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American Racing: California Car Culture on the Tightrope

by Emily Adams

Think of it as a tightwire act. There, up in the gloom, balancing on a rope and a prayer without benefit of a net is American Racing.

One of the better known brands to emerge from the 1950s California car craze, American Racing custom wheels survived decades in a sharply competitive business. While other companies failed, American Racing branched out, found new markets and, in the original equipment manufacturing business, captured hot new products such as Chrysler's PT Cruiser.

What a lot of people didn't know was that, by century's end, American Racing was struggling. Morale was low after the company had been put on the market and then yanked off; quality issues were creating enormous scrap rates. When Bob Hange walked in as the company's new president in November 1998, he saw a swamp of metal filings and sludge on the factory floor– much of it flowing down the plant's center aisle in a carved-out irrigation ditch – under an 800-foot, largely redundant conveyance system.

Hange was ready.

"We had to revamp virtually all of the processes we had in the company. I came in thinking we would have a two or three-year turnaround and see significant improvement in a year," Hange recalls.

Sitting in Hange's office, filled with family photos and American Racing souvenirs, it takes time to notice that the corners are gloomy, unlit. There are no lights on; the room is entirely lit by a large sunroof directly over Hange's desk.

"But soon after I got here, I discovered that we had been locked into contracts promising significantly more product than we could produce. We had a 30-35 percent shortfall and our business was threatened."

That first year was devoted to scrambling for capacity and cleaning up the plants to create livable conditions. Hange and his right hand, plant manager Paul Whalen, brought in their wives and children on weekends to help scrub and organize. Even as Hange pressed his staff harder to produce more, he began implementing lean, using strategic *kaizens*.

Those first few kaizens were "grenade events," Whalen and Hange say now. The homework on any one event took twelve months. But they got rid of the swamp, the aluminum-chip river, the smell, and created a lighter, airy workplace.

More importantly, they created a cross-functional team of metal workers, managers, foundry workers and others to completely remake the machining area.

Machining is where the wheels go for grinding and finishing after coming from the hot molds and liquid metal of the foundry. It is an exhaustive process, taking off the extra metal and grinding the wheels down to perfection, particularly when there are dozens of wheel styles in three different finishes that each require their own process. The team eventually pulled it together, however, creating the double-row of elegant, simple finishing cells that the plant now boasts.

But just as American Racing was catching up, California pulled the plug. Last summer, the first rolling blackout hit Los Angeles County and Hange's plant was told to shut down. Southern California Edison couldn't say how long the plants' power would be interrupted; officials could only say that American Racing had 20 minutes to take their energy usage – their foundry, stamping machines, ovens and pots of liquid metal – down to zero.

"It's not like a machine shop here. We're dealing with a lot of super-heated metals. If they shut you down for two hours, you're down for six," Whalen said.

Like most West Coast companies, American Racing had signed a utility contract agreeing to shut down their power on the power company's request in exchange for reduced rates. But nobody really knew what "interruptible power" meant until last summer.

It wasn't just electricity causing trouble, either. Natural gas prices also spiked. In a matter of months, American Racing went from total energy costs of $2 per wheel to $10.

And then in November, after 18 months of demanding more wheels, more capacity, Chrysler cut their purchase order drastically, idling 35 percent of American Racing's capacity. Still reeling from their push to enlarge capacity, American Racing suddenly found itself laying off staff.

"That was a terrible time. We got through it partly because we have found great partners in our Machinists Union, but it was never what we wanted to do," Hange said.

A lot of executives would have backed off on the whole idea of LeanSigma at this point. When stormy seas are slamming the boat, only a madman talks about improving the vessel, right?

But one of their best projects took place that same month, November, when a set-up reduction team created heat-up boxes that cut deeply into mold changeover time and also into American Racing's use of natural gas. Every mold, which must

be super-heated before it can used, now goes into a special box created by the kaizen team, where heat is trapped. The plant now uses 80 percent less natural gas for every mold heat-up.

With new production levels, the company began the New Year cautiously hopeful. In January, a new round of power interruptions began. This time, with staffing levels low and plants working at capacity to provide wheels to the Big Three, Whalen couldn't shut down his plant.

"We never considered jeopardizing our customers. You just don't do that," Whalen said. In January alone, the plant received more than $1 million in electric power penalties.

Like Hange, Whalen is equally undeterred from the path of continuous improvement. Maybe the energy crisis means executive offices aren't lit at American Racing, and one needs a flashlight to navigate the corridors because the company uses only essential electricity. But against the rush of bad news, Hange and Whalen are planning more kaizen projects to create a better plant.

With lead TBM consultant Dan Gallagher, for instance, they just reduced inventory in their Gardena facility by $200,000, made huge productivity gains and are getting ready to attack their distribution system.

"You know, people really need to know they can change and improve their environment," Whalen said.

Consider some of the results of that decision to pour more effort into LeanSigma: Since the first kaizen event in the machining area, total scrap has been reduced by 24 percent and machine shop output has increased by an incredible 60 percent.

In the past year, American Racing has used LeanSigma principles to reduce its natural gas bill by $600,000 and increase productivity by seven percent on a volume decrease of 25 percent.

"It's easy to fall back and just keep your head above water," Hange said. "We're trying to create something special out of this company. We're using LeanSigma as a catalyst to totally rebuild this company."