

## **Nomination of Hunt-Wesson Memphis Refinery and United Food and Commercial Workers Local 515 Memphis, Tennessee for the State of Tennessee Labor Commissioner's Award for Excellence**

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Submitted by

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Overview

Hunt-Wesson and United Food and Commercial Workers (UFCW), Local 515 (AFL-CIO), have created a strong labor-management partnership at the Memphis Refinery. The parties achieved their partnership through a relationship of trust, a restructured organization, extensive training, and new ways of working together that emphasize participation and accountability throughout the organization.

The aim of their approach, the New Work System (NWS), is to be partners in the success of the Refinery. They have an explicit commitment to provide quality goods and service to customers, healthy profits for the company, good working conditions and living standards for employees, and to be a responsible and involved member of the community. Their stated goal is to build an enterprise that is good for business and good for people.

The Memphis plant refines and bottles vegetable oils and shortening under the Wesson brand. Hunt-Wesson sells its products to retail grocery stores and to establishments such as restaurants and hospitals. Two hundred employees – 140 union members and 60 managers and staff – ship some 14 million cases a year. In recent years, the vegetable oil market has experienced demands for higher quality, shorter delivery times, and lower costs. As a premium brand, Wesson is under continuing cost pressures due to heavy promotions by rivals and the expansion of private label oils. Wesson Oil has remained the number one brand in the market since the early 1990's by meeting these challenges. The plant's efforts at increasing quality, reducing cost, improving on-time delivery and devising packaging innovations have been an integral part of this market success.

The partners at the Memphis Refinery have taken a systemic approach to improvement: rather than a program, NWS is a way of doing business that changes virtually every part of the enterprise. Among its many elements, these are key:

- Co-governance by joint union-management committees
- Salaried Team Advisors
- A pay-for-skill pay system
- Decentralized Business Units
- Employment security
- Self-directed teams
- Three weeks of training in team skills
- Cross-training within each team
- An average of 13 days of on-going
- Rotation among jobs within teams training per year per employee
- Hourly coordinators leading each team
- A Total Quality approach

The Memphis Refinery partnership is alive due to the vision, effort and personal leadership of managers and union officers. They had the courage to lead the plant into a new era, involving, empowering and training people in their organization to prepare them for a fast changing environment. Their strategy created an organization able to provide opportunities for all employees and prosper as a business – now and in the future.

Leadership

The formation of a partnership at the Memphis Refinery was neither coerced by immediate business necessity nor nurtured by favorable labor relations. Rather, key managers and union officials took the long-term challenges to the business and the union seriously. They resolved to prepare their organizations for the challenges rather than merely react.

When the partnership first emerged, there was no particular crisis in the business. While competitive pressures were significant, profits and market share were healthy. The plant had been designated as the company's primary manufacturing facility for oil.

Labor relations were not especially favorable for forming a partnership. Among its many initiatives to meet the competition, the company focussed on controlling labor costs. During the 1980's, the company won a series of wage concessions, a two-tier wage structure, and work rule concessions. Newer workers experienced intermittent employment as the company adjusted to its cyclical production schedules with frequent layoffs. The decade ended with a bitter, nine-week labor dispute which witnessed picketing and hiring of replacement workers. By early 1989, labor relations had reached a low point.

Determined not only to repair their relationship but to achieve long-term success, plant leaders agreed to form a joint union-management Advisory Committee. At first, the committee worked out contractual issues remaining from the labor dispute. After initial successes, the body undertook a broader mission to improve the business and the wellbeing of employees. The committee set up a joint Safety Committee, changed personnel practices, developed a new attendance program, modified work rules and operating practices, improved training, and encouraged employee involvement under a quality program called the Process of Continuous Improvement (PCI). A separate joint committee started a monthly newsletter. Most importantly, committee members grew to respect each other as they worked together to resolve problems which previously had been discussed across a bargaining table—if at all.

In March 1990, the committee resolved to study alternative ways of structuring the business. Its members believed that the plant's external challenges would only intensify in the long-term. They sought to create an organization that could meet outside forces while sustaining healthy profits and market share, and supporting a secure, high-skill, high-wage workforce. They educated themselves in a study process which included seminars on new approaches to work, the oil business and the future of the food industry. They also visited plants which had pioneered high-involvement work systems. During this study period, the company and union negotiated a contract which contained language empowering the Advisory Committee to make economic and non-economic changes in the labor agreement necessary to implement New Work Systems.

By October 1990, leaders on the committee had agreed in principle to design a new organization. Early progress was promising, but by February 1991 the parties reached an impasse over a few core issues: seniority, job rotation, wage levels, the two-tier pay system and employment security. Rather than retreat, the committee decided "do the right thing." After much discussion, extensive analysis and repeated consultations with corporate managers, the committee reached an understanding which addressed all the core issues. The Advisory Committee restarted their analysis of the operations and finalized an ambitious new design in January 1992.

The key agreement was to stabilize employment around a somewhat smaller permanent workforce. The 15 % of the workforce terminated under the plan were, in effect, part time employees—many working only six or seven months a year. Remaining union members were offered year-round employment security. The savings in labor cost were applied towards substantially higher wages, elimination of the two-tier wage structure and more skills training. The arrangement was labor cost neutral: direct labor costs would neither increase nor decrease. The company anticipated its gains in the operating improvements made possible by a fundamentally different way of managing the business.

The plant could operate with fewer employees due to flexibilities in the redesigned organization. The New Work System design called for teams of cross-trained employees taking direct responsibility for most tasks and results in their area. Union members would learn most jobs within their team and rotate among them. Teams would take on new tasks including quality, sanitation, administration and minor maintenance. Hourly coordinators would assume most supervisory responsibilities. Former supervisors would act as Team Advisors and attend to long-term business and developmental needs. Teams would manage performance results according to jointly established standards and work to improve continuously on previous accomplishments.

The NWS partnership would not exist today without the personal involvement of the Advisory Committee. Leaders looked beyond past strategies and the immediate interests of their respective institutions. They took risks to educate and stretch their respective constituents. Managers challenged and ultimately reversed long-established corporate labor relations policies. In meetings and personal conversations over the two-year design period, union members of the Committee developed employees' understanding of the plant's competitive situation and convinced them that NWS was a sound approach.

Those on the Advisory Committee—department heads and front line supervisors, union officers and rank-and-file members—combined a vision and a sustained determination to alter their future. Their leadership in the face of resistance

was the key reason meaningful change occurred at Hunt-Wesson. As the union's Chief Steward often reminded the Committee when tough decisions had to be made: "we're the straw that stirs the drink!"

## Employee Involvement

The NWS partnership recognizes the central role of all employees in the success of the organization. The fundamental belief is that employees should understand the business well enough to be able to make decisions with the minimal amount of management. The strategy developed by the company and the union is to structure employee involvement into jobs by pushing information, decision-making and accountability to the lowest appropriate level. Participation is a full time job at the Memphis Refinery.

The challenge for leaders was to create and implement the policies, systems and atmosphere which empower employees to contribute to the business. The NWS does this by establishing a co-governance structure, business units, self-directed teams, hourly coordinators, team advisors, and the Process of Continuous Improvement.

Co-Governance. A system of joint union-management committees oversees most activities at the Memphis plant. While the committees deal with many traditional union-management concerns— work rules, pay, advancement, work schedules, overtime and the like—they are not limited to industrial relations issues. They also set policies and take responsibility for core business issues like production schedules, department budgets, production standards, overtime costs, and equipment procurement. Committees include:

- Advisory Committee. Sixteen managers, union officials and employees form a joint Advisory Committee that meets monthly to oversee the enterprise and establish policy. Teams and committees are commissioned by and accountable to the Advisory Committee.
- Department NWS Committees. Application and implementation of policies are delegated to joint Department NWS Committees where managers, Team Advisors, union stewards and rank-and-file union members manage their own business units. Among other responsibilities, the Department Committees establish performance standards for departmental teams and hold them accountable for results.
- Training Committees. Each department has its own Training and Certification Committee which sets standards, develops materials, manages training and certification activities, and approves pay raises.
- Plant Committees. Plant committees develop guidelines for areas such as pay, training and safety. Other joint committees may be formed as the need arises.
- Planning Committee. A small Planning Committee coordinates the business and sets priorities on a weekly basis. Six top union and management leaders serve on this committee.

The central innovation is to make both human resource and business issues a joint responsibility. Line managers have new responsibilities for labor relations and union officers make commitments to achieve business results. Together they guide the enterprise towards success.

Business Units. Activities within the plant are organized into two business units—Processing and Packaging—which have responsibility for business results. Support departments such as maintenance and quality control act as suppliers servicing the production departments as customers. Maintenance and quality representatives sit on production teams and departmental training committees. Most joint governance committees are organized around these business units.

The business unit strategy has two aims:

- Decentralize responsibility to the organizational level where the work is being done.
- Establish broad accountability for business results rather than narrow responsibility for functional activities.

Self-Directed Teams. The basic organizational units at the Memphis Refinery are self-directed teams. Teams are self-directed groups of employees that collectively take responsibility for work and results in an area. Teams are self-directed when they make and carry out decisions necessary to fulfill their responsibilities.

In practice, this means that teams take responsibility for performance in such areas as:

- safety
- production
- quality
- equipment
- training
- process improvements

- on-time delivery
- sanitation
- materials
- maintenance
- scheduling people
- work assignments

Teams manage themselves internally. They determine their own procedures to meet external standards and customer demands. They set policies at regular team meetings, manage daily activity through rotating coordinators, and rely on Team Advisors for guidance and information. Teams propose performance standards for approval by their Department Committee. Their performance is measured, usually by data they collect themselves. They are then held accountable for results in regular review sessions.

**Team Coordinators.** Teams are led by team members who serve as coordinators. Team members rotate through coordinator positions on a regular basis. A team has several coordinators at a time, each one responsible for a different functional area. A team typically has separate coordinators for Operations, Scheduling, Quality, Training, Safety, and Preventive Maintenance.

Coordinators continue to work as team members, performing regular production or maintenance tasks. An individual performs coordinator duties during his or her regular work time, while being relieved, or on overtime. The purpose of multiple, rotating coordinators is to share the work, fully utilize all employees, and give every team member an opportunity to learn about the business.

**Team Advisors.** Each team is assigned a Team Advisor to guide and assist the team in all areas of its responsibility. Team Advisors are not members of a team, but take active part in the team's affairs. TA's provide leadership, support, advice, training and expertise to the team.

Teams report to Team advisors for the responsibilities assigned to them. As teams become self- directed, they take increasing responsibility for themselves. Team Advisors still oversee teams, but increasingly take on roles as coaches and technical resources.

**Process of Continuous Improvement.** A fundamental goal of teams is to manage their quality performance and improve it continuously. They do this by implementing a four-part Process of Continuous Improvement (PCI), known as Total Quality Management (TQM) in other organizations. PCI focuses teams' efforts on four related activities:

- Standardization Setting quality and process standards
- Conformance Measuring conformance to these standards
- Compliance Acting when these standards not met
- Improvement Planning for improvements in these standards

Departments continue to standardize processes, developing operating manuals, setting up procedures to collect and chart data, and using statistical analysis to guide operating decisions. To date, process standards are complete for about 50 % of the plant.

#### Results to Date

Operating results for the past five years demonstrate that the partnership at the Memphis Refinery has achieved significant performance improvements. The following key measures show percentage improvements in performance for the fiscal year 1994 (FY 94) compared to the base year FY 88 (the last full year before partnership activities):

Measure	Percent Improvement FY 88-94
Productivity (cases per labor hour)	65%
Cost Efficiency (conversion cost per case)	25%
Inventory Turns (ratio of shipments to average inventory)	260%
Yields	
Material waste	10%
Downgraded product	47%
Energy Usage	16%

## Employee Training and Empowerment

The NWS at the Memphis Refinery demands new abilities from managers and union members alike. Workers need substantial technical and administrative skills to handle flexible work assignments and managerial responsibilities. Team Advisors must broaden their technical abilities as well as learn business and interpersonal skills. The partners at Hunt-Wesson recognized this need and incorporated training as a fundamental component in their work system redesign.

Every employee at the plant, including front office staff, attended three weeks of up-front NWS team training. These experiential workshops covered NWS and business concepts as well as hands-on team skills. Team Advisors and union stewards received additional training in their roles. Beyond this, the Advisory Committee committed the resources necessary to substantially increase on-going training. Each employee is budgeted an average of 13 days a year for technical and team skills training.

Training is integral to the NWS design. The new skills enable team members to rotate tasks, assume management responsibilities, manage performance and make improvements. In turn, rotating assignments reinforce skills and fully utilize the abilities of all employees. Skill requirements are tied directly to department and team standards for processes, products and performance. Team members are required to meet minimum standards for skills, the so-called Minimum Effectiveness Level (MEL). Learning is encouraged by a Pay-for-Skill System (see below). Training is designed to inculcate a broad, thorough understanding of the business so all employees can fully contribute to its success.

## Employee Diversity and Morale

While business challenges are the focus of many NWS activities, the partners committed to labor equity as well as competitiveness. From the start, the Memphis Refinery built labor equity into its vision for NWS. It addressed what the union regarded as setbacks in wages and working conditions during the 1980's. It also aligned the interests of union members—and the union as an institution—with the success of the business.

A new Pay-for-Skill (PFS) plan provides a wage increase for each skill area a team member masters. Employees receive the pay regardless of the work they perform on a given day. Employees may earn 20% higher wage rates under the PFS plan. The two-tier pay scale was eliminated; wages available to junior employees almost doubled with the new system. A gainsharing plan to share in future improvements has been agreed to in principle.

The commitment to employment security cures several problems related to constant layoffs. The company can attract and retain quality employees that it could not given the previous employment instability and low tier-two wage level. Security makes it possible to justify the substantial investment in training contemplated under the NWS. Perhaps most importantly, it inspires commitment from employees and encourages them to improve efficiency without fear of eliminating their jobs.

Many NWS features enhance the parties commitment to diversity:

- Structured training and job rotation give all employees opportunity to improve skills and earnings. Junior employees no longer wait years to advance into new jobs.
- The rotating coordinator duties and the MEL not only encourage but require all employees to assume leadership positions within their team.
- Special attention is given to training which will enable current employees to qualify for skilled jobs that historically have been filled with outside hiring.
- Certification policies explicitly require departments to provide assistance or alternate assignments to employees with disabilities without losing pay. The flexibility of teams builds this capability to accommodate disabilities into the work organization itself.
- After proper training, union officials and members also participate in all aspects of the hiring process—including setting criteria, screening, interviews, evaluations and recommendation—though managers make the final decision.

Team members and managers use a structured Problem Solving Procedure (PSP) to handle conflicts, grievances and discipline in an integrated way. In its early steps, the PSP emphasizes one-on-one discussions and a team-based, problem-centered approach. Managers and union officials intervene jointly when teams are unable to resolve problems themselves. Union officials and managers settle almost all contractual problems through consultations; only discharge cases and occasional items of contract interpretation reach the grievance stage. Absenteeism has been controlled by an objective point system and the increased involvement of employees in running the business. The joint Safety Committee has been active in identifying unsafe equipment and procedures; Safety Coordinators, regular team meetings and standardized processes have helped build safe work practices into daily operations.

Besides all these tangible ways of acknowledging employee contributions, the Memphis Refinery offers symbolic recognition as well. The monthly newsletter provides recognition of employee accomplishments as well as communication and education. Plaques listing employees who achieve record production are posted. And as part of NWS, team performance is recognized in review sessions with department managers and stewards.

#### Results to Date

The partner's efforts to address employee needs is confirmed by the results. The following key measures of employee morale and safety show percentage improvements in FY 94 compared with the base year FY 88:

Measure	Percent Improvement FY 88-94
<b>Human Resources</b>	
Absenteeism	70.0%
Turnover (employees/month)	98.4%
Grievances	96.0%
<b>Safety</b>	
Lost Time Accidents (LTA) Severity Index	56.0%
Light duty days	80.0%

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#### 1997 Update

Since 1994 many innovations and performance improvements have been realized as a result of the New Work System at the Memphis Refinery. Training, developing standards and continual reinforcement of team design concepts have provided the impetus for ongoing changes. The competition in the retail vegetable business accelerated; a sister plant in Savannah, Georgia was closed and most of the retail and food service production was moved to the Memphis facility. Memphis accepted the challenge, changing equipment and manufacturing processes to improve quality and increase productivity.

#### Self-Directed Teams

Teams continue to meet on a regular basis to address performance and people problems. One of the maintenance teams, for example, meets at the beginning and the end of each shift to assure the smooth hand-off of projects and operational problems. Scheduling Coordinators on each of the teams are responsible for making sure that the scheduled work is accomplished. On each of the teams, several team members have reached the MEL and beyond. This provides the teams with additional flexibility in meeting the needs of the business while increasing the pay of team members. Rotating Operations Coordinators meet daily to review performance and strategize ways to meet customer needs. The focus now is on ongoing performance improvement. What used to be record-setting performance is now a common occurrence. Productivity continues to improve and trend upward. In the processing area new technology and a redesign of the teams led to increased knowledge and improved performance. Team members systematically are trained in leadership and technical skills that have improved operations and quality.

#### Joint Governance

The Department NWS Committees continue to take an active role in implementing the NWS design within the business units. Meeting regularly, they continue to make fine adjustment to policies as the business units strive to meet the needs of the customers. The Training and Certification Committees within each business unit meet regularly to approve newly developed training materials and tests, test trainees and certify those meeting certification standards. The ongoing use of the Problem-Solving Procedure has led to the expedited resolution of issues on a routine basis.

#### Plant Performance

The Wesson Refinery Memphis continues to be the most efficient plant in the Hunt-Wesson Organization, even encountering difficulties in implementing the New Work System.

**Attendance** – Absenteeism increased by 2.7% over a two-year period from 1993 to 1995. During this time, successful marketing promotions drove up product demand, resulting in heavy overtime during the week and on weekends. Employees resorted to calling in sick in order to take care of personal business. This, of course, forced others to cover by working even

more overtime. Through the performance management process, however, teams tracked their own attendance with a great degree of discipline, and brought the absentee rate down to just 1.8% by 1997.

**Grievances** – During 1996, non-discharge grievances rose from zero to 10. Many operations would be unconcerned with this level of grievance activity. However, both UFCW 515 and Hunt-Wesson management perceived the rise as a dramatic increase. A new set of union leaders were elected in 1995, in part because employees felt that the union needed a more distinct and separate identity from management. The new union leadership saw grievances as one way their make a mark on the plant, and filed several on behalf of members who felt the New Work System placed too much additional responsibility and accountability on plant employees.

**Processing Performance** – The cost of converting crude vegetable oil to edible deodorized oil declined 2% a year from 1994-1997. This allowed the plant to invest further in technological and organizational change, which led to further improvements in performance. It should be noted that during this time, the cost of labor actually increased slightly due to skill block acquisition through the pay for skills plan. This increased cost in hourly wages, however, did not lead to an increase in the overall cost to manufacture the products. Instead, team members looked for even more ways to improve productivity and quality, thus reducing overall costs.

**Packaging Performance** – In the Packaging business unit, increases in packaging materials costs forced teams to continually seek ways to reduce waste and improve productivity. They succeeded in increasing productivity on the packaging lines by 10% from 1994-1997. A small portion of the increase was realized from upgrades in equipment, but most of the improvement was realized from the team collectively learning the cause and effect relationship between the work they did and the decisions they made.

**Employee Turnover** – An aging workforce and a negotiated retirement package led to an initial increase in employee turnover, which reached 11% by 1994. By 1997 turnover had dropped to 7%. The spike in turnover was no surprise, and was anticipated in the original New Work System design. Today, teams continually look for creative and efficient ways to improve performance while bringing new team members on board.

### **Organizational Changes**

The Memphis Refinery was confronted by continued pressure from the corporate offices to find ways to reduce overhead cost while remaining efficient. As a result, about half of the management and support staff positions (approximately 59) were eliminated by the end of 1997. These changes created opportunities for leadership from within the ranks to step forward and jointly manage and lead the business. Consequently, L515 members have taken a much more active role in the day-to-day operation and developed their level of understanding about the business to the point that decisions once deemed "management work" have become bargaining unit work.

### **Future**

The edible vegetable oil business continues to go through changes and challenges. Consumption continues to increase as consumers eat out more. However, private labels within the retail grocery business pressure brand names like Wesson, Crisco and Mazola to improve productivity, quality, and efficiency. The people of the Memphis refinery hope that the change and learning that has taken place over the last ten years have positioned the organization to succeed in the this highly competitive market.