

A Tough Start to the Day

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Abstract

This case presents a real life episode in the day of a pulp and paper mill general manager who receives a most unusual call. The call disrupts an important daily production meeting and the manager must make a decision about what to do. The mill he is in charge of is attempting to implement a major re-engineering project and at the same time, transform the way in which all of the wood yard employees work together. In short the employees are being expected to learn how to work as “self directed work teams”. However, the union employees think that they are all being “set up to fail” so that the plant can get rid of them all.

Teaching Areas: Organizational Behavior, Human Resources, Leadership, Industrial Relations

A Tough Start to the Day

David Sprague (General Manager of Southeast Georgia Pulp and Paper) started his 8 a.m. daily production meeting like most days. His meeting routine was to have each of his mill superintendents report on what was occurring in his respective area of the mill. Only this day was a bit different than any David had ever experienced. Wes, the Wood Yard Superintendent, had just left the meeting. This was not unusual in that frequently one or two Superintendents might leave the meeting for a few minutes to respond via radio to ongoing problems out in the mill. Only this day, Wes returned with a puzzled look on his face and interrupted the meeting with this statement: “David, the consultant whom we hired to work with our guys in the wood yard is on the phone. He wants to talk with you right now. In fact he’s insistent that you talk with him. He’s telling me that he will not go any further with the seminar that he’s teaching unless you drop what you’re doing and go over to the Comfort Inn and meet with him and the guys from our wood yard who are in his class.” This sure wasn’t the way that David normally conducted business but he left the meeting to take the call. He tried to imagine just what might be going on to cause the consultant to pull him out of an important meeting. After all, the guy had come highly recommended to David from a friend in another company that was the General

Manager of a paper mill similar to David's operations. The consultant had lots of experience in the industry. In background calls to other businesses David learned that Jim Dixon (the consultant) had a good reputation for helping companies adapt to newer employee relationships involving work teams. This was why David had hired the guy. The consultant was teaching a series of classes for all of the wood yard employees. The classes were intended to help the wood yard employees learn how to work with minimum supervision. The Southeast Georgia mill was trying to move to "self directed work teams" and had decided to begin this transformation in the wood yard. Along with this major change, David's mill was redesigning the entire wood yard's methods for handling and processing incoming wood. This "re-engineering" effort had been planned for about a year now. The cost of re-engineering the methods and processes, designing and building the new chipping machine, and construction of the new wood yard was estimated to be between \$22 million to \$24 million.

The call from the consultant went like this: "David, I know this isn't how you like to do things but I have a real problem over here with your guys from the wood yard. I've been working with them for three days now on getting them to understand what "self directed work teams" are all about. It's been tough to get them to "buy into it". Most of the guys just seem to be very resistant to even considering the idea of changing how they do things back in the wood yard. Today I noticed that they were especially tense and non-responsive. Finally I took one of the most senior guys in the class aside to ask him what was going on that might be causing such tension. The guy stunned me. He didn't mince any words. He says that this entire re-engineering project (including the idea of "self directed work teams") is a big phony exercise that is being set up in order to cause big time failure. He says that you guys that run the mill want to prove that the wood yard guys can't manage the wood yard with minimum supervision. Furthermore he says that this entire re-engineering project is designed to fail and that when it does, the company will fire all of the guys in the wood yard. He says that once the wood yard fails, the mill will either outsource-lease the entire wood yard operations to another company who will then sell chips to the mill. Or else the mill will start buying chips directly from companies that specialize in this. Either way, the company will get rid of all of the guys in the wood yard. I went back into class after the break and I asked the class what they really thought about this and most of the guys who were willing to speak up were in agreement with what I was told. In fact another one of the senior guys told me that he thinks that I am in on this hoax and that they aren't going to be sacrificial lambs. I told the class that I had no idea what they were talking about and that I was going to call you and get you address this concern with them."

Background: The Consultant

Jim Dixon had worked as a consultant-trainer for about 25 years and welcomed the opportunity to work with the Southeast Georgia Pulp and Paper Mill. Jim's primary job was teaching in a business school at a large regional university in the area. His own training was in organizational behavior and applied psychology. He had completed his Ph.D. many years ago and had worked with numerous industrial companies throughout the Southeast U.S.A. that were attempting to

“empower” their workforces. On several occasions he had helped companies train operating employees to work in a “self directed work team” structure with minimum supervision. While not 100% successful, most of these companies had experienced fairly good results. Success was not immediate. Normally such a change had to have the unwavering support and commitment of senior managers. Jim’s experience also taught him that mistakes would be made by both the work teams and by upper level managers. Both groups had to recognize that a “learning curve of patience and support” was necessary to ensure a successful transformation. The most successful transformation that Jim had been a part of took about six months and most took about a year or more. Jim knew the mill fairly well in that he had grown up in the town in which the mill was located. In fact, he had worked there one summer while he was in college. He didn’t work directly for the mill. He had worked with a large engineering-construction company as a “rod man” on a surveying team. The mill was expanding its operations. The summer job taught Jim the real importance of working with the unions that had been at the mill since its early days after World War II. Jim knew that several of his childhood friends worked there and were now union leaders. A few were engineers and one was even the Superintendent of Maintenance. One of his very best friends from first grade was a senior crane operator in the wood yard. Jim figured that this consulting-training job had all of the necessary conditions in place for a successful transformation: Commitment from senior managers, highly experienced employees, support of the union leaders, and competitive conditions pushing the company to look for ways to decrease operating costs.

Background: South East Georgia Pulp and Paper

The mill had been built in the early 1950’s shortly after World War II and has had its ups and downs. Within a year of starting operations, the International Paper Makers Union successfully mounted a campaign to organize a union. The parent company tried hard to stop the union’s efforts. However, many of the guys who were then working at the mill had been in the war and were a tough group. Within the next three years, two more unions were voted in: the International Brotherhood of Electrical Workers and the International Brotherhood of Laborer’s. Ownership of the mill had changed hands three times over its life time. Currently the local mill was owned by one of the largest paper and lumber products companies in the world.

For the most part, union relations were stable at the local mill. However, in recent years, the parent company had been demanding continuous cost reductions and productivity improvements across the entire company. These efforts had hit the local mill hard with layoffs. Just in the last two years, the parent company had spent over \$100 million on new technologies for making “fluff pulp”. Such pulp is used for baby diapers, disposable wipes, absorbent materials, cleaning supplies etc. While these are growing markets, the basic product is a “commodity” and hence the local mill must always be looking for ways to cut costs, improve productivity and improve the quality of its products. The mill always has to be concerned about the selling price of its pulp and paper. If other companies beat them on price, they can lose business fairly quickly. To be profitable the local mill must run at about a 95% utilization rate. It basically never shuts down

(24/7) except for brief required maintenance periods. With the productivity enhancements, the local mill “down-sized” from 1200 employees to about 900 over the last three years prior to the current wood yard re-engineering project.

Background: The Wood Yard

The mill wood yard works as many mills do throughout the U.S.A. Independent loggers cut pine trees in forests in the region and haul the wood into the mill wood yard. At the local mill, “short logs” have always been brought in for use in the pulp and paper process. Short logs are basically a pine tree that has had all limbs removed and then the tree is cut into shorter logs averaging about four to five feet in length. The logger loads the short logs onto his truck using specially designed steel racks to hold the logs in place as they are hauled. However, David Sprague (the General Manager) and his engineers had come up with a plan to take a lot of costs (potentially) out of the process of making pulp and paper. Essentially their plan was to have an outside vendor design a giant machine that would be capable of taking an entire tree (minus limbs) and then grind the tree up into chips. The chips would then be carried into the mill on conveyor belts-chutes and end up in the digester operations for cooking. The cooked chips-slurry then flows into the bleaching area, and eventually the bleached slurry is processed into either fluff pulp or paper. By using such a unique chipping machine and re-engineering the entire wood yard, David’s re-engineering team estimated that \$9 million could be saved annually at the mill. However major changes were necessary to accomplish the savings. Initially, the biggest “one time” cost was building the “one of a kind” giant chipping machine. No other mill in the U.S.A. had such a machine at the time. The machine was to be built in Mississippi, broken down, hauled to Georgia and re-assembled on site. The other major costs were for rebuilding the entire wood yard with hard surface roads, massive concrete pads, reconfiguring the conveyor and chute system for handling the chips, and the loss of productivity during the time in which the wood yard would be down. Plus another cost would be purchasing chips (to keep the mill operating) during the time taken to rebuild and set up the new wood yard. The total cost estimate for the giant machine, construction of the new wood yard, and “downtime” was between \$22 million to \$24 million.

These costs were just part of the changes necessary to achieve \$9 million in annual savings. The other more difficult to achieve costs had to do with the unions and employees. In order to save \$9 million per year would require downsizing in the wood yard. From the very beginning, David had kept the union leaders informed about what was being planned. While somewhat apprehensive about it, the leaders of the unions had promised that they would support the re-engineering. The presidents stated publicly that they understood the need for cutting costs and would be willing to renegotiate the contract for the guys in the wood yard. However, the biggest changes fell on the shoulders of the guys out in the wood yard. To get the annual savings, the Wood Yard Superintendent (Wes) and his shift supervisors estimated that the new configuration could be run by reducing the number of employees from 77 to 52. These 77 employees had to cover three shifts per day with a fourth “swing” shift to cover scheduled time off. The current 77 included laborers, crane operators, machine operators and skilled maintenance men.

The move to “self directed work teams” though, meant that there would be no more shift supervisors on each shift. There would only be Wes (the Superintendent) and one Assistant Superintendent. Both of these guys would basically work during the day. The other four supervisors would be moved to other parts of the mill. The biggest change would be with the 77 current union employees. Decreasing the numbers from 72 to 52 meant that 25 people would need to be laid off. Using the union seniority system, Wes announced who would be staying and who would be leaving. Most of the guys who were then laid off had only been at the mill for less than four years. Of the 52 who stayed, most had finished high school but several were “functionally illiterate” meaning that they could barely read and write. The guys (i.e. the “survivors”) varied from four years to twenty-eight years experience working in the wood yard. The average age was about 38 and varied from 25 to 55. About two thirds were white and a third were African American. Hence, 13 men per shift would be expected to manage the wood yard and keep it running without the benefit of a formal shift supervisor. The men would basically be on their own and would need to learn how to coordinate their efforts, trouble shoot and solve problems and deal with occasional conflicts and interpersonal issues that might arise.

Questions

1. What should David Sprague (the General Manager) do as a result of the call from the consultant?
2. What might have caused the men in the wood yard to think that the entire project is an “exercise designed to fail”?
3. What causes resistance to change?
4. What is the best way to get changes implemented successfully in a situation like a wood yard?
5. What potential problems would you anticipate in a transformation like this? What would be the best ways in which to deal with such problems?