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The CEO Magazine
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Top Steel

After a tough few years on the back of the global financial crisis, VITKOVICE STEEL has found its place in a difficult marketplace as a leading European manufacturer of rolled-steel products.

Images courtesy of VITKOVICE STEEL

VITKOVICE STEEL is prospering in a tricky economic climate under the direction of CEO and chairman of the board Dmitrij Ščuka. For the past 12 months, Dmitrij has been leading his team in a positive direction, providing steel to the construction, shipping, and energy industries. Dmitrij spoke to *The CEO Magazine* about the challenging journey the business has been on after hitting its lowest point during the fiscal disaster of 2008 before clawing its way back to an enviable position in the market.

The CEO Magazine: Throughout your time with VITKOVICE STEEL, what have been the biggest challenges you've faced and how have you worked to overcome them?

Dmitrij: The biggest challenge was the financial situation the company was in when I joined. The company was losing money because the steel market was in a bad position at that time. This made my task even more complicated. In a contracting market the only thing you can do is cut costs, so this was the

primary exercise. I think for a period of about five months after the GFC hit, operations had to stop because we just couldn't sell the product. Then we started gradually coming back into the black numbers. I would say the key to success for a good CEO are two major things: one is to be able to build a good team by finding the right people for the job, and number two is to have the courage to make decisions, even unpopular and complicated ones.

What sectors does the business operate in? How do they differ depending on clients' needs?

The most critical is construction where probably over 50 per cent of our product goes to bridges, buildings, and other infrastructure. Then a very promising and new market which is developing quite well so far is the wind towers. Furthermore, we are seeing a good bout of ship building in Europe, which is promising. Last, but not least, the energy sector is revolving again.

We split the products into two groups. One is our standard sizes

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and chemistries, which are produced on an industrial level and delivered to the stockists—the companies that have warehouses where they sell them to the end users, usually small companies with a lower consumption. The other is made-to-order products. We do the chemistry and the size of the plates exactly to the order of the customer and this is very unique. Usually it is driven by the projects; for example, specific bridges or naval ships.

It is very important that we have precise delivery. With some plates, there is just one plate of the size in the whole delivery and without this one plate, this one piece, you cannot build the bridge. So this is very critical. We need to maintain the quality because most of the plates are provided with a test and a certificate of performance. It's very critical we do everything right so we can expedite on time and in proper quality.

Alongside having a good team of staff, what gives VITKOVICE STEEL its competitive edge?

We managed to do a very good job in terms of cutting the cost of our steel and at the moment we are >



probably one of the lowest in the industry in Europe. I would say that key success was due to a thorough and systematic approach where we basically examined every single cost component and tried to justify whether it was necessary or not. We managed to find a lot of reserves. On a sustainable basis, we reduced costs by about €40 million per annum.

How important is it for VITKOVICE STEEL to have strong and reliable partnerships with key suppliers?

Your supplier is your partner. It means that, for example, you can keep lowering inventory because you can rely on the quality of supply. You don't have to have an extra inventory just in case it's not delivered or the delivery is not of a good quality. We certify our suppliers and with the certified suppliers we can have lower inventory. During the transformation [after the GFC] the relationships were extremely

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important because we had to go to them and say, "The situation is very critical in the market and we need to reduce the costs", and they actually shared the burden of our cost cutting, in many cases reducing prices up to 15 per cent, which helped us tremendously. In this business it's very important that the relationship is mutually beneficial because it doesn't make sense to sign a contract that is good for one party but not for the other.

How important is it for the business to give back to the community through charity work?

Extremely, especially in the eastern European countries, as they do not have a tradition like the UK or the US where a lot of private people donate quite significant amounts to charity. I'm proud that throughout all the economic turmoil we managed to maintain our charity contributions. Over the past nine years we contributed over 70 million CZK to charity.



Where do you see the market heading and what role will VITKOVICE STEEL play?

Using Winston Churchill's words: it will be blood, sweat, and tears. We don't expect a quick rebound of the market within the next five years but I think gradually it will improve. The biggest issue is that Europe has a huge overcapacity. In the steel-plate segment, for a 16 million capacity, we have a 10 million consumption. So it's really huge. In the past, it was exported and unfortunately exports stopped because of the current competitive situation. ●

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Our company JC TRANS Ltd. has been involved in the transport technology market from the beginning of the 1990s. We started as bus and truck transportation company and in 2001 we decided to invest and bought a road transport company, Vitkovice plc., which allowed us to significantly expand our services, especially in road haulage and specialised transport and handling. In 2003 we also started technological processing of cinder and other operations for Vitkovice Steel, plc.

We continue to work in close cooperation and provide many services. We now mainly concentrate on irregular bus transport services and international truck transport services.

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