



## Symposium GRH

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Presented by

**FAB 3R**

Human resource management  
case




## FAB 3R

### The company

FAB 3R is a company located in Trois-Rivières, Quebec. It is one of the largest North American manufacturers specializing in the machining, fabrication and mechanical assembly of heavy equipment and large industrial components. In 1889, Canada Iron Foundry poured the first cast in Trois-Rivières. The mechanical division, precursor to FAB 3R, was added in 1908 to support the activities of the foundry that was then in service. In 1970, it became Canron, and the company marketed its own line of products for the pulp and paper market. Plant operations focused on manufacturing pulp and paper equipment. Groupe Laperriere & Verreault (now GLV) acquired the shop in 1989 and changed its name to Fabron, which is still very active in the world of pulp and paper. The company became GL&V Fabrication in 1993 and diversified its product offering. In November 2013, three executives of GL&V Canada Inc.'s Fabrication division acquired the company's assets and created FAB 3R. Its mission is to provide its wide range of customers with a century of expertise in manufacturing and refurbishing large industrial equipment with the help of a strong, multidisciplinary and passionate team of highly experienced individuals. FAB 3R's vision is to deliver profitable projects that meet its customers' specific needs, in order to build a successful future. To carry out its mission, the company focuses on its characteristic internal values that are representative of its DNA: thoroughness, respect, commitment, teamwork and leadership.

### The employees

FAB 3R's has 140 regular, full-time employees whose average age is 47 and who are predominantly male. More specifically, there are 31 working in the clerical department, 7 in inspection, 41 in fabrication, 19 in mechanical, 16 in the factory and 26 in machining. A large percentage of those people, i.e., 102 employees, is represented by a union (United Steelworkers), whereas the other 38 employees are



management. Staff in the fabrication, machining and mechanical departments are unionized, whereas those in the engineering and inspection departments are not. There are mainly three types of jobs at the company. The first is machining, which requires precision skills. The second is fabrication (welding), which requires more flexibility. The third is mechanical. All three types of jobs are unionized. Over the past year, many new hires were recruited in the fabrication department. Approximately 50% of the employees in that department are new (n=20).


### Working conditions

#### *Environment*

The work environment seems good, and employees seem satisfied. A recent survey conducted with employees to assess their sense of belonging revealed that co-worker relationships are an important source of satisfaction for employees. An overwhelming majority of employees hold the same values as their employer, are committed to its mission and share its vision. However, employees on the machining team, the evening shift and, to a lesser extent, the fabrication team were dissatisfied with the level of recognition of work. FAB 3R underwent a reorganization three years ago to optimize operations. The reorganization may have created a climate of insecurity for non-unionized employees, since their numbers fell from 48 to 38. That being said, FAB 3R formed an employee activity committee last spring to develop its employees' sense of belonging.

#### *Schedule*

Unionized employees work a regular schedule (day: 8 a.m. to 4:30 p.m., or evening: 4:30 p.m. to 1 a.m.), from Monday to Friday. Most new employees work evenings because senior employees get to choose their preferred shift—and most senior employees choose the day shift, except in the fabrication department, where the senior employees generally choose the evening shift. There is less supervision




during the evening shift because it is mostly unionized employees who are at work. There is one supervisor and one inspector for the fabrication department, and one supervisor and one inspector for the machining department.

### *Work organization*

Most tasks are performed individually because the nature of the work lends itself to that kind of organization, particularly in the machining department. As for the fabrication and mechanical departments, there is sometimes teamwork when the size of the parts requires it. Given that it usually takes about three months to become functional at a workstation, employees do not rotate jobs. They always occupy the same workstation and perform the same tasks. Without any flexible manufacturing cells, employees become experts at a particular task at the expense of versatility. FAB 3R executives think it is better to keep employees in their comfort zone, since most of them seem to be reluctant to change. Each supervisor supervises 15 to 20 employees.

### *Pay*

FAB 3R offers highly competitive wages. The company is leading the market in terms of its unionized employees' overall compensation plan. All employees have access to group insurance, a group registered retirement savings plan (RRSP), a Fonds de solidarité FTQ plan, an employee assistance program (EAP), a program that recognizes services as of 10 years and every five years thereafter, a watch at retirement, etc. There are also many continuous improvement projects in which employees' names are drawn to win gift certificates of their choosing. However, the union tends to oppose this type of reward. Unions generally oppose it in the interest of fairness and promoting aspects other than performance. The purpose is to favour aspects that are deemed more objective and that better protect organizational justice. Profit-sharing plans, for their part, did not prove useful because employees



have no control over the company's profits, which depend on several factors other than their performance.


As for the salary structure, unionized employees are not paid according to a salary range. Instead, they receive an agreed upon set salary that is adjusted on June 1 every year according to the collective agreement. Overtime is paid at time and a half after the regular eight hours of work and at double time after 10 hours of overtime per week. Most employees are therefore open to working overtime. For FAB 3R, overtime is a way to adjust its production capacity based on variable needs. The department that works the most overtime is fabrication (see APPENDIX D).

### *Training*

FAB 3R implemented an Emploi-Québec learning in the workplace program. The program aims to develop the workforce's skills through a buddy system. Experienced staff members share their knowledge with those who are less experienced. Many people are involved in training related to the program, including a person who works on the floor, a union representative, someone from HR and a supervisor. Training needs are determined by a training committee. The company also relies on external resources to provide a variety of training courses. Every year, FAB 3R far exceeds the 1% portion of the budget for training.

### *Communications*

FAB 3R management takes the time to meet with all employees quarterly to provide information on major strategic directions, performance statistics and upcoming slack periods and production contracts. Management notes that these information sessions are beneficial and reassuring for employees. For instance, employees are reassured that slack periods will be used to sharpen their skills through a variety of training courses. That way, they know they won't be laid off despite periodic slack periods. As concerns the dissemination of information, important messages are also displayed on a loop on a big screen in the canteen. Furthermore, reports from the



labour relations committee are presented to employees during quarterly meetings. Lastly, FAB 3R has a communication structure that increasingly focuses on strategic elements to ensure that employees share the company's values and mission.

### *Disciplinary measures*


FAB 3R issues very few official disciplinary notices. Most of the time, supervisors meet with employees one-on-one to talk to them informally. These informal disciplinary meetings relate primarily to the quality of work and various breaches of the company's code of conduct (work schedule, productivity, smoking in work areas, etc.).

### Performance indicators

The productivity index performance indicator (target: 100%) means that the number of hours estimated or billed to customers correspond to actual number of hours in terms of the time needed to produce the products. In other words, if the company puts in more hours than planned to produce a product, it finds itself in an underperformance situation. Such was the case for two of FAB 3R's departments – fabrication and machining—in the last quarter of this year (see APPENDIX A-1).

The product quality indicator is a target that corresponds to 2% of direct hours. For example, if there are 100,000 direct hours worked during a year, there must be no more than 2,000 non-quality hours. This target has never been met and is closer to 3 or 4% annually, which represents enormous costs for FAB 3R. Quality issues are not found in specific departments because it is difficult to find the source of non-quality. The rate is rather general (see APPENDIX B).

There is a third performance indicator that relates to accidents at work. FAB 3R does very well in this regard, with a total of two claims involving income replacement indemnity (IRI) payments with loss of time thus far in 2018. FAB 3R is performing



well in every aspect of this area, whether in terms of number of accidents, number of days lost, frequency rate, severity index or severity rate. At this rate, the company will easily reach its targets by the end of the year (see APPENDIX C).

The last performance indicator is the turnover rate, which is approximately 10% for non-unionized employees and nearly zero for unionized employees. Exit interviews indicate that the main reason is the desire to take on new challenges.

### The problem

The main problem that FAB 3R executives have observed concerns the level or productivity (productivity index) of unionized employees in the fabrication and machining departments. The fabrication department is in charge of the initial stages of product production. The mechanical department, which intervenes at the end of the production process, met projected work hours during the last quarter of this year. Pressure to deliver is not as high at the beginning of the production process. Executives also believe that the evening shift is less productive seeing as there is little supervision and access to technical resources.

Executives have noticed that employees tend to chat with each other while they work, which affects their performance. Furthermore, even though cellphone use is prohibited, executives suspect that it may be a distraction. Careless mistakes could also be a reason for underperformance. These mistakes may be due to the fact that work plans are to read and lack of experience, seeing as FAB 3R rarely produces the same product twice. Products are usually custom-made *for each customer*. Executives have also noticed that the pace of work seems to slow especially during slack periods. Employees might be afraid of being laid off during these periods.

Although the company already has many features that ensure strong performance from its employees, underperformance is an issue for certain indicators.



### Your mission

Your primary mission is to manage FAB 3R employee performance. The main significant performance indicators for FAB 3R are the productivity index and the quality of the products delivered.

**How will you help FAB 3R reach its targets on these two performance indicators?**

**What might be the main causes for underperformance? Why do those at the head of the production line (fabrication and machining) perform less efficiently?**

FAB 3R executives are ready for your input!

1. What solutions will you offer FAB 3R to improve performance with respect to the productivity index?
2. Which solutions will you offer with respect to better reaching the target for the quality of the products delivered?
3. What strategy would you employ to optimize FAB 3R performance management?

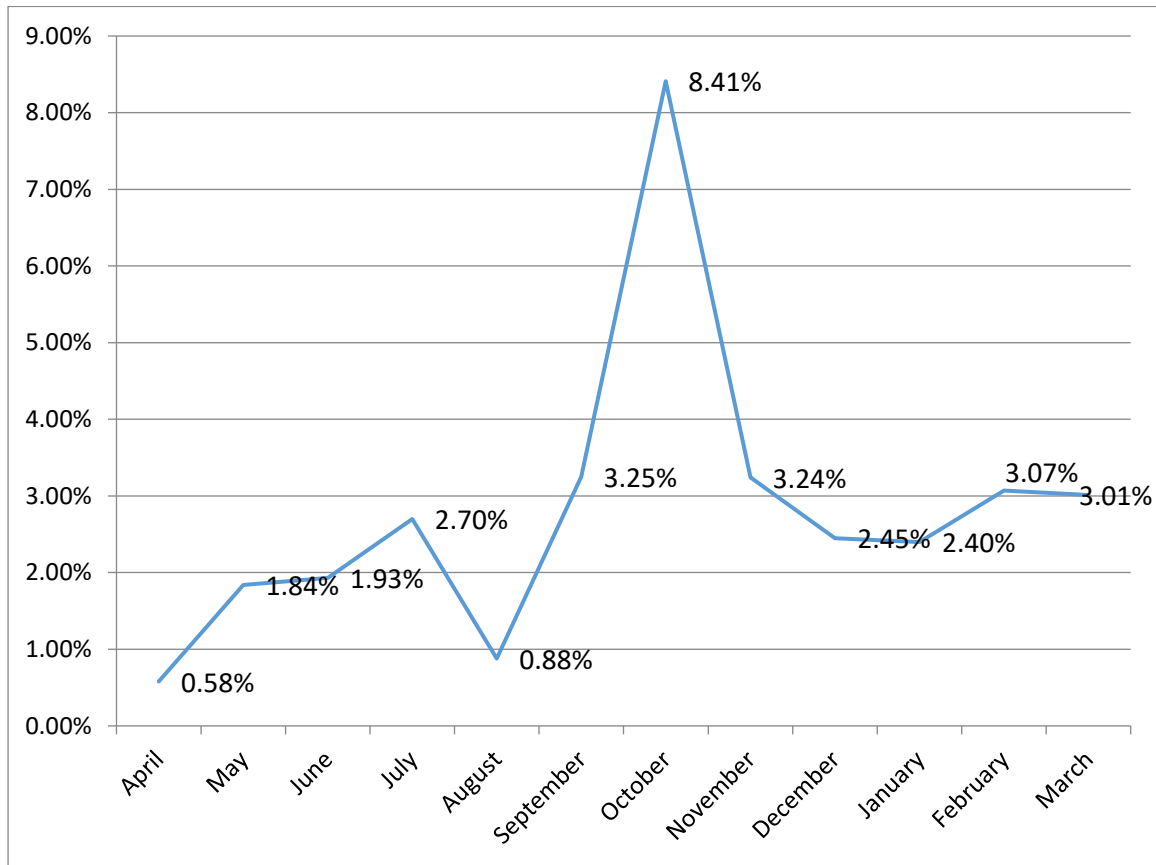
## APPENDIX A-1 – PRODUCTIVITY INDEX FOR THE LAST QUARTER OF THIS YEAR

|                                | HOURS     |        | CURRENT (the first<br>quarter of this year) |
|--------------------------------|-----------|--------|---|
|                                | Projected | Actual | Ratio                                       |
|                                |           |        |   |
| FABRICATION<br>(Unionized)     | 15,565    | 20,409 | 131.1%                                      |
| MACHINING<br>(Unionized)       | 9,889     | 10,903 | 110.3%                                      |
| MECHANICAL<br>(Unionized)      | 5,829     | 4,265  | 73.2%                                       |
| ENGINEERING<br>(Non-unionized) | 586       | 576    | 98.3%                                       |
| INSPECTION<br>(Non-unionized)  | 2,653     | 2,681  | 101.1%                                      |

## APPENDIX A-2 – PRODUCTIVITY INDEX BY QUARTER FOR 2017 AND 2018

|                                | 2018-4 | 2018-3 | 2018-2 | 2018-1 | 2017-4 | 2017-3 | 2017-2 | 2017-1 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| FABRICATION<br>(Unionized)     | 128.5% | 134.5% | 128.1% | 126.1% | 132.6% | 139.5% | 121.3% | 116.1% |
| MACHINING<br>(Unionized)       | 129.0% | 124.7% | 106.7% | 112.6% | 112.7% | 114.2% | 112.5% | 115.5% |
| MECHANICAL<br>(Unionized)      | 117.4% | 115.5% | 111.0% | 111.7% | 97.1%  | 102.4% | 91.2%  | 90.9%  |
| ENGINEERING<br>(Non-unionized) | 128.4% | 126.3% | 135.1% | 149.2% | 111.6% | 110.6% | 108.3% | 104.4% |
| INSPECTION<br>(Non-unionized)  | 99.7%  | 96.6%  | 96.4%  | 103.6% | 119.5% | 122.0% | 90.9%  | 83.3%  |

## APPENDIX B – PRODUCT QUALITY INDICATOR



## APPENDIX C

| 2018              | Hours<br>Worked | No. of<br>Accidents<br>(Lost<br>Time) | Days<br>Lost | Frequency<br>Rate (Lost<br>Time) | Severity<br>Index | Severity<br>Rate |
|-------------------|-----------------|---------------------------------------|--------------|----------------------------------|-------------------|------------------|
| January           | 20,679.46       | 0                                     | 0.00         | 9.67                             | 13                | 0.00             |
| February          | 22,826.93       | 0                                     | 0.00         | 0.00                             | 0.00              | 0.00             |
| March             | 24,607.65       | 0                                     | 0.00         | 8.13                             | 0.00              | 0.00             |
| April             | 22,556.31       | 1                                     | 27           | 26.6                             | 0.00              | 239.40           |
| May               | 21,114.01       | 0                                     | 31           | 28.42                            | 0.00              | 293.64           |
| June              | 24,476.12       | 1                                     | 27           | 32.68                            | 0.00              | 220.62           |
| July              | 14,105.49       | 0                                     | 31           | 0.00                             | 0.00              | 439.55           |
| August            |                 |                                       |              |                                  |                   |                  |
| September         |                 |                                       |              |                                  |                   |                  |
| October           |                 |                                       |              |                                  |                   |                  |
| November          |                 |                                       |              |                                  |                   |                  |
| December          |                 |                                       |              |                                  |                   |                  |
| <b>2018 total</b> | <b>150,366</b>  | <b>2</b>                              | <b>116</b>   | <b>2.66</b>                      | <b>58.00</b>      | <b>154.29</b>    |
| <b>Targets</b>    |                 | <b>4</b>                              | <b>600</b>   | <b>4</b>                         | <b>70</b>         | <b>500</b>       |

## APPENDIX D – OVERTIME (%) BY DEPARTMENT AND QUARTER

|                            | 2019-1 | 2018-4 | 2018-3 | 2018-2 | 2018-1 | 2017-4 | 2017-3 | 2017-2 | 2017-1 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| FABRICATION<br>(Unionized) | 10.6%  | 14.5%  | 20.1%  | 18.8%  | 11.3%  | 13.8%  | 7.8%   | 15.8%  | 17.0%  |
| MACHINING<br>(Unionized)   | 9.8%   | 10.1%  | 14.3%  | 18.1%  | 5.1%   | 9.0%   | 8.3%   | 3.2%   | 6.2%   |
| MECHANICAL<br>(Unionized)  | 10.4%  | 15.3%  | 22.1%  | 10.8%  | 9.9%   | 17.7%  | 8.6%   | 13.4%  | 17.1%  |