

Saving A Plant Saves A Community: The Story of the Continental Tire Mt. Vernon, Illinois Facility

Reversing the trend of offshoring with cutting edge training, high tech production and advanced skills has led to a bright future for the largest employer in Southern Illinois and the Mt. Vernon area's economic mainstay.

By Bonnie Jerdon

With nearly \$100 million annually in payroll, over 2,300 employees, and over 56 acres under roof, the Continental Tire Mt. Vernon, Illinois facility has been the economic mainstay of the Southern Illinois area. Manufacturing passenger, light truck and medium radial truck tires since 1973, the facility had seen a multitude of changes and challenges to the entire automotive industry during its thirty-four years in business.

In 2004, Germany-based Continental Corporation, a leading supplier of brake systems, chassis components, vehicle electronics, tires and technical elastomers with 100 locations in 28 countries, was talking about the future of tire manufacturing in the United States. Financial losses were rising and critical decisions concerning operations were being made. Faced with losses in its four remaining U.S. facilities, Continental Corporation executives were asking if it was possible that tire manufacturing could continue in the U.S.

Within two years, Continental Corporation's Bryan, Ohio facility would be sold, and production would be suspended at the Mayfield, Kentucky and Charlotte, North Carolina facilities due to high manufacturing costs. As the last of the corporation's U.S. tire facilities, Mt. Vernon's future was on the line. In order to secure the continued presence in Mt. Vernon and the U.S., the corporation was willing to make significant investments to improve and replace outdated equipment. But clearly any plan to continue operations would not work without a significant reduction in manufacturing costs.

In 2005, Continental Tire's Mt. Vernon Facility Plant Manager Hank Eisenga had one thing on his mind: survival. He had been handed the task of taking an aging manufacturing facility with myriad problems including low employee morale, safety issues, and poor marks in many key operational indicators and making a globally competitive tire manufacturing facility with long-term viability. To make things a little more challenging, the window of opportunity for such a major turnaround was short. Within the next twelve to eighteen months, the Continental Corporation needed to see plans and major steps taken to improve the Mt. Vernon facility's bottom line. The initiatives he and the management team had formulated would need to be successful quickly in order to continue manufacturing operations from Mt. Vernon, Illinois. According to Eisenga, there was no "Plan B".

Increased Communications Key to the Labor and People Piece of the Equation

The first step in the restructuring plan involved employees and a need to affect change in the facility's culture. Bill McCoy from Human Capital Integrated Technologies and Continental Tire's Human Resources Manager Scott Cravens were tasked to help build a blueprint for change, to build trust, and form a different type of leadership for the plant that focused on employee involvement using fair, appropriate and measured strategies in order to become the best manufacturing plant in the world.

The Mt. Vernon facility had always been a non-union facility. From time to time and in 2004, hourly employees had been faced with the question of whether they wanted union representation. While employees rejected unionization again in 2004, the middle and upper management were just beginning to talk about a survival strategy but the hourly employees were not yet involved with the mission of saving the plant. McCoy described disengagement between hourly employees and

management and a lack of understanding by the workers of the serious, urgent situation the manufacturer was facing. While wages and benefits costs continued to rise, plant performance indicators had been slipping and global competition had been increasing. McCoy and Cravens knew that employee development would be the cornerstone of the plant's success and began a series of innovative programs.

In the first of the innovative approaches, local Rend Lake College established a campus at the manufacturing facility with free tuition for employees and classes to complete an associate's degree in business completely on site. Employees attend classes on their own time and class schedules are designed around employee shifts. The results from the first of the employees taking advantage of this program inspired development of a four-year degree program in partnership with Southern Illinois University. Continental University is the name of the joint effort between the company, Rend Lake College, and Southern Illinois University. The number of Continental Tire employees taking advantage of this valuable benefit has nearly doubled from Spring 2006 to Spring 2007. Because of company's emphasis on education and development, employees' dependents are now offered free tuition to Rend Lake College with expanded class offerings in Mt. Vernon.

Employee involvement in critical issues involving production became a focus, and new processes were set in place in order for hourly workers to share their ideas and make a difference in cost and productivity. Lean Six Sigma, Kaizen, and other quality and problem solving processes are utilized. Employees are trained in the problem solving programs and encouraged to utilize critical thinking about their jobs and to develop self-awareness, self-confidence, and self-control. Additionally, staffing changes were made to place the right people in the right positions in order to support a new way of thinking and acting.

Meeting employees' needs for security, respect and contribution are emphasized.

As the restructuring plan evolved, it became clear that no plan would be acceptable without addressing all issues at the facility. In order for Continental Corporation to make investment in the future of the Mt. Vernon facility, sacrifices would have to be made to make Mt. Vernon globally competitive. In January 2006, wages and benefits for plant employees were reduced by ten percent for hourly employees, wages were reduced for non-core support jobs, and contributions for employee health insurance were increased. Even after the reductions, wage rates for hourly employees at the Mt. Vernon plant remain among the highest for manufacturers in Southern Illinois.

Employees adapting to changes to wages and benefits, job changes, and a required commitment to be part of the solution was not an easy process according to Eisenga. Many of the employees experienced apprehension and uncertainty, and people were making a lot of decisions about their employment future. Some employees left the organization during the restructuring. Along with employee meetings, Eisenga called upon the community to help convey the urgent message of change to the employees. At each step of the process, community leaders including mayors, business and religious leaders, members of the Chamber of Commerce, legislators, Illinois government leaders, and the media were kept informed. Communications were more open between all of the affected parties than had ever been seen previously. The stakes could not have been higher.

Capital Investments Modernize Outdated Equipment and Processes

At the same time the wage and benefits reduction announcements were being made, Continental Corporation announced plans to invest significant capital up to \$70 million to modernize the Mt. Vernon plant and

make it state of the art. The company more than delivered on the promises and has made capital investments of more than \$160 million since January 2006.

Investments in new technologies and equipment are designed to increase productivity and efficiency. One of the recently completed installations is a new, state-of-the-art tandem mixer, a Continental-patented technology and the only one of its kind in the nation designed to make rubber mixing a more efficient and quicker process. Other investments include a new 215,000 square foot warehouse and other state-of-the-art tire building and storage equipment. These investments are designed to strengthen the company's initiative to become a greater presence in the national and international market.

Illinois State and Local Incentives Help Solidify Future

State and local government leaders pledged their assistance to Continental Tire's restructuring efforts. With the help of a large business development grant and EDGE (Economic Development for a Growing Economy) tax credits for employee training from the Department of Commerce and Economic Opportunity and potential funds to defray costs of building a new rail spur, the state of Illinois delivered on their promise to do all they could to help keep the manufacturer in Southern Illinois. The City of Mt. Vernon provided support through improved infrastructure projects including an additional entrance road into the plant. The Jefferson County Development Corporation offered their services and technical support for projects and grants, and Rend Lake College and Southern Illinois University have cooperated with Continental Tire on employee education and training programs.

Focusing on Quality

A focus on quality has resulted in producing more and better products than ever before. According to Eisenga, the quality indicators are getting better on a daily basis and has resulted in quality recognition from Ford, GM, Nissan, other original equipment manufacturers and other customers.

The Future of Continental Tire Mt. Vernon

According to Eisenga and the management team, Continental Tire Mt. Vernon is producing more and better products than ever before and has been awarded contracts they have never had. Quality is foremost on everyone's mind. Continental Corporation is successful and expanding worldwide at this time, and the Mt. Vernon plant has moved from the bottom of the list of its facilities to become one of the more competitive plants within the company. The work to maintain long-term viability is not over by any means. Eisenga's plans include the ability to export products from Mt. Vernon to anywhere in the world. When asked what steps do you take to make that happen, Eisenga said Continental Tire will search for new markets and new product needs in other parts of the world and find a way to produce the products here more efficiently than anywhere else. Based on their record of success, he thinks the possibilities are limitless. Continental Tire Mt. Vernon employees will be seeing even more emphasis on employee development, enhancement of Lean quality principles, enhancement of problem solving methodologies, and participation in the best worldwide practices achieved through a standardized approach to manufacturing called CT-MS.

While the past couple of years have been extremely challenging with many difficult decisions, the result has been rewarding for Continental Tire's employees and community leaders. Breathing new life into the plant and into the community has secured a brighter future for the entire Southern Illinois economy.