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Peter Browning and Continental White Cap (A)

On April 1, 1984, Peter Browning assumed the position of vice president and operating officer of Continental White Cap, a Chicago-based division of the Continental Group, Inc. Having completed a successful five-year turnaround of Continental's troubled Bondware Division, Browning found this new assignment at White Cap to be a very different type of challenge. He was taking over the most successful of Continental's nine divisions—"the jewel in the Continental crown," as one Continental executive described it. White Cap was the market leader in the production and distribution of vacuum-sealed metal closures for glass jars.

Browning's charge, though, was to revitalize and reposition the division to remain preeminent in the face of threatened, but not yet fully realized, changes in the competitive environment. Sales were stable and costs were up. Recent years had brought changes in the market: one competitor in particular was utilizing price cuts for the first time to build market share, and the introduction of plastic packaging to many of White Cap's traditional customers threatened sales. White Cap had not yet developed a plastic closure or the ability to seal plastic containers. After more than 50 years of traditional management and close control by White Cap's founding family, corporate headquarters decided it was time to bring in a proven, enthusiastic manager to push the business toward a leaner, more efficient, and more flexible operation—one capable of responding to the evolving market conditions.

From the very start, Browning recognized two major obstacles that he would have to address. First, few managers or employees at White Cap acknowledged the need for change. Business results for more than 50 years had been quite impressive and when dips were experienced, they were perceived as cyclical and transient. Second, White Cap had a family-style culture characterized by long-term loyalty from its employees, long-standing traditions of job security, liberal benefits, and paternalistic management. Attempts to alter these traditions would not be welcome.

Reflecting on his new assignment at White Cap, Browning recalled that at Bondware he had walked into a failing business where he "had nothing to lose." Now he was entering "a successful business with absolutely everything to lose." One White Cap manager observed: "White Cap will be the testing period for Peter Browning in the eyes of Continental." Browning's success in reframing the business would be critical for his future in corporate leadership there. Browning thought about the stern words of caution he had received from his boss, Dick Hofmann, executive vice president of the Continental Group: "White Cap needs changes, but just don't break it while you're trying to fix it. Continental can't afford to lose White Cap."

White Cap Background

In 1926 William P. White and his two brothers started the White Cap Company in an old box factory on Goose Island, located in the Chicago River. From the beginning, the White Cap Company was active in many areas: in closure production and distribution, in new product development, and in the design of cap-making and capping machinery. Thus, White Cap promoted itself as not only a source of quality closures but also providers of a "Total System" of engineering and R&D support and service to the food industry. It claimed the latest in closure technology—for example, in 1954 White Cap pioneered the twist-off style of closure, and in the late 1960s it developed the popular "P.T." (press-on/twist-off) style of cap). It also took pride in its capping equipment and field operations service. White Cap's customers were producers of ketchup, juices, baby foods, preserves, pickles, and other perishable foods.

In 1956 the Continental Can Company bought White Cap, and in 1984 the Continental Group, Inc., went from public to private as it was merged into KMI Continental, Inc., a subsidiary of Peter Kiewit Sons, a private construction company. The White Cap Company became Continental White Cap, the most profitable of the parent firm's nine divisions—each of which produced different types of containers and packaging.

Despite the sale of White Cap in 1956, the White family continued to manage the organization, and its traditional company culture persisted. As the manager of human resources at the Chicago plants expressed it: “I really think that many employees felt that White Cap bought Continental Can, instead of the other way around.” W.P. White, the company founder, and later his son, Bob, inspired and encouraged a strong sense of family among their employees, many of whom lived in the Polish community immediately surrounding the main plant. Once hired, employees tended to remain and to bring in their friends and relatives as well. At the two Chicago plants in 1985, 80% of the employees had over 15 years of service.

The Whites themselves acted as patrons, or father figures. Legends recounted their willingness to lend money to an hourly worker with unexpected medical bills, or their insistence, in a bad financial year, on borrowing the money for Christmas bonuses. In exchange for hard work and commitment, employees received good salaries, job security, and the feeling that they were part of a “winner.” In an area as heavily unionized as Chicago, these rewards were potent enough to keep White Cap nearly union-free. Only the lithographers—a small and relatively autonomous group—were unionized.

White Cap was rife with rituals, ceremonies, and traditions. In the early days of the company, Mrs. W.P. White would prepare and serve lunch every day for the company employees in the Goose Island facility. Over the years, White Cap continued to provide a free family-style hot lunch for all salaried employees and free soup, beverage, and ice cream for the hourly workers.

A press department manager, a White Capper for 28 years, explained:

“For work in a manufacturing setting, you couldn’t do better than White Cap. White Cap isn’t the real world; when the economy is hurting, White Cap isn’t. White Cap always lived up to the ideal that “our people are important to us.” They sponsored a huge family picnic every year for all White Cappers and friends. When they first instituted the second shift in the factory, they lined up cabs to take late workers home after their shift. They sponsored golf outings and a softball team. People generally felt that nothing’s going to happen to us as long as we’ve got a White there.”

But in 1982, Bob White stepped down and turned the management over to Art Lawson, who became vice president and executive officer. Lawson, 63 years old, was a veteran White Capper, and many saw him as simply a proxy for the Whites. Even Lawson would say that he saw himself as a caretaker manager, maintaining things as they had always been.

At about this time, price competition began to heat up in the closure industry. White Cap had been the market leader for over 50 years, but customers were beginning to take the Total System for granted. There were by then five significant manufacturers in the national marketplace and 70 worldwide who offered the twist-off cap. Competitors like National Can Company were beginning to slash prices, aware that the very advantage White Cap had maintained in the market (i.e., its R&D and full service) made it difficult for it to compete effectively with drastic price cutting.

Just at this time, plastic containers—requiring plastic closures—began to be available (see **Exhibit 1).** In 1982 the Food and Drug Administration had approved the use of a particular plastic substance as an appropriate oxygen-barrier for food containers. Subsequently, the American Can Company’s Gamma bottle, a squeezable plastic container, was adopted by the Heinz Company for its ketchup and by Hunt for its barbecue sauce. (White Cap had held 100% of the ketchup business worldwide.) Welch’s jams and jellies also adopted this new technology, and the reasons were typical:

Welch’s expects the new packaging to help revitalize a relatively flat product category, having conducted research indicating that their customers are willing to pay more for the convenience of the squeezable plastic bottle.[1]

Another major White Cap account had announced plans to introduce a new juice line in plastic containers for the spring of 1986, as well. Without a competitive plastic closure, White Cap would continue to lose customers. Senior White Cap management, however, had been reluctant to allow R&D to commercialize plastics developments because such plastics threats in the past had never materialized.

In 1984, two years after Bob White had left, Peter Browning was named vice president and operating officer, reporting to Art Lawson. He took over a division with $175 million in gross sales, 1,450 employees (of whom 480 were salaried), 12 sales offices, and 4 plants (2 in Chicago, Illinois, 1 in Hayward, California, and 1 in Hazleton, Pennsylvania).

Peter Browning's Background

"I'm Peter Browning and I'm 43 years of age. I have four children—three girls, 20, 16, and 12, and a seven-year-old son. My undergraduate degree is in history, and while at White Cap, I earned my MBA through the Executive Program at the University of Chicago. I have been with Continental for 20 years."

This was Peter Browning's characteristic opening each time he presented himself and his ideas to a new audience. On first impression, Browning appeared enthusiastic, charming, and intellectually and socially curious. Various employees and managers described him alternately as "Mr. Energy," "ambitious," "direct," "the most powerful boss I've had," "the quintessential politician, shaking hands and kissing babies." His speeches to management and staff were peppered with inspirational aphorisms and historical, often military, metaphors, repeated as refrains and rallying cries.

In spring 1985 the Continental Group arranged for each of the nine divisional managers to be interviewed by industrial psychologists. The psychologist's report on Browning stated:

"His intellectual ability is in the very superior range. . . . He is a hard-driving individual for whom success in an organization is extremely important. . . . Further, he is completely open in communicating the strategy he has conceived, the goals he has chosen, and the ongoing success of the organization against those goals. He cares about people, is sensitive to them, and makes every effort to motivate them. . . . His own values and beliefs are so strong and well-defined that his primary means of motivation is the instilling of enthusiasm and energy in others to think and believe as he does. By and large he is successful at this, but there are those who have to be motivated from their own values and beliefs, which may be different but which may nonetheless lead to productive action. These people are apt to be confused, overwhelmed, and left behind by his style." [2]

Browning's career began with White Cap and Continental Can in 1964 when he took a position as sales representative in Detroit. He continued in marketing with White Cap for nine years and then in other Continental divisions until 1979. At that time, he returned to Chicago to become vice president and general manager of Continental's Bondware Division. Once in the area again, Browning was able to touch base with old contacts from White Cap and to observe firsthand the challenges they faced.

At Bondware (producers of waxed paper cups for hot and cold beverages and food), Browning took over a business that had lost $24 million in five years (1975 to 1979) and that Continental could not even sell. Browning adopted a drastic and accelerated change program, employing what he called "radical surgery" to reduce employees by half (from 1,200 to 600), to eliminate an entire product line, to close four out of six manufacturing sites, and to turn the business around in five years.

Browning Is Reassigned

Early in 1984, Browning received his reassignment orders from the executive officers of the Continental Group

(Stamford, Connecticut). They wanted definite changes in the way the White Cap Division did business, and they believed Browning—fresh from his success with Bondware and a veteran of White Cap himself—was surely the person to make those changes.

Continental's executive officers had several major concerns about White Cap. First of all, they saw a competitive onslaught brewing that they believed White Cap's managers did not recognize. They believed the business instincts of White Cap's management had been dulled by a tradition of uncontested market leadership. The majority of White Cap's managers had been with the firm for over 25 years, and most of them had little intention of moving beyond White Cap, or even beyond their current positions. They were accustomed to Bob White's multilayered, formal, and restrained management style—a style that inhibited cross-communication and that one manager dubbed "management without confrontation." Some of them were startled, even offended, by the price-slashing tactics practiced by White Cap's most recent competitors, and they spoke wistfully of an earlier, more "gentlemanly" market style.

Continental's executive officers were also concerned that White Cap's long-time success, coupled with the benevolent paternalism of the White family management, had led to a padded administrative staff. They instructed Browning to communicate a sense of impending crisis and urgency to the White Cap staff, even as he reduced the salary and administrative costs which Continental perceived as inflated. Furthermore, he was to do all this without threatening White Cap's image in the marketplace or its tradition of employee loyalty.

Browning recognized that corporate attitudes toward White Cap were colored by a history of less than open and cooperative relations with Bob White:

"Bob White engendered and preserved the image of White Cap as an enigma, a mystery. He had an obsession with keeping Continental at arm's length, and he used the leverage of his stock and his years of experience to preserve his independence from corporate headquarters. After all, Bob never wanted to leave White Cap or go further."

This kind of mystery, coupled with White Cap's continued success, engendered doubts and envy and misconceptions at the corporate level.

A former Continental Group manager elaborated:

"White Cap has always been seen as a prima donna by the Continental Group. I'm not convinced that there aren't some in Connecticut who might want to see White Cap stumble. They have always looked at the salary and administrative costs at 13% of net sales, compared with a 3%-4% ratio in other divisions, and concluded that White Cap was fat."

Perhaps the demand for cost cuts was fueled by the fact that the Continental Group was going through its own period of "radical surgery" at this time. Since 1984 when Peter Kiewit Sons acquired the company, corporate headquarters had "sold off $1.6 billion worth of insurance, paper products businesses, gas pipelines, and oil and gas reserves" and had cut corporate staff from 500 to 40.[3] The corporate climate was calling for swift, effective action.

Taking Charge

In the first month of his new position, Browning turned his attention to three issues. To begin with, he felt he had to make some gesture or take some stand with regard to Bob White. White was very much alive in the hearts and minds of White Cap's employees, and although retired, he still lived in the Chicago area. Although White represented many of the values and the style that Browning hoped to change, he was also a key to the White Cap pride and morale that Browning had to preserve.

In addition, Bob White's successor, Art Lawson, was another link to White Cap's past, and his strong presence in the marketplace represented continuity in White Cap's customer relations. Since corporate headquarters was determined to maintain an untroubled public image throughout White Cap's transition, they brought Browning in reporting to Lawson—the division's vice president and executive officer and a person Browning had known for over 20 years (see **Exhibit 2).** Browning knew he had to give some strong messages about new directions if he was to shake up the comfortable division, but he had to do this from below Lawson and in spite of White's heritage.

A second challenge facing Browning was White Cap's marketing department. At a time when major, long-term customers in mature markets were faced with the attraction of an emerging plastic-packaging technology and were beginning to take the White Cap Total System for granted, Browning found a marketing and sales organization that, according to him, "simply administered existing programs." It was not spending constructive time with the customers who had built the business, nor was it aggressively addressing new competitive issues.

Jim Stark had been the director of marketing for the previous five years. He had a fine track record with White Cap customers and, as an individual, maintained many strong relationships in the field. Customers knew him well and relied on him. He had been with the company for 30 years and had been a regional sales manager before his transfer to marketing. In this prior position, Stark's strength had clearly been his ability to deal with the customers as opposed to his people-managing skills. Despite his strong outside presentation and selling ability, his internal relationships with his marketing staff and with the field sales force had apparently soured over the years. Team spirit was not in evidence. Stark complained that he didn't receive the support he needed to make changes in marketing.

Stark's boss, the general manager for sales and marketing and a highly competent sales professional, urged Browning to avoid any sudden personnel changes and "to give Stark a chance." Moreover, relieving a manager of his responsibilities would be unprecedented at White Cap. Yet, for some, Stark was like "a baseball coach who has been with the team through some slow seasons and was no longer able to turn around his image."

Browning also inherited a manager of human resources, Tom Green, whose role and capabilities he began to question. Browning had always been a proponent of a strong human resources function. He met with Tom Green and asked him to help identify and evaluate key personnel throughout the division in terms of promotion and reassignment decisions. Green was a veteran White Capper with 20 years' seniority and 5 years in his current position. Long tenure managers were very comfortable with him and he was well-liked. He offered few surprises to employees and helped maintain all the traditional and popular benefit policies and practices that they had come to expect from White Cap.

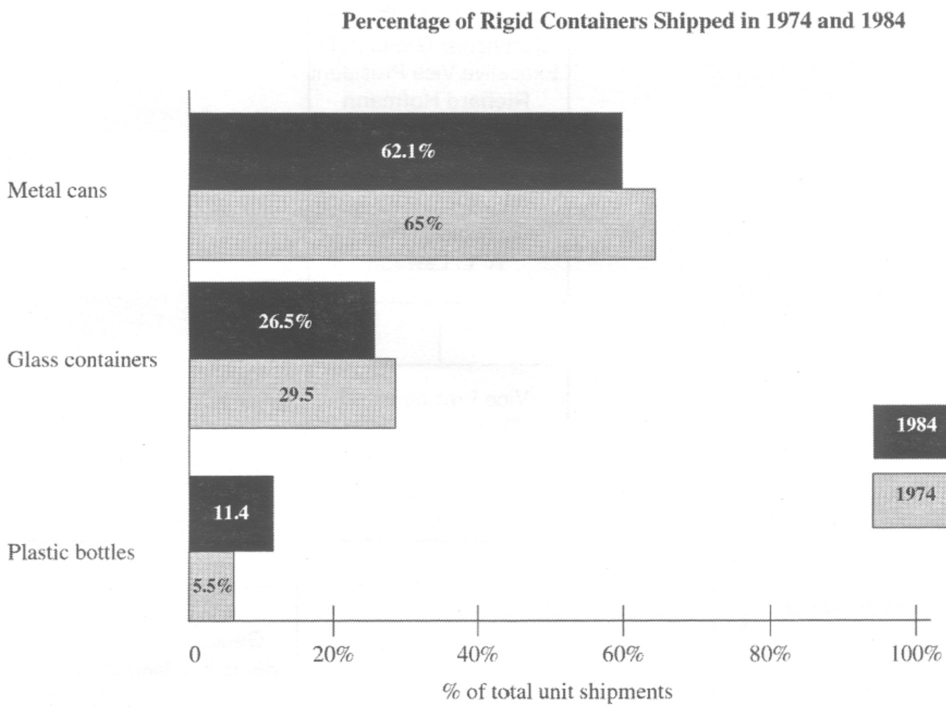
Browning soon recognized a problem with Green:

"In reviewing the personnel files with Green, I found he had few constructive ideas to offer. He seemed to do a lot of delegating and to spend a lot of time reading the *Wall Street Journal.* And a lot of managers seemed to work around him. I found myself getting involved in decisions that he should have been taking care of, such as deciding whether a departing secretary in another department needed to be replaced or not.

One possibility was to replace Green with the human resources manager from Bondware who had helped me with the changes I had made there. But Green was also a valuable information source and someone who could be a non-threatening conduit to and from White Cap employees."

Peter Browning pondered these initial choices and decisions carefully. He wanted to rejuvenate White Cap and yet not demoralize its loyal work force and management. Browning knew that Dick Hofmann, his boss, expected him to push for real, measurable change in the division's culture and performance. What was less clear was how far he should push—and how fast—in order to succeed. Even Hofmann acknowledged that Browning's assignment put him "smack dab between a rock and a hard place."

Exhibit 1 Changes in the Container Industry



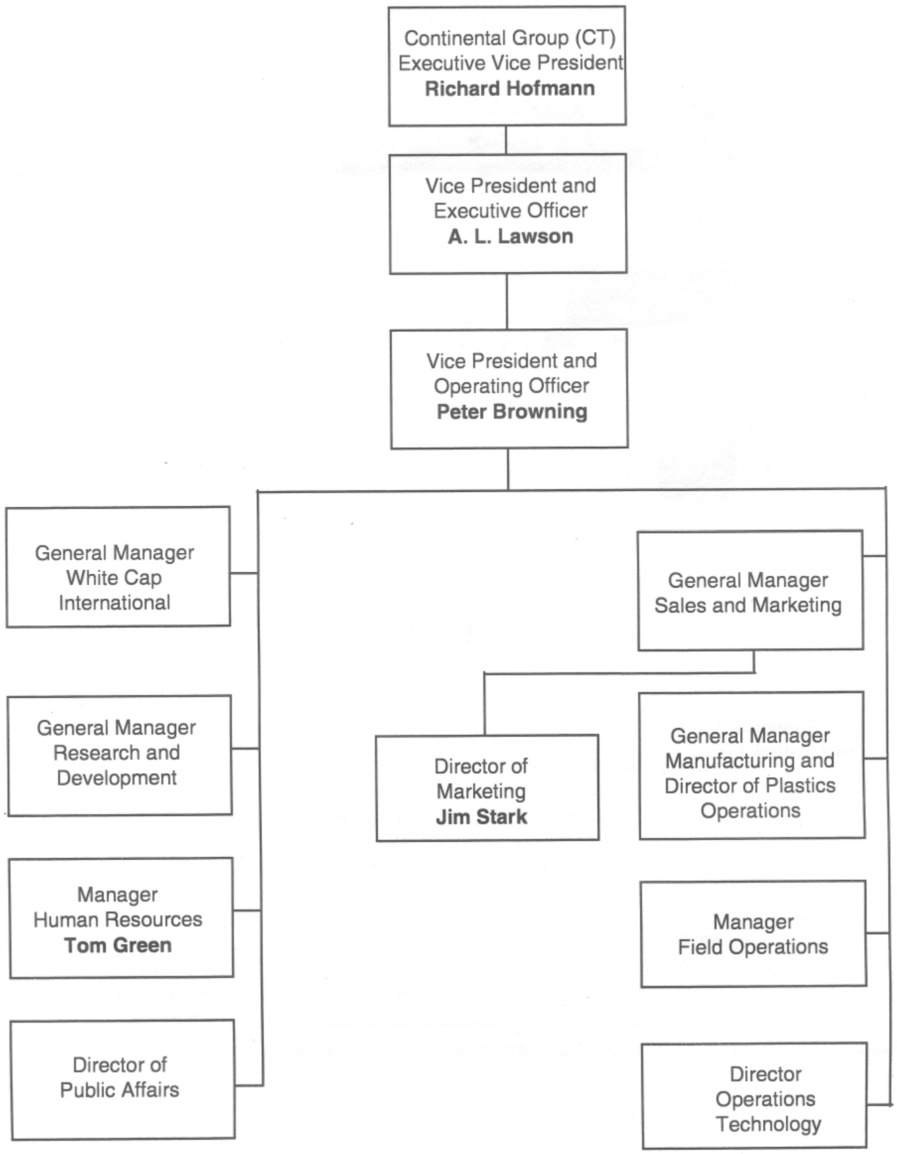
Source: Bureau of Census, Can Manufacturers' Institute, International Trade Association, and *U.S. Industrial Outlook 1985.*

Shipments of Plastic Bottles for Food

	Market Year 1978	1982	1983	1984 (estimated)
Million of Units	260	697	798	900

Source: Bureau of the Census, International Trade Administration, and *U.S. Industrial Outlook 1985.*

Exhibit 2 Organization Chart, April 1984



[1] Research Associate Mary Gentile prepared this case under the supervision of Professor Todd D. Jick as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

[2] Melissa Larson, ""Dispensing Closures Revitalize Flat Markets," Packaging, August 1985, p. 25.

[3] Alexander B. Platt, Platt & Associates Inc., May 2, 1985.

[4] Alan Dodds Frank, "More Takeover Carnage?" Forbes, August 12, 1985, p. 40.

Peter Browning and Continental White Cap (B)

Art Lawson and Bob White

In February 1984, soon after he learned of his new assignment, Browning set up a lunch meeting with Art Lawson. Browning openly expressed his respect for Lawson and his desire to work through the leadership transition at White Cap in a mutually supportive fashion. He also discussed White Cap's current competitive challenge. Browning pledged to keep Lawson informed of his actions and he agreed that Lawson would continue in duties such as the chairing of executive staff meetings as long as he wished to do so. Browning did change the reporting structure so that all senior managers would report to him directly rather than through the previous multilayered hierarchy. As the corporate office had expected, due to Lawson's impending retirement, Lawson agreed to turn most decisions over to Browning by the summer of 1984 (although he did not actually leave White Cap until June 1985). Though Lawson did not immediately embrace all of Browning's initiatives, he did no block them either and he eventually came to be able to make public statements about the need for change at White Cap.

From the start, Browning invited Bob White to sit in on all company occasions and involved him in all retirement dinners. This honorary role continued and was appreciated by White Cappers.

Jim Stark and Marketing

Browning saw the revitalization of White Cap's marketing team as a top priority and concluded that he needed a new director—someone who could rally the team around him, who was in touch with the competitive crisis White Cap faced, and who could eventually step into the general manager's shoes, granted the proper grooming. Browning moved quickly and by June 1984 he had replaced Jim Stark with Vince Kegan, a "hard-charging" regional sales manager for the northeast.

Not wanting to disregard Stark's accomplishments nor to sacrifice his strong customer relations skills, Browning reassigned him as director of Packaging Development in a new effort to turn around the threat that plastic packaging had presented to White Cap's market share. Stark was able to boost White Cap's presence dramatically among manufacturers of plastic packaging and to develop a significant number of nondisclosure agreements with those firms as White Cap's engineers worked to develop a new plastic closure. He was so successful that he was awarded a significant personal bonus in 1985.

Human Resources

Despite his initial disappointment, Browning tried to work with Tom Green in his first four or five months at White Cap. He scheduled weekly meetings with Green, in an effort to signal his commitment to the Human Resources function and to reeducate Green concerning the role he could play in Browning's change efforts at White Cap. Browning clearly communicated to Green that he was being tested, and when his performance did not improve, he let him go in August 1985 with a severance and out-placement package.

Browning then brought in Cindy Hansen as Human Resources manager. Besides the fact that she and Browning had worked well together at Bondware, Hansen was somewhat known at White Cap, having worked there for 12 years before the Bondware assignment. Hansen was an avid proponent of Browning's confident and enthusiastic style. Together they worked out numerous organizational changes, both symbolic and otherwise.

Browning's First Year

Unlike his predecessors, Browning could often be seen at his desk or in the halls of White Cap's comfortable Northbrook offices, informally attired in shirt sleeves and tie. Other managers followed his lead. He eliminated the senior staff table in the company cafeteria as well, and he prided himself on his openness and accessibility with his senior staff, his plant employees, and with the corporate officers of the Continental Group.

White Cap senior staff meetings began to take on a new flavor. Previously these monthly meetings had carried an air of formality as each manager would speak, in turn, directly to Bob White about their areas of responsibility, being careful to avoid any “bad news.” Browning, however, began to set focused agenda for these meetings and to take the minutes himself. Commenting on Browning’s style, one manager explained: “Peter is repetitious on points of frankness, and he encourages those who may be complaining to actually do something.”

When he looked to White Cap’s large national accounts, Browning was convinced those customers no longer recognized the service and advantage that their dollars to White Cap bought them. In response, Browning set a year’s target at seven formal “Why White Cap” presentations to major accounts. Featuring all the senior management team members, including Browning, these presentations employed videotape, print materials, customized research, and personal appearances to explain the Total System to customers. Despite resistance from some senior managers who felt this effort was unnecessary, Browning pushed the idea, convinced these attitudes would change once his staff felt the goodwill and team spirit these presentations could generate.

Early on in his tenure at White Cap, Browning secured approval and a financial commitment from Continental’s corporate office to support the construction of a new plastic closure plant. And White Cap’s capital budget for 1985 was 50% greater than at any other time during the last decade. Browning attributed this success to the change he had been able to make in White Cap’s relationship to the parent firm. He sent copies of all memos, reports, and other documents to his boss, Dick Hoffman, and he regularly invited corporate representatives to his senior staff meetings. Browning explained: “I’ve lifted the veil and given White Cap more visibility in Connecticut.”

Browning’s strategy for decreasing S& A costs was closely tied to his Salary Productivity Program, a program which encouraged payroll reduction through attrition where feasible and through the dismissal of non-performers when appropriate. This program was of course dependent upon the cooperation of his senior managers who had to recommend cuts in their own departments.

And in a departure from the distant though benevolent paternalism of the Whites, Browning began to schedule meetings with all employees: hourly workers, supervisors, plant managers, and so on. In the month of March 1985, he spoke at 19 such meetings, introduced new issues, openly discussing salary increases, explaining the new emphasis on performance appraisals and merit rewards, and answering employee questions. In October he gave another series of 20 such presentations.

Not wanting to sacrifice the more positive aspects of White Cap’s long history of employee security and pride, Browning also emphasized the preservation and revitalization of White Cap’s employee traditions. The annual White Cap family picnic was an example. For the 1985 picnic, an attempt was made to discourage outsiders, so it would be more of a “White Cap family” celebration. And to counter the waning enthusiasm of a less ethnically cohesive, more racially and socially diverse employee population, Browning’s Human Resources staff worked with an employee committee to promote the picnic. The office and plants were festooned with balloons and sweatshirts, buttons and caps, proclaiming the event.

One innovation at the picnic received unmixed employee approval. In full suit and tie, Browning participated in the “Take a Toss at the Boss” event: bosses sat in a chicken wire cage over a tank of water as employees took chances to throw balls at a lever which, when hit, dropped the victim into the tank. Browning encouraged all his managers to participate, and the event, recorded on videotape and projected continuously in the plant cafeteria for a week, generated enthusiastic employee support.

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Peter Browning and Continental White Cap (C)

The Year in Review: September 1985

- As his first full year of White Cap leadership drew to a close, Browning reviewed the division's performance:
- Salary and administrative costs were up during the past year by $1.3 million, instead of down, but significant gains were being realized through Browning's Salary Productivity Program. By 1986, 23 positions would have been cut through attrition with plans for 20 more cuts in the coming year.
- Browning had introduced the "Productivity through Quality" training program to a large number of employees in an effort to decrease manufacturing costs through increased productivity. Bottom-line results were yet to be seen, however, due to start-up costs for education.
- Browining had successfully met his target of seven presentation meetings with national accounts, and as he had hoped, his senior managers were now enthusiastic about these efforts. Browning had also placed new emphasis and support behind White Cap's international marketing efforts, and White Cap had picked up two new licensees: one in Korea and one in Colombia.
- With regard to sales and earnings results, price competition had been severe in the past year and the National Can Company was determined to continue the onslaught throughout the coming year. The past year's income was $4 million short of their projections. On the other hand, White Cap's Contribution to Earnings within the Continental Group remained constant with their usual strong performance.
- Browning reviewed with satisfaction his success in securing corporate support for the new plastics plant site. He expected the new plant to be complete by April 1986.
- Finally, Browning considered the past year's successful introduction of performance appraisals and merit-based pay increases.

The Year in Review: September 1985

Six months later, performance looked significantly improved:

- The S& A costs were finally beginning to turn as White Cap expected to have taken fifty-plus people out of the firm by the end of the 1986 fiscal year through the Salary Productivity Program.
- Sales were projected to be up 5%.
- Cost reductions of $1.9 million were expected.
- The new plastic closure was scheduled for commercialization in the fall of 1986.
- Reflecting on the challenges he confronted at White Cap, Browning commented:

"For anyone to come in a make a significant difference as a general manager in a single year, there's only one way to do it: close offices and lay people off. That's an easy thing to do. But to cut costs and yet maintain morale, maintain competitive position, and not let on to the marketplace that there's any problem—that takes time.

I think we've made tremendous strides in almost every department. There have been reorganizations in Sales, in MIS< in Manufacturing, in White Cap International. We have initiated volume business at higher prices with people we haven't talked to before. But it takes time to add value without cutting price.

There's a long way to go. The challenge is to remain confident, and to learn to be comfortable with the uncertainty, the ambiguity, the anxiety. That's hard.