



2011 — The Year Ahead

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What will success look like for the North American Precision Machining Industry in 2011?

In 2009, success was a synonym for mere survival. Two indicators of success were being able to pay the light bills and keeping the shop open. When the market for our products fell to 64 percent of what it had been in the year 2000, we learned that it is not our capacity to produce that drives the market; it is demand.

In 2010, success was managing a growing order book in an environment of no materials availability and no lead time on orders. While the market grew back to its 2000 sales levels, our shops operated in entirely different ways to achieve those sales.

Knowing where to find materials was a key enabler of success in the demand-growing-faster-than-inventory environment. So was understanding that the luxury of lead time or baseline orders was still a thing of the past. Agility of scheduling was another key to creating success in the past year.

If anticipation is what sets apart the great managers from those

who are just “fire-fighters,” what tools can we use to help us continue to solidly rebuild our business’ strength and sustainability as we anticipate the year ahead?

Best employees will make the difference. Gone are the days of an employee adding real value by coming to work and doing exactly what we tell them. We do not need drones. We need craftsmen. Artisans. People who bring their abilities, creativity, passion and art.

Knowing your strengths is a critical dimension of success. In an environment where resources are limited, why waste resources on work that is not your company’s strength? Companies that stay focused on their strengths and growing those strengths are going to be the real winners in 2011.

Focusing on our business ecosystem is how we successfully cope with our weaknesses. Why waste time, energy and resources on something that is not a strength? Use your knowledge of the ecosystem of suppliers, customers and peers to help arrange win-win transactions.

If you are not an expert in hard turning or prismatic machining, why not work to mutual advantage with peers that are stronger in those areas? PMPA members are the best at what I like to call “effective associating.” You don’t have to believe in “market karma” to see how this works. Just remember that any job that remains in North America creates future potential business for us all.

As an industry, we face four challenges: Volatility, Uncertainty, Complexity and Ambiguity.

Volatility clouds the view of our crystal ball for 2011 world financial and materials markets. It also results in the decoupling of North American raw materials prices from our North American demand. And, it makes quoting of long-term packages a real gamble.

Uncertainty has been our watchword for the past two years. Uncertainty over availability of credit and the world financial system is another factor that will demand constant attention. Not to mention the uncertainty we face each month with fewer lead time (planned) orders and higher percentages of business now coming in the month for the month.

We see no signs that any of the greater issues are any closer to being settled. Will the Chinese allow their currency to rise? Or will the U.S. government finally take action? And, will that action start a round of global currency wars, further destroying demand and making for uncertain markets?

In a world where small manufacturing businesses are the key to job creation and economic success, will we continue to face an uncertain future of legislative/policy experiments and regulations that threaten our ability to sustain our businesses?

Complexity of the work we are asked to produce will be another area demanding our attention. That, along with the abundance of the new regulatory schemes

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we face. The REACH chemical regulation for European work will require us to review and sign off on paperwork for materials that our customers knowingly specified, but which still needs our affirmation of compliance. The EPA's Spill Prevention, Control and Countermeasure (SPCC) plans for our operations will be due in November, requiring the signed approval of a Professional Engineer (P.E.).

Ambiguity of the policy and regulatory environment continue

to cloud our futures. Will federal authorities get on the same page regarding the key role of small manufacturers in our economy? Or will they continue to pay lip service regarding the importance of manufacturing and job creation while creating burdensome regulations and enforcement programs that are hostile to continued business investment?

At this time, OSHA has requested comments on its proposed, new interpretation of hearing protection rules that will mandate

expensive engineering controls throughout industry.

In 2011, we face challenges that are cloaked in Volatility, Uncertainty, Complexity and Ambiguity. I am reminded of last year's comments by Lothar Horn, CEO of pHorn: "How can our tools best be used so that the customer can obtain the maximum benefit from this investment?" This is the question we will need to answer in both word and deed if we are to succeed in 2011.

Bring Your Set of Ears to Orlando and Return Home with Plenty of Magic...

By Rob Kiener, Director of Government Affairs and Communications / rkiener@pmpa.org

The PMPA Management Update Conference returns to the Walt Disney World Contemporary Resort in Lake Buena Vista, Fla., February 25-27, 2011. Join your industry peers at this two-and-a-half-day event. It will feature a diverse schedule of programs that will help you re-examine your business model and identify the types of improvements needed to strengthen your organization and position it for growth.

Session leaders have been selected based on their depth of experience in economic forecasting, demographics/trends analysis, employment law, legislative and regulatory matters, transformative business leadership, workforce development, sales and marketing.

All speakers have been pre-screened by the Conference Planning Committee to ensure that the level of content will be

applicable to our industry. The Management Update Committee is comprised of business leaders just like you who are actively involved in the daily operation of precision machined products companies. So, the choices they have made are sure to be relevant.

Conference registration fees include the daily business sessions, conference materials and group meal functions. Registration fees have been set at a dollar level that will allow companies to send as many individuals as possible from their management teams.

As always, the goal of PMPA is to provide the very best educational experiences for its members and the industry at the lowest possible cost. PMPA operates its conferences to meet expenses — not as profit centers.

To learn more about the confer-

ence program, travel logistics, hotel accommodations and more, visit the PMPA Website at pmpa.org. PMPA's discounted room rate for The Contemporary Resort is typically 50 percent off the rack rate commonly charged to leisure travelers.

Based on the 2007 conference at The Contemporary, rooms will go fast. If you wish to extend your stay, PMPA group room rates will also be honored by the resort on a space-available basis three days before and after the conference.

Questions about Management Update 2011 should be directed to Rob Kiener, PMPA Director of Government Affairs and Communications at 440-526-0300 or via e-mail: rkiener@pmpa.org.

Don't let another year go by wondering what you missed at your industry's premier management education conference.