

CEO Opinion: The Flight of the Buffalo

Johnsonville Foods people are far from traditional in our approach to customer service. We are constantly in the process of becoming, and never — we hope — in the state of being. Our work brings us self-fulfillment, positive experiences, and fun.

Ralph C. Stayer

The objective of most corporate leaders is to use people to make a great company. My objective is to use the company to make great people. The story of progress in customer service and substantial growth at Johnsonville Foods since 1982 is not slick and trendy. It is about the right people becoming responsible for the right things.

Decisions normally flow from above in many companies. Working people are in a position to listen to the customers, improve quality, and give them what they want, but they usually don't have the power or the responsibility to do it. They think it's someone else's job. I want *everyone* in our organization to feel that he is responsible for the customer and his own performance.

I want Level One people to be helpers and coaches, assuring that Level Two people are responsible for their own jobs. Then people do better work, make better products, work in a more cost-effective manner, and get better business results.

If you try to develop "excellence" without this transformation, you get people trying little fixes and recipes to stick inside the existing organization. But the existing organization makes these changes impossible to consummate.

Planning Versus Vision

Everyone says plan, plan plan. At the outset, the only planning you should do is to picture in your mind where you're going. Forget about *how* you're going to get there at this point. Visualize a destination and what it will look like. Then mentally work your way back. Everyone tries to make incremental changes instead of looking at where they want to be; then they don't have consistency or focus or people all looking in the same direction.

Vision has to belong to people doing the work. The whole process of working together helps people develop an awareness of the need for improvement. We must change how people work together to obtain a different result. If we keep doing what we've always done, we'll get what we always got.

Teach People Responsibility and Economics

The way to encourage vision-building and responsibility is to teach people economics. Teach them where company money comes from and where it goes, and design compensation and work systems in a way that causes them to learn. Learning is something you do, not something you're told. Make it a part of their compensation system. Talk about the competition and about things that need to be

changed. Share that with the people.

Let them know that *they* can make a difference, and that we need them. Explain why our future is cloudy if we don't improve — even if we've done all right so far. We need to visualize our threats and enemies (competition) to become inspired.

You'll always have people who quickly get on your ship of destiny, saying, "Yeah, that makes sense." Find those people. Reward them and talk about them and say, "That's exactly what we want." When other people start to catch on, and say, "I'll try it," the process continues. Encouraging more responsibility takes several years. Eventually you have most people on board. We still don't have everybody on board at Johnsonville, but we now have a tremendous amount of participation.

Our senior executives and I spent several months talking before we started these changes — talking with everybody about what we wanted to accomplish. Then we spent a couple of years working on it, involving everyone in the company, figuring out how it could work. Eventually we put it on one piece of paper — what we wanted to achieve.

People: Where You Win or Lose

People are the key. Everything else — equipment, financial structure, profit — all comes from your people. They're the only asset that appreciates over time. Everything else depreciates.

The factor that will make us different, that will help us compete in our company or in our country, is our workforce. Their skills and expectations, and the processes that allow them to improve what they do are the only differences there are — determining whether we win or lose. People who look only at the financial statements miss this point.

We told quality control people, "We've got this great opportunity for you to go out and eliminate your department and make it everybody's responsibility, and we'll get better jobs for you."

I consult for other top executives now. Their instinct is to say, "Fix that problem." But I say, "Fix you first, and then we'll work on other problems." Employees (at Johnsonville, we are all "members") aren't totally committed or involved if you're not consistent in what you say or what you do, and in how people are rewarded. Some managers say, "People are our greatest asset." Then they lay them off, or they beat them up with impossible demands. Their policies and systems say, "We don't trust you." Such executives defeat themselves.

What Needs to Be Fixed

When you've developed your vision so that people can understand it, you can start to look at things that need to be fixed. Never reward A while hoping for B. Start by asking what we really want to achieve. Then consider, what are we rewarding people for? That's a good place to start. We want managers to become coaches but we continue to pay them to be all kinds of other things — like problem-solvers.

At Johnsonville, we wanted

world-class quality. So we got rid of the quality control department. As long as we had it, quality was always *their* responsibility. We wanted quality to be everyone's department. We told quality control people, "We've got this great opportunity for you to go out and eliminate your department and make it everybody's responsibility,

and we'll get better jobs for you." We got rid of our human resources department. We wanted *everybody* to be developed, so we had to reset the thinking that training and development was the responsibility of one department. We want our members to appraise their own performance

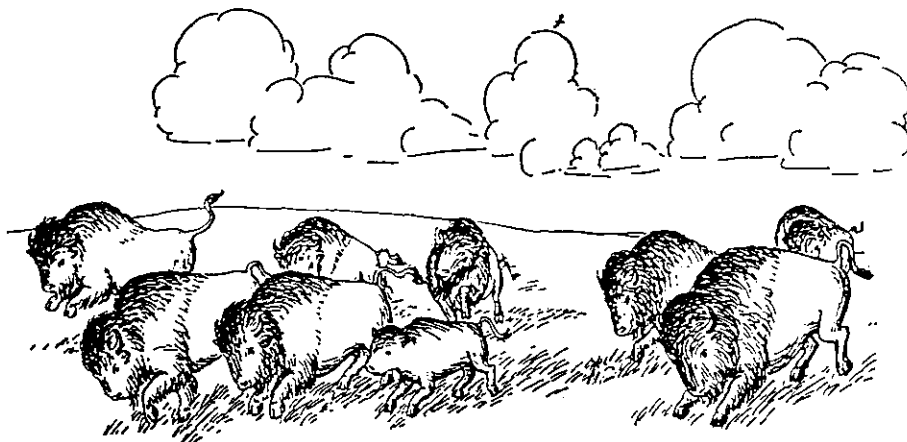


Fig. 1. This is our organization chart before 1982. Buffalo blindly follow a single leader. Drive the leader over a cliff, and all the rest follow. Shoot the leader and the others mill around until they can find a new leader. No wonder buffalo hunting was so easy.



Fig. 2. This is the organization chart we would like. A flock of geese on the wing maintains formation in pursuit of a goal. When the leader tires, it drops back and another leader takes over. When they land on water, they break from the V-shape, landing in waves. The organization changes, depending on the task at hand.

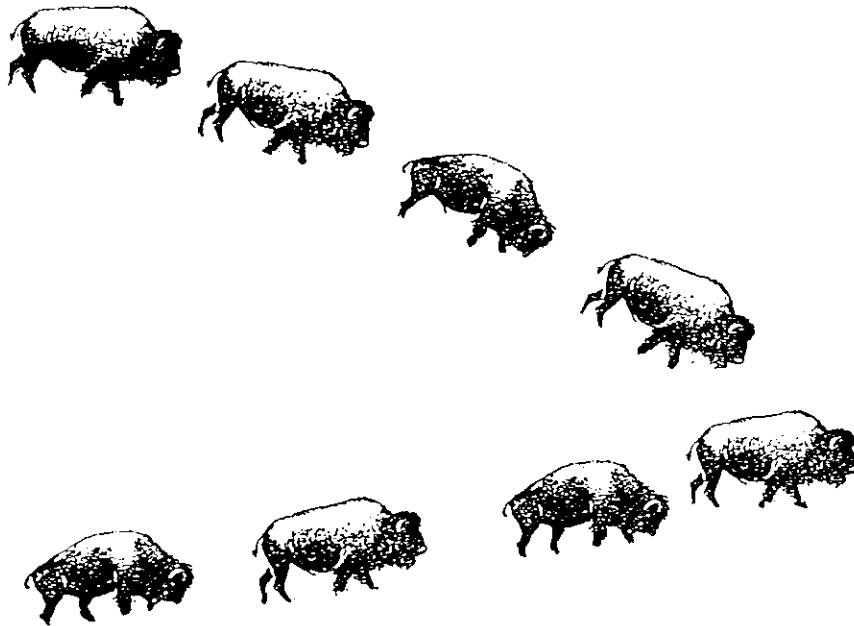


Fig. 3. *This is the organization we actually have. We're flying in new roles. Workers do their own hiring and firing. They design their own bonus sharing and financial plans, based on their ideas of making things work better. But our instincts are still somewhat like the buffalo.*

Buffalo On the Wing

Now we have a non-traditional organization. We used to have an organization chart like Fig. 1.: a herd of buffalo. You shoot the leader, and the rest mill around without direction. We needed a more flexible organization, one that takes shape according to the situation at hand, something like Fig. 2. When a wedge of geese lands in waves, they regroup themselves again and again as the situation changes. Over time, our organization has taken on a new look, closer to Fig. 3. We may not always be graceful, but we know how to make progress together.

In a bigger company, organization would work the same way. Make sure that responsibilities are in the right place—close to the action. Make sure that people know the goals, and that management behavior is consistent with these objectives. Eliminate the traditional focus on my job (or department) versus yours.

We counsel members by saying, "This is your responsibility. If you accept it, we will reward you. If you don't, we will find you another job if it comes to that." We are tough-minded when it comes to

doing things that will help us serve our customers. We do it together, by sharing a vision as a group. We figure out what we want to do, and then, what it will take to make that happen. We help people redefine their work. We *don't* tell people exactly how they're going to do it.

We constantly look to other companies for good ideas—in this country, in Europe, in Japan, and elsewhere. We don't have a monopoly on good ideas. It's also important for managers to seek counsel from educators and other executives—to broaden understanding.

Measure Your Own Performance

It's up to our people—our members—to determine how to measure their own performance. I'll ratify their performance measures, but once we've agreed, then they keep track.

I hate using the word "quality" to really mean performance. What does quality mean? If I ask ten people to define quality, I get ten different answers. If I ask ten people to define performance, I'm more likely to hear about quality as defined by our customers.

Quality is every way we touch the customer. Is the product delivered on time? Is it easy to use? Do

they like our billing and credit and discount system? How well does the truck driver perform when he takes the product to their warehouse? Does their buyer look forward to our salesman coming, or does he say, "Oh no, not that again!"

The bottom line is whether our work is fun. We spend more of our waking time at work than anywhere else. It ought to be enjoyable. Our customers should feel the same way.

Momentum Through Learning

Our whole system is based on learning. We raise people's aspirations and their expectations in the joy of learning. The moral aspect of the system is to make a contribution so you don't just slide through life.

Lifelong learning is important. Most people are a lot more creative than they realize.

The biggest challenge is living with success—teaching people that excellence is a never-ending journey. A great mistake is, after having some success, to fall in the trap of telling people what we've done and what we are instead of what we want to become. We started to do that for a while at Johnsonville. I hope we never lose that focus again.

Your vision isn't the same as it will be five years from now. When you get smug, someone is going to knock your butt off. The greatest challenge is to keep challenging targets that people can commit themselves to. It's all a learning process.

Lifelong learning is important. Most people are a lot more creative than they realize. I think very well conceptually, but for years I thought I wasn't any good at it. You pick up ideas from people you meet. You find people who come up with crazy ideas that can be fine tuned, and they work!

I'm in a state of transition myself, and I keep encouraging members at Johnsonville to look for ways to continue *their* journey. In our lifelong learning program, we pay tuition for many outside courses.

es. We applaud members when they have a life purpose and they use Johnsonville Foods to achieve their purpose. Within the company, we don't have a formal training staff. A few people help others develop their training. We are responsible for helping them find the resources they need — not necessarily business-related courses — as long as they are mental exercises in a hobby or interest. People are responsible for learning whatever they want to learn — whether it's how to start a business, or some other interest.

Recognition and Reward

People want to go home every day and know whether or not they have contributed — how well they did. That means knowing what the general direction is, what your part is, and how well you did, day by day. •

That sense is missing in many companies. Consequently, people become political and concentrate on personalities instead of accomplishment. I have an organization chart that shows a continuum, from political on one side to performance-oriented on the other. The better you understand true performance, the less you think about politics. Politics indicate that you haven't created vision, or goals, where people fit in and know how they can perform effectively. People want to know they are doing something worthwhile — that the organization is doing something worthwhile and that they are part of it, and are recognized and appreciated for it.

Compensation is a fair day's pay for a fair day's work. Compensation should reward performance. Working hard doesn't get you anything, unless you're working on the right things.

Why spend so much time figuring out gainsharing and other plans that the whole company can be losing money while you're passing out bonuses? Divide up a percentage of the profits into different pools. The larger your responsibility, the bigger your bonus can be.

Mission Statement

We, here at Johnsonville Foods, have a moral responsibility to become the best food company ever established. We will accomplish this as each one of us becomes better than anyone else at serving the best interest of all those who see us as a means to an end. We will accomplish our mission by setting near-term objectives and long-term goals that will require superlative performance by each of us. We will change any objectives or goals that no longer meet these requirements to ones that do. We understand that this is a never-ending process. This is the Johnsonville Way, and we are committed to it.

My bonus, for example, is far larger than my salary. I don't see any problem with paying people lots of money for good performance. I've heard criticism of Michael Eisner getting paid many millions at Disney, for example. If he helped to save the company, then maybe he's not getting enough!

I am bothered by CEOs collecting \$2–3 million for mediocre performance — that's a travesty. As a matter of fact, why do companies even keep them if they're doing poorly? I'm just a poor sausage-maker — a country boy. I guess I can't figure the complexity of it all.

We want to be the best at serving the best interests of all those who see us as a means to an end.

A Sense of Purpose

No question, the greatest rewards are non-financial — how you feel about yourself. People want to feel they write their own paychecks by their performance. That's equitable. It's unfortunate that some people think of power and money as the only measures of success.

There's more to business than the bottom line. There has to be morality, a sense of purpose that energizes people. I don't believe money is the driving force.

When you have that sense of purpose, it gives you a framework, a structure for making decisions about the business. I believe that stockholders should be taken care of by an excellent return on their investment. But beyond a speculator's shallow view of business, there is much more. We want to be the best at serving the best inter-

ests of all those who see us as a means to an end. That's in our mission statement. We need to serve our internal clients and our external customers.

Our competitors may not define their best interests as we do. But we need to improve, to perform better as a competitor, and I pray that they do the same for us. I don't want weak competitors. Strong ones push us.

If you're trying to make changes, you have to realize that your first reaction generally is all wrong. Stop before you react. Think: How should we look three years down the road? You can't do it by the book. Every situation, every set of people is different.

Looking for better ways to meet our goals and reevaluating our objectives from time to time are essential for long-term success. Direct your employees to find their way by asking the right questions. In the end, you realize that many questions are themselves answers to successful change. It's the way to find what your people and your company are capable of becoming.

Author:

Ralph C. Stayer has been the CEO of Johnsonville Foods, Inc., Sheboygan Falls, WI, since 1978. During that time, he and members of Johnsonville have transformed Johnsonville from a small family retail business into a food manufacturing company with operations in 40 states, a story often quoted by consultant Tom Peters. Now Stayer spends most of his time consulting, teaching, and encouraging people to seek personal development. He was a keynote speaker during the recent AME annual conference in Louisville, KY.