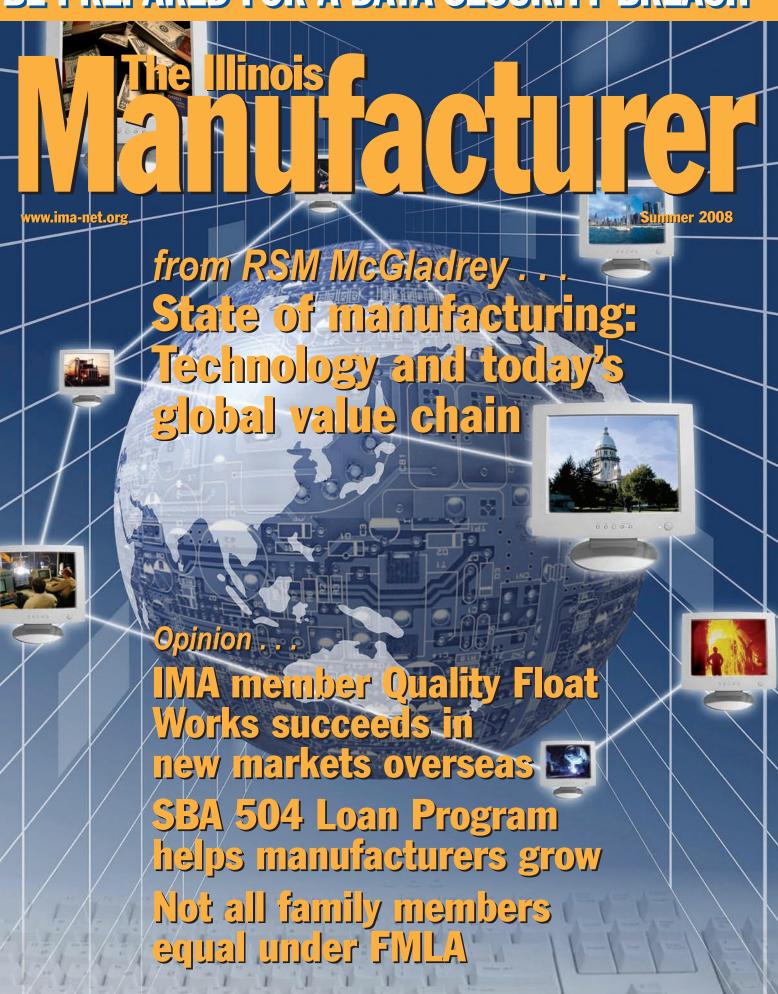
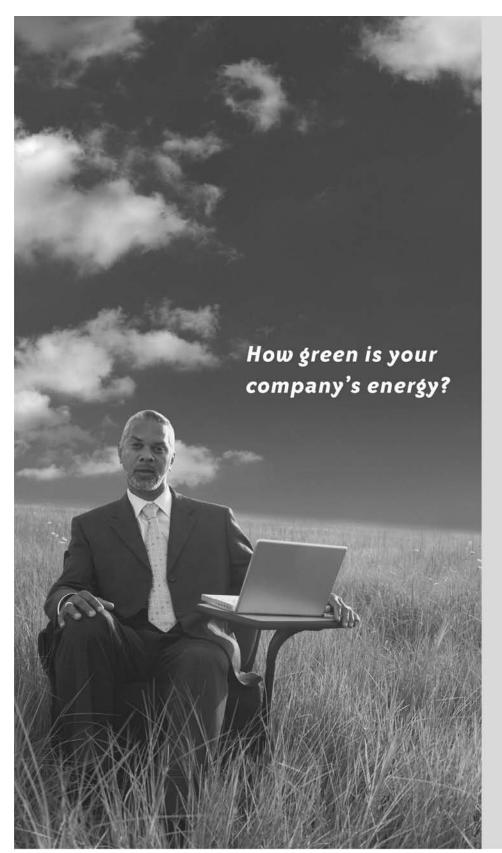
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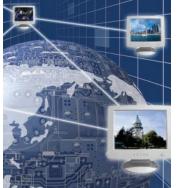
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## Summer 200

## State of manufacturing:



With SMMs accounting for 40 percent of U.S. production output, it has become increasingly important to understand the challenges they are facing such as globalization and innovation and the resulting impact on the economy.

## **Quality Float Works succeeds** in new markets overseas .....

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The Illinois Manufacturer is underwritten by Constellation NewEnergy

## **Mission Statement**

The object for which the Illinois Manufacturers' Association was formed is to strengthen the economic, social, environmental and governmental conditions for manufacturing and allied enterprises in the state of Illinois, resulting in an enlarged business base and increased employment.

> Chairman Ron Bullock

President

Gregory W. Baise

Editor Stefany J. Henson

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#### Share your company news with IMA . . .

News information, press releases and articles may be sent to Stefany Henson, Editor and Director of Publications, Illinois Manufacturers' Association (IMA), 220 East Adams Street, Springfield, IL 62701, or email: shenson@ima-net.org.



## Illinois needs solutions, not more chaos



Illinois is in a state of crisis and too many of our leaders have forgone their ability to focus on the job at hand in favor of focusing on what is going to generate headlines and stir controversy.

ave you ever tried to put together a jigsaw puzzle in a hurricane? Neither have I. But that — in essence — is what our state government has been trying to do when dealing with issues vital to our economic future. The hurly-burly winds of scandal, political discord and personal politics have made it extraordinarily difficult for responsible lawmakers to tackle some of our toughest problems. But unless we've resigned ourselves to failure, it's high time we create a shelter from those distractions to promote a focused effort to fix our problems.

That same laser-like focus that industrial leaders in this state have used to carry them through the rollercoaster dips and loops of global economic havoc is nearly impossible to achieve in the politically poisoned atmosphere in Springfield . . . but only nearly impossible. Contrary to what you may read, there have been a number of under-reported moments of clarity of purpose and devotion to problem solving over the past few years. But those embers of hope that glow in the dank back hall-ways of the Statehouse are too often doused into submission by the political scandal du jour.

What does this have to do with this issue of *The Illinois Manufacturers*' theme of the State of Manufacturing in Illinois? Frankly, everything.

We've been in an economic downturn for nearly a year. Manufacturing has lost another 5,300 jobs since March of 2007; construction is down 5,500 over the same period. In the first week of May alone, Illinois paid more than \$37 million in unemployment insurance benefits. And some lawmakers are talking about a pay raise.

As I write this, just as another legislative session has ended in chaos, there is more talk and speculation under the Capitol dome about whether Governor Rod Blagojevich is about to be indicted or should be impeached than there is on improving test scores and education standards for our children. There's more plotting and scheming about political revenge than statesmanship. Again, there are clear exceptions to this mindset, but they never seem to prevail.

Illinois is in a state of crisis and too many of our leaders have forgone their ability to focus on the job at hand in favor of focusing on what is going to generate headlines and stir controversy.

Now, with the approved, but unbalanced, budget in limbo as the governor and his detractors jockey for position, our elected policymakers need to focus on four things:

- 1. We need a capital plan to rehabilitate our aging infrastructure without going through the fiscal gymnastics of selling future assets. And recent history provides proof that the projects being targeted for this program should be designed to capture the maximum possible federal matching funds and clearly specified with ironclad language that eliminates the possibility of latitude or "reinterpretation."
- 2. We need to find a permanent, sensible solution for a state pension system so awash in red ink that its unfunded accrued liability will soon be larger than the total state budget. That solution must replace the state's generous defined benefit program for future hires with a more sensible defined contribution approach. Until that happens, Illinois taxpayers will face a future of pouring billions of dollars into a system that has been intentionally under-funded for decades.
- 3. We need to embrace economic policies that naturally expand our tax base through job creation in the private sector. Too many in Springfield continue to believe that government can create jobs despite the economic proof that it cannot. What government can do is stop looking at employers as fodder for the trough. Unbridled prosperity will give us a win-win scenario where the private sector provides the tax base for social programs that make sense.
- 4. We need a state budget that is truly balanced. Why? The constitution says so.

No one is claiming these things are easy. But all the political puffery and madcap scandal speculation is simply a dangerous distraction that does a great disservice to manufacturing and the people of Illinois.

And there's something the business community must do, as well. Today, there are a lot of empty chairs in the chambers of the Illinois House and Senate. This fall, we have the opportunity to make sure more of them are filled with candidates who understand that the economy drives prosperity, which in turn drives government, not vice versa.

Like I said, it won't be easy, but change never is.



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#### **MARK DENZLER**

## The death of outrage

n 1998, former Cabinet Secretary Bill Bennett authored a book entitled *The Death of Outrage* that analyzed the meaning of the scandals surrounding the Clinton administration and their impact on the United States. Bennett delved into "how the President's private actions, far from being irrelevant to the conduct of public affairs, have severely restricted his ability to govern" and noted how millions of Americans stood up, while many others sat on their hands, to confront what he called a "shameful chapter" in American history.

Today, I wonder why citizens across the state of Illinois and some lawmakers who roam the corridors of the state Capitol sit quietly by while Governor Rod Blagojevich and his administration wreak havoc with our future? Why would anyone not sound the alarm on the S.S. Illinois when they see we've hit an iceberg leaving the economy in shambles and mountains of debt piling up before our very eyes?

To be fair, Governor Blagojevich is not the only responsible party to the actions that threaten the long-term health and viability of this state for our children and grandchildren. Granted, he has demonized the business community, tried to impose a \$9 billion Gross Receipts Tax, and single-handedly attempted to triple the state's Medicaid program without legislative approval. But as much as he'd like, he cannot do it alone.

Certain state legislators also share a large part of the blame. Make no mistake, some of our elected officials have only served to enable his vices, much like a friend who continues to provide libation to the addict. Many Senate Democrats have waved him on, some even cheering, pausing only occasionally to question his means. And some Republicans have been too polite or too meek or too ineffective to raise the issues.

In late May, our General Assembly passed a state budget that increases spending by \$2.1 billion — despite

failing to pass enhanced revenue measures to pay for the spending. And the Governor and three of the four legislative leaders actively supported a capital infrastructure plan costing \$31 billion. In the final days of session, they actually tried adding another riverboat and \$2.7 billion to the capital plan in what one lawmaker deemed "walking around money." The pork and lack of accountability are obscene.

But the public bears some responsibility as well. Despite a lackluster career and no notable achievements as a state legislator or member of Congress, Illinoisans overwhelming elected Rod Blagojevich as our state's chief executive officer in 2002. Four years later, despite polls that showed people questioned his leadership and honesty, Illinois voters re-elected Rod Blagojevich. Remarkably, despite an increase of 400,000 registered voters across the state, the 2006 general election witnessed nearly 100,000 fewer votes than in the previous gubernatorial election.

As the old adage goes, "Fool me once, shame on you. Fool me twice, shame on me."

I'm not letting myself or my colleagues off the hook, either. While the IMA's political action committee twice endorsed Blagojevich opponents, we may have been been able to to a better job at rallying the troops. Every year, the number of companies donating to the Manufacturers' Political Action Committee decreases and it's a challenge to get more than 100 manufacturers to show up at the State Capitol for our once-per-year Business Day event designed to show our strength. We can do better. We *will* do better.

Is there really any wonder why our Governor and some elected offi-

see OUTRAGE page 8



**Mark Denzier** is Vice President of Government Affairs and Membership for the Illinois Manufacturers' Association. Mark can be reached at 217-522-1240, extension 3008, or mdenzler@ima-net.org.

## Multi-Electric profits from HCC's industrial waste, parts cleaning services

ast fall, the IMA began a partnership with Heritage-Crystal Clean (HCC), the nation's fastest growing and second largest provider of parts cleaning and industrial waste services.

Earlier this year, long time IMA member Multi-Electric of Chicago discovered exactly why the IMA chose HCC as an affinity partner, member and preferred supplier of industrial waste services.

The processes of metal fabricating and manufacturing airport runway lights result in Multi-Electric having parts not entirely free of oil and other liquids needing to be removed before painting and or sending out as finished products. Multi-Electric tried several different approaches to removing the undesired fluids from the parts but found nothing, including trichlorethylene, to be more effective than sending them off-site for cleaning and having them returned for final preparations.

That is, until Giuseppe Giussani, Safety Manager for Multi-Electric, met with HCC's Rob Marvel. Rob, Branch Sales Manager for HCC's Bedford Park facility, like many other HCC employees, has several years of experience in the environmental services field. He was eager to assist Giuseppe with his on-going industrial cleaning concerns.

Through meeting with Rob, Giuseppe learned of the many possible ways HCC could eliminate the costly process of sending parts offsite to be cleaned, and all without increasing waste production. HCC began by providing Multi-Electric's shop with a free trial parts cleaning unit that Rob felt would best suit their needs. Giuseppe and his shop personnel soon discovered that Rob was accurate in his estimation of what Multi-Electric needed. Through HCC, Multi-Electric now had the ideal

parts cleaning solution and service they had been in search of. As if that weren't enough, not only was Rob following up to ensure all was going as he planned and Giuseppe was satisfied, he was continually offering his expert environmental advice and attention to the needs and details of Multi-Electric and its employees.

In fact, now that they have the parts cleaning issue resolved, they have moved on to other areas. For example, Multi-Electric also sends out 55 gallon drums of paint and oil and needed another cost effective solution. Giuseppe had no problem addressing this issue with Rob and trusting HCC to handle it properly. HCC solved this problem immediately, again offering expertise in assisting Multi-Electric with taking out the waste on a regular basis, transport-

ing, treating, recycling and/or disposing of it at one of their many licensed disposal facilities.

Through HCC, Multi-Electric now has the flexibility and opportunity to bid on and accept jobs that they otherwise would not have been able to handle in a timely manner. With their turn-around time on finished products being greatly decreased, their overall productivity has escalated as well and many new opportunities have opened up for them.

Multi-Electric has been an IMA member since 1944. The IMA partnership with Heritage Crystal-Clean has greatly increased the value of membership

To learn more about Multi-Electric's business, visit www.multielectric.com/home.htm, or call 773-722-1900. ■

All IMA members have access to member only pricing and discounts from HCC.

For the details, visit www.crystal-clean.com, www.ima-net.org

or contact HCC's Jim Skelton as indicated below.



**Jim Skelton** is Heritage Crystal Clean's Trade Association Manager. He can be reached at 847-783-5110, email jim.skelton@crystal-clean.com, or visit the Website at www.crystal-clean.com.

### **OUTRAGE**

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cials continue to push an anti-jobs, pro-tax agenda that fails to recognize that fact that the number of manufacturing jobs has plummeted by more than 200,000 in the past seven years? Not really, because collectively, we are not doing a good enough job of shouting from the mountaintops.

To borrow from Secretary Bennett, we are looking at a shameful chapter in Illinois history. Businesses and jobs are fleeing our state for greener pastures in neighboring states while the Governor has shuttered the doors on our economy.

We face the largest unfunded debt in the United States — according to the Civic Committee, Illinois' total bill for all unfunded state obligations and debt for pensions, health care, and Medicaid is a whopping \$106 billion — roughly \$8,800 for every man, woman and child in Illinois. And it's growing every single year. As a matter of fact, the state budget passed on May

31 underfunds the pension this year by \$500 million alone.

Too many lawmakers appear more concerned with increasing their tax-payer-financed salaries and loading the budget full of pork projects than they do with solving the state's capital infrastructure problems (hit a pothole this year?) or attracting good-paying jobs back to this industrial state. And those legislators who agree with us are being engulfed by a tsunami of greed from many of their colleagues.

We — and I mean Republicans and Democrats, business and labor, men and woman, young and old — have only one responsibility at this critical stage in our history, and that is to do the *right* thing. This doesn't mean the quickest fix or more politically expedient solution. It means standing up for what is right, making tough choices, and showing leadership in the face of great odds and adversity.

The IMA is trying to do the *right* thing. Greg Baise, president & CEO of the IMA, and business leader Ron Gidwitz, actually took matters into their own hands late last year and

successfully sued Governor Rod Blagojevich to stop his massive new Medicaid expansion that would have cost billions of dollars. Greg and our Association took a lot of grief from skeptics who whispered their support privately but questioned our wisdom publicly in challenging the Governor. In 2007, critics wondered about the IMA facing retribution from the Governor's administration when we raised the funds and led a million-dollar campaign to defeat his Gross Receipts Tax.

It may have not been easy — but it was the *right* thing to do. Today, we need manufacturing leaders to once again stand up and join our fight. Demand that legislators step up to the plate, start leading, and stop worrying about raising money for the next election. Put jobs first, and there will be less pressure to expand welfare. Require principles, not politics from our lawmakers. Stop reckless spending and balance the budget. Actions, not words.

It's time to stand up and show some outrage. ■



# Leveraging the tactics of energy risk management available in Illinois' competitive market

How competitive energy suppliers are delivering a range of options designed to help small and large businesses better manage risk in energy purchasing and shield exposure to volatile market prices

anufacturers have traditionally viewed energy costs as a significant and unpredictable line item on their budget. Today's volatile energy markets and fuel prices make it nearly impossible to budget accurately, leaving businesses dangerously vulnerable as they face erratic price swings. In Illinois and states across the country, manufacturers and businesses have an alternative. Competitive energy suppliers are offering and continuing to develop new products and programs to meet a wide variety of consumers needs, namely stabilizing energy costs and providing budget certainty.

As we know, energy costs are among the most volatile in the commodity market. Anything from severe weather to political uprisings half way across the world to an oil spill can directly affect your daily prices. When faced with this type of uncertainty, it's necessary for energy consumers to take measures to reduce their risk of exposure and establish a predictable energy delivery and pricing strategy. Suppliers such as Constellation NewEnergy are working with manufacturers in Illinois and businesses throughout North America to do just that by offering a range of energy solutions with varying degrees of risk tolerance.

Let's take a look at some of the basic energy purchasing strategies available today. In order to better understand the available options, one can generally distinguish two components that make up a customers' electricity bill – the energy itself (i.e. electricity) and all other related charges, such as charges for

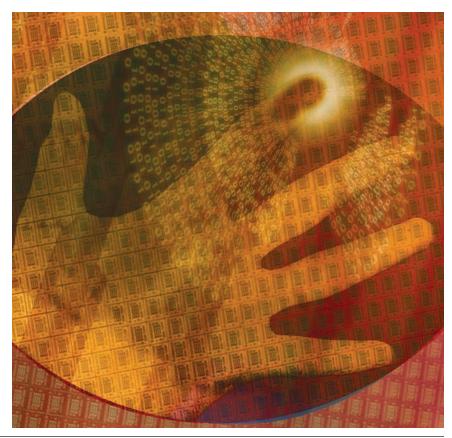
delivering the energy to the customer, the cost for making energy available, and taxes. Energy charges usually constitute the largest piece of a customer's invoice and are subject to much greater volatility.

## Solutions that minimize risk and maximize stability

We'll begin with an energy solution designed particularly for the customer that requires the security of predictable monthly electricity expenses. A fixed price energy agreement can guarantee 100 percent sta-

bility in energy costs, which in turn alleviates any concerns of variable energy charges, fluctuating utility rates, or market price spikes for the length of the contract. Fixed pricing agreements can be customized to meet both short and long-term requirements, can be combined with locking in the price for some or all non-energy components, and most importantly, allow customers to more accurately budget and forecast future electricity spending.

see RISK MANAGEMENT page 10



**Scott Lewis** is Sales Director for Constellation NewEnergy, a leading competitive energy supplier for commercial and industrial customers that serves the Illinois manufacturing industry. He can be reached at scott.lewis@constellation.com.

## **RISK MANAGEMENT**

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One step down from the total cost stability delivered by a fixed pricing agreement is a flexible index solution. A customer can purchase a percentage of their daily energy consumption (or for example their onpeak hourly usage) at a fixed price, and float the remaining usage on the daily index market. Businesses that choose this approach maintain a hedge against volatile price swings and also open the door to potential savings. By accepting some risk to purchase on the spot market for a short period during the day, businesses gain the advantage of potentially securing lower market prices during such hours. If the daily market price is below the contracted fixed price, customers can spend less than they would have with a 100 percent fixed price agreement.

Manufacturers with greater control over their energy consumption needs are well positioned to benefit from a flexible index pricing option. For businesses that closely watch energy consumption, shifting load to more favorable hours under this model can significantly lower energy spending.

For manufacturers willing to take even slightly more risk, a block plus index solution is available, which enables consumers to lock in a more specific portion of their electricity demands or tailor their supply to meet a particular need. Businesses that actively monitor and manage electricity consumption patterns are well suited to explore this option. Similar to flexible index solutions, block plus index pricing goes beyond distinguishing solely between on and off peak demand.

Block plus index solutions allow a customer to further narrow down their primary consumption parameters and select a block of time for which they choose to lock in a fixed energy price. Blocks can be purchased at any time for standard market periods or for a period of months. The duration of time and amount of electricity within a block is determined by the customers'

individual needs. Any electricity consumption that falls outside the block index pricing is billed at the variable index price. If the customer uses less than the block purchase, the excess energy will be sold back into the spot market and the customer will be credited with such amount.

Each electricity pricing option gives customers the ability to further specify components of their agreement, including the choice to bundle all non-energy charges such as ancillaries, line losses, distribution, and transmission into a fixed price charge. This action can further reduce exposure to risk and help avoid unexpected charges on the monthly bills. Constellation New-Energy customers in Illinois and North America also gain free access to the NewEnergy Online (NEO) web-based energy management and budget tracking tool. NEO is providing customers of all sizes with detailed electricity market information, customized energy tracking and usage history, comparison features that can help identify efficient or

see RISK MANAGEMENT page 11



Get your free electricity quote at http://www.newenergy.com

### **RISK MANAGEMENT**

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inefficient equipment, and an overall better understanding of the factors that drive market prices, as well as impact budgeting activities and the bottom line.

#### **Advanced energy hedging** strategies

Lastly, for large-scale energy consumers looking to set more aggressive budget targets beyond the capabilities of the above mentioned risk management purchasing strategies, Constellation NewEnergy offers a sophisticated energy hedging program entitled i2i (information to implementation). Modeled after financial risk management strategies, the i2i program analyzes a customer's risk profile and designs an optimal energy procurement strategy to meet each customer's budgetary requirements. The company's i2i patent-pending analytic model assesses budget goals, risk tolerance, and the global market factors impacting each customer to aid in the development of a roadmap, which guides the energy purchases

made on behalf of the customer.

i2i customers are free to take as little or as much risk as they'd like. The tradeoff remains the same: those willing to accept a wider margin of risk also position themselves for greater rewards, as well as the potential to meet or exceed more aggressive budget targets. Constellation NewEnergy provides the expertise necessary to help customers navigate the treacherous landscape of energy markets to make calculated and informed energy purchases. The i2i program is structured around a long-term approach (3-5 years), which is necessary to leverage market volatility by taking advantage of market lows to shield against market highs. This strategy has proven effective in bringing energy costs back under control and helping customers achieve long-term budgetary goals.

Here in Illinois, CB Richard Ellis (CBRE) enrolled in the i2i program in 2005 and has since seen measurable results. Budget expectations have been surpassed and in comparison-based studies, CBRE has outperformed its peers by significantly reducing its energy costs. With the

i2i program, CBRE is able to combine the energy procurement and expenses for 16 of its facilities to improve efficiencies and manage costs at a corporate level rather than at a facility level. Most notably, CBRE was able to achieve these impressive results and manage through the volatile price spikes during Hurricanes Katrina and Rita to achieve long-term price stability and meet its budget targets.

Illinois manufacturers and energy consumers have the advantage of operating in a competitive energy market where suppliers such as Constellation NewEnergy have rolled out a range of energy purchasing and risk management programs. CNE's programs are designed to help customers stabilize energy costs and bring more certainty to the budgeting process. Regardless of the size, scope, or energy needs of a manufacturer, implementing some form of hedging strategy or risk management approach towards the purchase of electricity will undoubtedly make a positive impact on the bottom line.



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## Opinion . . .

## IMA member Quality Float Works succeeds in new markets overseas

By Jason Speer, Vice President and General Manager of Quality Float Works, Inc.

n April, I found myself in Dubai, UAE, continuing our campaign to find new markets to export Quality Float Works' products abroad. No, I'm not an executive at a Fortune 500 company . . . just a fourth generation entrepreneur whose family owned manufacturing business has found its way into the international marketplace. We've combined a market innovation and the spirit of entrepreneurship to take

our company to record revenue growth in its 93rd year of operation.

Quality Float Works manufacturers hollow float metal balls that are used in a wide variety of industries from gas to oil to plumbing and more. In a nutshell, our products are used to level liquids and many products cannot operate without our floats. We are a niche industry and have made innovations over the years that have allowed us to become the premier float manufac-

turer in the nation. In addition, we were able to separate ourselves from our competitors by focusing heavily on customizing float balls to meet customers' needs. We were growing and had a solid customer base, but it wasn't until we truly embraced innovation on a global scale that we were propelled to new heights.

As an avid traveler, I have visited dozens of developing nations throughout Asia, South Asia and Europe. These were not the traditional tourist locals, but places where technology has taken hold and many companies are on the cusp of some amazing things. In my travels, I realized there was a need for something we take for granted every day in America. American consumers have multiple choices when it comes to purified water, bottled water and now flavored water. But, these nations that are off the beaten path were struggling with the technology to purify their water. I never thought about taking our standard floats and making them into an assembly to insert into existing products. The technology existed in the United States for us to just have one piece of a larger puzzle, but abroad they needed the entire puzzle. And, that's just what we gave them.

Under my leadership we launched the Quality Float Valve Division, supplying entire assemblies to locations that needed their water purified, including agrarian communities. As a result, our international business increased dramatically, allowing our company to enter into new foreign markets that we wouldn't have thought possible. Instead of losing jobs overseas, we were creating jobs by competing overseas. Our success in the international market brought attention to new domestic markets for our products. Traditionally, it works the





other way around. You lay the groundwork in domestic markets then launch globally. But, innovation brought us two new markets and allowed us to expand our workforce, our inventory and our customer base.

So, how did we take the concept from our shop room floor abroad?

As I mentioned earlier, I visited Dubai in April and over the last six months have visited China, Indonesia and Europe. In the last few years, I've visited more than eight foreign locations in an effort to grow our business. Our product filled a quality and technological void that existed regardless of the market dynamics. We knew the quality of our products was not the factor preventing us from entering the market. It was simply a dollar and cents issue. In dealing with customers abroad, we believed the weakened dollar presented new opportunities for us to build upon existing and new markets. As the dollar continued to plummet, related to Chinese and European currency, purchasing American floats was cheaper than purchasing local products. The combination of price and a quality product proved to be a winning formula. International sales skyrocketed from three percent to 18 percent and we've doubled our employees and are still hiring. Those numbers are conservatively skewed since our domestic markets grew because of our innovative products. The real growth is far higher than 18 percent. We are often called an anomaly because we are a family owned and operated manufacturer that is competitive globally - a scenario usually connected to the household names in manufacturing.

The other reason for our success is rooted in the family business approach. As a fourth generation entrepreneur, I've taken a page from the generations before me who packed up the car, hit the road and met with potential customers face-to-face. Nobody can argue with the historical impact the Internet has had on every facet of society, especially business. But, when dealing with potential customers abroad, there are some who hope the Internet will close the deal. However, my approach is pretty basic — wear out



n early April, innovation and entrepreneurial visionaries from over 70 nations convened at the 2008 World Summit on Innovation and Entrepreneurship (WSIE) in Dubai, UAE. IMA member and manufacturing leader Sandra Westlund-Deenihan, President & Design Engineer of Quality Float Works, Inc. was invited by the event organizers to deliver a major speech on succeeding in a male dominated industry and serve on a panel to discuss how businesses can be more innovative in the global marketplace.

Sandra delivered a speech on "Beating the Gender Odds: Creative Minds Gone Right" focused on her life experiences as a woman thriving in a traditionally male dominated industry. Sandra highlighted several examples where perseverance, her expertise as a mechanical engineer and hard work allowed her to succeed. Although she acknowledged that more and more women are leading major companies, she indicated that woman have not taken advantage of career paths where such voids currently exist. According to Sandra, "we are leaving half the intellectual capital on the table by not embracing and encouraging more women to enter engineering."

She also served on a panel discussing businesses who embrace the global marketplace. The panel focused on the groundbreaking concept of Connected Innovation Communities (CIC) and ways business, entrepreneurs, policy makers and other stakeholders can work together globally to connect businesses. Sandra cited her company's success with embracing the global marketplace, taking advantage of economic conditions such as the weakened dollar and embracing Free Trade Agreements as ways American businesses can thrive in the struggling economy. She also mentioned how CIC's can be a road map for businesses that are looking to expand into the global marketplace.

For more information about the summit and the program, please visit http://www.wsie.org.

shoe leather and frequent flyer miles. Being innovative isn't just creating a better "mouse trap," it's also the approach to marketing a product.

In the last six months, I've visited Shanghai, Jakarta, Singapore, Tianjin and the United Kingdom. These emerging markets present the next opportunity for our company to take advantage of the weakened dollar and enter into both large and small markets. For instance, Jakarta, the

capitol of Indonesia, represents an opportunity for us to leverage our relationships in surrounding areas in hopes of entering this hub of activity. Shanghai, a port city, makes this a strong opportunity for us to enter this market on a variety of levels. In other locations throughout Asia, we have been focused on maintaining our relationships and leveraging our successes to enter new markets.

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### **OVERSEAS**

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Although we emphasize our quality products and favorable market conditions, matching up technologies is the most challenging part of this process. On the other hand, the weakening of the U.S. dollar against the Euro has been tremendous for our company. European businesses have been very aggressive in seeking alternative suppliers for our products since this change in the weather is an economic and symbolic win for them. As a result, they are going the extra mile to find American customers, and in some cases, they have visited us in Schaumburg.

In a nutshell, there has never been a better time for any business to dip their toe into the international marketplace. With recession on everyone's mind, businesses must be innovative and find new markets to stem the economic tide. The decline of the U.S. currency is disappointing. However, it does present all kinds of opportunities for small and medium sized businesses to get a foot in the door. If a 93-year-old, family-owned business in Schaumburg with twenty-seven employees can do it, so can you. I can tell you there is eagerness and willingness from foreigners to explore these new partnerships, but new customers cannot always be secured over email. It takes an investment of resources, time and energy. You must be willing to explore the unfamiliar. As entrepreneurs, that's how most of us began our businesses. Manufacturers take pride in their products, workmanship and getting the job done right. The economic climate presents a once in a generation opportunity for business of all shapes and sizes, an opportunity to penetrate markets we never thought about or dreamt of being competitive. The U.S. dollar has fallen below the Swiss Franc for



the first time in history.

There is one more facet of this argument related to innovation that I believe Americans don't think about as much as we should. I know manufacturers like us do. Our industry must remain competitive and vital because, well, we make things. That sounds simple but when you think of global conflicts and military engagements around the world, you realize that America must rely on American manufacturing to maintain our way of life. We can't rely on foreign manufacturers to make our products. How many of our companies blossomed during times of conflict? I know Quality Float Works, Inc. altered a significant part of its operation to meet the capacity during World War II. We were not alone. Manufacturing has come a long way

— we're advanced, technologically savvy, and remain the cornerstone of our nation and its economy. We may be shrinking in sheer numbers but our importance and the role we play in America is growing. By innovating, we can continue to be successful in the global marketplace while strengthening the economy's backbone at the same time.

As manufacturers, we have many challenges in Illinois — from the markets to the lawmakers in Springfield. However, we have been the backbone of the nation and the economy for generation after generation. Innovation and finding new markets for our products represents the next, best chapter for our industry. I'm proud to be part of it.

Jason Speer is Vice President and General Manager of Quality Float Works, Inc.; a manufacturing company that produces hollow float metal balls based in Schaumburg. The company was named one of the fastest growing privately held businesses in America in 2007. Jason is a fourth generation entrepreneur and can be contacted at Jason@metalfloat.com.

## ILLINOIS MANUFACTURERS' ASSOCIATION 2008 ANNUAL LUNCHEON & MEETING Friday, December 5, 2008 • Chicago, Illinois

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## **SBA 504 Loan Program helps** manufacturers grow

he decision on when to expand and/or relocate your business is a difficult one. Two of the most recognized hurdles your business may face are preservation of capital (Do I have enough cash to expand my business?) and finding appropriate financing (What's the best deal available?). Many businesses have an inability to cash-flow an expansion because they need to retain their operating capital. In turn, owners will then inquire about financing options with the lending institution with whom their business has an established relationship. However, let's face it, a bank usually wants 20 percent borrower equity in a project.

Wouldn't it be nice if you could reduce your equity injection to 10 percent or less at the outset and get a 20-year, fixed rate that's historically below Prime? How? By utilizing a program established over 25 years ago by the U.S. Small Business Administration.

The SBA 504 Program works in conjunction with your bank to allow business owners to receive up to 90 percent financing for the acquisition, construction, improvement or expansion of commercial property or for acquiring heavy machinery or equipment. The program essentially consists of three key elements: 50 percent of the project's total cost is provided by a lending institution, usually a bank; 40 percent is provided through the 504 Loan Program; and 10 percent equity is provided by the borrower. (Start up businesses and single-purpose facilities require a slightly higher equity contribution.) By requiring a smaller down payment, the 504 can help the business conserve their operating capital, while the structure of

the program makes it attractive to financial institutions.

Most types of businesses are eligible to receive 504 financing. Businesses with a successful track record and growth potential can generally qualify for the 504 Loan Program if they are for-profit and average less than \$2.5 million in annual profits and \$7.5 million in net worth. Qualifying projects should involve the purchase, construction, or improvement of fixed assets such as land and building and/or the purchase of heavy machinery and equipment. Projects that qualify must, according to SBA guidelines, promote economic development, which generally means the creation or retention of jobs. There is no limit on the size of the deal, but the SBA participation is limited to \$1.5 million. This amount is increased to \$2 million for those businesses meeting Public Policy goals such as minority, woman, or veteran-owned businesses or rural development. For manufacturers, the SBA participation amount is increased to \$4 million.

Many advantages exist when a business chooses to utilize the 504 Loan Program. First, the 504 has a long payback term. Projects involving equipment have a 10-year term and real estate projects have a 20-year term. Second, the down payment is lower than utilizing a straight conventional source; in most cases a business only puts 10 percent down. Finally, the interest rate on the 504 portion is fixed for the entire term of the loan. Not only is the rate fixed for 10 or 20 years, typically

it is below market (the 504 rate as of May 2008 is 6.2 percent). Lending institutions also benefit from utilizing the 504 Loan Program. Since the lender finances only 50 percent of the project and has first lien on the assets financed, their risk is cut significantly. The lender also sets their own interest rate, and because the

see **FINANCES** page 24



**Gant Harper** is Vice President of Small Business Growth Corporation, a Certified Development Company. His company focuses exclusively on providing SBA 504 loans and he is an expert in assisting small businesses and lenders with 504 financing. You can contact him at 217-787-7557 or read about the program at www.growthcorp.com.

## State of manufacturing: Technology and today's global value chain

With small and medium manufacturers accounting for 40 percent of U.S. production output, it has become increasingly important to understand the challenges they are facing such as globalization and innovation and the resulting impact on the economy

o address this need, RSM McGladrev annually surveys middle-market manufacturers and wholesale distributors to take a pulse of the industry to identify key challenges and issues facing our clients, reporting the findings mid-year. Last year's survey results indicated a lack of involvement in global activities by more than half of the companies. This finding led us to research why this was occurring and to the publication of a new report, "Forging New Partnerships: How to Thrive in Today's Global Value Chain," for small and medium manufacturers (SMMs).

The report, jointly developed and issued by RSM McGladrey and the Manufacturing Institute, which is the research arm of the National Association on Manufacturers (NAM), offers insights and strategies for SMMs to optimize opportunities and minimize risks in today's global value chain in four key areas: harnessing innovation; building a skilled workforce; exporting and global growth; and financing.

"Traditional supply chains are morphing under the pressure of a globalizing economy," says Tom Murphy, executive vice president of RSM McGladrey's national manufacturing and wholesale distribution practice. "Manufacturers adhering to old supply-chain rules are putting their businesses in jeopardy by not adapting to new rules. Large companies are handing off much of their innovation to small and medium companies that in the past merely built to specifications. The new

global manufacturing supply chain is a whole new frontier. This increased responsibility for companies comes with increased risk that is intensified by the unprecedented movement of goods around the world."

### Don't go global alone

To succeed, greater levels of collaboration with external partners, including suppliers and customers are required. "Manufacturers must collaborate closely with new domestic and overseas partners to survive and thrive in the global supply chain," says John Engler, president and CEO of the National Association of Manufacturers. "In today's economy, small and medium manufacturers are more than just suppliers," says Engler. "They are helping to create the new technologies, products, services and business models that are vital for success, both here and abroad. By connecting with outside resources — customers, government, academia - small and medium manufacturers can swiftly expand their core competencies and gain economies of scale."

Manufacturers must look beyond the borders of traditional U.S. markets and develop new strategies to succeed globally. "Our research at RSM McGladrey, Inc. indicates only half of all manufacturers have these value-chain strategies," says Murphy. "Our experience with small and medium manufacturing clients and NAM members has given us a unique understanding of how difficult it can be to operate in the new value chain, especially as these firms expand around the globe."

Companies entering the global

marketplace must navigate cultural barriers, language difficulties, financing challenges and unknown regulatory, tax and compliance issues. "Before going global, spend some time understanding the unique value proposition of your product(s) to the customers in the marketplace you are about to enter," says Karen Kurek, RSM McGladrey managing director who leads the firm's Manufacturing and Wholesale Distribution practice in the Great Lakes region. "For example, examine a technological advantage you have that makes your product better than your competitor and proactively promote this advantage when introducing your product into the new market.'

"Developing strategic partnerships is another key strategy when considering going global," says Kurek. "Companies that have been successful at developing these partnerships have a systematic approach. Quite often when entering a new global market space, these companies are introduced to a foreign supplier, joint venture partner or foreign manufacturer by someone they know and trust. We regularly help our clients connect with key contacts through our RSM International offices. Being in over 70 countries around the globe, RSM professionals know the people in the marketplace. It is also important to check references and establish strong relationships with the people you are doing business with," adds Kurek.

#### The innovation edge

Small and medium manufacturers must commit to innovation and new ways of doing business — in products, processes, technologies and strategies — that free up assets and open up selling opportunities. A focus on innovation will keep you from becoming a stagnant operator (incapable of improvement) or a commodity player (always under price pressures). It's a fact of manufacturing life that businesses big and small have embraced new ways of operating lean manufacturing on the plant floor and a culture of innovation for products and services.

"The biggest opportunity in the production process is mastering lean, which is the relentless pursuit of the elimination of waste in a company," says Murphy, whose business helps companies enhance productivity. This is a big opportunity for companies," he says. A company can pick one particular process and implement improvement in steps versus trying to complete everything at once. With top management's support, a disciplined approach can be put in place. Utilitizing a team approach is the key to success, but the team should include not only your employees, but your suppliers and customers as well. With the complexity of today's global value chain, a company can't possibly do it all themselves, they need to reach out across the value chain to eliminate waste and improve processes.

"Part of a continuous improvement mindset is adopting lean principles of eliminating waste, improving processes and adding value to the product," says Dick Strojinc of RSM McGladrey. "In many cases, I look at lean as being a way to make the value chain even more effective. If it doesn't add value don't do it." Strojinc cautions manufacturers about getting caught up in one version of lean versus another and, like many others, sees much of lean as simply sound manufacturing engineering.

Lean and other state-of-the-art improvement approaches enable SMMs to innovate how they do what they do, the processes and operations. But you must not forget to innovate the who and what. A culture of innovation should permeate within the company, fostered by CEOs rewarding innovative ideas and risk-takers — those always on the lookout for new products, new market opportunities, i.e., an old product

applied in an innovative way, and new ways of doing business.

While most SMMs are launched by a specific product or line of products, eventually they need to reinvigorate those products and/or thoroughly reinvent the business (which is more common than you might think). Given their smaller markets and larger competitors, SMMs are uniquely dependent on innovation for survival. "One of the things that American companies, large and small, have done for years, is American ingenuity; we do still create new products," says Tom Murphy. "You need to figure out what your customers need before they know they need it. The entrepreneur is generally the person in the small and mid-sized company that is the true innovator. They have the creativity, the energy, the knowledge of what the extension of their existing product is, what the next product can be. Hopefully they're thinking that far ahead, because it will be ingenuity and new products that keep U.S. manufacturers in the lead."

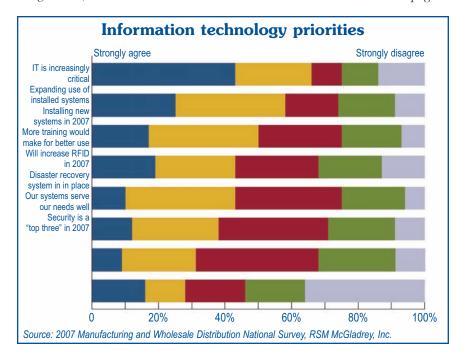
#### Communication is key

Within the value chain, Original Equipment Manufacturers (OEMs) and major suppliers are pushing the responsibility for innovation down to smaller companies. New challenges arise, with new roles and

capabilities required of SMMs, including employees who can perform under these new conditions. There are a number of new communication channels that manufacturers need to put in place:

- A better informed team. As your products change, employees need to understand what would happen if new products are not produced correctly.
- A rewarded team. When your employees excel with innovative ideas, they deserve recognition.
   Manufacturers vary in how they recognize their top performers, from cash bonuses to days off with pay and companywide recognition.
- A better informed customer.
   It's important to communicate with your primary customer about your lean experiences and new roles in innovating. Customers should understand that at times they need to share risks and costs for new product development if it is to be a successful partnership.
- A high-tech college partner.
  Local colleges, universities and technical schools can provide tremendous assets for you with new innovation mandates, especially when the local college has technological capabilities that you don't have.

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## **TECHNOLOGY**

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SMMs can improve the infrastructure and the capabilities of systems by selecting systems, vendors and applications that best support their needs. Those needs are even more demanding as SMMs expand their reach globally. Being able to have systems communicate across a wide range of geographies in real time is imperative. Flexibility and adaptability are required in IT systems because of the rapid pace of the global business environment in which SMMs are operating.

in the United States versus 61 megabits per second in South Korea — putting U.S. manufacturers and all of U.S. business at a connectivity disadvantage. The kicker is that Americans often pay more for slower service.

Technology means the ability to innovate and grow business. SMMs should always dedicate resources to this end. In a connected supplychain environment, SMMs must invest in enabling information technologies that can improve productivity. "Many of our manufacturing clients go though a process each year reviewing the strategic investments they are making in technology. It is important that these investments include funding for system

Technology means the ability to innovate and grow business. SMMs should always dedicate resources to this end.

## The technology edge: innovation

Technology is at the forefront of the supply chain effort and manufacturing and distribution companies should choose their technological investments wisely. "Technological investments vary by industry and stage of development, but given the complexity of the global economy, information technology is paramount," says Murphy. Companies need to be more willing to participate in the global economy, especially now that the world is operating on "Internet time."

According to data from the RSM McGladrey 2007 Manufacturing and Wholesale Distribution National Survey, about two-thirds of SMMs "strongly agree" or "agree" that information technology is increasingly critical with 58 percent saying they are expanding their use of their existing IT systems and 50 percent believing that more training would help them make better use of existing technologies. Nearly half planned to implement new systems in 2007.

The ability to have information flow at the speed of the Internet is critical for SMMs, so any technology that enables quick communications is a good investment. For example, broadband speeds in the U.S. are substantially slower than what's found overseas — 1.9 megabits per second

maintenance as well as investments in new innovative technologies," comments Kurek. Manufacturers need to be mindful of the growth of information technology in the coming years due to the rapid increase in the availability of time critical processing from robotics, RFID, and sensor networks for real time data collection.

In the future, design information will be directly downloaded to flexible processing equipment. Controls will be intelligent and integrated across processes and systems regardless of geographic location. Integrated information gathering, analysis, and processing functions will enable total process control. This will be possible due to advanced functionality, modular designs, and open architectures as well as standardized computing platforms with true plug-and-play integration. Process equipment will reach new levels of efficiency, reliability, and performance. Modular designs will shrink lead times for equipment purchases and reduce acquisition and maintenance costs.

These changes will not come without challenges. The threats to time-critical systems are higher than conventional systems. These highly integrated systems and networks of the future manufacturing environment are key to the enterprise survivability and will be highly

dependent upon security, reliability, fault tolerance and the rapid recovery from outages.

Today's value chains, where every step of the chain is required to contribute value, demand that SMMs improve their operations, technologies and skills. Information technology can help make this happen.

#### **Conclusion**

While there are challenges and risks to accepting an expanded role for your company in value chains here and abroad, the only real obstacle that will prevent your firm from capturing value-chain success is a lack of vision or commitment.

What does your value-chain future look like? More importantly, where in the world will you, as the leader, take it tomorrow?

We invite you to download the complete 65-page report "Forging New Partnerships: How to Thrive in Today's Global Value Chain" which gives specific company success stories at www.rsmmcgladrey.com/ Industries/Manufacturing. The numerous best practices cited in the report are drawn from interviews and a roundtable discussion with NAM members, results of an annual survey by RSM McGladrey and insights from the U.S. Dept. of Commerce's Manufacturing Extension Partnership (MEP).

RSM McGladrey is an accounting, tax and business consulting firm that serves more than 8,000 midsized manufacturers and wholesale distributors. Their 2008 Manufacturing and Wholesale Distribution National Survey will be released this June. Karen Kurek is a member of the board of the Illinois Manufacturers' Association and can be reached at karen.kurek@rsmi.com. Tom Murphy is a member of the board of the National Association of Manufacturers and can be reached at tom.murphy@rsmi.com.

## You must prepare for a data security breach

ompanies have developed new ways to create, store, access, use and lose data. Indeed, since January 2005, the Privacy Rights Clearinghouse has reported that more than 1,000 data breaches have occurred, involving more than 220 million records. In reality, the number of actual data breaches is much higher, given that many incidents are not reported. Notably, in the first quarter of 2008, 167 data breaches have been reported, involving 8.3 million financial and consumer records.

A data breach or loss can occur in a variety of ways:

- An executive loses a laptop;
- A hacker accesses a Company's computer storage system;
- A rogue employee steals his employer's confidential data;
- A Company improperly disposes of its records;
- · A third party responsible for maintaining, transporting, or processing data is negligent in its handling; and
- Simple human error.

Significant data breaches have occurred in every industry and have hit manufacturers such as SAIC, who in July 2007, may have disclosed the personal information of more than half a million individuals because it did not encrypt data transmitted online. In the same month, Pfizer, had the identities of 17,000 current and former employees compromised when an employee's spouse installed unauthorized file-sharing software on a company laptop on which this data was stored.

#### **Best Buy's \$54 million lost laptop**

Articles and reports of privacy litigation have discussed the problems and damages awards that companies face when they are the victims of security breaches involving the disclosure of customer or

employee personally identifying information ("PII"). Typically, these issues arise in the context of largescale security breaches, such as those affecting SAIC and Pfizer. However, a recent event involving Best Buy serves as a reminder that such security breach issues are not limited to large-scale breaches.

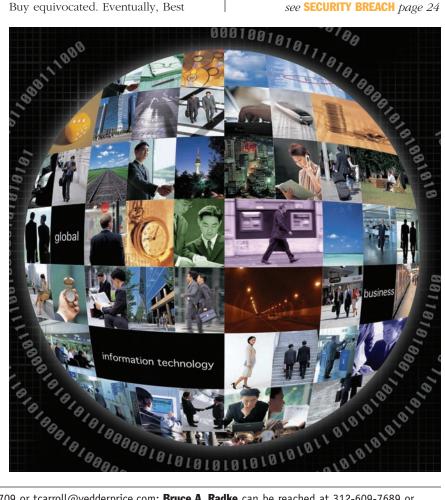
In May of last year, Raelyn Campbell left her malfunctioning year-old laptop at a Washington D.C. area Best Buy for routine repairs under a service contract, but Best Buy failed to return the laptop. For months, Ms. Campbell sought information regarding the whereabouts of her computer, and for months, Best Buy equivocated. Eventually, Best

Buy confirmed what Ms. Campbell already suspected, that it had lost her computer.

With a corporation as big as Best Buy, thefts are inevitable, and equipment will occasionally be lost. Thus, at first blush, the loss of a single laptop may not seem like a big deal. However, when companies do not have a predetermined policy in place for responding to such incidents, they can unwittingly subject themselves to far more civil liability and negative publicity than one might expect.

On November 16, 2007, Ms. Campbell filed a lawsuit against Best Buy in Washington Superior Court,

see **SECURITY BREACH** page 24



Timothy J. Carroll can be reached at 312-609-7709 or tcarroll@vedderprice.com; Bruce A. Radke can be reached at 312-609-7689 or bradke@vedderprice.com; and Michael J. Waters can be reached at 312-609-7726 or mwaters@vedderprice.com. They are all members of Vedder Price's privacy litigation and counseling team.

## Summit to look at Illinois' challenges and the implications for higher education

Leaders from government, business and civic organizations and education will convene in Chicago to discuss challenges facing the state of Illinois and the implications those challenges pose for higher education in the state. The Illinois Higher Education Summit will be held on Tuesday, June 24, at the Chicago Cultural Center.

"The intent of this Summit is to launch a statewide dialogue on the future of Illinois and the role of higher education going forward," said Stanley O. Ikenberry, president emeritus of the University of Illinois and currently Regent Professor in the Institute of Government and Public Affairs. "We will bring together business leaders, policy makers from state legislature and metro Chicago, civic leaders and representatives of all sectors of higher education to have a candid discussion about where we are and where we ought to be going.

The Summit is sponsored by the Office of the Chancellor at the University of Illinois at Urbana-Champaign, IGPA, the U of I College of Media and the Forum on the Future of Public Education at the Urbana-Champaign campus.

Invited panelists include: Arne Duncan, CEO of the Chicago Public Schools; State House Minority Leader Tom Cross, House Majority Leader Barbara Flynn Currie; Al Bowman, President of Illinois State University; Judy Erwin, Executive Director of the Illinois Board of Higher Education; Miguel del Valle, City Clerk of Chicago; Ronald Bullock, Chairman of the Illinois Manufacturer's Association; Eden S. Martin, President of the Civic Committee of The Commercial Club of Chicago; and Linda Katehi, Provost and Vice Chancellor for Academic Affairs at the University of Illinois at Urbana-Champaign.

## **US Steel – Granite City Works hosts IMA Board**



US Steel's Granite City Works was the site of the May 2008 IMA Board of Directors meeting. The meeting included a tour of the massive Granite City Works site where Board members were able to see nearly every facet of the steel making process.

"General Manager Sharon Owen's invitation was very much appreciated by her fellow Board members," said IMA President & CEO Gregory W. Baise. "We hope to visit other industrial sites for future meetings to see first hand Illinois manufacturing in action."

Granite City Works is one of five integrated steelmaking facilities US Steel operates in the United States. A leading supplier of high-quality, low-cost, hot rolled and coated sheet steel products, Granite City Works provides its products to the construction, container, piping and tubing, service center, and automotive industries.

Granite City Works has an annual raw steelmaking capability of 2.6 million tons.

## Bison Gear's Sylvia Wetzel appointed to River Valley Workforce Investment Board

Sylvia Wetzel, Corporate Training and Development Manager for Bison Gear & Engineering Corp. and Vice President, Bullock Properties, has been appointed to the River Valley Workforce Investment Board. "We are proud that Sylvia's commitment to skilled workforce development has been recognized by this prestigious appointment," said Ron Bullock, Chairman of Bison Gear and also IMA Board Chairman.

The Workforce Investment Board is a key player in the economic

growth and competitiveness of the River Valley area comprised of Kane, Kendall and DeKalb Counties in Illinois. The Board plans, develops policies and provides oversight of the local workforce system. Through partnerships with economic development agencies and community groups, the Board supports the development of a strong, well qualified workforce as well as the interests of the business community while also providing information for adults and youth seeking resources and guidance for career direction and assistance.

Sylvia Wetzel has taken primary day to day responsibility for the Skilled Workforce Initiative training and internship program developed by Bison Gear in cooperation with local colleges, development organizations and manufacturers.

## Austin Polytech places ninth out of 42 teams at FIRST Robotics competition



A team of nine freshmen students from Austin Polytechnical Academy, Chicago's only high school dedicated to careers in modern manufacturing, finished ninth out of 42 teams at the FIRST Robotics Midwest Regional Competition, held February 28–March 1 at the UIC Pavilion.

The Tech Tigers, as the students deemed themselves, were the recipients of this year's Rookie Inspiration Award, which is bestowed on the most inspiring first-year team. Team mentor Antigone Sharris, coordinator of engineering technology at Triton College in River Grove, said the Tech Tigers also held the distinction as one of the only all-freshmen teams in the Midwest regional.

"The other teams had a mix of grades," Sharris said. "We were a very small team compared to other teams.

It was against all odds, so I'm very excited that they won the award."

The FIRST Robotics Competition was created by inventor and entrepreneur Dean Kamen, founder of the Segway PT, a two-wheeled people-moving vessel used locally by law enforcement patrolling the downtown area. Kamen is president of Manchester, N.H.-based DEKA Research and Development Corp., which focuses on the development of revolutionary new technologies.

Twelve of the 42 teams competing in the Midwest regional competition were from Chicago.

"I am very proud of our hardworking and intelligent students who participated on this team. I couldn't be happier with how they hung in there and never gave up," said Bill Gerstein, principal of Austin Polytech.

The Tech Tigers, which were sponsored by Motorola, ranked as high as fourth place at one point during the three-day competition, but finished ninth after a showdown.

Austin Polytech is a project of the Chicago Manufacturing Renaissance Council, a coalition of labor, government, business, education and community leaders dedicated to making Chicago a global leader in high-skilled production. The school, created under Mayor Richard Daley's Renaissance 2010 new schools project, opened with a freshman class of 145 students last fall in the former Austin High School building at 231 N. Pine St.

## Phoenix Closures wins 2008 Supplier of the Year Award from NACD

IMA member Phoenix Closures was awarded the National Association of Container Distributor's (NACD) Supplier of the year award. Thirty-five distributors make up the NACD. For the most part, the companies are 'household names' around Phoenix. They include: All American Containers, All-Pak, Berlin, Cincinnati Container, Cleveland Bottle, Continental Packaging Solutions, Crown International,

Industrial Container, Kaufman, O'Berk/Kols, The Bottle Crew, Tricor/Braun and WB Bottle.

The company's sales through distribution represent about 18 percent of total sales. Distributor Sales have been growing faster than the business at large for the last three years. Phoenix began to push Distributor sales in 1995. The company's Warehouse Operations and RF inventory control system were instrumental in getting the company to the point that they could supply this market profitably. NACD Distributors serve a total of 6,000 customers.

"Our Customer Service Group is frequently applauded by Distributors for their efforts," according to Bert Miller, President of Phoenix Closures and IMA Board member. "However, this is a company wide award — everyone's hard work, from Production to Engineering, and the Warehouse to Customer Service, made this possible."

## Manufacturers meet in Springfield

More that 100 manufacturers from every corner of Illinois converged on the state capitol May 7th to attend the IMA's Business Day. The event was co-sponsored by the Illinois Manufacturers' Association and the Illinois Retail Merchants

Business leaders heard from key state policy makers including Senate Minority Leader Frank Watson (R-Greenville) and House Minority Leader Tom Cross (R-Oswego). State Representative John Bradley (D-Marion) spoke on behalf of House Speaker Michael Madigan (D-Chicago).



IMA Board member Jim Meyers, Sen. Kirk Dillard (R-Hinsdale), and IMA Board member George Vincent (left to right) enjoy the legislative reception during IMA's Business Day 2008.

"We were very grateful that Senator Watson and Representatives Cross and Bradley were willing to take time from their busy schedules to meet with us," said Gregory W. Baise, president & CEO of the Illinois Manufacturers' Association. "The opportunity we have to hear from our elected officials, and more importantly, for them to hear from us, is particularly valuable."

IMA members had several hours to visit with their local elected officials in the capitol where an emphasis was made to express opposition to an effort by the state's trial lawyers to re-enact a Structural Work Act in Illinois. Since it was first proposed in April, proponents have not been able to cobble together enough votes to pass the legislation. The IMA has been among those groups voicing strong opposition to this proposal and member companies have been instrumental in helping to deliver that message to members of the House.

The one day event ended with a legislative reception at the IMA's headquarters.

(continued on page 22)

You deserve a break . . . network with peers, exercise, relax and enjoy the fresh air

## MPAC GOLF OUTING Friday, June 27, 2008

Willow Crest Golf Course at Oak Brook Hills Marriott • 3500 Midwest Road, Oak Brook For details, visit https://www.ima-net.org/mpacgolf08.cfm or contact Kimberly McNamara at 630-368-5300, ext. 2109, email kmcnamara@ima-net.org Sponsorship opportunities available.

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## 3M Cordova company officials visit the Capitol



1st Row (L-R): Todd C. Weber, 3M Cordova, Human Resources Manager; Rep. Mike Boland (D-Moline) and Patrick (Pat) S. Thornton, 3M Cordova Plant Manager. 2nd Row (L-R): Dave Wefring, St. Paul, MN, Corporate Public Affairs Manager; Mike J. Parent, 3M Cordova, Manufacturing Product Manager and Ken H. Ramm, Cordova, EHS&R Manager.

On May 13 3M Cordova company officials were in Springfield to meet with Sen. Mike Jacobs (D-Moline) and Rep. Mike Boland (D-Moline) who represent the Cordova facility that provides nearly 450 jobs in Moline. In addition to touring the Capitol and meeting with legislators, the 3M contingent met with representatives from the Environmental Protection Agency and Department of Commerce & Economic Opportunity before enjoying a dinner with IMA staff and a small group of lawmakers.

## **2008 Fortune 500 IMA** member companies

Nearly half of the Fortune 500 companies based in Illinois are members of the Illinois Manufacturers' Association. From Illinois' largest corporation, Boeing, to the 467th, the Tribune Company, the list comprises the breadth and depth of the state's industrial community.

"Illinois can be proud of the number of major manufacturing enterprises that call our state home," says Gregory W. Baise, president & CEO of the Illinois Manufacturers' Association. "That they are, in addition, members of the IMA points to their desire to make Illinois a manufactur-

ing leader in the U.S. and the world."

According to Fortune, Illinois ranks behind only Texas, New York and California for the largest number of major corporations. In total, 33 corporations of the top 500 are headquartered here. The companies and their ranks include: Boeing (27), State Farm Insurance (32), Caterpillar (50), Kraft Foods (63), Motorola (65), Abbott Laboratories (96), Deere & Company (102), McDonald's Corporation, United Airlines (124), Exelon (131), Baxter International (236), OfficeMax\* (288), Smurfit-Stone Container (334), Anixter International (418), Brunswick (424) and Tribune Company (467).

"Brunswick, Deere and Exelon are legacy companies of the IMA which was founded in 1893," said Baise. "For the past 115 years, these companies, along with others, have grown into economic giants and made America the envy of the industrial world. I hope all IMA members will join me in congratulating Illinois' Fortune 500 for their remarkable achievement."

\*IMA Affinity partner

## Two Dykema attorneys earn award for excellence

Dykema, a leading national law firm, announces that two of its Chicago litigators, Rosa Tumialán and Sara Arroyo, have earned an Award for Excellence in Pro Bono and Public Interest Service in the United States District Court for the Northern District of Illinois. The award was presented by Chief Judge James F. Holderman at a May 13 reception in recognition of their work on behalf of a left-behind parent in an international kidnapping matter.

Rosa and Sara went above and beyond their duties as attorneys to reunite a child with her father," said Dykema's Attorney Pro Bono Coordinator, Heidi Naasko. "The Court's recognition of their efforts is truly deserved, but likely not as gratifying as the incredible positive outcome they were able to achieve in this case."

In 2005, an Illinois mother abducted her daughter from Mexico where the girl was living with her father, the custodial parent. The father reported the case to the National Center for Missing and Exploited Children who brought Arroyo and Tumialán into the case.

The Hague Convention requires signatory nations to order the return of a child removed from his or her home country, provided certain legal standards are met. Under these guidelines, the Dykema attorneys represented the father in his attempts to reunite with his child. After several months of searches for the mother and child, Tumialán and Arroyo were successful in obtaining an order for the return of the child.

Upon reunification, the child exclaimed, "I knew you would come and get me." Back in her native Mexico for a year, she has settled back with friends and family and is earning straight A's at school.

Rosa Tumialán's primary emphasis is on insurance coverage litigation, and she is a member of the firm's insurance industry team.

Sara Arroyo's practice focuses on general litigation matters. She previously served as a law clerk for Judges Thomas Fahey and Claudia Smith Anderson of the Vermilion County Circuit Court.

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## Not all family members equal under FMLA: Responding to requests to care for adult children, domestic partners, in-laws, siblings and others

nderstanding, interpreting and administering the provisions of the Family and Medical Leave Act (FMLA) continues to challenge many employers. A specific problem area involves leaves to care for a family member.

Most employers know that such leaves are required. Many, however, are unaware of the many issues surrounding such leaves. While the FMLA provides a seemingly straightforward definition of covered family members (i.e., a "spouse, or a son, daughter or parent" of a covered employee), leave to care for such family members often is complicated by misapplication of that definition or of the definition of the serious health condition such family member must have, or, even more common, a misunderstanding of how the phrase "to care for" is applied.

A lack of clear guidance from the U.S. Department of Labor (DOL), the agency responsible for the FMLA, and/or the courts, has resulted in a plethora of claims by employees who allege to have been denied leave, discriminated against or worse, in violation of the FMLA. Employers thus would do well to examine these decisions and the available guidance to assure their policies and procedures with respect to such leaves are compliant.

#### Who is covered?

For the most part, the term "family member" as used by FMLA adheres to its ordinarily accepted meaning, but there are exceptions.

#### Parents

FMLA defines "parent" as the employee's biological parent or the person who stood in loco parentis

to the employee as a minor. The term in loco parentis is Latin for "in place of a parent" and generally refers to the legal responsibility for some parental functions and responsibilities without formal adoption having occurred. Although organizations (such as social service agencies and boarding schools) can stand in loco parentis, the FMLA only covers individuals.

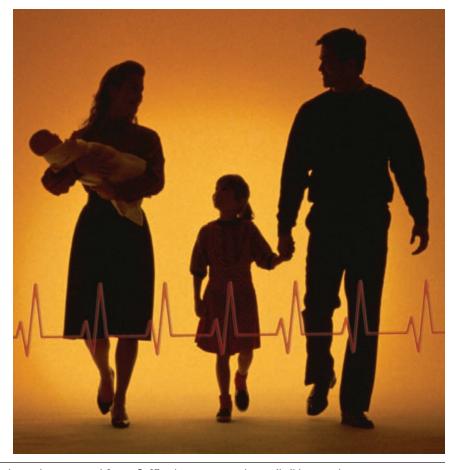
The definition of parent does not include in-laws or grandparents unless the in loco parentis prong applies.

#### Children

FMLA defines "son or daughter" as a "biological, adopted, or foster child, a stepchild, a legal ward, or a child of a person standing in loco parentis, who is: (1) under 18 years of age; or (2) 18 years of age or older and incapable of self-care because of a mental or physical disability."

If the child at issue is younger than 18, you need only determine whether the child has a "serious health condition" as defined by

see FMLA page 26



**Victoria I. Donati** (312-269-8473), email: vdonati@ngelaw.com; and **Jason C. Kim** (312-269-8019), email: jkim@ngelaw.com, are partners within the Labor & Employment Practice Group of Chicago-based law firm Neal, Gerber & Eisenberg LLP. The firm joined the Illinois Manufacturers' Association in 2005.

## **FINANCES**

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lender is participating with the SBA, it also meets economic development and community reinvestment goals.

Certified Development Companies (CDC's) administer the SBA 504 Loan Program throughout the United States. The various roles of a CDC include assisting businesses and lenders with qualifying projects for 504 financing. In addition, they prepare and process a complete application, obtain approval from the SBA, and close the 504 loan. Each state has at least one CDC and they can be found by visiting the SBA's

Website, www.sba.gov.

It can be advantageous to involve the CDC early in your financing process for a few reasons. First, some companies enjoy the benefit of being courted by communities trying to attract their new location. Often times, a city or county will offer land or incentives that, if structured correctly, can be used toward the company's 10 percent equity injection. Another option would be if the business is purchasing a new location and the seller is willing to carry back 10 percent of the purchase price. When structured correctly, this too can be considered owner's equity.

There are some misconceptions associated with SBA loan programs.

The most common myth is the length of time required to get an SBA loan done. In actuality, a 504 loan can be closed in a reasonable amount of time if the client has all the paperwork ready to go. In addition, borrowers fear the fees associated with the program may be too expensive. The SBA actually just reduced fees, so 504 loans are more affordable than ever.

When considering your next expansion or acquisition, look into the SBA 504 Loan Program. It truly is the smartest financing tool available for small business owners. The numerous benefits and low interest rates make this the best kept secret in small business financing.

## **SECURITY BREACH**

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seeking \$54 million in damages. In her complaint, Ms. Campbell alleges that Geeksquad (Best Buy's computer service subsidiary) and Best Buy customer service employees created a false record of her computer within their system and lied about its repair status and location.

Ms. Campbell also alleges that, in losing her computer, Best Buy put her PII at risk, as the computer contained information such as her social security number, drivers license number and credit card information. Ms. Campbell additionally alleges that Best Buy compounded the problem by waiting months before advising her that the computer was missing, and that her personal information might be in the hands of others. More specifically, Ms. Campbell is alleging that Best Buy violated the Washington D.C. Consumer Protection Procedures Act and the Washington D.C. Consumer Personal Information Security Breach Notification Act.

Best Buy's actions, as characterized by Ms. Campbell, could constitute unlawful trade practices under the Consumer Protection Procedures Act. Perhaps even more problematic for Best Buy are its alleged violations of the Consumer Personal Information Security Breach Notification Act, the stated purpose of which is to "ensure that consumers are notified when electroni-

cally-stored personal information is compromised in a way that increases the risk of identity theft, to create a private right of action for consumers harmed by a violation of the notification requirement, and to provide for enforcement by the Attorney General." Given that personal information identified under the Act, such as social security numbers, driver's license numbers or credit card information, would be stored on a customer's personal computer, there is a strong likelihood that the Act imposed upon Best Buy a duty to notify Ms. Campbell immediately upon discovering that her computer was missing.

Specifically, the Act requires that "[a]ny person or entity who maintains, handles, or otherwise possesses computerized or other electronic data that includes personal information that the person or entity does not own shall notify the owner or licensee of the information of any breach of the security of the system in the most expedient time possible following discovery." Beyond the cost of defending such a suit and any adverse judgment for actual damages, the Act also authorizes a plaintiff to recover "the costs of the action and reasonable attorney's fees."

While personal information security breach-related issues generally arise when large databases containing the personal information of thousands of people are compromised, this case demonstrates the need to be prepared even for a breach involving a single consumer. Had Best Buy had

a predetermined policy in place in advance of this incident (or followed any pre-existing policy it may have had in place), it might have forestalled any potential liability. In fact, the Consumer Personal Information Security Breach Notification Act specifically protects businesses that have such a policy in place: "a person or business that maintains its own notification procedures as part of an information security policy for the treatment of personal information and is otherwise consistent with the timing requirements of this subchapter shall be deemed to be in compliance with the notification requirements of this section if the person or business provides notice, in accordance with its policies, reasonably calculated to give actual notice to persons to whom notice is otherwise required to be given under this subchapter."

Although it is unlikely Ms. Campbell will ever receive the \$54 million she seeks, Best Buy has opened itself up to the possibility of a judgment that would be significant to most companies, not to mention damaging to its reputation. Ms. Campbell has already appeared on the Today Show, and her story has been reported by numerous media outlets. This case thus highlights the need for companies handling sensitive personal information to maintain predetermined and up to date plans in the event of a security breach, and to remember that such plans should be followed even where only

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### SECURITY BREACH

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a single person's personal identification information is at issue. In addition to protecting themselves by enacting a company policy on security breach notification procedures, companies should take steps to lessen the likelihood of a security breach in the first instance.

## Companies may be able to avoid liability in the event of a breach

One area in which corporate defendants have been able to successfully defend themselves in personal information security breach cases is in the area of damages, as multiple courts have ruled in defendant's favor where plaintiffs have been unable to demonstrate the existence of damages. A recent California Federal appellate decision, *Stollenwerk v. Tri-West Health Care Alliance*, sheds further light on when alleged damages are sufficient to withstand a motion for summary judgment.

In Stollenwerk, the plaintiffs brought claims against Tri-West Health Care Alliance after their personal information was lost during a December 2002 burglary at Tri-West's headquarters. The plaintiffs argued that Tri-West did not take sufficient steps to protect their personal information. After the break-in, one plaintiff became the victim of identity theft. Although there was no direct evidence that the identity theft resulted from the burglary, the court held that there was sufficient circumstantial evidence to allow the plaintiff's case to proceed to trial. However, with respect to the other

plaintiffs, who had their personal information stolen but were not victims of identity theft, the court held that any damage they sustained, in the form of having to purchase credit monitoring insurance, was not sufficient, and the court did not allow their case to proceed to trial.

The Stollenwerk decision is both good and bad for defendants in personal information security breach cases. On one hand, to the extent that credit monitoring is not a recoverable cost, it becomes difficult for consumer plaintiffs to maintain large class action lawsuits. (This is also true where corporations suffering a security breach offer credit monitoring to affected consumers.) On the other hand, the Court did create openings for some plaintiffs to make it past the summary judgment stage of litigation, even where there is no direct evidence of a connection between the security breach and subsequent identity theft.

## Steps to take to lessen the likelihood of a privacy breach

As illustrated above, all companies must take proactive steps to mitigate the likelihood of a privacy incident. Indeed, 43 States (and counting) have enacted data security breach notification laws, so that if an incident occurs, your company must understand what constitutes a violation, when a notice of data security breach is required, and whether it must alert Federal, State or local authorities. Additionally, your company should strive to:

- Develop Data Security Policies and Response Protocols in the event of a data security breach;
- Involve your company's compli-

- ance, human resources, information security and inside and outside legal teams in the development of your company's Data Security Policies and Response Protocols;
- Understand how Data Security Notification Laws will impact your Company's response and guide your company's policies;
- Develop a policy on employee blogging, which poses the risk of employees defaming fellow employees, divulging proprietary and confidential information, and violating other company policies;
- Identify patterns and activities that present "red flags" indicating possible identity theft;
- Respond appropriately and swiftly, should a "red flag" arise;
- Review agreements with vendors and third-parties who maintain PII regarding your employees and customers; and
- Document steps taken to respond to a data security event in order to demonstrate compliance with applicable laws and regulations.

Vedder Price's privacy litigation team has represented large companies and manufacturers and distributors in mitigating the risks associated with data theft, complying with applicable laws and regulations, and in litigation involving the loss and/or wrongful use of personally identifying information. For further information on this article or Vedder Price's privacy litigation and counseling team, please contact one of the authors listed at the bottom of page 19.

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## FML

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FMLA and whether leave is needed to care for the child. If the child is 18 or older, however, you also must determine whether that child is incapable of self-care because of a physical or mental disability, as defined by the Americans With Disabilities Act (ADA); if not, the employee cannot take FMLA leave to care for that child. An ADA-covered disability is an impairment that substantially limits one or more of the adult child's major life activities, such as caring for himself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning or working. To determine whether an adult child is substantially limited in a major life activity, you must assess the impairment's nature and severity, expected duration, and expected permanent or long-term effects.

Although situations certainly arise in which children are deemed physically or mentally disabled after they turn 18, the need for leave to care for adult children typically arises in circumstances where the adult child has suffered from a mental or physical disability from earlier in childhood that continues after he or she reaches 18 years of age. In such situations, be mindful that an employee's need to care for a minor child may not end when the child reaches 18 years of age. You should examine each situation carefully; don't make assumptions.

And, be sure to apply your policy according to this guidance. Don't grant leave for uncovered children unless you are prepared to live with the consequences of potentially increasing the leave time available (as leave for non-qualifying reasons likely cannot be counted against the allotted 12 weeks of FMLA leave).

#### Spouses

FMLA defines "spouse" as "a husband or wife, as the case may be." The DOL has further defined the term to mean "a husband or wife as defined or recognized under state law for purposes of marriage in the State where the employee resides, including common law marriage in States where it is recognized."

Legal marital status under applicable state law becomes particularly important when assessing requests for leave to care for domestic partners (whether same or opposite-sex). FMLA does not apply to unmarried domestic partners. DOL has received many inquiries regarding the application of FMLA to domestic partners and consistently has responded that FMLA permits the use of leave only to care for a spouse, parent, son or daughter.

In an opinion letter (FMLA-98) dated Nov. 18, 1998, DOL clarified the regulations expressly define the term "spouse" as a husband or wife as defined or recognized under state law for purposes of marriage in the state where the employee resides, including common law marriage in states where it is recognized. It notes that legislative history confirmed this definition was adopted "to ensure that employers were not required to grant FMLA leave to an employee to care for an unmarried domestic partner."

The letter also explains that the Defense of Marriage Act (DOMA) of 1996 established a federal definition of "marriage" as only a legal union between one man and one woman as husband and wife and a spouse as only a person of the opposite sex who is a husband or wife. DOL concluded that, because FMLA is a federal law, "it is our interpretation that only the Federal definition of marriage and spouse as established under DOMA may be recognized for FMLA leave purposes."

However, if your state recognizes same-sex marriages, the leave may qualify under a state-law equivalent of the FMLA. Notwithstanding its position on the applicability of FMLA to same-sex marriages, the DOL opinion letter clarifies that nothing in FMLA supersedes any state or local provision that provides greater family leave rights than under FMLA so that similar coverage may exist in states that recognize same-sex marriages.

The DOL's position and current uncertainty in the area clearly is problematic, particularly if you have followed recent trends in providing employee benefits for domestic partners, including unmarried same-sex couples who live together in relationships bearing the features of a marriage. You may extend your FMLA policy to employees so they may care for their domestic partners even though doing so is not

required by law. But if you do, keep in mind you still must extend legally required FMLA benefits to the employee to care for himself or herself and covered family members. This could result in an employee taking two 12-week FMLA periods within a 12-month period—one for the care of a domestic partner and the other for any other permitted purpose under FMLA.

#### What does "care for" mean?

You must not lose sight of the fact that leave to care for a family member's serious health condition is a "double trigger" requirement. The employee's family member must suffer from a serious health condition (with the exception of adult children, who must suffer from a legal disability) and the employee must be needed to care for that family member. The interpretive regulations explain an employee's need to care for a family member encompasses physical and psychological care. It includes, for example:

- Providing basic medical, hygienic or nutritional needs, or transportation when needed by a covered family member due to a serious health condition;
- Providing psychological comfort and reassurance to benefit a covered family member who has a serious health condition and is receiving inpatient or home care; and
- Filling in for others providing care or making arrangements for changes in care, such as transfer to a nursing home.

Much in the same way that an employee would be entitled to take intermittent leave to care for his or her own serious health condition, an employee also may take intermittent leave or a reduced leave schedule when a family member's condition is intermittent or where the employee is only needed intermittently—such as where other care typically is available or care responsibilities are shared with another member of the family or third-party.

Unfortunately, the regulations do not offer guidance beyond these basic examples of providing care. The result is numerous federal court cases in which employees have asserted claims against employers who have refused to grant leave to

see FMLA page 29

## Boxes in our heads: Changing how your company is perceived

ver wonder what people say about you when you leave the room? Kind of paranoid, I know — but it's an interesting exercise we all run through our minds from time to time. Do people think you're witty? Grumpy? A great person to know when they need a hand? Maybe a jerk? Who knows, right?

When we spend time thinking about this, what we're actually doing is trying to nail down our personal brand image — and that's fancy consultant-speak for our reputation.

Manufacturers do the same thing, of course. Truckloads of dollars are spent each year researching company and product brands and how critical audiences perceive them. We want (need) to know how our customers, dealers and reps are talking about our companies or products when we're not around.

What's frustrating is that it only takes a cog of bad information tossed into the gears of the marketplace to bring your brand to a screeching halt. If someone hears you miss deadlines or have inadequate quality assurance practices or use poor raw materials or are planning to sell the company — your brand takes a tumble in the eyes of the people who can make or break your business.

#### **Head case: Boxes in our brains**

Remember that kid you knew in third grade? No, not him, the other one . . . the one you hated like a root canal. The one who causes you, even to this day, to cringe when you hear the name Dennis . . . or Lori . . . or whatever his/her name is. Well, that's a brand. And it's a box inside of your head with the name Dennis or Lori or whatever on it. When you hear that name, your brain finds that box, looks inside and then pulls out the contents for reference. That's why, when your significant other talks about potential

baby names and mentions Dennis, Lori, etc., you scrunch up your face and say, "Forget it!"

Inside the heads of your customers, distributors, dealers, reps, vendors and employees is a box that has your company's name on it. The questions are, what's inside of that box — and can you alter the contents if you don't like what's there? Fortunately, the answer is yes . . . but we'll get to that in a minute.

There's another box you need to worry about, too, and this one has your product category written on it. Metal fabrication, extruded plastics, fiberglass insulation, or potato chips — whatever it is you provide to your market, that's the name on the box. Inside are the names of the top three or four companies these critical audiences consider viable suppliers for these products or services.

Think about it. What name comes to mind when you read the words, "french fries?" If you're like 90 percent of America, you'll say McDonald's — and that's because they've done an amazing job of branding themselves as the leading supplier of crisp, hot, salty fries. They've forever seared the Golden Arches into the top position of our mind's "fries" box. Can't you just taste them?

#### **Most important box**

Of all the people who have boxes about your company, which person's opinion matters most? Your biggest customer? What about your highest producing rep or distributor? Your most experienced employee?

Believe it or not, it's none of the above.

Their opinions are critical to the see **BOXES** page 28



**Jason Salyers** is a strategic planner at Converse Marketing, Inc. in Peoria, Illinois. He's helped position and market manufacturers throughout the Midwest for more than 18 years. You can reach him at jasons@conversemarketing.com.

### **BOXES**

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success of your operation, to be sure. And you have to constantly and consistently work to improve their perceptions of your brand. But their opinions and viewpoints are not the ones that matter most. It's yours. It's the box in your own head that has the most impact on your organization.

What you believe about your potential, your current market position, your products and services, your distribution channels, your global footprint, your sustainability - it all dramatically affects your ability to make sound strategic decisions for the long-term viability of your company. And your perception of your manufacturing operation is often shaped by the people you choose to listen to - who are usually the ones with the biggest mouths. But sometimes (O.K., a lot of the time), those mouths can be dead wrong.

#### **Example: king of the road**

About 10 years ago, I had a client who owned and operated a Midwestern steel mill. They manufactured steel products for highway construction — sign posts, rebar, etc. — and the person they listened to most was their highest volume sales rep. Because rebar is a commodity, margins were slim on that side of business. Sign posts were their bread and butter. And they manufactured a particular kind of post that was among the best performing in the industry.

However, a new product design had recently entered the market and the big-winner sales guy was going nuts about it. He was telling the client at every opportunity that the business would go under if they didn't start selling this new product design soon.

When I first became involved with this company, they were convinced (thanks to the squeaky wheel sales guy) they needed to trash their entire production line and repurpose it to produce the new design — and all at the expense of their bread and butter product. The cost of the factory refit was going to kill them, let alone the resulting loss of production. But if they didn't take this step, they felt they would be completely

## What's in the box?

## **Defining your brand...**

- 1. Start by learning your current position in your market, by sales, reputation, distribution, etc. What are people saying about your brand when you leave the room?
- 2. Find out what your customers want. It sounds like a no-brainer, but it's an easy one to assume you know rather than actually searching it out.
- 3. Define how you want to be perceived. Are you the market leader, innovator, wise sage, bargain bin, quick delivery artist, etc.? Determine the position you want to take in the market your niche.
- 4. Grab and hold that niche. This is a great opportunity to look outside of your company for help. Find a brand and messaging specialist to help you make your brand resonate in the hearts and minds of your target audiences.
- 5. Document your brand. It's not just a logo; it's also your message, your promise to your customers, and the position you're claiming. ■

out of business in five years.

Fortunately, we were able to convince them to do a little digging first. We asked them to let us take a look at their numbers (sales, distribution, sales rep performance . . . all of it).

Our client found he was unable to quickly pull these numbers from a single source, which was not all that uncommon. Think about it. Can you easily identify (and that does not mean guess) your top 25 customers by volume, name their sales reps, and calculate your margin for each? How about your distribution channels? Who are your five lowest producers and why are they underperforming? This is all crucial data for effective strategic planning.

We examined that information, as well as the market as a whole. We determined the total potential volume for their products in the market and uncovered their true share of that market.

Then we went directly to dealers and customers. We conducted telephone-based focus groups with people all over North America and learned what they felt was most important in their buying decisions. And because we were a third-party, they opened up to us and shared valuable input about our client — much of which our client had never before heard.

When it was all said and done, our beleaguered client learned they were, in fact, the most dominant player in their industry — and they didn't even know it. The information inside their own boxes about their company was less reliable than what their customers felt about them. How's that for a reversal of roles! Our client was selling more than anyone else in their market. Their products were well respected. They were priced right for the market. And there were opportunities uncovered to move even greater volumes of product into new segments.

Now, would information like that change your perspective? It did theirs. Instead of refitting their plant, they went out and purchased another one from a smaller competitor. And within five years, instead of going out of business, the owner successfully sold his business to an IMA member, Nucor Steel.

#### **Example: know-how**

Another client (this time a distributor) wanted to re-brand his company. The organization was founded by his father and had what he believed was an out-of-date image in the market. He knew he wanted to freshen up the company's image and expand its marketshare, but he wasn't sure what steps needed to happen first.

When our firm was hired to help, we began by assessing the company's real situation. We talked to a number of customers and reps and discovered what was in their boxes. We learned that while the company's

see **BOXES** page 29

## BOXES

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reputation in some areas was sterling, in other areas — specifically related to technology and information management — they were taking a clubbing from their many large competitors. The goliaths, it would appear, were eating our client's lunch.

We also uncovered an entirely new product niche: consulting. In this client's industry, there were a lot of distributors like our client, all selling the same products at the same prices and offering the same delivery schedules. But there was a vacuum when it came to people who could guide the customer (small retail establishments) toward greater efficiencies and higher sales volumes.

Happily, this was an area of expertise our client was already well-positioned to provide.

We worked with them to develop a new brand image for their company, which better positioned their know-how as a central tenet of their message. It was a solid means of separating from the cluttered competitive pack and standing out from the crowd. In other words, we helped them get their name into the mix as one of the top three of four suppliers in their prospective customers' "category boxes" (i.e., french fries).

The client instituted new training for its employees, hired and fired a few key positions based on required skill sets, and quickly claimed this new position in their market — all supported by a brand positioning statement of "What We Know Will Grow You."

#### Take a look inside

What you know could grow your company, too — if you base that knowledge on obtainable, objective facts and not on the subjective opinions of others.

Great brands, large and small, do not distort reality, they reflect it. The tricky part, though, is determining which reality you want to put into those all-important boxes in your customers' heads. You need to first define the way you want to be perceived and then work hard to make sure that's how you are, in fact, perceived.

So what are people saying about your company when you leave the room . . . or when they leave your trade show booth . . . or when your rep leaves their office? What message are you conveying when they visit your Web site?

## C

### FMLA

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care for family members with both parties frequently relying on their subjective understandings of what FMLA requires. Until Congress or DOL decides to take action, employers have no choice but to continue to closely monitor court decisions and the occasional guidance from DOL to determine their best courses of action when responding to employee requests for leave to care for their family members.

## **Care for family members** in military service

In addition to these already complex rules, on Jan. 28, 2008, President Bush amended FMLA for the first time since its passage in 1993 to expand the FMLA by providing extended leave rights to eligible employees to care for eligible family members in the military.

Eligible employees are now entitled to up to 26 weeks of leave in a single 12-month period to care for a spouse, child, parent or next of kin who is a member of the armed forces undergoing medical treatment, recuperation or therapy; is in

outpatient status; or is on the temporary disability retired list for a "serious injury or illness" incurred in the line of duty.

Unlike traditional FMLA leave, service member family leave does not require a service member to suffer from a serious health condition and the leave is available not only to FMLA-covered family members but also to next of kin, meaning a service member's nearest blood relative.

For purposes of service member family leave, "serious injury or illness" is defined as an injury or illness incurred by the service member in the line of duty that may render the service member medically unfit to perform the duties of the service member's office, grade, rank or rating.

The 26-week leave entitlement is a combined leave total, which includes an employee's 12-week leave entitlement to care for the serious health condition of the employee or an immediate family member or the birth or placement of a child. So an employee who exhausts the 12 weeks of leave for his or her own serious health condition would be entitled to an additional 14 weeks to care for an eligible service member undergoing medical treat-

ment during the same 12-month period. Alternatively, an employee who exhausts the entire 26 weeks of leave to care for a service member is not entitled to any additional time in a 12-month period to care for his or her own serious health condition.

#### What to look for

The bottom line is you need to pay careful attention to what employees say when discussing any need for time off in connection with a family member's illness. The circumstances will vary greatly from employee to employee, and you must strive to make appropriate leave decisions on a case-by-case basis. Be sure also to check any applicable state laws that may impose different obligations with respect to such leave requests.

The time to act is now. Identify the issues surrounding leave requests to care for family members as quickly as practicable; adjust your policy as necessary; and then adhere to the procedures and requirements of the FMLA and applicable state laws in consultation with trained professionals.

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## IA & MIT 2008 Calendar of events

June 24, 2008 **Illinois Higher Education Summit** Chicago Cultural Center, 78 E. Washington St., 5th Floor, Chicago, 9:00 AM-3:00 PM

Join top Illinois leaders, including former Illinois Governor Jim Edgar and IMA Chairman Ronald Bullock as they discuss the state of the state . . . major trends and issues facing the state of Illinois and how higher education will be affected. Lunch is included. Sponsored by the University of Illinois. FREE — registration required. Visit http://www.igpa.uillinois.edu/events/registration.asp?t=4 to register

June 27, 2008 **MPAC Golf Outing** Willow Crest Golf Course at Oak Brook Hills Marriott, Oak Brook Call 630-368-5300, ext. 2109 to register.

#### **JULY 2008**

July 14, 2008 Failure Mode and Effects Analysis (FMEA), Decatur Conference Center & Hotel, US Hwy 36, Decatur

Maximize the benefits of performing FMEA activities, eliminate or minimize effects of potential failures, gain ideas for other applications and learn about risk evaluation and management.

July 15, 2008 Failure Mode and Effects Analysis (FMEA), DePaul University, 150 W. Warrenville Rd., Naperville (See previous course description.)

July 17, 2008 **Behavioral Interviewing Skills** DePaul University's O'Hare Campus, 3166 River Rd., Des Plaines

NOTE: Registration is limited to 16. Participants leave with the interviewing skills to successfully select the best staff based on competencies and ensuring legal compliance.

July 28, 2008 Kanban/Pull System/Inventory Reduction, Decatur Conference Center & Hotel, US Hwy 36, Decatur

A key component of most Lean Manufacturing strategies, this one-day Kanban workshop incorporates basic skills necessary to participate in Kanban implementation. Kanban automates manufactured and purchased parts inventory cycles to reduce unwanted inventory and create waste-free processes

July 29, 2008 Kanban/Pull System/Inventory Reduction, DePaul University, 150 W. Warrenville Rd., Naperville (See previous course description.)

July 29, 2008

NFPA 70E: Standard for Electrical Safety in the Workplace, Decatur Conference Center & Hotel, US Hwy 36, Decatur

This class is for individuals that work on or near electrical hazards and is a must for maintenance personnel, electricians, engineers, safety professionals, supervisors, contractors, service personnel and vendors entering NFPA 70E compliant facilities.

July 31, 2008 **IMA-MIT Event: Consultative Sales** Skills for Sales Professionals, DePaul University's O'Hare Campus, 3166 River Road, Des Plaines

The technology of emails, voice mails, text messages and conference calls are eroding the power of face-to-face conversation. This one-day seminar will provide sales professionals with the skill set to maximize consultative sales relationships. Using lecture, small group discussion, classroom exercises and role play, we will provide and reinforce these critical skills.

Unless otherwise listed, visit http://www.ima-net.org/calendar.cfm or http://www.ima-net.org/MIT/open.cfm for more information, pricing, etc., and a more complete listing of IMA and IMA-MIT offerings.

## **Benchmark with IMA Publications**

The 2008 surveys were conducted with the assistance of RSM McGladrey. Find out how your benefits and compensation programs compare.



#### Order the Illinois Manufacturers' Association's 2008 Benefits and Compensation Reports today!

Don't guess when it comes to revising or establishing your employee benefits package — get the facts. The **2008 Benefits Report** is a useful tool when establishing or updating your employee benefits package. If you need to know whether your employee benefits package stacks up favorably with other companies, then you need the IMA's 2008 Benefits Report. The annual report contains information on:

- Accidental Death and Dismemberment Insurance
- · Car Allowance
- · Dental Insurance/Life Insurance
- Drug and/or Alcohol Testing Policy
- · Funeral/Military/Jury Duty Leave
- Group Insurance Plans
- · Health Care Cost Control
- Holidays/Vacations
- Maternity/Paternity Leave
- · Medical Plan (Health Coverage)

- Miscellaneous Work Practices and Policies
- "No Smoking" Policy/AIDS Awareness
- · Part-time Employees
- Pension Plans
- Safety Equipment Reimbursement
- Severance Pav
- · Short- and Long-term Disability
- Sick Days/Premium Pay
- Training and Employee Development

The Reports are available in multiple formats. The electronic (PDF) version allows ready access on multiple computers. The PRINTED report offers all of the information in an easy-to-read format. Or, purchase both versions! There will also be an opportunity to purchase a CUSTOM report of a select peer group, a benefits cross-tabulation DEMOGRAPH-IC report, and an INDEX compensation report of your organization compared to the market.

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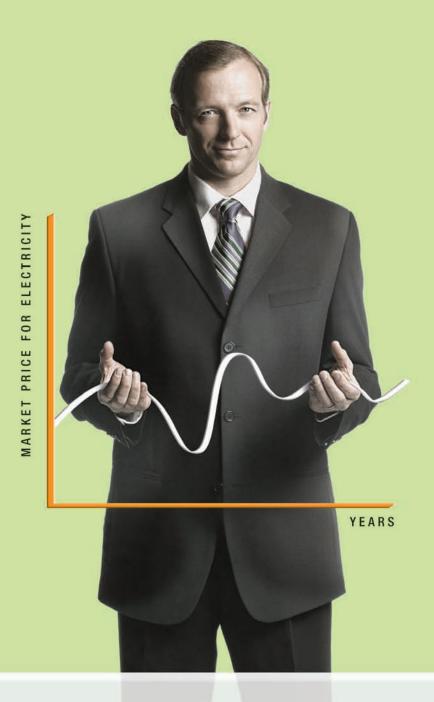
The **2008 Compensation Report** is a very useful tool when setting wages and salaries and contains data and job descriptions on 186 manufacturing occupations in 13 families:

- Accounting/Financial
- · Board of Directors
- Data Processing/Information Services
- · Engineering
- Executive
- Facilities
- Human Resources/Safety/Training
- Management/Supervisory
- Manufacturing/Technical & Factory
- · Marketing/Sales/Service
- · Office Clerical/Administrative
- Purchasing
- · Quality Assurance

By participating in the surveys, you will receive an electronic (PDF) version of the reports free of charge. We are also offering bundled packages this year. The bundled package includes both the compensation and benefits reports for various categories of report styles. Please contact the IMA for a price quote.

Please mark the report you wish to purchase. The pricing breakdowns are as follows:

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	Demographic Report	N/A	\$600 🗆
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