

- [European Industrial Relations Dictionary](#)
- [EurWORK publications](#)
- [Working life country profiles](#)
- [Case studies](#)
 - [Attractive workplace for all](#)
 - [Ageing workforce](#)
 - [Workers with care responsibilities](#)
- [Database of wages, working time and collective disputes](#)
 - [Dispute resolution](#)
- [News](#)
- [Events](#)

The tripartite EU agency providing knowledge to assist in the development of better social, employment and work-related policies

You are here

- [Home](#)
- [Observatories](#)
- [EMCC](#)
- [ERM](#)
- [Restructuring in SMEs](#)
- [Manufacturing Company, Spain](#)

Manufacturing Company, Spain

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Manufacturing
- Country:
Spain
- Date:
21/11/2011
- Keywords:
Recession/Crisis

Abstract

This family-owned Spanish manufacturing company ran into trouble due to complete fall in demand during 2009. Temporary stoppages were agreed with the works council but when ten employees were dismissed unilaterally after negotiations failed, it resulted in a strike. The company has recovered through expansion overseas.

Organisational profile

The company was founded in 1943 in the city of Eibar, in a traditional industrialised area of the Gipuzkoa region (industry, especially metalworking such as the manufacture of machine tools, is the most important economic sector in the area)

The company began as a small family enterprise. Three associated members founded the company: two members from one family and the third member from another family. Nowadays, the company is still 100% owned by members of the two families, and there are members of these families among the six people on the management board.

The company produces machinery for the production and use of mechanical power (including internal combustion engines, steam, gas, wind and hydraulic turbines, pumps, compressors, taps, valves, bearings and transmission equipment) (NACE Rev2 28.1.).

In 2009–2010 the company also opened two new assembly plants in Brazil (Itupeva, São Paulo) and in China (Wujiang, Shanghai). These new plants are majority-owned by members of the two families, with a minority stake owned by domestic nationals, as required by the law of the destination countries.

The company employs approximately 85 employees at the headquarters in Eibar and a further 10 in China and 5 in Brazil. In Eibar, most

employees are men, especially in technical/production areas.

The company began to target the global marketplaces. In the 1980s, it started to sell abroad and opened its first international sales offices. The decision to open assembly plants abroad was taken in 2008-2009, as a consequence of the international economic crisis, which had really harmful consequences for the Spanish market.

Members from the management board said company income was relatively stable until 2008, when orders and sales decreased dramatically. The downward trend continued in 2009, but fortunately, from 2010 onwards, company results have steadily increased. Indeed, it is estimated that performance in 2011 is even better than expected.

Looking to the future, the company is working on ambitious projects in research and development, sales and service areas, in order to promote growth in national and international markets. Their plan is expected to lead to:

1. the launch of major product improvements.
2. reinforcement of technical and production capacities.
3. the expansion of sales and service network (especially spare parts and after-sales services)

They also plan to open a new research and development plant in Eibar, as well as a new assembly plant in India.

The Eibar factory has a works council of nine workers. These workers actively represent two trade unions: the Trade Union Confederation of Workers' Commissions ([CCOO](#)) and the Nationalist Workers' Committees ([LAB](#)), a Basque nationalist trade union. Unfortunately, the relationship between the management board and the works council is very delicate, with the parties taking up quite different positions/opinions. Managers suggest the works council is not representing employee needs/requirements adequately.

Background to restructuring event

During 2008, the company was badly hit by the international economic crisis. The workload progressively decreased, and in March 2009, there were no more work orders to keep the company working. The situation was really dramatic and as a consequence, an internal restructuring plan had to be applied.

Following Spanish labour legislation, the management board presented a plan to adjust employment levels. This 'ERE' (*Expediente de Regulación de Empleo*) can be of three types:

1. collective dismissals;
2. suspension of working contracts for a specific period;
3. short-time working arrangements.

In this particular case, after a tough negotiations, the works council and the management board finally agreed on the second option; temporary adjustment of employment (which, following the administrative processes, was subsequently approved by the Labour Authority). This temporary suspension plan lasted from April to October 2009.

However as the economic situation did not improve, the management board decided to present a new employment adjustment plan. This was again primarily for temporary suspension, but it also included 15 redundancies. In September 2009, talks between social partners started. After four months of negotiations, there was a renewed agreement on temporary suspensions, but the works council would not accept any dismissals.

It was not possible, therefore, for the management board and works council to reach a consensus. Because an agreement was not signed, the company was unable to present a plan for the 15 dismissals under ERE procedures, so the process was not supported by the public authority. However, extending the temporary suspensions was agreed and approved, and therefore applied.

Although there was no agreement with workers' representatives concerning dismissals, in January 2010 ten workers were dismissed (five fewer than the initial proposal). This decision was taken unilaterally by the management board, and was not approved under ERE, so the company had to bear all of the costs and consequences. These included a 32-day strike by the employees.

In the meantime, the company envisaged a business expansion process, consisting mainly of internationalisation in China and Brazil. The main reason for this was to increase sales by promoting international markets, given the stagnation of the Spanish market. The firm's very active strategy in the international domain contributed to its survival and its capacity to compete internationally (in line with the organisational effects derived from internationalisation activities identified in the Spanish National Report).

Restructuring processes

The company decided to apply an internal reorganisation process and to search for more clients in global markets because of the economic crisis and the narrowness of the Spanish market.

The internal restructuring was very traumatic. The company management were determined to overcome a very difficult economic situation

(especially during 2009). However, given the delicate situation of the company and its huge losses, reaching a consensus with the works council was not easy at all.

The first temporary suspensions, approved in April 2009, and lasting six months, affected most of the workers in Eibar. More precisely, each day, 50 employees had to stay at home. Following Spanish legislation, the suspended employees received the equivalent proportional part of their unemployment benefit from public funds (in order to compensate for lower salaries for working fewer hours). This temporary suspension plan lasted for approximately six months (until October 2009).

Even under the employment adjustment plan (temporary suspension), monthly salaries were kept at the same level (including the public unemployment benefit). In this respect, the collective agreement for the metal sector was thoroughly followed, and, as legally established, salaries increased in line with the consumer price index. Working hours were reduced as agreed between managers and workers' representatives. This agreement was approved by the Labour Authority. As this time-reduction was officially approved, there was no way the company could modify it.

However, the termination of 10 contracts in October 2009 was not agreed to by workers. It led to a 32-day strike (from January to February 2010) and seriously undermined, and still affects the relationship between both sides..

After the strike, employees went back to their jobs, and as can be expected, the work environment was very tense. However, this dissipated gradually, thanks to efforts made by managers and workers' representatives to create a better environment, for example through 'informal conversations'. Moreover, fortunately, business activity began to recover. Some workers still feel the tension, even if it can be said that 'social peace' and 'normal business activity' were reached several months ago. This is interesting since it shows that although the Spanish National Report and the 'El Leon' case study seem to support the idea that SMEs have a better working atmosphere, this is not a general rule for all SMEs. Sometimes this positive environment may quickly erode if the economic situation worsens.

On the other hand, in their efforts to find a solution for the lack of orders in 2009, the management board felt they had no choice but to opt for expansion into international markets outside their traditional customer base in Spain and Latin America.

At the beginning of 2009, some members of the management board went to research business opportunities in countries including China, Brazil, USA, and France. They concluded that the best option would be to open two new assembly plants in China and Brazil, because of the large potential demand and great opportunities to find new clients in those areas. They felt that manufacturing complete products in the Eibar factory was not really competitive: a real presence in those countries was required. By the summer of 2009, the two projects were launched.

Challenges and constraints of restructuring

The main difficulty for managers in restructuring was reaching an agreement with workers. According to the managers interviewed, they tried to build consensus with workers' representatives, in order to make the restructuring process as smooth as possible, but feel disappointed with the works council. The management board considers that workers' representatives incorrectly defined the internationalisation process as a 'delocalisation process', especially during negotiations for the second employment adjustment plan. They feel workers' representatives tried to undermine the social image of the company, as a consequence of the temporary suspensions of working contracts and the dismissals.

Nonetheless, it seems that workers' representatives now recognise that, to a certain extent, the current workload in the Eibar factory exists thanks to the internationalisation process, the subsequent enlargement of its customer base and the increase in sales. All of the company's compressors are machined and assembled at Eibar; Brazil and China are only assembly plants.

The problems and challenges experienced were typical of any company opening a plant in Brazil or China. Barriers included understanding tax and duty policies, and cultural differences. To overcome initial problems, they contracted a local consultancy firm to obtain all of the required information and support regarding the issues such as local/regional business culture, legal issues, accounting and tax. They also drew up solid agreements with well-recognised local agents and distributors.

To staff the new foreign plants, the company hired local workers, which caused many cultural/social problems. They thought it would be good to have local intermediate managers running the subsidiaries, in charge of the local workforce, mainly because they provide the necessary knowledge of the local business culture and market, and are in a better position to drive the business forward. Moreover, apart from hiring local workers, it was necessary to send two or three expatriated workers from Spain for one to five years in order to control the development of the new plant, supervise business operations and configure the human resource structure.

As a whole, during internationalisation processes, it is common to find problems with expatriate workers as well as with local workers, especially due to culture shock and misunderstandings. Indeed, opening a new plant abroad leads to lots of problems, but little by little, these problems can be solved.

Restructuring advice and support

Managers have received good support from Spanish public authorities. The administrative process for the plan to adjust employment levels went smoothly, and outcomes such as the wage compensation arose as expected. Moreover, the company said it received financial and non-financial support for internationalisation from the [Regional Government of Gipuzkoa](#), the Basque Government through [SPRI](#) (Basque Society for

Competitive Transformation), and from the Spanish Government through [ICEX](#) (Spanish Institute of Foreign Trade). The company is satisfied with all of the support received, and considers that Spain has good public measures to promote internationalisation.

The company also asked a private firm to advise them with regard to their internationalisation strategy and to write a number of market research reports. They also contracted local consultancy firms in China and Brazil in order to get general information and support about issues such as business culture, legal points, accounting and tax in the destination markets.

The company is also seeking public financial support for their plans to invest in a new research and development plant in Eibar.

Outcomes of restructuring

According to the managers, restructuring has led the company to be much more competitive and to enlarge its presence in global markets.

During 2011, company results improved. More workers have been hired, so employment levels have fully recovered. The ten dismissals which took place in January 2010 have already been covered again over the last months.

Moreover, the company is increasingly making use of subcontracting practices, as it gives more flexibility in relation to fluctuations in demand levels. The experience of the 2009–2010 crisis was so traumatic, that they do not want to take the risk of hiring too many workers in case of a future drop in demand. (they do not want to have a very rigid and weighty human resources structure).

On the other hand, labour relations within the company have also changed over the last couple of years, mainly as a consequence of the tense situation derived from unproductive negotiations and the subsequent strike at the beginning of 2010. Given this delicate situation, a pact was signed in the summer of 2011 between workers' representatives and the management board, in order to facilitate and promote a more fluid relationship. The situation is still complicated.

Looking to the future, the company is interested in developing its R&D unit, and expanding its sales and service network, particularly its repair and after-sales services. Moreover, they are working on the opening of a new assembly plant in India.

Commentary

With regard to lessons learnt, the company management board has had a very poor experience concerning the negotiations with workers' representatives. Noticeably, these difficulties had a very bad impact on the running of the company and on its social image. Managers have learnt that having a smooth relationship with workers is very positive for business performance. For this reason, they have signed the previously mentioned agreement with the works council. Managers regret that the works council is not collaborative and they are highly aware that the situation could always get worse.

Concerning internationalisation, company managers believe that it is very important to reflect deeply on all issues involved, as it is essential to have very clear objectives. It is also necessary to avoid being discouraged easily, as internationalisation projects are likely to be profitable only in the medium/long term. Internationalisation provides great opportunities for business success, but persistence is needed. For managers, this means remaining open to diversity and to continuous change. Internationalisation is, to a large extent, a 'learning by doing' process, and requires an effort to adapt, as each market has its particular specifications. Therefore, in order to overcome all obstacles that arise, a persistent attitude is indispensable.

However, according to an article published in a regional newspaper, workers' representatives attacked managers for trying to deprive local people of jobs by reducing the level of activity in Eibar, while hiring people in China and Brazil to work in the new plants there. Moreover, workers' representatives consider that managers have hidden information about the company sales and income, as well as business objectives and strategies. Company managers deny this. Unfortunately, it has not been possible to talk to a worker representative. As was underlined in the previous sections, the relationship between the management board and the works council is still very tense, so the interviewed managers did not want to provide us with any contact name among the workers.

Authors

Jessica Durán and Iñigo Isusi, Ikei

Information sources

Interviews

Technical Director and Board Member

- [European Monitoring Centre on Change - EMCC](#)
 - [About EMCC](#)
 - [European Restructuring Monitor](#)
 - [About the European Restructuring Monitor](#)
 - [Restructuring events database](#)
 - [Restructuring support instruments](#)
 - [Restructuring related legislation](#)
 - [Restructuring case studies](#)
 - [ERM publications](#)
 - [European Jobs Monitor](#)
 - [Labour market research](#)
 - [Case studies](#)
 - [Future of Manufacturing in Europe \(FOME\)](#)
- [European Observatory on Quality of Life - EurLIFE](#)
- [European Observatory of Working Life - EurWORK](#)

Quick links

- [Legal information](#)
- [Data protection](#)
- [Environmental policy](#)
- [Cookies](#)
- [Subscriptions](#)
- [Multilingualism](#)
- [Templates for Eurofound reports](#)
- [Eurofound style guide](#)
- [Management Board extranet](#)
- [Map - how to get to Eurofound](#)
- [FAQ](#)
- [Sitemap](#)

Social media

- [Find us on Facebook](#)
- [Follow us on Twitter](#)
- [Follow us on LinkedIn](#)
- [Subscribe to our YouTube Channel](#)
- [Subscribe to our RSS feeds](#)

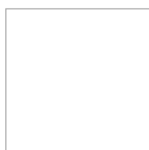
Contact us

Eurofound, Wyattville Road, Loughlinstown, Co. Dublin, D18 KP65, Ireland

Phone: (00) 353 1 2043100

E-Mail: information@eurofound.europa.eu

Press: media@eurofound.europa.eu



[MEMBER OF THE NETWORK OF EU AGENCIES](#)



[EUROFOUND ACHIEVES EMAS REGISTRATION](#)



Eurofound is an agency of the European Union

- [Access to internal documents](#)
- [Financial information](#)
- [Archives](#)
- [Information centre](#)
- [RSS feeds](#)

© Eurofound 2023

[Top](#)