



# Indicators, Looking Windshield or Rear-View Mirror

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In recent months, we have seen wild swings in equity markets — government deals that fail to meaningfully address the fundamental problems of runaway spending, downgrade of Federal debt and global debt crises. These events, and others, have led to an increasingly shrill and hysterical tone in the media.

I really wish that the people who are given all of this press time and attention would refrain from hyperventilating any (and every) time an index (or credit rating) falls somewhere.

One of the most important factors that business owners share with me is the way they look at indicators. Take, for example, the change in unemployment claims. They don't follow them. Why not? Because they are backward-looking.

Shop owners are not at all interested in unemployment numbers;



they want to see the numbers of new jobs created. No rear-view mirror for them. What does the road look like up ahead?

So, while the bankers and the reporters and the general public are obsessing over any tiny change in some index somewhere, reporting on the past — through the rear-view mirror — our shop managers are looking forward...at their order books, their lead time, the availability of raw materials and, yes, that stack of job applications as inputs to their thinking.

Business owners are notoriously pragmatic. And while they pay close attention to facts and data, it has been my experience that, in precision manufacturing at least, these facts are considered holistically, not in isolation.

While our managers would love to be seen as “facts and data guys,” the reality is that facts and data are just small pieces of the information stream they use to make business-critical decisions. Most importantly, their context is forward-looking, not being fixed on the past.

Our managers purchase new equipment based on their expectations for the future, not their look at indicators from the past. U.S. manufacturers' new orders for machine tools, as well as related equipment and technology, rose 15.3 percent from \$388.27 million in May to \$459.39 million in June.

This fact mirrors the demand reported recently by European machine tool manufacturers, and confirms a strong first half for the

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sector. Those new machines will be contributing to future bottom lines, not past.

Yes, the folks in Washington D.C. have finally realized that you can't just keep increasing debt, advice that all parents have given their children at some point or another. But that's no reason for us to panic in manufacturing. The heavy truck forecast is up 25 percent for the balance of the year, and we make parts for that market.

**“Our managers purchase new equipment based on their expectations for the future, not their look at indicators from the past.”**

IHS Automotive is standing by its forecast of 12.7 million U.S. light vehicle sales for 2011. Almost 25 percent of precision industry sales go to automotive. And the IHS estimate (similar to the one floated by Chrysler) shows U.S. light vehicle sales up by more than 1 million over last year.

Forward-looking indicators help one think ahead, anticipate and plan for success. And backward-looking indicators...well, it seems to me that they just might help one think backwards.

When you get information from the media, it just might be a good idea to ask a few questions: 1) Is this indicator even relevant to my business? 2) Is this indicator forward-looking or backward-looking?

and 3) In different circumstances, what would this indicator mean to me?

The guys on TV may need an inhaler to calm down over events that happened in the past. But in the precision machined products business, we could use a few more skilled people to help us get our backlogs down and to reduce the

amount of overtime we need just to keep up with current orders. And, to help us operate that new equipment.

You see, precision manufacturers spend most of their time looking out the windshield, not trying to drive by the rear-view mirror. We are looking ahead. Building our future. How about you?

# Why Join PMPA? Sustain

Think of PMPA as an extension of your engineering and marketing departments. We help you focus on excellence and intelligently manage risk to sustain your success. We are also continually working to protect our industry by working to change government regulations that are unfair or too restrictive. We help walk you through the steps required when an OSHA representative shows up at your door. And, we lobby on behalf of the industry to protect the interests of precision machined products manufacturers.

It is our goal to help you and other members calibrate your businesses so you can add value and compete globally. The tools we offer are designed to help you better understand your company's performance. That way, you can continue to not merely survive, but to *thrive* in today's competitive environment.