

**Success Without Tradeoffs:
Achieving Dramatic Improvements for
All The Business' Stakeholders**

by Carol Sanford

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- ◇ In 1989, Kingsford Charcoal (a subsidiary of the Clorox Company) was operating 13 plants and using 2 contractor plants, yet was barely able to meet their production requirements. Following a developmental educational process over a period of three years, they produced the same tonnage with just 5 plants.
- ◇ In 1989 the safety record of Kingsford was the worst in the Clorox Company. Within the same three years, they set the safety program standard for Clorox and were well below the industry average injury rate. Quality improved 10-fold simultaneously.
- ◇ By creating a business growth strategic planning process, Kingsford was able to introduce an on-going stream of new and competitively unique products at one-third the former introduction time and twice the rate of success they had experienced before.

- ◇ Kingsford subsequently, increased its profits by 250%, became Clorox's second most profitable subsidiary, and positioned their products at #1 or #2 in the industry in every category.
- ◇ They won State awards for good citizenship and National awards for product design.
- ◇ They reduced the water and heat resources in the manufacturing process by almost 40% and the volatiles in the cooking process by almost 75% improving air quality in Southern California such that charcoal cooking was preferable, as earth friendly, compared to gas.

How Did They Do It?

Will Lynn, the Executive Vice President who worked with the consulting firm InterOctave to lead the change process in Kingsford, summarized the approach and success of Kingsford in this way:

“These kinds of successes begin with a linking process, not only of the employee’s goals with the business, but also both of these with the aims of all of the stakeholders to the business. The customer does better, the supplier does better, the shareholder does better, the landlord who rents you the building does better, [and] the community does better.”

Concern for the landlord, supplier and community is not the typical approach of a bottom-line executive. Yet, making those connections and achieving the aims of all the stakeholders (including those above) in every business action, is what Will Lynn attributes to the success of Kingsford Charcoal. To fully understand the philosophy and approach of what happened at Kingsford Charcoal, you have to go back to the beginning of the change process.

In The Beginning

The manufacturing of charcoal is characteristically a hard, dirty, and dangerous business that is usual performed in remote areas of the country. In many cases, the factory workers, comprised of the local population, have limited access to formal education and are plagued by the perception that they have less access to other job opportunities.

In 1989, Will Lynn was given the responsibility to “turn around” Kingsford Charcoal. At the time of his assignment, Kingsford had been ineffectively dealing with some real and reoccurring problems. “[Kingsford] had been neglected for a long time. They had not done a good job of utilizing the workforce [and they] saw people as part of the machinery. There were far too many plants operating, and they were barely breaking even,” said Lynn.

Some of the problems Lynn noticed as he took over leadership were due to lack of motivation and wasted resources. They were not tapping into the employee’s abilities. For example, Lynn stated, “Operators would wait for a supervisor instead of adjusting their own machinery.” Employees had little confidence in their own work and capabilities and therefore did not take the initiative. The employee morale was low, with a rocky labor history.

“Kingsford’s problems had been around a long time. They had had a terrible safety record and low profits for ten years. Plant throughput was declining. That was why they were using contractors,” said Lynn.

There were many issues that needed addressing. To get a handle on the productivity and outsourcing problem, the first step Lynn took was to hire a consultant who specialized in manufacturing improvements. Results were seen immediately as the new processes and suggestions were implemented. However, it wasn’t long until the improvements from the changes disappeared again. “[The changes] worked while he (the consultant) was there and then eroded back to the old system,” said Lynn. “There was no capability transfer.”

Realizing that this typical approach would not address all of Kingsford’s problems, Lynn contacted InterOctave, a different kind of consulting firm, that was recommended by one of their former clients, Procter & Gamble.

“[Lynn] wanted to involve people in the business and keep the businesses profitability growing,” said Carol Sanford, the senior partner at InterOctave who led the consulting effort.

“He wanted to supply his people with a business education in connection to the marketplace and the business’ stakeholders and to develop their potential to think more completely and creatively about

issues, problems, and improvements. The goal was to develop greater capability in people to generate and implement improvement ideas on their own in line with the business direction.”

Capability Building

Education and Development:

To begin the capability building process, the executive team worked on increasing their ability to create comprehensive business strategies while simultaneously producing a business strategy to guide the changes. “Everyone was aligned, from top to bottom, and had new capability to think more strategically,” said Sanford. Kingsford developed a differentiated business direction and distinctive product offerings, and opened up market niches that had not been explored”.

“With the business strategy as a guide, our developmental workshops enabled [the management and operating teams] new thinking and action taking capability,” said Sanford. InterOctave offered systems thinking frameworks that enabled the operators to understand the processes of the plant—how raw material became charcoal—to be able to understand why certain processes were necessary, and what the impact of their work was on the market and other stakeholders. “It is a process of further developing people’s intelligence so [people] can manage their own thinking and behavior and better contribute to business effectiveness and stakeholder value. Frameworks helped them visualize how the market and business actually work for example. In this process the business and operational teams developed a better idea of how to design work so they could

connect their daily activities to the market and shareholder value,” stated Sanford.

“Work was designed to connect employees to the effects produced outside the company, [such as] for a customer, shareholders, and the community and the earth. Each [employee] became a champion for these stakeholders. They interact daily with information they gather about these stakeholders, determine how well they are succeeding, and make immediate changes to improve the results,” said Sanford. “Will Lynn kept the organization focused on the results as they were in the process. People have to know what they are doing and why they are doing it.”

Improved Communications and Problem Solving:

The InterOctave consultants increased the interactive and communication capability through the use of a Socratic process that causes people to be able to generate their own thinking rather than “absorb” answers discovered by the trainers or other “experts. Through the developmental process, plant operators discovered the power of staying in touch with each other across the nation to share ideas and to use their new capability to solve problems they shared.

To create a better shared understanding of the business, each manufacturing plant used cross-functional teams to visualize and map an ideal value-adding stream to guide their improvements. They developed detailed mappings of the material flow—from earth to earth— so that every person at every level had in-depth understanding of what could be possible in the plant, and against which they were designing upgrades to performance to benefit all their stakeholders.

Implementation

As a result of participating in the creation of the value-adding map, the cross-functional teams in each manufacturing plant were able to generate and immediately implement improvements without the usual recommendation, suggestions and approval process. They no longer separated idea generation, from idea evaluation, or from idea implementation. Improvements were everyone's role and everyone had the ability to make real changes," said Sanford. "They developed their own ideas within the framework of the business strategy and business principles, and were able to generate ideas that significantly improved the business almost daily."

The process generated enthusiasm and fostered an environment where operators wanted to and could implement their own recommendation. They set up and tracked bottom line measures that connected directly to earnings and other market indices and the living giving indices for their stakeholders, like environmental impacts. "It adds meaning when someone on an production floor can see the impact of their work on their customers and the environment," said Sanford. The goal was to get the tools into the operators' hands and then get them to run with it.

Restructuring: Within three years, Kingsford charcoal had reduced its operations to five plants with greater output than the original thirteen plants. “Most of the changes came from the shop floor. As profits grew, we could afford better equipment and capital improvements, which also helped,” said Lynn. “By the time we closed the last two plants, the people understood why it was happening and we kept good labor relations.”

Downsizing was a difficult process, even though employees were told two years in advance. There was another unusual commitment from Kingsford; no one would be without a job until they found another. Anyone leaving the plant was assured by Lynn that they wouldn't be on the street.”

The commitment had a positive effect. “Employees involved with the shut down continued to make a positive impact. They helped other plants as they were closing,” said Sanford. Kingsford provided extra training to help employees move into other employment opportunities. “Employees felt more capable, and there was a lot of personal growth.” And the chairman of the corporate board received letters from those laid off praising them for the new life they had been given and from community leaders who did not feel neglected.

Production Improvements: “It was a pleasure seeing some of the things we were able to get accomplished,” said Lynn. “After

using the thinking tools and getting people involved in how to use their minds, they were able to have real input to the improvements to work.”

One improvement that was initiated by an operator, using the organization development technology, involved charcoal’s long “startup” time prior to being ready to cook food. the operator discovered an ingredient formulation change that caused the finished charcoal to light faster and burn longer. In addition to the improvement in product effectiveness, production costs were reduced by this change. And environmental impacts were reduced in the manufacturing and cooking processes. The employee had no technical background other than what he developed during the organization change process. The employee was becoming more valuable to the Company and adding real value to the Company’s product at the same time.”

Roadblocks

As with any change, operators didn't initially believe that real changes were going to take place. : There was perception that management would resume autocratic control after the consultants left," said Sanford. At the same time, some managers were concerned as well, fearing team-initiated changes without their having a grasp of the bigger picture. To overcome these perceptions was part of the requirement of the development process for everyone.

These roadblocks disappeared as everyone gained meaningful new ways to think and work. It was not a matter of rearranging work; whole new business processes were instituted, and everyone—executives, manager, and operator—had new roles with new levels and types of work that needed doing. "It is only when people can't see a way to contribute that they experience fear and resistance," said Sanford. "after people saw and valued their extended roles and the meaning in them they really felt a part of the change. They could manage their own reactions and their intentions in regard to the work to contribute to the success of the whole.

The Community

“We were working in areas where many people could not read or write, and still they turned the business around,” said Lynn. The opportunity for people to enhance their intelligence and then to make a difference focused their motivation. They knew they could make a difference with an idea they generated.

With the savings produced through this process, Kingsford took another unique step. They opened a literacy school at the Kentucky plant in cooperation with a local junior college. “We hired a teacher to teach the workers, who also brought their families in to learn,” said Lynn. For its contribution to the community, the program was recognized by the State of Kentucky.

“InterOctave is a group whose tools are different than what most managers have access to. Everyone, from the top to the bottom of our business, developed valuable new capabilities. Of the senior managers who worked with me, two have started their own businesses, five are leading divisions of other companies, and are using the tools they learned to organize and lead them. They took the capability with them,” said Lynn.

As for fear that the employees could fall back to their old ways, “They can’t,” said Sanford. “They are changed as human beings.

They see the world differently. They have changed their character and thinking process. You change the company by developing the worker, the work, and the workplace. There is no way to fall back, no way to lose what they have; it is a fundamental change. You can undo the work design, but you can not take it out of the people”

The community feels the effect of changed citizens. According to Sanford, “The changes go home with the members to their families and became imbedded in their way of living.”

With a complete picture of how the changes came to Kingsford, Will Lynn’s original assessment may now make more sense:

“These kinds of successes begin with a linking process, not only of the employee’s goals with the business, but also both of these with the aims of all of the stakeholders to the business. The customer does better, the supplier does better, the shareholder does better, the land and air does better, the landlord who rents you the building does better, [and] the community does better.”

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