Reflect, Celebrate, and Look Ahead
by Bob Zaruta, President/CEO, NWIRC

It’s 2018! NWIRC is excited to be celebrating a very special milestone... 30 years serving small- and medium-size manufacturing companies in northwestern Pennsylvania. We’re proud to be a trusted business partner to our clients, an advocate for manufacturing, and a caring community partner. Our staff strives every day to help manufacturers achieve top and bottom-line growth through continuous improvement, advanced manufacturing technologies, and customized workforce training and skills development programs. We are driven by the meaningful and measurable impact our consulting, implementation assistance, and customized training solutions have on the companies we serve. Since our beginning, as a public and private partnership, we have been accountable to our clients and stakeholders. We like it that way! Being that we are measured on the impact we help to drive, our ongoing ‘report card’ is an important reflection of our work.

Each quarter, clients served during the past year are asked by a third-party, independent firm hired by our federal stakeholder, the National Institute of Standards and Technology (NIST)\(^1\), to report impact realized from their NWIRC projects. Here’s the combined success that NWIRC clients have reported for the most recent 12-month reporting period:

- **$74.2M New and Retained Sales**
- **$20.9M New Investment**
- **$10.4M Cost Savings**
- **745 Created and Retained Jobs**

The start of a new year is an appropriate time to reflect, celebrate, and look ahead. The NWIRC staff can feel very good about the meaningful impact they have had on the manufacturing companies and their employees in our region. Salute! As the NWIRC starts its 30th year, know that we are committed to enhancing the value we deliver and to increasing the results of our assistance to those we serve. With great interest and passion to strengthen manufacturing and to improve the competitiveness of our manufacturers, we look forward to building upon the strong business relationships we have today and to establishing new relationships in the months ahead. Until our paths cross in the future, best wishes for a prosperous New Year!

\(^1\)NWIRC is part of the Industrial Resource Center (IRC) Network which includes six other regional partners strategically located to serve manufacturers in all 67 counties in the state. These regional partners make up the PA MEP (Manufacturing Extension Partnership) and are part of a nationwide network of NIST MEP affiliated organizations providing assistance to manufacturers in all 50 states and Puerto Rico.

Over 80 Manufacturers Participate in Improvement Kata

Mike Rother, researcher and author (Learning to See, Toyota Kata, and others books) was NWIRC’s guest last month to share Improvement Kata. Over 80 manufacturers attended his session describing how improvement kata can help employees work as a team to achieve difficult goals. Following his presentation, everyone participated in an hour-long, hands-on simulation based on completing a child’s puzzle as quickly as possible. Numerous rounds of the exercise included team collaboration, experimentation, and documentation in order to meet established goals. Participants commented on how this simple exercise is very transferrable to everyday work and life.

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Evaluations of the program reflected that numerous companies will run the exercise with their management team and employees to start this pattern of thinking and assist with cultural change and continuous improvement initiatives.

While in the region, Rother also conducted his Kata in the Classroom exercise with educators in both Meadville and Erie. His goal was to teach educators how to use improvement kata with their students for various activities and projects. Wendy Kedzierski, of Allegheny College, ran the exercise the very next day with her group of students. She said, “We can lead this activity when we introduce the challenge of creating poster presentations at our annual student research symposium. This would help break the process down for the students,” she said.

Since many companies at the program for manufacturers indicated a desire for additional training, NWIRC will host an Improvement and Coaching Kata course in Erie on February 6-8, facilitated by a certified instructor from TWI Institute. Check www.nwirc.org/events for more details.

TIME TO TRANSITION: FINANCIAL CONSIDERATIONS

by Susan Hileman, NWIRC Strategic Business Advisor

It’s another new year and you’ve finally decided to retire… Bravo! Statistically, if you’re like 70% to 80% of other business owners, your business is your retirement fund. And while you have a general idea of what the business is worth, you’ve likely never had an actual business valuation. Whether you seek out experts to help plan an exit strategy, or simply choose to “do it yourself”, here are 6 important financial considerations:

1) INCOME. Determine what you and your spouse need to live on in retirement. Sit down and have a heart-to-heart discussion with your spouse, your wealth manager and/or your stockbroker about a realistic monthly income. Figure out if there’s a gap between how much you have and how much you’ll need. This alone might determine if you’re able to leave the business on your own terms or not.

2) CASH FLOW. Determine what amount of cash flow—after purchase and taxes—the business needs in order to continue to successfully operate. Recognize the next generation may not have the credit worthiness to purchase the business outright. If this is the case, can you afford to back the purchase? (see Item 1 above and Item 3 below)

3) DEBT. Evaluate both your personal debt and the amount of debt the business is carrying. Determine how this debt-load will be settled, shared, or integrated into the business sale.

4) VALUATION. Many owners over-value their business, so it’s important to conduct a business valuation to determine how much the business is really worth. The NWIRC’s Family Business Advisor uses the CoreValue management valuation tool, but there are others, in order to provide a benchmark.

5) FINANCIAL STATEMENTS. Have your CPA prepare audited financial statements, especially if not already in place. Your CPA was doing their job when they sought ways to legally minimize your tax liability, however these same accounting principles may also minimize the value of your business. Ask your CPA to provide a complete balance sheet (with detailed information on A/R and A/P, inventory, real estate, machinery & equipment, liabilities and schedules of notes payable and mortgages payable) and an income statement. While your tax return won’t give you the whole picture, this will be a critical place to begin.

6) GOODWILL. Keep in mind, there are other intangibles typically not listed that will add value. This includes your relationship with bankers and suppliers; your customer list; trademarks, trade secrets or intellectual property; your relationship with key employees; your reputation or standing in the industry; and/or other goodwill. These are valued assets—do you know their worth?

Gathering these documents and information takes time—that’s where a Family Business Advisor can help. However, the most important financial consideration for retirement is growing your business while you’re still in it. The number one financial consideration and return-on-investment for any business owner—regardless of industry sector—is increasing the value of your company by selling to new markets or new customers and developing or selling...
new products or services. This is what will provide a strong cash flow for the business and the next generation owner, and will ensure you are able to exit the business on your own terms.

Susan Hileman is a Strategic Business Advisor at NWIRC. She is a Galliard trained Family Business Advisor, an Innovation Engineering Green Belt, and has degrees in Business Management and Speech Communications from Clarion University.

Due to Popular Demand: Another IATF 16949 Class

In October 2016, the International Automotive Task Force (IATF) published a revised automotive industry standard to replace ISO/TS 16949:2009. Certifications for the old standard will expire in September 2018. Based on demand in North Central PA, we’ve added another class to our schedule.

The training is scheduled for January 9, 10, & 11 in St Marys. Class size is limited and these seats fill up fast. If you’re a manufacturer in the automotive industry, you can see more details at www.nwirc.org/events.

What’s So Cool About Manufacturing? Gear Up to Cast Your Vote!

It’s almost time for the big reveal of all the student videos being produced throughout Pennsylvania. The school teams are feverishly editing their videos to showcase cool jobs and career opportunities in manufacturing.

NWIRC is producing the first annual contest for the Northwest with 12 participating middle school teams in Erie County. And, the North Central Workforce Development Board is in their second year of heading up a contest for several counties in North Central PA.

You can stay tuned to www.WhatsSoCool.org to see all of the videos once they are uploaded in February. Mark your calendar to do your part in selecting the Viewers Choice Award Winner for the contest in your area!

Northwest PA Contest Voting (Erie County)
Feb 26-28

North Central PA Contest Voting
March 5-7

www.WhatsSoCool.org

First Grads of Lean Together™

NWIRC initiated the Lean Together™ working group for operational excellence last January for manufacturing companies in Erie and Crawford County. The group included participants from SEPCO, Channellock, McInnes Rolled Rings, Machining Concepts, American Turned Products, Industrial Sales & Manufacturing, Acutec Precision Aerospace, Modern Industries, and Rehrig Pacific. A graduation was held in December which featured special guest, author and researcher, Mike Rother. During the graduation, each company presented one success story of a 2 Second Lean improvement. Congratulations to this group for continuing their journey in 2 Second Lean. The Lean Together working group from Mercer County will graduate in March.
YOUR STRATEGIC BUSINESS ADVISORS

If you have questions, or would like to speak with someone from NWIRC about services, please contact your Strategic Business Advisor:

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Happy New Year!  
We look forward to working with you in 2018.

UPCOMING EVENTS

Lean Basic Training  
Jan 30  
Location: Erie

This one-day session takes a look at Lean concepts and tools such as value stream mapping, 5S, key performance indicators, Kanban, Kaizen, setup reduction, 8 wastes, batch-size reduction, visual signals, and standardized work. The program includes hands-on exercises and discussion of concepts from the book, 2 Second Lean.

Improvement & Coaching Kata  
Feb 6, 7, 8  
Location: Erie

Learn and practice the Improvement Kata and Coaching Kata with expert guidance in establishing current and target conditions, identifying obstacles, and choosing ideas for PDCA (plan, do, check, act) cycles. This is a learn-by-doing program with simulation, practice, and mentoring by a TWI Institute Certified Kata Trainer.

Root Cause Analysis  
Feb 8  
Location: Erie

Root Cause Analysis (RCA) is a methodology for finding and correcting the most important reasons for quality and performance problems. Don't just put a bandage on the problem. Discover a disciplined approach to problem-solving and add RCA to your quality management toolbox.

Statistical Process Control (SPC)  
Feb 27  
Location: St Marys

SPC is another tool for your quality management system. This hands-on class teaches integrated SPC charts, how to select and use the proper control chart, and establish control limits. Exercises will demonstrate data gathering, constructing the control chart, and continuous monitoring.

For more information or to register for training, visit www.nwirc.org