



CNY Business Exchange Article

© 2012 The Post-Standard.
All rights reserved. Used with
permission of The Post-Standard.

CRUCIBLE'S HOT IDEA

Inside the melt shop at
Crucible Industries, Pete Atkins
prepares molds that will be
used for pouring steel.

By Jeanne Albanese
Photos By Gary Waits

HOW A CULTURE CHANGE HELPED
THE STEELMAKER EMERGE FROM
BANKRUPTCY WITH A NEW FOCUS

After a quarter-century of working at the Crucible steel mill in Geddes, Sylvia DeLee finally has a voice. DeLee, a steelworker, noticed problems with two saws she operates. The controls on one were too far away from the cutting area, making it difficult for her to see what she was cutting and causing a tangle of hoses to cross the floor. She showed her supervisor how it could be fixed. Now, the controls are mounted to the front of the saw and the hoses run behind.

DeLee also initiated changes on another saw that allowed workers to reach steel bars without bending and straining their backs.

All of the changes make the jobs easier and safer.

Just a few years ago — under the old ownership of Crucible — that never would have happened. No one would have asked for DeLee's opinion in the first place.

"Someone's listening," DeLee says. "Before, they weren't. That makes me feel great."

DeLee is one of 296 employees working at the new Crucible, now called Crucible Industries LLC, after it was purchased out of bankruptcy for \$8 million by JP Industries of Cleveland. Crucible Materials Corp., the former parent company of the local mill, filed for bankruptcy in May 2009, citing decreased demand, due to the downturn of the auto industry, and an inability to pay \$70 million in debt.

The company's assets were broken up and the local plant emerged in October 2009 with new owners, a new name, a new product focus and a new attitude. The plant has undergone a sweeping culture change that tore down barriers between union and management and softened once-contentious relationships into ones that encourage communication, cooperation and collaboration. It includes investing in

capital improvements, employee training and random niceties. It stresses hearing everyone's opinion and drawing on the knowledge of the workforce. All these things happened rarely — or never — in the old company. "I am very insistent that we have to treat each other as equal human beings," says company President Jim Beckman, who was the corporate vice president of Crucible Materials Corp. "We may not be equal in our jobs, but we are equal human beings in terms of listening to each other and treating each other with respect and dignity."

Back to profit

The culture change, along with a new product focus, has led Crucible back

▲ Above, Sylvia DeLee, of Syracuse, changes a cutting wheel on a steel saw inside Crucible Industries. Under the company's new ownership, DeLee found that management listened to her ideas on improving the work flow.

▶ At right, DeLee at the controls.

into the global steel market, where it quickly re-established itself as a top provider of Crucible Particle Metallurgy and specialized stainless steel. The new company became profitable during the first half of 2010, according to Beckman. That's less than a year into production. "That's remarkable given the economic conditions and in a startup (com-

pany)," says Mike Shay, an organizational development consultant with Praxair Consulting Group in Philadelphia.

Beckman believes Crucible's success wouldn't have come so quickly without the culture change. Shay, who has led Crucible through these changes, says the company might have been successful in the short term without them, but not in the long term.

Crucible's return boils down to trust: Re-establishing trust between employees and management, and earning back the customer's trust, both badly bruised by bankruptcy. Shay says Crucible did that with customers by starting slowly and living up to its word. Two years in, the company has even turned away work in order to keep a sustainable production level. Crucible's prior reputation for quality products and customer service also helped.

"The customers were hoping they would come back because of the long relationships they had with the old Crucible," Shay says. "It was one of those approach-avoidance situations. I am mad at you; I'd really like you to come back to me."

Shay says steel mills around the country are working at the same internal changes, but none had as far to go as Crucible. Crucible's storied history, which dates to 1876 in Syracuse, has been filled with technological innovations but also marred by work stoppages, strikes and layoffs. Around the time of the bankruptcy, a federal agency had to rescue Crucible's underfunded pension plans. The company was also fined \$249,000 for 71 violations of federal safety and health standards after the death of a worker in January 2009. (All violations were corrected and fines paid by the old company.)

"I don't think anyone's done it in an environment that was as filled with conflict and hostility and distrust as the old Crucible was," Shay says. ▶





Jim Beckman, company president, with a load of the scrap metal that Crucible recycles into steel ingots. Crucible emerged from bankruptcy in 2009 and became profitable in 2010.

A culture change

The steps to repair the relationships within Crucible's 66-acre complex have been both large and small.

Company cars and reserved parking for management were eliminated. The employee locker room was remodeled. Offices were painted. A chainlink fence rimmed with barbed wire was replaced with a composite fence and trees.

Employees are treated to health fairs and healthy lunches. When they leave for a doctor's appointment now, they're allowed to make up the time.

Beckman once treated everyone to \$25 gift cards from Wegmans and Target for Thanksgiving and Christmas. Now, employees hold a holiday

food drive and compete to see which group can bring in the most food.

They held a family tour of the plant and have companywide clambakes.

"The message I am trying to be consistent in sending is that you are an important person," Beckman says.

The changes, insisted upon by both the new owners and Beckman, make good business sense, Beckman says, but they're also the right thing to do. Workers, who just two years ago felt angry and betrayed, appreciate it.

"I'm happy to see that there are a lot of smiling faces around here," says Al Marshall, president of United Steelworkers Local 1277 and a 38-year veteran of Crucible. "Quite naturally you're not going to satisfy everybody.

... This company is trying awful, awful, awful hard to make people trust."

In the old company, shop floor workers couldn't access the building that housed management offices. Laborers didn't know managers' names. Now, everyone's security card allows access into those offices and Beckman welcomes all.

"You've got guys like myself here with 35, 40 years of experience and there's a lot of knowledge," says Carmen Vecchio, 57, a maintenance technician. "They've started to use that knowledge rather than say 'We'll manage the company, you run the machine.'"

Above all, Beckman has promised no layoffs. In the past, departments might be laid off for a week at a time, but now employees share work and

follow the steel throughout the plant so there's always work to do. DeLee used to run a furnace. Now she does eight jobs. Beckman might spend one day doing sales and marketing and another day helping in the metallurgy department.

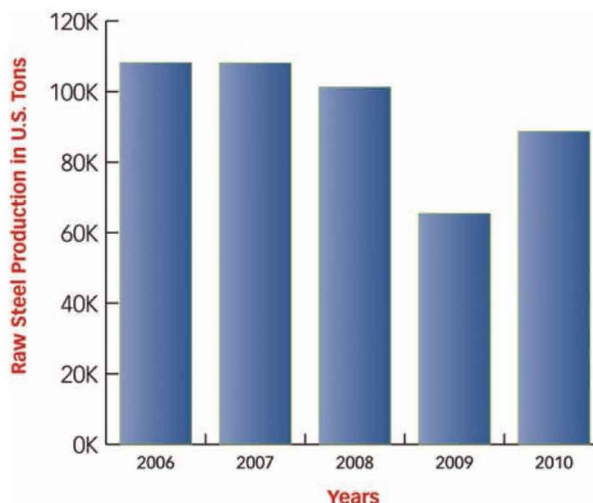
Beckman holds training sessions and meets with employees regularly. He estimates the company has spent more on training in the past two years than the old company did in 10. Workers now understand things like what's in the steel, where it goes, what customers use it for.

Small orders a specialty

With a workforce of 296, compared with about 700 at the time of the bankruptcy filing, Crucible's business model has changed. It no longer pumps out automotive valve steel, a high-volume product with a low profit margin. Instead, the company focuses on Crucible Particle Metallurgy and stainless steel. CPM is an especially hard steel that is used to make cutting tools. Crucible's specialized stainless steel is used in energy, aerospace and power-generation markets. Crucible fills a niche in the market-

REBOUNDED FROM A DOWNTURN

Crucible Materials Corp. filed for bankruptcy in 2009 after taking a serious hit in the economic recession, while the United States' steel industry overall suffered a decline in production. Crucible Industries LLC emerged from bankruptcy and became profitable in 2010, as the industry rebounded but still fell short of previous levels of production.



Source: American Iron and Steel Institute



Eco-Friendly Cleaning At Competitive Prices

Brophy Services, CNY's largest locally owned and operated commercial janitorial company, wants to add you to our more than 100 satisfied customers.

And we use our own private label Eco-Logo certified green cleaning products.

We deliver:

- Cost Savings
- Custom Cleaning Packages
- Volume purchasing and discounts
- One phone call access



Call Eileen Brophy for an estimate today: 434-9676

See how our 'Green' approach saves you dollars and helps our environment.

Brophy Services Inc.

Facilities Maintenance • Janitorial Services

434-9676 | www.brophyservices.com
Syracuse • Oswego • Utica



▲ During a break in the action at Crucible, company President Jim Beckman has a chat with Sylvia DeLee, one of 296 workers employed at the plant.



▲ Inside the melt shop, Jim Beckman checks in with operators Tom Burkard, center, and Sean Mastine, right. Crucible no longer produces valve steel for the automotive industry but has regular customers for its specialty steel.



▲ Jim Beckman stands with some of the steel ingots produced from recycled scrap metal.

place by producing small orders that are too difficult for larger, fully automated mills.

Crucible's former top competitor is now its biggest customer. Dave Murray, senior vice president and general manager of Latrobe Distribution, a division of LaTrobe Specialty Steel, says his company was distributing other particle metallurgy. When Crucible returned, Latrobe wanted the CPM, the best-known brand in the industry.

"They've done a really good job working with us," Murray says. "I would say our relationship with Crucible is stronger than any other mill we deal with right now."

While the new Crucible has made great strides internally, there's still some conflict, but Shay says it is handled better. Marshall says he hears far fewer grievances now.

From the outset, JP Industries sent the message that it cared about employees by restoring a pay cut that another buyer would have enforced on their five-year contract. A transitional agreement stated that all hires for the first two years would be former Crucible workers, though there are no current plans to expand the workforce.

"They had an understanding and a feel and a respect for the workers that's highly unusual in a buyout firm," Shay says.

The new contract did eliminate cash incentives based on production. That means many employees make less money, but they're still working just as hard — or harder.

"These guys are pretty business-minded and know we have to produce steel in order to keep food on the table," says Chris Nalle, an operations supervisor. "They'll stick together and do what they have to do."

Owner Jack Jankovic credits the workforce with the company's success.

"Everyone was very motivated to make the company a success and bring back the jobs, from the management team to the union employees," he says. "It has been a collective and collaborative effort and it's working."

While investment firms often purchase struggling companies in order to flip them in a few years, Beckman says JP Industries has no plans to sell, and the company celebrated its second anniversary in October. Marshall, 61, says that when he was young, old-timers told him Crucible wouldn't last. Now he tells the young workers just the opposite.

"We made it for two years and I think they're going to make it for 200 more years. I think these people really care," he says. "I'm going to die, go to hell, come back and get another job at Crucible." **ES**



▲ A view of workers inside the Crucible plant. The company has operated in the Syracuse area since 1876.

LONG HISTORY IN STEEL

Crucible has been on the cutting edge of steel production almost since its origins. In 1883, the Sanderson Bros. Steel Co. in England built a new gas-fired crucible melting furnace, thus inventing the crucible method of producing tool-quality steel. Sanderson established itself in Syracuse in 1876 and later became known as Crucible.

In 1906, the company produced the first electric-arc melting furnace. A year later, it patented its first product at the local plant, Crucible Rex AA steel, the first tool steel to include vanadium.

The company later expanded to include several plants around the country. Throughout its history, the Crucible company has produced more than 1,000 patents, and at one time it owned more than 70 percent of all patents issued in the entire history of tool steel production, according to company literature. It also held many patents for stainless steel, automotive valve steels, titanium alloys, superalloys and rare-earth magnetic materials.

Crucible was the first company to develop powder metallurgy tool steels, produced by the patented Crucible Particle Metallurgy process. It also patented a titanium gas atomizer.

The new Crucible company still owns about 17 U.S. patents and 39 foreign patents, according to company President Jim Beckman. It also has about five new trademarks pending registration, in addition to about 50 once held by the old company.

For example, the acronym CPM is trademark-protected and owned by Crucible, Beckman says. Certain CPM alloys are patented and cannot be made by anyone else but Crucible. A good example is CPM S90V, which is trademark-protected. The alloy (or steel type) CPM S90V is also patented and can be made only in Syracuse.

Some other cool stuff that's come out of the local steel mill includes corrosive-resistant steel bars donated to the Statue of Liberty's renovation project to help form the statue's new ribs in 1984, and titanium used in the artificial heart implanted by Dr. Robert Jarvik, also in 1984. In 1994, the company made two sets of bobsled runners, made from CPM, for the Will Bobsled Racing Team to use in the Winter Olympics in Lillehammer, Norway.

Source: Crucible company brochure