

Ques. 1 Read the case and answer the questions. Answers should be brief and in points.

10 marks

In 1971 Consolidated Foods Incorporated (later renamed Sara Lee) acquired Quality Packing Company, the forerunner of Hillshire Farm, to complete the meat product lines for their Kahn's division and compete in the smoked sausage market. In 1988 Hillshire Farm merged with Kahn's to gain economies of scale and buying power.

Milton Schloss, president of Kahn's at the time of the acquisition, wanted to produce smoked sausage products that were equal to or superior to the market leader, Eckridge. Hillshire Farm surpassed Eckridge as the leader in the smoked sausage market. As president of Hillshire Farm and Kahn's, Schloss was a firm believer in "managing by walking around." He made a habit of taking a daily tour of the plant and asking employees "What's new?" One day an employee asked him if he really meant it. The question surprised Schloss, and he arranged to meet privately with the employee early the next morning. The employee arrived with a balsa wood model of a new plant layout he had been working on at home. Recognizing the superiority of his ideas, Schloss asked him why he never came forward before. The employee said that nobody had ever asked him. The design was implemented and portions are still in place at Hillshire Farm in Cincinnati. This event acted as a catalyst for further quality efforts.

Drawing from a similar program at Procter & Gamble, Hillshire Farm developed a system called Deliberate Methods Change (DMC) to seek ways for continually improving its processes. Using DMC, semi-voluntary groups of salaried employees met to improve current processes. By emphasizing the positive aspects of improvement and refusing to place blame on process design flaws, these groups built trust among the workforce.

Schloss saw the importance of quality within the meat industry, and especially at Hillshire Farm. He used customer complaints as the basis for defining quality, or more accurately, what customers found unacceptable. Schloss personally answered all customer complaints promptly, a practice that was unheard of at the time. Frequently, customers were so surprised to hear from the company president that they apologized for their complaints. However, Schloss listened carefully to understand the nature of the complaint so that he could improve product quality. Also, he believed that a phone call from the company president would allow Hillshire Farm to keep the customer for life.

Schloss took a variety of steps to show his commitment and improve quality. He kept the plant grounds free of litter, all the walls freshly painted, and the grass and shrubbery neatly trimmed. With these extra touches, he communicated to employees the attitude they should adopt when they entered the building. Schloss also insisted that all telephone calls be answered after two rings, and that the caller not be kept on hold for long. The company defined four dimensions of quality—taste, particle definition, color, and packaging—and kept all employees continually informed of the standards required by the company along each dimension. The accounting and finance departments judged quality according to how promptly and accurately they could make invoices and payments. Marketing and sales identified the features of the product that the customer perceived as most valuable and differentiable, and then worked to convince the customer of Hillshire Farm's leadership in these features.

Schloss took personal responsibility for seeing that these activities were performed throughout the company. He believed that management must act immediately on new ideas and suggestions. Getting commitment from supervisors was the most difficult task. Management had to explain the "hows and whys" behind the changes, motivate the workers, and recognize the top performers. When Bill Geoppinger became the CEO at Hillshire Farm and Kahn's, he realized that a great challenge lay ahead. He had inherited an organization that, while focused on quality,

was essentially an autocracy. Employees were used to management making the decisions. Geoppinger realized that significant changes would be difficult to make because of the existing cultural tradition.

To implement a total quality effort successfully, Geoppinger knew that the corporate culture would have to change, to become more open, flexible, and responsive. He brought in a new management team that emphasized total quality and team approaches, and discontinued many of the personal initiatives devised by Milton Schloss. The 1988 merger of Hillshire Farm and Kahn's further served to alter the corporate culture. Empowerment of employees became a priority. Management held regular meetings with line employees to give them the opportunity to share their concerns. They encouraged line employees to participate as members of DMC teams. This open culture and emphasis on empowerment was adapted to all aspects of the business, including accounting, finance, and marketing. However, the most visible total quality effort occurred in production operations.

In 1991 the Deli Select Line implemented statistical process control (SPC). As market leader in this product category, the company wished to keep its competitive advantage in this low-margin business. The division was relatively new and had new employees who could be empowered with little resistance. Before implementing SPC, the only data they collected was yield, the "efficient use of inputs." The team decided that yield improvement would be a good objective for improving costs. However, quality could not be sacrificed for yield, so the team also monitored defect rates through adherence to product specifications of the output and tracking customer complaints.

Calculating product defects proved challenging. First, they quantified customers' perceptions of quality from complaint records. Through team efforts, they defined specifications for the product and its packaging. They inspected the product from the customer's point of view, as seen through the package window. Because they continually monitored incoming meat quality in identifying yields, they felt that this amount of inspection was sufficient.

To track defect rates, they pulled a box of finished products at random every hour and inspected it for product and packaging characteristics. Points for each characteristic were assigned based on severity of the defect and graphed on a control chart. Using SPC, the company realized improvements in defects and yields. By statistically tracking customer complaints, the team determined which factors were the greatest cause of concern. For example, fat is a major concern because it is highly visible in darker meat products.

### **Questions:**

Ques a) Based on the facts presented in this case, perform an assessment of the company in the following areas:

- customer focus
- quality leadership
- continuous improvement
- fact-based management
- employee participation

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Ques b) List strengths and areas for improvement that you would suggest in each of these categories. Would you state that Hillshire Farm /Kahn's has fully adopted TQ? Why or why not? What steps would you recommend that the company take next?

(2.5+1+1.5)