Sole Survivors: How Exceptional Companies Survive and Trive at the Edge

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Sole Survivors

How Exceptional Companies Survive and Thrive at the Edge
Sole Survivors
How Exceptional Companies Survive and Thrive at the Edge

Anto T. Kerins

Oak Tree Press
Dublin
ABOUT THE AUTHOR

Anto T. Kerins lectures at the Dublin Institute of Technology. He has worked as a research consultant for the Irish government and the European Commission. His research interests include investigating how companies operate, how they can be improved internally and supported externally through changes in education, training and industrial policy. He is the author of Learning Societies and Low Unemployment (IMI, 1993) and editor of Unemployment: the Need for Change (Boole Press, 1987).
To Margaret
and to
Sinéad, Cormac and Eoin

CONTENTS

About the Author ........................................................................................................v
List of Tables and Figures .........................................................................................ix
List of Abbreviations .................................................................................................xvii
Glossary ......................................................................................................................xix
Acknowledgements .....................................................................................................xxiii

Introduction ................................................................................................................xxv

1 From a Production-led to a Market-led Organisation
Barker, England ........................................................................................................1

2 Better Work Organisation, Better Production
Dubarry, Ireland ........................................................................................................33

3 Co-operation Among Enemies: A Source of Advantage
Pomarfin, Finland .......................................................................................................67

4 Developing and Exporting Youth Fashion Products
George Cox, England ..................................................................................................97

5 From Crisis to Survival: The Role of the Consultant
Nokia, Finland ............................................................................................................131
6 Sophisticated Products Need a Sophisticated Organisation
Arbesko, Sweden ..............................................................163

7 Survival at the Edge
Lundhags, Sweden ............................................................191

8 Chaos or Coherence: Producing Ladies' Fashion
Hankila, Finland .....................................................................215

9 Children's Goods: The Ultimate Test
Start-rite, England ..............................................................241

10 Review of the Nine ...........................................................269

11 Performance and Survival ................................................287

12 Framework for Analysis....................................................309

Where to Next? Governments, Companies and Europe ............339

Appendices ...........................................................................347

Bibliography ........................................................................377

TABLES AND FIGURES

Chapter 1: Barker

Turnover (stg£ million) .......................................................7
Production (Pairs) ...............................................................8
Profits/Losses (stg£ million) ...............................................8
Operating Profit/Turnover (%) ............................................8
Employment 1991-98 .........................................................9
Organisational Structure ..................................................10
Footwear Sales (% Product Distribution) ..........................11
Sales Destination, 1991-2000 (%) .....................................11
Sales and Marketing Structure .........................................12
Planning to Dispatch .........................................................15
Barker's Self-definition .....................................................23
Market-Driven Infrastructure .............................................28

Chapter 2: Dubarry

Turnover (IR£ million) .....................................................37
Production (Pairs) ............................................................38
Profits/Losses (IR£ thousands) ..........................38
Employment .................................................................39
Sales by Range
Nature Style Development
Domestic/Export
Production Department
Organisational
Profits/Losses
Production (pairs, thousands)
Turnover
Employment
Chapter 4: George Cox
Members of Co-operation Group
Production in Pomarkku
The Finishing Process
Organisational Structure
Toivo’s Factory
Sales by Range (%)
Number of Styles for Each % of Sales
Sales by Market (%)
Production in Pomarkku

Chapter 3: Pomarfin
Turnover (FM million) ........................................71
Production (pairs, thousands) ............................71
Profits/Losses (FM million) .................................72
Employment ....................................................73
Organisational Structure ....................................75
Toivo’s Factory ................................................75
Sales by Range (%) ............................................76
Number of Styles for Each % of Sales .................77
Sales by Market (%) ..........................................77
Production in Pomarkku .................................79
The Finishing Process .....................................81
Members of Co-operation Group ......................85

Chapter 4: George Cox
Turnover (stg£ million) ...................................103
Production (pairs, thousands) .........................103
Profits/Losses (stg£ thousands) .......................104
Employment .................................................105
Organisational Structure ...............................105
Production Department ................................108
Sales by Range (%) .......................................112
Domestic/Export % (1991-2000) ....................113
Nature Style Development ..............................114

Chapter 5: Nokian
Turnover (FM million) ......................................135
Production (Pairs) ..........................................136
Profits/Losses (FM million) ..............................136
Employment ................................................137
Sales by Range (%) ........................................138
Sales by Market (%) .......................................138
Domestic Sales (% Share) ..............................139
New Management Structure .........................143
Rubber Boot Production ...............................146
Original Production Structure .......................148
New Production Structure ............................150
Activities for Pilot Workshop .........................152
Workshop 1 ..................................................153
Workshops 2 and 3 ......................................153
Workshops 4-6 .............................................154
New Factory Layout ....................................155
Today’s Organisation Structure .....................157

Chapter 6: Arbesko
Pairs Sold (thousands) ...................................170
Employment ................................................170
Sales per Brand (%) .....................................171
Sales by Market (%) .....................................172
### List of Tables and Figures

<table>
<thead>
<tr>
<th>Chapter 7: Lundhags</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational Structure: Company Divisions</td>
<td>194</td>
</tr>
<tr>
<td>Employment by Company Division</td>
<td>195</td>
</tr>
<tr>
<td>Sales by Company Division (SEK thousands)</td>
<td>195</td>
</tr>
<tr>
<td>Production (thousands)</td>
<td>196</td>
</tr>
<tr>
<td>Profits/Losses (SEK million)</td>
<td>197</td>
</tr>
<tr>
<td>Sales by Range (%)</td>
<td>198</td>
</tr>
<tr>
<td>Production System (pre-mid-1997)</td>
<td>199</td>
</tr>
<tr>
<td>New Production System</td>
<td>200</td>
</tr>
<tr>
<td>Groups in Lundhags</td>
<td>203</td>
</tr>
<tr>
<td>Range of Interaction in Lundhags</td>
<td>204</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 8: Hamken</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (FM million)</td>
<td>218</td>
</tr>
<tr>
<td>Profits/Losses (FM million)</td>
<td>219</td>
</tr>
<tr>
<td>Employment</td>
<td>219</td>
</tr>
<tr>
<td>Sales by Range (%)</td>
<td>221</td>
</tr>
<tr>
<td>Sales by Market (%)</td>
<td>222</td>
</tr>
<tr>
<td>Palmroth Companies</td>
<td>223</td>
</tr>
<tr>
<td>Organisational Structure</td>
<td>223</td>
</tr>
<tr>
<td>Production in the Tampere Factory</td>
<td>225</td>
</tr>
<tr>
<td>Age Profile</td>
<td>228</td>
</tr>
<tr>
<td>Shoe Purchases (per year)</td>
<td>228</td>
</tr>
<tr>
<td>Shoe Expenditure (per year)</td>
<td>229</td>
</tr>
<tr>
<td>Image of the Brand</td>
<td>229</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 9: Start-rite</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (stg£ million)</td>
<td>247</td>
</tr>
<tr>
<td>Production (millions)</td>
<td>247</td>
</tr>
<tr>
<td>Profits (stg£ million)</td>
<td>248</td>
</tr>
<tr>
<td>Employment</td>
<td>248</td>
</tr>
<tr>
<td>Sales by Range (%)</td>
<td>249</td>
</tr>
<tr>
<td>Sales by Market (%)</td>
<td>250</td>
</tr>
<tr>
<td>Organisational Structure</td>
<td>250</td>
</tr>
<tr>
<td>Structure of the Sales Department</td>
<td>251</td>
</tr>
<tr>
<td>Structure of the Marketing Department</td>
<td>254</td>
</tr>
<tr>
<td>Structure of the Retail Department</td>
<td>256</td>
</tr>
<tr>
<td>The Production Process</td>
<td>257</td>
</tr>
<tr>
<td>Structure of the Production Department (1991)</td>
<td>261</td>
</tr>
<tr>
<td>Structure of the Production Department (Today)</td>
<td>262</td>
</tr>
<tr>
<td>Demand</td>
<td>263</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 11: Performance and Survival</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland: Employment in Footwear Sector (thousands)</td>
<td>290</td>
</tr>
<tr>
<td>Britain: Employment in Footwear Sector (thousands)</td>
<td>291</td>
</tr>
<tr>
<td>Finland: Employment in Footwear Sector (thousands)</td>
<td>291</td>
</tr>
<tr>
<td>Sweden: Employment in Footwear Sector (thousands)</td>
<td>292</td>
</tr>
<tr>
<td>European Union 15: Employment in Footwear Sector (thousands)</td>
<td>292</td>
</tr>
</tbody>
</table>
Chapter 12: Framework for Analysis

Company Width ........................................... 310
Company Depth .......................................... 312
Width and Depth ......................................... 334

Appendices

Work Processes in Administration/Production .......... 348
Barker: Turnover (stg£ million) .......................... 352
Barker: Profits/(Losses) (stg£ million) ................. 352
Barker: Employment ....................................... 353
Dubarry: Turnover (IRE million) ......................... 355
Dubarry: Profits/(Losses) (IRE thousands) ............. 355
Dubarry: Employment ..................................... 356
Dubarry: Production (pairs, thousands) ................. 356
Pomarfin’s Range ......................................... 358
Pomarfin: Sales (%) ....................................... 358
Pomarfin: Turnover (FM million) ......................... 358
Pomarfin: Employment ..................................... 359
Pomarfin: Production (Pairs) ............................. 359
Pomarfin: Profits/(Losses) (FM million) ............... 359
Cox: Turnover (stg£ million) ............................. 360
Cox: Profits/(Losses) (stg£ thousand) .................. 360
Cox: Employment ......................................... 360
Cox: Production (pairs, thousands) ...................... 361
Nokian: Turnover (FM million) ........................... 361
Nokian: Profits/(Losses) (FM million) ................. 361
Nokian: Employment ...................................... 361
Nokian: Sales Split ........................................ 361

List of Tables and Figures

Consultant’s Role ........................................... 362
Arbesko: Employment ....................................... 363
Arbesko: Sales (pairs sold, thousands) .................. 363
Arbesko: Product Category (Sales %) .................... 363
Arbesko: Sales by Location (%) .......................... 363
Lundhags: Employment ..................................... 364
Lundhags: Turnover (SEK thousands) .................... 364
Lundhags: Profits/(Losses) (SEK thousands) .......... 364
Lundhags: Sales by Market (%) .......................... 364
Lundhags: Production (Pairs) ............................. 365
Lundhags: Sales by Range (%) ............................ 365
Hamken: Turnover (FM million) .......................... 365
Hamken: Production (pairs) ............................... 365
Hamken: Profits/(Losses) (FM million) ................. 366
Hamken: Employment ...................................... 364
Hamken: Domestic/Export (% of footwear sales) ...... 364
Hamken: Distribution (% shares) ......................... 365
Start-rite: Turnover (stg£ million) ....................... 365
Start-rite: Profits (stg£ million) ......................... 365
Start-rite: Employment ..................................... 365
Start-rite: Production ....................................... 366
Start-rite: Domestic/Export (% of sales) ............... 366
Start-rite: Sales Outlets (home market, % share) ...... 366
Summary Data on Nine — I .................................. 366
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGM</td>
<td>Annual general meeting</td>
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<tr>
<td>ASC</td>
<td>Automatic stock control system</td>
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<tr>
<td>CAD</td>
<td>Computer aided design</td>
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<tr>
<td>CAM</td>
<td>Computer aided manufacturing</td>
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<tr>
<td>CD</td>
<td>Compact Disc</td>
</tr>
<tr>
<td>CEC</td>
<td>Confédération Européenne de l'Industrie de la Chaussure (European Confederation of Footwear Industry, Brussels)</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CHS</td>
<td>Cox’s Heat Sealed</td>
</tr>
<tr>
<td>CSC:THC</td>
<td>Comité Syndical Européen du Textile, de l'Habillement et du Cuir (European Trade Union Committee: Textiles, Clothing and Leather, Brussels)</td>
</tr>
<tr>
<td>DG5</td>
<td>Directorate General 5, European Commission</td>
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<tr>
<td>EDI</td>
<td>Electronic data interchange</td>
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<tr>
<td>EEC</td>
<td>European Economic Community</td>
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<tr>
<td>EPOS</td>
<td>Electronic point of sale system</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EVA</td>
<td>The Centre for Finnish Business and Policy Studies</td>
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<tr>
<td>FM</td>
<td>Markka (Finnish currency)</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GDS</td>
<td>The Dusseldorf fair held each March and September</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquarters</td>
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<td>IBM</td>
<td>International Business Machines Corporation</td>
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</table>
GLOSSARY

**Bottom stock**
Those materials and parts of a shoe on which the foot rests.

**CAD**
The technology whereby shoes can be designed on a computer screen.

**CAM**
Producing data that can be modified, stored, transmitted and used directly as a basis for undertaking pattern engineering and shoemaking operations.

**Calender/calendering**
A calender is a machine with rollers for finishing or glazing the surface of rubber, etc. Calendering is to finish or glaze the rubber surface.

**Cement**
A shoemaking adhesive.

**Cement lasting**
Draping the shoe upper over the last and securing it to the insole with cement.

**Clicking**
Cutting the upper sections or components of footwear from a leather skin or hide.
Closing
Stitching together the cut components of a shoe upper.

Confectioning
Combining the ingredients in the manufacture of rubber boots.

Direct injection moulding
Moulding a sole, in materials such as PVC or PU, directly onto a shoe bottom.

Finishing
The operations that follow sole and heel attachment and that improve the appearance of the shoe and prepare it for sale.

Force lasting
The shoe upper is stitched to a light, flexible insole and this makes a kind of bag into which the last is forced to give the shoe its shape.

Insole
A substantial shoe component shaped to conform to the bottom of the last to which the upper and the sole are attached.

Last
A plastic, metal or wood item conforming to the shape of the foot on which footwear is manufactured.

Lasting
The action of draping and fastening the upper over the last.

Making
The operations between lasting and finishing where the bottom components are joined to the shoe.

Moccasin
A shoe construction where the foot sits on one piece of material, usually leather. This is drawn up around the foot and closed with a sewn-in plug or apron over the forepart of the foot. It is usually made without an insole but an outsole may be added.

Outsole
The sole of the shoe in contact with the ground.

Pattern
The basic models for the various shapes of the different shoe components. These are produced in metal or metal-edge board. Hence pattern cutter, pattern room.

Peg boot
Waterproof peg-sole boot made at the end of the nineteenth century in certain parts of England. The small wooden pegs were used to attach the sole to the upper. When wet, the pegs would swell and make the sole waterproof. Used by those working in wet conditions.

Penny loafer
A casual shoe style with a slot into which a coin could be placed.

Return
A shoe returned by the customer to the manufacturer as unsatisfactory.

Rework
A shoe subjected to extra operations to make it satisfactory for sale.

Shoe room
The place where the sock is inserted and the shoe receives its final cleaning operations to prepare it for sale.
Skiving
Paring down the edge of a component or material to facilitate manufacture and improve the appearance of the final product.

Sock
The thin component stuck to the top of the insole to improve appearance and foot comfort.

Stiffener
A shaped or moulded component placed between the lining and the upper material at the back of the shoe to improve its shape retention.

Toe Puff
A reinforcement material inserted at the front of the shoe between the upper and lining to maintain its shape and help protect the toes.

Utility worker
An operative who does a variety of minor jobs and can move easily between them. Normally works in a particular footwear department.

Welted footwear
A traditional and complex shoe construction where the upper and sole are joined together by a strip of leather stitched around the edge of the upper and then stitched to the sole.

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INTRODUCTION

Have you ever passed a factory and wondered how it operates? Most of us are based in a single workplace. But is it the same as others? What lies behind the big walls of the local business? How do they make their living? Have they got some secret that we can all benefit from?

Few people get an opportunity to see inside another company. Sales representatives and plumbers only get to the reception and services areas. Never any further. Polite people will meet you in the foyer and sometimes bring you into their boardroom. But no further. Companies are cautious of strangers. This is also the case in government agencies, but it is particularly so in private firms.

Even academics and teachers who write and talk about business sometimes wonder how the factory down the road operates. Do they have a marketing structure? Have they read and used the latest management book? Have they got a strategy? Do they use Total Quality Management? What do they think about benchmarking or Just-in-Time?

We often wonder what really gives a company its competitive edge. What keeps them all in a job? Is there team-working and are they multi-skilled? What are the office politics and the company atmosphere like?

This book is based on the story of nine ordinary firms. There is plenty of material on the Toyotas and Fords of this world. Man-
agement books make a living out of describing the innards of some of our more famous companies — the “star cast”, as it were. And each generation the list changes a little. In the 1970s it was IBM and Burroughs. Now it is Microsoft and Intel. Academics and business journalists kill to find out how they operate. The latest book on the latest winner. Meanwhile, most of us continue working in ordinary firms, which we fervently hope will stay afloat.

**Sector**

This book brings you the stories of nine companies in a sector which manufactures a product that everyone on the planet needs: shoes. While high-tech companies move from one formula to another, this sector continues to keep people’s feet safe and comfortable, just as it did a century ago. I chose the sector because I am not interested in the fastest growth area or how companies piggy-back on the latest technology. These topics are important but have been written about by others.

Shoes are a universal product, worn by everyone. They can be felt and smelt. You can throw them in the corner or wear them on the most elegant of occasions. There is probably no other part of the body that gets as much abuse as the feet. Good shoes are more important than wine and more crucial than the daily newspaper. They are something we are all familiar with. Therefore, in studying the familiar, we can concentrate on the business essentials. We will not be swamped or dazzled by the technology or the rapid change in market demand.

There is another reason why I chose the sector. In the western world, footwear factories are a dying breed. Cheaper imports from low-wage countries continue to put them under pressure. I chose four countries where this is particularly the case. These are Sweden, Finland, England and Ireland.

The sector has been decimated in Sweden and Ireland and reduced to a shadow of itself in England and Finland. England is a major economic power and Ireland, for the last few years, has been one of the fastest-growing economies in the OECD. All four are relatively high-income countries and Sweden and Finland, with their low populations and Arctic winters, provide additional difficulties for the sector. The surviving firms in these four countries are indeed a hardy bunch and all the more worthy of inspection. Having picked the countries how then did I choose the nine?

No one will have heard of any of the nine unless they happen to live next door or buy their products. We are not dealing with the famous. There are myriads of everyday companies who continue to survive and prosper and these are the ones we wish to understand. However, we went beyond the ordinary. We chose the exceptional.

The European Commission supported the research work, because the sector is under severe strain and losing jobs rapidly. Second, it felt that information on exceptional companies who survived in such a weak sector would be useful to all businesses. Every industry has its own techniques and footwear is no exception. These we explain so you can look at your shoes with greater respect. However, this is not a book about technology. It is about running a business. Each company was chosen for its particular excellence and for the lessons it can offer to everyone in business. These lessons are important for every organisation and sector.

**The Nine Companies**

With the backing of the Commission and the European employer and trade union bodies, I took a particular approach to choosing the companies. In Sweden only a handful of footwear companies remain in business. Here the employers’ federation chose two, Arbesko and Lundhags. The trade union involved with the sector supported the choice. Arbesko is located in the middle of Sweden and has about 200 employees and Lundhags with 50 staff operates in the north just below the Arctic Circle. Finland has more firms than Sweden and both the employers and trade union body provided an agreed list of eight companies, from which I picked
three. These were Nokian, Pomarfin and Hamken, each of which has around 200 workers.

In England, the employers' federation chose three with which the trade union agreed. These were Barker, with around 200 staff, Start-rite with 900 and George Cox with 100. In Ireland there is no trade union affiliated to the European dialogue and it was not suitable to ask the employers' body to pick the Irish case on their own. Therefore, the state agency in charge of industrial development chose Dubarry, who has a little over 200 staff.

I then contacted the nine to request their permission to become involved with the project. To be chosen was not the end of the matter. They now had to agree to participate fully in the process. I was asking them to be studied as international examples of hardy survivors and to report on the things they did best. This process took time, as the companies were briefed on the purpose of the study and the operational details of the work.

Visits
I visited Dubarry for a number of days in spring 1997. This was followed by further work in November of that year and the final details were gathered in early 1999. The other companies were visited during the summer and autumn of 1997 and further information was added in 1998 and 1999. The methodology of the study is discussed further in Chapter 11.

It is impossible to get a proper perspective on something that is just happening. This is the work of journalism and news gathering. This book is not a breaking news story. Instead, it focuses on the latest developments in the nine companies and the main events covered were finished 12 months prior to publication.

This time gap has given me the opportunity to put the events into perspective so as to provide you with a better understanding of their significance. Each chapter has a historical outline to provide depth and profile to the company. It was found during the study that companies are normally incremental in their activities.

They are a bit like a traveller, one step forward at a time. The sudden moves do happen, but they are quite exhausting and are often followed by phases of consolidation and steady development.

The one exception to the above is Dubarry, which was in the final stages of introducing World Class Manufacturing. This prevented us from looking at the finished product. However, the Dubarry project was built on the back of other finished work, which I could easily reflect on and link to its present work. This prevented me having to treat the Dubarry case as a moving target.

The Audience
The book is for those who are curious how ordinary companies work and who want to learn from the exceptional. It gets you inside the secret walls of business and tells you how a group of hardy survivors operate.

It was a privilege to be allowed to study the nine companies. My visits were not always an unalloyed joy for those I spoke to. Not everyone was relaxed and enthusiastic about my questions and enquiries. Some of them were harried people with more than enough work to do without my intrusion. Others were worried about giving their secrets to the big world outside. Most of the companies hesitated when asked to become involved. However, all signed on in the end and everyone gave of their best.

I was normally given an office or space at the centre of things, so I could easily move around the company. Everyone I asked to see made themselves fully available. I always remember one senior executive who took a long time to relax. Here was this visitor from outer space asking him questions not even his spouse would dare allude to. For him and many others, business was dangerous and information was life. However, in the end he and everyone else came up with the goods. I found out in the end that to ask difficult questions is easy but to be provided with the necessary answers is a gift.
Part of the reason companies participated was because they were picked. Part was the hope they would learn something from the process and part, I am sure, was curiosity. However, curiosity does not slice bread. In the end, the detailed information was given because they trusted me to do them no harm and maybe a little good. This was the main plank on which my visit and subsequent work was built. Hard-nosed businesses fighting in the hardest of sectors and they had me to contend with. Yet they provided all the information requested and gave endless hours of patient help and advice. Nothing more could be asked.

In the appendix, I provide the general guide points I used to study the companies. The visits took at least three full days, which often went late into the night. For example, in Lundhags near the Arctic Circle, Jan Lundhags and myself could still be seen discussing the details under the midnight summer sky. Most of the visits were for five full days and some of them were longer. In all cases, there was further information gathered and in most cases further meetings.

Doing company research is a full-time activity for which you need all your senses. To get to the bottom of things you need more than your laptop, calculator and the detailed questions. In some cases you need to watch and sense things that straightforward questions might fail to detect. To understand a company, you have to build a profile of its structure, processes, production and administration. However, you also need to have some understanding of the prevailing atmosphere and attitudes, the emotion and the passion. These latter things are not as easy to measure or even identify. However, they are a critical part of the company character.

In the end, the cases are not an exhaustive review of the operation of the nine. Rather, they are an outline of some of the main gemstones of their success and survival. The things you and I would find useful and interesting. It was no use finding how beautiful their products were, unless I could plumb the depths and find the reasons behind their success.

In today’s business world, we have to understand how exceptional companies survive and thrive at the edge. It is fine to read about the Mount Everests of the corporate world. However, most of us work in ordinary organisations and our main interest is to know how they can be improved. By studying the nine we will be better able to know where to go next. These nine provide a variety of key lessons for business everywhere and in every sector.

Lessons Learned
Many who read the latest business book look to see if some of their pet theories are supported. If so, they continue reading but if not they put it down. This book tries to find out what is really happening out there. The research was originally based on a particular view of how businesses should be run. But as things developed, I changed my view and decided it was best to tell it as it was.

Therefore, if you are trying to prove a favourite viewpoint you could be disappointed by some of the things I discovered. However, if you genuinely want to know what is actually happening within the walls of these exceptional companies, you should read ahead.

The topics are varied. They go from improving production to branding, from better design and development to administrative systems, from co-operative networks with competitors to the use of consultants. In addition, we discuss business politics and the relevance of education and training. Surrounding the detailed stories are the themes of determination, passion and emotion. The traditional view of the entrepreneur is put under the microscope and the benefits of slow but steady learning and development is given some of its head.

In some respects, this is like a book of short stories. Each company chapter contains an amount of detail and is the equivalent of
a brief and pithy experience. However, the book also has some of the characteristics of the novel in that it deals with one major theme: how exceptional companies survive and continue to provide work in a very difficult sector. Under this heading, we cover the themes of new work organisation and processes, company learning systems and structures. We look at how the provision of high quality marketing, design, etc. requires an organisational infrastructure with suitable skills and in-built learning. In this context, it will reinvigorate your understanding of business improvement and add new life to the meaning of company survival.

The book deserves to be read from cover to cover, but not necessarily in chronological order. Chapters 1 to 9 deals with the individual companies and can be read in any order you wish. Once you have read these, Chapter 10 reviews some of the main developments in the nine and reflects on their relevance. Chapter 11 discusses the nature of the study, places their performance in context and considers how companies survive. Chapter 12 provides breadth and width to our understanding of companies. Here we develop a methodology to help us analyse how all companies operate and survive. Our final chapter makes some general points on which we conclude.

May you find the companies and their stories as interesting and informative as I did.

Notes

1 Walsh (1999).

2 CEC (Roeland Snets, Managing Director) is the European footwear employers' organisation and CSC:THC (Patrick Itschert, General Secretary) is the trade union body. Both are based in Brussels. The project was run under the Footwear Sectoral Dialogue in Directorate General V of the European Commission (Odile Quintin, Director).

3 The Swedish Footwear Federation (Carl Nyberg) and the trade union body, Industrifacket (Kent Kårrlander).

4 The Finnish Footwear Association (Sari Vanella) is the employers' organisation and Kemianliitto (Heli Pura) is the trade union body. The final three were picked for their excellence and for the contribution they made to the balance of companies in the list.

5 British Footwear Association (Niall Campbell) and the trade union group KFAT (Paul Gates).

6 Forbairt (Denis Murname) or Enterprise Ireland as it is now called.
Introduction

This chapter demonstrates how a traditional production-led family business became a brand-led company. In doing so, it lost its family status and became part of an Indian conglomerate. In a short period of time it went through four managing directors, one of whom held and left the position twice and then returned in charge of design and exports. We all know that business should be market-led, but how do companies make the change? This case shows us how one company did it, against huge odds.

Barker is a medium-sized company, located in the charming village of Earls Barton, near Northampton. It is an important manufacturer of welted footwear and many villagers work in the factory. In the past, men's shoes were mainly manufactured by welted construction or some other process that involved stitching on the sole. This, however, is an expensive technique. Therefore, over the years many producers adopted other forms of construction, such as cemented soles or vulcanised.

Welted constructions at one time comprised a significant component of English and European footwear. By the early 1980s, the process had gone into steady decline and was mainly used for
formal and semi-formal shoes. This was partly because product cost was not falling as fast as for the cemented variety and partly because of a lack of machine development.

Then fashion came to the rescue. During the 1980s, the welted look became popular. This had two effects. First, many new and relatively well-off customers became aware of the comfort and quality of welted shoes. This expanded the market even further. Second, it created a new group of retail buyers who introduced their expertise to the welted market. Their more sophisticated knowledge of customers' needs put increased pressure on manufacturers to improve their products. This led to improvements in both the design and fit of lasts. Since then, the more expensive end of the men's welted market has fared relatively well.

By the early 1990s, the British sector consisted of 17 companies that were fully or partly involved in welted shoes. These were mainly located in Northamptonshire and in total accounted for about 2.5 per cent of UK footwear production. In addition, they exported about two-thirds of their output. 1

The sector is composed mainly of small and medium-sized firms, though some large ones have small welted operations. Most companies are located in fairly small premises in towns and villages and only a few are in modern premises or industrial estates. However, their reluctance to move is not simply a result of lack of investment funds; to move too far could risk the loss of some of their highly skilled workforce.

The European welted business has suffered significant difficulties in recent times. In addition, it lies under the shadow of the US sector, the largest producer in the world. American producers tend to be lower-cost due to their larger scale of production.

The Barker story provides an opportunity to reflect on one of the important companies in this sector. More significantly, it tells the story of a company that had to recreate itself in the face of extra-ordinary difficulties, some of its own making and some not. The problems it faced have been, and continue to be, experienced by manufacturers everywhere. The details of its survival and renewal are important for all those who seek more effective ways to strengthen their businesses.

Background

Arthur Barker set up the firm in 1880 in his cottage in Earls Barton. He made peg boots and employed skilled craftsmen working from their own cottages. Arthur became known as a shrewd businessman and went on to build his own premises. He made army boots during World War I and by the early 1920s was exporting large quantities of shoes to South Africa. In 1922 the company opened an operation in Cape Town, run by his son.

In 1947 a new factory was built in Earls Barton to house the production of ladies' shoes. In 1950, another company was set up to sell directly to retailers. The company continued to grow and prosper until it held a sizeable share of its home market in the 1970s and 1980s. By then it had successfully developed a distinctive and innovative high quality product, easily recognisable in the market. At its peak in 1984, the company produced 6,500 pairs per week and provided a profit of almost 11 per cent of turnover. It had become a significant family concern.

In 1986, Barkers moved to a new purpose-built factory costing £3 million. The factory occupied a 4.5-acre landscaped site in the centre of the village and was capable of producing up to 10,000 pairs per week. As the end of the 1980s/early 1990s, recession began to bite, output fell to 3,000 pairs per week and significant losses were made.

Lance Clark

In September 1994, a new managing director, Lance Clark, was appointed. Lance was an interesting appointment, as he was an important family shareholder in the much larger Clark company. By this time, the company's turnover had halved and it was running a large overdraft. Lance worked closely with the chairman,
William Barker, in an effort to turn the company around. First, they set about tackling the cost base of the company. This was now significantly out of line with its depleted turnover.

Overheads were substantially reduced and 56 operatives and 14 office staff were let go. During this time, Lance also tightened up the wages system. The old piecework scheme had previously been replaced by putting workers on an average earnings system. The average earnings system was now replaced, where feasible, with an incentive system.

The financial position had become critical and had to be addressed. As a result, the company cut stock levels by half and sold off surplus assets. When Lance first arrived he also looked at the management. The production and sales managers at that time were both William’s sons. He decided that they both needed to be developed and improved, if the business was to survive. As a result, he gave them clear objectives to achieve in order to strengthen their areas. Despite some initial improvements, the situation remained unsatisfactory and they were let go. This was a very difficult decision for William and reflected the critical situation facing the company and the need for extreme measures.

As usual, there was a bank on the sidelines. During this period, it sat mainly to one side and watched the company finances migrate from a cash-rich position to an extremely large overdraft. It was comforted, however, by the company’s new building and the high quality of the Barker product. In other circumstances, the bank might have been more proactive. If, for example, Barker’s bank had been a part-owner in the company, it most likely would have intervened at a much earlier stage.

The bank eventually made its move in early 1995, when it strongly advised the company to take a new course of action. Following this intervention, Lance advised the board to find a new owner who would grow the business. By now, it had become clear that a cost control strategy had its limits. At the time, the company had done a marketing survey which found that much of its customer base was in the older age group. For the business to grow, a younger consumer had to be attracted. This required resources and a fresh approach.

The proposal to sell was not initially agreed by the board. At this point, Lance was still managing director and William was non-executive chairman. William still involved himself in certain aspects of the business. This caused some overlap and friction. In his heyday, William was known as a popular manager and a talented innovator. The distinctive Barker products of the 1970s and 1980s were, when all was said and done, his creations. He had the final word on everything. However, things had changed significantly and the company was in distress.

New Owner

Following consideration by the trustees, the board passed the proposal to sell. The company next set about finding a suitable buyer. A small number of possibilities were considered. Lance even toyed with the idea of buying it himself. However, the company was eventually sold in April 1995 to Bloomsbury Trading PTE Limited. This is a subsidiary of Phoenix Overseas Limited, a substantial Indian conglomerate. The purpose of the sale was to provide the company with the resources necessary to develop the Barker brand in the UK and worldwide.

Lance was asked to become joint managing director but declined. He advised the new owner to find a new managing director who could bring marketing skills to the company. Following an extensive search, a new managing director, with retail marketing experience, was appointed in May 1996. During the following three months, the heads of production and finance were both let go. However, despite this and other changes, production dropped from 3,200 to 2,200 pairs per week, factory rejects increased and customer arrears rose to an unacceptable level. The situation now became untenable and the managing director was let go. Lance, who meanwhile had been retained as a consultant,
now returned temporarily to the job whilst a new incumbent was sought.

By this stage, the situation had become quite difficult. The financial position was very weak and there was no financial, production, or sales director in place. In fact, without the Phoenix cash support and the extended credit on Indian-sourced uppers, along with that of the bank, the company would have closed. One of the first things Lance did was to appoint new production and financial managers and also someone to look after exports. In addition, a new Japanese designer was taken on in August 1996 to develop the international range.

Therefore, between September 1994 and the arrival of the present managing director in December 1996, several things had happened. First, some of the cost problems associated with a dramatically reduced turnover were addressed. This included not only the production processes, staff and related wage system but also key management who in the end were unable to deliver. Second, the ownership changed and Barker became part of an Indian conglomerate. Third, some product innovations occurred. Fourth, during this difficult time Lance Clark maintained a strong link with the company — either in one of his two periods as managing director or as a consultant. Fifth, the marketing survey clarified the ageing customer profile and the limits of a supply-side solution. The market side of the equation had still not been adequately addressed. This brings us to the arrival of the present managing director and a new phase in the company’s fortunes.

Martin Aynsley

Martin Aynsley was appointed on 9 December 1996. He brought significant management and marketing experience, both in the sector and in the wider branded consumer goods area. He had been managing director of Speedo in the UK and prior to that had been with Pony Shoes and Adidas, all of which helped prepare him for the new task.

The changes that have occurred since his arrival provide the story of a very important turnaround in what had become a very weak company with a long past and a potentially strong brand. Today the company still has some way to go. However, the management and organisational changes that were introduced are significant in international terms and provide the reader with important lessons for business generally.

When Martin first arrived, he felt, despite the difficulties, that the company was sitting on a brand with huge potential. The product had been under-exploited in both the home and export market. What was needed was to regenerate the company’s work organisation so as to provide the basis on which to rebuild the brand’s prominence.

We look in detail at this market-driven phase of the company and its organisational underpinnings. However, we first profile the business to help put what follows in context.

Profile

In this section, we look at turnover, profits and losses and employment. This provides us with an important profile of Barker’s recent past. First, we look at turnover since 1991.

![Turnover graph](image)

1998 = estimate.
*Sterling

As we see, turnover fell from 1991 to 1993. It increased in 1994 and fell again in 1995. Since then it has continued to increase.
In addition to turnover, it is helpful to look at production to see how the company has performed.

### Production (Pairs)

<table>
<thead>
<tr>
<th>Year</th>
<th>1993</th>
<th>1995</th>
<th>1997</th>
<th>1998*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per year (thousands)</td>
<td>140</td>
<td>130</td>
<td>140</td>
<td>175</td>
</tr>
<tr>
<td>Per employee per day</td>
<td>2.2</td>
<td>3.5</td>
<td>3.8</td>
<td>4.1</td>
</tr>
</tbody>
</table>

* Estimate

As we can see, the number of pairs produced has increased since 1995. In addition, labour productivity has increased noticeably during this time. This reflects a more effective use of labour. The profit and loss situation is shown in the chart below.

### Profits/Losses (stg£ million)

As we can see, losses were made between 1992 and 1997, peaking in 1994, after which they fell steadily. In 1998, the company made a small but important profit.

The operating profit as a percentage of turnover is a useful indicator, because it relates the profit to the overall size of the company.

### Operating Profit/Turnover (%)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.4</td>
<td>(18.8)</td>
<td>(4.4)</td>
<td>0.13</td>
</tr>
</tbody>
</table>

This figure worsened significantly between 1991 and 1994 but has improved strongly since then.

Naturally, the company’s problems affected its employment. No other data shows more clearly the great difficulties the company has faced since 1997. Overall employment had fallen by 51 per cent between 1991 and 1996. There has been a 10 per cent increase in the figure since then, reflecting the reverse in turnover during the period. This is the period during which the company effectively entered the market-led phase.

### Employment 1991–98

Following the move to a market-led approach, the increased demand put pressure on production and more employees had to be taken on. This turnover growth is expected to continue and if it continues to outgrow labour productivity, extra staff will be needed.

In our chapter on the Irish company Dubarry, we see a stand-alone operation which lacks the benefit of a sectoral hinterland. In addition, it operates in a region that is undergoing significant industrial growth. For this reason, it has to compete against new technology companies and other expanding sectors for its employees.

Barker, by contrast, is located in a district with a considerable wealth of experience in footwear production. However, in spite of the fact that some other such companies have let staff go in recent times, it still faces difficulties employing new staff. This occurs, if only because new staff have to be effectively integrated. As the
region continues to prosper, however, Barker may face further difficulties as other sectors demand more labour.

We now go on to discuss the structure of the company. Following that, we concentrate on the main organisational and management changes that have played a role in the turnaround of the company in recent times.

Organisation
Phoenix Overseas Limited owns Barker. In January 1997, the company was reorganised into four concise areas — finance, production, design and exports, and sales and marketing. The heads of the four areas report to the managing director and, along with the Phoenix representative, they form the management team. Up to January 1997, the areas of responsibility were not clearly defined. This caused difficulties.

Organisational Structure

Sales & Marketing
As a backdrop, we review the market. Barker divides the men's market (its main market) into a number of categories to suit various fashion preferences. These segments are International, Designer, Heritage and Professional. In addition, we also include the women's component of Barker sales.

The sales proportion of these categories is as follows.

<table>
<thead>
<tr>
<th>Year</th>
<th>Designer</th>
<th>Int'l</th>
<th>Heritage</th>
<th>Prof.</th>
<th>Women's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>15</td>
<td>15</td>
<td>35</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>1998*</td>
<td>25</td>
<td>20</td>
<td>25</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

* Estimate.

The biggest selling group in 1997 was Heritage, followed closely by Professional. The Designer and International groups showed a dramatic increase in 1998, along with the Women's group.

Barker has a long tradition of selling abroad and one of its earlier markets was South Africa. As we see below, however, Barker still sells mainly to the home market. The main export market at present is Russia, with 9 per cent of sales. However, the US with 4 per cent of sales is expected to be the largest foreign market by 2000.

By contrast, its neighbour George Cox exports 80 per cent of its goods, as we see elsewhere.

Sales Destination, 1991-2000 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>1996</th>
<th>1997</th>
<th>2001*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>18</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Domestic</td>
<td>82</td>
<td>80</td>
<td>70</td>
</tr>
</tbody>
</table>

* Target.
However, its 2001 target indicates that the export market provides an opportunity for the future development of the company. The actual outcome here will be influenced by the careful investment of time, effort and resources in this potential growth area.

**Structure:** The sales and marketing areas are combined under the managing director, Martin Aynsley. This is a pro tem arrangement that reflects Martin’s abilities and the increased attention being given to this area.

**Sales and Marketing Structure**

![Diagram of Sales and Marketing Structure]

The area has an interesting range of activities that reflect the new approach to company development. It has a marketing specialist, Jane Porter, who brought important marketing skills from Speedo. Porter arrived in January 1997. She looks after the provision of in-store merchandising, exhibitions and catalogues, which account for almost 60 per cent of her budget. She also looks after advertising, PR, point-of-sale, promotions and the sales conferences.

Two sales conferences are held annually. The attendance includes the UK sales representatives and agents and the 16 foreign agents. It also includes the MD, the senior management and the design people.

The UK sales and export sales managers work under the sales and marketing director. Both of these share the support of a sales secretary. In addition, one staff member looks after export sales administration. Customer service also supports sales.

Michael Fairlamb, one of the sales representatives, joined in April 1989. Previously, he had sold such brands as Kickers and Timberland. Michael came from an organised sales background where he worked to a set journey plan and a specific customer list. He would also contact the company from his territory at least once a week.

When he first arrived, the sales area had no real structure. There was no journey plan, no structured communication system and no organised customer list. In addition, the season’s catalogues were often behind schedule. When the representative turned up at the new season’s exhibition he would sometimes not even have seen the shoes and often would not have a full price list. In addition, there were no marketing professionals supporting the sales force. The range was mainly based on technical groupings and the representatives would mostly concentrate only on their own customer base. There was a detached approach to customers. They were sold to rather than worked with.

At that time, the sales force could not always match customer demand. However, over a very short period, things began to change and the old approach became seriously inadequate.

Barker has not yet developed the type of retailing structure which Hamken, as we see elsewhere, has in Finland. However, it has two stores in Russia, which have contributed to strong sales in the area. 8 It also has a small concession shop in Regent Street in London and a factory shop.

**Production**

The production manager in Barker is Peter Chiswell, who arrived in September 1996 with over 30 years’ experience in Clark’s. He looks after planning, buying uppers, production, warehousing...
and costing and therefore carries responsibility for most elements of the supply chain.

Barker's approach to supplying branded products differs from companies with a resource director. The resource director is typically responsible for both a factory manager, and one who buys finished or semi-finished shoes. In this situation, the branded goods are sold regardless of whether they have been produced in the company or elsewhere. The factory manager has, therefore, to compete vigorously with the buying manager.

If Barker had both a production and a buying manager who competitively and separately provided for a resource director, things might be different. The buying manager could, depending how things worked out, weaken the potential of the factory operation.

Barker has two production systems. First, there is the instock system, which works to a standard style range for each season. This runs to around 77 per cent of production. The balance is made-to-order production (MTO).9

Back in 1996, the company produced 145,000 pairs. This total contained 973 different style lines, each of which was provided in 12 different size fittings. This resulted in almost 12,000 different products.10 With an average production run of just over 12 pairs of each product, the production operation was an extremely complex process.

Between 1996 and 1997, production increased by 62 per cent.11 However, the number and variety of styles fell dramatically during this time. The reduction of men's styles to four specific groups reduced the need for variety of products. On the other hand, the proportion of MTOs increased noticeably.

In 1998, there is further pressure on production as sales continue to expand. With this as background, we now look at the flow of activity in the area.

On the following diagram, I outline the process from planning to dispatch. Some of these terms will be unfamiliar to the reader and can be found in the glossary at the start of the book.

Planning to Dispatch

First, the planners take the sales forecasts from sales and marketing and turn these into meaningful production requirements. In doing so, they identify potential production problems and constraints and try to provide the most suitable production plan. Second, they co-ordinate all the orders, put them onto production tickets and provide the delivery dates. There are two planning staff – a manager and an assistant. The assistant concentrates on taking the plans and working out the detailed production tickets.

After planning comes product engineering, which employs two staff. This work has two aspects: grading and pattern work. Here the engineers take a design and engineer it in two ways. First, the prototypes are graded for different sizes and fittings; then the production process may have to be retooled for the new designs.

All areas have a supervisor, except planning (where there is a manager) and buying, engineering and focal point, where there are only a small number of staff. In bottom stock, there is a lead-
ing hand or worker. Finally, finishing, warehouse and dispatch all share a supervisor. We now explain the production process.

**Cutting or clicking** is where the worker cuts the upper sections or components of the shoe from a leather skin or hide. In cutting, the supervisor is also responsible for the leather store, and the organisation and workflow in the area. There are no cutting teams and workers are paid on day-work or a fixed wage. The operatives also have a material allowance to help minimise material usage.

Fred Raitt, now one of the designers, joined as a clicker in 1953. In those days, according to him, clickers were considered the gentlemen of the factory. They always wore ties and took snuff. Even though the snuff and ties may be gone, they still stand, as in most footwear factories, at the top of the skill pyramid.

Payment in closing is on a partial piecework system because of the lack of resources to do a full piecework system. At present, over 80 per cent of payment is on piecework and the rest on day work.

**Bottom stock** makes the insoles and soles and workers are paid on day-work. At present the company is considering changing to either an individual or group incentive system. Some of the components are assembled in the focal point area and prepared for the lasting area.

**Lasting** is where the shoe upper is draped and fastened over the last (a plastic, metal or wooden tool which matches the shape of the foot). **Finishing** is where the shoe is finished and cleaned for sale. Although there are no teams in lasting and finishing, the payment in these areas is on a group incentive scheme. This, however, has caused certain difficulties, as these workers were moved from individual piecework without a full understanding of the group scheme. For example, the group members in these areas still tend to see themselves as specialists. If an activity is finished, they tend not to help out automatically with bottlenecks elsewhere. Because the individual incentive culture is still strong, the other workers do not get involved in this sort of difficulty and tend to wait until the production manager steps in.

Sixty per cent of the operatives are in the local footwear union, KFAT. The production manager feels it would be easier if they were all union members so that agreements could then be negotiated to cover everyone.

**Teams**: Peter Chiswell, the production manager, worked on setting up and managing teams in Clark’s in 1991. At that stage he ran a closing department for children’s shoes. He had 175 staff who produced roughly 30,000 units a week. Two teams were set up. One was a cut-to-box prototype module with 11 staff. This contained one cutter, five closing and four making operatives. The other module produced 1,000 pairs of children’s shoes a week. His experience was that the modules were less efficient than the traditional approach.

Peter is not very enthusiastic about using teams on a factory-wide basis. He feels they are only useful for short-run jobs such as samples, difficult work pieces and awkward made-to-order jobs. Team-working requires significant multi-skilling.

In the future, he envisages that Barker’s cutters will still work individually and be paid on a day-work basis. Closing, which is a less skilled job, will be run on an individual piecework basis. One or two modules will then back up these two areas by dealing with the more difficult jobs.

Bottom stock will be changed from day-work payment to a group or individual incentive system. He expects that lasting, making and finishing will all operate on a group basis so that production can be more efficiently expanded.

Barker’s lack of enthusiasm for modular manufacturing is interesting. At present, they see it as providing only a limited support role for short runs and difficult jobs. If it were seriously contemplated, its introduction in such a relatively labour-intensive
operation would require significant resources. Dubarry's move to modular manufacturing (see Chapter 2) required state support.

There have been significant improvements in production since Peter arrived. At that time, production was only 2,200 pairs per week and today it is 4,100, without a proportional increase in costs. Between September 1996 and 1998, the reject rate improved by over 60 per cent, reflecting a significant gain in quality. In addition, the move from a fixed wage to a greater use of the incentive method has improved returns. Finally, the greater use of sourced uppers has contributed almost 20 per cent savings on labour costs. These come in through Phoenix, the Indian owner.

**Finance**

The finance area has reflected some of the difficulties in the business. During the summer of 1996, no management accounts were produced, as the finance director had been let go. This caused significant difficulties. In July, Michael Brown was appointed financial manager on a short-term rolling contract.

Between then and the end of 1996, the company introduced new financial systems and the business kept within its overdraft limit. During this time, monthly management accounts, weekly cash flow reports and payment systems were all installed, providing a much-improved management information system.

This type of information is quite normal in a medium-sized business. However, in the context of what had become of Barker, it was an important part of the recovery. More invoicing, due to increased sales, better cost control and a stronger-than-anticipated order book also contributed to the improvement.

Since then, additional improvements in the costing process, supplier and customer terms and stock turn have significantly improved margins and working capital. In January 1997, Michael's employment was made permanent.

**Design and Exports**

Until September 1998, Lance Clark looked after the design and export area and this gave his detailed product knowledge the outlet it required. Lance also provided a sense of continuity at management level, which has had its own beneficial effects on the company.

Under Lance were three designers. One of these, the Japanese designer Satoshi Kuroki arrived in August 1996, some months before Martin Aynsley. Satoshi had finished his degree in business and English in 1989 and then went to work for Sony in the TV design area. In August 1994, he took a two-year footwear design course and came directly to Barker.

Neil Bennett joined in October 1996 and shortly afterwards was asked by Lance to take over the export sales side. He looks after all exports through a network of foreign agents and distributors.

**Market-Led Phase**

One of the main problems of the early 1990s was the lack of a marketing infrastructure. Barker was known for the quality of its product but not its brand. Its management decisions lacked marketing expertise and were dominated by product knowledge. The company was production-led. This can be indicated in different ways, one of which is to look at the different collections.

The spring 1990 men's range was mainly based on technical groupings. Here, the customer found seven different categories, five of which contained technical terms. If you wanted something formal, for example, you might find three shoes you liked, but under three different technical categories.

The 1994 collection was almost as complex with six groupings, four of which had technical terms. If you wanted something formal, for example, you might find three shoes you liked, but under three different technical categories.

The 1996 spring/summer range was based on technical groupings. Here, the customer found nine different categories, one third of which had technical terms. However, where there were three traditional categories earlier, now there were four — even more confusing for the consumer and retailer.

Spring/summer 1996 had nine groups and one third of these had technical terms. Although the groupings had increased, the
proportion of technical categories had again fallen. By autumn/winter 1996, there were six groups, one-third of which were technical: Barkerflex; Designer; Heritage; International; Moccasin and Professional. Some of the early groundwork for the market phase of Barker was starting. This was the last catalogue under Lance Clark’s stewardship.

The autumn/winter 1997 collection contained four groups: Designer; Heritage; International and Professional. Gone were the technical specifications and other awkward classifications. Consumers and their needs were now conceptualised under four distinct headings. The catalogue had a large model photograph for each of the four customer types and the technical narrative was subordinate.

The spring/summer 1998 collection retained the four groups. The main change was the inclusion, in International, of its flagship range, the Ambassador collection. The previous catalogue contained eight ladies’ styles with no groupings. By contrast, this catalogue offered three times as many female styles. Ladies’ styles were now grouped under five headings — three of which were technical.

Obviously, Barker now sees its ladies’ range as a potential growth market. When the company’s understanding of this market improves, the groupings should reflect a clearer understanding of the customer, as in the men’s range.

Marketing MD

Before Martin Aynsley came to Barker, he had already worked extensively in a branded environment. In his period at Speedo, the company spent a lot of time defining its consumer groups and the branded products that suited them.

When Martin arrived on 9 December 1996, Barker already had reasonably good distribution and product awareness but a poor brand profile. Straight away, he began to introduce a process to develop the brand. To begin, he set up an ad hoc “Vision Group”, which he chaired. This included Lance Clark (product design/export), Michael Brown (finance), Peter Chiswell (production), the UK sales manager, the export sales manager, two designers and the Phoenix representative.

At its first meeting, on 12 December, Martin outlined the ingredients for creating a brand. He explained the need to develop a Brand Vision and Mission Statement and to clearly identify the consumer groups. He said that the needs of the consumer groups should drive the product and not the other way around. He then encouraged discussion on all these items. In all this, he exhorted the members of the Vision Group to ”shoot for the stars, since Barker was the best”.

During this process, they began to see afresh the product from the customer’s perspective. However, some of the previous technical categories created certain difficulties.

Martin also found this a very useful briefing for himself. As a result, he was able to write up a draft of the vision, mission statement and consumer groups. The minutes stated that once they profiled the four consumer groups, they could then focus on the key success factors.

The discussion was continued at the next day’s range review meeting and at the sales meeting the following Wednesday. The sales representatives and Barker’s UK agents attended the meeting. The vision, mission statement and customer profiles were further developed. Martin circulated the details of the consumer groups on 2 January 1997 and the key success factors four days later.

Two versions of the mission statement and further drafts of the four consumer profiles were circulated on 7 January. These were discussed at the management meeting on the same day. One of the draft mission statements began to gain more support.

The vision and mission statement process had finished by mid-January. The discussion of the key success factors then took place and was completed and agreed at an executive meeting on 21 January. Following this, the complete undertaking was packaged
for communication. It was explained to everyone within the company over a two-week period. Then it was communicated outside the company. Management visited over a dozen key accounts. During this process, it became clear that customers had been unclear about Barker’s position.

During late January 1997, Jane Porter arrived and provided specialist marketing support to the process. Jane’s strength lay in implementing the process. The sales staff were given a further briefing at the spring 1997 sales conference. Here the Japanese designer Satoshi also prepared a “mood board” containing a collage of photos for each of the four customer groups. For example, the Designer group had images of a range of designer goods such as cars and cameras and three photos of young design-conscious males. The intention was to inject the consumer with real life so the sales people and agents could assist the retailer.

At the end of the July 1997 sales conference, the MD presented the new brand vision, the mission statement, the key success factors and details about the consumer groups and product range. This was followed by breakout sessions where the sales manager for the UK market and the export manager each dealt with their own representatives and agents. Lance Clark was also involved in briefing the export agents. On the second day, the conference dealt with the ladies’ range. This had been fully updated and re-invigorated. We saw the effect of this in the 1998 catalogue.

**Branding**

This approach to branding contained several stages. First, a vision and mission statement was developed. The Brand Vision is to produce the finest and most distinctive English quality shoes in the world.

Its Mission Statement is to offer shoes which epitomise style, superb fit, comfort and excellent value and to do this by using the best design, quality materials and craftsmanship.

Second, it identified and profiled the consumer groups. These had already been categorised in Lance Clark’s time as managing director. However, it was only with Martin that they were detailed. Each of the four contains a profile of the particular consumer. For example, one characteristic of the Designer customer was that the product should be available where he shops, as he will not search for the brand. As a result, Barker has to ensure it both distributes effectively and provides a mail order service. It could also imply that they might have to offer this client an Internet view-and-buy service. None of the other three customer profiles refers to this search requirement.

Third, it developed the key success factors. These expand the mission statement, which focuses on what Barker offers, adding other objectives such as profits and growth. In addition, they refer to the role of the marketing and sales structure along with production and customer service. Therefore, the key success factors expand the company’s objectives and make some general comments on how they are achieved.

_Barker’s Self-definition_
The vision, mission statement and key success factors together provide the general contours of Barker’s self-definition — what it is and what it aims to be. These endeavour to provide a meaningful interpretation of Barker for both its staff and customers. In doing so, their purpose is to provide a platform for understanding its activity and improving its performance.

During the discussions, Martin acted as a catalyst. Those involved ranged from the enthusiastic contributors to those who preferred to watch and see how things developed. The sales force, the UK agents and the key accounts were also consulted on the process.

A number of points can be made about this Vision Group. It was a temporary group set up for a specific purpose. Its work was rather informal and some of its activity took place in the more established meetings. However, it achieved a number of things. First, it brought together the sales, production and development staff. Second, it created new action, led and encouraged by Martin. In addition, it provided some of the raw material for the business plan that the company prepared for the banks.

The process in all its richness was understandable mainly to a small number at the centre of the Vision Group. Some of these were deeply involved in the activity, but others were less enthusiastic about the process. However, as things began to improve, they came to support the new approach, even if they did not always agree with or fully grasp the detail behind it.

**Management Style**

According to Lance Clark, Martin is a well-organised and patient administrator. His style encourages people to take bits of the work away after a meeting and carry out the necessary work. He works on breaking down boundaries between departments and staff.

When Martin arrived, there was a rather unwieldy management structure linking the key management areas. This was paralleled by relatively undeveloped cross-department linkages. The situation was made worse by a weak social infrastructure. When I visited the company, I went to a staff bowling night. A few evenings later, Martin, in one of his reflective moments, spoke passionately about the importance of such events for the social life of the business. His enthusiasm had nothing to do with the eagerness that corporations sometimes show for such outings. He seemed more concerned that people were happy together and that social networking would help the work atmosphere.

**Benefits**

Some of the benefits of the new system are evident in the design and sales areas. For Satoshi Kuroki, the designer, the new system clarifies the goal of producing a quality product and defines the end users. With the four detailed consumer groups, he can design a shoe that suits someone he knows or imagines. This, according to Satoshi, provides design adrenaline.

Barker now has seasonal collections, each of which links to a well-thought-out consumer profile platform. However, it has not yet developed a medium-term plan. The Sony Corporation, where Satoshi worked previously, had a more developed approach. They begin the development process with a detailed three- to five-year plan of product types and much more time is put into clarifying customer needs.

The Japanese design process is less individualistic than the UK approach. It is the result of greater teamwork. UK designs, according to Satoshi, are more striking and you can see some of the designer’s intention in the finished product. These designs are the result of greater in-depth knowledge and specialisation.

In Japan, by contrast, there is greater breadth of knowledge and teamwork. This type of approach may, however, be more suitable for designing commodity products, which need to have a broader appeal.

The sales area was significantly affected by the new approach. Prior to this, the major accounts were provided with very little in
the way of product briefing. They were relied on mainly for their orders. Barker’s management nowadays supports and briefs these accounts, like any other developed company selling branded goods. It may sound incredible in today’s context, but previously these accounts were more likely to call on Barker than the other way around. This hands-off attitude reflected the previous product-led approach of the company.

Today, the new seasons’ ranges and catalogues are with the sales staff well in advance of distribution time. This is not exceptional. It is the case with many competitors. More importantly, the sales force can now provide the retailer with a composite story about the new range. In addition, the advertising, point of sale material and so on, all integrate with the story line.

The New Retailer

The sales representative can now help the retailer to sell Barker’s lines. First, he can provide the retailer with recognisable customer categories. These help shop staff identify potential Barker customers from among the thousands who visit the shop. Second, he can provide group details that help the retailer better understand the different types of customers. As a result, the retailer is better able to help customers make a more informed choice. The easier the manufacturer can make it for the retailer, the better.

Today’s retailer has to be more sophisticated than ever in order to survive. The increased competition demands a much improved conceptualisation of the customer. Potential customers must now be categorised into recognisable groupings with specific needs. These active customer categories are as important an asset to survival as anything else. At an exhibition, for example, the retailer will review the various manufacturers’ stands on the basis of the best mix from his perceived customer base.

The increased pressure on the retailer to intellectualise his customer variety needs to be supported by the manufacturer. Today’s high street retailer faces a confusing multitude of customers and a large variety of possible lines. These must be categorised and understood for survival. To interpret and anticipate customer needs effectively, retailers must formulate concepts or categories that classify and explain them.

Modern customers are a mixed bunch. At one extreme there is the fashion-conscious shopper who searches until they find what they need. At the other extreme, we find the customer who is almost browbeaten with variety. He or she is often happy to be informed as to what is both fashionable and suits them.

The competitive retailer, therefore, has to anticipate effectively the needs of the fashion-conscious consumer and provide the confused shopper with the appropriate advice. The ability to conceptualise both the customer needs and the appropriate fashion trends has become a critical component of the retailer’s survival. This is not an academic or literary skill. It is a practical business skill, which enables the retailer to match customers’ needs with the available product lines.

Retailers only survive if they understand the customer. This principle is as old as the hills. However, things are different today, because of the frenetic growth in the variety and shapelessness of consumers. They must now continually battle against this factor with their intellect and planning. In this battle, the manufacturer is either for or against them.

Traditional manufacturers selling consumer goods must intellectualise their product, their retailer and most importantly the eventual customer. In a world where retailers can sometimes find things as confusing as anyone else, the manufacturer must provide the necessary brand clarity. This will contain a proper brand identity, an analysis of fashion trends and a clear picture of the customer needs.

Organisation Infrastructure: To be able to do this, the manufacturer must develop the organisation and skill base that supports this process. In Barker, several key organisation and skill changes
provided the critical infrastructure for the new approach. First, the company had to resolve fundamental management and operational difficulties. Lance Clark’s period as MD played a role here. The sale of the family business need not have happened, if things had been done differently. Some other stories in this publication show that family ownership is not a bad thing. However, in Barker’s case, the family structure failed to respond to the need for change.

Second, the arrival of Martin Aynsley provided an important development in the company’s fortune. However, bringing marketing skills to the MD’s post did not in itself provide anything special. The earlier arrival of the other marketing-oriented MD in May 1996 led to the company almost becoming unsalvageable.

Organisation Underlay: Marketing, of itself, is not the magic formula. Rather, it is the organisational changes that Martin’s arrival led to which were the crucial factor. The introduction of the organisational and skill underlay to support the market-led approach was a key development. To clarify this point, we identify the elements of this underlay.

**Market-Driven Infrastructure**

![Market-Driven Infrastructure Diagram]

The expertise of the MD and the marketing implementation skills of Jane Porter were both critical to the new infrastructure. First, Martin Aynsley brought his marketing skills and experience and then took Porter from Speedo to provide a critical injection of activity in the area. No one else in Barker could really provide her expertise. She, in turn, bought in certain advertisement and brochure design skills from outside agencies. These skills were too specialised for Barker to provide in-house.

The initial changes in the design area were caused by marketing’s forced focus on the intellectualisation of the customer. This was assisted, in the case of the Japanese designer, by his experience of being in a similar situation previously. In this respect, he was not only ready for the change but supported it and worked more effectively with the new approach.

The reader may also be interested in Lance Clark’s role in all of this. After all, he was the MD, then he wasn’t, then he returned as temporary MD. Following this, he worked in a supporting role until September 1998. Here was someone who owned a sizeable piece of the family shareholding in one of the largest shoe companies in Europe. Why was he running a much smaller company? Better still, why did he continue working at less than MD level, when he himself not only ran it, but at one stage even considered buying it?

Lance is passionate about his trade. Those who know the territory argue that there are few equals in his area. Apart from his role in preparing the ground for Martin’s phase, one of the strengths he contributed was his detailed product knowledge. In many ways, the strain of changing from a product-led to a market-led phase needed someone like Lance, who had a solid product knowledge. In a similar way, the pressures that came to bear on production, as sales took off, required a strong response from the production arena, where Peter Chiswell’s long experience at Clark’s was important.

The sales area, however, was most affected by the changes. It responded to the initial sales conference, heralding the new approach, with palpable relief and anticipation. This wing of Barker had, in the new era of the thinking retailer, been starved of the necessary support.

Nowadays, the sales force works closely with the retailer, explaining the new range, the customer groups and the latest deve-
opments. They also keep an eye on fashion trends. One of the more interesting factors is the increased formality of some aspects of the young adult’s leisure fashion. Some years ago, designer runners were quite appropriate in certain fashionable clubs. However, over the last five years or so, some clubs are now insisting on more formal wear. This provides Barker with a potential new market that may lead to a new category of customer.

Barker needs to stay close to its market to ensure that its customer categories remain relevant and useful to the retailer. The youth market may provide a new category for men’s shoes. The ladies’ range now needs to travel the route that the men’s shoes have gone since 1996. The 1999 sales outcome will provide useful information to help Barker produce a more accurate lady customer grouping.

Conclusion

Barker has developed a first stage marketing and branding infrastructure. It now needs to stabilise the skills and the impact of this phase so that the abilities become more embedded in the company. A problem with marketing people is that they tend to be relatively mobile. Therefore, to avoid difficulties here, Barker may have to find ways to ensure the retention of such skills. Increased remuneration, although helpful, is not the only way to ensure this.

It is as important, if not more so, to reinvigorate all company staff with the new approach and provide them with the necessary skills. This is a slower process, but it is absolutely critical to the future development of the company.

Initial hesitation towards the new approach has now passed. However, the overall company needs to participate fully in it. The company as a manufacturer will not work without its high quality production skills and it will not thrive without its ability to brand and market its product. In a developed economy, the creation of a branded infrastructure is essential to ensure the continuation of a strong manufacturing arm. This is especially so with companies selling into today’s retail sector. Barker has taken its first step in this direction.

Notes

1 This data is from Clothier (1994).
2 The trustees owned two thirds of the shares representing, as it were, the next generation of the family.
3 In particular the Barkerflex range.
4 The figures refer to operating profits or losses before taxation.
5 Please see appendix for profiles of these groupings.
6 See Barker (1997), page 19.
7 See appendix for the details here.
8 One shop is close to Red Square and the other is in the prestigious Irish House Department Store.
9 The figures relate to the first week in October 1997. The original forecast for MTOs was 20 per cent. As a result, the higher than expected figure put considerable pressure on production.
10 Calculated by multiplying 973 style lines by the 12 available sizes.
11 From 2,600 to 4,200 pairs per week.
12 The Knitwear, Footwear and Allied Trades Union.
13 Cut-to-box means all the operations from cutting to the boxing of the finished shoes.
14 Exports came under Lance Clark because he was multi-lingual and had a lot of international contacts.
15 Barkerwelt and Featherstitched, Casuals, Dress cemented, Kid shoes, Moccasins, Traditionals, and Traditionals with double soles or casuals.
16 Casuals, Dress calf, Dress kid, Moccasins, Traditionals — double soles, casuals and modern, and Traditionals.
17 Barkerflex, Designer, Dress, Gore-Tex, Heritage, Internationals, Moccasin, Professional and Traditional.
18 The different varieties of Traditional were a particularly awkward grouping.
This catalogue offered 11 Designer, 25 Heritage, 16 International and 6 Professional styles in different colours and sizes. There were an extra 3 styles over the previous catalogue total of 55.

Minutes of 12 December 1996.

See appendix for the consumer profiles and key success factors.

I had to get to the bottom of this vision and mission issue, as I knew companies that had such statements but no one seemed to pay much attention to them. Therefore, at one of my many meetings with Martin I queried him closely on the issue. He eventually cut loose on the topic and said in clear terms that they were fundamental to the company. Martin had become strongly attached to the well-being of Barker and the vision and mission statements embodied for him the meaning of Barker.

Introduction

In western society the state's intervention in private enterprise is littered with argument, good intention, mistakes and some success. When the topic is debated, it attracts strongly divergent views. Some of these opinions are ideological, others reflect special interests and some reflect a misunderstanding of the nature of state intervention. The debates can also provide fodder for media editors who relish nothing better than a good row.

Now that socialism has lost its vigour, the animosity within the debate has been softened somewhat. However, the divergence of interests still exists. In addition, the difference in style and perspective between the state and the private sector still persists.

This chapter deals with how a state body has helped to improve the internal organisation and work skills of a traditional manufacturing company. State assistance comes in various guises. First, there is the stand-off support provided through tax breaks or finance for equipment purchase. There is also support for such factors as company training or research and development (R&D) work. Finally, there is the more involved activity of assisting im-
provements in a company's work organisation and the skill base that supports this.

The organisation of its work routines and processes is at the heart of any business. Buying a piece of equipment or a computer course is not at all as crucial as changing the basic work methods of a business. How people work, whether they do it on their own, under supervision or in teams are fundamental components of any company. Tinkering about with these is not recommended unless one has a deep understanding of the organisation.

In recent times, certain governments have begun supporting this type of activity. The approach assumes that you cannot just throw tax breaks, training grants or R&D projects at companies, useful as these may be. Weak companies often have a greater need to strengthen their work organisation and the skill base on which it lies.

We will study the Irish company Dubarry and how the state supported the development of its work organisation. It is the only case in this book that deals with state aid for organisational change. State involvement in Ireland has never been significantly influenced by ideological factors. Rather, it has reflected a mixture of pragmatism and opinion on what is best for the economy.

Background
Dubarry is situated in Ballinasloe, a medium-sized town in the west of Ireland. Before World War II, the local chamber of commerce became involved in trying to create employment in the region. As a result, Dubarry was set up in 1937. Ireland, at the time, lacked indigenous footwear expertise. Consequently, the local chamber set about finding new management skills.

A small number of experienced people were enticed over from Leicester, England, to visit the company. One of these, Jim Scott, took the company over in 1938. The Scott family ran the business until 1983 when there was a management buyout by the company's cost accountant and design manager. The company at that time was essentially a traditional production-led business. It then went through several phases.

Youth and Energy
Initially, there was the "youth and energy" phase as the two young directors introduced a new management style and culture. First, a layer of management previously held by shareholders or others connected to them was bought out and not replaced. Second, efforts were made to harness the company's skills and knowledge by promotion from within. In one case, for example, the managing director heard that a shop steward had criticised his handling of an industrial dispute. As a result, he called him into his office and after some discussion offered him the personnel manager's job. That was in 1984.

Other senior people were also promoted from within. For example, a design manager was promoted in 1987 and a new production manager in 1990. In addition, all of the current supervisors come from the factory floor.

In 1986, the National Development Corporation, the then state agency for developing Irish industry through investment, took a 39 per cent equity share in Dubarry. At that time, the company was located in an old building unsuited to modern manufacturing. It had to find new premises.

In 1988, it relocated to a new building just outside the town. This move was linked to a determined effort to grow and expand the business. The company then employed 147 people. They purchased a new state-of-the-art CAD system. The company up to then had produced moccasins. The following year it introduced another production method to provide itself with an alternative construction.

Market Needs
In the early 1990s, the second phase began. At that time the company was in effect being run by two accountants and the produc-
tion people. Now Dubarry became aware of the need to move from being production-driven to becoming more focused on market needs. The company moved from a position where it was providing its products with some small marketing support to where its production system became much more strongly led by market needs.

The first significant move in this direction was the 1992 arrival of a professor of marketing as a non-executive director. This strengthened the board’s expertise and led to the appointment of a marketing manager in the same year. The manager became responsible for the sales force and for strengthening the marketing function in the company. Another development at the time was the short-term use of marketing graduates who brought new skills and energy to the area. This was supported by an EU mechanism provided through the state agency in charge of training, FÁS — The Training and Employment Authority.

Work Organisation

The third phase began in 1992. The company became more aware of the need to develop and improve its internal operations. In the middle of that year it had a technology audit done by the relevant state agency. This highlighted the need for a documented quality system. In November of that year, a Quality Co-ordinator was appointed and the company began to work towards developing a quality system. Two years later, it achieved ISO 9001.

In 1995, a small group visited K Shoes in England to look at their modular manufacturing system. At that time there was a lot of interest in using teams to improve production. As a result, Dubarry decided to look at one of the best known examples in that part of Europe.

K Shoes started using production teams in 1991. The company had suffered a dramatic drop in its workforce and was not making profits. In addition, it felt it could not compete with cheap imports. It therefore decided to make some drastic changes to improve product quality and strengthen the business. As a result, it began introducing teams.

K found that using teams improved job satisfaction and reduced absenteeism. However, they discovered that it was not all plain sailing. The first module made a substantial loss in its initial year. The situation improved each year until they were at or near break-even when Dubarry arrived in 1995. Despite the difficulties K’s had experienced, Dubarry was sufficiently impressed to begin introducing teams in the closing room.

Early in 1996, Dubarry took another step towards improving its internal operation by deciding to implement World Class Manufacturing (WCM). During the year, they had meetings with Forbairt, seeking their support for its introduction. Forbairt, set up in 1994, was the state agency in charge of developing indigenous industry. Its work was taken over by Enterprise Ireland in July 1998.

In January 1997, Dubarry was informed they would receive state support to introduce WCM over a one-and-a-half to two-year period. Before we consider the WCM details, let us put things in context by looking at a profile of the company.

Profile

We shall look at the company in terms of turnover, production, profits and employment. First, we look at turnover since 1991.

Error parsing image
The diagram above shows the turnover for Dubarry and Glentawn. The latter was set up in 1981 as the sales wing of the company. Today it acts as a footwear wholesaler, selling both the factory products and bought-in products. Over the last two to three years, Dubarry has contributed about 80 per cent of turnover and the bought-in products the rest.

Turnover increased up to 1994 and then dipped to 1996 reflecting difficulties the company faced. Since then it has increased. We next look at production.

**Production (Pairs)**

![Production Graph]

The production figures are important because of the fact that the turnover includes bought-in products. Production has increased by almost 28 per cent since 1991, indicating that the factory continues to expand its output.

The profit and loss situation provides the most significant indication of company fortunes during the period.

**Profits/Losses (IRE thousands)**

![Profits/Losses Graph]

* Estimate.

Overall employment has increased steadily since the start of the 1990s. This increase has been slightly over 8 per cent. Of these four measures, profit and loss reflects the most severe variation and employment the most benign.

In 1986, the company employed 147 people. During the following 11 years, employment increased by 46 per cent. This is a significant increase when we consider that in the same period EU footwear employment fell by 28 per cent and Irish by 60 per cent.

We now look at how the company is organised.

**Organisation**

Dubarry is a private limited company. The managing director owns 51 per cent, the state agency, Enterprise Ireland, 39 per cent and the financial director the rest. It has a hierarchical structure with clearly defined lines of communication and authority. A board of directors supports the managing director, who led the 1983 management buyout. This includes the directors of finance,
marketing and personnel/quality. The non-executive director, the professor of marketing, represents Enterprise Ireland. Along with the directors is a team of managers covering production, materials, and design.

The following diagram shows the different departments and the reporting structures.

**Organisational Structure**

![Organisational Structure Diagram]

The financial director looks after accounts, data processing and sales administration. He is also responsible for the purchasing and warehousing of bought-in shoes and the industrial engineering or work study area. This latter area impacts directly on wage rates for production operatives.

The personnel director looks after recruitment, industrial relations, quality assurance and training. He also takes care of the building services and reception area. The production manager is responsible for the manufacturing and maintenance area.

The marketing director deals with the sales staff and agents in Ireland, the UK and abroad. He also is responsible for selling and marketing for Glentawn, Dubarry's sister company, which imports and distributes bought-in shoes. He has two graduate assistants.

The materials manager deals with materials planning and production scheduling. Finally, there is design and product engineering, which the design manager heads up. The new design process is considered in detail in the diagnosis below. I briefly outline it here.

There are two ranges per year, spring/summer and autumn/winter. The marketing area observes market trends and provides a range brief. This identifies what is selling well and what the market is saying about the various designs on offer. It then makes suggestions for the coming season.

Following this, the design area makes a number of prototypes. These are either new styles or modifications of current ones. Then a number of meetings are held with marketing and engineering and amendments are made until agreement is reached. The samples are then produced and distributed to the shops. Following the market's reaction and a minimum order, the company produces the new range.

**Production**

The following diagram shows the factory workflow.

**Factory Workflow**

![Factory Workflow Diagram]
The storage and production departments operate as follows:

- **Central Stores:** This holds leather and components. The normal production batch is 50 pairs. Leather is stacked in batch rolls and attached to each roll is the ticket, which shows the production specifications for each batch. There are four people working in this section.

- **Clicking:** Here 15 leather cutters or clickers cut the leather for the shoe uppers. High-powered presses containing shaped knives do the cutting. As in most companies, this is one of the most skilled operations in the factory. The cut pieces are then assembled and taken to the preparation area.

- **Preparation:** Here six workers stamp the number and size of each shoe onto the leather uppers and emboss it with, for example, the brand insignia. The leather is also marked to identify where the pieces are to be stitched or put together.

- **Closing:** Sixty machinists stitch the leather parts together. Here the leather is skived or taken down to ensure a smooth overlap between the different pieces. Most of the remaining work is assembly-type work, which varies according to the shoe being made. In addition, certain components such as linings, toe puffs and stiffeners are added here. Following this, the cement-last uprights go directly to moulding, whereas the moccasins go to hand stitching.

- **Hand Stitching:** Dubarry has a pool of between 150 and 200 stitchers who work from their homes. Some of these are in the locality but others are further afield. About ten per cent of the work is done by eight to ten inmates in Mountjoy Jail in Dublin. These are paid the same rates as the home workers and are usually medium-term inmates. This arrangement has been in place since May 1997.

- **Moulding:** The finished upper is moulded to give the shoe its required shape. For the moccasin, there is both forepart and backpart moulding. The cement-lasted shoe only requires the latter. There are five employees in this section.

- **Press:** This area prepares the soles and insoles. First, seven employees treat and clean the soles. After drying, these are then coated with adhesive in preparation for the next stage. At this stage also the insoles are cut and moulded into shape.

- **Lasting and Making:** Next the uppers and soles are brought together on what Dubarry call the Duorail transporter. There are two sides to the Duorail. One is for ladies’ and the other is for men’s shoes and each of these forms a separate team. Here, the insole is attached to the last. The last is a wooden or synthetic mould, which takes the shape of the inside of the shoe. Next the upper is pulled on to the last. This is called lasting. The bottom of the upper is then roughed and cemented. The bottom is then forced dried. Finally, the cement on the sole and bottom of the upper is activated and the two components are attached together using high-pressure equipment. There are sixteen employees in this section.

- **Finishing:** There are fourteen employees involved in finishing the shoe. This includes such operations as cleaning, lacing and boxing. From here, the shoes go to the goods warehouse and are ready for delivery.

Technically, Dubarry produces two different products: moccasins and cement-lasted shoes. There are, therefore, two primary manufacturing routes — hand stitching or cement lasting. The five main manufacturing steps in production are clicking, closing, moulding or hand stitching, Duorail and finishing.
Teams
Up to the introduction of World Class Manufacturing, the only areas involving significant teamwork were the Duorail and closing.

There have been two teams on the Duorail since 1988. Before then, each person worked for their own wage and on their own specific area. Now there is a value based on work study for the full group to which the group effort contributes.

Prior to the middle of 1997, however, workers still had a dedicated machine. In addition, the supervisor had to identify and solve bottlenecks by moving workers about. He was, therefore, doing things that in a genuine team would be done by the workers themselves. The team existence up to that date, therefore, related mainly to the group wage.

Since then, workers have not had a dedicated machine and when a bottleneck arises, they clear the problem themselves. They have also become multi-functional within the area. The supervisor now controls the flow of work into and out of the department. He also looks after the quality and the production process.

Following the K Shoes visit, teams were introduced into the closing area. Closing was originally an assembly-line operation. However, this caused various problems. First, bottlenecks occurred. Second, when someone was absent it took time to find a suitable replacement. Third, there were problems with product quality and work flexibility.

The first team was introduced in summer 1996. This was followed that autumn and early 1997 by the introduction of two extra modules. By mid-1997, three extra modules had been introduced under the WCM process.

Today, closing has six modules, each with five employees. The remaining operatives work on the traditional assembly line.

The next diagram indicates the situation.

As we can see, the fourth, fifth and sixth modules were introduced in the early part of the WCM process. In K Shoes, a clicker was attached to each module. This is not the case in Dubarry, as they still remain in the clicking area.

These modules have brought certain advantages. First, they improved work flexibility. Second, labour productivity and product quality have improved.

They have also brought certain requirements. First, they have created the need for new types of learning. As a result, operative training has been an important part of the process. Second, they resulted in the need for machinery changes, which required extra resources. Third, they took time to plan and implement.

Finally, running a team and an assembly system in the same area creates problems of fit and match. When they started using modules, they had to stop the moving assembly line. As a result, they now have to use one full-time operative to move materials from person to person. The closing room is therefore a hybrid made up of a team and an assembly area.

We now look at the meaning of World Class Manufacturing and then we look at the Dubarry project.
World Class Manufacturing

WCM is a means of strengthening the operations of a company. It develops the organisation so that costs, quality and sales are improved. There are a number of similar approaches, such as business process re-engineering, lean production, and learning companies. One of the important links between these is that they developed partly out of the West’s experience of Japanese manufacturing.

In recent times, quality, speed and efficiency of supply have become increasingly important. Although price still remains important, it is no longer a standalone advantage. Among the first to notice this change in Ireland were those supplying multinational electronics firms. Then the pressure spread to other sectors. The market for most industrial products now demands the following:

- Product variety and smaller quantities;
- Frequent deliveries and shorter lead time;
- Improved quality and price reductions.

Traditional manufacturing has a number of weaknesses. First, it tends to hold excessive stocks. Second, work-in-progress tends to be greater than necessary and it tends to have long production lead times. Finally, quality can be weak. WCM companies use methods that confront these problems directly.

**Explanation**

WCM is the structured implementation of a range of techniques such as Just-in-Time (JIT) and Total Quality Control. These help to achieve a substantial improvement in operational performance and a state of continuous improvement. WCM requires a high degree of employee involvement.

The JIT technique changes production from the traditional batch for stock set-up to a situation where the product is made just before it is required. This reduces stock costs. More importantly, it exposes some of the inefficiencies that are disguised by a high stock regime. The main JIT techniques are as follows. First, there is set-up time reduction. Second, the production process is changed to either a continuous flow system or to modular manufacturing.

Under modular manufacturing, teams carry out all the activities for completing a product and their members are normally multi-skilled and work with minimum supervision. In addition, many of the previously off-line activities, such as maintenance and quality, become embedded in the team’s activities.

Total quality control means introducing a right-first-time system. This leads to a process of continuous improvement towards an error-free state. This change is encouraged by moving responsibility for quality from quality specialists to floor operatives. This uses techniques such as Statistical Process Control and Total Productive Maintenance.

WCM requires the effective involvement of all workers. This is essential because without everyone’s full participation the necessary changes cannot be made. Also, workers are often the main source of suggestions for improvement. Workers will need to become multi-skilled problem-solvers and be able to job rotate. The supervisor’s role will also change to facilitating and motivating rather than instructing and requesting.

WCM requires significant training for operatives and supervisors to help them prepare for their new roles and activities. Furthermore, since a major part of the process is to improve continuously, staff needs to be helped develop the facility to learn continually on the job.

Finally, as an integral part of effective production, WCM aims to cut waste of all kinds, but especially of materials and time.

**Support**

Enterprise Ireland uses a number of criteria to select companies for WCM support. First they consider their ability to undertake
the sophisticated WCM process. Second, companies must have a clearly identifiable need, such as customer demand, complex business, weak productivity and so on. Third, the conditions in their sector, such as pressure from imports, are taken into account. In the case of a small company, a less intense programme may be more suitable, such as a technology audit. Dubarry, as we saw, already went through this process in 1992.

Enterprise Ireland had originally encouraged Dubarry to consider the WCM programme. In February 1996, the company contacted them and indicated their interest in applying. Following this, Kevin Kavanagh, in charge of WCM, visited the company twice. This was followed by a further visit from their client executive for the footwear sector. The company then received the informal go-ahead and went looking at the consultancy market.

Enterprise Ireland does not carry out the WCM process. Rather, they provide financial support for the consultants who help companies introduce the process.

Dubarry decided on a consultancy company called CBSI, which already had WCM experience. Following this decision, CBSI visited the company for a one-day assessment. This provided the basis of the formal WCM proposal, which was approved on 14 February 1997.

*Phases*

Enterprise Ireland supports WCM in two phases. First is the preparation and pilot project phase. Here the company sets up the structures for managing and implementing the process. It also does a diagnosis of company operations. It then prepares an implementation plan and introduces some pilot projects.

Next comes the main phase. Here a detailed plan is prepared. This is followed by the implementation of several WCM improvement projects. During this phase, progress audits are carried out and, at the end of the phase, there is a final audit and report.

2. *Dubarry, Ireland*

In most cases, there is a significant amount of preparation and training required by all those involved in the process.

Enterprise Ireland provides 50 per cent support for the following costs, which are detailed in the appendix.

- The costs of the consultants and the company's own internal WCM project manager. In Dubarry's case, Michael Larkin, the finance director, is the project manager and CBSI are the external consultants.
- The WCM process must become embedded in all areas of the organisation and this requires significant employee involvement. Therefore, support is provided for the critically important staff training that underpins the process.
- Relevant equipment costs may also be assisted.

*WCM in Dubarry*

WCM is not for the fainthearted or the unprepared. As we saw, Dubarry had already passed a number of milestones.

*Background*

First, there was the technology audit in 1992 and then the ISO 9001 standard in 1994. Since the achievement of ISO 9001, Dubarry has become familiar with outsiders investigating their work processes and testing their progress.

The ISO experience heightened quality awareness and made the work operations more visible. However, many felt they had not reaped the full benefits of this process. Although gaining accreditation to the standard had encouraged them to inspect work processes, it did not facilitate the necessary improvements. The company became involved in the WCM process partly to resolve this weakness. They felt WCM would provide the skills necessary to improve the work system, which the ISO process had only begun to reveal.
They were also concerned with the high stocks and work-in-progress, the lack of multi-skilling and job rotation ability, the weakness in problem-solving and the lack of empowerment. For example, although problem-solving is an integral part of teamwork and there were several teams in production, problem-solving was left to supervisors and managers.

Finally, the leadership style at Dubarry was ready for development. The normal distinction between autocratic and democratic is not of much benefit in categorising the reality. To clarify, we give two examples. First, the managing director and personnel director used to meet each department three or four times a year to brief them. This would last less than an hour and took place in the boardroom or canteen, depending on the size of department. The briefing covered company developments and plans. For example, staff would be informed of the order situation, potential contracts and new developments. Following this, there would be a question-and-answer session.

Second, managers and supervisors dealt mostly with individuals rather than teams. Even the Duorail supervisor dealt with individuals in spite of the group structure.

Today, in the more empowered culture of Dubarry, more information flows from operatives to managers than ever before. Workers now provide a greater amount of information and have a wider perspective on their work and the operation of the company.

Preparation

The WCM process was introduced in two phases. The first phase ran from February to December 1997 and the second phase from January to December 1998.

This was composed of the following. First there were the early training workshops. These consisted of a one-day management workshop, held on the 19 February, and a two-day supervisors' workshop later that week. The workshops explained and discussed the new Dubarry vision statement. It also discussed general manufacturing problems in companies to put the Dubarry experience in context. Finally, it explained manufacturing excellence. This helped to clarify the goals of the process for everyone.

Management was behind the process. Now they needed to get everyone else on board. Therefore, over the following three months a management-union agreement was formulated. This was to underpin the change process necessary to introducing WCM successfully.

Union Agreement

At the outset, the managing director and personnel director gave staff briefings on the WCM process. These took place in the canteen and were given to the office, clicking, closing, Duorail and finishing groups. The other workers were absorbed into these five groups.

In addition, the personnel director, Sean Hurley, met regularly with the shop stewards, the local union official and a specialist from union headquarters in Dublin. These meetings occurred almost weekly and they allowed staff to express their concerns about the plans. The trade union contributed two key personnel to these negotiations. The interesting thing here was that one might have expected just the local official to hold the union side. However, the specialist from the Dublin headquarters had experience in the area and made an important contribution to the discussions on technical matters.

It is interesting to note how this case reflects the changing approach by trade unions to their role. Originally such an official line-up would only have been expected for serious wage, employment, conditions or redundancy negotiations. Now unions are becoming more proactive on major organisational changes. In Ireland, the engagement with such issues was heralded with two trade union publications, one in 1993 and the other in 1997.
One of the main worries expressed during the meetings was the possibility of staff layoffs. Sean Hurley always responded by stating that the WCM process would strengthen the company and thereby copperfasten jobs.

These discussions also threw up other issues, some of which were not directly related to the topic. For example, payments for shop steward meetings and the sick pay scheme, both of which had been ongoing, resurfaced. At the end of the negotiations, there were still six to seven unresolved issues. As a result, it was decided to bring in a Labour Relations Commissioner, who is an officer of the statutory Labour Court. The Commissioner visited the company three to four times and succeeded in getting a number of the items resolved.

The remaining issues then went to a full hearing of the Labour Court, which made recommendations. Full agreement was then reached and this was documented and lodged with the Labour Court in June 1997. As part of the agreement, the company confirmed that there would be no staff layoffs as a result of the process. In addition, a partnership forum was set up to monitor developments. This contained two company and four trade union representatives.

Now that the concerns of staff had been dealt with, and a formal agreement arrived at, a detailed review of the Dubarry operations was carried out.

**Diagnosis**

The diagnosis examined the company's operation, identified where improvements were needed and made recommendations for change. To study Dubarry, three CBSI consultants visited the company seven times in all from the end of June to the middle of August 1997. The company was again broken into the five groups of office, clicking, closing, Duorail and finishing.

The consultants first briefed these five groups on the WCM process for approximately one hour each in the canteen. They then discussed it at length with the shop stewards' group. Following this, the consultants were given a full briefing by each individual supervisor on the work processes in their area. During this process, CBSI answered questions as they arose.

Then they visited the individual departments so as to form a full picture of the company's operation. As part of this process, the consultants used flow charts to represent the operation from customer enquiry to order delivery. As the discussions developed, they charted the activities of the different work areas. This was a learning exercise, not just for the consultants, but also for the workforce. The uncovering of the detailed workflow helped identify operational weaknesses in the system.

Following this, the consultants submitted the Diagnostic Report early in October. This provided important information on the state of the company prior to the WCM change process. This material normally remains confidential and its availability here reflects the company's maturity and indicates its determination to resolve its difficulties. For those who are worried about their organisation, the frank and full identification of the problems is the critical first step in any improvement process.

**Challenges**

We summarise the principal challenges identified by the diagnosis. We review them under the main work areas and issues.

**Introducing a New Style.** Difficulties arose when new style samples were introduced to manufacturing. These were fitted into the regular production cycle when possible. The procedure was rather informal in that either the production supervisor or the design engineer carried out the new trials.

The alternation between these two staff members was not a problem, as it provided flexibility. However, the process itself was flawed, since no records were kept of the difficulties encountered.
When the samples, therefore, were eventually turned into volume orders, the production problems still had to be ironed out.

**Production.** Each of the five main production steps had different volume capacities. This caused difficulties. First, work was sometimes issued just to keep people busy and temporary layoffs sometimes became necessary in clicking. In addition, excessive work-in-progress (WIP) stock built up at various stages of production.

As a result, supervisors had to spend time not only maintaining the workflow but also chasing after the catch-up work caused by the unevenness of the production flow. Lead times were excessive, at an average of five weeks. This was caused by a number of factors, including material shortages. However, the main cause was the inefficient production process.

There were also significant difficulties in hand stitching. These caused large WIP stock, late deliveries and poor quality. Another problem was the high level of excess or obsolete material. It was calculated that about 30 per cent of both the raw material and finished goods were either obsolete or slow moving. Finally, there was an excessive amount of paperwork controlling the material flow through production.

As we saw earlier, the normal batch size was 50 pairs. The diagnosis found that this caused stock build-ups throughout production but particularly at the end in finishing. At one point, the build-up here led to shoes being temporarily boxed for storage due to rack shortages. They were then unboxed for finishing, after which they were boxed for sale.

**Quality.** Under the ISO system, quality data was provided on a weekly and monthly basis. However, this data mainly fulfilled a reporting rather than a quality improvement function.

The diagnosis found that poor quality was a major drain on company profits, reducing them by roughly 40 per cent of the 1997 figure. This figure related to high scrap and rework costs, not to additional and unnecessary work, such as that mentioned above at the end of the finishing process. Neither did it include substandard product, which was then twice that year’s budget level.

Quality was then viewed as an inspection activity. “Poor quality” was seen as the defective product or part, rather than the work system itself. No real effort was made to identify and resolve the quality problems that arose. Each problem was dealt with as an isolated event rather than something that reflected difficulties in the overall production process. As a result, over 60 per cent of the supervisor’s time was spent dealing with the high level of defects and rework that occurred.

**Skill Levels.** Apart from a few exceptions, all managerial and supervisory staff have been appointed from within. This created loyalty and encouraged staff commitment. However, because of resource constraints, a suitable training and development budget did not adequately back this in-company promotion system. In addition, the training budget had, as in many other companies, suffered most in difficult times.

This situation produced a management team that needed significant updating and reskilling. There were skill deficiencies in areas such as decision-making, team-working, problem-solving, goal setting and communication. There were also significant skill weaknesses among production supervisors.

However, even before the WCM process began in February 1997, certain improvements had already begun. The 1997 budget, for example, had set aside resources for supervisor, work study and union representative training. This was an improvement on the previous year’s budget, which was mainly used to train two designers in Portugal.
Other Problems. The report referred to the lack of teamwork, to a one-way communication system and to the over-centralisation of decision-making at higher levels. This was reflected in a “them and us” mentality. Dubarry is quite normal in this context. Many organisations, not just in traditional manufacturing, have exhibited this sort of culture.

Training is not of itself sufficient to change such things. This is partly because there are political factors involved. A “them and us” mentality can also be found in many other organisations in both the private and public sectors. This characteristic can even be found in some of our learning institutes, where management theory is the teaching order of the day.

This means that although training is a necessary condition of change, it is not a sufficient one. The real change had already, to some extent, been made. Dubarry and its management had shown, by allowing company weaknesses to be brought to the surface and discussed within the organisation, that it really was willing to change. It has shown more, however. Not many companies would provide the diagnostic report for our benefit. These reports are normally kept safely within the walls of a company. Dubarry also knows that the difficulties it faced back in 1997 are still common in many organisations today.

Dubarry has now progressed beyond the maturity needed to do an internal diagnosis. Even some high level learning institutes with management theory on their door would be cautious to diagnose their difficulties. How many such institutes would then have the self-confidence to have the information therein discussed in public?

In the world of competitive industry, the best have allowed their difficulties to be researched and reported. This comes from a determination to confront their difficulties and reflects a maturity that is essential to their growth and development. These companies are not afraid of their problems. However, such fear is part of the cause of many unsuccessful organisations.

Proposals

The diagnosis showed that the modules already in place by the middle of 1997 had helped to improve things. The report advised that modular manufacturing be introduced to all areas in production. This would improve production by rapidly reducing lead times, improving quality and stock management and reducing rejects and rework. Finally, it argued, it would simplify the paperwork and reporting procedures.

The report advised that the role of supervisors be expanded to increase their autonomy and accountability. It suggested that this role should include responsibility for efficiency, output, quality, safety, housekeeping and worker morale. In addition, it advised that the hand-stitching problems be dealt with and paperwork be minimised.

Regarding quality, the report recommended the creation of a problem-solving environment so powerful that unresolved difficulties created an immediate emergency. Such an environment, built on modular production, would force each error and its underlying cause to be rectified at once. In addition, it suggested that specific quality targets be defined for each area and actual results be measured on a daily basis.

As part of the change, quality accountability should be specifically assigned and the targets and corrective actions should be visibly displayed in each area. Finally, the quality department should move away from its old reactive role of gathering and checking information to a more proactive role. In this context, it should help to set quality levels and facilitate problem-solving and improvement initiatives to ensure quality continually improves.

Regarding the skill deficiencies, they recommended that a training and development plan be implemented.
Response
How did Dubarry respond? It first brought its problems to the surface and analysed them through the diagnostic process. Now we look at what happened next.

Dubarry has set out on a journey of self-improvement and that is something we cannot wait to report on here. We therefore cover the main developments to date. The process that WCM involves ensures that progress will continue long after this is written. Someone five years on may be interested to look back at Dubarry to give us a fuller report on the outcome.

Project Teams
First, an overall steering team was set up to ensure the full implementation of the proposals. This was headed by the financial director and included the managing director and the marketing director. The fact that it was headed by finance indicates the bottom line in the process. The status of this team reflected the significance of the project to the company and its determination to see it implemented.

Following this, seven teams were picked to work on the different issues. These are listed below.

- **New Style Team.** This dealt with how new styles are brought to the market. It contained six members from five different departments and was led by a designer. The engineering area was included to ensure the most efficient manufacturing steps were chosen. Planning, quality and production were also included because of their importance to the topic. It looked at all the stages in the process running from the concept to bulk production and product updates. Since the team was set up it has reviewed the old system and designed a new one. This system was then tested in the autumn/winter range of 1998.

- **Production Process.** This contained three members from two departments: production and industrial engineering. It focused on reducing lead times from five weeks to two. It also worked to introduce a new production process layout by the end of 1998. This layout took into account the new WCM processes and the related modules. Its aim was to make significant reductions in production costs.

- **Material Flow.** This group concentrated on developing a minimum stock system that ensured materials were available when required. It contained four members and was headed by the purchasing manager. The group had a member each from production, design and administration. In another sector, the possible limit of such a group’s work would be to introduce a Just-in-Time system. This would provide a stock system which would supply materials when needed and not before. However, we must remember the sector that Dubarry operates within. Leather uppers and soles are the main inputs and Ireland is a peripheral footwear producer without a supplier of either component. Therefore, unless it can convince its main suppliers to move next door — most unlikely — it will still be unable to get stock delivery lead times down to the level possible with a local supplier.

- **Quality Improvement.** This group focused on reducing rework and returns, and improving component specification and vendor appraisal. It aimed to create a problem-solving environment with specific targets set for each area. These would be measured regularly and accountability would be transparent. It contained six members and was drawn from quality, design, materials management, production and marketing.

- **Housekeeping.** This worked on producing a housekeeping measurement system and improving standards throughout the company. It was headed up by the stores supervisor and contained six members from four different areas.
- **Hand Stitching.** Because of the difficulties with this operation, a special group was set up. Their main goal was to increase capacity by 60 per cent by the end of 1998. In addition, it aimed to reduce lead time and non-completion. The personnel director headed this group and it contained one person each from quality, production and industrial engineering.

- **New Style Bought-in.** This group was not part of the WCM process. However, we refer to it because it has implications for overall developments. It focused on improving the efficiency of bought-in shoes by Glentawn. It also aimed to create a smooth linkage with the manufacturing operation. This area can be viewed as a competitor or a complement to the factory — a competitor, in the sense that bought-in shoes can replace factory ones. It can also help the factory. First, it extends the product range and thereby strengthens overall sales. Second, it can provide flexibility when there is a sudden variation in demand. Finally, it can test the market for new products that can, in certain circumstances, be made in-house.

**Commentary**

The six WCM project teams met weekly and had a review meeting with the steering team once a month. At that meeting, they had to report on how they have matched their team targets.

At the outset, all of the WCM teams and their 28 members were trained in project work, problem-solving and teamwork. The weekly meetings and the related work slowly but surely changed the organisational nature of the company. The steering team was not in itself a new phenomenon, as it contained the members of the company executive. However, its existence at the top of the WCM process gave the project the confidence needed. There is evidence to indicate that strong management support is an essential requirement of a successful WCM project.

During its introduction, WCM can migrate from being a mechanism for company improvement to being an end in itself, from being a tool to being an all-absorbing process. As a result, some commentators have argued that what is first required is a strategy that specifies the type of competitive advantage a company needs and then articulates how this is to be achieved.

Sometimes one wonders about the large emphasis by management theory on the importance of strategy. Dubarry very clearly treated WCM as a means and the steering group is focused on improving the operational processes. However, as in all such changes, the company has had to avoid being swamped with the detail of the process and concentrate on the overriding goal.

In contrast to the steering group, the six WCM teams were new. They created completely new organisational linkages and strengthened collaborative structures that had previously been weak or non-existent. The composition and focus of the teams was important. The new style, material and production groups reflected the efforts to deal with the work process from beginning to end. These three teams reflected a fundamentally different approach to a departmental approach. The quality and housekeeping teams focused on the underpinning supports of the process.

The hand-stitching team, on the other hand, dealt with an operation that was significantly outside the company control but had an important bearing on its efficiency.

The company was now changing. Before the WCM project, each of the 28 team members had, for the most part, a role within a particular department. Now they held additional responsibilities which went beyond their department and impinged on other areas of the company. As the groups grew in confidence and ability, they created political habitats that provided their own perspective and rationale and acted as a counter-pull to departmental influence.

At the core of the department was the specialised worker. Prior to this, the formal company thread ran from managing director to
executive director to department and then to individuals. The few modules that existed created a phenomenon that was as much a curiosity as anything else. Six relatively powerful planning teams now added to the team experience within Dubarry. Where before, many of their members rarely met senior management, they worked with them now on a monthly basis. The teams provided an additional fulcrum for expertise and perspective.

As their knowledge and experience grows, they strengthen cross-departmental links and perspectives. This becomes possible because of a new and more broadly based conceptualisation that provides a necessary skill base to the effective implementation of modules.

Outcome

All in all, despite some difficulties, the project so far has proved a success. This does not mean that all targets were met. However, Dubarry was a changed organisation at the end of 1998 from what it was two years earlier.

That Dubarry has successfully reached the last part of the WCM project has been a result of two factors. First, its continual effort to improve the work organisation since 1992, when it embarked on a technology audit. This was followed by the ISO experience, which in turn led on to the introduction of modules in the closing room. In fact, the experience of the Duorail group going back to 1988 was an important first development in the process.

Second was the support and encouragement of Forbairt, and more recently Enterprise Ireland, during these years. What is this organisation which pops up quite frequently in the Dubarry story? For the harried reader who lives outside the state sector and who often wonders what such agencies do, we briefly summarise its operation in the appendix.

The development of the WCM section within Enterprise Ireland, and previously Forbairt, is not an accident. A number of key staff have worked on this area in recent years. Apart from those working directly on the WCM area, there are also a number of other specialists working on related activities. For example, there is an EU-supported World Class business project under the same directorate. This is a pilot project to see how the mechanism can be applied to small companies by clustering them.  

Conclusion

Dubarry has begun a process of continuous improvement that will keep it busy for several years. It had already gone through significant change over the past decade. In recent years, it has focused on improving its internal operations.

The reason Dubarry is included in this volume is not because it is faultless. No company is faultless. Rather it is because it has tenaciously searched for self-improvement in the face of very difficult market circumstances. In addition, it has done this in a country where the sector it belongs to has been decimated over the last 25 years and components have to be imported from afar. Employment in the sector is now one-tenth of its level 25 years ago.

Dubarry has also survived in a world where many other sectors, especially the high-tech ones, attract attention more easily. It does not produce an exciting product. Shoes are old hat. However, Dubarry has proven that even the oldest of hats can become exciting. Today it continues to produce high quality and attractive products for its many satisfied customers.

Notes

1 The cement-lasted shoe process.
2 One was managing director and the major shareholder and the other the financial director.
3 He represented the state ownership.
4 As we see later, the marketing manager has now been replaced by a marketing director.
This included the Quality Co-ordinator, Production Manager, Work Study Manager and a key factory operative.

The information on the company is taken from an internal Dubarry (1995) report on the visit.

Data from Irish Central Statistics Office and Eurostat. The EU data is calculated from 1985 to 1997.

A module, within the meaning of the Dubarry WCM project, is a team that has been cross-trained so that each member can work at the other members’ jobs. The team members are trained in problem-solving and the module is supported by an effective production layout. Its performance is measured for such things as efficiency, quality, throughput, housekeeping and stock levels and the members of the module are committed to achieving targets. My thanks to Louis Carroll of CBSI for clarifying these points.

On WCM see, for example, Keegan (1997) and Kavanagh (1998), on lean production see Womack et al. (1990) and on learning companies, Kerins (1993). Keegan works for Enterprise Ireland and is presently involved in a world class business project.

By lead times we mean the total time from order receipt to customer delivery.

Some traditional companies have produced very high quality and long-lasting products. However, the cost of such products can be quite high.

Since Enterprise Ireland supports the Dubarry WCM project we use this agency’s view of the activity here. Therefore the material that follows benefits from Kavanagh (1998), who heads up the section.

The operatives become competent in various quality techniques.

In fact it was Enterprise Ireland’s predecessor Forbairt. For simplicity, we keep the present name, where possible, on the understanding that all events prior to mid-1998 related to Forbairt.

They also provide criteria for picking consultants, who must have change management experience.

Except in the case of poor group work, where the full team was normally dealt with.

See ICTU (1993 and 1997).

Cutting, closing, hand stitching or moulding, Duorail and finishing.

In addition, the company’s name for the project is Profit Improvement Programme and not WCM.

Of between £1,500 and £2,000 per week.
CO-OPERATION AMONG ENEMIES — A SOURCE OF ADVANTAGE

Pomarfin, Finland

Introduction

The last thing most companies want to do these days is to exchange detailed information with their competitors. There is nothing strange about this. Competitors by definition are fighting over the same bone and often it is not a very big one.

However, your competitors are probably the only people in the world who know as much about your trade as you do. Businesses today survive and excel mainly on the quality and depth of their knowledge. Critical here is the information, ideas and abilities that reside with management and supervisors. In addition, the skills, perception and knowledge embedded in the workforce is the rock upon which the company’s goods are produced and distributed. Companies, therefore, are like great or small knowledge pools fighting the daily battle for the customer’s purchase.

This chapter deals with a group of five competitors who shared some of their hidden knowledge in a way that strengthened their ability to compete. The five are small to medium-sized enterprises. Their workforces range from 23 to 175 employees. In addition to the five competitors, there were also two component producers and a local trade school in the group.
The school made the initial contact and this, along with the difficulties the industry was facing, helped create the initial bond. The companies were mostly from the same locality. When it came to developing a relationship, regular contact and meetings helped strengthen the group’s cohesion. In addition, as time went on, the shared experience of working together helped develop a group culture. We review this case through the eyes of the largest group member, Pomarfin. We tell their story first.

Background

This company is located in the village of Pomarkku in mid-west Finland. It is about two hours’ drive from Turku, the second city in Finland. The name comes from a combination of Pomar and Finland. This interesting company went through a number of stages of development.

Toivo Leppanen and his wife Kirsti founded it in 1960 in the upstairs of a small house. Shortly afterwards, they took on two staff, both of whom are still in the business. One of them is in the closing room of the Finnish factory and the other is in the Estonian plant. In the same year, they had their first child, Paivi, who today looks after administration.

At first, Toivo and his wife made shoes and then took them to the shops to try and sell them. The following year they moved to a rented room in an old schoolhouse near to the original location. In 1964, they built a small factory and added to it until it had a capacity of 700 square metres.

As business continued growing, they built a larger factory in 1970. But this again proved inadequate and the increased work needed even greater space. They extended the factory three times over the next twelve years. By 1986, the main factory had become a large rectangle of 7,000 square metres with two small buildings providing extra warehouse and garage space.

Many of today’s staff have been with the company for a number of years and were taken on by the original boss, Toivo. This man is in spirit and skill a builder of things. Not only did he mastermind the building of the original factory, but all the others as well. In those days, he was happiest when he was involved in some building project, either in the factory or at home.

(When Toivo heard some time ago that his son-in-law was building a house extension, he came while he was away, and with his friends he continued building in his absence. Building is his hobby; even when he is on holidays he builds or makes things.)

In addition to his construction skills, Toivo has been an extremely hard-working boss. Even now that he has relinquished his position to his son-in-law, Jarno Fonsen, he still puts in an incredibly long day’s work.

During my visit to the factory, I arrived at 6.00 a.m. one morning to find Toivo already there. That night at around 8.00 p.m., I dropped in to check something and found him sitting in the office relaxing after the long day’s work. For Toivo, the factory is much more than a job. He exudes an enthusiasm for the place that is almost contagious. In doing so, his single-minded attachment to the business has been a significant example to others over the years.

Pomarfin is a private limited company owned by the parents and three children. First, there is Paivi, who we met above and whose husband Jarno became managing director in 1993. Then there is Marko, who runs the Estonian plant, and finally there is Birgit, the youngest, who is the quality manager in charge of the ISO process and is a purchasing secretary.

In 1984, FinPom was set up as a linked company. Toivo and his wife were planning ahead for their three children who were the listed owners. At first, it made uppers for Pomarfin. In 1991, it began to make shoes for a large Finnish clothes company with whom it shared the design process. The clothes company then went bankrupt and FinPom ceased making shoes in 1994.

The following year, FinPom became Ten Toes, a limited company with the same three owners. Today it is a marketing company selling the Ten Toes brand. The shoes are made in the fac-
tory but with different materials and specifications to those produced under the Pomarfin label. If we classify the Pomarfin shoe as a high to middle specification product, then Ten Toes is middle range. The autumn/winter 1996 range was the first Ten Toes collection.

The start of the 1990s was a difficult period for Finnish industry generally and, in particular, for traditional sectors such as footwear. Pomarfin and its competitors faced an uncertain future. The company responded in a number of ways. Two of these form an important element of this chapter.

First, in May 1992, Pomarfin began to buy stitched uppers from a Swedish-owned company in Estonia. To ensure the product quality, one of Pomarfin's original two employees supervised the operation. The following May, Pomarfin increased its order, in spite of which the Estonian company increased its prices. As a result, Pomarfin rented its own premises and with twenty of the Estonian company’s original staff began to make the stitched uppers. In 1996, the company bought its own premises. Ten Toes owns the Estonian factory, which today employs 100 people.

In 1992, another development began. The company came together with some of its main competitors to search for common solutions to some of their problems. This dialogue led to cooperation in a number of areas, not all of which were successful. The most notable success to date has been the development of a cold retardant compound called fenomex™ which, when put into the base of a shoe, provides a cold barrier. This development is very significant for cold climate countries.

This story provides us with an important example of how vigorous competitors can find shared ways of surviving and developing. Before we consider this, however, we will look at Pomarfin, to provide both a context and background to the co-operation project.

Profile

Let us look at changes in Pomarfin’s turnover, output and employment. First, turnover since 1991. This has increased steadily since the early 1990s, except for 1992 and 1996.

Production increased from 1992/93 until the 1995/96 period when there was a slight fall off. Although the number of pairs fell, the turnover for the same period increased. The reason for this seems to be the increased use of the higher value-added Gore-Tex™ component in the shoes. In addition, the use of the higher value-added fenomex™ component also improved the value of products. Production increased slightly in the 1997/98 period.

The profits of the company have varied considerably over the last five years, as we can see in the following diagram.
In the early part of the decade, the company made relatively indifferent profits. In 1995/96, however, it made a substantial loss. In March 1996, the board received the normal financial report on the previous eight months, indicating the scale of the losses. Consequently, a decision was made to lay off 45 workers. This was equivalent to slightly under one-third of the workforce. It was a very difficult decision for the board and went against its culture and ethic. The parents, especially Toivo, were extremely unhappy with the situation. Laying off friends and relatives in and around the small village of Pomarkku was a very unpleasant task.

Following the Easter break, all employees were assembled in the factory and told that things were very difficult and a significant number of staff had to be let go. The bulk of the layoffs were to be in stitching. When employees are made redundant in Finland the unions must be involved in the negotiations. When there are more than ten staff, the negotiations must take place over at least a three-month period, unless both sides agree otherwise.

The union negotiation team contained the shop steward, who is a cutter, and three female operatives, all of whom worked in stitching. Jarno, the managing director, Kirsti, Toivo’s wife and her daughter Paivi represented the management side. Marko was also part of this team but did not spend much time in the negotiations, as he had to look after the Estonian plant. The discussions continued until July, when the final agreement was reached. The board was then informed of the outcome.

Following this, each member of the stitching staff was told their position by the company. This was a very difficult process. Each employee responded differently when told they were being let go. One, for example, told Kirsti she remembered the day her baby daughter Paivi was brought to the factory and she was so happy for her. All of them were understandably very upset.

The whole factory found this a difficult experience. However, a number of factors made it somewhat more palatable than it might otherwise have been. First, the process was a slow and careful one, with the union side having a significant impact on who went and who stayed. Skill requirements were an important factor.

However, human factors were also important. In this context, people with family responsibilities were given support by those involved in the negotiations. In one case, a union negotiator took redundancy rather than let her work colleague, who was a single parent with a small child, lose her job.

In the end, two of the three negotiators were also let go. In addition, Toivo’s and Kirsti’s sisters were both laid off. Therefore, those with close contact with the owners did not have any advantage. In addition, it was accepted that, if the layoffs had not been made, the company would have been irretrievably damaged. However, the redundancies were still a hard blow in an area that had about 20 per cent unemployment at the time.

The impact of the problem is clear from the employment data.

![Profits/Losses (FM million)](image)

![Employment](image)
Today the company employs 175 staff, 57 per cent of whom are in Estonia. The company’s total employment fell by only 6 per cent between 1992 and 1998. However, the Pomarkku headquarters has seen its staff cut by 60 per cent. By contrast, the Estonian staff has increased from zero in 1992 to 100 in 1998.

This setback was a cruel blow to the staff and their families. The economic need to relocate the work to the lower labour cost operation in Estonia was evident to all. However, this did not make it any easier for those affected. While visiting the factory, I met the shop steward to discuss the company. When we came to the redundancies, his physical demeanour changed dramatically. The memory still affected him considerably.

Following the layoffs, the company decided to invest in the remaining staff by travelling the ISO 9000 route in order to strengthen further the company’s organisation. In this context, the company’s investment in the process signalled that it was in the consolidation and growth game. In doing so, it was indicating that it wished to leave its difficult past behind.

Organisation

Pomarfin, as we saw, is a privately owned family business, which includes the main company in Finland and a production subsidiary in Estonia.

When Jarno became managing director in 1993, he was in charge of marketing. He still retains responsibility for this area and also looks after the Gore-Tex licence arrangement.

Reporting to Jarno are the heads of three areas. First there is production, headed up by Jari Jokinen, who we meet later. Next comes Paivi, Jarno’s wife, who looks after accounts and administration. Finally comes Marko, Paivi’s brother, who looks after purchasing and the Estonian plant. Pomarfin is a relatively flat organisation for a firm with two outlets and a staff of 175. The organisation chart of the company is shown below.

As we can see, the design and sales staff, along with the agents, also report directly to Jarno, the managing director.

Let us look at the various areas in the company. Because of Toivo’s reputation as a builder, I provide a sketch of the main factory building. The 7,000-square-metre factory holds all the main company activities.
On the left of the picture are housed: management; administration; design; and the shop. In the centre is production and to the right are the stores.

**Marketing**

Jarno, as we saw, also looks after marketing and sales. To give us a backdrop, here is an outline of the type of products Pomarfin makes and the market it sells in.

Pomarfin sells the Pomarfin range along with, since 1996, the Ten Toes brand. The Pomarfin products can be divided into the following groups: moccasins; women’s boots and shoes; men’s hiking and walking boots and shoes; and children’s footwear.

The diagram shows that the highest sales figure is for moccasins, which are mostly for men. The separate Ten Toes range is the next highest figure.

In the next diagram, we show the number of styles or colours necessary to produce one per cent of sales. Moccasins and Ten Toes require six styles each to provide one per cent of overall sales. These are, therefore, the most efficient groups on a sale-per-style basis. By contrast, children’s footwear and men’s walkers require a much greater variety of styles and colours to produce the same proportion of sales.

On the marketing side, Pomarfin has been involved in advertising since 1982 and was one of the first footwear companies in Scandinavia to use television as an advertising medium. It contracts out its marketing brochures and advertising designs to a specialist company.

Two salesmen report to Jarno: one covers the southern part of the country and the other covers the rest. Five agents look after the other 30 per cent of the business: one each for Sweden, Norway and the Baltic area and two in Russia.

In the domestic market, Pomarfin’s brand awareness is quite high and customers buy it for its high quality and design.
Design

There are three design staff reporting to Jarno, one each for men’s and ladies’ fashions and an assistant. They use a CAD system. Pomarfin has two seasons: autumn/winter; and spring/summer. The new collection for spring 1999 had to be ready by the middle of August 1998. Similarly, the one for autumn/winter 1999 must be ready in January.

The early decisions for the spring collection are made at the beginning of May each year. There is a formal meeting between the design team, the two salesmen, and the managing director; in the case of ladies’ shoes it also includes Paivi and her sister, Birgit. There then follows a second meeting at the end of May. There they decide what styles are retained and which need modification.

During June, all the new leathers, soles and other components become available and the design team make the necessary changes to the early prototypes. At this meeting, they decide what new materials they will use in the new collection. The final meeting for the coming spring collection takes place at the end of the June. At this, the new collection is decided. Decisions are made here on the repeat styles, the new modifications and the completely new styles.

The salesmen and agents then take the new range to the shops and take orders for the new season.

Administration

Paivi is responsible for the accounts and administration area. She also looks after the audits, tax payments and legal affairs. In addition, she looks after computer support to the company along with Jarno. She has a staff of three responsible for one of the following areas: cash and bookkeeping; invoicing; and wages and orders.

Production

Jari Jokinen is responsible for production in Pomarkku, where he heads up a staff of 63. In addition, he is the company’s link person on the co-operation project, which we look at later. He also looks after the purchase of the fenomex™ insole and the other soles and insoles from Finland. Five supervisors and a work study specialist work with Jari.

Marko Leppanen looks after the Estonian subsidiary. The only production activity in Estonia is stitching. Previously there had been up to 65 stitchers in Pomarkku, but only fourteen remain today. Marko also looks after the purchase of leathers and imported soles for the company and, along with Birgit, his sister, he looks after other purchases for the company.

Production in Pomarkku has five departments: planning; cutting; stitching or closing; lasting; and finishing. In addition, there is one maintenance man who looks after the machinery and equipment.

Planning and Cutting

The planning area deals with the pricing of the prototype shoe and production planning and work study. Like many of the staff, Heikki Nirkkonen, who is in charge of this area, has been here for more than ten years. Early on he used to stopwatch the different movements to get the correct values for each piece of work. Today, he knows most of the work-study values and only if there is a dispute about a particular job will he use a stopwatch.
All of the leather cutting or clicking is done in Pomarfin but only about 30 per cent of stitching. The remainder is done in the Estonian plant, which employs 100 people.

There are ten cutters, one of whom is female. On the basis of work study and pay rates, cutters are the most skilled workers in the company. Seven of these are upper cutters, two are leather insole and two synthetic material cutters. The cutting supervisor himself was previously an upper leather cutter.

Within cutting, the workers form a skill pyramid. Upper cutters are at the top as they do all the high skill jobs. The insole cutters are next and finally the synthetic material cutters. The cutters do not rotate within or outside the department. The only movement occurs when one of the insole cutters is out sick and upper cutters take over the work. When an upper cutter is out, the only person capable of taking over is the supervisor. The supervisor himself spends his time managing the work, ensuring a steady workload and developing cutters’ skills.

There are no teams in cutting. They work at their own machines. As elsewhere in the company, the cutters do no machine maintenance or cleaning. The maintenance person and the cleaning staff look after this.

Closing

Here there were 56 stitchers working in the Pomarkku factory at the start of 1996 along with four or five home workers. At that time, the Estonian factory had 50 workers. It was providing a lot of the stitching work together with some that was taken from elsewhere in Estonia. Many of Pomarfin’s stitchers, at that time, could only do one job. This lack of a multi-skilling facility created a significant problem. However, with the expansion of the Estonian plant, only 14 stitchers (the most skilled) remain at Pomarkku.

There are no teams in Pomarkku’s closing department today. However, most of them can now do many of the stitching jobs and they are sufficiently skilled to be able to learn additional skills quite easily. Kirsti, Toivo’s wife, is the closing supervisor and is herself a highly skilled stitcher.

Stitchers do not work in any other areas except finishing, when someone is out sick and needs to be temporarily replaced.

Lasting

All of the lasting work is done in Pomarfin. Lasting is divided into three areas with a capacity of approximately 600 shoes each. Lasting 1 does men’s boots and shoes. Lasting 2 looks after ladies’ shoes and boots and lasting 3 moccasins. The lasting staff are paid on a group basis. However, the operatives usually work in particular parts of lasting and on certain machines and, therefore, are not really multi-skilled or team-structured.

Finishing

The shoes next go to finishing. There are four groups in finishing. Group 1 takes the shoes from lasting and puts in the leather insock. The shoes then move to group 2 where they lace them, put in the inside packaging and then clean them. Group 3 sprays the shoes, after which they are sent to group 4 for coding, quality inspection and packing. The packed shoes are then sent on to stores.

The Finishing Process
Regarding the skill spread in finishing, the first three groups can each do the others' work, but no one else can do the work of group 4, which is the most skilled.

Stores/Distribution

The two members of staff in the stores do not report to anyone in particular. One of them covers goods inwards and the other goods outwards. When the production manager or other staff have queries, they call to the stores and have the issues sorted out.

The company has two trucks. One transports the material between the main factory and the Estonian subsidiary. Meanwhile, the other truck is busy picking up soles and other items.

One problem that many Scandinavian companies face is the logistical and related cost problems of distributing to such a large, low density population area. Pomarfin, for its part, uses a special transport company that distributes nearly all the products. It is only on the rare occasion of a large order that it goes to tender.

Earnings and Unionisation

All Pomarkku employees are full time and there are only two home workers. Production supervisors receive a fixed wage and are paid overtime when they work more than 80 hours a fortnight. There are little or no wage differences between the supervisors.

The production manager receives a fixed monthly salary but is not paid overtime. Operatives receive a fixed wage, equivalent to 80 per cent of their earnings, and earn the rest on productivity, based on work study. There are no special bonuses, although all employees, including management, can buy the much-sought-after Pomarfin shoes at 30 per cent discount. Workers usually buy one pair per year. There is usually a staff party at Little Christmas and sometimes one in the summer.

All production operatives are in the shoe, leather and textile union, but the company is not a closed shop. All office staff are in an administrative union and the work study person and the five supervisors are in a technical union. Finally, the production manager has his own engineers' union.

There are no staff representatives on the board of the company and no works council. Absenteeism at 2 to 3 per cent is now relatively low in Pomarfin. Prior to the development of the Estonian plant, it was 7 to 8 per cent.

Skills

Nearly all production supervisors and operatives have completed upper secondary schooling. In all cases, this was a general rather than a technical education. None of them has taken a post-education footwear course. As regards work skills, the operatives rarely move around other departments, except in the case of filling in for sickness and other emergencies. Even then, it does not always work that well, because of the lack of rotational skills and because of the way the work is organised.

The work study person has technical third-level training. The production manager has a third-level engineering degree, a small part of which covered leather and footwear. The production manager is therefore the only one with formal footwear training.

The company's key staff, including all managers, supervisors and designers are presently being trained for the ISO 9000 process. Jarno, the managing director, and Paivi, his wife, both have business studies degrees from university, where they met. University, it seems, can create both business and marriage alliances.

Co-operation Project

The major organisational development in Pomarfin is the co-operation project, in which the company has been involved since 1992. Inter-company co-operation in Western manufacturing is rather rare. This is particularly so in traditional industry.

In recent times, national governments and the European Commission have used co-operative mechanisms to improve an industry or deliver a service cost-effectively. At present there is a
many sectors, companies can find it very difficult to come together, even informally. In an interesting example, from another sector, an educational institute brought a group of competitors together to consider seeking EU funds. The institute’s project coordinator was told privately, before the meeting, that one of the companies did not wish to be identified at the meeting. These were all relatively large companies and the firm in question was one of the two largest in the sector.

The early meetings explored a large variety of topics. Readers of this book, and especially economists, might be forgiven for being suspicious that their focus was on finding ways of fixing the market. The famous eighteenth-century economist, Adam Smith, once said that traders rarely come together except to conspire against their customers and the general public. However, this was not such a group and the possibility of restrictive practices was not on the agenda.

Members

Two of the original group have since closed down. The present members are as follows:

<table>
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<th>Members of Co-operation Group</th>
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<tr>
<td><strong>Companies</strong></td>
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<tr>
<td>1. Pomarfin Oy</td>
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<td>2. Avec Shoe Ltd</td>
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<td>3. Urho Viljanmaa Oy</td>
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<td>4. Tuomi-Kenka Ky</td>
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<td>5. Kenkatehdas Leo Pajuniemi</td>
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<tr>
<td>6. Poljaexpertit Oy</td>
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<tr>
<td>7. Lenkki (owned by 1–5 above and 12 others)</td>
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</table>
Urho Viljanmaa owns Avec Shoe. Avec and Pomarfin are close competitors and compete fiercely in the marketplace. Tuomi-Kenka also competes in the ladies' shoe area, but is in a slightly higher segment than the other two.

The two component producers play an important role in the group. At present, the insole is the only item that successfully uses fenomex™. Lenkki produces the fenomex™ insoles. When the product development problems relating to the sole are sorted out, it is expected that Pohjaexpertit will produce the fenomex™ soles.

The original group was co-ordinated by the principal of the trade school. He is well known and respected in the industry and this was partly the reason for the early success of the group. He was previously managing director of a shoe company that closed down. It is today trading as Avec Shoes and is owned by Urho Viljanmaa. The trade school does not hold any legal rights to fenomex™. However, it sees its role as supporting industry and encouraging education–industry links.

**Meetings**

Meetings normally took place every month in the trade school. Some of the early minutes indicate the wide variety of topics covered. For example, one of the earlier ones discussed a variety of items.9

First, the possibility of a new CAD moulding machine for sole production. This topic did not lead anywhere, because it related only to the needs of one member. They also discussed doing work on robotics. This did not get very far, either, as one of them already had their own robotics and the others were not very interested at the time. Then they discussed the possibility of developing new production materials. This eventually led to the fenomex™ project. A fourth item on that night's agenda was the possibility of buying recyclable shoe boxes. This led to a number of discussions over the following years and may yet lead to some outcome.

A fifth item put forward that evening was to do joint work on water-jet cutting machinery. This later led to the group considering ways of setting up a jointly owned water-jet cutting company. Today this remains a live topic in the group.

The sixth item on that agenda was a joint marketing and customer information project. It focused on improving sales in Finland. This item later centred on two marketing concerns and took up a lot of time within the group. First, they tried to find ways of making products more acceptable to Kesko, the company controlling the retail sales of over 60 per cent of the Finnish footwear sector. They discussed a number of suggestions with Kesko, including the possibility of an advertisement to encourage customers to buy Finnish shoes. None of this bore fruit. They also considered how to increase sales to other domestic retailers, but this too did not lead anywhere. In spite of this, the marketing area is still an important group focus. In addition, it provided valuable group experience and helped develop and strengthen group cohesion.

It is interesting that all group members are production people; it is not surprising that their greatest success so far is in the technical area. To build co-operation among companies by using marketing people may be a bridge too far for some sectors. It is probably good fortune that the original representatives were from production.

In general, production people can, by the nature of their work or training, be more reflective and analytical. By contrast, marketing staff often have less opportunity to be so because of their work and the volatile market they may have to deal with.

Jari Jokinen from Pomarfin provided the seventh item that evening by suggesting that they look at improving computer network systems inside the companies. In later meetings, he suggested that there might be a computer network for the group and the electronic data interchange (EDI) area became a live issue as a result. Jari later produced a detailed report on the topic. This was prepared for the trade school together with a number of compa-
nies, two of whom were not group members. Both of these latter companies have since closed down. This report was part-funded by the Finnish employers' federation.

Search for funds
As time passed, the group's interest in jointly developing a new material was discussed more and more. Eventually, they decided that a material with both good heat insulation and non-slip properties would help strengthen their position in the Scandinavian market. They then decided to seek funds and were eventually advised to contact VTT, the state research centre.

The June 1993 meeting reported on a visit to VTT. According to its minutes, the group told VTT that they were ready and keen to work with them on a joint research and development project. Following encouragement from VTT, they then set about preparing the groundwork for a formal proposal.

They also contacted other footwear companies to see if they wished to join the group and assist in the search for funds. No other company joined the group and there were, most likely, two reasons for this. First, as newcomers they would not share the enthusiasm for the idea which the group members had developed. Second, they were probably not keen on searching for funds or less still, providing some of their own hard-pressed resources.

The initial submission for a research and development project was put to the government funding agency, Tekes, in the first half of 1994. It then took around six months to finalise the full submission. When this was done, the group and VTT made a joint submission to Tekes.

The government agency next approved the funding proposal. Following this, the group set up a legal contract to cover its rights in the event of a successful outcome to the research work. VTT began work in August 1994.

Research
The total project cost was FM2.2 million. Half of this was allocated to the companies' costs and half to the research body. The real cost to the companies was mainly in the area of dedicated time and other resources. In addition, the companies incurred the fenomex™ advertising costs.10

VTT's early work was mainly literature research on heat insulation and grip capacity. Testing equipment was also built to investigate heat insulation properties. The basic discovery occurred quite early on within VTT. The new idea had then to be tested and this was followed by heat insulation measurements. These early tests were successful. By February 1995, VTT were confident enough to provide the group with news of their preliminary research findings. As a result, the group decided to pick a new name for the material and eventually arrived at fenomex™. Meanwhile VTT continued testing the material on shoes.

On the basis of the continuing good news from VTT, the group decided to make a trademark application in July 1995 before the fenomex™ testing was fully complete. They did so because they were conscious that the application process takes time.

VTT continued to test the product right up to the end of the project in August 1996. The final meeting was held that October and this was used to wrap up the research end of the project.

Fenomex™ in Use
Today fenomex™ is successfully incorporated into the insole of certain shoes produced by the five companies. Lenkki, the insole company, makes the fenomex™ insoles for the group. The material has still not been successfully developed for use in the sole.

Pomarfin first used the special insoles in its autumn/winter 1996/97 collection. Today, fenomex™ insoles are included in about 63 per cent of Pomarfin's footwear.

At present, the group is working on a new project for using fenomex™ in the sole. This again is funded by Tekes and was be-
gun in January 1998. VTT is again doing the research part of the work and the same companies are working on the project. The early literature and development work is complete and the soles are being tested under VTT’s supervision at the sole producer Pohjaexpertit. The sole is planned for use in the autumn 1999 range from the five companies.

**Impact on Pomarfin**

The main impact on Pomarfin was on the work schedule of the production manager. He had a once-monthly meeting with the group, along with other activities. In addition, his confidence in, and knowledge of, the various topics covered by the group was improved through his membership of the group.

Pomarfin also was, like the other companies, a testing site for the soles. They provided about 50 pairs for use. This amounted to about 10 per cent of the normal seasonal sample size. Pomarfin, along with the rest, part-funded the joint advertisement campaign on fenomex™. It has also benefited from an increase in sales from using fenomex™.

The project also engaged the managing director and other key Pomarfin staff. This was mainly to do with being briefed by the production manager and helping him make group decisions.

Lenkki has taken all of the technical impact and Pomarfin simply buys and fits the Lenkki insole as before.

**Why the Success?**

The major element in the group’s success was the determination of the companies to work together. This was in spite of some of them being vigorous competitors. Regarding those who had no direct competition in the group, it was always possible that market pressures would force them to move into the same market patch.

Another factor was the extremely difficult market conditions in the early 1990s. This was evident to all involved and became even more obvious when one of the original members closed down in 1996. This experience of shared corporate anxiety has also produced a strong co-operative reflex in other places. To return to Japan: their traumatic experience of post-war ruin provided the seeds for both a community-based company ethos and a relatively well-developed inter-company co-operation system.

Arnold Toynbee argued that history shows that certain societies have responded to great challenges by reworking their approach and thereby saving their civilisation. Other societies, by contrast, have failed to respond and consequently have withered away. This type of analysis implies that the existence of a shared crisis helps, but does not cause a successful outcome.

What then are the other factors that supported the success of this group? Here, we look briefly at Lenkki and VTT. These we can term the supporting cast and each played a critical role in the group’s success.

**Lenkki**

Twenty footwear companies in mid-west Finland founded Lenkki in 1973. Up to then, they had been poorly serviced by the other Finnish component producers. The twenty had spent some time in the early 1970s hammering out the details. They then set it up as a privately owned limited company.

Today, Lenkki is owned by 17 of the original owners, the other 3 having since closed down. These are mainly concentrated in and around Kankaanpaa, which is about 25 kilometres from Pomarfin. All five in the fenomex™ group are part-owners of Lenkki. The others have no contractual rights to fenomex™ and this has understandably caused some difficulty within the group.

The 17 vary from very small companies to the largest Finnish footwear producer. However, ownership is structured so that no single company owns more than 15 per cent of the share capital.

Today there are only two other surviving component producers in Finland, both of which are small. The other has a turnover
equivalent to 35 per cent of Lenkki’s. Since 1973, therefore, Lenkki has been relatively more successful at surviving than its competitors.

In the early days, Lenkki held about 20–25 per cent of the Finnish market. Today, it has about 60 per cent of the business. Lenkki employs around 35 workers and 35 per cent of its business is insoles. Only 8 per cent of its output is exported.

In April 1995, Lenkki began the prototype work to incorporate fenomex™ in its insoles. It had to work closely with both VTT and the five shoe companies, each of which was having its own shoes fitted with the new insoles. The VTT work continued until June 1996. Even though the project is long finished, they still keep contact as the possibility of a future project is being considered.

The first fenomex™ insoles were made in April 1996. Sales that year accounted for about five per cent of Lenkki’s insole production. Today it accounts for 15 per cent of insole production.

VTT

This is the state-supported research and development centre. It employs around 2,500 people and 66 per cent of its expenditure comes from commercial research work. It works in such diverse areas as electronics, IT, automation, biotechnology, energy, chemical and building technology and communities and infrastructure. It focuses on developing technology that improves competitiveness and fosters new businesses.

The chemical side of the organisation carried out the fenomex™ research. VTT were obviously proud of this work, as it was referred to twice in its annual report. Tekes, the government agency in charge of funding in this area, also played an important role in the project.

The Future

John Donne said that no man is an island. However, rivals on the same island seldom use the same spoon. This group has shared the common spoon.

Spoon-sharing, however, does not come easily. It is like learning to fly: it takes much practice, and needs to be continually refreshed. For many companies who would like to co-operate with their competitors, talking is a good place to start and shared production concerns are a good place to go.

The group is relatively unique for the following reasons. First, there were a large number of competitor companies involved — five in all — and some of these were very close competitors. Second, they worked on a relatively wide variety of important company concerns in an open and frank way. Third, the development of the fenomex™ project was rather unusual.

According to VTT, industrial research projects are normally on basic research rather than product development, which is a more sensitive area. A product development project normally contains two companies at most and is usually highly confidential. The interesting thing about the footwear group was that they were never concerned about others hearing of their work and were happy to have it discussed. Group cohesion must have been quite strong to allow this.

The involvement of the trade school takes us well beyond the traditional school-industry links. The school’s role was that of catalyst and honest broker and it was mainly responsible for the early development and cohesion of the group. In addition, the companies had some previous experience of working together in the Lenkki boardroom.

As regards the future of the group, I can make a number of suggestions. First, despite the difficulties and pressures, the group should continue to work together. Although the group has signed a contract on fenomex™, an avid lawyer may still find holes in the
agreement. It would be a pity for the companies if this were to happen.

Today, the group's main focus is concentrated on fenomex™ and Lenkki's managing director chairs this sub-group. The original group still meet, but less frequently. It is still chaired by the principal of the trade school. This group is not as proactive as it was originally, for several reasons. First, the crisis in the sector is past and one of the original reasons for the group is gone. Second, the group has worked together for six years and some of them feel they need new blood and fresh members to reinvigorate the group. Finally, they have covered many of the issues. This group's main concern at present is how to develop a computer network for the companies.

In spite of these points, the main group should maintain its efforts and link. There are other possible ventures and some of these were already brought up in the earlier meetings. If nothing else, the group can remain a powerful forum for the exchange of ideas and information, which can only strengthen each of them.

Second, in the early stages of the fenomex™ project, all of the other Lenkki owners were invited to join the project but they did not take up the offer. There is now some pressure on the group to give the fenomex™ product to these other companies.

This could break the cohesion of the group. It is important that the Lenkki boardroom does not become a combat zone. If fenomex™, at some stage, becomes for colder countries what Gore-Tex is for wet countries, there will be additional benefits for the fenomex™ group to garner. In this event the non-fenomex™ members of Lenkki may place severe pressure on the group, to let them use the fenomex™ without the normal licence costs.

Companies who take risks will only do so on the basis that they can take some benefit from their investment of time and resources. If that is not possible, if bonds of agreement are broken, co-operative risk-taking in the future will be a very fraught affair indeed.

For the Finnish footwear sector, export marketing support to other cold regions could be jointly encouraged by the national employers' and employees' representatives.

Conclusion
This chapter covers two topics: the story of Pomarfin and the benefits of co-operation. Pomarfin tells us of the successful development of a family business, which grew from small beginnings. The company exhibited a loyalty to its employees, which only becomes clear when we see how it handled rationalisation over the last few years. The details of this show fairness to those involved and a strong determination to save the company from closure. At the same time, there was a strong desire to prepare it for its next stage of development. Both the company and trade union side played key roles in this process.

Second, Pomarfin also proved its ability to become involved in an important co-operative project. Many companies find such co-operation very difficult to handle. For this reason, this story should give all companies encouragement to create their own links and networks.

The group has survived since the early 1990s and has worked on a wide variety of topics. Although only two items have had a conclusive outcome to date, the actual group learning process has been beneficial to all. Many of the issues dealt with by the group would never have been considered beyond a company's knowledge walls. Here, however, these walls were breached. As a result, the quality of information and decision-making available to each company was much improved by the group experience.

The group has provided a powerful knowledge source that can be further developed in the future. This may indeed be the group's abiding legacy, since technical and other developments come and go. Such a group can provide a knowledge shield against the problems of living and working in these somewhat strange and difficult times.
Notes

1 Ten Toes began contributing to sales from 1996 onwards but the impact of this is not shown in the diagram.

2 A water-repellent synthetic fibre that allows moisture and air to permeate out through its pores.

3 The largest footwear company in Finland, Slevin Jalkine, had already received the ISO 9001 in early 1995, thereby providing Pomarfin with some encouragement in the area.

4 The factory works for 210 days in the year and has a 40-day spare capacity not allowed for in the data from which the above two diagrams are taken.

5 One of the workers in this department does not stitch but does high quality work on attaching parts such as buckles, eyelets and so on.

6 6 January.

7 See Kerins (1993: 237-240). Italy has also had experience of co-operation, especially in the industrial districts, but its range and variety is not as extensive as in Japan.

8 Sakari Antilla from Urho Viljanmaa.

9 Meeting of 23 March 1993.

10 The companies’ costs were divided as follows: 70 per cent on turnover and 30 per cent on membership. Therefore the bigger companies had to commit a larger proportion of resources.

11 Toynbee (1889-1975) argued that the failure of a civilisation to survive was the result of its inability to respond to the moral and religious challenges it faced. The effort to respond to any crisis does not of itself create great deeds, only their possibility.

12 These were more effectively servicing other areas in Finland.

13 The remainder consists of toe puffs, special soles, etc.

14 See VTT (1997: 5).

15 See VTT (1997: 15, 24). The chemical technology side of VTT provided 12 per cent of the annual turnover in the most recent accounts and uses 10 per cent of its staff.

16 The insole and present sole projects.

Introduction

George Cox produces fashion shoes for young men and employs around 100 people. It continues to survive because it meets the fashion needs of those between the ages of 15 and 28.

The footwear is mainly welted, providing greater comfort for the wearer. Cox concentrated on the home market until the early 1990s. At that time, exports only provided 30 per cent of the business. Today, however, 80 per cent goes abroad and 90 per cent of this is to Japan.

In exporting fashion shoes beyond Europe, George Cox provides an interesting story of survival and diversification. When it distributes to the Far East, it passes over countries that should be better able to service the needs of the region. The reason why these customers buy its footwear and not cheaper alternatives forms an important aspect of this study.

An even more important issue, however, is how the company continues to operate at the cutting edge of fashion. Cox produced at the high end of fashion 40 years ago. In the early 1950s it was "brothel creepers" and in the 1960s "winkle-pickers". Today, these styles still have a role to play as they provide "retro" busi-
ness for the company. A retro product is one that imitates or is the same as something from the past.

In 1973, Cox became a licensed manufacturer of the famous Dr Martens soles. This provided the technical base for a completely new look, which by 1994 provided 60 per cent of the business. However, the company lost the licence and by mid-1997 the link with R. Griggs, the producer of the Dr Marten's shoe, had ended. This loss forced the company to become more reliant on its own skills. In coming out from under this major difficulty, Cox proved its ability to survive.

Here, therefore, we focus on how a small company develops youth fashion products, how it exports competitively outside Europe and how it survived the loss of a major licence.

Background
George J. Cox founded the business in 1906 in Northamptonshire. This was an important area for English footwear at the time. George was an accountant by profession and before setting up the business had been working at a local brewery. The original factory site was about two miles outside Wellingborough.

The company produced welted footwear for men. In 1918 the company moved to Wellingborough, into what had been the old brewery's swimming bath.

George Cox has been producing fashion shoes since the start of the 1950s. In 1949 one of its agents saw an early type of “brothel creeper” at a Paris exhibition. He advised the company to make them — which they did, a short while later. The “brothel creeper” is a crêpe-soled shoe and in George Cox is produced by the welted process. The creeper term seems to have originated from the fact that it is quiet of step. The brothel name may have come from some of the locations the shoe owners visited.

Other fashionable products were the “coffin shoe”, first produced in the late 1950s, and winkle-pickers, which the company began making in 1965. By 1973, fashion shoes formed half of the business, of which creepers were the major product. The other half was traditional men's welted footwear.

By this time the company had a wide range of domestic customers and it was only really from the end of the 1970s/early 1980s that it became more involved in exporting. One of the important early markets was Canada and through there into the US. Europe also became important and in particular Sweden, where a shoe called “popboys” became quite popular.

Between the end of the 1970s and 1994 the greater part of the company's product was based on styles of the 1960s. George Cox has not traditionally been a fashion leader in the sense of having a strong designer function creating new products. There has never
been a designated designer in the company. Neither has there been a staff member with a particular design strength, as we see elsewhere in the Finnish company, Hamken, whose owner is a famous designer.

How then has the company produced and developed fashion shoes? An important factor has been the strong links it has built up with its network of independent retailers on the home and foreign market. Each of these is effectively a dealer for either a district in the UK or a country.

In many cases, a retailer suggests a new design or idea. The company then looks at the idea to see if it can be made within the factory’s production constraints. At other times, the company follows a new trend and comes in relatively early to the fashion but not at the very start. To get a better understanding of this network, we discuss later the example of the Canadian retailer, John Fluevog.

Licence Loss
Demand was steady for the company from the early 1980s to 1987. By the mid-1980s the company had a solid, but undervalued, balance sheet. Norman became chairman in 1987 and Adam, his third eldest son, became managing director. Between 1987 and 1994 there was stable growth and reasonable but continuous profits. In 1991, the Dr Martens business provided 40 per cent of sales. In September 1994, the company moved to a larger factory. One month later, R. Griggs told them that the Dr Martens licence would cease at the end of 1995. This was bad news, since by this time it provided 60 per cent of sales.

There were particular reasons why Griggs took away the licence, and certain other companies had the same experience. In the 1980s, Cox had been producing a retro style using the Dr Martens heat-sealed construction. This provided a range which was quite different from Dr Martens’ own one. In the 1990s, however, Cox’s licensed styles moved a lot closer to Dr Martens’ own range, simply because the market pulled them in that direction.

During the notice period, the company negotiated a new arrangement. This allowed it to design and produce a special range for Air Wair, the marketing arm of Griggs, who then sold them on. This worked quite well initially. However, the product did not fit neatly into the Air Wair range and with dwindling sales the arrangement ceased in mid-1997.

In summer 1996, Cox had launched its own heat-sealed range containing mainly “retro” products. Therefore by mid-1997, when all arrangements with R. Griggs had ceased, Cox retained some link with its licensed past. However, in spite of this, the loss created severe difficulties for Cox, as the new heat-sealed range only produced 10 per cent of sales. A further burden at the time was that the financial benefit from the sale of the old premises ceased to contribute to the cost of the new premises.

In 1996, turnover slumped to below 70 per cent of the 1994 level. During that year, the company had been operating at the limits of its overdraft and the bank became concerned. In September, it requested a business plan along with monthly management accounts and six-monthly audited accounts. In lieu of a documented plan, Cox provided a one-and-a-half-hour oral presentation on the company’s plans and prospects. In addition, it set about improving its accounting system.

One of our main topics in this chapter is how the company responded to the licence loss. Despite the large product range, 90 per cent of Cox’s sales are made on 10 per cent of styles. This fact has a number of implications. First, the non-core styles provide some flexibility, which is important for any company. More importantly, however, Cox must get the 10 per cent core right. When it lost the licence, its core range was shattered and its future looked glum indeed.
Context

Cox’s way of doing things creates a number of demands. First, its made-to-order approach causes production constraints, which the company had become familiar with. From 1994 onwards, however, these difficulties intensified with the expanded product development that became necessary in the face of the new situation.

Second, Cox had never produced at the cutting edge of fashion and was not first with a new style. However, it was always one of the early followers. When Cox lost the Dr Martens licence, it was shifted out of the comfort zone of a famous style. Consequently it now had to call on its own resources to find and develop a new style zone. As a consequence, its product development and design capacity had to be significantly expanded to fill the void.

The production director now gave a lot of attention to product development and compensating adjustments were made to the staff management of the factory. This change significantly strengthened the development process and helped turn the company around. However, when this product development phase had plugged the hole left by the disappearance of the licence loss, a new approach was taken. In November 1997, when the worst of the difficulties were over and the previous production director left, the opportunity was taken to rework things again.

When the new director arrived, at the end of 1997, the role reverted to concentrating on production staff management. As a result, there was a notable improvement in labour efficiency. However, not to lose all the advantages linked to the previous director’s development activities, Cox took on a pattern cutter who reports to sales and is strongly involved in product development. As the frenetic product development phase of 1994 to 1997 passed, product development became more integrated and production efficiency increased in importance.

Profile

How has the company been doing in recent times? We look at the changes in turnover, production, profits and employment. First, a look at the data on turnover since 1991.

Production (pairs, thousands)

Production increased to 1994, then decreased to 1996, after which it increased again to 1998. Production has still not returned to the 1994 level. Therefore, the larger 1998 turnover reflects the sale of a higher value product.
The profit and loss situation indicates how the company's fortunes have varied in recent times.

Profits/Losses (stg£ thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profits/Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>200</td>
</tr>
<tr>
<td>1992</td>
<td>100</td>
</tr>
<tr>
<td>1993</td>
<td>-100</td>
</tr>
<tr>
<td>1994</td>
<td>-200</td>
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<td>1995</td>
<td>-300</td>
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<tr>
<td>1996</td>
<td>-200</td>
</tr>
<tr>
<td>1997</td>
<td>0</td>
</tr>
<tr>
<td>1998</td>
<td>100</td>
</tr>
</tbody>
</table>

* Estimate

Profits were reasonably healthy during the first four years of the decade but between 1995 and 1997, the company faced significant problems. This difficult period led to important changes in the company.

If we match the variation in turnover with the profit and loss situation, we find a certain pattern. The turnover in 1994 and 1998 was above the 1990s norm and profits were healthy. By contrast, the 1996 dip in turnover led to significant losses. During the average turnover years of 1992, 1995 and 1997, the company was in and around break-even.

Therefore, during these years it did not take much of a change in turnover to have a strong effect on the profit-and-loss situation. This can be partly explained by the relatively fixed nature of certain costs, in particular labour. This is a comparatively labour-intensive industry and in this case the lack of cost flexibility strongly affected the financial outcome.

This particular point should not make us conclude that Cox should vary labour with turnover. This could lead to difficulties with retaining and developing its skilled staff. However, Cox needs to find ways of providing greater turnover-to-cost flexibility that avoids this sort of problem, unless of course it finds some way of stabilising demand growth.

As we can see, overall employment fell only slightly during the difficult 1994 to 1996 period. Although turnover fell by over 30 per cent, employment fell by less than 9 per cent. Of the above four tables, profits and losses took the most severe burden of the difficulties facing the company.

We next look at how the company is organised.

**Organisation**

George Cox has the following structure.

**Organisational Structure**

```
Chairman

Managing Director

Sales Director

Pattern Cutter

Production Director

Production Manager

Production

Accounts Director

Admin
```
The managing director, Adam Waterfield, has a sales, production, and accounts director working with him. First, we look at Adam’s own work details.

**Managing Director**

Adam started working in the company during his school holidays in 1976. In 1977 he left school and then went into the factory to do a footwear training programme, which was part-funded by the state. Between 1978 and 1981, he did a mathematics degree and returned to the company in 1983. He completed an MBA in 1986 and wrote his dissertation on productivity in the company. He chose this topic because of his concern at the time about the company continually being at or near production capacity.

Since 1994, he has spent a lot of his time dealing with the bank and developing a satisfactory system of management accounts. As we saw above, the bank made certain requirements in September 1996 and this has been one of Adam’s major concerns. There are now three important reports.

First, there is the weekly cost-per-pair report, which is normally available by Wednesday afternoon or Thursday morning. Second, Adam does a cash flow report each Friday, which is discussed with the accounts director. The cash flow report, according to Adam, helps increase awareness of weekly customer invoicing—the lifeblood of the company. As recently as 1995 there was no readily available information on weekly invoicing. Finally, he completes a set of management accounts by the tenth of each month.

Next he co-ordinates and encourages the work of the other three directors. There are no formal management meetings. The only one is the AGM, which is normally a rubber-stamping exercise. There are, however, informal meetings. For example, on Thursday mornings as the directors sit down to coffee, Adam normally passes around the cost report for discussion. If there are no problems, then coffee will take a few minutes. However, if there are, the meeting could run to an hour or so.

Sometimes Adam flags items in advance that need discussion. This was the case when he wanted the applicant CVs for the production director’s post discussed. Here they considered the job details, the company organisation and the applications to see which gave the best overall fit. One of the concerns at the time was the role of product development.

As we saw above, the previous production director had become heavily involved in development because of the difficulties that occurred in 1994. As a consequence, a floor manager and utility worker system were introduced to reduce his staff management workload.

Therefore, the sort of issues being discussed included the new production director, the set-up in production, the role of the floor manager, product development and how all of this affected other areas.

The consensus from these discussions was that the previous production director’s concentration on product development helped solve the 1995–1997 crisis. To move on, it was felt they needed a pattern cutter to help with product development. The production director could then concentrate on production. The pattern cutter would report to sales but be resourced and constrained by production. In addition, now that the production director could concentrate on production staff management, there was no need for the floor manager and utility worker system. As a result, the floor manager role ceased and the utility workers in effect returned to their old supervisory roles.

Adam also looks after external matters such as community relations. He is involved with the local footwear association. He was also chairman of a footwear advisory committee at the local college and is now on the board of governors.
Production

Peter Simpson, the production director, is responsible for all aspects of production including personnel. He has a production manager and six supervisors reporting to him.

A map of the production area is outlined below.

Planning. The production manager is Steve Gollings. Steve looks after planning, materials requisition, purchasing, overseas dispatch and monitors product progress through production.

Steve came into the company as a clicker in the factory. However, it became clear that he was keen to advance himself and was therefore moved to packing and documentation on the factory floor. Later he went into the office to prepare the invoices. As time went by, he took on further duties until he was promoted to his present position.

Jim Lyons, the ticket clerk, has been with the company for two years and came in through Steve’s recommendation. In contrast to Steve, who has no formal footwear training and has learned everything on the job, Jim is taking a day release City and Guilds course. Jim takes the data from customer orders and turns these into standard work tickets. Where there are new specifications, he discusses these with the production director.

Upstairs-Downstairs. The production area is on two floors - clicking and closing on the first one and the rest downstairs. Clicking has a supervisor and eight workers. There are no teams in clicking and workers normally concentrate on specific work areas. The more skilled workers cut the leather for the uppers and the others the linings. There is little turnover in clicking and most operatives have been with the company a relatively long time.

After the leather is cut, it is sent to closing where the supervisor and 26 workers do the upper stitching. There are no teams here either.

Downstairs, there are four supervisors looking after lasting, making, finishing and the shoe room. The closed uppers and the bottoms are brought together in the lasting area and then the finishing is done. The shoes are then boxed and examined in the shoe room and dispatched.

There is no teamwork in the lasting to dispatch area. There is limited multi-skilling, in that lasting operatives can move to making for intermediate jobs. Lasting is roughly the same type of operation for most constructions. Making and finishing require relatively more flexibility because, for example, the heat-sealed process is very different from other welted processes.

Approximately half of the operatives are in the trade union KFAT, which covers footwear in the UK.

Made-to-Order. There is no in-stock system and all products are made-to-order. If an order comes in from Japan today, it will leave the factory in two to six months’ time, depending on the length of the order book. When an order enters the production queue it takes five weeks to produce. This system has significant advantages in the youth fashion market in that there are no costs associated with holding stocks or producing unsaleable goods. However, it has disadvantages in that there is no stock to service a sudden customer need. This is particularly the case in the home
market where competitors may be able to provide such a service. There are, therefore, market pressures for changing the system.

In the middle of the last decade, the company had a large number of UK retailers buying on an MTO basis, but this is not the case today. In addition, at least some of the company’s foreign customers are keen to cut the lead time between order and delivery dates, as we see elsewhere in the chapter.  

Sales

Phillip Orton is the sales director and the pattern cutter reports to him. Phillip deals with all the main customers except for three or four that the MD deals with directly for historical reasons. He attends all the trade fairs, sells, takes the orders and ensures they are dispatched on time.

He is the typically pleasant sales director — outgoing, easy to talk to and plays good golf. In addition, he is an important part of the product development process in Cox and this is partly because of his background and experience.

He has been in the shoe trade since he left school in 1964. His first job was in the pattern room of a company where he spent two days a week learning the skill while he was at college. Initially, he did sample patterns, then bulk patterns and then he started customer visits with his sales director. He would interpret customers’ ideas and translate them into a new pattern or design. He left that company after ten years to take a sales job elsewhere but returned in 1981 as sales director.

In 1991, he took up a job building product ranges for a footwear importer and in 1992, he moved to another company where, as sales manager, he was again involved in range building. Following a short period outside the sector, he applied for and got the George Cox job in June 1994.

The main point is that Phillip has spent nearly all of his working life in footwear. Most of this was in sales, range building and, early on, in pattern-making. Therefore, Phillip can effectively discuss products and product development with Cox’s customers at fairs, in their office, or when they visit the factory. If necessary, he can also do a sketch for the customer that he can then discuss in detail with others in the factory. In Cox’s product development system, he plays an important technical role that integrates quite well with the production area.

Cox provides some point-of-sale material, such as labels, product cards and small display stands. It does not have any marketing budget and no marketing infrastructure such as is the case in Barker. George Cox is not a brand in the sense of being brand-driven and having a branding infrastructure. When we discuss the distinctiveness of the Cox product we can instead talk about a product “face”.

The fairs that the company attends annually are major sales opportunities. The most important is the Dusseldorf GDS fair held each March and September. Before these fairs and prior to visiting customers, planning provides Phillip with potential delivery schedules on the different constructions. Each time a new order is received, this results in an updated set of delivery schedules. Phillip also spends a week in Japan twice a year.

Brian Humphrey is in charge of accounts and administration. Cox has an annual income and expenditure budget that is set at the start of the year and is monitored monthly. He has a clerical assistant working with him on wages and two secretaries who deal with invoicing, letters, reception, phones and related tasks.

Market

Cox’s footwear range is divided into the following groups:

- **Creepers** are a retro product, developed from the original style of the early 1950s.
- **Welted Crépe** products are produced on the Nature last and have a butted front seam construction.
**Popboys** have evolved from old styles. They have a cemented crêpe sole and the majority are hand-sewn suede.

- **Cox's Heat Sealed (CHS)** are made using the same construction as Dr Martens. These are provided in the distinctive Cox style and are welted with a PVC sole.
- **Dr Martens**, which provided 60 per cent of the business in 1994, were discontinued after the loss of the licence.
- **Others** such as clogs and traditional leather shoes.

The sales proportion of these categories is as follows.

**Sales by Range (%)**

<table>
<thead>
<tr>
<th>Creepers</th>
<th>Welted Crêpe</th>
<th>Popboys</th>
<th>CHS</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Creepers at present account for half of sales and welted crêpe one fifth. The above groupings are divided on both technical and style categories. This is different from Barker's, where the men's range is now built on non-technical groupings to assist the retailer to categorise and sell to the end customer.

**Customer**

The final customer is normally between the ages of 15 and 28. This can be extended up to 35 for certain styles. Cox's customers are mostly uninhibited fashion-conscious people, who can also be somewhat "wacky" or avant-garde. Wearing vivid blue or orange shoes makes a very distinct fashion statement.

These customers can afford their particular fashion statement — George Cox products are not cheap. Approximately 90 per cent of customers are male and buy in independent retail outlets, most of which are dedicated fashion shoe shops. However, some also sell a mixture of clothes and shoes. Most tend to be located in city centres and sometimes located in character areas of a city.

Where are the products sold? As we see below, the main market for Cox's products in 1991 was domestic but today it is export.


<table>
<thead>
<tr>
<th>Year</th>
<th>1991</th>
<th>1996</th>
<th>1998</th>
<th>2000*</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Export</td>
<td>30</td>
<td>50</td>
<td>80</td>
<td>70</td>
</tr>
</tbody>
</table>

* Forecast

Exports have increased significantly during the decade. The data reflects a company that has successfully developed new markets, most of which are abroad. The biggest market, at present, is Japan, which takes 90 per cent of export sales.

**Response**

How did the company respond to the severe loss of the Dr Martens licence? First, as we saw earlier, it had already been developing the Cox's heat-sealed range.

Second, it developed its new Nature form range for the Paris fair in early September 1996. Following the Paris reaction, it developed a much larger range for the Dusseldorf show a few days later. Some of this Nature range used the heat-sealed sole and some did not.

It then developed the Lazy Dog range, which had some of the technical features of the Nature style. This was aimed at the easy-going leisure market and has been selling since spring 1998. Its construction fits in with Cox's production process, which was an important consideration when it was being designed.16

Below we outline diagrammatically Cox's fashion response to the loss of the Dr Martens' business. This shows the staged development of the various forms of the Nature style. As we can see, the earlier styles were suede followed by soft neutral colours.
Then the company developed the Lazy Dog leisure shoe. In 1999 they introduced a broader shape to both the Lazy Dog leisure shoe and the original Nature style shoe.

**Nature Style Development**

![Nature Style Development Diagram]

In the mid-1990s, David Chapman was the production director. Following the 1994 decision by R. Griggs to terminate the Dr Martens licence, David increased his involvement in product development. To do this he had to reduce his involvement in people management. David had, up to then, spent about 75 per cent of his time managing the factory operation. The remainder he spent in administration or general management issues.

Following the loss of the Dr Martens business, his factory floor involvement fell to around 10 per cent of his workload. Much of his factory work, as we saw above, was now taken over by a floor manager who covered lasting to finishing — this effectively covered all the downstairs work. This contained five of the production areas — bottom preparation, lasting, making, finishing and shoe room. In addition, the three production supervisors in the area effectively became chargehands. These were reclassified as utility workers and concentrated on organising the production flow. Meanwhile, the floor manager took over their supervisory work and much of the day-to-day management of the production director.

When David left Cox in November 1997, the crisis had passed and the new production director’s role returned to its previous arrangement. In addition, the floor manager became a supervisor and the utility workers were returned to their supervisory roles.

As a result of all this, a new set of styles filled the hole in the product range left by the disappearance of the Dr Martens’ licence. Following this phase, the product development role became less frenetic and a new pattern cutter took over.

**Japan**

Exporting to Japan was quite difficult up to 1985, as there were hidden quotas. Since then, there has been an open system, on a first-come, first-served basis. Until 1999, the tariff rate has been 27 per cent on Cox’s leather footwear. Under the GATT Uruguay Round, this then falls to 21.6 per cent.

To import shoes, Japanese customers require a quota. Without this they cannot buy direct from Cox. The bigger the quota, the better for the importer. Because quotas are difficult to get, the Japanese tend to use them on more expensive products. This suits Cox. Apparently, obtaining a quota in Japan is a business in itself. It is an even more complicated process than an Irish farmer getting a dairy quota.

At one stage, Cox was very restricted in selling to Japan, because it could only sell to one dealer, who only took creepers. The dealer had the exclusive distribution rights to the sale of Cox’s product in Japan. Therefore, despite the many other potential Japanese customers inquiring at their Dusseldorf stand, Cox could not sell to them. A small number of Cox’s Dr Martens shoes were also sold to Japan, but the company could not sell the other styles. Early in 1996, the dealer went out of business. Cox faxed all its Japanese contacts in preparation for the March 1996 Dusseldorf fair. Prior to March 1996, 40 per cent of Cox’s produce was ex-
ported and half of that was to the US. Only five per cent was sold to Japan. In addition, 90 per cent of the home sales were the Dr Marten’s shoes.

In early September 1996, the three directors went to the Paris show and sold nothing on the first day. Remember that this was a bad year for the company and the fair was therefore a crunch event. What with the loss of the Griggs business and the complete failure of day one, the prospects for day two and the company were dire.

John Fluevog from Canada had been at their stand on day one and did not buy either. That night John and his wife were chatting and she asked him if there was no way he could help out by buying some of Cox’s shoes. He said no, because he felt the Cox range did not match his needs. However, against his earlier judgement, John gave a small order for 680 pairs the following morning.

The production director and managing director left Phillip to man the stand. From then on Phillip got a steady stream of buyers from Japan and elsewhere. By the end of the fair, they knew they had hit gold with the new hand-sewn Nature style, of which they had only brought a few samples. They had only two working days between Paris and Dusseldorf to make extra samples. During this time they made a record 20 samples for Dusseldorf. These all did very well with a variety of customers, especially the Japanese. People still wonder whether it was John’s wife who changed the flow of events.

Today, Cox deals with 20 key customers in Japan — five distributors, seven wholesalers and eight retailers. The foreign market provides an important area for the company’s future development. It will require constant attention and the outcome will hinge on the effective investment of time, effort and resources.

Retail Network
To understand the final customer is only part of the battle. We also need to understand the infrastructure of distributors and retailers to whom Cox sells. For this purpose, we look at the example of John Fluevog from Canada. John is one of Cox’s longest-standing customers.

John is a retailer who takes his customers seriously. When we met, he was wearing orange suede shoes matched by narrow black jeans, a silver coloured jacket which was set off nicely by a coloured punk rock style hairdo. When we discussed the business, John was deadly earnest. He may appear in his dress to be somewhat removed from the formalities of business, but he is not.

He started in footwear retailing in 1970. For the first ten years he was in partnership with someone who had been in business for ten years before that. In 1980, John bought out the partnership. This was a difficult period. He sold off two of his four outlets. At this stage John was technically insolvent. Only one of his outlets was doing well.

In 1985, he closed down the weaker of the two remaining shops. He then packed a van and travelled to the US. He took some stock across the border but did not tell his Canadian bank, as his loans were based on inventory. The US diversification coincided with John putting his own name on his shops. In addition, he became involved in designing or assisting his suppliers to design the shoes he sold.

His expansion was limited by the fact that it could only be funded by ploughed-back profits. He first opened in Seattle and in 1987 he set up in Boston. Then, in 1989, he opened in Toronto. By 1992, he was in New York and doing quite well.

Along with the retail, his mail order business was sending out 50,000 catalogues twice a year. This brought several advantages. First, it complemented the retail business and provided it with an advertising vehicle. It also provided volume, which was an advantage, particularly when sourcing from England. To have a manufacturer design custom-made shoes is difficult, unless you can offer volume.
One question arises: why did John source in England when places like South America and the Far East were cheaper and as near? John's main business is cutting-edge fashion footwear for 15- to 28-year-olds. Over the years, he had developed links with English manufacturers who do small but interesting lines. These he could buy without worrying whether his local competitors could supply the same shoes. By the mid-1980s, he was mainly buying what George Cox offered.

In the late 1980s and early 1990s, John started to design his own range. In addition, he began increasingly to source from places like Mexico where tariffs were falling. In recent years, he has been buying less and less from Cox and from England and Europe. For this reason, his views on what European fashion manufacturers should do are worth considering. He identifies several problems with buying from Europe today.

First, there is price. This puts European manufacturers at a disadvantage against low-cost countries. One way to lessen this impact, he feels, is for Europe to concentrate on increasing trade within its own borders. Second, European response time to North America is slow. In the world of cutting-edge fashion, this is a handicap. Third, fashion manufacturers need a strongly defined product so that the buyer can understand it. The issue of branding is well known and our discussion of it in Barker is relevant. However, John's point is different from branding, which requires a marketing and branding infrastructure.

Product Face

John is talking about a simpler and less structured approach. He is referring to a product's "look" or face, which has been developed without a branding infrastructure. In this sense, a manufacturer's face is often the result of the innate skills and design preference of the company, as it has developed over the years.

For example, the Barker shoe designs of the 1970s and 1980s were not the product of branding and marketing. In the end, they reflected what William Barker himself felt was a good design and what he thought would sell. There were one or two other people in Barker who helped decide this look. However, William made the final decision. In Cox over the last decade or so, Adam Waterfield has had the most consistent impact on new styles.

In discussing the future of George Cox, there are those, according to Fluevog, who feel it should create a branded product. However, he had doubts about such a development. According to John, the branding of a product is usually built around a specific item, such as a creeper shoe. However, Cox's range is so disparate that a brand approach could create more problems than it solved.

When all the evidence is in, it may be best to conclude that branding, and the organisational infrastructure it requires, is not suitable for a product range like Cox's. Unless, that is, the market allows Cox to concentrate on, say, the Nature style or the Lazy Dog segment. According to Fluevog, the attractiveness of the Nature shoe was its quirkiness. However, its shape can be copied easily and so too can creepers and Lazy Dog shapes. None of these, therefore, provides stable market havens, at least over the long term.

Fluevog suggests that, if he were running the company, he would turn "George Cox" into a person. He would wear a tweed cap and smoke a pipe. He might also drive a Morgan car. George would be quintessentially English but also quirky and fun. This suggestion reminds us of the famous Start-rite twins who have come down through the years with slightly different garb and outline colours but remain the same twins nevertheless. Fluevog's advice may need to be tempered with the realisation that such a development would take time.

Additionally, "quirkiness" is not timeless like the image of twins. Smoking a pipe and driving a Morgan may be quirky at present - but maybe not in five years' time.

Alternatively, certain stances, facial types and expressions have also lasted. If we think of some of the famous cartoons, such as
one of the Disney favourites or Asterix, we may be able to give a "real" George Cox some long-term life expectancy.

Fluevog is now buying less and less from Cox for the following reasons. First, although the creepers are comfortable and high quality, cheaper copies are available. Similarly, the Lazy Dogs are easy to copy. Fluevog now concentrates on selling products that cannot easily be copied.

Fluevog has tried to develop his own business face by providing a composite range of product groupings that complement his look. John is moving towards creating himself and his outlets as a brand and his name is now becoming well known in his home market.

One of the things John noticed in recent years is that his customer base is lasting longer. This is partly, he feels, due to young people leaving home later. Whether or not this can be proven statistically, it is probably true to say that our ever richer society can support a lengthier youth phase.

One of his worries is that customers do not mind buying mass-produced fashion items such as Levi’s or Adidas, as long as their friends think it is fashionable. Therefore, he has concerns for the future of the fashion specialist retailer and the manufacturing base that supports this.

However, there are things which specialist retailers and manufacturers can do to strengthen each other. In general, they can try to work together more closely. There are, of course inherent differences between them. One of the more important is that factories need long, simple production runs, whereas specialist retailers want product variety and quick response.

At the retail level, there are a number of pressures. Consumers want reasonably priced, up-to-date fashion, available today. As a consequence, manufacturers need to reduce both the development and production time and maintain cost efficiency. This creates some pressure for introducing a Just-in-Time process. The Dubarry chapter deals with this very issue.

4. George Cox, England

However, George Cox has indicated that the opposite can work. Cox still thrives on an MTO system with a two- to six-month delivery. How long this will last is difficult to predict. Nevertheless, as long as retailers are willing to wait and consumers are keen on Cox’s fashion products, the system can survive. To consider this issue further, we look at the fashion process and try to get a fix on how it affects the manufacturer/retailer link.

**Fashion Process**

A product’s fashion cycle is difficult to typify and even more difficult to predict. However, we attempt to categorise the fashion patterns for those in the 15- to 28-year-old group. These patterns reflect the character of customer interest and purchases. We divide these into three groups — the big, medium and sudden success stories.

**Big Fashion**

Within the big and relatively enduring success story, we find a number of phases. First, there is the early stage, with only a small number of customers and sales slowly increasing. The customers here are usually the early fashion buffs. These may then lose interest in the product and it can go into decline.

Later, it becomes fashionable again and following this can again go into decline. At some stage, however, the demand takes off and the shoe becomes a popular mainstream fashion item. There follows a plateau where the shoe is modified to retain consumer interest. Following this, the fashion slowly declines.
One explanation for the early phase is that the shoes are bought as fashion statements and worn at weekends and on special occasions. The initial interest among this pool of advanced wearers can then wane. This can be followed by a revival, which may be succeeded by a further decline.

At some stage, some of these early buyers may, for example, dust the shoes down and wear them as everyday items. Despite not being seen in the more daring Saturday night fashion locations, they are now given more general exposure. Now the less adventurous buyers seek them out in the shops. Then we enter the cumulative growth phase of the high fashion product.

Medium and Sudden Fashion

Next we have the medium and short/sudden success fashions.

In the medium fashion, the product having peaked goes into decline. In some cases it will then die out. However, in other cases, it can continue to sell as a retro style, even a generation or so later. For George Cox, the creeper and other such tenaciously fashionable products are classed as retro styles.

To live and work in this market is an exhausting process for both the retailer and the producer. It requires one to be continually on the alert and at the edge: every season or so a new product; every fair a new range.

Why does the retro product, which forms an important part of the Cox range, tend to come from the medium fashion product? This is difficult to explain. However, a possible explanation is that the big fashion product exhausts its interest and may take generations to return, if at all. The sudden fashion is like a meteorite — suddenly bright and then gone. It does not, therefore, get the opportunity to become an integrated part of any permanent or recurring social or cultural trait. The medium fashion, by contrast, avoids this difficulty by becoming linked to some of the more en-
during or recurring themes of the youth phase. Because it was not a big fashion item, it has not exhausted its welcome.

A perennial trait of most societies is the informal or radical component of the youth phase. Within this lies a multitude of expressions and perspectives. However, one of these is the avant-garde or "wacky" end of the spectrum. The former is more formal and the other is less so and more humorous. Cox retro product fits into this component of youth culture. That its creeper has lasted so long is due partly to the fact that its consumers continue to use it to reflect this theme. The fact that most of its sales now go abroad possibly also reflects a British theme in the purchase decision. This may particularly be the case with some of the Japanese purchasing.

Shoes are only part of an ensemble and demand for them often depends on how they fit into an overall scheme. Another factor is that fashion also fulfills a need for community belonging. Fashion is a statement of self-definition and an important part of this is the consumer's reference group. This can have two aspects. One is the need to belong, which can range from quietly learning from others' purchases, to contagious imitation. The other aspect is the peer pressure that a buyer's reference group places on them. Therefore, some at least of the wacky purchasers of Cox's goods are not simply independent followers of fashion. They are part of their own crowd and once the fashion enters the peer group, it helps to strengthen its position.

Cox also produces shoes that may eventually become mainstream or in some cases have a short and sudden fashion existence. As regards these items, Cox tends to come in early on these fashions, but not at the start.

Lessons
Any producer, such as Cox, wants to reduce the instability in their environment. To do so, they can do a number of things. First, they can have a variety of styles to offer to the market on an MTO ba-

sis. This, however, puts pressure on the production process, which must meet the variety of style orders. In Cox, as we saw earlier, 90 per cent of sales are on 10 per cent of styles. In George Cox, the core strength is welted production.

Second, they can provide a range of styles built around a small number of style themes. This provides the company with a particular "face", which is capable of being identified by the customer. In recent times, the Cox "face" contains retro (creepers, etc.), the Nature look group, the CHS style and traditional welted. Backing these up are other previously popular offerings, such as interesting clogs and so on.

Third, they can take a branded approach and provide the necessary infrastructure to support the brand. This is something the company is not involved in at present but it is very common in the consumer goods sector. In this publication, the Barker story is relevant here. However, the branding approach may prove difficult to introduce if one is providing products into a cutting-edge fashion market as Cox does.

Development Process
The company has no formal process for developing a product range, as in some of the companies we describe elsewhere. However, there is an informal product development process that has become disciplined by the selling seasons, the Dusseldorf fair and the nature of the customer base. There are two seasons for Cox:

- Spring/summer, which is presented in September the year before
- Autumn/winter, which is presented in March of each year.

In both cases, the new styles are presented at the major Dusseldorf GDS fair. A portion of the autumn/winter range has, on some occasions, also been presented at the WSA fair in Las Vegas. There is also an important French fair, Sehm, about a week before the
autumn event in Dusseldorf. This is no longer a normal venue for the company to present its collection. However, in 1996 this fair, as we saw elsewhere, provided an important testing ground for a new fashion trend which significantly helped the company prepare for Dusseldorf.

**Design Filtration**

At Dusseldorf, the company introduces customers to the new range and keeps them in contact with the existing range. Many customers call to the company stand and simply ask “what is new?” This is a critical starting point for the customer–Cox link. If the product is good, and if the customer can be convinced that the range in some way meets a fashion need in their shop, an order is placed.

Sometimes the design process starts at the fair with a customer suggestion. Sometimes the customer produces a photo, a drawing, or maybe gives a verbal explanation of some new shoe shape, colour or design. Sometimes a fax, with a more developed sketch, can be sent to the factory following the fair or independently of it. Finally, when the sales director visits a customer, the germ of a new idea can be created.

Even when the customer calls to the company premises in the UK, they may suggest possible new designs. For example, at one stage John Fluevog suggested a design change on a clog shape to the MD, Adam. He in turn mentioned the idea to David Chapman, the then production director. David had already been trying to develop a leisure shoe that could be used for slopping around. He had been doing some early work on it in his garage.

David went to see a clog producer and looked at the force-lasting process, which became critical to the new product. Coincidentally, one of the leather representatives called to show David new leathers and, by chance, one of these provided the leather that, when shaped properly, provided the “slop-around” look.

While David was doing this, Adam and Phillip, the sales director, were keeping a lookout in the trade magazines for new ideas. Adam also went to SATRA’s library, which is near his company. At this particular stage, the company’s Nature style was selling very well. Deciding that there are patterns in fashion (and remembering that the Nature style resembled the “wallaby” of the mid-1970s), Adam ordered a stack of old footwear fashion magazines from that period. He searched them for other shoes that were popular at the time.

Footwear is only an accessory. Clothing changes influence footwear purchases. Therefore, he wanted to see what was happening to the clothing and footwear designs of the time. Most importantly, he wished to identify what fashion shoes came next. The assumption behind his search was that fashion was a linked phenomenon.

Adam’s wife, who does not work in the company, also helped out by designing the logos and sales literature. Following much work within the company and at home, the Lazy Dog style was developed.

The design and development process in George Cox can therefore be viewed as a process of filtration that draws on a number of influences — customers’ ideas, magazines, fashion patterns, production requirements and so on. However, the key integrating mechanism in this example is the evolutionary process, which occurred between the three key directors — Adam, David in production and Phillip in sales.

The design and development process is continually in motion. However, it becomes very focused coming up to the fairs. In the early stage, all the key staff are involved, but as they move to the prototype stage, the pressure shifts on to the production area. For the Nature Last and Lazy Dog styles there was a lot of pressure on David before the fairs.

This approach is much more basic than the design process and fashion forecasting in larger companies, particularly, in the
clothing sector. Forecasting for particular styles, fabrics and colours is an important aspect of the large fashion market. For example, textile specialists provide two-year forecasts for their sector.21

Conclusion
It took from 1996 to 1998 for the company to develop a satisfactory range to fill the hole left by the loss of the Dr Martens’ line. This was a period of great change and difficulty. The crisis impacted on all areas of production. In the process, Cox left the comfort zone of a famous name to becoming a more all-round fashion creator. During this time, it went through a significant learning experience. Jean Piaget, the Swiss psychologist, refers to two types of learning.22

First, there is learning by assimilating. This means taking in information to organise and build on, for which the learner already has mental structures in place. Plenty of this went on in Cox, as it tried to build on the existing lines in a frantic effort to shore up the sales gap left by the disappearance of the Dr Martens business. Second, there is much deeper learning by accommodation. In this process, people undergo significant change in their beliefs, ideas and attitudes. When we learn by assimilation, our previous structures and information are inadequate for the new process.

Learning by accommodation requires a change in the paradigms or frameworks in which we operate. It is a process, built on experience, where you participate with all your being and still do not know what the outcome will be. This is the order of learning that George Cox underwent during these two difficult years. This can be identified in two ways.

First were the structural changes. One of the major changes was the reorganisation of the roles of the three key directors and the organisational underlay, which supported their activities. The production director became heavily involved in product development and the managing director and sales director concentrated on developing new design ideas. In addition, the factory management underwent significant changes. When the crisis had passed, the new structure that evolved built a more formal role for the product development process and the production director returned to managing the factory floor.

Second, there were intellectual and emotional changes. This was a deeply worrying period for all involved. A lot of the pressure bore down on the directors and supervisors. People’s jobs and the very existence of the company were under threat and this realisation created a strong will to succeed. Although they may have felt at times as if they were making it up as they went along, they had a deep reservoir of skills to build upon. This developing reservoir and the emotional determination which company longevity provided helped see them through the crisis.

Notes
1 It had been a swimming bath from 1890 and was taken over by the army at the start of World War I. After the war, George Cox bought it from his previous employers.
2 George started in the company in 1920 and early on did a college course in footwear production.
3 Norman was a mechanical engineer and worked in two manufacturing companies before he joined.
4 Of this half of the business, creepers accounted for approximately four-fifths.
5 Waterfield (1986: 2) and recent material.
6 There was also little long-term debt and all equity was held by the family (Waterfield, 1986: 1).
7 At 76, Norman still comes in daily and does all the costing. At such an age, one would normally be active in the garden or on the golf course!
8 See Waterfield (1986).
9 This meets every two months to discuss issues such as holiday dates, health and safety, etc. At national level, the British Footwear Association negotiates wages levels with the trade union group, KFAT.
published report on the work. What the consultant needs is to do a good job. That is advertising enough. The company, on the other hand, wants to have itself sorted out and does not need the details published. Both the consultant and the company have plenty of competitors who would like to know how they operate. In spite of this, Nokian agreed to have its story written up.

Harry is a consultant with Mecrastor PriceWaterhouseCoopers in Finland. He joined Nokian in August 1996 as managing director and left in mid-September 1997. During that time he focused his energies on turning around the company. Harry was then replaced by a new MD. In March 1998, he in turn was replaced by the present incumbent, Raimo Tanttu.

Nokian is our only example of a rubber boot producer. Apart from Nokian, the main EU producers of rubber boots are in France and Scotland. The largest of these is Aigle in France, which produces approximately 800,000 pairs of rubber boots per year. Aigle’s principal market is the agricultural sector, followed by the shooting, hunting and fishing markets. In Britain the main producer is Gates in Scotland, which makes over 400,000 pairs a year. It makes boots for agriculture, industry, safety, field and fishing.

The other main European producers operate from countries such as Poland, The Czech Republic, Slovakia, Estonia, Latvia and Serbia, all relatively low-income locations. China is the largest seller in the Scandinavian and Finnish market.1

Nokian is unusual in that it operates in a much smaller market than Aigle or Gates and in a high-income country and yet still manages to produce 600,000 pairs a year.

Background

Nokian is located in Nokia in south-west Finland, near the city of Tampere. Its roots go back to 1898 when the original Finnish Rubber Works company was formed. This made rubber items, including boots, and was located in Helsinki. In 1905, it moved to Nokia to reduce rental costs. One of its neighbours was a paper mill that was also set up in 1898.

Up to World War I, the rubber company suffered financial difficulties, but like many others it prospered during the post-war boom. It began producing tyres and this formed the basis for what was later to become the Nokian Tyre Company. The rubber company also bought shares in the local paper mill, which survives today as the Nokia Paper Company. In addition, it bought into the Finnish Cable Works company which was formed in 1912. This produced cables for industrial use and was located in Helsinki. As it expanded, during the 1920s and 1930s, it bought out a number of smaller rubber firms.

The town of Nokia had by now become a traditional Finnish industrial town where the company supported the community infrastructure by helping the local schools, kindergarten, etc. Parallel to this was the growth of a strong company union. The local political system was distinctly socialist at the time. One of the remnants of this period that I came across during my visit was the small but striking bust of Lenin in the shop steward’s office.

Nokia Corporation

In 1967, the paper, cable and rubber companies merged to form Nokia Corporation. At that time, the rubber end was an important part of the business and produced tyres, industrial rubber and footwear. The footwear section at one stage produced up to two million pairs a year, over three times today’s volumes.

In the early 1970s, Nokia Corporation became involved in plastics and some years later became an important manufacturer of metal products and ventilation systems. In 1982, it bought Finnish Chemicals. It then went through a process of acquisition in the telecommunications and consumer electronics sectors. At the start of 1988, it was the largest Scandinavian IT company and in 1989 became a significant European producer through its purchase of the Dutch cable company NKF.
For example, two of the upper clickers are there more than thirty years and even the most junior has over five years' service.

The average time is two months, but it can take up to six months if the order book is very full.

See our discussion below on the Canadian retailer John Fluevog.

He completed a basic and advanced course in pattern cutting and then got a British Boot and Shoe Institute Certificate.

In some cases the factory visits can generate extra orders when customers see something which they were either unaware of or had not considered.

A nature last has a shape that follows closely the natural outline contours of the foot. A butted front seam is turned up (butted) and stitched through. My thanks to Peter Simpson of George Cox for explaining these terms.

It is a force-lasted stitched-down shoe with a soft upper.

Dave started in his first job in 1958 when he did a four-year management course and divided his time between factory work and technical college. He rotated through different departments but in the end concentrated on design and pattern cutting. Four years later he went to Barker as a pattern cutter. He ended up running the men's factory in Earls Barton. He joined George Cox in June 1987.

The facts about the Japanese market came (by phone) from the European Footwear Federation or from CEC (no date, Section 4.1).

John was born in 1948.

The following has been developed in discussion with John Fluevog and Adam Waterfield.


I am indebted to Arie de Geus (1997: 75–76) for helping me to see Piaget in a new light.

Introduction

This chapter provides us with an insight into that most famous of company outsiders: the consultant. For ordinary staff, consultants are usually feared, ignored or at best tolerated. They do not come cheap and are not paid to add to life's enjoyment. This is especially the case if they are taken on to turn around a grossly unprofitable business. Such consultants can be forgiven, therefore, if they reflect the determination of the owners to bring things to boot.

Nokian had undergone a management buyout. For several years it experienced severe financial difficulties. These culminated in Harry Timgren, a management consultant, becoming managing director. This chapter outlines the main changes that were introduced during Harry's period at the helm.

Consultants provide a wide variety of services to companies. However, acting as temporary managing directors is not a common one. In addition, we tend not to see a lot written about the detail of their work in individual companies. They come in, do a job and go on to the next one. They, or their employer, are not usually interested in being written about. Neither party needs a
As its high-technology wing grew apace, it decided to concentrate on what had become its core business, telecommunications, by divesting itself of its basic industry operations. It therefore formed Nokia Basic Industries, where it located the traditional rubber, paper and chemicals operations. The paper business was subsequently sold to a US company. At the end of the 1980s, it sold 20 per cent of its tyre business to a Japanese company. Today, except for some small local property, Nokia Corporation has moved back to Helsinki, where the original rubber company came from.

**Buy-Out**

Management bought out the footwear section of the rubber company in 1990 and called it Nokian Footwear. In the following two years, the company made losses. These turned to profits in 1993 and 1994. However, in 1995 and 1996, serious losses were incurred and the company found itself in dire financial circumstances. As a result it took on Mecrastor Coopers & Lybrand to perform an analysis of the company. Harry Timgren, one of the consultants involved in the analysis, was taken on in August 1996 as the new managing director.

Harry first worked as a consultant between 1976 and 1979 and was involved in the planning and installation of quality systems in manufacturing. Between 1980 and 1986 he worked with the large Finnish conglomerate, SOK. At first he worked in development and planning in the SOK industries division. Between 1983 and 1986 he became planning manager of the wholesale supplies section of SOK. During this time he was also a board member of SOK’s car import and dealership business and a manager of its service station department.

In 1988 he sold a small import and mail order business for leisure boat equipment and between then and 1991 was half-owner of a machine import business. Between 1987 and early 1993 he ran his own consultancy firm. This provided quality and productivity improvement services and, most interestingly, hired out management services. This is the first time we see Harry’s skill as a provider of hired management services.

In 1993, Harry joined Mecrastor Coopers & Lybrand. His first assignment was to turn around, as managing director, a Finnish car and truck dealer business. Following his ten months there, he did the same job over seven months for a similar company. He arrived in Nokian in August 1996.

Harry’s impact on the company forms an important element of this chapter. To put in perspective the changes Nokian underwent during his stewardship, we first profile the business.

**Profile**

Nokian is a limited company. Institutions own slightly less than two-thirds and the remainder is held by ten individuals, two of whom are management. On the institutional end, the Nokia Corporation owns 10 per cent and most of the rest is operated as a risk fund.

Some key data provides us with a picture of how the company has performed in recent times. First, we look at turnover since 1991.

![Turnover (FM million)](chart)

Turnover fell by almost a third between 1991 and 1996, most of this fall occurring between 1995 and 1996. This fall played a major role in the difficulties facing the company in 1996 and led to sig-
significant changes in the way it was run. Turnover has stabilised since then.

Next, we look at production and labour productivity.

**Production (Pairs)**

<table>
<thead>
<tr>
<th>Year</th>
<th>1994</th>
<th>1997</th>
<th>1998*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Year (million)</td>
<td>0.55</td>
<td>0.48</td>
<td>0.60</td>
</tr>
<tr>
<td>Per employee per day</td>
<td>9.3</td>
<td>10.9</td>
<td>11.1</td>
</tr>
</tbody>
</table>

*Estimate

Output fell between 1994 and 1997 and increased in 1998. However, labour productivity increased during this time, reflecting efficiency improvements.

The profit-and-loss data show clearly some of the pressures the company has been under. Large losses were made in 1991 and these fell significantly the following year. The company then returned to the black in 1993 and 1994. The following year things began to slide again and by the middle of 1996 the company was in serious financial difficulties.

**Profits/Losses (FM million)**

Employment fell by almost half between 1991 and 1997. This overall fall was in spite of an increase of 27 per cent between 1993 and 1995. Profits in 1993 and 1994, as we saw, were reasonable. However, the 1995 loss was at variance with the increased intake of staff in that year.

Since 1997 the workforce has continued to expand.

**Market**

Nokian holds about 47 per cent of the Finnish rubber boot market and 5 and 6 per cent respectively of the Swedish and Norwegian markets. It produces the following varieties of rubber boots:

- **All-Round** — various designs and colours for consumers of all ages.
- **Outdoor** — for the leisure market including hunting, fishing and hiking.
- **Safety** — certified to European standards for construction, forestry and fire fighting work.
- **Special** — for purposes such as military use.
In addition, Nokian produces rubber compounds, which it sells to other companies. Finally, Nokian buys in slippers for sale. These products sell in the following proportions:

<table>
<thead>
<tr>
<th>Year</th>
<th>All-Round</th>
<th>Outdoor</th>
<th>Safety</th>
<th>Special</th>
<th>Compounds</th>
<th>Slippers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>48</td>
<td>20</td>
<td>13</td>
<td>11</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>1997</td>
<td>56</td>
<td>17</td>
<td>9</td>
<td>11</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>1998*</td>
<td>62</td>
<td>13</td>
<td>10</td>
<td>9</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

* Estimate

Today, the main product is the all-round boot, which dominates sales. It is followed by the outdoor and safety products. Since 1994, the all-round boot has increased its proportion of sales and the outdoor and safety boots have fallen. Since sales volume has fallen significantly during this time, the all-round boot has become the bedrock product of Nokian.

At the start of the 1990s, 60 per cent of company sales in Finland went to the major chains, 30 per cent to rubber shops and 10 per cent to the rest. At that time there were no discount chains. Today, therefore, the chains and rubber shops are significantly less important and the other outlets have grown strongly.

Early Changes

Mecrastor was first asked to do a brief analysis to see if the company could be saved. This found that the firm could be turned around and identified the areas where the biggest savings could be made. Harry Timgren was then taken on as managing director and he prepared a detailed turnaround programme.

Strategy

This programme was presented to the board who agreed to its implementation. The board was not involved in preparing the programme, only in giving Harry its support and encouragement.

The programme proposed the following: a new production planning philosophy and factory layout; a move from functional to workshop-type production; and moving all functions close to...
production. The programme aimed to reduce stock, improve customer service and increase productivity.  

The management team usually met once a fortnight and sometimes once a week. Harry’s development programme provided a backdrop to the topics discussed at these meetings. Most of the items were basic and immediate rather than broad and strategic. The development programme was not continually revisited, although the company’s future was foremost on people’s minds.

The turnaround programme was not a strategy document. It did not state how Nokian should achieve its mission and objectives. If an overarching strategy existed, according to Harry, it was a very basic one — to survive — and to do this they needed to do the usual things such as reduce costs and increase cash flow.

Following the major decision to try and survive, other key decisions were made. One of these was that Nokian would concentrate on making its own products. Prior to this, Nokian had produced certain products in low-cost countries, causing quality problems. They discovered the hard way, however, that their consumers wanted high quality Finnish goods.

A difference, therefore, between Harry’s period and what went before was that there was now no detailed and documented strategy process. To the extent that Nokian had a strategy, it was embedded in the development programme and the operational activities rather than being brought to the surface, scripted and discussed.

The implication, therefore, is that detailed strategy work was unsuitable in Nokian’s crisis, where the needs were so clear. Harry felt, however, that when the company became profitable and reasonably secure, it might need to develop a strategy. This would give guidance on such aspects as market segment, etc. It would not be the documented and detailed work it had been prior to Harry’s arrival.

We now outline the main changes introduced during Harry’s period at the helm.

Lay offs
Redundancy negotiations began on 1 September 1996. First, some senior administration staff were let go. Then, in the first week of October, 25 per cent of the workforce were laid off. This included a further 10 administration staff and 67 production workers.

This was a very difficult period for the company. However, these layoffs were not the first. There had been several since the start of the decade and, to add to the confusion, about 100 staff had been taken on.

In the light of this experience, it was necessary to create some sort of credibility with those still working. For this reason, it was important to get the redundancy figures right this time.

It was also as important to get the new development process right, so as to build on the cost-saving opportunity the redundancies provided. In this context, everything that followed the layoffs had to be seen to build the company’s capability. This was necessary so that people could begin to believe the firm had a future.

Shutdown
The factory was closed for five weeks in late autumn 1996, during which time most of the staff were let go. This provided significant cost savings. During the shutdown, two-thirds of stock was sold. This provided liquidity for the sorely pressed finances. If stocks had not been as large at the time, the company would have been bankrupt.

While the company was closed and running down stocks, a new production layout was introduced. During this time, a small number of stock, maintenance, administration and management staff remained to sell stock and prepare the new factory layout. Following the closure, the company got going again and by summer 1997 the stock level had fallen to one third of its autumn 1996 value.
During this time, the company tried to ensure that all staff were fully informed of developments. They were provided with information on the company and its progress. In December 1996, the production staff elected an employee representative to the management team. This change was introduced to improve the quality of the company’s decision-making and to provide a conduit between production employees and the management team. In addition, workers were also involved in the production changes. For example, they helped in designing and planning the new workshops.

During all of this, the bank was kept fully informed of developments. In February 1997, with the changes in place, the bank agreed a new financial arrangement covering the next eight years.

Management Changes

Before Harry’s arrival, the company had a relatively traditional structure and was based on clearly defined and separate functional groupings. At the time, there were four functional heads reporting to the managing director. These were administration, production, quality and marketing. The marketing function included product development. Most people in administration had their own offices.

Senior management was somewhat removed from the operational side of things and there was a strong emphasis on the formulation of strategies and plans. In addition, the different work levels were compartmentalised and people operated mainly within their own sphere of activity. As a result, staff networking occurred mainly between those at the same level in the hierarchy. Harry’s impact on the company’s structure was considerable.

New Structure

Five functional areas — finance, export, marketing, development and production — now replaced the previous four. Administration was gone and finance became a key function in the company.

The export area was given greater prominence and the new development area subsumed the quality function.

There were also considerable changes in personnel. A number of key function heads were let go. The bookkeeper, who previously worked under the departed head of administration, now became the new head of finance. In addition, the head of product development swapped jobs with the head of production.

The diagram below indicates the new structure as it was in July 1997.

![New Management Structure](image)

This structure may appear somewhat strange to an outsider. Such things as the lack of a separate human resources function and the prominence of finance could be considered a little unusual. However, the structure reflected a company in severe crisis. In this respect, much of the personnel manager’s time, prior to leaving in September 1997, was administering and managing the staff layoffs. She had also been involved in staff training and personnel work at the time. However, some of her personnel work for factory operatives had been transferred to the production manager and, prior to leaving, she had begun to support the export marketing area.
Finance’s remit was enlarged and changed to make administration more efficient. Sales and marketing clerical staff were now moved to finance. The way finance staff performed their work also changed. First, they continued to do their individual jobs. However, they also provided a skills pool for other administration work as the need arose. In this respect, the new open-plan office allowed people to see where work blockages lay so they could help others as necessary.

One also got the impression that this was an evolving structure. This was a new experience for a company previously used to a fixed set-up. This does not mean it was a fluid or an organic structure. Rather, the structure seemed to reflect company developments at the time. When I discussed the structure with Harry, I felt that he was not only explaining it but also seemed to be mining for an opinion on how it could be further improved.

Space and Networks

Part of the change in administration was the physical alterations to the office. Originally, most administration staff had their own offices. These changes were made during the five-week shutdown of the business.

First, the managing director’s office was moved from its elevated perch in the office wing of the building to the factory floor. It was now much sparser and had little of the trappings of power and status. This change created some surprise in the company. The move, however, contained the important subtext that management must be involved and that the factory worker was vital to the business.

Second, the various offices in administration were turned into a single open-plan space. The aim was to improve the ease of contact and networking. When the open-plan office was first set up, some staff found the extra noise and activity distracting. However, this did not last long, as people got used to the change.

Even those who first found it a little difficult eventually became enthusiastic about it.

Prior to Harry Timgren’s arrival, meetings were formal and employees normally dealt with those above and below them in the hierarchy. In the new situation, the linkages between the different levels in both production and administration were considerably increased. Staff did not feel so isolated in the new office and were better able to network and call on whoever could help sort out a problem. There were many more information links and networks. In addition, the new organisation structure, which we looked at above, facilitated company linkages. For example, the finance involvement across the board and the personnel manager’s role in supporting export marketing were a reflection of this.

During my visit to the company there was continuous evidence of networking as people passed around material, talked to their neighbour or gathered around someone’s desk to sort out a problem. You would often see the MD or other senior staff sitting in front of someone’s desk talking over ideas or issues. Sometimes it was difficult to identify the more senior staff from the side of the desk people were at. In most organisations, lower-ranked staff call on the more senior staff, not the other way around. In Nokian, when Harry looked for ideas he did not mind what side of the desk he was on or who he had to go and visit.

The open plan in administration is extremely quiet and calm. Even the phones ring gently. The frenetic open plan of the office movie is nowhere to be seen. Today, the only offices with doors are both meeting rooms, which staff book as the need arises.

Production

To understand the production process and the changes that took place, we look at what it was like before Harry arrived. First, however, it is useful to know how rubber boots are made.
Rubber Boots

Although a rubber boot resembles ordinary footwear, it has its own distinct production process. Natural rubber is made from a milky white fluid called latex, found in many plants, and synthetic rubber is made from unsaturated hydrocarbons. Rubber, in particular vulcanised rubber, has properties of water resistance, elasticity, strength and, importantly, it is dielectric.

There are a number of stages in making rubber boots.

Rubber Boot Production

First, the raw materials for both rubber and textiles are taken from the stores. Then the rubber ingredients are mixed or compounded according to various recipes. These ingredients (e.g. polymers, fillers, etc.) help modify and improve the rubber.

The compounded rubber is then sent for calendering. Calenders are machines with big rollers that squeeze the rubber into thin layers. The layers are about 1 mm thick and are either smooth or patterned. Small strips of rubber are also calendered and later used for sealing and decorative purposes. At this stage the textiles pieces are attached to the rubber.

After calendering, the layers are stacked and powdered, where necessary, to prevent them sticking together. These layers are equivalent to the tanned hides in ordinary footwear production and are ready for cutting.

The large rubber pieces for the boots are next cut using saws or presses. At the same time, other small parts for the boot, together with the soles and insoles, are cut. Nokian buys the moulded variety of soles and heels from other companies. The soles and insoles are then sent for roughing and cementing.

Cutting rubber is not quite the skilled job it is for leather, as there is not the same variation of quality and composition that there is in leather. In Nokian, all the textiles parts are cut with a computer-controlled cutter using CAD-produced patterns generated by the design area.

The cut parts go to the pre-assembly area where they are cemented together. For some products, such as the all-round boot, collar components are now made. This work requires some stitching, which is not a normal operation in a rubber boot factory.

The boot parts then go to confectioning. Here they are assembled or built around the aluminium last. Then, with the last still on, the boots are taken for vulcanisation. Here the rubber is heated on the last for about one hour at 130-140°C. This increases its strength and elasticity. It also increases its resistance to abrasion, chemicals, heat and its insulating and non-conducting properties.

The boots are then taken off the last, finished and inspected. After this, they are sent to the warehouse and are ready for distribution.

Original Structure

Below is an outline of the production department in early 1995.
The production manager at that time had three middle managers, each with an administrative assistant. The three managers had, in total, ten supervisors covering the planning, downstairs and upstairs departments.

The planning department had two supervisors, one each for raw materials and warehousing. Along with the normal product planning work, this department also did work study. Planning had three clerical staff, one each for purchasing, dispatching, domestic sales and exports.

The downstairs department had four supervisors, one for each of the following: compounding, calendering, cutting and pre-assembly. When the parts were finished in pre-assembly, they were then sent upstairs.

Upstairs, the parts were confectioned or assembled, finished and inspected. The upstairs manager had four supervisors, two for each of the two shifts in confectioning and finishing.¹¹

This organisation has six layers of operation and reflects a specialised and functional system.¹²

**New Structure**

A number of changes were made to this area during Harry Timgren’s period. First, the gap between senior management and the factory floor was reduced. Part of this was through a reduction in management layers and part was due to the impact of his leadership style on the company.

Harry was an interactive manager. He was not the sort of person who sat in an office and sent out daily instructions. He was often to be seen on the move, meeting workers and encouraging them in their work. He seemed to imbue employees with a feeling that their job was important and that he was doing his very best to ensure things worked out. The employees I met held him in high personal regard. His style was also reflected in the physical movement of his office to the factory floor, which we looked at earlier.

Second, he was involved in restructuring production. This area, as we saw, was now divided between two managers, production and development.

The production manager ran the operation and looked after production, planning, purchasing, development and design. The development manager looked after engineering, maintenance, the CAD equipment, the laboratory and the quality area.

Four supervisors worked under the production manager and three of these were responsible for different workshops. Under the development manager was the analyst who developed new methods and processes. He also did the work study on new job areas.

In the previous set-up, work study played a significant part in the process and provided the basis of the wage system. A new system was now introduced whereby workers were paid on an hourly basis. This was, however, only a temporary arrangement while the workshops were being introduced. During Harry’s time, therefore, they also worked on developing a new wage system, which is in place today.
In some companies, production and development are located under one department. However, this did not happen in Nokian.

First, it may have been difficult to decide which of the two managers had enough experience to take on the more senior role. Second, in the cross-linked organisation, which Nokian was developing, the merger option did not appear to be necessary.

Overall, therefore, the previous ten supervisors had now shrunk to four. Three of these were now responsible for six different workshops, which we look at next.

**Workshops**

Harry, when he arrived, restarted a workshop project that had ground to a halt. This project went back to late 1994. At that time, the factory had 200 detailed job phases and wages were paid on a piecework system. In addition, workers were rarely moved from one job phase to another. This was a relatively traditional system with a high level of specialisation.

In 1994, a postgraduate intern made some suggestions for improving production. The company took on his ideas and what could be called the workshop project began in late 1994, under the then production manager. A new production manager was taken on in early January 1995 and one of his main roles was to take this project forward. The workshop project was to have been completed by early 1997. However, only one pilot workshop had been introduced before Harry arrived.

This workshop project was carried out on the pre-assembly, confectioning and finishing of safety boots. These were chosen because the activities were done, unfortunately, in different parts of the factory, thereby causing several problems. The first problem was the distances that the components and semi-finished safety boots were required to be moved around the factory.
Second, the three areas had become almost separate republics and were very weakly linked to each other. At that time, pre-assembly was on a separate floor to confectioning and communications were difficult. Third, the inspection process was done at the finishing stage and the staff in the safety boot area did not often see how the product turned out.

These problems have been quite common in manufacturing, especially where large machinery is involved. The activities around such machines have sometimes tended to build up a life of their own. This may be tolerated in the world of specialisation and large production runs, but not when flexibility and cost cutting become imperative. Therefore, as far back as 1995, the problems had to be addressed.

The area was also chosen because there was enough space to set up the new layout and the supervisor in charge was keen to try out the changes.

When the new workshop was set up, pre-assembly was placed beside safety boot confectioning, where the inspection was now done. The safety boots then went to finishing, which was now placed beside it. The boots were now returned to confectioning after vulcanisation so the lasts could be removed and used again.

This was the only workshop operating when Harry arrived in August 1996. The project was at that time a full seven months behind schedule. It was restarted the following month and the production manager, with the support of an outside consultant, headed up the work. By early January 1997, a mere four months later, a new factory layout and five extra workshops were introduced. We outline the new workshops below.

**Workshop 1**

The initial activities of compounding and calendering were now brought together under workshop 1. This contained 24 staff divided into two teams. Team 1 covered compounding and the other calendering. These teams were headed up by a supervisor and located together. This supervisor is also responsible for workshops 2 and 3.

**Workshops 2 and 3**

5. Nokian, Finland
In workshop 2 there are 14 workers in two teams, one producing the outsole and the other the insole. Depending on the type of rubber boot being made, they use an outsole that is either vulcanised or not. The team cuts the unvulcanised outsole. The vulcanised sole is bought in. The team roughs and cements the moulded soles and heels, both of which are bought in from other companies.

The insole team builds the insole from its various parts. In workshop 3, the rubber is cut by nine workers using saws or presses.

Next, there are two supervisors looking after the completion of three product groups — safety, all-round and leisure boots. The following production activities take place here.

First, there is pre-assembly where the cut parts are cemented together. This is common to the three workshops. In the workshop dealing with all-round boots, a special team also makes collar components for the boot. This work requires some stitching, which is not a normal operation in a rubber-boot factory. Then there is the safety workshop, which was the original pilot operation and which we have covered above. Finally, we have the leisure workshop.

When the components leave pre-assembly they go through confectioning and finishing. As we see in the above diagram, the changed layout allows materials to move up and down the centre to whichever section needs them. When items are confectioned they are sent to vulcanising after which they return for finishing.

New employees start off performing simple jobs at first. The more skilled staff members also train them. In Nokian the average length of employment of production workers is 19 years and the worker representative on the management committee has been with the company for 29 years.

For years, the number of employees has been decreasing because of the difficulties facing the company. It is only since 1979 that new staff has been taken on in any numbers.
Summary
We now summarise the main production changes during Harry Timgren's time. First, the factory layout was changed. In addition, the supporting administration and technical supports, such as laboratories, offices and the managing director's office, were moved closer or into the production area. Second, production lost two levels of management and half its supervisors and certain activities, such as work study, were significantly reduced. In addition, the clerical staff in production have gone to administration and the planning area was reduced to one person.

Finally, production workshops were set up, leading to improved linkage and greater efficiency. The workshops, however, did not lead to factory-wide multi-skilling. Nevertheless, in some of the factory processes there has been some skill extension. For example, in the insole area, each worker previously did only one small work phase, as it was then called. Now the cutters and trimmers can rotate. In the previous situation, the supervisor gave the work details each week. If there was a material shortage, the operatives just sat there and waited for the materials to arrive. Now they get the work list and agree how to do the work themselves and the supervisors mainly ensure everything is in order. There is, however, still no job rotation across teams or workshops.

All in all, production has become a simpler and leaner activity. The new set-up allows for smaller production runs and is better able to handle the manufacture of special brands for larger customers. Stocks, as a consequence, have fallen considerably.

Today
Harry Timgren left Nokian in September 1997 and a new MD was taken on. In March 1998, Raimo Tanttu then took over. Raimo had already been on the company's board since September 1996, shortly after Harry arrived.

This chapter examines the impact of a consultant MD on the company. We have, therefore, focused on the changes made during Harry's time and the impact these had on such things as employment, turnover and so on.

However, one of the main themes of this book is the role the organisation structure plays in the operation of a company. For this reason we look at the present organisation structure. During Harry's time, he looked at the company structure as a work-in-progress rather than a finished product. It reflected the concerns of the time and had a strong focus on finance. Today's structure is outlined below.

Today's Organisation Structure

A number of changes have taken place. Four of the five senior managers still remain. The development manager went to China to work for a Finnish clothing company. The maintenance manager, who used to report to him, now reports to the MD. His other work is now divided between the production manager and the planning and export manager.

The previous export manager now has planning, development and design added to his brief. Production has taken the work study function from the old development area. In addition, it now has a project manager looking after the development of a more efficient computer network.
Most importantly, however, the finance manager still retains her relatively wide remit and her title now includes customer service. In addition, the previous personnel manager has not been replaced, leaving the company with no separate personnel function.\(^{18}\)

Regarding the issue of strategy, the company has recently produced a programme covering 1999 to 2002. This contains plans for investment, new product development and production methods and so on. The plan provides a broad envelope for company activity over the next four years and in this respect is an important guide for management. In addition, the company is introducing a new team-work programme. The basic coaching started in May 1998 and the first phase was due to end before summer 1999. New investment has been made in a water-jet cutting system. Finally, a new bonus system was introduced based on the quality and quantity of the product.

Harry's period teaches us that the ability to motivate people to make the necessary changes is crucial. He showed that in a company crisis it is easy to find the problems and not too difficult to offer the solutions. The real trick, however, was to implement the necessary changes. To do this, he had to rework and reinvigorate the organisation so as to propel it forward. For this reason, we concentrated on looking at the organisational changes he made, his leadership style and his ability to motivate.

Employees are usually fearful, or at least cautious, of new managing directors or consultants. In spite of the very difficult surgery administered and the changes he made, most, if not all, of the Nokian staff appeared to hold him in high regard. During my visit, I came across evidence that brought home to me the admiration in which he was held.\(^{19}\)

I should point out, however, that the Nokian story does not support the "king is the cause" paradigm. Although this chapter focuses on the changes introduced during Harry Timgren's period, he, as a person, was not the sole cause of the turnaround. He was, however, the critical change agent.

He could identify the necessary changes and encourage and support their accelerated implementation. However, the staff's belief in his approach and the essential infrastructure of skills and abilities which they could offer, provided the base on which Harry Timgren, the catalyst, could work.

Harry, however, came to the job as a consultant and this aspect needs to be briefly put in context.

**Consultancy Context**

Harry was employed to turn the company around. To do this he was taken on as MD for a year. Consultants provide a wide variety of services and supports for an organisation. Being managing director is, however, not a common one.\(^{20}\) Why is this? There are several reasons. First, we will look at it from the consultant's perspective.

Consultants are not usually keen to take on the MD's job.\(^{21}\) First, the position brings certain legal responsibilities, which may not be attractive. Second, where the consultancy already provides the firm with another service, such as auditing, it can cause a conflict of interest.

Even the companies that provide this service do not do so on a long-term basis. This is partly because of the wear and tear it brings. Every turnaround brings a new set of problems, every company its own complexity and politics. From the consultant’s perspective, helping to introduce new quality systems in five different companies does not provide the same stress and strain as being MD in the same five companies. You simply amend your quality toolkit for each company. By contrast, there is no MD toolkit. There are, admittedly, common things a good MD will do in different companies. However, providing an MD service is much more complex than providing a particular process or expertise.
From the company's perspective, the MD is the key executive and has the most important impact on decisions. It would not, therefore, be usual for a person to invite someone to replace them at their own job. It would be more likely that they would get someone to help them turn around the business.

The board of directors, by contrast, would normally only engage a consultant MD when they had lost confidence in their own one and had failed to find a replacement. With the variety of people offering themselves as MD and the increasing use of recruitment agencies, most companies can find a replacement MD. However, there are certain cases where consultant MDs are taken on. For example, Irish state bodies have sometimes done this when they found it difficult to find a suitable person because of government-imposed salary constraints on full-time MDs.

Conclusion

The lessons to be learned from the Nokian story are not about how consultancy companies can find a new market. Rather it is the story of the organisational changes a complete outsider made over a short period of time. Very few consultants would have risked taking responsibility for Nokian's future. They would, of course, have been happy to help introduce some component of organisational change. But having your reputation and that of your consultancy company wedded to the 12-month success of someone else's business is not a common activity. However, there are horses for courses, even a course as unusual as Nokian, and Harry Timgren and his consultancy company seem to have been what was needed at the time.

This chapter deals with the organisational changes introduced during his time and the effect they are having today. The changes themselves are important and would not have been possible without the full backing and support of Nokian's staff. The catalyst and initiator of this change, however, was mainly the external consultant acting as MD. This, as we saw, was not Harry's first job as MD and it may not be his last. At present, he is working as a Turnaround Programme Manager in a large chemical factory in Denmark. This is the first significant project in five years in which he has not been the managing director.

His CV, which we summarised above, tells of an individual who has worked in a wide variety of activities. However, we neglected to mention that he was also involved in an Atlantic boat race during 1986 and 1987. There are not many consultants who do an eight-month seafaring stint at the height of their career. Maybe this sort of thing is part of the experience necessary to become a roving MD.

Notes

1 Aigle, Gates and Nokian provided the above information. There are also smaller EU producers such as Botte Le Chameau in France.
2 This is now called Mecrastor PriceWaterhouseCoopers. It employs about 60 consultants. Its main services are strategy, human resources and change management.
3 The two management owners are the marketing manager and the planning and export manager. The other eight were previously part of the company management.
4 Calculated by using import volume. This does not take account of changes in importer's stock levels.
5 For example Etola, the largest, sells rubber and plastic rain gear, toys, household utensils, furnishings, garden furniture, equipment and so on.
6 Taken from the main points of Nokian's 1996/97 Development Programme.
8 Helena Palokangas, the then personnel manager, left to go to a new job in recruitment.
9 Computer-aided design.
10 This was at the start of the workshop project, which had stalled before Harry Timgren's arrival and which he restarted. We look at this project later.
11 The factory works two eight-hour shifts each day.
Production manager, department manager, department assistant, supervisor, clerk and operative.

The biggest award, up to my visit, was FM7,000 for someone who solved a problem with rubber going grey. The suggestion led to an increase in the vulcanising temperature by 10°C.

During this time however, the company did succeed in making changes in production. It introduced a new CAD system in winter 1995/96 and a new CAM cutting system in summer 1996.

Workshops 4 and 6 are under one supervisor and have 16 and 34 workers respectively. Workshop 5 is the largest in the factory, at 64 workers.

There are 13 workers in this area.

The planning and export manager and the marketing manager are the two remaining shareholders in the management team.

The decision not to replace the previous personnel manager was made in Harry Tingren's time.

My source for this included a number of key managers, operatives and others. Since Finnish people tend to be a relatively undemonstrative people, this was all the more interesting.

See for example, McAdam and Pinder (1995: 735). See also the appendix.

Thanks to Ken Johnson from PriceWaterhouseCoopers for helping to clarify some of the following points.

Introduction

It has been argued that the structure of a company and the processes by which it works should facilitate its strategy. This chapter looks at the organisation of a medium-sized company producing a relatively sophisticated footwear product.

Arbesko is an important safety and occupational footwear manufacturer. It employs around 200 people in Sweden and is located in Orebro, about 200 kilometres west of Stockholm. Orebro is the sixth largest city in Sweden and has a population of about 135,000. It is an interesting place and contains a wide variety of community, business and tourist facilities.

We first look at Arbesko’s background. This is compelling reading and is also necessary to understand the nature and operation of the company. We then look at the firm’s organisation and operation. It is here that we find the most interesting aspects of this case. First, the history.

Background

The roots of Arbesko go back to 1839 when a 17-year-old called Anders Andersson made three pairs of heavy working boots. He
sold them within an hour in the market square in Orebro. With the money he bought more leather, made more shoes and went back and sold six and then twelve and so on as his business grew. After about 20 to 30 years he had a workshop with eight people making shoes.

Anders' son Gustav took over the business and expanded it until it had over 600 workers. Gustav lived and worked to a ripe old age, thus preventing his own son Helmer, from taking over until 1947. By then, Helmer was 55 years old.

At that time, there were about 23-25,000 employees in the Swedish footwear sector. Orebro itself was also an important part of the sector and there were almost 200 shoe factories around the area producing good quality shoes. In 1946, the year before he took over, Helmer visited the US with a shoemaker’s delegation to gather new ideas. In the US, he came across the steel toe cap and in 1948 he began producing safety shoes.

By 1952 the company was making 1,200 pairs of shoes and 50 pairs of safety shoes per day. Early that year Sweden reduced import barriers on footwear and other products. This caused competitive pressures on the business and Helmer decided to sell. He immediately offered the business to one of his biggest competitors. Helmer owned 75 per cent of the firm and his sister the rest.

In the end, his competitor's son, who had married Helmer's sister, bought his shareholding. Helmer, however, retained the rights to make safety shoes. By the end of 1952, Helmer had subcontracted the production of his safety shoes to two factories: one in Gothenburg and the other north of the city. This was the real start of Arbesko.

Arbesko

Rune Edberg joined Arbesko in 1952. He came from the administration division of an electricity company. Previously he had worked in the office end of a footwear factory near Orebro. Over time, he came to play an increasing role in the firm until he took over from Helmer in 1964. Rune, by then, had developed a strong expertise in the sales and marketing of the product.

In 1964, the Gothenburg sub-contractor moved close to Orebro. In 1967, Arbesko bought the factory, providing Arbesko with its own production facility. In those days it was normal for big footwear manufacturers around Orebro to have a large town residence and a country house. Helmer was no exception. He died in 1968 and in the same year Arbesko bought out its sub-contractor. This factory became known as Age since Helmer was called Helmer Age.

Eva

Helmer's wife Eva now comes centre stage. At around 60, she was much younger than he was. Up to then she had left the running of the business to Helmer. Despite having no experience of footwear production or of running an operation, she now took his place in the driving seat.

Eva and Helmer had no son and their only daughter Gunilla married a civil engineer. She never showed any inclination towards working in the business and moved away from Orebro before Helmer died. Therefore, when Helmer died there was no son or daughter to take over the business. This left Eva with no choice but to do the work herself.

She now ran the business with Rune who was not too happy with the arrangement. First, although he never came to own any of the business, he had, in Helmer's declining years, almost complete control of the operation. In addition, he now had to take instructions from someone who knew almost nothing about the work.

When Eva took over, she found that, although sales were strong, the operation was not very profitable. There was no one in the company strong on accounts and Rune's forte was sales.

Meanwhile, Eva's brother, Erik Geisler, a civil engineer, moved to Orebro in 1948 with his wife. In 1951, their son Peter was born.
Helmer, with no son of his own, had often asked Peter if he would join the company. Peter, however, was set on becoming an architect. Having missed a place in architecture, he began studying civil engineering in 1970. However, he did not take to the subject and left in 1971. Eva now asked him to join the firm but he held off making a commitment. He then married and worked at Volvo for a year. When he left Volvo, he joined the Swedish navy as a mine diver and stayed for a little over a year.

He then took up Eva’s offer to join the business. Eva requested that he do a business degree. Peter took a full-time economics degree over three years and spent part of the time working in Arbesko. He finished the degree in 1976. Up to 1983, his main job was customer service along with some marketing work.

Meanwhile, in 1976, Arbesko bought out another footwear company which had gone bankrupt. Interestingly, this company could trace its own ownership lineage back to one of the two employees from Anders Andersson’s original workshop.

Ownership Dispute
Eva died in 1983. When her will was read it caused quite a stir. Peter received 70 per cent of the business and her daughter, Gunilla, only 30 per cent. Eva had used her will to ensure the continuation of the family firm. Gunilla had no experience of running the business and Eva was probably afraid she would sell it. By contrast, Peter, her nephew, had been working in the company for some years and had taken her advice on his university education.

There followed a long dispute about ownership and control. Gunilla had originally been unhappy with Helmer’s will, which left the firm to her mother. Eva, as a result, had promised not to sell, or give away, any shares without Gunilla’s permission. Gunilla now produced the written evidence of this promise.

Swedish law, however, accords a higher status to a will than to a written promise made many years before. But the difficulty was that this had not been tested in the courts and Gunilla threatened to do just that.

Peter proposed that they discuss the issue to try and find some way of avoiding a court appearance. The discussions took five years and the day before it was to be heard in court they reached agreement. Peter now held 52 per cent and Gunilla and her three children each had twelve per cent. She also got a position on the board. However, the main control still lay with Peter, who eventually bought them out in 1996.

Meanwhile, in 1985, the company bought out the subcontracting facility on the west coast, now called Norrvikens Limited. Arbesko now had three production facilities. In 1986, the two older facilities were amalgamated into one operation, Age Limited.

Government
At the end of the 1970s there were only a small number of footwear companies left in Sweden. To rationalise and strengthen what was left of the sector, the Social Democratic government decided to intervene. Between 1979 and 1981 a government agency bought up eight or nine footwear firms to merge them and strengthen the sector.

Meanwhile, Arbesko continued to expand until the early 1980s, when it held almost 100 per cent of the home market in safety shoes. Arbesko stood back from the process and refused the government agency’s offer. As a result, the agency decided to enter the safety shoe business. It formed its own safety shoe company and called it Stalman. This new name, from Arbesko’s perspective, was perilously close to its own Stalex/Stilex brands. The agency set up Stalman by using an old winter boot company. It reequipped it with new machinery and located it in a large purpose-built factory in the north of the country.

The footwear group set up by the government agency went bankrupt in 1981. The agency offered the company parts back to the original owners for very low prices. In addition, it offered
Sole Survivors

Arbesko free to Stalman. The only charge was the cost of stock and the requirement that Arbesko must retain all 65 staff. Arbesko turned down the offer because of the staff stipulation, which it felt might imperil its overall viability. Although Arbesko now had a monopoly position in the Swedish safety shoe market, its financial position was not nearly so secure. As we saw, Rune was a superb salesman, but this expertise was not matched by an equivalent skill in financial matters.

Following Arbesko's refusal, the agency, according to Peter Geisler, then offered Stalman to the Finnish company Sievin Jalkine and dropped the staff retention requirement. In addition, the company received labour and capital subsidies, adding to the attractiveness of the arrangement. This company now produced the safety shoe by making the uppers in Finland and carrying out sole attachment in Sweden. Stalman now went from 5 per cent of the safety shoe market to 25 per cent.

The fall of Arbesko's market share, which started in 1983, continued through Rune's retirement in 1986 and on to today, where Arbesko now holds 50 per cent of the Swedish market. In 1983, Arbesko produced 890,000 safety shoes per year and today makes 490,000 shoes. However, despite Arbesko's declining market share, its finances have improved significantly.

Peter Geisler

Rune retired in 1986, and Peter, now 35, took over the helm. Between 1983 and 1988, as we saw, the company leadership spent much of its energy on the family quarrel over ownership and control. From 1988 onwards, however, Arbesko came significantly under Peter's control as he now held the majority shares. A number of developments since then are worth mentioning.

First, following Peter's purchase of the minority owners in 1996, the control of finances became tighter and more focused. He was now able to concentrate on the development of the company unencumbered by the board involvement of his cousin.

Second, Norrvikens, the west coast factory, had been buying leather from Brazil since 1978 and stitched uppers since 1981. To help reduce these costs, Arbesko bought a Brazilian production unit in 1995. By mid-1997, the cost savings from the new arrangement were so significant that they equalled the purchase price of the Brazilian operation. In 1998, Arbesko bought a 1,500-square-metre facility to house an expanded Brazilian operation.

The Brazilian factory now buys and cuts its own leather. It then sends it out for stitching to two sub-contractors. Having quality-controlled the returned uppers, it sends them to Sweden. This accounts for 60 per cent of Arbesko's stitched uppers.

Third, the Norrvikens factory received ISO 9002 in autumn 1996 and the Age factory achieved it in 1998. Arbesko has also been developing an ice hockey boot since its first discussions with the patent holder in 1994. It has created a new company to launch and develop the product. This employs three people at present.

Finally, the company has strengthened the structure of its administrative headquarters in Orebro. In autumn 1996, it began discussing ways of increasing the transparency and cross-links within its headquarters. This process arose from a concern about the effectiveness of the product development process. We will look at this later. First, we look at a brief profile of the company.

Profile

Unlike other companies in this book, the footwear end of Arbesko has six separate units, five of which are located in Sweden. Of these six, three are factories with a total of 168 staff and the rest administer and develop the business. Most companies in this book provided data on turnover, production, employment, and profits and loss. However, Arbesko was limited to providing sales and employment data.

The trend in sales is shown below.
Overall, Arbesko has lost ten per cent of its workforce since 1992. The Swedish component lost 20 per cent but the Brazilian wing now provides 10 per cent of Arbesko’s jobs.

Market
Arbesko sells safety and occupational shoes. Safety shoes can be divided into safety and protective categories. A safety shoe has a metal toe cap and meets stringent quality requirements. A protective shoe also has a protective toe cap but does not meet the same stringent standards. Occupational shoes have no protective toe cap but have to meet certain requirements. Some types of occupational footwear do not have to meet recognised quality standards but do need to fulfil certain functional requirements. For example, the air hostess court shoe has a wide sole to provide greater stability.

All of Arbesko’s range complies with stringent international or other quality standards or with specific occupational requirements. Arbesko has two main brands – Stalex in the safety area and Stilex in the occupational one. The split between its occupational and safety sales is as follows:

The interesting thing to notice here is the lack of any great change between the two categories since 1992. The occupational share increased slightly between 1986 and 1992 and has remained at this level since.
Sweden is Arbesko’s main market and sales outside Scandinavia only provide one per cent of output at present. Since 1992, the export share has increased, as we see below, although home sales still dominate. It will be interesting to see how the export share changes in the next few years. If the home market is increasingly under threat from imports, the export market will need to become more dominant to forestall a decline in sales.

Sales by Market (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sweden</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>1997</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>1998</td>
<td>60</td>
<td>40</td>
</tr>
</tbody>
</table>

Arbesko employs five sales staff in Sweden and sells through an importer or distributor in each of the other countries. Arbesko sells to retailers or directly to the final customer (for example, an electricity facility). A noticeable development in recent times is the change in sales to these two categories. Originally, large organisations bought many products directly from suppliers, but this has become less and less the case. In Sweden, there has been a growth in industrial retailers who stock a wide variety of equipment, tools, clothing and safety and occupational footwear.

The data confirms this change. In 1990, slightly over 60 per cent of the company’s sales were direct and 40 per cent were to retailers, whereas today 34 per cent are direct and 66 per cent are to retailers.

Regarding the future, Arbesko expects that the demand for occupational footwear will increase over the next few years. This will partly reflect a more sophisticated and demanding employee requiring greater comfort and convenience. It may also reflect more intervention by government and employers wishing to be proactive in the area.

Organisation

Arbesko is a private limited company owned by its managing director. It is split into separate individual companies rather than departments, sections or divisions. This is partly for historical reasons and reflects how the operation grew through Swedish and Brazilian outsourcing and then ownership. Part of the reason also is to expose and identify the viability of the units within the group and prevent the need for unnecessary cross-subsidisation of activities.

Below is the organisation chart for the overall Arbesko group.

The Arbesko Group’s Organisation

Arbesko has six separate parts and two linked entities. First, there is Arbesko Group. Eva set this up in 1979 as a type of holding company and for tax efficiency reasons. Its main role today is to provide expertise for the rest of the group. It has the following staff: the managing director Peter, who is also the MD for all the other companies; the production manager who supervises the two Swedish factories, Age and Norrvikens, and is also involved with Arbesko Ltd. He also supports the sales manager when customers
want to know about production or look at the factories; the designer and the assistant designer, Peter's son. They provide the designs for all three factories and are also involved in development work for Arbesko Ltd. They also help Oksebra Trading with designs and decisions on footwear bought from other companies.

Arbesko Group also includes the quality and testing specialists who look after this area for the two Swedish factories and for Arbesko Ltd. Finally, it includes the CAD/CAM specialist. He makes the patterns and automatic stitching pallets for the two Swedish factories and for Oksebra Trading.

Arbesko Group is, therefore, a professional resource for the other companies and, in particular, for the factories. It charges for its managerial, design, R&D and other services. The bill is a total one rather than a variety of small expertise charges. All seven staff take their salary from Arbesko Group.

The staff in Arbesko Group Ltd never actually meet as a separate group under their company. The Group's existence therefore is partly legal and partly managerial and skill provision. It provides a mixture of staff and line functions for the rest of the business.

Then we have Arbesko Ltd., which provides the administrative headquarters for the company and the two factories Age and Norrvikens. We look at these in some detail later on.

Next, is Oksebra Trading, which was set up in 1994. This has one full-time staff member and buys finished shoes for Arbesko. It also buys materials and parts for the company. For example, it buys leather for the two Swedish factories. In addition, it buys the leather uppers from the Brazilian operation for Age and Norrvikens. It also purchases certain materials for the Brazilian operation.

Oksebra Trading acts as either a buyer or an agent, depending on the arrangement. As a buyer, it simply invoices, and as an agent it takes 4-5 per cent commission. For instance, it buys uppers from Oksebra Brazil for Age and Norrvikens and simply in-

voices them. This is the main part of its business. When, however, it buys uppers from elsewhere in Brazil, it does so as an agent and charges a commission to the two Swedish factories.

Oksebra Brazil was set up in 1995 in the south of Brazil. It has 22 staff and is responsible for supplying stitched uppers to the Swedish factories. About 10-15 per cent of its work is lasted uppers with steel toe caps.

It has a number of operations. It buys all its own leathers either directly or through Oksebra Trading. Then it cuts the leather and sends it out to two sub-contractors who stitch the uppers. One of Oksebra's Brazilian staff visits both factories to check and ensure quality. The stitched uppers are returned to Oksebra where they are quality-checked before packing and sending on to Sweden.

We then have the Shoe Institute, which Arbesko bought out in the mid-1980s. This is a shell company today. When it was bought Arbesko got the following: the CAD/CAM system and the quality and CAD/CAM specialists. The CAD/CAM machinery is now in Age and the two specialists form part of Arbesko Group.

Arbesko also has a real estate wing, which was set up in 1992. It owns a number of properties, including the one that holds Arbesko's headquarters. Its work is done by Arbesko Ltd., which we look at below.

Finally, we have Rebellion Sports which sells roller blades, ice hockey boots and floor ball sticks. It also holds the "waiting shell", as it were, for the launch of a new ice hockey shoe and has three employees. Peter Geisler owns 51 per cent of the company and his partner the rest. This company was set up in 1994.

6. Arbesko, Sweden

Arbesko Ltd consists of the marketing, sales and warehousing activities of the company, together with the planning and administrative functions. The diagram below illustrates the operation.

The sales manager has responsibility for sales and marketing. Working with him are five salesmen. In addition, he is responsible
for customer service, where five staff look after customer orders, salesmen support and so on. There are two markets. Area one covers Sweden, Finland and Denmark and area two covers Norway, Iceland, Belgium, Holland, England and elsewhere.

**Arbesko Ltd's Organisational Structure**

- **Arbesko Ltd**
  - **MD**
  - **Sales Manager**
  - **Marketing**
  - **Warehouse**
  - **Production Planning and Admin, Data**
  - **Office**
  - **Bookkeeping**
  - **Salesmen**
  - **Customer Service**

Reporting to the sales manager and, for certain activities, to the managing director, are the two marketing specialists. Bertil Kaarlson looks after the marketing work for area one. He is also responsible for the direct mailing of brochures, which in other companies would often be a bought-in service. In addition, he provides marketing support for negotiations between his sales colleagues and retail chains and looks after exhibitions within his area. Finally, he is product manager for safety shoes and is involved in product development and design.

Peter Svensson looks after area two where he does forecasting and analysis. He works with the current distributors and seeks to develop new ones. His other main activity is product leader for occupational shoes. This involves the development and design work. From time to time both Peter and Bertil undertake special projects for Peter Geisler. For example, Peter Svensson looked after the purchase and introduction of new computers for the office, including decisions on appropriate hardware and software.

The warehouse with its eight staff is located close to Orebro. It contains stocks of Arbesko shoes along with other products sold by the company. Its manager reports directly to the managing director. Orders come in through customer service where they are inputted on the computer and sent overnight to the warehouse.

Orders are delivered within two, and for the very north of Sweden, three days. The average order has fallen in recent times from 28 to 14 pairs. The company pre-invoices along with the delivery docket and payments must be made within 30 days. There are very few, if any, bad debts and in nearly all cases bills are paid on time. The stores hold three months’ stock at any one time, allowing it to respond to surges in demand. This system is completely different from both the made-to-order and the low stocks Just-in-Time approaches.

There are four people in production planning and data. Here, the sales forecasts are taken from marketing and transferred into detailed production plans for the three factories.

Next, two staff look after the books, invoicing, salaries, and so on. Interestingly, the company does not have an accountant and uses an accountancy firm instead. This arrangement may reflect the need to ensure continuity and perspective in the accounts of such a relatively complex structure. Having an outside accountant may also reflect the need for sensitivity about how it all impinges on the owner’s personal means.

Finally, two office staff look after the switchboard and provide general administrative support to other staff, including the managing director, who does not have a secretary.

Arbesko Ltd could be considered the HQ of the company in that all the key management work is done here. However, no one in the company used the term in my presence. Moreover, there is no sense of hierarchy in its operation. Within the group, Arbesko
Ltd. is seen more as the main fulcrum of activity rather than a HQ sending out requests and orders.

**Design**

There is a product development meeting every month. This normally involves the two marketing people, the quality and testing person, the production manager, and, quite often, the managing director, especially when discussing new investments. Bertil Kaarlson in marketing is the informal co-ordinator and circulates a note of the main points after each meeting.

At one of these meetings some time ago, there was a discussion on how certain competitors had developed sandal-style safety shoes. One of the main complaints from consumers was about the heaviness and excessive warmth of safety shoes. Following this, the group decided to develop a new safety sandal.

A month later, the designers had prepared three prototypes, which are normally done in black. Following further discussions, changes were made and they were then sent to three customers for testing. This took about eight weeks. The customers filled in a detailed questionnaire and, following this, the final design details were worked out, including the colour scheme.

The shoe was sent to an outside agency for testing. This took a further two to three months. Then production commenced. Normally, as we saw, Arbesko holds up to three months' stock. While the stock was built up, an advertising and marketing campaign was run. This used such media as direct mail and magazine advertising. The new safety sandal offered a range of safety features while being very attractive and comfortable.

**Factories**

Arbesko has two factories in Sweden: Age, close to Orebro; and Norrvikens on the west coast. Goran Karlsson is the production manager of both factories. Arbesko today produces all but 5 per cent of its own shoes.

Norrvikens produces mostly heavy boots and shoes. It uses direct injection moulded outsoles. Of the two, this is the more traditional unionised factory. Its operational processes are less varied than Age and its product range is more limited.

Age does the lighter safety and occupational shoes and has a wider range of styles than Norrvikens. It produces direct moulded soles and stuck-on outsoles. In Age there was originally an hourly wage and bonus incentive system. Now there is a basic salary on top of which there are skill points and a bonus system. A committee, comprising management and trade unions, developed this system. In Norrvikens, by contrast, they still use a piecework scheme and the union is not keen on changing to the Age system.

The last-in, first-out system for letting go surplus workers operates in both factories. However, in Age it is worked on a department basis, whereas in Norrvikens it is based on a factory-wide system.

There is no work study specialist in either factory and new styles lead to the purchase of work study expertise from outside the company. For example, this was the case with the new safety sandal.

**Competitiveness**

For its size, Arbesko has a complex and multi-layered structure and in this respect differs from the other companies in this book. It has six units and three linked companies. It operates in five locations across two countries in two continents. These are in effect structural factors.

What lies behind the structure? What is the real nature or essence of Arbesko? In trying to get to the core of the company, we consider two aspects. First, we outline the views of the managing director on what makes the company competitive. Then we look at those aspects of the firm's processes that underlay its organisational structure.
According to Peter Geisler, the occupational and, in particular, the safety footwear market in Sweden is very discerning. There are two main ingredients for success. First, he identified the careful analysis and assessment by staff of the market’s specific safety and occupational needs. Second is the production of a fully specified high quality product to meet these needs. Arbesko’s products are effectively marketed and distributed so that the consumer is aware of them and can easily purchase them.

Such an answer is no surprise to anyone running a good business. However, Arbesko has continued to remain competitive because it has focused its efforts on meeting these requirements in its particular market.

In this respect, there have been a number of debates in the company about adding new products to the range. Some of these ideas had powerful support from market sources. One suggestion was that Arbesko take the Caterpillar agency for steel toe cap boots as a fashion item for young people. Another proposal was that penny loafers be added to the occupational range because of their popularity among construction site workers. Although both ideas might have added significantly to sales, they did not get past the MD’s office because they did not fit into Arbesko’s view of its core product.

The company has remained focused on its core market: high quality safety and occupational footwear. It feels that in this particular market the customer needs to be continually provided with the most up-to-date quality and technology available. A move into linked, although essentially different markets could dilute its high quality efforts in its core area.

Regarding the development of its core area, Arbesko intends to focus on three items: develop its occupational range, as customers are expected to buy increasingly for specific occupational needs; increase its exports and penetrate markets that are becoming more sophisticated in their requirements; and become the world leader on cold climate technology. It intends to strengthen its research and development effort on the latter area. At present, it is considering taking on extra engineering and materials expertise to strengthen this area.

Arbesko uses the UK research body SATRA from time to time to test its products. It also has links with the Swedish Labour Institute where it is involved in a research project on cold climate technology. In addition, it is part of an EU research project in the medical area.

Arbesko does not have a company strategy in the sense of a worked-out list of company objectives and goals. Neither does it have a mission statement or strategic management meetings. However, Arbesko has a very clear view of its market and its developing needs, as we saw above in the Caterpillar and penny loafer examples. In both cases, it was the managing director who made the final decisions.

Underlay

Arbesko’s structure is complex. More important than the structure are the organisational processes that underlie and strengthen it. The firm provides an interesting example of company learning networks.

In most firms, staff do a particular range of tasks, many of which have become routine. The routine of relatively uniform work processes helps reduce job stress and improve efficiency. It also provides the organisation with an important element of stability. It allows people to learn and build on the familiar. In addition to the uniform routines, people also work with the unusual. The unusual or unpredictable take time to grapple with and sort out. Unexpected problems with a machine, staff colleague or customer are always more difficult to sort out.

Over the long term, the routinisation of ever-more complex and unusual work processes provides workers with the knowledge platform to deal with other unusual and unexpected jobs.
If we divide work operations into usual and unusual, we can say that as workers routinise some of their unusual operations, they have extended their skills. As organisations become familiar with new work processes, they benefit from skill extension.\(^\text{11}\)

Company networks and learning mechanisms are essential parts of the skill extension process. The administration component of Arbesko is a relatively networked system.

**Networks**

We can discuss company links and networking by looking at the purchasing done by Oksebra and the networking within Arbesko Ltd. First, the networking for Oksebra Trading. This buys materials for the factories. However, the three factories also buy their own material. In other companies, the buying is concentrated in a purchasing department or officer function. However, in Arbesko the buying process is more disparate and very interesting.

When Sweden had a larger footwear sector, it had certain indigenous suppliers of components and a well-developed network of agents. Today, except for insoles and laces, Arbesko imports everything. Therefore, the company would, under normal circumstances, have to rely on a network of agents to supply its input needs.

Because of the need for high quality components, Arbesko has developed its own approach to buying. First, many of the basic components are bought by the factories themselves or through Oksebra Trading. However, the decision-making and intelligence gathering on the more advanced components are critical parts of the purchasing system.

This starts in Arbesko Group where the production manager, designer, and MD discuss raw materials requirements. When materials have to be tested, the person responsible for quality is involved. The purchasing process is seen as an integral part of the production and R&D process and not a component in itself. At one time, Arbesko found that when it developed Swedish agents for the important components, the agents used this information to sell to their competitors. Now, these agents are kept at arms’ length.

This approach contrasts with arrangements in some other industrial sectors where manufacturers have developed long-term supplier relationships that are mutually beneficial. However, if a manufacturer buys a wide variety of inputs from an even wider variety of suppliers, circumstances change. This is particularly the case if the manufacturer is constantly seeking to improve the quality and technical specification of the inputs.

In this case, suppliers may have little interest in forming a long-term relationship with a small buyer, although they are happy to supply new components. In addition, some suppliers may be tempted to benefit from the purchase specifications of a small but technically advanced customer by trying to encourage their competitors to buy the new components.

Arbesko’s managing director plays an important role in this process. He spends between 40 and 70 days a year travelling. About 75 per cent of this time is spent visiting and seeking new suppliers and checking old suppliers for new ideas. In addition, about 20 per cent goes on visiting factories and the rest of the time he visits research institutes to keep informed of developments.\(^\text{12}\)

In this way, the company seeks out and builds into its purchasing system new high quality material. This makes the MD’s external networking an integral part of the purchasing process. Therefore, to keep ahead of its competitors, Arbesko concentrates on getting its critical material not from Swedish agents but from the network it has developed over the years.

Second, the earlier diagrams on Arbesko showed an unusual linkage to the managing director. The MD is linked sometimes on the double to various employees. For example, the marketing staff report mostly to the sales manager but on special projects to the MD. The customer service area has also been involved on special
routinised projects, with its staff reporting to other sections of the company, along with sales.

Although everyone has their own office, there are no closed doors and people move around freely. In addition, people call in on each other regularly to solve problems or answer queries. All offices have extra seating to accommodate colleagues. Formal meetings do not have strict agendas with chairpersons or specific weekly times.13

However, the more senior the person, the greater the links and cross-connections. In the Nokian chapter, you will notice that the office networking was facilitated by the changed office structure and encouraged by the MD’s management style. In Arbesko, it is similarly facilitated by the leadership style of the MD.

Peter Geisler is his own man and is very well briefed on all aspects of the business.14 People who meet him for the first time may find him relatively loquacious. However, underneath this is a personality that continuously mines for new ideas and angles. He listens carefully to staff and others so that he can continuously learn more.15 He is not a hoarder of private information. Within Arbesko, knowledge is not power, but a company-wide resource.

Until recently, when he arrived at work, he tried to say hello to everyone on the way to his office. Staff often used this time to get something checked out. Work pressure has prevented him from continuing this practice. However, he still spends a fair amount of time meeting staff on the way to his office each morning. In this way, staff keep up-to-date and information lines are kept open.

One sometimes notices that management elsewhere sometimes find it difficult to interact until they get to their office and touch base with their secretary or nearest colleague. Then the meeting schedules are checked and they quietly brace themselves for the structured onslaught of encounters. This latter approach helps routinise encounters and reduces work stress.

However, Peter seems to have developed such a detailed knowledge of the operation that he can process things as he moves from office to office. His knowledge of the business has allowed him to incorporate these ad hoc encounters into his daily routine. This is not to say that unusual operations may require more formal mechanisms. But even here, as for example in product development, the networking and encounter structure are much less formal than one would expect.

Long-term Learning

There has been a continual, patient and thorough development of the business over many years. This shows in a number of ways. First, the company has long roots and a very clear lineage. For example, Peter Geisler has partly grown up with the business and even when he was young he was aware of its significance. He now exhibits a dedication to his business and a passion for its wellbeing that goes far beyond the material benefit it brings. This passion is exhibited in both his attention to detail and his understanding of the broad picture.16

Second, most of the staff and all key personnel have been with the company for a long time. It is interesting that, even among the key personnel, university education is sparse.17 However, learning and developing on the job have compensated for any lack that this may have caused. Sweden today is a sophisticated and complex society and Arbesko’s staff operates very effectively within a complex segment of this society.

In the administration headquarters, meetings are normally informal or semi-formal. The only formal meetings, apart from the AGM, are the three or four annual sales conferences and the monthly production planning meetings. Even the latter meeting has only a co-ordinator rather than a chairperson.

One might describe Arbesko Ltd. as a democratic learning vessel with a relatively devolved decision-making process. Management and longer-tenured staff coach and help others to develop and everyone is continually seeking new ideas and suggestions
from their colleagues. In addition, everyone works hard to reach a collegiate viewpoint on contentious issues.

There is no real multi-skilling in administration in the sense that someone does a number of key jobs. Each member of staff is a bookkeeper or a planner or a marketer. In this respect, each has certain core responsibilities. These, however, are often surrounded by additional activities based on skills and interests. For example, Peter Svensson’s recent work on computer research and purchase is a case in point.

**Linking-Pin**

How do we categorise Arbesko’s organisation? It has a number of interesting facets, which are outlined above. We can categorise organisations into several types.

First, there is the line-and-staff structure. A line structure is a unit that performs tasks that are directly related to the production or distribution of the good or service. Staff supports and extends the operation of the line work. For example, in manufacturing this could mean accounting, human resources and economic forecasting. Here separate staff units are created to provide support to the line activity. This concept originally came from the military, but was adapted by business with the rise of the professions.

Second, there is the functional structure. This groups activities according to business function, such as production, sales and finance. This was built on the line-and-staff function and merges both line and staff activities. In addition, staff can make decisions for line people where, for example, the human resources director can make the final decision on the production foreman.

Third, a project organisation is based on a defined piece of work being given to a multidisciplinary team. Members are picked on the basis of expertise rather than rank and report to a project manager. The matrix organisation is a development of a project organisation. The term matrix implies a latticework of authority. It is where each person relates to at least two strands of authority. The functional organisation depends mainly on one vertical flow of authority and communication. The matrix is used when the environment is very sophisticated and there are many new activities that are not easily subsumed inside functional frontiers.

At present, Arbesko contains aspects of a functional and line- and-staff organisation. Arbesko also has aspects of a project or matrix organisation. As we saw, certain staff, such as marketing, have been given project work outside their functional areas and senior staff work together on activities outside the functional area. At one stage, it considered introducing a full matrix organisation.

Fourth is the linking-pin organisation. Each manager serves as a linking-pin connecting his or her group with the rest of the organisation. Thus, managers not only link their own subordinates together, but also link to other managers and through them their subordinates. This is also relevant to Arbesko, but as the organisation is so small, its analytical use is only a limited improvement on the concept of networking.

Peter Geisler’s role as a linking-pin for external–internal integration is significant. The importance of keeping up-to-date on technical developments makes Peter’s networking inside and outside the firm very important. In addition, the quality and testing specialist also plays a linking-pin role, although a less powerful one.

Peter’s key linking role runs right throughout the organisation. This type of involvement could lead to problems of subsidiarity in another firm. Such a level of MD activity could weaken the fibre and activity of others. However, this was absent in Arbesko. Staff were used to cross-links and networking and were familiar with others adding to their individual stores of knowledge. Each staff member seemed to be regarded as a valued member of the organisation. Their professionalism and knowledge were continually encouraged and tapped. The specialisation and separateness found in traditional organisations was not seen here.
Conclusion

Arbesko operates in one of the more technical ends of a traditional manufacturing sector. It must continually match and anticipate the safety, occupational and fashion requirements of its increasingly complex and demanding customer. Its history has had a significant impact on its unusually complex structure. Its approach to market opportunities, the design and planning process and the organisation of its business provides an interesting contrast to others. It is a small though relatively sophisticated company with a staff that aims to remain at the top of its market. Its culture, to an outsider, is one that strives to remain both deeply professional and continuously competent.

Notes

1 See for example, David (1997: 222).
2 Two of these started their own shoe factories and one re-enters the Arbesko story later on.
3 Six limited companies each with at least one staff. See Arbesko's organisation below.
5 By and large the MD and production manager provide line management and the rest staff functions.
6 For example, synthetic fur lining from a Swedish agent and split leather from Holland.
7 Some of these operate in two countries (e.g. Pomarfin) and Barker is part of a large organisation. However, none have the organisational, legal and geographic complexity of Arbesko.
8 Locations are headquarters, two factories and the warehouse in Sweden, plus the Brazilian operation.
9 These are moccasin-type shoes with a one-cent coin in the cross flap over the top of the shoe.
10 Shoe and Allied Trades Research Association.
**Introduction**

Business writers, at least until recent times, have treated the issue of family ownership and its impact on competitiveness as interesting but rarely important. There are several reasons for this.

First, the family business can be an awkward tangle for academics to tackle. The family has received considerable attention from sociologists, psychologists, social work specialists and others. However, this is not the case in business. The firm is difficult enough to conceptualise without adding family agendas, emotions and linkages. In addition, the family processes can shadow, extend and sometimes interfere with what the professional manager considers to be correct procedures. Consequently, the topic is relatively invisible to company and management theorists.

Second, some writers may be uncomfortable with the family business ethos. The classic view of the entrepreneur emphasises individualism, self-determination, total immersion in the firm and so on. By contrast, the head of a family business is meant to be group-focused, collaborative, committed to continuity and immersed equally in the firm and the family. Third, family control can sometimes be viewed as an early phase in the development of a company, after which it grows large enough to become some-
thing else. At that stage, the professionals are supposed to take over.²

Six of the nine firms in this book are family-owned. Lundhags is one of these and many of its members play a key role in the company. It is also our smallest company. In telling its story, we surface some issues about family ownership and competitiveness.

Another factor we look at in this chapter is how an array of groups provides much of the organisational infrastructure of the company. As a small enterprise, Lundhags does not have the usual organisational structure to run its operation. Instead, it has a range of relatively structured groups providing different aspects of the company operation.

Background
For Lundhags, space and geography is everything. It is located high up near the Arctic Circle in the small town of Jarpen in the county of Jämtland in Sweden.³ The county itself covers about one-quarter of the area of Sweden, but is sparsely populated. Its landscape contains high mountains, hills, plains, forests, long chains of lakes, fast rivers, waterfalls and glaciers. The climate is typically Arctic, with a short growing season.

It is not surprising, therefore, that Lundhags makes footwear for cold and wet conditions. Nearby is Åre, an important winter sports resort. Ostersund, the nearest medium-sized town, is 75 kilometres away. The area has a lot of contact with Norway and in particular the city of Trondheim, 190 kilometres away. Jämtland was once part of Denmark’s Norwegian domains.

Lundhags has been operating for nearly 70 years and the family shoemaking tradition goes back many generations before that. Jonas Lundhag was one of 11 children, five of whom were shoemakers. Jonas first worked in his father’s shoe business. He was not, however, the eldest and could not, therefore, expect to take over the family business. In 1932, at 17, he set up his own company.

Jan, his son, was born in 1946 and joined the firm in 1969. Jan took over the running of the business in 1979 when there were about 25 employees in the firm.

Lundhags has won a number of business awards. In 1985, it received a local community award and in 1991, an annual business award for the northern part of Sweden. In 1996, it won two further awards. One was the annual prize given in memory of a famous Swede, Perssons, and the Swedish Employers’ Federation presented the other. Although the 1991 award covered the largest area, the most important one for Jan Lundhag was the one in memory of Perssons. Jan had set himself the task of winning this award over 20 years ago.

Lundhags’ premises were burned to the ground in February 1998. This sort of thing is something businesses fear. Everything was lost and the factory closed down. Of all the problems faced by companies in this study, this was probably the most severe.

However, after the fire the company moved into a new building and ten weeks later a temporary footwear factory was in operation.

At present, Lundhags’ operation is in three locations. The sales wing and footwear production units are temporarily located in Jarpen while its new factory is being built. In addition, its small skate production facility is located on an island in the sea north of Stockholm. In spite of all the difficulties caused by the fire, its total work force and overall turnover are now slightly greater than before the fire. As a survivor, therefore, Lundhags has successfully faced down its most recent and difficult challenge.

Structure
Lundhags consists of four divisions, as shown in the diagram.
First, we have the footwear factory, Lundhags Shoemakers Ltd. Jonas, as we saw, set this up in 1932. This employs almost half of the total staff. At the end of the 1980s, the company decided to create a marketing and distribution wing to strengthen the business. As a result, Nordic Life was set up in 1990. Today, this sells the Lundhags footwear range along with related products, such as shoe cream, socks, shirts, rubber boots, rucksacks, skis and skates. Nordic employs 40 percent of the workforce.

Lundhags Ltd. was set up in 1994 as a holding company to provide a vehicle for distributing ownership among Jan and his family. There is one non-Lundhag member on its board, Bernt Soderman, who owns ten per cent of the company. This holding company has no role in the management of the business. We will consider it later, when we look at the question of ownership.

Almgrens Ltd. manufactures skates and was set up in Stockholm in the 1960s by Harald Almgren and bought by Lundhags in 1994. At present it employs 12 per cent of the workforce.

Profile
The following graph illustrates the changes in employment in the company since 1991.

As we can see, employment in Lundhags has continued to increase since 1991, in spite of the setback of the 1998 fire. The workforce has increased by 62 per cent over the period. By the start of 1999, nearly 11 months after the fire, employment was at 47. Today, the footwear factory provides almost half of total employment, roughly the same as at the start of the 1990s.

Sales of company products over the period 1991 to 1998 are shown in the following graph.

Sales have increased by almost 75 per cent during the period. The footwear factory’s contribution to sales has remained at approximately 25 per cent throughout the period. Almgrens now contributes 12 per cent. Nordic’s proportion has fallen from 74 per cent at the start to 64 per cent today, due to the impact of the combined activity of footwear and skate production.
Lundhags Shoemakers now accounts for 36 per cent of its turnover as against 26 per cent at the start of the period. Lundhags has, therefore, moved against the trend of greater service sector involvement. There are several reasons for this. First, in setting up Nordic Life, Lundhags strengthened its marketing and distribution activity. Up to then, this had been embedded in the footwear company. In addition, it brought in complementary products. The sales of these strengthened rather than reduced the demand for its own product. Sometimes, when companies go the distribution route, the original product can lose its significance in the overall scheme of things. In addition, in a high-income country such as Sweden, it is interesting that wage and other costs have not weakened the production activity, as it has in other places.

However, it is the skate production that has made the real difference in the last few years. As we see below, footwear production fell from 1993/94 to its lowest point in 1997/98, after the fire, but has increased since the middle of 1998.

### Production (thousands)

![Production Graph]

The changes in profits and losses since 1991 are interesting.

The company did relatively well up to 1994. It then had a severe setback in 1995, from which it did not really begin to recover until following the fire in 1998.

### Profits/Losses (SEK million)

![Profits/Losses Graph]

**Market**

Lundhags sells 56 per cent of its products in Sweden, 40 per cent in Norway and the remainder in Germany, England and Finland. Its main market is the middle part of Sweden and the adjacent part of Norway. Lundhags footwear range is divided into the following four groups, containing about 30 different styles in total.

- **Casual.** There are four styles in this group. Two of them are for everyday use. These are both water-resistant and hardwearing and suitable for the office and everyday use. They are slightly more robust than their average mid-European equivalent. The other two are ankle boots with warm woollen lining and are suitable for everyday winter use. The casual range is only six years old and provides about four per cent of sales. Lundhags intends to increase the sales of this group substantially. Internal market research shows that within five years this range, when expanded, can provide 25–30 per cent of the company’s footwear sales.
• **Adventure.** This range includes 14 styles of boots for difficult weather conditions. They vary from the stroller and hiking variety to boots built for difficult terrain and temperature conditions. At present, they provide about 75 per cent of sales.

• **Expedition.** This group contains seven styles. These are suitable for extreme weather conditions and for skiing and traveling on snow and ice. They account for 20 per cent of sales.

• **Special.** This group comes in five styles, three of which are produced by Lundhags. These shoes are for riding and for cross-country trekking and skiing. They provide one per cent of sales.

Included in the above groupings are special order boots for helicopter pilots, the police and navy and special expeditions. The percentage sales of these groupings are summarised in the following diagram.

Most of the footwear is highly water-resistant. In many cases, the lower part of the boot is waterproofed by means of a cellular rubber surround, called Certech®. In addition, the leather used is treated with a waterproofing agent during the tanning process. If the footwear is used daily, however, the company advises customers to treat the leather monthly with a proprietary dressing to maintain its strong water-resistant feature. Nordic Life sells this dressing as part of its accessory range. Some styles in the range are designed to withstand extremely low temperatures and harsh weather conditions.

**Production**

The footwear factory is the operational core of the business. First, a brief word about the production system prior to the introduction of CAD/CAM in mid-1997.

**Production System (pre-mid-1997)**

Production was divided into three work areas, each with a coordinator. First came cutting and preparation. Here the leather, rubber and insole materials were cut and prepared for stitching. The soles were also prepared and, where necessary, the mid-soles attached. Included here was work such as roughing, shaping the sole for the last and cementing. Next, the leather parts were sent to stitching. After stitching, the leather uppers were sent to closing. They were then returned to finishing.

The boots using Certech® went through a slightly different process and route. In this case, the rubber was attached to the sole in the closing area. They were then sent to stitching where the leather uppers were stitched to the Certech® rubber bottoms.

In finishing, they were cleaned, tagged, polished, and boxed. In addition, they were checked for quality. During each of the above...
stages, the operatives also checked work quality. The finished goods then went to the Nordic Life stores and were ready for sale and distribution.

Prior to the arrival of the CAD/CAM system, there was a co-ordinator for each of the three sections. The co-ordinator in charge of stitching and finishing, Örjan Eriksson, was the lead supervisor for the factory. In addition, there were seven full-time staff in cutting and preparation, eight in stitching and finishing and six in closing. There were also some part-time, staff bringing the total man-years in production to 22.

When the new CAD/CAM system was introduced in summer 1997, production was reorganised as follows.

**New Production System**

Today, production is divided into two different areas, each with a co-ordinator. First, there is cutting, preparation and stitching. Here there are 11 full-time people, including the co-ordinator. The CAM cutting and stitching is carried out here along with the normal machine stitching and also the preparation work. The second area contains eight full-time people. This contains closing, stitching of bottoms and leather and finishing. Including part-time staff, there are in total 22 man-years of work in the production area.

Jan Lundhag and his son Mats-Håkan develop new designs and work with the co-ordinators and operatives to turn these into new products.

7. **Lundhags, Sweden**

The two co-ordinators have 20 years each in the factory and are proficient in all aspects of the work under their remit. Each co-ordinator supervises his area and also does his own allotted work. Many of the operatives have been with the company 10 to 15 years and the most recent addition has three years' service. Some of the operatives are related and two of them are twin brothers.

The workers are, for the most part, multi-functional within their particular work section. However, it is not normal for operatives to rotate between the two main work sections except when a serious staff shortage occurs. Therefore, even in such a small highly skilled operation as this, the level of multi-skilling is limited to particular aspects of work. With all the interest in multi-skilling, Lundhags' experience is that there are limits to the possibilities in this area.

About 90 per cent of the factory staff work full-time. There are some part-time workers who fill in when the workload rises. As a rule, there is no overtime and staff are paid a fixed wage that is calculated on the basis of a fixed scale. Key factors involved are the length of service and level of skill. The final decision on an individual's rate is made by agreement between the two co-ordinators, the person in charge of wages and salaries and the managing director.

The workers are paid monthly, based on the number of hours they work. This allows the wage bill to respond flexibly to production levels. There is also an annual productivity bonus of three or four per cent.

This system, according to Lundhags, encourages high quality work. Those who feel that a strong incentive system is a better stimulus to hard work and efficiency would not support Lundhags' approach. Lundhags, however, feels that its relatively fixed wage system creates greater trust and stability and thereby encourages workers to give of their best.
Organisation

Lundhags is the smallest company in this study and its organisation reflects its size and operational style. Bernt Soderman is MD of Lundhags Shoemakers, Nordic Life and Almgrens.²

Lundhags does not have a traditional business structure with functional groupings. Lundhags Shoemakers, Nordic Life and Almgrens are separate legal entities. However, these three companies and the divisions between them are not as important for the life of the business as the various groups that inhabit the company. Each individual staff member has a particular range of responsibilities in one or other of the three companies. However, many staff work across company boundaries. For this reason, it is more fruitful to look at the nature and operation of groups within the business than to consider any functional chart.

Groups

First, there is the board of directors. The board meets four times a year and provides general direction for the company. Its chairman is a retired Swedish airforce officer, Gunnar Ståhl, and includes Jan Lundhag, Pär Lundhag, and Thommy Nilsson, the non-executive director. Thommy provides outside expertise to the board and is the MD of a retail clothing chain with about 130 shops. He has been on the board since 1995 and flies up from Gothenburg for meetings four times a year.⁵ Finally, Jan-Anders Lundhag is secretary to the board.

Next is the management group that co-ordinates the work of the three companies. It meets monthly and works to a prepared agenda. Members report on their areas of responsibility. Bernt Soderman chairs the group. Pär Lundhag looks after purchasing, stocks and distribution for Nordic Life. The footwear and skate companies buy their own raw materials and components. Sven Sixtensson, who works in Nordic Life, is responsible for the group’s marketing. He also looks after the three sales representatives covering Sweden, together with the distributors in Germany, Finland and the UK.

Finally, Helen Persson looks after administration and accounts for the four companies.⁶ She provides the management group with the monthly and annual accounts and deals with the audit. She also prepares the minutes for the chairman who sends them to the non-executive director for comments. When they return, they are distributed to the rest of the group.

Nordic Life has its own working group. This was the original group and has been running now for six or seven years. It provided the impetus for the creation of the other groups. It looks after bought-in products, sales, marketing and stockholding. It is indicated in the next diagram as the “market” group.

In the factory, Orjan Eriksson, who used to be part of the management group, has his own group dealing with footwear production issues. There is a group looking after the skate factory and a product development group that meets fortnightly.

Finally, there are the administration and logistics groups. When Jan Lundhag comes back to the company (he took some time out after the fire), he will look after the consumer and tailor-made area. All in all there are nine groups in operation, each with a particular role and structure.

Groups in Lundhags

When I visited the company, I was provided with a detailed map of the groups. This contained the names, functions and members-
ship of groups. I was not provided with an organisation chart and found later that even a simple chart would have been inadequate to gain an understanding of the company’s organisation.

The diagram below will help clarify the reality of working in Lundhags. It outlines the groupings or range of interactions of employees within Lundhags.7

First, we have the individual employee, with their particular tasks, skills and influence. Each person carries out their own activities and in so doing improves their skill and experience. Some skills are brought to the company and others are developed in work.

Each person also has needs and life tasks that extend beyond and interact with their work world. In this way, the worker can retain and develop their individuality, while strengthening Lundhags.

**Range of Interaction in Lundhags**

- Individual
- Network
- Group
- Company
- Lundhags

In this context, Lundhags is an aggregate of individual activities, knowledge, effort and influence.

Networks

Along with the individuals’ solo activities are the links they have with colleagues, managers, assistants, customers and others. These links form a network and are a source of additional information, knowledge and skills. They can also provide leverage and organisational synergy. A firm with a well-functioning linkage system has a lot of additional cross-checking and discussion. As a result its overall store of knowledge, skill and leverage is improved.

This does not include the links with others that form part of the ordinary work routine. For example, the inspection of one’s activities by supervisors or others is a process of examination and not networking. Networking occurs when employees contact colleagues, customers, acquaintances and others to clarify, query, check, inform, and request information, opinions, ideas and so on. The worker initiates the activity.

In networking, workers become independent seekers of information. It strengthens the organisational fabric of the firm and provides an additional layer of knowledge and activity. Networks can increase information flows and therefore help to improve work efficiency and reduce the doubts that people sometimes have in making difficult decisions.

**Informal Organisation**

A network is different from the concept of the informal organisation. This is the set of personal and social relations not established or required by the formal organisation.8 The emphasis in the informal structure is on people and relationships. By contrast, the formal structure relates to official positions, authority and responsibilities.

Informal power therefore attaches to a person or group, while formal authority relates to a position or sub-unit of the firm. Formal power is institutional.
The concept of the informal group was dealt with in the Hawthorne studies. When management tried to increase output, they found that the workforce thwarted this. Following an investigation, they found that the informal group was responsible for impeding efforts to increase output. The informal group saw the increase in output as a threat and set about preventing it through social pressure. An informal organisation has its own network and learning mechanisms, but in the original work on Hawthorne it was identified as being in opposition to the aims of management.

A network, however, is a social phenomenon, which for the most part strengthens the workers' skills, insight and understanding of the company and to this extent also improves the organisation. The network is informal, in the sense of not being formal. The concept of informal, however, is inadequate for clarifying its meaning and significance. The word informal means the lack of formality and is an explanation based on absence.

Our network concept means more than the absence of formal position or role. It exists at a certain level in the organisation and has particular characteristics. It is a response to an increased flow and availability of information and greater complexity of the work world. Its development reflects an increasingly educated workforce and is facilitated by an improved communication system.

Formal Groups

Formal groups meet regularly and have certain tasks to carry out. In Lundhags, they deal with a variety of areas and are an important part of the organisational life of the company. For a small company, Lundhags has a complex group structure. It provides a mechanism for a significant amount of investigation, discussion, research and decision-making within the company. The groups effectively replace the normal organisational structure and related linkages and provide an element of company flexibility.

The members of such groups develop experience and skills working with their colleagues. This level is more complex than the network level. In the case of the network level, the individual is not under task requirement to develop links. In addition, the network is not configured by specific tasks, contact lists or procedures. It is partly an extension of the individual and a reflection of their efforts. It is often encouraged by the example of others and has become a common way of doing things.

The formal group, however, contains additional tasks for its members. It is more complex than the individual level. This is because the increased numbers of participants and interactions call for a greater formalisation of interaction. The group is configured by certain tasks, participants and procedures. Team skills are important. In this context, the team has to develop particular goals and priorities, analyse and allocate work and form some type of cohesive entity.

However, the distinction between a network and a group is not absolute and the two in effect form part of a spectrum. A network may lead to an ad hoc group and may then evolve into something formal. By contrast, a formal group that has been closed down may remain as a network. Finally, a group can be strengthened by the networks that individuals bring to, and develop from it.

Companies

Staff members also belong to one of three companies: Lundhags Shoemakers, Nordic Life or Almgrens. However, with so many cross-company groupings and activities, staff most often view themselves as belonging first to Lundhags, then to one of the three companies, and finally to one or two of the groups. Their levels of integration and activity, therefore, range from the group, to one of the three companies and on then to Lundhags itself.

There has been a fall in the number of groups since the fire. Originally there were ten and now there are eight. One of the more notable changes was the disappearance of the concept
group. Although its main purpose was to plan for the future, it also had to deal at times with urgent short-term issues. It also dealt with issues such as product range, marketing plans and technical issues. Its main focus on marketing and sales was reflected in its composition and in particular in the fact that the head of Nordic Life, Bernt Soderman, was the group leader.

In addition, the composition of some of the groups has been significantly changed. The management group has been slimmed down from seven to four members. Elisabeth Lundhag, Pär’s ex-wife, has since left the company and has been replaced by Helen Persson. In addition, Orjan Eriksson has left the group, as has Jan-Anders Lundhag. There was also a group looking after the environment and one dealing with the shop, but these have gone.

Some of the changes reflect a company that has been forced to focus on immediate survival and this partly explains the disappearance of the concept group. Some also reflect a change in management approach under the new MD. Bernt has a strong marketing and selling background and unlike Jan, the previous MD, does not have a strong footwear background. In addition, the management group has lost Jan Lundhag and Orjan Eriksson, the head of the footwear production group.

What this means for the future of footwear production is difficult to predict. However, in much larger footwear companies, where a resource director has replaced a production director, the significance of production has tended to weaken. Lundhags Shoemakers contributes 47 per cent of overall employment at present. It will be interesting to see the position in the future. At present, Bernt expects that there will be an increase in bought-in products such as snow boots.

The company is currently working on technology that will allow a customer to have a 3D picture of their feet sent to the factory on the Internet. The computer then translates the picture into a last and the boot will be tailor-made. This last can then be used to make the same customer another pair later on.

Competitiveness

All managing directors in this study were asked what made their company competitive. In all cases except Lundhags, the answers, where relevant, were woven into the overall chapter. Here however, we consider the previous MD’s answer separately. Jan Lundhag states that the competitiveness of Lundhags Shoemakers is due to three factors. First, Lundhags teaches its customer how to keep their feet warm and dry and as a result they continue to buy the product. Second, the hard work of employees and their support and encouragement strengthens the company. Third, the family structure contributes to company resilience.

Quality

Regarding the first point, Lundhags, according to Jan, produces a high quality and uniquely styled product that provides warmth, comfort and dryness. It does not have built-in obsolescence and, if cared for, lasts a long time. When customers learn this, according to Jan, Lundhags have their business forever. Following their experience with the product, the brand name is associated with warmth, dryness and durability. As a result, the physical product, the brand name and the customer’s experience all reinforce each other.

I am no expert on the quality of footwear and, therefore, I was in a quandary as to how to check the quality of the Lundhags product. As evidence of quality, Lundhags told me that they received an order for military footwear during the Falklands War. This was because the boots the British Army were using leaked and caused tendon problems, whereas Lundhags boots did not. Lundhags were known for the high quality of their product and still are, according to the company.

I could not check this out, because the 1998 fire had destroyed all records. I therefore checked locally for information on the quality issue.
Everyone I spoke to on the street or in the shops of Åre, where I stayed, had a variety of interesting stories of long-lasting and high quality service from the product. The only person I met who hadn’t a pair of Lundhags worked in the local restaurant and seemed to feel that this was one of the great gaps in her life.

Lundhags footwear is not cheap. However, even people of relatively modest means could be seen buying them in the company shop. One couple whose home I visited had two pairs that were four years old. These were in excellent condition in spite of continuous use. Someone else had two pairs, in excellent condition, one of which was eight years old. He expected a few more years’ good service from them.

Family

Jan said that hard work and the family were also key components of the company’s competitiveness. Hard work makes an important contribution to the competitiveness of any company and this fact was also evident in the other companies in this book. We do not therefore discuss this issue any further here.

The family issue, however, is a rather interesting departure from much of what relates to competitiveness. None of the other companies referred to the importance of family when asked to discuss competitiveness. Lundhags alone emphasised the point.

Ownership of the company is divided as follows. Originally, Jan held 60 per cent and his younger brother, Pär, 30 per cent. Today Jan and his ex-wife each own about 24 per cent and Pär and Elisabeth, his ex-wife, about 15 per cent each. Jan’s two sons hold five per cent apiece and his daughter, three per cent. Bernt Soderman, MD of Nordic Life, holds the remaining ten per cent.

Pär, as we saw, works in Nordic Life and Jan’s youngest son Mats-Håkan is in charge of design and development of the Lundhags boot. His other son works in Nordic Life and Malin, his daughter, and Inga-Lill, Jan’s ex-wife, both work in administration.

Jan argues that his experience of small and medium firms indicates that some family firms die because there are no interested and enthusiastic offspring to inherit the firm. Others by contrast survive and thrive because the younger family members become highly involved in the firm and thereby strengthen the business.

If, according to Jan, the family continues to grow over the generations and the siblings become interested in the business, then the firm will grow. If the family fails to grow, then the firm weakens and disappears over time. Jan argues that in his experience new and energetic family offspring can create their own niche in the family firm and in doing so invigorate the business.

Jan argues that when there is a strong family membership and when the young become highly involved in the business, it is possible for the firm to almost determine its size and prosperity. If the young are keen to work in the firm, the company can grow and create the need for their continued employment. The young, according to Jan, help renew the business. This refers not just to their energy and dynamism but also to their greater familiarity with, and empathy for, the needs of the youth market. In this respect, the older family members need the new generation as much as anything else.

Therefore, Jan argues that the size of the family firm is partly influenced by the supply of interested and enthusiastic progeny. However, this is not a simple cause–effect relationship and family staff must be managed every bit as efficiently as any other staff. In this context, he argues that family management must place the young in suitable learning positions in the company. In addition, they must help and encourage them to acquire the necessary skills and knowledge to develop in the business.

Before 1990 there was not as much pressure to expand the business. However, as the Lundhag children grew from teenagers into adults the need to expand became a pressing issue. Nordic Life was set up in 1990 when there were only 29 employees in the firm and Almgrens was bought in 1994. Both of these events,
along with certain improvements in Lundhags Shoemakers, helped expand sales and employment.

According to Jan, this reflected a family employment strategy first and a business strategy second. The aim was to create a company that was big enough to employ the growing family and meet the future.

Running a business with family members has its advantages. It can also create difficulties. For example, there is always the possibility that work and family problems can interact to the detriment of both zones of a relationship.

Prior to the fire, this potential difficulty was managed by having Jan Lundhag as MD managing those other than his own family and, for this reason, Bernt Soderman’s son worked with him. Bernt for his part managed, as far as possible, Jan’s brothers, sons, daughter and ex-wife. Now Bernt is MD and manages the Lundhag family and Pär’s ex-wife, Elisabeth, has left.

Philosophy

Companies, according to Jan Lundhag, can thrive just as well with ordinary employees if they are managed properly. If staff work hard and are supported and trained, the company will grow and survive. He argues that family companies should have no preference between staff. If staff are efficient, they should be promoted. If not, they should go. A company like Lundhags cannot afford to carry people.

In spite of this, it is probable that family members have benefited from a faster skill track and politically have had relatively more influence on the level of encouragement and support they get. However, Jan’s point about efficiency and fairness is at least partly reflected in the fact that Bernt Soderman, with only ten per cent of ownership, has the MD position.

Jan Lundhag takes a philosophical perspective on all of this. He says that it is good to give your family and staff work and support, but it is much better to train them to be able to realise their full potential. Jan treats the issue of competitiveness and work as much from a philosophical perspective as from a business one.

During my visit to the company, it became evident to me that the family business was very important to Jan. One evening we discussed the topic until well into the small hours of the morning. During this, he referred to one of Seamus Heaney’s poems, called Follower.17

My father worked with a horse-plough
Sometimes he rode me on his back
Dipping and rising to his plod
I wanted to grow up and plough
... But today
It is my father who keeps stumbling
Behind me, and will not go away.

Heaney has gone a long way since then. His enthusiastic reception by the Swedish Academy, which led to the Nobel Prize for Literature in 1995, also struck a cord with Jan on the issue of passing on the family business.

Conclusion

Perched high up near the Arctic Circle, Lundhags cuts its own furrow and produces work for almost 50 staff. In spite of the devastating fire and the exigencies of space and geography, the company survives. It continues to operate a relatively labour-intensive and high-cost business in a high-income country. It runs a well-organised family concern that, in spite of its difficulties, remains robustly focused on producing and distributing high quality goods. Rather, therefore, than being intimidated and weakened by its problems, it has remained a tenacious survivor.
Notes

1 See Gersick, Davis, Hampton and Lansberg (1997: 4, 137).
2 In outlining the different development phases in Dubarry, its MD noted that one aspect of the post-family-ownership phase was the professionalisation of management.
3 Jarpen, with a population of almost 2,000 people, is about 500 kilometres from the Arctic Circle.
4 Jan Lundhag was until September 1998 MD of Lundhags Shoemakers.
5 Up to February 1997, the board had the benefit of another non-executive member who was also in retail clothing and was a marketing specialist.
6 Interestingly, most invoices are paid within 30 days and there are very few bad debts.
7 See Rashford and Coghlan (1994: 14-17) who discuss organisational behaviour on the basis of four levels: the individual, team, interdepartmental group and organisational.
8 Influence refers to the political dimension where workers can exert leverage out of proportion to, or separate from, their work, position or skill.
9 See, for example, Newstrom and Davis (1993: 435).
10 These were experiments carried out in 1927 among workers in the Hawthorne Works factory of the Western Electric Company in Cicero, Illinois.
11 See Homans (1950).
13 In some companies, staff are encouraged to network externally and this activity can be resourced.
14 Nine when Jan returns and looks after his group.
15 However, in all other family-owned businesses in this book the family context was important for understanding various aspects of the firms and their histories.
16 The sons bought their share a few years ago with a loan and the daughter received hers as a gift.

CHAOS OR COHERENCE — PRODUCING LADIES’ FASHION

Hamken, Finland

Introduction

This is the story of Hamken and its famous designer Pertti Palmroth. It is located in southwest Finland near the city of Tampere and is owned and managed by Pertti himself. The firm is an important addition to this study for a number of reasons.

First, it makes high fashion ladies’ footwear that is long known in Scandinavia for its quality and attractive design. Second, unlike in Italy, for example, Hamken produces in a part of the world with no tradition of such products. In the high fashion ladies’ sector, Hamken, for the most part, produces alone. Third, Hamken operates in a relatively high-wage economy. This is not always the case with its competitors, whose shoes sit next to them in the shop windows of Scandinavia, America or mainland Europe. Finally, its home market, Finland, has a population of only five million and the logistics of marketing, selling and distributing in this large geographical area are quite difficult. By contrast, many of its competitors have sizeable home populations to sell to and hone their skills on.
Background

The company's roots go back to Pentti's father, Pentti Palmroth. Pentti's own father was a farmer. It was expected that Pentti would also take up farming. However, this was not to be and when Pentti was only 20 he went to the US and Germany for two years. Then he came back and worked in a Finnish shoe factory. In 1928 he started his own factory in a small house in Tampere.

Between 1950 and 1952, Pentti and his brother studied the footwear trade in two different technical colleges, one in England and the other in Germany. Following this, Pentti worked in such areas of the business as design, leather buying, marketing, sales and production. His brother meanwhile concentrated on administration and especially the finance and purchasing end.

Pentti was a skilled designer, but more and more Pentti's talent began to become apparent. In 1952, for example, the Finnish winner of the Miss Universe competition wore a beautiful pair of string shoes that he designed.

The company began to expand abroad. In 1958, it entered the Swedish market and in 1966 the Canadian and US markets. It also made inroads into Holland, Germany and Austria. In March 1960, Pentti bought his second shoe factory. In 1966, he bought a third factory in Holland to support expansion in mainland Europe, as Finland was not in the EEC at the time.

Pentti died in September 1967 at 67 years of age while still managing director. He left the business to his two sons. Pentti became owner and managing director of the second Finnish factory and his brother got the original factory. Both brothers now ran their firms as separate companies.

They were both able to use the original company designs, which had been produced under the Vita label. In 1970, however, Pentti introduced his own design label, the now distinctive Pentti Palmroth brand. Pentti's brother died in 1978 and his sister-in-law and her family ran the business until it closed in 1985.

Meanwhile, in 1975, Pentti built a new purpose-built footwear factory near Tampere and this now contains the company headquarters. In 1977, a second factory was built in Virrat, 100 kilometres north of Tampere. At first, it provided only cutting and closing operations. However, in 1979 it was enlarged to make it the same size as the main factory and it operates today as a full-scale shoe factory.

In the early 1980s, Hamken began looking for a new material to supplement leather. In 1985 they discovered a new high quality man-made leather substitute material with breathable and water-resistant properties. It was imported from Italy and can withstand temperatures up to 20°C below zero. Palmroth's first range using this material was presented at the 1985 Dusseldorf show and it created a lot of interest. The use of this material in their range grew over the years. Today, it accounts for 95 per cent of overall production, with leather providing the rest.

In the middle of the 1980s, Hamken began developing its own retail outlets, both as standalone operations and inside large stores. It first concentrated on setting up shops in Finland and has since added shops in Sweden, Norway and Holland. Today, Hamken has 19 shops in these four countries.

In the 1980s, Hamken began to manufacture accessories such as high quality bags and belts. Indeed, at one time, it was involved in the manufacture of fur coats. In October 1996, the company introduced a new waterproof collection to the public. This line has continued since then and, on all the evidence to date, it looks set to become an important strength in the overall company range.

In 1995, the company opened its third factory near Tampere to make injection-moulded soles for its footwear. This factory now produces the waterproof range. Finally, in December 1998, it opened a new factory to make handbags.
Recognition

For a designer of high fashion shoes, awards and press coverage are important parts of the recognition factor. In 1965, the Palmroth factories were awarded a major French prize for international design. In 1980, the company was presented with the Finnish President’s award for exports. Such magazines as Vogue, Harper’s Bazaar, Avenue, Elegance, and Mode have covered the collections from time to time. Its main export markets today include the US, Canada, Sweden, Norway, the Benelux countries, Great Britain, Denmark, Germany and Austria. Almost two-thirds of Hamken’s production is now exported.

Another less welcome form of recognition has been that its designs have been illegally copied. The company has been forced to go to court twice on the issue in recent times. In both cases, the company won. Copying can affect market share and it forces the company to continually design new shoes.

Profile

In general, the firm prospered from the early 1970s to the mid-1980s. Production increased threefold between 1974 and 1986 and staff increased by almost 75 per cent. Between 1986 and 1990, the company experienced some difficulties. However, since the early 1990s the company has prospered, as the following indicators show.

**Turnover (FM million)**

![Turnover Graph]

**Profits/Losses (FM million)**

Profits were weak or non-existent at the start of the decade but have since grown. Profits fell back in 1997 but returned to growth in 1998. This fall was due mainly to the cost of investment in the new waterproof line. This affected the returns from the factories in that year. The shop profits have continued to increase over the years, but the contribution of production has been greater in the last three years.
The overall workforce has increased by two-thirds over the period. This is a considerable achievement in what is generally a declining sector. Indeed, between the early 1970s and today, Hamken's employment increased by 118 per cent, whereas the Finnish textile and clothing sector lost 77 per cent of its workforce. Factory jobs have increased by over half during the period. Of this, footwear jobs increased by almost 40 per cent and handbags went from 7 to 15 per cent of overall factory work.

The shops nearly tripled their workforce during the period. The first shop was opened in April 1988. Four months later, there were three shops in operation: a factory shop; one in Helsinki; and one in Tampere. The shops now provide 31 per cent of overall employment in the company.

The retail end contributed half of the jobs increase. Commentators could, of course, argue that the expansion of the retail wing is not in itself of any great benefit to the Finnish economy. Such expansion is displacement employment. That is, the consumers still buy shoes, but in different shops.

However, it is likely that the increase in factory employment would have been less without the synergy between the retail and production parts of the business. Why then have the Palmroth shops succeeded and strengthened the factory end where such ventures have not always worked elsewhere?

There are several possible answers to this question. First, the Palmroth shops make an important contribution to intelligence gathering from the consumer on their changing needs. This helps to strengthen company sales. In this context, they carry a larger variety of styles than other retailers who normally concentrate on Hamken's latest range. Second, the shops are well designed and create a pleasant atmosphere. They complement the products and the type of customer.

In addition, they do not appear to have the off-putting elegance and expensive atmosphere one sometimes identifies with high fashion shops. When I visited the Tampere shop it was busy.

I noticed that the people in the shop were not window-shopping. Everyone was there to find a suitable pair of shoes. In our chapter on Start-rite, we mention that one of the difficulties for a manufacturer involved in retailing is that they are very different spheres. They require different management skills. Two of the key retail people in the Hamken organisation are the co-ordinator of the shops, Katarina Ylikotila, and Hannele Palmroth, who heads up this area.

Market

The Hamken ladies' range can be classified under a number of headings. First, there are the city walking shoes. These are fashionable and comfortable shoes for daily use. They include also the moccasin walking shoe. They are the most popular Hamken category and have remained so for a very long time.

Then there is the warm and elegant ankle boot. These come in several styles. Then there is waterproof footwear, introduced in November 1996.

Next, we have the fashion shoe in several styles. These include: the ballet style; the sling-back, which are good sellers, especially in summer; and the straightforward fashion shoes with sling-backs. These are based on the classical form and shape and continue to be good sellers.

Hamken also have a range of boots. These remain important, though less so than previously. The varieties include the knee boot, with or without zip, and the three-quarter-length boot. The final category is men's footwear, providing only five per cent of sales, as we see in the following table.

Sales by Range (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Walking Shoe</th>
<th>Ankle Boots</th>
<th>Waterproof Footwear</th>
<th>Fashion Shoes</th>
<th>Boots</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>30</td>
<td>30</td>
<td>-</td>
<td>15</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>1998</td>
<td>30</td>
<td>30</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>
Walking shoes and ankle boots hold 60 per cent of the sales and the only change has been the growth of the waterproof products. These, however, are a recent addition to the range.

As we can see from the next graph over half of Hamken's products were exported in 1991 and this proportion has continued to increase.

Sales by Market (%)

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Three-quarters of Hamken's sales are in Scandinavia. Almost 80 per cent of Finnish sales go through Hamken outlets, 50 per cent in Sweden and 13 per cent in Norway. In its Scandinavian market, therefore, its retail network provides a critical part of its distribution network.

As regards market diversification, Hamken has been more successful in the export market than other companies in this study, except George Cox. Hamken, unlike George Cox, which sells a large proportion of its products in Japan, relies heavily on its close neighbours. Nevertheless, its selling infrastructure is stronger than the others in the study. None of them has the retail network that Hamken has successfully developed.

Organisation

The company is organised as follows. Hamken Ltd. is the production and administrative core of the company.

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Hamken Ltd. comprises the three factories and the administration. Responsible to Hamken are the twelve Finnish shops, four Swedish shops and a shop each in Norway and Holland. The company therefore contains a high-fashion shoe production core along with a range of dedicated shops. These shops form a major component of its selling and distribution system and also provide important information for product design and development.

The board of Hamken has three members: Pertti, the chairman, Hannele, his wife and Tapio, his son.

Organisational Structure

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Pertti is the managing director of Hamken. Hannele works with him. She concentrates on marketing and public relations and has been deeply involved in the development of the retail part of the
The financial controller, Reima Viskari, is responsible for administration and the financial affairs of the business. The technical controller is Turhho Sormo who looks after production. Finally, Katriina Ylikotila co-ordinates the shops and spends much of her time ensuring a smooth linkage between them and Hamken.

The world of academia strives to provide organisational charts that are both neat and self-explanatory. However, in the real world, these one-dimensional configurations may not adequately explain the reality, and this is the case with Hamken. Not included in the above chart is the third full-time director Tapio. Although he does not have a specific function in the structure, he takes on different jobs as the need arises. When, for example, the company went through difficult times some years ago, he was highly involved in the financial aspects of the business. At present, he is mostly involved in marketing and sales.

In the sales function, there is one person responsible for each of the following three countries: Finland, Sweden, and Norway. An agent looks after the Benelux countries. In addition, Pertti and Hannele have an assistant who helps with PR, marketing, the fairs (especially North America) and other administrative duties.

**Production**

There are three factories in Hamken. First, there is Virrat. This does some of the cutting and closing operations and makes handbags. Then, we have Pirkkala, which looks after the soles and the waterproofing process. Finally, there is the main factory in Tampere, which carries out the complete production process except for the soles.

The Tampere factory is worth referring to briefly. It makes its own footwear and provides some of the closing functions for the other two factories. Its operation is broken down into the four traditional production activities: cutting; stitching; lasting; and finishing. These are organised as follows.

Unlike the Hamken fashion and design process, the production process is very structured. The three supervisors are each responsible for a particular area and each has a staff member to check the quality of the work. Although the workers have quite a variable age profile, many of the staff have been with the company for a long time.

During my visit to the Tampere factory, the workforce was working flat out. There was little or no evidence of multi-skilling or production work groups. This was a traditional work organisation with relatively highly skilled but specialised operatives.

The administration and finance area, under the financial controller Reima, was also a relatively structured and organised operation. The unusual component in the Hamken operation is the design area and how it operates. Prior to considering this part of the organisation, we discuss the Finnish customer and the fashion environment within which she operates. Then we look at the Hamken customer.

**Context**

Outsiders usually notice a number of things about Finnish people. On the level of climate they live in a country of extremes. Warm summers with short nights and cold winters with very little light. This seasonal variation has a certain influence on their buying behaviour. For example, they do not tolerate clothing or footwear that does not keep them warm and dry during winter and they like to express their freedom from climatic hardship in the summer.
The Finns are surrounded by vast spaces of land, trees and lakes. Unlike many other countries, travellers at ground level can rarely see beyond the trees in their immediate vicinity. As a result of this and the low population density, the sense of social space and the level of interaction that goes with it are not the same as in other, more populated countries. Socialising, therefore, does not have the opportunity to be as concentrated and continuous as among denser populations. However, this has changed somewhat with the advent of the mobile phone, of which Finland has more per capita than anywhere else.

A related issue is that there are no great societal cleavages in Finland. Definitely, there are class and income differences, but these are less than in some of the other advanced western societies. When the position of women is taken into account, Finland takes fourth place in the latest UN survey of quality of life.

Other societies with greater levels of population density and interaction and greater inequalities are somewhat different from places like Finland. The relatively reduced social hierarchy and the lower concentration of social interaction may lead to a reduced need to make continuous social statements. As a result, the fashion elite of Finland are not as much in evidence as they are in such places as the US or the UK.

Finns are very interested in their country. You will find many homes with a flag flying outside. Furthermore, its print and visual media gives a lot of attention to Finnish issues, music, etc.

There are two official languages, Finnish and Swedish. The Swedish-speaking population is slowly declining and constitutes roughly five per cent of the total. Nearly all of the remainder speaks Finnish. The language is an important nationalist feature, although it is spoken in strong regional dialects. Finnish is not one of the commonly used languages of western society. Although many Finns speak other languages, especially English, this fact still provides them with a type of mild cultural moat around their society.

As a result, the Finnish consumer is slightly more removed from the powerful branding and image-making of the western world than, for example, the Irish consumer. The Irish share the language of America and Britain. Therefore, they are potentially more vulnerable to the fashion trends of such countries. This does not mean that the Irish consumer is only an avid purchaser of British or American brands. Irish brands do quite well. However, Ireland’s consumers are more directly exposed to the lure of the western corporation. These companies do not have to change the language of their PR and advertisement machines to reach the Irish psyche. This is not so in Finland.

Even when the international corporations of the English-speaking world operate in the local language, their selling can lack the impact of the original medium. Language implies more than meaning. When used effectively, it also offers symbol, feeling, drama, humour and experience. This is in many ways why it is so difficult to transfer the full meaning of something like poetry into another language.

Nevertheless, we must not exaggerate this point. After all, there is a whole PR and advertising industry that helps large corporations jump linguistic barriers. Therefore, our simple point is that this extra jump has some added cost and is fraught with the possibility of meaning difficulties.

Finns are fashionable but to their own pace and pattern. The Finnish consumer demands stylish and high quality goods. Therefore, Finnish companies do not have the luxury of selling to a captive market. If Hamken did not provide what its customers wanted, it would, like many other Finnish companies, cease to trade. Not only, therefore, must Hamken sell fashionable quality footwear but it must also be noticeably better than its competitors.

An additional point is that there is a greater homogeneity of customer in Scandinavia. In the US, Canada and the UK there is a much greater diversity of customers and fashion types. There is also a greater variety of foot types, requiring a greater range of
lasts. A small part of the reason why Pertti feels they sell well in Scandinavia, and particularly in Finland, is that they are close to the market. For example, you will find customers returning to buy a new shoe made on the same last as the shoes they are wearing. Therefore, when they try on the new model, they also find it fits well.\textsuperscript{18}

**Customer**

From his experience, Pertti says that Finnish customers are generally not keen to give feedback. For this reason, the following survey is important. It involved 50 female customers in two major department stores in Helsinki.\textsuperscript{19} Their age distribution was as follows in the next table.

<table>
<thead>
<tr>
<th>Age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–25</td>
<td>14</td>
</tr>
<tr>
<td>26–45</td>
<td>52</td>
</tr>
<tr>
<td>46–65</td>
<td>26</td>
</tr>
<tr>
<td>66+</td>
<td>8</td>
</tr>
</tbody>
</table>

*Source: Palmroth (1997: 117).*

As we see, the majority of interviewees were between 26 and 45. They had the following purchasing pattern.

**Shoe Purchases (per year)**

<table>
<thead>
<tr>
<th>Pairs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less</td>
<td>24</td>
</tr>
<tr>
<td>3–5</td>
<td>60</td>
</tr>
<tr>
<td>6–8</td>
<td>6</td>
</tr>
<tr>
<td>9+</td>
<td>10</td>
</tr>
</tbody>
</table>

*Source: Palmroth (1997: 117).*

Sixteen per cent bought over six pairs a year and 60 per cent bought between three and five pairs a year. Below we outline their spending patterns.

**Shoe Expenditure (per year)**

<table>
<thead>
<tr>
<th>Finn Marks</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>500–1,500</td>
<td>52</td>
</tr>
<tr>
<td>1,500–3,500</td>
<td>42</td>
</tr>
<tr>
<td>3,500+</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: Palmroth (1997: 117).*

No one spent less than 500 Finn Marks per year and a small number spent over 3,500 Finn Marks. On the basis of these two tables, the interviewees are relatively high-spending customers.

When asked for the type of person who comes to mind when they think of a typical Pertti Palmroth user, the majority said she was middle-aged and paid attention to domestic affairs. Younger respondents envisaged well-educated and successful women, while others mentioned an urban woman.

The interviewees were also asked what sort of image came to mind when they considered the brand:

**Image of the Brand**

<table>
<thead>
<tr>
<th>Core Values</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>74</td>
</tr>
<tr>
<td>Style &amp; Design</td>
<td>66</td>
</tr>
<tr>
<td>Good Image</td>
<td>20</td>
</tr>
<tr>
<td>Domesticity</td>
<td>18</td>
</tr>
</tbody>
</table>

*Source: Palmroth (1997: 118–119).*
The biggest proportion mentioned quality. Among this group, the 15-45 year olds were dominant at over 80 per cent and the proportion fell as people got older; 50 per cent of those over 66 mentioned quality.

On these findings, the Palmroth brand is viewed as high quality. However, Finnish products internationally have not been renowned for topping the world quality league. Pertti supports this view by stating that Finland is well known for its design but not its quality.

On the export market, the brand, according to the company, is not often thought of as Finnish. Some have actually considered it Italian. If this is so, then its international customers are not buying Finnish associations — just shoes.

The next highest response to the question of what creates the Palmroth brand image was its style and design, at 66 per cent. Three-quarters of the oldest group mentioned this image, but less than 60 per cent of the younger group. This suggests that the older group was more likely to relate to the style and design aspect of the brand.

None of the respondents mentioned “uniqueness” among their first associations for the brand. This appears to support the company’s view that it doesn’t aim to be first in the market with a new design. Uniqueness may be a riskier base to build a business on than the more basic values listed in the above table.

Even though Hamken does not aim to produce unique products, it is still in the business of producing high fashion goods. Style and design had the second highest image association. Therefore, anticipating new fashion trends and producing new styles is an essential part of the Hamken operation.

Fashion

Art and fashion patterns are more difficult to analyse than staff and turnover data. Nevertheless, we must say something about the nature of the fashion market.

Ladies’ high fashion shoes are more variable and changeable than either men’s or children’s. For present purposes, we divide the ladies’ fashion world into a spectrum. At one extreme is haute couture, where individual designers make the products for a small and wealthy clientele. Its consumers are the well-off trend-setters who can afford to stand apart. Haute couture designers present their collections in Paris and other centres of high fashion. Top models are engaged for very high fees and the attention of influential fashion editors is courted.

Back in the 1950s and 1960s, the press was subject to the “release date” which forbade any picture or drawing of the latest models for two to three months after their presentation. Today, however, up to 80 television channels instantly broadcast pictures of the parades. Because of this massive media coverage, the collections are, in part at least, also presented to the world.

Haute couture, however, accounts for only a fraction of the fashion industry. At the other end of the spectrum are the goods produced in large quantities and sold in high-street shops, chain and department stores, and by mail order or the Internet. The mass fashion market operates on a global scale. Buyers travel the world and select stock for the high-street retailers. The companies producing for this market can be anything from small and medium-sized enterprises to large companies.
Next to *haute couture* is the high fashion segment. At one extreme is what we could call *couture to wear* and at the other would be high fashion companies like Hamken. These are essentially small to medium-sized enterprises (SMEs) with significant but small market niches. Then we have what are essentially national brands and in large countries can be relatively large companies. Next comes international brands whose products cover a large number of countries, for example Nike or Adidas in footwear. Finally we have mass fashion products which are produced in bulk in large factories or sourced from a wide variety of SMEs and sold through a variety of retail outlets, both big and small.

To help understand the *haute couture* and high fashion segments, we refer to Veblen's work *The Theory of the Leisure Class* (1899). He argues that certain rich people buy clothes not for modesty or warmth but for recognition. Their clothes and footwear are an indication of their position in society and their awareness of high fashion. The garment or footwear takes the role of a type of social shorthand or statement. Veblen says this group consumes conspicuously. Veblen's ideas can be used for the early follower of fashion who can usually afford the high cost of being at the front of the fashion-wearing world.

Following these early buyers, we go down the road two years and find the high-fashion end of the mainstream market. We find that only some of the early catwalk designs have survived and become established. Hannele Palmroth has observed that it takes about two years for the relevant layers in society to assimilate a new fashion. During this time, some of the early styles can be amended, changed considerably or discarded.

Hamken operates in this second layer. To say, therefore, that the company's footwear is in the high fashion market has to be clarified. Hamken's products must be placed clearly in the high end of the mainstream market. In our spectrum diagram, it operates in the second part of the high fashion group. Its products, therefore, do not belong to the first and early fashion market.

High fashion, for Hamken, focuses on a more enduring product — one that aims to be robust enough to last for some years and yet remain beautiful and elegant during that time.

**Design Process**

Other firms in this study have a structured or relatively structured system for designing a new range. In Hamken, this process is more informal and is therefore more difficult to interpret. In spite of this, we can make a number of general points about it.

The preparation for the spring and winter collections starts in the early part of the previous year. For example, the preparation for spring and winter of 2000 was already under way early in 1999. Preparation includes taking customer feedback on the present collection and visiting fairs to help decide new materials and lasts for the coming season.

At the start of August 1999, they began to finalise the collection. There is usually one meeting and often several to prepare the range. Those in attendance normally include the model maker, the technical controller, the sales managers for Finland, Sweden and Norway, and Pertti and Hannele Palmroth. These meetings are not planned. They often depend on a phone call from Pertti, who spends a lot of time listening to different ideas. He then designs the range, often with the advice of Hannele, and the support of the model maker. However, we should not give these particular meetings more importance than they deserve. The whole procedure is as much insight and intuition as it is structure and process.

Hannele Palmroth, in explaining this fact, used the example of the Swedish clothes chain Hennes and Mauritz. This company has 450 clothes stores across Europe and annual revenue of $2.3 billion. It has about 13,000 employees, two-thirds of whom are non-Swedes. The organisation is very informal, has few management layers and holds very few formal meetings. According to its marketing director, decisions are often taken "on the run, in the corridors, or in the elevator". In this fast-changing business, people
have to take prompt decisions because the product is almost perishable. If the clothes do not measure up to expectations, they are scrapped and quickly replaced, according to the company’s merchandiser.

The head designer has 60 designers working for her and they are continuously travelling to fashion fairs and cities such as Tokyo, New York and London. The designers look at stores, people in the street, fashion magazines, art shows, theatre and other cultural events. What they are searching for is inspiration on trends and the hint of a new fashion mood. These things give the company a strong indication of what colours and shades, for example, will be popular three years from now. If they misjudge the coming fashion, the whole chain suffers.26

Just like the designers in Hennes and Mauritz, Pertti Palmo and his wife keep themselves updated by travelling widely each year. They spend much time visiting fairs and exhibitions. These provide an important part of the PR and sales processes. However, they are also a critical part of the intelligence-gathering process. For example, in 1998 the company attended nine fairs altogether in New York, Norway, Dusseldorf, Holland, and Sweden.27 When they visit the fairs, they also visit the local shops and talk to customers. They also go to the material fairs in Italy to keep up-to-date on new materials. In addition, they keep a close eye on the latest fashion magazines and sometimes customers make useful suggestions, which the company picks up through its shop assistants or directly.

When they find a good selling line, they build on it by amending it here and there; this can form half of a new season’s range. Customers continually demand new fashion; therefore, the other half of the range must be new and interesting.

Pertti and Hannele are therefore continuously absorbing the up-to-date movements and patterns of the fashion world. They draw not just from shops and fairs, but also from magazines, people in the street, TV and from anywhere else they can find ideas.

One of the interesting things about Hannele’s office is the large number of magazine and newspaper cuttings on fashion and style. To an outsider this might look like a mound of clutter. However, it reflects the eclectic approach needed to source a very wide range of material which keeps her up-to-date on fashion changes.

Li Edelkoort says that people in fashion prediction are not doing a creative job, they are more like an electrical cord taking down the message.28 This implies a need to link into the flow and tide of information that forms in and around fashion developments. Fashion people must be continuously plugged in to identify, absorb and understand what is happening.

The academic keeping up to date on the latest theories has a more structured world to plug into. In any discipline, there are a large number of standard journals and texts, research and other bodies that provide much of the latest ideas on a topic. However, the fashion world and its footwear component is not as easily delineated. If shoes were only bought to keep feet warm, dry and safe, the intelligence-gathering boundary would not be so wide. However, when people wear shoes as a form of self-expression, the circle of influence becomes quite enormous.29 Plugging into this circle require an ability to take images and shapes from many spheres.

When Li Edelkoort was asked where she got her information to help predict fashion trends, she said it could be from everywhere. However, this does not mean that understanding the high fashion world is all about keeping an eye on chaos and change. According to Edelkoort, each of the top designers has a definite point of view, reflecting their particular clients and budgets. In addition, the consumer herself is in turn influenced by the designer’s reputation and talent.30

The ability to completely formalise and structure this type of activity is, on the experience of Hamken, and Hennes and Mauritz, rather limited. However, such fashion companies develop
their own methods and processes for taking down the message. An outsider may think it is disorganised or intuitive, because each season these companies grow on last season’s lessons. Each year there is a different set of experiences at different fairs and different results from scanning magazines. Always, however, there is improvement and development. Hamken, therefore, has developed its own way of keeping a firm eye on fashion developments.

Nevertheless, taking down the message is one thing. According to Edelkoort, discovering and recognising the new idea or phase is not in itself creative. What makes the fashion producer creative is how he or she presents the latest idea. This is part of the genius of Pertti and other front-end fashion designers. In this area, Pertti works closely with his model maker, Hannele, and his key staff. It is in this context that his contribution is most critical. Here he relies mostly on his own skills. These have been honed over long periods of time.

Conclusion
When we asked Pertti and his company to become involved in this study, I was aware that he had a powerful public profile. In this context, it is not often you come across an MD being referred to in a poem. While reading something on our strange times, I discovered the following lines:

Pertti Palmroth is the strongest name in Finnish footwear design; his shoes and boots are exported to seventeen countries.31

Pertti, and his company, is a small but important part of the Finnish psyche. He is one of their business heroes. This is not the case with any other MD in this study. During my visit to his company, he appeared on TV, and this media interest has been going on for many years. When I studied the company and got beneath the image, I found an interesting and well-run operation.

Hamken provides us with an insight into the running of a well-established fashion company.32 Here, its well-structured production and administrative systems lie alongside a relatively unstructured, almost intuitive, design process. The production, administration and retail operations are well run and integrated. They provide the operational infrastructure for the design and development process. This process, intuitive as it seems, has its own shape and pattern. This provides the artist in Pertti with the operational vehicle for his skills.

The production, administration and retail organisation did not appear by accident. Pertti, his wife and key executives in the company have developed an operation which is much more than the artist but which facilitates and breathes life into his talent.

Notes
1 Unit labour costs in Finland have also, until the early 1990s, tended to rise faster than in other OECD countries (EVA, 1998).
2 They were assisted by a Finnish government scholarship that was shared between them.
3 This had been operating since 1918.
4 This had been suffering financial difficulties.
5 The GDS show in Dusseldorf.
6 The Finnish president visited Hamken in 1978 to honour its 20 years of design and export and the Swedish King and Queen visited in 1979.
7 Production increased from 300 pairs per day to 900 and staff from 93 to 160.
9 Tapio is his son from his first marriage.
10 Hannele, his present wife, was taken on as a new employee in 1966 from among 200 applicants.
11 The company made fur coats for two years but it closed that line over 10 years ago.
One of the closing staff has 36 years' service and the Swedish sales rep has 40 years'.

Forests cover 70 per cent of Finland's land area, the highest proportion in the world (Brady, 1998).

Its largest company, Nokia, is the biggest mobile phone producer in the world. See Brady (1998) and EVA (1998).

There were deep divisions in the early twentieth century and this continued until the inter-war years. By the second half of the 1960s there was a considerable reduction in inequality. In the mid-1980s Finland's distribution had improved so much that it did not differ much from the other Nordic countries, despite being the most unequal of the group (Solsten and Meditz, 1998).

See Brady (1998).

The Sami-speaking minority in the extreme north numbers only about 6,000 (Encyclopaedia Britannica, 1999).

Dubarry's MD made the same point on the diversity of lasts needed for the US market and the experience built up by his company on the particular lasts that best suited the Irish consumer.

These were picked to ensure a variety of age groups. Each interview took five to ten minutes and contained 28 short questions covering a person's work, shoe expenditure and attitudes towards Pertti Palmoth footwear (Palmoth, 1997).


Charles Worth in the nineteenth century was the first to prepare and display a new collection. The French term haute couture literally means "high sewing". Today it refers to the houses or designers that create exclusive and often trend-setting fashion for women (Encyclopaedia Britannica, 1999).

Anne Rapin and Hugues Salrod interviewed Janie Samet (Ministère des Affaires Étrangères, 1998).

Anne Rapin interviewed Michel Klein (Ministère des Affaires Étrangères, 1998). Klein explains that the House of Guy Laroche left haute couture to develop couture to wear. Its intends to make a couture line that combines haute couture expertise with manufacturing processes.

In recent years Hamken has noticed that the spring collection has become less important as people have started to buy more casual and cheaper shoes for summer wear.


Introduction
This chapter tells the story of a company that changed its approach to a number of issues. When you read about companies, you sometimes get the impression that corporate activity is all very logical. First, there is the idea, then the strategy, then the operational plan and finally implementation. However, the Start-rite story indicates that an important characteristic of a mature company is its ability to experiment, accept mistakes and change direction.

We might have considered this issue in relation to some of the other companies in this book. However, the Start-rite directional changes were on interesting issues such as teams and organisational structure. The tension and disagreement in the company on such topics reflect differences of opinion in companies generally. The lessons, therefore, are applicable widely.

Start-rite is our largest company and the only one producing children's goods. It is located in Norwich, England, and is a family business with about 60 shareholders. None of the shareholders owns more than 10 to 12 per cent of the equity. The shareholders are not a very tightly linked group, but the larger ones keep a relatively close eye on the business. The shares have been handed
down from generation to generation and so far there has been no strong pressure for the sale of any large tranche.

**Background**

Start-rite is the oldest footwear producer in England. James Smith set it up in 1792 and today two of his descendants hold senior positions in the company. Norwich has a long footwear tradition and was known for slippers, women’s and children’s shoes. In 1900 it had between seven and eight thousand shoe workers, four thousand of whom worked in factories.

Before the end of World War I the company produced ladies’ shoes and then it began to make children’s shoes. The original Start-rite shoe was made in the early 1920s and was based on a patented design with a specially constructed last. At that time research indicated that a child’s shoe needed to be properly designed to help the feet grow. Even at this early stage, the company designed its shoes according to the best available scientific knowledge.

**Research**

The first study of children’s feet in English schools was made on behalf of Start-rite in 1928 and the information from this helped improve their shoe designs. In 1943, Start-rite became involved in setting up a nationwide survey. An important reason for the survey was to find lasts that would suit the natural shape of the foot and allow normal growth. The main specialist on this research was taken on later as a permanent orthopaedic advisor to the company.

Up to World War II, children’s shoes provided a little over 50 per cent of company output. During the war, however, the government expanded this to 85 per cent. The company then made a decision to concentrate solely on making quality children’s shoes in multi-width fittings, on lasts that were specially designed for children. This decision was an important turning point for the company.

The linkage between design, production and scientific knowledge is one of the main influences on company product excellence. Apart from its efforts to absorb the best technical advice on children’s shoe constructions, the company’s training centre plays an important role in Start-rite today. It provides a training and information resource for retailers.

**Advertising**

The company’s interest in advertising started in the mid-1930s when the then chairman’s son advocated a bigger spend on the advertising budget. This eventually led to the development of the “twins” poster, which first appeared on the London Underground in 1947. This poster is one of the best known of its kind in the British market and was first painted in 1938. The company decided to “rest” the poster around 1970. This created an adverse reaction among the general public and the company received many complaints. The poster is still an important part of the brand image and has a high level of recognition. While this poster was the most successful of the company’s advertisements, there were others.

**Stock**

Another development has been instock trading — that is, holding large stocks to give retailers a quick order response. It allows retailers to hold less stock and still provide their customers with a full range.

According to some, much of the firm’s success from the 1950s onwards was due to its mastery of the intricacies of accurate stocking. Each year, profits were ploughed back to finance this activity. A crucial factor in this system was the correct selection by Start-rite of the mix of shoes to put into stocks.

However, as time went on, young people became more fashion-conscious and an increasing number of them stopped wearing
traditional shoes. In addition, the school system became less strict about formal wear. Therefore, it became increasingly difficult to predict demand. Consequently, over-stocking occurred and had to be urgently addressed.

As a result, an automatic stock control system was developed. This enabled the company and the retailers to control stock levels by using new computer technology. The then chairman's regard for the system was evident when he said that the system was a "secret shared between the operator and the Almighty". The improvements in this system have been such that the double stock turn of the 1960s and 1970s has been replaced today by stock that turns over seven times a year.

Retail
The first children's shoe shop in Britain opened in the mid-1950s. A second followed in the late 1950s, and this eventually became one of Start-rite's largest customers. Start-rite itself moved into retail in 1964 when it went to the aid of an important customer in Leeds that was in financial difficulties. A second shop was opened, but both of these were later sold and the company left retailing.

It then returned in 1979 by opening a shop in the south of England, followed by a second one in Wales. It soon became clear that developing a retail operation required both specialist management skills and adequate capital. These two shops formed the nucleus of what later became Start-rite Retail, the retail wing of the company.

Start-rite opened new retail outlets for two reasons. First, it had identified particular areas where retailers failed to satisfy and develop the Start-rite market. Second, there was a general decline in the number of independent retailers, caused by the growth of multiples. During the ten years to 1987, multiple retailers in Britain had increased their market share to 75 per cent of all sales. Start-rite's 1,000 or so independent retailers were disappearing at a rate that could not be ignored. This also forced Start-rite Retail to expand its operation to ensure Start-rite's availability nationwide. In addition, a new strategy was introduced. The company would continue to support the independent retailers. At the same time, it would make an attempt to sell more to those multiples that provided their customers with trained fitters in their children's department.

As things became more difficult for the independents in the 1980s, the company improved mark-ups and trading terms to levels unmatched by their competitors. Along with this, the Start-rite–retailer linkage on customer service, ordering procedures and the automatic stock control system were further improved.

Start-rite Retail was given an important boost in 1987 when it opened the first of a number of shoe shops in Boots, an important UK retail group.

Survival
Why has Start-rite survived when many more have failed? After the last war, Norwich had about 30 firms making shoes and almost 10,000 workers. Today, it has only a handful of shoe factories employing less than 1,500 workers. The surviving companies specialise in certain lines and all produce high quality shoes.

Start-rite is the largest footwear firm operating in Norwich. The company has won a number of awards. It has twice received the Footwear Retailers Association award as top manufacturer of the year. It has also won the Barclays Business of the Year award and was granted Royal Warrants in both 1955 and 1989.

A number of factors have been crucial to its survival and achievements and some of these have been touched on above and will be dealt with further below. However, it is worth referring to one or two special factors at this point.

First, the family firm aspect of Start-rite has provided its own strength and support to the survival and development of the company. There are some considerable advantages to family in-
volvement over a number of generations. One of these is that the firm is not excessively focused on short-term gains and in certain circumstances is better equipped to sustain difficult trading conditions. Another is that family management and operative skills can be effectively passed on in certain circumstances.

In such firms, one also tends to find that many of the workers are themselves long-term employees. Family service over the generations has been a strong point of the company. In one particular case, there were 15 members of a family working in the company. Between them they had a total of 212 years' service.

Second, the company has also survived by acquisitions. The first was a children's shoe factory in 1957 and the second was in 1961. There were another two acquisitions in the early 1970s, one of which also produced children's shoes.

The company has also survived by being able to respond to difficult circumstances. For example, in the mid-1970s, a fall in sales forced it to make significant savings. First, it stopped placing orders with other Norwich firms. Then it put many of its operatives on a four-day week and closed two of its factories, one in 1975 and the other in 1977. In 1986, it absorbed a third factory into the two that remained at Norwich. Today, the main factory and a large warehouse remain. At present, the company is considering the possibility of finding a new unit to amalgamate its operations under one roof.

Finally, the company built a strong relationship with one bank over the years. This, together with a steady ploughing back of profits, has been of benefit to the company.

Profile
The following turnover figures give some idea of the company's progress in the period 1991 to 1998.
therefore, become less a production entity and more a retail operation.

However, one should not predict future trends on the basis of the above. Although production has become less significant, its contribution to the overall operation still remains critical. The future of the factory operation depends on both external and internal factors. Externally, it depends on the comparative cost, quality and logistics of bought-in components. Internally, it depends on future productivity and quality improvements. These matters are dealt with in other chapters. In addition, there may be certain marketing considerations attached to the question of selling home- as distinct from foreign-produced shoes.

Market
For present purposes, we divide Start-rite’s products into three age groups and three product categories. The sales proportion of these is as follows:

Sales by Range (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Formal Shoes</th>
<th>Sandals</th>
<th>Canvas</th>
<th>Leisure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age 0-2</td>
<td>Age 3-7</td>
<td>Age 8+</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>22</td>
<td>34</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>1994</td>
<td>24</td>
<td>31</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>1997</td>
<td>23</td>
<td>30</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1998*</td>
<td>24</td>
<td>33</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

* Estimate

The biggest selling group is the 3-7 age category. Next comes the 0-2 group and then canvas, over-8s, sandals, and finally the leisure category. The first four categories contain the traditional Start-rite products and the canvas and leather are recent additions to the range.
Start-rite has a long tradition of selling abroad and it has had markets in Canada, Australia and a number of European countries. However, as we see below, the main market today is the domestic one.

Sales by Market (%)

Start-rite's exports/imports split changed only marginally since the start of the decade. The main export markets at present are Ireland and France, with four and three per cent of sales respectively, and one per cent in Italy. The export market provides a significant opportunity for future development in the company.

Despite the growth and size of Start-rite Retail over the years, it still sells only one quarter of Start-rite's own products through its stores. This is in strong contrast to Hamken, which sells considerably more through its own outlets.

Organisation
Start-rite comprises two levels: the holding company, James Southall & Co; and the manufacturing and retail companies.

Today, the functional heads of the company are as follows.

Organisational Structure

David White, the chairman, joined in 1957, became a director in 1964 and joint managing director in 1970. Peter Lamble took over as managing director in January 1997, having previously been financial director. Reporting to Peter are three directors, one each for marketing, sales and retail. In 1998, this was increased to four, as there was a production director in addition to the other three. Back in 1980, there were also four directors, but instead of retail, sales had two, one looking after the home area and the other in charge of exports.

The retail end has grown since then but the hoped-for growth in exports did not materialise. The functional division of responsibility indicates a powerful focus on the domestic market and a determination to retain and strengthen its hold on it.

One interesting item is the absence of a financial director. However, the MD and chairman are both accountants. The company has not had a financial director since Peter held the post at the end of 1996. However, when the chairman retires in the next few years, this situation may be reviewed.

Sales
Michael Hull, the sales director, has been with the company since 1964 and sales director since 1978. The sales end of this department is divided into multiple and independent accounts. A sales manager looks after the multiples and four area managers service the other retailers.

Structure of the Sales Department
The export manager looks after the overseas market. The stock and operations area looks after the warehouse and rejects. Customer service supports retailers in dealing with complaints and related issues. There are nine staff in the sales office. They process the orders and invoices. The orders are put together each evening and despatch advice notes are printed and sent with each shipment. The sales office also looks after the automatic stock control system (ASC).

Using the ASC system, the retailer has minimum stock indicators, which are determined with the help of the area sales manager. These include details of styles, fittings, colours and sizes for the coming season. Start-rite keeps records of these indicators. When the ASC system detects that the minimum stock level has been reached, an order is triggered automatically.

Start-rite also sends periodic sales reports to retailers. This helps them to manage their operation and it assists them to adjust the stock indicators. This adjustment occurs for a number of reasons. One of these is the ending of a season.

There are three systems available for retailers. The older one is based on sending the information back through the post. Second are the hand-held computers with barcode facilities. Here sales are recorded by “swiping” the product barcodes. The information is then relayed across a phone line to Start-rite.

The same device can also be used for stock-taking and special orders. This is less time-consuming than the manual system, but requires higher investment. However, in return, the retailer gets less time-consuming stock input, quicker stock replenishment and more up-to-date sales statistics.

Start-rite also operates an EDI system. This enables retailers to notify sales directly from their own sales point or EPOS system.

Finally, three staff work in the training services section. This provides a range of courses for the retailer:

- A one-day fitting course for staff who are new to selling children’s shoes and a refresher course for longer-serving staff. There were 16 such courses in 1998.
- A four-day course for owners, managers and supervisors, who are responsible for promoting the full Start-rite theme to their staff and customers. This is provided six times a year in the company’s training centre in Norwich.
- An advanced three-day shoe-fitting course. This was held five times in 1998. This is designed for fitters who manage a children’s shoe department or shoe shop.
- In-store training courses for new retailers.

The company also carries out periodic surveys. The last one involved seven Start-rite Retail shops. This provided information on size and age. The children surveyed ranged from one to 12 years of age. An important insight gained was that, in many of the age groups, the average shoe size had increased. This increase was not, however, uniformly spread over the age groups. Some of them showed no increase whatsoever. For those age groups with a size increase, the average was a half.

In addition, the survey showed that the proportion of pairs sold declined as age increased, indicating an important market
opportunity for the company. This survey led to the development of the Rhino brand aimed at older children’s fashion.

Start-rite provides six fitting sizes. Following the 1940s survey, it provided four sizes and added two more some years later. However, with the growth of children’s feet, it then discarded its narrowest fitting and recently added a wider one. Today, the majority of styles from tots to teens come in a minimum of three fittings and some have all six.

According to the company, the fitting service provides an essential part of the sales back-up service. The company at present spends about £200,000 per year on its training services.

Marketing
In 1994, the then managing director also looked after marketing and had extensive product development knowledge. However, as he was due to retire at the end of 1996, the company decided to find a specialist marketing person.

Interviews for the job began at the end of 1995 and Jane Wilson joined in March 1996. Jane’s strength was her combination of marketing skills and familiarity with the footwear industry. Jane was made marketing director in January 1997.

Structure of the Marketing Department

![Marketing Structure Diagram]

The design, product development and advertising functions report to Jane.

There are three staff in the design area. Up to February 1997, product development reported to the production manager. Now the responsibility of the marketing director, it contains two product engineers and four style developers or pattern cutters. Their task, in effect, links production and marketing. This is because the engineering of new products must meet the needs of marketing and yet fit the capability of production.

The resource manager identifies and sources materials including bought-in shoes. The development co-ordinator is the central planning point for product development and the factory processes. He does the production planning and links engineering and resources. He is also responsible for drawing up the production schedule and ensuring it is followed.

In Clarks International, where Jane worked before coming to Start-rite, production development was also moved from production to marketing. In 1996, it was then moved to product sourcing. This now heads up an area to which UK production reports.

From an organisational perspective, placing product development within the production department strengthens its production orientation. Now that marketing is the main stem of influence, this helps to ensure a greater market relevance to product development.

Finally, marketing staff includes the two advertising staff and a marketing assistant.

One of the first things Jane did was to arrange a stockist exit survey. This was completed in October 1996 by an outside research agency. This was then followed in December by qualitative research on mothers and children. This research provided some interesting information. For example, it was found that the age at which children become main decision-makers on the purchase of their own shoes was shown to be around 10 for girls and 11 for
Sole Survivors

boys. In addition, it found that parents buying children’s shoes were often making a fashion statement as much as anything else.

Retailing

The director in charge of the retail operation controls the following: four office personnel, three area managers and a manager in each of the shops, together with the retail staff.

A major problem, in recent times, was caused by the loss of the sales concession in Boots, the chemists shops. In September 1996, Start-rite Retail were given six months to close these by Mothercare, who had taken over the Boots operation. Up until then Boots divided the concession business between Start-rite and Clarks. 

Structure of the Retail Department

- Retail Director
- Retail Operations
- Stock
- Office Staff
- Area Managers
- Warehouse Staff

The Boots concession had provided 26 of the company’s then 50 outlets. As a result, it had to search very urgently for new outlets. Today, it has regained nearly all of its loss with 48 outlets. The company has since changed its retail strategy. Where they have taken concessions, they have done so with a number of companies rather than with a single one.

The retail strategy of a manufacturer is not always the same as that of an independent retailer. Start-rite Retail sees its main role as maximising group profits. Next, it aims to improve the return on group assets and increase the sales of company products. It relegates to priority five its efforts to make retail profits. Other lesser priorities include its role in product development and market testing.

Production

The production process starts with leather selection. The company checks the leather in the tanneries it buys from to ensure the quality of the finished product.

The leather is delivered to the Upper Leather Store and then goes to the Clicking Room for cutting. Having checked the leather for size, texture and natural flaws, a usage percentage is agreed with the cutters. This percentage is called the leather coefficient. The cut uppers then go to the Closing Room. Here the upper sections are stitched together and the linings and toe puffs are fitted.

While this has been going on, the bottom material has been sent from the Bottom Stuff Store to the Press Room. Careful planning is needed to ensure the correct components for each production batch. The preparation of soles and insoles is done in the Press Room. If any metal shanks are required, they are added here. Apart from the uppers, all the bits and pieces needed to make the shoe are then brought together in the Assembly Room.
The uppers and bottom material are brought together in the Marrying Room and are then sent to the Making Room. Here the various lasts are selected and the insoles are attached to them. In addition, the heel stiffeners are moulded to the back of the uppers, which are then lasted. The bottom of the upper is then prepared and adhesive is applied. Next, the soles are attached to the lasted upper. The last is then removed from the shoe.

In the Shoe Room, the sock is inserted and the shoe is thoroughly cleaned. The shoes are then checked for quality and a final spray is applied. The shoes are then laced or buckled, given a final check and boxed. They are then sent to the dispatch warehouse.

**Experiments**

We now reflect on some of the developments in the 1990s. One lesson from this chapter is that we should avoid trying to find logical and forever forward patterns of behaviour. Company development is much richer in its progress than simple linked paths of improvement.

Turnover and profits continued to grow between 1991 and mid-1994. These were good years and, as a result, there was no great pressure for change. The main concerns at the time were to satisfy customer demand and ensure that product quality remained high.

However, from mid-1994 onwards, things became quite difficult for the manufacturing end of the business. Year-on-year sales volume fell by 10 per cent a year until 1996. In addition, profits, which had been increasing since 1992, peaked in mid-1994 and then collapsed.

The company made a number of changes during this time to try and grapple with the new situation. We describe them below.

**Politics**

The ISO 9000 process has been covered in some of the other companies of this study. Opinions vary on its usefulness. Start-rite achieved ISO 9002 for its production processes in December 1996 after two years of preparation.

It originally considered introducing a quality system in the second half of the 1980s. The then production director attended a meeting in London on a British quality standard. A representative from one other footwear company was present, along with people from other sectors.

At the time, some of Start-rite's staff felt it might be useful to become accredited in case the multiples or some foreign customers began to require it. The main support for the idea came from the production area, where work on it began. However, when it was the turn of the design and marketing areas to become involved, it became clear that they were less than enthusiastic. Following discussions at board level, the idea was then dropped.

Some time later, the proposal reappeared, but this time in the sales area. Their interest in the idea arose from several factors. First, the company had now hit difficult times. Second, a potential German customer had enquired whether the company had ISO certification. Third, sales was concerned that if the company decided to move into the medical market, ISO certification would be an essential requirement.

Now that sales backed the idea, the company decided to go the ISO route. On the previous occasion, the production area alone had been unable to get the process going. This was in spite of the fact that production’s original interest was, as we saw, for sales reasons. However, when sales now put their weight behind the idea, it developed a strong political momentum and in the end was adopted.

When the standard was actually introduced, the company discovered that its main benefit lay in the production area, not in sales. It increased the transparency of the factory operations and helped workers identify where problems and bottlenecks lay. As a result, the production director found it reduced the number of op-
erational problems he had to deal with. This allowed him more time for planning and other work.

A related topic discussed in the company considered by the board was the possible introduction of TQM. This is a management technique that came from Japan and was widely adopted in North America.\(^2\) Despite its widespread adoption, some writers state that TQM has been discussed, adopted, thrown out, praised and criticised more than any other organisational improvement in management history. Yet in spite of the range of opinions and ideas on it, TQM remains a relatively misunderstood concept.\(^3\) By contrast, the ISO standard is a relatively uniform, documented and well-supported system. TQM by contrast is not. This is not meant to denigrate the value of TQM. Rather it is to describe things from the standpoint of companies such as Start-rite.

Not surprisingly, therefore, the TQM proposal and its potential impact were never fully understood by the company. This was partly because of the difficulties with the concept mentioned above. It was also, however, because no cogent or influential person or group arose in Start-rite to support the idea. The proposal therefore languished until interest in it finally disappeared.

The next topic — the one that generated much internal debate and activity — was the question of how the company should be organised.

**Structure**

When we study companies, we can learn as much from the detours made as from the final destination. A good example of this was the directorate structure introduced in the company in 1991. Here the organisation was divided into four internal divisions, each one headed up by one of the four directors.

The four divisions provided a powerful base for the four areas of responsibility. Each area operated more or less independently. However, the sales area was regarded as the customer of production in order to sharpen its response and efficiency. It was also intended to allow managers to focus on clear objectives and to improve communications within the divisions.

We use the production area to explain what happened. The following was the production organisation introduced in 1991. At the top was the production director, followed by the production board comprising the directors of purchasing, quality, factory operations and development.

**Structure of the Production Department (1991)**

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Production Director
  Production Board
    Middle Management
      Supervisors
        Assistants
          Operatives
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Reporting to these was middle management. This comprised the planners, purchasers, methods and costs, and quality assurance staff. Next came the supervisors and their assistants and then the operatives.

However, the difficulties that hit the company from mid-1994 to 1996 forced it to streamline the operation and the divisional structure withered and died. It was dismantled in September 1996. Below is an outline of production today. There are now three levels in production — manager, supervisor and operative — where before there were six.
Both the production board and middle managers are gone. There are four supervisors in the factory: clicking, closing, making and shoe room. The specialists in services do the planning, quality and methods work. These specialists are professionals and not supervisors. The disappearance of the board and the middle managers has placed more responsibility and decision-making on the other levels of the operation.

The flatter structure, together with the new quality system, improved job transparency, skills and work linkages. There are now fewer queries about matters such as the need for overtime. The section or department rather than senior management makes these decisions. This is simply because the implications of extra overtime are more transparent and obvious to those involved.

This sudden surgery was a jar to the system and, in the case of production, it took about six months to become fully operational. Therefore, it was not until April 1997 that production data indicated a notable improvement in efficiency. This restructuring and the other developments, such as ISO 9000, brought about some noticeable improvements in efficiency.
quent. Added to this product variation is the fact that some of the work is relatively skilled and quite complex.

If the complete factory was team-structured and demand was relatively steady throughout the year, teams could be an effective system to pipe such complex orders through. However, if we are working on a steady volume for January and February and suddenly in March and especially in August the volume required literally goes through the roof, then the quick response system of teams could be laid low by such complex variation.

In the early 1990s, some of the key production staff had considered introducing teams. They read up on the issue, went to seminars and discussed it in work.

They also studied teamwork in a ladies’ shoe company and were allowed to use video footage to assess its operation. This particular company produced a range of high quality and relatively high-priced products and their workers were paid a fixed wage. Start-rite, by contrast, produced a much greater range of products, at relatively lower prices and, in some cases, to a higher level of specification. In addition, its workers were on a time-and-motion incentive system.

Following the study, Start-rite concluded that if it put its product through some areas of the other company’s teamwork system, it would increase its costs. For example, one of the most expensive parts of a shoe operation is in closing and the most skilful job here is the post-trimming activity. By comparing this operation in Start-rite and the teamwork company, it became clear that the Start-rite operators were doing a more complicated job. In addition, some of the Start-rite staff felt their own method would do the ladies’ closing operation more effectively. The study, however, also showed that the teamwork system cut down on rework and rejects and the Start-rite staff knew they had to improve in this area.

Therefore, in spite of some reservations, Start-rite introduced teams in the closing room of their second factory in 1994. This factory has since closed. They also introduced teams in the main factory’s shoe room in the first part of 1995 and in the making room. They also put shoe operatives on the end of the making teams.

They found that the closing operatives did not remain proficient in key activities now that they were expected to do a wider variety of jobs. According to the MD, they ended up with a flexible but mediocre set of skills.

Moreover, when the shoe room operatives were put on the end of the making teams, the costs of this activity went up by 10 per cent rather than falling by 10 per cent as expected. This was because teams had to deal with a constricted level of output, which was determined by the size of the output of the making track. Therefore, Start-rite went back to the specialist operations in closing and took the shoe room operatives off the making teams. By September 1997, the unit costs in the shoe room had been reduced to 7 per cent below the best-anticipated result from teamwork. However they retained teams in the making and marrying areas where the activities and skill requirements were better suited to teams.

Conclusion

These experiments show that it is more important to be correct than to be consistent. If you make a mistake, consistency ensures that you keep making it. The ability to learn and undo is crucial for survival. Companies can make plans and move in certain directions. This does not mean that they will end up where they originally intended.

Start-rite tried to introduce a divisional structure and ended up with a relatively flat organisation. It introduced teams but then dismantled some because they were unsuitable. It considered introducing British Quality Standards, decided against it and then introduced ISO 9000. It also considered TQM but decided against it.
To introduce organisational change and innovation, you need a knowledge base, political will and appropriate circumstances. You must also strengthen these while heading in your intended direction. Introducing change in the form of a new quality system, TQM or teams is as much a political and knowledge process as it is a question of resources.

A mature company like Start-rite, which has successfully weathered many storms, shows that straight lines are the business of technical drawing, not organisational development. Sometimes you must retreat to advance, and in the process become a wiser and stronger company.

Notes

1 Peter Cross, senior multiple manager and Peter Lamble, managing director.
2 Holmes (1992: 24). Much of the historical material on the company is gleaned from this source.
3 At the time Start-rite was the brand name for its children's shoe. In 1966 Start-rite Shoes Ltd. became the manufacturing and distribution company and the original company, James Southall & Co., became the parent company.
5 One of the best known of these was by Munnings and was used to advertise the Lightfoot shoe.
8 Holmes (1992: 77).
9 Electronic Data Interchange and Electronic Point of Sale.
10 Start-rite Information Manual (p. 8). The sample of 6,143 was taken between May and July 1992.
11 In comparison to the survey 18 years before.
12 Sales Strategy Report to Board Members (p. 4, 4 September 1997).
REVIEW OF THE NINE

Our nine companies have an average age of 100 years. This is a significant achievement in survival. Here we review some of the main developments in the nine and reflect on their relevance. This is done under key headings for each company.

Becoming Market-led — Barker

Barker showed how to change from a production focus to a market-led approach. This change had a number of prerequisites and companies wishing to take this approach should consider them.

First, there must be someone influential who fully understands the company, who can manage the change and who has clear ideas and working images of how the new approach will work. These ideas and images grow sharper as the firm gets nearer to its goal.

Before Barker's MD actually arrived in the company, he spent time briefing himself on it. Then, as he began to propel the organisation towards the market-led approach, he spent as much time listening as prodding and urging. He did not bring a particular market-led toolkit to Barker. Instead, he created the environment for building the new custom-built one.

Second, he developed new organisational components to provide an infrastructure for the market-led approach. These components were supported by the introduction of new marketing skills
and by harnessing and developing other competencies latent in the company. He also created the environment for encouraging those with little knowledge or interest in the activity.

The movement towards the new approach was supported by the work of the short-lived Vision Group. This work then became embedded into such activities or groups as the range review, sales and management meetings. When a new approach is successfully embedded in an organisation, it impinges on all related processes. The development and improvement of the skills and knowledge of the staff support this process.

Such a change was partly a political process and political ability is a key management skill. The new MD made it clear, at the start, that this was one of his main priorities. Then the change began to take on a certain momentum, as some of the key staff became increasingly supportive of the idea. As others began to notice some success with the new approach, they began to support it and become more enthusiastic about its success.

A person’s formal position in a company can be a source of power. So can their control of resources, which may or may not relate to their position in the hierarchy. Knowledge and skill are also a source of power, as are an individual’s personal qualities, such as their charisma or popularity.

Barker, like other companies, is a coalition of groups, teams and departments. The more senior the staff, the more likely they are to be involved in political behaviour. This is because they often decide on allocating resources and have a greater influence on decisions that affect others. Some argue that strategy, size, technology, and environment explain no more than 50 to 60 per cent of a company’s structure. Much of the rest is explained by managers developing structures that enhance their control.

Apart from looking at how Barker moved to a market-led approach, we also discussed the need for this approach. We considered the glut of information the consumer has to deal with. To assist customers, companies must intellectualise their needs and interests. Then through effective branding, advertising and distribution, they must provide the customer with easy ways of recognising, assessing and finding their product or service.

Barker’s MD brought to the company a wealth of experience in marketing, a mental map of how to develop a market-led approach and most importantly an ability to work with people.

Organisational Change — Dubarry

We considered how a state agency supported improvements in Dubarry’s organisation. Several lessons stand out.

First, improving an organisation is an incremental thing. Dubarry did a technology audit, achieved ISO accreditation and partially introduced production teams before embarking on the introduction of World Class Manufacturing (WCM).

Second, introducing substantial organisational change may require outside support and intervention. It also needs a significant investment in training. In Dubarry, the state agency provided resources and encouragement and the consultants the training.

Third, organisational change needs strong internal backing. The involvement and support of the MD and board of directors is critical throughout the process.

Fourth, there was nothing gung-ho about its introduction. Strenuous efforts were made to involve and develop the workforce through briefing and training. The detailed negotiations and agreement with the trade union helped to buttress the process.

Fifth, self-analysis is an important ingredient of organisational improvement. In the technology audit, the ISO implementation, the early teamwork and the WCM activity, the company had to look hard at its own processes. This was not easy. Companies can benefit from appropriate outside support to help them surface, clarify and develop suitable organisational patterns.

State intervention was an important issue in the Dubarry case only. This need not imply that the other eight did not benefit from
state aid over the years. Their chapters, however, focused on other issues. Ireland provides a reasonable level of state aid to industry but nothing exceptional. It recently came tenth out of 15 European countries on the level of such aid.3

WCM is a useful way of improving an organisation. However, this should not imply that all companies need WCM. Other processes for improving organisations, such as TQM and kaizen, when properly implemented, are also useful.

Finally, when introducing such “organisational packages”, it is important that the terminology and the package do not obscure the purpose in hand. Companies can benefit from using such packages to introduce organisational change. However, the key to success is the nature and quality of the changes and how successfully these work in the company context.4

Co-operation – Pomarfin

The Pomarfin chapter deals with how five competitors worked together on a number of projects. Such co-operation is not common. Below are some of the reasons why it was successful.

First, they shared a common fear that helped bring them together.5 Second, they had some previous experience of working together in a larger group as part-owners of a component producer. Third, the trade school manager was an important binding agent in the early stages of the group.

Fourth, the companies were linked through production people. Much of their knowledge and expertise was, therefore, common. If they had been drawn from marketing, the nature of their activity might have caused problems.

Many executives are action-oriented by nature. This tendency can serve them well. However, in the early stages of an alliance, it may be a disadvantage, as such action-oriented people can move too quickly. This can restrict the group size, define its tasks too tightly, instigate the search for quick solutions and result in independent, rather than joint action.6 Of all the various options, the production group provided significant advantages in expertise and temperament.

The group was a collaborative effort to develop new and shared activities or components. Each of the five companies held certain core competencies in the Finnish footwear sector. However, they did not join up to give these away. Rather, they combined to develop new and jointly controlled competencies to strengthen their individual operations. As time went by, their efforts were steadily built on a plank of shared insight, skills and knowledge of the issues that arose.

Such co-operation may become more common in the future. First, because firms may begin to focus on a narrower range of core skills and activities. Second, companies may move towards producing systems and solutions rather than complete products. If this is the case, a group that shares and links complementary skills and activities will tend to be stronger. In addition, firms may co-operate in a more formal way when they produce different parts of a complete product.

Finally, small and ambitious firms with limited resources must continually seek ways to complement and stretch what they have. Co-operation can provide such companies with greater leverage and access to resources and markets in ways that may not be anticipated at the outset.

By contrast, some argue that rich companies seldom make effective partners. For them, an acquisition is an alternative to effective co-operation. However, an acquisition is often a blunt and expensive mechanism for adding value to a business. Furthermore, as companies begin to focus around core activities rather than a broad range of things, it becomes less useful to acquire only part of a business. The part is then disconnected from its supporting infrastructure and skills.7

Co-operation has to be well managed. It needs to be set aside from the hectic daily workload and requires time and patience to
grow. It poses difficulties of control and prediction and may be a strange experience for those new to it.

Pomarfin and the other four competitors began to share the same spoon for fear of the worst. However, if co-operation is a good idea it should not have to await a crisis. By then, it may be too late. Other groups may not have the initial experience and advantages that the Pomarfin group had. In our complex economy, with its formless customer and continuous change, long-term co-operative activities offer protection against the dangers of the marketplace.

Exporting — George Cox

George Cox is the most successful exporter in our group. The company’s exports rose from 30 per cent of sales in the early 1990s to 80 per cent at the end of the decade and 90 per cent of these went to Japan. This is quite an achievement in view of the distances involved and the number of low-cost countries in between.

In October 1994, it was told it would lose the licence that enabled it to produce 60 per cent of its business. This was a serious blow. Cox responded by significantly expanding its design and development activity.

The production director’s role was reworked and compensating changes were made in production to support this development. In addition, both the managing director and sales director gave increasing attention to the area.

Cox does its business on a made-to-order basis. It services a wide network of retailers that it uses to help it develop new styles. Trade fairs also play a part in developing new styles. At these, both Cox and the buyers test each other’s position. For the buyers, Cox is one of the fashion benchmarks. When they arrive on the stand or in the factory, they want to know the company’s view of the new season. In turn, Cox listens to their ideas and identifies their order pattern to help it fine-tune its own range.

This process contains an element of filtration where little pieces of information are put together to help determine the evolving fashion. This information is put together by a small group of Cox personnel whose decisions significantly affect the future welfare of the company.

When they lost the Dr Martens licence, the senior people in Cox underwent a difficult learning process. They could not predict the outcome, but their response and decisions were part of the final solution. In this context, the solution was more a place of arrival than of detailed planning.

Praxis

A company facing a crisis must clarify and utilise its resources and strengths. It must list its options and develop a rescue plan. This should not be too complex or excessively detailed. It should then move in incremental steps towards a solution, while reflecting on developments and allowing for possible deviations along the way.

This brings us to the idea of praxis. Businesses in crisis rarely seek a survival toolkit from the local university. Although education and academia provide many sound business skills and insight, their thinking and analysis process differs from the executive’s. When it comes to real problems, the academic outsider is best at providing a framework for thinking and decision-making, rather than a detailed rescue plan. The academic divides and analyses reality and in so doing identifies the complex and multifaceted components of issues. The executive, however, has to eventually simplify and unify issues so as to end up with a workable solution.

Praxis is the practice or practical side of theory, as distinct from its theoretical side. Praxis leads from activity to reflection and from reflection to action. Business theory for all its intended relevance may need to develop a more focused and co-ordinated praxis — one that in some way avoids the lack of wholeness that
stems from the specialisation and fragmentation of business disciplines that has developed over the years.

Chapter 12 provides an early draft of a framework for company analysis. This aims to provide academics with a common reference point for different disciplines dealing with company improvement and survival. In this way it is hoped that it will improve the practical side of theory and strengthen its praxis.

In the end, as it turned out, Cox had to solve its problem on its own. Even SATRA, the internationally recognised footwear industry research institute, was only called upon to provide a reference source for the company during its difficulties.30

From Strategy to Activity — Nokian

Nokian deals with the consultant as managing director. This is an unusual role for a consultant.11 Prior to the consultant’s arrival, the company situation was dire. The previous management had used, among other things, a formalised approach to management and strategy.

The new MD, however, was almost management in motion. He skillfully embedded himself in company activity with a gusto and determination that would take many an MBA graduate’s breath away.

Here was a manager who could walk, talk, and think his way through a minefield of attitudes, worries, work processes and roles. He was the coach and the key player. He was, however, also the student and listener, the watcher and gauge. He was no prima donna and definitely not superman. He attached himself to the company like a limpet and absorbed all he could.

He did not pull them out of the ditch. They got out of it together. He clarified the parameters of the ditch, the various gripping points and the safer routes out. He was a source of information and ideas, a font of encouragement and a catalyst for action.

Business schools provide paradigms and concepts that help intellectualise many of the issues facing firms. They also provide insight into the world of work and provide important skills and abilities.

However, some argue that they do not adequately prepare us for business.12 It can also be argued that they do not provide the ethical base for decision-making. This is often the reason why business courses include ethics. However, students’ ethical formation is probably more significantly influenced by their experience of college fairness and justice than by anything it teaches. How college decisions are made, how staff teach and get on with students and others is key in this regard.

Most of the senior staff in our nine companies exhibited a strong regard for the wellbeing of their businesses. However, the affection with which the then Nokian MD was regarded by his staff was somewhat out of the ordinary. Those I spoke to reflected this view. They strongly believed that he had the good intentions of the business and the staff uppermost in his mind.

Company Spirit

Many of the changes that occurred in Nokian were to do with learning. Some academics argue that spirituality is part of the learning process.13 Spirituality in this context means that aspect of an employee’s experience that has to do with depth, relatedness, value, heart and personal substance.14 Improvements in these things strengthened Nokian’s spirit at an individual and company level. From there being quite an amount of unrelatedness, separateness, individualism and hopelessness, there evolved an organisation with less of these things.

When we looked at the organisational changes introduced, we noticed the changing structures, the flatter and leaner Nokian, the lack of hierarchy, the lack of doors and offices, the networking, the use of teams. These are some of the pallets on which the consensual company can develop.

However, if we make too much of Nokian’s organisational changes, we can miss a critical underlay which facilitates a new
company community, a new spirit. What were the essential improvements in Nokian? What really saved the business?

Some argue that all theories are eventually proved false.\(^{15}\) If that is the case, the present consensus on teams and hierarchies may change in the future as structures, skills, technology and culture change yet again. What then will we need? What indeed is the more enduring lesson of Nokian and others who went through similar changes?

From an organisation that had suffered from segmented processes and interaction, it became something with more dialogue. In this way, the learning and skills became greater and more developed.

In a cohesive group, there is both discussion and dialogue. Discussion is tennis, where we hit the ball back and forth between the players. Here, everyone puts forward their point of view and the purpose is to win the exchange. However, with real dialogue, individuals in a group can access a larger pool of common meaning. It is this shared meaning that facilitates improved group action or practice. Nobody should worry about finding the perfect solution to a business problem. There is probably no such thing. The world is inexact and without perfection. The real goal is to improve things significantly.

Employing outside experts is all very well, but it is harmful if they use a detailed toolkit that does not suit the company context. Outsiders must absorb the reality and processes on the ground before offering solutions.

In the frenetic business world we move in, the Nokian MD was a reflective operator. Even during a late evening meal, a long distance from the factory, he was still listening and thinking about company issues. Dialogue must be both contributory and reflective.

A fundamental aspect of the Nokian change was the improvement in company spirit. The company slowly developed greater heart, relatedness and a feeling of substance. Self-belief and vigour became more evident. When I contacted the company in 1999, it was heartening to hear about the new plans, the determination, the energy. While the staff I spoke to were sometimes tired, they were determined and resilient. The new spirit that had developed during Harry Timgren’s period seems to be even more entrenched today.

**Sophisticated Organisations — Arbesko**

Arbesko survived family infighting, government neglect and strong competition. It did this in a country where the footwear sector has become almost extinct. How did it do it?

High quality safety footwear is a sophisticated product. So too are Lundhags and Hamken’s products. They indicate that survival is possible in a high-income country by concentrating in specialised, high quality market segments. However, why did they and not the other specialist producers survive? What can we detect in the Arbesko story that adds to our understanding of how companies survive?

One factor we considered was the nature of its organisation. Many find it difficult to neatly categorise the structure of small or medium-sized companies and for this reason we spent time categorising Arbesko’s. In the end, we concluded that it contained elements of standard organisational structures.

We also identified the linking activity of certain key staff across functional and professional boundaries, both inside and outside the company. The MD played a key role in this process. We noted his ability to develop linkages for Arbesko with suppliers, research institutes, employers’ organisations in Sweden and Europe. However, we also noted his penchant for dealing with issues while walking around his premises. We noticed the same thing in Nokian and, in the Hamken case, we discussed the large retail chain that made decisions on the move.

The ability to think and make decisions in this way has a long lineage. The strolling method of learning and teaching goes back
to the Greek philosophers. Aristotle is said to have taught in the
walks around his school at Athens. This does not mean that these
companies are imitating the Greeks. Not at all.

It simply means that they are fully conversant with their area
and, in their interest to improve things, they go on walkabout.
The set piece of office meetings with chairs, minutes, a secretary
and agenda has plenty to offer. However, when you are under the
gun of market onslaught, you are often better to seek out your
colleagues and workers. This is no time to wait for them to call on
you. You may be a boss, but others do the meat of the work.

Having them call on you at official meeting times or when they
need to discuss an issue is sometimes not good enough when the
firm is wilting. Why are you not at their desk, in their room, on
their floor? After all, that is where most of the action is. Let them
know they are needed.

Aristotle was right to walk about and talk with his students.
We have gone too far in having our engagement of minds in
boxed rooms with set agendas. We also need to ambulate, if for no
other reasons than to be seen in the locus of activity, and to exer-
cise the body and mind. I am not talking about the boss going on
walkabout with an attachment of acolytes, striking discomfort
throughout the place. Nor are we referring to those prying visitations
that are evident in some places.

Respect
In my research, I notice the respect with which certain superiors
viewed their staff’s opinions and skills. Modern philosophy con-
tributes to our understanding of this through its discussion of the
I-Thou concept.16

The fullest relation between people is between an I and a Thou.
Here the other person is a “presence” or “mystery”, rather than an
“object”. Such a relation stems from a full engagement with the
person and a realisation of their worth.

Family Business — Lundhags
Located in relatively hostile terrain near the Arctic Circle, Lund-
hags sells a high quality and durable product. It reflects many
things about business stamina. One of these is the survival drive
the family character gives a business.17

Family business offers a number of strengths deriving from its
family nature. First, it can provide considerable product knowl-
dge.18 This is because the key family members often have long
experience working with the product. Second, the family firm of-
ten takes a longer-term view of business than a PLC. This reduces
pressure to perform continuously and provide the sort of short-term results PLCs often feel compelled to provide. Third, a family business can be a relatively cohesive and networked unit. Additional staff family networks often supplement the main company family or families.¹⁹

There is often considerable separation between the world of work and the world of family and friends in non-family organisations. However, this separation should not imply that one world provides nurture and community and the other only income and occupational development. People need to feel they contribute to and belong to their organisation almost as much as they do to their family and circle of friends. This is particularly the case if the quality of the latter group of relationships is weak for any reason. This need to belong to the firm is normally preceded by the basic need to secure a living. Nevertheless, the quality of community life in work and the recognition of people’s contribution has some influence on their enthusiasm for the work place and the quality of what they do.

One does not need to be a family company to develop a strong sense of community and commitment. Some of the larger Japanese companies exhibit a strong sense of community life. In addition, Barker, despite the fact that it has lost its family status, has indicated its intention of creating a sense of community.²⁰

**Fashion — Hamken**

Hamken, like George Cox, produce relatively fast-changing fashion products. Each firm deals with the design, development and market-reading process in its own particular way. Hamken has always had a designer at the helm and has had considerable experience of the market-reading and design processes.

It has a well-organised production and administration operation. This provides the platform on which it builds its design, development and market research activities.

Reading fashion trends is a skilled job. The fashion world may appear chaotic and unstructured to outsiders. However, it still needs a methodology, attention to detail and continuous efforts to accurately read its movements.

An ability to take down the latest fashion message from magazines, fairs, exhibitions and customer behaviour in shops is an important part of Hamken’s skill. Using these sources effectively requires a constant effort and skill to clarify the apparent chaos of the fashion world.

If you are a significant designer like Pertti Palmroth, you can also, to some extent, influence trends. Hamken customers look forward to seeing his latest fashion statement in each new range. A fashion purchase is a signal about oneself. For this reason, people are keen to get every purchase right. Buying a well-known brand provides consumer comfort and reduces the risk of buying. However, if the branded purchase does not please, the brand is damaged. Therefore, Hamken’s benefit from being a consumer benchmark can be quickly eroded.

**Mistakes and Regrouping — Start-rite**

Every company makes mistakes. It is how firms respond to their mistakes that set them apart from the rest. Some hide them away. Others ignore them. The best, however, treat them like a foundation on which to build.

Few companies tolerate mistakes, never mind use them. In a world full of unknowns, it is impossible to avoid errors. These should be seen as part of the process of mapping out the territory. Risk or error management should be part of the management of discovery. If we can surface and discuss errors, we can better judge when a new departure or activity is too risky. Expecting errors, bringing them to the surface, discussing them and building on them provides some defence against really big ones.

Today’s world is fraught with so many imponderables that operating at the margin of the unknown is often part of a normal
day’s work. This is especially true for marketing, design, and development people and for those trying to improve company operations. The experience gained from making a gaffe can be infinitely richer than anything that is imagined or feared.

The Start-rite case also contributes to the debate on teams. Some companies may feel pressurised because they have not introduced teams or their team creation effort has done poorly. However, Star-rite’s experience indicates that certain prerequisites are necessary to introduce teams.

It tells us that teams can work in certain circumstances but with great difficulty in others. Teams are not a uniform thing. They vary with the terrain. Introducing teams in Dubarry is not the same as introducing them in Start-rite. The former had significant outside support while Start-rite produces a greater variety of products.

The Dubarry story also tells us that teams are difficult to develop unless you are ready for them. In this context, Dubarry had gone through certain improvements over the years, which helped prepare them for their introduction.

Notes

1 See Hodge and Anthony (1988: 536-541)
4 These packages can vary, depending on who introduces them. However, the ISO and similar standards tend to have less variance.
5 That the weakness in their economy in the early 1990s would ruin them all.
8 The difference between the academic and executive mode of thought is really one of degree rather than dichotomy, since certain academics have been successful business people.
9 See appendix on reflection.

10 SATRA is only a short car journey away from Cox.
11 See appendix on role of consultant.
12 Vaill, in Cavalieri and Fearon (1996: 311), argues that most students graduate without knowing anything about running a business.
13 See Vaill (p. 317) and also Ferris and Fanelli, and Seivert et al., in Cavalieri and Fearon (1998).
14 Ferris and Fanelli (p. 78) in Cavalieri and Fearon (1996).
16 Gabriel Marcel and Martin Buber.
17 In spite of the break-up of two of the main marriages in the firm.
18 Lance Clark, previously of Barker, makes this point in an internal Clark’s memo, 2 October 1997.
19 For example, one family in Start-rite had 15 members with 212 years of service between them.
21 For example, the Barker MD argued that an employee bowling night was a watershed for the company. The MD in this and other respects has reflected a modern approach to management and the encouragement of a company spirit.
It is time to look at the nature of our study and the job performance of the sector, both nationally and at European level. Let us examine the performance of the nine companies and look at their age and longevity. We will consider how long-lived companies survive. We will also look at the role of commitment, incremental growth of knowledge and the all-pervasive topic of entrepreneurship.

Nature of Study

This work looks at the experience of nine outstanding survivors in order to try to answer the question of how companies can be improved. The resources provided by the European Commission are noted in the appendix. For some people, there is nothing that defines a project more accurately than its resources. However, others argue that it's the cynic who knows the price of everything but the value of nothing. Nevertheless, resources were an important constraint and but for the support of my institute and the helpfulness of the nine companies, the study could not have been done.

This, however, does not imply that the nine companies jumped at the prospect of becoming involved. On the contrary, nearly all of them responded hesitantly. These were busy companies trying to survive in a very difficult sector. The prospect of being investigated by an EU Project was well down their priority list. How-
ever, once they came on board, they were unstinting in their efforts to help.

The companies were visited for five days each in 1997. This was an intense period of information gathering. Originally, I used the query brief detailed in the appendix to the introduction. However, as the study progressed, I concentrated on certain topics in each company.

Some staff were uneasy with the project and were unused to strangers querying them on what were often private opinions, issues and data. In the end, however, everyone answered my queries to the best of their ability and in the process made me feel very welcome.

In most cases, I wrote a draft report during or shortly after my visit. However, I often only developed a fuller perception of the company long after my visit. In November 1997, we held a European Conference on the project in Dublin. The main contributors were Arbesko, Barker, Dubarry, Pomarfin and Start-rite. I gathered further information on the companies in 1998 and early 1999. Each company checked their chapter for accuracy and the final company chapter was complete in spring 1999. I then wrote the remaining chapters, which I completed in July 1999.

**Cases**

What are our nine companies? Are they business cases? Between 70 and 90 per cent of business schools use such cases to teach strategic management. This type of case describes a firm’s internal and external condition and considers its mission, strategy, objectives and policies. It studies such things as the firm’s marketing, finance, production, and environment. It tries to put the reader at the scene of the action by describing the situation at a specific point in time. Its information is often incomplete, thus reflecting real life, where managers have to make decisions on limited information.

Others take a broader view of the case study method. First, there is what can be called the inhabitant’s approach. Here the study tries to provide the inhabitant’s interpretation of reality. The researcher gathers the information by becoming immersed in the object of study.

Ethnography is the descriptive study of a community or group. The researcher becomes immersed in the group or society being studied. Many ethnographers come to identify closely with those they are studying and this can affect their objectivity. The researcher uses certain key people for briefing purposes. This, however, can lead to their perspective influencing the researcher’s viewpoint unduly.

Second is the theoretical approach. Here the mental constructs and experiences of the researcher are given more emphasis. This can involve the same level of immersion as the inhabitant’s approach. However, the researcher’s views and paradigms are the starting point and the guiding touchstone of the method. Although these views or constructs can change in the course of the study, others replace them. This method is aimed mainly at improving theory rather than simply reporting on reality.

Finally, there are the good example cases. These are meant to influence and improve people and are often presented to managers and staff, rather than just students. They provide information on real organisational experiences in order to help practitioners improve their operation and prepare students for the world of work.

The nine company chapters have characteristics of the inhabitants, theoretical and good example case methods. The inhabitants, because I used particular people to brief me on the nine and tried to understand the staff’s interpretation of reality. The theoretical, because I came to the nine with certain constructs, theories and expectations. The good example method, because the nine were chosen as good industry examples. Each company case was studied with the full agreement and support of the firm’s managing director.
I came to admire each of the nine for their ability to survive in a very difficult sector. Each had its own difficulties and weaknesses. It was not, however, my task to identify or offer advice on these.

Whatever the intentions at the outset, the study also became a type of adventure which led to new ideas and unexpected findings. Each of the nine chapters, therefore, contains features of the story or narrative. A story is a useful way to enlarge understanding of something.10

**Performance**

The nine companies operate in a very weak industrial sector. Just how weak is obvious when we look at both European and national employment data. The European Commission has been concerned, for some time, with the competitiveness of the footwear industry.11 It recently supported an 11-country study of the sector and is presently supporting another project.12

**Employment**

In Ireland, the sector has suffered a significant decline since the late 1970s and now employs only 15 per cent of what it did 20 years ago.

**Ireland: Employment in Footwear Sector (thousands)**

![Ireland: Employment in Footwear Sector (thousands)](image)

Much of the decline occurred in the first half of the 1980s, and between 1981 and 1988, the level fell by 68 per cent. Between 1991 and 1998, by contrast, it fell by 27 per cent and there was a slight increase in 1998.13 The Irish footwear sector has undergone a dramatic decline in recent years and the few remaining companies must be a very hardy bunch indeed.

**Britain: Employment in Footwear Sector (thousands)**

![Britain: Employment in Footwear Sector (thousands)](image)

British employment in the sector has fallen by 72 per cent in the past 20 years, indicating a less drastic decline than Ireland over the period. However, the numbers have declined by 49 per cent since 1991. This shows an accelerated rate of fall in recent times.14

Next, we turn to Finland.

**Finland: Employment in Footwear Sector (thousands)**

![Finland: Employment in Footwear Sector (thousands)](image)

Finland's employment in the sector has fallen by 71 per cent of its level in the mid-1980s. This illustrates, yet again, the fragility of the sector.15

The Swedish experience likewise reflects a sector under strain.
Employment in the sector has fallen by 85 per cent in 20 years. In addition, the tailing-out of the data in recent years is similar to Ireland.

The general European experience is detailed below.

**European Union 15: Employment in Footwear Sector (thousands)**

While European manufacturing employment fell by ten per cent between 1985 and 1997, it fell by 28 per cent in footwear. European footwear, therefore, has suffered much more in relative terms than the rest of industry. However, bad as the general decline in European footwear was during this period, its decline in our four countries was dramatic. In Britain, this fall was 51 per cent, in Ireland, 64 per cent, in Finland 66 per cent and in Sweden, 75 per cent.

Consequently, all nine firms have survived much greater national sectoral declines than was the case in the rest of Europe.

**Staff**

The nine companies range from the smallest with 47 staff to the largest at just below 800. They have on average 230 employees, down by 16 per cent since 1991. By contrast, the average sectoral fall for the four countries over the same period was 40 per cent and the overall European fall was 21 per cent. In national and European terms, therefore, the nine remain relatively good employers.

The company calculations are on the basis of their EU employment. Two of the firms relocated some activities outside the EU — Arbesko to Brazil and Pomarfin to Estonia. If we include this data, average employment increases to 244 and the fall since 1991 is reduced to 11 per cent.

There are various national classifications of business size. In Britain and Finland, for example, a small firm is up to 50, a large one is above 201 and a medium one lies in between. In France, by contrast, “small” is below 50, “large” is above 500, and “medium” lies in between. If we use the latter classification, we have one small, seven medium and one large firm.

Hamken is the company with the greatest labour increase. Almost one-third of its workforce today is retail against 18 per cent at the start of the 1990s. Its production jobs fell from 61 per cent of its workforce at the start of the period to 56 per cent today. Its retail workforce increased from 14 per cent to 43 per cent. Its administration staff has remained more or less the same.

**Finance**

Production volume for the nine fell by four per cent during the period. Lundhags is the smallest producer with two per cent of Start-rite's level in contrast to it having six per cent of its employment. This difference reflects such things as relative value of product, other activities besides production and so on.
The eight companies experienced a 20 per cent increase in turnover during the period. Turnover in 1998 varied from €4.2 million in Cox to just below €40 million in Start-rite. At the start of the period, three of the eight were making losses, one of which was significant. At the end, all eight were making profits. Finally, 34 per cent is the average export figure for the nine. It is interesting that the UK companies provide the extreme examples here, with Cox being most reliant on exports and Start-rite being least.

The performance of the nine companies during this period provides a variety of perspectives on company development. As they prepare for the future, they must feel satisfied that, regardless of the huge decline in their sector, they themselves have survived.

Survival
International evidence indicates that company survival rates are not high. Dutch data, for example, shows that 25 per cent of manufacturing firms set up in 1985 had “disappeared” five years later. Our nine firms can trace their lineage back on average 100 years. This is quite a considerable achievement and varies from the youngest at 39 to the oldest at 207. During this time, some companies changed name or the nature of ownership. For example, Hamken grew out of the father’s footwear company and Barker changed from a family business to being part of an Indian conglomerate. Nokian was previously part of a large industrial conglomerate and underwent a management buy-out.

Their longevity partly reflects the fact that footwear is not a new product. However, their long-term survival is still outstanding, particularly in an industry that has suffered such a significant decline in recent times. In addition, the nine operate in relatively high-income countries where they have to compete continually against alternative employment opportunities.

Performance and Survival

Their age reflects their competitive tenacity. Why have they lasted so long in such a difficult sector?23

Ecology
Organisational ecology studies rates of founding and failing and organisation change. It provides some interesting material on why some firms survive and others do not.

One view is that many young firms fail because of the liability of newness. This is based on the idea that such firms are more vulnerable because they have to learn new roles and procedures. They also lack influence, legitimacy and stable relationships with external constituents. A related view is the liability of smallness approach. This argues that small firms can face disproportionate difficulties in raising capital, recruiting and training staff, and dealing with government regulations.

However, some of the early research on the liability of newness idea was carried out on small companies. This caused difficulties, since researchers were unsure whether the problems facing the companies were due to small size, newness or both.

Despite the difficulties new firms face, they also have some counterbalancing advantages. For example, they can have an initial stock of goodwill, energy, determination and capital. This can buffer them from failure during the early honeymoon period. Such an alternative viewpoint provides the underlay for the liability of adolescence idea.

This argues that when the honeymoon is over and the original buffer stock is depleted, firms face a liability of adolescence. They now find it difficult to generate new resources and establish stable relationships and patterns inside and outside the organisation. However, once through the adolescent phase, the failure rate is said to decline.

The liability of adolescence and newness theories both agree that failure rates are less for older firms. However, to upset the cake, along comes the liability of ageing theory. This argues that
older firms are the ones most likely to fail. According to this view, firms best match the environment when they are started. As the environment changes, this harmony erodes. Changes in a firm's environment also create opportunities for newer firms to undermine the position of the older ones.

Despite the contradictory ideas within these five hypotheses on life expectancy for the firm, they agree on one thing: survival is a hard-fought thing. Firms, at all stages in their life, face pitfalls and danger. Consequently, nine companies with such a high average survival rate must have some exceptional characteristics. What can we learn from their survival?

Organisational ecology concentrates on the external factors that affect company survival rates. Therefore, it provides few ideas on how firms can improve their rate of survival. However, it does suggest they choose a sector where life expectancy is longer. Our nine have ignored this advice by picking a sector that is fraught with danger. Consequently, we have to consider other perspectives to help us understand what has helped them survive so long.

Living
A study of large long-lived companies found they shared four key factors.25

- Financially conservative
- Sensitive to their market environment
- Exhibit tolerance
- Possess a strong sense of identity.

Financially conservative. They are frugal, do not risk their capital unnecessarily and know the benefit of having spare cash in the kitty. Long-lived companies know that having spare cash provides flexibility and independence of action. By contrast, company growth through large borrowings or mergers is risky precisely because it is not as constrained.27

Another study indicates that a system of dispersed shareholdings allows individual shareholders to walk away from other stakeholders such as workers, suppliers and purchasers.26 However, concentrated shareholdings (one owned by a family, large owner or other company) may encourage greater commitment. A large shareholder or small number of large ones cannot sell out anonymously and is therefore more visibly accountable for the effects of their actions. Where company stakeholders suffer from a large share sell-off, the shareholders may suffer damage to their reputation, something they may wish to avoid.

The corollary of this idea is that commitment and trust has to be encouraged where firms depend on a large number of stakeholders. Complex manufacturing processes that require multiple supplier and purchaser arrangements benefit from ownership patterns that promote this.

Commitment and trust may be less relevant, according to some, in high-tech industries where innovation and serendipity are important.28 This does not mean that commitment and trust do not enhance high-tech company survival — only that other factors become crucial.

In our nine companies, all six family firms appear to exercise strong caution when it came to financial matters. Regarding Dubarry, Irish State support undergoes a gruelling check and counter-check process before it is even considered. Nokian and Barker have also appeared to act cautiously on financial matters.

Sensitive to their market environment. All nine seem to have developed a facility to read their market environment. In some cases, part of their previous difficulties resulted from them losing touch with their customers.

One of the comments made was that the most important asset a footwear producer had was the coming year's product range. In
an ideal society, this would be accorded greater consideration by a bank than all other assets.

Exhibit tolerance. During the study of the large long-lived companies, the team members talked about decentralisation. However, tolerance is more pertinent to small companies and in the end was the term used. The large long-lived firms put up with unusual activities on the margins and allowed experiments and eccentricities within the boundaries of the cohesive firm. In so doing, they kept stretching the boundaries of possibilities. This indicates a type of experimental subsidiarity within the large organisation.

This idea is not too far removed from the idea of “skunkworks”. Here, experiment and eccentricities are facilitated in small groups that quietly pursue new ideas at the margin of the firm. This provides space and structure for innovation.

The research into the nine did not detect any strong tendency to decentralise decisions. Some firms appeared to give staff a certain level of independent decision-making at the periphery. However, others were quite centralised and decisions were made in the end at the level of the managing director or management board.

There was no “skunkworks” or equivalent discovered in any of the nine. However, two factors are relevant here. First, when the centre turned down a new idea from the periphery, the proximity of the relationships often seemed to soften the negative result. Second, small companies have less scope for decentralisation than large ones. In addition, the decentralisation which flexibility requires in a large company is not at all as great as in a small one. In addition, the tolerance factor in these nine may in fact be relatively high when judged against other similar-sized companies.

Possess a strong sense of identity. No matter how diversified they were, large long-lived companies had a strong sense of identity. This meant that employees (and sometimes suppliers) felt part of one entity. The sense of belonging and identification with the firm’s achievements was essential to survival. This situation results in managers being promoted from within. The managers in turn regarded themselves as stewards of the long-lived firm.

It is difficult to be categorical about the level of cohesion in the nine. However, a variety of incidents, comments, and evidence point to their relatively strong cohesion. Even the three that sustained the largest job losses retained, or sought to retain, a sense of community.

In Pomarfin, the depth of hurt caused by the large layoffs seemed to leave a sense of shock and bewilderment rather than anger and sourness. In Nokian, where employment was slashed significantly by the then MD, there still seemed to be an incredible affection for his efforts to turn around the firm. It was as if they were all fighting the outside world together, rather than one another. In Barker, one got the impression that despite its sale to a foreign company, staff feel strongly that it is still a local company, there for years and hopefully for years to come.

Lineage

All senior executives I spoke to in the different firms appeared to share a strong commitment to their company. All family executives except one, however, indicated an added dimension to this commitment. This reflected a consciousness of the firm’s lineage and roots and a strong attachment to its long-term continuance as a family business.

This was evident even in the largest one. Here, the MD said that when he joined the firm he felt there was little chance he would ever leave. Rather, he would focus on growing within the business. This attachment only partly reflects the ownership element. An additional factor seems to be the conscious responsibility they feel for the opportunity they have been given.

One element of the attachment of the executives in the nine was how the wellbeing of the firm was linked to their own self-
Beyond Skills

Highly skilled and knowledgeable staff are essential to carry out the detailed activities in any firm. Much has been written on the importance of skills and the need to re-skill and retrain people. Such ideas as the knowledge worker, the learning organisation and the learning society have attempted to develop and incorporate this in a broader context.36

However, something more has become apparent in recent times. We have referred to the commitment and strong attachment felt by the staff towards the nine companies. Although commitment and attachment are not skills or knowledge, they can affect people’s ability to carry out tasks.36

Each of our nine firms can be viewed as a feat of social construction, built on knowledge, processes, influence and emotion. If we take the view that emotion and reason are inextricably entwined, then emotion plays an important part in the business.

The nine are quiet cauldrons of emotion and influence. Underneath the neat organisational charts and operational structures are political realities, strong attachments, worries, fears and optimism.

Within the nine lie the effects and residue of present differences and previous battles. Some of these are marked in the organisational structures, linkages and processes. However, they are also etched in residual opinion, cliques and emotion.

For this reason, the concepts and paradigms of management theory need improvement. They should incorporate an understanding of the emotional life of individuals and organisations and how these affect business.

Emotional Strength

A story is told of someone stepping on a city bus and being startled by the smile and welcome of the driver. “Hi! How you do-

Performance and Survival

ing?” he called. He gave the same greeting to everyone, all of whom were startled with the greeting, and all failed to reply.

As the bus crawled through the traffic, the driver kept up a running commentary of the passing scene for everyone’s benefit. There was a great sale here, a wonderful park there, did you see the new movie over there? His delight in the rich tapestry of the town was infectious and by the time people got off the bus, they were in great form.37

Emotional intelligence, the skills that help people harmonise, should become increasingly valued as a company asset in the future. When a company’s skills are being assessed, there is a sense in which we can visualise its aggregate knowledge. However, its aggregate ability is influenced not just by its aggregate IQ, but also by its emotions. A key factor here is the emotional and social harmony that facilitates the full realisation of the firm’s cognitive skills. Two types of people can cause organisational problems: the over-eager who try to dominate, or the free rider who sits back and lets others work.38

Some now consider this factor to be so important that they use the language of economics by referring to “emotional capital”.39 They argue that companies should harness positive emotions, perceptions and personalities in people. Companies that capture the hearts and minds of staff exhibit a corporate personality full of commitment, motivation and determination. This type of firm appeals strongly to customers.

Strong companies exhibit a number of dynamic emotions such as commitment, determination, pride, trust and so on. By contrast, you should be concerned if your company exhibits the deadly emotions of fear, anger, apathy, stress, anxiety, hostility, hatred and so on. This suggests that the efficiency of a company suffering such emotional malaise is lower than a similar one with more dynamic emotions.

Many today do not wish to be part of an unfeeling bureaucracy. They want to be part of something they like and can identify
with. Similarly, customers more and more want to buy from a firm they admire, or at least do not disapprove of. We are referring here to a type of corporate personality which people do or do not identify with or approve of.

This sort of thing is sometimes difficult to judge from a distance. Some, at least, of the firms identified as exhibiting desirable corporate personalities by certain writers are questionable choices. In this respect, their profile may be more the result of successful image-making and communication than internal reality. However, such firms know the advantage of convincing the consumer. How much more powerful the company could be with an emotional life that reflects the externally communicated one is difficult to say.

Some who indicate the importance of the emotional side of business suggest that companies are strengthened when robust communication takes place. This is not necessarily the case, since people’s ability to express strong feelings can be constrained by their position in the organisation. In addition, whereas a strong relationship such as a marriage or long-time friendship may be able to sustain a certain amount of friction, this may be much less the case in a work relationship, particularly when it is not between equals.

What you mean by and how you express disagreement is of course key. Sending a censure note to a subordinate may be less preferable to a well-handled phone call or meeting. It might be better to keep the note for the compliment so they can hang on to it during difficult times.

A successful firm manages its activities, and its skills and knowledge base. It also manages its emotions. Managers and staff should consider putting time and energy aside to understand the emotional map of the firm and then to manage and use it. Managing and developing the emotional part of company life is a special skill and preference. It is different from the ability to do finance, prepare strategy or develop a marketing plan.

A four-year-old called Judy seemed to be shy and bashful with her playmates. She stayed at the margin of games, rather than plunging into the middle of them. She was, however, a shrewd observer of the social politics of her pre-school group. Her abilities were not fully realised until her teacher asked her to place each of her classmates where they liked to play most — the art corner, the blocks, and so on. Judy carried out this task with precision. In addition, when she was asked to place each playmate with those they preferred, she did so with unerring accuracy. This sort of skill is critical in ensuring the smooth functioning of any adult organisation, and many people could do with Judy’s social talent.

Incremental Improvement
None of the nine underwent sudden and frenetic change over the years. The changes may look dramatic from a distance, but when they were in progress they were relatively incremental developments.

This is at variance with some of the recent management views on change, where one gets the impression that dramatic change should become a normal part of business. We are being encouraged to “change big and quick” by management processes such as Business Process Re-engineering.

This is not to deny that big and quick changes cannot occur. Of course they can. However, the more relevant question is whether a long-lived company can do that sort of a thing on a continuous or even intermittent basis. Kaizen, the management approach of continuous improvement, refers to small incremental changes. This type of thing is sustainable and necessary. However, on the evidence of the nine, dramatic change is not a way of life; slow and steady evolution is. Where dramatic changes have had to occur, they were normally followed by a period of stability to consolidate things.
In addition, where there were sometimes seemingly significant changes, these were often based on prior work and developments. One of the most interesting stories from a dramatic perspective is the recent history of Barker. One could easily be boggled at the outset by the play and counter-play of the different events. However, underlying all the changes was the steady improvement in the company and its management approach.

In Start-rite, the changes were not always in one direction. Sometimes there were diversions and detours. However, during these detours, the company underwent a lot of useful learning. These diversions were not U-turns. When they changed their mind on a direction, they did not end up back at the start. They had simply got higher up the hill of learning and used the experience to take them even further.

Despite the increased pace of change, company improvement is still an incremental process. It is like mountain climbing, where the climber moves steadily from ridge to ridge. When, on occasion, it has to be fast and frenetic, it then needs a period of stability to consolidate.

Entrepreneur

If survival and growth is incremental, what is the role of the entrepreneur? The topic of entrepreneurship boasts 1,000 publications each year, it is debated at 50 conferences and has 25 specialised journals. It is also found in various courses and formal qualifications. To say the topic has created a lot of interest is probably an understatement.

This interest is not just confined to academics. It is also shared by those who want to find a shortcut to business success. The hero as the entrepreneur, and entrepreneurship as the recipe. Everybody likes a hero and a recipe. However, is the hero real and can such a recipe work?

The concept of the entrepreneur evolved from the work of early economists and one of the key elements was the belief that being an entrepreneur was risky. Others followed to say that entrepreneurs were innovators and help explain economic development. As time went by, entrepreneurs were also identified as detectors of business opportunities and were found to have a high level of tolerance for situations of ambiguity and uncertainty.

I found no entrepreneurs in any of these nine exceptional firms. At least, not in the classical risk-taking sense, nor in the behavioural context of having a risk-taking propensity. The processes and decisions were risk-reducing and careful if they were anything.

Decisions are really risky when someone takes a leap in the dark. When managers take calculated decisions built on experience, they are in fact trying to minimise or eradicate risk. Viewed from the inside, managers and owners carefully build a profile of each new investment and expenditure decision so they minimise risk. A company decision viewed from the outside may look so different from what was done before that it can look very risky.

This is not to say that managers and owners do not make risky and inadvisable decisions. Regrettably they do. However, in doing so they are not being prudent and wise. If entrepreneurs should have been anything historically, they should first have been wise and not frenetic. Risk-taking is the construct of the outsider to an effective new investment decision. Business is not card playing. This does not mean that many business decisions are not proved wrong or less-than-perfect. The mortality rate for business is high. However, business people do not and should not purposely take risk. We do not need to teach our young people to take risks. We need to teach them how to minimise risks.

Drucker is right when he says that even high-tech entrepreneurship need not be high risk. It needs to be systematic. It needs to be managed and organised and should be based on purposeful innovation. The mark of the true entrepreneur is not that they move from one risky, failed business to another, but that they learn from their failures and minimise the risk until they succeed.
There was distinct evidence in the nine companies analysed in this book of innovation over the years. With the arrival of the de-layered organisation, the change and innovation process is becoming more identifiably part of all levels of the organisation, not just the top. To talk about the entrepreneurship process is useful and saves some of the difficulty with the concept of the entrepreneur as a person.

However, entrepreneurial activity still has to be hung on some coat hanger. This means that if we describe and identify it as beneficial, we should breathe life and organisational activity into it.

Conclusion
Our companies are nine hardy and long-lived survivors of a very difficult sector. The survival trick is the main subtext of nearly all business discussion. The prospect of not having a job or company to work in tomorrow is an unnerving thought for most people. Of all the advice I can offer, the most welcome is how to survive.

Survival is a slow and incremental process. Big book advice on quick fixes and fast solutions may fire our energy stove. However, they do not give us bone and sinew. And it is bone and sinew we need to live well and survive long.

Next we move to the framework chapter, which provides a methodology to help us analyse companies.

Notes
1 Oscar Wilde.
2 Lundhags and Dubarry took three and Pomarfin seven days. I collected extra information on Dubarry at two further meetings.
3 A brief summary of the conference is included in McMahon (1998).
4 Because of project resource constraints, the other four did not participate.
We now provide a framework to enlarge our understanding of the many factors that helped our nine companies to survive. This framework can be also be used to help analyse any company or organisation.

A business survives mainly because of good operating habits. Therefore, no matter how fine are its premises, equipment, raw materials or resources, its survival depends on what it does with what it has.

In each of our nine companies, we discussed certain developments and events which indicated particular company characteristics. These were key components of their survival. To consider these and other characteristics of companies, we develop a framework that looks at a company from two different but linked perspectives — width and depth perspectives.

First, we analyse a company on a horizontal plane by using the width perspective. Here, we consider the range or span of staff involvement with others in a company.

**Width Perspective**

This refers to the range of linkages or interactions of staff in the spatial and communications life of a company. It considers the spread of participation of people with others. At the centre of this perspective is the individual. Then there is the network, group,
department and so on until we come to the overall company itself. In addition to the above width dimensions, we could add other components such as section, or in the case of multinational companies we might find evidence of notable regional or national linkages.

Company Width

At one extreme, an organisation could comprise a group of weakly connected individual employees. These work in the one company but have limited communication, interaction and shared operations with each other. Apart from the linking role of managers and supervisors, such a company is significantly an amalgam of solo performers. The company operates as a unit largely because management provides and maintains a system that integrates individual efforts. Staff in such a company have a narrow operational width or range of interactions. They do not in general initiate or become significantly involved in shared activities but provide the benefits to the company of their individual work. Networks, teams, cross-departmental or divisional groupings are relatively weak or non-existent for ordinary staff. Management and supervisors provide any such linkage that exists.

At the other extreme is a firm with a significant amount of people linkages and communication. Although such staff may have special tasks and skills, they also have a significant volume of shared or joint activities and are frequently involved in exchange of information and ideas and collective decision-making. This type of organisation is built on the effective operation of networks, groups, and departmental and divisional linkages. Such a firm can be classified as having a broad operational width.

We can study the operational width of any company. For example, in Chapter 7 we referred to the range of staff interaction in Lundhags. We dealt with the individual, the network, the group, the three companies and Lundhags itself. Here we noted the importance of the linkages for the life and organisation of the company.

We do not consider the width perspective any further for two reasons. First, because it is relatively simpler to grasp and not as fundamental to our concerns as the perspective which follows. Second, others have done work that is similar in certain respects to this concept.1 We now consider the depth perspective.

Depth Perspective

The depth perspective classifies company characteristics into different vertical levels. The term “level” is usually associated with a company’s hierarchical ladder. When people refer to the level they occupy they normally mean their position on the organisational chart.

Here, however, we use the term level to group different characteristics of a company. We start out by referring to the concrete and physical attributes and this is followed by considering the company structure. Then we look at the different patterns of activity such as the work and creative patterns. Next we consider the knowledge and skill base of a company. Then we reach the symbolic level, the values and emotions, and finally we arrive at corporate identity. In travelling from the concrete and physical outer layer to the deep inner layer of corporate emotion, values and identity we go from the more obvious physical characteristics of a firm to the less obvious ones. This is why we classify the process as depth perspective.2
Cognitive
Depth

Levels

- Physical
- Structure
- Work Patterns
  - Informal
  - Creative
- Knowledge
- Meanings & Symbols
- Values & Emotions
- Corporate Identity

Although we separate out and identify each level, they are linked parts of the one thing: the living company. The deeper levels are no more important than the more tangible ones; they are simply less accessible to observation.

Some levels are less evident during periods of relative calm in the company, whereas they can become more noticeable during difficult times. Management theory and other disciplines have analysed many of these aspects of a company. Here we simply place them in an analytical framework. We should note at this point that different types of expertise help us to understand and interpret the different levels and we discuss this issue briefly in the appendix note on interpreting levels.

Concrete and Physical

When we visit a company, its most obvious characteristics are its concrete and physical attributes. These have different aspects. First, we notice the location, space and layout of the company. Then we identify the type and location, size and structure of buildings, equipment, and so on. We also identify the number and categories of staff and their various locations and work areas. Finally, we take note of the materials and the goods and services produced.

These things can be seen, categorised, counted, photographed and touched. In a sense, this is a significant level in that everything else ends up here. All the effort, organisation, routines, skills and emotion, transforms inputs into goods and services.

However, the size, quality and nature of a firm’s concrete and physical attributes are operationally underpinned by the organisation of the firm, the work patterns, knowledge, values, emotions and so on. First, we deal with the structure.

Structure

This is the company hierarchy and denotes the various positions and roles of people. It indicates people’s responsibilities, authority and accountability and is graphically described in an organisation chart.

This is a well-known entity in some firms and provides a significant context for action, responsibilities and, in times of change, discussion and amendment. In others, it is rarely considered and mainly reflects positional realities rather than anything else. In traditional companies this was a relatively detailed structure, whereas in the new flatter organisation, it may have only two or three levels.

The company structure relies for its strength and vitality on the work patterns that underpin its existence.

Work Patterns

Everyone develops a work routine containing a variety of regular activities undertaken in a certain way. The accumulated web of work patterns gives order and shape to the business.

The work patterns contain the actual job roles and work activities rather than the formal roles or job descriptions, which belong to the category of “structure”. In most of the nine companies,
managers and senior staff seemed to have a greater impact on the nature and development of their work patterns than others.

Underpinning the Hamken operation, for example, is a well-run system of work patterns in manufacturing and administration. This is coupled to its critically important design, development and market-reading structure. In Lundhags, the design, development, production and distribution of its high quality products was supported and strengthened by the detailed work patterns in production and administration.

Industrial relations and dealing with trade unions can be considered a normal part of the pattern of activities of many companies. The way the trade union negotiations were carried out in Dubarry and their content and pattern were somewhat different than was the case in the British companies. In Nokian, the union activity was quite structured and seemed to retain some of its traditional pattern. The Dubarry and Nokian trade union system and patterns had a greater impact on worker welfare than in some of the other cases.

This level also includes the patterned linkages and networks that individual staff, groups and the overall company have developed over time. These linkages are part of the organisational patterns because they are part of the routine way of doing things. Work patterns have two benefits. First, they provide familiarity and thereby ease the strain of everyday work. Second, they provide the platform on which the company can improve and develop itself.

Later on we look at the knowledge and skills that underpin the work patterns and linkages. Now we come to the informal patterns.

Informal Patterns

Informal patterns of behaviour do not relate directly to doing one's job. They are not something work study or job design people detail or dissect. They may notice them and may, or may not, wish to change them. They have a number of different forms.

First, there are individual behaviours that differ from the norm. In one of the nine firms, a long-serving factory worker did his work with a kind of dance rhythm. He was a very efficient operative and his rhythm provided him with a happy shell for his work routine.

Other behaviours can be shared by work colleagues. An outsider doing business with a company can often detect these. For example, one can sometimes notice particular movements, expressions, or way of saying things that are not always common elsewhere. Some of them constitute local or company habits or manners.

Then there are the company-wide patterns that can be classified as cultural. These include such things as customs, collective practices and ceremonies. For example, the timing, significance and content of the winter and summer breaks varies between the Scandinavian and British and Irish firms. The attitude to the length of holidays also varied slightly among, although this might have varied somewhat more if a US firm had been included in our analysis. Another example is the ritual among certain staff of gift-giving on certain occasions.

In Finland, some of the more difficult business issues can be resolved when people socialise in the sauna. In Ireland, the pub used to provide space for difficult business matters. This still tends to be the case except that social trends have substituted coffee or tea and sandwiches for alcohol. Charity golf outings and other leisure activities provide additional contexts for creating or soothing relationships. However, discussing business issues directly on such occasions can be considered bad form.

Although such customs and rituals are linked to business they are also seen as providing a welcome release from direct work pressures.
In addition, one can sometimes notice shared language or expressions in a company. This can relate to such things as commonly understood nicknames and terms. These are often replete with meaning and significance and are only fully understood by all or some of the company staff. This shared language can be used to inform, amuse, defend or attack. It is created out of shared experiences, and part of a newcomer’s initiation process can be learning the meaning of such language.

The durability of company-specific behaviour, custom, ritual or language patterns can vary. Some can be short-lived and, if viewed as unusual, can be defined as faddish or fashionable. Others that stick the pace of time can become almost characteristics of the area, firm or particular types of staff.

For example, the clickers in the 1950s were considered the gentlemen of Barker’s and wore ties and took snuff. Nowadays, with the somewhat greater turnover of staff and the increased transparency of corporate life through the media and travel, the unusual customs, rituals and informal patterns have become more visible. This may encourage greater uniformity in such things.

Creative Patterns

Creativity is a very important trait. We often think of creativity in its effects rather than its actions. Therefore, we are more inclined to say “this is a beautiful shoe”, rather than identify the creative action or pattern that produces it. There is a reason for this, however. The creative action or pattern (the means) is subordinate to the end (the beautiful shoe). The quality of the creative action only becomes evident in the beauty of the product.

To create is to use the imagination to produce or design something with a new form or character. To invent is to produce a new product or process so new that it was not obvious to someone skilled in the area at the time it was invented. The new season’s designs of the nine companies are not inventions but still have shades of newness and are therefore creative.

We must look at the creative activities and patterns in firms. However, work and informal actions contain certain patterns, making them easier to identify and study. Creative and innovative actions are often more difficult to identify and predict.

Although we may feel that creative activity is a solo experience and happens in the mind of the individual, much design and invention these days happens within groups and to a certain pattern and form.

For example, in Dubarry, the creative patterns were incorporated within the work patterns that developed the new season’s range. The New Style Team under the WCM process tested a new system in the autumn/winter range of 1998. In Hamken, the creative patterns were more difficult to identify and we had to spend some time considering them. Because Hamken operates in a more fluid market than Dubarry, it had to take down the relatively more transient fashion message in its own eclectic way. But even here, I discovered patterns and habits that helped identify the latest fashion message and developed new styles.

Discovering and improving on the creative patterns is critical to the wellbeing of a company. This brings us to the knowledge and skills that underpin the work, informal and creative patterns and allow the transformation of unusual into patterned activities.

Knowledge

Consider the pool of skills, abilities and knowledge in a company. These inform and guide the patterns of activities and help staff deal with the unexpected.

As we began to realise the importance of knowledge for competitiveness and economic development, academic life began introducing new concepts and theories. For example, economics introduced the concept of human capital. Management theory has also developed a great variety of ideas on the topic.

Some argue that knowledge management should be considered a skill, like financial or sales management. Knowledge
should not be considered a stock, but a wellspring. This idea emphasises the need to identify and develop a company’s core capabilities so as to provide a constant source of renewal.12

Others argue that we should change how companies operate and develop learning organisations.13 To do this, staff should be encouraged to develop personal mastery of their work. Here, a person’s job becomes so important to them that they consider it their vocation to learn everything about it.

Staff should also be encouraged to develop and improve the shared mental models they have. These are the important viewpoints, opinions, assumptions and images that people have and that affect how they behave. When they are improved and shared, people are able to work together more effectively.

For example, Shell’s success at managing its destiny during the difficulties of the 1970s and 1980s came largely from learning how to surface and challenge its managers’ mental models.14 As it discussed these mental models, it began to reject some and replace them with more accurate ones. These were used to improve their decision-making.

During this process, it became clear that making decisions was as much a learning process as anything else. This is because managers first have to arrive at an agreed view and mental map of things.15 Decisions grow out of formal and informal discussion and group learning takes place when there is dialogue. This, for some, is the key ingredient of organisational learning. So much so that it is argued that the fundamental learning unit in a firm is the group and not the individual. If the team cannot learn, then neither can the organisation.16

Although the learning company idea has been criticised for lacking a framework for action, it provides some useful ideas for practising managers.17 However, a learning organisation is part of a learning society and its quality is at least partially dependent on the quality of the education and training system.18

Knowledge and skill allow us to do our job. They help us with our work and creative patterns. We covered these patterns earlier on. However, knowledge or insight can also imbue patterns or activities with meaning. This brings us to the question of meaning and symbols.

**Meaning and Symbols**

Patterns of behaviour may provide meaning in that they can indicate certain things to our colleagues. In doing so, they act as a signal or form of non-verbal communication. When outsiders becomes familiar with these, they can more easily read the mood of a meeting or interaction.

For example, an interview panel chaired by an outsider contains five company executives. The finance manager, however, finds it hard to get the chairman’s attention to ask questions. Following his third unsuccessful attempt, he places his pen on his notebook, leans back on his chair and puts his hands behind his head. His four colleagues notice he has lost interest.19 His movements have indicated a change in attitude to the meeting. Before this he was sitting up straight, writing notes and listening attentively to the interviewee and the other panel members. We are discussing here what is commonly referred to as body language.

All patterns of behaviour can provide meaning in that they, for example, reflect someone cutting leather, sketching a design, writing notes and so on. However, it is often the changes in behaviour that reflect important developments and these can be the ones to identify and respond to. For example, when the sales representative notices the purchasing manager relax and nod agreeably (having had his questions answered), he should not launch out on a detailed account of the importance of his product. It is now time to close the deal.

Company events, such as ceremonies or special occasions, also have meaning. The Barker bowling night out was, for the few days before and after the event, a symbol of cohesiveness or in-
tentions in that direction. It was also fun. An important sporting figure was used to kick off the introduction of the ISO process in Pomarin.

Wearing different colours and dress can likewise be symbolic. In two of the three English firms, most of the men wore suits, whereas in Dubarry and most of the five Scandinavian firms, this was the exception. To wear or not wear a suit in each company can be symbolic.

I was the only one wearing a suit in Dubarry. On my last day I appeared in informal wear. As I thanked the MD for his help, I said I had become almost part of the staff, as indicated by my dress. He said I needed to wear their shoes to complete my integration.

People’s office space, photographs, ornaments and so on also reflect meaning. The open doors in Arbesko were a symbol of the deeper ease with which people interacted and the closed ones in certain other companies reflected a reduced level of informal interaction.

In this context, some aspects of my visits to the nine contained a symbolic element. For example, in some I was located next to the MD’s office. In others, I had someone help me sort out whom I was to meet and when. In others, I was given a free run and encouraged to make my own arrangements. Some of my locations also reflected convenience. However, they also reflected the welcome and support I received within the context of company meaning and the resource constraints of each firm.

The most visible company symbol is, however, the external one produced for the benefit of the consumer. This is part of the company’s battle-dress and is used to help consumers develop positive associations with the firm’s product. Of all the logos and brands I came across, the most enduring one was the Start-rite twins.

Although symbols are imbued with meaning, they also provide comfort. Lighting up your brand of cigarette during lunch can be both a statement and a comfort. Parking in a certain allotted spot each day can be both a signal and reinforcement. This brings us to our next level, the values and emotions that underpin the meaning and symbols and imbue knowledge and patterns with life and energy.

Values and Emotions

Values indicate the intrinsic or relative worth, goodness or importance of things. They provide a standard or measure and help us formulate judgements and opinions. They enlarge meaning and facilitate insight and reflection.

People develop values, use them and are influenced by them. Values help us assess the quality of work, processes and procedures. The information we gather can become knowledge by using our values to interpret it. Effective management has less to do with handing down directives from the top than with creating and preserving an environment in which an effective work ethic thrives.

People are also influenced by their emotions, as we saw earlier. In at least some of the nine companies, it was quite apparent how attached certain staff were to the business. They viewed the firm and its activities as valuable and important. Their work and the firm’s success were also an important part of their self-esteem.

Values and emotions influence people’s desire to do a good job. Therefore, positive values and emotions imbue people with greater energy and efficiency. By contrast, seditious values and negative emotions weaken a business. A firm full of aggravation, intolerance, lack of self-esteem and job insecurity is in a weakened state. A toxic atmosphere destroys effort and initiative.

I did not detect any such atmosphere in our nine companies. This may be partly because of the people I met. However, it may also be because of the attitudes and community life of the companies. Nevertheless, this should not imply that difficulties would not have been apparent had I visited during periods of staff lay-
offs. The large layoffs in some of the nine had shocked and saddened the workers and had weakened the company atmosphere.

As we saw, the firm is more than its physical constituents, its organisation, its work patterns. It is also its knowledge, meaning and symbols, its values and emotions. The firm is also, however, its shared values, ideas and emotions and these form part of the corporate identity.

**Corporate Identity**

Alongside the total knowledge pool of all staff members lie the commonly known and agreed things — the shared knowledge. This shared knowledge facilitates people working with others. It also provides common meaning, interpretation, shared symbols and expressions. Beneath the variety of individual staff attitudes, values and emotions lie the shared ones.

To see collective emotions in action, all we have to do is to go to a good football match and watch them surface. The same kind of thing can be noticed when some tragic or wonderful news touches a company.

Shared values are mainly the product of a common ethical belief system. This forms the base and touchstone of such things as a company's statement of business principles or its code of conduct.

The company identity or spirit can therefore be understood as the crucible of its shared knowledge, values and emotions. Identifying and understanding their nature can help us to better understand any company. Corporate identity can also be investigated by observing how a company behaves, by looking at how it interacts with its local community, its labour and goods market and its political, social and physical environment. By its deeds it shall be known.

Earlier, we discussed how certain management thinkers have dealt with the idea of a company spirit. Some business people suggest that companies do not provide for staff's higher order needs. According to this view, the manager's fundamental task is to provide the enabling condition for their staff to lead the most enriching lives they can. Henry Ford once observed that we rush about too much and are impatient for results. What we need is the reinforcement of the soul because there lies reservoirs of spiritual strength that we thoughtlessly cut ourselves away from.

The younger a company, the greater the variety of employees and the level of staff turnover, the more difficult it is to establish and form a common identity. A large and relatively dispersed company can find it hard to develop such commonality. However, even such a large and widely diversified company as Shell retains, through work and effort, a strong corporate identity.

**Corporate Shield**

The depth perspective, with its nine levels, provides a framework for grouping and analysing the various characteristics of a company. By considering the state of these levels, we get a better understanding of its nature and condition. A firm's strength relies on the relative efficiency and wellbeing of all nine levels. When all the levels are functioning well, this means the company is in a healthy state. This state of health provides a corporate shield against both the internal difficulties and problems that arise, and the stresses and strains imposed by the outside world.

Certain companies have inadequately designed buildings or inefficient production or office layouts. Some have poorly structured organisations or work patterns. Others have weak or non-existent creative routines, poor skills or learning structures, or flimsy internal or external linkages. Then there are those with a mediocre work ethic or low morale. Finally, we have some companies with less than honest staff and others who can only be dealt with on a cash-on-delivery basis. These few examples give us an idea of some of the various weaknesses we would consider when analysing a company. However, when doing such an analy-
sis, we should ideally reflect on the health and wellbeing of all nine levels and not just focus on one or two levels or items.

Along with internal weaknesses, companies find that they operate in a world that has become increasingly complex and changeable. With continuous technological developments and a greater variety of organisational forms and interactions, work life is becoming more complex and hurried. As communications becomes easier, customers and suppliers become more accessible, enquiring and insistent. Activities increasingly have to be defined in terms of relevance, efficiency and profitability. There is hardly space to think, reflect or absorb. While we frantically try to finish what we are doing, the next message, meeting or item is clamouring for our attention. Even the soundbite is getting smaller as our concentration span becomes truncated.

Certain thinkers argue that everything is in flux. They emphasise the importance of change, novelty, emergence, growth and creativity in experience. This disagrees with those who stress uniformity and continuity and state that a fixed and permanent reality underlies the changing world of everyday experience.

In this world of increasing change, novelty and flux, the nine levels provide a useful map for analysis and improvement. In this respect, the characteristics which they relate to are not as subject to change as many other things. For example, although we have gone from hierarchical structures to flatter organisations, we still focus on structure and its internal consistency and operational efficiency. Therefore, we must ensure that all nine levels function well. If they do, they offer a corporate shield against inefficiency and a weapon against the fluidity of the world.

In a way, the depth perspective proves that traditional philosophy has a point, since all is not flux and change. Under the changeability and transience of corporate life, this technique helps us to identify that which is relatively permanent and must be adhered to and improved upon.

We now use depth analysis to review some of the interesting things our nine companies did to strengthen their businesses and remedy weaknesses.

Nine Companies
Our nine companies made significant changes at the physical and concrete level. They altered products, materials, equipment and factory layout. They also made changes in employment levels, work locations and the logistics of material supply and product distribution.

For example, Nokian completely reworked its factory and office layout and Pomarfin built and enlarged its premises a number of times over the years. Hamken recently opened a new factory and Lundhags had to replace its building after it was destroyed by fire.

Structure
A company's structure must be internally consistent and operationally transparent and effective. In recent times, many companies have moved from hierarchical and complex structures to flatter, leaner ones. Greater subsidiarity and empowerment has supported this move.

Barker, Start-rite and Noluan changed things noticeably in this area. Noluan, for example, eradicated two levels of management and some of its supervisory positions. Start-rite adopted a divisional structure and changed again to a much flatter Lundhags had no organisational chart, but its organisational life is built on a system of groups or teams.

Work Patterns
Work patterns and linkages need clarity, consistency and incremental improvement at individual, group and organisational level.
All nine made work pattern improvements. A number introduced work pattern changes into different parts of the organisation. For example, Dubarry introduced teamwork into the closing room following its visit to K Shoes. Some made changes to relatively large segments of the organisation through, for example, new quality systems such as ISO 9000, or WCM as in Dubarry.

To improve work patterns, companies must first identify and detail the present patterns. For example, Dubarry spent the early stages of the WCM project developing a working picture of the work routines in the different departments. Its consultants used flow charts to help surface and clarify the activities and identify the overall workflow. This was a learning exercise for both consultants and staff.

One of the benefits of a well-run quality system is that it provides a platform for new staff to slot into. A colleague once remarked that moving job from a Dublin to a Brussels hotel of the same group was like moving between two entirely different operations. The Brussels hotel, unlike the Dublin one, had no quality system. As a result, she found it more difficult to get used to the Brussels operation and noticed that it was less efficient at absorbing new staff.

External patterned linkages can also be developed and improved. Pomarfin was our most dramatic example here. Arbesko’s linkages with suppliers and research institutes and Dubarry’s contacts within the prison service are examples of patterned linkages. Such linkages can also be introduced into the company, as in the case of Barker’s new marketing specialist. However, they can also be systematically improved by a quality system that refines the procedures for dealing with suppliers and customers, for example.

Informal Patterns

Certain aspects of this stratum have a direct bearing on the efficiency of the company and others do not. Arbesko’s managing director’s morning routine creates significant internal networking and an opportunity for information exchange. Barker has a custom of business visitors and certain staff staying in the company house, and this facilitates networking and convenience. Similarly, the pattern of dining or having coffee together in some companies encourages networking and information exchange.

The different ways each of the nine discuss certain topics affect the flow of business activity. The informal patterns are often invisible to others until they come up against them. This is especially the case if they lend comfort and convenience to staff.

Therefore, new or unnecessarily intrusive management should be wary about trying to change patterns, or the context within which they work, without good cause. An example here was where certain workers traditionally kept their bicycles in the basement of a large organisation (not one of the nine). A new administrator decided they had to be removed by a certain date due to administrative needs. This caused much inconvenience to some staff and left them with no option but to park them on the street.

The ensuing disagreement annoyed everybody. In the end, some kept their bikes in the basement and a few hid them in another part of the building. For non-cyclists, the basement issue was of no consequence whatsoever. However, it was an important pattern of behaviour and was very inconvenient. Gaining a safe parking spot is not a great coup for anyone. However, losing one after years of building a work travel pattern around it was very inconvenient.

In some cases, conflict on such problems has been dealt with as custom and practice issues through union representation.

In the end, a company must produce a saleable product and informal patterns that impede this activity should be amended. Normally, however, informal patterns support or are neutral towards the main activity of the company.
Both Barker and Dubarry have relatively structured design and development procedures and these were improved in Dubarry under the WCM process. Hamken’s creative process is interesting because of its long-term survival in the challenging world of ladies’ fashion. We can briefly discuss its creative process by using a four-stage outline.

In the preparatory stage, Hamken explores the fashion world and assembles information on the latest trends. This is an eclectic process and includes everything from studying magazine cuttings to watching people at fairs and in the street.

Then comes the incubation phase, where they mull over the information, shifting from source to source. The many ideas and images are then developed into a working description of what is happening in the fashion market. This process takes a leap forward at the meetings to prepare the range.

Next comes the illumination stage, where resources fall into place and a working draft is made of the new range. Finally, the range is checked, tidied up and finalised.

In Hamken, these stages do not necessarily occur in the above order. For example, during all stages, they continue reading the changing fashion trends.

The relatively robust creative patterns in Hamken can be contrasted to what happened in Cox when they lost the Dr Martens licence. Their creative process, at the time, contained as much adventure as plan. We had an almost spontaneous pattern of activity as the company grappled with a completely new set of circumstances.

Cox was then weakened by the departure of its production director who had been heavily involved in its design and development process. However, it responded by hiring both a production director and a pattern cutter to fill the gap. Cox’s resilience is now indicated by the fact that it has, in spite of all, succeeded in improving the pattern and pace of its creative efforts.

One of Cox’s design strengths is its collection of independent retailers. Whereas Hamken has its shops and its eclectic insight and search methods, one of Cox’s main ways of plugging into the fashion world is through its retail infrastructure. This plays an important role in helping to take down the latest fashion message.29

Some argue that small firms can more easily develop new ideas than large ones. This is because larger firms make the productive process less comprehensible to those engaged in it, simply because each one sees less of the overall process. Big firms are often scaled-up versions of small firms. They cut the work up and reduce each person’s range of vision.30

This gives some advantages to small firms and indicates part of the reason why relatively small footwear firms can design their own range and still survive. However, big firms can also be effective in the design area, as the methods and success of Hennes and Mauritz show in the Hamken chapter.

Introducing new work and creative patterns is like trying to walk on water, unless they are underpinned and fully supported by improvements in knowledge and skills.

Knowledge

Knowledge and skills can be developed within a company or imported. For example, George Cox developed its production manager over the years. By contrast, Nokian had to import the skills of the new MD and Barker its new marketing people.

Barker’s new market-led approach is built on a cohesive structure of activities, skills and processes. Dubarry’s development over the years reflected a slow but definite improvement in its skill and work patterns. It moved from a technical audit, to the ISO standard and then on to the K Shoes visit and the early teams, until it eventually arrived at WCM. The WCM process contained two critical ingredients. First, there was the new knowledge and skills that were developed in training sessions and in the day-to-
Sole Survivors

day engagement with the new activities. These then provided the base for the new work and creative patterns.

George Cox went through significant learning during the 1996 to 1998 crisis. We called this learning by *accommodation*, rather than the more superficial learning by *assimilation*. Learning by assimilation happens when the learner can easily understand, digest and act on the information before them.

During the crisis, Cox had to develop new and independent designs and it underwent a deep learning process. Here, they responded to the new situation through trial and error and the key staff could not predict the outcome. During this difficult learning process, Cox became a stronger organisation.

Our knowledge and skills allow us to improve and expand. We defined the routine work patterns in an earlier chapter as the usual activities associated with a job. When workers perform routine activities, they do so in a particular way. However, when an unusual task appears, workers use their knowledge and skill to find the best way to do it. When workers have enough experience of a new task, they eventually develop a patterned way of doing it. This ability to change unusual into usual activities is a creative process of skill extension. The greater the ability to do this, the more flexible the firm.

If certain staff simply carry out routine work and do not develop the ability to challenge and resolve the unexpected or unusual, then the company is less efficient and less flexible. For this purpose, we compare two alternative systems.

- A *separated system* that divides operations between two groups: usual operations for operatives and unusual ones for higher level staff such as technicians, supervisors or engineers. Here operatives look after the routine or patterned operations, whereas higher level staff look after unusual operations.

- An *integrated system*, where the operatives deal with both usual and unusual operations.

The integrated system is more effective because it allows workers to deal more effectively with unusual operations. Where operatives simply handle routine tasks, their interest can wane. In an integrated system, there is scope for greater initiative, creativity and interest in their work.

To increase corporate flexibility, we need to clarify and improve the quality of the patterns. We then need a work system that helps people to challenge problems and resolve them. In this way we develop a system whereby unusual operations are more effectively carried out and quickly become part of the norm.

*Symbols, Values, Emotions and Identity*

Staff's attachments, values and emotions are important aspects of company life. Managers and supervisors wishing to encourage attachment to sound values should remember that people learn as much from watching as from listening.

Earnings, and how they compare to others, can influence attachment. In addition, one's contribution and how seriously it is taken is important. It is not much use expecting staff to be enthusiastic about the company's fortunes if they feel they are ignored, disregarded or inadequately paid.

Sometimes significant payment and influence gaps exist between staff and management. Unless such gaps are accepted and understood, they can cause resentment and poor morale. In some companies, senior staff take large pay rises, while other staff have to tighten their belt. Developing a strong community spirit in such places will be an uphill battle.

A vision and mission creation process that involves *everyone* and achieves its purpose will affect the life of a company. This was not the case in any of the nine. Here, when vision and mission statements were developed, they were normally produced by small groups of people. However, Barker's vision and mission creation process, for example, was still useful in that it helped to
focus some of the key staff’s attention on the new market-led approach.

Many of the staff I met in the nine were strongly attached to the wellbeing of the company. This was evident among senior management. However, it was also evident among operatives. When they were asked to explain their work to me, their pride in it was often palpable.

Apart from this type of emotional attachment to the company, I also noticed the effective use of humour in the different companies. Humour has both an intellectual structure and an emotional dynamic. When I arrived in Dubarry, the MD kicked off my research visit by giving me a full briefing on the company and its development. At one stage in the meeting, he took up the topic of the difficulties facing his and other footwear companies. To save time on the issue, he quickly created an image of the soon-to-be-found “final footwear worker”. This very last worker of a once-proud sector would still suffer the sectoral pangs of the taxman, regulations, cheap imports, and the other hardships which his and similar companies faced. After he had completed this brief caricature, I found it difficult to keep a straight face for the rest of the meeting. He had, however, made his point powerfully, as he was wont to do from time to time with his very effective sense of humour.

Charismatic managers and supervisors are effective users of symbols and tend to exude strong and attractive values. One of the important qualities of such people is their ability to relate to staff. They have a number of important traits. First, they have a clear view of how things are and how they can be improved. This view allows them to put the work detail into perspective and have a vision of where things need to move next.

Second, they see the skills and potential in all staff, the mystery and significance in others. Now that air travel is as common as cheesecake, we have almost lost interest in the stranger, one of the last footholds on individual mystery.

Great managers, by contrast, see mystery and value in their staff. They can, therefore, evoke powerful staff loyalty. This is because highly regarded staff generally perform better than those who are not. Being viewed as an outsider or as unimportant rarely sharpens effort. Encouragement is a much safer route. Some MDs in this study evoked powerful support, even when the company’s future was on the line.

By contrast managers who discourage and demoralise staff create a toxic atmosphere and thereby weaken company performance.

If we wish to create a corporate identity and spirit we should also encourage a community that shares and supports its members. If we wish to have a company that competes against the rest we need to build a strong “we”. This admittedly creates some tension between individual and shared effort and efficiency. However, if we want to encourage a team-based organisation, we need to remember that such a thing needs a community spirit and ethos.

A short-term team built on unbridled self-interest is all very well for a few days. However, real teamwork requires the development of trust and community. Discussing team structures is a superficial activity, if we forget their essential makeup: efficient patterns, strong individual skills, shared knowledge and a supportive ethic and value system.

Width and Depth

Now that we have completed our discussion of both perspectives we briefly integrate them. When we talk about levels using the depth approach we assumed up to now that we were talking only about company depth. This is because a company is considered to have a separate existence and identity of its own. This is seen as different, and having priority over, the life of any sub-unit such as group, department, or subsidiary, which is the focus of our width analysis.
However, if we assume that a sub-unit can have a life of its own, even if subordinate to the company, we can refer to its levels. In this way we see that the depth and width perspectives are complementary. A group’s physical resources and spatial territory, its structure and work patterns, its knowledge store and symbols are all capable of being considered. So too are its values and emotions and its shared identity. A weak team will have a weak identity. So also will one with inadequate knowledge resources and so on.

This type of analysis becomes more significant with well-established groups, departments and subsidiaries. For example, a well-established French subsidiary of an American multinational could be considered using all nine levels.

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Depth

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<tr>
<td></td>
<td>Width</td>
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Width and Depth
```

This was the case with Barker, which as a subsidiary of an Indian conglomerate had a very real life of its own. In Pomarfin, the Estonian company could also be analysed using depth analysis, as could the Brazilian operation in Arbesko. So too could the Fenomex group in Finland.

Therefore depth analysis can be useful to determine the effectiveness of different company components including such temporary units as project teams and task forces. Similarly, it can be used to study the effectiveness of such diverse groupings as a central or regional government unit, a military platoon, battalion or regiment. In fact, any cohesive grouping of people can be considered using this type of analysis.

**Conclusion**

We have mapped a company using both width and depth analysis. Regarding the width approach, we have configured the range of staff interactions and work. We have identified the team, the department and other groupings. This was a relatively easy map to draw.

However, in travelling up and down the various depth levels, we have moved from the physical and concrete to the less conspicuous. These levels are a tool of analysis and can be seen as points of reference or perspective. They indicate aspects of the company and contexts within which people operate.34

Some of our journey through the nine organisational levels has been over the well-trod ground of the accountant, engineer and architect. More has been of interest to the economist and management specialist. We then reached the less frequently travelled routes of psychology and sociology and finally we entered the realm of the philosopher.35

Different sciences deal with certain levels. No science can deal with all the levels. The fragmentation of these sciences, therefore, results in an inability of any one discipline to deal with the total company phenomenon. Therefore the depth and width framework may in time help to provide a rope bridge over the gap that separates these sciences.

We have travelled the known limits of organisational life in order to make greater sense of what affects company survival and competitiveness. I did not have a map when I started out to study the nine companies, only a need to understand their operation and to provide a framework that could be used to understand them better.
The footwear sector has undergone such a dramatic decline in Europe that our nine companies are almost sole survivors. This is not to say that they are perfect. They are not. However, they have survived where the vast majority have not. Competitiveness is a relative thing. To continue selling, firms must be better than the others, not absolutely perfect.

Our nine have survived and thrived at the edge. Our efforts to identify the reasons for their survival led us to develop a clearer understanding of the nature and survival of companies and produce a general framework for analysis. This framework is useful for all companies wishing to survive and prosper.

We now come to our final chapter, where we make some concluding points on our study.

Notes

1 Those interested should read Rashford and Coughlan (1994), who refer to levels rather than width.

2 See Gurvitch in Bosserman (1968). His vertical view of social reality was useful in developing this perspective.

3 This is a first draft of the levels. Some of these may have to be amended to facilitate changes in the nature of business, the economy or society.

4 See Gurvitch in Bosserman (1968: 108–140), who dealt with levels in society in general.


6 Aspects of these patterns are studied by traditional work study and job and work design (Gunnigle, Henity and Morley, 1997: 109).

7 In fact, one could suggest a "language" level in the depth perspective; I have incorporated this under informal patterns.


9 They might be termed "subinvention" in this context. See Schmookler (1966: 6).

10 See note in appendix on knowledge.

Framework for Analysis

11 T.W. Schultz's research on human capital won him a share of the 1979 Nobel Prize for Economics.


13 Senge (1993: Chapter 1 and passim).

14 Senge (1993: 8).


16 Senge (1993: 10).


19 My thanks to Alex Miller for this example.

20 The only closed door I found in Arbesko was in the temporary office of a student intern.

21 Chambers and Merriman-Webster Dictionaries.


23 Sociologists and philosophers have also dealt with this level in society; for example, Gurvitch and Durkheim.


26 This is classed as process philosophy. Although as old as the sixth century BC, the theory of evolution brought a renewed interest to it in the nineteenth and twentieth centuries.

27 Referred to as substance philosophy. See Microsoft (1999) and Encyclopaedia Britannica (1999).

28 The production hierarchy, for example, was cut in half — from six to three levels.

29 For example, at the Paris 1996 fair, when Cox found that the new Nature style was popular.

30 Schmookler (1972: 44).

31 See Koike (1989).


33 Not their technical ability, which can sometimes be average.
WHERE TO NEXT?
GOVERNMENTS, COMPANIES AND EUROPE

Introduction
Our nine companies are exceptional but so too, in parts, are most organisations. Nothing is perfect, but with the insights they provide, we have built a framework that helps reveal how organisations work.

This project spanned three years in total — one year full-time and two part-time. It was an adventure to get inside nine companies surviving at the edge of extinction. Their stories, therefore, should not be gulped and swallowed, but read, reflected on and enjoyed.

What does all this say about your company? How can it make its future more secure? How can governments and the EU help to develop the businesses in their own backyard?

To write specific lessons for individual governments and companies requires custom-built work. Every organisation has its own background, mode of operation and requirements. The main benefits of this study lie in the detailed lessons we have taken from the nine stories and the company framework in Chapter 12. We therefore conclude with some general points. First, however, we briefly consider the issue of wages and employment in companies.
Wages and Jobs
A recent European report considered the following possible wage-related reasons for the EU jobs problem:1

- **Wages are too equal.** US studies indicate that relatively few jobs are lost when minimum wages are increased. The report concluded here that excess equality is not a major influence on the EU jobs issue.

- **Wages are too high.** There are certain difficulties with this idea and we should look instead at other issues such as the high share of profits in European GDP.

- **Markets are over-regulated.** Although there may be some scope for expanding EU employment through further deregulation of product markets, this should be driven by efficiency concerns rather than employment ones.

- **The Welfare State is too generous.** Europe’s problem is that there are not enough jobs rather than that workers are not accepting them.

The above findings may be disappointing to those who consider that wages and related costs are important for company employment and competitiveness. These costs are a very evident factor in the life of any company. In addition, the powerful discipline of economics has strongly focused on them and also on related issues such as welfare payments, tenure rights and so on.

Nevertheless, as long as economics has been around, it has failed to provide a full picture on company competitiveness and employment. While Europe tries to come to terms with its difficult job and competitiveness problems, it needs to look at additional ways of confronting the crisis. The report was a worthwhile exercise. Its findings, however, have left the EU without a real hammer to confront the issue.

Where to Next?

Therefore, it must take a fresh look at additional ways to tackle the issue. This book is a step in this direction, because it gets inside the company box and helps us to understand the complex world of nine companies that have survived and continued to employ staff in one of the most devastated sectors in Europe. We now provide some general lessons for governments, the European Union, and companies in general.

**Governments**

As economies become increasingly linked, national governments have a reduced influence on the economic environment. They still have some impact on growth rates, inflation and so on. However, their impact on currency and interest rates has in some countries all but gone. Therefore, governments will rely increasingly on non-macroeconomic mechanisms to support business.

- Industrial policy traditionally concerned itself with supporting the physical aspect of business activity. It did so by developing the economic infrastructure and supporting the capital base of companies. Although interest in developing the infrastructure remains strong, government has lost some of its enthusiasm for supporting companies' capital base.

- Governments have become increasingly concerned in recent times with the efficiency of work and creative patterns and have encouraged or supported:

  - The standardisation of quality systems.
  - Improvements in work patterns, through WCM, World Class Business and other mechanisms. However, this area is still relatively underdeveloped. This is partly because of an inadequate consensus on the classifications in the area and in some cases a lack of awareness of its importance for competitiveness. However, regardless of government supporting weaker companies in this way, advanced compa-
nies will continue to improve work and creative patterns to strengthen their business.

- Government also concerns itself with the knowledge base of organisations by supporting or encouraging improvements in:
  - The formal education system
  - Adult education, lifelong learning and industry–education links
  - The training infrastructure in both the public and private sector
  - The training and learning activity in firms
  - R&D skills and activity.

Primary and secondary education needs further improvement. In particular, its benefits need to be more equitably spread throughout the population. At third level and in organisational training courses, the work and creative patterns and their links to the knowledge creation process need to be more clearly identified.

Governments, industry and academia will become increasingly concerned with understanding in-company learning and self-improvement mechanisms and how these link to work and creative patterns. As this happens, governments and their agencies will include this material in its education, training and industrial support mechanisms.

Improvements in concepts similar to the learning company and knowledge management may become discussion items in companies and industrial development agencies throughout the western world. As such ideas become more clearly defined and workable, this will lead to support projects and mechanisms in the area.

- Industrial policy does not directly concern itself with symbols, values, emotions and corporate identity. However, government can and do impact on society’s ethical system.

Many governments have increasingly sought to separate themselves from dominant religions. This sensitivity has developed to such an extent that they sometimes try to ensure their activities reflect a neutral or “value-free” ethos. Such an ethos is a self-contradiction, since no one can operate in a value vacuum. For example, as governments have increasingly exhorted society to increase output, expand profits and efficiency and improve individual effort, they have in effect been indicating a new value system for citizens. However, if we need to encourage the development of a community ethos in firms to help survival rates, the creation of an individualistic and self-interest ethos at society level may not be the ideal way to do this.

Governments can have some impact on corporate identity and spirit. For example, government recognition of company effort can be a small but useful form of encouragement. Governments can also contribute to business confidence in general by its statements and activities. For example, the 1950s in Ireland was a period of economic difficulty and despondency. In 1958, a senior civil servant wrote a report which offered certain solutions. What was most remembered about the report was not its proposals but the optimistic note it struck and the positive impact it had on business confidence.

**European Union**

This book began life as a European project. The initial idea of a conference for the footwear sector led to a research mission on nine companies.
Following the experience of this project, the related conference and the findings of this study, we can make some general points for future reference:

- Nine outstanding companies agreed to have their methods, activities, successes and failures studied so they and others could learn from the process. The most difficult moment in the Project Conference was when some of the audience complained about the delay before the report was to become available. They had already listened to aspects of five of the nine companies and wanted to hear the full story.

- The European social partners had just completed an 11-country survey of the sector and few companies had found it useful. It was written in relatively technical language and was reasonably inaccessible to the ordinary manager. This sort of experience is regrettably quite common for certain national and European reports, although the EU is aware of the difficulty and is working to improve things.

The European Union could more effectively tap the information and ideas resident in actual companies. When governments and the EU investigate real companies, it is normally an awkward and not wholly satisfactory activity between two contrasting worlds. This study, on a very limited budget, indicates that this need not be the case. It has also found solutions to most of the problems related to getting inside companies and identifying the key lessons found there. The EU and governments could consider the possibility of doing similar projects in other sectors.

Companies

Some managers prefer their section or department to be like the world of objects — always ready for a new instruction, always prepared to do their bidding. However, organisations or their sub-units are not inert matter waiting for a push or instruction.

Where to Next?

They are complex, living phenomena waiting to be encouraged, led, supported, trained and improved. They are also, for the most part, waiting to find out what needs to be done next and show off what they can do best.

A weakness with management thought is that it builds many of its paradigms and models as if managers are dealing with one-dimensional staff rather than working with complex and varied beings. Paradoxically, this has some advantages because it provides the practising manager with some well-articulated though one-dimensional list of “dos and don’ts”. The only trouble is that the manager has then to go from the rules of thumb to the real world of business. The framework we developed in Chapter 12 will help managers bridge that gap by marking their cards on some of the other things they should take into account. Since the jungle of the work world is hard on management self-aid kits, a good map outlining its contours will provide some extra support.

Groucho

Groucho Marx said:

I once shot an elephant in my pyjamas.
How he got into my pyjamas I'll never know.

Groucho must have kept elephant photographs in his pocket at night! It's no wonder he woke up from his African nightmare and shot the photograph. We all keep pictures and rules of thumb close by. It helps us summarise and deal with the real world.

However, every so often we must let the real thing out of the box. To see a bull elephant up close is an awesome experience. Riding it through the brush is even more frightening — its height and girth, its smell and strength, its sheer size. It is the largest, and for some, the most beautiful animal in the world. No photograph prepares you for the real thing.

Real companies are just as interesting. To go from the textbook and paper image to the factory floor, the offices and the design
and development room is to switch universe. The depth and width analysis we developed in the last chapter is an effort to put some real dimension on the company animal. Its real height and girth, its smell and strength and how it roars and shouts.

We should never forget the real world we summarise in our reports and books. We need to remember how it smells, looks and operates. We should remember that we are talking about real people’s jobs and dignity, their living standards and their investments. We must not forget how such things as profits and losses, delayering, downsizing and redundancy feel like when you are in the bush. Otherwise, we will wake up like Groucho Marx, with a headache.

Notes

1 See European Commission (1999, 6), “EC/DG V — OECD/DEELSA Seminar, Wages and Employment”, Directorate General 5. Alan Larsson of the Commission and John Martin of the OECD were the joint co-ordinators of the seminar.

2 Richard B. Freeman, one of the main contributors at the seminar, provided the comments on each of the following four topics (European Commission, 1999: 21-31).

3 The Euro countries in Europe are a case in point since January 1999.

4 Except for urging companies to invest in effective and cutting-edge technology.

5 It is relatively weak on creative patterns partly because of its inadequate understanding of the area.


7 The Bloomsbury Treasury of Quotations (1994).

APPENDICES

Introduction

Questions/Prompts

1. Company View on Competitiveness
   - What do you feel are the key factors in improving your company’s competitiveness?

2. Company Strategy
   - Company strategy? Strategy contents? (Details of mission statement, etc.)
   - How was/is strategy developed? When developed?

3. Organisation Structure and Processes
   - Name, legal structure, short history
   - No. of staff, turnover, net profits in most recent three years
   - Organisation structure/chart? Changed in recent years?
   - Departments/Sections — identify and outline tasks
   - Are company activities functional or process (i.e. within or across departments)?
   - Are staff flexible — numerical, financial or skill flexibility?
4. Market/Marketing/Product Mix/Design
   - Product mix or range? Market? Product design? Changes in last three years?
5. Purchasing
   - Raw materials, relationship with suppliers, supplier network, etc.
6. Staff Resources/Reward Systems

**TASKS**

**Work Processes in Administration/Production**

<table>
<thead>
<tr>
<th>Specialised tasks?</th>
<th>Individual's Work Place</th>
<th>Work Teams</th>
<th>Section</th>
<th>Department</th>
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<tr>
<td>Flexible tasks?</td>
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<td>Unstructured Job Rotation?</td>
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<td>Structured Job Rotation?</td>
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<td>Teamwork?</td>
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<td>Multi-skilling?</td>
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<td>Multi-functional?</td>
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**Teams**

- Yes/No? Why set up? Where located? How are people chosen for teams?
- What type of preparation for teamwork? What type of support/maintenance for teamwork?

**Appendices**

**TRAINING**

- Training system? Methods/types of training? For operatives/supervisors and managers?
- Training budget? How determined? As a % of sales?

**REWARDS (MONETARY AND NON-MONETARY)**

<table>
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<tr>
<th>Monetary</th>
<th>Non-Monetary</th>
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<tr>
<td>Fixed Salary/Wage</td>
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<tr>
<td>Annual Bonus on 1</td>
<td>2</td>
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<td>Bonus on 1 based on:</td>
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<tr>
<td>productivity in Prod.</td>
<td>3</td>
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<td>productivity in Admin.</td>
<td>4</td>
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<tr>
<td>productivity in Sales</td>
<td>5</td>
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<tr>
<td>Group productivity in 3,4,5</td>
<td>6</td>
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**Full-time workers**

a) Operatives
b) Technical
c) Production Supervision
d) Administration
e) Administration Supervision
f) Middle Management
g) Senior Management

**Part-time workers**

Use a) to g) categories as above

**Contract workers/professionals/specialists...**

Use a) to g) categories as above

7. Trade Union and Consultation Process

- Trade union recognition? Level of unionisation/density?
  - How many unions? For white collar/general craft? Company agreements?
• If yes, on what things, e.g. earnings, IT, training, flexibility, etc.
• When agreed, how well embedded?
• Information and consultation processes?
• Works councils? Under 1994/96 Act?

8. Information/Process – Technology
• IT in administration/production
• Process technology in production, elsewhere

9. Problem-solving Procedures
• An individual problem? A group/section/department problem?
• An administrative problem? A technical problem?

10. Behavioural Factors
• How do managers/supervisors/team leaders prepare for managing/supervision/leading? Or develop their skills?
• What type of various management or leadership styles do your CEO/managers/supervisors/team leaders have?
• How do managers/supervisors/team leaders manage/develop their areas? For example do they deal directly with individual staff? Or do they set up structures — for example, groups/teams or inter-team links/processes — or link departments within their area or link their area to other departments/areas?

Appendices

11. Recent Organisational Innovations
The detailing of work processes and internal work improvements
I. Quality Assurance process
II. ISO9000, Quality Mark or other quality accreditation
III. TQM, World Class Manufacturing
IV. Business Process Re-engineering
V. Empowerment
VI. Kaizen or Continuous Improvement
VII. Use of Benchmarking
VIII. Other organisational innovations — named and classified
• Have you any of these?
• If yes: How long? How well embedded? Are you moving to another? Why?
• If no: Any views on them? Any plans?

12. Impact of Organisational Innovations
• Was it time or resource heavy to introduce? How has it impacted on the company?
• Impact on work processes, competitiveness, employment, marketing . . . ?

13. Benchmarking
• Do you benchmark? What do you benchmark (productivity, quality, value, etc.)? What would you like to benchmark?

14. What kind of help or assistance would your company need to increase its competitiveness?
Comment
The above outline is the original draft of 21 February 1997 and provided guide points for the research. However, the actual line of enquiry in each company sometimes took on its own character to the extent that certain areas were focused on and not others. In addition, each company was also investigated within the following limits:

- The company’s capacity to answer questions.
- The time and other resources available to both the researcher and the company.

In addition, certain findings were made on site that were not anticipated in the above questions. For example, the importance of emotion and attachment. Also, some of the findings are not included here.

Finally, each company confirmed that the information on their business in the final working draft of their chapter was accurate. These drafts were then text-edited and finalised for both the EU Report and this book.

Chapter 1 — Barker

Marketing Budget
The marketing budget for the 1997/98 period equals 4 per cent of sales. This covers the following:

- In-store merchandising systems accounts for 22 per cent of budget. This supplies the new Barker display stands to the retailers. Jane, the marketing services specialist, and Martin, the MD, decided these jointly.
- Exhibitions account for 22 per cent of budget. This relates mainly to UK trade fairs but also Dusseldorf and Moscow.
- Catalogues take 15 per cent. A new design agency was taken on in February 1997. Barker produces two catalogues per year — one per season. Martin and Jane make the decisions in consultation with design and product development.
- Advertising uses 10 per cent of budget. This covers advertisements in trade and consumer magazines in the UK and Europe. They use an advertising agency to provide this activity but Martin and Jane take all major decisions.
- PR uses 7 per cent of budget. This relates to dealing with commercial and trade magazines, issuing press releases and relevant product and company information. A specialist agency assists with this activity.
- Point of sale accounts for about 4 per cent of budget. This covers leaflets, graphics for in-store posters, window stickers, show cards, logos and so on.
- Assisting the retailer with promotions takes another 4 per cent of budget.

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### Barker: Employment

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<td>189</td>
<td>164</td>
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### Barker: Turnover (stg£ million)

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<td>6.8</td>
<td>6.8</td>
<td>8.3</td>
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* Estimate.

### Barker: Profits/(Losses)* (stg£ million)

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<td>0.2</td>
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<td>(0.3)</td>
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* All profit/loss tables in this appendix show figures for losses in parentheses.
** Estimate.
• Retail training for accounts takes 5 per cent. This relates to the production of training videos and a consultant to train staff in certain key accounts. (If this works effectively, the service will be provided to all retail customers.)

• The Russian market takes 9 per cent of budget.

Consumer Groups and Key Factors

Consumer Groups

Barker profiles the four groupings as follows:

• International. Likely to, or wishes to be, a successful senior manager, entrepreneur or director. This customer can be either traditional (brogue) or designer (contemporary) in product needs. For example, of two directors in a company, one could be financial and the other marketing. For sale in quality shoe stores, top end of department store footwear departments, menswear shops (either designer or traditional). Export is very important here.

• Designer. Likely to be moving up the “ladder” of career success. Here a senior or middle manager, very likely in sales, marketing, media or professions. They buy style first and brand second. The outlets can differ slightly from the above group in the sense that mail order can be important and also the fashion end of department shops.

• Heritage. For the original Barker person who came to the product in the 1960s and 1970s. Tends to be a conservative consumer who accepts innovation only within limits. The outlets are the traditional shoe shops, outfitters, department stores and mail order.

• Professional: for middle or lower management in the commercial, banking or legal professions. These buyers conform to a uniform dress code. They tend to be regular, repeat buyers who respond to offers or value. The outlets are multiples, independents, outfitters, department stores, mail order and exports.

Key Success Factors

• Develop products of distinction and quality to market-leading standards in our chosen consumer categories.

• Establish a competitive marketing and sales structure to exploit the brand opportunities worldwide.

• Have cost-efficient, cost-effective production with no compromise to the brand’s value or quality.

• Achieve levels of customer service that make Barker “the company” to do business with.

• Through clear goals, develop people to contribute individually and as a team.

• Develop a profitable company with a sustainable growth plan.

**Chapter 2 — Dubarry**

**Dubarry: Turnover (IRE million)**

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<td>6.6</td>
<td>6.6</td>
<td>8.3</td>
<td>8.5</td>
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*Estimate

** Includes Glentawn Sport and Leisure and Dubarry. Over the last two/three years, 80 per cent of turnover relates to Dubarry.

**Dubarry: Profits/(Losses) (IRE thousands)**

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<td></td>
<td>(110)</td>
<td>78</td>
<td>230</td>
<td>283</td>
<td>21</td>
<td>(141)</td>
<td>250</td>
<td>270</td>
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*Estimate
WCM Support from Enterprise Ireland

Enterprise Ireland provides 50 per cent support for the following costs:

1. The cost of hiring consultants up to a maximum of £20,000 for phase one and £40,000 for phase two.
2. Project manager support up to a maximum of £15,000.
3. A training grant up to a maximum of £1,000 per employee and £100,000 per company. This is approved at the same time as phase two of the project.
4. For SMEs, a 25 per cent grant towards expenditure on ancillary fixed assets up to a maximum of £25,000, or 25 per cent of costs, whichever is smaller.

State Agency

Forbairt (now replaced by Enterprise Ireland) was established in 1994 to help develop indigenous industry. It had five directorates. First, there was Strategy and Administration, which provided the planning and administrative support to the organisation. Second, there was Science and Innovation. This helped to develop the science and innovation infrastructure and assist companies manage the process. It also encouraged collaboration between third level science and technology institutes and industry. Finally, it helped business participation in international R&D programmes and provided an information service.

The Technology Services directorate improved company competitiveness through technology. It contained an environment and industrial materials programme and centres for electronics and metrology.

There is a distinct equity gap at the small to medium-sized end of the company market. Larger companies are better able to attract capital. The Investment Policy directorate supported such companies through various funding mechanisms, especially equity funding. Under this area, Forbairt’s replacement, Enterprise Ireland, holds 39 per cent of the equity in Dubarry. This holding goes back to 1986.

Finally there was the Business Development directorate where the WCM section operated. This helped businesses to develop by providing a range of supports. At the core of this support was the client development executive. Each specialist had a portfolio of between 15 and 80 companies. In a rapidly changing sector, the executive had a smaller number of companies, whereas in a more stable market the portfolio was larger. The client executives normally had a good knowledge of each company and their sector. They provided the company with a single point of contact and were in effect the company’s champion within the organisation. The directorate provided a range of supports, such as start-up support, including financial, networking and mentoring packages. Assistance was provided for technology transfer from abroad or with joint ventures and was classified as new business development support. Development capital was provided through equity or capital grants and innovation was encouraged through advice and subsidy.

There was also strategic planning support. Here, the agency could do a short strategic audit of a company or could support a larger exercise where consultants were involved. In addition, it
could support management training and development. Under the competitiveness umbrella, it provided consultancy support and such mechanisms as WCM or the less strenuous technology audit which Dubarry did back in 1992.

---

**Chapter 3 — Pomarfin**

**Pomarfin’s Range**

<table>
<thead>
<tr>
<th>Moccasins</th>
<th>Ten Toes</th>
<th>Women’s Shoes</th>
<th>Women’s Boots</th>
<th>Men’s Hiking Boots</th>
<th>Men’s Walkers</th>
<th>Children’s Footwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>24</td>
<td>.17</td>
<td>16</td>
<td>9</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>No. of Styles/Colours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>169</td>
<td>141</td>
<td>151</td>
<td>144</td>
<td>67</td>
<td>69</td>
<td>21</td>
</tr>
<tr>
<td>Styles divided by % Sales*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>12</td>
<td>21</td>
</tr>
</tbody>
</table>

* Rounded up

**Pomarfin: Sales (%)**

<table>
<thead>
<tr>
<th>Finland</th>
<th>Sweden</th>
<th>Russia</th>
<th>Norway</th>
<th>Baltic Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

**Pomarfin: Turnover (FM million)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>41</td>
<td>46</td>
<td>53</td>
<td>54</td>
<td>51</td>
<td>55</td>
</tr>
</tbody>
</table>

* Estimate. All figures are rounded up.

Ten Toes started contributing to the production volume of the Pomarfin factory in the 1995/96 year and this is not fully accounted for above.

---

**Appendices**

**Pomarfin: Employment**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pomarkku</td>
<td>187</td>
<td>158</td>
<td>155</td>
<td>153</td>
<td>149</td>
<td>93</td>
<td>75</td>
</tr>
<tr>
<td>Estonia</td>
<td>--</td>
<td>20</td>
<td>25</td>
<td>25</td>
<td>50</td>
<td>93</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>187</td>
<td>178</td>
<td>180</td>
<td>178</td>
<td>199</td>
<td>186</td>
<td>175</td>
</tr>
</tbody>
</table>

**Pomarfin: Production (Pairs)**

<table>
<thead>
<tr>
<th>Years</th>
<th>91/92</th>
<th>92/93</th>
<th>93/94</th>
<th>94/95</th>
<th>95/96</th>
<th>96/97</th>
<th>97/98*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>283,010</td>
<td>262,461</td>
<td>316,879</td>
<td>324,878</td>
<td>324,403</td>
<td>294,105</td>
<td>295,000</td>
</tr>
<tr>
<td>Per day</td>
<td>1,319</td>
<td>1,349</td>
<td>1,477</td>
<td>1,514</td>
<td>1,512</td>
<td>1,371</td>
<td>1,366</td>
</tr>
</tbody>
</table>

* Estimate

**Pomarfin: Profits/(Losses) (FM million)**

<table>
<thead>
<tr>
<th>Years</th>
<th>91/92</th>
<th>92/93</th>
<th>93/94</th>
<th>94/95</th>
<th>95/96</th>
<th>96/97</th>
<th>97/98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,052</td>
<td>205</td>
<td>1,295</td>
<td>19</td>
<td>(2,109)</td>
<td>2,631</td>
<td>6,000</td>
</tr>
</tbody>
</table>

* Estimate

**Co-operation Group**

Avec Shoes Ltd.
The product range includes men’s and ladies’ fashion shoes and boots. The main brands are Topman and Avec shoes. The company is owned by Urho Viljanmaa Oy.

*Employment (full-time) 82

Urho Viljanmaa Oy
The company produces safety shoes and boots.

*Employment (full-time) 161

Tuomi-Kenka Ky
The company produces high fashion ladies’ shoes.

*Employment (full-time) 32
Kenseelahdus Leo Pojunieni
The company produces middle fashion ladies' shoes.
Employment (full-time) 23

Poljaexpertit Oy
This company produces and sells soles made from polyurethane and thermoplastic rubber and sells them under the Pex trademark.
Employment (full-time) 38

Annuntillinen Aik. Koul. Kesus
This is a school for courses in a wide variety of trades. It provides courses for the footwear sector. The following details relate to the footwear department.
Employment (full-time) 2
Students (full-time) 15
(Average course length 12 months)

Chapter 4 — Cox

Cox: Turnover (stg£ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.22</td>
<td>2.34</td>
<td>2.60</td>
<td>2.90</td>
<td>2.43</td>
<td>1.98</td>
<td>2.31</td>
<td>2.96</td>
</tr>
</tbody>
</table>
*Estimate

Cox: Profits/(Losses) (stg£ thousand)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>115</td>
<td>64</td>
<td>170</td>
<td>192</td>
<td>(48)</td>
<td>(268)</td>
<td>(48)</td>
<td>220</td>
</tr>
</tbody>
</table>
*Estimate

Cox: Employment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>109</td>
<td>111</td>
<td>111</td>
<td>106</td>
<td>92</td>
<td>97</td>
<td>97</td>
<td>97</td>
</tr>
</tbody>
</table>

The company produces middle fashion ladies' shoes.

Appendices

Chapter 5 — Nokian

Nokian: Turnover (FM million)

|------|------|------|------|------|------|------|------|------|
| Total| 122  | 120  | 114  | 114  | 117  | 83   | 87   | 85
*Estimate

Nokian: Profits/(Losses) (FM million)

|------|------|------|------|------|------|------|------|------|
| Total | (15.1) | (2.6) | 1.9 | 3.9 | (4.9) | (17.7) | 5.7 | 5.1
*Estimate

Nokian: Employment

|------|------|------|------|------|------|------|------|------|
| Total | 468  | 325  | 300  | 322  | 380  | 304  | 239  | 284
*Estimate

Nokian: Sales Split

| Year | 1991 | 1994 | 1997 | 1998*
|------|------|------|------|------|
| Domestic | 64 | 69 | 75 | 76
| Export | 36 | 31 | 25 | 24
*Estimate

Role of Consultant

To place the Nokian case in context, we discuss the role of consultants. They provide a range of services varying from financial to recruitment, from organisational change to tax and from recov-
They also provide corporate insolvency and recovery work under a receivership, liquidation or examination process. Consultants are also used to supply and manage key company activities over a period of time.\(^5\)

We therefore have a spectrum of activity, which is summarised in the following diagram. As we move from left to right, the consultant activity changes from selling to saving and on to supporting the company.

**Consultant’s Role**

- **Receiver, Liquidator**
- **Examiner**
- **MD**
- **Manager, Consultant**

We can also classify the consultant’s work in two other ways.\(^6\)

First, we have a directive to non-directive range of activities. Here, the consultant’s role can vary from a full executive involvement under the sell and save activities, to a weakly directive or non-directive role under its support work.

Second, consultancy work can range from expertise provider at one extreme to process work at the other. The expert provides the in-depth knowledge whereas the process work contributes to company improvement and development.

The expert is of most benefit when the company has adequate implementation skills but lacks the expert’s knowledge and insight. By contrast, the process consultant helps develop new approaches, methods or values so that the company can diagnose and solve its own problems.

In the real world, however, a consultancy project often requires both expert and process skills. For example, a project frequently

has a diagnostic phase where the expert function is stronger and a process phase where they help the company with the change process. In Nokian, for example, Harry Timgren’s consultancy company first did a diagnosis of the company.

### Chapter 6 — Arbesko

#### Arbesko: Employment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>237</td>
<td>192</td>
<td>205</td>
<td>204</td>
<td>198</td>
<td>195</td>
<td>190</td>
</tr>
<tr>
<td>Brazil</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>8</td>
<td>11</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>237</td>
<td>192</td>
<td>213</td>
<td>212</td>
<td>209</td>
<td>208</td>
<td>212</td>
</tr>
</tbody>
</table>

#### Arbesko: Sales (pairs sold, thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>494</td>
<td>485</td>
<td>530</td>
<td>475</td>
<td>470</td>
<td>490</td>
<td>475</td>
</tr>
</tbody>
</table>

\(*\) Estimate

#### Arbesko: Product Category (Sales %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Safety (Stilex)</th>
<th>Occupational (Stilex)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>78</td>
<td>22</td>
</tr>
<tr>
<td>1992</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>1996</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>1998*</td>
<td>73</td>
<td>27</td>
</tr>
</tbody>
</table>

\(*\) Estimate

#### Arbesko: Sales by Location (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sweden</th>
<th>Denmark</th>
<th>Finland</th>
<th>Norway</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>90.5</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>1997</td>
<td>87</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>1998*</td>
<td>87</td>
<td>8</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

\(*\) Estimate
Chapter 7 — Lundhags

Lundhags: Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>1991</th>
<th>1994</th>
<th>1997</th>
<th>1999*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lundhags</td>
<td>15</td>
<td>19</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Nordic</td>
<td>14</td>
<td>15</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Almgrens</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>34</td>
<td>45</td>
<td>47</td>
</tr>
</tbody>
</table>

* Data relates to 8 January 1999.

Lundhags: Turnover (SEK thousands)

<table>
<thead>
<tr>
<th>Year*</th>
<th>1991 (%)</th>
<th>1994 (%)</th>
<th>1997 (%)</th>
<th>1998** (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lundhags</td>
<td>10,707 (26)</td>
<td>16,522 (27)</td>
<td>16,709 (25)</td>
<td>16,500 (24)</td>
</tr>
<tr>
<td>Almgrens</td>
<td>-</td>
<td>-</td>
<td>7,421 (11)</td>
<td>8,500 (12)</td>
</tr>
<tr>
<td>Nordic</td>
<td>30,247 (74)</td>
<td>43,594 (73)</td>
<td>43,400 (64)</td>
<td>45,360 (64)</td>
</tr>
<tr>
<td>Total</td>
<td>40,954</td>
<td>60,116</td>
<td>67,520</td>
<td>70,360</td>
</tr>
</tbody>
</table>

* The above relates to the 12 months spanning each half year. For example the data for 1991 above refers to 1990/91. The data is listed so for convenience.
** Annual estimate based on 10 months’ activity. The fire closed the company for two months in 1998.

Lundhags: Profits/(Losses) (SEK thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,218</td>
<td>2,694</td>
<td>1,460</td>
<td>3,950</td>
<td>(1,040)</td>
<td>599</td>
<td>(1,045)</td>
<td>1,300</td>
</tr>
</tbody>
</table>

* The above relates to the 12 months spanning each half year. For example the data for 1991 above refers to 1990/91. The data is listed so for convenience.
** Estimate

Lundhags: Sales by Market (%)

<table>
<thead>
<tr>
<th>Year*</th>
<th>1997</th>
<th>1998**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>64</td>
<td>56</td>
</tr>
<tr>
<td>Export</td>
<td>36</td>
<td>44</td>
</tr>
</tbody>
</table>

* The above relates to the 12 months spanning each half year. For example the data for 1991 above refers to 1990/91. The data is listed so for convenience.
** Estimate

Chapter 8 — Hamken

Hamken: Turnover (FM million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamken</td>
<td>26.8</td>
<td>33.5</td>
<td>39.9</td>
<td>38.4</td>
<td>36.2</td>
<td>45.5</td>
<td>44.0</td>
<td>45.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shops:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
</tr>
<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Norway/Holland</td>
</tr>
<tr>
<td>Shop Total</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

* Estimate

Hamken: Production (pairs)

<table>
<thead>
<tr>
<th>Year</th>
<th>1991</th>
<th>1993</th>
<th>1995</th>
<th>1997</th>
<th>1998*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Day</td>
<td>583</td>
<td>686</td>
<td>733</td>
<td>837</td>
<td>880</td>
</tr>
<tr>
<td>Per Year</td>
<td>129,000</td>
<td>152,000</td>
<td>162,000</td>
<td>185,000</td>
<td>195,000</td>
</tr>
<tr>
<td>Per employee/day</td>
<td>7</td>
<td>7.9</td>
<td>7.7</td>
<td>8.3</td>
<td>8.2</td>
</tr>
</tbody>
</table>

* Estimate
### Hanken: Profits/(Losses) (FM million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamken</td>
<td>(.14)</td>
<td>1.25</td>
<td>4.27</td>
<td>.77</td>
<td>.89</td>
<td>6.12</td>
<td>4.50</td>
<td>5.0</td>
</tr>
<tr>
<td>Shops:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>.005</td>
<td>.005</td>
<td>.16</td>
<td>1.01</td>
<td>2.38</td>
<td>1.99</td>
<td>2.30</td>
<td>3.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>-</td>
<td>-</td>
<td>.27</td>
<td>.33</td>
<td>.11</td>
<td>.37</td>
<td>.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Norway/Holland</td>
<td>-</td>
<td>-</td>
<td>.11</td>
<td>.17</td>
<td>.21</td>
<td>.28</td>
<td>.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Shop Total</td>
<td>.005</td>
<td>.005</td>
<td>.16</td>
<td>1.39</td>
<td>2.88</td>
<td>2.31</td>
<td>2.85</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>(.135)</td>
<td>1.255</td>
<td>4.43</td>
<td>2.16</td>
<td>3.77</td>
<td>8.43</td>
<td>7.35</td>
<td>9.0</td>
</tr>
</tbody>
</table>

* Estimate

### Hanken: Distribution (% shares)

<table>
<thead>
<tr>
<th>Country</th>
<th>% Total Sales</th>
<th>% in Own Stores</th>
<th>% in Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>38</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Norway</td>
<td>23</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>Sweden</td>
<td>15</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Chapter 9 – Start-Rite

#### Start-rite: Turnover (stg£ million)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>19.9</td>
<td>19.5</td>
<td>20.5</td>
<td>20.4</td>
<td>18.7</td>
<td>17.6</td>
<td>18.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Shops</td>
<td>3.1</td>
<td>3.9</td>
<td>5.1</td>
<td>6.1</td>
<td>7.0</td>
<td>7.7</td>
<td>7.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Total</td>
<td>23.0</td>
<td>23.4</td>
<td>25.6</td>
<td>26.5</td>
<td>25.7</td>
<td>25.3</td>
<td>25.8</td>
<td>27.7</td>
</tr>
</tbody>
</table>

* Estimate

#### Start-rite: Profits (stg£ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
<td>1.8</td>
<td>0.6</td>
<td>0.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
</tbody>
</table>

* Estimate

#### Start-rite: Employment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>587</td>
<td>532</td>
<td>578</td>
<td>583</td>
<td>509</td>
<td>436</td>
<td>362</td>
<td>360</td>
</tr>
<tr>
<td>Admin.</td>
<td>109</td>
<td>105</td>
<td>105</td>
<td>107</td>
<td>106</td>
<td>99</td>
<td>89</td>
<td>91</td>
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<tr>
<td>Shops</td>
<td>114</td>
<td>173</td>
<td>212</td>
<td>256</td>
<td>334</td>
<td>397</td>
<td>313</td>
<td>345</td>
</tr>
<tr>
<td>Total</td>
<td>810</td>
<td>810</td>
<td>895</td>
<td>946</td>
<td>948</td>
<td>932</td>
<td>764</td>
<td>796</td>
</tr>
</tbody>
</table>

* Estimate
### Summary Data on Nine (1991–98) — II

<table>
<thead>
<tr>
<th>Company</th>
<th>Staff</th>
<th>Production (000s Per Year)</th>
<th>Turnover (€ million)</th>
<th>Profit/Loss (€ '000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barker</td>
<td>310–167</td>
<td>140^b–175 (25%)</td>
<td>11.8–11.7 (~1%)</td>
<td>281–14</td>
</tr>
<tr>
<td>Dubarry</td>
<td>198–215</td>
<td>252–322 (28%)</td>
<td>6.7–10.8 (61%)</td>
<td>(140)–342</td>
</tr>
<tr>
<td>Pomarfin</td>
<td>187–75</td>
<td>283–295 (4%)</td>
<td>7.2–9.3 (29%)</td>
<td>177–1,009</td>
</tr>
<tr>
<td>Cox</td>
<td>109–97</td>
<td>108–93 (~14%)</td>
<td>3.1–4.2 (35%)</td>
<td>161–309</td>
</tr>
<tr>
<td>Noldan</td>
<td>468–284</td>
<td>550^d–600 (9%)</td>
<td>20.5–14.3 (~30%)</td>
<td>(2540)–858</td>
</tr>
<tr>
<td>Arbesko</td>
<td>237–190</td>
<td>516–451^f (~13%)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Lundhags</td>
<td>29–47</td>
<td>16–21</td>
<td>4.3–7.4</td>
<td>236–139</td>
</tr>
<tr>
<td>Hamken</td>
<td>122–203</td>
<td>129–195 (51%)</td>
<td>7.2–15.4 (113%)</td>
<td>(24)–841</td>
</tr>
<tr>
<td>Start-rite</td>
<td>810–796</td>
<td>1,190–920 (~23%)</td>
<td>32.4–38.9 (20%)</td>
<td>1,968–1,546</td>
</tr>
<tr>
<td>Total</td>
<td>2,470–2,074</td>
<td>3,184–3,074</td>
<td>93.2–112</td>
<td>(119)–5,058</td>
</tr>
<tr>
<td>Average</td>
<td>274–230</td>
<td>354–341</td>
<td>11.7–14.0 (20%)</td>
<td>(15)–632</td>
</tr>
</tbody>
</table>

---

1. €1 = £1/0.767564, FIM5.94573 (both fixed on 1 January 1999), stg60.7115 and SEK9.3820 on 5 January 1999 (Irish Times, 6 January 1999).
2. 1993 data.
3. Total employment today is 175 if we include the Estonia outlet, indicating a fall of 6 per cent.
4. 1994 data.
5. Total employment today is 212 if we include the Brazil operation, indicating a fall of 11 per cent.
6. Based on units sold and using Arbesko’s guide that it produces 95 per cent of sales. Calculated 1991 on the basis that the 20 per cent sales fall between 1990 and 1992 was 10 per cent per year.
Reflection
Reflecting on company stories is a useful way to increase our understanding of the business world. Reflection is different to sensation and conceptualisation. Sensation is the original experience and conceptualisation is the creation or use of concepts to interpret the experience.

We reflect when we consider a concept or idea. For example, when people first experience something hot, they develop the concept of heat. Following this, they can then reflect on the concept and form the opinion, for example, that heat is nice. Locke, the philosopher, said that reflection was when the mind considered its own constructs. The experiences we have and the concepts and constructs we develop to explain them need reflection to improve their usefulness.

Good stories facilitate reflection. This is because they illuminate things and add to our stock of knowledge. Some stories, however, are more relevant than others. If a reader is already aware of the material in a story, it adds little to their knowledge stock, except maybe to confirm things. If it provides material the reader does not understand, it is also of little use. In this latter case, the story may become useful later on when the reader acquires enough knowledge to interpret it.

Some argue that we are entering a new phase where society, rather than academic life, sets the knowledge constructing agenda. Universities and the like have imposed their own knowledge constructs on society, especially through the education process. But now society is contesting the situation. Stories therefore, are a useful way to enlarge understanding.

Emotions
Attachment and commitment are emotions. These can be defined as psychological states of feeling. Such feelings often contain a tendency to action and can trigger certain perceptual and cognitive processes. Most agree that emotion influences thoughts, actions, personalities, and social relationships.

Psychology has been the traditional stomping ground for the study of emotion, going back to an early paper in 1884. Management theory originally argued that rational behaviour should be the norm in organisations. This implied that emotions interfered with rationality and needed to be managed. Some writers today provide advice on how to resolve the difficulties caused by emotions.

Others argue that emotions can serve rationality. For example, some suggest that people in organisations routinely express positive emotions to influence others. Finally, some argue that rationality is a myth and that emotion and cognition are inextricably entwined.
Chapter 12

Interpreting Levels

Accountants, architects, economists, engineers, environmental specialists, photographers and the like are better placed to interpret aspects of the physical level. We also find that those in logistics, materials, purchasing, and IT management, along with those such as quantitative methods specialists, are able to interpret the concrete.

Specialists in operations management, organisational theory and others can illuminate the formal organisation and the work and other patterns. Sociology, industrial psychology, social anthropology, marketing and other areas offer insight on the informal, symbolic and creative patterns, as also can specialists on entrepreneurship and innovation.

Human resources management, labour and other aspects of economics, organisational psychology, educationalists and so on offer perspectives on the knowledge level.

Strategic management has a role in some of the above levels and also on the overall strategy and therefore corporate intentions. Marketing, psychology and philosophy contribute to our understanding of emotions, values and symbols. Organisational development and change management have interesting things to say about flux and change and peripherally about creativity, which psychology contributes to. Philosophy, aspects of sociology and certain new aspects of management theory can illuminate certain aspects of the final level.

Knowledge

To know something is to be familiar with or aware of it through direct experience or association. It is also the condition of apprehending information through reasoning. Knowledge building relates to improving the skills and information which people learn in business and bring to it from elsewhere.

Some writers prefer to discuss intellect in this context. The intellect is the power of knowing as distinguished from the power to feel and to will. It is the capacity for knowledge and for rational or intelligent thought.

Knowledge is embodied in the individual worker, manager and supervisor. It is evident in the routine processes of staff. It is also manifest in the synergy that arises between people and various groupings. Knowledge is a store to be used and upgraded in day-to-day activities.

Some suggest that knowledge is also partly embodied in machines. However, it is preferable to treat machines and the like as artefacts. Equipment, buildings, furniture and communication infrastructures are physical phenomena that surround the person. So too is specially developed software or company-specific testing equipment.

The developed forms of technology are the product of highly skilled activities rather than embodiments of knowledge. Their production at one time required a high level of skill and knowledge but today they are like other artefacts, waiting to be used.

Some classify firms as financial phenomena. However, finance is a measure and gauge rather than a thing. To say a company is profitable or financially solid is to explain a part of its condition.

If we were to take the staff view, we could say that a company is an employment phenomenon. After all, who cares that a company is hugely profitable if it employs only a few staff, except of course its shareholders? However, since work does not happen unless the finances are right, it has become more common to classify a firm as a financial entity.

Companies as brands, financial entities, and so on are useful descriptors rather than the essence. To say a company is an activity is correct in that if it stops operating it is dead or at best a waiting shell. To say it contains and is surrounded by artefacts is also correct. That these artefacts are the result of past activity and the knowledge base at the time is also true. To discuss the quality
of the artefacts and the level of technology and knowledge embodied in it is important. Productive and efficient technology and infrastructure is critical.

However, once we have these artefacts, it is what we do with them next that determines our survival. Some successful firms have less than the most modern equipment and can still survive and prosper.\textsuperscript{17}

Technical artefacts such as proprietary databases, software and test data help improve a firm’s competitiveness.\textsuperscript{18} They are information sources that feed and inform the knowledge process and activity. However, they are still only artefacts. They do not stand up on their own legs and move about. They were built at a previous time by company activity guided by its knowledge source. Now they wait to be used.

Notes

\begin{enumerate}
\item The layout that follows is developed independently but has some common links with Erskine’s (1991: 441) “Key Components of Organisations” model.
\item This is funded under a European Retex programme and has been administered by FÁS, the Irish state training agency, on behalf of Enterprise Ireland.
\item Enterprise Ireland now has seven directorates.
\item My thanks to Mike Feeney who helped explain this directorate.
\item For example, Andersen Consulting, one of the largest consultancy firms in the world, run Sprint’s application help desk and its business process testing functions (Andersen Consulting, 1998).
\item See European Community, Teknologisk Institutt (1995: 112-116), for example.
\item Barker was bought by the Indian conglomerate, Phoenix, and is no longer a separate company.
\item Encyclopædia Britannica (1999).
\item Hegarty (1999: 8).
\item Originally in ECU\texttt{s} at 1996 date. One ECU is taken as equal to one Euro.
\end{enumerate}
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INDEX

accounts, 40, 74, 78, 101, 106, 165, 177, 186, 203
acquisitions, 133-4, 167-8, 169, 194, 246, 273
activity, 275, 276-7, 310, 313, 324;
see also under work
administration, xxxi, 40, 68, 74, 76, 78, 82, 114, 142, 145, 169, 174, 177, 182, 185, 186, 210, 216, 219, 222, 223, 224, 225, 237, 293, 314, 348
advertising, 12, 29, 77, 87, 90, 227, 243, 254, 255, 271, 353
Almgrens Ltd., 194, 195, 202, 207, 211
Andersson, Anders, 163-4, 166
Andersson, Eva, 163-6, 173
Andersson, Gunilla, 165, 166-7
Andersson, Gustav, 164
Andersson, Helmer, 164, 165
Arbesko, xxxii, 163-89, 279-80, 288, 293, 320, 326, 334, 363, 368, 369
context, 163
footwear range, 171, 180
historical background, 163-9
key staff, 164-9
organisation, 173-9, 181-7
ownership, 164-9
dispute, 166-7
profile, 169-73
assembly line, 43, 44, 45
Australia, 250
Austria, 216, 218
Aynsley, Martin, 6-7, 12, 19, 20-2, 23, 24-5, 28
banks, 4, 6, 24, 101, 106, 142, 246
context, 2
footwear range, 11, 19-20, 31, 32
historical background, 3-7
key staff, 3-5, 6-7, 12, 13, 18, 19
market-led phase, 7, 9, 19-30, 269
benefits of, 25-6
self-definition, 23-4
new owners, 5-6
organisation, 10-19
profile, 7-10, 352-3
Barker, William, 4, 5, 119
behaviour, 319, 322, 350
Belgium, 176
benchmarking, 36-7, 351
Benelux, 218, 224
body language, 319
Boots (chemists), 245, 247, 248, 256
bottlenecks, 16, 44, 260
branding, xxxi, 1, 5, 7, 14, 19, 20–2, 22–4, 30, 77, 111, 118–20, 125, 209, 227, 229, 230, 271, 320
image, 229–30, 243
see also design; marketing; product “face”
Brazil, 169, 170, 171, 173, 175, 293, 334
Britain, see United Kingdom
Brown, Michael, 18, 21
business, xxvii, 212–13
analysing, see framework for analysis
certainty, 343
environment, 295–6
process re-engineering, 303
theory, 275, 276–7, 287–8, 309–38, 372–4
see also case studies; company; depth perspective; management; organisation; width perspective

CAD/CAM, xxvii, xix, 35, 86, 149, 150, 174, 175, 199, 200
Canada, 99, 100, 117, 216, 218, 227, 250
case studies, 288–90, 370
“good example” cases, 289
inhabitant’s/ethnographic approach, 289
theoretical approach, 289
see also company
China, 132, 157
Chiswell, Peter, 13, 17, 18, 21, 29
Clark, 3, 255, 256
Clark, Lance, 3–5, 6, 19, 21, 22, 23, 24, 29
commitment, 287, 297, 299, 300, 301, 371
communications, 13, 32, 39, 50, 55, 152, 206, 261, 278, 302, 309, 310, 319, 324, 373
community, 193, 226, 278, 282, 321, 322, 331, 333, 343
corporate culture, see corporate shield
companies, the nine, xxx, xxx, 269–85, 287–90, 309, 325–33, 336, 339, 343–4, 368–9
ages, 269, 287, 294, 368
choosing, xxvii–xxviii, xxx
depth perspective in, 325–33
summary data on, 368–9
visits to, xxviii–xxix, xxx, 288
see also under individual company names
company
analysis of, 309–38, 344–5
corporate identity, 311–12, 324;
see also corporate shield
culture, 56, 188, 278, 315
efficient functioning of, 323–5, 344–5
emotional life of, 300–3, 371
ethos, 91, 212–13, 333
life of, 309–36, 344–5
ownership, 165–7, 168, 194, 210, 294, 368; see also family
ownership
performance, 287–308, 333; see also under individual companies
reality of, 346
size, 1, 2, 192, 202, 211, 270, 293, 312; see also SMEs
spirit, 277–9, 285, 322–3, 333
strengths/weaknesses, 323–5

competition, xxvi, 26, 60, 67, 67, 70, 86, 93, 164, 170, 183, 272, 279
corporate identity, xxv, 56, 179–81, 191, 192, 209, 295, 335, 336, 340, 347, 351, 374
corporate shield, 323–5
as managing directors, 131–2, 159–60, 362
role of, 131, 159, 361–3
customers, see customers:
co-operation, xxvi, 70, 79, 83–96, 120, 272–4; see also under
Pomfrett
see also company
Cox (George), xxviii, 97–130, 274–6, 282, 285, 294, 328, 329, 330, 360–1, 368, 369
customer
demand, xxvi, 9, 48, 104, 109, 177, 258, 263–4
“intellectualising”, 27
needs, 220
purchasing habits, 228–9
service, 13, 23, 140, 166, 176, 183, 245, 252
see also marketing; sales

Czech Republic, 132
decentralisation, 298
decision-making, 50, 55, 56, 78, 95, 142, 160, 182, 185–6, 205, 206, 277, 279–80, 298, 305, 311, 318
Denmark, 161, 176, 192, 218
departments, 310, 334, 335
depth perspective, 311–23, 325–33
combined with width perspective, 333–5
corporate identity, 311, 312, 322–3
in nine companies, 325–33
interpreting levels, 312, 372
knowledge, 311, 312, 317–19, 329–31
meanings and symbols, 311, 312, 319–321, 331–33
patterns, 311, 312–321, 331–33


design, 333–5
creative, 311, 312, 316–17, 328–9
informal, 312, 314–16, 326–7
strengths and weaknesses, 323–5
work, 311–12, 313–14, 325–6
physical, 311, 312–13, 325
structure, 311, 312, 313
values and emotions, 311, 312, 321–2, 331–3, 371

Index
footwear: production (cont’d)

- clicking, xx, 16, 42, 43, 45, 52, 80, 108, 109, 144, 224, 262, 316
- closing, xx, 15, 16, 37, 42, 43, 45, 52, 64, 79, 80–1, 108, 109, 199, 200, 217, 224, 257, 262, 264
- cutting, 15, 16, 64, 79–80, 199, 200, 217, 224, 225, 257
- direct injection moulding, xx, 179, 217
- Duorail, 43, 44, 50, 52, 62, 64
- finishing, xx, 15, 16, 43, 52, 54, 64, 79, 81–2, 108, 109, 114, 199, 200, 224, 225
- force lasting, xx, 126
- hand stitching, 42, 43, 54, 57, 60, 61, 64
- heat-sealing, 100, 101, 109, 112, 113
- last, xx, 2, 43, 242, 258
- lasting, xx, 15, 16, 43, 79, 81, 108, 109, 114, 224, 225
- making, xx, 43, 108, 109, 114, 257, 262, 265
- marrying, 257, 258
- moulding, 42–3, 64, 86
- pattern cutter, xxxi, 102, 107, 115, 255
- pattern room, xxxi, 110
- preparation, 42, 199, 200
- press, 43, 257
- shoe room, xxxi, 15, 108, 114, 257, 262, 265
- stitching, 73, 79, 80, 199, 200, 224, 225
- skiving, xxvii, 42
- vulcanisation, 1, 152, 154
- waterproofing, 217, 224
- see also production ranges, 11, 19–20, 31, 32, 41, 76–7, 100–1, 111–16, 126, 137–8, 171, 180, 197–8, 217, 221–2, 249, 263, 358, 363, 365
- sector, xxvii, xxviii, 9, 279, 290–2, 296, 306, 336, 341, 343–4
- employment in, 290–2
- see also shoes and under individual company names
- Forbairt, 37, 62, 356–8
- Ford, 325
- framework for analysis, 276, 309–30, 339, 345; see also depth perspective
- France, 132, 218, 250, 334
- Geisler, Peter, 165–7, 168–9, 173, 175, 176, 180, 184, 185, 187, 189
- Germany, 197, 203, 216
- Gollings, Steve, 108
governments, 34, 167–8, 339, 341–3; see also state intervention
groups, 202–4, 309, 310, 311, 325
- formal, 206–7
- informal, 205–6
- context, 215, 225–8
- footwear range, 217, 221–2
- historical background, 216–18
- key staff, 216–17, 223–4
- organisation, 222–5
- profile, 218–22
- Heaney, Sean, 213
- Hennes and Mauritz, 233–4, 235, 329
- hierarchy, 39, 142, 145, 177, 270, 277, 278, 311, 313, 325
- Holland, 176, 216, 217, 218, 223, 234

Index

- housekeeping, 59, 61
- Hull, Michael, 251
- human resources, see personnel
- Humphrey, Brian, 111
- Hurley, Sean, 51, 52
- Iceland, 176
- identity, see corporate identity
- image, see branding; design;
- fashion; product “face”
- imports, xxvi, 36, 48, 170, 182
- improvement, 53, 61, 258, 276
- continuous, 46, 47, 63, 303–4, 351
- incremental, 303–4
- India, 5, 6, 18, 294
- industrial policy, 341
- industrial relations, 35, 40, 72, 314
- informal organisation, 205–6, 320;
- see also under patterns
- information, 205, 206, 311, 321, 327, 350, 372; see also knowledge
- innovation, 6, 266, 298, 305–6, 316–17, 351
- interaction, 204–8, 279–81, 309–11, 319, 373
- Internet, 208
- Ireland, xxvi, 34, 40, 46, 227, 250, 315
- employment in the footwear sector, 290–1
- Italy, 215, 230, 234, 250
- Japan, 25, 46, 84, 91, 97, 109, 111, 260, 274, 282
- job descriptions, 314, 315
- Jokinen, Jari, 74, 78–9, 87
- Just-in-Time (JIT), xxv, 46–7, 59, 120, 177
- K Shoes, 36–7, 44, 329
- Karlsson, Bertil, 176, 178
- kaizen, 272, 303, 351
- KFAT (Knitwear, Footwear and Allied Trades Union), xviii, 17, 109
- management, 317–18, 342
- scientific, 242, 243
- shared, 322
- see also information; skills
- Kuroki, Satoshi, 19, 22, 25
- labour market, 9–10, 104; see also employment; staff
- Lamble, Peter, 251
- language, 316; see also patterns
- Larkin, Michael, 49
- Latvia, 132
- lead times, 54, 57, 59, 60, 64, 109–10, 120–1, 177
- leadership, 50, 158
- learning, xxx, 53, 128, 181, 182, 185–6, 206, 211, 277, 318, 342, 370
- by accommodation, 330
- by assimilation, 330
- companies, 46, 318, 342
- long-term, 185–6
- see also education; knowledge; skills; training
- leather, 16, 42, 59, 78–83, 109, 169, 175, 198, 199, 200, 216, 217, 257
- Lenkki, 85, 86, 90, 91–2
- Leppanen, Birgit, 69, 78
- Leppanen, Kirsti, 68, 72, 73, 81
- Leppanen, Marko, 69, 72, 74, 79
- Leppanen, Paivi, 68, 72, 73, 74, 78, 83
Sole Survivors

management, 22, 60, 76, 131, 135, 144, 148, 202, 253, 261, 262, 310, 331, 332
board of directors, 39, 140, 168, 202, 223
costs, 332-3
disciplines, 335, 372
meetings, 106-7, 181, 202
structure, 4, 7, 24-5, 35, 39-41, 142-4
tory, xxi, 61, 275-6, 300, 312, 317, 345; see also under business; companies

management style of, 24, 50, 149, 184, 208, 279-80, 332-3, 350

manufacturing, see production

market, xxi, 9, 11-12, 19, 30, 35-6, 77, 84, 90-1, 111-16, 119, 137-8, 170, 171-3, 180, 188, 197-9, 221-2, 249-50, 257, 269, 282, 297-8, 314, 340, 348
share, 168, 170, 218

marketing, xxi, 5, 6, 7, 12, 13, 19-22, 28, 30, 36, 41, 76-7, 87, 118, 165, 166, 176, 180, 183, 194, 196, 202, 203, 208, 215, 216, 223, 224, 249, 254-5, 269, 271, 284, 326, 347, 353-4
budget, 353-4
department/function, 10, 12-13, 15, 23, 142, 175, 259
director/manager, 12, 36, 40, 63, 157, 233, 250, 254-6
productivity, 8, 9, 45, 48, 135, 136, 140, 150, 201, 249, 349


profitability, 187, 188, 214

product development, 65, 86, 93, 102, 107, 110–11, 113–14, 119–20, 125–8, 142, 143, 149, 151, 157, 158, 176, 178, 185, 208, 254, 255, 257, 261, 314, 317, 328

product engineering, 15, 40, 41, 254

“face”, 111, 118–21, 125

longevity of, 119–20

“professionalism, 187, 188, 214


project resources, 371

promotion, 55

public relations (PR), 12, 223, 224, 227, 234, 353

quality, 36, 40, 44, 45, 46, 54–5, 57, 58, 59, 61, 64, 70, 81, 135, 142, 149, 150, 171, 174, 175, 178, 180, 183, 187, 199, 201, 209–10, 215, 227, 230, 245, 249, 253, 258, 261, 262, 265, 266, 313, 326, 331, 341, 351

R&D (research and development), xxiii, 33, 34, 88, 89, 92, 174, 180–1, 182, 183, 242, 342

Raitt, Fred, 16

reflection, 275, 370

relationships, 204–8, 279–81, 282, 309–11; see also networks;
groups; informal organisation;
interaction; width perspective

reports, 106, 344

respect, 280–1


department, 256–7

see also marketing; sales

rubber boots, 132, 133

all-round, 137, 138, 154

outdoor, 137, 138

production, 145–7

calendering, xix, 146, 147, 148, 153

compounding, 146, 148, 153

confectioning, xx, 146, 147, 148, 151, 152, 154

cutting, 146, 147, 148, 153

finishing, 146, 148, 151, 154

pre-assembly, 146, 147, 148, 151, 152, 154

vulcanisation, 152, 154

safety, 137, 138, 152, 154

special, 137, 138

Russia, 11, 13, 77, 84, 354


conferences, 12, 22, 29, 185

department/function, 10, 12–13, 15, 22, 23, 175, 251–4, 261

forecasts, 15, 176, 177, 186

manager/director, 4, 6, 13, 110, 173, 175–6, 233, 250, 251

representatives, 12, 13, 40, 77, 78, 175, 202–3

SATRA (Shoe and Allied Trades Research Association), xviii, 127, 181, 276, 285
Scandinavia, 77, 82, 88, 132, 133, 139, 172, 189, 215, 222, 227, 228, 315
scientific disciplines, 335, 372
Scotland, 132
Scout, Jim, 34
seasons, 19–20, 26, 41, 70, 78, 125, 233, 236, 252, 263, 284
Serbia, 132
Shell, 318, 323
shoes
children’s, 17, 241, 242, 253
research into, 242–3
components of, 182, 183, 202, 253
insole, xx, 80, 86, 89, 90, 147, 154, 182, 199, 257
laces, 182
linings, 257
outsole, xx, 154, 179
sock, xxii, 258
sole, 1, 43, 59, 147, 179, 199, 217, 257
stiffener, xxii, 42, 258
toe puff, xxii, 42, 257
uppers, 16, 42, 43, 59, 70, 80, 109, 174, 175, 199, 257, 258
ladies’, 3, 11, 20, 78, 81, 83, 86, 242, 264
men’s, 1, 14, 19, 20, 81, 85
sizes, 253–4
styles/types of
adventure, 198
“brothel creepers”, 97, 99, 111, 115, 119, 122, 124, 125
canvas, 249
casual, 197
clogs, 112, 126
“coffin shoes”, 99
Dr Martens boots, 98, 100–1, 102, 112, 113–14, 115, 116, 128, 275
expedition, 198
formal, 249
leisure, 113, 114, 126, 249
moccasins, xxii, 42, 43, 81, 221
occupational shoes, 163, 171, 179, 180, 188
peg boot, xxii
penny loafer, xxii, 180, 181
“popboys”, 99, 112
safety shoes, 85, 163, 164, 167–8, 171, 176, 178, 179, 180, 188, 279
sandals, 249
special, 198
steel toe cap boots, 180
traditional, 112, 125
welted footwear, xxii, 1, 2, 97, 98, 99, 111, 125
“winkle pickers”, 97, 99
see also footwear; rubber boots
and under individual company names
shops, see retail
Simpson, Peter, 108
Sixtensson, Sven, 202
skills, 27, 29, 30, 33, 35, 49, 55, 57, 73, 80, 83, 104, 109, 144, 147, 150, 155, 156, 182, 186, 189, 201, 204, 205, 207, 211, 212, 246, 262, 264, 265, 270, 273, 278, 300, 302, 313, 314, 317–19, 329, 332, 372–4; see also knowledge
“skunkworks”, 298
Slovakia, 132
SMEs (small and medium-sized enterprises), 2, 18, 67, 192, 211, 231, 232, 279, 293
Smith, James, 242
Soderman, Bernt, 194, 202, 210
sophistication, 279–80
Sormo, Turhbo, 224

Index
South Africa, 3, 11
staff, 185, 202, 209, 348–9
layoffs, 52, 54, 72–3, 141, 143, 299, 321–2
loyalty, 55, 246, 299, 300, 332, 333
numbers; see employment
socialisation of, 25, 285, 315, 319–20
see also employees;
employment; interaction;
relationships
Stähn, Gunnar, 202
Start-rite, xxvii, 119, 189, 221, 241–6, 283–4, 288, 293, 294, 304, 325, 367–8, 369
context, 241–2
experiments, 258–65
historical background, 242–6
footwear range, 249, 263
key staff, 251
market, 249–50
organisation, 250–8, 260–2
profile, 246–50
stocks, 46, 50, 109, 140, 141, 177, 178, 202, 203, 243–4, 252
automatic stock control, 244, 252
stores, 16, 42, 82, 146, 199
strategy, xxv, 65, 139–40, 158, 163, 181, 212, 245, 256, 270, 276–7, 288, 302, 347
structure, see under organisational study; nature of this, 287–90, 347–50; see also companies, the nine;
methodology; project resources
styles, 14, 58, 61, 76–7, 78, 100–1, 102, 113–14, 119, 125, 179, 230; see also fashion; see also under shoes
success factors, 21, 23, 24, 355
supervisors, 15–16, 35, 44, 47, 50, 54, 55, 57, 82, 109, 114, 129, 148, 152, 154, 200, 201, 253, 261, 262, 310, 330, 331, 350
surveys, 228–30, 253–4, 255–6
survival, xxv, 3, 63, 140, 193, 208, 243–6, 269, 275–6, 279, 281, 287–308, 309, 323–5, 333, 339, 374
Svensson, Peter, 176, 186
Sweden, xxvi, xxvii, 77, 99, 137, 163, 164, 167, 171, 172, 173, 175, 176, 177, 180, 181, 182, 185, 188, 192, 196, 197, 203, 216, 217, 222, 224, 226, 233, 234
employment in the footwear sector, 291–2
symbolism, 311, 312, 319–321, 331–33
synergy, 205, 220, 373
Tanttu, Raimo, 132, 156
teams, xxv, 17–18, 25, 34, 36–7, 43–5, 47, 50, 55, 58–60, 61, 80, 81, 109, 153, 225, 263–5, 266, 270, 284, 310, 325, 326, 329, 333, 335, 348; see also modular
manufacturing; workshops
technology, xxvi, xxvii, 9, 133–4, 177, 180, 187, 208, 244, 270, 271, 324, 350, 373–4
Tingren, Harry, 131, 132, 134–5, 139, 140, 142, 144, 148, 149, 151, 152, 156, 158–9, 160, 189, 279, 363
Total Quality Control, 46, 47
Total Quality Management (TQM), xxvii, xxviii, 65, 260, 265, 266, 272, 351
trade unions, 17, 51–2, 72, 73, 82–3, 95, 109, 133, 150, 179, 314, 327, 349–50
management–union agreement, 51–2
training, xxvi, 33, 34, 40, 45, 47, 49, 55, 58, 57, 83, 84, 155, 212, 216, 243, 252-3, 254, 271, 300, 318, 329, 342, 349, 354; see also education; knowledge; learning; skills
transience and permanence, 324
turnover, 3, 6, 7, 8, 9, 37-8, 71, 101, 103, 104, 105, 135, 193, 196, 218-19, 246-7, 258, 294, 352, 355, 358, 360, 361, 364, 365, 367, 369

"uniqueness", 230
United Kingdom (UK), 2, 12, 40, 100, 109, 110, 118, 124, 126, 176, 181, 203, 218, 226, 227, 241, 244, 245, 294, 315
employment in the footwear sector, 291
United States (US), 2, 11, 84, 99, 118, 215, 216, 226, 227, 315, 334
utility worker, xxii, 107, 114
values and emotions, 311, 312, 321-2, 331-3, 334, 371
shared, 322
systems, 343
Veblen, Thorstein, 232
vision, 20-2, 23, 24, 32, 51, 270, 331-2
Viskari, Reima, 224, 225
VTT, xviii, 88, 89-90, 92, 93
wages, 331, 339, 340-1; see also payment methods
Wales, 244
Waterfield, Adam, 106, 126, 127
Waterfield, Norman, 98, 99
White, David, 251
wholesale, 38
width perspective, 309-11
combined with depth perspective, 333-5
company, 310
department, 310
division, 310
group, 309, 310
network, 309, 310
Wilson, Jane, 254-5
work-in-progress (WIP), 46, 50, 54
work
organisation, 33-4, 36-7, 39, 49, 225
processes, 181-2, 348
routinisation, 181-2, 184-5, 205, 313, 330
"usual and unusual"
operations, 182, 189, 330-1
study, 44, 64, 79, 82, 83, 148, 149, 179, 314
see also under organisational; patterns
workflow, 41, 53, 326-7
workforce, see employment
workshops, 142, 149, 151-4, 156
World Class Manufacturing (WCM), xviii, xxix, 37, 39, 43, 44, 45, 46-53, 64, 65, 263, 271-2, 281, 317, 326, 328, 329, 341, 351, 356-8
explanation of, 46-7
in Dubary, 49-63
phases, 48-9
state support of, 47-8
Ylikotila, Katariina, 221, 224