

Center Operations

Case Study – For January 2012 NIST MEP Quarterly Update Meeting

The Manufacturing Extension Center of Galatica (MECG)

Background: The center was established in 1984 and currently provides services to the state of Galatica which has a manufacturing population of 4,200 manufacturers. The center can drawdown \$1.0mm in federal funding annually and provides \$2.0mm in matching funds, approximately \$500,000 of which is state funding, \$1.0mm which is client fees and another \$500,000 in matching funds through a Third Party Contributor agreement with the University of Galatica Lean Manufacturing Center (GLMC).

The center used to receive \$750,000 in state funding up until 2008, when the economic recession hit state revenues went down by 20% and various state agencies and funding lines were reduced by Executive Order. Budget requests since then have been for \$500,000 by the state agency which provides funding to MECG. Client revenues have remained in the \$1.0mm to \$1.2mm range in the last two years – the center has a steady backlog of approximately \$650,000 at any one-time.

Traditionally about 70% of the client revenue work comes from center services in lean, quality and other process management service lines. Approximately 10% comes from Sustainability and the other 20% is from a variety of other service areas such as training, safety, environmental solutions, etc.

The center delivers about 55% of their services with internal staff, another 30% using the GLMC and the final 15% with other 3rd party providers.

Strategic Planning: One year ago the center undertook a significant strategic planning effort designed to fundamentally examine the future of the center and it was decided that developing new services that would aid companies in aggressively developing new products, new services and new markets would be the future focus. The planning effort was facilitated by an outside consultant and was conducted over a year engaging the board, staff, leadership, NIST Regional Manager and a sampling of past and potential future clients. The plan has been approved by the NIST Regional Manager.

As a result the center's board decided to invest \$250,000 of Unexpended Program Income toward the development of this service line including the hiring of new staff and reassignment of existing staff to develop and roll-out this service line. The hiring was completed six months ago and the re-assigned staff was paired with the new hire at that time. The new hire is IEMS Black Belt certified. The center anticipates that in the long-run Growth and Innovation could be approximately 40% of the overall business of the center.

In the intervening six months the Growth & Innovation team has established targets and goals for the new service line, they've developed a roll-out strategy, they've been trained in several approaches to Innovation and Growth including ExportTech, IEMS (including the Director), Tech Scouting and Probe and have been working with three clients to test market the program through a combination of these approaches. The Growth & Innovation team has been working with the established field staff to teach them how to identify growth opportunities – however only about 30% of the staff has been making

qualified referrals to the Growth & Innovation team, 15 clients to date for initial conversations which have been completed.

The Growth & Innovation team is actively seeking new marketing opportunities with established partners by using the phrase “Manufacturing Growth Through Innovation” which has allowed for a different type of conversation with the partners. The Growth & Innovation team has also been working with some new partners such as two local incubators and a collection of banks focused on manufacturing to establish new marketing channels and have several presentation programs lines up in the next 8 weeks. The Growth & Innovation team is using the centers well regarded “Partnership Matrix” that annually evaluates a partners performance against a number of criteria such as qualified referrals, joint marketing and service delivery activities, joint proposals funded and branding with public mission, etc.

At the same time the center has been developing new partnerships in the area of “E3” – working with the state Department of Ecology, the local SBDC and several local utilities in this effort. The group has engaged six clients in a joint effort for assessments in the area of Lean and Green using Value Stream Mapping to begin with.

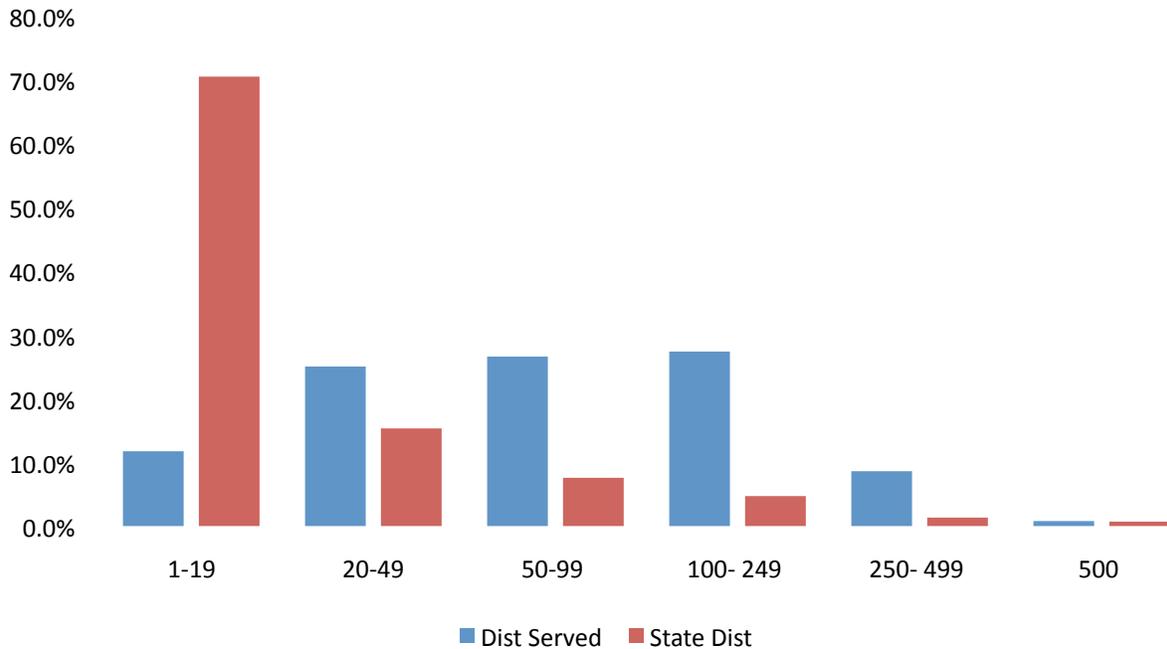
The center has looked at establishing a Supplier Development effort but has only two larger OEM’s in their territory and no one focused in this area – and they have always worked well with the local educational institutions to share the training needs of their manufacturing clients.

These NGS initiatives are all included in the centers IEMS labs portal.

Market Understanding: The centers state has the following characteristics regarding their manufacturing base and their service delivery to company sizes and service mix. The 127 clients for market penetration are clients submitted for survey only.

| NAICS Code | Description | 2009 Jobs | 2011 Jobs | Job Changes | 2011 Average Earnings | 111 Establishments | 2009 LQ | 2011 LQ | Percent Distribution of Cntr Clients | Percent Market Penetration |
|---|--|----------------|----------------|-------------|-----------------------|--------------------|-------------|-------------|--------------------------------------|----------------------------|
| 336 | Transportation Equipment Manufacturing | 43,264 | 42,190 | (1,074) | \$114,935 | 258 | 2.50 | 2.43 | 6.3% | 3.10% |
| 332 | Fabricated Metal Product Manufacturing | 30,404 | 29,799 | (605) | \$74,977 | 1,279 | 1.77 | 1.69 | 28.3% | 2.81% |
| 333 | Machinery Manufacturing | 16,965 | 16,128 | (837) | \$96,914 | 518 | 1.26 | 1.18 | 15.0% | 3.67% |
| 334 | Computer and Electronic Product Manufacturing | 13,677 | 13,631 | (46) | \$81,323 | 326 | 0.94 | 0.95 | 11.8% | 4.60% |
| 325 | Chemical Manufacturing | 13,452 | 13,125 | (327) | \$161,929 | 186 | 1.29 | 1.30 | 2.4% | 1.61% |
| 339 | Miscellaneous Manufacturing | 12,243 | 11,761 | (482) | \$88,075 | 342 | 1.39 | 1.34 | 5.5% | 2.05% |
| 335 | Electrical Equipment, Appliance, and Component Manufacturing | 10,271 | 10,203 | (68) | \$120,887 | 177 | 2.10 | 2.13 | 5.5% | 3.95% |
| 311 | Food Manufacturing | 7,602 | 7,919 | 317 | \$48,167 | 303 | 0.40 | 0.42 | 2.4% | 0.99% |
| 323 | Printing and Related Support Activities | 7,003 | 6,710 | (293) | \$64,023 | 399 | 0.94 | 0.98 | 0.8% | 0.25% |
| 326 | Plastics and Rubber Products Manufacturing | 5,913 | 6,132 | 219 | \$66,872 | 184 | 0.73 | 0.76 | 6.3% | 4.35% |
| 322 | Paper Manufacturing | 3,999 | 3,854 | (145) | \$84,466 | 84 | 0.78 | 0.77 | 6.3% | 9.52% |
| 331 | Primary Metal Manufacturing | 3,447 | 3,624 | 177 | \$83,832 | 78 | 0.73 | 0.73 | 4.7% | 7.69% |
| 337 | Furniture and Related Product Manufacturing | 3,042 | 2,882 | (160) | \$55,815 | 293 | 0.58 | 0.59 | 1.6% | 0.68% |
| 327 | Nonmetallic Mineral Product Manufacturing | 2,677 | 2,401 | (276) | \$65,232 | 153 | 0.52 | 0.49 | 1.6% | 1.31% |
| 321 | Wood Product Manufacturing | 1,602 | 1,387 | (215) | \$43,006 | 123 | 0.31 | 0.28 | 0.0% | 0.00% |
| 314 | Textile Product Mills | 1,143 | 1,152 | 9 | \$51,810 | 98 | 0.67 | 0.73 | 0.0% | 0.00% |
| 312 | Beverage and Tobacco Product Manufacturing | 937 | 1,015 | 78 | \$97,282 | 46 | 0.37 | 0.40 | 0.0% | 0.00% |
| 313 | Textile Mills | 798 | 793 | (5) | \$60,491 | 29 | 0.49 | 0.50 | 1.6% | 6.90% |
| 315 | Apparel Manufacturing | 566 | 573 | 7 | \$23,635 | 19 | 0.21 | 0.23 | 0.0% | 0.00% |
| 316 | Leather and Allied Product Manufacturing | 329 | 290 | (39) | \$75,561 | 5 | 0.74 | 0.63 | 0.0% | 0.00% |
| 324 | Petroleum and Coal Products Manufacturing | 316 | 289 | (27) | \$148,171 | 17 | 0.21 | 0.21 | 0.0% | 0.00% |
| | Total | 179,652 | 175,858 | 0 | \$94,745 | 4,919 | 1.14 | 1.13 | 100% | |
| Source: EMSI Complete Employment - 2011.4 | | | | | | | | | | |
| | Market Size | | 4,919 | | | | | | | |
| | One Year Market Penetration | | 127 | | | | | | | |
| | Market Percent Penetration | | 2.58% | | | | | | | |

Distribution of Clients Served MEGC



The state is supporting the development of the biotechnology industry via a major funded research center at Galatica State University which has a very active industry outreach program – and the state is investing in building a composite industry as a re-vitalization of the traditionally strong plastics industry through the Plastics Industry Coalition.

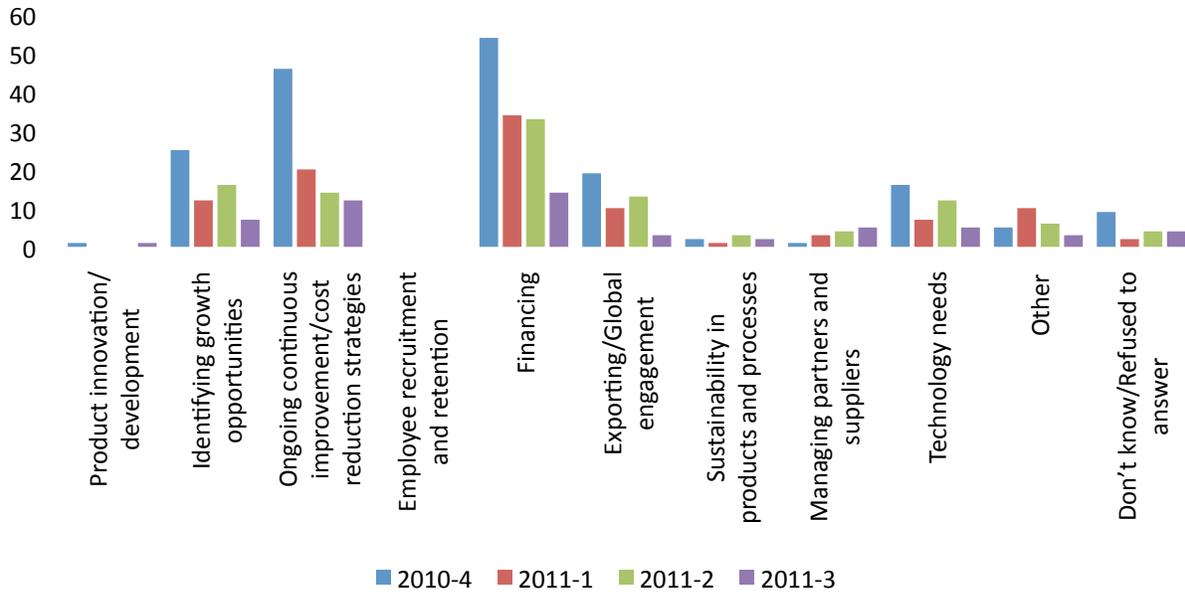
Part of the recent movement is ensuring that the work being done with the center is with the highest level of leadership at a facility (whether locally owned or branch facility). In addition to sales calls by the dedicated Growth & Innovation staff aimed at company presidents and others at the “C” suite – the Growth & Innovation team has developed a couple of other approaches.

The Growth & Innovation established a CEO Roundtable about 4 months ago with an entry fee of \$5,000 for the year – a total of 15 CEO’s are currently active and participating. The Growth & Innovation team has also discussed this concept with a couple of other organizations such as the University of Galatica, the banks and incubators – there is some interest in creating more of these groups.

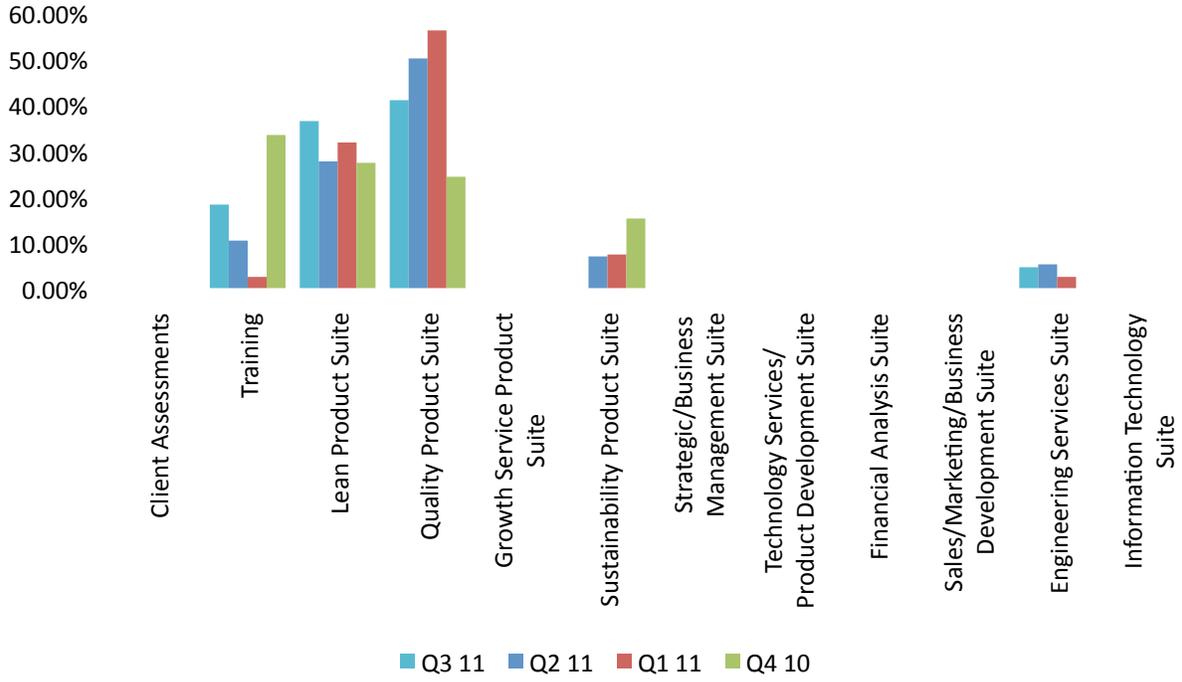
Future Directions: The center board has brought in an outside consultant to begin the process of looking at succession planning – the first step has been taken to identify strengths and weaknesses in the centers current succession strategies. Next up this year will be finalizing a plan of how risk will be mitigated for the loss of current staff and development plans for the timely succession of critical key staff.

The Center Board has also asked the Director to begin working on an overall staff skills matrix to identify if the skills the center needs for their future service mix are well represented on the current staff.

Center MEGC Client Challenges



MECG Service Mix



| MICG Center Revenues and Annual Operating Plan Budget | | | |
|---|---------------------|-------------------|--------------------------|
| | Direct | In-Direct | Total |
| Revenues | | | |
| Federal Funding | \$ 1,000,000 | | \$ 1,000,000 |
| Unexpended Program Inc | \$ 750,000 | | \$ 750,000 |
| State/Local Funds | \$ 500,000 | | \$ 500,000 |
| Project/Service Fees | \$ 1,000,000 | | \$ 1,000,000 |
| Third-Party In-Kind | | \$ 500,000 | \$ 500,000 |
| <i>Total Revenues:</i> | <u>\$ 3,250,000</u> | <u>\$ 500,000</u> | <u>\$ 3,750,000</u> |
| Expenses | | | |
| Personnel | \$ 1,255,629 | | \$ 1,255,629 |
| Fringe | \$ 284,738 | | \$ 284,738 |
| Travel | \$ 86,325 | | \$ 86,325 |
| Equipment | \$ 17,133 | | \$ 17,133 |
| <i>Contractual</i> | | | |
| Professional Service | \$ 61,525 | | \$ 61,525 |
| Fees to 3rd Parties | \$ 661,800 | | \$ 661,800 |
| Subrecipient Cost Share | | \$ 500,000 | \$ 500,000 |
| Other | \$ 257,850 | | \$ 257,850 |
| <i>Total Expenses:</i> | <u>\$ 2,625,000</u> | <u>\$ 500,000</u> | <u>\$ 3,125,000</u> |
| | | | <u><u>\$ 625,000</u></u> |
| UPI at end of year | | | \$ 625,000 |
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