Description Please assume the position of a Human Resources Director As explained in the case study, Foodco was able to link a new product launch design with a reward system. Since almost the beginning of industrial times, bonuses, commissions, and other rewards have been used to reward people for launching a new and successful product. However, Foodco provided an innovative and unique process. Write a paper that describes how Foodco was able to link the launch with its reward system and evaluate ways in which it was innovative and unique. Also, provide supported recommendations for how the processes that Foodco employed could be implemented in your industry or the industry you desire to work within. This paper should have a relevant introduction and conclusion which takes a stance. Do not simply restate the introduction in the conclusion. Please be very concise when addressing points, no redundant work or language. Please use master's level language. Cite a minimum of 6 scholarly sources from 2015 or newer to support your positions, claims, and observations (Please use at least one of the provided sources). Each paragraph should be 4-6 sentences long and supported by 1-2 in-text citations in each paragraph.

Christiansen, L. C. (20170804). The Global Human Resource Management Casebook, 2nd Edition [VitalSource Bookshelf version]. Retrieved from vbk://9781317362449Always check citation for accuracy before use.

**Organisational Setting**

Foodco is one of the largest food corporations in Israel. It was founded in the early 1940s and now has nine manufacturing facilities in Israel, producing over 1000 products. Foodco exports its products to other countries as well, primarily in Europe. The corporation’s products constantly face competition from both locally produced and imported products. Foodco became a public company in 1992 (with 25 percent of its shares traded in the Tel Aviv Stock Market). Starting in 1995, Netfood, a large, multinational corporation, has gradually increased its holdings in Foodco, and now has a holding rate of 64 percent.

The partnership with Netfood set new standards of quality and excellence and instituted advanced work procedures. The partnership afforded Foodco increased knowledge in a variety of relevant areas such as advanced technologies, management, finances, and marketing. At the same time, Netfood’s management has increasingly put pressure on Foodco to improve performance. A special team of experts and consultants from Netfood (‘target setting team’), designed to handle the challenges posed by the acquisition of Foodco, visited all production facilities in Israel and gave specific recommendations.

One of Foodco’s biggest production facilities is Bamco. Established in 1974, the plant produced mainly pasta products. Gradually over the years its scope of activities broadened. The plant, located in Northern Israel, doubled in size due to extensions in 1997 and again in 2005; several baking production lines were installed and it became the baking centre of Foodco. Following the visit of Netfood’s target setting team to Bamco, two problems have been identified whose solution may help increase the productivity of the plant. The first has to do with the structure of the production unit, and the second has to do with the reward system. This case study focuses on both issues and how they relate to the changing labour relationships in Israel as well as to globalisation processes affecting the Israeli economy.

**Background to the Case**

**HRM in Israel: Historical Perspective and Current State1**

From its establishment in 1948, the union movement was a dominant power in Israel, with the major trade union, the Histadrut, having strong economic and political power. Socialism was the leading socio-economic ideology during the first decades of Israel’s existence, generating a strong sense of cohesion in the country and enabling it to cope with enormous difficulties such as security (which, albeit to a lesser extent, remains an issue today) and the heterogeneity of its population caused by a number of waves of mass immigration from various countries. The Histadrut represented more than 80 percent of all wage earners, while at the same time it was also one of the largest employers in Israel. Thus, the Israeli industrial relations system was highly corporatist in nature (Haberfeld, 1995). It owned the country’s largest steel, chemistry and construction industries, as well as many other basic industries. As a major employer, and the sole trade union, the Histadrut had a tremendous influence on the HRM function. Labour relations were a major HRM activity, dictated mainly by a very powerful union and supported by legislation and regulations. Consequently, the HRM function during this era held a lowly, administrative position (emphasis was on recruitment, record keeping, seniority-based promotions, procedures and regulation) and had minimal influence on strategic matters.

Things began to change in the late 1970s. Global and local recessions as well as high inflation rates considerably slowed Israel’s economic growth. The HRM function was facing issues of layoffs and complex compensation management, while simultaneously coping with issues of changing industrial environment, the introduction of multinationals, and a shift to private industry dominance. In particular, at the beginning of the 1980s a rapid growth in the high-tech industry occurred. This was mainly due to the availability of a high-level technical workforce, resulting from the downsizing of technical professions in the defence industry and the immigration of many scientists from the former Soviet Union. This process, together with a sharp decline in union membership between 1990 and 2010, followed by an increase in unionisation rates that is attributed to the 2011 Israeli social justice protests, had a major impact on HRM. The position of the HRM function within the organisation has changed, facing new challenges of managing a multi-cultural, highly educated, strongly socially aware workforce in large and complex organisational settings, exposed to growing national and international competition. In line with these changing demands, HRM professionals are viewed more as strategic partners contributing to the development and the accomplishment of the organisation-wide business plan and objectives, and also key players in enhancing the quality of work life, promoting work–life balance and strengthening partnerships with local communities.

**Industrial Relations in Bamco**

Bamco employs nearly 370 non-exempt employees, most of whom live in the nearby city. The plant is involved in local community life through such activities as supporting local schools and institutes for the elderly. The plant has enjoyed good relationships with its employees for many years. The last labour dispute took place in 1995, and concerned the introduction of a temporary (i.e., trial) contract for new employees (see below). Labour relationships at Bamco are based upon three elements:

1. Employees being affiliated to a recognised trade union.

2. A reward system graded by level and tenure, with a productivity bonus paid upon meeting quantity targets (see criteria below – sub-section on ‘Reward system’) and with overtime working limited to 15 hours per week.

3. Nationally agreed terms and conditions of employment determined by the joint industrial council for food workers, covering all companies in this industry.

**The Production Process at Bamco**

The company has two production departments: baking and pasta. Each department makes several products. Work in the production area is organised on the basis of product lines. While there are few unique production elements (for specific products), generally there are three main stages for production. The first stage involves the blending of ingredients and flavourings to form a uniform mass. This is done within the computer-controlled preparation area, where all the ingredients required for a batch are mixed according to the specification produced by the works-order program. The mixture is then mechanically formed into various shapes (based on the product line) and placed onto a belt carrying them to the cooking area. The second stage involves baking or frying, and – for some products – coating (chocolate, salt, etc.). From the cooking area, products are again automatically placed on a belt, which transfers them to the packing area. In this final stage, products are packed in single units (auto-packing). Packed units are then manually inserted into boxes/plastic bags.

Sixty four percent of the manufacturing personnel at Bamco (which composes about 70 percent of the entire workforce of the plant) are males, most are married (84 percent), and the mean age is 42. Work is organised in shifts, including nights and excluding Saturdays (Sabbath) and public holidays. Work schedules are organised with two days off per week. There are six to seven product lines operating simultaneously on each shift, led by foremen (one foreman per two to three product lines). The managers of the two production departments are usually in the plant during morning shifts only. They report to the plant manager

Most production jobs are highly standardised. Four employees are assigned to each production line: one employee in the blending area, checking for and fixing problems with the mixture, cleaning, etc.; one employee in the cooking area, checking for and removing defective products, cleaning, etc.; and two employees in the packing area. In addition there is a supporting staff which provides services to all production lines in a given shift: two employees assist with more general tasks such as transporting boxes, loading ingredients into the mixer, etc.; routine quality tests (mixture, cooked products, etc.) are performed by two members of the quality assurance department; and finally, two technicians handle mechanical problems and perform system maintenance. The structure of the production unit at Bamco is shown in Figure 21.1.

**Problems Facing Productivity**

Two problem areas were identified by Netfood’s target setting team in 2004: inefficient structure of the production unit and an uncompetitive reward system.

**Structure of the Production Unit**

The design of the production unit often resulted in conflicts and communication problems. Department managers need to be able to change specifications during production in order to adjust to excessive demands, unexpected failures or dynamic priority setting. However, foremen are primarily concerned with meeting performance targets and maintaining production schedules – for those product lines for which they are responsible. Such a design often discourages cooperation across product lines, not to mention across departments. Further, foremen have limited authority to make adjustments during the production process, and are thus allowed to apply only partial/temporal solutions to operational problems in the absence of the department manager. In sum, the current design of manufacturing at Bamco is very inflexible, lacking a broad, system-wide perspective for managing the shop floor.

Netfood’s target setting team recommended changing the structure of the production unit to ‘simplify communication channels, grow employees from within by providing opportunities to take more responsibilities, and improve work processes in order to increase the plant’s profitability’. To do so, the number of foremen per shift was reduced to one (instead of three), and their job description was changed to ‘shift managers’, responsible for the entire plant’s operation during their shift. This change required extensive training, which was mainly provided by department managers, and included issues such as anticipating and responding to operational problems, over/under staffing, etc. Within this new structure, the role of department managers has shifted from administrative monitoring and technical operation (now part of the shift managers’ job description) and towards coaching and training. Moreover, after the change is implemented, the plan is that department managers become more involved in strategic planning (e.g., new products), contributing their expertise and experience in relevant matters.

Finally, most production workers (machine operators) would have more power and responsibilities following the proposed change. In fact, given that there would only be one shift manager per shift, some of the tasks that were previously performed by the foremen (e.g., temperature checks) were now included in the job description of production workers. On the one hand this would increase employee sense of worth and control. On the other hand, it also involves higher workload and the need to coordinate efforts across product lines. As one employee described what happened when the change eventually went into effect: ‘They expect more of us now. I like it that I don’t have to stand by the machine all day . . . but I’m much more exhausted at the end of the day. I barely have a minute to just sit and relax.’

**Reward System**

Until 1995, new employees, upon recruitment, joined the recognised trade unions and were covered by the collective agreement. Since 1995, new employees have been employed on a temporary (i.e., trial) basis for the first 24 months of employment. This contract entails fewer benefits, for example, lower premiums and lower overtime work wage. After two years they move to a permanent employment contract.

Traditionally, rewards at Bamco were based on seniority increments and shift premiums (for second and night shifts). Pay also partly varied as a function of performance. The single parameter upon which performance was evaluated was quantity: specific targets were set for each production line (i.e., number of units to be produced per hour), and premiums were allocated upon meeting these targets.

Rewards at Bamco have always been considered above average compared to other firms in the Israeli food industry. Yet HRM surveys from recent years indicated that employees were unhappy with their pay. In addition, while the existing reward scheme seemed to enhance employee efforts and productivity, quality of production did not improve. To address these issues, and in line with the recommendations made by Netfood’s target setting team, a new reward plan was introduced in 2005. This plan was based on the following three criteria (all of which being of equal weight):

Performance: an index based on the difference between the actual total time for completing all tasks in a given product line and a set criterion (i.e., standard), taking into account planned breaks, for maintenance, cleaning, etc. Performance may be increased by minimising unplanned breaks (e.g., errors) and by taking more efficient (and thus shorter) planned breaks. Efficiency: an index based on the difference between the actual number of units packed and a set criterion. Efficiency may be increased by minimising unplanned breaks and working at a standard pace. Quality: an index referring to the number of units produced without failures, out of all units produced in a given product line. Quality may be increased by specialising and minimising failures.

**The Role of the HRM Department**

Theo is the manager of the HRM department at Bamco. He was externally recruited for this job in 2000. Theo is well experienced with the challenges involved in globalisation processes in the form of mergers and acquisitions. In his former job as the HR manager of a steel production company, the company went into a merger with a Chinese firm. Theo is aware of the extensive planning and training needed for successfully implementing and surviving such processes – for both managers and employees. He has firm views about the ways in which employees should be managed under the new circumstances. In particular, he believes that instead of the rigid, repetitive tasks and traditional supervisory systems in operation, employees at Bamco should work in small, adaptable teams with rotating tasks within each team. The new reward scheme not only fosters this model, but also enhances perceptions of equity.

Zachary, Bamco’s plant manager, has much trust and confidence in Theo. Theo and two other senior members of the HRM department (‘the HR change management team’) were given the task of leading the structural change as well as the change in the reward system. To this end, they had to work closely with the HRM functions at Foodco and Netfood to coordinate efforts from all aspects of the changes and develop relevant supporting policies and programmes. For example, they developed a training programme aimed at improving the technical and managerial skills of shift managers and a 2-day seminar for employees at all levels intended to introduce and discuss normative issues (including such topics as teamwork, communication, the global marketplace, etc.). Similarly, together with the managers of the two production departments at Bamco, the HR change management team was also responsible for developing and validating the standards for the new reward system.

**Creating the Proper Climate for Union Cooperation**

Given that nearly 80 percent of Bamco’s workforce is unionised, the recognised trade union traditionally had much say in organisational change processes, and was involved in the planning and implementation stages of such processes. Working with the union was more complicated this time. Netfood’s growing impact in recent years (in terms of share holdings) allowed for more direct, explicit pressures. The managements of Bamco and Foodco realised that, in order to enhance productivity and survive the increasing competition, Bamco would have to quickly adopt the changes recommended by Netfood’s target setting team. While Theo had previous experience dealing with unions and generally preferred working through dialogue-enabled rather than unidirectional solutions, the tight schedule for administrating the current changes allowed for only little time to consult the union.

On the evening after Zachary and Theo announced the changes about to take place, the leaders of the trade union have called for a special, urgent meeting. They are disappointed by the way decisions were made, with Bamco’s management neglecting employee rights and needs, particularly in light of the long-lasting legacy of collaboration. Two main areas of concern were discussed: (1) the new production design, in particular with respect to increasing job demands and changing job descriptions; and (2) the ability of the new reward system to accurately capture employee efforts and take into account extra job demands/responsibilities. At the end of the meeting, members have unanimously agreed to announce a labour dispute. Theo and Zachary realise they must resolve this matter quickly, overcoming concrete issues as well as emotional biases in employee beliefs and actions. Netfood’s management expects to see some positive results already by the second quarter of next year.