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Insyte Recognition

Insyte Consulting will honor several organizations that have recently achieved significant accomplishments within the local community. The formal presentation will be made at our annual Affiliates Reception on June 22nd. The criteria for recognition are based on overall contributions to the community, employee growth, technology utilization, business transformation or other significant results. We are pleased to honor the following three local organizations:

Curtis Screw Company is an OEM manufacturer of screw machine products for the automotive industry, including Tier 1 manufacturers. By utilizing contemporary manufacturing and business concepts the company has been able to effectively compete against major producers both nationally and globally in a highly price sensitive market. The company's commitment to quality and the environment are seen in its certifications under TS 16949 (the current ISO 9001 standard for automotive) and ISO 14001 (environmental). Recently, Curtis Screw also invested substantially in the local economy through the consolidation of its two manufacturing plants into a single, modern facility of 150,000 square feet. This new facility provides numerous benefits in terms of increased competitiveness, improved recycling capability, and a cleaner, safer environment for its workforce. The company consistently maintains exceptional relations with its 320 employees, including 250 UAW production workers.

Polymer Conversions, Inc. is a global manufacturer of injection molded components for a variety of OEM applications in the medical,

electronics, automotive and other industrial markets. In recent years the company has strategically focused on the medical device industry where it can effectively leverage its strengths in product design, tooling and molding, as well as numerous secondary operations that include pad printing, hot stamping, ultra-sonic welding, assembly and a class 10,000 clean room. The company has also demonstrated exceptional process control capability and customer response, which has enabled it to effectively compete with large multi-national manufacturers. Polymer Conversions' exceptional commitment to quality is seen in its ISO 9001:2000 registration and compliance with both GMP standards and FDA regulations. Polymer Conversions has traditionally been a progressive, team-based organization where empowerment is promoted and its 85 employees readily embrace change (*see case study on page 3*).

Niagara County Center for Economic Development oversees the industrial development agency and other economic development functions in the county. Over the last several years this organization has become an invaluable partner to Insyte Consulting with participation in numerous joint initiatives. Possessing a similar vision and mission, the Center for Economic Development has worked tirelessly to help transform business, manufacturing and commerce throughout Niagara County. ❖



View of Curtis Screw Company's new 150,000 sq. ft. state-of-the-art facility.

Our Vision Motivates Us

If corporate visions are meant to last, Insyte Consulting must have a good one. For nearly twenty-five years we have had a consistent vision that has been captured in an abbreviated form in our war cry, "transform Western New York business." Our staff is motivated by our vision; it drives their good work.

Last year our Board of Directors and Staff spent considerable time reevaluating our corporate vision focusing on our role as a not-for-profit organization dedicated to improving our region. An obvious outcome of these discussions was the change in our name to Insyte Consulting. The name change helps our customers better understand our operations and business model, but it doesn't explain why we exist. That is the role of our vision.

Through our reevaluation our Board and staff reaffirmed our long-standing vision and added a new twist; we are committed to community wealth creation. Western New York is a relatively poor community, and in many ways our poverty holds us back. There are many reasons for this poverty including high costs of doing business, dependence on mature industries and limited entrepreneurship. The mission portion of Insyte Consulting's vision is to transform Western New York business leading to wealth creation for all of our citizens. Specifically, it reads: *to transform our region by stimulating the growth and creation of dynamic companies to provide a superior standard of living for our residents.*

Of course, the new twist in our vision has implications for the way we conduct our business. While we continue to focus our services on manufacturing and technology companies, primary community wealth generators, we will also work with companies in other wealth creating business sectors. We will selectively target growth-oriented companies that have potential for competing in global markets,

increasing employment and paying higher wages. We will also provide more strategic services to improve our customers' competitiveness and enable their growth.

Looking forward, we are enthused by the images captured in the envisioned future portion of our vision.

Five years from now we will be known as an organization that has made significant improvements in our community by stimulating the growth and creation of many progressive, entrepreneurial and community-wealth-creating companies within our region.

This has been achieved by utilizing an aggressive business discipline in our operations and through cooperation with other organizations.

Our employees and board of directors are renowned for their expertise, professionalism, dedication, and integrity - believing that their work improves the lives of all residents. Optimistic about the future, impatient for results and driven to accomplishments, we continue to fiercely support our mission.

We are determined to make a difference.

Robert J. Martin

Lean Benefits Polymer Conversions

Polymer Conversions, Inc. is a manufacturer of injection molded components for a variety of OEM applications in the medical, electronics, automotive and other industrial markets. The company's products are sold globally to such high-profile customers as Tyco Health Care, Abbott Labs, Sherwood Harsco, Air-Sep and Delphi. In recent years, the company has strategically focused on the medical device industry where it can effectively leverage its strengths in product design, tooling and molding as well as numerous secondary operations that include pad printing, hot stamping, ultra-sonic welding, assembly and a class 10,000 clean room. In addition to these extensive core competencies, the company has also demonstrated exceptional process control capability and customer response, which has enabled it to effectively compete with large multi-national manufacturers. Polymer Conversions' exceptional commitment to quality is seen in its ISO 9001:2000 registration and compliance with both GMP standards and FDA regulations.

Founded in 1979, manufacturing operations are conducted on three shifts within a modern, 40,000 square foot facility located in Orchard Park, NY. The company currently employs 85 people, including about 60 production personnel. Polymer Conversions has traditionally been a progressive, team-based organization where empowerment is promoted and people readily embrace change.

Situation

Despite steady growth and an apparent strong competitive position, senior manage-

ment was surprised at their relatively poor industry performance in regard to inventory turns, scrap and overall profitability based on benchmarking data provided by the Society of the Plastic Industry. Upon further internal evaluation, management also identified deficiencies in production flow, excessive material handling and difficulty reacting to spikes in customer demand. Based on these observations, they recognized that the implementation of lean manufacturing techniques could help to resolve these issues. Due to limited internal resources, Polymer Conversions engaged the services of Insyte Consulting to support the introduction of these concepts into the manufacturing and support areas.

Solution

The first step was to introduce all employees to the principles of lean manufacturing through a full-day workshop which combined classroom lecture with a live simulation. Not only did this session provide basic knowledge in lean manufacturing methodology, but the participants were also able to relate to how these concepts could be applied in their specific work areas.

The next step was to complete a high-level value stream map of the entire organization. Subsequently, the value stream mapping exercise for both current and desired future states enabled the combined teams of Polymer Conversions and Insyte Consulting to formulate a comprehensive implementation plan utilizing the appropriate tools of lean manufacturing for each of the major

Polymer Conversions continued on page 7

Firm Benefits

- 35% annual sales growth
- 5 new accounts added
- 20% reduction in lead time
- 99.3% on-time delivery
- Inventory turns increased from 14 to 16 times annually
- 20% scrap reduction
- >\$100,000 in annualized cost savings
- 68% reduction in required warehouse space
- >\$2 million in capital expenditures avoided
- 22% increase in net profit before tax



Pat Cummings, Polymer Conversions Technician, completes assembly operation of automotive part.



Robert A. Fox

Message from the Chairman and President

We are proud of our work with Western New York companies to meet the challenges and take advantage of the many opportunities presented by increasing globalization. In 2005, we invested heavily in infrastructure and training to continuously improve our staff's competencies in areas of increasing importance to our customers: supply chain management, including global sourcing, new product development, growth strategies, technology diffusion and Six Sigma.

Our work continues to provide high levels of business impact for our customers. Independent surveys of our customers document increased sales and cost savings as well as investments in modernization; our customers are improving their productivity as well as adding jobs through growth. Impacts for 2005 are quantified on the facing page.

We accomplished an important task in 2005. With the help of our partners, we restructured and recapitalized the Western New York Business Development Fund (BDF). The BDF provides equity financing in the form of seed capital investments to start-up technical companies in the proof-of-concept phase of business development. The BDF can now invest up to \$200,000 in a start-up company. These changes led to record levels of investment activity with nearly a half-million dollars invested in 2005. Funding through the BDF is critically important to Western New York start-up businesses, because it is the only stable source of seed capital in the region.

The BDF is an example of the importance of regional alliances to support local business development and leverage our strengths with those of our partners. Insyte Consulting works collaboratively with dozens of public and private organizations continuing to explore opportunities to provide more effective and efficient services to our customers.

In 2005 we operated for the first time under our new name, Insyte Consulting. We are pleased that our customers recognize the message that the new name portrays...we operate as a consulting partner with companies to help them grow by improving their competitiveness. We, more than ever, are committed to our vision of transforming WNY business.



Robert J. Martin

Robert A. Fox
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Robert J. Martin
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Customer Impact

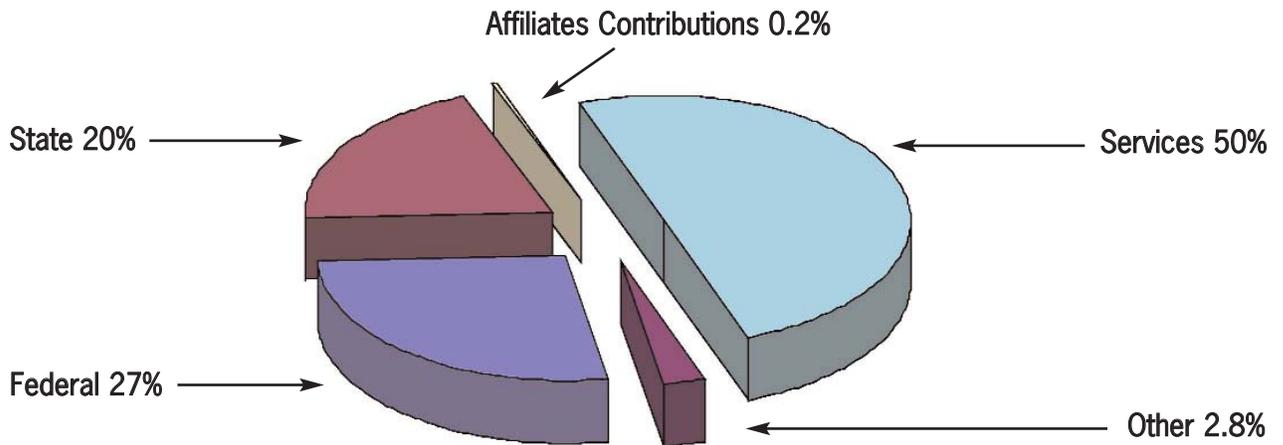
We evaluate our success by the impact we have on our customers. An independent study reported the following impacts in 2005 for customers surveyed*:

\$19,807,000	Increased and retained sales
\$4,240,000	Cost savings realized
\$6,030,000	New investments in modernization
437 jobs	Jobs created and retained
4.42 out of 5	Customer satisfaction score

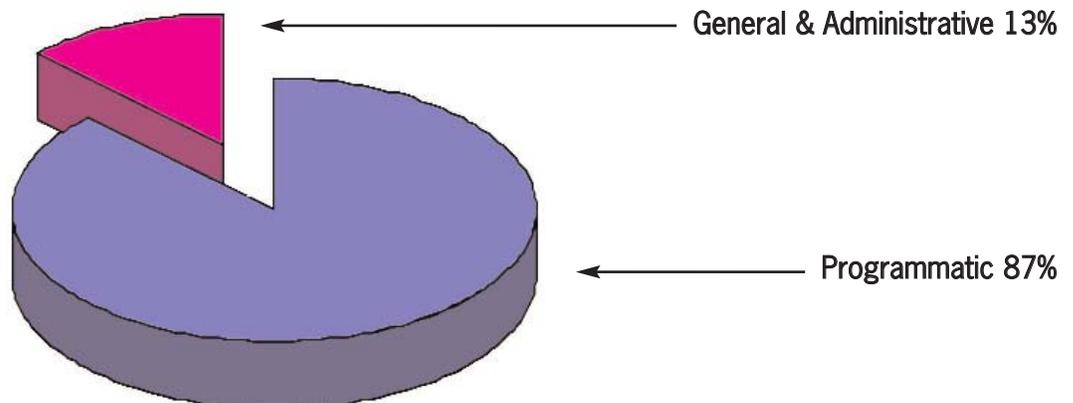
* Source: Synovate

Combined Revenue & Expense Distribution 2005

Revenue \$2,366,253



Expenses \$2,327,219



RFID: Lemons or Lemonade? part 3

This is the third in a series of articles covering the implications of RFID technology on small-to-medium sized manufacturers. Please visit Insyte's website (www.insyte-consulting.com) to find the previous articles.

The rapid evolution of RFID technology has led to many claims and speculation about the benefits of the technology and its application. Each new market study seems to proclaim greater benefits and increased penetration of RFID technology, yet issues remain, such as standards for RFID tags and readers as well as the data that will be written to the tags, wireless

frequency and spectrum issues, plus privacy and security concerns.

It's interesting to note that even the most optimistic analysts are currently saying that RFID's return on investment, at this point in time, isn't apparent and seems to be a moving target. Everyone seems interested in implementing RFID throughout their supply chain knowing that it will cut costs and improve efficiency, but determining the role RFID technology will play (and its subsequent cost) is challenging based on the on-going advancements in this technology. Application examples include:

Business Need	RFID Application	Examples
Labor reduction	Automated, hands-free shipping/ receiving; automated check-in/ checkout	Wal-Mart, Target & other retail projects; airport baggage handling
Inventory visibility	Pallet, case & item tagging, self monitoring	Retail & DoD compliance programs; library systems
Traceability, regulatory compliance	Product serialization with EPC-standard RFID	Pharmaceutical & consumer good product authentication
Data accuracy	Scalable RFID data collection systems	Shipment verification, asset tracking
Eliminate latency	Real-time reporting; automated replenishment	Zone reading, unattended monitoring

Some of the benefits of RFID that might be applicable in your business include:

- Improving the Supply Chain:** OEMs are interested in RFID because it can simplify the collection of information that flows through the supply chain, providing more real-time information throughout the supply chain.
- Tracking Assets and Equipment:** Retailers are using RFID to locate items, to prevent stock-outs, and to track inventory and shipping containers such as pallets or bins. You may be able to use the technology for tracking internal assets such as expensive tooling, or simply work-in-process inventory.
- Quality:** RFID tags can include a temperature, shock or pressure sensor that can help determine whether a product was kept in the right temperature range or received a strong impact. This could be appropriate for delicate electronic instruments, food products or overseas shipments.

- Counterfeiting and Inventory Shrinkage:** RFID can be used for lifecycle identification of important or expensive products, and can help prevent counterfeit examples from being distributed for sale. This is especially important in the pharmaceutical industry where it is estimated that up 10% of pharmaceuticals worldwide are counterfeit.

What would you do if you were asked to supply a RFID-compliant product?

The most basic implementation consists of the so-called "slap and ship" approach, which generally refers to the placement of tags on your outgoing product or packaging while not integrating these tags to your accounting or Enterprise Resource Planning (ERP) system. As an example, Avery Dennison produces low cost, self adhesive RFID inlays and tags that can be placed on your product. You could then use your customer's web-based data entry system to provide the tag's serial number along with the item description or other pertinent information necessary for

your customer to receive and inventory this product.

RFID is coming. Your company will probably be affected by RFID as the mandates start to make their way through their respective supply chains. You need to start thinking about how it will affect your business and to get the help required to revise your business operations and strategy to exploit this technology. Value Stream Mapping of the information flow of your organization is an excellent tool to identify constraints in your current state and determine how and where RFID can improve your future state.

A good place to start learning about this technology and how it might affect your business is by attending seminars, workshops and free online events that cover RFID basics. Insyte Consulting has a simple RFID Readiness Assessment tool developed by NIST/MEP which can help get you started on your RFID journey. Contact Tom Quinn at 716.636.3626 for more information. ❖

Case Study



Polymer Conversions continued from page 3

product lines. Based on the results of the mapping process, cross-functional teams of six to eight members each were established for work place organization (5S), set up reduction, cellular flow and pull systems (Kan Ban). After receiving basic training and orientation, the teams began introducing these concepts into key production areas. Subsequently, the teams worked with the entire employee base to proliferate these improvements throughout the organization.

The lean manufacturing initiative was quickly embraced by the employees at all levels of the organization. Significantly, no turnover resulted from the dramatic changes that were made. Furthermore, key performance metrics were identified and clearly posted so that everyone could monitor progress and improvement on a daily basis.

Operational improvements were very quickly realized based on cost savings projected in excess of \$100,000 annually.

Similarly, average lead time was reduced by 20%, while simultaneously achieving on-time delivery of over 99%. Because of these improved efficiencies, inventory turns have increased from 14 to 16 times annually. The related increases in manufacturing capacity allowed the company to avoid an investment of over \$100,000 for a new press. The Kan Ban system reduced required warehouse space by 68%, which eliminated the need for a planned facility expansion of over \$2 million. In addition, scrap, which had been identified as a serious issue, was reduced by 20%. The operational improvements also helped generate a sales increase of 35% due to landing at least five new accounts and realizing increased penetration within the existing business base. The exceptional sales growth, combined with operational improvement, has enabled the organization to improve net profit before tax by 22%.



Colleen Hochadel, Polymer Conversions Technician, applies ultrasonic weld to adhere brass part to plastic housing for medical device.

Despite the dramatic impact of the lean manufacturing implementation, Polymer Conversions has also recognized that continuous improvement is critical. For this reason they have added a full-time engineer, whose sole responsibility is continued lean manufacturing implementation. In addition, every new employee is required to take the lean manufacturing workshop as part of their orientation. ❖

Economic Indicators

International Measure	Previous Year	Last Month/Quarter	Current Month/Quarter
Trade Balance - Trade with World, seasonally adjusted, in millions of U.S. dollars	-63,444 — 2/05	-72,320 — 1/06	-68,872 — 2/06
National Measures			
Gross Domestic Product - Current dollars and "real" Gross Domestic Product (seasonally adjusted annual rates) in billions of chained 2000 dollars	10,897.1 — 4th qtr 2004	11,202.3 — 3rd qtr 2005	11,248.3 — 4th qtr 2005
Producer Price Index (PPI) - by stage of processing, seasonally adjusted, Durable Goods	137.3 — 9/05	137.0 — 1/06	137.1 — 2/06
Manufacturing Employment - all employees, thousands	14,268 — 3/05	14,217 (p) — 2/06	14,212 (p) — 3/06
Productivity - Manufacturing output per hour, at annual rate, % change qtr. ago	6.7% — 4th qtr 2004	3.7% — 3rd qtr 2005	4.7% — 4th qtr 2005
Wages - Manufacturing average hourly earnings of production workers, seasonally adjusted	\$16.43 — 3/05	\$16.72 (p) — 2/06	\$16.74 (p) — 3/06
Manufacturing Sentiment - National Purchasing Managers Index (PMI)	53.8 — 4/05	56.7 — 2/06	55.2 — 3/06
Prime Rate - Bank prime loan rate	5.58 — 3/05	7.50 — 2/06	7.53 — 3/06
Local Manufacturing Measures			
Employment - Buffalo-Niagara Falls, NY Manufacturing employment in thousands, not seasonally adjusted	64.6 — 2/05	62.5 — 1/06	62.1 — 2/06
Manufacturing Sentiment - Buffalo Purchasing Managers Index	64.3 — 4/05	60.5 — 2/06	60.5 — 3/06

P: preliminary, Sources: U.S. Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics, Institute for Supply Chain Management, Federal Reserve, New York State Department of Labor, National Association of Purchasing Management - Buffalo Inc.

Affiliates News

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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.

Our experience improves your business



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