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The Treadway Tire Company: Job Dissatisfaction and High Turnover at the Lima Tire Plant

"We have a serious problem." The words of Brandon Bellingham, the plant manager at Treadway's Lima, Ohio, Tire Plant, rang in Ashley Wall's ears. She had just attended a tense meeting where she had presented the projected year-end turnover figures for the plant. Out of a total of 50 foremen at the Lima facility, 23 of these positions had turned over in 2007. Ashley Wall had transferred to the Lima Plant as Director of Human Resources when Treadway's plant in Greenville, South Carolina, had closed down in 2006. She was a seasoned human resources professional with over 10 years of experience at Treadway. Wall knew the turnover rate of foremen was higher at Lima than at other plants in the division; reversing this trend was her top priority. It was now November 28, 2007—approximately one month before Christmas. The plant would be closed from Christmas to New Year's for retooling and annual maintenance. By the time the plant reopened in January 2008, Wall intended to complete a thorough analysis of the problem and a plan of action to correct it.

The Treadway Tire Company employed almost 9,000 hourly and salaried staff in North America. The company was a major supplier of tires to the original equipment manufacturer¹ and replacement tire markets, selling Treadway Primo, Treadway Performance, and private tire brands. The Lima Tire Plant was one of eight manufacturing plants operated by the Treadway Tire Company.

For the prior several years, tire manufacturers had been faced with a variety of challenges, including skyrocketing raw material costs and intense global competition. Raw materials represented about 55% of the cost to produce a tire, and petroleum derivatives were an important ingredient in the mix. Raw material costs were thus highly dependent on the price of oil. The price of standard crude oil climbed from below \$25/barrel in September 2003 to \$92/barrel by October 2007, pressuring the economics of tire companies.

¹ Original equipment manufacturers (OEMs) included companies such as Ford, General Motors, and Chrysler.

Professor Wickham Skinner and Heather Beckham prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

This case, though based on real events, is fictionalized, and any resemblance to actual persons or entities is coincidental. There are occasional references to actual companies in the narration.

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Wall sat down in her office, staring at the blank computer screen. She was acutely aware of the rising cost of raw materials and its impact on the company. Although she could not solve this problem directly, she could help cut overall costs and improve productivity at the plant by reducing turnover. But Wall knew that turnover was the tip of the iceberg. Serious morale issues had been brewing for some time with the line-foreman segment, and their dissatisfaction was beginning to infect the entire plant. Wall's thoughts swirled around the myriad factors causing the problems.

Treadway's Lima Tire Plant

In 2007, the Lima Tire Plant produced approximately 25,000 passenger and light truck tires per day (See Exhibit 1 for detail on the manufacturing process). Located in Lima, Ohio, the plant building encompassed over 1.5 million square feet and was situated on 128 acres of land. About 1,120 people were employed at the Lima location: 970 were hourly employees and 150 were salaried employees. The hourly personnel at the plant were unionized by the United Steelworkers (USW), which had merged with the United Rubber Workers in 1995.² The union contract dictated job classifications, pay rates, the schedule for pay increases, overtime rates, benefits, health/safety standards, and grievance procedures for hourly workers in the plant.

The Lima Plant had undergone a \$100 million expansion and modernization effort in 2000, which enabled the plant to increase capacity and utilize new manufacturing technology. Due to the updated equipment and technology spending, Lima had become one of Treadway's top plants for productivity and quality ratings. Wall believed that once the turnover problem was solved, Lima could become Treadway's number one plant for productivity and its lowest cost producer in North America.

In 2006, Treadway shut down the Greenville, South Carolina, plant, which had been plagued by outdated equipment, and moved the volume to the more efficient Lima plant. With the additional volume, Lima shifted to continuous operations. The plant now operated 24 hours a day, seven days a week, with four rotating shifts.³ Most employees at Lima worked a 12-hour shift—either from 7:00 a.m. to 7:00 p.m. or 7:00 p.m. to 7:00 a.m.—with two breaks per shift and a half-hour for meals. Continuous operations allowed Treadway to amortize the substantial fixed costs of running a tire plant over maximum production volume. By running two 12-hour shifts instead of three 8-hour shifts, the company was also able to reduce headcount, thus capturing significant cost savings.

The hourly line-production employees at Treadway's tire plants were supervised by salaried, non-union, floor-level managers called *line foremen*, of which there were 50 at Lima. Directly above the 50 line foremen were 13 general supervisors who managed several line segments. Lima's five area managers were responsible for everyone in their sector, including the hourly tire production team, the line foremen, and the general supervisors. Oversight of the entire plant was the responsibility of a single plant manager, Brandon Bellingham (see Exhibit 2 for abbreviated plant organization chart). While foremen supervised all phases of production and quality assurance work, at the Lima plant the largest number of foremen were involved in the three phases of rubber component preparation, tire assembly, and curing/final finish.

² United Steel Workers (USW) represented more than 850,000 workers in the United States and Canada, of which 70,000 were employed in the tire and rubber industries.

³ Shifts were categorized A, B, C, or D with an average schedule of 3 days on, 3 days off, and about 14 to 16 total days worked in a month.

Foreman Staffing Objectives

The manufacturing foremen constituted the largest group of salaried employees at Lima. Foremen were employed primarily in four main areas: Production, Maintenance, Material Control, and Quality Assurance. One of the factors influencing the performance of line foremen on the job was their educational background and skill set. Treadway's management was debating whether to change the composition of the foreman candidate pool. As of December 2006, when Wall joined the Lima plant, its foremen came from three sources: the majority (80%) were internal promotions of Lima's unionized workers; a second group (16%) were young graduates from the local colleges; and a select few (4%) were experienced foremen transfers from other Treadway plants.

According to Wall, "Our most successful general supervisors and area managers have risen from the foreman ranks. However, currently there do not seem to be enough people in the foreman position with the potential to move up to the next level of management. In addition, none of the hourly employees that have shown an interest in the foreman position have a college degree. Although I agree with Treadway headquarters that we need to increase the percentage of college graduates and inter-company transfers, I personally feel that over the next two years, a realistic goal would be 60 % internal hires, 30% new college graduates, and 10% company transfers."

Since Wall had been hired, she had made an effort to increase the percentage of external candidates with college degrees in the foreman pool. Of the 23 foremen who were hired in 2007 to replace departing workers, 8 were external hires with college degrees (Exhibit 3 provides a distribution analysis of hiring and turnover patterns).

The Line Foreman Experience

The job of line foreman at Lima was a daily challenge, requiring foremen to juggle and resolve a variety of personnel, resource, and administrative issues in a 12-hour shift. On top of this, line foremen often felt pulled in different, often conflicting directions by management, the workers, and the union.

According to plant manager Bellingham, "Meeting performance goals is the most important duty of the line foreman." Every day a breakout report by line area of the previous day's actual performance versus forecasted performance was circulated to all line foremen, general supervisors, area managers, and the plant operating committee. The report detailed such metrics as labor hours per unit, units completed, and units rejected owing to quality issues. If results fell below forecasted levels, the line foreman was subject to a severe tongue lashing and usually threatened with a poor performance review.

A foreman's top priority was to start the tire production line each work day and ensure that no technical issues would stop production during the shift. Often, the line foreman would be required to call Maintenance right away to identify and quickly fix unresolved equipment and quality issues from the previous shift. Staffing the production team (up to 20 people on a line at any moment) also caused frequent headaches for the foremen. Due to the strenuous nature of long shifts, the scheduled hourly workers often came late to work or called in sick, causing foremen to scramble for last-minute substitute workers and assign them spontaneously to appropriate tasks. The foremen were also in charge of maintaining strict safety and health standards and for investigating any violations.

Foremen also had to manage many union and administrative procedures. Foremen documented employee disciplinary actions and negotiated work standards with the union reps. When an hourly

employee felt the company had violated the union contract or disciplinary action was not justified, a union steward was called in and a grievance process was initiated. The foremen were typically not involved in the grievance committee's ruling, and disciplinary decisions such as demotion and termination were out of their control. Foremen spent the end of each shift completing various administrative duties, including scheduling hourly workers, approving vacation requests, checking time sheets, and solving payroll issues.

Morale

An employee satisfaction survey conducted in August 2007 and exit interviews of departing foremen revealed solid discontent in the plant and highlighted concerns about the line-foreman position. (See Exhibit 4 for results from the employee survey and Exhibit 5 for a sample exit interview.) In addition, several incidents had occurred that highlighted the tension between hourly workers and foremen. In one example, a line worker had arrived back late from his break and according to an hourly witness, "The line foreman went ballistic and started screaming at him. The guy tried to explain himself, but the foreman just kept shouting. These foremen assume we are all slackers and won't even hear us out." Immediately after the confrontation, Wall assembled a group of line foremen to discuss their jobs. They expressed concerns about their lack of authority and adversarial relations with the hourly workers. Wall recalled the foremen's comments:

No matter what happens, we're expected to meet or exceed targets, which get higher every year. But what am I supposed to do if I'm missing machines? What if half a dozen workers don't show up for work? Sure, I scramble, looking for folks with the right skills to fill in. You need to have your line going quick or you have no chance of hitting your production targets for the day. A lot of this is beyond my control, and Management doesn't seem to understand that.

I discipline the hourly workers when necessary, but even here I feel powerless. The union guys on the grievance committee often send the worker back, smiling, with a cleared record, and no explanation to me.

You have to stay on top of things or they let you have it; it's a jungle in here.

We just don't have any authority anymore and yet still have all the responsibility. No one listens to us as foremen, no one acts on our requests. We're between a rock and a hard place.

Bellingham, the Lima plant manager, attributed the morale problem of the foremen primarily to lack of communication. Bellingham commented, "Foremen feel isolated from the rest of the plant. They are the lowest players on the totem pole, and they feel that their contributions are undervalued and their concerns ignored. Open communication is essential to this. As a perk, I have recently tried to introduce occasional social events after work for foremen, other salaried employees, and their managers—a sports theme night at the local bar, for example. The foremen appreciate the gesture, but our general supervisors and area managers are not accustomed to this style of management or level of social interaction."

Hiring

In 2007, the average base rate for a new line foreman was equivalent to approximately \$30 per hour (about 16% above the average hourly rate). They were also eligible for overtime pay. Pay rates in the plant were also adjusted to reflect experience and years of service with Treadway.

The selection process for current Lima hourly employees interested in a line-foreman position began when available jobs were posted on bulletin boards in the plant and the Treadway corporate Intranet, to facilitate transfers from other plants. Respondents' employee records were scrutinized and an interview with the area manager was scheduled. Those who applied for foremen positions also had to successfully complete the First Line Test (FLT)—a five-hour exam that 45% of applicants passed, on average.

The three-hour written portion of the FLT asked applicants to develop a production plan, with both short-term and long-term forecasts, and to solve several mini-case studies on interpersonal relations. The screening committee then interviewed the candidates for two hours to gauge their ability to quickly respond to a hypothetical situation requiring problem-solving, task-structuring, and planning skills in an attempt to assess the capabilities and the standards that they would bring to the foreman position.

To recruit college graduates with a bachelor's degree, the Lima plant management advertised foremen vacancies at college job fairs and on Internet job websites. There was also an employee referral program in place. In addition to completing the FLT, successful external candidates were interviewed by the area manager and a general supervisor, whom the candidates had to convince of their sincere interest in a manufacturing career.

Training

As of November 2007, new line foremen received only informal training, at the discretion of the general supervisor and area manager. According to Herb Adams, a general supervisor, "I don't have a lot of time to devote to hand-holding. I tell my guys you have to take control to survive on the plant floor. They have to keep their eyes open for the trouble makers and let them know who is boss. That's the only way to make it as a foreman." Area managers and general supervisors preferred that current foremen adopt the tried-and-true management style from their own days as foremen.

Despite the reluctance of area managers and general supervisors to change, Wall felt that enhanced training was key to reducing the turnover among line foremen. She estimated that just over 43% of the 23 line foremen who had left the position in 2007 had done so voluntarily. Some former Lima foremen returned to hourly positions at Lima or transferred to non-foremen jobs in other Treadway plants, but many left Treadway altogether. Wall felt line foremen who were asked to leave the job failed for one of three reasons: they could not control the workers, they did not meet forecasts, or they had persistently counterproductive interactions with general supervisors and area managers.

Observations from the salaried personnel manager, Robert Henry, echoed the need for training:

A lot of our foremen are put on a line before they have enough knowledge. The general supervisors expect them to just sink or swim. There are a lot of specialty areas in which the generalist foremen have to quickly come up to speed. Some foremen don't have a clue what industrial engineering is, or how to track their hours. They don't know how to manage a dispute, and they know less about their legal rights than the unionized workers do. A host of problems could also be prevented if the foremen could figure out how to get along with the hourly people.

Wall had been trying to create a new, month-long rotational training program for line foremen. The program would assign area managers as formal mentors and expose the new line foremen to the key processes in the plant. The new foremen would spend a day with Payroll to learn about

problems with time sheets and paychecks, and a day with Human Resources to cover information on union contracts and disciplinary issues. However, due to budget cuts in late 2007, Bellingham decided to put this program on hold, stating, "I understand we have to do a better job of training our foremen. They are often working with little knowledge of the correct way to handle labor situations. I like the idea of a formal training program, but it not feasible in the context of our current cost-cutting mandate."

Outlook for Line Foremen

The line foremen were evaluated annually in a performance review by their general supervisor (see Exhibit 6 for sample performance review). According to Bellingham, there were two factors on which the general supervisors judged the line foremen: "their ability to meet or exceed forecasts, and how they manage and train their hourly workers." The overall performance measurement system was very informal. In the words of Herb Adams, "As long as you meet targets without aggravating the union or management too much, you're fine."

At Lima, the general supervisors were traditionally promoted from foremen positions, and area managers were usually promoted from general supervisory positions. In 2007, one line foreman had been promoted to general supervisor, and there were no openings for the area manager position.

According to Tom Hamilton, another general supervisor, "My line foremen just don't see any way to move up at Lima. I always recommend the guys with the most long-term management potential to Human Resources, but whenever there's a general supervisor vacancy, someone else—usually some college grad—gets hired." It was understood that no new salaried positions would be created at Lima in 2008. Any openings would be due to retirements, promotions, and other job changes.

Reading through her personnel files, Ashley Wall knew the problem of turnover in the line foreman position—affecting a third of the salaried work force—was a complicated issue for Lima management to address. Morale and productivity were imperiled. The plant was not satisfactorily developing new managers. Relations between management and the union were threatened.

Wall quickly realized she would need to work through the holiday shutdown in order to be ready to give the plant manager her recommendations on January 2. She needed to develop a thorough analysis of the root causes and a specific plan to address these issues. With less than five weeks to develop a recommendation, she began to search her personnel files to gain a deeper understanding of the problem and what actions had to be taken.

Exhibit 1 Tire Manufacturing Process

The tire manufacturing process in the Treadway plant began with the preparation and mixing of the rubber compound. The mixing took place in a large machine called a Banbury mixer. Next, several machines shaped the rubber into the six individual components of the tire: plies, belts, beads, sidewalls, tread, and inner liner. After all six of the components were prepared, automatic machine rollers pressed all the parts firmly together into a "green" or unfinished tire. The "green" tire was then inspected before it went into a curing press. This process vulcanized the rubber and once the tire was trimmed and painted, the result was a finished tire. The final step in the process was a series of inspections, which included an x-ray to reveal internal flaws.

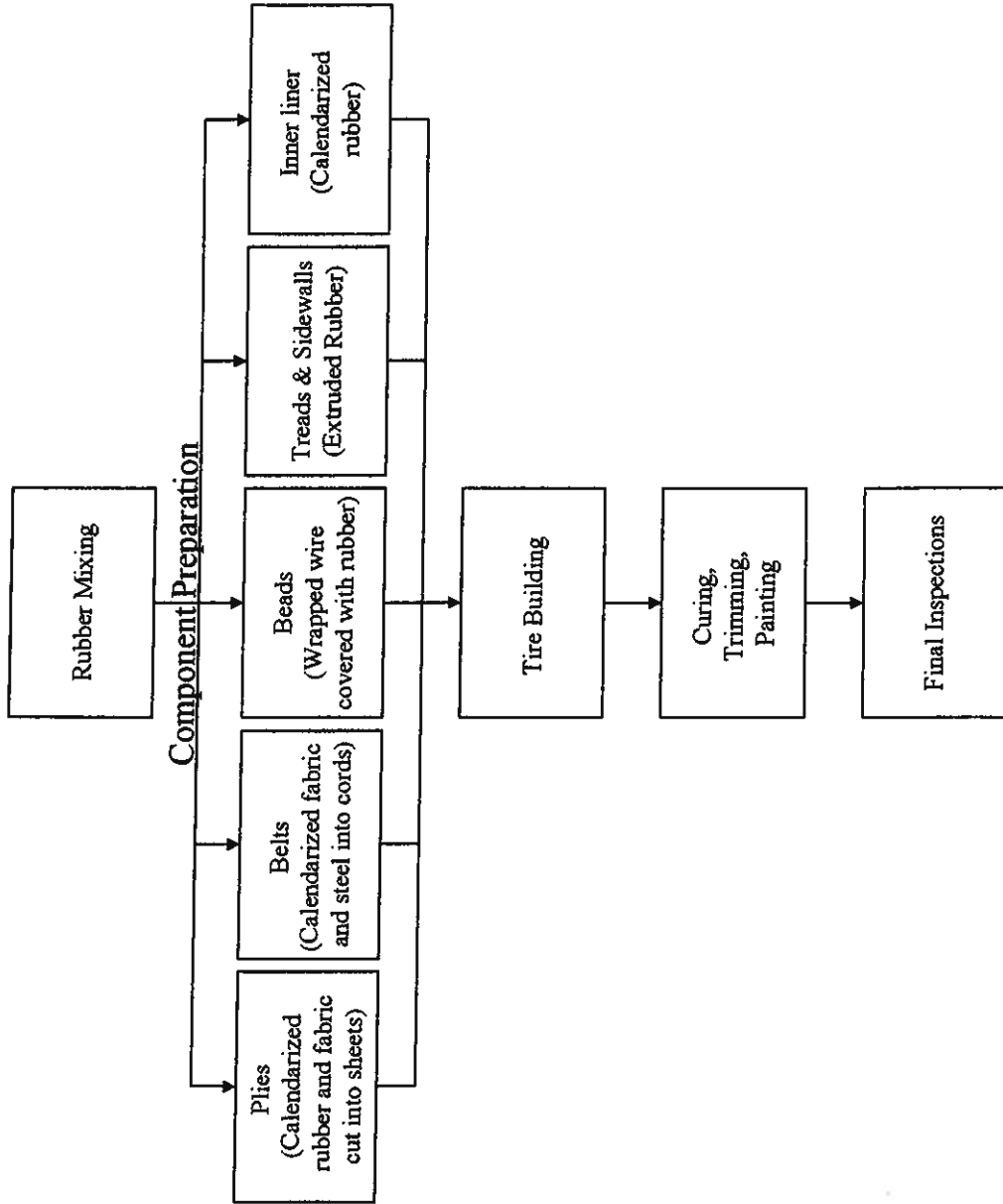


Exhibit 2 Abbreviated Organization Chart, 2007 (Treadway Tire Company's Lima, Ohio, plant)

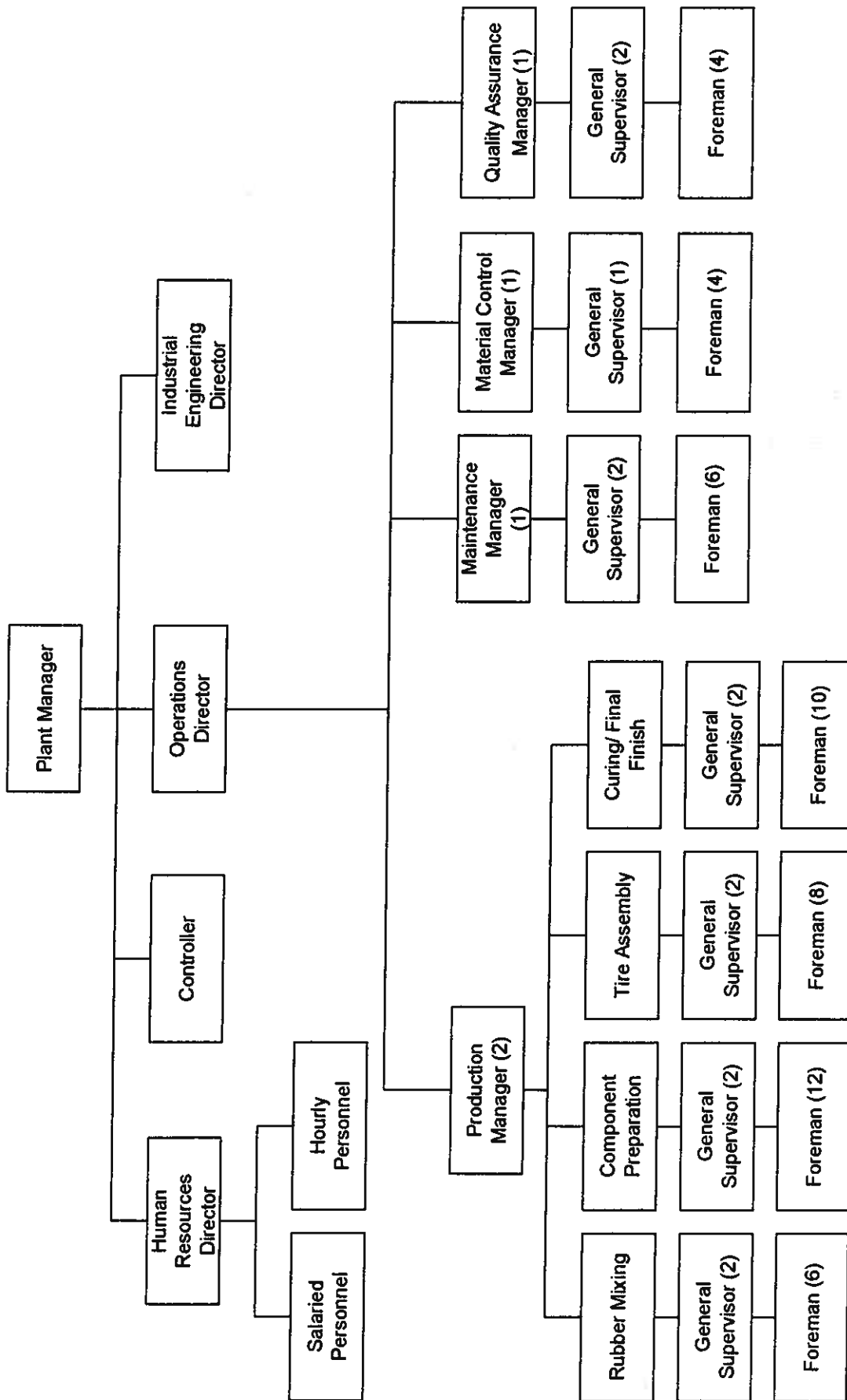
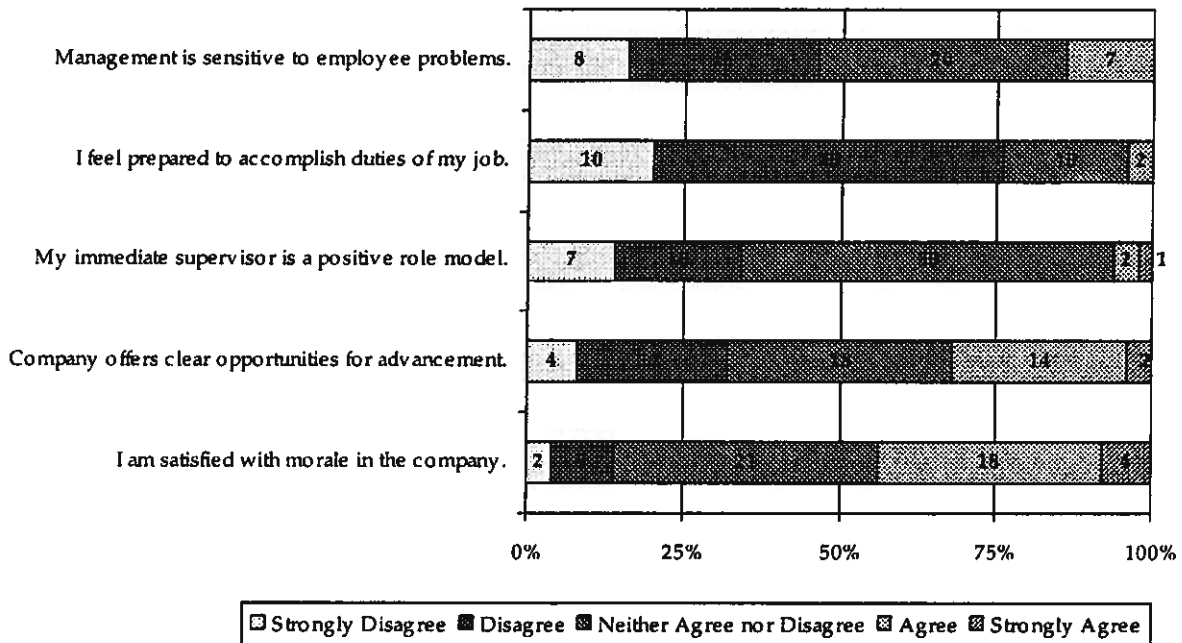


Exhibit 3 Foreman Distribution Breakout: Internal vs. External Hires^a

Department	External Hire	Internal Hire	Transfers	Total
Foreman distribution 12/31/06	8	40	2	50
Voluntary turnover	3	6	1	10
Involuntary turnover	<u>3</u>	<u>10</u>	<u>0</u>	<u>13</u>
Total	6	16	1	23
New placements	8	14	1	23
Foreman distribution 11/28/07	10	38	2	50

^a *Internal hire* refers to foremen who had been promoted from the ranks of an hourly position in the plant. None of the internal hires had college degrees. *External hire* refers to those hired from outside the plant – (all external hires had a college degree).

Exhibit 4 Excerpts from 2007 Lima Employee Survey^a



What can be done to make supervision positions at the plant more effective?

Select comments from Salaried Employees:

“The younger line foremen are smart and pushy, but they just don’t get enough training—especially in how to work with the union and how to manage their workers.”

“If the hourly employees feel they can get away with something—they’ll do it. The line foremen must be able to step up to it, set limits, and maintain respect.”

“We have to do a better job of communicating with the foremen and letting them know why decisions get reversed. The grievance hearings are not discussed with them, and right now all they hear are rumors and second-hand reports.”

“Foremen would be more successful if they could treat their people with courtesy and not have such negative attitudes about them.”

“That counseling stuff and talking about motivation doesn’t cut it here. Foremen need to use an iron fist.”

Select comments from Hourly Employees:

“Foremen don’t treat us with any respect. They just bark orders and expect us to jump. They don’t seem to understand how hard our job is.”

“My foreman won’t cut me any slack. It is like he enjoys catching me doing something wrong. He never has anything good to say about my work.”

^a Graph represents responses from foreman position; select write-in comments are from all levels of salaried and hourly personnel.

Exhibit 5 Sample Exit Interview (Lima, Ohio, plant)

Please take the time to answer the following questions to the best of your ability. Your individual responses are kept confidential and will not become part of your personnel file. This information is vital in assisting us analyze factors that contribute to employee turnover.

Job Title Line foreman

Briefly explain your reason for leaving:

I was not satisfied with my job or work environment. I was effectively left alone, without the necessary skills/tools, and couldn't get my job done.

Check the box which best describes your feelings about the following aspects of your employment.

	Very Satisfied	Satisfied	Dissatisfied
Duties of the job		√	
Training and development			√
Salary	√		
Benefits	√		
Working conditions			√
Work hours		√	
Supervisors			√
Advancement Opportunities			√
Co-workers		√	

Add any additional comments about your choice to leave here:

My general supervisor would just say "Do it!" I received no training on how to do my job. The hourly employees showed me no respect.

What suggestions would you make for improving the following:

Work conditions: More respect and authority for the foreman positions.

Employee Relations: More communication from upper management and training in the labor contract.

Supervision: Hands on time with supervisors who take an interest in helping you succeed.

Productivity: Guidelines and training on how to get it all done.

Exhibit 6 Sample Salaried Personnel Performance Review (Lima, Ohio, plant)

Name: John Clark

Date: 11/15/2007

Department: Tire Assembly

Position: Foreman

Instructions: A performance review should be completed each year for every employee under your supervision. Use *Comments* section to justify your ratings. Any *Outstanding* or *Unsatisfactory* rating must be explained in the *Comments* section. Both you and the employee must sign this form.

Performance Levels:

Outstanding (O)	Far exceeds expectations.
Excellent (E)	Performs well above average.
Competent (C)	Acceptable performance; meets all job responsibilities.
Marginal (M)	Performs below standards.
Unsatisfactory (U)	Performs well below standards.

Performance Appraisal:

Dependability/Responsibility: Willingly takes on, is held accountable, and performs assignments in a timely manner. C

Comments: _____

Safety/Housekeeping: Promotes proper and safe operations on the job. E

Comments: No accidents this year.

Quantity of Work: Work output is consistent with established standards. E

Comments: Always meets production forecasts.

Quality of Work: Ensures accurate and quality work products. C

Comments: _____

Management and Control: Establishes priorities, motivates subordinates, and applies policies fairly. C

Comments: _____

Overall Rating:

E

Comments: John is a hard worker and never complains. He only had a couple grievances in his group this year.

Employee Signature: John A Clark 11/15/07

Completed by: Herb Adams 11/15/07