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September / October 2010

Need Help with Energy Costs? Call 716.636.3626

Are You Keeping Score?

by Jack McGowan

Many of us are die-hard followers of sports statistics. We closely follow and can rattle off last night's scores, won-lost records, RPI rankings, batting averages, goals against averages and a large number of other statistics for numerous teams and players. In fact, with the rise of fantasy leagues, we often don't even care about the result of the actual game, just about the statistics!

Keeping the score and key metrics are critical in any contest. I can't think of a sporting event (or even a TV game show) where the scoreboard isn't prominently displayed at the venue or on the TV screen. Coaches, players, fans and commentators need timely data to make decisions or assessments. How can a football coach call the right play if he doesn't know the current score, time left on the clock and yards needed to make a first down? How does a golfer know whether to go for the green or to lay up if she doesn't know her position on the leader board and the distance from the hole?

If so many of us monitor and appreciate the value of metrics for sporting events, why do so few of us do the same for the key metrics for our businesses? Just like our sports teams, our business teams need to know where we stand on key metrics in order to be successful.

Every company needs to develop and use a scoreboard of appropriate key metrics. Characteristics of an effective system of metrics include:

Simplicity: Key data must be easy to collect and report and must be easily understood by the people who use it. Mind numbing statistics only understood by MBAs are rarely useful or necessary. Using a baseball example, how many of us really know what the WHIP* means? A few key measures are usually all that is needed to effectively monitor performance.

Relevancy: Different measures are useful for various functions within a company. In sports, the offense and defense have different key statistics. In business, top management focuses on high-level measures that provide information on total company performance such as sales, profit margins, customer satisfaction, quality, safety, and productivity. While it's important that production floor personnel be aware of the company's big-picture performance, their main focus should be on metrics that monitor their direct work such as units produced, equipment downtime and number of defects.

Timeliness: Coaches and players need real-time information if they're going to make in-game adjustments that can impact the result of a contest. Similarly, workers need timely data in order to meet deadlines or achieve immediate goals. For example, a company can take action to meet on-time delivery if it tracks required vs. actual production periodically throughout the day. It's too late if this information is only collected weekly. A P&L

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It is not in the stars to hold our destiny but in ourselves. by Benjamin Rand

I've got good news and bad news.

The good news: you control your own business destiny! That may seem obvious, but, in challenging times like these, many of us feel like our businesses are just tiny corks being tossed about in a stormy, macroeconomic sea. We are reduced to helpless passengers on our way to some unknown destination. I suspect that there is actually something comforting about this for many. After all, if circumstances are not under our control, then we are not responsible for the outcome. However, you need only look around to see that that argument does not hold water. There are many examples of companies all over Western New York that are doing well-big companies and small companies, manufacturing companies and service companies, privately held companies and public companies-despite these difficult times.

"We can't afford to rest on our laurels," says Dr. James Hengst, President & CEO of Zeptometrix, which is headquartered in downtown Buffalo and serves the diagnostic and pharmaceutical research products industries. "We're growing, in part, because we're constantly introducing new products."

At Ring Precision Components, a Jamestown manufacturer of precision tooling components for the metal stamping & forming, plastic injection molding and rubber molding industries, "we've changed everything we can change" on the way to record August shipments, says Dale Gier, Vice President and General Manager. "We've actually had to turn away orders this summer because we're so busy."

Logistic Dynamics of Amherst has quite a track record, having been named #1 WNY Fast Track 50 Logistics Provider 2010 and #12 Inc. 500 Fastest Growing Logistics Provider 2009, among many other awards and distinctions. Dennis Brown, Founder, CEO & President of Logistic Dynamics, created a unique value proposition by leveraging technology and the internet. Despite this success, the company continues to evolve, most recently changing its practices for recruiting new agents. What has not changed are the results: record Q1 and Q2 so far this year.

Now for the bad news: you control your own business destiny!

If companies like Zeptometrix, Ring, Logistic Dynamics and many others throughout Western New York are doing well in spite of the current environment, then it follows that we are NOT at the mercy of the economy either. In fact, we are in control. So if your company is not doing well, then you, as the leader of that business, are responsible for your results. That may seem like a tough pill to swallow when your customers are cutting their budgets or demanding lower prices or even shutting down completely. The only question is: what are you prepared to do about it?

For our three spotlight companies, the answer has been change. Each of them, no matter how great there previous successes, are continuing to change – introducing new products or revamping their recruiting processes. They have recognized that change and evolution are essential, no matter their previous results, to improve and grow the business. If successful companies like these are willing, even eager, to change in a never ending effort to get better, what should you be doing?

To quote that famous businessman William Shakespeare, "It is not in the stars to hold our destiny but in ourselves."

Byron Rand

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Healthcare Options Change the Game

Only a few years ago Western New Yorkers were paying health insurance premiums that were among the lowest in the nation. A typical monthly premium for HMO family coverage was in the $500-600 range as recently as 2006. Deductibles and co-pays were very modest and many of the programs were enriched with competitive enhancements. Five years of double digit rate increases driven by medical inflation, state taxes and surcharges have changed all that. Today most employers are facing renewals with monthly family rates in the $1,100 to $1,200 range. Employer-financed health insurance now trails only payroll and materials as the highest expense faced by local business.

What alterations can an employer make to change the game? Change the way subscribers interact with the medical

Healthcare Reform:
Answers and Options for Your Business
Thursday, September 16, 2010
8:00am - 10:00am

With open enrollment just around the corner, do you understand how and when healthcare reform legislation will affect your business? Are you looking for ways to manage your healthcare costs?

A panel of legal, healthcare and business experts will highlight and discuss aspects of the 2009 Healthcare Reform Act for employers. Panelists include:

- **Mark Kovel** – President of Humphrey & Vandervoort, Inc., a healthcare consulting firm
- **Robert Patterson** – Partner in Jaeckle, Fleischmann & Mugel, LLC's Employee Benefits and Healthcare practice groups
- **Todd Tranum** – President/CEO Chautauqua Chamber of Commerce and Executive Director of the Manufacturers Association of the Southern Tier

Cost: Free *includes continental breakfast*

Site: LCo Building, 6th Floor Barton Room, 726 Exchange St., Buffalo NY

Register online at www.insyte-consulting.com or 716.636.3626

Ask the Business Doctor

Question: "We need to produce more new products faster. Is there a "system" for product development that can accomplish this?" Don H., Buffalo NY

Answer provided by Robert Kosobucki, Insyte consultant and Product Development specialist.

If you want it Better, Faster, Cheaper, then 'Lean' is the Answer for 'Faster.'

Lean techniques work in the engineering office just as well as they do on the production floor. And the "system" is similar:

- Diagram a Value Stream Map of your development process to identify delays and opportunities for increasing throughput
- Use an 'Ease-Impact" analysis to prioritize improvements
- Develop a plan and hold Kaizan Events to implement changes

A few examples of Lean techniques that can be applied to product development include:

- **Reduce Batch Size / WIP** – Limit the number of projects being worked on to one, two or three. Finish one before starting another.

- **Manage the Constraint** – Identify and manage the critical path in the development value stream
- **Eliminate Wasted Motion** – Obtain, verify and *re-verify* key product requirements at start and throughout the project to avoid 're-dos'
- **Avoid Overproduction** – Design and test high-risk subsystems first instead of waiting until the end to test the entire product

Every company is unique as to which and how the techniques are applied, but you should expect to see at least a 35% reduction in development time.

Have a question for the Business Doctor? Submit questions to kdelius@insyte-consulting.com. ❖

The Manager in the Mirror

by Sharon Hilts

Improving your Organization's Safety Culture Begins with You

Finding an Opportunity

"Another crew member on the oil tanker has been significantly injured," a Senior Manager relays to his newly-hired Operations Manager. The Senior Manager is frustrated and expresses disdain for the crew members and captain for their on-going lack of safety performance. Offering to address the situation, the new Manager decides that this is an opportunity to transform the safety culture.

The new Manager contacts the Captain of the ship and tells him to bring his vessel into port so that they can meet to discuss the incident. Shortly thereafter, the Manager discovers that if the meeting lasts less than two hours, the Captain can still meet his deadline for delivering his shipment of oil.

Making a Point

Upon the Captain's arrival, the Manager instructs him to wait in the conference room. He leaves the Captain waiting for two hours with utterly no contact. When the Manager finally enters the room, he asks the Captain several questions regarding the injured crew member. "What was the injured man's name?" "How long has he been on your crew?" "Does he have a family?" Most of the questions the Captain cannot answer.

The Manager responds, "You just don't give a darn." The Manager has the Captain spend the remainder of the day, at least another four hours, documenting how he is going to improve safety performance on his ship.

Results

Does it sound like a fairy tale? Recent events in the Gulf demonstrate seemingly frail safety and environmental policies in the oil industry. It's the last place one would look for guidance with regard to safety. However, one company, Alaska Tanker Company, boasts on its website of having "over 12 million man-hours and over six years without a lost time injury." The previous story was relayed by a manager from the Alaska Tanker Company who spoke at this year's American Society of Safety Engineer's National Conference. He captivated the audience with his recollection.

By making the Captain forego the deadline for delivering the oil, he sent a clear message regarding his personal priorities as a manager. Productivity performance would never make up for a lack of safety performance. He demonstrated his priorities and didn't just talk about them. Modeling is a powerful way to make a philosophy clear and to, ultimately, impact an organization's culture.

Sharon Hilts is an Insyte consultant. Her leadership focus on safety improvement has resulted in significantly fewer recordable incidents and corporate awards in OSHA's Safety and Health Achievement Recognition Program (SHARP). ❖

Modeling Traits for Effective Safety Leadership

Modeling: "Any person to be followed or imitated because of his/her excellence" – Webster's Dictionary

Modeling with regard to safety means visibly and consistently demonstrating the philosophies and behaviors that you want to see in others. To model effectively, you need to do the following:

- **Attitude:** Maintain a passionate commitment to your safety vision and philosophies.
- **Demonstrate:** Align your behavior to visibly support your vision. Don't just follow the rules, go beyond what's minimally required.
- **Communicate:** Tell others about the vision, philosophy, and objectives.
- **Aptitude:** Understand the vision and be able to explain its worth and research ways to improve implementation.
- **Action:** Be prepared for meetings and complete action items.
- **Accomplishment:** 'Toot' your own horn. Recognize the accomplishments of others.

Energy & Cost Savings

Insyte consulting

Energy and Cost Savings through Green ICT

by Thomas Quinn

Were you aware that enabling standby or sleep mode when PC's are inactive during business hours can achieve a 20 percent reduction in electricity consumption and result in an average savings of almost $50 per year per PC?

Information and communications technology (ICT) has become a significant source of energy consumption. ICT equipment now makes up about 5.3 percent of global electricity use and more than 9 percent of the total U.S. electricity demand. The International Energy Agency predicts that the energy consumed by ICT worldwide will double by 2022 and increase three fold by 2030 to 1,700 tera (trillion) watt hours. This will require the addition of nearly 280 giga (billion) watts of new generating capacity over the next twenty years, equivalent to the additional electricity demands of over 3,000,000 U.S. homes for an entire year!

ICT has the obvious potential to play a critical role in reducing energy waste and increasing energy efficiency throughout the economy. Both large and small businesses have realized that the rising cost of energy is a pressing issue and have begun to invest in Green ICT. The goal of Green ICT is to increase environmental sustainability throughout the entire ICT lifecycle along the following four complimentary paths:

Green use – reducing the energy consumed by existing ICT devices

Green disposal – refurbishing and reusing old computers and properly recycling unwanted computers and other electronic equipment

Green design – designing energy-efficient and environmentally sound components, computers, servers, cooling equipment, and data centers

Green manufacturing – manufacturing electronic components, computers, and other associated subsystems with minimal impact on the environment

How Much Energy Cost Can Be Saved From One PC?

For the smallest of companies, the determining factor for any green initiative may simply be the cost justification to purchase newer, more energy efficient equipment. Let's use an example of two PC's, one is an energy "hog," the other a more modest, efficiently used PC. The "hog" is a high-end computer with an old CRT monitor which you leave on 24/7. That's about 330 watts x 24 hours x 365 days/yr = 2,890,800 watt-hours, or 2891 kilowatt-hours. If you're paying 14¢ per kWh, then you're paying $405 a year to run this computer. The "modest" PC will use about 105 watts and assumes you're smart enough to

Easiest "Green ICT" Recommendations

- Set the power settings on your computer to automatically go into Sleep/Standby mode after 15 minutes or so of inactivity. If you do nothing else, do this.
- If you use a desktop with a CRT monitor, think about replacing it with a LCD monitor which uses significantly less energy.
- Turn your computer off when you're done for the day.
- If given the choice, select a laptop computer as they use a lot less energy than desktops.
- If you are feeling crazy, purchase a special power strip that automatically cuts power to peripherals when you turn your computer off.

hibernate or turn it off when you're not using it. Assuming you use it for two hours a day, five days a week. That's ten hours a week, or 520 hours a year. 105 watts times 520 hours = 54,600 watt-hours (equals 54.6 kilowatt-hours kWh). If you're paying 14¢ per kilowatt-hour, then you're paying just $7.64 a year to run this computer, what a savings!

What Is The Effect Of Sleep and Screensavers Settings?

When your computer sleeps (aka "standby" or "hibernate"), it uses between 0-6 watts of power. Setting your computer to auto-sleep is the best and easiest way to save on energy use and can automatically be set to sleep after a certain amount of idle time. It's not terribly important to understand the difference between Sleep, Standby, and Hibernate. In a nutshell, hibernate saves your workspace (all the open windows) and then turns your computer off, so it saves more energy than standby, but a hibernating computer takes longer to wake up. Different from both of these modes is when a screensaver is used that simply shows an image on the screen during inactivity. This does not save any energy at all as both the PC and monitor are still running normally. You can turn the monitor off at the switch and it will only use 0 to 10 watts (some equipment draw a small amount of energy even when they are switched off).

Looking For More Savings?

Look for the "Green" box in future issues for more energy and cost saving tips. Need help with your company Green ICT initiative? Contact Insyte Consulting at 716.636.3626.

Thomas Quinn is an Insyte consultant with over 20 years experience in Information and Communications Technology. ❖

Make Your Meetings Count

by Bill Shepard

Research shows that ineffective meetings are the #1 timewaster in business today. Managers report spending 40% of their time in meetings, with about 1/3 of that time wasted. That's about six weeks per year of unproductive time. Yet, meetings are vital links in your company's communication process.

With a little pre-planning and control, you can turn your meetings from time wasters into productive, meaningful events. You may want to copy this article and send it to your peers…or your boss…anonymously of course. Here are a few tips:

- Consider alternatives to certain meetings. To disseminate information, perhaps a memo or e-mail will suffice. Think about the cost of putting a group of people in a room in real terms.

- Start and end on time. Sounds easy, but many company cultures resist this. One idea – try starting your meeting at an odd time, say 8:58 or 9:10. Participants will note the odd time and will more likely be prompt. Important: If you set an odd start time, stick to it. Otherwise, you will lose credibility and defeat the purpose.

- When is the best time to hold a meeting? Usually mornings, right after the participants have a chance to organize their day and catch up. To guarantee a short meeting, schedule it just before lunch. Early afternoon tends to be the least productive time for meetings.

- Create an agenda with exact starting times for each topic. This gives you better control during the meeting and you can justify moving on when discussion gets bogged down. You can still be flexible while the meeting is in progress as some issues may take longer than anticipated. But, you have a tool to rely on when people go off on tangents.

- Speaking of the agenda, get copies to everyone well in advance, giving them time to prepare. Include supplementary materials needed for preparation. A major timewaster is having the first 15 minutes of a meeting spent reading stuff people could have read before they arrived

- Start with the most critical action items first while everyone is fresh, working your way down to the least important. If you run long, you can shorten or table your least important topics.

- Stagger attendance selectively. Making someone sit through a long meeting when only part of it is relevant to him or her can cause frustration and resentment. Be respectful of others' time.

- In selected cases, think about putting someone on call for a meeting. Alert the person that he or she may be needed, but allow him or her to continue working unless called in.

- Ever try a stand up meeting? For informational meetings, this is the way to go. No chairs = shorter meetings.

- Keep discussions moving along. When people start to agree and the dialogue becomes repetitive, present the opposite point of view and see if anyone objects. "It seems we all agree we should paint the building purple. Is there anyone who disagrees with this?" Silence will signify agreement and you can move on.

Bill Shepard is Northern Regional Sales Manager for Insyte Consulting. ❖

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statement looks at the results of things that happened in the past. Real-time activity or process measures allow you to act now and impact the results that will be reported on the next P&L.

Communication: Buffalo Bills coach Chan Gailey has said several times that a key to the Bills' success this season will be to get everyone "on the same page." This requires communicating goals and expectations to the team and letting them know how they're doing. Simple whiteboards that list goals and results, posted at the actual site of the work, are effective communication tools.

Action: It may seem obvious, but metrics are useless if they

Performance Metrics, Healthcare

Insyte consulting

do not spur action. Processes and authority to take corrective action need to be in place. The outcome of a game is often changed by "half-time adjustments" made by the coaching staff based on what they learned during the first 30 minutes.

Flexibilty: It's important to give meaningful thought when developing a system of company metrics, but it's also important to just get started. Experiment with different metrics to determine the ones that measure the key aspects of your business and make changes as needed.   A refined system will avoid reaching conclusions such as the one attributed to Yogi Berra that "baseball is ninety percent mental and the

other half is physical."

At many sporting events, fans of the two opposing teams exchange derogatory cheers. The winning team's fans are able to quickly quiet their counterparts by simply chanting "SCOREBOARD." Will you use your Scoreboard to help your company be a winner?

*Walks plus Hits per Innings Pitched

Jack McGowan, a Project Manager with Insyte Consulting, has over 25 years experience working with early-stage technology and small to medium-sized manufacturing companies. ❖
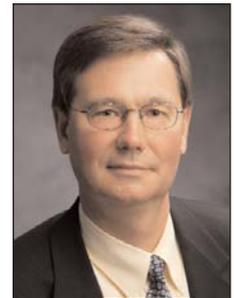
services providers and their insurance carrier.

Many employers, especially those with experience-rated programs, have instituted wellness programs to improve the medical outcomes. While effective wellness programs help, they represent only one step toward altering the overall environment.

Consumer Directed Healthcare Programs
High Deductible Health Plans (HDHPs), paired with either Health Reimbursement Accounts (HRAs) or Health Savings Accounts (HSAs), have shown the greatest impact. These programs contain a large up front deductible ($1,200 -$1,500 single, $2,500- $3,000 family). The subscriber is responsible for the full provider negotiated price of the services until the deductible is met. Becoming aware of the actual cost of services, in lieu of the "standard" co-pay assigned to the service, has motivated many subscribers to become more discriminating "shoppers" before purchasing a prescription or service. This shopping for services has "changed the game" by incenting subscribers to become more informed consumers.

Health Reimbursement Accounts (HRAs)
HRAs are funds held by the employer specifically designated to reimburse each employee/subscriber for out of pocket expenses incurred within the health insurance program. Generally the employer designates a specific dollar amount available for each employee. The employee then submits confirmation of the out of pocket expenditure (for deductibles or co-pays) for reimbursement. The employer then reimburses up to the specific dollar amount designated. Reimbursements are tax free to the employee and tax deductible to the employer. Funds not used remain with the employer. Frequently the HRA

is used with an up-front deductible that is lower than the minimum deductible required for an HSA program.

Health Savings Accounts (HSAs)
HSAs are individual savings accounts set up in the name of each employee/subscriber. The account is owned by the employee. Once funds are deposited into the account the funds belong to the employee. IRS rules allow for pre-tax deposits to the account by both the employer and the employee. For the 2010 tax year the minimum deductibles in the HDHP in order to be eligible to fund an HSA are $1,200 single and $2,400 family. The IRS allows pre-tax annual funding of the Health Savings Account at a maximum amount $3,050 single and $6,150 family.

Premiums for HDHPs are generally 30-50% lower than traditional products. Frequently a portion of the employer's savings is directed to the HRA or HSA account allowing the employee to fund most or all of the deductible.

Federal Legislation
The new federal legislation on health care has not altered the status of HSA/HRA accounts. The primary provision in the new law relating to Health Savings Accounts increases the tax penalty for paying non-qualified expenses from the HSA account to 20% (from 10%) effective January 1, 2011. The provision requiring employers to offer health coverage to employees with minimum employer contribution to premiums starting January 1, 2013 does not address minimum employer contributions to HSA accounts. Using HDHP plans in conjunction with HSA or HRA programs will provide employers with more flexibility in dealing with the new federal requirements as they are phased in over the next several years. ❖

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Science, Technology & Academic Research

Affiliates News

Upcoming Events

September 16	Healthcare Reform: *Answers and Options for Your Business* Registration & Information: www.insyte-consulting.com
October 19-21	ASQ "Lean Six Sigma" Conference Registration & Information: www.asqbuffalo.org
October 20	World Trade Celebration Registration & Information: www.wtcbn.com
November 4	Financing workshop Registration & Information: www.insyte-consulting.com
November 10	Business Leadership Forum: *Change: The Only Opportunity – Managing Successful Transitions* Registration & Information: www.businessleadershipforum.com

Need Content for your Company Newsletter or a Good Speaker for Your Next Meeting?

Many of the articles in the *Affiliates News* are available for reprint. In addition, Insyte can provide speakers, versed in a variety of topics, for your audience. Contact Karen Delius at 716.636.3626 ext. 301 for information. ❖

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