



# 2007 Award Recipient

## PRO-TEC Coating Company

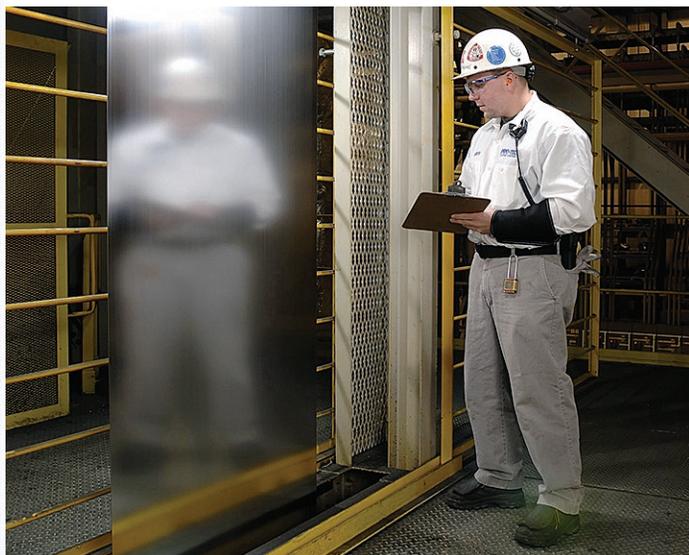
Established in 1990 as a joint venture between United States Steel Corporation and Kobe Steel Ltd. of Japan, PRO-TEC Coating Company provides coated sheet steel primarily to the U.S. automotive industry for use in manufacturing cars, trucks, and sport utility vehicles. PRO-TEC's 236 employees, called Associates, work in a state-of-the-art 730,000-square-foot facility that is surrounded by corn and soybean fields, in the small rural town of Leipsic, Ohio. The location was chosen for its access to Midwestern steel markets, its connection to rail and motor transportation, and its proximity to U.S. Steel's production facilities in Indiana and Pennsylvania.

## A Blend of Cultures

With its heritage from U.S. Steel and Kobe Steel, PRO-TEC has developed its own unique culture centered around three fundamental concepts—ownership, responsibility, and accountability. From the beginning, the company incorporated numerous best-management practices, including lean manufacturing and continuous improvement, and relied on a well-trained, self-directed, empowered workforce to help the company become an industry leader. Its mission statement, "To foster human potential, a spirit of cooperation, and technical innovation for the betterment of our industry, Associates and our community," further defines its culture. The statement appears on company business cards and is displayed prominently throughout the PRO-TEC facility.

Since its inception, PRO-TEC's success has been driven by its vision:

- **BE** totally committed to personal safety and wellness, consistently profitable, and recognized as the industry technology leader in both product and process;



## What is the Malcolm Baldrige National Quality Award?

Named after the 26th Secretary of Commerce, the Malcolm Baldrige National Quality Award was established by Congress in 1987 to promote excellence in organizational performance, recognize the achievements and results of U.S. organizations, and publicize successful performance strategies. For more information, see <http://baldrige.nist.gov>.

## Baldrige 20th Anniversary Highlight: The Criteria

The Baldrige Criteria for Performance Excellence have played a valuable role in helping U.S. organizations improve. The Criteria are designed to help organizations improve their performance by focusing on three goals: delivering ever improving value to customers and stakeholders, improving the organization's overall effectiveness, and organizational and personal learning.

Several million copies of the Criteria have been distributed since 1988, and wide-scale reproduction by organizations and electronic access add to that number significantly.

Gordon Black, former chairman and chief executive officer of Harris/Black International Ltd. (now Harris Interactive Inc.), says the publication containing the Baldrige Criteria for Performance Excellence is "probably the single most influential document in the modern history of American business."

- **DO** maintain high standards for community, citizenship, and service; provide on-time delivery with world-class quality; and develop/maintain world-class facility/business systems;
- **HAVE** a highly skilled, engaged workforce committed to ongoing performance excellence; optimal utilization of production capacity/capability; and valuable vendor/supplier relationships.

## An Industry Leader

PRO-TEC has succeeded largely by focusing on its process for developing advanced high-strength steels that inhibit corrosion and help to improve a vehicle's crash performance and fuel economy.

- PRO-TEC is the industry leader in advanced high-strength steel coating and ultrahigh-strength steel coating, supplying about 15 percent of all hot-dipped galvanized steel to the automotive market.

- PRO-TEC produces in excess of design capacity in a 24/7 operation.
- PRO-TEC has been profitable for the past 12 years; sales reached \$846 million in 2006.
- Systems reliability is critical to PRO-TEC. The company has developed a stringent preventative maintenance program that includes routine scheduled outages and having critical spare parts on-site. Since 2002, PRO-TEC has led the industry by operating 98 percent of the time.
- From 2002 through 2006, PRO-TEC produced no less than 85 percent of the U.S. advanced high-strength steel supply.
- Revenue per associate has continuously improved and demonstrates industry leadership at approximately \$4 million per associate, nearly four times the *Industry Week* 90th percentile benchmark of slightly more than \$1 million per associate.
- In a capital-intensive industry, its return on assets, a measure of long-term viability, has had a sustained upward trend since 2002.
- PRO-TEC consistently achieves the quality expectations of its customers by delivering products with a defect rate of less than 0.12 percent.
- In a 2005 and 2006 survey—covering product quality, on-time delivery, service, product development, and overall—PRO-TEC scored better than its competition in all categories.

## Associates Are Leaders

PRO-TEC's Associates work in self-directed teams and are empowered, innovative leaders who fix problems as they are identified and use a continuous improvement process called "I-to-I" to Initiate and Implement process and product improvements. New Associates go through three weeks of orientation and training, followed by six months of mentoring.

The company's commitment to Associate quality of life through safety, education and training, and an above-average compensation and "cafeteria-style" benefits package reflects the value PRO-TEC places on attracting and retaining its workforce.

- PRO-TEC is committed to lifelong learning for its Associates. Employees are given time-off to attend classes and reimbursed 100 percent for tuition and costs of books.
- All Associates are salaried and participate in a profit-sharing plan that has provided an average payout of approximately 15 percent of annual base pay.
- Associate feedback is solicited by a variety of means—surveys, management "walk-arounds," open-door policies, team meetings, and "Breakfast with Paul" (informal meetings with PRO-TEC president Paul Worstell).
- A 2006 survey found that Associates give a high rating to quality of life, customer service, system reliability, and good citizenship.
- Associates also agreed or strongly agreed with the following statements: "The people I work with cooperate and work as a team," "I know what is expected of me at work," "I am supported when responding to customers' questions or problems," and "I am satisfied with my job."

- PRO-TEC has a turnover rate of less than 2 percent and has never had a layoff.
- With the exception of a few specialized positions, for the past five years, all PRO-TEC promotions have been from within the company.

## Top Priorities: Safety, Community

In a manufacturing environment that poses potential hazards, PRO-TEC's facility was designed with safety, health, and security in mind, along with minimizing environmental impacts. During an emergency, PRO-TEC's hierarchy of priorities are to first, preserve human life and the safety of Associates, responders, and the public; second, minimize impact to the environment; and, third, minimize property damage and disruption of operations.

- PRO-TEC has developed comprehensive procedures to prepare for and respond to emergencies such as fires, explosions, natural disasters, and the release of hazardous materials.
- Associates participate in ongoing safety initiatives, which establish safety rules and procedures, requirements for personal protection and emergency response equipment, and safety training.
- Senior leaders and others have been trained on incident command, and PRO-TEC has a staff of 31 emergency medical technicians on-site to respond to emergencies.
- Since 2004, PRO-TEC has shown a 1.65 recordable injury frequency or below per 200,000 man-hours.

PRO-TEC goes above and beyond just complying with environmental regulations. For example, the company has implemented voluntary environmental management standards developed by the International Organization for Standardization and has been recognized by the U.S. Environmental Protection Agency and the U.S. Occupational Safety and Health Administration for its environmental and workplace safety efforts. No other steel processing plant is known to have earned both recognitions at the same time. An initiative to recycle and reuse water meets 46 percent of PRO-TEC's process water needs.

PRO-TEC leaders and Associates support local communities in a number of ways, such as:

- Serving on boards and committees of organizations such as the United Way and the Business Advisory Council, which brings businesses, schools, and community leaders together.
- Annually presenting a \$20,000 college scholarship to a graduate of Leipsic High School.
- Providing a monetary donation, food, equipment, and labor to help local communities recover from a devastating flood in 2007.

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