Family Ties Facility Together

American Chemical Technologies is a family-owned processing plant that heavily relies on its extended family also known as its employees to compete with top competitors.

By Carrie Ellis
Kevin Kovanda, American Chemical Technologies President, and Jim and Ross Kovanda, Vice Presidents, grew up with the black-and-white ideology that their father, Robert Kovanda, instilled in them early. "My father always told us when we were growing up," says Ross, "'It's either an A or an F. There are no Bs, Cs or Ds.'" One can easily tell that this adage did not fall on the typical deaf ears of adolescence as this lubrication processing facility goes beyond the customary to attain unprecedented performance and customer service.

As recently as just weeks, Robert sadly passed and left his sons to attend to the family legacy he began in 1972. Being immersed in industry throughout their lives, the brothers knew that they'd eventually succeed their father and strive to maintain the standards he set forth. Jim says, "We've been making product for the majority of our existence. We were just a distributor for the first 10 years, but most of the timeframe that the three of us have been in the business, we've been manufacturing." Now this modest-sized family-owned and -operated company, which employs a total of 31 workers in two locations, manufactures in excess of 25 million pounds of lubricants annually. The rapid evolution from domestic supplier to contemporary global marketing network resulted in American Chemical Technologies adding a plant in Bowling Green, KY, to accommodate geographically and commercially expanding business. The brothers say that new business is procured via new or expanded company contracts, or product line expansion into new industries. Although the company's success cannot be attributed to any one thing, the Kovandas say that its family would not have been able to come this far without quality customer service, which is a direct result of its extended American Chemical Technologies family their employees.

Control In Their Hands

While the company was initiated as a distribution facility, the Kovandas finally grew weary with making excuses for circumstances over which they had no control, such as product quality and delivery. Therefore, American Chemical started to manufacture its own water-glycol hydraulic fluids in 1985. Consequently, this also led the company to expand into related product categories like fire-resistant hydraulic fluids and other specialty synthetic hydraulic fluids. "Due to our commitment to customer service, our clients wanted to give us more business, so we've picked up more product over the years." Ross says, "You find yourself delving into these new products to better take care of your customers." Now that American Chemical does its own manufacturing, Kevin says that the company really benefits from oversight of every aspect of the manufacturing process, but at first, "We did

not have control over the quality of the product that was eventually shipped to our customers. We were at the mercy of our manufacturers, some of who weren't cleaning out tanks or using dedicated equipment, so our customers weren't getting the product we were selling. If we were going to represent something being of the highest quality, then we realized that we had to take ownership of it and manufacture it." Ross concurs, "There are certain standards that industry has, and then there are our standards. We take them to the next level by not only using dedicated hoses and trucks, but also other internal processes, such as pulling fluid samples from our customers' facilities for lab testing, that help separate us from larger companies that use a common carrier to pick up tanker loads of material. "That tanker could've carried pesticides or milk yesterday. Did the company clean the pump on the truck or the hose? We simply took these nagging questions out of the equation. We know what we're shipping; we know when it's shipping. From cradle to grave, we have control." To use a more concrete example, Ross continues, "Before we converted a major steel mill in Indiana, the company always got the heel of its supplier's truck. Turns out, situations like this contributed to 14 inches of gear oil collecting in its bulk tank. The company got its load and fluid, but then had to drain 8,000 gallons from the tank!" In contrast, "All of our competition has moved away from company-owned and -operated truck fleets. It's an expense that they deemed inappropriate, but in our case, the program approach that we offer to the end-user is an integral part of our business. We now have timely deliveries and clean fluid delivered because it's our equipment that's dedicated … And our conscientious driver that's going to get it there on time with the same integrity that it had when it left the plant." In fact, another value-added service American Chemical provides for its customers is fluid pre-filtering. According to Jim, "If end-users don't do it on their end, then they receive whatever you give them, and they have to do what quite frankly we take the responsibility of on the front end. There's a lot of sophisticated equipment that we service with our lubricants, so they need to be very clean. You have to have a particle count, and you have to have very low levels of debris, so we take the responsibility of finely filtering the fluid before we package it." Ross offers an example, "The industry standard is 25-micron nominal filtration, yet you've got guys running 3-micron servo valves. If you put 25-micron fluid in there, you're shutting them down." And that's a scenario from which no one benefits. In regard to how the company has streamlined operations over the years, Kevin reasons, "If you'd have seen us about eight years ago when we had a plant in Wixom, MI—it was only a 20,000—foot2 plant—no rail, just tankers coming in, two truck bays—you'd have a better grasp of how we have streamlined. We took into consideration the issues we had there and built this plant to expand, knowing exactly what we'd be up against." The company ensured that there would be extra real estate to grow in the new location. Furthermore, the brothers decided to streamline their manifold system, hard-pipe their tanks, purchase a high-efficiency boiler and implement a drum-filling line that increased operational efficiency in the Fowlerville facility. In addition to all of the extra benefits the new location provided, it also promised rail access. When comparing the new company layout to the Wixom facility, Kevin admits, "If you're talking about moving millions of gallons of product and you don't have rail, it's a logistic nightmare to try to get tank trucks in, filled and out with finished product, as well as bring your raw materials in, unload … You could have five to 10 trucks sitting outside, all jockeying to get into position." He adds, "We also routed fill lines underground through the floor in order to fill our

bulk trucks, so we didn't have to have hoses lying all over, which can get in the way. But again, the plans were laid out on the basis that here were the problems we had before, what can we do to avoid them now?"

The Onus Is On Its Extended Family

"We couldn't live without our employees. To get someone to put the customer first really means that they're putting someone ahead of themselves. And even if you accept that responsibility, your family, for example, may not. It's taken some time to find a group of people who are willing to put the customer first, and that is one of the biggest advantages we have," states Kevin. In response to a question about software, he says, "Right now [our processes are] not software-based; it's human judgment-based. Here we have employees with almost 20 years of experience—and they're like family members. Some of our employees have already had multiple positions within the company. And now that they've been so much a part of the process, they really know what they're doing. "We've set up everybody so that a percentage of their compensation is either geared toward sales if they're in the sales department or the profitability of the corporation—even office personnel—so it behooves them to make sure that nothing is unnecessarily wasted." Ross agrees, mentioning that employees are even self-responsible for the operational and energy efficiency of the plant, "Now employees take it upon themselves to do the research, present what they've found, bring the people in and explain the savings. It's been a big cost savings for us." Apparently, the company has switched mobile phone service providers, among countless other things, due to the diligence of its employees. Kevin says, "We put the onus on the employee," and Jim chimes in, "We believe in enabling them with the power to identify waste and suggest improvements. And they really take ownership." Kevin continues, "It's easier to ask for forgiveness than permission. They just do it. Forget the finger-pointing [but perhaps ask rather]: How are we prepared for this? That phone could ring right now with an emergency, and at this point, everyone here knows how to respond because we've implemented this first responder/EMS type of approach." For instance, according to Jim, "Our order department does an excellent job of proactively calling customers ahead. Because we sell tankers full of product, inevitably we'll get somebody who calls to order a thousand gallons of product on a truck that can haul 5,000. Our department then knows immediately that it should put the effort forth to fill that truck," for efficiency's sake. "They call all of our other customers who are in proximity and make a commitment to fill that truck." Most processing facilities realize the significance a good employee can make, but the statement typically boils down to a question in how can I guarantee that he or she stays. In this vein, Kevin believes, "I think the biggest reason [the company's employees are loyal] is that they're allowed to use their own reason, make decisions and call the shots. The ones who have been able to adapt are now a part of the success of the corporation." "The industries that we service and supply run 24/7, 365 days a year. Once, a major steel mill called Kevin at home on Christmas Eve, after having gone through its usual vendors. We had a truck from here to Gary in eight hours; he wanted it in 10. It's advantageous to have control over those kinds of things," Ross says. And the company's dedicated employees make sure it happens.

In The Pipeline

Because its business is based on leaks or emergencies, American Chemical cannot project how much product its customers may use, so according to Jim, "We maintain inventories at both locations as soon as we confirm that we'll be supplying a given product, even if it's a special small-volume product, to accommodate the ongoing need. When you sell lubricants, it's well-known that these products leak, and they will be consumed. The goal is to establish minimum and maximum inventories unless they're infrequently used products." Kevin says, "Everything we do here is custom, but probably 80 percent of what we sell falls into the five major products areas that we market, yet another 5 to 8 percent could contain 200 very specific items, but each at a very small volume. "We're set up here to manufacture by the pound, so when a call for an order comes in, we run basically like a short-order kitchen. You want your eggs scrambled or sunny-side up? Would you like toast with that? You can't pre-manufacture those specific items, but we can pre-manufacture the large-volume items and have them waiting in finished storage tanks." Ross adds, "That's what people don't understand about our business: A steel mill could use zero gallons this month, and then next month, a guy pops a hose off, and they're going through 10,000 gallons. Because everything we do is based on leaks, it mean emergencies. It means weekends. It means whatever it takes." Some times doing whatever it takes spins off into tangential projects as well. Jim admits, "We are looking at formulating and designing some of our own products internally through our chemists. But American Chemical still likes to emphasize that it is more of a liaison between a chemical company with a lot of formulation knowledge and the end-user who has a need, but maybe a unique need [that would warrant the company to create a new formulation]. We develop trial products, and then find an end-use facility that will put it in a machine for a dry run." Kevin concurs, "That's how this company was started: Application-specific products. [Off-the-shelf] products don't always meet end-use requirements. Then the end-user puts the product in and sees the same failures because that product is not designed to work in that environment. Our approach is to find the products that work or modify them so that they work. We provide a solution." "We compete against corporations that are anywhere from 10 to 100 times our size," asserts Kevin. "Customers want someone to call on them and service them. They want to know that they're being taken care of. It's really people selling to people. It's not about a product—it's relationship. We have continued providing that kind of service; that's what separates us from competition." Meanwhile, Jim credits "a tenacious commitment from the top-down in taking care of the customer—from the warmth of the order department to the company-owned and —operated fleet of trucks and drivers, to the sale people making house calls and pulling samples, to the lab personnel interacting with customers and answering technical questions. We offer a program, not a product. It's that entire program that allows us to compete. Customers appreciate our sincere approach and relationship."

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