

Co(mpany)-Creating Solutions to Overcapacity in Staffing

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Introduction

We have received many requests for information about our Employee Exchange Program (EEP) and the creative process we used to arrive at this innovative alternative to layoffs. In order to better respond to these requests, we prepared this summary report.

We feel it is important to have information about the culture and practices of Rhino Foods in order to better understand how and why we were able to co-create our unique solution to layoffs. Any group of managers can figure out how to set up an EEP. For us, our success in this endeavor lies less in doing the EEP and more in the synergy we created by brainstorming and creating these solutions together. Involving people in the process, especially those people who were directly affected by the situation, is what made it work.

Which isn't to say that we aren't excited about the EEP. We are! We believe it is an important addition to any business plan. Slow downs are as much a part of the normal business cycle as is growth. It is wise to be prepared for both situations. Too often, businesses plan only for growth and are then caught in a reaction mode when a need for downsizing arises. By establishing the EEP, we invested in Rhino's future. The next time a need for downsizing comes around, we will be prepared with a well thought out plan that can be implemented quickly.

The EEP is a win for the company in that it: effectively reduces the work force of one company and meets the staffing needs of another; employees learn new skills and meet new people; it enhances company ties to the community; it prevents an increase in unemployment costs to the company that is outplacing workers; it increases employee commitment to the company since they remain employed; eliminates the expenses associated with hiring and training new employees once the company is out of overcapacity; and it can be done in any department that is experiencing an overcapacity of workers. In addition, the EEP allowed us to retain a great team of well trained employees, people who we did not want to lose.

The program is a win for employees, their families and the community as well. First and foremost, it keeps people employed. In addition, it decreases stress for employees and their families by eliminating layoffs and the resulting consequences.

In these pages we include information about the culture and practices of Rhino Foods, the creative process we used to brainstorm, and a summary of the Employee Exchange Program. We are delighted to be able to share this information with you. We expect that you will adapt this material to meet your business needs.

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Challenges present themselves daily in business. Life is no different at Rhino Foods, a 100+ person specialty dessert manufacturer in Burlington, Vermont. As Rhino creates a work environment that fosters the development of personal characteristics to promote the well-being of each individual and the business as a whole, we are presented with increasingly challenging opportunities to stretch ourselves to new limits. Such was the case in the spring of 1993. Efficiency improvements and an unexpected drop in orders threatened to displace workers at Rhino Foods. Eschewing layoffs as an answer, Ted Castle, the President of Rhino, brought the issue to the whole company and asked for volunteers who were willing to work together to find a solution. Twenty-six people volunteered. Through a series of meetings over a three week period, ideas were brainstormed, organized, evaluated, and ultimately narrowed down to a set of ten recommendations. The innovative solution that topped the list was an employee exchange program between Rhino and other companies with a need for workers. And that is what we did. We sent employees to work at other businesses for a period of time as "contract workers". Other recommendations that were acted on included community service work, setting up tours of the facility at Rhino, and cleaning and improvements on the building and grounds at Rhino. Now Rhino has an innovative business strategy in place should downsizing be necessary in any part of the business in the future.

What allowed us to work together to co-create these alternatives to layoffs? The answer grows out of the company Purpose and Principles. Therefore we feel it is important to provide some background information about Rhino to provide a context for understanding how our creative process worked.

All of our policies and practices are in alignment with the company mission statement which consists of our Purpose and four Principles. The Purpose states that we are a "company whose actions are inspired by the spirit of discovery, innovation and creativity. Our purpose is to impact the manner in which business is done." The four Principles focus on our employees, customer, community and finances respectively (see attached page). This mission statement illustrates eloquently what it is that guides all of our actions.

Beyond our mission statement, there are many specific practices and programs that contributed directly or indirectly to our ability to problem-solve as a group. First, and foremost, is the commitment Ted Castle has to building a company where people can work hard, have fun and get what they want from their work. Castle has created a company that is profitable, behaves as a responsive and responsible citizen and acts as a vehicle for the enhancement of the lives of its workers. This is no easy feat. However, commitment and leadership from the top to developing an organization that is empowered and empowering is a crucial component in establishing an atmosphere that supports creative problem-solving.

Developing a relationship with employees that "is founded upon a climate of mutual trust and

respect within an environment for listening and personal expression" (see the Employee Principle) is another component that is critical to our success. We spend time learning how to listen and speak respectfully and, most importantly, we practice doing it. By doing this, we establish a common understanding throughout the company of what effective communication means. This invaluable background work ensures success in brainstorming sessions, company meetings, departmental meetings, strategic planning sessions and numerous other business situations.

Financially, Rhino has chosen openness in theory and practice. Rhino offers profit-sharing on a monthly basis. Profits are distributed on a share system which is based on longevity of employment, equality, responsibility, and compensation. Because we share profits, all employees have a vested interest in understanding the company's finances. Financial matters are discussed at monthly company meetings so that everyone can learn how to read and understand the statements that pertain to profit-sharing and company goals. This effort has raised everyone's business IQ. Employees throughout the company understand that waste in production, downtime caused by machinery failures, inefficiencies and simple human errors cost dollars and take money out of people's pockets. Understanding how the business operates and having the ability to influence and make changes has made stakeholders of all Rhino employees. This contributes greatly to our abilities to work together as a team.

Effective communication is central to how we operate. Our work isn't only about our quality products, it's about our process or how we go about accomplishing things as individuals and together. Given this culture and these practices, it was only natural that Castle brought the overcapacity issue to the whole company to figure out and that we succeeded in doing so.

Rhino's Creative Process

The process began when Castle saw that new efficiencies in production, coupled with an expected drop in orders, were going to lead to an overcapacity of workers in production. From previous experience with similar situations, Ted knew he wanted to involve as many employees in figuring out how to handle the issue as possible. So he and Marlene Dailey, the Director of Human Resources, decided to take the matter to the whole company. Before doing so, they asked themselves what they wanted the end result of doing so to be. They established that they wanted the company's actions to: (1) be consistent with Rhino's mission statement; (2) create a process that moved the company forward; (3) build trust among all employees; (4) achieve consensus as much as possible; and (5) be bold and innovative.

With these things in mind, the situation was then explained at the weekly company meeting. When Ted asked for volunteers who were willing to examine the problem and come up with a solution, over half the company (representing a cross section of every department) took on the challenge.

From there, the Overcapacity task force, which consisted of 26 employees, was born. The task force met twice a week for 3 hours over a 3 week period. Throughout the process, the entire company was kept up to date on the work of the task force through weekly company meetings and departmental meetings.

We used a brainstorming technology call The Affinity Exercise to guide our actions (see attached page). The first issue that was addressed was put into the form of a question which read "How does a company deal with overcapacity in a way that adds value to the company?" We found that our ideas fell under categories such as Sales and Marketing, Community Projects, Building and Grounds, Training, etc... Therefore, we broke up into four smaller groups to brainstorm in these different areas. Each group was assigned one or two categories to cover in their brainstorming sessions. After each group's ideas were gathered, we met as a big group and reviewed our work together.

The question was then reframed to read "How do we deal with an overcapacity of production workers?" Each group selected the five best ideas from their Affinity Exercise for each category. These ideas were then shared with the large group.

The next question was "What ideas do we have for dealing with an overcapacity of production workers that can be implemented within 14 days?" Each group selected five ideas that fit the criteria for this question and presented them to the large group. To narrow the list to the task force's ten top recommendations, each person was given ten votes to distribute across three ideas. We then had our list of recommendations.

From there we created action plans to implement, monitor and evaluate the ideas. The ideas and

plans were then presented to the entire company and the task force's job was complete.

What did it take for us to complete this task successfully? It took: (1) an unwavering commitment to the processes we chose, i.e., involving the whole company and using The Affinity Exercise; (2) open, honest and respectful communication in a safe environment; and (3) continual checking on the pulse of the task force and the whole company.

What were the results of our commitment and actions? We did what we set out to do. Our actions were in alignment with the company mission statement. We created a process that moved the company forward. We built trust and improved teamwork. We created a sense of collective pride. We created a plan that can be utilized in any part of the company in the future. We worked hard and had fun! Ultimately, we created a win for the company and a win for the employees.

Rhino Foods' Employee Exchange Program

"Most business owners don't plan for downsizing even though slowdowns are as much a part of a normal business cycle as growth. It's an aspect of business that stays hidden, that doesn't get looked at or even talked about. Then when there's a need for downsizing, people are in a reaction mode instead of following a plan."

Ted Castle
President of Rhino Foods, Inc.

The Rhino Foods' Employee Exchange Program (EEP) is evolving. We are learning to do it as we go along. Below we have summarized the basic components of our EEP. Please keep in mind that this is a summary. There are many details involved in setting up and running an effective EEP. Many of these details will be specific to each situation and to the companies involved.

Finding companies to participate in the EEP with us

We consider like-minded companies who are willing to participate in the program. We make sure the companies:

1. Can train our employees easily.
2. Experience seasonal fluctuations in staffing.
3. Have a business philosophy, as well as policies and practices, similar to ours.
4. Are located in reasonable proximity to Rhino and our employees.
5. Have a rate of pay similar to ours.

Prior to sending people to alternate sites, employees go through an interview process with the site. This serves several purposes. First, it allows the alternate site to have control over who they are hiring. Second, it gives employees the opportunity to see where they will be working, what the job is, how training takes place, and what the working conditions are.

Third, it helps to establish rapport between the two companies. And, fourth, it allows us to check on the level of commitment the prospective company has for participating in the program.

Once we identify companies that want to participate in the EEP and that make sense to include in our pool, we decide on the specifics for how we want the program to work.

Issues that are covered include:

1. Length of time of the exchange
2. Rate of pay
3. Frequency of pay (weekly, bi-weekly, monthly)
4. Unemployment and worker's compensation costs
5. Sick, personal and vacation time
6. Holidays (e.g., what to do if the alternate site is closed on a holiday that Rhino doesn't recognize)
7. Different work weeks (e.g., working Saturdays and Sundays)
8. Performance evaluations at the alternate site
9. Disciplinary issues
10. Recruitment and hiring agreements
11. Training
12. Safety

From our experiences doing the EEP, we have the following practices in place.

1. We set up the EEP agreement for our employees to work at the alternate site for shorter rather than longer periods of time (e.g., six weeks or less, with possible renewal for a week at a time).
2. We provide the same or a better rate of pay. If the participating company pays less, we make up the difference. If the company pays more, then our employees make more while they are at that site.
3. We get the hours worked by Rhino employees from the participating company and cut the checks weekly on our payroll. Our accounting department then bills the EEP company for the amount of pay.
4. We are responsible for covering our employees for unemployment and worker's compensation. Initially, we contacted our worker's compensation agent to inquire about how to handle claims in case of injury. We supply certificates of insurance to the alternate sites. We bill the alternate site for the hourly wages plus the appropriate hourly equivalent cost for worker's compensation, social security and unemployment.
5. We keep employees on Rhino's health and dental insurances, with Rhino continuing to pay their portion and the employee theirs.
6. Before going to an alternate site, employees must commit to being available for the entire work assignment. If needs for time off arise, employees are asked to give two week's notice for personal and/or vacation time while on the EEP.
7. Employees maintain their seniority at Rhino and continued to accrue profit-sharing shares.
8. Supervisors at the alternate site are asked to complete and return employee evaluations upon completion of the program.
9. We set up system such that if there are any problems with a Rhino employee at an alternate work site, our Director of Human Resources is consulted prior to any disciplinary action being taken.
10. We make a verbal agreement with the alternate work site that they will not recruit and hire our people.
11. We ask for an overview of the training program our employees will go through.
12. We set up an orientation for Rhino employees to the alternate worksite.
13. We establish a system for getting messages to our people through the receptionist at the alternate work site.

To finalize our agreement with an alternate work site, we put the specifics of the program in a letter (e.g., dates for when the program starts and ends, number of people we are sending, what day of the week hours need to be to us for payroll purposes, the name of the contact person at each company that will be handling the EEP, etc...).

Figuring out how many employees to outplace

We decide on the number of people to place based on our production schedule requirements, sales projections, labor costs, and magic. It requires good business planning to do this well.

Deciding which employees participate in the EEP

To date, we have asked for volunteers rather than require certain people to go to an alternative work site.

Initially, we found that issues of trust and fear had to be addressed. The system was a new one and people were worried that we'd send them out and not bring them back since the usual answer to overcapacity is to lay people off. We had to decide what we were willing to promise since there was the possibility that the EEP company would no longer need the workers and we still wouldn't either. We promise to bring employees back, and let them know that after their return, we may have to look at other alternatives.

In order to be qualified to go to the alternate work site, employees have to:

1. Have been employed by Rhino for more than 90 days.
2. Be in good standing in their job at Rhino.
3. Be available for the entire work assignment.
4. Have transportation.
5. Agree to adhere to the mission and principles of Rhino and those of the alternate site.

Prior to sending employees to an alternate site, we discuss the following issues:

1. Appropriate professional conduct.
2. The job description at the alternate site.
3. Rhino expectations on performance.
4. Communication system between Rhino and employees at the alternate work site.

Before employees go to an alternate site, we make sure that we:

1. Have their current addresses and phone numbers.
2. Know how they want their checks handled (mailed or pick up).
3. Have given them the name of their supervisor at the alternate site.
4. Have asked them to make arrangements with the appropriate people at Rhino for how commitments such as committee membership will be handled while they are away. For employees who have meetings and/or responsibilities they want to maintain at Rhino while working at the alternate site, we allow them to arrange to do so and Rhino pays for those hours. Attendance at these meetings is O.K. only

- if it does not conflict with work at the EEP company.
5. Have figured out a system for how employees will stay in contact with Rhino while they are away and vice versa.

Things to consider for employees who do not participate in the EEP

It is important to give employees who remain at the company recognition for their commitment to the company and to acknowledge the stresses they may be experiencing.

When employees return from the EEP

When employees return to Rhino from the alternate work site, we:

1. Arrange a "debriefing" session to: (a) assess what worked and what didn't work with the EEP; and (b) give people an opportunity to talk about what they learned that might be helpful to Rhino.
2. Do any re-training and/or reorienting that may be necessary due to new procedures, policies, equipment, etc... that were implemented while employees were away.
3. Review evaluation forms from the alternate site.

Maintaining contact with the participating companies

Once we have companies that are willing to participate in the EEP, we maintain contact on a regular basis to let them know about our staffing needs and to check on theirs.

Rhino Foods is a company whose actions are inspired by the spirit of discovery, innovation, and creativity. Our purpose is to impact the manner in which business is done.

Employees

The employees and families of Rhino Foods are its greatest asset. The company's relationship with its employees is founded upon mutual trust and respect within an environment for listening and personal expression. Rhino Foods declares that it is a vehicle for its people to get what they want.

Customer

Rhino Foods pledges to continuously strive to delight its customers, who are the key to our success.

Community

Rhino Foods commits time, energy, and financial resources to improve the social and environmental conditions of the planet. Our actions are intended to create a ripple effect of caring and involvement that influences first ourselves and then other individuals and businesses with whom we interact.

Finances

Rhino Food's financial plan emphasizes profitability and long-term success. We will invest in our employees, our customers, and our community for future growth and prosperity.

The Affinity Exercise

A brainstorming technique used to generate and organize information

- Form a team of people (small groups of about 5 people are recommended for this exercise. We started with 26 people and then broke down into four groups).
- Identify the issue to be addressed.
- Discuss the issue to be sure everyone has a common understanding.
- Take 5 - 10 minutes for each person in the group to brainstorm privately and write down their ideas with regard to the issue. It is important that everyone writes their ideas on paper so that no ideas are overlooked.
- Next, all ideas are recorded publicly. Have each person read off their ideas one at a time in a round-robin style. A designated team member records each idea on a Post-it. Continue to record the ideas until all are collected and recorded on Post-its. Do not discuss the ideas at this point. The purpose here is to get all of the ideas on Post-its. **ALL IDEAS ARE GOOD IDEAS.** There is sufficient time for discussion later in the process.
- The Post-its are then randomly displayed on a wall, table top or other flat surface.
- The team then arranges the Post-its in columns according to common themes or subjects.
- Give each column an appropriate title. Do not title the columns before this point or the team may try force-fit ideas into the titled columns. The goal is to be creative.
- If some columns have a large number of Post-its, you can randomly display the Post-its again in order to sub-group the ideas under the column heading.
- Each sub-group is given an appropriate title.