



Toluca

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Toluca (A)

The Appointment

"Why the hell aren't these keys in alphabetical order?" It was Pansophic Training Day for Oneida's senior managers and Bill, one of the senior sales executives, was struggling with a foreign object: a keyboard. But it was the dawn of the Information Age and soon every executive would have a new vehicle for communication: a personal computer. Things at Oneida had been done the same way for decades, but the world was changing: their largest retail customers were rapidly moving to Electronic Data Interchange (EDI) and Oneida's antiquated systems could not support this type of partnership. Welcome to the new world of global supply chain management where just-in-time (JIT) replenishment was just as important as the hallmarks that built the great Oneida brand: design, quality, and relationships.

Although Phase I of the Pansophic Enterprise Resource Planning (ERP) system implementation was winding down and Ed James was feeling a sense of accomplishment, he was also experiencing some frustration and fatigue from the constant battles. Indeed, Ed had spent the past year focused not only on implementing a new ERP system at Oneida, but changing a culture.

"This was supposed to be the easiest part," Ed exhaled deeply. "General ledger, purchasing, order entry, and distribution. 'A cakewalk' according to you, Tom, especially when compared to Pansophic's manufacturing module."

"Ed, we just did what several before you failed to do: you got half the corporation up and running on a new system (indeed, Oneida had tried and failed on several occasions in previous years). The positive momentum is with us...tearing out that 1960's cost accounting system, introducing Manufacturing Resource Planning (MRP) to a century-old manufacturing system, and turning us into a JIT supplier. This is exciting stuff!!" Ed's boss Tom Franklin exclaimed,

trying to pump Ed up. Tom and Ed had known each other for years. As a matter of fact, Tom was Ed's mentor at Coopers & Lybrand (later PwC) and played a key role in luring Ed to Oneida Ltd..

"I'd rather have root canal than go through another year of this drudgery. Opening those 24 retail shops all over the U.S., now that was exciting! Building a business! Yes, I want to conquer markets!" Ed thought to himself. Ed had stopped listening to Tom and began to daydream.

"Ed...Ed, are you listening to me?" Tom asked with a hint of irritation in his voice. (phone rings) "Yea, uh-huh...what?", exclaimed Tom. "I told you we should have closed that place! We have poured millions into that factory and we are losing our shirt!!" Tom put the phone down and gazed out the window.

"What's wrong? What is it?" Ed asked.

Tom replied, "Mexico; the whole darn strategy was flawed from the beginning. You cannot just send a truckload of machinery and equipment, wave a magic wand, and expect the management team in Mexico to succeed. It is a shame and we don't have the time or the resources to do it right. I told Gordon (Oneida's President) to stop the hemorrhaging of cash and close it down. Now, where were...."

"Send me." Ed interrupted. With those two words, Ed's life would change until the end of days.

Concurrently, at 8,000 feet above sea level, even the normally spring-like weather in Mexico City can turn bitterly cold and harshly unwelcoming. Suddenly, a figure appeared at the door of the convent cold, shaking, alone, and in labor. As they had done for centuries, The Sisters of Guadalupe took the unwed 14-year old into their home and into their hearts. A few hours later, with the image of the Virgin of Guadalupe as a backdrop, Sara Marcela Cuevas was born: an event that would also change Ed's life forever.

Arriving in Mexico

Five months later, Ed was looking out the airplane window. Surrounded by mountains and an angry, active volcano named Popocatepetl, and coupled with fierce gusts of wind, Benito Juarez International Airport in Mexico City was considered one of the most, if not *the* most, dangerous airports to land a plane.

"Yep, they only allow the 'grey beards' to fly into *El Benito*," proclaimed a frequent-flying, gold collar expatriate, sitting in the aisle seat.

As the plane descended into the murky haze of pollution, the sheer enormity of the 2,500 square megalopolis was awe-inspiring. Once on the ground, the Mexico City airport was nothing less

than functioning chaos.

“Dorothy, you’re not in Kansas anymore,” Ed actually found himself saying out loud (a reference to upstate New York author L. Frank Baum’s classic *Wizard of Oz*) as he watched well-groomed, fashion-model-looking families unload designer bags bulging from shopping trips to the north. This all took place alongside migrant workers carrying everything they owned in black trash bags as they returned home to loved ones they have missed or have yet to meet.

“Ducks Unlimited (a sticker on rear window). Hmmm, everyone has gone global,” Ed mused to himself as he slammed the back gate of the white, faux wood adorned Grand Cherokee and hopped into the front, passenger side seat. Whisked from the airport by Macario, the current plant manager’s driver, Ed tried to engage his chauffeur in light chatter before he arrived at the plant. Ed continued to find a way to connect with the local driver who sped him to the factory. Ed spent the next hour ride first through Mexico City and then a lush, national forest on the way to Toluca, practicing the little Spanish he had picked up on the Berlitz tapes he purchased a few months prior to the move to Mexico. Macario was “politely amused”.

As the driver approached the plant that bright, sunny afternoon in the mountain city of Toluca, Mexico (elevation 9,000 feet), the feeling of lightheadedness mixed with the sights, sounds, and aroma of a nation in transition was abruptly interrupted by images of a crumbling fence. As the large gate swung open and the Mexican guards fell all over themselves welcoming the new *Gerente General*, Ed was stunned by what he saw.

“This is not the Oneida I fell in love with three years ago. Our factories in the U.S. and Canada exude discipline and pride,” Ed thought. Barrels strewn, fence falling down, and a building in desperate need of paint job... Ed took note and proceeded into the office area of the factory. Upon arriving at his new office, a secretary, hair tightly pulled back, greeted him with a timid, somewhat nervous “Buenos días”. The door was closed.

“Must be some final, important business being conducted by Floyd (the retiring general manager),” Ed thought to himself.

A slight knock was immediately followed by a hardy, “C’mon in!”

Perhaps it was slight altitude sickness that blurred his memory, as Ed was not sure if it was the elevated foot propped up by a shoeshine box or the fly-tying tool kit that he noticed first. Floyd barely moved, clearly engrossed in the task at hand. At 57, he had spent the last twenty years in Toluca, and had worked hard to build the life of a hunting baron in a dusty and uncooperative land. His relationships with the Toluca plant union were legendarily poor, and he spent more time escaping to the hills of Montenegro, to the north, where hunting and fishing were plentiful, than he did inside the plant. Ed noticed the door behind Floyd that led to the outside and through the window, he could see Macario on call, whittling and waiting for duty. Floyd’s office looked more like a hunting and fishing camp than a business office, and the pictures on the wall told stories of good days in the brush, in the woods, and on the water. Floyd pushed the fly drawer

inside the desk, gathered his angular frame together, and stood up.

“Ed?” he queried. “Very nice to meet you.”

Ed leaned forward and held out his hand. The warm wood in Floyd’s office reflected the afternoon sun and Floyd’s face was hazy with the milky dust that crept through every orifice in the plant. Even dust, however, couldn’t obscure what was obvious curiosity and a rueful smile on his predecessor’s face.

“So you made it down without incident?”

Ed nodded. “The flights were fine and Macario did a great job getting me here quickly. But he wouldn’t tell me much on the way in.”

Floyd looked up quickly. “Macario?” he snorted. “Not going to get much out of Macario. Not going to get much out of any of these *mestizos*, if you ask me. Their foreman has them tied up so tight that every time we try a new run, the union grievances outstrip the work orders. The union boss has outlived seven Mexican presidents! Nope, it’s tough to get anything out of anyone down here. But, you’ll learn that soon enough.”

Ed was intrigued. “So you and the union boss aren’t on the same page?” he asked.

This was all so different from the Oneida plant in upstate New York he had just left. Despite the fact that the union movement had its genesis in the Northeastern U.S., the Oneida plant had never had a union and workers often referred to life in the plant as family life. Ed wondered what kind of family life was at work in the Toluca plant.

“That guy (union boss) has been a burr in my saddle from day one,” said Floyd. “Now *you* can wrestle with him. Work hours, machine face guards, apprenticeship training—you name it, this guy is all over it. His middle name is grievances.”

Ed decided a cautionary note was best. “Well, I’m sure I have a lot to learn,” he offered, quietly wondering what lay ahead.

As Oneida management’s fourth choice to lead the Toluca plant, Ed didn’t offer a deep store of manufacturing expertise. His claim to fame in his first three years at Oneida had been to open 24 factory stores in 24 months. His barn storming approach to store openings, however, had won him a few fans, and he came up on the executive management’s radar by listening well and gathering talent. If the Toluca plant was to become anything other than the funding abyss it had been in recent years, Ed was clearly going to need both listening and talent-gathering skills in the coming months, and probably a few other talents. He wondered again: what had he let himself – and his family – in for?

The factory tour, led by anybody-but-Floyd (actually, a 60-year old Swiss engineer named

Bernard that helped build the plant 30 years before), was an eye-opener. Within the first five minutes, previous *red flags* were overwhelming confirmed. Any attempts by Ed, a small town boy at heart, to engage the Mexican workers were negated by a look down or sideways glance.

Later that evening, back at the hotel, Ed thought, “*Not a lot of love here; nor trust,*” Ed was actually conducting what he called his “observation inventory of that day.” This habit had served him well throughout his business career; part of the Jesuit action – reflection – action approach to life. At 30 years old, this was Ed’s first opportunity to lead an entire organization. “*Nobody wearing earplugs....no safety glasses...Quarter Finish (metal forming) machines without safety guards...Finishing department ‘cloudy’ and dusty,*” Ed recounted. “*And what are all of those paper shrines about?*” he wondered as his thoughts turned to the enormity of the task. As Ed drifted to sleep that night, he thought to himself, “*What have I gotten my young family into?*”

The Next Day

The 5:00 a.m. piercing rooster cry was a strangely familiar sound that Ed had not heard in over a decade, since moving out of his parents’ house in rural upstate NY. With that wake-up cry, he learned two important lessons: first, he needn’t rely on the usual hotel wake-up call, and, second, in the developing world, industrial urban sprawl often butted right up against the family farm. Jolted from sleep, Ed began to dress for what he thought would be his typical early morning five mile run. There was one problem, however: altitude. Ed would soon discover that 9,000 feet above sea level would take months to get used to. As he walked those last two miles back to the hotel, Ed began to think of the task at hand back at the plant. He began to think that his lungs’ acclimation to the new altitude would become symbolic of the bigger picture of his new mission in Mexico: “Don’t be in such a hurry, Ed. You need to let your lungs AND your presence at Oneida Mexicana acclimatize,” he thought to himself.

“*Everything is so different and new,*” Ed thought as he approached the hotel restaurant for his very first breakfast in Mexico. Sitting alone, eating incredibly fresh and exotic fruit, Ed took out a pad of paper and began making a list of topics for discussion entitled “Management Meeting”:

Call meeting and explain management philosophy. Open, constructive dialogue is encouraged. Together, we can solve any problem. However, there are some things that are not negotiable.

Specifically:

- 1. Purchase 700 sets of earplugs and safety glasses.*
- 2. No worker will operate a machine that I wouldn’t operate; shut machines down that don’t have proper safety guards.*
- 3. No worker will breathe air that I wouldn’t; immediately clean and repair air extractors. Identify those that should be replaced.*
- 4. Get quotes to repair fence, paint walls, and clean up the grounds.*
- 5. Partnership with Toluca city schools?*
- 6. Announce the first Communication Day (all managers must be present).*
- 7. Shrines?*

8. *Driver's license.*

Macario arrived at the hotel at 7:00 a.m. sharp and Ed jumped in the passenger side of the front seat. It would take Macario a while to get used to Ed's over-the-top, friendly manner; as well as his refusal to be "chauffeured." Arriving at the plant around 7:15 a.m., Ed went to his office, dropped his briefcase off, grabbed a pair of safety glasses and ear plugs, and headed to the factory floor. Ed planned to do this every day he was in town.

Ed returned to his office around 7:30 a.m. and began to think less about what he wanted to *say* in his very first management meeting (he had scratched that down an hour earlier at breakfast). He began to think about what he wanted to *accomplish* in his first meeting. Up until this point in Ed's career, he had been part of various management teams. At 30 years old and for the very first time, this was *his* management team. "His," not in a possessive sense, but "his" in terms of having a responsibility both *for* and *to* his team. In short, Ed began to think of his new team as an extension of himself. When a member of his team spoke to the employees of Oneida Mexicana, Ed "spoke". When one of the managers acted, in the eyes of employees, suppliers, and customers, they acted on his behalf. As the gravity of this reality began to settle in, Ed began to think about the significance of this very first management meeting. Yes, Ed began to think way beyond the message and the list.

For a brief moment, his mind drifted back to a moment of his Jesuit education, when engrossed in a discussion about Siddhartha Gautama, the founder of Buddhism. It is said that those who taught Gautama all noticed something that differentiated him from all the students that came before and after him: the depth of understanding and empathy reflected in his eyes that spoke of his great mind and heart. Ed would need to find the same depth of understanding and empathy in his leadership team.

Ed knew that to be successful, to turn Oneida Mexicana into what it must become, he needed every member of his team "on board". The first management meeting would not simply be about setting a tone and transmitting a message. Ed needed to see and feel a "depth of understanding and empathy" as he looked into the eyes of each one of his colleagues.

The First Management Team Meeting

The Oneida Mexicana management team was an eclectic mix of experience, brains, and ethnicity. Bernard, a 60-year old Swiss-born engineer in the twilight of his career, had left the safety and security of his homeland 30 years prior to seek opportunity in a distant, exotic land. A few years after his arrival, Oneida and the Steele family recruited Bernard to help build a flatware factory. He kept the factory machinery and equipment humming on a shoestring budget ever since.

Stefan, the production manager, was a 28-year old, handsome, urbane European whiz kid with a couple of technical degrees under his belt and would soon begin his third: an MBA from a

prominent Jesuit university in Mexico City. He was the product of a Swiss father, a Director at the global electronics giant ABB, and a German mother who raised him to fear no one (and perhaps to believe that he was superior to everyone), was a force to be reckoned with. Gerardo, the financial controller, a Mexican, retired about one month prior to Ed's arrival in Toluca. Ed wondered to himself if Gerardo's departure was a coincidence or if there was more to it than that, perhaps a direct link to the change in General Managers. The management team was rounded out by a young supply chain manager by the name of Miguel.

"So, I took a little tour around the factory yesterday," Ed stated to the Oneida Mexicana management team.

"We heard," replied Stefan with a slight grin. Bernard remained silent and seemed a bit distant. Miguel, too, was silent but sat in his seat eager as a puppy.

"Do the outside grounds and factory always look like that?" Ed asked with feigned innocence.

"Like what?" Stefan asked with an ever-so-slight tone of indignation.

Although well-liked by most, there was a side of Ed's personality that could rub people the wrong way: little patience and the occasional less-than-diplomatic blunt statement. "A mess," Ed stated with a look of disapproval.

Instantly, Bernard was no longer distant, both figuratively and literally. Moving a chair closer up the conference room table, Bernard had a message for his new boss: "With all due respect, I built this factory before you were born. Do you know where Oneida Mexicana's annual board meeting is held? Houston, Texas! All of a sudden *you* show up and we are all supposed to care what the factory *looks* like? So the factory is a little dirtier than Oneida, NY's - who cares!?"

"I do" said Miguel.

Those two simple words brought dead silence to the conference room. They also revealed a side of Miguel that both Bernard and Stefan later admitted they had never seen. Ed was uncertain if Miguel was being brave or was simply kissing-up to the new gringo boss.

"So do I," Stefan stated emphatically.

"I think Bernard does, too. But I also think Oneida corporate needs to show him, and everyone at Oneida Mexicana for that matter, that *we* care about *you*," Ed said, voice rising, full of emotion.

Now it was Bernard's turn to speak with emotion: "I'll believe it when I see it. I have dedicated my entire life to this plant. 'Just get product out the door, that's all that matters.' That's the only thing they've ever cared about. Oh, and it's also sexy for public corporations to have foreign ops I'm told."

“Get product out the door? Foreign ops for show? Is this management team even aware that the corporate HQ has been pouring millions of dollars into this operation? Are they aware that the very future of Oneida Mexicana is in question?” Ed thought to himself.

“Gentlemen, let me ask all of you a question. How are things going at Oneida Mexicana? Are we winning?” Ed decided to parrot a question his boss back home would ask him every time they spoke.

“What does that mean?” asked Stefan with a puzzled look on his face.

“It is up to us to define what it means to win,” Ed replied. He continued, “What if I told you the people in Oneida, NY do not think we are winning? That they are questioning if we can win in this new, global marketplace?”

“Go on,” prompted Stefan.

“Oneida Mexicana is losing money. Oneida Mexicana may not be able to compete with other factories around the world. I was sent down here to determine if we can make money for Oneida and if we can compete. I never like to lose and the stakes are higher than they’ve ever been. There are 650 families that are depending on this leadership team. And we need them to be as productive as possible. But first, we need to show them that we care about them.”

“Care about them? We’ll look weak. They only understand an iron fist.” Stefan insisted.

“Yes, care about them and their families. History is full of leaders who ruled by fear. That’s short term thinking that never lasts. And history is also full of leaders who led with compassion. One is actually still being followed 2,000 years after his death,” Ed explained.

“Oh, now Ed is going to preach to us. Have you ever read Steven Hawking’s *A Brief History of Time*? I just finished it last week. It answers all of my questions,” Stefan said proudly.

“Whoa! First and foremost, I never mix religion with business. You and I can discuss Hawking, Einstein, Jesus, and anyone else over a cerveza (showing off his limited Spanish) after work. I am referring to Jesus’ leadership style, period. Have you ever read *Servant Leadership*?” Ed shot back.

“Let’s show the employees of Oneida Mexicana how much we care before we ask them to produce one more fork or spoon. I promise you that you will be amazed at the results. We may actually have a shot at winning. Now, the first thing I would like to discuss is the purchase of 700 safety glasses and ear plugs. And I want to know more about those shrines – cultural curiosity, Stefan, nothing more,” Ed added with a wink. “Oh, and no worker will work at a machine that we wouldn’t work at. Shut down #19 drop hammer, as I didn’t see the stop-guard deployed yesterday. Tell them we don’t want anyone to lose a finger. Now, the next thing I

would like to talk about is air quality in the Finishing Department..."

Later, back in his office, Ed felt that the meeting did not go as he had anticipated. Yes, no doubt this appointment was not going to be easy at all. "*What have I gotten my young family into?*" he thought. "*And what should I do next?*"

The Solar Eclipse: Early Trust Building

Ed recalled that the first time that the workers had gathered together in the parking lot was to witness a Solar Eclipse during the summer of 1991, only one month after he took over as General Manager. During the months and weeks leading up to July 11, 1991, the media was filled with stories about an upcoming solar eclipse that would be visible to much of the western hemisphere. Hyper-focused on transitioning his family to Mexico and all of the challenges confronting him at the plant, Ed had given very little thought to what was being billed as a major, once-in-a-generation international "happening."

As the date approached, it became quite clear that although the international media was touting Baja California as *the* place to witness the eclipse, the people of Mexico knew that there was another place that reached higher toward the heavens than any city in Mexico: Toluca. This news began to capture Ed's attention. More importantly, it captured his imagination.

Sometimes, a single event can spark and/or signify a breakthrough. It does not always have to be provoked by the sound of gunfire. Sometimes it comes in the form of a shared moment. There are few experiences that can compare to standing in the shadow of the Moon as it completely covers the face of the Sun during a total eclipse. Viewers of the totally eclipsed Sun and its delicate ethereal corona have called it nothing less than "The Eye of God".

During the eclipse of 1991, the Mexican government advised people to watch the eclipse on television because it was afraid they would damage their eyes by looking directly at the sun without proper protection. Although this is true during the partial phases, it is completely safe to observe the sun without any special filters during totality, and indeed, it is the only way to see the magnificent corona. "Television is the only safe way to see the total eclipse" TV ads repeated. Wits humorously suggested listening to the eclipse on the radio for complete protection.

Many rural Mexicans carried over superstitions about eclipses from olden days. Pregnant women who viewed an eclipse were feared to miscarry or give birth to babies with split lips. To ward against this, they would wear a knife made of obsidian touching the skin. Today in a modern variation, women will wear a pair of scissors around their neck.

On the morning of July 11, 1991, approximately one month from his first day as *Gerente General*, Ed called his management team together and asked if the welding mask glass had been

procured.

“Yes, we have several dozen rectangles of black glass,” replied Bernard, the Swiss engineer.

“Think they’ll follow our lead?” Ed asked.

“No worker will look at the eclipse without proper safety equipment,” teased Miguel with a wink.

July 11, 1991, was a quintessential “Toluca morning”: crisp, cloudless, sunny with the Nevado de Toluca as the backdrop. The Nevado de Toluca is a 15,000 foot volcano that last belched smoke and ash 500 years ago, as noted by Hernando Cortez in his diary. Many years later, Ed would affectionately proclaim a sunny, chilly (40-50 degrees) upstate NY or London morning a “Toluca morning”.

At approximately 12:15 p.m., nearly 350 workers began to spill out onto the parking lot of Oneida Mexicana. In this sea of friendly, round, and proud Mexican faces; Ed said to himself, *“Let’s see . . . it’s the first time they have ever been allowed out of the factory en masse in the middle of the day... Mexican television has been warning about not going outside during the eclipse... the average Mexican has a fourth grade education....”*

At approximately 12:25 p.m., the shadow began to envelop the flatware factory parking lot. Neighborhood dogs began to howl, birds began chirping incessantly, the recently manicured flowers around the facility began to close, and Bernard reported that the last black rectangle of glass had been handed out. In 5 minutes, most of North America would be enveloped in darkness.

“They’ve known you the longest, so I think you should look first.” Ed said to Bernard, handing back the dark piece of glass.

“Incredible! Magnificent! Those with the glass, look at this beautiful site and then quickly share with those around you!” Bernard shouted with joy, handing the rectangle to Ed.

Ed quickly took in the spectacular site of a lifetime, but hurriedly handed off the rectangular glass so he could witness what would truly be a once-in-a-lifetime event: 400 workers working in unison to ensure everyone shared in the moment. It was a magnificent demonstration of trust and teamwork. And it came off without a hitch. Slowly, the sun began to reappear, the dogs and birds quieted down, the flowers opened up, and the workers filed back into the factory knowing they had just witnessed something magical.

“Trust is earned over time. This is a small step in that direction,” Ed thought to himself. started to wonder how he could take advantage of this experience.

Toluca (B)

"I am concerned that from a corporate perspective the future of this Oneida Mexicana plant is in question because they are questioning whether we can win in a new, global marketplace. And I am concerned that we are not moving fast enough to implement the sorts of changes we need to make to change that corporate view" thought Ed. His first three weeks at his new position had gone reasonably well and Ed had even planned for an upcoming Communication Day with all employees, the first time ever at Oneida Mexicana. His management team had followed him for the time being but now he perceived some opposition to the issue of changing the piece-rate pay system and wondered what his next step should be.

Preparing for the First Communication Day

In his three years with Oneida, Ed had witnessed a number of Communication Days at the company's Oneida, NY headquarters. The CEO of Oneida would frequently meet with small groups of employees throughout both factories in Oneida, NY as well as office personnel at the headquarters building. It was an excellent way to communicate directly with rank and file employees, giving them a State of the Company. Employees looked forward to being randomly selected for these intimate gatherings with the CEO. Ed had admired this transparent, accessible management philosophy and decided to mimic the practice in Mexico. With one exception: Ed decided to meet with *all* 650 employees in a series of meetings held from 7:00 a.m. to 10:00 p.m. in one day.

"We have got to win the hearts and minds of every single Oneida Mexicana employee," Ed had been saying to himself repeatedly ever since his first tour of the factory. *"I already have one translation issue (English to Spanish); I cannot afford to have two (deployment of the home office Communication Day model of relying on 20% of the workforce to inform the remaining 80%). I wanted my very first message to be clear, concise, and compelling; and told consistently to 26 groups of 25 employees."*

Ed's attention then turned to the other translation issue: English to Spanish. *"How do I ensure that my English is translated into a perfect Spanish? Who on the management team will grasp what I am trying to articulate? Who can I trust?"* Although Ed intuitively knew there was only one member of the management team capable of translating both the words and the sentiment behind them, he wasn't sure if he trusted Stefan completely. Ed struggled with this dilemma for the many days leading up to the first Communication Day.

Bernard was as animated as Ed had seen him during their first three weeks together. "You are going to tie *all* of us up tomorrow from 7:00 a.m. to 10:00 p.m. in twenty six back-to-back meetings? I have a machine down in finishing and New York is barking at Stefan and me to get the American Airlines shipment to Dallas by next Tuesday!" said Bernard.

"I understand," said Ed, "Nevertheless, we need the entire management team in the room all day for every meeting. We need to show a united front."

"Plus," Ed continued, "maybe we will learn something from the workers that speak up."

While Ed had emphasized to his managers that they needed to show a united front, and they would all learn something, his real motivation was something different. He wanted all of them to be there because he wanted to create a check and balance to ensure what he said and, more importantly, the feedback he would receive from Oneida Mexicana employees was translated accurately.

The First Communication Day: A Long 17-hour Day

The next morning, just before his first Communication Day as The Communicator, Ed reviewed his notes one final time:

- "My intent is to hold these "Communication Days" periodically.
- While this is the first Communication Day held by Oneida outside the United States, it has been used by the company with great success inside the United States.
- Ultimately, I believe that our success will depend on our courage, candor and capacity (during these Communication Days) to thoughtfully discuss together the things that concern us.
- I will have a chance to share my concerns and you will have a chance to share your concerns.
- I expect to hear many complaints. That's normal and expected.
- If I agree with you, we will go to work immediately to fix the issue.
- If I don't agree with you, I'll explain why.
- One day, these Communication Days will evolve into idea exchanges on how we can make the business better."

The meetings began. After the sharing the above overview of the format for the Communication Days, Ed began his first meeting by sharing the same concerns he had expressed in his first meeting with his senior managers.

After finishing his description of the corporation concern, Ed asked the employees in the room if they had concerns.

Time passed... Then more time passed... Still, more time passed. Ed waited silently.

A full five-minute silence (or was it 30 years?) was shattered by a 4'11" fireplug of a man. Edgar was in his early 60's and had worked for Oneida Mexicana nearly half of his life. He came to work every day, worked on one of the most physically demanding machines in the factory, all the while outperforming even the youngest workers, and then quietly went back

home. He had never been given the chance to speak directly with management and something within “spoke” to him that day.

“Why am I told to keep working on the hot-roller when the safety guard is not working? It’s been broken since last week!”

Many of the workers looked down at the floor, not daring to look up, perhaps waiting for a sharp rebuttal from management. Perhaps they awaited a union steward to enter the room in an attempt to call off ‘The Inquisition.’ This awkward silence was gently interrupted by a quiet, humbly delivered, “Ask Edgar to tell me more.”

In quiet disbelief, Ed’s management team looked at one another and then Stefan spoke, “Señor Ed quiere escuchar qué más tiene Usted que decir.” (“Señor Ed wants to hear if you have more to say.”)

Edgar and the entire room looked directly at Señor Ed. “Listo.” (“I’m ready.”) Ed said, uttering one of the few Spanish words he had learned to date, holding up his pen and nodding his head up and down. And the brown, broad moon faces smiled in unison.

“The food in the cafeteria is horrible. Sometimes it makes us sick. Many of us have stopped going there and we buy our lunch from the street vendors outside of the plant. Oh, and one more thing: the number of shower stalls has not changed from when I started working here.”

“When was that?” Ed asked through Stefan.

“1968, the year of the Olympics, when we only had 100 employees, not 650,” Edgar said proudly, head held high. He no longer seemed 4’11”.

While Edgar spoke, Ed listened intently to the translation and furiously took notes. Ed did this for two reasons: (1) he did not want to forget a thing the workers told him that day and (2) he wanted to show the workers that he was listening to *them* and what they had to say was important enough to write down.

Word spread quickly through the factory that day: “El nuevo gerente general escucha y escribe.” (“The new general manager listens and writes.”).

Later That Evening

“It’s 8:00 p.m., Ed; we’ve been at it since 7:00 a.m. and it’s become quite repetitive. You have your three projects: food, safety, and showers. Let’s call it a night. You’ve made your point.” Miguel implored Ed to skip the last 4 sessions.

“No. We will listen to the last 100 workers and then go home. I don’t want anybody being left out of this process. We need to send a message that we value *everyone’s* opinion.” Ed would not have it any other way.

During the twenty six meetings that day, very few workers spoke up. Those few that did speak up had three sorts of complaints: (1) the food in the plant’s cafeteria was horrible, (2) the plant’s showers were over-crowded and inadequate, and (3) some machines had broken safety guards that had not been repaired for months. Thus, in the end, Miguel was right, the complaints had been repetitive after the first few meetings.

“Buenas noches, gentlemen,” Ed bellowed at approximately 10:15 p.m. “See you at 6:45 a.m.!”

“What!?” thundered Bernard. “We just worked a 17-hour day!”

“Do you think I am going to let Edgar on that hot roller tomorrow morning? I want all of us there to greet him and get a read on how long it will be out of service,” Ed shot back. “And I want the whole factory to see us there at 6:45 a.m. after our 17-hour day. Good night, gentlemen.”

Addressing the Complaints: The Cafeteria

The following day, at precisely 12:00 noon Toluca time, Ed and his management team walked into the Oneida Mexicana cafeteria. They had all heard repeated complaints about the food from the workers at the previous day’s Communication Day. The cafeteria function had been outsourced years ago and the 3rd party service provider was now scrambling to prepare for the unthinkable: Ed and team had come to eat lunch!

“Hey, check that out,” Stefan whispered as he leaned closely to Ed. “That’s not the same food they are feeding the workers.”

Sure enough, Stefan was right. They later learned that they were about to be served the food reserved for the 3rd party service provider’s staff.

“Normally, I would give a vendor or service provider a ‘second chance’. You know, clearly spell out expectations and hold them accountable. But they clearly know that they are providing a terrible service, so much so that they won’t let their own employees eat the ‘Oneida employee food’. Let’s do a quick survey of the industrial park -- Chrysler, GM, Nestle, Bosch, Pfizer, etc. -- and find out who they use for their cafeteria foodservice operation. I want this food service management company gone by the end of the month.” Ed said in a stern tone.

The Management Team Meeting: Resistance to Change

A week had passed since the first Communication Day and the management team was gathered for a morning meeting. The new 3rd party cafeteria management company would start the following week and the project to repair the safety guards and paint all of them a bright yellow was underway. An architect had been consulted to explore the options of adding on space to expand the current shower facility; the architect would end up recommending a stand-alone shower/locker facility with separate, secure areas for the men and women workers. Productivity was on the rise, but Ed knew that this was only the first step of many to make this plant a productive, competitive, and profitable component of Oneida Ltd.'s supply chain strategy. He also knew that without these key initial steps, he would never be able to implement some of the tougher measures that he knew lay ahead. Ed had gathered the management team to begin discussing some of the broader strategies and the prioritization and the timing of such. But Miguel had other thoughts he wished to broach that morning.

“Ed, with all due respect, you have asked the workers for their input on matters, but you haven’t really asked us. Do you want to hear one of my ideas?” Miguel asked.

“I have been waiting for you to bring your ideas to me and I have been trying to lead by example,” Ed said, a bit defensively, knowing Miguel had a legitimate beef with him.

“You know that I used to work over at Chrysler (gesturing in the direction of Chrysler’s largest manufacturing complex in the world), right? Well, we used to bring all of the components down in tractor trailer trucks and send the finished product (Ram Chargers) back via the railroad. Most of those 18-wheelers head back north empty.”

“Empty? Go on, Miguel.” Ed prodded.

“Well, last weekend, I was at a bull fight with an amigo of mine that still works over there and he tells me we should just make the trucking company an offer to see if we can get them cheaper than the trucks we are currently using to ship our flatware,” Miguel explained.

“I’ll bet you everyone in this factory has at least one good idea to make this company better,” Stefan interrupted. “As soon as we get them to the point where they are no longer worried about safety and food and a decent shower, we can turn their attention to helping the company!”

Ed just sat back, listened to his new team’s banter, and smiled to himself. He realized that he had unwittingly stumbled onto some of this, but he did quietly give himself credit for creating the environment to spark this kind of innovative thinking. Oh, and the Chrysler-tractor trailer idea? Oneida Mexicana shifted to using 100% of those would-be empty trucks, saving the company hundreds of thousands of dollars and, more importantly, shaving a few percentage

points off the Cost of Goods Sold (COGS). Oneida Mexicana's quest to become globally competitive was underway.

After that healthy exchange, Ed called an end to the "de-railed, yet extremely productive, meeting".

"Next week, I want to meet to discuss the following: the piece-rate pay system and bringing in technical support from Oneida, NY," Ed added.

Bernard pushed back very hard, "If you have any intention to alter the piece-rate pay system, you will lose any goodwill you have gained thus far. It is non-negotiable as far as the union is concerned. I suggest you pick another battle. We've had that pay system in place since the 1960's and I don't think we should mess around with it. Besides, productivity is climbing rapidly. Let's not rock that boat."

"And good luck getting some of the engineers and production supervisors to come down here. Some of those guys' idea of international travel is a trip to the Canadian side of Niagara Falls," chuckled Stefan.

At this point in his tenure as General Manager, Ed sees very clearly a 3-pronged strategy that could enable Oneida Mexicana to return to sustainable profitability. Specifically:

Step #1: Earn the trust of employees (well on his way)

Step #2: Leverage the Mexican collectivist culture to create a corporate culture of teamwork (i.e., eliminate the piece-rate system)

Step #3: Technology transfer from U.S. operation to Mexican operation

In Ed's mind, the strategy had to be implemented sequentially and introduced at the right moment. Now that Step #1 seemed to be gaining traction, he introduced the idea of eliminating the piece rate system. The elimination of the piece-rate system coincided with the implementation of a new payroll system. Were Ed and his management team biting off more than they could chew?

Two Years Later

It was at this time the union came to Ed to request that a futbol (soccer) field be established on land adjacent to the factory and owned by the company. Ed decided it was time to begin a conversation about the team inside the factory. It was the perfect analogy. He told the union that he would create a futbol field on that land but also, in preparation for the union negotiations in a few months, he also wanted to talk about turning the factory into a kind of field. As in futbol, players fill in when another player leaves the game due to injury or penalties. Ed told the union that they may want to think about workers in the factory like players on a futbol field. It resonated. And the union was open to this.

Shortly thereafter, in June 1993, Ed began a very difficult union contract negotiation. On the heels of the futbol field conversation in addition to leveraging two years of goodwill built up since his arrival in June 1991, Ed had made the decision to propose a complete change in productivity strategy: moving away from an individualistic, piece-rate incentive system to a team bonus-reward structure. The employees voted overwhelmingly in favor of the team bonus idea. Ed quietly congratulated himself and attributed this to: (1.) the goodwill and trust earned and (2.) an understanding and appreciation for the Mexican collectivist culture. Ed's internal celebration lasted up until the first payroll period following the successful union negotiations. The decision had also been made to implement a more sophisticated payroll system and it wasn't until the first payment that the IT Director discovered a major error in the system. This resulted in 350 angry workers gathering in the company parking lot to protest their ridiculously low amounts of pay. Certainly, Ed was well aware that he was not infallible and was wondering how he could prevent similar situations in the future. But at the same time, he felt confident because he would be able to overcome this crisis thanks to the goodwill he had been able to create over the past two years.

System Failure Nearly Undoes Two Years of Progress

The next time after the Solar Eclipse when all 350 first shift workers would empty on to the main parking lot was a couple years later. *"They are trying to send me a message"*, Ed thought. It was the ONLY time Ed used the door in his office (Floyd's Door) leading to the parking lot. The angry gathering of workers in the parking lot was in the aftermath of major change in the payroll system. It was a disaster, a complete systemic crash; one worker had been paid just one peso for a week of work!

"What the #@&*^@#!!!? I am not sure, but the entire workforce is emptying out of the factory right before my eyes. If I survive this, I will call you back...no, no, I'll be OK, but I cannot imagine what this could be!" Ed hurriedly got off the phone, asked his secretary to reach Stefan and Bernard, and then headed to the parking lot.

Stefan was coming out of the main entrance of the plant and ran over to intercept Ed before he engaged the angry group of workers.

"The new payroll system must have failed! The Brinks truck just left and it appears that most of the workers got a fraction of their normal pay!" Stefan exclaimed, slightly short of breath.

Until NAFTA was finalized, banks were not accessible to Mexico's working-poor and the typical factory paid their workers weekly, in cash.

"How the hell could that have happened!? Never mind, let's try to get everyone back to work quickly. I'll tell everyone that we'll sort this out worker by worker, and I will ask for the first volunteer to come to my office," Ed said, bringing his voice (and emotions) back under control.

Ed spotted a crate sitting outside of the factory and decided to use it as a soap box. He turned it over and hopped on top of it so he could have a better view of the crowd and them of him.

“There has been a terrible mistake and none of you have been paid what you earned last week. I am very, very sorry. I promise you we will fix this and I will speak to each one of you if that’s what it will take. I need you to trust me. Who wants to talk to me first?” Ed pleaded, knowing that rejection could be a huge setback from all of the goodwill built up over the past few years.

From the crowd stepped forward a young, seemingly forever-upbeat worker that Ed had connected with during his many morning tours of the factory. Very often, he got to the plant in time to say goodbye to the third shift and welcome the first shift around 6:45 a.m.. Ed made it a habit to stop at every operation, look every worker in the eye, boom “Buenos Dias!” over the noise of the factory, and inspect product at every stage of production. Slowly, the workers began to smile and return the “Buenos Dias”.

Pedro would always react to Ed with a big smile and thumbs up. On certain occasions, they would even give each other a “high-five”. Ed had come to believe that this young man represented the new face of Mexico: gainfully employed, hard-working, and full of hope. Ed actually romanticized that his own grandfather was equally as positive and enthusiastic regarding the new opportunities afforded him when he landed in America a century before. As a matter of fact, Ed would often comment to his young family gathered around the dinner table that part of the phenomena of globalization would be companies putting factories where the workers are, rather than merely employing migrant workers who found their way to developed countries.

“I will.” Pedro then turned and told the workers to go back to work, as he and Señor Ed “would work things out.” Stunned by this gesture of faith and confidence, Ed grabbed Pedro’s arm and led him into his office through Floyd’s Door. The workers laughed, cheered, pivoted, and returned to work.

“We are not infallible”

One week later, the Brinks armored truck delivered the payroll without incident. The new payroll system had been debugged and everyone received exactly what they had earned that week. In the minds of the Oneida Mexicana management team: *“Issue resolved, time to move on to the next project.”* Well, maybe not every member of the management team.

In his office, Ed was hanging the framed paystub from the worker who only received one peso for a week’s worth of work. Stefan entered and fired off three questions in succession “What do you think you are doing? Don’t you know that the Mexicans are a proud people? Are you trying to embarrass Victor (the new IT director)?”

“Embarrass Victor? This should serve as a reminder to all of us, especially me! The new payroll crash is not just Victor’s issue, it’s a reflection of the entire management team and I am the

leader of that team. To paraphrase what President Truman once famously said, “The peso stops here.” Ed continued, “Especially this peso!”

With that statement, it was to serve as a humble reminder to Ed and his management team that they were not infallible and that the team would share both the successes and the failures together. Ed wondered how he could prevent this kind of situation in the future.

Toluca (C)

At the beginning of his fourth year in Mexico, it was time for Ed to deploy the third prong of the strategy: technology transfer from the U.S. operations. Given that Toluca was making significant progress, it was gaining even greater visibility at corporate headquarters. Confidence in Toluca's management team and strategy was at an all-time high. This was the right time for Ed to seek Oneida, N.Y.'s assistance.

Two Thousand Miles Away from Corporate Headquarters

"Can I do it alone? Can we do it alone?" thought Ed. *"Of course not! A metamorphosis will need a combination of senior management buy-in, rank-and-file trust in the plant, and Oneida, NY expertise."*

"Some people up here [in Oneida, NY] think of this as poetic justice, Ed," Bill Hall, Oneida Ltd.'s VP of Manufacturing and Ed's boss, said somewhat smugly.

"Poetic justice? I am not so sure I am following you, Bill. Gordon (President of Oneida Ltd.) made it very clear when he offered me this opportunity: 'The whole company stands ready to help you, Ed.' I accepted that promise at face value and moved down here, knowing the corporation had my back. Everyone knew that Oneida Mexicana would eventually need the manufacturing and engineering support from corporate," Ed implored.

"I hear you, Ed. But understand this: there are a number of people who feel you abandoned the Pansophic/ERP implementation project for a sun-drenched gig in Mexico. We're smack dab in the middle of the manufacturing/MRP phase of the ERP implementation and I cannot afford to send a bunch of my manufacturing guys to Toluca. We don't have the resources. I'm sorry," Bill said as he hung up the phone.

"Abandoned the Pansophic project!?! What the hell is Bill talking about!?! Both Gordon and Tom wanted me to help turn Mexico around!" Ed said to himself, reinventing history a bit.

Then it hit him: his "send me" bravado had upset the Pansophic implementation team. They felt abandoned by their leader: him! Furthermore, Ed began to think back to Tom Franklin's reaction to his phone conversation with Gordon Mansionhouse: "I told you we should have closed that place!"

Connecting the dots, Ed began to get a sinking feeling in his stomach: *"Were both Tom, his previous boss, and Bill, his current boss, both in the shut-the-Toluca-factory-down camp?"*

Two thousand miles away from corporate headquarters, Ed was beginning to feel all alone and even further away from home. Over the next few weeks, Ed mulled over his strategy to get the needed resources to Toluca. Ed determined that he was confronted with two obstacles:

allocation of resources and reluctance/fear on the part of those very resources.

Time for a ‘Toluca Update’

“We need to increase Toluca’s visibility and clearly articulate our significant forward progress. We need Oneida, NY’s finest to view Mexico as an opportunity to add a feather in their cap as well as an exciting and exotic place to visit. To do that, we need to find a way to make them a meaningful part of Toluca’s success as well as reduce their fear of traveling and working in a third world country,” Ed said to himself.

A week later, Ed called Bill, “We are coming home for summer vacation and I figured it is high time for a ‘Toluca Update’. You don’t have to do a thing. I will reach out to all of the senior executives and arrange a meeting.”

Later that summer the Toluca update took place in Oneida, NY. The meeting went well, especially given the productivity gains, service level improvements, and strengthening financial picture demonstrated by Oneida Mexicana. Ed and the members of Oneida Ltd.’s senior executive team agreed, going forward, to meet quarterly: three meetings in Oneida, NY and, much to Ed’s satisfaction, one meeting in Toluca, Mexico. This was the very vote of confidence Ed sought; he could not wait to share the good news with his management team back in Toluca. Now, on to the second hurdle: getting engineers, supervisors, and even some machine operators based in Oneida, NY, to travel two thousand miles to Toluca, Mexico.

Ed's reflection continued, *"What if we treated them like senior executives? We could make it prestigious (luxury hotels, nice dinners) and exciting (part of something big and successful). And, we could make it fascinating by introducing them to this culture (pyramids, exotic places, etc.) . . . And, I could invite them for weekends with my family. . . And, Jennie and I could introduce them to Sara Marcela James; the newest member of our family!"* [Recall the 1991 birth at the convent in Mexico City that occurred around the time Ed said, “Send me.” Ed and his wife adopted that baby two years later.]

"The subliminal message?" thought Ed, *"my family has not just survived an assignment here; it has expanded and thrived! I wonder, what would be the meaning of that message to them?"*

A few minutes later Ed had a different sort of thought, *"Another key will be to give them all the credit."*

Involving the Technicians and Engineers from the Headquarters

“Phew, that was quite a vertical climb! Wow, I need to catch my breath and take this all in! Takes me back to hikes in the Adirondacks with my kids,” Doug Masterguild—a technician sent from corporate headquarters—proclaimed as he let Alex, Ed’s oldest child down from his shoulders. “Except this ain’t upstate New York, that’s for darn sure!”

“Note the perfect symmetry... That’s the Moon Pyramid directly in front of us, with the Avenue of the Dead connecting these two magnificent pyramids. Like I said earlier, you’re standing on the Sun Pyramid. It’s the largest pyramid in the western hemisphere and the third largest pyramid in the world. This place was once the bustling city of Teotihuacan, founded in 100 B.C. and populated at its peak by 125,000 inhabitants,” Ed stated with an air of confidence. He relished the role of tour guide and played it well. More importantly, Ed knew that Doug’s entire Mexico experience with the James family would soon be told and re-told to whoever would listen back in the lunchroom at the Oneida, NY factory.

A few days later, Doug was about to return to the corporate headquarters. “I cannot thank you enough, Ed. You, your family, and the entire Oneida Mexicana management team all made me feel so welcome in Mexico. I have never stayed in such a fancy hotel and the weekend trip to the pyramids was something I will remember for the rest of my life,” Doug gushed. “The workers here in Toluca are terrific. They were all so eager to learn how to get the most out of their machines. We actually hit 75% of Oneida, NY’s throughput. Within a few months, I think they will be close to equal to Oneida’s (NY) output! I also noted that they start earlier and finish later than we do in Oneida, NY. So much for all of those old stereotypes regarding afternoon siestas.”

“I am so pleased to hear this, Doug,” said Ed. “Well, Macario will be here any minute, so please just double-check to make sure you have everything, especially your passport and Landing Card. Oh, and there is one more thing I want you to take back with you. Here, read it on the plane,” Ed said with a wink as he handed Doug an official-looking envelope.

“What’s this? My 100 peso (\$10 U.S.) bonus?” Doug asked with a chuckle.

“It’s just a letter to you, copying Gordon and Bill, thanking you for making a difference, for helping Oneida Mexicana become a better company,” Ed said with great respect and sincerity.

“In my 32 years with Oneida, I have never received a ‘thank you’ letter from anybody,” Doug said, staring at the envelope intently. “I would love to come back and help you guys. I don’t know what else to say.”

“You’ve already said what all of us wanted to hear: you’ll be back to help us. It doesn’t get any better than that, Doug. I’ll make sure that happens. As a matter of fact, in two months the kids have a long weekend. What do you say we sneak in a trip to Acapulco?” Ed asked.

“Are you serious!? I’d love to, but let’s make sure those machines are running at Oneida, NY-pace first!” Doug exclaimed, taking ownership of the ¼ Finish drop-hammers.

“You have a deal, Doug, you have a deal! Now, Macario is here. Travel safe and see you in two months,” Ed said, giving Doug one, big Mexican abrazo (hug). Ed wondered whether he was on the right track and whether the involvement he felt he had achieved with Doug could be repeated with other managers from corporate headquarters.

Ten Years Later

As he dressed for the day, Ed thought about where he had been over the past decade *“Toluca. Beaconsfield [stint in Europe in late 1990’s]. Where did it all go? Katie, you will head off to college in two weeks. Alex, you begin your sophomore year next week. Just ‘yesterday’ you were two and three years old and we were headed to Mexico. Where did it all go?”*

Ed finished tying the Burberry tie he had purchased at Heathrow on his way back from the Frankfurt Fair in February. Over the next 6 years, this tie would be reserved for special occasions. Today was one of those days that earned this distinction.

The Oneida Ltd. board of directors was corporate America’s version of the 1992 U.S. Olympic basketball “Dream Team”: former CFO of the NY Times, retired Presidents of Macy’s and Hyatt Hotels, and so on. The Chairman of the Board, a former Vice Chairman of Federated Department Stores who sat on no fewer than eight boards and was constantly on the go, was 75-going-on-55.

The Chairman opened the meeting: “I would like to take a few moments to thank our ‘upstate NY tour guide’. Last night’s meal overlooking the lake was incredible. Ed, thank you for talking us into a board meeting outside of Manhattan.”

He continued, “let’s see, the first order of business, ‘Steve Deswell’. Ed, over to you.”

“Excuse me, I’ll be right back.” Ed abruptly left the meeting and raced downstairs to Steve Deswell’s office.

When Ed reached Steve’s office, he was caught off guard by the sight before him. Steve was wearing a suit and tie. A 40-year veteran of Oneida Ltd., Steve spent the majority of his career in the factory. When Oneida moved to a virtual manufacturing platform, Steve “re-invented” himself and was now part of the procurement department. Like many U.S. companies, the dress code had long since moved to a business casual dress code.

“Are you ready?” Ed asked, with a slight crack in his voice that Steve did not detect.

“Yes. I really appreciate this, Ed.” Steve said in a very humble, small-town-USA sort of way.

With Ed at his side, Steve entered the stately room with the oak-paneled walls and the leather-bound chairs adorned with brass name plates. For a moment, the “two worlds” stared at each other.

Ed broke the silence, “I am pleased to introduce Steve Deswell to all of you. Many of you think that I invited you up here to enjoy a fine meal and take in the spectacular views of Cazenovia Lake. Although last night’s experience far exceeded your expectations, that’s not the reason you

are here. I invited you up here to help celebrate a very special moment. Forty years ago today was Steve's first day with Oneida."

The applause was spontaneous, thunderous, and heartfelt. It was genuine. And for a brief moment, the "two worlds" were one. Ed gently took Steve's arm and led him back out into the hallway.

"I will tell my grandchildren about this day," Steve said grasping Ed's hand.

"One day, I will tell the world," Ed said quietly.

Steve returned to his office and Ed returned to the board meeting. The following day, the Wall Street Journal carried this small blurb:

(Oneida, N.Y.)— Yesterday, Ed James was named chief executive officer of this maker of stainless steel and silver-plated flatware. Mr. James, 46, a 19-year veteran of the company, will continue to serve as president, a position he has held since June 2006. He was previously head of world-wide sales and marketing. The CEO post has been vacant since 2006, following Oneida's emergence from its Chapter 11 recapitalization. The company's previous CEO was Terry G. Westbrook, who served from March 2005 to June 2006.

Appendix A

Oneida: Company Background

Oneida, Ltd. traces its roots to the Oneida Community, a utopian commune started in 1848 by religious leader John Humphrey Noyes, who led the Perfectionists. The Oneida Perfectionists built a social, religious, and economic enterprise for 32 years in order to create a 'Heaven on Earth'. When the group disbanded in 1880, the Oneida Community distributed its substantial assets to members in the form of joint stock.

Oneida, Ltd. thus grew from a group of communal members to a global flatware and home goods manufacturer. Founded in 1880, Oneida Ltd. was one of the world's most recognized housewares brands with operations in North America, Latin America, Europe, and Asia. The company directly employed over 400 employees worldwide and indirectly employed thousands more via its global supply chain platform. Oneida was North America's largest marketer of flatware for the consumer and foodservice industries, and also the largest supplier of dinnerware to the foodservice industry in North America.

The Oneida brand was synonymous with world class design, quality, functionality, and durability. It enjoyed unparalleled brand awareness and was consistently ranked as the #1 tabletop brand in North America (*Home Furnishing News*). Given the incredible power of the brand, Oneida long ago made the strategic decision to go-to-market under the Oneida brand within all channels served in the consumer marketplace (i.e., from Macy's to Wal-Mart). Within the hospitality or foodservice space, Oneida deployed a multi-brand strategy. Within the luxury end of the market, Oneida sold various upscale brands, whether their own (Sant'Andrea) or via licensing or distributing third party brands (Schonwald, Spiegelau). In the casual and family dining segment, Oneida deployed a number of their own brands (Oneida, Buffalo China).

Oneida marketed and distributed a comprehensive range of products to the consumer and food service markets at various price points either directly or through its licensed partners. Through organic expansion and licensing arrangements, Oneida diversified its product portfolio from flatware to a comprehensive portfolio of tabletop products, including flatware, dinnerware and crystal stemware, as well as bakeware, cookware, cutlery and kitchen tools & gadgets.

Oneida served all major U.S. and Canadian hotel groups, such as Marriott, Hyatt, Hilton, and Starwood. Furthermore, Oneida provided 90% of Royal Caribbean Cruise Lines' tabletop needs and conducted business with 20 of the top 25 restaurant chains in North America. Oneida, through its licensee partner, was also the #1 flatware supplier to Macy's, Bed Bath & Beyond, Kohl's and Target.

Oneida's large installed base of customers provided a diverse stream of recurring revenue in vertical markets where replacement rates were high. Oneida revenue was driven by approximately 70% replenishment business and 30% new installations at any given time, driving

an annuity of business as glasses, plates and forks broke or became damaged. Oneida products reached a global customer base through a variety of touch points, including its direct-to-consumer operations, third party licensing agreements and distribution arrangements.

Oneida's foodservice business consisted primarily of owned operations serving hotels, gaming establishments, foodservice distributors, restaurants, airlines, convention centers, healthcare facilities and cruise lines. Similar to the consumer business, the foodservice business maintained a diverse customer base, with Oneida's top five foodservice customers representing less than one third of its consolidated revenue. Oneida's actual customer concentration was much less significant: its largest customers were buying groups and distributors that served thousands of clients, many of whom preferred Oneida's offerings and demanded them from these entities by name.

Management estimated that its largest single end-user client represented approximately 3% of total revenue. Additionally, Oneida had established long relationships with its top five customers, averaging 28 years.

Oneida's licensing programs allowed it to participate in complementary product categories that targeted its core customer demographic and reinforced the image of its brands with minimal capital investment and high profitability. Oneida licensed its core Oneida-branded U.S. retail flatware, dinnerware, crystal stemware, kitchen tools and gadgets to Robinson Home Products and its U.S. retail cookware and bakeware to Bradshaw International. Internationally, Oneida had an extensive network of owned operations, distributor arrangements and licensing agreements providing access to approximately 50 countries. One advantage to this arrangement was the limited incremental capital expenditures associated with new product introductions.

Oneida had a stable of world class vendor partners, allowing it to meet the needs of its customers at various quality levels and price points within all of the channels it served. The Company's flexible model utilized a multitude of manufacturers in various geographies to control costs and quality, while achieving leading service levels, created a distinct competitive edge. For example, Oneida's European vendor community provided solutions for discerning customers such as Four Seasons. Within Asia, factories were capable of making products worthy of the Oneida and Sant' Andrea brands, while other Asian sources made products for highly competitive, price-driven channels such as large restaurant chains. Oneida maintained distribution facilities and sales offices in strategic locations globally to support its operations.

Oneida's vendor network was geographically diverse and the company had a diversified supplier base that allowed balanced sourcing and created a natural hedge in labor costs, commodity prices and production lead times across various geographic regions. In addition, no one vendor supplied more than 14% of Oneida's total purchasing needs. Where Oneida relied upon a single vendor for a product line, its dependency was mitigated by the fact that it owned a majority of the intellectual property for its product lines, allowing a fairly seamless transfer of production, if necessary.

Oneida in Mexico: Expanding the Brand South of the Border

Oneida Ltd.'s presence in Mexico had an unlikely beginning. Harry Steele, the son of first generation immigrants from Eastern Europe, decided to move his fledgling jewelry and watch business to Mexico City in the 1920's. Convinced that the sun, an oil-rich nation feeding a thirsty, "roaring" neighbor to the north (resulting in the rise of a new consumer class), and little competition spelled O-P-P-O-R-T-U-N-I-T-Y, Steele founded *H. Steele y Compañía* in Mexico, the foundation that paved the way for Oneida's entry into the marketplace several decades later. In the late 1940's, Harry Steele began to look for products that would complement his thriving watch business. His instincts told him to do his consumer research in the marketplace where it all began - the U.S.. His original idea of bringing American luxury to the young, growing upper class Mexican consumer paid off. Naturally, he sought products that were already distributed in fine jewelry stores throughout the U.S. As he thought about the natural evolution of *nouveau riche* behavior (first adorn yourself, then your home, a practice closely linked to the art of gift-giving), the more his search focused on fine tableware and giftware. It did not take him long to find the leading brand in these categories: Oneida. Harry Steele and his son-in-law, Norman Gottlieb, quickly approached Oneida about forming an exclusive distribution agreement with Oneida Silversmiths for the Mexican market, and the seeds of three generations of partnership were born. Equally as important, the rewards garnered by the first-mover strategy deployed by Oneida some forty years ago were still paying dividends in 1991, when Oneida was the #1 table top brand in Mexico.

Throughout the 1950's, and in spite of Mexico being a "closed economy" (i.e., high import tariffs and duties), the H. Steele-Oneida partnership flourished. So much so, that Harry and his son-in-law Norm began to muse, "Imagine if we could create a 'mini-Oneida' in Mexico...." By the late 1950's, their vision began to take shape, as Oneida and H. Steele began to plan the construction of a 75,000 square foot factory in Toluca, the capital of the state of Mexico and the industrial center that fed one of the largest markets in North America: Mexico City. The factory was completed in 1961.

Throughout most of the 20th century, Mexico protected its domestic manufacturers. Not only were importation duties extremely high, but foreign investors had to have a Mexican partner as a *majority-owner*. So, to really capture a dominant share of the market, Oneida and H. Steele formed a 49/51 joint venture that would build a "mini Oneida," complete with both stainless steel production and silver-plating capabilities. H. Steele had the market knowledge and Oneida had the manufacturing expertise. It was a marriage that took the Steele-Oneida relationship and the Oneida brand to new heights. Throughout the 1960's, Oneida was pretty much hands-off from a daily operations perspective. Yes, there were annual meetings, but sometimes even they were conducted in Texas. By the 1970's, the business had grown to a point that Oneida felt governance was becoming an issue. The decision was made to send Floyd Blacksmith as Oneida's shareholder proxy. For nearly two decades, Floyd presided over Oneida Mexicana as general manager. Oneida, like many Mexican companies, enjoyed decades of growth and prosperity thanks to a captive audience that was the result of virtually no outside competition. In fact, the job of general manager was little more than a caretaker. This was good for corporations

and a number of powerful families that controlled entire industries. Whether it was good, however, for the majority of the nearly 100 million Mexicans was an open question.

Right around this time, a quiet, intellectual revolution was taking place in universities to the north. An entire generation of Mexican technocrats was being educated at Harvard, the University of Chicago, and other schools, in neoliberalism that preached open markets and privatization. Over time, Oneida's business became two-pronged: producing flatware for the better quality commodity food service business, most notably, the five major airlines at the time and for Darden restaurants, while the Gottlieb partnership concentrated on the mass market. Over time, the production in the plant changed. Initially, Toluca production was being shipped north as Oneida had abandoned the Mexican market. However, by the time the 3rd Gottlieb generation was in charge, 20% of Toluca's production was being sold to the Mexican market and Oneida executives were flocking to Mexico to understand what had transpired.