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Work Organisation and Innovation - Case Study: Kellogg, Spain

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Work Organisation and Innovation - Case Study: Kellogg, Spain

Abstract
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This case study considers some HR practices that are global at Kellogg and common across many other countries, but it pays special attention to specific practices that the company has adopted in recent years in Spain. These practices are innovative and in some cases courageous, in terms of the effort required from the company to put them into reality.

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Work organisation and innovation

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This case study considers some HR practices that are global at Kellogg and common across many other countries, but it pays special attention to specific practices that the company has adopted in recent years in Spain. These practices are innovative and in some cases courageous, in terms of the effort required from the company to put them into reality.

Kellogg is a fast-moving consumer goods company (FMCG) mostly known for its breakfast cereals but also producing a number of different food products such as bars, crackers, snacks, etc. This range of products is commercialised under different brands, always with a common reference to the main Kellogg brand.

The same Kellogg brand is used by the company to label various human resources management (HRM) practices that are in the scope for this case study. This is a company that uses a strong and bold marketing approach to deal with its external audiences. This is understandable due to the extremely competitive market in which it operates. What goes far beyond expectations is that the company uses the same type of effort to communicate with its internal audience, the employees.

As this case study will show, Kellogg Spain is quite innovative in terms of some of its HRM practices. However, in other cases the company just does what many other companies have already been doing for several years. Whatever the case, the company always makes an effort to give an appealing label to its policies, with a ‘K’ connotation (‘Kwork’, ‘Koffice’, ‘CornFlex’, ‘K’Succes’, ‘K’Experiences’, ‘K’values’) knowing that the principle of the pleasure one feels by using a product that was bought from a supermarket shelf is not only dependent on the characteristics of this product in itself, but also on the package and all associated images that come with it.

Translating this to the HRM field means that the company always considers the best way to present any HR initiatives as unique and specially designed to address the most specific needs of its internal customers: the employees.

In other words, the company respects and values the role and contribution of each individual employee and communicates strategically with these employees in order to make them feel unique and special to the company. This is particularly evident in the effort that the company makes to ensure its human resources policies are flexible enough to be adjusted to the different needs of employees. It is also important to note that the company sees this as a continuous effort that should not stop at any moment. Either because the tax legislation changes, creating new opportunities to offer additional benefits, or because a new suggestion is made by an employee, the company tries to take advantage of these different opportunities. Kellogg’s also pays great attention to its internal communication practice in order to demonstrate to employees how important they are.

This case study is based on five individual interviews with different employees and management representatives, and a focus group with another five employees. One message that came across in several different interviews was the pride and the sense of belonging that the company promotes. A good illustration of this is the following: One benefit the company offers is the entitlement to an extra day of holiday when the employee birthday’s falls on a normal working day. When the friends of an employee who was in this situation called to wish him happy birthday, he told them about this company rule. Their typical reaction was one of surprise, emphasising ‘how lucky he was to be working for such a generous company’.

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Kellogg worldwide has always been a company that cares for its employees in a special way. It is often said that even back in 1906 when he founded the company, Mr W.K. Kellogg expressed the vision that ‘We are a company of dedicated people making quality products for a healthier world’. In 1925 the company opened a kindergarten for the children of its employees, where medical and dental treatment was also provided and mothers’ meetings organised.

Since then the company has expanded significantly across the world but this particular focus on their employees has always remained a key company value. In Spain, however, the company has gone further than in many other countries in making this value a reality and unique in the market.
Flexible work solutions: ‘Kwork’ and ‘Koffice’

In 2010 Kellogg in Spain used the opportunity of changing office to adopt a new approach to organising work. This new approach, the so-called ‘Kwork’, implies working in a flexible way, combining different locations, like the office, home, or ‘on the move’ (airports, clients’ sites or other places).

The previous office occupying an area of 2,650 square metres was a traditional office where each employee had a fixed desk, in a well-defined location, according to the department they belonged to, and each manager had a closed office.

The new office, with an area of 1,500 square metres, i.e. 43% less than the old one, has a very different structure. There are no closed offices, even for the general manager, and there are no fixed places either.

This new office structure and arrangements represented a major change. It was a management-led initiative supported by a taskforce put in place for this purpose with around 20 employees and managers. Some managers were not pleased at losing their closed, permanent offices (the fact that the general manager set the example by giving up his office was significant). Some employees were also unhappy about not having permanent desks to sit at. However, the majority of employees reacted positively as they saw the advantages of the new office.

The move to the new office took place over several months with considerable involvement from different employees who regularly attended the preparation meetings, contributing to the decision-making process.

The new office, the so-called ‘Koffice’, has three types of spaces:

1. ‘Neighbourhood’: these are the areas that correspond to the company departments. There are two for the sales channels, one for marketing, one for finance, one for communication, one for HR, one for management, one for assistants and one for supply chain. However, these ‘neighbourhoods’ are only a reference, and individuals do not necessarily have to sit close to their department colleagues every day. They may instead sit close to another department that they are working with at the time. For example, one HR person may sit close to the sales team if the activities they are working on involve these people, while an employee from customer services may sit close to a specific sales representative if dealing with a customer situation related to that sales professional. No prior reservation is possible.

2. ‘Added value spaces’: these offer a menu of different types of spaces according to different needs that each person may have at a certain moment. Included in this category are the following spaces:

   ‘Snacks room’, for confidential work, to be used on an individual basis for a limited amount of time, to do individual and confidential work or tele-conferences, for example;

   ‘Silence room’ to do work that needs special concentration with more than one desk and which applies the normal rules of a library (for example, mobile phones must be switched off and users must keep silent). No prior reservation is possible.

   ‘Creativity room’: an informal and creative space, with comfortable sofas, ideal for teamwork and brainstorming. Can be reserved.

   ‘Flexible room’: an open room where employees can drink coffee or tea, eat snacks and have informal meetings.

   ‘Spaces for informal meetings’: open spaces around the office where it is possible to have informal meetings or different conversations with colleagues, non-confidential, without disturbing the rest of the office.
‘Meeting room for 4 to 6 people’: ideal for team meeting activities, the smaller ones do not need reservation while the others do. The rooms are also equipped with a screen.

‘Conference room’ for bigger team meetings; they need prior reservation and are equipped with a projector. The walls are movable, allowing for different space combinations.

3. There are other spaces in the office which complement those described above. There is the so-called ‘personal box’ for each employee to keep their laptop and other possessions. Each box is identified by the name of a town or country. The ‘kitchen’ with fridge, microwave and tables, where employees can prepare or heat up their food. The ‘well-being room’ where a doctor gives appointments and physiotherapy sessions are organised.

The rules regarding the office utilisation and the different spaces are well defined and each new employee receives a booklet with all relevant explanations.

When the move to the new office took place these rules regarding space utilisation were presented to all employees with the booklet for support. This was presented as part of a global change initiative that would have clear benefits for employees in terms of providing them with more flexibility to do their work. The employees had different opportunities to raise their questions and/or doubts or concerns in the meetings that took place in this respect.

The adoption of this office, ‘Koffice’, coincided with the adoption of a more flexible approach to work. The so-called ‘Kwork’ was firstly implemented with some restrictions in 2006 and after the office move it was broadened to include more people and more flexibility. To do so the company started providing to each employee, independent of function or status, the following items: a laptop with 3G device, a smart phone, a fully paid broadband voice and data connection at home. With no formal limitations to personal use these items allow each employee to work remotely when convenient, from home, the airport or the client premises. One of the interviewed employees even mentioned that while his wife was in hospital he came to the office for certain meetings but spent most of his time at the hospital doing his normal work. Another employee said that on the journey from home to the office she would review and answer emails on her smartphone. As part of the rules there is a fixed window from 10:00 to 17:00 when an employee is supposed to be available to attend meetings, either face-to-face or virtually. This means that no meetings are scheduled out of these core hours.

Kellogg’s Spain implemented this new flexible approach to work as part of a strategy that aims to offer more attractive working conditions to employees with the overall objective of becoming a great place to work. Staff and management reacted well to this although it is recognised that the level of utilisation of this flexibility differs significantly from case to case.

The new office space was also designed to promote a clean desk policy. This means that by the end of the day each employee is supposed to leave the table where they were working completely clean and store their things in the ‘personal box’. Employees are also encouraged to use as little paper as possible and recycle used paper in the appropriate boxes. In general, staff reacted well to this.

The move to the new office also coincided with the adoption of other measures to help reconcile work with personal life. One such measure is the laundry service, which collects employees’ laundry from the office and returns it clean the following week. Another additional benefit is the ‘masvidared’, which is a service contracted with the company that can arrange different types of solutions to personal needs. Some of these services are free of charge, for example doing web searches for holidays or travel requests, or other type of bookings, or more practical things like taking the car to the garage or carwash or finding someone to help with a special service at home. Several employees reported that they frequently use the services from ‘masvidared’ with very satisfactory results. Not only are they quick but also effective in finding cost-effective and quality solutions for different requests.
The medical and physiotherapy services provided are also considered to be an important added-value benefit.

Along with its commitment to promote a healthier life the company sponsors sporting activities which range from football, to gym, paddle and ski holidays. Occasionally employees themselves organise a sporting activity, such as a ski trip, and then ask the company for sponsorship.

The company has the objective of being a great place to work, being recognised as such by their employees, by the market in general and also achieving a top score in the rankings promoted by organisations like the Great Place to Work Institute. Employees refer to an ‘emotional salary’ as a link that is established between the company and each employee, which goes beyond the actual salary and additional benefits provided by the company.

**Total compensation model**

The company has a very individualised approach to each employee through the tailored approach to compensation. The compensation philosophy of Kellogg is based on four pillars:

1. pay for performance
2. total compensation
3. internal equity, and
4. external competitiveness.

The ‘pay for performance’ dimension means that the company uses several ways to measure the employee’s performance and then pays part of the salary according to those results. The ‘total compensation’ dimension is based on the fact that not only the salary is considered to be part of the compensation but also several elements that go together with it. The internal equity and external competitiveness dimensions are similar to those operating in any company.

The label ‘Kexperiences’ is used to show that the company makes an effort to match each employee’s needs. Under this label the company presents several initiatives or programme dimensions such as: ‘Smacks life’, related to the work–life balance dimension they want to promote; ‘Feeling Great’, related to the company’s concern with employee well-being which translates into support for sport activities, medical and physiotherapy assistance, providing free daily fresh fruit, yoghurt and cereals; ‘K’talent’, which includes the different tools for training and self-development that the company provides; ‘K’recognition’, which is based on recognising special efforts or specific contributions from employees; and ‘K’culture’, based on an open communication environment where employees should thrive.

The label ‘Ksuccess’ explains the results-driven dimension. It has three components: the annual incentive plan whereby employees receive a variable annual bonus calculated on the basis of the individual performance and company results; the sales incentives to the commercial team calculated on the basis of the sales results; and stock options for a certain level of employees and above.
The label ‘Cornflex’ refers to the variable components of the salary. And it is on this total salary dimension that the company is particularly innovative, especially considering how far they take this approach. The company gives employees considerable flexibility to choose among several options, including the following:

- **Restaurant vouchers:** employees may decide how much they want to receive in the form of restaurant vouchers, up to the daily limit of €9 a day. If they do not want any vouchers the corresponding amount will be paid in cash in addition to the salary. One employee, for example, told us that he receives €6 per day in restaurant vouchers and the remaining €3 are added to his contribution to the pension plan, which amount is then doubled by the company as their contribution. Employees can also choose if they want to stop receiving the vouchers when on leave or for any other reason.

- **Nursery vouchers:** the employee may choose to receive a part of the salary in the form of a voucher which allows them to pay for a child’s nursery fees. This has tax benefits.

- **House rental:** the employee may choose to have house rental paid by the company, which again provides a direct tax benefit.

- **Outside training:** in the case of any training that the employee may want to take that is not covered by the company, he can still have the company paying for it, deducted from the gross salary with the subsequent fiscal benefit.

- **Computer or ipad acquisition:** the employee may acquire for personal utilisation a computer that is bought directly by the company, with the amount deducted from the salary with the same fiscal benefits.

- **Support for childbirth or marriage by providing additional extra days for this purpose.**

- **Flexible individual contributions to the pension plan.**

These flexible benefits are in addition to the corporate benefits, in other words the health and life insurance and the pension plan. Administering this flexibility is quite a large task and for that purpose the company has the needed extra resources in the HR department.

**Internal communication**

The company puts special emphasis on internal communication with employees. As such the communication manager has a dual responsibility: she is in charge of external communication and brand public relations and also of internal communication. Regarding the external communication she has a reporting relationship with the corporate international structure and regarding the internal communication she reports to the head of HR in Spain. This close relationship with the HR function in Spain gives a special focus to the internal communication and allows it to be well aligned with the corporate communication and the other HR policies.

The company aims to be recognised by internal and external audiences as a great place to work, and the communication strategy is designed to support this. Employment branding is a specific dimension of this strategy which the company tries to reinforce with the many initiatives it has put in place.

Employment branding is a project in itself and is a shared responsibility between the HR and Communication teams. It is a key component of the Talent Management strategy by which the company wants to attract the most skilled candidates available on the market, and manage their talent internally by offering development opportunities.
The employment branding strategy aims to reach two different audiences simultaneously: the internal audience and the external audience. The message is the same for both and is related to the fact that the company wants to be an employer of choice. As part of this Kellogg’s makes a deliberate effort to promote their image as a great place to work and they use the available opportunities to do that. Then when they appear in a magazine or newspaper as a good example of employment practices they spread that same message internally. They often ask different employees to be interviewed by the press, instead of the HR or Communication managers. With this employment strategy they are able to promote the pride of current employees, which was evident in the interviews conducted for this case study.

The internal communication strategy is based not only on informing employees, but on gaining feedback from them.

A number of actions are taken to ensure that the employee has the right information from the right person at the right time. Internal meetings are held every quarter, two of them in the office and two at outside venues. The outside meetings last for a full day and allow for a deeper approach to relevant topics. They are also used as an opportunity to provide recognition for high-performance contributions from selected employees. The intranet is another important tool for internal communication and the general manager and the sales department have a blog where they post relevant news about the company business results. There are also some bulletins about specific topics: one dedicated to press news about the company and another about the corporate social responsibility activities that the company promotes. Management and staff rate this communication strategy very highly. On the one hand they value the fact that the company is interested in listening to their voice and on the other hand they understand the reasons for such a communication strategy which benefits the business and consequently benefits also the employees.

Regarding the objective of listening to employees, a global employee opinion survey is held once a year which normally has a high participation rate of around 75–80%. This is an anonymous survey conducted by an external consultancy and only they have access to the results. In parallel the company also participates in external surveys through which it can compare itself to other companies. One example of these surveys is that promoted by the Great Place to Work Institute.

Another interesting activity is the monthly breakfast that the general manager holds with 10 employees from different departments. On these occasions people tend to participate a lot and discuss different subjects, which is good for the general manager because he has access to direct information from employees. It is also good for employees because they have the opportunity to address the general manager directly. These breakfasts tend to last at least two hours.
The employees were heavily involved in the preparations for the move to the new office. The committee put in place to prepare the move involved 20% of the total number of employees and met on a weekly or fortnightly basis for around six months.

This was a top-down initiative from management but with high employee involvement. However, the commitment of top management in making this work was considered to be most crucial.

The move to the new office and the opportunity that this represented to adopt flexible working arrangements was viewed as a special project in the life of the organisation. The taskforce put together to deal with it was structured as a project team with a clear sponsor, the general manager, a project leader, the HR director, and a clear view of the stakeholders’ interests: their employees. This team was involved in different decisions like choosing the carpet for the office, recommending the structure of the different office spaces, researching and proposing the flexible time and space arrangements. The number of hours that this team spent together working on this project and the level of support they received from top management, who endorsed their different recommendations, is a clear indicator of how successful this approach was.

From the beginning the discussions of this taskforce covered the importance of giving flexibility to employees in terms of when and where they want to work. It was emphasised, for example, that if one employee wants to leave at 11:00 in the morning to go to the gym, that would be acceptable as long as there was no conflict with team activities as meetings. It was also pointed out that the use of flexibility should be seen as a privilege and not an acquired right. In other words if an employee is requested to attend a meeting at a certain time, either internal or external, they cannot refuse to attend on the basis of the time flexibility.

Once the flexibility measures were implemented the company conducted surveys to determine how things were progressing, and to find out whether there were any major issues.

After the new building had been leased and when the company was still in its old offices buses were hired to take employees on a visit to the new office.

A consultancy firm called 3G was hired to help with the implementation of the flexible office and the recommendations they provided proved to be useful and have been adopted.

The flexible office and the total compensation model were implemented in a radical way; this means that once the decisions were made they were implemented in a short period of time, around six months, but always with a high level of internal communication, trying to keep everyone ‘in the loop’ as much as possible.

The total compensation model was implemented in 2010 and was a top-down initiative viewed by the management as a strategic initiative. A specialised consultancy firm collaborated in its implementation and their software is used to run the current benefits administration.
Reactions and challenges

Employees received these changes with a very positive attitude. One unexpected reaction was that some meetings started to have more and more people participating via tele-conference, demanding a certain degree of adaptation. This adaptation was gradual and based on experience. Meeting through a tele-conference can be as effective as meeting face to face; however at first this requires more discipline. The virtual meeting needs to be better structured, with a clear agenda, starting and ending on time; there can be no disruptive behaviour and only one person can talk at a time. Employees and managers have gone through the learning process and now find it easy to conduct phone meetings, with several offices equipped for that purpose. This is an important dimension of the virtual and flexible office space, because the fact that someone is not working in the office will not prevent a meeting from taking place. Previously there was a more spontaneous approach to meetings; when everyone was in the office at the same time it was easy to ask for a meeting with two or more individuals. Nowadays this needs more planning, because although meetings occur on a virtual basis, people are still not necessarily available to attend at short notice.

The recent effort to make more use of the intranet rather than email has not been well received by some employees. They complain that because some information that used to be sent by email now just goes to the intranet they miss out on receiving it. This is particularly true when they are away from the office and have greater difficulty in accessing the intranet.
Impact on employees

Employees recognise that the company culture puts a high emphasis on the employee, in the belief that a happy employee will be more productive.

Employees say that the flexible working conditions in terms of place and time are a very important benefit, highly valued by everyone. Several employees noted that tele-work flexibility in working time helped them achieve a good work–life balance. Even employees with purely administrative jobs make use of tele-work and flexible time on a regular basis without affecting their performance.

Employees also said that the fact that their work is based on objectives makes it easier to apply these flexibility practices, because it is not the ‘presenteeism’ that counts but whether or not the worker achieves what they are supposed to do.

Employees also said that they value the total compensation flexibility practices that the company offers. Several of them described how they make use of this flexibility, depending on whether they are single or if they are married with children. Not only does this flexibility allow them to maximise the value of their compensation, but it reminds them of the effort the company is making to accommodate them.

The additional benefits offered by 'masvidared' are very much appreciated and used by different employees for various purposes. The laundry service, the medical and physiotherapy are also considered to be very good perks of the job.

As explained above, the flexible work space was not perceived in the same positive way by all employees. To deal with resistance the company invested in a continuous communication process. On one hand they listened to the employees’ concerns and tried to understand them and on the other hand they tried to outline the advantages offered by the new situation.

Regarding the risk of work intensification that may arise because employees may tend to work evenings or weekends, employees reported that this requires some discipline from their side, and it is up to them to avoid that. The company does not ask or expect that type of effort from employees, and avoiding work intensification as a result of the flexibility introduced is left to the individual. No specific role was identified at the management level to deal with this.

The fact that employees have a kitchen where they can prepare or heat up their meals, and the company’s provision of free fresh fruit as well as coffee, tea, milk and cereals, is also perceived as a worthwhile benefit.

A special positive impact reported is on women. One male interviewee said that in previous companies where he worked he noticed that women were worried about getting pregnant because this would have a negative impact in their career. At Kellogg the opposite is the case: pregnancy is welcomed and celebrated and women know that their career will not suffer if they have children. This means that there is a high rate of babies born to current female employees. These employees know that they can adjust their professional life to raising a child, and that this will not interfere with their career. This is possible because of the flexible work practices that the company has adopted.
Impact on the organisation

At the beginning there was some resistance from certain management team members who did not want to lose their individual offices. The management team eventually accepted this decision, however, because it was put to them that it would benefit internal communication in the company. The managers accepted that this was an opportunity for them to become more effective leaders. Being close to the people working with them allows a more fluid communication and increases the possibility of influencing employees in the desired direction.

The company dealt with the managers’ concerns by listening to and discussing them. It was important that the general manager set the example and it was emphasised that a managerial position is not about status but about responsibilities. Once the open plan office was put into effect the advantages were realised by the majority of staff and managers.

Teamwork is considered to have improved with the new office space arrangements. The new conditions make it easier for people to work together. Dealing with customer complaints, for example, is much more effective because when such situations happen, the customer services representative sits with the relevant sales representative and they work closely together until the problem is resolved.

The increased sense of pride that employees feel in working at Kellogg is considered to be a great asset because employees are perceived to be the best company ambassadors. During press interviews or other media contacts the company allows different employees to talk without giving them any special instructions on what they should or should not say. The level of trust between the company and its employees has increased under the new office arrangements.

The talent acquisition capacity of the company has increased significantly. During the past two years they have taken 25 days on average to fill in a position whereas before it would take 40 days. The number of spontaneous applications has also increased significantly, which allows the company to fill most positions without having the need to advertise or use head-hunters. As such recruitment is now faster and more cost effective. It is true that the market has changed during the last two years, with the recession having an impact in the number of candidates available for each position. However, the HR representative interviewed said that she could see a clear difference in the reaction of potential candidates when she was talking with them over the phone for the first time. In the past they would not be very enthusiastic about the prospect of working for Kellogg’s but nowadays their first reaction is very positive from the first moment.

The company reputation as an employer has improved as a result of the changes that were introduced. The company’s strong employment brand is an important outcome of the work organisation innovation.

In general terms employees who were interviewed reported that they are highly engaged with the company because they believe the company cares for them. This allows them to be more effective and productive. No negative comments were made about working for Kellogg’s, except the fact that the market where they operate is a very difficult and competitive one making it hard to achieve the expected results.

From the cross-companies surveys Kellogg’s participates in, they can see that the employee engagement in the company is very high as compared with the other companies and also is higher in Spain when the company compares itself with other Kellogg subsidiaries in other countries.

Employee turnover is average for the sector, at between 5% and 10%. The main reason why employees leave is related to the search for career progression. However, the company also finds that a number of employees wish to return to Kellogg’s because they say it is a better place to work than elsewhere.
The market in which the company operates is under great pressure especially due to the growing trend for own-brand labels, which tend to gain more market share every year. It takes a very high effort to fight against this tendency and Kellogg’s believe that the effort employees make, because of its commitment to them, is an important element in this respect.
Lessons learnt and future plans

The changes adopted regarding the office space and the flexibility associated and provided with it generated some resistance at the beginning. Not everyone reacted in the same way and some people felt more insecure about it. These types of reactions should be accepted as normal. However, if a decision was made that was well-reflected, things should move forward as planned. Communication is a very important dimension in supporting any changes. Listening to employees and trying to understand their concerns about the proposed changes is an important starting point. It is also important to involve employees in the discussions and decision-making process, and this is what they did when employees from different departments participated in the task force that was dealing with the new office.
The innovations described here were introduced by Kellogg’s in Spain as the result of a strategic decision. The company wanted to improve its employment branding in order to be recognised in the market as a great place to work. To achieve that objective Kellogg’s recognised that it had to build on its previous good human resources management practices and adopt new and more innovative practices.

One of the areas the company chose to develop was the introduction of a flexible approach to work in terms of both location and time. They needed to move office because the previous space was too small due to the headcount growth. Therefore they used this opportunity to introduce such changes. The planning and execution of these changes was done with a high involvement of employees. A taskforce of around 20 employees and managers was organised. This team dealt with the move and the introduction of flexible working practices using a project approach. For a period of about six months they met regularly, making a significant contribution to the numerous decisions that needed to be taken. There is overall agreement among employees and managers about the benefits and advantages of the new office arrangements and flexible working practices adopted.

The other area where the company had a quite innovative approach was in terms of flexible total compensation practices. This is actually an ongoing process as the company is continuously looking for new and different alternatives of benefits that can be introduced in order to offer a wider choice to employees. On top of the salary and corporate benefits the company offers a menu of several alternative benefits from which each employee can choose those that are most advantageous to their personal circumstances. There is common agreement among employees and managers about the high value of such approach to them.

The company operates in a very difficult market where aggressive competition from the so-called private labels presents an enormous and continuous challenge. The difficult economic environment makes this challenge even bigger. Kellogg’s needs a highly committed and skilled workforce to be able to cope with these challenges. The work organisation innovations that have been introduced contribute significantly to worker satisfaction.

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