

Extraordinary managers discuss extraordinary management

## The Savvy CEO Speaks

**Bill Brake is EVP Eastern Operations for Mittal Steel USA – the world's largest steel producer and one of the lowest-cost, highest-margin producers in the industry. Mittal steel purchased ISG in April 2005.**

*Mittal's Eastern Operations includes facilities in Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina, West Virginia and Trinidad and is represented by 8,000 team members. Bill is diving into his new responsibilities intently focused on the job at hand but always with a healthy sense of humor.*

### **Bill, tell me about your own evolution from LTV to Mittal Steel.**

Well, when I finished my engineering degree at CASE, I went immediately to LTV and worked in a variety of operations jobs. I was the operations manager of hot steel production when LTV entered bankruptcy in 2000. That proved to be a long and painful year, but I was fortunate to remain working there throughout the year. A co-worker and I assembled the support for an MBO. Although ISG purchased the plant instead of us, it was an incredible education that really put my MBA to work. It showed what great teamwork can accomplish. It also demonstrated what the city and the region are capable of accomplishing. In the end, I was hired by ISG anyway and shortly after was named vice president and general manager of the Cleveland facility.

Then Mittal Steel made its successful bid for ISG, and last March I was asked to head the regional operations. This new position was a risk because it was newly created to meld together several businesses – something that had never been done in the American steel industry before. But I've been a risk taker my

whole life, and it was an exciting challenge for me to see the value I could bring to a larger organization. It's the challenge. It doesn't matter what the project is; I'm energized by the challenge. And this is a big one.

### **So, how are you meeting this latest challenge?**

We are doing well. The first few months have been somewhat challenging as we have been integrating the companies at the same time we have faced some softness in the market. But the customer inventory issues are resolving themselves, and the market is steadily improving.

Generally, I believe that the right team can accomplish anything. Good people will succeed anywhere and anytime. We are focused on assembling the right team and building a quality organization. We are fortunate to have many good, experienced people within our organization already – people who know the business and know the challenges we face. It is my job to make sure we leverage the knowledge and power of all that human capital and get the right people in the right places.

But forming the right team also sometimes means having the courage to remove people who are in the wrong assignments. I have to be sensitive to team dynamics. By focusing on the team and the organization's goals, I can place the right people in the right places to help us move forward. The success of the group is most important.

### **What about management courage?**

Management courage is knowing when you have to put the needs of the organization over all other conflicting needs. Occasionally, the health and success of the organization are at odds with those of the people. I sometimes have to make



Bill Brake

difficult personnel and financial decisions that I know will be unpopular.

We have had to face the reality that some very good people are not right for the company now. I am fairly quick at making these difficult decisions. I respect and challenge my people frequently.

I also make a commitment to my teams to explain what is expected of them. And I have a rule that I won't deal in rumors or prejudice people. We owe it to our co-workers to work through the issues. People deserve to have jobs where they can make effective contributions. If we allow them to languish in jobs where they aren't successful, we are hurting them and the company. If we are too slow to react and fix problems, we share ownership of the problem.

But I love risk takers and people who are willing to learn from mistakes. If someone comes to me with an ambitious goal that is well intentioned and well thought out, and then makes the effort to jump at the bar, I love it. Although they may sometimes miss, it is a tremendous learning experience. The cost is rarely more than we can bear. The bigger cost is creating an environment where people don't take risks. The only real barrier is not thinking it through.

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## Creating Success Through People

The workplace is increasingly defined by a series of forces that most every owner/operator is experiencing: customer demands define the marketplace; intense competition, often international; change becomes constant; and work needs to be organized around processes.

Talent to address these forces is vital to the health of our region and individual companies. The meaning at the local level is clear; the focus must be on human capital, the knowledge assets within the company, their retention and proper mentoring and growth.

Today's business leader must identify the internal talent that is able to be groomed, mentored and placed into positions of impact and responsibility.

A simple example: within the past four years, mentoring work was accomplished (and ongoing) with an executive in the upper middle ranks of his company, who, in a 30-month period, was able to become a top ten executive in a crucial area of responsibility. How? We followed several critical pathways:

**Assessment:** We determined the strategic mission and positioning of the company, established the assets and developmental needs of the executive and aligned them with the corporate mission.

**Targeting:** We targeted where to develop "muscle" in several dimensions:

- Securing mentoring for knowledge, discipline and maturation.
- Examining key business skills; strategic/tactical/analytical/finishing/risk.

- Examining key human skills; empathy/communication/listening/emotional competence/dependability.

**Praxis:** We put into practice a plan and implemented a timeline to achieve personal goals which in effect were corporate goals.

The current buzzword (McKinsey) is "the war for talent." Identification and nourishment of all personnel as well as executive talent will be critical to success, within individual organizations and the region.

*Vic Pergola, Principal of My Decision Point, has been helping organizations maximize their talent for 14 years. He can be reached at 216-308-1648.*

## What's Right at Wright Plastic Products? Improve Throughput → Improve Margins!

Wright Plastic Products is in the struggling automotive plastics molding industry and has seen many of their competitors close over the past several years. But Wright has managed to stay healthy despite substantially reduced volume.

The management focuses on continuous improvement with a sharp eye on every cost within the company. And they live a passion for maintaining excellent customer relationships. They have maintained long-time customers, built new ones, lost several programs to foreign competition and to insourcing and now have some of them back.

But even more was needed. Due to the loss of two significant programs during the fall of 2004, Wright Plastic Products had to reduce overhead costs dramatically. Wright eliminated six staff and management positions in its Sheridan, Mich. location as a cost-savings measure. Sounds pretty ordinary, doesn't it?

But three of the positions eliminated were the three shift supervisors in the plant. The shift supervisors' responsibilities were consolidated into the Director of Operations, the Production Manager and the Process Engineer positions as they

spread out over the three shifts while maintaining their normal duties.

Well, that makes sense. Wright dropped three salaries and continued to cover the same work. Of course, they must have enjoyed some savings. And they did. But what was more impressive was that the savings went well beyond the three salaries. Actual operator productivity improved dramatically, and scrap was reduced.

Some of the improvements seen in the first quarter following the change were:

- ▶ Direct labor variances went from an unfavorable 1.1% of sales to a favorable 1.8%.
- ▶ Excess scrap variance improved from 1.7% of sales to 0.5%.
- ▶ Gross margin more than doubled despite a further 7% volume decline.

So even though the top line was down, Wright generated dramatically higher profit than expected with these improvements.

**So The Savvy CEO asked Bob Luce, CEO of Wright, "How did this happen?"**

"We had anticipated that the managers' superior technical and processing strength would allow them to catch molding

problems earlier and to define process corrections more quickly. In addition, they were able to combine their extensive understanding of issues from overseeing production performance with a now more intensive understanding of those issues from being in the midst of the day-to-day action on the floor – yielding insights about obstacles to improved productivity. With these insights, each shift worked quickly and cooperatively to dramatically change approaches and improve their productivity.

"In hindsight, we realized that our former supervisors' drive to meet production requirements had kept them from focusing heavily on improvement opportunities.

"We are now beginning to see light at the end of the low-volume tunnel with several firm or probable new programs that will come on between late 2005 and mid 2006.

"This is both exciting and daunting. The combination of higher volume and our improved operating effectiveness should yield dramatic financial results.

"However, ramping back up will be full of challenges. The managers doing double

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## What's Right at Wright?

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duty as shift supervisors must be freed to focus on the heavy work load that comes with launching new programs, and it is critical to maintain the new performance focus.

"In anticipation of this transition, we redefined the shift supervisor's job description, created a detailed training program and are piloting it with one provisional supervisor.

"We also will add to our production floor team. Our approach is to bring on new people a few at a time and to mix former employees with new employees, providing extra support to returnees so they recognize how dramatically the production work environment has changed."

**Will there be problems, Bob?** "Of course. One concern is the need to maintain the intense motivation the team has developed during the urgency of low volume as times become better. We intend to build on the

monthly shift communication sessions that focus on each month's performance and update the impact on our gain-sharing.

"I am confident that the culture based on performance visibility and sharing we have worked hard to build will support our efforts to maintain our solid performance momentum."

*Want to know more? Contact Bob Luce at Wright Plastics at 989-291-3211.*

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If I trust you and you're well informed and reasoned, I am obligated to let you make the attempt. The rewards can be spectacular. I've seen real success in steel mills. There was a time in Cleveland when we were shipping no more than 90 truckloads a day, but by trying a new way, now we easily ship 180 truckloads a day.

Today, every employee becomes part of the change, and management must act differently, too. A successful supervisor is not one who knows the most, but the one who brings the best solution to the operations – no matter where the solution comes from.

**"If we allow people to languish in jobs where they aren't successful, we are hurting them and the company."**

Bill Brake, Mittal Steel

### What about your own learning?

It has been an evolutionary process, and I have been fortunate to have had great champions and mentors in my career. I try to learn something positive from everyone. Not all my managers have been excellent, but I believe that if I can find a gold nugget in their behavior, I can learn from it. When I hear criticism about a boss, I often wonder "how would I stack up against the same criticism?" I know I still have plenty to learn.

### What does Mittal Steel do particularly well?

Mittal Steel is particularly good at finding and spreading excellence throughout the organization. There is an expectation that we bring the best answers to our

organization though our worldwide knowledge management exchange. This is a formal program designed to encourage the sharing of good ideas and best practices.

Another major strength is the continued focus on cost efficiencies. We benchmark costs, even in good times, and keep costs under careful management. Our definition of good management is: "Are you managing your business, cash and profitability across the business cycle?"

### What advice would you give someone newly in the leadership role?

Always seek to appreciate what your predecessor did. It is easy to criticize a person's work and downplay his or her contribution. But I always take the time to understand why something was done. What have we accomplished or learned from it? There will be some "gold nuggets" – some clearer insight into the problem. You must search for, collect and utilize those gold nuggets.

You must be able to take risks and do the right things. Of course, it is easier to manage machines and numbers. That is an essential part of our business. However, managing people is even more critical and difficult. It is uncomfortable talking about feelings and criticizing behavior, both yours and other people's.

But, you need to have the courage to talk about the reality of the cultural fabric; the strengths and weaknesses of the organization and then act to improve them.

### The Northeast Ohio region has experienced many business losses over

### the last five years. What do we need to do to revitalize our regional economy?

I am a member of Sustainable Cleveland, where we look at progressive ways to strengthen existing business, attract new business, create jobs and think about the future of the region. We have traditional business leaders who are talking about doing things in very different ways. Existing manufacturers are innovating in everything: human resources, finance, systems, manufacturing, customer service, delivery, supply chain, etc. Sustainable Cleveland is identifying many new businesses and ideas in our region. And, we are united in the effort – we are 'singing from the same hymnal,' presenting a unified message and image of the region to the rest of the world. We want to share a cooperative vision across the region. There are many pockets of great things happening in the area. There are many gold nuggets to be found.

*If you are interested in learning more about Mittal Steel, visit [www.mittalsteel.com](http://www.mittalsteel.com) or call Bill Brake at 330-659-7690.*

**The Savvy CEO** provides the free exchange of ideas and reflection on the art of exceptional management.

**Publisher:** Lee Nielsen, President  
The Nielsen Group

The Savvy CEO is published quarterly by The Nielsen Group, trusted advisors to executives dealing with people challenges. Published quarterly since June 2001, subscriptions are available for \$42 a year.

For more information on submitting articles or subscriptions, contact Lee Nielsen at 440-552-8575 or [lnielsen@thenielsengroup.com](mailto:lnielsen@thenielsengroup.com).

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**The Nielsen Group**

**It's Always About People**

**Creating Success:**

Sam's company was showing excellent results in the last three years, much better than peer group companies. Growth was heady and it seemed like he, and the company, could do no wrong.

**What is going on?**

But Sam was concerned about the aggressive growth plans he and his team had presented to the Board. Even with his previous successes, the results promised were steep. Sam knew he had a solid group of executives for his \$60+ million company, but he wasn't so sure each one could accept the challenges inherent in the larger company.

Incorporating multiple companies into this comfortably successful enterprise was daunting. Adding to Sam's own anxiety were the articles and research he read emphasizing the failure rate of merged/acquired companies. Were he and his company ready to meet this challenge?

**How to Help?**

We needed to assess the organization's talent and prepare the team for the future. First, we met with each executive and discussed his/her career goals. Not surprisingly, we had one executive tell us he was not interested in increasing responsibility. He was a valuable contributor to the company in his current role and wanted to maintain his work level, family responsibilities and civic contributions.

The remaining executives were eager for more challenges and were convinced they were able to meet them.

Next, we reviewed performance reviews, assessments and CEO observations of the executive team. Then, with each executive and the CEO, we created a development plan with additional on-the-job assignments, training and one-on-one coaching.

The coaching included frank discussions about success in each assignment and possible alternative roles. One individual

made the tough decision to pursue his career elsewhere. It was a good decision for him and the company. The remaining executives have increased their contributions to the company and are preparing their own teams for additional responsibilities.

**It's always about people:** It's not just a slogan: it is a deep understanding that organizational growth is achieved only through the people on your team. Clearly defining roles and expectations and supporting people through difficult challenges creates an environment for continued and greater success.

*The Nielsen Group works with growing companies in creating exceptional performance through effective people strategies, dealing with significant people challenges and much more. Contact The Nielsen Group at 440-552-8575 or lnielsen@thenielsengroup.com.*