

Case analysis: job dissatisfaction and high turnover

[Business](#), [Career](#)



Case Analysis: The Treadway Tire Company: Job Dissatisfaction And High Turnover at The Lima Tire Plant Case Analysis Questions: 1. Briefly describe the situation today at the Lima Tire plant. 2. What is the relationship between line foremen at Treadway's Lima Plant and other groups within the plant: general supervisors and area managers, top management, the union, hourly workers, each other? Why do you believe the relationships are as they are? 3. How do you feel line foreman feel about their jobs and why? Be specific about their sources of dissatisfaction.

How engaged are the line foreman? How would they respond to Gallup's 12 Questions of a Strong Workplace? Expand on your position. 4. What are the costs of turnover within the Lima plant? Direct? Indirect? How would you calculate the cost of turnover if you were Ashley Wall making a presentation to top management? (Hint: Look at number of hours worked per month, salary plus benefits, and how long it takes to come up to speed in the role) What is the magnitude of the turnover problem? formula for calculating the direct cost of turnover:

Average Hours Worked/Month x Wage/Hour (including benefits) x Number of Months for Learning Curve x Productivity during Learning Curve x Number of Positions Turned Over = Direct Cost of Turnover 5. Discuss the elements of the current work system that are contributing to the problem. How does each negatively impact engagement and job satisfaction? 6. What action plan should Ashley Wall recommend? Be specific in describing your recommended actions. 7. What key lessons will you take away from this case relative to building an engaged workcultureand being an effective manager?

Analysis Q. 1]Treadway Tire's Lima Plant is faced with a critical problem of employee dissatisfaction and high turnover among its line foremen. The turnover rate ran 46% in 2007. Additionally, the plant was facing skyrocketing raw materials costs and intense global competition. The plant, at Lima, Ohio, had 970 unionized hourly employees and 150 salaried employees. 50 Line foremen were floor level managers who supervised hourly employees. The plant operates 24x7, with four rotating shifts.

Problems associated with the foremen are part of deeper concerns with workforce management and the role that these people play in the production process. The foremen are caught in the middle of an adversarial relationship between the union and management. Ashley Wall, Director of Human Resources at Lima plant, identified the cause of turnover as serious morale issues with line-foreman segment, and their job dissatisfaction. Turnover is one obvious area where plant could focus to reduce costs & increase productivity. Analysis Q.]An employee satisfaction survey and exit interviews of departing foremen revealed significant discontent in the plant and highlighted concerns about the line-foreman position. Several other incidents highlighted tension between hourly workers and foremen. Foremen expressed concerns about their lack of authority and adversarial relations with the hourly workers. General supervisors, the next management level after line foremen, judge foremen by their ability to meet or exceed forecasts. Foremen express that a lot of expectations, are beyond their control and management does not understand that.

Serious morale issues in the line foremen segment also lead to imperiled relations between management and the union. Serious morale issues in

these relationships are apparent as every group feels isolated. Foremen were only expected to achieve production forecast. They were not communicated about long run goal or strategy. Be it foremen, hourly workers or upper management, they had not shared a common value-based workenvironment. Foremen often pulled in different, conflicting directions by management, workers and the union. They had no clear understanding of upper management expectations.

They were not involved in the grievance committee's ruling and disciplinary decisions. Hourly workers had trust issues with foremen. They did not understand what kind of authority and tools a foreman would require in meeting the objectives. Analysis Q. 3]Unequipped: Line foremen complained that they were placed on the job without any training and given no coaching once they got there. They felt disengaged on the job without the required skills and competencies. In a Lima Employee Survey, 96% foremen do not feel prepared to accomplish duties of their job.

Little discretion dealing with employees: Union contracts dictated annual pay raises, & grievance procedures had not involved foremen. General supervisors appear to look favorably upon traditional management methods which tended to be adversarial. Careerfrustration: Few foremen, those were external hire, must have felt frustrated by their low potential for advancement as almost all of promoted positions at Lima were filled from within the plant. Isolated / not involved: Foremen had not felt recognized or connected. Foreman lack required authorities to perform assigned duties. 6% foremen felt the management is not sensitive to their problem. Although foremen's job involved different duties, they do not feel engaged due to lack

of communication with hourly employees as well as with upper management, conflicting situations and morale issues. Gallup's 12 questions: Based on the current scenario, foremen's responses would reflect their dissatisfaction and disengagement at work: Foremen would not agree to the Base Level questions. Due to conflicting management direction, they were not sure what is expected from them.

Foremen would not agree they had required development tools, training and authorities to drive their work duties. They would not agree to Level 1 questions. They are expected to meet or exceed forecasts in their 12-shift but they also had to perform other administrative duties that had little to do with their daily deliverables. They expressed insensitivity of upper management in the survey where only 3% foremen see their supervisor is a positive role model. Their responses to Level 2 questions would also be alarming.

Upper management had lack of communication with them and operated according to their own priorities and had unresponsive and unsupportive to the foremen. They were not involved in union grievance process and had lack of control over various tasks measured as their duties. Their responses to Level 3 questions would be concerning too, as illustrated in the employee survey where 68% foremen thought they had no opportunity for career progress. Due to lack of trainings, foremen felt their learning and development curve is not much forwarding. Analysis Q.]Turnover costs are categorized as direct costs and indirect costs. Based on the research, referenced in the attachment, we considered employee benefit as 40% of the base remuneration; 4 months for new hires to become 100% productive

and 50% productivity during the period of learning curve for new hires. Based on the case study, average days worked in a month for line foremen was about 15 days, with 12-hour shift or workday, giving us 180 work hours; foremen's hourly rate as \$42 (including 40% benefits with current base rate of \$30); Positions turned over in the current year is 23.

Based on the cost model, provided in the questionnaire, direct turnover cost will be: $180 \times \$42 \times 4 \times 0.50 \times 23 = \$347,760$. Indirect turnover cost may include loss of productivity from other employees filling in for vacant position; hiring costs; administrative costs; training/induction costs etc. These costs are more difficult to quantify and assign a dollar figure to, but they are very real. Based on the references, provided in attachment, the indirect costs of turnover can be 2 to 5 times higher than direct costs.

Taking an estimated figure of 2 times direct turnover cost, the indirect cost can be calculated as: $\$347,760 \times 2 = \$695,520$. This will give us total turnover cost in Lima plant as: Direct Cost $\$347,760 +$ Indirect Cost $\$695,520 = \$1,043,280$. This calculation although not a comprehensive assessment of the cost of turnover, but it is a quick way to illustrate the fact that turnover is indeed expensive, even when looking at the most basic costs. We see that Lima plant could save $\$589,680$ as annual turnover cost even if the turnover rate could be reduced to even 20%; that is twice the average turnover rate in manufacturing industry.

Attachment provides a more detailed analysis of this saving*. Analysis Q. 5] Following key elements contributed negatively towards building a strong work force at Lima plant. These elements had resulted in unprepared, isolated and despair foremen that kept them from putting their best at work <https://assignbuster.com/case-analysis-job-dissatisfaction-and-high-turnover/>

and provided dissatisfaction. 1. Lack of training: Many of the foremen are placed on the line after only a few hours' training: " The general supervisors expect them to just sink or swim. " Foremen felt unmotivated by their lack of preparedness.

Such lack of knowledge made commitment to the total organization difficult and enhanced feelings of dissatisfaction and disengagement towards the job. Ashley Wall initiated training program, was not considered a priority and removed from the budget. 2. Lack of communication: Much of the alienation felt by line foremen was due to the almost total lack of communications from other groups within Lima plant. Other departments operated separately, according to their own priorities and seemed unresponsive and unsupportive to the foremen. . Motivation and Development: General supervisors were not connected to their team. They had no understanding of where an individual will fit right or what area he is stronger in. Supervisors' expectations from foremen had no intention of personal advancement of every foreman. 4. Support and Recognition: 94% foremen did not think their immediate supervisor is a role model. With this environment, foremen would not consider themselves as part of the company nor would they see any opportunity to advance themselves further. 5.

Recruitment process: There was little evidence that interpersonal skills such as the ability to communicate, ability to delegate, ability to work well with others, etc. , were given much weight at all in the recruitment and screening process, the emphasis seemed to be on the task and short-term results rather than selecting best talent for the job. Analysis Q. 6]Action Plan 1. The training programs need to be a top priority and should provide new foremen

with extensive, formal, and on-the-job training that can make them feel stronger while performing job duties.

The benefits of the training program will outweigh the costs in reducing time for a foreman to work at 100% productivity and providing tools necessary to be successful on the job. Wall must provide Bellingham* with a cost-benefit analysis. 2. Instead of expecting lower level managers to meet forecasts and control hourly employees, immediate supervisors should be more involved with the team and leadership should connect and communicate long term vision to help make their lower management feel involved. 3. Technological innovations should be introduced to reduce foremen's efforts and operating costs.

Pay for performance and other psychological rewards should be made available to help increase both productivity and employee engagement at work. 4. Human Resources should institute regular meetings with salaried work force & bring in representatives from every department to help make flexible organization structure and to discuss common issues, problems, and concerns. Lower management should also be given opportunity to express their opinions and proposed changes that may prove cost effective and high productive. . Balanced hiring policies should be adopted like the one proposed by Ashley Wall i. e. ; 60% internal hires, 30% college graduates, and 10% company transfers. Then foster formal & informal interaction among foremen, by promoting the exchange of individual skills and competencies. Analysis Q. 7] Lessons Learned 1. Although high expectation from employees is an important key yet they should also be provided with required tools and trainings necessary to make them feel strong for the job.

Based on individual employees' talent at job, they should be provided with advance learning and development opportunities to advance their career and personal progress. 2. Employees should feel connected to the organization. This can be achieved by recognizing their work, rewarding their performance, develop them regularly, and continuously communicating with them to listen their concerns, appreciating their achievements and providing necessary help to increase their job satisfaction. 3.

Management could incorrectly think about saving time and reducing cost by ignoring employees' concerns and job related learning & development. On the contrary, organization could save more by having satisfied employees that helps in reduced turnover cost and increased productivity. 4. Long organization hierarchy only creates isolated groups and lack of clear communication. Flat structure is necessary to improve communication and make strong connections. Attachment *Turnover cost saving by reducing turnover rate to 20%: Current turnover rate is 46% that resulted from 23 foremen turned over from total 50 hence $23/50 = 46\%$.

As part of the 2007 edition of its Compensation Data Survey, CompData Surveys publishes 10. 2% as average turnover rate in the manufacturing industry. By the turnover cost presented above, it can be illustrated that if Treadway Lima plan could reduce turnover rate to a conservative 20% then cost savings will be \$884, 484 (Turnover reduced to 20%; $50 \times 0.20 = 10$. $23 - 10 = 13$ fewer foremen turning over. Using above mentioned costing model, and considering 13 positions turned over, Lima plant could save Direct Cost \$196, 560 + Indirect Cost \$393, 120 = \$589, 680). Brandon Bellingham is the plant manager at Treadway's Lima, Ohio Tire Plant.

<https://assignbuster.com/case-analysis-job-dissatisfaction-and-high-turnover/>

References: http://www.workforce.com/article/20000126/DEAR_WORKFORCE/301269997/idear-workforce-i-indirect-cost-of-turnover <http://www.workplaceinfo.com.au/human-resources-management/hr-strategy/costs-of-employee-turnover> <http://www.jemperformance.com/Articles/highcostofturnover.htm> <http://www.beta.mmb.state.mn.us/doc/wfp/turnover.pdf> <http://www.compensationforce.com/2008/02/2007-turnover-r.html>