

From: Elora King

To: Smithfield Foods Management

Subject: Prevention from Further Plant Closures

Dear Management of Smithfield Foods,

Thank you for hiring our consultancy team to ensure your business stays on track and remains productive and profitable. After doing a thorough investigation, we have found that the Formulation and Implementation Model is the best approach to giving your company the best recommendation possible to improve your company's situation with the recent pandemic of Covid-19. This model utilizes eight separate parts that allow the recommendation to be better understood. The eight parts are as follows: Environment, Resources, Goals of Management, Social Responsibility, Strategy, Structure, Systems, Leadership. Strategy and structure break down how the company is formed and typically what one would find in a business plan. Smithfield has done a lot of acquisitions and is for the most part divisional with different departments. For the purposes of this consultation to keep its focus on Covid-19, these two sections will be skipped as the information will be redundant and recommendations will be merged with other parts.

Smithfield Foods environment is that of multiple meat packing plants with a primary focus on pork. While the company has multiple facilities worldwide, the investigation done has been with the US facilities. The recommendation can be used in other plants outside the US.

As the leader in the US industry with over 900,000 sows as of 2018, Smithfield has the resources to continue supplying to the market even with the recent closure of the Sioux Falls facility in South Dakota, and facilities in Wisconsin and Missouri. Research shows that Smithfield's market share is around 28% and surpasses other meat packing plants. Smithfield Foods along with three other companies made up 70% of all pork production in the US in 2006. This suggests the company is in good financial standing and experience within the current industry, especially with competitors like Tyson Foods, Cargill, and JBS closing more plants. It is also further supported with the company compensating 3,700 employees of the South Dakota plant for two weeks. In order to ensure the company can continue throughout the pandemic, employee retention needs to be a priority.

Based on evidence provided through multiple sources, employees and news articles, management is offering incentives to keep employees coming in with a "responsibility bonus" and providing protective measures. The protective measures include sanitizer units, masks, chair spacing in the break room, installed protective barriers, and will check every employee upon entry their temperature. The company had even given a free lunch on April 1st to show

worker appreciation. While the protective methods seem proactive, they have been reactionary as given the dates the protective measures were implemented. The first positive Covid-19 case in the Sioux Falls facility was on March 26th. 18 days later over 200 employees had been infected. Currently that number has risen to over 700. The implementation of protection measures was not until April 14th. Even then, while the company has encouraged social distancing, this is not enforced on the production lines. Food may not transmit the virus, but employees can transmit it to other employees. Workable solutions will be given at the end of the memo. The lunch itself was poorly thought as employees from all 8 floors of the facility it took place all had to go to a single area. This goes against the social distancing supposedly encouraged.

Social responsibility has become a major concept in today's modern business. With the world struggling with the ever-increasing outbreak of Covid-19, businesses are struggling in a number of ways. The goals of management above align with social responsibility needed to be taken. Finding a balance to provide consumers their much-needed protein and demand for said protein, keeping production levels normal, making sure employee health and safety are met, and maintaining revenue during this pandemic is not an easy one. Trust among employees seems to be skeptical at best towards management and public opinion is not positive with the recent updates on the Sioux Falls facility. The bonus has also been received with mixed opinion as it encourages sick employees, regardless if infected with Covid-19, to continue working, exposing others. It certainly doesn't help that the government has done a poor job in supplying personal protective equipment for any industry. If the government won't act, then it is up to Smithfield to continue providing the necessary equipment and become more proactive in limiting exposure.

Smithfield Foods is part of the modern food supply chain that interacts with farmers and distributes its goods to consumers through grocers and restaurants. With the pandemic, much of the supply chain is disrupted. Majority of society has lost their jobs resulting in a weak economy. Employees get sick, infecting other employees, resulting in less production to a closed facility. Less production means farmers begin to struggle. The company is losing money through external forces, but poor preventative measures can mean more money lost due to internal forces. If we are to learn from the past, note that during the 1918 Spanish Influenza, 18% of production was reduced. Some companies saw as high as 50% reduction. If Covid-19 is going to reflect history, Smithfield will see a reduction with the overall business.

It is our understanding based on evidence provided that leadership of Smithfield's wants to retain normal productivity levels while trying to achieve employee health requirement standards given by the CDC. If management is to regain the trust of their employees and of consumers, change is needed in multiple areas.

Our recommendation is to ensure that Smithfield Foods remains operational, achieving employee safety, and regaining public trust at the expense of having a disruption to the production process. However, this is better than having more closed plants. First and foremost

is that the company should at no point become complacent with safety measures unless given the ok from the CDC. Each active plant should put all employees into groups where each group works specific days to prevent rapid exposure. Employees within a given group will only be allowed to work those days they're assigned. This reduces the number of employees on the floor, allowing for more distancing, but most importantly allowing the company to easily narrow down infected groups. While the company has made the break room tables only have one chair per side, employees should be on staggered lunch breaks which would further reduce possible spread of an infection. Depending on how long the infection persists, it would be in the company's best interest to have a voluntary two week shut down of a plant to allow possible infected employees to show signs and prevent the spread to healthier employees. This does not work with asymptomatic cases, but it will certainly help in minimizing the infection. Lastly, top management are in the financial position to take a pay cut for the survival of the business. This also includes in keeping management expenses at a moderate level. This is not just for the sake of the business itself, but also to improve public trust through a symbolic gesture of good faith. It is better to think long term during this pandemic than it is short term if the company is to survive. There is a silver lining if we look back to the 1918 flu. When the Spanish Flu began to dwindle, the market rose to 50% for nearly 9 months. The business will bounce back so long as measures are taken.

<https://www.smithfieldfoods.com/press-room/company-news/smithfield-foods-announces-100-million-responsibility-bonus-as-part-of-thank-a-foodworker-initiative>

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