

April 2006

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NORBIC is a nonprofit economic development organization that promotes job growth and community advancement through the provision of technical and professional services to manufacturers in the greater Chicago area.

Transforming Illinois Manufacturing

Alliance Partners synchronize programs to strengthen services

IN AN EFFORT TO LEVERAGE, coordinate, and focus their collective resources into integrated solutions that transform Northeast Illinois manufacturers into globally competitive companies, the Chicago Manufacturing Center and Chicago Works! Chicago's Workforce Center for Manufacturing have become key partners in the Alliance for Illinois Manufacturing.

The Chicago Manufacturing Center (CMC) was founded in 1994 to organize and manage a Manufacturing Extension Partnership (MEP) center in the six-county Chicago region. Its mission then, as now, is to advance economic vitality by supporting the growth and competitiveness of small and mid-sized manufacturers. CMC's focus is on building the Lean Enterprise by helping companies cut costs and increase productivity. Chicago Manufacturing Center programs can help manufacturers improve their business strategy and implement lean enterprise systems, quality management systems, and sustainability and resiliency practices.

The Chicago Manufacturing Center expressed its long-term commitment to the Alliance by becoming a founder of the new organization. "CMC partnered with the Alliance for Illinois Manufacturing to jointly target the market and to speed the delivery of services and increase its impact on small and mid-sized

manufacturers," says Demetria Giannisis, President, Chicago Manufacturing Center. Given the area's large and diverse industrial base—more than 12,500 manufacturing firms of all sizes and sectors, it is difficult for any one single entity to reach these firms efficiently. "By pulling the resources together under one umbrella," Giannisis notes, "the Alliance will create a better integrated network that manufacturers can tap into."

The Alliance for Illinois Manufacturing will help CMC in identifying manufacturing clients who may benefit from manufacturing process improvements. By matching Northeast Illinois manufacturers with government grant, incentive and loan programs, the Alliance for Illinois Manufacturing will also help these small and mid-sized manufacturers access funding to underwrite a portion of the costs of the Chicago Manufacturing Center's important business services.

Manufacturing Works! Chicago's Workforce Center for Manufacturing is funded by the Chicago Mayor's Office of Workforce Development and Chicago Workforce Board (CWB) and operated by Instituto del Progreso Latino.

Instituto del Progreso Latino was founded in 1975 to assist Latino immigrants to obtain employment and learn English to be able to join the workforce. Instituto develops highly motivated,

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Start Succession Planning Now

An early start helps ensure your future

EXPERTS ADVISE YOU TO START YOUR succession planning early and to plan it well. If you don't, the costs can be staggering.

"For many owners and owner operators, succession planning is done once in a lifetime and the financial and emotional stakes are high," noted Mark Rittmanic, president and founder of the ForteCEO Group, a Northbrook-based group of more than 150 operating executives who work with owners and investors to assist with succession and other transitions, and improve business performance.

"It behooves most owners to get a little advice about this important decision," said Rittmanic, who will moderate a special NORBIC-sponsored April 25th seminar, The Future of Your Business Now: Succession Planning Basics.

The morning program will be held at Wright College in Chicago. Priority registration will be given to manufacturers. Call 773/594-9292 to register.

"The difference between a well-planned exit strategy and one that is put together quickly or under pressure can be millions of dollars," Rittmanic said. "The way to ensure a smooth succession is to start a couple of years before you'd like to make that exit."

Seminar panelists will include succession planning specialists Mary Sullivan

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Expanding Your Sales Opportunities

Why NAFTA Matters to Your Business

IN 1992 PRESIDENT GEORGE H.W. BUSH signed the North American Free Trade Agreement (NAFTA) and changed not just our economic relationships with our neighbors to the North and South but our global trade patterns as well. In the early 1990's Japan and the UK were important trading partners ranked #2 and #4 respectively by dollar amount. Currently Canada and Mexico are our two biggest trading partners and from 1993 to 2005 trade between NAFTA countries has grown 173 percent from \$297 billion to \$810 billion. Canada and Mexico accounted for 36% of our export growth worldwide last year, and us exports grew more rapidly to NAFTA countries (133%) than they did to the rest of the world (77%). The same holds true at the State level with Illinois exports to Canada and Mexico totaling \$10.8 and \$2.8 billion respectively.

What this means to you is that when looking to expand your markets internationally Canada and Mexico should be your first choices. The lowering and/or removing of tariffs through NAFTA makes selling into these markets much easier and makes us products more price competitive. This should be excellent news for small to medium sized manufacturers with shrinking client bases and mature products. Not only can NAFTA expand your customer base, but it can lengthen your products' lifecycles. Technology and processes that are mature or in some cases obscure in the US frequently still have applications in Mexico and Canada. This can allow you to continue generating revenue from older existing products, while creating newer products through R&D and technology updates. Take advantage of these opportunities now.

While margins are being shrunk domestically through industry consolidation and pressure from big box merchandizers (Wal-Mart, Home Depot, Target, etc.), there are healthy margins to be made doing business internationally. In general margins are higher for international transactions and companies doing business internationally are more

profitable and faster growing than their domestic only counterparts. Additionally, more and more smaller businesses are taking part in the export market. Small to medium sized enterprises or (SMEs) make up the fastest growing segment of the US Export market. "SMEs accounted for over 98 percent of the 1992-2003 growth in the exporter population. The number of SMEs that export merchandise soared from 108,026 in 1992 to 218,382 in 2003." In 2003 Illinois SMEs exported \$5.5 billion in merchandise to the global marketplace. This clearly shows that it is the smaller businesses that are driving the majority of growth in both US and Illinois exports. International business isn't just for the large companies and multinational corporations any more.

The US Small Business Administration and the Illinois Department of Commerce & Economic Opportunity provide NORBIC with funding to support international trade and NAFTA assistance services to help you with your export sales. If you would like to find out how you can take advantage of NAFTA and participate in international trade, please contact Chris Press, Global Business Manager, NORBIC International Trade & NAFTA Opportunity centers at 773/594-9292 extension 232.

¹ United States Trade Representative, www.ustr.gov.

² United States Trade Representative, www.ustr.gov.

³ Trade Stats Express <http://tse.export.gov>

⁴ Export.Gov http://ita.doc.gov/td/industry/otea/sme_handbook/SME_index.htm

⁵ Export.Gov http://ita.doc.gov/td/industry/otea/sme_handbook/SME_index.htm

Alliance Partner News

NORBIC and the Chicago Manufacturing Center will join their newsletters to create a common Alliance for Illinois Manufacturing publication called Manufacturing Counts. Manufacturing Counts will replace the NORBIC Network and will be distributed in print and electronic version on alternate months. Please note that all communications from NORBIC will now be Alliance for Illinois Manufacturing communications and all NORBIC emails will now come from illinoismanufacturing.org.

Chicago Community Ventures has announced the finalists for its Innovate Illinois award. Visit www.innovateillinois.org to see the list. Congratulations to our Northern Regional Finalists!

The Industry Week/AME Best Plants conference will be at the Hyatt Regency, Dearborn, Michigan, May 16-18, 2006. Don't miss this opportunity to learn the best practices of each of these award winning plants. Visit www.ame.org for more information.

CCV Offers Property Locator and Market Analysis Information

Visit www.chicagoprospector.com for information on available Chicago properties and incentives.

Lean Practices Deliver Growth for Kastalon, Inc.

Investment in lean training boosts gross revenues

OVER THE LAST 18 MONTHS LONG-time polyurethane products manufacturer Kastalon, Inc. of Alsip has enjoyed improved product delivery times, more satisfied customers and increased sales.

Kastalon President Bruce DeMent credits these benefits to the results of lean manufacturing principles and practices his business adopted about 18 months ago.

"Our gross revenue has increased about 18 percent in the last year, and about half of that increase is due to new services lean manufacturing has made possible," DeMent said.

Kastalon was started by DeMent's father in Chicago Ridge 43 years ago as a one-man operation out of his one-car garage. Today the company has 76 employees.

Known best as a designer, engineer and manufacturer of customized polyurethane products like conveyor rollers and the like for industrial applications, Kastalon recently had a mixed reputation in its markets. "We were known for quality products, but slow delivery," DeMent said. "We knew we had to change the latter."

DeMent said the company's first pass at improvement was to respond to its customers' requests that it become ISO 9002-2000 certified. The challenge was that ISO certification would in effect "freeze" the company's processes as they were. The decision was made to table ISO certification and instead streamline Kastalon's processes first.

Kastalon, leveraging programs sponsored by NORBIC and the Chicago Manufacturing Center (CMC), had several managers participate in Lean courses taught by CMC specialists at Moraine Valley Community College.

Next it brought CMC lean specialists into its own facilities to instruct its supervisors, foremen and lead people about lean and the "5S" organizational philosophy -- sort, straighten, sweep, standardize and sustain.

There, the Kastalon group also participated in a "hands-on" simulation of Lean

manufacturing that illustrated the value of single part lot-size manufacturing.

These lessons helped Kastalon understand the process of value stream map-

"When we started our evolution to Lean the satisfaction of our customers' requested delivery date was around 20 percent. After one year of Lean discipline throughout our operations I am happy to say that level is up around 76 percent."

ping, which helps management and others review every movement involved in a business, from handling paperwork to making a product. If any action involved doesn't add value from the customer's perspective it is waste and should be eliminated.

"In our business, much of our work is maintenance and repair of parts that are used in our customers' processes," DeMent said. "When one of those components breaks down it will generally come back to us for service.

"In this operation customers value fast turn-around. Therefore, our goal in Lean implementation was to compress our delivery time. In maintenance and repair operations the delivery times we quoted were meaningless -- if a customer is 'down' or has exhausted critical spares they want quicker service," he added.

"When we started our evolution to Lean the satisfaction of our customers' requested delivery date was around 20 percent. After one year of Lean discipline throughout our operations I am happy to say that level is up around 76 percent."

Kastalon found assistance for its improvement initiatives through the Small Business Development Center (SBDC) program that NORBIC offers in partnership with the US Small Business Administration and the Illinois Department of Commerce & Economic Opportunity. The SBDC helped Kastalon leverage NORBIC's Employer Training Incentive Program (ETIP), which can reimburse Illinois companies for up to 50 percent of the cost of training their employees. NORBIC administers the ETIP program on behalf

of the Illinois Department of Commerce & Economic Opportunity.

In total, Kastalon utilized training grants of about \$8,500 to train all of its employees -- from the corner office to the custodial department -- about Lean principles and to implement Lean practices in all of its operations.

"That money was well spent because from it we were able to make an additional investment of \$90,000 in repositioning our shop facilities and in purchasing new equipment to further implement additional Lean practices," DeMent said.

"Today," he added, "the market knows Kastalon in a new light -- now the word on the street is you not only get quality from Kastalon but now you get it fast too!"

Succession Planning

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Josephs, a senior vice president at LaSalle Bank and head of the bank's ESOP Financial Services Group; Annette Brands Hurley, partner, Sachnoff & Weaver, a Chicago-based law firm specializing in trust and estate planning and estate administration; and Cliff Deremo, partner, Stevenson & Company, Evanston, merger and acquisition advisors.

Josephs will discuss the benefits of the Employee Stock Ownership Program, a retirement and succession option that allows business owners to avoid or reduce capital gains and ensure the continuity of the business. Hurley will challenge attendees to consider "lifetime" planning in addition to planning for the disposition of business interests at death. "Many people think that if you start making lifetime transfers of business interests, you have to give up control; that is not necessarily the case. Gifts and sales may be structured in a variety of ways to meet a client's goals, including retention of control and economic security," she said. "The key is advanced planning. It is unlikely that a client's goals will be met by accident."

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Tax Credits for Hire

Important incentives help grow your business

FOR MOST ILLINOIS MANUFACTURERS, employee turnover is a regular part of doing business. Whether you are seeking to replace an employee or adding new staff, the federal government makes available two tax credits for employers who are hiring new employees. Taking advantage of them can help you reduce costs and make your business more competitive.

With the Welfare-to-Work Tax Credit, you can take up to \$8,000 off your federal income tax when you hire and retain a long-term welfare recipient. To earn the credit, simply employ a member of a family who received welfare for at least the 18 consecutive months prior to date of hire.

This program for new hires employed 400 or more hours or 180 days is 35 percent of qualified wages for the first year of employment, and 50 percent for the second year. Qualified wages are capped at \$10,000 per year.

Employees not qualifying for the above tax credit may qualify for the Work Opportunity Tax Credit. To earn the Work Opportunity Tax Credit (wotc), hire

any member of a family that received family welfare for nine of the 18 months before the date of hire, or certain individuals

from families receiving Food Stamps, Supplemental Income recipients, or young adults living in Enterprise Communities or Empowerment Zones. For others who might qualify, see the detail on the web site, referenced below.

The maximum tax credit under this opportunity is \$2,400 per new worker, calculated at 40 percent of the first \$6,000 of wages.

How You Can Qualify

Potential employees under these tax credit opportunities must undergo first an eligibility pre-screening that the employer must conduct. This includes the

employer completing a pre-screen notice and an Individual Characteristics Form on or before the day a job offer is made.

These reports must be on file with the Illinois Department of Employment Security. You will receive an Employer Certification, which permits you to claim the credit on your federal income tax return.

For more information about these tax credits, contact your nearest IDES office or Illinois Employment and Training Center at www.ides.state.il.us. As with all tax related matters, review the programs carefully with your accountant before filing.

Transforming

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skilled workers across all cultures and segments of the community through its intensive work-skills and general education development programs. Through Manufacturing Works! Chicago's Workforce Center for Manufacturing, Instituto offers job placement services to workers and recruitment and training services to Illinois manufacturers.

Manufacturing Works! can help Illinois companies:

- 1 Assess necessary job skills and prescreen applicants from a pool of experienced manufacturing candidates;
- 2 Gain an introduction to lean manufacturing; and
- 3 Access manufacturing training programs.

While Instituto del Progreso's services can help Illinois companies save wasted time and thousands of dollars on employee recruitment and training, many Chicago-area manufacturers are unaware of these free and valuable business assistance programs. "Working as a partner with the Alliance for Illinois Manufacturing will help Instituto bring its workforce services to a far greater number of Illinois manufacturers," says Tom Dubois, Workforce

Development Director, Instituto del Progreso Latino. Instituto can help Illinois manufacturers access highly motivated and skilled students and tap into a broad pool of applicants through the City's WorkNet system.

The Alliance for Illinois Manufacturing will help Instituto del Progreso in identifying Northeast Illinois manufacturing firms that can benefit from the workforce development services of Manufacturing Works! Chicago Workforce Center for Manufacturing. The Alliance will also help these manufacturers in accessing government grant and incentive programs to fund vital investment in employee training and business renewal.

By strategically integrating these valuable lean enterprise and workforce development services with the services of NORBIC and the Association for Manufacturing Excellence, the Alliance for Illinois manufacturing will be better able to assist Northeast Illinois manufacturers in improving their manufacturing processes and building a stronger workforce.

Succession Planning

(Continued from page 3)

Mergers and acquisitions professional Deremo will help attendees assess business and personal lifecycles and explore with them real-world steps in successful management succession and asset transition. He will also explain how to prepare the business to maximize its value in a potential sale.

Seminar moderator Rittmanic will remind attendees that with succession planning – knowledge and preparation are key. "There are many delicate issues in succession planning, many interests to be served and many ways to serve those interests," he'll note. Like any critical decision, it pays to familiarize yourself with the rules before you enter the game.

Alliance = More Opportunity for You

IF TWO HEADS ARE BETTER THAN ONE, isn't the experience, knowledge and solutions contributed from multiple sources best of all?

We believe that to be true, which is why NORBIC and its partners recently formed the Alliance for Illinois Manufacturing.

This collaboration of tax-supported and not-for-profit manufacturing-organizations has come together to leverage and focus their individual programs. These coordinated solutions are now more sharply focused to help deliver to you the transformation that can help you turn your business into a vibrant global competitor.

The two-heads-are-better-than-one idea works well for describing why this collaboration has come about. Personally, I also like the analogy one can draw between this collaboration and famous Chicago architect Mies van der Rohe.

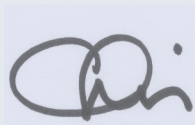
He's famous for his minimalists dictums "Less is more" and "God is in the details," a philosophy of design that relied on common, inexpensive materials used in uncommon and innovative ways to create economic, on-budget, adaptable buildings that were elevated to works of art.

In a way, this is the goal behind our creation of the Alliance. We are taking the available programs and services offered by Alliance partners and packaging them in a unique sort of way that forms a more coherent structure of assistance to Illinois manufacturers.

In the coming months you'll see more of the power of the Alliance, in terms of direct benefits through new programs that, while having existed individually within their sponsoring organizations, will now connect more completely with the needs of Illinois manufacturers.

The details, van der Rohe believed, were critical to the complete success and value of any enterprise. His dictum, "God is in the details," describes this belief.

Details are what we – NORBIC and its partners operating as the Alliance for Illinois Manufacturing – will focus on. These details – a more comprehensive, cohesive and more readily available array of potent manufacturing improvement programs and services – are now available from one source to benefit you.



Chris Multhaupt
President and Chief Executive Officer

Calendar of Events

April 20, 2006

Key Issue- International Trade: Automated Export System (AES)

Sponsored by FedEx

8:00am - 12:00pm

Illinois Global Partnership, Inc.
150 N Michigan Ave, Suite 2500
Chicago, IL 60601

\$50.00 Members/\$65.00 Non-members

For more information or to register contact Nicole @ 773/594-9292 or visit <http://norbic.org/events/cal.php> (Seating is limited, register today!)

April 25, 2006

The Future of Your Business Now: Succession Planning Basics

8:30am - 11:30am

Wright College
4300 N Narragansett Ave
Chicago, IL

\$35.00 Members/\$50.00 Non-members

For more information or to register contact Nicole @ 773/594-9292 or visit <http://norbic.org/events/cal.php>

April 27, 2006

Capital Improvement Roundtable Forum

9:30am - 12:30pm

Harold Washington Library –
Multi-Purpose Room
400 S State Street
Chicago, IL

Free

For more information, contact Beth O'Reilly at 312/744-9571 or Sarah Miller at 312/744-1342

May 3, 2006

Market Expansion Opportunities for Manufacturers: Focus on China

8:30am - 4:30pm

Wright College
4300 N Narragansett Ave
Chicago, IL

\$60.00 Member/\$75 Non-member

For more information or to register contact Nicole @ 773/594-9292 or visit <http://norbic.org/events/cal.php>

About Network

NORBIC is a nonprofit economic development organization that promotes job growth and community advancement through the provision of technical and professional services to manufacturers in the greater Chicago area.

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ALLIANCE

FOR ILLINOIS MANUFACTURING

Property Listings

Looking to relocate? City of Chicago property listings can be found by calling Angela Bertolo of NORBIC at 773/594-9292 or at chicagoprospector.org

Credits

Design: Hutchinson Associates, Inc. 312/455-9191

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Printing: Dupli-Graphic 773/549-5285

April Member Anniversaries:

Northern Builders Inc 2001

American Chartered Bank 2000

LaSalle Bank Na 1990

S & C Electric Company 1989

James Instruments Inc 1999

Komar Screw Corporation 1987

Bank One Illinois Na/JPMORGAN CHASE 1994

Corporate Graphics of America Inc 2001

Magenta Corporation 2000

The Morey Corporation 2004

Hudson Precision Products Co 2005

Berco Jewelry Co 2005

Hutchinson Associates, Inc.

We Manufacture Compelling Communication Design

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- Sales Collateral
- Web Site Development
- Advertising
- Catalogs
- Writing
- Newsletters (This one for example)

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