

Global Perspectives on Achieving Success in High and Low Cost Operating Environments

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packages, particularly during recessions when closures are common. LAPs typically include the following elements:

- Counselling
- Career advice
- Resumé writing
- Financial assistance for career transition
- Re-training

Importantly most LAPs are accompanied by industry development initiatives designed to support industrial diversification and generate employment in the affected area. Making judgments about the success or otherwise of LAPs can be difficult given the lack of robust longitudinal evaluations of them. Fortunately a number of surveys have been undertaken on the impact of closure on employees over time. There is much that we can learn from these and from reflections on the experience of industrial shocks and closures in Australia and elsewhere. This section reviews a number of relevant case studies detailing the policy response to the event, evidence of outcomes and lessons learnt. The case studies are:

- Mitsubishi (Southern Adelaide)
- MG Rover (Birmingham)
- BlueScope Steel (Illawarra)
- Bridgestone (Northern Adelaide)

Mitsubishi

The closure of Mitsubishi in Southern Adelaide in South Australia occurred during a period of economic growth, prior to the sharp decline in manufacturing employment triggered by the Global Financial Crisis. Employment prospects were regarded to be high at the time, particularly given increased investment in mining exploration and the proposed expansion of Olympic Dam, which subsequently did not proceed. In 2004 Mitsubishi announced that it would close the Lonsdale based engine plant and downsize its

Tonsley Park assembly plant, affecting around 1200 workers. In 2008 the closure of the Tonsley Park plant followed resulting in around 1700 Mitsubishi workers losing their jobs.

The Response

In response to the Lonsdale closure and downsizing at Tonsley Park in 2004 a \$10m Labour Adjustment Program and \$45m Structural Adjustment Fund SA (SAFSA) were established. The Federal Government provided \$45m with balance provided by the South Australian Government. In addition to the services provided through the LAP, the South Australian Government provided access to financial counselling, resumé preparation and career counselling valued at around \$380,000 (Armstrong et al, p 345). The response to the Mitsubishi closure has been described by some analysts as “rushed...ad hoc and not very effective” (Armstrong et al, p 353), a conclusion that warrants more detailed examination than is possible in the absence of robust evaluation of closure responses and outcomes, which incidentally should be integrated into the implementation of closure response strategies.

Outcomes

In a survey of Mitsubishi workers (n 372), Beer et al (2006, p ii) found that a large proportion of those affected by the closure were optimistic about the future, reporting that, “Most respondents... believed they had good prospects for finding employment within the next six months”. A significant deterioration in the quality and security of the employment secured after layoff resulted with Beer et al finding that, while “a significant number had secured employment by the time of Stage 1 interview, ...many of those jobs were casual or short-term contract employment,” the study reports (ibid). The vast majority of Mitsubishi workers experienced a significant deterioration in their income and security post redundancy:

Foundations for Industrial Rejuvenation

- 225 of 316 respondents (72%) reported earning less than they did after redundancy;
- Just 11% reported earning around the same post-redundancy while 15 per cent reported earning more;
- Around one third of those in employment had held three or more jobs in the last 12 months.

The vast majority (36 per cent) of respondents found work in manufacturing while around 11 per cent worked in retail, 7 per cent in construction, 6 per cent in health services and just 2 per cent in mining and 2 per cent in defence.

More of those who were retrenched might have found employment if they had been encouraged to undertake retraining. According to Armstrong et al (ibid, p 346) no funds were made available for retraining of Mitsubishi workers despite the existence of skill shortages in a range of areas in South Australia.

Importantly the Mitsubishi impact study revealed that "many...respondents reported that the JobNetwork providers were unable to assist workers in their situation," a consequence of applying a model designed to support long-term unemployed people, to recently displaced workers (ibid, p v). The key implication of this is the need to develop a tailored program of assistance that is responsive to the client group (ibid, p vi). Some respondents reported that they were not fully informed about the employment service entitlements available to them through JobNetwork providers. This appeared to be a function of inconsistency of knowledge among service providers.

Other effects of the Mitsubishi closure on surveyed employees indicate, as earlier studies have also demonstrated, the need for attention to be paid to a holistic response to downsizing and closures involving a coordinated response from a range of agencies beyond industry, employment and training, including health, community services and housing. The evidence includes:

- Half of respondents believed that the loss of employment at Mitsubishi affected their social life;
- Higher levels of mental health problems were reported relative to the population as a whole;
- Housing costs were a source of worry for around 60 of the respondents who sought assistance with their housing. (Beer et al, 2006, p iv).

The \$45m Structural Adjustment Fund SA (SAFSA) offered grants for new business wanting to start up in South Australia and assistance for the expansion of existing operations, with the intention that much of the employment that was generated, be to the benefit of those who were retrenched from Mitsubishi. The extent to which this was the case is difficult to discern. Armstrong et al (1998, p 345) indicate that "While there have been numerous businesses established on the Lonsdale site through SAFSA funding, the government has been forced to admit that the majority of firms who received grants have not achieved their employment targets". They add that, "...over half of the SAFSA funding went to businesses on the northern side of the city, when virtually all of the displaced workers lived in the southern region". It should be noted that the closure of Mitsubishi is likely to have had an impact on suppliers located across the greater Adelaide area.

Lessons

- Attention needs to be paid to dimensions of quality, security and appropriateness in the provision of career advice and placement support.
- Retraining should be offered as a pathway to alternative employment, particularly to avoid people retiring prematurely.
- Mainstream services provided to unemployed people are not likely to translate well

for application to closures. Employment and support services should be tailored to meet the needs of the sector and the workers involved.

- A large proportion of manufacturing workers that were retrenched from Mitsubishi went on to work in other areas of manufacturing, indicating that this is a highly preferred outcome. As a consequence industry development funds need to be better targeted to start-ups and expansions in sectors that are likely to generate employment for those directly effected by closure.
- The short and longer term social, health, housing and psychological impacts of retrenchment need to be central to any response to closure. A multi-agency, multi-disciplinary case-work approach is warranted.

MG Rover

MG Rover closed its Birmingham plant in July 2005, making 5500 workers redundant and affecting the operations of a range of suppliers. The turnover of the company was equivalent to around 1 per cent of GDP and it generated a flow of revenue to government of around £200 million per annum (Bailey and MacNeill, 2008, p 112).

Like the Mitsubishi closure, the MG Rover closure took place during a period of relative economic buoyancy, prior to the GFC. The scale of the response was significantly larger but so was the size of the MG Rover workforce.

MG Rover was a very significant contributor to the regional economy, boosting gross regional production by around 0.5 to 1 per cent and income to government in excess of £200 million annually (Armstrong et al 2008, p 348). Five years prior to the collapse of MG Rover a Task Force was established to provide support to the automotive sector. The report of the Rover Task Force detailed over £58 million of initiatives in three interlinked areas, modernization, diversification

and regeneration (Bailey and MacNeill, 2008, p 112). Related to this was a program of supply chain improvement.

Bailey and MacNeil (ibid, p 113) note:

While the modernization included a number of linked initiatives to improve competitiveness, through increased productivity, the new diversification programme sought to help suppliers diversify away from Rover, and from automotive in general, by encouraging the application of engineering skills to other industries such as medical and nano technologies.

The Response

In response to the closure, Rover Task Force—mark 2 was established to manage the response, which was resourced from a £177 million assistance package. The Task Force involved a wide range of organisations drawn from industry, government, unions and the NGO sector. The focus of the Task Force was to "...facilitate diversification in the supply chain, support ex MGR workers to find new jobs and provide assistance to the wider community" (Armstrong et al 2008, p 349)⁶.

The financial assistance package included the following elements:

- £50 million for re-training.
- £40 million in redundancy payments.
- £24 million loan fund for business growth.
- £41.6 million to assist suppliers plus a further £7.6 million for supplier diversification.

The Task Force put in place a telephone hotline for the workforce, a website, helpline and a central Jobcentre. Travel subsidies were made available for workers having to commute longer distances to work. Of particular note was a 3.4 million pound wage replacement scheme assisting around 170 firms, which Bailey and MacNeill (2008, p 114) note, "kept around 3000 workers in place for