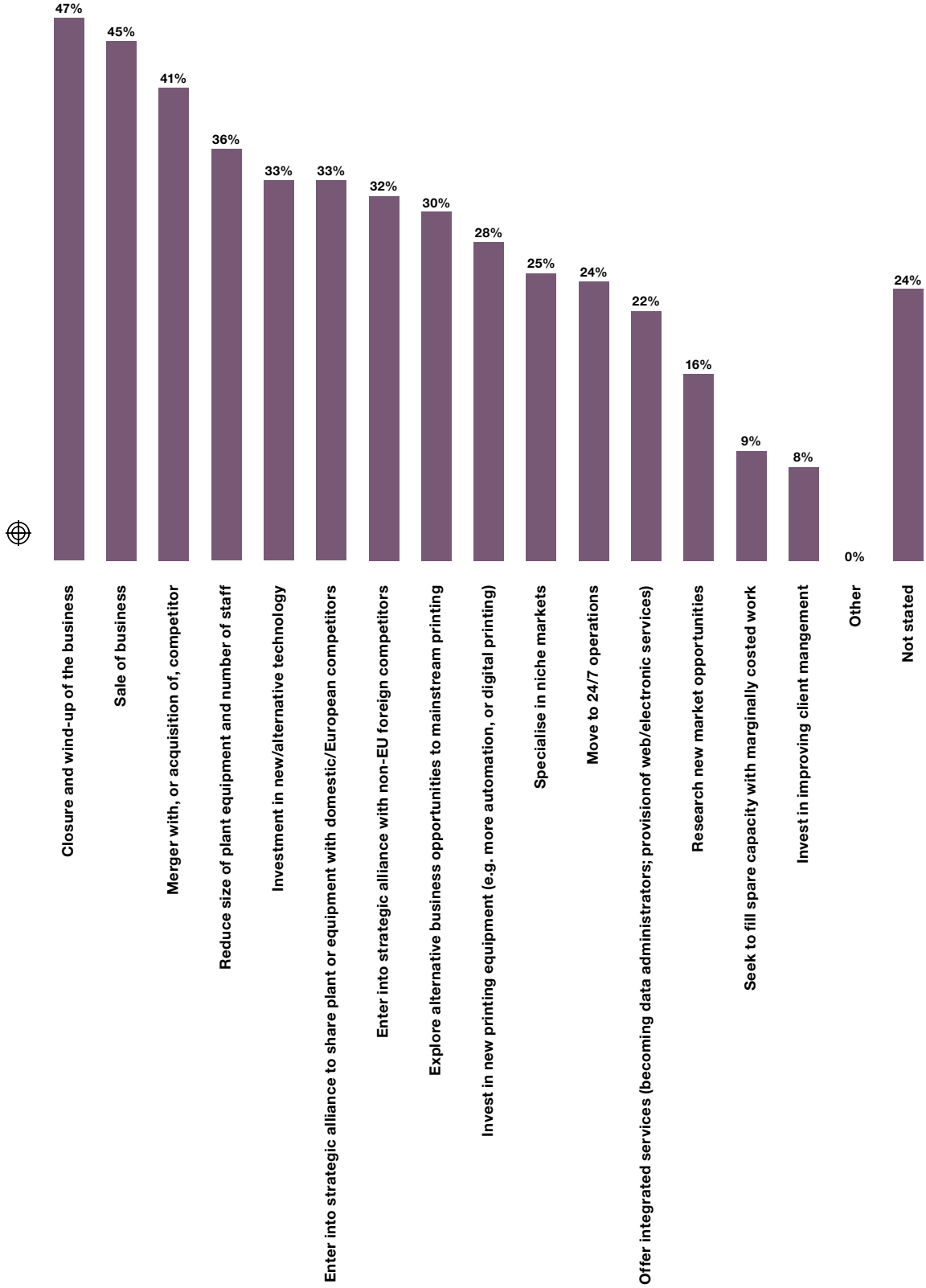




Graph 4. Short-term strategies being considered

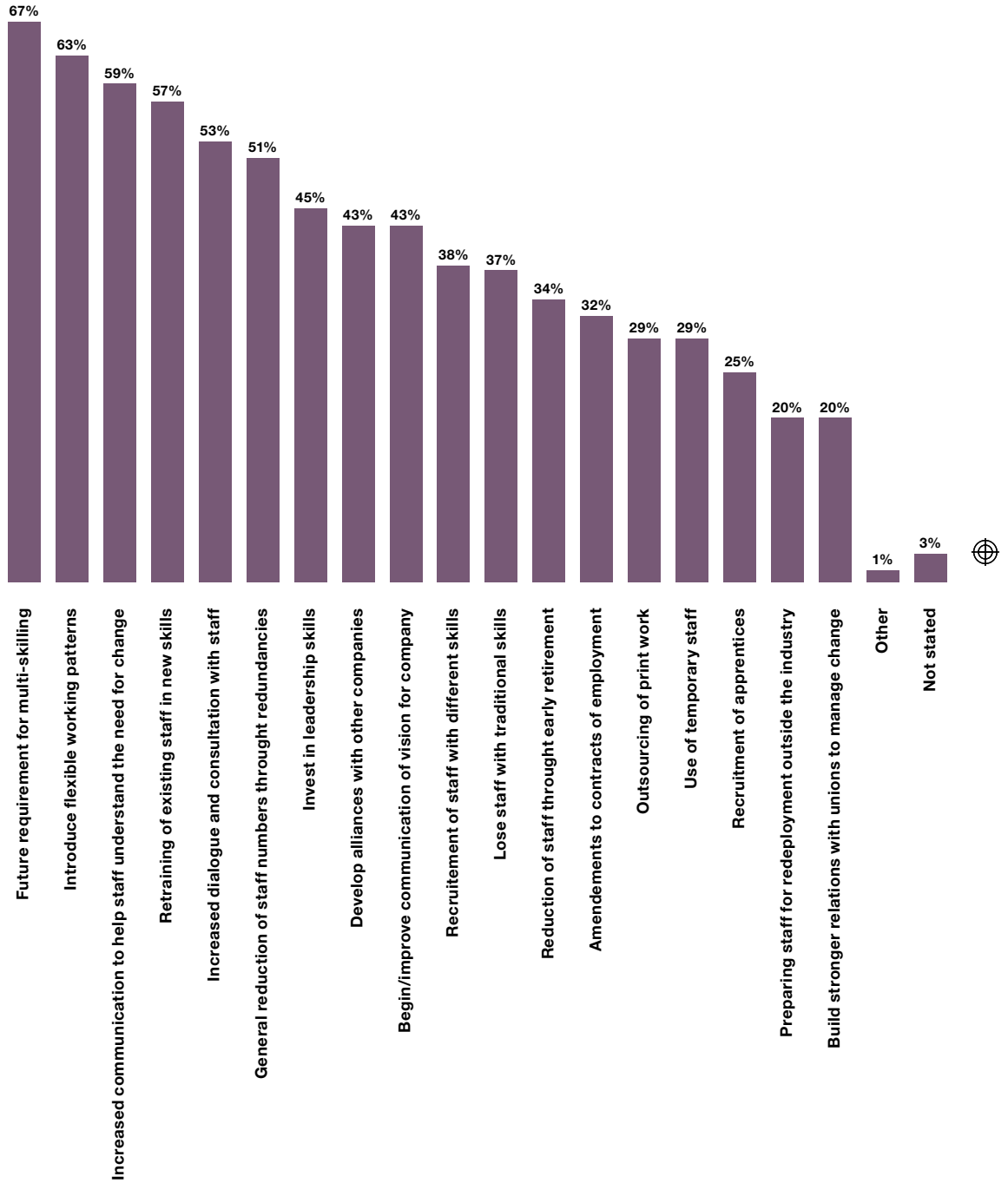


Graph 5. Long-term strategies being considered



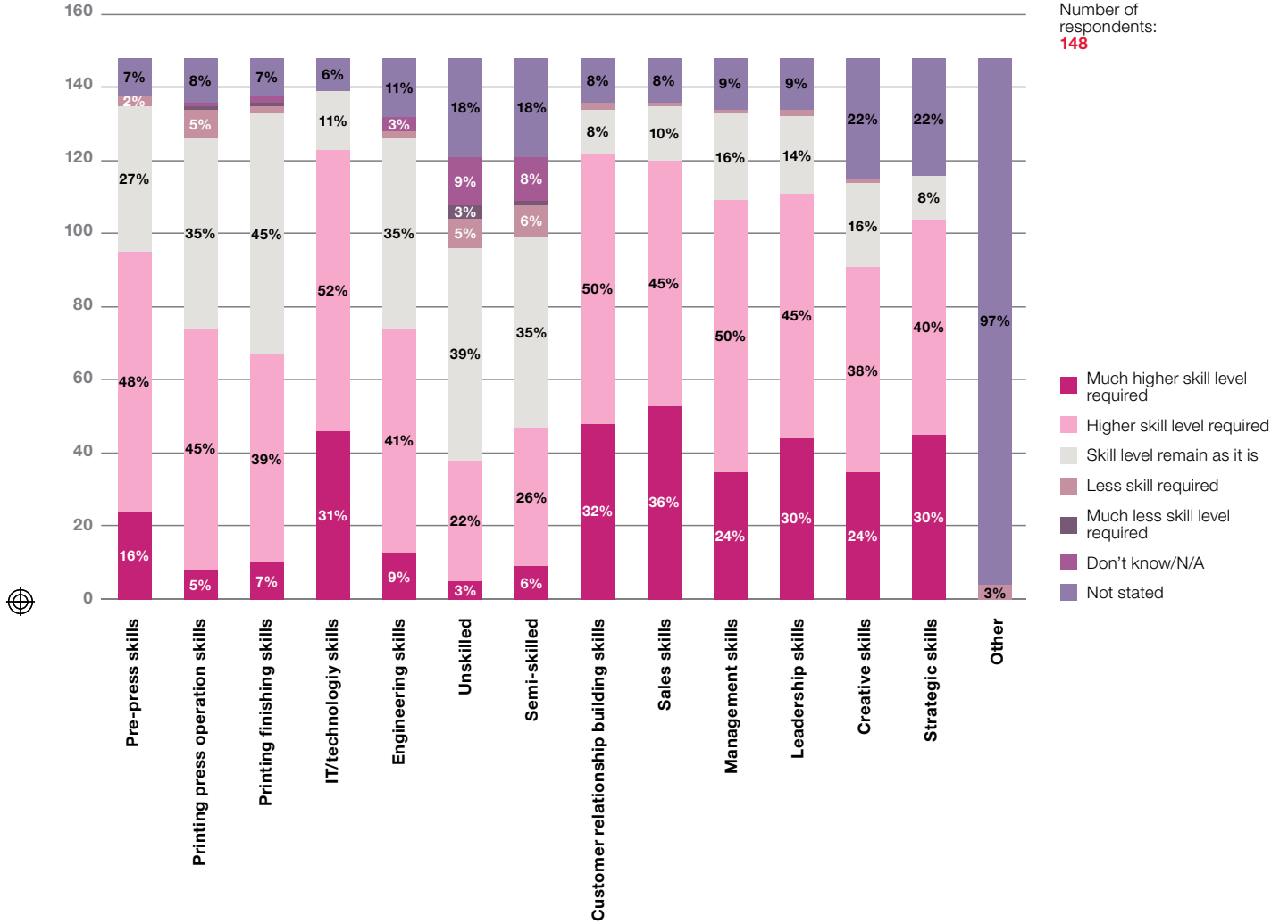


Graph 6. Workforce implications



Graph 7. Skill sets required

Number of respondents:
148





APPENDIX THREE – BREAKDOWN OF RESPONSES TO QUANTITATIVE STUDY

Graph 8. Language spoken

Number of
respondents:
148

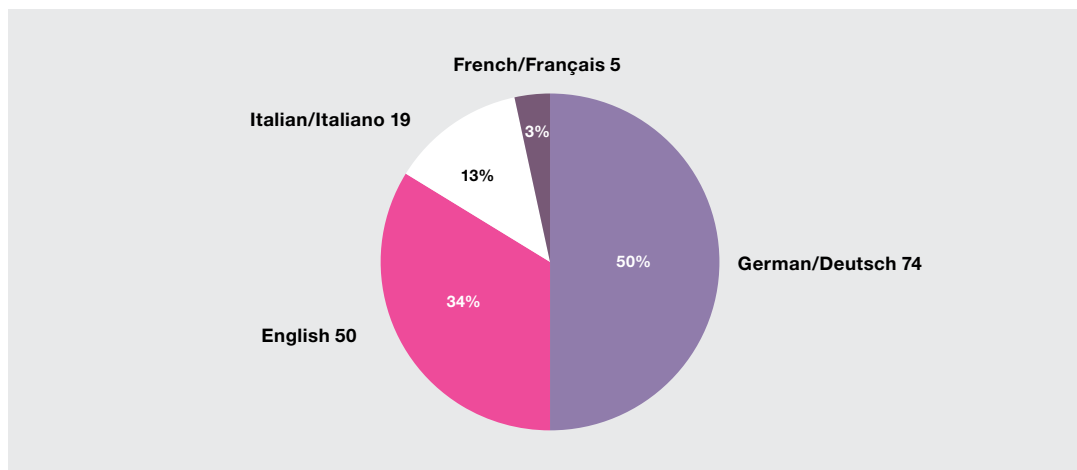


Table 3. Type of printing activity



TYPE OF PRINTING ACTIVITY	NUMBER OF RESPONDENTS	PERCENTAGE OF SAMPLE
Magazine production	73	49%
Catalogue production	72	49%
General commercial printing	72	49%
Stationery/business forms	68	46%
Book production	61	41%
Point of sale/outdoor advertising	55	37%
Direct mail	43	29%
Greetings cards	41	28%
Print management	28	19%
Newspapers	18	12%
Security printing	13	9%
Transactional print (e.g. bills and transactions)	12	8%
Other	18	12%
Not stated	2	1%
Total	148	-

Table 4. Techniques used

TECHNIQUES USED	NUMBER OF RESPONDENTS	PERCENTAGE OF SAMPLE
Pre-press	100	68%
Digital	80	54%
Large sheet-fed offset (B1 print size and above)	62	42%
Print finishing	62	42%
Small off-set (up to B2 print size)	52	35%
Web offset	45	30%
Small off-set (up to B3 print size)	42	28%
Gravure	16	11%
Flexographic	6	4%
Screen	4	3%
Other	7	5%
Not stated	3	2%
Total	148	-
Not stated	2	1%
Total	148	-



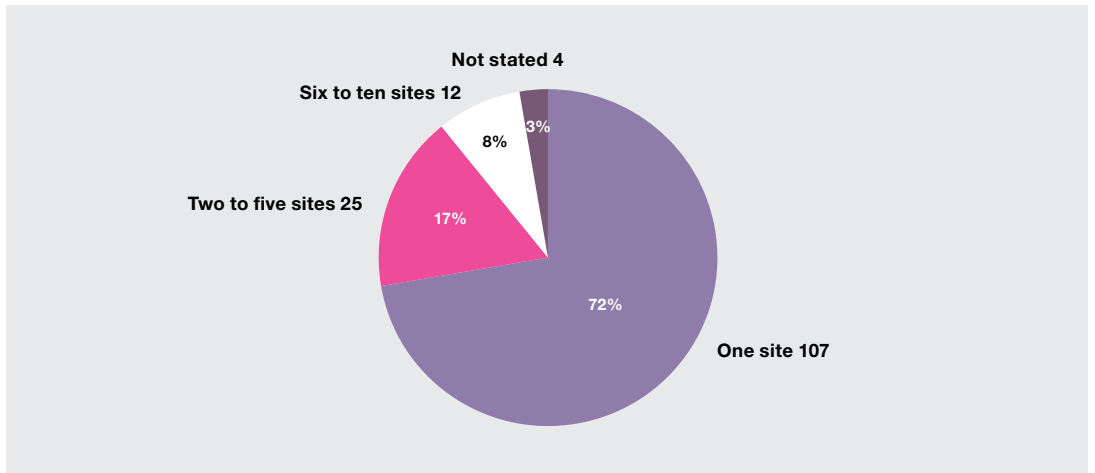
Table 5. Company size

COMPANY SIZE	NUMBER OF RESPONDENTS	PERCENTAGE OF SAMPLE
1 – 5 people	18	12%
6 – 10 people	4	3%
11 – 15 people	9	6%
16 – 20 people	10	7%
21 – 30 people	12	8%
31 – 50 people	18	12%
51 – 100 people	29	20%
101 – 200 people	17	11%
201 – 500 people	13	9%
501 – 1000 people	5	3%
1001 + people	11	7%
Not stated	2	1%
Total	148	-
Not stated	2	1%
Total	148	-



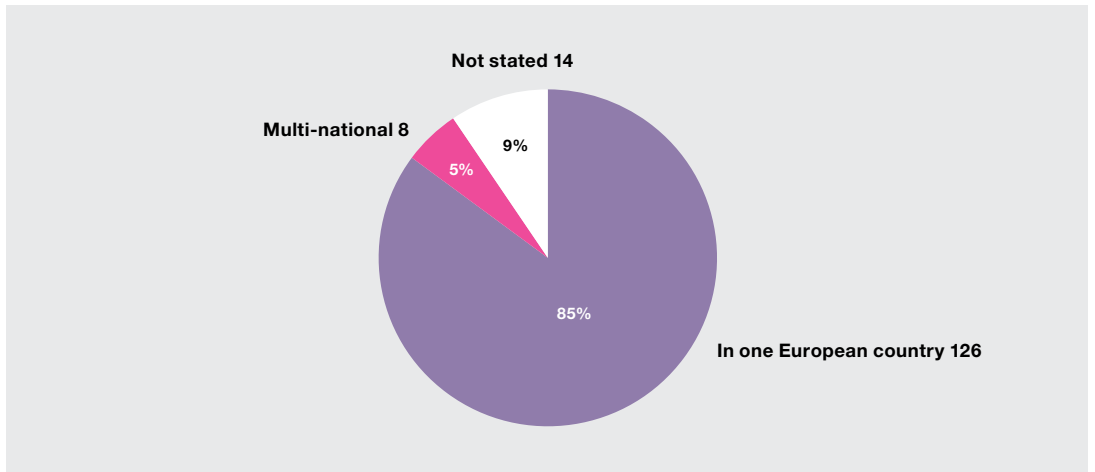
Graph 8. Number of sites

Number of respondents:
148



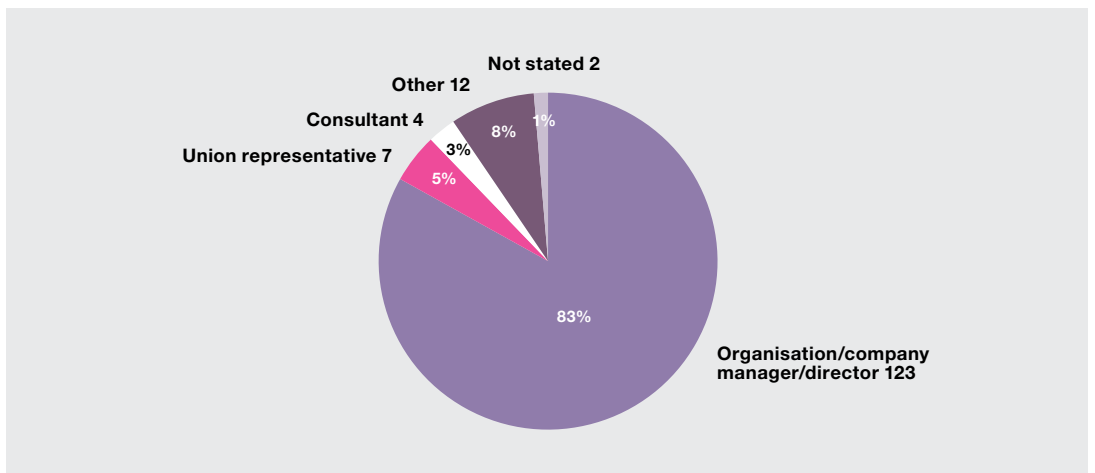
Graph 9. Base

Number of respondents:
148



Graph 10. Role

Number of respondents:
148



Endnotes

1. The Evolution of the European Graphic Industry:Intergraf March 2010.
2. Eurostat
3. Gennard, J: The Impact of The Financial Crisis On The European Graphical Industry, Strathclyde Business School, September 2009.
4. Ibid.
5. The Evolution of the European Graphic Industry:Intergraf March 2010.
6. European Communities 2007: Competitiveness of the European Graphic Industry – prospects for the European Printing Industry to respond to its structural and technological challenges, Intergraf, European Commission.
7. Ibid.
8. Gennard, J: The Impact Of The Financial Crisis On The European Graphical Industry, Strathclyde Business School, September 2009.
9. Ibid.
10. CCMI/073 Towards an EU policy to rationalise the web offset and rotogravure industry in Europe 15/7/2010.
11. Uni Europa Graphical Conference - 16-20 March 2009, Verona, Italy
12. Policy Department Economic and Scientific Policy Impact and Assessment of EU Directives in the field of "INFORMATION & CONSULTATION" (IP/A/EMPL/FWC/2006-03/SC1).
13. Gennard, J: The Impact Of The Financial Crisis On The European Graphical Industry, Strathclyde Business School, September 2009.
14. Bryson, Alex, "The Foundation of 'Partnership'? Union effects on employee trust in management", National Institute Economic Review No. 176, Policy Studies Institute, April 2001.
15. Gennard, J: The Impact Of The Financial Crisis On The European Graphical Industry, Strathclyde Business School, September 2009.
16. Ibid.
17. Sector Report No 03-1, July 2005.

Bibliography/Further Reading



European Communities 2007: Competitiveness of the European Graphic Industry – prospects for the European Printing Industry to respond to its structural and technological challenges, Intergraf, European Commission
DG EMPL Project "Investing in the future of jobs and skills", Sector report on Printing and publishing, May 2009
<http://www.eurofound.europa.eu/pubdocs/2009/86/en/1/EF0986EN.pdf>

DTI/Clare Taylor Consulting: *What Makes a Good Printer – a best practice study from Vision in Print*, December 2005 p5

European Small Business Portal: http://ec.europa.eu/small-business/index_en.htm

EWCguidelines_final_EN 12/02/2008 1

2010 Forecast: Technology, Trends, Tactics *Printing Industries of America*

Gennard, J: The Impact Of The Financial Crisis On The European Graphical Industry Strathclyde Business School, September 2009

Policy Department Economic and Scientific Policy Impact and Assessment of EU Directives in the field of "INFORMATION & CONSULTATION" (IP/A/EMPL/FWC/2006-03/SC1)

SECAFI-Groupe Alpha publications:
"Predicting and creating change: a dynamic approach to company restructuring". Report for the European Commission (2002)

"Summary report on the application of Directive 1999/70/CE concerning temporary work in fifteen Member States". Report for the European Commission (2004)

"Comparative report for the European Commission on predicting and implementing change within the context of company restructuring" (2002)

Stuart, M. and Robinson, A. (2007) Training, union recognition and collective bargaining: findings from the 2004 Workplace Employment Relations Survey. Unionlearn Research Paper No.4 London: unionlearn/TUC

Stuart, M. and Wallis, E. (2007) 'Partnership-based approaches to learning in the context of restructuring: a seven country study on trade union innovation', *European Journal of Industrial Relations*, 13(3): 301-321. 2008

Stuart, M., Forde, C., MacKenzie, R. And Wallis, E. (2006) 'An Impact Study on Relocati on, Restructuring and the Viability of the European Globalisation Adjustment Fund: The Impact on Employment, Working Conditions and Regional Development' Policy Department Economic and Scientific Policy Study, IP/A/EMPL/ST/2006-02. Brussels: European Parliament.

Stuart, M. and Martinez Lucio, M. (eds) (2005) *Partnership and Modernisation in Employment Relations*. London: Routledge
TRACE REPORT NOVEMBER 2009 - <http://www.traceproject.org/fr/index.php>



10. CASE STUDIES



MediaPlaza	72
07 Group/Case study 1	74
Roto Smeets/Case study 1	76
07 Group/Case study 2	78
Roto Smeets/Case study 2	80
Schleunungsdruck	82
Corelio	84
Polestar	86
Hjemmet Mortensen Trykkeri	88



MEDIAPLAZA

Case study features

- **Growth through diversification**
- **Developing strong strategic alliances**
- **Retaining confidence and motivation from staff during change**

Background

MediaPlaza is based in the Netherlands. Drukkerij Teewes is the print company at the heart of the MediaPlaza Group. Originally established in 1931, the company grew rapidly in the late 90s and made a decision to expand in 1999. A new plant was built and opened in 2001. The company offered mix of offset and digital printing. Several years of strong performance followed, but a difficult trading year in 2007 included the loss of 600,000 Euros worth of business in two months and the need to make two jobs redundant.

Now, MediaPlaza is a thriving business, with 44 staff, a 24-hour operation and a growing portfolio of customers. Okke Zitman, owner of Drukkerij Teewes, the MediaPlaza concept and the building describes 2009 as “a perfect year”.



The challenge

The challenge Okke faced was how best to turn the company's fortunes around in an environment where more than 45% of print businesses in the Netherlands have gone out of business over the last 15 years. Drukkerij Teewes also had a large and underutilised building. The solution initially came from a particularly persistent customer, who wanted to rent space in the building and would not take no for an answer.

Okke decided to diversify and to rent space in the building to a range of communication companies. This led to the birth of MediaPlaza, which he describes as “the only company in the Netherlands that can offer customers the full range of integrated media solutions under one roof”.

In order for the strategy to succeed, the right alliances needed to be formed, and Okke's existing staff also had to believe that the approach was the right one.

The approach

The first company to join MediaPlaza was the designer whose suggestion had led to the idea.

From there, Okke followed a well thought through strategy of identifying companies in related sectors who would add value to the MediaPlaza concept. An internet company was the second business to join the group. This meant that Okke was able to move beyond the basic web provision the company had previously provided to offering more sophisticated support. Next, a photographer was approached, as Okke had identified that higher quality photography would add value to the products the group was offering.

A loyalty marketing company “Axxion” followed. Part of the arrangement for joining MediaPlaza was that the company would provide Okke with free strategic advice and develop a commercial business plan, while Axxion also confirmed that they had a print requirement for fliers and other materials, which the print company could fulfil. Now, MediaPlaza includes nine different companies, the most recent a publisher and an illustrator.

The group works in a highly interrelated way. One of the key requirements for any company joining MediaPlaza is that they offer a service which will be of value to customers of the group as a whole, and that they will provide Okke with the know-how that he needs for his customers for free. Trust is the second key component that Okke insists on. This means understanding the background of the company joining the group and how they work, and also a sense of confidence that the various entrepreneurs will get on and good working relationships can be developed.

Most of the companies joining the group are ones that Okke had worked with previously, meaning that both parties could have confidence that the relationship would work. The importance of trust can be seen most clearly with the exhibition sales company that joined the group in 2009. Both enjoy very strong brands and reputations in the industry. Joining forces in a visible way meant both had to be totally sure that the other would enhance that industry position.

Building strong alliances

Some commercial checks are carried out to make sure the prospective recruit to MediaPlaza is financially sound. However, Okke explains that the most important element is his sense that they will work well together: “I base the decision on my emotion – are they nice? Will I be able to trust them?”

An agent was used for the initial approaches. Now, companies regularly approach Okke asking if space can be found. The intention is to have one company from each sector of the communication industry.

A commercial contract covers the rental arrangement. Other aspects of the relationship are based on a verbal agreement. This includes the services the new company will give Drukkerij Teewes; the print services that Okke will provide to them, and the way each company will promote the services of others in the group.

Strong but informal relationships are at the heart of the way of working. The close working between the different companies means that MediaPlaza appear as one large company to customers.

Getting buy-in from staff

When Okke created the MediaPlaza concept, he realised that getting buy-in from staff was going to be essential. Han Eggink, the print co-ordinator for Drukkerij Teewes, explained the way the idea was introduced:

“Okke brought everyone in the company together. He explained the seriousness of our current situation. He suggested that we should be renting out the space in the building, and explained that he only wanted communication companies. Then he asked people for feedback – asking each person in turn what they thought, and what their ideas were.

We all thought about what would make a good firm to work with, and make the job easier to sell. In the office, we started looking around, talking to people from other businesses, doing research on the web. We all felt it was a new challenge and were enthusiastic.”

This open approach reflects the way Okke has run the business previously. He explains: “When we expanded the business 11 years ago, we asked

people for their views on layout and where to place the machines – doing this is important and helps motivation. People also have good ideas!

If you ask people, they are more likely to be happy, and to understand the reasons why. The changes we have made with MediaPlaza means everyone in the print company has less space – but they all understand that, and that this is better for the future. This has been a success, and the people who work here are happy.”

Han reinforces the importance of strong communication in all aspects of running the business: “Printers and sales people can have different ideas. You need to talk things through and it can take a lot of time. This is important. When you don’t tell your staff things, then it doesn’t work. You need the loyalty of your personnel. Now, we are all standing as one.”

The open, communicative and listening approach extends beyond the print company. The building has an open structure, with doors kept open. There is a shared canteen. People will eat and talk together to discuss suggestions and issues. People drink together after work and discuss what can be changed and done better. The group is constantly on the look-out for new opportunities: “When it comes into our path, we discuss it”, says Han. For Okke, developing this culture is very important: “Our success is because people who work here are happy.”



Best practice tips

The MediaPlaza approach is based on several fundamental principles, Okke advises:

- You need to make sure there is trust between all parties.
- It is hard to train people in a totally different field. Bring in a web designer to focus on web, and make sure that printers are doing print really well. Quality is vital.
- Build a strong and positive image to the outside world.
- Make sure that everyone within your alliance can talk with expertise.





07 GROUP/CASE STUDY 1

Case study features

- **Developing a culture of taking brave decisions**

Background

The 07 Publishing Group has its roots in printing. Ten years ago, 95% of the added value from the business came from print. Thanks to a strategy of diversification through acquiring companies in the communication sector, the group now provides

an integrated range of products, where 55% of the value is outside print. The aim is to increase that to 60-65% in the years to come. The group now offers a range of services. These include graphic design, web-based design and logistics. Techniques therefore include printing, finishing, use of creative/web-based/e-business/logistics tools, web2print, databases and more. While print remains an important part of the mix, publishing is now the main focus.

The 07 Group is located in two plants in the Oslo area in Norway. In addition, the company has a sales office outside Oslo. The 07 Group employs approximately 200 people.



The challenge

The 07 Group has gone through a transformation in the way it does business, with a customer-focused approach which brings different disciplines together to develop innovative solutions to those customer needs. This means challenging customers about their assumptions and requirements, and employees challenging one another – spurring each other on to be brave in the solutions they adopt, never being constrained by how things have been done previously. The attitude that Chief Executive Officer Håvard Grjøtheim seeks to develop is: “We don’t know how we can solve this – but we believe we can”.

The approach

Moving from a traditional print company to a publishing/media group that seeks to lead the way and take brave decisions means attitudes within the company need to change. People need to be supported in their belief that they can succeed and do things in a different way. This takes time and effort, and Håvard views leading this change as a major part of his role.

Working with managers

The transformation of attitudes began with working with the management group.

Håvard leads regular management sessions that focus on thinking through how best to work together. Initially, sessions focused on asking fundamental questions about the company’s core purpose. A consultant led large group meetings to work through questions such as:

- **Who are we?**
- **Why are we here?**
- **What are the true demands from our customers?**
- **What are our basic values?**

This helped bring clarity about how the Group wanted to operate. Three values were agreed: innovation; bravery; and humour.

Now, regular sessions involve the top 25 senior and middle managers from across the different businesses, and take place on Saturdays and in the evenings. A consultant continues to support the process, challenging the group, and creating a sense of calmness. Members of the group ask one another searching questions: “Have you been brave recently?”; “Why did you do that?”. Managers are also expected to have a single question at the top of their list of priorities: “How can I change and improve my organisation?”

The aim is to develop and work with a vision for the company as a whole, to develop a customer-focused attitude and to encourage challenge: “What are we going to do with this problem?”. This process has resulted in a motivated group that wants to develop further.

Working with staff

Working with staff to build a sense of bravery has also been important. Håvard explains: “doing things in a new way can feel unsafe. People will believe that saying “yes” to doing things differently is choosing uncertainty. I then tell them that by saying yes they are not choosing uncertainty, they are choosing freedom. In a changing world, safety comes from doing things that are frightening and different. I repeat this in a constant way. This is the way we are changing attitudes.”

As 07 has grown through acquisition, Håvard has created separate units to work in different fields such as print and e-based publishing, recognising that it is hard for people in existing businesses to understand the culture, thought processes and ways of working of other disciplines.

While creating these boundaries between the different businesses, the Group also offers staff the opportunity to move between them through provision of training in fields where there are related skill sets – for example from pre-press to graphic design, or from print to logistics. Managers are encouraged to respond positively to staff requests for development, as constant improvement of the business is expected to be one of their top priorities. A proactive approach to workforce planning is also part of the mix – with managers thinking about when individuals will retire, the skills required to meet changing needs and how they can best be met.

The strategy ensures that the distinctiveness between business units remains, but that a common set of attitudes can be developed. It also means that a high level of skills is maintained across both the hands on business units offering the range of publishing services, and the back-room and logistics staff.

Best practice tip

Håvard summarises his approach to the changes the Group has achieved and the role he has played in the transformation:

- **Focusing on people management is everything. There is always another machine to buy. 90% of success comes from focusing on people and their attitudes.**



ROTO SMEETS/ CASE STUDY 1

Case study features

- Proactively agreeing principles for managing change in a socially responsible way
- Creating a culture of employability
- Building a sense of mutual responsibility between employee and employer

Background

Roto Smeets is based in the Netherlands. It is a multi-plant company specialising in sheet-fed, web offset and gravure printing, with a focus on high volume recurring print work. The company is the Dutch market leader in the printing industry with a long history and has a leading position in Europe, and currently employs approx. 1,800 staff across 14 locations in eight countries.

The challenge



Roto Smeets faces the common challenges of the industry. Changes have included a need to make over 1000 jobs redundant in the past 8 years and to introduce flexible working. The company has also had to take difficult decisions including plant closures. The case study on page 80 describes the approach taken when specific changes are required. That focuses on consultation with a Works Council structure made up of elected employee representatives. Roto Smeets is a unionised environment. Agreement with the union is therefore an important part of the overall approach to restructuring.

The approach

Roto Smeets takes a highly proactive approach to its relations with the union. Rather than waiting for specific issues to have an impact, the company has agreed a social contract with the union and Central Works Council in advance. This contract provides guidelines for restructuring scenarios that could impact on staff, and is renegotiated every four to five years.

Chief Executive Officer John Caris says: "It is far too late to be negotiating when you are restructuring – it is the wrong time. It is important to be prepared. The social contract helps make sure that change for us is a smooth process."

The goal of the social plan is the transformation of Roto Smeets workers into the most flexible workforce possible. The plan is called "Working in the future". It focuses on increasing the capability of



staff and improving their employment prospects in an uncertain job market.

The plan describes two aims:

- A preventive policy to maintain workers' employability throughout their career, whether inside or outside the company. This includes the company providing job assessment and performance interviews, training courses, competence development and coaching. Staff are expected to have a commitment to personal development on a continuous basis. Both the company and the staff can call each other to account.
- Regulations also cover how any redundancies will be handled. Again, mutual responsibility is central. The company must be able to show what concrete efforts have been made to find an alternative role for someone whose job is no longer required. Without this, notice periods are extended by six months. Should the redundant employee not make the effort to be flexible and move to a new role matching their capabilities, they will not get a departure bonus.

Flexible employability

The company wants to keep all workers of all ages flexibly employable. The social contract aims to ensure staff have a varied learning and working environment. It also states that staff are expected to work on their professional development and employability,

and to keep a close eye on the job market, internal and external. The organisation offers workers the opportunity for personal development and supports them in seeking posts that match their knowledge and skills.

Recruits are selected on the basis of their educational level and their capacity to learn and change. The contract also includes a requirement for regular assessment and performance interviews for all staff. As well as assessing current performance, these look at people's future development and next career steps, whether inside or outside the company. Training budgets are based partly on the outcome of those discussions, and each employee has an individual development plan, aimed at increasing long-term employability.

A study funding scheme also forms part of the contract. Ninety per cent of the costs of training are compensated where the aim is to increase employability. This is repayable should the employee leave the company at his own request. As far as possible, training is undertaken in the employee's own time.

A "mobility centre" both recruits external expertise where appropriate and provides awareness raising courses and career scans. It also supports those seeking new roles by collating vacancies inside and outside the company, and providing training for networking, job applications and other skills training. Mediation between present and future employers over transfers and other arrangements is also provided.

Roto Smeets reorganisation scheme

If roles are identified as redundant, then the social plan ensures that staff are provided with both financial and outplacement support to help them find another role.

Restrictions exist on external recruitment to ensure that staff whose roles are being lost are considered for new roles as a priority. Vacancies can only be filled from outside with the permission of the HR Director.

Retraining forms part of the contract. Staff are also given a job coach to guide them as they move from one role to another. It is expected that people will take advantage of the training on offer. Paid leave for external interviews is also part of the deal.

The social contract stipulates how salaries will change, ensuring that any reduction in pay due to a transfer to a lower-ranking position will be phased in gradually. Detailed arrangements are also in place for shift work payments, travel expenses and financial support for those needing to relocate.

Other elements covered by the contract include a sliding scale of notice periods and also a departure bonus. This equates to 85% of gross salary minus statutory redundancy pay. The period this payment is made depends on age and length of service, with 6 months as the minimum. Where staff leave before their statutory notice period starts, the contract states that they will still receive the bonus.

Special financial arrangements are in place for those aged between 55 and 60 years who lose their jobs. These are more generous, in particular for individuals who are sole providers.

Be prepared

John comments: "The social contract we have negotiated ensures we are prepared for the challenges facing us. Now, we are in the process of creating a campaign for staff called 'Be Prepared'. This helps ensure they are as aware as possible that they may not be our employee until retirement, and their own need to take advantage of the opportunities on offer so that they are prepared."

Best practice tip

John emphasises the importance of forward thinking:

- **It is essential to work with unions to develop agreements for how difficult situations will be handled in advance of those circumstances arising. This provides a solid foundation for when restructuring is needed.**



07 GROUP/CASE STUDY 2

Case study features

- **Diversification and growth through acquisition**
- **Total customer focus**

Background

The 07 Publishing Group has its roots in printing. Ten years ago, 95% of the added value from the

business came from print. Thanks to a strategy of diversification through acquiring companies in the communication sector, the group now provides an integrated range of products, where 55% of the value is outside print. The aim is to increase that to 60-65% in the years to come.

The group now offers a range of services. These include graphic design, web-based design and logistics. Techniques therefore include printing, finishing, use of creative tools, web-based/e-business/logistics tools, web2print, databases and more. While print remains an important part of the mix, publishing is now the main focus.



The O7 Group is located in two plants in the Oslo area in Norway. In addition, the company has a sales office outside Oslo. The O7 Group employs approximately 200 people.

The challenge

Rather than growing new businesses out of the original print company, the Group has bought and then developed companies in each of the new sectors it has entered. This has been essential to success. Chief Executive Officer Håvard Grjotheim explains: “If we had tried to develop new services within print, they would have been stifled. Print has a 500 year history of tradition and culture.”

The diversified approach requires a total change of thinking, explains Håvard: “We are not selling capacity anymore, we are selling possibilities and opportunities. We put the customer, rather than print, at the centre of all we do.” Success also depends on how best to find synergies between the different business units.

The approach

Håvard explains: “We have created a distance between e-books, e-based publishing and print for example. Each needs different types of people who think and work in different ways. Though as a multi-channel company, we also then need to mix the culture and skills of the different companies to give the customer what they really need.”

The answer, says Håvard, is to focus employees onto the customers’ needs, and then allow those employees to find the solutions.

This is done by creating cross-company project groups to focus on specific customer requirements. A number of principles help create success:

- **Projects are created through specific customer needs and demands. Focusing on these helps create the values the company operates by.**
- **The Managing Director of each company takes the lead for their company in the project. This hands-on approach through top management is “very important”.**
- **The most relevant team members from each company meet with the customer. This helps to create the desire to work together across business units to meet the customers’ needs. The aim is constantly to see problems from the customer perspective.**
- **Project members are encouraged to use their expertise to challenge the customer.**
- **The right skills to deliver need to be in place, meaning that recruitment is important.**

O7 initiatives include a major project to create the Norwegian standard for publishing. This focuses on getting a holistic view of the e-book, looking across the various e-versions as well as soft and hard backed print versions. The work stemmed from discussion with publishers that were existing customers of the Group, and understanding the challenges they faced through the emergence of e-books. This resulted in a project drawing together Norwegian booksellers, publishers, distributors and authors as well as regional and local libraries. Now, decisions can be taken on the most appropriate format for each publication. This project was only possible through the involvement of the different disciplines within the Group, and required a dedicated office and task force, with O7 personnel coming in and out as required.

Other customer-focused projects have included working with magazine publishers suffering drops in advertising and circulation. Here, the Group has successfully supported publishers in building up new activity across print and the web.

For the past five years, the Group has also run “blogweb” seminars in Oslo. These aim to challenge customers’ thinking. The seminars include use of customer examples and concentrate on the need for pro-activity – for example developing business cases for using multi-channel publishing; or how to bring messages to the market in the optimum way.

The level of success the company has enjoyed depends not just on the customer-focused principles listed above, but also on bravery internally. Håvard explains: “We need people that say ‘we don’t know how we will solve this, but we believe we can’. This is a new attitude for the traditional part of the industry.” The case study on pxx explains how this go-getting attitude has been built internally.

Best practice tips

Håvard outlines the key best practice points:

- **Understand the needs of your customers and the challenges they face.**
- **Take a chance. Employ people who know different things and have different competencies than you.**
- **When diversifying, avoid growing organically inside the company, because the existing culture will kill the new development. Build platforms outside and then find synergies.**
- **It is very important to have a vision outside print and to see new possibilities when developing a diversification strategy. The Chief Executive Officer needs to be able to do this.**



ROTO SMEETS/ CASE STUDY 2

Case study features

- **Engaging with staff through Works Councils**
- **Structured communication**

Background

Roto Smeets is based in the Netherlands. It is a multi-plant company specialising in sheet-fed, web offset and gravure printing, with a focus on high volume recurring print work. The company has a long history having been established for several decades.

The challenge

Challenges faced by the company include the loss of approximately 40% of the workforce over the past eight years (approximately 1000 people) plus plant closures. Most staff were successfully redeployed elsewhere, showing the success of the approach. The growing demands of the market, and an increasingly individualistic workforce means that increased flexibility is also a requirement. This includes both flexible working hours and multi-skilling. “A printer is not a printer any more” says Human Resources Director Richard Van Den Berg: “We try to train in flexibility in jobs, including pre-press and finishing”.

The approach

Communication and staying prepared

The Roto Smeets approach is one of pro-activity and communication. The company puts significant resource into communicating effectively both with staff and the unions, to ensure that there is a common understanding of the issues facing the industry, and a shared recognition that companies cannot offer lifetime employment for individuals in the graphics industry.

A social contract is in place, renegotiated with the unions on a four to five year basis (described on page 76). This provides a framework of principles for managing change. Prior to agreeing the social plan, the company talked first with the Central Labour Councils at all levels. “You have to inform them about what is happening in the market, and what it wants”, stresses Richard.

A structure of general communication with staff includes meetings with plant directors four times a year, and all directors twice a year. These

are followed by team meetings throughout the company. Information is given whenever changes are anticipated, with letters to staff giving full information every time there is a reorganisation. Much effort is also put into ensuring staff are aware generally of the challenges facing the industry, the support on offer to help them prepare for their own futures, and the importance of them taking responsibility for that. The Works Councils also play a central role in the communication process, keeping people informed via newsletters and getting feedback to pass back to management.

A new programme called ‘Be Prepared’ includes a pack for each employee with information about training, how it will be financed, and what people’s future employment prospects are. Staff can use an internet programme to identify their current competencies and find out what training is on offer. The range of training provided extends from ICT to bookkeeping. 1% of the total employment budget is invested in training – a symbol of the importance of ensuring continued employability.

Works Councils

A structure of Works Councils is core to the Roto Smeets approach. Each plant has a Works Council made up of representatives from each department, elected for a four year period. Each Works Council then elects a single representative to sit on the Central Works Council. This has a virtually full-time secretary responsible for day-to-day running, a chairman and a vice chair. It discusses issues affecting more than one plant.

The Works Councils provide a forum for discussion about changes. The process works very effectively, says Chief Executive Officer (CEO) John Caris. “Top management define the goals that are wanted and how to restructure. Then we present proposals to the Works Council, so they can give their advice. This is a very good process. We are very, very happy with it.”

The key to success is the work that is done in advance. The social plan provides an overall set of principles for restructuring. Much effort is also put into keeping Works Council members informed on an ongoing basis about the circumstances of the market, and the company’s plans for the next five years: “We look at estimates of volumes, the capacity and machines we are likely to need. All of this information goes both to the Works Council, as well as to the markets as we are a quoted company”, explains John.

“Then we share information about developments and what we are anticipating with the Works Council, and give them a budget so that they can



call on advisers, such as legal specialists. We then ask them to come to their own conclusions about what action is needed in specific circumstances and then compare with our own. We find both conclusions are very similar.”

Fred Bysterbosch, chair of the Central Works Council, confirms the approach: “The process starts by keeping us informed, even when there is nothing going on. We get lots of information about how the Group is doing, financial information. There are no surprises. That is the most important thing.”

The Works Council divides up into ‘commissions’ of three to four members plus the chairman. These look at specific issues such as HR or financial issues in depth. Commission members can request meetings with Directors of relevant departments, and second other company specialists onto the commission to support them. These commissions may be formed in order to prepare for a forthcoming issue identified by the company, or be suggested by the Works Council itself.

The proposed closure of an offset plant in June 2009 gives an example of a commission in action. Both local and Central Works Councils were informed in advance. The Councils each requested advice from specialists, and then spent ‘study days’ reviewing the situation with an external adviser facilitating the process. This meant they were able to understand the issues and what the best approach might be. Both Councils concluded, with sadness, that the best decision was to close the plant. The Councils are currently preparing for a study day focusing on flexibility in working hours. This will bring together the Central and local Council members, with support from both an external specialist and HR adviser.

Consultation with the union also forms part of the Works Council approach. Fred explains: “The CEO consults with them over restructuring, so that they have the same information as us. This means we can also get their views, though it is not always as clear as that. We keep in touch with the unions though and make sure as soon as there is a new person there we invite them to talk.”

The Councils have some influence over the decisions taken. Fred says: “It tends to be at a local, implementation level that we influence things, for example suggesting that people are redeployed to other departments and are given the time and support for that. It is harder to influence the big decisions because they are a response to what is happening in the market.”

Both John and Fred stress that the Roto Smeets approach is possible because of thirty years of

development and history of the Works Council process. Fred comments: “We can do and ask what we want. The Board and CEO see us as a mature part of communication in our Group. There has been openness with the Works Council for 30 years. The approach means we get a lot of big restructuring without problems like strikes. No one is happy in closing down a plant, but it is to ensure the group stays fit and alive. And we do it in a socially responsible manner.”

John confirms the importance of time and trust to build the approach. “The Works Council looks in a business like way at the organisation, and also ensures the best possible outcome for staff. This is a process that has taken decades to mature, with older members coaching younger ones. The Councils also have a training budget which they use as they wish.

Constantly keeping people updated requires trust and transparency. If you want people to grow, you have to give them the overview. That means making it clear when you are sharing confidential information, and being confident it will be kept in the room. You must also accept that when you start a Works Council, they will want to talk about small things like coffee. Over time, you get to talk about the real issues.”

Developing a successful Works Council also requires work with managers. John says: “Being an employee representative is time-consuming. Managers need to understand the importance of what they do, and give them time to do that, even when there is work pressure. This can also mean that Works Council members come under pressure from their colleagues who would rather not work the resultant overtime. We have to work with managers, helping and guiding them so they understand all this and support the representatives.”

Best practice tips

- **Go for a quality Works Council, and use it properly. Openness, and time to build confidence in the approach are both essential.**
- **Put a social plan in place in advance of restructuring, so that guidelines are already established.**
- **Ensure that Works Council members are informed of issues well in advance. Giving two weeks to consider an issue that management have been planning for months is no good.**
- **If Works Councils are having problems with an issue, give them their voice. Agree on the smaller issues – don’t always say “no”.**





SCHLEUNUNGDRUCK

Case study features

- **The importance of workforce planning**
- **Developing strong relationships with local government agencies**
- **Recruitment and training of older staff from other sectors**

The background

Schleunungdruck is a family-run company with one plant. The company works closely with Druckhaus Mainfranken GmbH. It shares human resource management and supply management and has some of the same shareholders. The Druckhaus Mainfranken company has four plants in eastern and western Germany. Established for 60 years, this group of companies continues to grow. It currently employs 300 staff. The case study describes the Schleunungdruck approach, but relates to the activities of the whole group.

The company specialises in offset printing and complementary services including warehousing, logistics and consultancy. It focuses on maintaining high volumes of small orders. Emphasis is placed on listening to customers to learn and develop new products. This involves experts from across the business talking to customers, understanding their

needs and responding – for example through the design of products that reduce mailing costs. It also requires strong pre-press and design skills.

The success of the approach means that the business grew by 32% in 2009 and 17% in 2010. Most of this is due to workforce productivity increases.

The challenge

Finding highly skilled and motivated staff to maintain the company's growth can be hard, especially given changing demographics in Germany, where there are more skilled workers retiring than young people entering the job market. The company mirrors this potential skills gap with older members of the workforce approaching retirement. The challenge faced is to fill the gap in an affordable way. The solution that Schleunungdruck has adopted combines a close working relationship with local agencies, good workforce planning and a commitment to developing staff across the age range – challenging the assumption that only young people have the desire and aptitude to keep pace with new technology.

The approach

Long-term planning

All aspects of the company's operations start with the strategic planning process. The family-run

nature of the enterprise means there is a strong long-term concern for the development of the company, its staff and customer base.

The planning process looks forward four years to anticipate the market, customer needs, and how the company needs to respond. In workforce planning terms, this long-term perspective means that retirements over the coming five years are anticipated and plans put in place to fill the gaps. The company aims for a good employee mix. This includes the recruitment and training of older staff in light of the shortage of young people.

Developing suitable training modules

Schleunungdruck worked with a local training agency in eastern Germany to develop suitable training programmes. The company put together a specification of the skills and knowledge required. The training agency integrated these requirements into their standard training programme.

The company uses two training models

- A four-month programme for existing print operators, to upskill them in new printing techniques.
- A three-year part time training programme for pre-press and printing condensed into two years. This is suitable for those who have work experience in a different trade – for example lorry driving or construction. It therefore matches the strategy of recruiting from across the working age range.

Offering affordable training

To ensure that the programme is affordable for both the company and the individual, the company calculates the time the trainee will be absent from their role because of training. Some of this time is then taken from the six-week holiday entitlement given in Germany, and the remainder is extra time worked by the trainee. Each training programme takes on average 100 hours per year, equating to approximately two weeks attending courses.

Managing Director Ulrich Stetter explains: “We need more know-how and knowledge. This arrangement means that we can take middle-aged people from other industries and ensure that they and their families still have enough money to live on while they are training, as a result of them giving up time to attend the programme. Each year we have one or two staff that go through the programme, with about eight

people having completed it to date. All are highly motivated as a result.”

The recruits taken onto the training programme are typically previously unemployed. This means that being able to work on a daily basis is very important for them.

Markus Bausewein is a typical employee who has taken the two-year training programme. Aged 35, he was previously a trained construction mechanic. He worked initially just helping out before taking up the opportunity of being trained as a printer. He qualified a year ago.

He says: “It has made work more interesting. I also feel more secure for the future, it was an easy decision for me. I needed to work an extra 120 hours on my time account, and also give up five days of holiday. I see opportunities ahead too with the increases in digital technology. I am keen to do a similar programme again.”

Next steps

New training programmes are currently being discussed with the training agency. These include a new programme for existing staff to run new presses. These will ensure that the high technical skill base required to monitor and react to problems with the process are in place.

Resources

The working relationship between government and agencies in eastern Germany helps support the training approach, as training is provided without cost to the organisation. The situation in western Germany is “more challenging” according to Ulrich, as training needs to be paid for. This means there is a need to get together with other businesses in local networks to lobby for the support that is needed.

Best practice tips

Ulrich advises:

- **Make sure there is long-term planning in place. It is not the planning software or tools that are important, it is the process of planning.**
- **Work as closely as possible with local government and agencies. Keep in discussion with them, make sure your needs are understood, and talk to them about how they can be met.**
- **Keep astride developments in training so that you know what is potentially available.**



CORELIO

The background

Corelio is a Belgian based publishing group with 3 printing works. The company's core product is news production. The company employs approximately 1800 employees in total, including 510 in its in house printing division. The company's total turnover decreased from 410 million euros in 2008 to 398 million euros in 2009, mainly as a result of the global financial crisis. Net profit also dropped significantly during this period, but stays healthy.

The challenge

In late 2008, Corelio faced the challenge of changing the skills and competency profile of the organisation to fit a new business model. The company is moving to news distribution via the web, i-pads and other devices, by developing and exploring new markets. In addition to the impact on printing, this requires web designers and layout people capable of working with top of the range IT systems. Journalistic skills also needed to change.



The radically different roles required meant that retraining existing staff was not an option. The objective of the restructuring was to downsize by approximately 60 full time equivalent roles. This would fund the recruitment of new staff with the competencies required to equip the company for the digital age.

This case study provides an example of how a challenging and difficult process can result in a strong agreement firmly rooted in socially responsible principles.

The approach

For any redundancy programme involving more than 30 people, Belgian law requires an information and consultation phase, followed by negotiation. This leads to the agreement of a social plan. The company's aim throughout was to have a "good agreement," explains Ingrid de Wilde, Human Resources Director.

The process began with an extraordinary meeting of the company's fully unionised Works Council, attended by the Chief Executive Officer. The company presented details of the newspaper industry in Europe and Belgium, as well as company information. The presentation was "open and transparent" and provided details of the previous five year's figures for the company, explains Ingrid. It also made the company's intentions clear and showed that the objective of changing the skills base was non negotiable.

The first meeting was "very hard", according to Ingrid. "The social partners were not used to this type of change. The company had made good profits in 2008, making it hard for people to understand the need for redundancies. Our message was clear and consistent however: 'we know that socially this is difficult, but we need to make these changes for the future'."

Steven Himpe is a union member and member of the Works Council. He concurs with the difficulty of the early meetings: "The reasons they gave were economic, but also about moving to web-based services and a different type of service. This was confusing and difficult, as they seemed to move from one rationale to another."

Ingrid considers that the external economic crisis that coincided with the information and consultation





phase in early 2009 was critical in helping build the understanding of the need for change. However, the process continued to be challenging.

The information and consultation phase provides the opportunity for Works Council members to provide suggestions to reduce the number of layouts. Discussions continued over several weeks. Both parties also communicated with staff generally to keep them updated. After seven meetings, the company considered that discussions were becoming repetitive, and took a decision to end the phase unilaterally in order to begin negotiations. Ingrid explains the difficulties of the first phase: “We had to overcome the emotional barrier of the company still making a profit, and yet replacing older staff with younger ones who have the skills needed for the future. We were pushed to play it hard. By phase two, everything was smoother.”

Works Council members were not prepared to simply accept the company’s decision. Steven says: “We spent a lot of time trying to present our vision, but the management stopped the negotiations. We did not feel sufficiently listened to. We therefore published an open letter to the head of the Board of Directors. That resulted in a new meeting where we discussed our suggestions.”

Ingrid and Steven agree about the benefit of the discussion throughout the process. “The breakthrough was when we realised that there were alternative options to redundancy”, explains Ingrid. “This came as a result of a common consciousness”. Steven concurs: “The company would not have gone as far without the discussions. We were able to upgrade various elements, and to introduce time credits which saved a number of jobs.” Both emphasise the importance of openness. Ingrid feels that one of the main challenges for her was the fact she was new to the company, meaning that she needed to build trust quickly. Steven says: “They were always available to talk about everything that was possible, and they were open and fair in their communication. Sometimes, we had to ask for the information we needed several times, but in the end they were always prepared to give it to us.”

The negotiation phase followed. This brought its own problems, in particular the number of people involved, which both sides found difficult. Negotiations involved internal and external union officials representing white and blue collar workers, print staff and journalists, while Works Council members were also invited to attend. Over 40 people were involved in total. This led to problems including conflicts of interest.”

Despite these issues, the resultant agreement followed strong social responsibility principles. “We did a good job”, says Steven. “We saved a lot

of people. Overall, everyone was happy with the result though it was always difficult.”

The overall number of job losses was reduced from 60 to 55. Of these, around 16 took early retirement – fewer than had been hoped, but insufficient length of service was an issue for some. Those taking early retirement were supported by a company fund providing financial assistance over and above government payments. Others took voluntary redundancy, while a time credit agreement allowed team members to reduce the numbers of hours each worked by 20% to save colleagues’ jobs. Eventually, just 13 people left the company through straight redundancy. All those leaving via any route were given outplacement support immediately.

Ingrid stresses the principles the company followed in managing the process: “you need lots of informal contact via colleagues, to understand where the blocking points are. It is also important to stick to the spirit of the negotiations. That means lots of consultation with your human resources community to ensure that implementation is consistent. You also need to keep staff informed.”

From a union perspective, Steven emphasises the importance of time: “You need to take your time, and save as many people as you can. Use the law as much as you can. Get the right information from the lawyers. Avoid negotiating into the night – make sure you stay fresh. And make sure you explain the reasons for the timescales to your colleagues, while not raising expectations unrealistically – we talked about the possibilities, but never gave likely numbers.”



Best practice points:

Ingrid gives the following tips for managing the negotiation of a social plan:

- **Preparation is key. Make sure you have an agenda, workflows, clear roles and responsibilities. Prepare presentations, have questions and answers, and develop a calendar.**
- **See to it that your management team is unified. You need to postpone negotiations if not. We had preparation meetings and agreed our position. If people then stray from that, the issue needs to be tackled directly.**
- **It is hard to build trust from scratch. Try to make sure that those in the negotiations already know each other**

POLESTAR

Case study features

- Partnership working
- Training and development: apprentices and vocational qualifications for existing staff
- Managing redundancies

Background

Polestar is a multi-plant organisation, employing 2,500 people across nine sites in the UK. Its main business activities focus on printing magazines.

The challenge

Polestar has a close relationship with the trade union Unite. The two organisations have established a partnership approach to challenges facing the organisation. Achievements made via partnership working include a thriving apprentice programme, formal vocational qualifications for established staff (NVQs), as well as support for staff leaving the organisation as a result of redundancy.



The approach

Building partnership working

Steve Stibbald, National Officer of Unite, emphasises the importance of an ongoing relationship and open communication in partnership work with employers such as Polestar. “Polestar is the largest commercial printer in the UK, and so understandably, we have a close working relationship, typically working with the Chief Executive Officer (CEO) and Deputy CEO, together with the HR director and CEOs of the various parts of the Group and Board Members.” Steve stresses the importance of partnership extending beyond union members: “The company also has European and National Works Councils. That introduces a level of accountability for staff representatives, who are not necessarily union activists or members.”

Steve sees effective partnership as based on a free flow of two-way information and communication. With Polestar, this is achieved through regular quarterly meetings. “It becomes easier to talk about training and other issues and to get co-operation because we are able to give a clear shop floor perspective, so helping the company to meet people’s needs. Two-way communication and consultation also means that the company needs to tell us about investment and other issues that will have an impact on our members, so that no decision comes as a surprise.”

The benefit of a robust process for sharing goes beyond simply keeping informed: “The exchange builds trust in the information, and that is very valuable”, says Steve. “While negotiation is a separate process, and tends to be more adversarial, good information and consultation helps to make agreement easier. It means we are forearmed with knowledge.”

Steve views the attitude of an employer as the key to success. He says: “It’s important that employers are able to recognise their responsibility for social responsibility. That makes it far easier for us to see what we can do to support them.”

Apprentice scheme

Polestar began a four-year apprentice programme in 2004. The company had looked at its manpower requirements, and identified a need for additional skills. It was also aware of its leadership position in the industry. HR director Simon Jones explains: “We knew that there were few apprenticeship opportunities in the sector compared to other industries and wanted to change this.”

100 young people went through the programme between 2004 and 2008, learning a range of skills across printing, engineering and finishing. The scheme has been very successful, with a 90% retention rate. It was also very highly subscribed. The organisation advertised around the sites where the scheme was to be run, and built links with local schools. This resulted in many applications for the apprenticeships – demonstrating that while there may be an impression inside the industry that it is hard to attract graduates to printing, this was not the case for school leavers who heard of the scheme. Recruitment events were held at Polestar premises, with potential applicants taking a number of practical and academic tests.

The scheme was made possible thanks to government funding. The union also gave active support. Polestar worked with a further education centre, Leeds College, to develop the scheme. The company paid the apprentices salaries plus expenses during the training.

National Vocational Qualifications

Following the establishment of the apprentice programme, four on-site learning centres were established at Polestar’s production facilities. These were manned by Leeds College staff, recruited specifically to work at the company. This development was possible thanks to what Simon describes as the “good and flexible” attitude of the training provider, and required close working between the



two organisations. As well as training of apprentices, the centres offered training to the company's long-established workforce. Five hundred existing staff have obtained a qualification with a further 300 in programme (30% of the workforce) now used the opportunity to take vocational qualifications.

Extending the development programme in this way required Polestar to join forces with other employers to lobby for funds, as initially no funding was available for the more basic level qualifications. Though this was challenging, the approach was successful. The union also helped ensure that the learning centres were equipped with the basic equipment needed, contributing desks and IT equipment.

The union also provided support in the form of Union Learning Representatives. These representatives acted as advocates for the development on offer, helping staff to overcome suspicions that signing up for a programme would expose personal inadequacies. Simon comments: "The learning reps act as a good step between the company and the individual member of staff, helping people see the benefits of the programme". This support is important as undertaking a qualification is a voluntary activity and staff need to be prepared to invest some of their own time in their own future.

The trainers had to work hard to communicate the benefits of development. This is primarily done by chatting to people at their workplaces.

Simon says that the scheme has a number of business benefits: "For some people, the qualification is a formalisation of their current skills, reinforcing what is already in place. Others have learned new disciplines. This makes them more flexible and more employable. They may also have learned business improvement techniques. We have found that as a result of the training, staff are generally more open to change and more confident. This is really important for us as we need to become more and more competitive. Equally, by equipping people with skills that they can use for a future role either in Polestar or in another organisation, we are helping secure their future."

Support during redundancy

While Polestar has invested in developing its workforce, similarly to other printing companies, it has also needed to reduce capacity. Almost 15% of the workforce has left the company following redundancy in the past four years.

Union consultation is a requirement wherever redundancies are proposed. The role of the union official is to mitigate the effect of the changes, protecting employment and seeking voluntary redundancy wherever possible. Simon echoes Steve's comments in emphasising the importance of ongoing communication with unions, stressing the importance of the union understanding the company's overall position: "The unions are realistic now. They understand that changes have to happen to secure the future."

Simon also stresses the importance of treating everyone affected by redundancy with respect: "It is important to consult with the unions. It is also important to treat people as professionally as possible throughout the process."

Simon adds: "Wherever possible, we try and offer help and assistance to people leaving. With large scale redundancies, we can bring in people from the local job centre to provide leavers with support. This includes help with writing their curriculum vitae and interview techniques. We have also been able to put people through basic level vocational qualifications, using our learning centres. This helps them to get a new job as it proves that they can learn new skills. Our aim is to offer help and assistance in a way that means they are best placed to secure employment with another company."



Best practice tips

Simon's best practice points focus on the challenges of managing staff during a redundancy process:

- **Communication is key, because you need to take people with you. Never underestimate how long it will take to explain why changes are needed. It is easy for staff to assume that because they are busy the company is making money. This may not be the case.**
- **You need to start explaining business realities before consultation over changes begins, or certainly as soon as the consultation starts.**
- **Make sure you provide continuous updates. This is a very hard time for staff and their families.**
- **Make sure that you treat people as you would wish to be treated. This includes acting in a timely manner during the consultation period and acting with professionalism.**

HJEMMET MORTENSEN TRYKKERI

Case study features

- **Achieving restructuring via a partnership approach**
- **The importance of openness and building trust**

Background

Hjemmet Mortensen Trykkeri is a single plant operation, based in Oslo, Norway, employing 67 people. The company's main activity is the printing of magazines and periodicals. In the year 2008/9, the company increased productivity by 36%, reduced overtime by 28%, grew external revenue by 17%, reduced the cost base by 36%, and reduced sickness absence by 33%.

The challenge

Hjemmet Mortensen Trykkeri faced a major challenge in 2007. A benchmarking exercise conducted across Northern Europe by their owners, Hjemmet Mortensen (an Egmont Media Group company), revealed that printing of magazines and periodicals in other locations could achieve annual savings of 7.5 million euros. The company was faced with three options as a result: adjust to a 19% decrease in revenue to retain the business, be sold, or close down. A decision was taken to undertake a root and branch review – looking at how cost savings could be achieved across every element of the company's operations. The review was to be conducted using a partnership approach – managers and unions working together to achieve a major restructuring of all aspects of the company's operations.

The approach

Building trust and commitment to change

The company has a tradition of involvement in the way it operates – in Chief Executive Officer Jon Urdal's words: "There was already not a big difference between managers and workers."

However, work was needed to make sure that a strong basis of trust was built between the partners.

Jon explains: "We organised a series of meetings. These involved unions and managers, and were aimed at demonstrating that there was no hidden agenda, also building confidence that what we were trying to achieve was realistic. We stressed that we had a mandate from the owners that if

we could achieve the savings required, the operation would not close. We also made sure that all business figures were open. We spent a long time in this initial phase, sharing business results and discussing what might be possible and how best to work together. You can't get trust in the middle of the process. You have to invest a lot of time and patience to ensure that people will get involved."

Union Convenor Kjetil Larsen confirms the importance of the approach. "We co-operated because we could see that the owner would shut the business otherwise. But the process succeeded because the company was totally open about its figures and numbers. We were able to build the same perspective as management. That is vital. If you can't jointly agree what the reality is, you can't deal with it." Kjetil also stresses the importance of having a clear process: "We developed a common agreement about how the process would work. As a union we were very clear about not just discussing activities for cutting costs, but also agreeing where cost cutting would stop. The company wanted to go further than us, and we needed to apply the brakes, but we were able to reach compromises. Unions have a lot to gain by being co-operative and discussing things."

The behaviour of managers involved in the process was critical, according to Jon. Kjetil also emphasises the importance of managers taking the lead in building trust. Unions and managers needed to feel they were working together as a genuine team, with no sense of managers over-riding decisions. This required pre-work with managers. Jon held several one-to-one meetings with each manager to make sure they were prepared. He was strict in the requirements he needed from them: "Be humble, listen, but be clear about the requirements". This required "very frank" discussions with some managers. Others accepted the approach straight away.

The cost reduction process

Three rules were agreed upon between managers and unions for thrashing out the changes:

- No stone would be left unturned. In other words, every aspect of operations would be looked at to identify possible savings.
- There was no obligation that having turned a stone, the savings would be acted on. This meant that while potential savings might be identified, action would not automatically follow.
- Stones would be negotiated for as priorities. In other words, once a value had been placed on each stone (or business activity), potential savings were prioritised and negotiated to achieve the overall savings required.



Four working groups were set-up, involving 15 – 20 people in total. The groups worked through specific business activities and identified savings. One group focused on capacity, potential efficiencies and manning levels. A second looked at internal costs, and staffing agreements including shifts, salaries and overtime. The third group scrutinised purchasing and sub-vendor contracts, while the fourth identified new sales opportunities to reduce the dependence on the publisher owners.

Discussions took place over a number of meetings, at an off-site location. The process was well-structured with groups working through tasks, facilitated by a business analyst, then sharing results with our CFO who identified the actual savings from each suggestion. Following this, everyone involved came together to share progress, before returning to their groups to continue discussions. This iterative process helped ensure that the members of the groups got to know each other well, as well as jointly wanting the best outcomes from the process. Communication continued beyond the groups. The company held meetings with staff to keep them

informed and answer questions. Critically, the union also held numerous meetings with members to help them to go through the change journey. Staff were sceptical about accepting the changes initially. Kjetil believes this was because of mixed messages from previous managers. Historically, staff had been told “bad times are coming”, yet this had never before materialised. This time, it was vital to convince staff that the changes were real. The level of openness the company demonstrated helped achieve this, with business figures and results displayed on the walls. Kjetil comments: “The good levels of co-operation and atmosphere in the shops helped us to be able to discuss everything. You need to have constant dialogue with members.”

The results

Having gone through the process of “turning over every stone” - sharing information, consulting about ideas, and then concluding where action would be most effective - discussions moved into negotiation in 2008. The partnership approach that had been adopted continued to be a strength. Notably, it was agreed that all employees, both managers and staff, would take a 10% pay cut in order to save jobs. Kjetil comments: “Had the company simply suggested this, then our members would not have

accepted it. The process we had all been through gave the recommendation credibility. The fact that the cuts were common to all was also a big factor.”

Other savings included reduction in salary-related costs by a third, as well as other cost savings, such as the closure of the staff restaurant. This was balanced by the introduction of other social activities.

A plan was presented to the owners by a joint team of manager and union representatives. According to the plan the cost of operations should be reduced significantly, and the productivity should be increased by at least 20%. In practice, the costs were cut by 33%, from 15 million Euros to 10 million Euros. The Staff numbers were reduced from 92 to 67, almost entirely through early retirement, with just four people leaving with a redundancy package agreed with the union. And the productivity was raised by 36% during 2009 and further by an additional 10% by October 2010.

The savings were agreed by the Board in 2008. An implementation programme meant that the company returned to profitability in October 2009.

Both Jon and Kjetil agree that the main change they would make if embarking on the change programme again would be to involve more production staff in the groups to help identify process improvements. However, the value of the process is summed up by Kjetil: “The way we worked made a difference in feeling that the business was pulling in the same direction, with everyone taking responsibility at a difficult time. We also helped deliver better than expected results.”

The company is now focusing on lean production as the next phase of its improvement activities. The plan is to be the Best Lean Operation in graphic arts industry in Scandinavia by the end of 2012. These words of warning were issued from a union perspective: “It’s very hard to get the employees involved in continuous improvements activities like Lean if the ultimate goal is to reduce salary or reduce staff”.

Best practice tips

Jon identified the following best practice points following the restructuring:

- **Be precise about your goals from the start.**
- **Do not present a concrete vision of the road to reaching the goal. You need to agree this as a team effort.**
- **Get maximum involvement in the process.**





INTERGRAF
International confederation for printing and allied industries a.i.s.b.l.

UNI europa
global graphical
union

facta consult
THE EMPLOYEE UNDERSTANDING COMPANY

For more information, please go to www.intergraf.eu

Graphic design www.stylegraphique.be

