

By the end of 1985, the Washburn Division had forced the Cohack Manufacturing Corporation to the verge of bankruptcy. Early in 1986, the company was able to borrow \$4 million on the physical facilities at Washburn, and local top management was again changed. By July 1986, the technical problems were decreasing, but the human problems remained unchanged.

On July 29, 1986, the president of the company wrote the letter shown in Exhibit 1 to all Washburn employees with the hope that it might help to correct the situation.

Joe Grisson, human resources manager at Washburn, does not believe that Mr. Cohack's letter will do much good. To him this is just another threat that will not be backed up. He believes there are only about 10 employees, all union officers or stewards, who are the ring leaders relative to the employee relations problem. Joe wants to start collecting concrete evidence that will enable the company to proceed with disciplinary action as permitted in the union-management agreement. Since all 10 employees have been given written reprimands, he wants to give all 10 employees disciplinary layoffs as soon as the company is sure they can defend their position, if the union decides to use the grievance and arbitration procedures. This was tried once before but, when the union closed down the plant with a wildcat strike, the company let the employees return to work with back pay. Joe is certain the union will do the same, again and when they do the company should take legal action against the union and fire the 10 ringleaders.

Requirement

Given the information presented, what specific personnel actions must Joe take? Identify the specific personnel problems to be addressed.

50 Smith Radiators, Inc.

On April 14, 1991, Mr. Daniel Smith II, the president of Smith Radiators, Inc., received a letter from Automobiles of America, Inc. (AAI), a major customer of Smith Radiators. Mr. Smith is concerned about the contents of the letter. In the letter, Mr. Brown, the director of purchasing for AAI, made it clear that AAI expects just-in-time (JIT) delivery of radiators in the next three months and requires Smith Radiators to be a fully certified AAI supplier by the end of 1992. Certification will result in increased business from AAI. On the other hand, loss of the AAI's account is inevitable if the stated conditions are not met (see Exhibit 1).

Mr. Smith, concerned about the proposed reduction in the number of AAI's radiator suppliers, called Mr. Brown for further clarification. During their conversation, Mr. Brown made it clear that AAI's goal is to certify only 3 of the 10 radiator

suppliers (see Figure 1). Certified suppliers will be exclusive suppliers of radiators for AAI. AAI will not give special preference to U.S.-owned companies during the certification process. Mr. Brown also said that, even though AAI and Smith Radiators, Inc., have had a long and fruitful relationship, this relationship will come to an end if Smith Radiators is not certified by 1992.

EXHIBIT 1

April 10, 1991

Mr. Daniel Smith
President
Smith Radiators, Inc.,
Detroit

Dear Mr. Smith:

Smith Radiators has been a valued supplier to AAI for the last 30 years. You will agree that this relationship has brought prosperity to both Smith Radiators and AAI. However, foreign competition in the automotive industry and the current recession have forced us to reduce cost, improve quality and respond effectively to customer needs. As one of the major suppliers of radiators, I am counting on you to help us become more competitive.

Specifically, our new purchasing program requires that suppliers deliver parts on a just-in-time basis. Such a purchasing strategy results in receiving frequent and reliable shipments of high-quality parts in exact quantity and at a fair price. Although other suppliers can supply radiators for a lower price than Smith Radiators, because of our long-term relationship, we are not seeking price concessions at this time. However, we expect significant improvement in the quality of supplied radiators. Also, radiators will be picked up by our carriers twice a day in containers that hold 10 units each. We are expecting our suppliers to be in full compliance with JIT delivery policy by July 15, 1991.

As you know, successful JIT implementation requires mutual, long-term relationships with a few certified suppliers. AAI management is convinced that there are too many suppliers for each part. In order to streamline purchasing operations, a reduction in the number of suppliers is inevitable. AAI's purchasing division has been instructed to evaluate the 10 suppliers for radiators by the end of 1992. Only those suppliers that successfully meet the certification criteria will be retained. Obviously, these certified suppliers will receive a bigger share of AAI's radiator business. AAI is fully aware of the fundamental changes needed in suppliers operations to successfully meet the criteria. However, 18 months should prove to be enough time for the changes to take place and for us to evaluate Smith Radiator's performance on the following criteria:

1. The JIT delivery.
 - a. Quality of supplied parts.
 - b. Delivery frequently.
 - c. Reliability of delivery.
 - d. Number of shipments received in exact quantities.
2. The price of delivered parts.
3. Supplier's ability to seek continuous improvements.

EXHIBIT 1 (concluded)

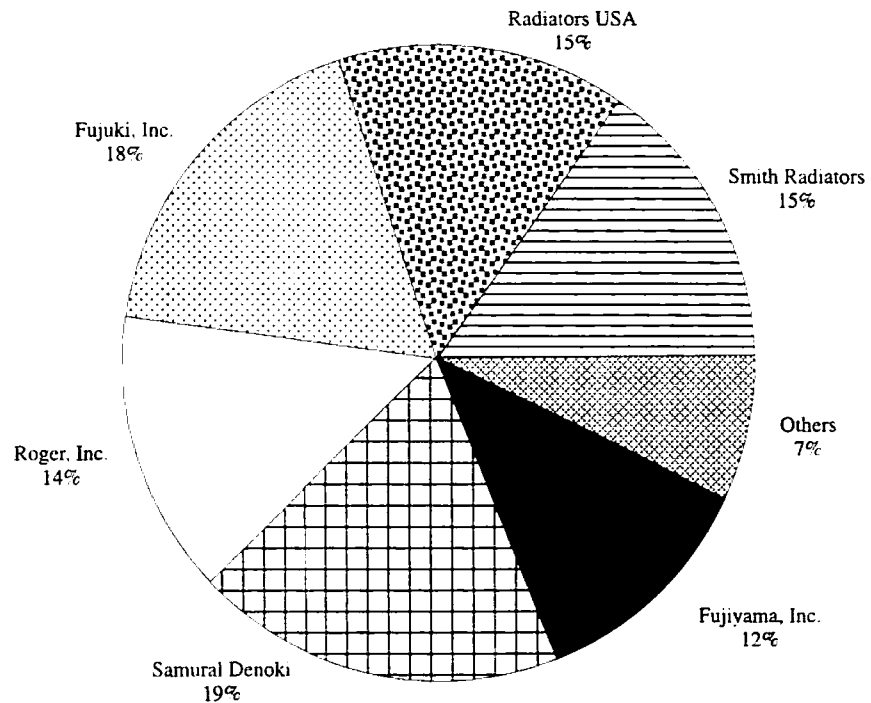
- a. Technical expertise.
- b. Implementation of statistical process control.
- c. Willingness and ability to share information with AAI.
- d. Willingness to get involved in AAI's product design.

As I noted earlier, we value AAI's relationship with Smith Radiators. I firmly believe that your firm will make the necessary changes for certification.

Sincerely yours,

Jeff Brown

FIGURE 1 Current Radiator Suppliers to AAI



Percent market share.

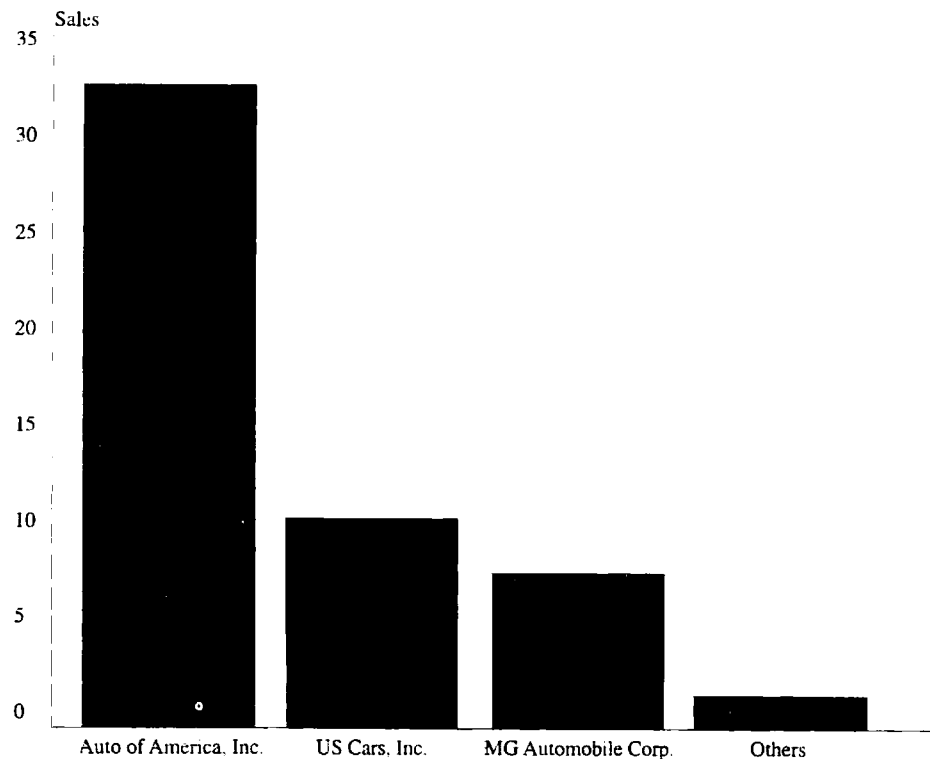
BACKGROUND OF SMITH RADIATORS INC.

Smith Radiators is a privately held company. It was founded by Mr. Smith I, grandfather of Daniel Smith, in 1950. From a garage shop, the company has grown steadily over the last 40 years (see Exhibit 2). Last year, it netted \$50 million in sales. The firm currently employs 475 workers. Although the firm is small, it has acquired a reputation for manufacturing reliable radiators and has supplied radiators to major U.S. automobile producers (see Figure 2). Radiators are technically sophisticated and require specialized equipment and a skilled workforce. The production plant is a typical job shop operation. Machines that perform similar operations are grouped together. Manufacturing operations for radiators include casting, drilling, welding, machining, and painting. Of the 475 employees, 400 are production workers (see Exhibit 3). The production workers are unionized. Current job descriptions allow little flexibility for management to assign these workers to different tasks.

The company is located in Detroit, where a skilled workforce is readily available. Because of the concentration of automobile manufacturing facilities, many automobile parts suppliers are located in and around Detroit. An abundance of suppliers has resulted in intense competition for Smith Radiators. To maintain its market share, Smith Radiators has used low wages (see Exhibit 4) and layoffs as cost reduction strategies. Not surprisingly, union leaders have been demanding competitive wages and job security for their members. Unfortunately, the current recession has caused a lot of unemployment locally. This has shifted union focus

EXHIBIT 2 A Chronology of the Evolution of Smith Radiators, Inc.

1937	First garage shop opened by Daniel Smith I and two partners in South Detroit.
1942	Daniel Smith I buys out his two partners and opens a second garage shop specializing in radiator repairs.
1945	Smith starts a small firm making replacement radiators for popular models.
1949	Smith sells his two garages to concentrate on making radiators.
1950	With \$1.5 million in annual sales, Smith Radiators is incorporated.
1962	Smith Radiators, Inc., net sales cross \$10 million.
1971	Smith Radiators, Inc., wins a major contract with Automobiles of America, Inc., to supply radiators to its Lambda division. The company expands its factory and workforce.
1975	Daniel Smith I dies at the age of 79. His son Tom takes over the company.
1980	Smith Radiators' net sales top \$30 million.
1988	Tom Smith dies at the age of 49. Daniel Smith II, 29, becomes the CEO of Smith Radiators.
1990	Smith Radiators' net sales top \$50 million.

FIGURE 2 Major Customers of Smith Radiators

Sales in millions of dollars.

from wage increases to job security. As a matter of fact, the union fought hard to win a "no layoff" concession from management in the current contract. In exchange, they gave up demands for higher wages and the right to strike.

STATUS OF SMITH RADIATORS

Union

Historically, there has been an adversarial relationship between the union and Smith Radiators' management. The primary areas of disagreement are job security and low wages. Lack of open communication and previous layoffs has convinced union

EXHIBIT 3 Number of Smith Radiators, Inc., Employees by Seniority

<i>Years</i>	<i>Total Workforce</i>	<i>Production Employees</i>
0-5	195	180
5-10	110	100
10-15	75	64
15-20	48	26
20-25	22	17
25-30	13	10
30 or more	12	3
Total	475	400

EXHIBIT 4 Average Hourly Wages for Production Workers in the Radiator Companies around Detroit

<i>Company</i>	<i>Wages (in \$)</i>
Fujiyama, Inc.	\$11.0
Fujuki, Inc.	10.2
Radiators USA	10.9
Roger, Inc.	11.1
Smith Radiators, Inc.	9.5

officials that any improvements or changes in the workplace will result in layoffs. Narrowly defined job descriptions are used as a protective measure by the union to save jobs. Management's refusal to assign female workers to higher-paying jobs in soldering and painting is another thorny issue.

Workforce

Most of the workers at Smith Radiators are high school dropouts. They are skilled in their trade but earn low wages. A constant fear of layoff coupled with low wages has resulted in a dissatisfied workforce with high turnover. Typically, workers use Smith Radiators as a training ground and move to better jobs when they have acquired proficiency in their trade. High turnover and absenteeism has forced management to keep more workers on the payroll than needed. Currently, the company has 20 percent surplus of production workers.

Management

Mr. Smith is highly committed to retaining the firm's competitive edge. Through AAI, Mr. Smith sees an opportunity for his business to grow. Smith Radiators is financially sound and has enough capital to make necessary changes. The company also has a network of reliable and long-term suppliers. With some persuasion from management, these suppliers can easily deliver parts on a JIT basis.

SMITH RADIATORS' COMPETITION

Global competition has increased tremendously in the last decade. The U.S. government's commitment to promote free trade with its neighboring countries suggests that competition will continue to intensify. The U.S. automotive industry has been particularly hit hard by global competition. In addition to domestic suppliers of radiators, Smith Radiators competes with two types of international suppliers: firms whose manufacturing facilities are located offshore (importers), and subsidiaries of foreign companies operating within the United States. Importers benefit from lower labor costs, less-stringent environmental laws, and weak unions in their home countries. Savings, thus achieved, usually outweigh the increased costs associated with importing goods, such as transportation and tariffs. Hence, importers can often sell their goods in the U.S. market for a low price. Also, the foreign subsidiaries (particularly the Japanese companies), with production facilities located around Detroit, have a clear advantage over Smith Radiators. Managers of these firms are committed to the JIT philosophy implementation. Hence, the new production facilities are designed for the JIT production. Typically, these firms are not unionized. As new startups, their selection and recruitment strategies are thorough and directed toward identifying potential JIT workers. These competitors also are providing performance-based pay and incentive schemes that tie a worker's wage to overall company performance. A satisfied and dedicated workforce takes pride in its workmanship and shares the firm's goal of producing quality parts at reduced cost. As a result, these firms can supply better-quality radiators at a very competitive price.

SMITH RADIATOR'S INITIAL RESPONSE

A couple of days after receiving AAI's letter, Mr. Smith called an emergency meeting of all department heads. In the meeting he read the letter from AAI and discussed the serious ramification of losing the AAI account. Mr. Smith stated that in order to remain competitive and profitable, Smith Radiators must meet AAI's demands. He charged each vice president with the identifying of problems and with describing the JIT environment for their functional area. To get them started, he handed out a description of the JIT philosophy. In addition, Mr. Gary Jones, the

vice president of human resources, received a brief writeup on human resource management's role in the JIT environment (see Exhibit 5). Within two weeks, Mr. Gary Jones was charged with identifying short-term and long-term HRM strategies to facilitate compliance with AAI's request. In his recommendations to Mr. Smith, he also was required to propose solutions to the HRM problems identified. To accomplish this, Mr. Jones intends to review current HRM practices at Smith Radiators, discuss JIT implementation with the employees, and talk to other firms about their experiences with JIT implementation.

CURRENT HRM PRACTICES AT SMITH RADIATORS

Smith Radiators almost always uses internal sources to recruit new employees. Current employees are asked to recommend prospective candidates and receive \$500 if their candidate remains with the company for more than two years. Because the employees earn extra money, the union supports this policy. The selection process is simple, based on job tryouts and interviews conducted by the appropriate operating manager and Mr. Jones. New employees are trained on the job by fellow co-workers under the supervision of a foreman. Smith Radiators does not have a formal training department or a training manual.

Smith Radiators has a centralized decision-making process. In fact, most of the final decisions are made by Mr. Smith. The vice presidents are expected to assist him in the decision-making process and implement the decisions taken. The firm is highly structured with a traditional line of command. Employees are expected to perform assigned tasks. Employee feedback is not common. Not surprisingly, the Smith Radiators' workforce is dissatisfied with current work environment. As a matter of fact, Mr. Jones spends most of his time dealing with employee grievances and the union.

There are several areas of conflict between the management and union. In return for a "no layoff, no strike" policy, the union agreed to lower wages in the last negotiations. The company is overstaffed by 20 percent. In addition to lower wages, the union is concerned about layoff when the current contract expires on December 31, 1991. Blacks are under-represented in the company; only 10 percent of the workers are blacks and most of them have been hired in the last 10 years. Another area of conflict between the union and the management is the company's policy that bans women from working in such departments as soldering and painting. Jobs in these departments traditionally pay a higher wage. However, lead or lead-based products are used in these departments. These products are known to be harmful to employees' health. In particular, the medical community suspects that pregnant women who are exposed to lead may give birth to deformed babies. Smith Radiators management believes its policy protects female workers and the company.

EXHIBIT 5 Mr. Smith's Report

The Just-in-Time Philosophy

The JIT philosophy is broad in scope and requires fundamental changes in every aspect of the business. Success of the JIT philosophy depends on the implementation of four tenets: elimination of waste, total quality control, supplier participation, and employee involvement in decision making. Benefits of JIT implementation include reduced inventory, higher quality of produced and supplied goods, flexible manufacturing, shorter production lead times, and increased productivity. Since JIT requires fundamental changes in doing business, practitioners report difficulties with its implementation. For small firms, lack of capital to undertake the required changes, lack of in-house JIT expertise, and lack of clout with suppliers and customers are identified as problem areas. Unionized labor, employee resistance to change, lack of top-management commitment, and adversarial relationship between union and management also are problematic for both large and small firms. However, the benefits of JIT implementation outweigh the problems. As a result, an increasing number of manufacturing firms in the United States are successfully implementing the JIT philosophy.

Human Resource Management in the JIT Environment

A JIT worker performs multiple tasks. The multiskilled workforce gives management flexibility in assigning these workers to different tasks. This flexibility is essential to quickly respond to production schedule changes. Because each worker performs multiple tasks, job descriptions are loosely defined. A JIT worker also participates in a companywide problem-solving network. Employee participation in quality circles is equally important.

Quality circles are established to identify problems with current operations and suggest improvements. The success of quality circles depends on open communication between management and workers. Further, to evaluate, recommend and eventually implement the proposed changes, workers must articulate their opinions effectively. Thus, a group-oriented workforce with good communication skills is critical to seeking continuous improvements.

JIT workers also inspect their own work. If the production process is not operating satisfactorily, workers have a responsibility to stop the line and rectify the problem. This requires a self-disciplined workforce with a good work ethic. Problems are usually identified via statistical process control. Workers monitor the process and chart its performance regularly to check for conformity. Thus, only a worker with good quantitative and diagnostic skills can perform these task successfully.

A JIT workforce is self-disciplined, multiskilled, group-oriented, and has good quantitative and diagnostic skills. JIT workers are amply rewarded for their dedication to work. Management is expected to provide job security to workers, pay fair wages, implement group incentive schemes, and respect workers.

EMPLOYEE REACTION TO JIT IMPLEMENTATION

Mr. Jones talked to several employees in the plant to find out if they knew about the JIT philosophy. To his surprise, many of them had heard about the new manufacturing approach through their friends and relatives working with JIT firms. It was the perception of the employees that JIT implementation would require a lot of changes in the workplace. Such changes could result in layoffs after the current contract expired.

The union also was concerned. When informed that Mr. Smith was exploring the feasibility of JIT implementation, a union official stopped by Mr. Jones's office to share his reservations. His concerns were: loss of seniority, weaker union power, and the loss of job security provided by the current contract. The production supervisors also had serious reservations concerning JIT implementation. At a luncheon with the supervisors, Mr. Jones asked if production workers could be given more responsibility for planning and controlling their work. He also explored the potential of more employee involvement in decision making. The supervisors felt that worker involvement was impossible at Smith Radiators. Because workers did not feel responsible for their work and were generally noncooperative, communicating with them was problematic.

On hearing the employees' negative response to JIT, Mr. Jones decided to approach his friend Guy Niles, a human resource manager at Tippon, a muffler manufacturing firm. Mr. Niles played a major role in devising new HRM strategies when Tippon implemented the JIT philosophy in 1989. Guy was very enthusiastic about the results of JIT implementation. According to him, Tippon earned record profit last year, which was 20 percent higher than any previous year. Increased productivity had resulted in increased market share for the company and higher wages for workers. Labor turnover was at an all-time low. Mr. Jones was encouraged by Tippon's success with JIT implementation. This was particularly heartening to him, since Tippon's HRM practices two years ago were comparable to Smith Radiators' in every respect.

After gathering the information, Mr. Jones realizes that, for JIT implementation at Smith Radiators, fundamental changes in current HRM practices are required. Mr. Jones' task is to identify the issues and propose solutions to the problems currently facing Smith Radiators. For the successful JIT implementation, recommendations are required for both short-term and long-term HRM strategies. He also knows that, in the JIT environment, union cooperation will be critical.

APPENDIX 1**Smith Radiators, Inc.,
Balance Sheet 1990****Assets**

Current assets:	
Cash	\$ 724,030
Accounts receivable	22,112,222
Inventories	21,123,315
Prepaid expenses	656,321
Total current assets	43,316,102
Fixed assets:	
Land	8,501,120
Buildings	22,222,234
Machinery and equipment	15,636,232
Total fixed assets	46,339,586
Total assets	89,655,688

Liabilities and Stockholders' Investment

Current liabilities:	
Accounts payable	13,286,123
Accrued payroll	850,254
Taxes (local, state, federal)	24,896,190
Total current liabilities	39,032,567
Stockholders' investment: stock (@\$1,000 per share)	22,000,000
Earned surplus	28,623,121
Total stockholders' investment and earned surplus	50,623,121
Total liabilities and stockholders' investment	89,655,688

APPENDIX 2**Smith Radiators, Inc.,
Income Statement 1990**

Net sales	\$50,123,452
Cost of goods sold:	
Production (labor, materials, overhead, etc.)	33,000,123
Administrative	4,324,675
Sales	3,675,245
Other	976,783
Total cost of goods sold	41,976,826
Income before taxes	8,146,626
Taxes (local, state, federal)	2,145,426
Net Income	6,001,200

APPENDIX 3**Smith Radiators, Inc.,
Net Sales and Income**

	<i>Net Sales</i>	<i>Net Income</i>
1986	\$36,456,325	\$5,124,843
1987	40,234,678	5,121,456
1988	42,234,789	5,412,565
1989	46,123,562	5,932,987
1990	50,123,452	6,001,200

51 Southwestern Bell Telephone Company

The chill of the late fall was starkly apparent the morning of December 10. The breath of the picketers rose like wispy smoke as they walked around the central telephone exchange in Kirksville, Missouri. The placards they carried were inscribed "Wilson Construction and Southwestern Bell violate area standards. Local 307 United Iron and Steelworkers of America." The word strike was not present on any of the posters. The steelworkers had been displaying their signs since 7:30 AM, and it was increasingly obvious that they had no intention of removing themselves before 8:00 AM, at which time the Southwestern Bell employees would normally report for work.

THE "INFORMATIONAL PICKET" ACTION

As noted by the placards, the picketers were representatives of Local 307 of the United Iron and Steelworkers of America (UISA), headquartered in Ottumwa, Iowa. During a meeting held the evening of December 9, it was agreed by the rank and file that they would erect an "informational picket" at the telephone office in Kirksville. Presiding at that meeting was William Johnson, president of the UISA local, and Ron Mikel, vice president and steward, representing the Kirksville membership. The informational picket action was being taken due to the presence of Wilson Constructors, Inc., of Lenexa, Kansas, at Southwestern Bell's telephone office on Washington Street in Kirksville. Wilson Constructors is a nonunion general contractor that presented the low bid for the construction of a new microwave tower on top of the existing telephone building. Southwestern Bell Telephone Company must, by law, consider all bids submitted to it for new construction. The company cannot discriminate against bidders because they are either union or nonunion. The local steelworkers had been carefully monitoring the progress that Wilson was making on the tower project for several weeks. To this point all of the work performed had been in preparation for the actual handling and erecting of the steel tower.