

## EXECUTIVE SUMMARY

### *Purpose*

This report examines the financial status of the original Peerless Starch factory in Blair, Indiana. The purpose of the report is to provide the CEO John Ludwig with the information needed to provide a recommendation to the Board of Directors for the plant's future.

### *Background*

The Peerless Starch Company was established during the Civil War. The original factory was built in Blair, Indiana. After World War II, the company built three additional and much more modern factories. The company has approximately 16,000 employees with almost half of them in the Blair plant. Peerless Starch is Blair's last remaining major employer, employing one out of every four heads of households in the town of 120,000.

### *Scope*

The Blair mill is in dire straits. Its sales are only about one-fifth that of the company's sales. It is the only Peerless mill that does not make its own raw materials. The building is very outdated and is ill-equipped for modern production. Due to previous management's personnel handling, they are over-staffed and employ half of the company's workers and three-quarters of its supervisors and managers. Worse, they do not turn out quality products. In fact, rejection rates by customers run as high as all the other sites combined. They lose more money than the other plants make together. The CEO has always been a member of the founding family. When the most recent died, the Board of Directors discovered that family members barely owned any stock. They appointed an outsider, John Ludwig, an industrial psychologist who did not come from Blair and had only worked for Peerless for four years.

### *Conclusions*

Ludwig must make a recommendation about the Blair mill to the Board of Directors. He must either 1) try to convince them to invest \$25 million to update the mill while still cutting the staff by two-thirds or, 2) recommend that the mill be closed, laying off all 8000 employees. There is no guarantee that updating the plant would turn it around. Furthermore, they would still have to provide severance pay to about 5400 employees anyway, only 2600 more than fully closing the plant would entail.

### *Recommendations*

Based on the choices, Ludwig needs to communicate his recommendation to close the Blair plant to the Board of Directors. He needs to approach this 1) by presenting a cost analysis between the two choices and expressing his sincere regret that it has come to this, but he must think about what is best for the company, 2) by communicating with honesty about the reasons behind the Blair mill's dire straits, 3) outline a generous timeframe to give ample notice to the employees, customers, suppliers, and community, 4) by showing empathy with suggestions on how to help the employees find other jobs and the community to attract other employers, 5) by displaying organizational skills as they pertain to doing what is needed with the corporate headquarters and moving the necessary manufacturing, 5) by outlining his communication plans for the least public relations impact.