Steel Manufacturer Forges a Solid Foundation for Sustainable Success

By Atchison Steel Casting and Machining was going through challenging times following the bankruptcy of its parent company. When AmeriCast Technologies came on board as the new owner, Atchison President and AmeriCast CEO felt the time was right to bring in DB&A to help increase efficiencies, strengthen Atchison's balance sheet and enhance its competitive position.

Financial concerns... change of ownership... a geographically dispersed operation... legacy systems that were firmly entrenched. Just one of those situations would

test the mettle of any company. But true to its name, Atchison's resolve was strong as steel, and as soon as the bankruptcy proceedings of its parent company were completed, DB&A was engaged to help improve the bottom line.

The leaders of Atchison and AmeriCast thought Atchison already had some good plans in place, but hoped DB&A could help the company achieve results faster. In fact, they had considered two other consulting firms, but DB&A's projection of $5.4 million in savings and a 2.3-to-1 return on investment—backed with a guarantee— was the clear winner. In addition to the financial implications of the project, AmeriCast's CEO explained that this was also a chance to prove how effectively Atchison's senior management team could facilitate change. That made the success of the engagement even more critical.

"The beauty of what DB&A does is that they work on the floor with the people. 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," said President, Atchison Steel Casting and Machining.

The DB&A Difference

Actual Financial Results

- Annualized Savings: $2,200,000
- ROI 2.3:1

Immediate Operational Results

- 45% reduction in inventory
- 38% improvement in production performance

As with all engagements, DB&A's relationship with Atchison began with a thorough two-week analysis of the company's organization and operation. As always, the first week of the analysis was provided at no risk to Atchison; its management team was asked to make a commitment to continue with the second week of analysis only after DB&A showed how its proven process would deliver an opportunity for savings and a return on investment. That analysis resulted in a list of challenges that DB&A was confident it could help Atchison overcome.

The Atchison engagement involved dealing simultaneously with two plants located about 25 miles away from each other— the main foundry employing about 500 employees in Atchison, Kansas, and the machine shop in St. Joseph, Missouri, with roughly 125 workers.

In addition to dealing simultaneously with two locations, DB&A also found itself addressing several departments with vastly different functions within the foundry alone—from melting the steel to grinding and welding the cast metal. As a result, each department needed to be addressed as a separate entity. At the same time, however, DB&A had to look at the entire facility as a single, continuous production, since what happens in one department at any given point has an undeniable effect on the remaining production steps.

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, Atchison's President wanted to upgrade the company's legacy management systems to deliver realtime information so that supervisors would be equipped to address problems as they arose.

In its initial analysis, DB&A also observed a variety of workplace habits that were impacting Atchison's efficiency and profitability including:

- The use of high volumes of work-in-process as the measure of success while overlooking poor workflow processes
- Considerable occurrences of downtime due to substandard, and largely reactive, maintenance
- Missed shipment deadlines due to gaps and inefficiencies in the scheduling process
- Excessive employee-initiated overtime
- Lack of communication due to poor or nonexistent systems

When the engagement began, about 45 percent of Atchison's workforce was on an outdated incentive program that augmented workers' base pay with individual bonuses based on exceeding established production-level standards by 100 percent. DB&A's observations, however, concluded that the average worker was actually capable of performing at 160 to 200 percent of standard.

Coincidentally, another outside firm had been called in to overhaul the incentive program at about the same time the DB&A engagement began. Their plan involved converting the individual incentive program to a company-wide model with quarterly payouts divided among all workers. Unfortunately, the result was unhappy workers that were being asked to perform at much higher levels, even as their bonus incentives disappeared. The new plan met with so much opposition, it was abandoned altogether until a better alternative could be developed.

Simultaneously, external market forces suddenly triggered a surge in production volume of approximately 50 percent, necessitating the addition of about 100 workers. While growth is usually a welcomed condition in business, 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 a methodology to streamline management based on quantifiable metrics versus "gut feel."

Furthermore, because these new hires were not experienced, more time was required to train and acclimate them.

The daily routine and systems involved in melting and casting steel hadn't changed much over time — and to some degree, neither had attitudes within Atchison Steel. Several of the company's supervisors had been with Atchison for 25 to 30 years; motivating company leaders to acknowledge problems and embrace new tactics that could help overcome them was quite a challenge.

Despite the many factors working against them, the team at DB&A kept its sights on the goal and began to implement strategies to help Atchison Steel replace these inefficient habits with more effective practices.

A key element of DB&A's solution was a comprehensive management operating system that would give supervisors the tools they needed to assess performance at the close of every shift, rather than at the traditional interval of several days.

Supervisors at both plants were also trained to recognize and remedy the barriers that were compromising cost-effective performance, such as scheduling unachievable workloads that necessitated overtime compensation. DB&A 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. Subsequently, when goals were missed, supervisors were able to list the issues that played a role and follow a clearly defined list of action items to correct the problems.

DB&A not only equipped Atchison 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.

To ensure that everyone was receiving the same information regarding new processes and expectations, DB&A trained management to conduct huddle meetings at the beginning of each shift, in addition to regular workshops to ensure that everyone was on the same page. Despite a challenging physical environment where sweltering temperatures and high noise levels make working conditions difficult, the DB&A team was right there in the middle of it, working alongside the Atchison management team throughout the process.

In less than 4 weeks, the St. Joseph machine shop—staffed with a smaller group of newer employees who were more open to change—was already reaping measurable rewards from the process. About 8 weeks into the engagement, the foundry also began to show positive results. Despite this encouraging initial momentum at each facility, however, it eventually became clear that the engagement was at risk of missing its projected ROI. Approximately 16 weeks into the engagement, DB&A had helped Atchison generate about $580,000 in savings against its $1 million investment—a good start, but not good enough to satisfy the DB&A guarantee.

DB&A's policy is that, if in any month the client's out-of-pocket cash flow exceeds the initial projection, DB&A stops billing the client until the process gets back on track. Accordingly, DB&A made the decision to stay 15 weeks of the 26-week engagement at its own expense to help Atchison realize the promised 2.3-to-1 ROI.

By the 26th week of the project, a 45 percent reduction in inventory and a 38 percent improvement in production performance resulted in annualized savings of $2.2 million—about 41 percent of the original guarantee and just shy of the $2.5 million that DB&A had forecast, and all evidence pointed to ongoing gains as new hires gained experience and supervisors became 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 with the integrity that DB&A showed when it was time to make good on its guarantee. It wasn't long before AmeriCast initiated a second DB&A engagement—this time with its Canadian subsidiary.