Minimill mentality is key to survival

The business practices minimills have exemplified, especially hiring hard-working and eager employees, are now regarded as the work ethics that will guide a company to success.

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The health of the steel industry of today and tomorrow depends on the work ethic of its employees, the success of its customers, and the skills of its managers. Perhaps the most fundamental requirement for any business is to get everyone associated with the company to "pull in the same direction" toward higher quality products and better services. In the steel industry, like everywhere else, success is the result of intense cooperative effort.

Over the years, various "fool-proof" schemes for business success have been put forward. These schemes have included 1) building a monopoly, 2) price fixing, 3) total factory automation, and, more recently, 4) financial leverage. Monopolies/oligopolies work fine until someone builds a better mousetrap and/or new suppliers find a better alternative. (One thing should be apparent to steel producers by now: If you abuse your customers, you are hurting yourself.)

Factory automation is only as good as the people who engineer and administer the process. (In spite of doomsday proclamations to the contrary, a successful steel operation will always require many talented people to make things happen.)

Financial leverage allows third parties to suck the life blood out of a business before anyone feels any pain. In the end, there is nothing "fool-proof" about building a successful enterprise; it requires concentration and caring 365 days a year.

Minimill competition

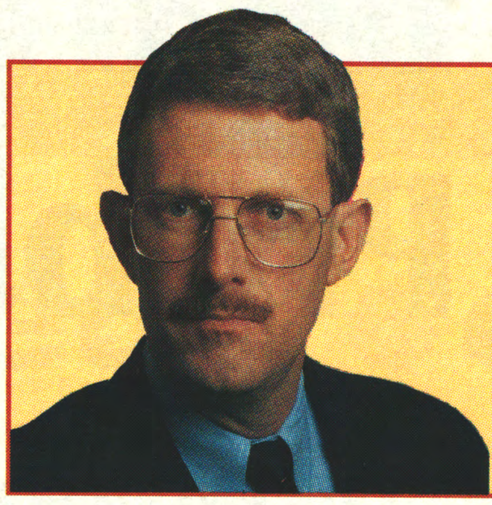
Although the "old conventional wisdom" puts minimills out of reach of such established companies as Bethlehem Steel, U.S. Steel and Republic Steel because they lack the financial resources, steelmaking experience, industry knowledge or specialized equipment, the "new conventional wisdom" dictates that minimills will continue to gain market share from and be more profitable than their more established competitors.

Although Nucor, North Star, Chaparral, etc., have not spent the same amount of capital on their mills, they have developed a motivated workforce. Everybody pitches in when something needs to get done at these firms.

For example, during a recent visit to the Nucor-Crawfordsville, Ind., plant my host and I found the control room of the hot-strip mill empty as all hands were devoted to a maintenance need on one of the roll stands. Successful steel companies have pushed decision-making and accountability down to a level where people can really make a difference.

Meanwhile, employees at the least successful steel companies are focused on many months they must endure coming to work before they retire. (I wish I had a dollar for every time I've heard an employee of Big Steel speak of retirement.) Aye, there's the rub: Minimill people think about how to best do their jobs while Big Steel people think about where to retire! With that attitude toward work, is it any wonder that one sector is growing and the other contracting?

The secret to minimills' success lies not in the equipment they run but in the people who run the equipment. First of all, minimills do not spend as much on plant and equipment as their Big Steel competitors. Our research indicates that over the past four years minimills have made capital expenditures of $34 per ton of steel shipped versus $39 per ton shipped for the Big Six integrated producers. Higher capital expenditures came while Big Steel was contracting and minimills were expanding. Between 1986 and 1991, minimills added 6 million tons of steelmaking capacity while Big Steel steelmaking capacity dropped 18 million tons.



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—John E. Jacobson

People vs. machines

Some of the most profitable minimill operations are located in facilities that older steel mills gave up on. These revived plants are successful because they have been restarted with a new attitude toward work, not because they have received massive capital infusions. Among the examples of how losing plants can be turned into winning plants with a "minimill mentality" are the North Star Steel-Youngstown, Ohio, plant, the NS Group facilities, and the Birmingham Steel-Kankakee, Ill., plant.

Successful steel firms involve their workers in the business. Meetings and suggestion boxes are often helpful, but the real power comes from financially involving employees in the business. Companies that provide compensation based on performance have been able to consistently gain market share on those where labor costs are essentially fixed.

Profitability in the steel business is not dependent on employing large numbers of lawyers, accountants, MBAs and metallurgists. Nucor's success is based largely on hiring hard workers, often farmers, and letting them do their jobs.

Nucor has located its facilities in areas where it is the primary employer and where the chances of becoming unionized are remote. Nucor employees generally work 12-hour shifts three to four days and then have three to four days off. This allows employees to pursue second jobs like farming or avocations like hunting during their days off. Nucor has not had to lay anyone off for lack of work.

Accountability is also a key ingredient for well-run firms from a management perspective. Setting out clear goals for managers and judging their performance on the attainment of those goals creates the positive tension needed for a productive workplace. Organizations with excessive management layers generally suffer from the "passing the buck" syndrome which undercuts accountability.

Baseball fans everywhere were enthralled with the movie, "Field of Dreams," starring Kevin Costner. Part of the film's appeal was the basic values and true believing nature of the central character. A recent visit to Nucor's Crawfordsville, Ind., plant gave me a glimpse of the "mill of dreams." Chairman and CEO Ken Iverson, vice president and general manager Keith Busse and company have carved a steel plant out of the fields of central Indiana which embodies several basic values. Among these values are:

1) Responsibility—each individual is responsible for a well-defined role in the plant.

2) Teamwork—people work together to keep the plant running smoothly.

3) Thrift—capital spending is kept to a minimum with most incremental projects funded on the basis of each mill's performance.

Follow the leader

Nucor is a well-positioned firm with bright prospects for further growth and development. Companies in or out of the steel business can learn a great deal from the basic values by which Nucor has been managed.

Turning a steel company into a winner is simpler than many people realize. Here is a four-step approach for creating a winning working environment.

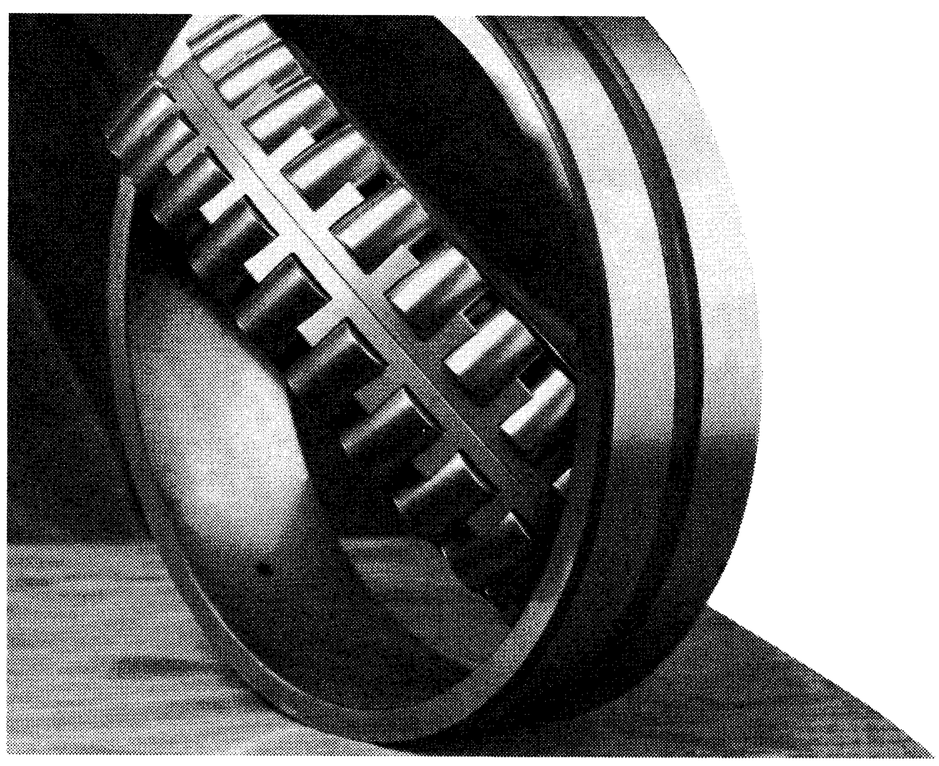
1) Point everyone in the same direction. Management must create a clear strategy and then articulate that strategy to company stakeholders.

2) Make everyone accountable. Everyone in the firm should be able to make a difference in the performance of the total company. If workers are unable to make a positive contribution in spite of thorough training and opportunity they should be encouraged to pursue other opportunities.

3) Share the rewards. Programs in which everyone participates financially in the success of the company are crucial. Monthly feedback in terms of financial recognition for attaining goals related to company profitability are most powerful.

4) Focus on today and tomorrow. Firms need to have energy and drive to move forward and grow. Don't stop thinking about tomorrow...It'll soon be here!

If integrated steel companies are able to move towards this model for their workplaces, they will survive and even thrive. Those firms which are unable to move out of an entrenched bureaucratic organization filled with duplication and antagonism will disappear. ■



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