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WORKING PAPER SERIES

Teams, Compulsory Competitive Tendering and Employee Burnout

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Teams, Compulsory Competitive Tendering and Employee Burnout

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Abstract

This paper examines the attempt to develop a self-managing team in the Building Control Unit of an outer Melbourne council. This occurred in the context of the implementation of Compulsory Competitive Tendering at the council in the late 1990s. A unique feature of the situation was an agreement with the Australian Services Union, which represented the staff involved, for there to be a form of gainsharing, not based on productivity improvement, but as it turned out on excessive working hours. This combined with the inward focus of the team, conflicts within it and peer pressure exacerbated the situation and led eventually to employee burnout.

Introduction

This paper examines the development of a semi-autonomous team involved in gainsharing as a result of the implementation of Compulsory Competitive Tendering (CCT) in a Melbourne outer suburban council. CCT is based in the belief that there should be a split between policy making and the provision of services by government (Osborne & Gaebler 1992; Hodge 1996). The rationale for such a split is that monopoly service provision by public sector bureaucracy is seen to lead to inefficiency and lack of sensitivity to customer needs. Proponents of this view believe that if service delivery is contestable in the market, greater efficiency and focus on delivering a quality service to the customer will ensue (Walsh 1995).

In the context of local government it involved the identification of different areas of service provision, e.g. library services, childcare and road maintenance, which could be exposed to market discipline by receiving tenders from existing council staff and external private contractors. The introduction of CCT requires setting of financial and other targets to be met in the provision of a particular service. The policy setters or purchasers of the service then audit performance in relation to specified measures (Ernst, Glanville & Murfitt 1997).

In Victoria CCT was set up by the Kennett Government in 1994 under the Local Government (Competitive Tendering) Act. The Office of Local Government at that time produced a Code of Tendering to ensure fairness in tendering between in-house and external tenders. The extent of local government services subject to CCT increased to 50% by 1997-98 (Teicher & Van Gramberg 2000).

The management of the employment relationship is significantly affected by the introduction of CCT in local government. Reduction in wages and employment conditions, loss of job security and outright job loss has resulted (Ernst, Glanville & Murfitt 1997). These changes to local government in Victoria in the 1990s occurred in the context of the development of enterprise bargaining as a central feature of regulating employee relations in Australia (Burgess & MacDonald 2003). In local government agreements for municipalities have been underpinned by local area work agreements, which set out employment conditions specific to a particular service delivery unit (Jackson 1996). Such changes to industrial relations regulation allowed service units within councils bidding to retain their jobs to tailor their enterprise agreements.

The focus on the delivery of a quality service to the customer is a key part of CCT. The origins of this customer focus derive from Japanese ideas of quality management, which have spread from manufacturing to the public sector (Walsh 1995; Pollit 1990; Wilkinson & Willmott 1995). Unlike manufacturing where standardised work and clear output performance measures are possible, the more intangible nature of services has led to definition of standards and evaluation of quality through the purchaser/provider split found in CCT (Walsh 1995).

An important aspect of implementing quality management is employees taking responsibility for continuous improvement and identifying with organisational goals (Wilkinson & Willmott 1995). However, the extent to which such empowerment allows for genuine participation of employees and the nature of work pressures that

may arise are not necessarily confronted by advocates of such strategies (Walsh 1995). Such empowerment can also be confounded with concepts promoting semi-autonomous teams, which grow out of the socio-technical systems literature (Gough, Teicher & Park 2002). In extreme cases empowered work teams can exhibit dysfunctional levels of internalisation of organisational service goals, which leads to burnout of team members (Barker 1993).

Gainsharing is an American term referring to the sharing of productivity improvements by management and employees through reduction in cost controllable by teams of employees (Cohen-Rosenthal 1993). In Australia it has been referred to as the Common Interest Program and introduced into manufacturing companies like CIG Gases (Mathews 1994). The need for exact measurement of cost inputs and outputs makes it most suited to manufacturing environments.

In the sections that follow the interaction of the concepts discussed above are examined in the case of a Building Control Team. The next section looks at the background to the development of the Building Control Unit as a semi-autonomous team under CCT, then the problems faced by the team with regard to internal functioning and the intense work pressures will be analysed. In the conclusion the factors leading to the malfunctioning of the team will be assessed.

Introduction of the Building Control Team

The Brimbank Council is in the outer Western suburbs of Melbourne. In responding to Victorian government initiatives on CCT, it decided to pursue the model of semi –autonomous teams. In the case of the team discussed in this study, the Building Control Unit, a Local Area Work Agreement (LAWA) was negotiated with the union, the Australian Services Union, prior to the unit tendering for the work. An important aspect of the LAWA was union acceptance of employee multi-skilling, which went beyond their position classifications to other duties ‘within the limits of their skills knowledge, competencies, abilities and training’ (Building Control Unit LAW: Clause 16 1998). However, classifications under the Victorian Local Authorities Interim Award 1991, were still used to assign levels of responsibilities and pay.

In order to meet quality objectives a commitment was made in the LAWA to continuous improvement based on teamwork (LAWA Clause 10.2). Reference is also made in this context to the team solving problems and making of decisions.

An important innovation in the agreement was the inclusion of gainsharing, which occurred if the services of the unit operated at a profit. A proportion of the net profit before tax was to be set aside for distribution to team members (LAWA Clause 15 1998). It was subsequently agreed that this would be shared equally between members of the team and not in proportion to job classification.

The team’s responsibilities were divided into two streams, which were each under the control of a senior building surveyor, commercial and statutory. Commercial dealt with assessment of plans resulting in the issuing of building permits and inspection of the various stages leading to final completion. Statutory related to matters such as investigating complaints, checking fire safety of buildings and safety of swimming pools. Administrative staff provided support to both streams. Whilst both streams were market tested, the commercial area was the only component, which was able to compete directly with private operators. It was these activities, which were then subject to on-going internal auditing to ensure it operated at no cost to the Council. The splitting of the team into these two streams was done to satisfy the requirements of the National Competition Policy requirements whereby if the component could be undertaken by a competitor, the Council had to be able to show that there was no cross subsidies occurring which would prevent a competitive environment.

The LAWA also allowed for team members to receive estimates and targets for the Unit’s operation and to suggest changes before these were adopted (LAWA Clause 10.3 1988). Apart from the basic functions they had to perform the Unit was able to set the amount and frequency targets that it had to achieve on a monthly basis. As it operated at no cost to the Council the commercial area’s main requirement was to report on the quantum of permit applications received and issued. However, they were able to set their own level of income they were able to receive per month. This allowed the team to market their services in the same manner as a private contractor. Likewise the unit as part of their tender submission for the statutory element was able to initiate a proactive enforcement program over and above the original tender requirements.

Normally semi-autonomous teams are introduced into work areas where there is a defined service or product as an outcome and the workers are interdependent in achieving the outcome (Van Der Zwaan 1999). However, the nature of the work in the unit required employees with different levels of recognised skills. Building surveyors, classified at Band 6, require the relevant degree, and building inspectors, classified at Band 5, a diploma. Administrative support staff are classified at Band 4. As a result, complete multi-skilling was not possible due to the skill gradient in the group.

When CCT was extended to the Building Control Unit the older members particularly, were resentful of losing job security and having to bid for jobs they considered they already did to an acceptable standard. Their access to overtime was also reduced with extension of the span of normal hours from 8 am to 5 pm, to 7 am to 7 pm. However, unlike employees in local government whose work was contracted out, they did not face reduced earnings or major reductions in employment conditions (Walsh 1995). The gain sharing was seen as providing an offset to loss of job security.

Given that the Unit's commercial operations were to operate at no cost to the council, its focus was on costs and not really on service to the ratepayers. Although the Unit reported to a General Manager in charge of their division, their identification as service unit under the CCT process led them to believe that they were a self managed group. Their focus was on the targets set in the contract, when they were successful in the bid. However, they could not function as independent contractors because they were required to use the council's IT services, financial systems, human resources and cars.

Development of the Team

Once the team was set up after the successful bid for the tender, a number of internal and external factors affected how the team functioned. There was only limited training of the staff members as to what is a team and how it functions. The unit was given a report format that they were required to complete each month and they developed their own quality procedures, which allowed them to ensure the unit had a consistency and clear process that was to be followed for the various functions they were required to perform. These processes were required to be monitored, improvements identified and amended on the system continuously. However, due to workload commitments the quality process was not resourced adequately to ensure this occurred.

As indicated previously, the combination of different skills and classifications put limits on the ability of team members to participate in all aspects of the teams work. The splitting of the functions of the team between statutory and commercial led to conflicts between what in effect became two teams within a team. Although it was possible to rotate staff due to some similarity in the work in the two areas, this was not done largely due to the initial splitting into streams for the tender process.

The general manager, who had oversight of the Unit, did not get involved in its internal affairs due, in part, to a heavy workload. As a result there were conflicts over resources with the statutory area losing out, despite the handling of complaints being a high priority for the council. A clash developed between the senior persons in the two areas with the commercial area's leader being the more dominant. Such conflict polarised the team members and had a distressing impact on the administrative support staff.

Such conflict points to the failure for either the manager outside the team or a designated member of the team to act in the role identified in the literature of being a coach and mentor to the team to ensure it developed as an effective team (Van Amelsvoort 2000). The structural situation the team found itself in as a result of CCT meant that they felt they could self manage as long as they met the service specification set out in the tender. Hence the allocation of resources and conflicts within the team were not resolved.

Problems within the team also developed with regard to sharing of roles. An example of this was when the statutory unit lost a staff member and rather than share the inspection resources between the two units the inspectors refused to perform statutory functions. This meant that due to industry shortages the Council was unable to employ a suitable person for a considerable period. This meant the Unit's response times for dealing with complaints were extended and the commercial unit was able to continue with no impact on the service being provided and the income being received.

In some cases staff, with more rewarding work, were unwilling to let other members who were qualified to do these functions to share them. They even refused to let other staff do these roles when they were on leave, preferring to see the job done by contractors rather than let other team members do it on a temporary basis. Such

demarcation of tasks and job ownership is not uncommon in experiments with semi-autonomous teams in unionised workplaces in manufacturing (Belanger & Dumas 1998). No effective means to overcome this traditional job role ownership was attempted by management external to the team given the context and attitudes created by CCT.

Another factor affecting their performance as a team was that the workload agreed to in the tender became incorrect due to changes in the housing market. The twelve-month period leading to the introduction of the GST maintained building activity at a high level. The team decided not to put on extra staff to cope with the pressures but to work longer hours to maximise their share of the money from gainsharing.

Monthly financial performance reports were also provided to the unit, which enabled them to track how they were doing against the performance measures in their contract. This enhanced the focus on financial performance.

This extra work, combined with a desire to maximise their earnings from gainsharing, resulted in the staff coming in at 7 am and leaving at 5 to 6 pm. Inspectors were going to a job in the late afternoon and working until they were finished. Sick leave became minimal, staff deferred leave and some, by not claiming overtime, enlarged the profit of the group. Administrative staff also worked long hours to support the activities of the group.

The group became very performance oriented and had internalised to an extreme extent aspects of organisational goals. Employee burnout resulted from the sustained pressure of working 60+ hour weeks. The one area where service was not affected was the commercial permit area. This unit was so focussed on maximising profit that the team members undertook an excessive amount of overtime. Whilst the unit was performing under the tender arrangements the turn around time and the number of permits issued was consistently better than their competitors. Once the Council ceased the gainsharing, as part of a new enterprise agreement, the extent of the workload was reduced to a more sustainable level.

Discussion

This case study provides a micro level focus on the impact of CCT at workplace level. This is of value in that it highlights the complex nature of the outcomes from CCT beyond what is available in more macro analyses like that of Ernst Glanville and Murfitt (1997). The service examined also largely differs from a lot of public sector service provision in that a monetary value could be put on the output. The surveying and inspection services had direct competitors in the private sector and could use them as a benchmark in fee setting.

It is important to recognise also that CCT occurred in the context of a range of changes to Australian organisations in the 1990s (Rimmer, Macneil, Chenhall, Langfield-Smith & Watts 1995). The source of such changes was not unitary with regard to values and intellectual traditions. An example of this is the introduction of work teams where two clear streams can be identified, lean production teams and semi-autonomous teams (Turner & Auer 1996). Lean teams are associated with continuous improvement, standardised work and team leader control and originate from the Japanese manufacturing sector. In the service sector these ideas have been associated with Total Quality Management (TQM) (Walsh 1995). Semi-autonomous teams or human centred teams are associated with worker participation in northern Europe (Turner & Auer 1996).

In the case of the Building Control Unit it is apparent that both the concepts of semi-autonomous operation and continuous improvement were mixed in together. The work of inspecting and surveying required a level of skill that made work standardisation, associated with lean teams, impossible. It was, however, possible to establish and refine procedures in line with continuous improvement. Importantly members of the team saw themselves as being almost totally independent of the council. In this respect CCT, ironically, created the structural organizational circumstances for a high level of team autonomy, which contrasted with the limited autonomy of semi-autonomous teams.

Gainsharing is an American concept, predating TQM, which in Australia in the 1970s and 1980s was embedded in worker participation in manufacturing (Mathews 1994). It has obvious parallels with continuous improvement in that groups of employees are encouraged to improve work methods and reduce waste. Work in such groups is not standardised as in lean teams and management and the work force share the cost savings from improvements. In the case of the Building Control Unit a formula was agreed between the employees and council for sharing profits (money from fees left over after deducting costs). However, due to the pressure to

complete as much work as possible, no attention was directed to improving work methods and cost reduction. Hence, gains were created by employees working longer hours rather than working more efficiently as would be expected under normal gainsharing. Given the stress from both longer hours and more intensive work, the union really did not do its members a service in agreeing to this arrangement.

Another feature of the situation is that aspects of the old industrial relations culture continued with employees still being classified under the local government award, which strictly demarked the work of the unit into different bands. This factor, combined with the different level of qualifications required for surveying and inspection, limited the possibilities of multi-skilling and sharing of decision making normally found in semi-autonomous teams work teams.

CCT also had a number of structural impacts on the development of the Building Control Unit as a team. It created a situation, which split the team in two. Only the commercial activities of the team were capable of being contestable. However, after the tendering process, the statutory services, which required similar skills and qualifications, were joined with the team. Given these services did not generate income, tensions occurred between the two areas, which would not have happened without CCT.

The purchaser /provider model inherent in CCT also had a negative impact on team development. The manager with oversight of the team did not have the capacity, as purchaser, to intervene and assist the Building Control Unit to become an effective team. Normally such a manager, as co-ordinator outside a team, has a key role in the early stages of team development to help team members develop the capacity to manage themselves (Van Amelsvoort 2000).

As a result the team developed in a dysfunctional way so that the maximising of gainsharing led it to become inwardly looking and team members were subject to peer pressure to perform.

Conclusion

The attempt under CCT to set up a semi-autonomous work team involving gain sharing failed, because of the operation of a number of factors, some as a result of mixing of different intellectual traditions of teams and others structural ones inherent in the situation.

In the case of the building control unit these different concepts interacted in a way to create a situation, which led to a dysfunctional team. The CCT process was interpreted by the Unit to mean that it was self-managing in its operations. As a result it mainly focussed on commercial permits to the exclusion of ratepayer interests in the statutory area. As a group it became inwardly focussed and conflictual, which Van Der Zwaan and Mollemann (1998) amongst others have identified as a possible failing of self managed teams without effective leadership.

The pressure to reduce costs and meet targets was amplified in the Unit's operations by the incorporation of gainsharing into the Local Area Work Agreement. Gainsharing is normally defined as sharing of the cost savings of productivity improvements generated by teams of employees. Effective gainsharing is also normally part of a strategy to involve employees (Levine & Tyson 1990). However, in this case the LAWA created a context in which what was referred to as gainsharing was really an extension of the hours of work. This behaviour reflects to some extent that of the overtime culture which has historically been endemic in areas of Australian manufacturing (Rimmer & Underhill 1992). Such excessive levels of work are associated with fatigue and inability to recover from fatigue leading to high levels of stress and burnout. The emphasis on cost reduction and control targets inherent in CCT no doubt contributed to an environment where excessive work levels became the norm.

Gainsharing also interacted with the team mentality, which exerted peer pressure to maximise earnings. In this respect the culture developed by the Unit resembles that analysed by Barker (1993) of a self-managing team, which internalised the customer service and quality goals of management to an excessive degree. This occurred to the extent that members of the team were driven by peer pressure to excessive levels of performance resulting in burnout.

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