

*executive guest*

## Growing from Stone

*By Pat Mitchell, President and COO of Cold Spring Granite*



*Guest Executive Pat Mitchell*

**I**f you think about it, the stone industry is no different from a butcher shop. Inside a block of stone, you have some very high quality material, some poor. No butcher gets a steer that is solid steaks; they get some sausage, some stuff they'll make into fertilizer. The name of the game is to use all of it. And that's basically how our 11 different product lines evolved, as we searched for ways to use it all.

We have a great company. In fact, 1998-99 were two of the best financial years we had. But we could see this was not going to last. Life is just a big cycle and we knew we had to change this company so that when things got tough, we would survive. It's been good, but it won't stay good.

So, in 1998 I was at a Financial Analysts Review in New York City, where a series of companies made presentations to Wall Street analysts on what performance could be expected. Three of us, including CEO and Chairman of the Board Pat Alexander and John Mattke, vice president and general manager of the Memorial Group went and, as we were getting into the cab, I said, "The presentation by Hillenbrand should get us thinking about our future."

Hillenbrand was simply focused on all the right things. We started investigating, trying to find out where they got this culture, how they learned what they were doing. They were talking continuous improvement, productivity increases, and creativity before capital. Lean. So we got Greg (CFO Greg Flint) researching. We asked, what makes them unique? And we found, at the source of the thing,

TBM. Prior to this, the only productivity improvements we had ever really seen were due to massive capital expenditures. Rarely were we satisfied with the return on investment.

Lean has been a pain in the neck and a struggle and I'm thankful we adopted it. We struggled at first, but our turning point came in the first quarter of '01. That's when we grabbed a hold of this whole system, set expectations and established tougher measurements. And it paid off.

We were speeding delivery, improving productivity, and we didn't know what to do with these people we were freeing up. Because there was no increase in business, we deployed them to unstructured house-keeping tasks. That got pretty old fast and didn't help the bottom line. We saw that we needed a growth strategy. With Anand's help, we decided to enter the retail market for countertops – or residential stone.

The problem we had was exclusion. We produce a lot of stone for distributors who then sell the product to individuals. Ultimately, the distributors are face to face with the homeowner and we couldn't get there, we couldn't tell our story directly. We couldn't tell the consumer about the real value of our stone and how it can be used. It doesn't have to be just thin sheets of stone. We can do all sorts of wonderful, creative things. We're very different from the countertop people because we quarry it, we slab it, we can make it any thickness the homeowner wants, any dimension, any finish. We can craft a counter and sink out of a single chunk of stone. The typical counter-top fabricator is limited to certain thicknesses, sizes and finishes. We don't have those limitations.

Now, our strategy is to double the size of the business in a five-year period. Our shareholders need that.





Our employees need that if we're going to increase productivity at the rate we intend. We have to find work for all these people because when you have made an investment in training people, its ludicrous to just cast them aside. People are what add value to the operation.

I know some of our people might be concerned that we're going to give them twice as much work when we double the business, but that's not so. Just yesterday, I happened to glance out a window and I saw a forklift driver moving product from one staging area to another, a bundle at a time. He was working very hard and I'm sure he went home and said, "Boy, honey, I had a rough day today." And he probably really did. But he contributed nothing with all those trips. We wore out the forklift, consumed fuel and wasted his time. We could've moved it all in one truckload. We could have figured out how to load it at the second staging area and not move it at all. Or, why do we move it from manufacturing to loading? Let's move loading. Let's eliminate loading. That guy won't have to work any harder; he'll just be doing work that matters.

A big chunk of our growth over the next five years has yet to be identified – whether it's acquisitions or something else entirely. I'm open to anything in the universe because we will have well-trained people who can manage anything, applying the principles of lean. After all, it would be a real waste to get these people trained and not have a challenge for them. ■

