

2004 Showcase in Excellence Awards Recipient

Holsum Bakery, Inc – “Bonus Program”



Holsum’s Tolleson Bakery

Company Information:

Highest Ranking Official:
Ed Eisele - President

Contact Person:
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Type of work: Holsum Bakery is the market-share leader in Arizona for commercial baked bread and bun products. Fresh Holsum Bakery products are delivered daily by over 200 independent distributors.

Workforce: 530 Associates

Testimonial of Value of Arizona State Quality Awards Program

“I believe the AQA Awards Program has great value, in the sense that it provides a "roadmap" for any organization to follow, that--when followed--leads to excellence across the entire organization.” Ed Eisele
President

Participating in the Awards program provides an opportunity for organizational reflection, learning, and growth, coupled with the unique opportunity to see your business processes through the knowledgeable eyes of outside examiners.

Highlights of Organizational Process:

Holsum Bakery, Inc., established in 1881, is Arizona's oldest family owned business and today is the largest supplier of bread, buns, and rolls in the Southwest. Holsum primarily competes in markets throughout the state of Arizona, and Clark County, Nevada (Las Vegas), and parts of California. Monthly production of product is between 11 and 12 million pounds of baked bread and buns. In today’s market place, Holsum is privileged to have the largest portion of the retail bread market share. Additionally, Holsum is by far the baker of choice to the fast food industry, serving the large majority of companies doing business within Arizona and Las Vegas.

The Tolleson bakery is unique among the Holsum plants and, in many respects, unique within the baking industry. The facility is a high speed, highly automated bakery. Manual work activity is minimal and many of the employees spend their working hours observing computer monitor screens. Another unique aspect is that the plant employees participate in a “Continuous Improvement Bonus Incentive Program”. The primary intent of this program is twofold: A) The Bonus Program is intended to provide an opportunity for all plant employees to increase their income over the course of the calendar year and, B) The program

is structured in a manner whereby the overall Holsum Company objective of Continuous Improvement is understood, embraced, and supported by each employee in the bakery.

The Tolleson Bonus Program is an incentive plan designed around a Team's ability to accomplish specific performance objectives that are identified and defined at the beginning of each new financial quarter. All of the performance objectives reflect an effort to continually reduce controllable manufacturing expenses. Additionally, the objectives have been selected and formatted so that they support the strategic financial and profitability goals of Holsum Bakery. When the defined outcomes of the Bonus Program performance objectives are met, or exceeded, the overall company benefits and each employee on the individual Teams can share the incremental profits by receiving a wage bonus. Employee bonuses are paid shortly after the end of each quarter.

Another goal of the Bonus Program is to foster a team approach to both problem solving and to the development of new ideas that will lead to additional cost reductions and/or improvements in manufacturing efficiencies. It is intended that the employee members of a work Team analyze problems, develop suggested solutions, implement corrective actions, and generally conduct their behavior so that achievement of desired outcomes becomes a routine experience.

Employees on a team are encouraged to conduct periodic meetings in an effort to improve those performance areas that might be delivering unfavorable results. Or the meetings might entail discussion and suggestions as to how good performance in a specific measurement area could be made even better so that bonus amounts can be increased or maximized.

The Bonus Program is designed to provide three levels, or tiers, of opportunity for employee income enhancement. There is the "regular" bonus percent opportunity that is awarded based on achievement of the minimum objective criteria for each measured category of performance. There are also two bonus percent "stretch" levels that are paid if the minimum performance criteria of the objectives are exceeded, by a specified value, or measurement. The first "stretch" bonus award tier adds an additional percentage, and the second "stretch" tier adds more onto the base bonus.

In common with all Teams across the plant, is an "umbrella," or "gatekeeper" objective. The "gatekeeper" objective is concerned with the prevention of work injuries, either non-lost-time or lost-time. The Bonus Program procedures are established so that, if a work injury occurs anywhere in the plant, the bonus amounts that might be earned by accomplishment of a Team's objectives are reduced by a designated percentage. All of the Teams are penalized for work injury occurrences, even though the injury may have occurred to only one Associate on a specific Team.

As time progresses, from quarter-to-quarter, the objective metrics will typically become a little more aggressive. Again, this aspect of the Bonus Program reinforces the concept of always striving to get better at what we do—or, to make "Continuous Improvements."

"Direct Labor Cost Per Pound" speaks the loudest of all the metrics to the success of the Bonus Program. The direct labor cost in the plant, on a cost per pound basis, has continued to decline despite average year-to-year wage per hour increases. Unit volume has also increased each year for the last 4½ years

A few of the performance areas where significant improvements are ongoing include:

- ◆ Rescheduling crew members to minimize overtime;
- ◆ Reducing changeover time,
- ◆ Reducing incidences of time lost to the production schedule,
- ◆ Producing more saleable product (i.e., reducing the "damage" percent);
- ◆ Cross-training at key positions so that performance doesn't suffer during employee absences or vacations; and
- ◆ Consolidating tasks to reduce headcount.