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# **Relationships by Objectives: The Experience at Petro-Canada**

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# Executive Summary

Increased competitive pressures in the new global economy have forced many organizations to pursue a more cooperative industrial relations system, as they try to reduce costs and improve quality and productivity. Recent attempts by unions and management to form a strategic alliance that focuses on common interests have used third parties to help them concentrate on the prevention rather than the resolution of disputes. Relationships by Objectives (RBO) programs are a prominent example of this new focus. This study outlines the rationale for such programs and provides a comprehensive view of the process. Drawing on her detailed examination of a successful RBO program at Petro-Canada's Lubricants Centre at Mississauga, Ontario, the author describes the benefits that can be achieved and provides detailed advice on how to administer a successful RBO program and avoid the common pitfalls.

- By bringing the parties together to identify their common interests, RBO programs can help them move from a competitive win-lose power struggle to a mutual problem-solving orientation in which they identify their joint problems and attempt to maximize their joint gains from solving them.
- The parties must be aware of the pitfalls of RBO and ensure that jurisdictional ambiguities between the change effort and the grievance resolution process are worked out. The program must be buffered from the collective bargaining process, and union leaders must not be seen as co-opted into management-style roles.
- The evidence shows that a well-administered RBO program may reduce the number of grievances filed, improve organizational morale, increase productivity, and make subsequent contract negotiations proceed more smoothly, with agreements being reached earlier than in the past.
- A well-run RBO program encourages employees to participate in the implementation of agreements and to present their proposals and reactions. The commitment to the program will be more likely to continue if both parties have ownership of the change effort.

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## *About the Author*

Lydia Paulozza has a BA (Honours) in Psychology and a Master of Industrial Relations from Queen's University.

- The most difficult challenge facing the parties is maintaining a continuing commitment over time. Both parties must work continuously at their relationship and frequently revisit the principles they originally agreed to.
- At Petro-Canada, in particular, the program was so successful that both union and management agreed that had it not been for RBO, the plant at Mississauga would not be in existence today.

## Introduction

If Canadian industries are to compete successfully in the new economy, unions and management must move away from their traditional adversarial relationships. This study analyzes a conflict resolution method, known as Relationships by Objectives (RBO), that directs unions and management away from conflict and towards cooperation through joint problem solving. RBO was part of the Preventive Mediation Program provided by the Ontario Ministry of Labour beginning in 1978. Although the Ontario government repealed this program in 1995, it is still offered in several provinces in Canada, and in the United States.

This study discusses the rationale for such programs and provides a comprehensive view of the process involved in a RBO program. The second half of the study examines the impact of RBO on the union-management relationship between the Communications, Energy and Paperworkers Union, Local 593, and Petro-Canada's Lubricants Centre in Mississauga, focusing on the short- and long-term impacts of the program. This case study includes extensive interviews with members of management and the union. Various industrial relations and economic indicators are also used to judge the effectiveness of the RBO program in promoting industrial peace.

## Conflict Management

Although the goal of a cooperative industrial relations system is not new, many corporations are now actively pursuing it as a result of several fundamental changes in the economic, social, and political environment during the 1980s and 1990s. The last few decades have brought increased competitive pressures that have forced companies to focus on reducing costs and improving quality and productivity (Downie and Coates 1994, 11). Traditionally, unions have resisted change, but in the new global economy unions and management are under pressure to form a strategic alliance which focuses on common interests: not only on productivity of the enterprise but also on the fair and just treatment and security of employees. The change requires a major transformation in both corporate culture and union ideology.

### Third-Party Intervention

There are several different routes to take in the pursuit of a less adversarial labour relations environment; third-party intervention is one. Recent approaches have emphasized using third parties to concentrate on the prevention rather than on the resolution of disputes: Relationships by Objectives programs are a prominent example of this new focus.

Several Canadian provinces have at one time or another provided preventive mediation services, and, specifically, an RBO program or something similar, as table 1 indicates.

*Recent approaches to prevention of disputes have emphasized the use of third parties.*

**Table 1**  
**Provincial Mediation Services**

<i>Province</i>	<i>Programs</i>
Alberta	Preventive mediation and RBO were offered since the early 1980s. In 1993 the program was revised and is now called Issue Management. While the new program provides similar objectives as RBO, it is a customized program which is of a broader scope, and is highly prevention focused.
British Columbia	Preventive mediation and RBO have been offered since 1993.
Manitoba	Does not offer a formal preventive mediation program or RBO, but provides similar services on an ad hoc basis.
New Brunswick	Preventive mediation and RBO have been offered since the early 1980s.
Newfoundland	Preventive mediation and RBO have been offered since 1992.
Nova Scotia	Preventive mediation and RBO have been offered since 1992.
Ontario	RBO was offered from 1978 to 1995 when it was repealed.
Prince Edward Island	Does not offer any such programs.
Quebec	Preventive mediation has been offered since the early 1980s. This program has the same objectives as RBO but uses a slightly different technique.
Saskatchewan	Does not offer a formal RBO program but since 1998 has provided a training program to assist representatives from labour and management in exploring different ways to approach conflict that incorporates enhancing relationships, encouraging effective communication, and emphasizing common ground.

At the federal level the Canadian Federal Mediation and Conciliation Service has formally offered the Relationship by Objectives Program only for the last three years. The program is used primarily in cases where the union-management relationship suffers chronic problems and is offered to public service industries such as the airlines, the railways, and the post office. With the exception of the latter, a spokesperson for the mediation service reports, the union-management relationship is so mature in these industries, consisting of well-developed labour-management committees and well-defined lines of communication, that the demand for RBO is quite low.

## Goals and Objectives of Conflict Management

Effective conflict management requires the building of a constructive union-management relationship in which the parties communicate freely with one another and deal promptly with their differences. This type of relationship can be achieved only if the parties

- identify their common problems and take initiatives to maximize their joint gain from resolving them;
- engage in negotiations on conflicts of interest without personalizing the issues, while at the same time maintaining trust and respect for the other party and leaving an aftermath that is conducive to subsequent problem solving; and
- communicate in an open manner so that misunderstandings do not occur or are dealt with expeditiously. (Gandz and Beatty 1989, 373-4)

The bargaining parties must accept each other as legitimate and be motivated to cooperate (Peterson and Tracy 1979), and they must develop these attitudes and beliefs before they can attempt to participate in problem solving (Downie 1989). Preventive mediation, and an RBO program in particular, can help them do so. It attempts to help them understand each other's position, thus making it easier to find an accommodation in collective bargaining. RBO programs seek to resolve three key problems in collective bargaining relationships: first, the wide communication gaps that arise between union and management groups when the parties fail to communicate effectively; second, the tensions produced by attitudes on the part of both parties which are not conducive to a stable, mature and constructive relationship; and third, the adversarial situation created by the traditional system of labour relations (Riddell 1986, 58).

## Relationships by Objectives

### Participants and Procedure in Ontario

The RBO program offered by the Ontario Ministry of Labour from 1978 to 1995 as part of the Preventive Mediation Program provides a good illustration of how RBO programs operate. Although the program transformed many union-management relationships, creating an atmosphere of industrial peace, the Conservative government repealed the Preventive Mediation Program in 1995 in a cost-cutting effort, without providing a rationale for its action and without any consultation with either organized labour or the business community.

The RBO program was available only if the parties showed mutual desire for change• both union and management had to recognize the need to improve their relationship and be committed to doing the work that was required (Martin 1993).

The format of the RBO program included the following steps:

1. In separate groups, union and management each developed two lists: one describing what the other group needed to do to improve the relationship, and the other describing what their own group could do to improve the relationship.
2. A joint union-management group meeting reviewed the four lists and discussed in detail the problems that gave rise to each item on the list. The representatives needed to agree that the resolution of these problems was the objective of both parties.
3. Union and management groups met separately to review the objectives that had been combined by the mediators into a single list of joint objectives sorted into categories. Their review ensured that the problems raised were all covered by the revised objectives, and the objectives were amended if necessary.

*Both union and management had to recognize the need to improve their relationship.*

*Preventative mediation programs create the environment for more innovative approaches.*

4. The groups met in mixed teams to develop action steps, or specific things that could be done to reach the objectives.
5. Union and management groups met separately to discuss the action steps developed by the teams and to agree that they were prepared to adopt them and carry them out.
6. The groups met together to confirm the action steps.
7. Union and management together assigned specific persons to each action step to set a date for its implementation or completion.

At the end of this process the parties would have jointly completed a 'road map' to deal with their relationship problems, and they would be jointly committed to following it. Sixty to ninety days later a follow-up meeting was scheduled to ensure that progress was being made.

Early experience with the program indicated that preventive mediation can contribute to improved labour-management relations and may help to reduce collective bargaining disputes. Opening new channels of communication may also improve productivity and organizational efficiency. In addition to improving the operation of the existing system, such programs also create the environment required for more innovative approaches to improving labour-management relations and the quality of the workplace (Riddell 1986, 9).

### **The Roots of the RBO Philosophy**

RBO provides a mechanism by which the assumptions that lie behind a conflict are changed. Although the stakes may remain high, the parties move from a win-lose power struggle to a problem-solving orientation (Bergman 1988, 4). Through self-analysis and the exchange of views, management and the union progress toward a better understanding of their relationship. They can then confront each other squarely with the issues involved and embark on the task of building a more cooperative and productive relationship for the future. The transformation from a competitive to a cooperative relationship takes time and continuous effort, however: 'As much as a five-year span may be needed before the root system that produced the original animosities can be replaced by a new and healthier root system — one that can cause the relationship to flourish' (Blake, Mouton, and Sloma 1972, 124). The union's role must change from one of extracting as much as possible in its collective bargaining sessions with management to one of being jointly responsible for examining problems in which a conflict of interest is not inherent and of helping management reach a decision (Bergman 1988, 5). Thus, for a cooperative relationship to emerge and real transformations to occur, the parties must carry forward their relationship improvement efforts well past the duration of the RBO program.

### **Results of RBO Programs**

The RBO program originated in the United States in 1975 and has become widely used in that country since then, which may provide some indication of its success. However, very few studies have attempted a comprehensive measure of the success of RBO. An American study conducted in 1977 at five sites indicated that the RBO program had 'at least been a partial success' in the organizations studied. Several changes occurred as a result of RBO. Including attitudinal changes and more stability in the union-management relationship. It was also found that:

1. The level of grievance activity lessened, with substantive complaints rather than political grievances becoming the norm.
2. Plant morale appeared to improve.
3. Productivity improved.
4. Subsequent contract negotiations appeared to go more smoothly, with agreements being reached early at two locations. (Gray, Sinicropi, and Hughes 1981, 32)

Three examples of similar success with RBO in the United States have also been reported (Simkin and Fidandis 1986, 273-4; FMCS 1996, Van Chau 1997).

In Quebec, which has offered preventive mediation with the same objectives as RBO but with a somewhat different approach since the early 1980s, the Ministry of Labour conducted a formal evaluation of the activities related to preventive mediation by surveying twenty-five companies that had participated in the program. Gilles Michaud, the general director of labour relations in Quebec, reported the results of this study at the 1993 Institute of International Research Conference on Preventive Mediation and Cooperative Bargaining. The main findings were that as a result of the program,

- Communication improved significantly and greater cooperation occurred on both sides.
- The parties' approach became less legalistic.
- Employees became more involved in operations and first-level management staff consulted them more frequently and took their suggestions into account.
- There was a significant improvement in the management of operations.
- According to members of upper management, intervention contributed to improving efficiency, human relations, and the work atmosphere.
- In several instances, the number of grievances and length of grievance resolution periods diminished considerably.
- The negotiations which followed the intervention were, for many respondents, the best they had experienced in a long time.
- Preventive mediation provided a means of concluding agreements which may usher in a period of continual and positive dialogue.
- The agreements brought about a significant change in management style.
- The most successful participants in the preventive mediation program were those who allowed employees to participate in the implementation of agreements and to air their proposals and reactions. These companies provided employees with an opportunity to make appropriate changes and, in turn, gained their support.
- Management circles that assumed the leadership in the changes demonstrated this through action which gained the confidence of employees at every level of their organization.

*Intervention contributed to improving efficiency, human relations, and the work atmosphere.*

### **The Impact of RBO on the Union-Management Relationship**

In Ontario one of the biggest RBO success stories involved Budd Canada, an auto parts manufacturer located in Kitchener, which had had an unenviable record of militant labour disputes. The worst period was between 1975 and 1979, when the plant was on a heavy overtime schedule which reduced workers' concerns about pay lost during frequent work stoppages (Herzenberg, Cutcher-Gershenfeld, and Chalykoff 1988, 3).

In 1979 Budd applied to the Ontario Labour Relations Board for a cease-and-desist order to halt the work stoppages; the Board advised the parties to take part in the RBO program. As a result of their participation, the frequency of work stoppages fell dramatically. Those

who attended the RBO session reported that it had established some of the mutual understanding that was absent during the years of frequent overt conflict. Foremen and stewards began to recognize that their counterparts also faced pressure and frustration on the job (Herzenberg, Cutcher-Gershenfeld, and Chalykoff 1988, 3). After RBO, the company and the union launched an employee involvement program and a statistical process-control program, both of which were guided by union-management steering committees. After RBO and these cooperative efforts were in place, productivity, quality, and labour relations indicators improved considerably. There were no wildcat strikes at Budd; in 1983; there had been sixty-eight before RBO. Absenteeism dropped significantly, as did days lost through work-related injuries. Furthermore, there was a demonstrable improvement in the quality of the company's product (Lilley 1984, 98).

Prsa (1993) studied the results of an RBO program between Queen's University and the Canadian Union of Public Employees (CUPE), Locals 229, 254, and 1302. Overall, both parties indicated that there had been some improvement in the union-management relationship. However the union questioned management's commitment to change with the passage of time. The union felt that top management should have shown more commitment by being present at the RBO session. And both the union and management felt that success of the RBO was hindered because the middle managers that were present at the RBO session partook involuntarily and thus did not actively participate in the session with open and honest discussions of their feelings. This lack of commitment was reflected in the lack of follow-up and implementation of the action steps and achievement of goals.

In an extensive study Bergman (1988) surveyed forty-eight Ontario companies/unions who had participated in RBO seminars. Overall, more than 87 percent of management respondents rated the relationship as improved, while 78.6 percent of union respondents perceived some improvement. In addition, Bergman's survey indicated that in 72 percent of the sites some form of union-management committee was established or reestablished.

### **Institutionalizing the Change**

Institutionalizing the change program that results from an RBO session within the larger context of the union-management relationship and maintaining union-management commitment to the change effort is the most difficult challenge facing the parties. Once the initial goals have been arrived at — or, more seriously, once they have been altered or undermined by more important goals arising from changes in the external environment — it will become more and more difficult to maintain commitment to the program over time (Kochan and Dyer 1976, 69-70). Thus, it is important that the parties are trained to apply the process when new areas of conflict arise. It is also important that the leaders on both sides find ways to periodically rekindle the high levels of commitment that were present at the outset of the program.

The respondents in Bergman's (1988) study identified several factors that affect the institutionalization of the changes arising from an RBO session:

1. The change effort must not infringe on collective bargaining issues; it must be buffered from the collective bargaining process.
2. Jurisdictional ambiguities between the change effort, the grievance resolution process, and collective bargaining must be worked out.
3. Union leaders must not be seen as co-opted into management-type roles.
4. The commitment to the RBO program will be more likely to continue if the initiative for the change effort comes from within the site, both parties have ownership of the change effort, and management on site has autonomy for grievance settlement.

*It is important that the parties are trained to apply the process when new areas of conflict arise.*

# RBO at Petro-Canada

The following case study of the RBO program used by Petro-Canada's Lubricants Centre in Mississauga, Ontario, and the Communications, Energy, and Paperworkers Union demonstrates how such a program can improve the dynamics of what used to be a highly confrontational union-management relationship.

## The Union-Management Relationship before RBO

Before the Petro-Canada plant at Mississauga was involved in the RBO program, the relationship between the union and the company was highly confrontational. The plant manager at the Lubricants Centre indicated that the grievance rate for the years just before the RBO program was quite high: in 1986, 1987, and 1988 there were more than a hundred grievances a year. The year following was slightly better with eighty-six grievances.

The main labour relations issue in 1989 was employment security, as a result of the use of contracted-in workers to supplement in-house maintenance and of significant downsizing at the plant leading to layoffs and voluntary early retirement campaigns during the 1980s.

Strike action in 1989 was the trigger point for the realization on both sides that the survival of the plant in the increasingly competitive lubricants industry required an improvement in the union-management relationship. During the 1989 negotiations the union gave notice to strike. Both parties agreed to meet to discuss the orderly shutdown of the plant, but when they met they decided to settle on a collective agreement, rather than to go ahead with the plans for a shutdown, which might do permanent damage to the equipment. As part of the settlement the union requested that both parties participate in the RBO program of the Ontario Ministry of Labour. Management agree.

## The RBO Process at Petro-Canada

On October 15, 16, and 17 of 1990, sixteen members of management from the Petro-Canada Lubricants Centre and sixteen members of the union met at the White Oaks Inn at Niagara-on-the-Lake. They were each divided into three teams, and four mediators from the Ontario Ministry of Labour facilitated for the three days. The RBO process required the parties to

- identify and agree on the shortcomings in their relationship,
- set objectives that would overcome these problems,
- develop and agree on an action plan to reach the objectives,
- assign responsibility for monitoring the action plan,
- set target dates, and
- follow through on their commitment.

Several categories for improvement were agreed to: health and safety, training, general administration, communications, contract administration, and attitudes. Mutual objectives in each category were developed and individuals from union and management were assigned to monitor their progress.

Both management and the union worked extremely hard to meet the objectives set out at the RBO session and remained committed to the RBO process to resolve any conflict that came up during the years that followed. The effort made by both parties in

*The case study demonstrates how RBO can improve the dynamics of a highly confrontational relationship.*

developing an effective overtime system for maintenance employees was an excellent example of a more cooperative union-management relationship. The RBO objective was that the union and management would meet to develop a simplified method of overtime distribution and allow the hourly maintenance employees to administer it. With a great deal of effort and commitment, a committee comprised of three members from the union and three members from management was successful in attaining this goal. The committee also agreed to an ongoing joint commitment to meet as often as necessary to identify and resolve problems arising from the operation and implementation of the overtime system.

The process used to arrive at a consensus on the overtime issue was so successful that union and management used it to deal with new issues as well. A new structure was developed with three types of committees: union-management RBO steering committees, joint departmental RBO steering committees, and joint departmental teams/committees for specific issues. The union-management RBO steering committee was responsible for steering the process of RBO for the entire plant and monitoring the process to ensure goals and action steps were being followed and implemented. It also reviewed recommendations and reports from subcommittees that had implications for the collective agreement. The departmental RBO steering committees were responsible for steering the process of RBO for specific departments, assisting and giving direction to operating committees, and implementing recommendations that did not involve the collective agreement. The joint departmental committees were set up for a limited time to deal with specific items and implement solutions that did not involve the collective bargaining agreement.

The union and management at Petro-Canada's Lubricants Centre have worked together to maintain a strong commitment to the new relationship. In 1992 management suggested that union-management cooperation be carried further and be used in a restructuring effort, in continual improvement efforts, and in collective bargaining.

### **Sizing the Business**

The first of the new joint initiatives was called Sizing the Business (STB), a downsizing effort that was conducted with the intent of avoiding layoffs. The parties' objectives were to minimize employee disruption while maintaining operating efficiency. The STB process included interviews with employees to determine where they would like to see themselves working, what position would interest them most, what type of career path they would prefer, and whether early retirement was an option for them. The 1994 collective agreement includes a letter announcing the successful conclusion of the discussions as they pertained to the staffing part of the STB activities, stating that the objectives were reached, as 'no employees were displaced.'

Management considered STB to have been one of the most successful cooperative efforts at the Lubricants Centre. It attributed the success of the program to the fact that the union was brought into the decision-making process from the very beginning. The union therefore understood the downsizing as a strategic business decision and not just as a method of 'punishing' the union. The union regarded the STB project as successful because packages were offered to carefully selected employees who were close to retirement and all other workers were placed in desirable positions. It felt this program was much better than previous efforts in which employees accepted packages under the threat that if they did not, they would be laid off anyway.

*Management attributed the success of the program to the fact that the union was brought into the decision-making process from the very beginning.*

## Continual Improvement: Business Process Reengineering

The second major joint union-management project, which was based on continual improvement, was similar to a Total Quality Management program. It was called Business Process Reengineering, or BPR; it began in 1994 and is still in progress today. Union-management committees were involved in all processes and subprocesses of BPR implicated in maintenance and operations. Union-management committees would meet to find ways to reduce cycle time, make processes more efficient, or incorporate new technology, and union and management did a great deal of benchmarking together. In fact, the union was involved to such an extent that the union leader sat in on management team meetings.

Although union-management cooperation on BPR appears to have run smoothly, it has harmed the current union-management relationship in some ways. For example, under BPR, operators' jobs were expanded to include some minor lab testing. However, the union felt that if jobs were being expanded, wages should have increased as well. Management's response was that wages at the Lubricants Centre were highly competitive in the industry and that compensation issues were customarily dealt with at the national level, not at the local level. The union was gravely disappointed by this outcome: the trust that had taken years to build quickly turned to suspicion and hostility, resulting in illegal work stoppages by the union. At this time the union no longer wants to participate in BPR.

The union regards the BPR project as partially successful, however. Forty new jobs were created as a result, a new overtime system was developed, and a modified work week was implemented. For its part, the company was able to eliminate the use of many high-priced contractors and to make a deal with the union to hire part-time or temporary workers. Furthermore, the company saved \$15 million, surpassing the \$8 million target. The union feels that it did not receive its share of this substantial increase in profits, however, even though it played a large role in achieving this goal and even though a member of management promised a fair share to it. This misunderstanding has also damaged the union-management relationship. However, the union president feels that RBO has permitted civil dealings on this particular issue: in the past, the union would not have signed the collective agreement in 1994 and probably would have gone on strike. But because of RBO, the union was able to put the issue aside and deal with it separately from the collective agreement.

### RBO and Collective Bargaining

Management believes that collective bargaining today is more peaceful than before RBO, primarily because of the new philosophy of dealing with issues on a day-to-day basis. Management also maintains that RBO has provided an effective format for joint problem solving. Since the parties deal with issues during the life of the collective agreement, considerably fewer issues are brought to the bargaining table by either party. It was not until the 1997 round of bargaining that the effects of RBO were really felt at the bargaining table, however. Management described the 1997 round as very solution-oriented: fewer sessions were required, and there was less posturing at the table than ever before. The union president, in an interview with the author of this study, also felt that RBO had made collective bargaining less confrontational and that there were higher levels of trust between the parties.

The continuous use of union-management meetings to deal with day-to-day problems during the life of the collective agreement is an important step forward which avoids a great deal of the anger and resentment that accumulates over time from having to deal

*Management believes that collective bargaining today is more peaceful than before RBO.*

with issues independently. Also, if every issue is shelved until negotiations there may be too many issues at the table: some will have to be disregarded and will never be dealt with properly.

### **Employment Involvement**

Since RBO there has been greater employee involvement and continual improvement. Employees have also become stakeholders and contributors, and they take pride in their work and the company, according to union and management officials interviewed. Management shares information with the union and includes it in the planning process.

Before RBO, management would use discipline as the primary means of dealing with issues. However, management states that now it communicates more with the union and attempts other ways of dealing with the problem at hand. There is more informal access to each other, providing more opportunity for dialogue. The union chairperson in the maintenance department stated that letters of discipline were previously handed out with little or no discussion. However, a noticeable change has occurred in that supervisors now call workers in and have frank and open discussions, in an attempt to reach a common understanding of the issues and resolve problems without any form of discipline being administered. The union president feels that both union and management are using more diplomacy when they deal with each other. The union communicates issues rather than waiting for an opportunity to grieve them, and there is an attempt to resolve an issue before it is written down as a formal grievance. Management is less likely to use discipline and threats, and the union is much less likely to take radical forms of action against management. In general, both the union and the management officials at Petro-Canada's Lubricants Centre believe that the plant would not exist today had it not been for the RBO program.

### **Industrial Relations Indicators**

In addition to the testimony of the participants, various industrial relations indicators can be used to judge the effectiveness of the RBO program in promoting industrial peace at Petro-Canada's Lubricants Centre in Mississauga. This study looks at grievances, absenteeism, and the frequency of recordable injuries.

#### **Grievances**

Grievances perhaps provide the most obvious indicator of the relationship between union and management. Lower grievance rates are generally associated with more positive and cooperative union-management relationships (Gandz and Whitehead 1982, 324-6). Bemmels, Reshef, and Stratton-Devine (1991, 24-5) found that supervisors, employees, and stewards can each significantly affect grievance rates through their behaviour and that supervisor behaviour emphasizing mutual trust and respect between the supervisor and employees and knowledge of the collective agreement was associated with lower grievance rates, while supervisor behaviour emphasizing production or achieving organizational goals was associated with higher grievance rates (Bemmels 1994, as cited by Thornicroft and Eden 1995).

As indicated above, the union-management relationship at the Lubricants Centre before RBO was extremely confrontational. In each of the four years preceding RBO in 1990, more than a hundred grievances were filed, except in 1989, when there were eighty-six (table 2). There was a significant change during the years following RBO: the quality of the union-management relationship is evident in the drastic reduction in the number of

*Increased communication and problem solving allowed the settlement of issues on a more informal, yet more productive, basis.*

grievances. Increased communication and problem solving during the life of the collective agreement through the various forums that have already been discussed allowed the settlement of issues on a more informal, yet more productive, basis.

Table 2 also indicates that after a rapid decline for five years, the number of grievances has increased since 1994, particularly in the first four months of 1997. This increase has been caused by the contentious issue, discussed above, of the increased compensation requested by the union for jobs that have been expanded due to the Business Process Reengineering projects.

**Table 2**  
**Grievances Filed Per Year, 1986-97**

<i>Year</i>	<i>Number of Grievances</i>
1986	100+
1987	100+
1988	100+
1989	86
1990	74
1991	38
1992	28
1993	39
1994	7
1995	15
1996	18
1997(as of April 14)	25

Specific data concerning the nature of grievances, the stage of resolution, the arbitration rate, and the amount of time taken to resolve the grievances was available only for the period after RBO. The grievances were categorized as allowed, resolved, withdrawn, time expired, referred to arbitration, or outstanding (table 3). The label 'allowed' signifies that management admitted its error and the grievance was resolved at the first step of the grievance procedure, without argument and with acceptance of the union's suggestion for resolution.

An expected increase in first-step resolution rates and a decrease in arbitration rates were not found during the years following RBO. Since the data for the years previous to RBO were unavailable, it is difficult to assess whether there was an improvement in this respect. It is evident from table 3, however, that the grievance process has become much more flexible. The number of grievances withdrawn due to the expiration of time decreased from 33 to zero. In conjunction with this decline there is an increase in the number of grievances that remain outstanding each year, which reflects the fact that more and more grievances are being discussed in labour-management committees to find compromising solutions. At times delays occur because there are several grievances concerning the same issue. When this happens, it is agreed that the resolution of the grievances is deferred until the first grievance of its kind is settled.

The figures also reveal a decrease in the number of grievances withdrawn by the union, which may indicate that there is more room for discussion or that there are more opportunities for compromise between the parties because there is more opportunity for

*The grievance  
process  
has become much  
more flexible.*

**Table 3**  
**Grievances, by Category, 1990-97**

<i>Year</i>	<i>Allowed</i>	<i>Resolved</i>	<i>Withdrawn</i>	<i>Time Expired</i>	<i>Arbitration</i>	<i>Out-standing</i>
1990	19 (26)	4 (5)	6 (8)	33 (45)	3 (4)	9 (12)
1991	3 (8)	6 (16)	8 (21)	9 (23)	4 (11)	8 (21)
1992	0 (0)	8 (28)	12 (44)	8 (28)	0 (0)	0 (0)
1993	4 (10)	6 (15)	2 (5)	4 (10)	7 (19)	16 (41)
1994	0 (0)	2 (29)	0 (0)	0 (0)	0 (0)	5 (71)
1995	2 (13)	2 (13)	1 (7)	1 (7)	3 (20)	6 (40)
1996	4 (22)	0 (0)	2 (11)	0 (0)	1 (6)	11 (61)
1997	1	1	8	0	2	13
(to 04/16)	(4)	(4)	(32)	(0)	(8)	(52)

*Note:* Figures in brackets represent the percentage of total grievances for that year.

discussions. According to a management official, the increase in the number of grievances withdrawn in 1997 was largely due to the fact that there were several grievances concerning one particular issue.

Table 4 lists discipline grievances as a percentage of the total number of grievances each year. There is no pattern to illustrate that the union-management relationship is improving with time. Nor is there a pattern to indicate that the relationship is getting worse as parties move further away from the RBO experience. Thus, there does not appear to be a significant difference between the short-term and long-term figure. However, there are definite peaks and valleys. Union and management officials explain this pattern by pointing out that although RBO has significantly improved the union-management relationship at the Lubricants Centre and has provided the parties with some valuable tools for resolving conflict, the process could never eliminate all the conflict between parties with very different interests. Even though RBO has brought the parties away from adversarialism and towards collaboration, conflict will be present in peaks and valleys. Confrontations tend to increase before negotiations. Conflict on long-term issues such as union participation in Business Process Reengineering will also hit highs and lows, depending on the particular occurrences surrounding the issue. The two peaks in 1992 and 1995 may be attributed to these factors: negotiations did take place in 1992

*Although RBO has significantly improved the union-management relationship, the process could never eliminate all the conflict.*

**Table 4**  
**Discipline Grievances, as a Percentage of Total Grievances, 1990-97**

<i>Year</i>	<i>Discipline Grievances (%)</i>
1990	4
1991	11
1992	21
1993	10
1994	0
1995	27
1996	5
1997	0

and were settled on 28 October of that year, and 1995 was the peak of the RBO process. These peaks and valleys show that both parties must constantly work at the relationship and revisit the principles that were agreed upon at the beginning of the journey towards better labour relations.

### **Absenteeism**

For various reasons the only data that can be used to judge the impact of RBO on the number of sickness hours at the Lubricants Centre in Mississauga are the reports for operations personnel, only, since the data in them are separated out from year to year. Table 5 shows the sickness hours reported as a percentage of the 1,941 scheduled hours of work per year for the period from January to May of each year and for the entire year. The January to May figures are given because data are available only for that time period in 1997.

A large portion of these sickness hours can undoubtedly be attributed to illness or injury. However, according to the withdrawal model (Dolan and Schuler 1994, 588), absences

*Both parties must constantly work at the relationship and revisit the principles agreed upon at the beginning of the journey.*

**Table 5**  
**Sickness Reports for Operations Personnel, 1990-97**

<i>Year</i>	<i>Jan/May (%)</i>	<i>Full Year (%)</i>
1990	2.60	3.07
1991	4.31	3.70
1992	4.71	3.70
1993	4.75	4.50
1994	4.34	3.46
1995	2.20	2.32
1996	2.84	2.49
1997	3.99	na

may also be symptomatic of dissatisfaction or stress, which may in turn result from a poor labour relations climate: employees may withdraw from a stressful work environment.

Although on a full-year basis the data appear to suggest a period of stability following RBO, and a declining trend since 1993, there does not seem to be a steady increase or decrease in the number of sick hours reported for the period of January to May from 1990 to 1997. Furthermore, the 1997 figure shows a significant jump from 1996, which may indicate dissatisfaction about remuneration resulting from BPR.

The fact that a new collective agreement was reached in 1994 may explain the high sickness rate before and the much lower rate after 1994. The full-year figure for 1993 seems to be significantly higher than those for the preceding or succeeding years. This pattern may also be linked to the fact that a new collective agreement was to be reached in 1994 and conflict and confrontations appeared to be highest in the period preceding negotiations. After 1993 the percentages decline, which may reflect the healthy union-management relationship, fostering a pleasant workplace where people enjoy attending work.

### **Recordable Injuries**

The labour relations climate plays an important role in occupational safety because of its effect on the psychological health of employees, which in turn affects employees' proneness to accidents (Dolan and Schuler 1994, 442).

Figure 1 shows a remarkable steady decline in the number of recordable injuries at the Petro-Canada Lubricants Centre in Mississauga over the seven-year period following the RBO session, a change that may be attributed not only to improvements in the physical environment during that period but also to the social and political atmosphere of the plant. The decrease may be linked to the improved union-management relationship following RBO, a result of both parties working together to attain the health and safety objectives they committed themselves to at the RBO session.

**Figure 1**  
**Recordable Injuries, 1990-96**

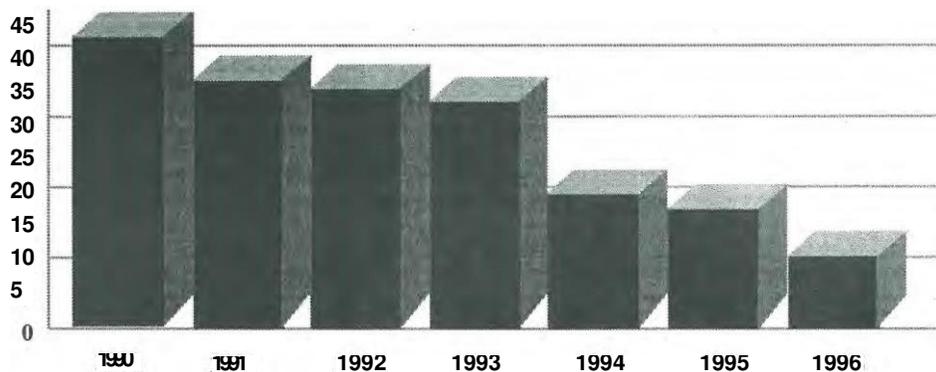
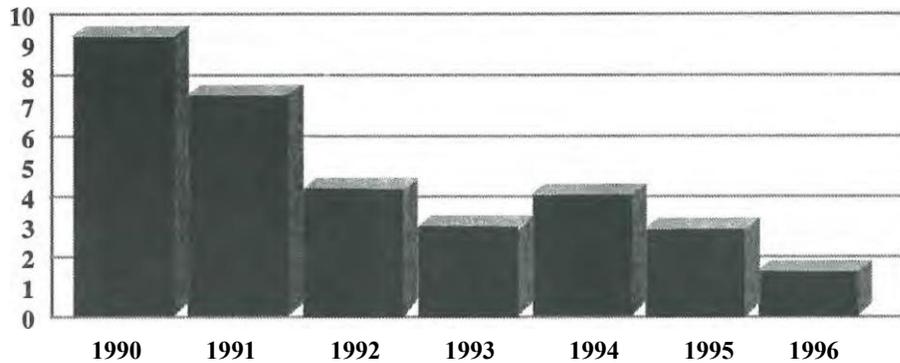


Figure 2 presents the injury frequency rate per year, represented as the number of injuries and illnesses per million hours worked (Dolan and Schuler 1994, 451-2). The frequency rate also shows a marked decrease over the seven-year period following RBO, from 9.3 in 1990 to 1.46 in 1996. Again, the steady improvement is attributed to the more cooperative union-management relationship resulting from RBO and the joint commitment of the two parties to achieve the health and safety objectives.

**Figure 2**  
**Recordable Injury Frequency, 1990-96**



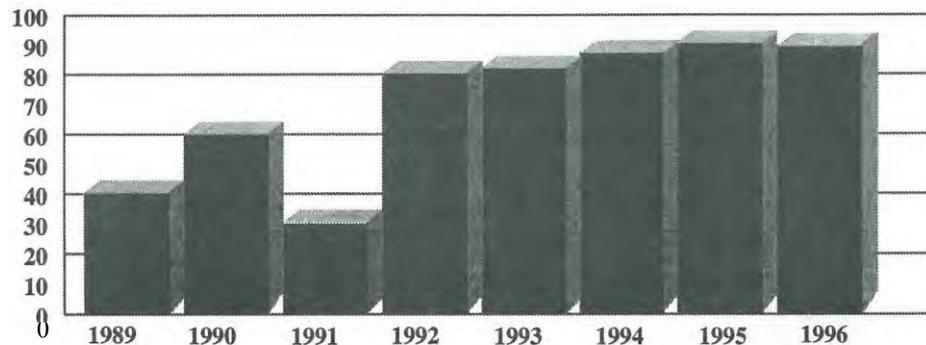
**Economic Indicators**

A positive labour relations climate in a plant generally has a favourable influence on the productivity of workers. Research in this area has shown that a good union-management relationship augments the productivity-enhancing effect of unions, particularly when the parties share information and focus on mutual interests and goals, rather than on rules that control their behaviour (Gunderson and Hyatt 1995, 329). Inversely, a poor labour relations climate can negatively impact productivity (Ichniowski 1986). Unfortunately, productivity measures such as output produced per unit of labour or product output per hours worked were not available for the Petro-Canada plant at Mississauga. However, a reliability indicator was available, and it showed a remarkable improvement from the year before RBO. Management describes the reliability indicator (RI) as a figure derived from a complicated formula that depicts how much the plant produced despite unscheduled downtime. It indicates how well employees respond to malfunctions and whether appropriate steps in preventative maintenance have been taken. Such responses require workers to be in good mental and emotional health, because their response rate must be rapid and their thought processes sharp. A poor labour relations climate may cause the RI to decrease, since employees may be psychologically incapable of performing appropriately. Conversely, a good labour relations climate may cause the RI to increase.

The RI for the Lubricants Centre indicates an upward trend: between 1989 and 1992 it nearly doubled (figure 3). (The dip in 1991 was substantially a result of a single event involving failure of the compressors in part of the plant.) A management official stated that the plant has shown a marked increase from the historical RI plateau of 82, established in previous years. In his view the joint efforts of union and management to maintain a collaborative relationship have had a positive impact on productivity at the plant.

*A good union-management relationship augments the productivity-enhancing effect of unions.*

**Figure 3**  
**Reliability Indicators, 1989-96**



### **Summary of Results**

In summary, the interviews conducted with the union president and members of management at the Petro-Canada Lubricants Centre in Mississauga revealed that both sides perceive a significant improvement in the union-management relationship over the past seven years that is attributed to a great degree by both parties to the RBO program. Both the union and management representatives indicated that RBO had brought the parties closer together by providing each side with a better understanding of the other's thoughts and feelings. The RBO program had opened the lines of communication between union and management and provided joint problem solving. Although the plant is currently facing some turmoil due to a particular issue involving work reorganization and compensation, the parties have been able to deal with it in a positive manner without resorting to threats and radical action, as would have been the case before RBO. This positive assessment of RBO was confirmed by the economic and industrial relations indicators just discussed. The principles and tools of the RBO program have been successfully institutionalized within the plant and have resulted in a positive long-term impact on the union-management relationship and on how the parties deal with each other and resolve conflicts.

### **Conclusion and Recommendations**

The adversarial nature of the union-management relationship in Canada fosters high levels of conflict that has been augmented in recent decades by economic, social, and political changes. But if companies and unions are to deal successfully with their changing environments, they must be able to work together. This proves to be a difficult task when the parties have different interests. Moreover, cooperative efforts prove to be impossible when union and management have a history of poor labour relations. It is in such cases that third-party intervention has proven to be effective.

The Relationship by Objectives program that was provided by the Ontario Ministry of Labour for seventeen years, until its demise in 1995, appears to have been notably successful in improving union-management relationships. The RBO program continues to

bring unions and their counterparts together on many and varying issues in the United States and across Canada. The success of RBO at Petro-Canada would have been impossible, however, without the strong commitment and continued efforts of the parties involved. It is safe to assume that this type of dedication is unusual and, thus, that such long-run impacts are rare. There may also be cases in which cooperation has collapsed and union-management relationships have worsened after RBO. Therefore, RBO may not be appropriate in every situation, but it can help union and management teams that strongly desire real, long-term change towards cooperation. If both parties are truly willing to dedicate their efforts to this end, it is achievable.

If the original RBO session is to have a long-term effect, the principles and the tools learned there must be institutionalized within the organization. Union and management must jointly revisit the objectives set out at the original RBO session to decide whether they have been accomplished. If they have not, the parties should try to agree on new action steps and new deadlines to attain the remainder of the objectives. The parties should also continue to use the RBO process to work towards new objectives that arise from day to day.

Both union and management at Petro-Canada's Lubricants Centre suggested that the parties should be well prepared before the RBO session itself. They should thoroughly understand the issues to be discussed before attending the session, and they should set out expectations of what they would like to achieve from RBO before attending, so that they can decide if their expectations were met. The individuals selected to attend the RBO session should be willing to make a difference and diligent in their efforts to do so. It is also imperative to hold people responsible for the various action steps agreed to.

In order for a program to help parties reduce or manage the conflict in their relationship, it must direct them towards a mutual understanding and acceptance of their differences, as well as towards solutions that are beneficial to both parties. An RBO program is useful in helping parties realize these two important principles and in providing a framework for problem solving. It is indeed unfortunate that the Ontario government has repealed a program that has proven to be successful in fostering union-management cooperation. Before making its decision, the government did not look at the available research, nor did it conduct studies of its own. Clearly, there is a need for comprehensive evaluations of the long-term impact of programs like RBO on the participants, the union-management relationship, and the organization. The government should have participated in such research before it repealed the RBO program. Only if it had found that the program was ineffective and inefficient could it have justifiably cancelled it.

*RBO can help union and management teams that strongly desire real, long-term change.*

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