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Lewis Stone, Inc.

Lewis Stone, Inc. (LSI) is a small Midwestern injection molding firm that makes a variety of plastic parts for inclusion in consumer products such as toys, household items, and camping equipment. The firm was started by Lewis Stone in the late 1800's as a supplier of forged metal products and gradually evolved through a series of products and markets into its current technology. LSI's largest investment in fixed assets was in its injection molders. These machines were difficult to set up correctly, but once set up could support long production runs. Skilled workers were necessary to set up the machines and to monitor the product runs to prevent out-of-control situations. LSI's 40 hourly workers cover two shifts, and all are members of a local union affiliated with the AFL-CIO.

LSI enjoyed high growth rates during the 1990s and early 2000s with sales reaching an all-time high of $8 million in 2001. Margins were always thin but high volumes could produce enviable profits. Since 2001 however, revenues and profits have been in steady decline. Income statements and balance sheets for 2008 and 2009 are shown at the end of this document.

To keep the company afloat during the 1990s, officers did not reinvest in the physical infrastructure, which slowly fell into disrepair. The company avoided receivership the fate of over half of its domestic competitors. But, by 2010, the physical plant was badly in need of basic repairs to the roof, the flooring, and most of the machinery. The workers, though happy to be employed, grew steadily more dissatisfied as working conditions deteriorated.

Having no access to the financial books, it was a common perception among the workforce that the company's officers were living well while neglecting the shop work environment. Curiously, a "macho" mentality developed among the workforce. The more difficult—and dangerous—the work environment became, the more the workers developed a defiant "we can tough it out" attitude. Safety practices in some cases suffered because of worker indifference, not because of management negligence.

The current labor contract expired in April of 2010 and management anticipated difficult negotiations. Competitors undercut LSI's prices and significant cost reductions would again be necessary to keep the firm solvent. Despite some productivity gains in the previous year, labor costs at LSI were higher than for competing firms in the South and overseas. Management wanted wage concessions and increased flexibility from the workforce, but in the current atmosphere they believed the workers would not be receptive.

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