

Ethical Leaders in Action

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for Ethical Business
Leadership

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E.J. Ajax and Sons, Inc.

The facilities of Ajax Metal Stamping resemble many shop environments. Decoration tends to run toward metal parts in various stages of manufacture, framed articles about the company and its employees, and posters reinforcing messages about safety. This last theme is reinforced by the obligatory clock showing the elapsed time since a time-loss injury. The reading on that clock – over 19 years – begins to suggest that this is no ordinary industrial workplace. As I met the people who work in this environment, it became clear that the organization that calls this shop home is quite extraordinary.

Stamping, Worthy of Approval

My host for my initial visit to the facilities of Ajax Metal Stamping was Erick Ajax, who with his brother Tom own and operate E.J. Ajax and Sons, Inc. They are proud to be third-generation metal formers, and proud of the legacy they continue to nurture. The real source of pride for Erick, though, seems to be the exceptional culture they have created, and the employees who are flourishing on that shop floor and beyond it. Ajax Metal Stamping is achieving commercial success by investing in its employees, and in the broader community.

Investing in Employee Relationships

The owners' pride in Ajax is shared by their employees, who greet us as we walk by, exchange a few words with Erick (including much discussion of an upcoming all-company horseshoe tournament), and tell me about themselves and their tenure at Ajax. Most are especially eager to tell me about their work and their achievements. Some of these involve process innovation, or flawless execution resulting in customer satisfaction. Other achievements are more personal: completion of a course in basic applied mathematics, or the pursuit of a toolmaker's

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certificate. Erick is aware of what matters to each of these individuals, so it came as no surprise to learn that the firm spends about 7% of payroll on employee education, and that senior executives personally mentor employees to select the right educational opportunities.

Ajax's commitment to safety is perhaps the hallmark of their commitment to employees: in a so-called “amputation industry,” Ajax engineers safety into all processes and equipment, and reinforces it through continuous training and zero tolerance for safety-related shortcuts. Indeed, one of the first things I heard about the company's values is that everyone goes home every night with all their fingers and toes.

Ajax leadership also realizes that the company can only thrive in a vibrant community. They therefore invest and participate in numerous programs designed to empower workers, both current and future. They work closely with trade associations and with the State of Minnesota's Department of Employment and Economic Development (DEED), and are key participants in the M-Powered program, providing 200 hours of training to workers on basic manufacturing skills and practices. Erick Ajax also serves on the Board of Directors of Dunwoody Academy, a free, charter high school dedicated to preparing workers and citizens for industrial careers or for higher education.

The founder's and owners' philosophy is articulated in The Ajax Pledge:

At Ajax Metal Stamping, we're committed to

having the reputation as Minnesota's premier supplier of metal stampings. Moving forward into the decades ahead, we pledge to meet or exceed your expectations by:

- Continuing to be an ethically and socially responsible business.
- Working safely without a single lost-time injury.
- Maintaining and developing partnerships that enhance mutual success.
- Delivering every part on time and to print.
- Providing many opportunities for personal growth and achievement.
- Being the highest trained/educated and diverse team in the industry.
- Fairly compensating each team member based on job-related skills.
- Embracing and conforming to all environmental and governmental regulations.

They put that philosophy into practice in concrete ways:

- The company's primary, over-arching commitment is to worker safety. “Everyone here goes home healthy and safe.”
 - I. All processes are engineered beginning with maximum safety, well beyond regulatory requirements. They then build efficiencies around the safest possible practices. Workers are all

engaged in ongoing improvement efforts around safety as well as productivity.

2. All employees are subjected to random drug tests, for the safety of everyone in the shop. Those who fail are offered a drug rehabilitation program with short-term disability benefits, or immediate dismissal. The firm has lost some employees, up to 10% of the workforce, but the program has also saved valued employees to date, and created a safer workplace for all.
- Beyond safety, Ajax is run in order to “enable employees to better themselves and to achieve the American Dream.”
 1. Average wages are \$40,000-50,000/year, 10-20% above industry norms.
 2. Benefits include full insurance (health, LT and ST disability, and life) plus a 401(k) with a generous employer match.
 3. The company pays for continuing education for employees, costing up to 7% of payroll annually.
 - Ajax leaders also take leadership roles in the local industry and economic community, ensuring that a vibrant workforce exists to support Ajax and to support workers’ families in the future. For example, Ajax works closely with DEED workforce Centers, Minnesota State Colleges and Universities (MNSCU), the Minneapolis Public Schools, the M-Powered Program, and trade associations.

These measures and others add up to a company that cares for and about its people. That feeling of concern, of family in the broadest sense, permeates the environment, making Ajax Metal Stamping feel so different from most other industrial companies.

Measuring Impact

On a personal level, Ajax measures the impact of their investments one employee at a time. They have helped dozens of employees complete degrees and achieve promotions. One such worker is the company president, Kent Djubek, who was hired as a temporary employee on the second shift more than twenty years ago, and has obtained formal education as well as extensive first-hand knowledge through his employment at Ajax. In all, their average annual income is \$40,000-\$50,000, resulting in an excellent living wage for workers who support their own families. These workers are loyal, as well: average employee tenure is over 15 years, with several employees with longer than 40 years on the job. They have had no employees depart voluntarily to work for competitors in the past five years.

Business measures also reflect the power of aligning ethical and commercial commitments to excellence. The company watches margins and productivity very closely. Managerial bonuses are based on some fundamental measures of success:

- Quality remains >99.99%
- On time delivery remains >99.99%
- No recordable workplace injuries.
- No voluntary departures of employees (except retirement or career changes)

In addition, company leaders observe the general spirit of the place, assuring that, in an extremely

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competitive business, workers are engaged, committed, and having fun at work. That attitude also translates into productivity improvements, both directly through quality and efficiency measures, and indirectly through suggestions for ongoing improvements. Over the past ten years, Ajax employees have submitted over 1000 documented improvement suggestions, an average of over 100 suggestions per year.

The Payoff

Ajax's commitment to its employees continues to pay off both financially and socially. As noted above, these safety measures require investment. However, Ajax management believes that the costs are more than recouped in quality and productivity, enabling the company to pass savings on to customers who typically put their contracts out for bid multiple times each year.

The company reaps the rewards for its investments in its workforce. Quality and on time delivery each remain at greater 99.99%, measured and reported weekly. This enables the firm to retain and attract clients, even in tough economic times. Worker productivity is also extraordinary, enabling the firm to compete in

a truly global marketplace, even against overseas competitors with lower fixed cost structures. Innovation, quality and productivity are a direct result of the culture and work environment at Ajax; this translates into consistent profitability. The company also maintains a balance sheet that ranks in the top tier of the U.S. manufacturing sector.

Visit E.J. Ajax and Sons on the Web at <http://www.ejax.com>.

About the Ethical Leaders in Action Series

The Ethical Leaders in Action Series is a service of the Hill Center for Ethical Business Leadership. The Hill Center's mission is to help organizations prosper through a strategic commitment to ethics and social responsibility. Each edition of this series tells the story of an organization that is succeeding by investing in one or more critical stakeholder relationships. The Ethical Leaders in Action Series is available online at <http://ethics.jjhill.org> a free resource also provided by The Hill Center.

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