Growing Sales Revenue is Not Everything

by Bob Zaruta, President/CEO, NWIRC

First and foremost, Happy Manufacturing Day, Week and Month! The celebrations of manufacturing in October have grown exponentially throughout the last several years. As I’ve said before, every day is Manufacturing Day at NWIRC. We strive to be the first line of response to assist small and mid-sized manufacturers address their most pressing business issues, improve their competitiveness, and achieve their growth goals. When we see common needs and trends across our region, we look to be a thought-leader and take action that will help and result in measurable impact to our manufacturing clients, our region, and the people living and working in the communities we serve in northwestern Pennsylvania.

Considering the past few quarters, most would agree that the U.S. economy ‘vitals’ are good, healthy and going in the right direction. Manufacturing orders, output and employment are increasing. Today, a growing number of manufacturers in our region are experiencing topline revenue growth. In some cases, the growth is significant. While just a year or two ago, many of these same manufacturers had excess capacity and were searching for new business, today the key operational challenge for these companies is keeping up with customer demand and expectations. Today, the critical business issue for these manufacturers is profitable topline growth.

Let’s face it, not all customers are a good fit and not all will continue to be a good fit. Business relationships, terms and conditions change over time. Accounts that became customers when times were slower, or were initially won on low price, may be hindering a company’s ability to serve its best customers or win new ideal customers. But how does a company implement a strategy to transform its customer portfolio? What actions can gain and sustain more ‘ideal customers’? You know, the type of customers that have unmet needs that match perfectly to your capabilities, that highly value what you do and who are willing and able to pay a premium.

In response to these needs, trends, and questions, NWIRC is launching a 3-part series on profitable topline growth. This ‘triple crown series’, as we’ve coined it, begins later this month with a breakfast briefing on assessing a company’s current customer portfolio from three perspectives – ideal customers, sales margins and profitability, and value propositions. The series continues with a lunch briefing in November on how to grow your customer base with more ideal customers. Finally, the series concludes with a dinner briefing in November on advancing more opportunities in the sales pipeline with a higher probability of success.

In This Issue

1 Growing Sales Revenue is Not Everything
2 Driven by the 'Why'; Smart Manufacturing Concepts Help
3 Growing a Team of Problem-Solvers; Join the Discussion on Profitable Topline Growth
4 Upcoming Training Events

We know how busy everyone is these days to keep up with customer demands, so we have designed this triple crown series to be delivered through a rapid-fire 90-minute exchange with subject matter experts over unique breakfast, lunch, and dinner venues. If you have time to grab a bite to eat, you can plan to join us. Through these educational briefings, you will leave with new perspectives, knowledge, tools, approaches, and best practices that can transform your customer portfolio for healthier top and bottom lines.
Driven by the ‘Why’
by Susan Hileman, NWIRC Strategic Business Advisor

The Small Business Administration statistics are unnerving. Over 90% of all new businesses fail in the first three years. So what makes and keeps a company successful? Is it the direction of the leaders, the right combination of people, or having great systems and processes in place? Or, is it simply having good data and metrics on which to build a strong strategy for growth? There is no doubt that all of these items are part of the recipe to achieving great outcomes and long-term success. But it’s also important for owners and leaders to know why the company was formed—the motivation, passion, purpose, cause or belief—of the business founder. Fully understanding why the business was established and the founder’s core values may mean the difference between success and failure of the company once you decide to transition ownership.

According to the Family Business Institute, 30% of businesses successfully transfer from the first generation to the second generation. Knowing this, some owners may be reluctant to exit their company and possibly delay planning for succession leaving little time for a smooth transition. Perhaps it’s because they’re unsure if the next generation has the same passion and willingness to put in the time, money, and ‘blood, sweat and tears’ needed to sustain the company long term.

Author Simon Sinek says “companies that define themselves by ‘what’ they do instead of ‘why’ they do it instruct their people to be innovative around a product or service.” The ‘why’ is beyond price, quality, service and delivery. Profits are the result of doing business well, but it’s not what differentiates your culture. It is not what keeps your customers loyal and your employees inspired. When your company is driven by ‘why’ the company is in business, that vision motivates the team members to achieve more. Knowing ‘why’ you are in business, the company core beliefs and values, and what differentiates you from your customers—not from your competitors—can be the driving force for the company to excel no matter who is leading. But first, you must take steps to ensure the coming generations fully understand “Why are we in business?”

Smart Manufacturing Concepts Can Help
by Kevin Jones, Owner/Founder, Ectobox, Inc

Got Issues?

Manufacturers are dealing with increasing pressures. The pressures are from competition in their market, more difficulty hiring operators, and valuable and historical knowledge walking out of the door with retirees, among others. Unfortunately, these pressures aren’t going away. Therefore, companies are looking for new ideas to keep up and get ahead.

Industrie 4.0 and Smart Manufacturing

The answer may lie within the concepts of Industrie 4.0 and Smart Manufacturing. This article discusses both concepts—with primary focus on Smart Manufacturing. Industrie 4.0 is a label from Europe, specifically the German government, applied to the idea of increasing the use of new technologies to improve production, manufacturing, and supply chain in combination with existing manufacturing practices.

Smart Manufacturing is a similar concept to Industrie 4.0 and is the term more closely associated with North America. Smart Manufacturing has different definitions depending on who you ask. For purposes of this discussion it is the use of technologies including the Internet of Things (IoT), automation and robots, big data, artificial intelligence, and modeling. The purpose of these technologies is to enable manufacturers to have more efficient and flexible operations to handle more dynamic customer needs and supply chain.

IoT Introduction

Let’s look at IoT. It’s the process of taking data from sensors on old and new machines, moving that data over the network or the Internet, combining it with other valuable data (e.g., ERP, CMMS), and converting it to valuable information. That information can then be used to understand more deeply what is happening on the plant floor. For example, let’s say we have an operator running two CNC machines in a cell. We know we should see more productivity from that cell. However, we don’t know if it’s the operator, a tool change issue, machine is down, Continued on page 3
or other issues. An IoT software platform allows us to dig deeper than otherwise possible, directly to the machines, add valuable ERP data and do some basic analysis, and present results to owners and production supervisors for investigation and corrective action. This can result in increased productivity and revenue.

**IoT Isn’t Complicated**

Many companies hesitate to consider IoT because it is too costly and complicated. But, it isn’t complicated if tackled one machine or cell at a time. It can even be less complicated than implementing an ERP system.

With a thoughtful roadmap, an incremental approach, and data driving culture, companies can gain significant benefits from IoT and the other Smart Manufacturing technologies.

**Ectobox, Inc. is a company of IoT and software experts that provide consulting, services, and product solutions that improve manufacturing clients’ competitive position.**

**Side note:** NWIRC will offer a free webinar, November 7 at 11:00am, on Industrie 4.0/Smart Manufacturing and how to use and benefit from technology. More info at www.nwirc.org/events.

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**Growing a Team of Problem-Solvers**

*by Lisa Pustelak, NWIRC Strategic Business Advisor and Employee Development Specialist*

Sometimes it seems much easier to put a bandage on a problem and move on to the other ten things we have on our desk or out on the shop floor. However, a few days or months later, that same problem is back. We have not solved anything; we just delayed implementing a sustainable solution.

When you create a culture where effective problem solving is not only taught but also encouraged, you will not only save time but will also increase productivity.

The 5 Whys from Toyota is a great problem-solving strategy and helps us get to the root cause of a problem. The concept goes like this…when a problem arises, ask ‘why’ at least 5 times.

One of the key components for this strategy to work is to question the people who are directly involved in the problem. For example, if the problem is in the quality of one of the parts you make, your first instinct may be to ask the team leader or supervisor. You will be better served to ask the front line operator who is directly involved in the process. Asking why five times is important, but asking the right people is just as critical.

In addition to asking the questions, it’s imperative to get out from behind the desk and go see the operations yourself. Go out on the floor and ask questions and see first-hand where the problem lies. If the problem is in the office, do the same thing, go and observe what is actually happening with your own eyes. Do not rely on your team simply telling you what’s wrong. Go out and investigate it yourself. When possible, ask them to show you. We all have our own ways of viewing things and sometimes we get stuck on our own viewpoint.

By using the 5 Whys and going out to see the problem for yourself, you move into the solution phase sooner and may also learn more about your people and what is really happening in your company.

The most effective and efficient teams have leaders who are able to transfer their own knowledge and skills to those who report to them. For your team to become great problem-solvers, you must first be able to show them how.

**Side note:** Lisa is teaching a Critical Thinking/Problem Solving session on October 30 from 8:30am-4:30pm in Meadville. More info at www.nwirc.org/events.
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 (SBA):

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UPCOMING EVENTS

IATF 16949:2016 Internal Auditor
Oct 9, 10, 11
Location: Meadville
Training of this automotive standard will provide understanding of quality management principles in context with ISO 9001:2015 and the IATF 16949:2016, along with techniques of process-based auditing.

ISO 9001:2015 Internal Auditor
Oct 16, 17, 18
Location: St Marys
This 3-day course provides a detailed review of ISO 9001:2015 quality standard, including the most recent changes. Participants will learn how to conduct an audit, write the audit report, take corrective actions, and more.

Lean Champion Series
Oct 30- Principals of Lean
Nov 6- Value Stream Mapping
Nov 13- SS/KPIs
Nov 20- Setup Reduction/ Kaizen/Kanban
Location: St Marys
Creating and maintaining a culture of continuous improvement involves leadership and engaging the entire organization in the process. But it’s also important to have a toolkit for the approach your company is using to get there.

Lean for the Office
Nov 7 and 14
Locations: DuBois and Erie
Lean principles focus on reductions in waste due to overproduction and waiting. You don’t need to be on the shop floor to benefit from improving productivity in whatever your role.

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