

BUSINESS ACTION GUIDE

Leading at the Intersection of People & Profits

INVEST FOR CONTINUOUS IMPROVEMENT

Pay for Skills: Marlin Steel

Companies that have a nimble, cross-trained workforce can better navigate



DREW GREENBLATT, CEO

changing industry conditions and meet customer requirements.

One way to achieve this is through pay for skill programs in which employees receive pay a raise for each skill they master. To learn more about designing an effective pay for skills program we spoke

with Drew Greenblatt, CEO of Marlin Steel Wire Products of Baltimore, MD. Marlin Steel, with 35 cross-trained, fully engaged employees, specializes in the creation of custom metal forms.



Marlin Steel was founded in 1968 to produce wire baskets for the bagel industry, but in the early 2000s the popularity of low-carb diets, combined with increased foreign competition, forced us to invest in our people and new technology. We also began to manufacture custom fabricated parts for industrial customers. The essence of Marlin's transformation is "quality, engineered quick." Cross-training is critical for us to accomplish this – it makes us more adaptable and responsive to what's going on in the economy.

We incentivize cross-training through our pay for skills program. The face of this program is the *Skills Matrix*, which is posted prominently in the lunchroom. It identifies each employee's proficiencies and the skills they still need to learn. It highlights the skills that we most value – those that will move the needle for the company. When employees learn a new skill, they get a permanent wage increase as well as company-wide praise. These are some key lessons we've learned in the process:

1. Invest in cross-training

We don't silo employees – by cross-training them, they become more valuable. Our nimble, agile workforce helps us meet client demands. Employees can move from machine to machine with cross-training. Furthermore, it's actually cheaper to run the business this way. We are able to do more with less – we have well paid, cross-trained employees and we don't need temps.

Clients give us different orders all the time – so we need be able to move people around to meet the orders. Cross-trained employees are able to be productive where the action is. If the wire basket cell is slow, those employees can go to the laser cell and get a piece of the profit sharing there. If the laser cell is slow, they can go over to the wire basket cell. It makes for career employees – not just hourly blue collar workers. The firm does well this way – we just had

MARLIN STEEL'S PAY FOR SKILLS MODEL:

1. Invest in cross-training
2. Use every training resource at your disposal
3. Identify key skills
4. Build a company of entrepreneurs

the best Q1 sales ever, and we are now in the middle of the best month in the company's history. This is a tribute to our great employees.

2. Use every training resource at your disposal

We pay for our employees' additional education and training. There are four sources for employee training – in-house training, outside vendors, community college, and graduate school. Because we have specialized equipment, we often turn to the equipment vendors to train our people. Some training occurs in-house after a shift. Sometimes community colleges offer wonderful training, so we take advantage of that. We currently have several people in graduate school. Our people like to learn new things and they like to master a skill.

3. Identify key skills

To create the Skills Matrix, we looked very closely at the specialized skills employees needed to master in order for the company to be successful. For example, the laser has to be set up, programmed, and maintained. The company will thrive if the laser is performing many hours a week and there is a trained team who will not let it sit dormant or break down. There are other machines too, such as the punch and the wire forming equipment, and we need people to run these consistently and proficiently.

We constantly invest in new equipment and innovations – and we refresh the Skills Matrix as we do this. Our company is dynamic. Today we have totally different challenges and needs for technical skills than we did five years ago. Some skills are universal, like the ability to read a blueprint. Others skills change. As we adopt in new technology, we need workers ready to learn how to use it. In 2010 we bought our first sheet metal punch, in 2011 we bought our laser and C&C mill, and in 2014 we bought our medium frequency welder – one of only five in the world.

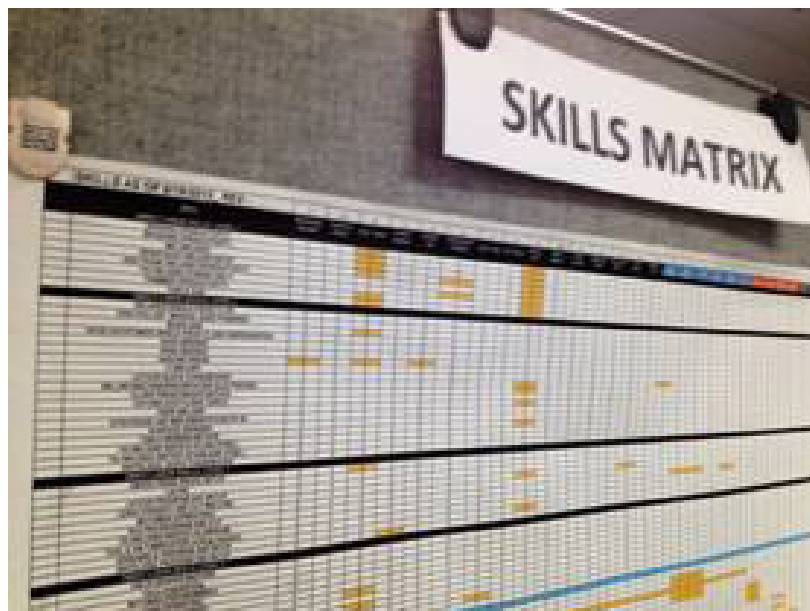
The employees like the Skills Matrix because they can clearly see how to get ahead. The amount that wages increase depends on the difficulty of the skill, so they receive more money for skills that are harder to learn (see sidebar on Marlin’s 4-point scale for pay raises). It’s very objective – you have the skills we want, so you get paid more.

MARLIN STEEL’S 4-POINT SCALE FOR PAY RAISES:

- 1 = Simple skill = \$0.25 more per hour
- 2 = Harder skill = \$0.50 more per hour
- 3 = Very hard skill = \$0.75 more per hour
- 4 = Extraordinarily hard skill = \$1.00 more per hour

4. Build a company of entrepreneurs

In most companies, you have an entrepreneur and the blue collar workers that reports to him or her. In our company, we’ve created lots of entrepreneurs and each has a shop inside the factory. Each is the master of their domain, but they are all pulling in the same direction. For example, a two-person cell runs the laser department. They have materials to handle and targets to hit; if they do, they get a significant bonus (see the Marlin practice on Effective Profit Sharing). They are motivated to run the laser quickly and effectively. Similarly, the wire framing department is working hard to meet their numbers. It’s a unique situation – 30 shopkeepers minding their own store. As each hits their numbers, the company thrives.



FINAL WORDS OF WISDOM

Your people are your key asset, like a bank account. This is my team. People are not a variable cost – they are a fixed cost like a mortgage or a bank payment. If you train your people and invest in them, they will cover your back and make sure only the best materials ship and the machine run efficiently. When you work this way, you get more orders, clients are happy, and employees stay longer. It's a win-win-win!

HOW DO WE LEARN MORE?

[The Hitachi Foundation: Marlin Steel Wire – From Bagels to Boeing \[video\]](#)

[Precision Metalforming Association: Marlin Steel Case Study](#)

[Reliable Plant: Study Shows Skill-Based Pay Works Well For Manufacturers](#)

[Houston Chronicle: Developing an Effective Employee Training Program](#)

[Society for Industrial and Organizational Psychology: Skill-Based Pay](#)

[Eliyahu Goldratt: The Goal](#)

Other companies that have documented pay for skills programs include Pridgeon & Clay, Roll Forming Corporation, Oberg Industries, and High Plains Community Health Center.

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