



Johnsonville Sausage Co. (B)

In the Fall of 1992, Ralph Stayer talked about the events that had transpired since the original Johnsonville case was written in 1986.

Since the last case, a lot has happened.

During 1985 and 1986, we worked on implementing the principles and vision that I talked about in that case. It was going well, and I was gradually starting to have more and more time on my hands. This felt right to me.

In 1987, I saw an opportunity to get into the fresh pasta business. I was worried about the longer-term prospects in the meat industry, and was glad to have the chance to diversify. This was a completely separate business, and I started spending a lot of time on it. I also started doing some consulting with other businesses, based on the ideas that we'd implemented at Johnsonville.

In 1988, I made Mike Roller president. Based on our having worked together, I thought he was the best person, that he understood what we were trying to do. He wanted Johnsonville to be a marketing company and had been instrumental in helping us grow.

In 1988, 1989, and 1990 the business was growing. We went from \$50 million in sales in 1985 to \$100 million in 1990. Still, our 1989 results were a bit disappointing, and in 1990 growth slowed fairly dramatically. By 1991 the business was almost flat.

During these years I had been busy with the pasta business, and had also been doing a lot of consulting. Still, I was trying to keep my hands on the organization, on the culture, but it just didn't work. I only talked with Mike; there were some people in the senior management group that saw things going awry, but they figured that I was working with Mike, and therefore, must be in agreement with what was going on.

Then in the Spring of 1991, there was a unionization attempt. It wasn't a major effort, but I knew that a few years ago these people would have been laughed out of the plant. There were a few other things going on that just didn't compute.

Professor Michael J. Roberts prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 1992 by the President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

I started talking to customers and asked them how things had changed. “Five years ago you listened, now you’re trying to tell us what to do.”

I talked to people in the plant who stopped me on the floor and said, “Ralph, it’s not the same.”

I tried to work with Mike like he was a consulting client, but it just didn’t work. And, the more I learned, the more scared I got. Still, I tried to rationalize not letting him go. I told myself how hard it would be to step back in, how much time it would take, that he really wasn’t that bad, that it was my fault and I needed to give him more time. This is pure denial; I see it all the time in my clients.

What finally convinced me was the realization that I was trying to build a reputation as a world-class consultant. And I was building that reputation on the back of Johnsonville. If it failed as a great company, I was dead. When I realized that it was him or me, I acted.

On August 27, 1991, I told him that it wasn’t working and that I was going to step back in. The following day I sent out a memo to the management in the company calling a meeting for that weekend. We were going to figure out how the company should be run.

I was interested if we could find a way to run it without a president. I didn’t want to spend all my time on Johnsonville, and I didn’t want to have to go through the hassle of trying to hire and work with another president. And one of the big problems I had seen at just about all of the companies I worked for was that everyone looks to their boss instead of the customer for direction and approval. So I figured if we eliminated as much formal hierarchy and authority as possible, we would have a good chance at cutting that down.

In the last year, we have built an organization that revolves completely around teams. We have a product performance team, which is the old manufacturing organization, a customer focus team (sales) and performance services teams. Every team sets its goals, based on discussions with its customers—internal or external. And those goals are broken down into monthly objectives and action plans for smaller groups, and weekly action plans for each individual. Every objective has some measurable result attached to it—individuals know at the end of every week where they stand.

Each teams’ customers are surveyed to determine how well they did reaching those objectives. I have been relentless in getting people to focus on the customer—instead of their boss—as the person that they have to satisfy.

We still have a way to go to make this the organization that it can be. But, I think we are on the right track.

They worry if I will go away again. My initial response is to say that that is the wrong question. The right question is how can we build an organization that is not dependent on Ralph, or on anyone like me. Can’t we build an organization that is dependent on them?

Lately, I’ve begun to wonder if this is so. I see here, and at many of my clients, that you need a leader. I have a much clearer view of my responsibilities than I used to. Some things are top down. It’s my job to say what great performance is. As I look back, I think I was too wishy-washy. I didn’t have high enough

expectations for what people could do. You need someone to paint the vision. I see tremendous value to leadership, and I'm not sure how, or if, it can be replaced. But if anyone is going to figure it out, I'd like it to be me.

DO NOT COPY