

The NIST MEP Interviewed

Bringing insight into a program entering its third decade.

Part Three of a three-part series.

Jan Kosko is the NIST Public and Business Affairs contact who agreed to answer questions about the Manufacturing Extension Partnership (MEP). Kosko has been with the organization for years and answered both specific and general questions about the current and future outlook for the program. This is the third and final feature in this series and hopefully it brings insight to the nature of a program that will soon enter a third decade. Kosko may be reached at janice.kosko@nist.gov.

Q. Why are some of the MEPs, like TechSolve (in Cincinnati), moving to a "membership" model? Do you anticipate all the MEPs will follow this pattern?

A. The TechSolve Membership Program is designed to provide manufacturers with learning, networking, and business improvement opportunities and was established prior to TechSolve

becoming an affiliate of the NIST Manufacturing Extension Partnership. The membership program represents only one of many approaches used by TechSolve to serve Ohio manufacturers.

TechSolve was founded in 1982 as part of a regional effort to improve the competitiveness of manufacturing and related businesses. In 1994, TechSolve was selected through a competition to host a NIST MEP center. As with many MEP centers, managing and operating an MEP center which serves small manufacturers is just one part of the larger TechSolve mission. TechSolve has other sources of funding and provides services other than those associated with the MEP center to manufacturers in their region.

It would be up to each MEP Center to determine if the establishment of a membership program would improve their ability to achieve the MEP mission. One advantage of the MEP program is the diverse methods employed by the 59 centers across the nation to improve the

competitiveness and productivity of U.S. manufacturers in the regions they serve.

Q. Why have some MEPs (prospered and others failed, or done less well)?

A. Each MEP Center's performance is evaluated annually by NIST MEP and biannually by a panel of external experts. If a Center's performance is unsatisfactory, NIST provides the Center with recommendations for improvement. In addition, each Center must meet a minimum level of economic impact measure to ensure federal funding is maintained. If this minimum performance is not maintained, the Center is placed on probationary status and the center's management has nine months to take corrective action. If this situation is not corrected, NIST MEP management can run a competition to select new management. Over the 17 years of the MEP program history, this situation has occurred 10 times and has resulted in improved MEP center and system performance.

Analyzing past center performance indicates that centers with stable federal funding, stable state funding, a mixture of training and implementation service offerings, and a diversified delivery structure using both in-house and third party consultants provide the best foundation for center success. We have also found that strong center leaders who have strategic vision and understand the local manufacturing base are critical to a successful MEP center.

In 2004, the National Academy Of Public Administration reviewed the MEP program and said, "The amount of resources contributed by the states varies significantly from state to state. In some instances, state contributions are minimal or non-existent, a circumstance which can be an important predictor of center performance."

(NAPA's report is available at <http://www.napawash.org/pubs/nist6-2-04.htm>)

Just as they advise their manufacturing clients, the MEP Centers are continuously striving to improve and achieve greater economic impact and customer satisfaction.

The success of the MEP program is due in part to its primary guiding principle of being industry-driven, market-defined, and customer-focused with an ability to meet the ever-changing needs of the small manufacturing community. The responsiveness of the program can be seen in the continual evolution of products and services provided to customers ranging from technical point solutions, to system level solutions such as quality and lean manufacturing, to enterprise level solutions such as strategic marketing and transformation services. The success of the program can also be attributed to the dedication of center staff and boards, and their commitment to U.S.-based small and midsize manufacturers.

Q. What impacts have political champions like Senators Snowe and Lieberman had on the MEP program?

A. As co-chairs of the Senate Task Force on Manufacturing, Senators Snowe and Lieberman are of course interested in the success of the entire U.S. manufacturing industry.

Q. Since this series is being written for

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Manufacturing & Technology magazine, what are some of the issues that are unique to this region? What are some of the programs/services that are being offered by the MEPs in these states that are "hot" or important?

A. The MEP Centers in Ohio, Indiana and Kentucky offer a broad range of services and assistance to small manufacturers. But, in particular demand are programs that address the adoption of lean enterprise concepts, supplier development initiatives and quality management systems.

NIST MEP encourages MEP centers to develop individual operational and service delivery structures meeting the unique needs of the region they are serving. NIST has found this to be one of the true strengths of the MEP program. While centers have agreed to standardize many services for manufacturers, such as the concepts of lean manufacturing or the ISO 9000 quality management standard, centers also have the flexibility to provide services that address the needs of customers, the mix of clients, and availability of partners in their geographic area.

In addition, NIST MEP facilitates MEP University, a system-wide professional development program, which promotes the standardization of center service delivery. Through the University, NIST MEP is able to offer a full range of courses that encourage business consulting skills development, knowledge sharing, and best practices. Ultimately, the strength of the University is the ability to exchange information and increase professional development fostered through an internal electronics communications network.

Q. Having met several MEP staffers there is an overwhelming sense that "all MEPs are not created equal." This is ironic because as MEPs champion Lean Processes, few have actually applied Lean (or ISO certification) programs to the operation. Are MEPs going to undergo any kind of standardization?

A. As part of NIST MEP's philosophy, we encourage MEP centers to develop an individual operational and service delivery structure that meets the unique needs of the local manufacturing base in the region they are serving. This is one of the strengths of the MEP program.

While all centers provide business and technical services such as Lean business concepts, Strategic Management, Quality, and Environmental services, the centers also have the flexibility to provide services in such a way to address the customer needs particular to their geo-

graphic area, client mix, and partnership availability.

Centers may partner with local resources such as community colleges, private consultants or may have staff in-house to address specific needs. NIST MEP does standardize and offer a full range of courses through MEP University and encourages knowledge sharing via an internal communications network.

MEP centers working with the suppliers often consult with one another to maximize impacts and to standardize implementation.

In addition, centers that participate in national projects supporting the improved performance of a specific supply chain will provide suppliers across many state lines standard products and services that are often required by the original equipment manufacturer (OEM). The MEP centers working with the suppliers often consult with one another to maximize impacts and to standardize implementation.

Q. Goals and Objectives of MEP 2006? Beyond?

A. The major focus of the revised strategic plan for MEP is to continue to evolve our nationwide system of resources, transform manufacturers to compete globally, support greater supply chain integration, and provide access to technology for improved productivity.

The MEP program has been following a simple strategy of improving the produc-

tivity of U.S.-based manufacturing one firm at the time. In more recent years, the MEP network has begun to support supplier development strategies for significant U.S. supply chains. These efforts provide an operating base from which MEP in the future can evolve to meet the increasing demands of the global marketplace. As the MEP program enters this next stage, the program will focus on global trends such as intense pricing pressure, increased quality performance of foreign competitors, and accelerated product life cycles.

MEP recognizes that the needs of the smaller manufacturers are moving from cost reduction solutions to growing their businesses and competing globally. With success in the marketplace dependent upon product differentiation, service innovation, and speed-to-market, MEP will help U.S. manufacturers meet these challenges by providing strategic management services in areas such as strategy development, advanced marketing techniques, new product development, the integration of supply chains, and increasing the technical and problem solving skills of the workforce.

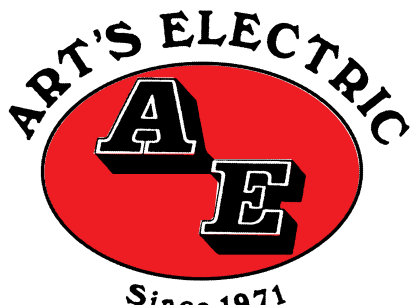
About The Author

Thomas R. Cutler is the president and CEO of Fort Lauderdale, Florida-based TR Cutler, Inc., the largest manufacturing marketing firm worldwide – www.trcutlerinc.com. Cutler is the founder of the Manufacturing Media Consortium of 2,700 journalists and editors writing about trends in manufacturing, and is the lead spokesperson for the ETO Institute – www.etoinstitute.org. Cutler is also the author of the Manufacturer's Public Relations and Media Guide, and is a frequently published author within the manufacturing sector with more than 300 feature articles authored annually; he can be contacted at trcutler@trcutlerinc.com

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The Impact Of Reducing Cost Of Goods Sold By Just One Percent

On the income statement of most discrete manufacturing firms, cost of goods sold, COGS, is typically in the range of 70-95% of revenue. For many of those same companies, net income is typically in the range of 3-8% of revenue. Looking at a representative company whose COGS is 80% of revenue and whose net income is 5% of revenue; if you can reduce COGS by 1% (to 79.2% of revenue), that savings goes directly to the bottom line, increasing net income to 5.8% of revenue, thus increasing net income by 16%.

Most discrete manufacturers believe they can achieve a modest 1% savings in their COGS. According to Frank Azzolino, president and CEO of aPriori (www.apriori.com), which produces cost management software, "Giving our customers accurate, predictive, real-time product cost estimates along with their understanding of the leveraged effect that reducing COGS has on net income (and the profit opportunity that this represents) is one of our primary value drivers."

Cost information in most organizations is fragmented throughout the enterprise. Critical pieces of cost information are spread across independent silos within an organization in different functions like engineering, planning, manufacturing, sourcing, and finance. This situation typically results in estimates that do not include all relevant information required to make accurate and predictive product cost assessments.

The cost management platform uses innovative, patent protected technologies, and is capable of using design information driven off of MCAD geometry. Additionally the ability to model production facilities (including machine capabilities, raw materials, and facility cost structure) and the specific cost accounting methodologies, accurate predictive, allow "forward looking" real time cost estimates.

This cost information leverages existing information and data systems in a single cost platform, captures company specific costing practices, and makes this infor-

mation available across the enterprise and accessible by any user in the organization.

Calculating ROI On A Cost Management Platform:

Hard Savings: *Direct cost of goods sold (COGS) savings* – by providing real time visibility to predictive cost information, the cost impact of decisions and trade-offs made at any point during the development through production process is always known. COGS reductions are directly quantifiable and measurable.

Soft savings: *Cost estimation time savings* – cost management platform cost estimates are provided real time, for instant usage in decision making. Long waiting periods for cost estimates are eliminated. Product cost information can be used as a true parameter in making decisions and trade-offs.

Faster time to market – cost targets are achieved and verified earlier in the process. The critical path to product

launch is no longer dependent on achieving and then verifying that cost targets have been met.

Reduction in cost-related rework – knowing product costs at all times during the development through production and delivery reduces the risk (and surprise) of missed cost targets at product launch. Reducing this risk reduces the need for cost reduction rework/redesign efforts.

With cost management platform capabilities, predictive, forward-looking cost estimates are available throughout the development through production delivery process, which improve accuracy and continually converge on the true economic cost of the product.

About The Author

Thomas R. Cutler is the president & CEO of Fort Lauderdale, Florida-based TR Cutler, Inc., the largest manufacturing marketing firm worldwide – www.trcutlerinc.com – he can be contacted at trcutler@trcutlerinc.com

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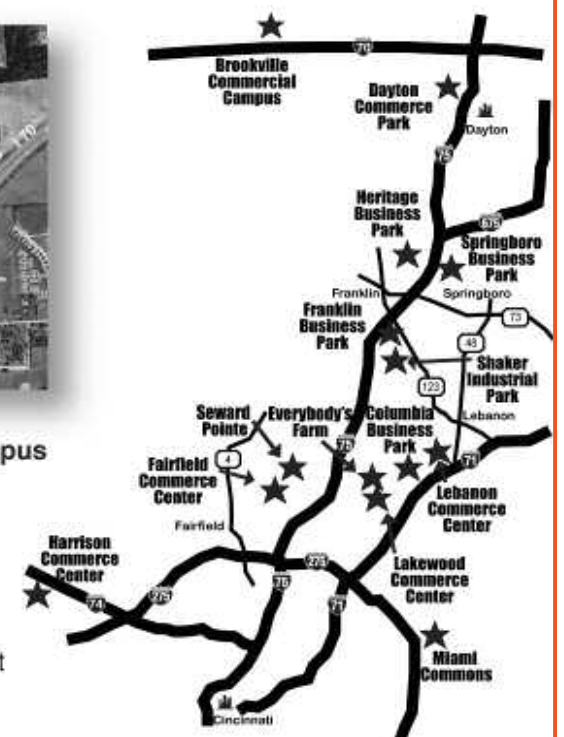
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