

The One Item You Underestimated In This Year's Budget

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It's the New Year. Hooray! In with the new, out with the old. Change. Isn't that the deal we were promised? Change?

Let's talk for a minute about your budget. Because, I suspect, if there is going to be change happening in our shops, it's going to be happening in our budgets.

We have a standard Chart of Accounts for the industry, and it

has been widely used and developed through the years. When I look at this Chart of Accounts, I can't find the line item that we're going to discuss today. And yet, that non-existing line item is probably the one thing that will expand the most in your business expenditures this year.

Compliance. There it is; I said it. Compliance. It's just a word. But

this year, that word is going to be the focus of everyone while they continue to serve the customers that remain. And, while they try to find materials from an ever-decreasing number of operating mill suppliers.

Compliance will be the next "irresistible force" for our businesses to deal with. Right up there with "price concession demands" from customers; right next to looking at

A New Year's Resolution continued

looking for information to cut downtime and improve profitability?

Members directly benefit from the weekly, monthly and quarterly economic analyses, benchmarking data and business intelligence supplied by the association. Comparing your company's performance to best-in-class manufacturers (your peers) will help make management decisions based on hard data. PMPA provides you with the tools and the data.

The market is complicated and global. Is what your suppliers tell you good enough to help you make your business decisions?

Keep an eye on rising raw material costs with PMPA's Raw Materials Impacts Report. This bi-monthly report tracks the seven major commodities and provides in-depth analysis on the reasons for fluctuations in raw materials pricing. This data is invaluable when communicating with your customers on raw material cost and availability issues.

Are you receiving requests for quotes with foreign raw material specifications? PMPA's Raw Materials Grade Translator will convert those raw material specs to their U.S. equivalents, saving you time and money. For grades not listed, you can get personal assistance from our staff expert. This service is available to PMPA members at no charge.

Can you run your day-to-day business and still stay up-to-date on regulations that affect you? Are you up on the latest legislative and regulatory issues? PMPA provides members with timely information on such issues through information supplied by the Franklin Partnership, the association's Washington, D.C. lobbyist. Members also receive assistance with labor law compliance via PMPA's retainer agreement with Millisor & Nobil, LLP.

With so much uncertainty in today's challenging economic times, can you

really afford to go it alone anymore?

Not only does PMPA provide tools you can use from your desktop, it also brings together its membership at more than 80 local meetings annually. Networking with peers keeps you up to speed on the latest developments and opportunities in the industry.

PMPA's three national-level conferences for management and operations personnel provide unique opportunities for your key personnel to learn and grow through interaction with other owners, managers and suppliers to this industry.

If you only keep one resolution this year, make sure it's the one that will help your business navigate through the challenges ahead. Take a step to intelligently manage risk by joining the PMPA.

Contact PMPA's membership director, Matt Dougher, at mdougher@pmpa.org or by calling (440) 526-0300. To join online, visit www.pmpa.org/join/.

our increasingly aging “accounts receivables;” and, of course, that “100 percent on time” and “zero defects” stuff.

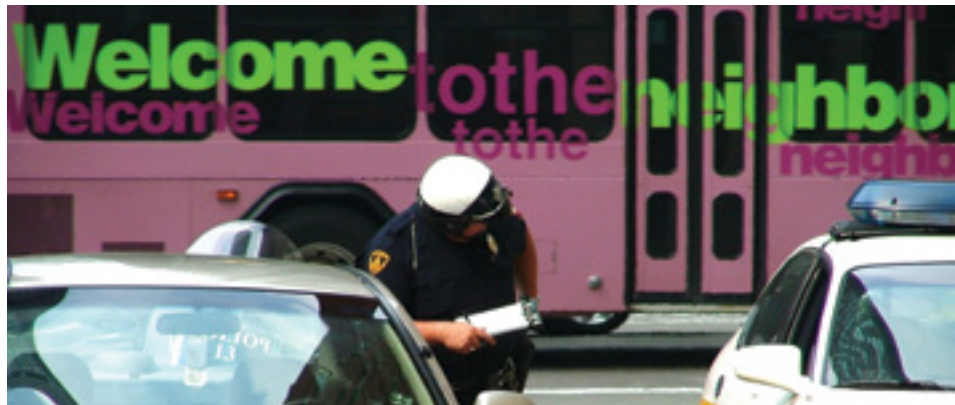
What do I mean by “compliance?” Do I mean that shops will be spending more on safety glasses and hearing protection? (Chart of Accounts line item 626, thank you very much.) Not really.

The progressive, innovative, globally competitive shops that I visit have understood the fundamentals of personal protective equipment for a long time. Probably since the founding generation started the business. Injured workers are nobody’s goal.

By compliance, I mean additional costs to document, train, investigate, acquire and put to use the equipment, materials, energy and supplies we need to operate our businesses.

Hazardous energy control. You have a program for hazardous energy control. I know that you do. Show me your training records. Have your machine operator show me his or her personal safety lock. Those are the kinds of costs I’m talking about.

Hazcomm training. Yes, I know that all of the drums have that



multi-color label that describes the hazards. But can you show me evidence of when you last reviewed this important safety area with each of your employees? (Chart of Accounts 565, Training.)

Machine guarding. If the inspectors come in and don’t like what they see, costs to get guarding-compliant will be due and payable within 30 days, or else the machine will be out of service until it is guarding compliant. (Chart of Accounts 651, Machinery and Equipment Repair.)

Paperwork audits. Right-to-know materials. Waste oil. Oil for heat recovery. Scrap materials disposition. My guess is that documentation in these areas will need to be organized and reviewed. Compliance costs will show up in these areas, even if it is just supervisory time auditing to be sure that everything is as it should be. (Chart of Accounts 531, Supervision.)

Consulting. Outside consulting costs probably weren’t foreseen on your budget plan for 2009. But I’m

thinking there are a number of reasons that might justify bringing in an outside consultant to help ensure that your processes and systems are functioning as documented and that they are the necessary ones to comply with the applicable regulations. (Chart of Accounts 892, Professional Services.)

So where does that “compliance” line item hide on our operating statements? I didn’t find it in a single place. But factory indirect, professional services, training, machinery and equipment, and administrative are a few of the places I would expect to see some company-specific budget “inflation” in the year ahead.

It’s my personal opinion that it is anticipation that differentiates the great managers from those that are merely competent. January 2009 seems like a good time to anticipate the possible vulnerabilities our shops might be facing in the regulatory area and then make some thoughtful, planned adjustments.

Out with the old, in with the new. Change. I’m thinking that some of that change will be in the regulatory and compliance items that are (not) found separately in our budgets. Let’s get started!

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