



“ Employees should not have to ask supervisors what to do or if their product is good enough, they should know. It is our job as management to establish the culture and work conditions to allow for this. We changed our management practices – starting first with me. We increased our expectations for all employees, taught them how the business worked, and instituted a strong mix of cross training, team building and performance incentives. This, above all else, accounts for our successful turnaround. ”

– Kurt Bell, CEO

# HUI Manufacturing

Ready and Able to Compete in the 21st Century

HUI, located in the small town of Kiel, Wisconsin, is a 75 year old sheet metal fabricator specializing in design, engineering and assembly. The metal industry has experienced tremendous challenges in the last decade from globalization, commoditization and rising material costs. To survive, this old line manufacturer has successfully evolved, transforming itself into an innovative, progressive company ready to compete in the 21st century.

In 2000, its new leaders, Kurt Bell, CEO and President Dan Ruedinger led the revival by instituting lean manufacturing principles, investing in computerized equipment and transitioning a formerly -siloe

The transformation that took place over the last 10 years had major implications for HUI, demanding a re-engineering of their work processes, mastering computerized machinery, and increasing the capacity of its workforce.

HUI now operates a highly structured environment driven by nearly a dozen teams, half manage the "front end" administration and the rest reside in production. The walls have literally come down at the

## HUI Manufacturing Kiel, WI

- Founded 1933
- Sheet metal fabricator
- Privately-held firm
- 90 full time employees
- 2009 Revenues: \$14 million
- Average tenure of employees: 8 years
- Average turnover for last 3 years: 18%
- 2008 Finalist for Top Small Workplaces as awarded by Winning Workplaces and *The Wall Street Journal*

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workforce into one that is team-based and highly cross-functional. This allowed them to shift from high volume manufacturing to low volume, highly engineered products for customers that value their unique expertise. They now serve a variety of industries, including healthcare and industrial applications. These efforts led to a 50% revenue increase from 2003-2008 as margin and productivity rose steadily. In seven out of the

last 10 years, HUI has been profitable, having met or exceeded its sales and revenue targets. And, while 2009 was a slow year, 2010 looks very promising as production orders are up substantially, they are back in hiring mode and are on track to have a banner year with 8% net income increase.

company, emphasizing its transparency. Every employee participates on at least one team, cooperation is emphasized and status associated with titles de-emphasized.

All teams rotate members and leaders and have a great deal of autonomy and authority. They are responsible for meeting production, quality and revenue targets, giving

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## Raising the Bar...

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one another performance reviews, and can even hire and fire their own members – a practice that leads to greater accountability and in the entire team being more invested in the new hires. The HUI CEO and President basically function as the “head coaches” brought in by the teams for advice, when needed.

The bulk of the hourly workforce, and the focus of this report, work in production jobs welding, operating machines, painting, inspecting quality, and shipping. The average age of the production workforce is 30 years old; average tenure is around eight years. Entry-level wage for hourly production employees is \$11.50; salaries range from \$23,000 to \$40,000 annually.

When hiring, HUI looks first for a strong cultural fit, then a high school diploma or GED, problem solving abilities, and team orientation. They are less focused on specific technical capabilities.

*“What we need in our people now is much different than in the past,”* explains Nick Rolf of Human



Resources. *“We are not looking for people that just want to sit at a machine and pump out production. We want them to aspire to different things. We need men and women that have a fresh set of ideas, willing to take risks and try new things.”*

From the start, new recruits are exposed to a variety of experiences involving the design and manufacturability of products, including:

- Mastering various machinery and equipment
- Taking a corrective action to solve a problem
- Implementing a Lean or Kaizen principle
- Working on a repair or quality issue in the field
- Interacting with customers
- Updating, modifying, and documenting a Standard Work Procedure

It can be a tall order to find this kind of new recruit, but HUI has steadily gained a reputation in the region as an employer that is fair, pays competitively and invests in its people. Consequently, they tend to attract people that take pride in their trade and want to tackle new challenges.

***“HUI is a company with few job titles and those that get caught up in job titles will not make it in this company.”***

***– Mike, Cell Coach***

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## Grooming Employees To Take Charge

Leaders at HUI are passionate in their belief that all employees must continue to learn and grow, and that this benefits both the business and the individual. Philosophically, they believe that it is the responsibility of the employer to provide meaningful development opportunities, and it is up to the employee to take advantage of the learning.

All production employees develop, in partnership with managers and Human Resources, a multi-year training plan with performance goals. To help these employees meet their goals, HUI offers a robust mix of internal and external learning opportunities.

### Internal Development

#### Cross Training:

Having a lean, agile workforce able to function fast and seamlessly is what many firms aspire to, but it is easier said than done. HUI comes very close. In the early 2000s, as the company struggled to re-invent itself, it enacted a disciplined cross training program involving its core competencies – Lazing, Forming, Turret Punching and Welding. Employees were expected to gain one new competency each year or they ran the risk of being terminated. It took a few years to shift the culture and employees' hearts and minds. For a few, it was too much of a change so they left voluntarily. Today HUI has come far in achieving a flexible workplace where employees are cross trained, the work flows faster and more efficiently. Employees have two levels to master on each piece of equipment: once Level B is mastered, they gain an additional \$1.00/hour; mastering Level A brings \$.60 more an hour. The ultimate goal is to have people attain a minimum of three Level B competencies annually.

#### Group Dynamics Training:

While technical proficiencies are essential, most HUI staff would acknowledge that it is the interpersonal and team training that really accounts for their success. *"Everything in the plant can be taught. We can take*



*most people and put them through an 8-10 week training to teach them the equipment, but quite honestly I can't change who they are as people,"* says Nick Rolf, Human Resources Manager. All employees participate in a series of Group Dynamics trainings, conducted onsite, facilitated by internal staff and incorporating hands-on exercises to help employees practice the concepts. Upon completion, employees learn:

- What differentiates a high performing team from a dysfunctional one
- How fear of separation can drive individual behavior in a group
- How to lead by facilitating frank, honest discussions
- How to give honest, constructive feedback
- Why teams go into spells of unproductive non-work modes.
- How to put a team in the position to be accountable.

#### HUI University:

Offers a series of on-site trainings, taught by internal staff, to develop core business skills including: Problem-Solving, Lean Manufacturing, Set-Up Reduction, and Standard Work Procedures. In addition, there are frequent one-on-one sessions with supervisors who coach on how to present in front of groups and effective leadership skills.

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## Grooming Employees...

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### Understanding HUI's

#### Finances & Measures:

For employees to be empowered and operate more autonomously requires that they have a deep understanding of what drives costs. HUI has been practicing open-book management for the last several years where Human Resources and supervisors sit down with all employees to simplify financial concepts and to help them understand income statements, expenses, net income, throughput, and material costs, etc.

### External Development

HUI provides a variety of opportunities to help employees pursue advanced degrees and credentials. At any given time, approximately 20-25% of HUI's employees are engaged in some kind of outside degree program or external training.

**"Internally we realized that we had to make every effort possible to leverage our greatest resource, the people, and culture of HUI."  
- Kurt Bell, CEO**

### Onsite Manufacturing Management Associate Degree:

In 2005, HUI partnered with their local community college to bring onsite an associate degree in Manufacturing Management. The program, open to employees from other manufacturing firms, covers topics involving: Supervision, Human Relations, and Modern Manufacturing Practices. Employees attend classes two days a week. Out

of the current 2010 class of 15, six are HUI employees which are expected to complete in 2012.

#### Degree and Certificate Programs:

For employees interested in obtaining approved degree and certificates, HUI will reimburse 100% of the tuition costs. Typical degrees pursued by employees include Operation Management, Business, and Engineering degrees. HUI is especially interested in production employees pursuing engineering degrees. Out of the last four engineers hired at HUI, all have come from production.

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## Success Story



Three years ago, Megan was 20 years old, a cashier at Fleet Farm, and unsure what to do with her life after high school. She heard about HUI from an uncle and was hired starting out on the Paint Line. She was promoted to Paint Line Coach, responsible for the daily work scheduling and meeting planning. *"It felt good to be promoted after one year and make more money than when I started," she says. "I wasn't sure I could do it. It is a lot of responsibility, but I like it."*

Last year, Megan was approached by a supervisor with a flyer promoting the onsite Manufacturing Associate degree program. She had not really thought about it, but he encouraged her to consider it

believing she would learn a great deal. *"I wasn't really ready for college after high school, I was tired of school. I am glad I took a break, now I really want to learn more and make more of an effort."*

Megan believes HUI is different because they continue to promote employee learning and development. *"They want us to be accountable for our actions and our team's actions," she says, "Not everyone can do it, some people are afraid to speak up and think outside the box. I learned how to speak up instead of keeping everything inside and being mad. This makes for a better work environment and even for a better relationship with my fiancé!"*

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## Retention and Career Progression

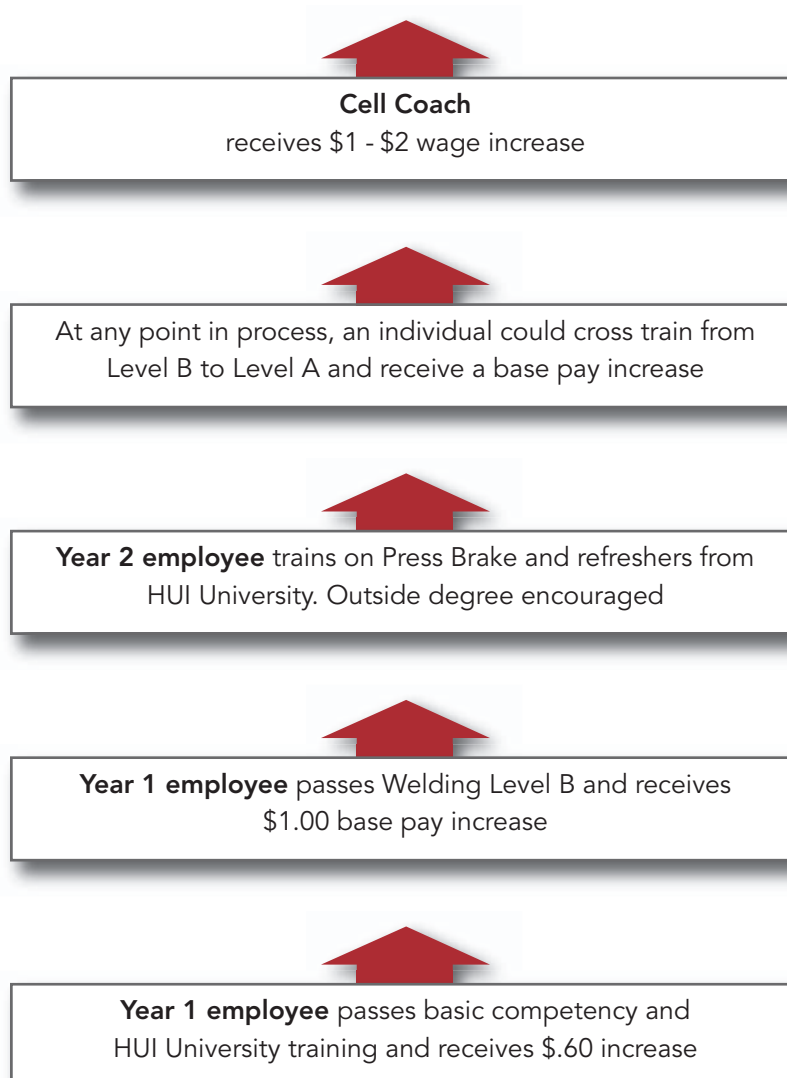
There are three primary ways HUI retains and grows talented production employees:

- a. by training in core manufacturing skills
- b. building capacity in different functions such Quality Control, Customer Service, or Sales
- c. advancing to another level in production by becoming a Coach, Quality Point Person, or Lean Point Person

Each production team has one Coach, one Lean Point and one Quality Point. These positions are considered leadership positions in production.

Each position is a one year commitment; after one year HUI posts the job and allows the current leaders and others to reapply. The role of Coach focuses on overall metrics, moves people around to meet goals, assesses team members for training needs, and organizes meetings. The Lean Point Person focuses on continuous improvement by implementing modern manufacturing processes, and the Quality Point addresses quality issues and enacts corrective action measures.

While there are numerous ways to advance, below provides one typical scenario.



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## Benefits At A Glance

Along with the extensive employee learning and development, HUI provides a comprehensive package of benefits that help to retain employees

- **Health Insurance:** 75% employee premium paid by employer
- **Health Insurance:** 75% dependent premium paid by employer
- **Dental Insurance**
- **Vision Insurance**
- **Employee Assistance Program**
- **Life Insurance**
- **Long and Short Term Disability**
- **401K**
- **Pre-tax spending benefits**
- **Paid Time Off:** 4 vacation days, 4 sick days, and 9 holidays - Employees can purchase an extra 40 hours through a purchase plan
- **Tuition reimbursement:** 100% paid for pre-approved degrees and certifications
- **Onsite fitness center**
- **Health screenings for all employees and spouses**
- **Interest-free personal loans in times of need**
- **Interest free computer purchase loan program up to \$2000**



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## Lessons Learned: If You Build It, They May Not Come

HUI is in a much different place than a few short years ago, but there have been many bumps along the way. At first, its leadership assumed that once they communicated the reasons behind the organizational changes and made available a variety of development opportunities, employees would step up enthusiastically to take advantage of them.

But things did not go as planned. Employees were not stepping up. *"We made a lot of assumptions back in the day,"* says Nick Rolf of Human Resources. *"We wondered why employees weren't grabbing on to all the good opportunities that we really believed could help them and the company."*

The epiphany came in 2006 when Kurt Bell, current HUI CEO, was taking a tour at another manufacturer – a company that appeared to have a very engaged and autonomous workforce. The owner had a simple philosophy: If you want employees to act like adults, you

have to treat them like adults. Employees should not have to ask supervisors what to do or if their product is good enough, they should know. Management's job is to establish the culture and work conditions to allow for this.

Kurt took a hard, honest look at HUI's environment and saw that they had work to do. Employees needed to take more responsibility for themselves, their daily work, and their careers. This philosophy made intuitive sense as it was so well aligned with the lean manufacturing principles already incorporated into the work environment.

*"I knew for real change to occur, I had to go first. I knew people would not go to any place that I did not go first. I stopped trying to fix people and recognized in the end many things in the environment are*

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## Success Story



Mike, 22 years old, is a Cell Coach on 3rd shift. He started at the company two years ago as a general laborer on the floor operating the laser and braking machines. Because he showed promise and initiative, he was promoted to Quality Point Person after six months and then to Cell Coach after another six months; in the past two years, his salary has increased nearly 60%.

Throughout his tenure at HUI, with tuition assistance from the company, Mike has been going to school full time working on an Associate Degree in Mechanical Engineering. He is scheduled to graduate in 2010. He believes that having the hands-on machine experience in a real manufac-

turing environment has given him a real advantage in his classes. Down the road, he plans to continue his education pursuing a bachelor's in Engineering.

In addition to the mechanical training, Mike credits the personal contact and mentoring with supervisors, coaches, and team members in helping him to grow. *"Working with teams and the small weekly huddles really helped me build my leadership skills. The supervisors are great role models and very knowledgeable. We really learned how to deal with conflict in a productive manner, how to speak in front of groups, and deal with the real issues. Most people have a fear of addressing the tough issues."*



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## Lessons Learned... *continued from page 8*

*shaped by my own doing,"* says Kurt. This meant less micro-managing and "telling," more showing and allowing employees to do it themselves. Instead of Kurt giving an employee his or her performance review, it became the CEO and the employee evaluating each other, leading to team members being able to constructively give each other feedback.

Most importantly, HUI's leaders got serious about teaching employees how the business worked by sharing the financial measures that mattered and explaining how employees' behavior impacted its bottom line. *"It's like a football game,"* says Kurt. *"If all the line markers were down, you didn't know any of the rules, and the score board was turned off, would you really have an interest in the game?"*

Once employees understood how the business worked and had an authentic stake in the outcome through bonuses, its leaders had to overcome another hurdle – to create an environment without fear where employees speak up, take risks and admit, for example, when they do not understand how to read an income statement.

Kurt started having more honest conversations with managers and employees explaining the rationale behind his decisions. He spoke of his mistakes, weaknesses, and his realization that, at times, he was the one blocking progress and had to get out of the way. In short, he became more of a coach. Middle managers slowly began to take on this role, leading more, managing less, and modeling the kind of behavior they expected from employees.

Eventually, after a few years of leading the organization through its changes, Kurt saw that it was time to turn over the role of president to an internal manager. While Kurt is still deeply involved, Dan Ruedinger now plays a more active role in its operation. Dan's leadership, extraordinary patience, and willingness to give the teams even more autonomy may well be what is needed as HUI heads into the future.

**"I knew for real change to occur, I had to go first. I knew people would not go to any place that I did not go first."**

**– Kurt Bell, CEO**



## Conclusion

While HUI has transformed itself, the journey is far from over. Ahead lay many more uncertainties and hurdles for this small manufacturer. But what is certain is that this small but mighty Wisconsin manufacturer is doing many things right. Revenue continues to grow, new markets are being developed, they are on course to have a banner year in 2010 and its trained, highly agile workforce is more productive than ever.



**[www.WinningWorkplaces.org](http://www.WinningWorkplaces.org)**

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