

*Substance Abuse Management at Weyerhaeuser*

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I want to welcome you all to Tacoma. I will admit from the start that I don't know a whole lot about substance abuse prevention and early intervention, but I do have some convictions which you're going to hear about. But first, let me just talk to you briefly about our company.

Weyerhaeuser is a company of about 35,000 employees. Though located principally in North America, we are a very internationally oriented company and we sell products all over the world. We manage 6 million acres of timber in the United States, and another 13 million are licensed in Canada. One of our core businesses, and in fact one of our world class businesses, is timber growth. We know how to grow wood fiber in efficient, effective, and environmentally responsible ways.

We market wood fiber in two different product lines: as lumber, or in various forms of pulp, which is a raw material for paper and other absorbency products. We are also a large recycler of wood fiber. Our containerboard packaging business is using over 50 percent of recycled materials today for production. We have been and continue to be a leader in this area.

Our 168 manufacturing, production and distribution facilities are scattered geographically. I know we have a Workman's Comp license in every state. We have employees in every state and in the three provinces of Canada, which are home to a significant part of the Weyerhaeuser Company.

The good news about our business is that our products meet basic human needs: shelter, paper, and packaging-type requirements. We're not in the hula-hoop business. We don't have to worry about fads and things going out.

The bad news about our business is that we rely on basic materials and basic commodity

materials. It's a very capital intensive business. As a matter of fact, paper is the most capital-intensive business per dollar of sales in North America. More capital intensive than steel, aluminum, oil refining, and those kinds of things. And it's also a very cyclic and fragmented business.

We are the largest lumber producer in North America. We have about seven percent of market share and we're the largest pulp producer in the world. We are the second-largest packaging producer, with about ten percent of the market share.

Another important thing for you to keep in mind about timber is that it does actually have a "real price" growth - about 12 percent a year for the past 100 years. It is continually growing in its real value, and that's one of the reasons we've been so successful in that line. Every other business we have actually has a declining "real price" curve. You can buy this paper, lumber and packaging today for less than you would have paid for it 25 years ago, in real dollars.

And yet all the inputs into these products -- labor, timber, wood, higher environmental requirements, etc. -- drive costs up. And so we are in a business that also has incredible margin squeezes.

Today, I am here to talk about how we got to be the best in this business, and how we manage people. We have a vision and value statement that is on all the walls in the conference rooms around the company. The vision is, "We want to be the best forest products company in the world." We have a set of strategies and a set of values that go along with this vision. One of the values is: People Value. I thought that would be a good framework in which to talk about how this relates to substance abuse in our programs.

I want to make a distinction. This is a statement of value. This is a statement of what we believe about the way people ought to be treated in the company. These people values in Weyerhaeuser Company are not particularly new. We have always been a very progressive

company around people values. So this is in many ways a statement, a modern statement, but it's also a statement about enduring value in the company.

I also think it's important to talk a little bit about why this is a value statement. If you want to be the best in this business, you've got to be distinctive. That's what "best" means. In this business, I believe one of the few levers we have to pull is to be better in building the capability and competency of our people and utilizing those talents in our businesses. The true challenge lies in this: how do you take this big, complex organization and actually make this goal a reality? That's part of what we are talking about here.

I'd like to talk a little about high performance. We have had a 20-year history with implementing what we call high performance work systems - since we built our first mill, which was a newsprint mill, in 1978 in Longview, Washington.

What do we mean when we say "high performance work system"? This is a concept that many of you have read about and are familiar with. We certainly have not created this - we are following a lot of work done by Proctor and Gamble, Gaines Dog Food, Skippy Peanut Butter, and a lot of others who have followed this concept. High performance work systems talk about building a workforce that is committed and about building a workforce that is competent. It encourages getting all your people involved in running your business. It focuses on eliminating the distinction between thinkers and doers in an organization.

The best way I can illustrate this concept to you, is to tell you about paper machines. The new paper machines, which are somewhere between a \$500 million to \$1 billion investment, run up to 4000 feet per minute. If there is a problem in managing quality or productivity, you do not have time to go talk to your boss about what to do with this paper machine. This paper machine is moving. And you have to have people who are up against the process -- those who are enabled, trained, and who have the authority to improve, change, and operate the process. And that's what we mean by high performance. People have to understand what has to be done, they have to have the skills, and they also have to have the power, or

authority, to actually do something. You need all three of those elements for this to work.

So, that is what we're trying to do with high performance. Safety and health is a true priority of ours. And we believe that in order for what I've just described to happen, you have to have a safe work place.

Diversity is also important. Diversity is obviously about age and gender, but it is also a comment about respecting the capability of all people. And if you really are going to have the kind of work place that I've just described, if you really want people that are close to the process to run it, they have to feel like they are respected by the organization.

Finally, I want to talk about teamwork. Perhaps I should first say that we've stolen, shamelessly, over the last 20 years as we've implemented these processes. We were fortunate enough in 1992 to purchase a few of Proctor and Gamble's pulp mills and saw mills, in Georgia and in Alberta, Canada, and we brought into Weyerhaeuser about 1500 Proctor and Gamble people. So we've learned a lot about the business from Proctor & Gamble.

The Adult Business Deal is really an important new idea for Weyerhauser, particularly for a 100-year old paternalistic company that talks a lot about how it runs its business like a family. The Adult Business Deal moves away from the ideal of paternalism and parent-child/company-employee relationship to an adult-adult relationship.

It is an attitudinal and frame-changing way to think about management in the work place. It has impacts on both the company side and the employee side.

I'll also say this. I think Weyerhaeuser and lots of other companies I could name, if left to their own devices, would have continued the parent-child relationship. The only problem is, with the parent-child relationship, the employee gives up rights and a sense of his/her own destiny in return for job security throughout the employee's life. That is the old deal. The problem is that Weyerhaeuser, IBM, etc. can't do that anymore because the market place is

changing so fast that the company can't deliver on its part of the deal anymore.

One comment that I didn't make about our business is about industry consolidation. Some memorable names like Crown Zellerbach, Great Northern, Federal Paperboard, Scott Paper, etc., they're no longer with us. And I think one question I have, as a leader of this organization, is will I be the part of the end of a 100-year institution, or will I be part of creating an institution that can survive the next 100 years?

So surviving is an important consideration in thinking about the way we manage people and substance abuse in our company. These high performance work systems are based on a premise of getting and using the full capabilities of all your people. They are also based on the premise that people who are properly managed and properly aligned and focused will do the right thing, because people are inherently good.

While I don't challenge the validity of that premise, I think it is fair to say that in addition to the positive side of people, there is a dark side, too. And these high performance systems work well when they are designed against this reality. They don't use command and control. They don't use hierarchical control. But they are high control organizations, and they are low variability organizations. They have control of their own processors, they have control around people, and they set up processes to reduce variability.

So while control doesn't come from management, there is a lot of control in these organizations. There is a lot of trust in the organization, too. And there also have to be mechanisms for people who violate the trust. There have to be mechanisms for dealing with substance abuse, inappropriate relations with other people in the workforce, threats of violence, and so forth. It does no good to pretend that problems do not come up in the work place. Instead, the focus should be on thinking about how to deal with this aspect of human nature in a way that fits with the company's goals and values. And that's what we're trying to do with our substance abuse program.

So what are we doing? First, we believe that when talking about safety, and work place violence and substance abuse, the positive, acceptable way to deal with this is to start with prevention and have clear policies and education programs in place.

We also try to be sure that we have the intervention systems in place, so that when something does happen, we can deal constructively with it. This includes having the policies and the processes you will follow when something does happen. It means having mental health services, EAPs, benefit programs, and drug testing programs in place.

When something happens, we have a focus on trying to help effective employees become stable and productive. After all, you've invested all this money in training, you have respect for people, and you do want to get this person back in the work place constructively, so that he/she will contribute to and make the business better.

But again, I think this has to be done in a very disciplined way. You have to have rehabilitation, documented return-to-work programs, and you must also educate managers to step up and deal with these tough situations. Because as you all know, family, coworkers, and managers become the enablers.

And finally, it is important to have the policy and infrastructure in place to address these problems in a balanced way. I think it's crazy to line up all of your employees and ask them to pee in a bottle. Because it violates the trust, it undermines the assumptions you're trying to make about people, and what you think they're going to do in the work place.

So what we are trying to do is come up with a more businesslike and adult-adult approach. This is similar to a lot of work we've had to do, overall, with other human resource policies. You look at a traditional American company, like Weyerhaeuser, and you're looking at the policies and procedures that are fundamentally designed to catch and stop the one percent of employees who are bad apples. And the policies communicate the same sense that everybody is a bad apple. We've got to reverse that and deal in a positive, constructive, motivated, and

engaging way that builds commitment and competency with 95 percent of the people. And also have the processes in place to deal with these 5 percent who are outside the fundamental expectations.

We don't think we have the answer. We don't think we have the only model. We just think we have an approach and an attitude about how you treat people, and now what we want to learn what is effective and what is ineffective. What we believe is that if we want to manage this aspect, and if it is a critical part of having this high performance and productive organization, then we have to do it in a way that is aligned with what we're doing with the overall management of people in the company. Along those lines, the first thing that we do know about human behavior is that people need to get feedback about their performance. And so the first thing I think you have to do is have very clear standards, very clear rules and guidelines about what it is, principles around how you deal with this.

Another way to think about it in a process sense is that you have to have a very clear statement about what the control limits are. We believe that education is a critical component of this. If you really want to change something, you have to go back to our views about high performance, you have to change the business literacy, you have to change the competency of the organization to deal with it. So we've been on a three or four year effort now, going out and developing check lists, developing tool kits, and dealing with a workforce around the issue of threats of violence, and we have won some awards for this effort. We are doing it in a way that empowers the workforce itself to deal with this real issue that's in our society today. Rather than management promulgating a policy, we are, as a company, trying to build our capability to deal with a situation. And knock on wood, we've been fortunate so far. All you can do is keep trying to build the capability of an organization to deal with violence in the workplace.

And we have the same view about substance abuse. We want to be sure the organization understands how this does affect our business performance.

Another example of a principled approach to business success is with alcohol. Sending

management people to cocktail parties to drink a lot of alcohol and drive home, and then come back to work in the morning and ask people in the front line to do invasive drug testing, is a little bit disingenuous and not aligned with the business. We should chase alcohol out of this business, probably before we would chase some of these other drugs, and get really aligned with what it takes to have a really successful business.

There is an alignment with high performance work systems, team work, empowerment, and the idea that somebody who is closest to the process is the best person to assist a co-worker that is facing a family crisis, a financial crisis, alcohol crisis, illegal substance abuse crisis, or whatever.

So I hope I've given you some idea of the overall context (the kind of business we're in), the way we're thinking about our people and work systems, and how they will get us in a position where we can continue to be the top player in this very, very tough business.

Thank you for your time.

Question: What kind of mental health benefits are you providing to employees?

Answer: We've not tried to deal with it from the standpoint of parity. What we've tried to do is determine what we can do that will effectively support people who are in this situation, given our resources.

Right now we are going through a major process where we're moving our programs from self-administered to joining with Cigna. But I can say this. We do have limits in this area. And we also have limits on mental health because the costs are just out of sight. So I think we should get back to this idea about being realistic about the kind of world we live in. Having dependents of our employees parked in mental health hospitals and running up \$300,000 - 500,000 bills concerns us.

So there is a practical, logical, and humane way to do that, and we've gone to a much more managed mental health model that uses an EAP to channel people into providers who don't permit those kinds of abuses. That's the way we've tried to deal with it. We have also built protections against those kinds of situations into our benefit plans.

Question: What is the focus of your Substance Abuse program?

Answer: We have decided for the past three years to work on the prevention model, which focuses on public health and has primary, secondary and tertiary interventions. It is a very comprehensive program.

Question: How would we start introducing work systems into our workplace?

Answer: I think the way to start on this is to begin with principles rather than rules. For example, on the issue of managing attendance, you might give that workforce a lot of flexibility in designing their own procedures about relief. Management wouldn't stipulate rules about arriving and leaving at a certain time. Rather, the expectation is that the product is being made efficiently at a cost that is within a competitive range.

One thing that we've learned is that in a traditional mill with union arrangements, you would have a grievance procedure, which can be a very contentious process. Labor and management would have to agree about what these rules are, and this rarely happens.

One of the reasons we haven't had a lot of disagreement is because we try to sit down with the union and work through issues in a constructive way, before they become a big cost to us. But in our non-union facilities, our issue-resolution

processes are driven much more by peers, and are essentially much more self-governing. Because the operators who are up against that bit machine have to be self-governing. They have know what is expected of them. They have to make very quick decisions. So in the actual day-to-day, minute-to-minute, second-to-second, working unit, they use the process of self-government.

For behavior that's out of bounds, we tend to rely more on self-governing peer groups. We've learned to keep these processes from being too ruthless and too demanding, and to ensure due process, so that they don't become punitive. Because peers will be much tougher on each other than management could ever be. Everything we've learned is that you have to have self-regulating systems, and keep them constructive and fair, and aligned with what you are trying to do with the business -- otherwise, they will spin out of control.

Question: What is the most important implementation step of changing a high performance work system?

Answer: That's a very good question. I'm glad you asked it. One of the things I should have mentioned about our high performance work system is that the local leadership has to believe and internalize it. When I say local leadership, I'm talking about the mill manager. I'm talking about informal leadership, including union leadership. There's no way you can implement these things in a corporate program. We've learned that over and over.

You implement these systems through leadership. So the thing that is happening at Weyerhaeuser, is that there really is a critical mass of our line operating managers who have seen this, experienced it, and who believe in it. They are really making it happen. They are being supported by the union organization, but it is a line operating activity at Weyerhaeuser, and that's the reason we've made as much progress as we have.

Thank you.