

Inside:

Page 2

■ President's Message

Page 3

■ Small Businesses Fear Lawsuits

■ Suggested Reading

■ What's New

■ Page 4

■ \$8.7 Million Received by WNY Companies for Innovative R&D

Page 5

■ Buffalo-Area SBIR/STTR 2006 Awards

Eureka! Methodology Develops Ideas for Business Growth

What do you want (or need) your sales revenues to be three years from now? How do you plan to get there? Will your sales growth result from working harder than you already are, or will growth come from a more effective sales message, new products and services, or new customers or new markets? If, like in most companies, simply working harder will not be sufficient to grow sales to meet your requirements, do you have a pipeline of growth opportunities and a process to regularly identify, evaluate and develop your growth ideas?

If not, you are not alone. A study conducted by the Eureka! Ranch of Cincinnati, Ohio found that 8 out of 10 companies indicated that they need ideas for growing sales. To meet this need, the Eureka! Ranch developed Eureka! Winning Ways, a disciplined process for developing Measurably Smarter Choices for Growth. The Eureka! Ranch has created and researched business building ideas for

Key Eureka! Growth Concepts

- More Choices = More Growth
- Disciplined Growth Plans → Increased Success Rate
- Think Like a Startup
 - Fail Fast, Fail Cheap
 - Borrow, Don't Build or Buy
 - Confront Death Threats Early

over twenty years for clients such as Walt Disney, Nike, Proctor & Gamble, Hewlett-Packard and others. Working with the Manufacturing Extension Partnership (MEP), Eureka! developed, tested and launched a version of Eureka! Winning Ways for small to medium sized businesses which is now being delivered by Insyte Consulting and other approved providers throughout the MEP system.

Eureka! continued on page 7

Taking Your Company to the Next Level of Profitability

by David Hallett

Profitable growth is the toughest issue facing small businesses today. Many companies are in a low or no growth mode—annual revenue and profitability remain stuck in a fairly narrow band from year to year. Other companies are able to grow their top line, but because operating expenses rise as fast (or faster) than revenue, the resulting profitability doesn't grow from year to year.

How can you move your company out of this pattern and into the next level of perform-

ance? This article addresses the key elements necessary to make this transformation.

The Case for Growth

Almost all companies would like to grow sales and reduce costs. However, if forced to pick between these two, most companies have a bias towards cost cutting. This is based on the measurements, systems, and behaviors we witness every day.

Next Level of Profitability continued on page 6



The Case for Business Growth

Why Grow?

Most business literature takes the case for sales growth as a given: "Growth is Good." But is it? Growth is risky. Growth requires the investment of resources—money, people, time—with no guarantee of success. This is cer-

tainly true for new products, but is even true for existing products. Selling more of either may mean more inventory, more plant space, more equipment, more locations, more people, all of which costs money. Such investments can tax a company's resources. Is it any wonder that many companies do not grow?

Of course, not growing is even more risky. Every product has a lifecycle of growth and decline. Granted, this lifecycle may be long or may be extended by making changes and improvements to the product. But in the end, it is not a question of "if," but a question of "when" the inevitable decline will occur. Companies that fail to add new products and/or new markets to replace declining ones will face falling sales or worse. The real assumption in the business literature is that companies want to survive and therefore growth is essential. So the question is, how to grow while minimizing your risk?

How to Grow?

Deciding to grow and actually doing it are two very different things. Many companies hope to grow sales. Most budgets and strategic plans call for sales growth. What are often missing are the ideas for growth, the action plans and the related investments that the company will need to achieve that growth. Doing the same things and hoping for a different result is not enough. How will you grow sales?

There are two fundamental options: Sell the same products to new customers or sell new products to existing customers. Although this sounds simple enough, the examples of growth that we are used to reading or hearing about are usually based on some creative insight or spark that seems inspired. For example, Arm & Hammer baking soda grew when it was marketed as a refrigerator air freshener! Coca-Cola was locked in a fight-to-the-death for soft drink market share in the 1980s. Once it redefined its market as all beverages, Coca-Cola was able to add new products such as bottled water and sports drinks to reignite its growth. Where do such these ideas come from? Can such a process be systematized?

Eureka!

At Insyte Consulting, we understand the many challenges that growth presents. Over 45% of our projects focus on Strategic Services to generate growth. One option for jump starting growth is our Eureka! Methodology described in this newsletter. We are excited about Eureka! because it offers a systematic and proven process that generates ideas for growth, assesses those ideas to minimize risk ("fail fast, fail cheap"), identifies the best growth opportunities and drives concrete action plans to capture those growth opportunities as quickly as possible. Eureka! has been used successfully by companies such as American Express, Coca-Cola, Disney and Procter & Gamble. Insyte Consulting also offers Strategic Planning, Product Development and other Strategic Services designed to help companies grow. Let us help you answer the question: How will you grow?

A handwritten signature in black ink that reads 'Ben Rand'.

Small Businesses Fear Lawsuits

A recently published study by Harris Interactive Inc. claims that 48% of small business owners are very or somewhat concerned about lawsuits. In order to avoid lawsuits, 62% of this group modifies their business decisions and, as a result, have experienced the following effects:

- 62% – Reducing revenues.
- 61% – Making their products and services more expensive.
- 45% – Making a product or service unavailable to customers.
- 23% – Cutting employee benefits.
- 11% – Laying off of employees.

What are the top two reasons for companies being sued?

- 18% of lawsuits were due to financial loss by a customer resulting from the purchase of a product or service.
- 17% resulted from personal injury incurred on the company's premises.

With almost three quarters (73%) of small businesses claiming to have suf-

fered as a result of lengthy litigation, and over six in ten (64%) having suffered because of the high costs, we must determine a more proactive approach to addressing these issues.

Accident Prevention Safety programs have been shown to significantly reduce the amount of accidents occurring at the workplace thereby reducing personal injuries. In addition, an effective program can actually improve productivity and morale.

Programs begin with assembling a group of empowered employees to identify potential workplace hazards. The conduits of improvement include job hazard

analyses, workplace audits, and accident investigations. All of which are focused on eliminating hazards.

For assistance on beginning or enhancing an Accident Prevention Program at your company, contact Insyte Consulting at 716.636.3626.

Insyte Consulting is coordinating with the NYS Department of Labor to offer a free session on the OSHA Recordkeeping on October 16. See the newsletter insert for details. ❖



What's New

Do a Plant Expansion / Relocation the Right Way

Most companies do not have staff in-house with experience in planning a major plant expansion. Not knowing what you don't know can cause delays and increase expenses. Insyte Consulting is offering Facility Expansion and Relocation Assistance. Our experience in having helped multiple companies expand or relocate helps you to meet aggressive deadlines and get it right the first time. Contact us at 716.636.3626 to discuss how we can help you. ❖

Suggested Reading

Jump Start Your Business Brain by Doug Hall

This national bestseller introduces methods to help create product, service, and marketing ideas that align with factors proven to predict success in the marketplace. It offers a back to basics, customer focused approach to marketing.

Inc. Magazine calls Doug Hall "America's #1 New Product Idea Man." A national study found that the average U.S. home uses eighteen products or services Doug and his team have helped develop. Here, Doug presents a small business version of the idea creation process his team has successfully used with America's largest corporations.

Currently, only 10-25% of new product, service, or marketing ideas are successful. By following the processes described, you can increase your success rate to 50-75%, and have fun doing it. The big difference here is that the process is supported by a large quantity of hard data (analysis of success or failure of 4,000 new products and services).

The first half of the book focuses on "Marketing Physics", which describes the most critical marketing success factors (overt benefit, real reason to believe, and dramatic difference). The second half focuses on "Capitalist Creativity", which describes the critical elements needed for idea creation (explore stimuli, leverage diversity, face fears).

This book is a must read for top management or anyone involved in marketing, ideation, or product development. It is also fun to read and can help you bring more life to your business. You will find that you will fold over, write on, and highlight many of the pages. ❖

WNY Companies Receive \$8.7 Million for Innovative Research & Development

Small businesses in the WNY region were awarded almost \$8.7 million dollars in 2006 through the U.S. Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Funding received in 2006 increased by 48% over the \$5.8 million of SBIR/STTR funds awarded to local companies in 2005.

As detailed in the table on page 5, sixteen Buffalo-area companies received twenty-four SBIR/STTR awards in 2006. Award amounts ranged from \$84,209 to \$749,671 and covered a wide range of technologies. The data in the table was compiled by Insyte Consulting from the websites of the eleven government agencies that participate in SBIR/STTR.

What does SBIR/STTR fund?

SBIR/STTR funds innovative R&D with strong commercialization potential. Eleven federal agencies issue solicitations that specify the topics for which they will accept proposals.

How much money is available?

SBIR/STTR provides funding in two phases. Phase I awards fund six-month feasibility projects and typically range from \$70,000 – \$100,000. Phase II awards are used to develop a new product or service up to the commercialization stage. Phase II projects typically run for two years and receive funding

up to \$750,000.

Do I need to repay the awards?

No, SBIR/STTR awards are grants or contracts that do not need to be repaid.

Who is eligible for SBIR/STTR?

Awardees must be for-profit small businesses (less than 500 employees), located in the U.S. and at least 51% owned by U.S. individuals.

Do I need to be a "high-tech" company?

No, but winning proposals must provide innovative solutions to a need or problem specified by the agency. This could involve development of a new technology or the application of an existing technology in an innovative way. SBIR/STTR gives high priority to manufacturing-related research and development in areas of manufacturing processes, equipment, systems and workforce.

Can I collaborate with others to fill any technology or resource needs?

Absolutely! Collaboration with universities, research institutions or other companies to add required technical capabilities or resources is strongly encouraged. Up to 33% of a Phase I SBIR and up to 50% of a Phase II SBIR may be subcontracted to a third party. Up to 60% of a STTR award may be subcon-

tracted to a not-for-profit institution.

How do I apply?

Proposals must be submitted in response to solicitations issued by the eleven participating federal agencies. Proposals must follow the required format and are typically limited to twenty-five pages in length. Each agency has its own specific rules and deadlines.

What are my chances of winning an award?

The program is highly competitive and proposals undergo a rigorous technical review. Proposals are evaluated based on their fit with the solicitation, degree of innovation, technical merit and capabilities, and commercialization potential. Award rates vary by agency and topic area, but generally one award is granted for every 7-10 proposals submitted.

What help is available to increase my chance of success?

Well-planned and well-written proposals have a significantly higher success rate. Insyte Consulting is the NYSTAR-designated SBIR/STTR specialist for the Western New York and Finger Lakes regions. Insyte Consulting provides information and assistance to local companies including help identifying appropriate solicitations, proposal development coaching, proposal reviews and commercialization assistance. **Because of NYSTAR's financial support there is no charge for this assistance.**

If your company's strategy includes development of innovative products, processes or services, SBIR/STTR may be a very valuable tool. Contact Jack McGowan at 716.636.3626 for more information or to be added to our SBIR email distribution list. ❖

SBIR/STTR Websites

The following websites provide information about the SBIR/STTR programs including links to the participating agencies, scheduled solicitation dates, and search engines to identify solicitation topics.

www.zyn.com/sbir
www.sbirworld.com

Buffalo-Area SBIR/STTR 2006 Award Winners

Company	Topic	Awarding Agency
AMBP Tech Corp.	Dielectric Materials Enhancement via Excimer Laser Processing	Dept of Defense
	CIGS Solar Cell Manufacturing Improvements via Excimer Laser Processing	Dept of Defense
	Nano-Engineered High Current Density YBCO Superconducting Wires	Dept of Energy
AMPAC In-Space Propulsion	Manufacturing Process for Propulsion Technology	Dept of Defense
Buffalo Molecular Target Laboratory	Recombinant Ab markers for stem cell differentiation	Health & Human Services
Ceramic & Material Processing, Inc.	High Velocity Combustion Processes in the Solid State	Dept of Defense
Dynamic Eye, Inc.	Aircrew Flash Blindness Goggle	Dept of Defense
Harvest Precision Components, Inc.	New Ceramic Surgical Knife Improves Surgical Outcome	Health & Human Services
Innovative Biotechnologies International	Improved Rapid Detection of Viable Waterborne Pathogens	EPA
Janya Inc.	Fusion of Entity Information from Textual Data Sources (e.g. HUMINT)	Dept of Defense
	Enabling Visualization of Event Information from Unstructured Text	Dept of Defense
	Adapting Information Extraction Technology to Computer-Mediated, Dynamic Text Data	Dept of Defense
Kinex Pharmaceuticals, Inc.	Commercial Development of Src Kinase Inhibitors for Oncology	Health & Human Services
Nanodynamics, Inc.	Low-cost Carbon Nanotubes for Infrared Obscurants	Dept of Defense
	Novel Consolidation Method for Nanostructured Metals	Dept of Defense
Radiant Aviation Services, Inc.	Nonfluid Transportable Aircraft Deicing System	Dept of Defense
Tactus Technologies Inc.	Development of ModelGlove - a Virtual Clay Modeling System Using Force/Position Sensor	National Science Foundation
Therapyx, Inc.	Treatment of Type 2 Diabetes with Oral Administration of Nanoencapsulated GLP-I	Health & Human Services
	Tumor Immunotherapy with Biodegradable Microspheres	Health & Human Services
Therex, LLC	New Salicylanilides to Treat Oral Diseases	Health & Human Services
	5-Naphthoysalicylanilides as improved anti-acne agents	Health & Human Services
Ultra-Scan Corp.	Soldier-Borne Biometric Authentication System	Dept of Defense
	Tactical Biometric Registration and Recognition Suite	Dept of Defense
United Environment & Energy, LLC	A New Process for Biodiesel Production Based on Waste Cooking Oils and Heterogeneous Catalysts	Dept of Agriculture

Next Level of Profitability continued from page 1

In order to grow, companies must develop a growth bias. Look at how a growth company would prioritize the following three initiatives versus a cost cutting company:

Priority	Growth Company	Cost Company
1	Grow Revenue & Throughput	Reduce Operating Expenses
2	Reduce Inventory & Investment in Assets	Reduce Inventory & Investment in Assets
3	Reduce Operating Expenses	Grow Revenue & Throughput

Why is growth so critical? The following is an income statement from a typical manufacturing company:

Sales	\$100
Direct Materials	\$25
Throughput	\$75
Direct Labor	\$15
Overhead	\$50
Operating Expenses	\$65
Profit	\$10

How low can Operating expenses go? Zero is the lowest they can theoretically be reduced to, but in practice, a 10% reduction would be a dramatic decrease. As operating expenses decrease, the amount of effort and difficulty to decrease more increases.

Most of the overhead portion of operating expenses is fixed, so direct labor is the only operating expense that can be easily reduced without a major restructuring of the business. However, direct labor is typically the smallest portion of our cost structure and we have a huge investment in the knowledge, training and experience of our employees (they are truly one of our most precious assets).

How large can Sales grow to? For small and medium size companies, the answer approaches infinite compared to where they are today. Also, the effort and difficulty to increase sales does not get more difficult as sales increase.

An improvement that would allow a reduction of 20% in direct labor would increase profitability by \$3 in the example above. Instead, if we keep the direct labor intact, and utilize the capacity made available by the same improvement with 20% additional throughput, profit increases by \$15.

Companies that focus on cost cutting and layoffs start a cycle that rarely ends. Conversely, companies that are growing tend to keep growing. Would you rather invest your money in a U.S. auto manufacturer or a growing medical products company?

The case for growth is clear.

Develop a Growth Pipeline

The average success rate for new products, services, and marketing messages is 10–25%. Because of this low success rate,

you need to have a "Pipeline" of growth ideas so that several ideas are in discovery, development, and release at any given time.

Apply the effort you've spent on cost cutting to improving idea creation, discovery, marketing, and product development. Aim at improving the success rate of your ideas and developing ways to determine quickly and cheaply if a new idea is not going to be successful. This will reduce your cost per new idea launch.

Focus on ideas that leverage the unique strengths that your company and products offer. Highly successful growth companies are able to charge a premium for their products because their customers clearly understand and value the benefits that make them different.

Utilize Growth Measurements

"Tell me how you measure me, and I'll tell you how I will behave," Eliyahu Goldratt

Measurements drive the focus and behavior in your organization. They communicate what the leadership team feels the priorities are. Unfortunately, the measurements that most companies use are biased towards cost reduction.

Review all the measurements, both formal and informal, that are used at your company. If they are not encouraging growth, eliminate or replace them. This is also a great time to simplify and reduce the number of measurements you maintain.

In general, use global measurements and avoid local measurements. Optimizing local machines or departments will usually have an adverse affect on overall company performance because local changes always affect other areas, often in a negative way.

Replace traditional cost accounting and pricing systems with a lean or throughput accounting approach. This will encourage cost containment, capacity creation, and throughput growth.

Align Improvement Initiatives

Lean, Six Sigma, and TOC initiatives primarily create operational consistency and capacity. Until that capacity turns into additional sales, little impact will be seen on the bottom line.

When selecting new targets for improvement initiatives, always ask, "Will this help me sell more?" All improvement initiatives need to be closely aligned with the unique strengths that are part of your marketing message.

As an example, many companies can justify charging a

Next Level of Profitability continued on back page

Eureka! continued from page 1

Companies that participate in Eureka! Winning Ways receive:

- 50+ choices for growth outlined in a disciplined format
- 12 written and refined ideas for growth
- 4 Merwyn Research Reports that evaluate the probability of success of selected ideas
- 2 Trailblazer Action Plans to turn the ideas into reality
- 30 days of action plan coaching to ensure follow through
- A basis for a repeatable process to regularly add new choices in the company's growth pipeline

Idea Generation

The first component of Eureka! Winning Ways is Eureka! 7.0 idea engineering, an extremely fast-paced one-day session for eight to fifteen participants. The session consists of a series of five idea-generation cycles that use company-specific stimulus obtained during a pre-session planning meeting and just-in-time education about key concepts. Each of these cycles leverages the diverse perspectives of the group's members by using a process of:

- Individual insights
- Paired ideation
- Team feedback
- Individual (written) idea authorship

Ideas for growth may be (1) ideas for more effective marketing messages, (2) ideas for new customers or markets or (3) ideas for new products, services or business models. A key Eureka! concept is developing the idea from the perspective of the targeted customer. Each written idea includes descriptions of (a) Overt Benefit to the customer (What's in it for me?), (b) Real Reason to Believe (Why should I believe you?) and (c) Dramatic Difference (Why should I care?). The fifty or more ideas for growth generated from this process are then reviewed and refined by the partici-



1. Create → 2. Select → 3. Develop

EUREKA! 7.0

Idea Engineering

MERWYN
Research

Success Screening

TrailBlazer
R/D Process

Action Plan Coaching

pants. At the conclusion of the day, four of these ideas are selected for Merwyn evaluation. Eureka! research finds that these sessions deliver 8 times more actionable ideas than classic brainstorming.

Idea Evaluation

The second component of Eureka! Winning Ways—Merwyn Success Screening—is a scientific way to separate big ideas from costly losers before companies waste significant time and money. The patent pending Merwyn process and computer algorithm evaluates how "obvious and self-evident" an idea is to a potential customer by benchmarking the idea to 50 success factors. These success factors were determined by studying over 4,000 ideas and reverse engineering what separated market successes from failures. Merwyn has 88% reliability forecasting the probability of an idea's success and 97% accuracy with poor scoring ideas. Merwyn reports are generated by Eureka! Ranch and sent to Insyte Consulting a few days after the Eureka! 7.0 session.

Action Plan Coaching

The third component of Eureka! Winning Ways—Trailblazer Discovery and Action Plan Coaching—typically occurs during a half-day meeting one week after the Eureka! 7.0 session. Trailblazer provides a system for investigating and developing new ideas quickly, cheaply and with low risk. The team develops action plans

for two of the four ideas evaluated by Merwyn. The activities in the action plans include gathering key market and competitive information, doing financial analysis, converting the idea into a demonstrable prototype, and getting real world feedback from industry experts and potential customers. The plan also specifies the person (or Scout) responsible to execute the plan and a completion date, typically within 30–45 days. Insyte Consulting and the Scout hold weekly action plan coaching meetings to discuss any issues and insure that the plan is implemented by the due date.

Conclusion

At the conclusion of the Trailblazer process the company makes a decision of YES, NO or YES BUT (with changes). Actual development of the product or service and market launch typically occurs after the Eureka! process, potentially with additional assistance from Insyte. The company should continue to fill its pipeline of growth ideas by obtaining Merwyn evaluations of other ideas from the initial Eureka! session and developing additional Trailblazer Action Plans. By conducting this "reloading" process quarterly, a company maintains a continuous process of identification, evaluation and development of new ideas for growth.

To learn more about Eureka! Winning Ways contact Jack McGowan at Insyte Consulting, 716.636.3626. ❖

Affiliates News

Insyte Directory

726 Exchange Street, Suite 620
Buffalo, New York 14210
Phone: 716.636.3626
Email: info@insyte-consulting.com
Web: insyte-consulting.com

Karen A. Delius | Editor

Benjamin L. Rand | President

For information contact

Erie, Chautauqua, Cattaraugus
John W. Murray
716.864.8675

Niagara, Allegany
Bill Shepard
716.984.7949

Insyte Consulting is a Western New York
Technology Development Center, Inc. company.

This publication is funded in whole or in part by
NYSTAR. Any opinions, findings, conclusions or
recommendations expressed in this publication
are those of the author(s) and do not necessarily
reflect the views of NYSTAR.

Insyte Consulting assists WNY manufacturing and technology companies to overcome their strategic and tactical business challenges. Whether it's a short-term engagement or a long-term commitment, we create positive change.

Because our employees have hands-on experience, we can help our customers see the opportunities and threats that lie ahead. We're always ready to roll up our sleeves to help get results — results you can measure.

We also place a strong emphasis on teaching our customers proven methods for maintaining and replicating the success that has been achieved. Knowledge combined with common sense — that's how our experience improves your business.

Next Level of Profitability continued from page 6

premium price based on offering the shortest lead-time in their industry. Manufacturing lead-time is proportional to the amount of protective capacity (extra labor) that is available in the system. An initiative that focused on reducing direct labor by closely matching load with capacity would increase lead-times and undermine the unique advantage that the company is offering. This initiative should be replaced by one that targets additional lead-time reduction.

If you would like assistance in creating profitable growth at your company, please call David Hallett at 716.864.8448.

David Hallett is a manufacturing consultant with Insyte Consulting. Dave is a trained Growth Coach through the Eureka! Ranch, a certified Theory of Constraints Jonah through the Avraham Y. Goldratt Institute, and a certified Professional Business Advisor through MEP University. ❖

Our experience improves your business



726 Exchange Street
Suite 620
Buffalo, New York 14210
web: insyte-consulting.com

Nonprofit Org.
U.S. Postage

PAID

Permit No. 1745
BUFFALO, N.Y.

a NIST | Network
MEP | Affiliate

&

