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Comalco's "*Crossing of the Rubicon*"



Rubicon, (Roo Buh Kahn) is a stream near Rimini, Italy, that Julius Caesar made famous when he was Governor of Gaul. The Rubicon was part of the boundary between Roman Italy and the Roman Province of Cisalpine Gaul (the Po Valley). Caesar and other Roman governors were forbidden to cross the boundary with troops. Caesar was commanding troops in Gaul when the Roman Senate, fearing his power, ordered him to give up his command. Caesar refused and led his men across the Rubicon on Jan 10, 49 B.C. This action symbolised the start of Caesar's drive for the leadership of Rome. The expression 'to cross the Rubicon' means to make a decision that cannot be changed.

(World Book 1986:Q-R 471)

Introduction

As we stride confidently and purposively into the 21st Century with our conference theme of ***“Executive Leadership: Principles and Practices for sustained Effectiveness”*** it is timely to reflect on the ‘Executive Leadership’ that was displayed by Comalco senior staff back in January 1994 at a little known remote bauxite mine on the western side of Cape York Peninsula which Australians soon associated with the name ‘Weipa’. *“We won’t be beaten, we can’t be beaten. For us to be beaten, is for the Union Movement to lose its heart, its soul and its purpose* (Kelty November 13, 1995). The fallout from Weipa is haunting the Union movement to this day, while Comalco, firstly as part of CRA and more recently Rio Tinto as a dual listed company in Australia and the United Kingdom gets on with its core business of running the largest global mining house in the world.

My contention - based on what has transpired at Weipa over the past 22 years - to delegates attending this, the 2nd ROII International Conference, is that: *‘SST combined with a fully staffed workforce is a viable, long term structural and employment option.* This structure based on SST has stood the test of time and exceed by a factor of three the timeframe Jaques puts on lasting change to bed down - seven years.

Weipa was a site operated at General Manager level. The GM role at this remote minesite was always a large one with the incumbents after their 4 year stint usually being capable of higher work in their next posting. By that, I mean they usually moved on from Weipa into a Stratum V role.

The context

CRA had a carefully developed and emerging strategy that was a consequence of a vision promulgated by the Chairman of CRA in 1979 and grounded in solid OB theory from day one. Although 1979 is the date most commonly used as the start point, in reality the process had began on a trial basis a number of years previously. In partnership with Professor Jaques and his seminal publication - *A General Theory of Bureaucracy* 1976 - the principles were enacted to build the foundations (SST) that the vision would sit on. As Lewin 1952, (quoted in Ford, Hearn & Lansbury, 1990) commented *‘There is nothing quite as practical as a good theory’.*

From its gestation period in the mind of Sir Roderick Carnegie during the late 1970s, (Hilmer & Donaldson 1996:xi; Kohler 1995:43; Macdonald 1998; Mackinnon 1996:289; Stewart 1995:163; Thorne 1997:1) through to the present day, where in excess of 99% of employees - all but five individuals - have transferred over to the staff system of employment at the Weipa mine site. The concept of staff employment and minimising the effects of a third party - be it the union[s] or the Commission - was a philosophy dating back to the days when Sir Roderick Carnegie was at the helm of CRA. During the latter part of 1979 he initiated a raft of studies centred around ‘corporate needs

for the next 20 years' that identified the necessity to develop common goals which aligned company and employee objectives with those of CRA. (Gorman 1996; Kohler (1995:43; Ludeke 1996: iv).

Comalco/CRA's journey towards staff employment was underpinned by research carried out by Professor Elliott Jaques from Brunel University in the United Kingdom, Jaques analysed the linkage surrounding individual capability, work roles and organisation structure (SST) over an extended period of time (which Jaques always referred to as the '*seven years test*'). Jaques applied this seven year test - developed and refined from his days at Glacier Metals - as the benchmark for any lasting change to be bedded in and become the norm in an organisation. (Jaques, 1976: viii).

This long "journey" towards staff employment that Comalco/CRA embarked on is not about de-unionising a workforce or union bashing '*...some people believe we are opposed to Unionism. This is not so*' (Davis.1998; 5). It was not an 'Accident' (Johnson. 1996). It was not, an experiment, as Maitland, (1996: vi) postulated in his foreword to the CFMEU publication (Construction, Forestry, Mining, and Energy Union) on the Weipa dispute.

'...CRA operations have become the Laboratories in which these controversial experiments are conducted. Most of the individuals who have fallen for the company's three card trick and switched to individual contracts, are unaware that they are being used as industrial guinea pigs'

Attempting to put in place the conditions necessary for staff relationships is not "anti-union" any more than a community health program is "anti-doctor" or trying to create a crime free area is "anti-police" (Macdonald 1997).

Dunlop (1993:20) in the revised edition of his 1958 seminal publication talks about how 'collective bargaining has always been a minority feature of the US industrial relations system; non-union managements have always been the much larger segment'. A non-union firm could be considered the norm in the US industrial relations system while in Australia they were definitely in the minority in larger firms – mining or otherwise, see also Katz (1993: 3)

The History

Sir Roderick believed that in order for this 'new direction' to be accomplished, the company also needed to shake of the shackles of what was perceived to be 'obstructive unions'. Kochan, Katz, and McKersie (1986:55) talk about 'Management Values Towards Unions' and go on to discuss '*...the deep seated opposition to unions embedded in the ideology of American management and the culture of many American firms...*' Although on different continents – USA and Australia - both views are

not dissimilar at the senior level of their respective companies (Ballot 1996:10; McLoughlin & Gourlay 1994:23-26; Troy 1995:132;).

A thirteen (13) week strike during 1979 at the Hamersley Iron operations – a subsidiary of CRA - located in the remote Pilbara region of Western Australia, was the catalyst that finally convinced the Chairman of CRA, Sir Roderick Carnegie, that there had to be a better model for Industrial Relations than the current adversarial model that had become the norm in the mining industry (Grimmond 1993:4; Palmer 1997:1).

In 1979 when technology was still king and some years before it was fashionable to acknowledge the criticality of people to an organisation's success, the Chairman of CRA recognised the unacceptable internal tension that was limiting CRA's potential to extract full value from its mineral resources. During 1979 more than one (1) million man-hours were lost in industrial action at CRA's subsidiary Hamersley Iron and customers were coming to regard us and our industry generally, as unreliable suppliers. We couldn't blame the trade unions for all of this. The imperative for change was obvious but the deficiencies could not be remedied overnight. Our long march began by deliberate design in 1979/80. Thorne (1997: 1)

The fundamentals, or real story, refer to an intensive 17 year effort by CRA to build competitive advantage from its people. It is important to realise this. What you see now in the public arena reflects 17 years of intensive effort, it is no spontaneous revolution. The story began in 1979' Johnson (1996: 1)

At this early stage in the company's life cycle, CRA/Comalco didn't have the Business Unit Structure and Systems in place including the CRA OD System, based on the McKinsey 7s Model and quoted in Swain (1995:106). This preparatory work was required to enable implementation of the strategic direction that Sir Roderick Carnegie committed CRA and its subsidiary companies to in an internal memo. Butlin (1995: 2)

CRA's competitiveness internationally and domestically will be assured if we organise and manage in a way that encourages and allows each person in the group to give of his or her best. For our organisation to do this, first, each of our jobs must be clearly defined and have adequate scope and authority to allow every one who works in the CRA group to make a real contribution to the group's performance, and second, everyone should feel and be held to be, individually responsible for carrying out their own jobs well.

November 1981

However this 'Strategic Choice,' (ACIRRT 1991:107; Bray, et al 2000:45; Jenkins Lansbury & Wescott 1991:106; Kleiner 1994:137-160; Kochan, Katz & McKersie 1984:3-20; Legge 1995:96-138; Mickannon 1996:287; Mickannon 1997:55; Wright, 1995:131) that was promulgated to the

organisation in the latter part of 1981 has been an objective that the company has steadfastly and determinedly worked towards Johnson (1995:1). The efforts of the company over an extended period of time now appear to be bearing fruit in mining and smelting operations as diverse as Hamersley Iron in WA, Peak Gold in NSW, Bell Bay in Tasmania and Boyne Island in Queensland. Before the escalation of the current dispute, Weipa was included in this group, (Industrial Relations and Management Newsletter 1995:7). Interestingly, Barbash and Meltz (1997:153) caution about ‘...attempting to establish a direct relationship between changes in the strategic position of a company and the redesign of its industrial relations...’ Their view would appear on the surface to be that one does not necessarily follow on to the other.

Hilmer and Donaldson (1996: ix) in *Management Redeemed: ‘Debunking the fads that undermine corporate performance’* ponder the question at the beginning of their book, why some companies ‘survive and prosper’

Firms such as General Electric, Motorola and Proctor & Gamble in the United States and CRA in Australia are consistently pursuing a few simple themes that fit the way they need to be managed in their particular competitive situations. And they stick with these themes for long periods for CRA the Australian Mining leader, the development of a unique organisational structure and management processes that drive continuous improvement in often remote and diverse locations has been under way since the late 1970’s.

CRA/Comalco wanted to benchmark their Weipa workforce and other operations around Australia against an internationally competitive model of labour employment that was relevant in a deregulated global minerals market environment, while the union movement, through the ACTU wanted to retain the closed shop and the centralised/collective bargaining [adversarial] model which, in their opinion and the view of their members has served Australian workers well for the last 100 years. Nankervis, Crompton and McCarthy (1996) make the point that the ‘development of unions was to increase by collective action the bargaining ability of employees against the greater power of the employers’. In reality CRA/Comalco was looking towards the twenty-first century for an employee relations model for their workforce, while the union movement was looking to the nineteenth century for an industrial relations model that would continue to enshrine the role of the union movement as a buffer between employees and the employer. In effect, this was the so called third party that Sir Roderick Carnegie referred to almost twenty years ago when in 1979 he ‘commenced a journey’ Angwin (1998: 3).

The Theory

This ‘Strategic Choice’ was underpinned by research carried out by Professor Elliott Jaques. Professor Jaques was a founding member of the Tavistock Institute in 1946 where he was ‘totally engrossed in group dynamics’ Jaques (1998:1). Jaques then moved on to Brunel University in the

UK and became Director of the Brunel Institute of Organisation and Social Studies (BIOSS). Jaques' work analysed the links between individual capability, work roles and organisation structure over an extended period of time (which Jaques always referred to as the 'seven years test').

I have come to apply what I think of as the seven year test: That is to say, I have little confidence in the validity of any new development until it has been in force for seven years. I have seen – in various institutions – too many new methods tried, such as the introduction of piecework, or a job evaluation scheme, or of co-operative systems, or of group methods, for which claims are made on the basis of follow up studies carried out for months or perhaps a year or two. The consequential effects and difficulties associated with any one change or with any shortcomings in the change itself may not necessary begin to show for some years. They take time to work into the system.

(Jaques 1976: viii)

Jaques applied the seven year test - developed and refined from his days at Glacier Metals - as the benchmark for any lasting change to be bedded in and become the norm in an organisation. Jaques then moved on from BIOSS to develop his theories on 'Requisite Organisation' and 'Stratified Systems Theory' (SST) which has taken up most of the last decade and seen Jaques based in the US. Jaques most recent academic tenure has been as a Visiting Research Professor in Management Science at the George Washington University in Washington DC. Jaques conducted what he calls 'Major Studies' throughout the 1980's with both CRA in Australia and the US Army in the US. The CRA section of the study during most of the decade led to:

- Development of Organisational Design at **Higher Corporate Levels** (str V-VII) [Sociology]
- Development of **Talent Pool Analysis Process** [Psychology]
- **Personal Effectiveness Appraisal** [Economics]
- **Merit Compensation Recognition** [Economics]
- Clarified concepts of **Managerial Leadership** as **Individual Accountability** for use of Specified Practices [Psychology] and [Sociology]
- **Cross Functional Process Control** without unfocused cross-functional teams [Sociology]
- **Lateral Working Relationships** analysis completed [Sociology]

Cason Hall & Co Publishers (1998:4)

The Implementation

This occurred during the early to late 80s across the complete CRA/Comalco group - site by site. The amount of time taken and the resources used was by any standard significant. Comalco at Weipa was one of the earlier sites and the statistics look like this:

- Commenced in April 1984

- Completed in late 1985 (Brisbane office)
- The OD team leader was at General Manager level – stratum IV
- Assisted by two full time managers – stratum III level
- Part time people were moved through the project (from outside Weipa) on a part time basis of around four week blocks – again, tended to be stratum III level as part of their development
- Professor Jaques and Professor Gillian Stamp came to Weipa at the request of the site GM in early 1985
- Weipa had around 1500 employees at this time
- Approximately 20% of the workforce was interviewed as part of the process across the complete workforce profile
- The final outcome was a strategic Business Unit based on the SST at Stratum IV in Weipa with the main office function back in the capital city of Brisbane at Stratum V with Stratum IV support staff located there.



- The single biggest issue? This would have to be the role and place of ‘the supervisor’ in the new structure

The change to the IR legislation in New Zealand on the 15th May 1991 with the passing of the ‘Employment Contracts Act’ was the catalyst that facilitated the move to offer staff employment at the Comalco Smelter on the South Island at Tiwi Point. This change was described as ‘Employment relations in New Zealand underwent its most radical reform in almost one hundred years with the introduction of the Employment Contracts Act (ECA) 1991’. (Jones 2000:2)

A dispute in mid June 1992 in the CRA owned Pilbara Iron Ore mines of Western Australia over compulsory union membership for a maintenance fitter between CRA and the AMWU (to become known as the 'Beales' affair or the 'Independents', (Hughes 1998), and subsequently dubbed 'the most important dispute in the history of the Pilbara Iron Ore Mines' (Kohler 2001:21; Opinion 2001:66), was the turning point for the CRA mines in the Pilbara, and resulted eighteen months later in the first staff contracts being offered to employees on the first day of December 1993. This was followed by an offer of staff employment to employees at Weipa later in January 1994. The 'Long Journey' that started in 1979 was now complete, 14 years later with the words of Epictetus, the Greek Stoic Philosopher - AD 60-120 – ringing in our ears 'no great thing is created suddenly' McLeod (1996:4).

Hand in hand with 'the vision', the 'strategic choice' and the sound 'theory' underpinning the process, we must add one final ingredient – 'Leadership'. Time and time again as we follow this pilgrimage on its serpentine path we encounter conspicuous examples of strong, bold and decisive leadership from individuals at General Manager and Managing Director level. In stark contrast, leadership on the ground from the union side in the Weipa story was seen to be poor at its best, and lacking in most instances when needed – particularly from the AWU. In the case of the Managing Director of the Iron Ore division in the Pilbara during the so called 'Beales' dispute in June 1992 when the Iron Ore mines closed down for seven weeks. Despite tremendous pressure from a number of quarters to back down this MD held the line and by his actions set the scene for the offering of staff employment in the latter part of the following year - December 1 1993. There was an air of expectancy at the mine site among the employees that something was going to happen soon and the grassroots movement, or so called ground swell, had commenced. However, it was a close call and this period was described by people in the Pilbara during this moment in time as a very emotional period for all involved in this dispute

Conclusion

This paper has shown the linkages between the work that Jaques carried out with Carnegie in the late 70's and applied to CRA has stood the test of time - particularly through to stratum V.

SST has been in place for in excess of 20 years within the CRA/Comalco group of companies and has proven to be an enduring method of structuring Strategic Business Units, their support and service functions as well as the Head office unit. The staff who were seconded to the OD teams in the early 80's to bring about this change are now for the main part in senior positions both within the Rio Tinto mining group and large outside organisations – mining as well as others others.

Interestingly the banking sector is the other main user of SST in Australia and a number of senior CRA/Comalco staff have moved in this direction.

With the dual listing of the company into Rio Tinto based in the UK it is almost a complete circle back to where we were in the late 1970s. Whether the structure survives these new corporate changes is obviously food for a paper in a couple of years

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Interviews Undertaken

Comalco/CRA

External to Company

Existing staff pre December 1993		
• Award workers	Non staff	
• Supervisor	Stratum i	Union officials
• Superintendent	Stratum ii	University Staff
• Manager	Stratum iii	Weipa Businesses
• General Manager	Stratum iv	Consultants
• Managing Director	Stratum v	IR Specialists
• Group Executive	Stratum vi	Newspaper Columnists
• Chief Executive Officer	Stratum vii	
New staff post December 1993		
○ Operators		
○ Tradespersons		
Staff who left pre December 1993		
▪ Manager	Stratum iii	
▪ General Manager	Stratum iv	