

“OK, I guess. Stan hasn’t been angry at me lately” or “Apparently not so good because Stan has really been on my back.”

The purpose of cost centers, enterprise budgets, cash flow budgets, capital budgets, etc., is to make important financial and management information available to more people in the company and to make it available in an orderly and comprehensible manner. Stan’s entrepreneurship is still important to BS, but it is no longer sufficient.

Fifteen years ago, BS was small and simple. Financial decisions made by Stan were important, but not nearly as critical as they are today. And the greater size and complexity of the enterprise increases the possibility of inaccurate decisions. More sophisticated financial and management information greatly reduces the possibility of inaccurate decisions. Finally, the lack of financial information makes it nearly impossible to bring the facility managers into the general management of BS and to develop their management capacity.

QUALITY CONTROL

The management and employees of BS believe that the company produces high-quality products and that the success of the company is due, at least in part, to their reputation for producing quality seafood products.

Quality control and sanitation programs are evident in the processing plants, but these programs are sporadic, not well organized, and inadequate in light of current regulations concerning sanitation and quality control. Poor-quality fish are rejected by the company; however, borderline fish with a minimal shelf life are processed. Processing equipment is cleaned regularly; but it is often inadequately cleaned, and it is not sanitized before reuse.

Opportunities for quality improvement include identification and appointment of a quality control and sanitation director for all facilities. By centralizing the responsibility for quality control and sanitation in one individual, BS will be in a position to establish uniform quality control guidelines and sanitation practices in all the firm’s processing plants, retail outlets, and restaurants. The quality control and sanitation director should report to corporate management directly rather than to production supervisors, and should have the authority to institute specific quality control and sanitation practices in all processing plants, retail outlets, and restaurants. This would include the authority to replace equipment and materials that cannot be properly cleaned or sanitized.

BS can also establish a more effective quality control/sanitation program by focusing on the three factors that are important in maintaining seafood quality: time, temperature, and cleanliness. Seafood products must be handled and processed as rapidly as possible and should be held at 40°F or lower during handling, processing, and distribution. Strict sanitary rules must be followed to avoid contamination from outside sources and minimize growth of bacteria already present. Packaging rooms, especially at the Waldport plant, should be separated from other activities to prevent contamination of products from diesel fumes, splashing puddles, and nonprocessing equipment.

The use of the dip tank for washing fillets or treating fillets with a preservative should be discontinued. A spray system above and below the tank conveyor belt would be much more effective for washing fillets. Good temperature control and sanitation during processing is the best method for maintaining quality and extending shelf life.

The quality control program should extend to the ultimate buyer of BS's products. Routine quality checks should be made at product destination to determine if quality is being maintained during distribution and to determine if the products have an adequate shelf life. Buyers should be questioned to determine if quality or shelf life problems exist.

Sanitation should be an integral part of the quality control program and requires continuous involvement of management and plant personnel. The quality control supervisor should train plant managers in proper sanitation practices and should train cleanup personnel in proper techniques. At each plant, specific individuals should be responsible for cleaning (and sanitizing, if necessary) specific plant areas or equipment. The quality control supervisor should make periodic inspection tours of all plants to determine if problems exist.

Specific sanitation problems include incompletely cleaned equipment and use of materials that cannot be sanitized (wooden boxes). Bacteria buildup can greatly reduce seafood quality and must be carefully controlled.

NOTE: QUALITY IS FACT, NOT HOPE

All plant managers seemed to think that their product was of the highest quality.

"Why change our quality control practices when no one has complained?"

When presented with specific suggestions for quality control improvements, Stan Firm was deeply offended. He was backed by the various facility managers.

"If we implement your suggestions, everyone will think that we have had a quality control problem."

"Our buyers have never complained about quality. How do you know our product isn't the best in the industry?"

"We can sell everything we produce, so what is the problem?"

Stan and his various facility managers believed their own product promotion and had never taken the effort to examine the facts. They had never inspected their operations carefully with quality control in mind, and they had never scientifically assessed the quality of their product in the market place. When the market was strong, they did not feel the economic effect of inferior quality. However, with a weak market, the economic impact of inferior quality control may be dramatic.

Further, an effective quality control program and scientific data attesting to actual product quality would be powerful information for an effective promotion campaign.

SUPPLY MANAGEMENT

One of the greatest strengths of the company is in acquiring raw product. BS has plants and buying stations in some of the most productive West Coast ports and has a good image with the fishermen. Fishermen like to do business with the company because they know BS checks don't bounce. They are treated fairly, and they personally like the individual plant managers/buyers.

The BS pricing policy frequently places BS in a difficult position when buying product from local fishermen. Competitors in a particular port will raise prices to fishermen and take fish away from BS buyers, knowing that the local BS buyer cannot match the new price without approval by the Waldport office. Competitors also know that they can hold this price edge for some time, since the uniform price policy of BS makes it difficult to adjust prices for all BS ports to meet competition in one port.

There are two ways to deal with the short-term salmon price competition problem. One is to change company policy and allow local BS buyers more autonomy in setting prices. The other is to strengthen price agreements with the Fishermen's Association. The association can enforce uniform maximum as well as minimum prices among ports. This would help the company benefit from its comparative buying advantages (buying stations in widely distributed ports and well-liked personnel).

BS also faces another supply problem that is common to most groundfish processors — supply variability. Volume could be increased, fixed facilities could be better used, and labor efficiency could be increased if the supply to the fillet line could be smoothed out.

The installation of an automatic unloading system and a refrigerated-seawater groundfish holding system is one solution to this problem. Freezing fish in the round during surplus supply periods is another alternative. Investment in such equipment would make it possible to accept more variation in landings from the fishermen and to run the fillet line on a more even and planned schedule. A partial budget analysis of these changes in the Waldport plant would involve the calculation of increased costs of the equipment compared with reduced costs and increased revenues from the rest of the plant.

Some of the supply problems could also be resolved by adding processing capacity at facilities outside Waldport. This could also reduce raw product transportation costs and contribute to improved product quality and shelf life.

NOTE: OUR FISHERMEN LIKE US

Nearly every facility manager felt that he had a good relationship with the local fishermen. This was especially true in Alaska, where the competition for product was keen. Fishermen in Alaska had many stories about bad checks from buyers offering a very high price for product. The financial reputation of BS was a very important factor and often overcame the lower price disadvantage.

However, this was not the whole story. The Ketchikan fishermen liked Pete Packer, but there were other more important factors:

“Sure, we don’t like to be paid with burn checks, but we also are under a lot of pressure to meet boat payments, insurance payments, and settle with our crews. We want the highest price we can get and we are willing to take a chance if there is a 4 or 5 cent difference. Besides, the manager at the BS plant here isn’t much different than the others that we have to deal with. He can’t get my boat unloaded any faster than the others, and his ice machine breaks down an awful lot.”

Les Firm, Bert Buyer, Ray Wrench, and Pete Packer felt that they were well liked. But that was not enough and was not always true. The fishermen knew how little authority these managers had at their particular facility and, therefore, had less respect for them than for local buyers operating out of a pickup truck and paying cash. A couple of bad checks issued to these fishermen, and BS would have been facing large defections of fishermen.

PERSONNEL MANAGEMENT

BS maintains a labor pool of about 3,000 workers. Company personnel are accounted for through the payroll office at Waldport. According to the personnel office, there is an adequate supply of skilled labor and a surplus of unskilled labor available to all operating locations of BS with the exception of the Ketchikan plant. BS pays the highest rate of unemployment insurance, providing most employees with unemployment benefits in slack seasons. (Worker eligibility for unemployment benefits is verbally stated and enforced by the payroll department.)

There is a special problem at the Ketchikan plant, where the majority of workers are imported from Washington and Oregon for the fishing season. These workers are not in Ketchikan long enough to obtain unemployment benefits. Further, many do not return for a second season, greatly reducing the average skill level of plant workers.

Daily operations are scheduled by unit managers and supervisors who are responsible for assigning work. Supervisors alternate their crews in periods of “short” catches to ensure that all eligible workers are employed year round. Training and qualifying workers is usually accomplished on the job by the supervisory staff. Assignments of unskilled workers vary because of the seasonal nature of the fishery.

There are many opportunities to improve personnel management. The first priority is to implement the recommendations presented in the company planning and organization, and financial management sections of this report. Management can be improved at all levels if middle management is given more information, authority, and responsibility. Middle management must also know performance criteria and evaluation procedures. Middle management should have access to written company policies, standards of performance in operational areas, and defined unit goals. In turn, middle management can provide the same for their own personnel.

There is an opportunity to improve personnel morale and performance by providing them with a personnel policy handbook. The handbook should be written in easily understood

language and include policies for hiring, firing, pay schedules, holidays, fringe benefits, promotion, etc.

The personnel handbook can be developed by a committee representing a cross section of employees at BS. This committee should discuss the policies with top management to make sure that the handbook is accurate. Employees will better understand the policies in written form, and they will have a commitment to support the company if they are involved in policy formulation.

There is an opportunity to improve payroll procedures. Growth in both the number of employees and the number of geographical locations of BS have sharply increased the payroll workload at the Waldport office. This bottleneck could be smoothed out by designing a system where the production data could be analyzed at the local facilities. Payroll information could be forwarded to Waldport, while production information could be analyzed by a local manager and sent to top management for summary and distribution to all facilities.

The corporate office issues cash advances to employees. This policy causes an additional payroll deduction and places a burden on the payroll department to assemble its weekly payroll on time. Payroll office performance will be improved if this practice is discontinued. If other opportunities for improving employee morale are implemented, discontinuance of advances should not cause any problems. Distribution of information on personal money management will help employees adjust to regular weekly pay periods.

There is an opportunity to improve facility management by making facility goals and objectives more explicit to facility managers. Output of these facilities should be studied to determine if workloads are balanced throughout the company. All key personnel should be evaluated to determine if relocation would improve their management contribution to the company.

There is an opportunity to improve productivity at the Ketchikan plant by revising the current bonus system. The bonus system is based upon residency in Ketchikan. Those who live in Ketchikan are not necessarily more productive or more likely to work for BS any longer than those who come to Ketchikan from the "lower 48" each fishing season. In fact, those coming from the "lower 48" are more likely to return each season if they are as eligible for the bonus as the Ketchikan residents.

Eligibility should be based upon a combination of productivity and seniority. Both will reduce the training costs and the productivity loss at the Ketchikan plant.

There is an opportunity to improve worker morale at all facilities and to enhance the development of new management staff by implementing lead positions. Facility managers should first identify which of their current tasks could be appropriately delegated to employees, then identify which employees have the potential to carry out those tasks. Job descriptions for these people should be developed and some adjustments in pay provided as these people develop within the lead positions.

NOTE: I AM THE BOSS

The central problem at BS manifests itself most clearly in personnel management. The historical tendency to retain the maximum amount of authority at the highest levels of management created a

feeling among facility managers and employees that there was only one boss and they all worked for him.

The guarding of company information and policy in the Waldport office also resulted in some curious confusion among middle managers and employees. For example, in response to the question "Does BS have a profit sharing plan?" common responses were:

"No, I don't think so. But we get a Christmas bonus from Stan some years."

"Yes, we have a good profit sharing plan, but I don't know exactly how it works."

"Yes, if BS has a profit, it is divided equally among all facility managers."

"Yes, each of us gets a share of BS profits based upon our productivity."

In response to the question: "How do you know if you are doing a good job?" common responses were:

"If my supervisor doesn't scream at me, I guess I'm doing O.K."

"If I don't get nasty calls from the Waldport, I am satisfied."

"I ask for the year end production reports from the Waldport office and compare them with last year. If my production was up, I guess I did a good job."

Facility managers and their own employees simply didn't know company policy and didn't know how they were being evaluated. They were forced to guess. Further, many facility managers felt that they were being treated unfairly relative to other unit managers. They felt their workloads were greater than that of other unit managers and that their efforts were not generally recognized unless they spent a lot of time in the Waldport office. They also felt that Les Firm had a major advantage because he was in the Waldport office everyday (and was Stan's son). Surprisingly, the study team found just the opposite.

Facility managers also felt that if they were not doing everything, Stan would think that they were not working hard enough. Therefore, it was difficult for them to assign management responsibility to others.

The opportunities for improvement identified by the study team in this section are perhaps the most important for BS, yet they are probably the most difficult to implement. It requires a basic change in the perspective and role of Stan Firm and his relationship to facilities managers.

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PROCESSING EFFICIENCY

BS produces a variety of dissimilar seasonal products in several widely separated processing plants. Overall processing efficiency varies greatly, depending on the season, supply of raw materials, weather, processing facilities, personnel, and products involved. Recommendations for increasing processing efficiency primarily concern the groundfish processing operation, since this operation is fairly uniform throughout the year and because it appears that BS could expand this operation fairly easily to service a larger market and perhaps increase company profits.

A limiting factor in expanding the filleting operations in Waldport is the lack of adequate facilities for holding fish in the plant before filleting. Large tanks or bins containing slush ice or refrigerated sea water could be used to hold groundfish, which could be automatically fed onto the fillet line conveyors. Such facilities might eliminate the need for boat limits, could simplify the unloading process, and would enable the firm to keep quantities of fish on hand for processing when the fishing boats are unable to land fish. By eliminating or minimizing scheduling problems with fishing boats, filleters, and packers, BS could maintain a more uniform level of groundfish production throughout the year.

Automation of portions of the fillet lines would also increase production efficiency. Although the available physical space appears to be a limiting factor in some plants, an engineering study of the filleting and packaging areas would indicate how these areas could be used more efficiently and how skinning machines could be incorporated into the existing lines without major physical modifications of the plant.

The volume of flat fish (primarily Dover sole) produced at Waldport appears to be sufficient to justify the use of automatic filleting equipment. Data on the productivity of filleters and on the total cost to produce a pound of fillets should be determined and compared to the cost, output, and operating expenses of automatic filleting machines to evaluate the economic feasibility of using such machines. Because the filleting and packaging lines employ a large labor force, partial automation of these lines might significantly increase production and productivity.

The seasonal aspect of many of the processing lines does not allow for optimal use of all existing processing space. There are some areas, however, where better use of space could be made. Multipurpose processing rooms are often not used during certain seasons of the year. These areas could be adapted for use as filleting areas or packaging areas to increase groundfish production during otherwise slack periods. The combination fillet packaging room, shipping room, equipment storage area, and passageway in the Waldport plant is an example of an area that is overused and that will eventually cause problems. The packaging area should be redesigned and separated from other activities. This would increase productivity in packaging as well as minimize contamination problems.

NOTE: STEP BACK AND LOOK AT THE PLANT

Opportunities for improving processing efficiency are difficult to identify and should have been implemented by management without the assistance of the study team. However, plant management easily becomes accustomed to bottlenecks, breakdowns, and other efficiency-reducing problems and most often deals only with the symptoms and not the basic causes.

The basic causes can be more readily seen by the local facility manager if he or she sets aside an hour each day to observe plant operations and asks for ideas from employees about solutions to problems. This is more easily accomplished if some of the routine management chores are delegated to others, permitting more time for the facility manager to take a larger perspective.

MARKETING AND MERCHANDISING

Groundfish is sold in frozen and fresh forms, with Southern California the primary market area; the Bay Area, second; and, Seattle, third. Orders are taken daily at the Waldport office. Processing, inventory, and shipment are based upon these daily orders.

Orders from the Bay Area are both direct from accounts and through the company's own broker. All sales to Seattle are direct to accounts and local wholesalers. The Seattle market was developed in part through personal contacts and because a truckline was established in that area. This market has grown in the past 2 years.

The primary market for crab and shrimp is in the Bay Area, where the company's own broker handles some of the sales. Other sales are direct. Southern California is a second market for crab.

The primary market for salmon is in Southern California with Japan a close second. Chinook salmon handled in Oregon, Washington, and Alaska goes primarily to three salmon smokers in Southern California. Other salmon is shipped fresh or frozen to California, Japan, or the East Coast. Stan Firm handles 90% of these accounts personally.

Quality is perceived to be a primary attribute of BS products and a reason why accounts seek BS and not vice versa. The company is primarily supply- and processing-oriented. Marketing is a relatively minor function.

The same is true of merchandising in the company's own retail outlets. Each of the retail outlets was established to meet an obvious demand and to "keep retail customers out of the plants." This is still the company attitude towards its retail outlets, even though two of these have shown great promise in past years.

Opportunities for improvements in marketing and merchandising include:

1. Review the implicit policy of "letting the customer come to BS" and develop a more aggressive and action-oriented marketing and merchandising approach. Possible benefits include increased sales volume, improved account aging, higher wholesale prices, greater product identity and (therefore) brand loyalty from consumers and improved account loyalty.
2. Investigate the factors perceived to give the company a comparative advantage in the market. Measure product quality at the wholesale and retail levels to determine whether it is as good as believed. This can be done through consumer interviews and laboratory testing of product quality. Determine whether existing loyalty is simply between the wholesaler and the

general manager or is a more fundamental loyalty of the ultimate consumer for BS products, regardless of who is buying or selling at the intermediate level. If the latter type of loyalty does not exist, it should be developed for the future strength of the company.

3. Transfer an increasing amount of the marketing responsibility to Les Firm. Plan to appoint Les Firm director of a newly formed marketing department. Bring Pete Packer from Ketchikan to assist Les with Waldport plant management. Provide Les Firm with marketing experience and include him in meetings with buyers in Southern California and Japan.
4. Obtain and become familiar with market information, developments in packaging, product forms, marketing techniques and foreign markets. Seek cooperative wholesalers, distributors, or institutional outlets to test new products, packages, and merchandising techniques. Benefits will accrue to the company as new types of bottomfish become available in the next 10 years.
5. Review implicit policy governing management of retail outlets. The three outlets have the potential of making a major contribution to overall company profit. Consideration should be given to moving the Sacramento retail outlet to a better location, hiring a full-time manager, and expanding the line of products available to fit local demand. Minor improvements in the Waldport retail outlet and increased advertising should contribute greatly to profits at this facility. A rigorous training program for store clerks at all outlets and an incentive program based on their own store's sales will greatly improve sales.
6. Increase participation in regional organizations that impact international marketing of products. While BS has an excellent history of participation in fishery management policy-making, it has largely ignored the other major external determinant of company profits — U.S. trade policy.

NOTE: WE'RE IN THE FISH PRODUCTION BUSINESS

BS was organized by people largely oriented to fish production.

"Without us, we'd have nothing to sell." However, the other side of the equation is equally important — selling what is produced.

BS has enjoyed a strong demand for its products since the company was organized. This has been largely due to external factors and not company policy and management. Clearly, increased seafood production abroad, increased importation of seafood products and improved management among BS's direct competitors in the Pacific Northwest is placing BS in an increasingly risky situation with respect to markets.

Furthermore, BS's salmon marketing continues to depend on the "good old boys network" in which Stan Firm has participated for

the past 15 years. This network has been largely responsible for BS salmon marketing success and product loyalty.

Both these factors call for major company reorientation towards structured and directed marketing. Retail outlets have been given minimum management attention and also require company reorientation. The study team found that the profits from the retail outlets alone could finance a substantial marketing program including a completely new image at the retail outlets.

The study team had to convince management that BS was a seafood production and marketing firm, not just a seafood production firm. The magnitude of profits being generated by the retail outlets and the potential impacts of lost wholesale customers helped make this clear. Also, the extreme dependence upon Stan Firm for success in salmon marketing required the study team to address Stan's mortality and health. What happens to salmon marketing if Stan is hit by a golf ball next Saturday at the country club and is hospitalized for 2 months?

Les Firm appeared to be in a position to take over some of the salmon marketing responsibilities from his father. While the benefits of the "good old boys" network would be lost, at least the buyers would be dealing with another member of the Firm family.

EPILOGUE

Shortly after the study team presented the report to BS, Stan suffered a mild stroke. (Hopefully, it wasn't because of the report!) This became the turning point in the life of BS. Estate planning began, managers were given more authority, Les was moved up to the head office, and Stan began to play more golf.

The company continues to prosper and has been able to adjust rapidly to the changes in the industry, largely because of the collective knowledge of the middle managers working with upper level management and the board of directors.

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