



# TACKLING WORKFORCE

The answer isn't always "bring on the robots" — three things Firstronic tackled to improve performance

BY PATRICIA E. MOODY

**F**rom Massachusetts, a digital pioneer practiced at growing and then losing large manufacturing businesses, we talked with Michigan's John Sammut, CEO of Firstronic, a survivor and innovator in the U.S. electronics sector who is proving that Made in the USA is not just a bumper sticker. Sammut wants to keep and even grow electronics manufacturing in the U.S. — in fact, he wants to ship Firstronic product into the heart of outsourced territories India, Korea, China and the rest of the Far East. And amazingly, the company is, in fact, doing just that.

Sammut and his team combined 1) specific automation with workforce selection and training innovations, such as the Pre-hiring Assessment Survey, with a trick he learned in grad school



# CHALLENGES

about 2) pruning the customer base, and now, 3) onboarding designed to cut turnover and improve quality.

Despite Firstronic's positive growth and well-honed niche operations, the team has encountered new challenges. Workforce turnover, for one, with a direct correlation to product quality, has tested the company.

We asked CEO Sammut to review the past year. Although Firstronic's pioneering spirit had taken the company far into the electronics business, we wondered what new challenges had appeared on their horizon, and if their performance continued to climb.

"The business has done very, very well this past year," Sammut said. "We grew 35 percent last year, and we're on track

to do 50 percent growth this year. We have reshored a couple more significant programs that were being produced offshore in Mexico and Asia — plus, we're competing with guys who wanted to take business offshore.

"This has been an overall theme for our growth; companies recognize that they don't have to order product from thousands of miles away to be competitive. The numbers are looking good. With 35 percent growth last year, we're up to 175 employees in our Grand Rapids, Michigan, plant, and nearly 300 overall."

## **Customer Rationalization Matrix, building the right customer base**

Sammut used an approach he learned way back in graduate school to assess the customer base. He wanted to

## **FIRSTRONIC PRODUCTS**

**AUTOMOTIVE:** Electronic shifters, seat actuators, LED lighting inside the vehicle, fuel pump controllers, overhead consoles

**MEDICAL:** Patient monitoring systems, medical security in dispensaries

**INDUSTRIAL:** Electronic ignition for lawn maintenance equipment (trimmers, blowers, chainsaws, etc.)

Wistron large-screen TV controllers

Ford, GM, Chrysler, Jaguar, VW and Toro, Stihl Deere



As part of the company's new onboarding process, all new operators are assigned a mentor to provide instruction, coaching and support.

maximize use of their resources, and make sure the company was working with partners that fit. Firstronic developed an innovative approach to strategically managing the customer base.

He explained, "The company does best with the right customer mix. We reduced the customer base to 15, and we continually refine it. If a customer isn't growing at the rate we want, that means we can't have a dedicated customer focus team, so it's time to transition this customer to a smaller regional electronic manufacturing solutions (EMS) provider and reassign the team to larger opportunities. We know that we can achieve more growth with fewer or the same number of customers if we continually review and refine the cus-



Among other products, more than 2 million electronic shifter controllers have been assembled at Firstronic's Grand Rapids plant.

tomor base. Typically, the way many companies manage this is counterproductive — they spend resources on accounts that are not going anywhere. We would, however, prefer to trim the customer base, so that's what we started."

Despite the logic of "hiring the best customer," the Firstronic approach was bound to produce reactions in a mixed customer base. Sometimes customers, particularly sector giants, are unaware of how their supplier policies affect smaller operations. But Sammut had an answer to that as well. "They are quite positive. It's amazing; either they identify that they would like to work with us, and move to us and consolidate, or they recognize we aren't a good fit — revenue, mix, etc., but we will help them find a supplier that is a better fit. We still have some customers that aren't in the top right quadrant of our favorability matrix. Over time, they come to recognize the value in this level of service, and they work with us to broaden the relationship as they consolidate their supply base."

### Hiring the best workers for the best customers

One of the challenges the company had with hiring the right workers was solved by administering the AcuMax test found at [acumaxindex.com](http://acumaxindex.com) to potential hires. One

may take the personality test and learn that although they could work on an assembly line, even with more and more money, a career there wouldn't last. With that test, Firstronic found a screening resource.

### Employee retention

But Sammut mentioned another challenge that, despite the U.S.'s unemployment rate, continues to call for attention: turnover and retention, especially as they relate to ongoing training and quality in manufacturing. "We initially had some challenges with turnover, but our VP of operations, Steve Fraser, and our director of quality, Tony Bellitto, put together an onboarding program that moved the needle. Bellitto knows that to improve quality and reduce turnover, the problem has more to do with the consistency and frequency of interaction, of communication with employees — how often we have reviews, giving regular feedback, setting performance targets, conducting ongoing training with more consistent assessment."

So the management team got to work on retaining the good workers they had hired. Too many were leaving within their first year, driving the turnover rate up, especially on the fourth shift (which includes every Friday and Saturday

night). Management realized that training was timed to deliver an overwhelming blast of information in too short a time. Further, once third- and fourth-shift people were onboard, they found themselves somewhat isolated and had less help and coaching from the people who conducted the training.

Communications, it turned out, was even more important to retaining new workers. HR, training and management worked harder to track and communicate with new employees, and to provide a support network for them as they started out. That required appointing a mentor (who was appropriately compensated for this new, extra responsibility), to make them feel that they were part of the Firstronic team and provide ongoing day-to-day coaching.

Recognizing that on-the-job (OJT) training remained key to onboarding new employees, management clarified appropriate and effective OJT approaches. Further, employees are required to remain on the first shift through their initial two-week training period. OJT was deliberately balanced with appropriate classroom training on safety, kanban, lean and the ERP system. At the end of having successfully completed the onboarding process, new employees are recognized in an all-hands meeting for having completed their training by being outfitted with a new burgundy “graduation” smock (as opposed to the blue “trainee smock” they had been issued at the start).

“We found that the onboarding program reduced our turnover rate from the mid to high 30 percent, which was very frustrating, to our current rate, just under 5 percent. Our team is proud of the world-class onboarding and training program that we have developed. It has not only resulted in significantly reducing the turnover but has also helped us to drastically improve our quality,” stated Bellitto. Firstronic continues to monitor the results of its onboarding process (retention rate



A new assembly operator (left, blue smock) is trained by his mentor.

through the 60-day training cycle), as well as the longer-term turnover rate (employee turnover after fully completing the training and probationary period of 60 days).

“The complete revamping of our onboarding and training processes has resulted in significant improvements in efficiency and production throughput throughout our operations,” said Steve Fraser, Firstronic VP of Operations. “We are now benchmarking at close to world class levels for these metrics and we’re continuing to drive improvements each month.”

### The flywheel effect

Sammut elaborated. “We know that the higher the revenue and capacity utilization we have achieved, the higher the efficiency we’ll see. The result is higher employee production output. Lower employee turnover gets us better quality and better efficiency. Overall, the velocity of production has increased, which means that production standards of throughput per hour per product have increased. It’s the flywheel effect: the faster you go — although it’s hard to turn the wheel the first time — the quicker your volume and speed pick up as we gain more and more momentum.”

### Automation and the customer mix

Sammut shared a special insight into how he looks at selecting the right capital equipment as a competitive advantage, and it’s not all about buying the latest and greatest in robots and automation. In fact, for Firstronic, capital equipment represents an opportunity to get creative.

“What we found on automation,” said Sammut, “is that one of the benefits of being in specialty segments of the EMS industry — not cell phones, not ultra-competitive segments of industry — is that we don’t have to invest in the latest automation and technology every year. We tend to use two generations’ older production equipment. The companies in this industry that focus on ultra high volumes for cell phones and computers, however, need the latest and the greatest every year. But we are in a special niche segment with fewer customers that we can focus our resources on, so we can compete with equipment two to three generations back. So we buy used equipment that we know is still very functional and competitive at a fraction of the original cost.”

Named a “Pioneering Woman in Manufacturing” by Fortune magazine, Patricia E. Moody is a manufacturing management consultant and author.