



THOUGHTS FROM THE EXECUTIVE BOARD

What's your Passion?

The dictionary defines "Passion" as a strong or extravagant fondness, enthusiasm, or desire for anything. Do you have passion for anything? Do you have passion for work? Most people are not lucky enough to have passion for work. To many "work" is the worst of all the four letter words. Hobbies have a way of making people more passionate than work, because one is doing what one really wants to do. Doing things that hold one's interest and enthusiasm.

Sometimes we need to define parts of our work for which we have the most passion. I once knew a man who loved to make money. He did not need the money. He did not even like money! He had a passion for making money--buying and selling anything that made money. He told me about purchasing a boxcar of plywood from railroad salvage, selling it within four hours and making thirty thousand dollars. He never saw the product and never met the person who purchased it. He did not care! He wanted to make money.

In contrast, my own father had a passion for selling! He measured his success in the number of sells not the amount of money being made in the transaction. The first time he sold five machines in one day he could not sleep that night. He truly had a passion to sell. He was up early every day ready to go sell machines. He never met anyone without trying to bring sales into the conversation, a twenty -four hour/ seven day type of guy.

In America, the average person spends more time awake, at work than doing any thing else. Those of us who are lucky, have passion for our work. I consider myself very lucky to have spent my entire life in the repair business. I love it!! I have a true passion for what I do. Going to work is not drudgery to me it's fun! If you find some passion for your work you can wake up every day enthusiastic about going to work. The poor soul who does not have passion for what he does, should resign today, RIGHT NOW!!

Escape and find YOUR "Passion"!

Sonny Welker – Superintendent
Atlas Machine & Supply

Business Matters...

The Biggest Constraint We Find is... Part 3

We have worked with companies around the globe and the constraint is always the same. It's how we think. In particular, it's how the business owner or leader of the company thinks.

You buy the same equipment as your competitors. You hire from the same labor pool. The only difference is how you think. Unfortunately, you and your competitors also think the same way. So you are left to compete in a market where, from your customers' perspective, you're all the same. So they make decisions mostly based on price.

Let me explain some of the common ways our thinking goes wrong and the negative effect this wrong thinking can have on your business.

In Part 1, we discussed the efficiency mind-set and how focusing on efficiency can lead you astray. I made the case that efficiency is not a precursor to improved performance, but a by-product. In Part 2 we tackled the allocation mind-set and instead of allocating I suggested that you consider the ΔT vs. $\Delta O\Sigma$ as you decide which jobs to take, how to price and select markets. In Part 3, I want to address the cost mind-set.

The cost mind-set is related to both the efficiency and allocation mind-sets. The cost mind-set is what causes us to say things like "we lost money on that job/project," and also is why we don't want to make additional tooling for a job.

First, what is the situation that typically causes us to exclaim "we lost money on that job/project"? Usually it is because the job or project took more time than we estimated. And, of course, our price was based on this time estimate. If your time estimate is off enough so that the number of additional hours you put in multiplied by your hourly cost rate is more than your margin—you might think that you lost money on that job or project.

However, that is wrong thinking. The money you make on a job or project is the same no matter how long it takes you to do the job. The money you make on a job is called Throughput. And throughput is Sales minus Truly Variable Costs (TVCs). TVCs are any cost you incur when you sell one more of your products or services. They typically included raw material, purchase parts, freight and sales commission. They do not typically include direct labor, unless you pay piece rate.

So if your Throughput on a job is:

Selling price:	\$100
-TVCs:	<u>-\$20</u>
Throughput:	\$80

This means you are going to generate \$80 of Throughput no matter how long it takes. Only rework could further reduce your Throughput. Throughput is what we generate to help us cover all our Operating Expenses and then make a profit. So we need to generate enough Throughput to cover all our Operating Expenses. And if a job or project takes too long, then we might not have enough time left to generate enough Throughput in total.

But the amount of money we generate, the Throughput, is the same no matter how long it takes us to do the job or project.

While that might sound like semantics, it's an important difference. It's the difference between thinking like everyone else, or really understanding the situation to allow you more or different opportunities.

And that brings me to the second example. Sometimes when we are working with a custom job shop and focusing on increasing flow (velocity through the shop), I will often suggest that they run a job across several machines. And this can require additional work holding fixtures and/or additional tooling.

This additional tooling cost is calculated as follows:
Raw Material + Outside Services (like heat treating) + Direct Labor = Tooling Cost

$$\text{E.G. } \$200 + 150 + \$5,000 = \$5,350$$

So I will often hear, "It would cost us \$5,350 for that additional tooling and we can't afford that." But then I ask if they make this tooling in-house. They confirm that they do. So my response is, "Then it only is going to cost you \$350 for this additional tooling. And while it will take some of your capacity to do this, it will not cost you more than that."

If taking this time does not create a bottleneck or cause you to have to work overtime, why wouldn't you do it? Especially if you are going to run the job again.

And if you did it, and you could now get that job through your shop in half the time, what would that be worth? Could you gain market share if your lead-

time is shorter than your competition? Don't let the cost mind-set cause you to miss huge opportunities!

Do you see how thinking differently can really be the path to more sales and more profits? Everyone says to "think differently," but no one tells you how to do it...until now! Your products/services do not have costs or profits.

If you're ready to think differently, our Velocity Scheduling System (for job shops) and Project

Velocity System (for service and project-based companies) help you to increase the velocity of work through your company so that you reduce the chances of not getting enough done to cover operating expenses and make a profit. Then our Mafia Offer Boot Camp will help you capitalize on the competitive advantage you've created in operations and by thinking differently.

"Dr. Lisa" Lang is president of the Science of Business. She recently served as Dr. Goldratt's Global Marketing Director, and is a member of the Board of TOCICO. She can be reached at DrLisa@ScienceofBusiness.com and 303/909-3343. Brad Stillahn is a business owner who successfully implemented TOC in his own business, exited his business on his terms and is now helping other business owners do the same. Set up a TOC Advisory Board for your company! Braad can be reached at Brad@ScienceofBusiness.com and 303/886-9939.

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Introducing Federated's Shield NetworkSM
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(Owatonna, MN) Federated Mutual Insurance Company announces the development of Federated's Shield NetworkSM—an online risk management resource for our clients. It is designed as a one-stop source that offers our clients 24/7 access to risk management services and materials using the convenience and efficiency of the Internet. It offers access to Federated brochures, forms, signs, multimedia, and support, as well as a gateway to services provided by vendor partners who specialize in disaster planning, employment-related practices, employee screening, and employee training.

Federated's Shield Network devotes an entire section to our new Drug and Alcohol Free Workplace Program with tools and materials to make implementation of a program simple and cost-effective. It offers help for either workplace or Department of Transportation programs, including policy statements, employee communications, training materials for employees and supervisors, instant testing devices, a laboratory network, and even legal consultation. A DVD is also available that helps impress the importance of dealing with this risk.

Federated's Shield Network serves as an enhancement, not a replacement, for the personalized service our clients currently receive from their local marketing representatives and risk consultants. It is another value-added advantage that supports our goal to help create risk management programs that are tailored to meet the individual needs of our clients.

Property and Casualty insureds can access Federated's Shield Network through our Web site at www.federatedinsurance.com. For questions or assistance, contact your local Federated representative.

Feedback: Some People Can't Handle the Truth *By John Boe*

Are you the type of individual who values sincere feedback and welcomes constructive criticism from customers, associates and family members? Sometimes getting feedback can be an unpleasant experience, especially when it hasn't been requested! Without timely feedback, it's utterly impossible for a person to accurately identify his or her shortcomings, correct bad habits and profit from mistakes.

I can't think of any professional athlete or top-producing sales rep who have become successful by avoiding critical feedback. In fact, even the greatest professional golfer in the world, Tiger Woods, understands the value of seeking out advice on club selection from his caddy before taking a swing at the ball. Unsuccessful people often reject feedback and avoid taking personal responsibility for their actions. They have difficulty admitting weaknesses, and when confronted they frequently respond to feedback by lashing out in anger to deflect blame or deny responsibility.

Unfortunately, far too many people are "thin skinned" when it comes to receiving feedback, and as a result they often misinterpret sincere criticism as a form of personal attack. It's fairly typical, and somewhat understandable, for people to become overly defensive and a bit argumentative whenever their personal flaws and shortcomings are held up the glaring spotlight of criticism. And not all feedback is accurate, sincere or of equal importance. Nor does every input automatically require action to be taken. However, the key to long-term business success and personal achievement is determined largely not by hard work alone, but by one's ability to glean the kernels of wisdom from the chaff of feedback.

It's important not to put up a wall to avoid feedback, because the same walls that shield us from criticism also block our potential. When is the last time you recall asking your boss, associates or close friends for their honest feedback? Here are several important tips to help you gain the most benefit from your next feedback session:

- Don't shoot the messenger...be polite and keep your focus on the message
- Don't become upset, judgmental or defensive...be willing to consider every input.
- Don't argue or interrupt. Listen like a homicide detective and stay open-minded.

- Don't rationalize your way out of accepting responsibility for your actions.
- Ask open-ended questions to gain understanding. It's a good idea to frequently summarize and clarify the feedback in your own words. Always ask for specific examples.
- Take time to reflect on the feedback and look for opportunities to continuously incorporate useful suggestions to improve your effectiveness.
- Thank the people who take the time to give you honest feedback, because without them you'll never attain your full potential.

"It's a rare person who wants to hear what he doesn't want to hear."
~ Dick Cavett ~

John Boe presents a wide variety of motivational and sales-oriented keynotes and seminar programs for sales meetings and conventions. John is a nationally recognized sales trainer and business motivational speaker with an impeccable track record in the meeting industry. To have John speak at your next event, visit www.johnboe.com or call 937/299-9001. A free newsletter is also available on his Web site.

Add Value to the TTMA Monthly Meetings!

The TTMA Executive Board invites members to make suggestions for meeting programs that will teach and entertain!

If you know of an effective program, process, or system that is industry related and that will provide an expert speaker to make a presentation at a monthly meeting, please contact:

Joy Cariaga
TTMA Administrative Director
ttma@fuse.net
or
859/431-8862



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Small Manufacturing Can Make A Difference

We hear from people all the time that the politicians in D.C. are going to do what they want and we can't stop them. With the last election a group of people gained power that, in some cases, would like to see all of manufacturing leave the U.S. They have no clue as to how important manufacturing is to the U.S. economy and how many lives are affected by their actions.

However, we can make a difference and we are! You might ask how a small machine shop in Kansas City or anywhere else is going to make a difference. It's in our numbers! We have the power on Election Day and the politicians are starting to understand that. During the recent "One Voice" Legislative Conference, National Tooling & Machining (TTMA) and Precision Machining Association (PMA) members got to speak to elected officials and inform them on how what happens in D.C. affects everyone. Even the Speaker of the House asked to meet with several One Voice members about the access to credit legislation that is being debated now.

Where's the proof that we're making a difference? Take a look at some simple information. Big Labor spent more than \$400 million to get the "Employee Free Choice Act" (Card Check) bill passed. Many labor leaders said before the elections that this would be the first bill the new President signed. Opposition forces spent a total of \$100 million. As of this writing, that bill has not made it to the Senate floor. Why? House members refused to debate it because they knew that the majority of their voters were against it and they'd pay at the polls if they voted for it. They forced the Senate to take up the issue first. "One Voice," working with other groups put on a campaign in Pennsylvania to flip Senator Arlen Specter. He changed his vote publicly but then jumped to the Democratic ticket in an attempt to keep his seat. As we found out in May, it didn't do him any good. While this was going on, One Voice was "educating" a few other key Senators about the danger of the bill. While they wouldn't publicly commit to not vote for it, they did agree that there was no way they'd cast a vote for the measure. The Senate never had the votes needed to pass the bill, even though publicly they touted the numbers to do so.

The next proof is the Chinese Currency issue. Just last year the President announced that there was no way he'd approve a measure to punish the Chinese for currency manipulation, even though they've been violating international law for some time. China is not the only country doing so, but they have the biggest target on their backs. By manipulating their currency, Chinese goods are cheaper on the global market and give them an unfair advantage compared to other manufacturing countries. Even the Secretary of the Treasury reported that there was no evidence that this was going on.

In April the Treasury Department held up a report that would have tagged China for doing this so U.S. representatives could go to China and speak with them about the issue. A few bills are now going through Congress that will call for sanctions if they don't stop. The President also was known to be asking financial consultants what would happen if these bills made it through. At the time China held a lot of U.S. debt, but even that has changed as other countries have bought up more of our debt.

Why the change? Votes! The President and his administration are realizing that sometimes politics run into the real world and they can't do things for their own personal gain and expect to remain in power. Ask the voters in Massachusetts and Pennsylvania about that! Big Labor represents less than 8% of the workforce outside of government unions.

There are other examples too complicated to go into. The fact is the folks in power are starting to listen. If it's because they're in fear for their jobs, then GOOD! But the fight is not close to being finished. We have to keep up the pressure. The people that make the ads for both sides think U.S. voters have a short memory. They hope all the negatives from what they've done will be forgotten by November when they'll be running ads showing how positive things are. We can't let them off the hook.

Make sure all your employees are registered to vote. Educate them with the facts. How can anyone be against "Employee Free Choice"? Make sure they stay informed and then get out and vote in the November elections. Our opponents are hoping for a small turnout when they can bus people to the polls that will vote as they're told. Everyone should also get their elected officials to come visit their plants this summer. Show them what you do. Educate them and more importantly, make sure they know we're watching. "One Voice" lobby group Franklin Partnership can help with contacting your

representatives. Even if you think they won't come or won't change, make the contact!

Finally, NTMA and TTMA members need to help their organization grow. The more members we have, the more power we have. If every member just talked to one peer that isn't a member and helped bring that one new member to the table, we'd double in size before the elections. There are forces out there that want to splinter the industry into small groups for their own personal gain and we should not tolerate it. It weakens the whole industry and makes it harder to be heard. We have the power in our employees, friends, families and vendors. Our votes can matter! Our opposition is doing the same thing. They're recruiting all the time to get more voters that will do as they're told. We don't ask to vote a certain way but **pay attention to what elected officials do and not what they say!**

We can make a difference if we all stand together!!

Federated Named to 2010 Ward 50[®] Top Performers

Federated Mutual Insurance Company and Federated Life Insurance Company have been named to the 2010 Ward's 50[®] lists of top performing insurance companies. Federated is one of only two organizations that have had affiliated companies named to both the property-casualty and life-health Ward's 50[®] group of companies every year since 2001.

Ward Group[®] is a Cincinnati-based consulting firm specializing in the insurance industry. Each year, it reviews approximately 3,000 property and casualty companies and 800 life insurance companies. Ward then recognizes 50 companies that have achieved outstanding financial results in the areas of safety, consistency, and performance over a five-year period (currently 2005-2009).

Affirmative Action Update

Two government contractors are currently subject to conciliation agreements or have been presented with a conciliation agreement due to alleged violations. In one instance the contractor is facing back pay claims exceeding \$250,000 for hiring practices and the requirement that job offers be made to several individuals who were qualified according to the OFCCP but not hired. In the other instance, the contractor is required to do additional reporting to the OFCCP demonstrating compliance for a year.

The focus of the OFCCP in the conciliation agreements is instructive and may assist other contractors in compliance with affirmative action requirements. The hiring process continues to be a focal point and specific corrective actions include:

1. Identification of applicants by race and gender—off the self-identification form to applicants at every opportunity to ensure your applicant pools have minimal unknown applicants;
2. Post with and obtain written confirmation from state employment agencies that a contractor has listed every qualified position (other than positions lasting less than three days, senior-level management positions or positions filled internally);
3. Analyze the steps of your application process to determine if one or more steps results in an adverse impact against females or minorities—if so, determine whether the step is necessary to qualify an applicant or whether some other step could be substituted that would alleviate the adverse impact and still demonstrate qualifications for the job;
4. Consistently apply human resource policies and procedures in the hiring process;
5. Review any employee or family referrals (whether pursuant to a policy or informally) to ensure that employee referrals are considered on an equal basis with all other applicants and subject to the same standards;
6. Develop and implement an internal auditing system that periodically measures the effectiveness of the affirmative action program including monitoring personnel activity, reviewing results with all levels of management and advising top management of program effectiveness and recommendations for improvement;
7. Demonstrate good faith efforts and outreach to recruit females or minorities where a contractor has placement goals; and
8. Demonstrate good faith efforts and outreach to recruit the disabled and veterans even though there are no numeric placement goals.

Contractors must be proactive in self-auditing the steps of the hiring process particularly if a contractor has placement goals or adverse impact in hiring. The review of hiring practices by the OFCCP is primarily focused on the 12 months prior to your current plan date. If you receive an audit notice today there isn't any opportunity to correct the prior review period. In this instance, ignorance is not bliss but rather exposes the company to potential liability. If you have issues correct them immediately and going forward.

The OFCCP has sent out Spring 2010 Corporate Scheduling Announcement Letters (CSAL) to the Chief Executive Officers of Government Contractors. The CSAL notifies contractors with multiple divisions that two or more of its locations are on the list of contractors selected for audit. However, do not assume that you are in the clear if you haven't received a CSAL. We are aware of a multi-division contractor that did not receive a CSAL last fall and subsequently had two locations audited.

Beginning in this fiscal year, there is no limit to the number of compliance evaluations the OFCCP may schedule or conduct for each contractor. If your company has received a corporate scheduling announcement letter be sure your affirmative action plans are up to date and ready for a compliance audit. Receiving a CSAL also doesn't guarantee that you will receive an audit. If an audit is scheduled, you will receive another letter that will give you a 30-day window to send your current plan and information from your past year's plan to them. The OFCCP is in the process of hiring and training approximately 200 additional compliance officers so you should assume that an audit will be conducted if your location is listed on a scheduling announcement letter.

2010 TTMA Calendar of Scheduled Events

September 20, 2010 Monthly Meeting – NTMA Board Chairman – Russ Reschke
October 18, 2010 Monthly Meeting – Federated Insurance
November 15, 2010 Monthly Meeting – Monica Pfarr – AWS (tentative)
December 13, 2010 Monthly Meeting – Christmas Program

Except where otherwise noted, meetings will be held in the Redwood Room at the Embassy Suites Hotel in Blue Ash:

4554 Lake Forest Drive
Cincinnati, OH
513/981-3763

Monthly Meetings are suspended from June through August and will resume in September, 2010

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The TTMA mission is to be the best metalworking and manufacturing trade association with comprehensive information resources for its members and interfacing with community partners.