

Helping People to “Use Their Minds” at Kingsford Charcoal

Carol Sanford

IN 1989, KINGSFORD CHARCOAL, A SUBSIDIARY OF THE CLOROX Company, operated 13 plants and used 2 contractor plants, yet was barely able to meet its production requirements. In addition, the safety record of Kingsford was the worst in the Clorox Company. Within just a few years, however, a transformation had occurred: Kingsford produced as much tonnage as before but with just 5 plants, set the safety program standard for Clorox, and was well below the industry average in injury rate. In addition, quality improved tenfold, and Kingsford was introducing a stream of new and competitively unique products three times faster and with twice the rate of success. Kingsford subsequently increased its profits by 250 percent, became Clorox’s second most profitable subsidiary, and positioned its products as first or second in the industry in every category.

How Kingsford achieved this turnaround illustrates an important lesson: having faith in employees’ abilities—and desires—to develop new capabilities can result in major payoffs for a company.

■ WHAT WAS GOING WRONG

The manufacturing of charcoal is a hard, dirty, and dangerous business that is usually performed in remote areas. In many cases, the factory workers have limited access to formal education and are plagued by the perception that they have little opportunity to find other jobs.

When executive vice president Will Lynn undertook responsibility to turn around Kingsford Charcoal in 1989, he found that 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.” Some of the problems Lynn observed were due to lack of motivation and wasted resources. Operators, for example, would wait for a supervisor to adjust the machinery rather than doing it themselves. Employees had little confidence in their own work and capabilities and therefore did not take initiative. Morale was low, and there was a tradition of rocky labor relations.

To get a handle on the productivity problem, the first step Lynn took was to contract with a specialist in manufacturing improvements. Results were seen immediately as the new pro-

cesses and suggestions were implemented. However, it wasn’t long before the improvements disappeared. “The changes worked while the consultant was there and then eroded back to the old system,” said Lynn. “There was no capability transfer.”

In order to achieve lasting change, Lynn focused on developing employees’ capability to generate and implement ideas for improvement on their own. He wanted to supply people with a business education and increase their ability to think more completely and creatively about issues, problems, and improvements.

■ BRINGING EVERYONE UP TO SPEED

Kingsford’s executive team first worked on increasing their ability to create comprehensive business strategies while simultaneously producing a strategy to guide needed changes. For two days a month over a period of one year, they focused on developing their strategic thinking, leadership, and critical thinking skills, which included learning how to see and understand the dynamics of the marketplace and how to become direction setters with regard to innovation and distribution. Strategic thinking became a living process for them, a continuous activity with results that were shared with everyone in the company instead of being

held “close to the vest” at the top of the company.

Similar workshops were held throughout the company to help managers and operators gain the foundation needed to engage in new ways of thinking and acting. A systems thinking framework was used so that operators would gain full knowledge of the plant—how raw material became charcoal—and thus be able to understand why certain processes were necessary and what the impact of their work was on the market. Because the systems thinking frameworks helped employees visualize how the market and business actually work, 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.

During developmental sessions, consultants used a Socratic process to help employees develop initiative. Rather than stand in front of groups and deliver answers to be “absorbed” by those listening, the consultants engaged employees in dialogues focused on the workings of Kingford’s business. These dialogues incorporated such features as questioning, debating, and the use of irony—skills designed to help people generate their own thinking.

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 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.

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 and

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approval process. They no longer separated idea generation, evaluation, and implementation; improvements were everyone's responsibility, and everyone had the ability to make real changes. The employees set up and tracked bottom-line measures that connected directly to earnings and other market indices, and they were able to generate ideas that significantly improved the business almost daily. This process generated enthusiasm and fostered an environment where people wanted to and could implement their own recommendations.

Operators across the nation continued to stay in touch by computer, weekly conference calls, and informal calls to "think together" about a shared problem or idea. They routinely passed on the improvements they were making in their own plants, as well as the thinking processes that led to the discoveries and improvements they made. This was direct worker-to-worker communication, unimpeded by being filtered up through supervisors and back down the hierarchy.

Initially, employees didn't believe that real changes were going to take place because they expected that management would resume autocratic control after the consultants left. At the same time, some managers were concerned as well, fearing team-initiated changes that did not take the bigger picture into account. These roadblocks disappeared as everyone gained meaningful new ways to think and work. This was not a matter of rearranging work; whole new business processes were instituted, and everyone—executives, managers, and operators—had new roles and new levels and types of work. After people saw and valued their extended roles and the meaning in them, they felt a part of the change and could manage their own reactions and their intentions to contribute to the success of the whole. "We were working in areas where many people could not read or write, and still they turned the business around," said Lynn.

■ THE PAYOFF

The business payoff was excellent: within three years, Kingsford Charcoal was about to achieve the accomplishments listed at the beginning of this article and had already reduced its operations to five plants.

Employees also gained. They developed new capabilities, useful in any employment situation: the confidence to manage themselves in changing situations, the capacity to think critically about business issues, and the ability to foster innovation as part of day-to-day work activity. Those who lost their jobs as a result of the plant closings were able to make successful transitions to new, often better paying jobs in their communities.

The decision to close plants was agonizing for everyone involved. But it had become clear in the strategic planning process that ensuring safety and viability at all sites would cost more than would be gained in return. In a departure from the usual downsizing process, where people are given short notice, treated as "surplus," or referred to "resumé mill" agencies for processing, Kingsford carried out the transition effort internally so that the company was able to respond to each person's needs individually. The company's aim was to create a closure process that would leave every person involved, whether leaving or staying, in a better state than at the beginning of the

organizational renewal process. Kingsford worked with other employers who were hiring to identify and then build the skills people needed to move into these new jobs. Every displaced worker found a position within another company, 80 percent with higher wages and none with lower pay.

Kingsford built the capability of all employees to use their minds no matter where they would be working. This strengthened the company, the workers, and their communities. ▲

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When More Than Profits Count—What We Know About Social Accounting

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MANY COMPANIES IN NORTH AMERICA AND EUROPE—companies as diverse as Ben & Jerry's, IKEA, British Telecom, KLM Airlines, and VanCity Credit Union, a small financial institution in Vancouver, Canada—are realizing the value of measuring success based on more than profits. They are exploring a new form of accounting, social accounting, which can serve a number of purposes. It can help companies verify their claims of social responsibility, monitor their performance in relation to changing social values, communicate information credibly, and respond to stakeholder feedback. Social accounting can also bolster the bottom line in the longer term by providing vital information about what is going on in the external environment; improving relations with communities, employees, and suppliers; and creating an avenue for input from customers.

Social accounting is still in its infancy, with many companies trying and refining various approaches as they search for ways to realize the full potential of this assessment tool. This report provides an update on the more common practices used by these companies and shows how these can be taken a step further to better integrate social accounting and management practices.

■ CURRENT PRACTICES OF SOCIAL ACCOUNTING

The following is a description of the various practices most companies are using to do their social accounting.

Social Reports. Ben & Jerry's has published an assessment of its social performance in its annual report every year since

Results of Application of Value-adding Process Technology

CLOROX COMPANY

From an interview with Will Lynn, Group Vice President
January 1994

Deer Park Spring Water—third largest bottled water supplier in U.S.

In the second year of using the technology the company grew 22 percent and profit went up—a 10 percent increase in after tax earnings in one year.

All this was in the middle of the recession with people really worried the business was going to be sold. In about a year's worth of time we made the kind of turnaround people dream of. Business went from losing money—a substantial loss, to a substantial profit in 2 years. We became a business that was making margins equal to most of Clorox's other businesses, with margins as good as what the very best people in the industry were making—25 to 30 percent improvement in margins.

Kingsford Charcoal: The first noticeable result is changes in capacity. Charcoal went from 13 plants and 2 contractors to 5 plants producing exactly the same amount of tonnage. From a safety record that was substantially worse than the industry average, substantially worse than the rest of Clorox, it went to leading Clorox, in terms of the lowest number of lost time accidents. It was setting the safety program standards for Clorox so that the rest of the company started talking, with an accident record that was not only the best in the company but well below the established industry average of the charcoal business.

With the change in capacity came a dramatic improvement in quality. Every quality measure we had, including everything that was important to the customer, improved generally by 10 fold. There was a dramatic improvement in profitability, about 250 percent, to the most profitable business inside the parent company. That 250 percent was using some of the profitability from the charcoal business to launch new products in the business at the same time. So actually the numbers are like 500 percent profitability from charcoal alone. We wound up launching a number of businesses with the profits, still being able to sustain good profit growths on the charcoal business, profit growth for the division plus adding products to it. The division actually wound up 6 times bigger than it was from a profit stand point.

The bottom line is sales went up for the division in total of between triple and quadruple, from a few hundred million to several hundred million. Along with earnings, margins improve dramatically. We made very good money in businesses where others weren't doing very well.

Hidden Valley Food Division

We had three or four or maybe five, new products out in record time where all of the functions of the group worked together to create the new products. Bottled Hidden

Valley Ranch, a new product that Clorox had been trying to launch for six years and had never been successful with, we actually got in the market in a year—beginning with a complete review of the R&D program and finishing in a test market with the product that was later very successful—first and second brands in the category. A bunch of products done in three to five months, from start to finish. When things are working this way, the right things happen. You win awards from your suppliers about how well you launch new products because you get a product that is recognized as a winner and the packaging supplier is an integral part of that. One of my keepsakes is a packaging award we won *and* which also got us a whole lot of new business.

Overall:

One of the reasons I believe so much in this process is everybody who is involved in the process benefits. It's not only linking the employees goals with the organization, or being able to satisfy both of those, it's being able to satisfy everybody involved. The customer does better, the supplier does better, the landlord who rents you the building does better, the community does better. We were able to contribute substantially because we were more profitable.

Advise:

One thing that make an immense difference is keeping the organization focused on the results while you're doing this work. You will get improvements. I expected improvements. I insist you learn this, but its got to show on the bottom line as well.

The places where this works the best is when the entire organization is using this and they are using it from a strategy on down. The measurable result happens in plants and in functional operating groups. One of the earlier things that happens is you begin to get alignment between functions. Manufacturing realizes that in order to have charcoal in the stores on Memorial day they have to do their job and if Sales sees something waiting on a dock, they'll help ship it. The customer service goes up, because somebody in a plant makes it work. People know what they have to do and why they have to do it, because sales and manufacturing have suddenly become linked together to make sure that the particular goal is achieved. This happened in both cases —very large successes, both Kingsford and the Bottled Water. The work started with strategy work at the Management Committee level and then a lot of things started happening—when you get people working in the same direction.