



# Algoma Rising

## *Canadian Steelmaker's Best Days Ahead*

Canadian steelmaker Algoma emerged from that country's version of Chapter 11 just over three years ago. Seven months later Denis Turcotte was hired as president and CEO to put the company back on a strong financial track, a job that required tough and often unpopular decisions. These included cutting some 700 jobs, eliminating several layers of management and focusing on "meaningful changes in our cost structure for auditable, cash cost reductions."

After reviewing Algoma's state of affairs at the beginning of his tenure, Mr. Turcotte saw that addressing the cost line had to be his first step. And it was obvious that a more systematic and rigorous approach to the business was required. To that end, he opted to outsource the improvement initiatives he felt were needed to produce the necessary changes.

He chose USC Consulting Group from among three firms that submitted proposals.

"We felt, after seeing the rigor and

intensity that USCCG put into their proposal, along with the full team of ten or eleven of their people who worked at assessing our needs and our potential, that this was the firm that could capture the best of Algoma," he said.

*"...this is much more about managing cultural change than making steel."*

The assignment for USCCG was to help Algoma's leaders - the management team, as well as the union leadership - understand the potential of their business in a very basic way: How to improve the efficiency of production practices to directly benefit the business, whether it be in service, cost structure

improvements or quality and yield.

But Mr. Turcotte believes that the greatest improvement USCCG made at Algoma was in more effectively managing the steelmaker's manpower.

"USCCG worked with our management team to build capacity planning needs-based models that link manning requirements to the volume of work that's available," he explains. "It focuses managers in a more systematic way. It's a more rigorous way of assessing the manning requirements and provides a tool for managers all the way through the organization, including me.

"The value I'd place on that improvement, in simple terms, is that we've been able to reduce and sustain the reduction of about 700 people at an average cost of \$70,000 each. That's a savings of approximately \$50 million.

"Another difficult part of the turnaround," says Mr. Turcotte, "was getting our employees to understand that, although they couldn't control everything, there were aspects of the business

*continued on page 2*

## In This Issue

Algoma .....Pg 3  
MINExpo '04 .....Pg 4

Quintiq Alliance .....Pg 5  
Healthcare .....Pg 5



Algora continued

that they did have direct control over.

“Once they did, our focus shifted to understanding the full potential of improvement in those areas over which we have control and influence and having the courage to strive for that potential instead of being satisfied with modest gains. All along I’ve said this is much more about managing cultural change than making steel.”

### The Implementation

For example, Mr. Turcotte asked the USCCG-led team to address production issues within Algora’s Direct Strip Production Complex (DSPC), which is a cornerstone of their manufacturing facility. The DSPC had been installed seven years earlier at a cost of \$500 million, but had never achieved its stated capacity.

“The DSPC allows us to make the highest quality product with the lowest cost structure,” he explains, “so every extra ton that we’re able to move through that process has a massive, positive financial impact on our company.”

When USCCG stepped in, the DSPC was running well under its expected two-million-ton-per-year run rate. Three months later a plan to ratchet the rate up to 1.8 million tons was in the implementation phase, with the ultimate goal of two million tons expected at the end of 24 months. At this rate, each one percent improvement in throughput represents approximately \$1 million to Algora’s bottom line.

The traditional production strategy was to keep the DSPC supplied with steel and to run the Slab Caster during DSPC turnarounds, also keeping it available as a contingency if there were major delays on the DSPC. As a result of this strategy,

only two strands of either caster would be producing steel at any given time because the DSPC would have to wait its turn when the Slab Caster was running, and vice versa.

Working in partnership with the steelmaker’s own production control and scheduling department and the primary steelmaking operations group, USCCG helped develop and implement a new production strategy. The number of practices (different types or grades of

steel) was reduced to simplify operations. Ladle steel production was aligned with the sales and operations plan in a repeatable and predictable process. Contingency plans were put into place to manage ladle steel practices in queue to accommodate unplanned delays on either caster.

Finally, instead of running two strands at a time while alternating between casters, the steelmaker began to employ a three-strand casting approach that allowed for the constant flow of steel through the BOSP while regulating the take-away rate on the two casters. This

allowed for increased steel production through the DSPC casting operation, yielding incremental sales and revenues from increased saleable product.

### The Challenges

One of the greatest challenges USCCG faced in reaching these goals was earning credibility with Algora’s management team. There was a natural apprehension about the consulting firm’s role, especially given the fact that its experience in the steel industry, at the time, was limited.

What USCCG was able to bring to Algora, however, were best practices from a great many other industries, including pulp and paper (Mr. Turcotte’s old stomping ground), which soon helped ingratiate the consultants with the management team.

“When you bring anybody from the outside who doesn’t have specific experience in an industry, resident management and even the guys on the shop floor are very skeptical about the consultants’ ability to help,” says Mr. Turcotte. “But USCCG’s people got in and rolled up their sleeves with the managers out on the shop floor to work through a bottom-up process analysis. It’s that kind of painstaking process which generates rapport and respect.

“USCCG has a more tactical focus,” he continues, “than some of the other, bigger name firms out there. USCCG is the type of firm that gets in there with you. They spend the majority of their time on the shop floor, driving change and helping to initiate improvements by working directly with the people those changes will most affect.

“The vast majority of the organization’s managers feel at this stage, about a year and a half into it, that USCCG is a

*continued on page 3*

## Key Metrics

Reduced steelmaking backlog .....40%

Improved on-time delivery .....4%

Reduced WIP inventory .....45%

Bottom line improvement .....\$50 million



*Algoma continued*

part of Algoma. They were very focused and ensured that issues were resolved, including those that needed to be raised up through the senior management ranks, which sometimes can be a little controversial. They were very professional, very honest, up front and direct. They work up from the lower levels of the organization to the top, giving each level an opportunity to address the issue. It's a very constructive way to work through issues."

Mr. Turcotte admits, "Hiring a consultant isn't a silver bullet solution. You have to be actively involved with them or you won't achieve anything near your full potential. As CEO, you need to be willing and able to spend the time to hold your own people accountable and make sure they're holding their people accountable. If you do this properly from an internal management perspective, you'll reap huge rewards - both cultural and financial."

## The Results

Half a year later, Mr. Turcotte assesses the company's progress to date this way: "This organization, given its size, has come farther in a shorter period of time than any company I've seen. Our EBITDA is significantly improved over where we were two years ago. Our stock price has moved from about \$4.50 per share to around \$21. Our per-ton margins are the highest in the industry anywhere in North America. And our cost structure is so strong that many are saying we are the lowest-cost producer of steel in North America. USC Consulting Group has been an important part of achieving those improvements."

For more detailed information on how USCCG helped Algoma Steel and other clients, visit their web site at [www.usccg.com](http://www.usccg.com).



*Denis Turcotte, President and CEO, Algoma Steel*



*Hot rolled coils awaiting shipment at Algoma's Direct Strip Production Complex in Sault Ste. Marie, Ontario, Canada.*



# New Resource Planning Tool Boosts Mining Profits

A revolutionary new profit optimization system, designed specifically for the mining industry, was unveiled by USCCG at MINExpo 2004 in Las Vegas in September.

This unique, user-friendly product realistically forecasts profitability by identifying the manpower and equipment - along with operating and maintenance support needs - required under various conditions and levels of operating performance. The system recognizes the constantly changing conditions that directly affect

unit costs so that management can better align resources to meet profit goals.

According to USCCG Operations Manager Dean Carrier, "This resource planning tool offers mine managers the opportunity to capitalize on ever-changing mine layouts by identifying labor and equipment required to get the most out of existing resources."

He also points out that the tool is unique in that it projects both finite (daily, weekly, and monthly) and infinite capacity to calculate life-of-mine resource demands.

Andrew Johnson, USCCG's manager of automated business solutions, emphasizes the system's user-friendly features. "It has an easy-to-read graphic interface, accommodates user-defined business rules and runs on Microsoft Windows. Best of all, the system can be configured for any mining situation."

To learn more or see a demonstration of this new resource planning system, call 800-888-8872 or visit the firm's web site at [www.usccg.com](http://www.usccg.com).



Back row left to right: Gary Acromite, Jim Littlefield.  
Front row left to right: Jack Korpela, George Coffey,  
Jim Ostrosky, Dean Carrier.



# USCCG, Quintiq Announce Strategic Alliance

Leading management consulting firm USC Consulting Group has teamed up with innovative software developer Quintiq in an effort to provide their clients with comprehensive solutions for advanced planning, scheduling and supply chain management.

The strategic alliance with Netherlands-based Quintiq will help both companies' clients reduce costs, increase efficiency and improve bottom line results.

According to Jim Ostrosky, USCCG's VP for product development and technology, "Combining the process expertise we've developed over four decades with

Quintiq's unique Application Suite provides our clients a better way to manage complex planning and optimizing tasks, automating key business processes throughout their entire companies."

"One of the principal benefits of our Application Suite," adds Quintiq CEO Victor Allis, "lies in its versatility. A fully functional application for the whole spectrum of logistics and planning can be developed and implemented within a short period of time. And our Quintiq Integrator guarantees easy incorporation into a company's IT environment without modifying existing systems."

Quintiq, founded in 1997 by five software developers specializing in artificial intelligence, has already managed more than 100 implementations in 14 countries worldwide. It is ranked third among the 50 fastest growing technology companies in the Netherlands. Its clients include Alcan Aluminum, Hydro Aluminum, Alcoa, Outokumpu, Railion, KLM and Budelpack.



## Industry Veteran to Head USCCG's Healthcare Practice



John B. D'Alesandro has joined USCCG as head of the firm's healthcare practice. He was formerly with Colosum Process Consulting, a healthcare technology firm which he co-founded in 2000. The company specialized in implementing process change, Lean and Six Sigma for such clients as HCA, Cleveland Clinic and the Methodist Hospital system. He also developed the Patient Flow Management System, a method for quick analysis of hospital throughput.

"Hospitals today are facing a combination of surging demand fueled by an aging population, chronic nursing shortages and ever-shrinking margins. With our experience, talent and knowledge base, USCCG is uniquely positioned to help America address its healthcare crisis," comments Mr. D'Alesandro.

"John D'Alesandro's experience in developing and implementing enterprise solutions within the healthcare industry," said George Coffey, USCCG SVP for business development, "and his hands-on approach to using information technology to drive key

performance metrics in hospitals enrich USCCG's already robust service offering in this field."

Earlier Mr. D'Alesandro worked as manager of IT Strategy for Alcan Aluminum's global fabrication unit and as a principal consultant at Cap Gemini for such clients as Proctor & Gamble, AT&T and Ford Motor Company. He began his career as a processing engineer with General Motors.

He holds a BS in manufacturing systems engineering from GMI in Flint, MI, and an MBA from the University of Phoenix.





*First we make it work. Then we make it last.®*

For more information contact us at 800-888-8872 or [www.usccg.com](http://www.usccg.com)

---

Metrics is a quarterly publication of USC Consulting Group, LLC, specialists in operating effectiveness. In coming months you'll read more about how USCCG works and how we help executives go about the process of significantly improving their organizations. Metrics is published in both electronic and printed formats. Produced by: Meta Marketing Inc. Designed by: Dogged Design © USC Consulting Group, LLC

