



Rev. 09/13/96

## **THE NATIONAL RUBBER COMPANY (B)**

It was a beautiful spring day at the National Rubber Company's 1994 annual Employee Spring Banquet. As employees socialized, an unmistakable sense of pride and optimism hung in the air. Word circulated amongst the employees that Ted Pattenden, National Rubber's president, was about to make a special announcement.

Stepping up to the podium, Ted was joined by Rob Gallacher, National Rubber's safety manager. Pattenden began, holding up a large wooden plaque as he spoke, "We are very pleased to announce that National Rubber has just passed the million hour mark without having a single lost time injury. In recognition of this feat, our company has been awarded this plaque from the Industrial Accident Prevention Association."

Rob Gallacher continued, "Today marks a significant milestone in our efforts to transform National Rubber into a company with a great safety record. To show our appreciation for this achievement, we are presenting everyone a fire extinguisher for your home."

As the fire extinguishers were distributed, Ted Pattenden sat down and began reflecting upon the changes in, among other things, employee morale he had witnessed in the past two and a half years. It had truly been a remarkable two years. Over that brief period, Pattenden's management team had transformed National Rubber's abysmal safety record into the envy of the rubber industry. And spurred on by post-recession growth in the Canadian economy, it looked like National Rubber was going to have its first profitable year in eight years.

### **THE TURNAROUND**

#### **Future State Visioning**

Ted Pattenden's mandate by National Rubber's Board of Directors was not to

improve the safety record of the company. Pattenden was hired in December 1991 with a goal to address rising costs and return the company to profitability. However, upon his arrival as president in 1991, Pattenden discovered that National Rubber's safety record not only contributed to the increase in costs the company had experienced, but it was also one of the causes of the company's low workforce morale. From his observations, Pattenden felt that a fundamental change in the attitudes of both management and employees was required if any turnaround were to be possible.

Inheriting a culturally and linguistically diverse workforce, Pattenden needed a vehicle to communicate change within the company and management needed to earn employee trust. He seized upon National Rubber's poor safety record in his search for a "language" which was common to all employees. Safety was to become a symbolic indicator of the company's overall turnaround.

Within his first month as president, Ted Pattenden called upon the help of a former colleague and mentor from DuPont Canada Inc. to help him turn National Rubber's fortunes around. Jim Stewart had been a senior vice-president of DuPont Canada. Stewart brought to National Rubber a thinking and planning methodology that he had helped develop as an executive with DuPont, and later as an Executive-in-Residence at the University of Toronto, called "future state visioning". Future state visioning sought to produce a comprehensive vision of what the organization wanted to be and the values it intended to live by ([Exhibit 1](#)).

Pattenden and Stewart's goal was to affect a top-down cultural change, and to use future state visioning as the vehicle to provide the guiding force for this change. This process first required changing the mind-set of senior management. Sensing a lack of commitment to change on the part of existing senior management, Pattenden strengthened the management team with new hires from outside of National Rubber.

Pattenden and Stewart assembled a leadership group of the top dozen senior managers to work on a future vision of safety for National Rubber. Over a series of workshops, the leadership group developed:

1. A future state vision of safety.
2. A description of the present state.
3. A set of core beliefs and principles.
4. A safety policy.
5. A set of 1992 objectives and action plans.

At the core of the future state vision of safety was a commitment on the part of management to work from the principle that all injuries were preventable ([Exhibit](#)

[2](#)). The present state assessment helped the management team to step back and recognize that they had come to accept injuries as an inevitable part of work. Management also identified and examined its traditional regard for productivity and profitability over safety. The leadership group began to re-evaluate its previous belief that attentiveness to safety issues was expensive and yielded little in return. They began to see that safety and quality should be an integral aspect of the way that all work was accomplished.

With a clear vision of where National Rubber wanted to be in terms of safety in three years time, the management team sat down and laid out a set of beliefs and principles to help guide the actions they would need to take to achieve the safety vision ([Exhibit 3](#)). In total, the future state visioning process lasted about a month, after which time Pattenden was eager for results.

### **Implementing Change**

John Schroder, a former production supervisor was appointed as the plant's full-time safety manager. Pattenden proceeded to establish a Central Safety Committee. This safety committee, composed of Pattenden and the senior management team, met on a monthly basis to evaluate progress towards the plant's new safety vision, and acted as the driver of safety initiatives.

The Central Safety Committee delivered the safety message to all employees. National Rubber's employees were exposed to the safety vision, principles and policy, and multi-functional task teams were set up to develop safety systems, processes and procedures. Injury investigation, workplace audits, and equipment inspection systems were also established. It was stressed early and often that safety was not an add-on. Instead it was a central value - a way that everything was to be done.

Pattenden scheduled quarterly meetings with all employees to directly communicate the goals of the company and its progress towards achieving them. Translators were brought in to ensure that all employees understood Pattenden's message. This forum provided all employees with an opportunity to ask questions directly of Pattenden.

In addition to verbal communication of management's commitment to health and safety, were concrete actions to resolve existing safety problems and to remove glaring safety hazards from the plant floor. Many of the safety issues raised by employees were immediately addressed through small capital expenditures such as installing a protective cover over a high-speed rubber belt on a machine. Other problems, such as poor air quality, required significant financial investments.

Recognizing the need for a large financial injection to implement the corporate renewal, Ted Pattenden asked the Board of Directors for additional funding in the

spring of 1992. After a prolonged stretch of yearly losses which cumulatively exceeded \$22 million, National Rubber's three shareholders, the Clairvest Group, the Gross Family, and The Allan Group were not inclined to agree to additional investments. However, in a major re-organization in the summer of 1992, after protracted negotiations with the other two shareholders and Pattenden, the Clairvest Group agreed to provide a cash injection, and in the process it raised its interest in National Rubber to over 70%.

Clairvest's financial commitment was instrumental in enabling one of National Rubber's major investments in plant health and safety: the installation of a \$1 million ventilation system in the Cawthra plant. When implemented, the new system greatly reduced the previously high levels of air-borne particles present in the facility. This investment succeeded in easing the strain on workers' eyes and lungs.

### **The Direct Dividends of Safety**

Under the guiding hand of Ted Pattenden and his management team, National Rubber reduced its lost time injuries from fifty-one in 1990 to five in 1993 ([Exhibit 4](#)). With over one million hours without a lost time injury over the last quarter of 1993 and first quarter of 1994, the company took seriously the prospect of a entire year without any lost time injuries. In a process that took only two years, National Rubber had been transformed from having possibly the worst safety record in the rubber industry in 1991 to one of the best in 1994.

In addition to cleaning up those physical hazards in the workplace that caused injuries, a program was implemented to help newly injured employees make a safe and speedy return to their job. With Gallacher's implementation of the Modified Work Program, workers who had experienced injury could now return to National Rubber and perform duties that befitted their physical predicament. The Modified Work Program was an integral component in reducing National Rubber's Worker's Compensation Board (WCB) contribution.

Originally perceived as a cost of doing business, the company's new attentiveness to safety quickly became a competitive weapon. In 1991, National Rubber paid \$650,000 to the WCB as its base contribution. On top of this amount it was forced to pay an additional \$500,000 penalty assessment to the WCB at the end of 1991 for the company's poor safety record. By the beginning of 1994, however, National Rubber's safety record had reduced its annual WCB contribution to \$300,000, among the lowest levels in the rubber industry. Including indirect costs such as training replacement workers while injured workers are recuperating, Pattenden and Gallacher concluded that their commitment to safety saved the company at least \$1 million per year.

Safety was not the only place where major change was needed at National Rubber. Fundamental improvements were set in motion in all aspects of the

company. The early success in "future state visioning" led to its use in establishing a strategic plan for the company. It was particularly successful in developing the foundation for restructuring of the manufacturing process. Here, broad participation of the workforce helped to ensure the input of the best ideas of all employees.

As employee morale improved, management continued to increase employee involvement in decision making in areas other than safety. It encouraged work teams to identify opportunities to improve productivity. Employees were regularly informed in meetings about National Rubber's financial position and developed an understanding of how the products they produced were used by the company's customers. The foreman/worker relationship was thus slowly changed from one characterized by threats and humiliation to one that was encouraging and collaborative.

Examples abound of previously unforeseen opportunities identified by employees or teams of employees. Often these people were given the mandate to personally implement their suggestions. In one case, a maintenance team observed that two die cutting machines were falling behind in meeting orders. They decided to build a third die cutter from spare parts already available. Built in three weeks at a cost of \$5,000, the "new" 70-ton die cutter was faster and more efficient than the original two. A brand new die cutter, which was under consideration, would have cost \$150,000 to purchase.

No one involved in the turnaround was under any illusion that excellent safety itself would solve the company's problems. Ted and his team knew that there were important economic benefits to be had in improving safety. They also saw that the major changes needed in the company could not be achieved without much stronger leadership and without a more motivated, involved workforce.

Management's resolution to improve working conditions greatly aided its mission to encourage a trusting relationship between workers and management. Patten recognized that this trust was essential to the implementation of other changes necessary for National Rubber's survival.

Improving safety was only one of the changes needed to put National Rubber back on the road to corporate health. But it was the "flagship" initiative that helped to rally the management team and to involve the whole workforce in a success that was deeply meaningful to them. It provided an example of the leadership, the management-by-principle, the workforce participation and the high standards that were needed for the other far-reaching transformations in costs, quality and productivity. It demonstrated that such improvements could benefit all stakeholders.

## **THE FUTURE**

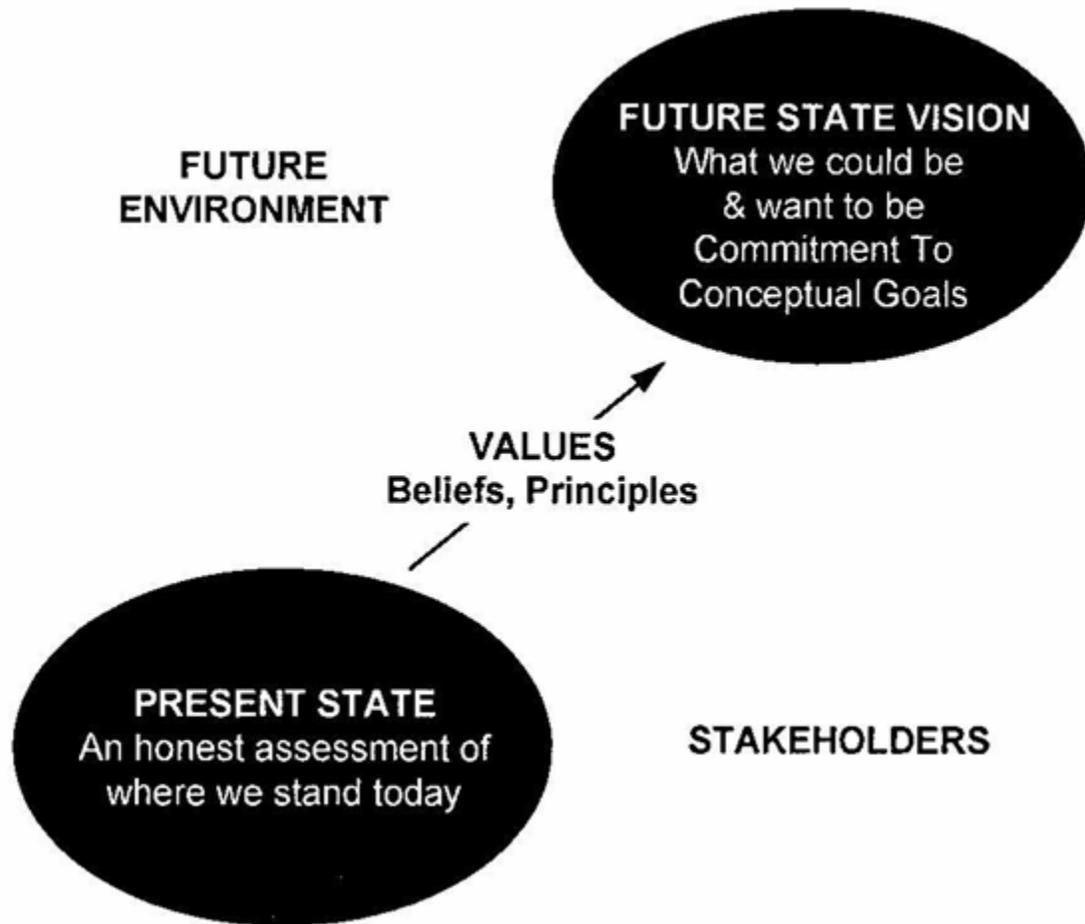
Pattenden was gratified with the progress his company had made over the past two and a half years. He was particularly pleased with the dramatic improvement in employee morale. Employees who would have previously arrived at work to put in their eight hours a day and then leave for home, now actively seized opportunities to improve not only their present working conditions, but also the fortunes of the company. The management team was in the process of instituting a profit sharing plan to further encourage the entrepreneurial spirit growing throughout the company.

Despite the significant gains in health and safety made over the previous two years, Pattenden and Gallacher reaffirmed their commitment to attaining the highest level of safety possible. With health and safety as the driving force behind National Rubber's profound cultural change, Pattenden felt it very important to further strengthen the foundation upon which success was built.

Last, but not least, what was the effect of these initiatives on National Rubber's financial performance? [Exhibit 5](#) shows the dramatic turnaround in earnings that occurred as safety performance was unproved. While the financial restructuring of 1992 was important, the major improvements made in costs, quality and safety were the essential factors contributing to National Rubber's turnaround.

## **EXHIBIT 1**

### **The Future State Visioning Process Map**



- **Future State Vision** - what our organization would like to be in the future.
- **The Present State** - what exists, what our organization is like in the present.
- **The Future Environment** - in which we must achieve our future state vision
- **Values** - the beliefs and principles that provide a foundation for our vision
- **Stakeholders** - those who are involved in and/or affected by the actions of the organization.

**Source:** Future State Visioning Technique at National Rubber Company, J.M. Stewart, Planning Review, Vol. 22, No. 2, 1994

Future State Visioning - A Powerful Leadership Process, J.M. Stewart, Long Range Planning, Vol. 26, No. 6, 1993

# **EXHIBIT 2**

## **Future State Vision of Safety at National Rubber**

### ***Management***

- Management will work from the principle that all injuries can be prevented
- Management will be concerned about employees' welfare and committed to training and development. This commitment will be shown in deeds and not just words.
- Management will be responsive to employee concerns and suggestions, and will foster the concept that safety is not compromised - for profit, production, quality, or anything else. This will help create an environment where employees feel free to criticize, and will participate to create an environment where safety is second to none.

### ***Employees***

- Employees will be constantly alert to safety and unsafe conditions. They will care about their coworkers and use peer pressure to ensure pride in safety.
- Safety training will be an important, on-going part of every job. Training will be lifelong, and focus on changing job requirements and continuous improvement in skills.

### ***Production Facilities and Processes***

- Production processes will be easy to use, within the physical capability of employees and inherently safe. Safety problems will be designed out. Protective equipment will be easy to use and employees will be committed to using it. All production facilities will be as clean as your home.

### ***Corporate Safety Performance***

- National Rubber people will have dramatically fewer injuries. In the medium term, injury frequency will be reduced to a fraction of the recent experience, with a longer term goal of zero injuries.
- National Rubber will be viewed as a high performer in WCB safety audits. It will develop a safety record that places it among the leaders in its industry, and results in low WCB fee assessments.

**Source:** Future State Visioning Technique at National Rubber Company, J.M. Stewart, Planning Review, Vol. 22, No. 2, 1994  
 Future State Visioning - A Powerful Leadership Process, J.M. Stewart, Long Range Planning, Vol. 26, No. 6, 1993

## **EXHIBIT 3**

### **National Rubber Safety Beliefs**

- All injuries can be prevented.
- Management must believe in and stress safety for good safety performance to be achieved.
- Injury and incident investigation are essential in learning how to prevent future injuries.
- Participation in safety activities will improve awareness, understanding and attitude.
- People do not want to be injured. They take risks believing that they will not be hurt.
- Excellence in safety can be achieved at the same time as excellence in other areas.
- A good safety record will improve community and industry relationships and can have a positive effect on customers.

### **National Rubber Safety Principles**

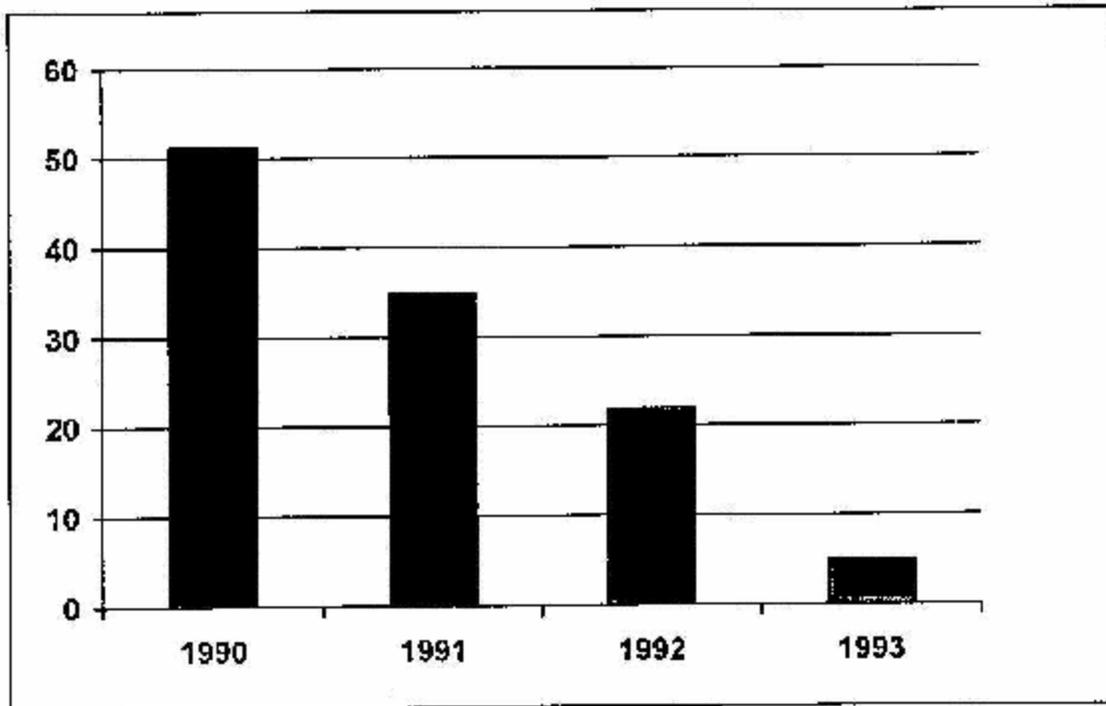
- Safety is an integral part of every job. Everyone is responsible for his or her own safety and that of co-workers.
- Management is responsible for creating a safe work environment, and is directly accountable for injuries.
- We will comply with all safety laws and strive to exceed them.
- We will make all equipment and processes safe to operate at all times.
- We will investigate all injuries and incidents and use what we learn to continuously improve our level of safety.
- We will involve employees in safety activities to increase their awareness and commitment
- We will encourage off-the-job safety through training and education.

**Source:** Future State Visioning Technique at National Rubber Company, J.M. Stewart, Planning Review, Vol. 22, No. 2, 1994

Future State Visioning - A Powerful Leadership Process, J.M. Stewart, Long Range Planning, Vol. 26, No. 6, 1993

## **EXHIBIT 4**

**Lost Time Injuries  
1990 - 1993**



Source: National Rubber Company Files

## EXHIBIT 5

### Financial Performance 1989 - 1994

	1989	1990	1991	1992	1993	1994
Sales (\$M)	51.3	40.9	43.9	47.2	54.4	56.9
Gross Profit (%)	17.9	15.9	15.4	20.0	26.6	27.2
Fixed Expense (%)	12.6	13.8	11.6	10.7	9.5	11.5
Depreciation (%)	5.5	5.5	4.7	5.0	5.5	6.1
Net Profit (\$M)	-3.4	-12.2	-6.7	0.4	3.9	5.1

**SOURCE:** National Rubber Company Files  
(Ted Pattenden)

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This case was written by James Chisholm and Dr. Perry Bamji under the guidance of Professor John R. M. Gordon and assisted by Dr. J. M Stewart. This case is intended as a basis for discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Funding for this work was provided by Dr. J. M. Stewart, Executive-in-Residence, Faculty of Management, University of Toronto, from his research fund "World Class Safety and Outstanding Business Performance" through Project Minerva Canada.

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