Case Study: The Link between CEO Management Style and
Employee-Management Relations
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Government Shipyard and Public Slipways

Government Shipyard and Public Slipways (GSPS), now known as Fiji Ships and Heavy Industries Limited (FSHIL) was initially a wholly Fijian government owned section. Fiji, one of the most developed of Pacific Island economies is an island nation located in the heart of Pacific Ocean, southwest of Honolulu midway the equator and New Zealand. GSPS was later corporatised as Shipbuilding (Fiji) Limited (SFL) to pave the way for its privatisation process. When SFL underwent receivership in 1999, the Fijian Government made a successful $6.25m bid to acquire the assets from the receivers.

In 2002, the Board decided for a change in company name to Fiji Ships and Heavy Industries Limited (FSHIL) to better reflect at the extensive range of heavy engineering work carried out by the company. The name change was effective 1 January 2003. An international search was done for the appointment of a CEO in the same year. November 2002 saw the appointment of a foreigner at the CEO position given his track record of thirty years of experience in shipbuilding and ship repairs. He was a ships engineer before that for ten years and was in Papua New Guinea prior to joining FSHIL. His role was effective year 2003. In the period prior to the appointment of this full-time CEO, an Acting CEO fulfilled this responsibility for the previous twenty months. At first the employees did not fully accept the leadership of the Acting CEO, however, the way the Acting CEO carried himself, the workers soon realised that this CEO not only consulted the union/workers but also was receptive to their suggestions and demands. This encouraged the workers to cooperate with the Acting CEO.

However, the state of company affairs changed with the entry of the new CEO, sadly for the worse. Problems began to surface between the management and the managed. The CEO was not too happy with what he witnessed after joining the Shipyard. He oftentimes contended that he was brought into a politically sensitive shipyard that was not doing well, one that had old-time machinery with an overly tarnished reputation. He asserted that the biggest and the most difficult of all challenges was Fiji's laidback culture towards commercial operations which he claimed would take a while to take root. Nevertheless, he mentioned he did have positive plans to further upgrade the shipyard but the hold back was finance and investor confidence.

The Secretary of the in-house union of FSHIL wrote to the General Secretary of Transport Workers Union (TWU) on 25 August 2003 informing that its members preferred to join TWU while resigning from their in-house union. In view of that, TWU wrote to the CEO seeking voluntary recognition on 1 September 2003. The CEO replied advising that he will respond to TWU after the 4 September 2003 Board meeting. Contrary to the union and workers expectations, the day of the Board meeting saw the first termination at FSHIL. The Technical Services Manager (been in the shipbuilding industry for more than 30 years) received an immediately effective termination letter from the CEO at 5.00 pm with a mere payment of one month's pay as stipulated in the Manager's contract. Surprisingly, the letter stated no raison d'êtres for termination.

In a reaction, this Manager wrote to the CEO demanding a written explanation for the reason of his termination on the same day, highlighting that, of his three-year contract dated 18 February 2002, he had only served eighteen months. The CEO remained mum to the Manager's written demand for explanation. At the other end, during a union-management meeting dated 5 September 2003, the CEO advised that FSHIL was happy to recognise the union and requested for a draft recognition agreement the same afternoon. As requested the draft was submitted and the CEO agreed to respond to TWU by 12 September 2003. Come 8 September 2003, once again to the surprise of the union, thirty-two workers received temporary stand down letters from the CEO. Union felt insulted by this action in view of the fact that during the aforementioned union-management meeting, there was no indication of the mass temporary stand down of thirty-two workers. There were rumours and members' complaints before the actual stand down regarding the proposed stand down, though. This had led the union to enquire with the CEO via a telephone conversation to which the CEO responded: "may be". The union then requested that any such plan be fully discussed first and that rumours be stopped right away. Yet there was no indication of any stand down.

Resultantly, TWU wrote to the CEO regarding his non-consulting stance in the abovementioned stand down on 12 September 2003 and sought an answer on the draft of the voluntary recognition agreement. The CEO was to confirm his position on this draft by that day but failed to do so. Subsequently, through a letter dated 12 September 2003, TWU claimed that the stand down of employees was unjust, unfair and in bad faith especially when all non-union members remained employed. In addition, the union accused the CEO of failing to act in accordance with the relevant sections of Labour Advisory Board's approved Industrial Relations Code of Practice on procedures that should be followed when reducing workforce. Consequently, the union called for instantaneous reinstatement and conclusion of the voluntary recognition agreement. The union notified that it would be happy to discuss staffing plans also and requested for a response by 15 September 2003 (Letters and Memos, 2001-2004). Still, there was no response from the CEO. Because the CEO failed to respond to his earlier letter, the terminated Technical Services Manager put pen to paper to the Permanent Secretary of the Public Enterprises Ministry on 15 September 2003. He disclosed the rift between himself and the CEO in the last six months suspecting these as the reasons behind his termination.

Then on 23 September 2003 due to no response from the CEO, TWU reported a trade dispute to the Permanent Secretary of the Ministry of Labour, Industrial Relations and Productivity for the thirty-two staff members' temporary stand down without pay for an unspecified period and without prior notice or consultation with the union claiming that this action was in direct response to it's request for voluntary recognition (Letters and Memos, 2001-2004). The Ministry informed TWU as well as the CEO on 21 October 2003 of the acceptance of the trade dispute report and appointed a Principal Labour Officer from the Labour Ministry as the Conciliator. As a result, a voluntary Memorandum of Agreement was later signed on 24 October 2003 for all union members aside the CEO, Personal Assistant/Secretary, Administration and Accounts Manager, Senior Clerk, Junior Clerk, Technical Services Manager, Estimator, Computer Draughtsman, Supervisors, Project Manager and the Occupational Health and Safety (OHS) Officer. The Labour Ministry was notified of the Memorandum of Agreement signup on 28 October 2003.

On 5 November 2003 the appointed Conciliator of the Labour Ministry advised the union and the CEO of a meeting on 18 November 2003 at 10.00 am to discuss the matter of the stand down of thirty-two employees. The 17 November 2003 witnessed yet another not so effective occurrence. This time, workers took the matter in their hands. Forty frustrated workers submitted a petition to the Public Enterprises Ministry with copies to the Prime Minister's Office, Board Chairman and TWU. The petition drew attention to the attitude of the CEO, the state of shipyard and requested for a change in leadership without further ado. Afterwards, issues of the stand down of thirty-two workers, log of claim on wages and allowances, and sick leave bonus were discussed during the 18 November 2003 meeting.

Finally, the union and CEO agreed that the thirty-two stood down workers would work on a rotational basis as the company secures jobs.

During these union-management tussles, TWU formed its own impressions of the CEO. It complained that there were better people available. The union alleged that while the CEO received a huge quarter million dollars as package, he also employed his wife in the office. The CEO clarified that his wife had a temporary advisory role at FSHIL for a mere two months in early 2003 for which she was paid an allowance.

Likewise the workers shaped up their views of their leader. They lamented that whereas the company endured fewer jobs and mounting costs, CEO enjoyed his position and package. They reasoned that the CEO was selected on the basis of his ‘big time’ contacts to bring in contracts. Workers felt aimless. They claimed that the CEO discriminated on charges quoted to his friends compared to what was quoted to other clients for jobs done at the shipyard. They felt that the CEO would not lose out even if the company does not do well because he would have already done well for himself upon his contract expiry. Workers complained about the CEO’s huge salary package, alleging that all the CEO did was endorse on what they sweat on. They compared the re-nationalisation period with the pre-privatisation period, arguing that they were better off in the pre-privatisation period - they had contracts, employment and local heads who understood their culture. Workers’ did not buy into their CEO’s justifications such as: clients no longer had faith in FSHIL due to its tarnished image and this led to shipyard’s hard luck in securing shipbuilding contracts. CEO defenses of he was trying his best in submitting quotes to potential clients every now and then fell on deaf ears. Workers continually implied the preference of a local to run the shipyard. Comparatively, while the workers showed resentment towards foreign heads, they respected the previous Acting CEO. As expressed earlier, there was protest at first but workers soon realised that, that CEO was always open to resolutions through consultations. In fact, in the initial recruitment stages as the company underwent the re-nationalisation process, it was the in-house union that was given the task of appointing workers.

Further, the union added that while the FSHIL Board was aware of workers’ complaints, such complains blew over the heads of the Board because they were the ones who recruited the CEO in the first place. TWU pointed out that the slack in FSHIL business will remain in the foreseeable future under the management of this CEO. At the opposite end, the FSHIL Board confirmed of appropriate actions taken towards investigations into the allegations made by workers’ but what these actions were, were not disclosed. The Board indicated that they were well aware of the workers’ stance towards foreigners. The Board justified that the CEO was there for a contract period of three years and defended that they would not take sides but refer to objective evidence such as the financial reports and other proof that the workers’ said they had available to substantiate their claims.

Questions:
1/. Compare the leadership styles of the two different CEOs – the Acting CEO and the appointed CEO.
2/. In your opinion and given the knowledge you have gained from the preceding chapters, how can the tussle between the management and employee/union be solved?
3/. If you were invited as a consultant, what will your suggestion be to improve the relationship between the CEO and the employees.

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