Coming Home
by Bob Zaruta, President/CEO, NWIRC

Manufacturers will continue to feel the effects of workforce shortages in the New Year, from shortages of those with the specific skills required for a job to others with interest in on-the-job training to break into a manufacturing career. Nationally, major initiatives have ramped up over the years to help change perceptions about manufacturing careers to help increase interest and the pool of potential candidates. But as our NWIRC staff travel the region meeting with manufacturers, we hear another common concern of people leaving the region all together to seek ‘better’ opportunities, especially new graduates. This issue also came to light at the launch meeting last November for a Next Generation manufacturing partnership (aka Keystone Edge Next Generation Manufacturing Partnership). One of the priority action teams was created to focus on branding the region for, not only the regional attributes and lifestyle, but also as a manufacturing hub.

During various follow-up conference call meetings, this action team is now moving ahead with their project idea. I’d like to share a letter sent to the Partnership from the Action Team Chair, Bruce Denniston, Vice-President and General Manager at Pine Electronics.

“As part of our initiative to brand and promote our region, we are looking for some folks who have made the decision to ‘come home’ to Northwest Pennsylvania. At our initial meeting we discussed many positive attributes of our region. Among these are 1) lots of innovative manufacturing companies in the region, 2) lots of lifestyle benefits, and 3) reasonable cost of living. The pride in our businesses and our region was heard loud and clear at our November 6 Next Gen Industry Partnership Launch Meeting. I think we’re all interested in doing all we can to sustain and grow our businesses and keep the region economically strong. Part of this effort is to attract back the talented people who have left the region.

In order to accomplish this, the Branding the Region Action Team is interested in connecting with as many folks as possible who have made the decision to ‘come home’. This is where we need your help. Perhaps there is someone in your business, or elsewhere in your network, who has returned to Northwest Pennsylvania to work and take advantage of the many benefits of the area. We’d like to hear their stories and ultimately make a few promotional videos which tell their stories in a way that could be compelling and inspirational to others.”

On behalf of Bruce, I’d like to ask our readers to contact us if you have a story about returning to the region. In addition, we’d also like to hear stories from those who have made a decision not to leave the region because of the lifestyle and opportunities in manufacturing that are evident in northwestern PA.

We know the grass isn’t always greener on the other side. Let’s continue to promote the ‘green’ in Pennsylvania and encourage talent of all ages to stay or consider coming home.

(Send your story or comments to lknoll@nwirc.org.)

Continued on page 2
Continued from page 1

If an inspector views potential issues driving past your location, or receives a tip of imminent danger, then expect a visit.

**Severe injuries or illnesses** – employers now have to report not only fatalities within 8 hours, but serious injuries within 24 hours to OSHA. Injuries requiring reporting are inpatient hospitalizations, amputations, or eye loss. This reporting will trigger the submission of a rapid response report to OSHA or a site visit.

**Employee complaints** – concerned or disgruntled employees can contact OSHA at any time. The results will be a site visit or formal written correspondence on the complaint.

**Referrals** – a site visit referral can come from other federal, state, or local agencies. A referral visit can also be generated from unwanted media attention over a situation.

**Targeted Inspections** – OSHA has national and regional emphasis programs that drive inspections. High injury rates can also result in targeted visits. Remember that organizations with 20 or more employees must now upload their OSHA 300 log summary info into the Injury Tracking Application each year.

**Follow-up Inspections** – a visit to confirm that abatement action is in place from a previous citation.

“You can greatly influence the results of an OSHA inspection,” Sturgeon said. “Make sure you have the required written programs in place, employee training, recordkeeping, hazard identification, and corrective action.”

**Side Note:** An OSHA Compliance & Injury Prevention training will be held on January 29 in Erie facilitated by Todd Sturgeon. Sessions are also scheduled in St. Marys (Feb 19) and Titusville (March 7). See www.nwirc.org/events for more details.

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**Shift Change: Manufacturers Changing the Way They Do Business**

*By Susan Hileman, NWIRC Strategic Business Advisor*

Generational diversity often looks at issues with generations communicating ineffectively resulting in lost productivity. Often, we hear “They don’t do things (ie, work, learn, have the same values) like we do.” The newest generations don’t now, nor will they ever, have the same perspective. Why? Society has shifted. Common behaviors, attitudes and beliefs have shifted. As an industry, manufacturing is often slow to reflect the changes it sees, especially when it may take more effort and costs to the company. Like turning the Titanic, industry will adopt new practices, but often only after a period of resistance…slowly coming to terms with a new way of doing things.

Think OSHA. For years manufacturing operated in unsafe working environments, accepting it as the norm because “Hey, that’s the way we’ve always done it!” Prior to 1970, there was little effort or money invested in safety programs. Early adopters of new safety practices quickly realized that it not only provided productivity gains, but companies became preferred employers in the region because workers felt safer. Industry slowly changed. Manufacturing injury and fatality rates dropped. While it required an investment into programs and practices, employees no longer had to take risks that were likely to cause physical harm or put their families at risk of losing their main source of income due to workplace accidents or fatalities. It was a shift and a win for everyone. Unsafe work practices once considered the norm, have become the exception.

Today’s industry shift to become a preferred employer means you take human resources seriously and listen to what is important to the newest generations about the way you do business: your approach to work, community, balance, family and what you value. While many companies say, “People are our greatest asset” it’s a shift—a change—in the way they do business to be more transparent, authentic, ask for input, use technology, invest in training, provide options for flex time, job sharing, mentoring, career pathways, etc. Do you have to put these practices in place? No. But early adopters are finding that it not only provides productivity gains but positions you as a preferred employer in the region. And
THAT gives you access to the best and brightest talent out there! It’s a shift change you should consider.

Side Note: Susan Hileman presents an educational program on Generational Diversity as a Competitive Advantage in Oil City on January 23rd. See www.nwirc.org/events for details.

4 Steps to Evaluate Customer Profitability

By Michael Griffith, NWIRC Manufacturing Technology Engineer

Happy New Year! For many of our regional manufacturers, 2018 sales revenues gave plenty of cause for celebration. The U.S. economy is expected to have grown over 3% during 2018 and many northwest Pennsylvania manufacturers have benefited from national economic growth. Still, the trickle-down effects of the 2017 Tax Cuts and Jobs Act, that has fueled much of 2018 economic expansion, will not last forever. If 2018 was indeed a banner year, the time is now, while sales are good, to look not only how to gain new customers, but also how to shed customers who may be a drain on profitability.

It goes without saying that customers can negatively affect profitability if the combined material, production, and fixed contribution costs of the goods sold to the customer is higher than the selling price of the final product. However, many indirect costs, such as excessive quoting time, engineering time, quality requirements, returns, or other customer service requirements, should also be considered in the total cost of goods sold.

Many people are familiar with Pareto’s 80/20 Principle and its application to sales – roughly 80% of sales revenue comes from 20% of customers, leaving the final 20% of sales revenue from 80% of customers. Less commonly known is that while 20% of customers contribute to 80% of company profits, the next 20-30% of profit is from the middle 40-60% of customers. The remaining 20-40% of customers either generate no profit or draw down profits from overall profitability of the company.

The steps to evaluate customer profitability include:

1. Quantitatively analyze profitability, based upon combined material, production, and fixed contribution costs, of each customer
2. Qualitatively analyze profitability based upon other, sometimes subjective, criteria such as quoting time, engineering time, quality requirements, returns, or other customer service requirements
3. Consider the customer’s potential for increased future growth
4. Consider the customer’s fit in your strategic growth plan or ideal customer profile

While the first step, quantitative analysis, will offer a good list of current customers that are draining profitability, it should not be considered the only criteria for evaluation. A complete customer profitability evaluation, including all four steps, should be performed.

Following these customer profitability evaluation steps can help a manufacturer improve customer service to profitable customers, align its customer base with an ideal customer fit, and grow its business through new customer opportunities. To learn more about resources available to help evaluate the profitability of your customer base, contact your NWIRC Business Advisor.

Michael Griffith has over 20 years’ experience in various manufacturing roles including product development, sales engineering, and sales and marketing management. He’s been with NWIRC for over 6 years helping manufacturers identify and pursue business growth opportunities. Mike has a Bachelors in Chemical Engineering and MBA, both from Penn State.

Resources in Warren Region for Manufacturers Managing Change

We’ve all heard Einstein’s famously proclaimed definition of insanity: continuing to do the same thing over and over, and then expecting different results. Yet we continue to hear… “but that’s the way we’ve always done it” and people and processes continue on with old habits whether it’s cost-effective and efficient or not.

Dealing with change can be difficult, but it doesn’t have to be. There are resources available that can help you in many aspects of your business, whether they are changes you choose to make or changes that your customers or the industry demands.

A special program planned for companies in the Warren County Region will focus on resources available to help strengthen their businesses. The program will be held on January 16th, 2019 from 12:00 pm – 1:30 pm at Conewango Club, 201 Market St, Warren. There is no cost for the program, but RSVP is required by Jan. 8th as lunch is provided.

Sponsored by Northwest Industrial Resource Center (NWIRC), Steel Valley Authority and the Strategic Early Warning Network (SEWN), and Warren County Chamber of Business and Industry (WCCBI).
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):

Tom Weible
814.590.5202
Cameron, Clearfield, Elk, Jefferson, McKean & Potter Counties

Susan Hileman
814.572.2077
Forest, Mercer, Venango, Clarion Counties & Titusville

Lisa Pustelak
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Crawford, Warren Counties, Corry & Edinboro

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UPCOMING EVENTS

IATF 16949:2016 Internal Auditor
Jan 8-10
Location: Erie
Training of the IATF 16949 automotive standard will provide understanding of quality management principals in context with ISO 9001:2015, along with techniques of process-based auditing with hands-on activities.

OSHA Compliance and Injury Prevention
Jan 29
Location: Erie
The purpose of this OSHA and Injury Prevention class is to help prepare organizations dealing with the complex area of regulatory compliance, injury prevention, and business liability. This course will pack a comprehensive scope of subject matter into a one day session for the busy professional.

Core Tool: Statistical Process Control (SPC)
Jan 31
Location: Clarion
SPC is another tool for your quality management system. This hands-on class teaches integrated SPC charts, hot to select and use proper control chart, and establish control limits. Exercises demonstrate data gathering, constructing control chart, and continuous monitoring.

ISO 9001:2015 Internal Auditor
Feb 26-28
Location: Erie
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.