

# Levi Strauss and co.'s flirtation with teams essay



**ASSIGN  
BUSTER**

Levi Strauss ; co is the largest maker of brand-name clothing in the world. It has had a long history of being profitable, good to its workers, and charitable to its factory towns.

Compared with other companies in the apparel industry. Levis Strauss had been known for generous wages and good working conditions. According to chairman Robert Haas, Levi's treatment of its workers and concern for their welfare is far greater than in other companies in the industry.

When the other American apparel firms moved their manufacturing offshore, Levis Strauss ; co maintained a large American manufacturing base and was often ranked as one of the best companies to work for. In fact, in 1997 the company received an award from the United Nations for improving global workplace standards.

Up until 1992, Levi's employees worked on their own operating machines in which they performed a single, specific, and repetitive task, such as sewing zippers or belt loops on jeans. Pay was based on a piece rate system, in which workers were paid a set amount for each piece of work completed.

A worker's productivity and pay was highly dependent on levels of skill, speed, and stamina. By 1992, however, Levis Strauss ; Company began to feel the pressure of overseas, low-cost competitors, and realized it needed to increase productivity and reduce costs to remain competitive and keep their North American plants open. The company decided that the best that the best solution was teamwork.

In a memo sent to workers, Levi's operations vice-president wrote, " This change will lead to a self-managed work environment that will reduce stress and help employees become more productive. Teamwork was felt to be a humane, safe, and profitable solution that would be consistent with the company's philosophy. Under the new philosophy, gone was the old system of performing a single task all the time and the piece rate system that went with it. Now groups of 10 to 50 workers shared the tasks and would be paid for the total number of trousers that the group completed. The team system was expected to lower the monotony of piecework by enabling workers to do different tasks and to therefore lower repetitive-stress injuries.

Although employees were given brief seminars and training on team building and problem solving, it was not long team building and problem solving, it was not long before problems began to arise.

Top performers complained about their less skilled and slower teammates who caused a decline in their wages. Meanwhile, the wages of lower-skilled workers tried to rid their group of slow workers. To make matters worse, top performers responded to their wages by reducing their productivity. Not surprisingly, employee morale began to deteriorate.

Another problem was that whenever a group member was absent or slow, the rest of the team had to make up for it.

This exacerbated the infighting among team members and resulted in excessive peer pressure. In one instance, an enraged worker had to be restrained from throwing a chair at a team member who constantly harassed her about working too slowly, and in another incident, a worker threatened

to kill a member of her team. An off-duty sheriff's deputy had to be placed at the plant's front entrance.

Because the group had limited supervision, they had to resolve group problems on their own, and they also divided up the work of absent members themselves. In some plants, team members would chase each other out of the bathroom and nurse's station. Slower teammates were often criticized, needled, and resented and simply quit.

In one group, a member was voted off her team because she planned to have hand surgery. And although workers were now part of a team system, management was not given guidance on how to implement the system.

As a result, each manager his or her own idea of how the team system should work, including team size, structure, pay formulas, and shop-floor layouts. One former production manager described the situation as worse than chaos and more like hell! To make matters worse, the team system did not improve the situation for Levi's. Labor and overhead costs increased by up to 25 percent during the first years of the team system. Efficiency, based on the quantity of pants produced per hour worked, dropped to 77 percent of pre-team levels.

Although productivity began to improve, it is now only at 93 percent of the piecework level.

Even in some of the company's best plants, production has fallen and remained at lower levels since the introductions of teams. And though one of the reasons for adopting the team system was to lower the high costs of

injuries that resulted from workers pushing themselves to achieve piece-rate goals, these costs continued to rise in many plants even after the team approach was implemented. Profit margins also began to decline as competitors began offering private-level jeans at two-thirds the price of Levi's, and Levi's market share of men's denim jeans in the United States fell 48 percent in 1990 to 26 percent in 1997.

As costs continued to increase, plant managers were warned that they would face an uncertain future. They cut costs by 28 percent by the end of the year.

Teams did, however, result in some improvements. For example, the average turnaround time of receiving an order and shipping it was reduced from nine to seven weeks. As well, because the teams were responsible for producing completed pairs of pants, there was less work-in-process at the end of each day compared with the piece-rate system, where each worker did only one part of the job.

And according to Robert Haas, teams allowed workers to manage themselves and to find better and safer ways of working. Nonetheless, the team system did not help Levi's achieve its objectives.

In February 1997, then CEO and current board chair Robert Haas announced that the company would cut its salaried workforce by 20 percent in the next 12 months. The following November, the company closed 11 factories in the United States and laid off, one worker described it as a "relief" from the burden and stress that had become part of her job.

Commenting on the team approach, a new retired former manufacturing manager said, “ we created a lot of anxiety and pain and suffering in our people, and for what? ” according to a production manager who has taken early retirement, “ it’s just not the same company anymore. The perceived value of the individual and the concern for people just is not there. ” A veteran worker who had gone back to the old system of doing a single task and was now paid in part for what she produced said, “ I hate teams.

Levi’s is not the place it used to be. In February 1999, as sales of Levi’s jeans continued to fall, the company let go another 5900 workers, or 30 percent of its remaining 22 plants in North America. According to company officials plant closings might have been sooner and job losers greater if they had not adopted the team system. In 2003, due to substantial drops in net sales over the last three years, the company implemented more measures to recoup some of its losses, including closing 37 of its factories worldwide and instead using independent contract manufacturers.

The company closed its remaining North American manufacturing facilities; its San Antonio operations closed at the end of 2003 and its three Canadian operations closed in March 2004. The closures affected some 2000 employees.

The Canadian plants were considered among the most efficient in the company. As such, Levi Strauss ; co. now manufactures 100 percent of its jeans for the North America, compared with 15 percent in 1991, and none 20 years ago.