INVEST FOR CONTINUOUS IMPROVEMENT

Incentivizing Continuous Improvement: Roll Forming

In an increasingly competitive global marketplace, the most successful companies will be those that intentionally create a climate of continuous improvement where employees' good ideas are tapped, implemented and rewarded. To learn more about incentivizing continuous improvement, we spoke with Ray Leathers, President of Roll Forming, a leading supplier of roll-formed components and assemblies to customers in the office furniture, aerospace, construction and solar industries. Headquartered in Shelbyville, KY, Roll Forming has 350 employees at six facilities in North America. Roll Forming has been a subsidiary of voestalpine AG since 2000. voestalpine AG is an international steel based technology and capital goods group based in Linz, Austria.

RAY LEATHERS, PRESIDENT

Roll Forming, formed in 1946, is the oldest manufacturer in Shelby County, KY. Many people in the community have either worked here or had a family member who did. Shortly after our company was acquired by voestalpine in 2000, there was a recession which hit a lot of our primary customers. We launched the current version of our Continuous Improvement (CI) program as part of our efforts to recover. Our CI program is closely tied to our gainsharing plan, named STEPS – Successful Team Efforts Provide Satisfied Customers. Gainsharing is a process of increasing business performance through high levels of employee involvement. Metrics that employees can directly affect are chosen, such as productivity, quality, and waste reduction, and then bonuses are awarded based on improvements in those areas. Even though our survival depended on this program, there was skepticism in the workforce because of the marginal success of previous CI efforts. As we worked through it and showed that gainsharing provided a return, people then got on board. These are some key lessons we learned in the process:

> **ROLL FORMING'S FORMULA FOR INCENTIVIZING CONTINUOUS IMPROVEMENT**
> 1. Teams monitor metrics
> 2. Employees own the process
> 3. Train people for success
> 4. Hold each other accountable

1. **Teams monitor metrics**
   We place everyone in the company on a team. Their mandate is to monitor metrics affecting EBIT (operating profit) including scrap, efficiency, quality, and on-time delivery, and to come up with ideas to improve them. There are production teams and support teams that have their own metrics. We monitor all the metrics month to month, and if they don't show improvement, the teams have to take corrective action. Two members of the senior management team (the CFO, the engineering manager, the quality manager, and me) audit every team each quarter. We give the teams a graded report card using a standard scoring system that includes both objective and subjective metrics, and we give awards to the top production and support team in each facility.

2. **Employees own the process**
   Machine operators use hour-by-hour (HBH) charts to track work flow, make note of any interruptions, and identify impediments to meeting production goals. The HBH charts are reviewed daily. Individuals then take responsibility for specific issues. The team problem-solves these issues, and that is where CI projects are born. Some projects reduce waste, and others increase safety. Each CI team is expected to do at least one project per quarter.

The employees own the process. We make sure employees get what they need, whether it is tools from the tool shop, engineering assistance, or getting the safety director involved. Most CI projects are resourced by the facility where they are located, since they drive cost savings or remedy a safety issue. We reserve a small portion of our annual capital budget for unplanned capital projects. Any request for this purpose is approved by the staff and must be accompanied by a Return on Investment (ROI) analysis. Once a project is in place and gainsharing is added, the workers on the floor are driven to maximize improvements, and the system

reinforces itself. When CI projects generate more revenue or savings for the company, employees can see a correlation between their HBH charts, their CI projects, and their quarterly gainsharing bonus. Overall savings are significant, averaging $350,000 per quarter.

3. Train people for success

The CI program generated immediate improvements, but then we started to plateau. We realized that the team coordinators on the floor were hourly folks who had never been trained in leadership skills. So we developed the *Leadership Academy* to teach the 12 traits needed for leadership success and to provide a forum for senior staff to mentor young leaders. We saw immediate results. For example, one topic we teach is conflict management. With training, our young leaders can diffuse conflict and make it work. We also developed the *Team Member Academy* so that all employees – not just leaders – get the training they need to deal with conflict and other issues.

Our company budgets $130,000 annually for employee training. In addition to the *Leadership* and *Team Member Academies*, all employees participate in 24 hours of STEP training on the tools used in the CI program. We also do less formal education: we have two senior leaders audit every team each quarter – and they go through metrics and root cause corrective actions. We also have quarterly rallies to update the whole company on the financials, sales opportunities, and safety, and to allow the best CI teams to present their projects.

4. Hold each other accountable

A key factor in the success of our CI program has been a company-wide cultural change towards more personal accountability. People realized the gain sharing plan is real and can be up to 15 percent of their total compensation. This generates peer pressure – people want to work with other people who are working as hard as they are, so there is now zero tolerance for non-participation in the problem solving process.

We do a lot of root cause corrective action. If we have a problem – we made a bad part, or the process is not yielding efficiencies – the team goes through a process of determining why it happened. You have to let it turn into a project, and then through trial and error, the problem gets solved. You have to be patient. There is no blame placed on anyone, but at the same time, you can't say "it's not my problem." We use the Oz Principle – see it, own it, solve it, and execute. In the early days of the CI program, we didn't realize we were changing the culture. We realized later how important it is to leverage the culture to continuously improve the CI and accountability processes.

FINAL WORDS OF WISDOM

We have successfully created a culture of continuous improvement and personal accountability. The process works well for us – our revenue has increased from $25 million in 2002 to $120 million in 2014, and our EBIT is in the top five percent of professional companies that are part of our parent company. Bonuses have increased 95 percent since the CI program launched in 2003.

HOW DO WE LEARN MORE?

Precision Metalforming Association: Roll Forming Corporation

Alan G. Robinson and Dean M. Schroeder: The Idea-Driven Organization: Unlocking the Power in Bottom-up Ideas

Inc. Magazine: How to Tap Employee Ideas

Forbes Magazine: Google's Secrets of Innovation: Empowering its Employees

American Express Open Forum: Tap Into Your Employees' Hidden Talents

Inc. Magazine: Don't Ask for Big Ideas Unless You're Prepared for Them

Other companies that excel at incentivizing continuous improvement include Oberg, New Belgium, SRC, and Zingerman's.

For more information:

Mark Popovich, VP of Program
mpopovich@hitachifoundation.org
202-828-1643

Tom Strong, Sr. Program Officer
tstrong@hitachifoundation.org
202-828-1657

Profile researched and written by
Anne Claire Broughton,
Broughton Consulting, LLC
anneclaire@broughton-consulting.com
www.broughton-consulting.com

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@WORK
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