

Driving innovation through people-centric leadership and enterprise excellence

How Steffes LLC reinvents itself every five years

BY LEA TONKIN

Even when sales are going through the roof, there's a need to be innovative, to develop tomorrow's star products and services. That means nurturing and counting on the bright ideas of *everyone* in the organization, according to Paul Eidenschink, COO at Steffes LLC. The Dickinson, North Dakota-based OEM continues to evolve and thrive, successfully meeting customers' changing requirements. "That's really where the beauty of people-centric leadership (PCL) is—capturing people's hearts and minds for this work," said Eidenschink. He cited three keys in this quest: innovation, a great people-centric leadership culture and enterprise excellence.

Innovation

"A people-centric culture is the foundation that makes innovation possible," Eidenschink said. "We create innovative



COO Paul Eidenschink (at left) discusses the daily build of product at the Dickinson facility, with Beau Johnson, welder III (center), and Michael Wingerter, welder III (at right).

products and processes that revolutionize the industries we serve. If we can't make a product significantly better, then it doesn't fit Steffes. We innovate by first developing deeper business relationships, building trust and understanding the real challenges customers face. Working together, we tap into creativity by creating solutions that help make customers more productive and successful, while answering the changing needs of the industry."

The company's revamped vision statement, rolled out last year, signals this dynamic organization-wide commitment,

according to Todd Mayer, chief product officer. The vision for the company is: *"To inspire and empower people to create innovative product solutions that revolutionize the industry."* This clarifies the Steffes philosophy of maintaining a shared focus on nimbly creating innovative solutions for customers.

"What we're doing today, we're not going to be doing in five years," Mayer said. "Our metrics relate to that. Almost half of the products we made in 2017 were new part numbers, and we are investing two to four percent of sales into R&D projects."



Rae Tah, welder I (at left), and Corrie Hall, production supervisor of weldments, at the Dickinson plant.

“Successful companies are going to be the ones that change quickly. There are lots of companies that can do what we do now, so rapid change is a competitive advantage,” Mayer said.

“We’re creating a sandbox for innovation,” said Paul Steffes, owner and CEO. “We try new things that will help us to reinvent ourselves. To succeed, a new idea needs someone who has a passion for it; it needs the potential to make a profit; and it must be beneficial in a market where we can succeed.”

To that end, Steffes fosters a collaborative leadership style. “We empower people to try things,” he said. “We coach them, allowing them to make mistakes. Many times, as they get deep enough into a design, they solve customer problems. Selling and marketing product is easier when we’re helping our customers to make more money.”

Among the strategies employed at Steffes to support successful innovation: a value stream organizational approach that’s embedded in the culture. “When we listen to the voice of the customer—aiming to really understand their problems—it’s not just marketing, sales and engineering functions involved,” Mayer said. “When a customer comes in, we have a cross-functional group really listening to what they

are saying. We have a team-oriented, non-hierarchical environment. People at all levels feel they can have an influence and that their voices and ideas are heard.” Co-located teams—including manufacturing, purchasing, design and quality—are being implemented as another way to foster collaborative innovations.

People-centric leadership

A people-focused philosophy has deep roots at Steffes. It’s reflected in day-by-day collaborative relationships and work at all levels, according to Katie Harrington, operations manager based at one of the company’s plants in Grand Forks, North Dakota. “I believe that PCL is the only way you can grow as a company,” she said. “It’s being compassionate for people and still setting expectations. There is a need to drive for learning and progress daily, and not being surprised if you learn from new people walking in the door. It gives people purpose, knowing that they made a difference, and that it is being noticed. It’s about having fun—sharing food, and recognizing people when they go above and beyond—sending handwritten notes to people at their home, or a simple ‘thank you.’ Learn daily from people at every level, remain humble and be entrepreneurial.”

People-centric leaders at Steffes make sure they are involved in and understand

what’s going on in all areas of a facility. “Be present. Spend time getting your hands dirty, encouraging engineers and staff to go to the shop floor, helping to make operators’ jobs easier and relieving job frustration,” Harrington said. “Be a role model, disciplined and working hard, and also knowing that if you go on vacation, you’ve empowered people to make decisions.”

She also says Steffes leaders welcome employees’ suggestions for daily improvements and for special projects. For example, employees shared ideas, later implemented, for a breakroom that featured windows to the outside and comfortable places to visit or relax. Multiple weekly meetings between employees at the Dickinson plant and the team at the new Grand Forks facility ensured a smooth launch of the building.

“Share the vision, in almost continuous conversation,” suggested Harrington. “It becomes the norm as you talk one-on-one and in group settings.”

“While engineers make up approximately 15 percent of our workforce, 100 percent of our employees are innovators.”

PAUL EIDENSCHINK, COO, STEFFES LLC

Enterprise excellence

The Steffes vision statement is a people-centric philosophy, manifested in core values of safety, trust, respect, integrity and teamwork. “A company filled with people who are inspired and empowered engages hearts and minds, in addition to hands, to innovate products and processes,” said Paul Eidenschink. “While engineers make up approximately 15 percent of our workforce, 100 percent of our employees are innovators.”

The Steffes commitment to enterprise excellence provides context for such innovation. “Senior leadership

determines the long-term strategy of where we are headed,” Eidenschink said. “We also communicate to the organization why this is important. Then we ask our teams to engage in developing plans for how we can get there.” Steffes uses a hoshin kanri approach to strategy development and deployment, cascading annual goals to the gemba (workplace) action plans designed to achieve overall targets.

Initially using policy deployment documents (x-matrix tools), the company later added detailed action plans for strategy deployment to improve results and increase related accountability for achieving the company’s five-year goals. The action plans, in turn, drive value stream meeting agendas and a portion of the goals set for individual performance evaluations, according to Eidenschink. “Everything aligns; it is visual, and it helps to simplify our goals,” he said.

An action plan, for example, can be to develop a competency that the company doesn’t have, and then to identify related cycle times, processes and the functions that are involved. It also details how lean tools will be used to achieve level build and meet ISO quality levels or other requirements. Each action plan specifies milestones and who owns accountability for progress. “With clear accountability, people take ownership, change it and update it; they are committed to it. We let them choose how to do things,” Eidenschink said.

This approach resulted from a restructuring of the entire strategy deployment process during the past two years, according to Samantha Erhardt, continuous improvement manager. “Before, top management worked on these initiatives, and people implementing them were not as connected,” she said. “Now, a higher percentage of our workforce (32 percent) are working on strategic initiatives such as removing constraints in our value stream. With a supervisor leading that approach, a team can go ahead on improvements. It could be a



Kaizen event participants at Dickinson East, from left to right: Travis Kitzan, production supervisor, skid assemblies Dickinson; Trent Ertman, operations manager, Grand Forks West; and Mantra Sutariya, continuous improvement leader, Dickinson.

small improvement, such as moving a table to a more ergonomic height or a lighting improvement.”

Quick turnover on implementing employees’ improvement ideas sparks innovation for the company, as does the vacation incentive: for every three implemented improvement ideas, an employee gets four hours’ vacation time.

Recognition

Open book management practices—such as regularly sharing company

progress and projections in all-hands quarterly meetings—nurtures employee buy-in and invites their questions and suggestions. Employees learn about potential quarterly and annual bonuses, which are the same amount for every employee, at these gatherings. The company’s voluntary Care Team plans the menu for the potluck get-togethers; they also plan activities such as bowling and the annual holiday party. Thursday popcorn days are particularly popular.

In functional areas, employees’ improvements are posted on boards.

ABOUT STEFFES LLC

Steffes, based in Dickinson, North Dakota, has two additional manufacturing facilities in Grand Forks, North Dakota, as well as inventory yards in Midland, Texas (which is soon to also include an office) and Casper, Wyoming. The company’s product lines include energy storage (thermal storage and grid-interactive electric thermal storage); oil and gas products (flares and gas management,



vessels and skids, oil accessories, energy services); and contract manufacturing. Steffes has 379 employees. Website: www.steffes.com.

During daily work area meetings, supervisors encourage peer-to-peer recognition. “We recognize that anyone can make an impact; it’s in our DNA,” said Eidenschink. Service awards include traveling to one of the Seven Wonders of the World, dinners and even donating \$10,000 to the charities of employee’s choice on their 40th anniversary. When the company achieved \$100 million in sales several years ago, every employee received a \$100 bill, a practice repeated the following year.

“Recognition is also knowing that you’re making a difference daily,” Eidenschink said. “We praise people for home runs, but we are also mindful of people in the trenches collaborating on improvements.” He noted that in annual employee surveys, 93 percent would recommend the company as a place to work for family and friends.

Invest in employees

In a flourishing company—Steffes achieved 440 percent revenue growth since 2007, an 18.35 percent compound annual rate—investing in training and development helps to ensure sustainable progress.

For example, a goal for the coming year is to train all employees on theory of constraints (TOC). During a recent TOC kaizen project, team members including operators and engineers eliminated bottlenecks for pressure vessels going through a sandblasting process.

Also, training in lean concepts, a 12-week program covering 5S, Kanban, etc., and participation in kaizen events strengthen employee skills over time, according to Jesse Zuroff, manufacturing engineering/certified welding instructor.

Zuroff has achieved bronze-level lean certification through company-sponsored training. He’s a champion for two groups that meet weekly to resolve action items, such as maximizing robot utilization and improving the x-ray pass percentage for welds.

STEFFES KPIs

- 440% revenue growth since 2007, an 18.35% compound annual growth rate
- 80% employee retention rate
- 93% employee referral rate
- 0 lost-time incidents in 2016 and 2017
- 48% of revenue in 2017 was from new products or services
- 32% of the workforce is actively involved in a strategic initiative
- 48% of the workforce is actively involved in non-strategic CI activities
- 25% more JIIs (Just Improve It) from 2016 to 2017
- 5% reduction in constraint cycle time

Recently, rapid experiments, evaluation of process variation and development of standard work enabled 98 percent or better x-ray pass rates.

The company assigns the same trainer for a particular task, for more consistent training, Zuroff said.

Training on lean basics enables continuing improvements, said Corey Graff, a production supervisor working toward bronze-level lean certification. He noted a recent success in which A3 problem solving was used to eliminate bottlenecks in the weld and paint line. Countermeasures included purchasing an electrostatic paint gun, creating standard work, retraining a production lead, implementing 100 percent inspection by the lead and investing \$160,000 in a new proportioning unit.

Also, entry-level employees are assigned mentors, who describe expectations for each employee. The company employs Training Within Industry (TWI) practices and cross-trains an increasing percentage of the workforce (including supervisors), boosting flexibility to increase capacity.

Development of an internal university program is in the works, as well as recruiting more lean champions in work cells. “The biggest thing is our culture change,” said Graff. “More employees are taking the initiative for

continuous improvement, and we are making sure that everyone is trained on all jobs, to improve quality, etc.”

What’s next

Steffes has successfully reinvented itself through the surges and swings of the oil and gas industry, emerging opportunities in energy storage and other challenges. Diversification will continue, predicted Steffes. “Now, with the Internet of Things (IoT) and micro-processor advances, we need all of our systems to communicate, to solve problems,” he said.

Taking a cue from the book “The Balance Point: New Ways Business Owners Can Use Boards,” by Larry Hause and Cary Tutelman, Steffes also looks to the “balancing board” as a means to meet future business challenges. A balancing board, which includes a majority of non-business owners and non-managers, evaluates management’s strategic plans. After considering what the business needs to meet the business owners’ plans, the balancing board accepts or rejects management’s plan, possibly asking for modifications. “We are in the second year of this,” Steffes said. “We feel that is critical to long term success—setting up the company as a future state, a self-healing approach.” ●

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