

Restructuring of an Italian manufacturer of machine tools under country-specific conditions of staff reduction

A German company was looking for a specialist for German-Italian industrial projects and for the restructuring of Italian companies. An Italian subsidiary had slipped into the red due to a sharp drop in sales and excess staff.

After selecting Wolfgang M. Voigt, who had already successfully managed several Italian companies and such projects in various industries and speaks fluent Italian, as project manager and CRO, a short exploratory visit was first arranged. It turned out that the company had inefficient management structures and operated two sites that together had significant overcapacities. In addition, the competitiveness of some product lines was in question.

Several issues were identified as necessary for restructuring:

- Streamlining and modernizing the product range
- Streamlining the organizational structure
- Concentration of production at one location and make-or-buy decisions
- Motivating employees to adopt a future-oriented approach
- Staff reduction

Steps in the right order

Short-time work was first applied for as a precondition for later layoffs. In Italy today it is much easier to reduce staff than in the past. However, very specific steps and time sequences must be followed in order to reach legally valid and non-appealable agreements with employee representatives. In addition, severance payments are higher than for example in Germany, as short-time work and unemployment benefits are significantly lower.

At the same time, the reorganization of the company was pushed ahead. In addition to modernizing the product range - among other things by eliminating products no longer in line with the market and developing new, 4.0-capable machines - the number of organizational units at the first management level under the management was more than halved. This made it possible to merge synergetic areas and significantly increase the efficiency of communication and decision-making channels. Production could be concentrated at one location without structural expansion measures and, in addition, costs could be reduced by reducing the vertical range of manufacture.

The senior managers were increasingly involved in decision-making processes through regular information and communication rounds. In addition, they were more closely involved in the company's development in a joint strategy meeting.

Complementary team

A team consisting of management, HR management, the employers' association and labour lawyers prepared the staff reductions and initiated the special procedures required in Italy. On the initiative of the trade unions, representatives of the affected municipalities, provinces and regions were also involved to form a so-called tavolo (table). If, as in this case, more than one region is involved due to several locations, some decisions even have to be taken by the ministry in Rome.

The concrete negotiations on the modalities of the staff reductions were characterized by the expected role-playing on both sides. The ideologically hard labour struggles of the late 60s and 70s have already been overcome, but initially hard bargaining should not come as a surprise. Moreover, it is not uncommon in Italy to find exceptions that were not foreseen at the beginning. In this case, for example, the region provided a kind of extraordinary short-time work allowance in parallel with the severance payments, which had actually been abolished nationwide a few years ago.

Formal and informal communication channels

The final agreement on the amount of severance pay, graded according to the employee's seniority and the time at which the severance pay was claimed, was reached in several rounds of negotiations, taking social aspects into account. The path to success for such a project in Italy also consists of a suitable mixture of formal and informal communication channels, to which in this case Wolfgang M. Voigt, also as external project manager, was able to make a decisive contribution through his country-specific competence. The mutual, personal esteem was not dimmed by a sometimes tough dispute on the substance. This balance, which is typical for Italy, is a prerequisite for a successful agreement, in which both sides have a strong interest.

The overall project took much longer than originally planned, as a special Covid short-time allowance was introduced in Italy and at the same time a longer-lasting, strict ban on dismissals was imposed. Now that the restructuring has been completed, the company has paved the way for a successful future once again.

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