

**BEAVER SEAFOODS**  
**A CASE STUDY OF SEAFOOD PROCESSING MANAGEMENT**

by

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August 1988

## CONTENTS

<b>Introduction.</b> . . . . .	<b>1</b>
<b>Description of Beaver Seafoods.</b> . . . . .	<b>1</b>
<b>Summary</b> . . . . .	<b>4</b>
<b>Note: Arriving at the summary.</b> . . . . .	<b>5</b>
<b>Company planning and organization.</b> . . . . .	<b>6</b>
<b>Note: The dominant manager</b> . . . . .	<b>7</b>
<b>Corporate objectives</b> . . . . .	<b>8</b>
<b>Note: The delicate problem of ownership</b> . . . . .	<b>9</b>
<b>Financial management</b> . . . . .	<b>10</b>
<b>Note: Information is power</b> . . . . .	<b>11</b>
<b>Quality control</b> . . . . .	<b>12</b>
<b>Note: Quality is fact, not hope</b> . . . . .	<b>13</b>
<b>Supply management</b> . . . . .	<b>14</b>
<b>Note: Our fishermen like us</b> . . . . .	<b>14</b>
<b>Personnel management.</b> . . . . .	<b>15</b>
<b>Note: I am the boss</b> . . . . .	<b>16</b>
<b>Processing efficiency</b> . . . . .	<b>18</b>
<b>Note: Step back and look at the plant.</b> . . . . .	<b>18</b>
<b>Marketing and merchandising.</b> . . . . .	<b>19</b>
<b>Note: We're in the fish production business.</b> . . . . .	<b>20</b>
<b>Epilogue</b> . . . . .	<b>21</b>

## INTRODUCTION

The success of your seafood business depends upon accurate pricing, efficient production, clever inventory management, aggressive marketing, and good financial management. Rapid changes in fishery policy, seafood markets, and in financial markets add to the management challenge.

While the seafood industry in the Pacific Northwest is fortunate to have many excellent managers, there is occasional need for outside assistance. The Sea Grant programs of Oregon, Washington, and California provide assistance through research, instructional, and Extension programs. Extension programs include individual technical and management assistance, informal seminars and workshops, and comprehensive management studies.

The information in this publication is based on more than 10 years of experience in organizing and conducting comprehensive management studies in the Pacific Northwest. Typically, Sea Grant personnel will choose the candidate for the comprehensive management study and will arrange the study with company management. A study team of three to six experts will visit facilities, interview company personnel, clients, and community leaders and study company documents, company operations and company organization for 4 to 6 days. An oral and, later, a written report are provided to management. A followup visit 6 to 12 months later provides an evaluation of progress and clarification of study results.

Comprehensive management studies conducted over the past 10 years have revealed opportunities for improvement common to all seafood companies. Companies that have not benefited directly from comprehensive management studies can still benefit from the experience of others through this publication.

Opportunities for improvement found in many of the studies are presented here in the form of a comprehensive management study report to Beaver Seafoods, *a purely fictitious seafood business*. You'll find a section of the comprehensive management study report written for Beaver Seafoods followed by notes written for you (these appear in *italic type*). Many of the opportunities for Beaver Seafoods improvement will be applicable to your business. The notes will give you more insight into the comprehensive management study process and help you apply the opportunities for improvement to your business.

But first you need some background information on Beaver Seafoods management, operation, and finance.

## DESCRIPTION OF BEAVER SEAFOODS

Beaver Seafoods (BS) is a closed corporation that purchases, processes, stores, ships, brokers, wholesales, and retails all seafoods common to the Pacific Northwest. The headquarters are in Waldport, Oregon. Other facilities are in Sacramento and Fort Bragg (California), Anacortes (Washington), and Ketchikan (Alaska).

Stan Firm is the president and general manager. Stan, who celebrates his 50th birthday this year, organized the company with two colleagues 15 years ago and still holds 60% of the stock. Stan knows most of the people in the industry and is proud of his ability to put together complicated deals without the help of a computer or financial statement.

The other major company stockholders and original organizers are highly successful fishermen who deliver large quantities of fish to the company.

Les Firm, the eldest son of Stan Firm, is the manager at the main plant in Waldport. Les is 28 years old and has a university degree in business. Les owns 5% of the company stock but does not participate in company decisions.

Ralph Retale manages the retail outlet and small seafood restaurant in Sacramento. Ralph is a retired military officer who enjoys the daily customer contact.

The seasonal buying station in Fort Bragg is managed by Bert Buyer, a retired fisherman who has lived in the area all his life. The small processing plant in Anacortes is managed by Ray Wrench, a 45-year-old former line supervisor from the Waldport plant.

Pete Packer manages the salmon and halibut plant in Ketchikan Alaska. Pete has 5 years' experience operating a salmon packing boat in Bristol Bay and in south central Alaska. He relates well to the fishermen, and they trust him.

Art Automate is a recent business school graduate who got his comptroller's position with the company through a family connection. He is responsible for all company accounting and is located at the Waldport facility.

Corporate sales have varied from \$6 million to \$10 million during the past 3 years. Total assets and liabilities at the end of this year are \$4.5 million and \$3.5 million, respectively.

Approximately half the company purchases are made at Waldport. The majority of the remainder are made at Ketchikan. All product is inventoried at Waldport.

Shrimp are cooked, mechanically peeled, and frozen in 5-pound tins. Groundfish are hand-filleted and frozen in either a solid or shatter pack. Some groundfish are shipped fresh. Salmon are processed for the fresh and frozen markets (about 60% are shipped fresh).

The Waldport facility can process and handle any of the products that Beaver Seafoods buys. There is no processing at Fort Bragg. Products landed there are iced and trucked directly to Waldport on company-owned and -operated trucks. Groundfish, salmon, and crab are processed at Anacortes, but the capacity is limited; during the peak of the Washington season, a majority of the product is trucked to Waldport for processing.

Ketchikan can handle all salmon and halibut landed there but has limited cold storage. Product is shipped to Waldport via ship and truck.

Now that you know a little about Beaver Seafoods, you are ready for the comprehensive management study report.

**COMPREHENSIVE MANAGEMENT STUDY**

**Confidential Report to**

**Beaver Seafoods of Waldport, Oregon**

**Prepared by the study team from**

**Oregon State University  
University of Washington  
University of Alaska  
University of California**

## SUMMARY

The study team identified eight outstanding strengths of Beaver Seafoods as follows:

1. **Financial condition** — Beaver Seafoods (BS) is in a favorable position with respect to profits, cash flow, net worth, debt, and liquidity.
2. **Raw product supply** — The firm has a good relationship with fishermen. They generally view the firm as a preferred market for their products and are satisfied with the treatment they receive.
3. **Employee loyalty** — Employees from the middle management level upwards have strong family feelings about the general manager, and although they don't always concur with company procedures, employees show little inclination to work elsewhere.
4. **Management competence** — The general manager is well qualified for his job and carries out his responsibilities diligently. Most of the other managers in the company are also skilled in their special responsibilities and have the competence to perform at an adequate level.
5. **Product diversity** — Because the company buys, processes, and markets all seafood products common to the Pacific Northwest, it gains strength in the market place, improves the use of fixed facilities, and reduces its overall financial risks.
6. **Growth potential** — The company can further capitalize on its favorable supply situation and its so-far conservative ventures into seafood retailing for significant future growth.
7. **Geographic location** — The location of company facilities gives it a great advantage in accessing the supply of raw product. Although the immediate plant locations are not always the best, BS is represented in some of the most productive ports in the Pacific Northwest.

The study team identified the following opportunities for company improvement:

1. Company planning and organization
2. Corporate objectives
3. Financial management
4. Supply management
5. Personnel management
6. Processing efficiency
7. Marketing and merchandising

Some specific actions that will help the company capitalize on these opportunities include:

1. Develop an explicit statement of company missions and objectives.
2. Develop short- and long-range plans for finance, marketing, staffing, facility acquisition, and replacement and adoption of technology.
3. Establish performance evaluation policies and procedures for plant managers, assistants, and office staff.
4. Provide facilities managers with broad operating guidelines, an operating budget, more complete and current management information, and the authority to operate with these controls.
5. Improve communications among and between managers, supervisors, and general plant labor. Provide information regularly on company activities, fringe benefits to employees, the general financial success of the company, and on activities of other employees.
6. Acquire the services of an engineer and food chemist to make specific recommendations on plant operations.
7. Develop a procedure for hiring, developing, and promoting supervisors, assistant managers, and managers.
8. Acquire legal, accounting, and tax counsel, and develop corporate trust agreements, stock purchase agreements, and/or other legal ownership and management succession plans.
9. Open up board meetings and conduct meetings in a more organized manner.

**NOTE: ARRIVING AT THE SUMMARY**

*To produce this summary the study team of fishery economists, seafood technologists, finance specialists and management specialists had to digest and condense 53 interviews and 4 days of plant observations and document investigations. From this the study team had to agree on the major opportunities for improvement. This required considerable patience and daily open discussion among all study team members.*

*Each day of the study revealed new opportunities and continually surprised study team members. Study team experiences from interviews, document investigations, and plant observations were shared and argued. Insights into management, marketing, finance, supply, and operations generated team enthusiasm and the desire to "get to the bottom of the matter" quickly. Opportunities for improvement were identified easily.*

*If opportunities for improvement were so obvious, why hadn't management acted? Was there some barrier to improvement that*

*we didn't see? Was management naturally resistant to change? Defensiveness or resistance to change was revealed during the oral report to management:*

*"We already knew all that. What else can you tell us?"*

*Obviously, the remainder of the report must convince management that these were real improvement opportunities and that management action was needed.*

## COMPANY PLANNING AND ORGANIZATION

BS has the opportunity to improve comprehensive planning. Four specific planning activities are suggested:

1. Planning for continuation of the firm,
2. Improved utilization of unit managers,
3. Improved operations, and
4. Forward planning for growth.

Tactical planning at BS appears to be the responsibility of the general manager. However, there are no tangible plans in evidence. Strategic planning is the legal responsibility of the board of directors. However, the board rarely meets, and again there is no tangible evidence of planning arising from these infrequent meetings.

Both the general manager and the board of directors must have some plans, at least in their minds. Unfortunately, this form of planning does not support the rational growth of the BS, nor does it improve management and operational efficiency. This is especially important considering the high economic value of the general manager's skills and knowledge.

Planning for sales, facilities, staff, and finances is currently dictated by immediate needs rather than by decisions based upon long-run economic trends. The lack of written plans and the uncertainty in planning contributes to confusion regarding the objectives of the firm and does not permit the development of operational objectives.

Objectives for individual managers are not clear. Therefore, their performance cannot be objectively measured. Individual managers are confused and do not know their status in the enterprise. In addition to the lack of both clearly defined profit centers and the guidance of long-range objectives, budgeting information is not available for decision-making or evaluation of management effectiveness and the economics of operations in the short run.

There is also confusion regarding the duties and authority of individual managers and their primary functions in the enterprise. Decisions are not being made at the lowest levels at which they can be made effectively, and as a result, time for planning strategic decisions by top management is limited. From the other perspective, the general manager is allocating too much time to operational decisions that can be best made by individual managers and, therefore, has less time for strategic management.



Most of the individual managers are not involved in strategic or even tactical planning and therefore have very little commitment to BS objectives.

Professional development of individual managers is dependent upon their decision-making experience within BS. Little is being done to develop management at all levels within BS. As a result, managers and potential managers within the firm are not being challenged to upgrade their competency, nor is their management potential being utilized. BS would benefit from the ideas and suggestions all managers have for improvement of their units and from their ideas for improvement of the firm.

Planning and decision-making as they relate to operations—including the facilities and equipment to get the job done—also suffer from the lack of delegation. It is reasonable to assume that managers who are on the scene during peak operating periods are in the best position to determine operating facilities and equipment needs, especially if they are provided with competent engineering assistance.

Therefore, there is an opportunity to improve strategic and tactical planning as follows:

1. Schedule a board of directors meeting with strategic and tactical planning as the sole agenda item.
2. Organize a retreat for upper level management and board of directors to discuss BS mission and goals.
3. Assign a small team of upper level management and board of directors to write up the results of the board meeting and retreat, and distribute to staff for review and discussion.
4. Request each facility manager to develop tactical goals for his facility and submit to the planning team for review and discussion.
5. Direct the general manager to combine material from planning team and facility managers and issue planning document.
6. Review and revise periodically.

***NOTE: THE DOMINANT MANAGER***

*BS's problem is common to enterprises that have grown rapidly due to the entrepreneurs' energy and skill. Stan Firm is proud of his accomplishments, which are many. However, BS is now a large corporation, and Stan Firm can no longer control the entire organization with the strength of his personality or with the time he has available. BS has outgrown its "founding father."*

*"Look, I made this company what it is today and I'm the only one that can produce a profit here. If I don't keep control and watch each of our facilities carefully, we would be in big trouble."*

*Stan feels comfortable solving plant operating problems because he has been successful at this in the past. Stan feels comfortable dealing directly with California and Japanese buyers because he has also done this successfully.*

*"I hire good people, but they don't have the experience I have. They need my help and advice."*

*The study team found that Stan had indeed employed good people, but they were greatly underused and were not given the opportunity to develop to their full potential. The various plant managers were frustrated with their lack of authority and with the control exercised from the Waldport office.*

*When asked how they participate in overall company planning and control, the various facility managers, including Les Firm, responded:*

*"Stan tells me what to do; he controls the company. It is his company."*

*While the study team felt that both strategic and tactical planning was critical for BS, it was not likely to be implemented as long as Stan Firm continued to exercise so much tactical control over all aspects of the enterprise. Therefore, the study team had to directly address the problem of tactical control.*

*This had to be done in a way that would not anger Stan Firm but would produce some action. The study team argued that since Stan had employed such good people he could take advantage of their skills and knowledge to improve the enterprise. This required that they have more autonomy and local control and that they be given specific responsibilities in corporate planning and control. Instead of telling Stan that he should give up some of his power, the study team was able to focus on the benefits to BS of increased involvement of the various managers in overall company management. The opportunity to focus on strategic issues and to play a little more golf was also appealing to Stan.*

## CORPORATE OBJECTIVES

BS has the opportunity to provide for more orderly continuation of the firm in case one or more of the stockholders, or their heirs, wish to divest themselves of their interest in the firm. This can be accomplished as follows:

- A. Change the corporate bylaws to permit:
  1. transfer of stock to related parties by gift or sale,
  2. transfer of stock by inheritance,
  3. give other stockholders an option to buy stock offered for sale that has been refused by related parties,
  4. give corporation option to buy stock refused by related parties and other stockholders, and/or

5. if all of the above refuse, offer stock to outsiders.
- B. Add a stock purchase agreement to the corporate bylaws:**
1. develop a predetermined formula for future distribution; or
  2. set value for stock.

**BS has the opportunity to provide continuous management development at all levels of the firm, assure competent management at all levels and develop backup management all key management positions in the firm:**

- A. Secure a commitment from the board of directors to organize and operate according to a continuous management development and succession program.**
- B. With leadership provided by the general management, develop an organizational chart for the firm on which the duties and responsibilities of each management person are described, each manager developing his job description in cooperation with his supervisor.**
- C. Assign responsibility to the director of personnel to develop a program for providing on-the-job experience and structured training (formal or informal) for managers to achieve competency in their present job and to achieve job enrichment, satisfaction, and growth within the firm.**

**BS has the opportunity to improve the planning effectiveness so the competitive position can be maintained:**

- A. Board of directors develop a statement of philosophy and purpose for directing the firm.**
- B. Develop under the leadership of the general manager a strategic plan (5 years), covering the sales, organization, facilities, technology, financial areas, and using the input of the management staff.**
- C. Develop a tactical plan (1 year), with target standards based upon a budget prepared by the controller with leadership by the general manager.**

***NOTE: THE DELICATE PROBLEM OF OWNERSHIP***

*What happens if Stan Firm were to die tomorrow? Fortunately, Stan is in good health, but the possibility exists and has major significance for BS. The stock could be transferred to a party that has no interest in BS, or even to a competitor that wishes to destroy BS. The corporate value of the stock might be greatly diminished and, therefore, destroy the equity of the early investors.*

*Stan did not wish to talk about his own mortality. Therefore, the study team chose to discuss current stockholders' desire to divest themselves of BS stock and transfer ownership to potentially less*

*interested or even hostile parties. Furthermore, it is important to continued BS success that other managers have the opportunity to become owners and that the board of directors confirm their role in the company.*

*Les Firm, Pete Packer, and Art Automate all expressed interest in buying company stock but didn't know how. Increased stock ownership by these important middle managers would greatly strengthen the company, but would also take away some of Stan Firm's power.*

## FINANCIAL MANAGEMENT

BS has been profitable and is currently solvent. However, there are several opportunities to improve the firm's financial management practices. These opportunities include:

1. improve tax management strategies
2. implement estate planning programs, including stock purchase and life insurance agreements
3. strengthen internal accounting controls
4. develop management succession plans
5. implement management information reporting systems

Establish an internal managerial control, cost accounting, and reporting system to provide management with both increased control over the company's business operations and an information base to facilitate financial planning and decision making. Such a system would include providing management with data on production costs and margins by product line, labor efficiency, yield, and variances, along with other key performance measurements.

Prepare and analyze financial statements such as the cash flow and profit and loss statements on a monthly basis to provide timely financial decision-making information.

Define key performance areas in the company and develop performance indicators for each of these areas. Performance areas would include procurement, processing, finance, accounting, marketing, etc. Examples of performance indicators are:

1. raw product descriptions / packout = yield
2. raw product / packout = cost per unit
3. cash flow and bank balances
4. current ratios and working capital position
5. unit dollars and percent margin on sale after discount

6. contribution to overhead on each sale
7. weekly movement of products in units and dollars compared to previous years
8. return on investment

Distribute summaries of the performance indicators to key management personnel. Train facility managers to use more effectively the information produced by the accounting system. Potential management succession will also be improved as facility managers understand the BS financial structure and situation.

Develop and maintain enterprise budgets, cash flow budgets, capital budgets, and overall operating budgets. The preparation of budgets will assist management in planning and coordination.

Develop a formal fixed asset replacement schedule and financial plan to fund asset replacement and expansion. Develop formalized capital expenditure budgets accompanied by feasibility studies, when appropriate, to facilitate the company's fixed asset replacement program.

Refine or redesign the existing inventory control data-processing system to provide timely and accurate information on frozen and cold storage inventory levels and on raw product and supply inventory levels at all company facilities.

#### ***NOTE: INFORMATION IS POWER***

*Stan Firm knew his company well, both the financial condition and the day-to-day and week-to-week financial activities. The BS comptroller was competent and provided Stan with accurate information as requested. Unfortunately, Stan was not requesting enough information, and certainly not information that would be useful to anybody else. No reports or statements of condition for BS left Stan's office, and few managers knew the financial condition or structure of the enterprise.*

*Art Automate had many ideas for improving accounting within BS, but he was intimidated by Stan Firm and hesitant to make changes.*

*"The accounting was a disaster when I arrived and I have made a few improvements. But I can see that a lot more needs to be done. Stan just doesn't want me to make any more changes. He certainly doesn't want me to bring in anybody to help me, not even my old accounting prof!"*

*When facility managers were asked: "How is BS doing financially?" the typical response was:*

*"It must be OK because my paycheck didn't bounce last month" or "I'll find out at the annual Christmas party when I see the bonus that Stan hands out."*

*When facility managers were asked: "What is the financial situation for your facility?" the typical response was:*

*"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 improvement, 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 bum 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.*

## 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 fish, 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.