

DB&A Report

Atchison Steel Casting and Machining Case Study

Following a bankruptcy of the parent company and a change in ownership, the leaders of this Midwest steel-production facility turned to DeWolff, Boberg & Associates to help them increase efficiencies, reduce costs, and improve profitability. Although the client was encouraged by the progress being made, DeWolff, Boberg & Associates upheld its trademark guarantee when unforeseen circumstances threatened to erode the projected return on investment. The result was a satisfied client—as well as a second engagement for DeWolff, Boberg & Associates at another of the company's subsidiaries.



Financial Woes Give Rise to a Fresh Start

Atchison Steel Casting and Machining is the combination of a foundry in Atchison, Kansas, and machine shop in St. Joseph, Missouri, that was going through some challenging times when DeWolff, Boberg & Associates (DBA) first made contact. Although company leaders had expressed an interest

in initiating an engagement with DBA, bankruptcy proceedings prevented Atchison from moving forward for several months. When Atchison's parent company, AmeriCast Technologies, was formed by private equity firm KPS to acquire the Atchison and St. Joseph facilities, Atchison President John Kujawa and AmeriCast CEO Tom Armstrong felt the time was

right to bring in DeWolff, Boberg & Associates to help strengthen the subsidiary's balance sheet and enhance its competitive position.

DeWolff, Boberg & Associates is a management consulting firm specializing in helping companies of every description achieve their objectives through improved performance or resource utilization.



Armstrong and Kujawa thought Atchison already had some good plans in place for improving the bottom line, but hoped DBA could help the company get there faster.

“We wanted to improve profitability,” Kujawa said. “We definitely wanted to be as productive and efficient as possible.”

To accomplish this, the company needed to shift the corporate culture from a reactive management style to a proactive one—all while reining in costs at every reasonable opportunity. Specifically, Kujawa wanted to upgrade the company’s legacy management systems to deliver real-time information so that supervisors would be equipped to address problems as they arose.

In addition to the financial implications of the project, Armstrong explained that this was also a chance for KPS to see how effectively the senior management team could facilitate change. That made the success of the engagement even more critical to Armstrong and Kujawa.

They had considered two other consulting firms, but DeWolff, Boberg & Associates’ projection of \$5.4 million in savings and a 2.3-to-1 return on investment—backed with a guarantee—was the clear winner.

“I thought they set off a very ambitious goal, but certainly didn’t think it was impossible,” Armstrong said.

Facing Challenges Head-On Sudden Growth

At about the same time as the DBA engagement was to begin, external market forces caused the company’s volume to increase about 50 percent. In response, Atchison added roughly 100 people during the engagement period. And, while growth is usually a welcome part of business, this unexpected surge in manpower presented an added challenge. Atchison leaders knew they didn’t have the proper systems and processes in place to effectively train and manage the influx of new team members. They also lacked the day-to-day metrics that would facilitate management based on facts rather than gut feel. And because these new hires were not experienced, more time was required to train and acclimate them than DeWolff, Boberg & Associates had anticipated, making initial progress slow.



Separate Plants, Numerous Departments

The Atchison engagement involved dealing simultaneously with two separate plants in two different locations—the main foundry in Atchison, with about 500 employees, and the machine shop, located about 25 miles northeast of Atchison in St. Joseph, Missouri, with roughly 125 workers.

In addition to the challenges of dealing simultaneously with two locations, consultants also found themselves addressing several vastly different departments within the foundry itself, from melting the steel to grinding and welding the cast metal.

“You almost need to treat each department as its own entity, because the function that happens in each one is so different,” said DeWolff, Boberg & Associates Project Chief Steve Pallotta. At the same time, though, consultants had to look at the entire facility as a single, continuous production, since what happens in one department at any given point in the process has an undeniable effect on the remaining production steps.

A Counterproductive Incentive Plan

When the engagement began, about 45 percent of the workforce was on an outdated incentive program that gave workers an individual bonus based on production levels over 100 percent of the established standard in addition to their base pay. DeWolff,



Boberg & Associates' observations concluded that the average worker was actually capable of performing at 160 to 200 percent of standard.

At about the same time DBA went to work at Atchison, another outside firm was called in to overhaul the incentive program. The new plan involved converting the individual incentive program to a company-wide model with quarterly payouts divided among all workers. Unfortunately, the new plan met with so much opposition, it was abandoned altogether until a better alternative could be developed. The result was an unhappy workforce that was now being asked to perform at a much higher level, even as their bonus incentives disappeared.

Resistance to Change

The daily routine of melting and casting steel at Atchison hadn't changed much over the past several decades—and to some degree, neither had attitudes.

"The way it's done now is the way it was done years ago," Pallotta said. "There's not a lot of new technology in how you melt and cast steel." Pallotta also pointed out that a lot of the supervisors had been there 25 to 30 years, so getting them to see that there were problems they could actually conquer was quite a challenge.

Inefficient Habits

Other old habits that DeWolff, Boberg & Associates observed included:

- High work-in-process volumes as "comfort" buffers to make up for poor work-flow processes.
- Considerable downtime due to reactive, substandard maintenance.

- Gaps and holes in the scheduling process, which caused missed shipments.
- Excessive employee-initiated overtime.
- Poor or nonexistent communication.

Despite the many factors working against them, however, the team at DeWolff, Boberg & Associates kept their sights on the goal and began to implement strategies to help Atchison Steel Casting and Machining modify these inefficient habits in favor of more effective practices.

Effecting Change

Robust Management Resources

A key element of DeWolff, Boberg & Associates' solution was a comprehensive management operating system designed to give supervisors the tools to assess performance at the close of every shift—rather than the previous lag of several days. Supervisors at both plants were trained to recognize and remedy the barriers that stand in the way of cost-effective performance, such as keeping huge inventories of work in progress or the unnecessary use of overtime.

Consultants not only equipped these leaders with the metrics to measure progress, they also taught the Atchison management team how to use those numbers to drive performance and influence behavior.

DeWolff, Boberg & Associates trained the Atchison management team to calculate realistic standards for what

constitutes a fair day's work and developed an objective scorecard for evaluating employee performance. Now, when goals are missed, supervisors are able to list the issues that played a role and follow a clearly defined list of action items to correct the problems.

"The beauty of what they do is that they work on the floor with the people," Kujawa said. "They went out there and did the observations themselves, then they taught our supervisors to do those same observations. It was quite an eye-opener for the supervisors to see that, yes, there are ways to get 25 percent more without people really working any harder—just being a lot more efficient."

Scheduled Communication

To ensure that everyone was receiving the same information regarding new processes and expectations, DeWolff, Boberg & Associates trained management to conduct huddle meetings at the beginning of each shift. Although the majority of people were on the first shift, there were also workers on second and third shifts, so multiple meetings and workshops were held each week to ensure that everyone was on the same page. Despite a challenging physical environment where sweltering temperatures and high noise levels made working conditions difficult, the DeWolff, Boberg & Associates team was right there in the middle of it, working alongside the Atchison management team throughout the process.





“Too often, consultants sit in the office and give you a bunch of things to do, and while you go out and work on them, they’re still sitting in the office,” said Kujawa. “This is not the case with DBA. They’re out there fighting. They’re in battle with you.”

Generating Results

About two months into the engagement, the foundry began to show positive results. And in less than a month, the St. Joseph facility—staffed with a smaller group of newer employees who were more open to change—was already reaping measurable rewards from the process. Despite this encouraging momentum at each facility, it soon became clear that the engagement was at risk of missing its projected ROI.

Four months into the engagement, DeWolff, Boberg & Associates had helped the client generate about \$580,000 in savings for the client’s \$1 million investment. It was a good start, but not good enough to satisfy the DBA guarantee.

“If in any month the client’s out-of-pocket cash flow exceeds what we put together as a projection, we stop billing the client until we get back on track,” Pallotta said. That’s why DeWolff, Boberg & Associates made the decision to stay for the remaining 15 weeks of the 26-week engagement at their own expense to get the client back to a 2.3-to-1 ROI.

By the 26th week of the project, the savings was annualizing at \$2.2 million—about 41 percent of the original guarantee and just shy of the \$2.5 million that DBA had forecast. As of

this writing, the client had achieved about half of the forecasted results, but Armstrong projected that those numbers would continue to climb to 75 or 80 percent in another year as new hires gain experience and supervisors become more adept at using the management operating system to enhance performance.

Although unique circumstances contributed to slower-than-usual progress in this engagement, the client was thoroughly satisfied with the results, as well as the integrity that DeWolff, Boberg & Associates showed when it was time to make good on its guarantee. It wasn’t long before AmeriCast initiated a second DBA engagement—this time with its Canadian subsidiary.

Client Commitment to a Proven Process

Although this particular engagement took place in the industrial sector, Pallotta was quick to point out that the money-saving practices and processes DeWolff, Boberg & Associates implements are equally effective in any situation, from corporate office settings to manufacturing facilities.

“Our process is our process—it’s applicable to any type of industry. That’s one of the nice things about it. We can go from white collar to blue collar, and the results are always positive,” Pallotta said.

Time after time, DBA helps clients make lasting changes that continue to yield positive results long after the engagement period is over. Yet Armstrong acknowledged how critical it is for top management to back the effort 100 percent and remain committed to making the new processes a permanent part of the culture.

To begin with, the process requires management to take a hard look at the behaviors that were rewarded in the past. Supervision is held to a new set of expectations. And while these changes in expectations and accountability can take some time to resonate with employees, they strengthen the company over the long term.



Secondly, the process is a financial investment in the development of supervisors and managers to become more proactive in their management style—ultimately generating results to the company’s improving bottom line. “You want it to become part of the culture, the DNA, a habit of how you do business,” Armstrong said. “You don’t want to make the improvements and do the hard work, then let it slip away.”

Although the process is challenging, the client believes the results are well worth the work.

“It’s been a very successful program,” Kujawa said. “We continue to improve our performance day to day. We have a plan, and we have a daily review, and we are solving problems a lot faster than we were.”



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