

# Rotork: leaner operations,



# closer to the customer

“Rotork is renowned for its technological leadership in electric actuation and instrumentation, reliability and global presence”, says CEO Kevin Hostetler. “In 2018, we started a five-year journey to get closer to our customers and to solidify our position in the global marketplace.”

By Lucien Joppen

**K**evin Hostetler joined Rotork as CEO in the first quarter of 2018. Given his experience leading similar companies, there is definitely a match between Hostetler and Rotork. “I have always preferred engineered products over commoditised items. In the latter, you can only manage input and output costs, whereas the development of engineered products is about listening closely to market demands and translating these into value-added product solutions at the correct price points.”

Hostetler also has a proven track record of enhancing profitability hence his appointment by the Board. Chairman Martin Lamb stated: “I am delighted that we have secured Kevin as our new CEO. He has an impressive track record of delivering profitable growth in several highly respected and innovative global engineering businesses, with significant experience in the flow control sector.”

## The next phase

Hostetler: “Based upon conversations with the Board and discussions with key accounts, it became clear to me that Rotork had an excellent reputation in the marketplace. However, there was also room for improvement - both at the front and the back end - to prepare Rotork for the future.”

One of the key elements Hostetler mentions is the divisional structure of Rotork. This organisational model could be realigned to better serve its customers who prefer an integrated solution. By aligning key account management teams, with market-facing sales teams Rotork has streamlined its channels and made it easier for its customers, Hostetler says. The company has also invested in IT infrastructure to facilitate better communication and to improve internal work processes.

## LEAN

In terms of production and supply chain management, Rotork has adapted LEAN-methodology in various business activities to manufacture more efficiently and to improve product lead times. “A telling example is the way we assemble our actuators. Before Lean, several employees were involved in the assembly of our products. At the moment, in our factory in Bath and other locations throughout Europe and Asia, each operator is involved in the assembly of a single unit. This approach increases the ownership of the assembly processes. This shift and the subsequent

reorganisation of the production lines have improved our performance significantly. Higher manufacturing standards have ensured greater test bench passes which decreases production costs.”

Another issue on Hostetler’s plate was to address the fragmentation both within Rotork and its supply base. “Over recent years, Rotork has expanded its business largely via acquisition. For example, our Instruments Division has been established through a buy-and-build strategy. We needed to consolidate our presence and integrate smaller locations into larger sites to improve our efficiency, without compromising our presence on the ground. We are well underway in this process.”

Kevin Hostetler



Kevin George Hostetler MBA studied engineering and corporate finance in the United States. Before joining Rotork, he was the CEO of FDH Velocitel, a private equity-backed telecommunications and engineering consulting business in the USA. From 2005 to 2012, Kevin held various senior executive roles at IDEX Corporation, including leading their Asia and Emerging Markets businesses. From 1997 to 2004, he held a number of leadership positions and senior strategic and business development roles at Ingersoll Rand.

## Market outlook

When asked about growth perspectives in the sector Rotork is active in, Hostetler is eager to give his opinion. Oil and gas is Rotork's largest market segment. "For some time now, there has been price volatility which operators, suppliers and service providers are learning to deal with. Oil and gas companies have driven down cost to facilitate project development at moderate price levels (price per barrel) but are still cautious. As a result, larger projects have been pushed out.

On the other hand, these companies have pent-up reserves that allow for increased CAPEX. We also see opportunities elsewhere - for example, there is a growing need for pipelines to connect supplies with a growing demand, natural gas/LNG in China." Water and wastewater management is also an important sector for Rotork, especially in the US and in China, Hostetler says, with Europe more or less being "steady". As for power generation, the company is active in providing product solutions for flue gas desulfurisation in coal-fired plants and equipment for combined gas-cycle power generation plants.

"Another exciting sector for us is CPI (Chemicals, Process and Industrial) which is a container for various verticals such as food and beverage, pharmaceuticals, semiconductors, and infrastructural projects. We have been realising double-digit growth figures (approximately 18 percent last year alone) in these sectors. We see an increased spend in these sectors to optimise process control which favours electric actuation, one of Rotork's key strengths. For these companies to thrive, they need to invest in automation to drive down operating cost and increase uptime."

Rotork's supply base was also fragmented: the company had over 4000 suppliers worldwide, with only 16 suppliers delivering to more than one division. Rotork, therefore, aims to reduce its total number of suppliers.

"This exercise makes our supply chain more transparent and easier to manage", Hostetler says. "It also allows us to get better deals as the volumes per supplier increase. We can more quickly address and improve quality issues with our preferred suppliers. Additionally, we already involve some of our suppliers in new product development programmes. Finally, we also aim to decrease our inventory by optimising our supply chain towards our supply base."

## Resilient

"Fixing the core" is Hostetler's description of the first step in the five-year journey Rotork has embarked on. According to the CEO, the response from the market has been positive. "Our customers are noticing that we are working differently and have been more responsive and flexible to (changing) market demands. The next phase is capitalising on the groundwork that has been done within the company. This means driving growth in less certain times. "We are to some degree dependent on external factors in terms of sales", Hostetler states. "Having said this, we see ample opportunities in Asia regarding greenfield development in oil and gas, water, power and industrial. There are most definitely opportunities in pipeline development, given the

geographical disconnect between supply and demand. Although we can't influence political or macro-economic factors, we have proven to be resilient in terms of profitability to navigate through more difficult times."

## Emissions high on the agenda

As well as sales growth in emerging markets, Rotork aims to realise top line growth by moving closer to its key customers. "We need to understand our customers' needs and translate these into price-competitive solutions that are launched in a timely manner. Therefore, we have restructured and harmonised our R&D and new product development process. We have dedicated R&D-teams that are not distracted by the day-to-day business. This approach has yielded results as

## Solar-powered actuation



In remote locations, solar power is a cost-effective and CO<sub>2</sub>-friendly solution to provide actuators with energy to operate. A Rotork customer has ordered IQTF actuators to carry out modulating duties on wellhead rotary non-rising choke valves at the East Texas section of the Haynesville / Bossier shale gas formation. Approximately 60 actuators have already been installed to control the flow and pressure of gas and condensate. Two IQTF actuators have been installed on each well. More than 30 have also been ordered to hold in the customer's inventory.

The remote location of the wells means a DC power supply using a solar system and battery pack is being used to power the IQTF actuators. This solution was specified as a more reliable option than hydraulic or pneumatic actuation as it avoids potential leakage common in hydraulic actuators. Texas also has plentiful sunlight to use as a source, while electric actuators use less power than a hydraulic system.

Hostetler: "We have leveraged this technology to other sectors, such as water and waste management. It is a good example of our capacity to develop product solutions and platform these to various served markets."



Rotork has adapted LEAN to streamline and optimise its production and lead times. The company has managed to cut these in half.

we have ample new exciting products in the pipeline for 2020. I can't go into detail, but we have developed products that are less-power consuming (see box text on previous page) and are related to early leak detection."

Another area of innovation is to 'transplant' the brains and capabilities of electric actuation to pneumatic and hydraulic actuation, Hostetler says. "This combination provides better insights in operational conditions which improves the effectiveness and life span of the actuator."

### Move towards predictive maintenance

This brings us to the after-sales part of Rotork's business which is another area in which the company aims to grow.

According to Hostetler, Rotork already differentiates itself from the competition by its field services. "We are renowned for our technical expertise and responsiveness. We aim to increase our preventive and ultimately, predictive maintenance offering. At the moment, roughly 10 per cent of our installed base of actuators are covered under a preventive maintenance agreement. This means we have ample room to grow. We are also investing in technology - for example, data science/analysis - that enables predictive maintenance, such as our Intelligent Asset Management programme software (see box text on the right). By using existing and newly-developed devices to monitor valve performance (torque, processing conditions, status and vibration) we can

collect data via a data logger. Subsequently, we can analyse the data, based upon historical data going back to the early 90s, and make recommendations for asset managers. The idea is to reduce unplanned

downtime and unnecessary work by doing only what is necessary at a particular time. This is what drives our customer base, and we develop and provide the tools to make this happen."

### Downtime reduction for plant operators



Rotork's Intelligent Asset Management (iAM) can analyse the wealth of information gathered via a Rotork actuator data logger (valve torque profile, status, usage, temperature and vibration) and relay it to the user in a clear, concise and user-friendly way. Having this information enables the plant operator to predict maintenance work and repairs more accurately.

The iAM system is based on Internet of Things (IoT) technology, which is essentially the inter-networking of physical devices ranging from laptops and smartphones to fridges and vehicles, but applied to industry. IoT and Industrial Internet of Things (IIoT) devices are embedded with sensors, electronics and software, allowing them to collect and exchange data.

The overall biggest benefit from using iAM is the increased uptime as potential issues can be predicted, which means they can be rectified quickly before turning into a more serious problem or causing a shutdown. An unplanned shutdown of a plant can be very costly and can sometimes result in added risks to the environment or safety. iAM simultaneously reduces the risk of unplanned downtime while increasing availability and reliability.