

# Jersey Dairies Ltd.

by

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S. L. McShane *Canadian Organizational Behaviour*, 5th ed. (Toronto: McGraw-Hill Ryerson, 2004); S. L. McShane & M. A. von Glinow, *Organizational Behavior*, 3rd ed. (Boston: McGraw-Hill, 2005); S. L. McShane & T. Travaglione, *Organisational Behaviour on the Pacific Rim*, 1st ed. (Sydney: McGraw-Hill Australia, 2003)

# Jersey Dairies Ltd.\*

**By Steven L. McShane, The University of Western Australia**

Jersey Dairies Ltd. faced increasing competition that threatened its dominant market share in Eastern Ontario's "Golden Triangle." Senior management at the 300-employee dairy food processing company decided that the best way to maintain or increase market share was to take the plunge into total quality management (TQM). Jersey hired consultants to educate management and employees about the TQM process, and sent several managers to TQM seminars. A steering team of managers and a few employees visited other TQM companies throughout North America.

To strengthen the company's TQM focus, Jersey president Tina Stavros created a new position called vice-president of quality, and hired James Alder into that position. Alder, who previously worked as a TQM consultant at a major consulting firm, was enthusiastic about implementing a complete TQM program. One of Alder's first accomplishments was convincing management to give every employee in the organization several days of training in quality measurement (e.g., Pareto diagrams), structured problem solving, and related TQM practices. Jersey's largely unskilled work force had difficulty learning this material, so the training took longer than expected and another round was required one year later.

Alder worked with production managers to form continuous improvement (CI) teams---groups of employees who looked for ways to cut costs, time, and space throughout the work process. Although Alder was enthusiastic about CI teams, most supervisors and employees were reluctant to get involved. Supervisors complained that the CI teams were "asking too many questions" about activities in their department. Less than one-quarter of the production areas formed CI teams because employees thought TQM was a fancy way for management to speed up the work. This view was reinforced by some of management's subsequent actions, such as setting higher production targets and requiring employees to complete the tasks of those who were absent from work.

To gain more support for TQM, Jersey president Tina Stavros spoke regularly to employees and supervisors about how TQM was their answer to beating the competition and saving jobs. Although these talks took her away from other duties, she wanted every employee to know that their primary objective was to improve customer service and production efficiency in the company. To encourage more involvement in the CI teams,

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Stavros and Alder warned employees that they must support the TQM program to save their jobs. To further emphasize this message, the company placed large signs throughout the company's production facilities that said, "Our Jobs Depend on Satisfied Customers" and "Total Quality: Our Competitive Advantage."

Alder and Stavros agreed that Jersey's suppliers must have a strong commitment toward the TQM philosophy, so Jersey's purchasing manager was told to get suppliers "on board" or find alternative sources. Unfortunately, the purchasing manager preferred a more collegial and passive involvement with suppliers, so he was replaced a few months later. The new purchasing manager informed suppliers that they should begin a TQM program immediately because Jersey would negotiate for lower prices in the next contracts and would evaluate their bids partly based on their TQM programs.

Twenty months after Jersey Dairies began its TQM journey, Tina Stavros accepted a lucrative job offer from a large food products company in the United States. Jersey Dairies promoted its vice-president of finance, Thomas Cheun, to the president's job. The board of directors was concerned about Jersey's falling profits over the previous couple of years and wanted Cheun to strengthen the bottom line. Although some CI teams did find cost savings, these were mostly offset by higher expenses. The company had nearly tripled its training budget and had significantly higher paid-time-off costs as employees took these courses. A considerable sum was spent on customer surveys and focus groups. Employee turnover was higher, mainly due to dissatisfaction with the TQM program. Just before Stavros left the company, she received word that several employees had contacted the Commercial Food Workers Union about organizing Jersey's nonunion production work force.

A group of suppliers asked for a confidential meeting in which they told Cheun to reconsider the TQM demands on them. They complained that their long-term relationships with Jersey were being damaged and that other dairies were being more realistic about price, quality, and delivery requirements. Two major suppliers bluntly stated that they might decide to end their contracts with Jersey rather than agree to Jersey's demands.

Almost two years after Jersey Dairies began TQM, Thomas Cheun announced that James Alder was leaving Jersey Dairies, that the position of vice-president of quality would no longer exist, and that the company would end several TQM initiatives begun over the previous two years. Instead, Jersey Dairies Ltd. would use better marketing strategies and introduce new technologies to improve its competitive position in the marketplace.