

**GREENHOUSE GAS TAX COMING SOON?**

# The Illinois **Manufacturer**

[www.ima-net.org](http://www.ima-net.org)

Fall 2010

**Wellness — A  
manufacturer's  
strategy  
to control  
rising health  
care costs**

**Medical costs drive health  
insurance premiums**

**Ford's community commitment  
parallels their long history in Chicago**

# ACHIEVEMENT: MAKING THAT CREDIT LINE HUMMMMM

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## Wellness—A manufacturer's strategy to control rising health care costs **16**

A significant factor driving costs of health care plans is the health of employees. How could an employer manage this risk or potential cost — the health and wellbeing of employees? An employer sponsored wellness plan was the answer.

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*The Illinois Manufacturer* is underwritten by Constellation NewEnergy, Inc.

## 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.

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## November elections – an opportunity for change



Illinois businesses have made many sacrifices during this recession, including painful decisions to lay off workers, shut down underperforming product lines and even suspend pension programs.

A recent *Chicago Tribune* story entitled, "Illinois fiscal crisis clouds business climate" finally recognized what manufacturers have been saying for nearly a decade — that the state's fiscal disorder does have a dramatic impact on our business climate.

Manufacturers in particular are constantly evaluating strategic decisions on where to expand or build new facilities, how and where to conduct research and development of new products and where the return on their investment is best achieved. While others recognize these considerations and take steps to entice manufacturers to their states, providing significant financial incentives in support of those efforts, over the last decade Illinois has inexplicably shunned similar efforts.

Companies such as Honda, Toyota, Phoenix Closures . . . the list goes on and on . . . have barely glanced at locating or expanding in Illinois because of the state's fiscal chaos and lackadaisical approach to economic development.

As we approach the November elections, I want to suggest five things the next administration should do to immediately improve economic development and encourage job creation:

**1. Restore sanity to Illinois' fiscal house.** State leaders say they have cut all the "fat." In reality, they have only scratched the surface. Illinois businesses have made many sacrifices during this recession, including painful decisions to lay off workers, shut down underperforming product lines and even suspend pension programs.

Taxpayers expect our leaders to do the same. For example, will cutting back Medicaid eligibility to pre-2003 levels have an effect on citizens? Of course, but offering Medicaid coverage for the children of parents earning in excess of \$65,000 annually, or covering entire families earning \$60,000 annually, cannot be justified or financially sustained. And, with respect to expensive new programs, our elected officials need to just say "No."

**2. Beginning with the General Assembly that convenes in January, Illinois should embark on zero-based budgeting.** Since our current budget process simply adds more money to the previous year's budget, resulting in the fiscal mess we currently have, it's time to move to zero-based budgeting. Then, based on available revenue, we need to build a budget based on priorities agreed to by all.

**3. Make permanent the current array of business tax credits and deductions, especially the Research and Development Tax Credit.** Currently the R&D Tax Credit is treated as an "on again/off again" political question with lawmakers having little regard for its long-term benefits to business. Research and development that is not confined to only pharmaceuticals, chemicals or micro-technology assures that Illinois will continue to have high paying manufacturing jobs in the future. Without the credit, R&D will continue to desert Illinois for more friendly environs. Illinois manufacturers need to know that the credit is a stable and reliable incentive for conducting R&D here in Illinois.

**4. Comprehensively address the frictional costs of business.** Employer-paid programs like unemployment insurance and workers' compensation are in need of an exhaustive examination. Our current laws leave us at a competitive disadvantage with neighboring states. This review should take into account both costs paid by employers and benefits paid to workers.

**5. Take a fresh look at how competitive Illinois wants to be in its economic development activity.** According to the *Tribune* story, our Commerce Department has put together 91 incentive packages since January, 2009, totaling \$185 million and averaging just over \$200 thousand per package. In contrast, Indiana offered Toyota an incentive package of more than \$145 million to locate one plant in Greenburg, Indiana. It makes us wonder just how serious Illinois is in its desire to pursue jobs and other economic development opportunities. While we're at it, let's examine the types of jobs we want for our citizens. Since January, 2000, manufacturing jobs in Illinois have declined by more than 310,000 — a drop of nearly 45 percent. While naysayers may try to say that number is due to the recession, at the half-way point of the decade (December, 2005) manufacturing had already lost nearly 195,000 jobs. This was during a relatively sound economic period. According to the National Association of Manufacturers, in 2009 the average U.S. manufacturing worker earned \$70,666 annually, including pay and benefits. The average non-manufacturing worker earned \$57,993 annually. Therein lies the answer to the question of what kind of jobs the state should be pursuing.

These are just five ideas. There are many more good ideas out there. The one thing that is abundantly clear is that Illinois cannot continue on its current path. Enough is enough. Take the opportunity presented in the upcoming elections to embark on a path that will free us from debt and focus state spending on those services that are critical and can't be provided by the private sector.

The IMA recognizes the need for change. We're taking a long, hard look at virtually every race in state government.

After a thorough examination of both candidates for Governor, the IMA's Manufacturers Political Action Committee recommends that manufacturers and their employees support Bill Brady for Governor. Brady's vision for Illinois is based on sound business principles and embraces the reality that only private sector job growth will allow us to emerge from our present morass.

The IMA has launched an Elections Center on the IMA Website. Please visit [www.ima-net.org/elections](http://www.ima-net.org/elections) for information on the upcoming elections, legislator rankings, and the critical issues facing our industry.

This November, our choice is clear. We can continue on the current path or we can reverse course. Please join me in charting a new course for Illinois, a course dedicated to growing our economy. ■



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## Bill Brady for governor . . .



Bill's plan to rebuild the Illinois economy includes targeted tax incentives, reform of Workers' Compensation laws, imposing caps on lawsuits and easing the government red tape that stifles growth.

In early fall, approximately two dozen members of the Illinois Manufacturers' Association's Political Action Committee made the nearly unanimous decision to endorse Republican Bill Brady for Governor. Their decision came after a long and comprehensive review process that included a detailed candidate survey, presentations by both candidates, and finally a chance for our member companies to engage in a question-and-answer session with both Governor Pat Quinn and Senator Brady.

As I indicated to participating IMA member companies at the outset of the endorsement meeting, both candidates have similar goals for Illinois. They want to create jobs (After all, have you ever heard a candidate say that they are anti-jobs?), balance the state's budget and improve our education system. The difference is the route they are taking to reach those goals. In this year's race for Governor, the plans outlined by the two candidates take two very different paths.

Manufacturing leaders expressed great concern about Illinois' massive budget problems including a multi-billion dollar state budget deficit and staggering unfunded pension debt. Bill Brady emphasized his desire to cut state spending and make Illinois government live within its means, as our families and businesses must do. He further noted that Illinois must reform its lucrative public employee pension systems to line up with those offered by the private sector's 401k-type plans. Finally, Bill indicated that growing the private sector and creating jobs is the best way to increase revenue for state government — not raising taxes, especially in tough economic times. Bill's plan to rebuild the Illinois economy includes targeted tax incentives, reform of Workers' Compensation laws, imposing caps on lawsuits and easing the government red tape that stifles growth.

Governor Pat Quinn's plan to balance the state's budget is predicated on a five point plan, the centerpiece being a large income tax increase, although the size and scope of it has changed several times. The current proposal, as outlined at the MPAC endorsement session, would impose a one-percentage point increase (33 percent) with some reduction in property taxes. Governor Quinn also proposed borrowing billions of dollars, leveraging federal dollars, reducing spending and creating more jobs. Quinn noted some recent successes in attracting new manufacturing jobs to the state with targeted tax incentives. While the Governor did sign legislation reforming pensions for prospective state employees moving forward (an action applauded by the IMA), he indicated that he will not pursue changing pension plans for current state workers despite a record \$74 billion unfunded liability.

After a healthy debate, members of the Manufacturers Political Action Committee voted for a strong endorsement of Bill Brady believing that his platform and plans were the best choice for the manufacturing sector and general business community. We offer this endorsement in the hopes that you will vote while also encouraging and educating your employees about the candidates and importance of our democracy.

In that vein, the Illinois Manufacturers' Association has also unveiled its 2010 Election Center. The Website will serve as a one-stop center for election information. It contains voting records for every member of the General Assembly during the past two years. You will be able to go online and look up your respective lawmakers to see if they supported or opposed issues of importance to the manufacturing sector. Did your state representative support higher taxes and fees? Did they oppose new environmental regulations? Visit our Website to see how your state senator and representative rank in terms of their support for manufacturing.



IMA CEO Gregory W. Baise (right) contributes MPAC funds in support of Republican Senator Bill Brady's gubernatorial campaign.

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# Greenhouse gas tax coming soon?

The Illinois Environmental Protection Agency (IEPA) has announced plans to charge a fee for greenhouse gas emissions (GHG) beginning as early as next year. While few details have been released, the fee is said to be pegged at \$.10 per pound of emissions. Absent a facility cap on the fee, a large emitter could be subject to an annual fee well in excess of one million dollars.

IEPA's fee proposal is being driven by aggressive action by the federal Environmental Protection Agency (EPA) (see chart below) to regulate emissions thought to be causing climate change. The topic of climate change and the efforts to reduce GHGs have certainly received much attention this year and will continue to occupy a prominent role in the policies and plans of the business community in 2011. As we approach the end of 2010, now is a good time

to summarize the status of the various initiatives that have received attention this year.

### Congress stalls, EPA charges ahead

EPA Administrator Lisa Jackson has repeatedly expressed her preference to have Congress take action to address climate change but has also adamantly affirmed her commitment to use the authority under the Clean Air Act to regulate GHG emissions absent federal legislation preempting EPA authority. There is broad agreement that the Clean Air Act is ill suited to form the framework to regulate GHGs even if legal arguments have cleared the way for such action. There were expectations early in the year that Congress would act to head off EPA's climate change regulations. The House passed the "American Clean Energy and Security Act" (HR 2454, Waxman (D-CA)-Markey (D-MA)) on June 26, 2009 by a 219-212

margin that would have created a GHG cap and trade program, among other things. The Senate was expected to take action this year with Senators John Kerry and Joseph Lieberman unveiling their American Power Act (APA) on May 12, 2010. However, on July 22, 2010, Senate Majority Leader Harry Reid announced, "We know that we don't have the votes" for a comprehensive climate change bill and said that the focus will now be on a slimmer package focusing on household efficiency and the gulf oil spill.

### EPA's regulatory approach

EPA took the first legal step to regulate GHGs as a Clean Air Act pollutant on December 15, 2009, when EPA issued their final decision finding that GHGs endangered human health and the environment

see **GREENHOUSE GAS** page 22

## Phase-In Steps of EPA's Final Greenhouse Gas Tailoring Rule

	PSD	Title V
<b>Step 1</b> <b>Phase-in of Large Sources</b> January 2–June 30, 2011	Permitting based on emissions of non-GHG pollutants and with GHG emissions or emissions increases above 75,000 tons per year (tpy) CO <sub>2</sub> e.	Sources with Title V permits for non-GHG pollutants will address GHG as part of Title V permitting.
<b>Step 2</b> <b>Phase-in of Large Sources</b> July 1, 2011–June 30, 2013	Sources above 100,000 tpy (new) and 75,000 tpy (major modifications) of CO <sub>2</sub> e (and not already subject to PSD based on non-GHG emissions).	Sources that exceed 100,000 tpy GHG threshold will be required to obtain a Title V permit if they do not already have one.
<b>Step 3</b> <b>Phase-in of Large Sources*</b> July 1, 2013–April 30, 2016	An enforceable commitment to assess experience from Steps 1 and 2; commit to propose, consider comments, and promulgate potential Step 3. Level will not go below 50,000 tpy CO <sub>2</sub> e (new) and 50,000 tpy CO <sub>2</sub> e (major modifications).	An enforceable commitment to assess experience from Steps 1 and 2; commit to propose, consider comments, and promulgate potential Step 3. Level will not go below 50,000 tpy CO <sub>2</sub> e.
<b>Final Phase*</b>	EPA will take rulemaking action in 2016 or before to address small sources in light of the five-year study.	EPA will take rulemaking action in 2016 or before to address small sources in light of the five-year study.

\*Effective only after regulatory process. PSD = Prevention of Significant Deterioration program; tpy = tons per year; CO<sub>2</sub>e = carbon dioxide equivalent. Source: EPA, [www.epa.gov/nsr/actions.html](http://www.epa.gov/nsr/actions.html).

## DENZLER

Cont. from page 6

Studies by the Business Industry PAC in Washington D.C. have determined that employers are a trusted source of information about candidates and elections. So, we have created an employer toolkit online to help you provide critical information to your employees. There are envelope stuffers that you can cus-

tomize, print and include in your employee's pay checks. Employees can look up their elected officials and find out where to vote. If you'd like, feel free to include a link on your company's website to the IMA 2010 Election Center ([www.ima-net.org/elections](http://www.ima-net.org/elections)) and encourage them to become educated. After all, the decisions made by the next Governor and legislature will have an impact on your company.

While we often hear about the magnitude of elections, I can per-

sonally attest that this is the single most important Illinois election in my lifetime. Our obstacles and financial challenges are enormous and will have a lasting impact on future generations. I hope that you will consider voting for Bill Brady for Governor and help elect lawmakers who support manufacturing. ■



# Bundling renewable energy and energy efficiency projects can improve your facility and finances

**F**inding a way to fund the ideal renewable energy or energy efficiency improvement project can often be quite a challenge. The question usually rests on how to reduce energy usage and costs while operating more sustainably without adding significant capital improvement costs to your budget.

One of the best strategies for businesses and organizations includes undertaking comprehensive energy projects so that the projects pay for themselves and provide potential savings opportunities in the long term. For example, we are near completion of construction on two comprehensive energy projects at federal correctional facilities in Fairton, New Jersey, and Petersburg, Virginia. At both, we combined energy and water conservation measures along with different renewable technologies to create a

total estimated savings of more than \$2.2 million per year.

In Fairton, we combined a 400kW solar photovoltaic power system with facility-wide electrical upgrades, efficient lighting, smart energy controls, water conservation measures, and improvements to the boiler and chiller plants. Although the solar PV project was able to take advantage of the attractive REC market in New Jersey, it still needed the savings from the other measures in order to make the whole project cash flow effective. Altogether these projects will result in 27 percent less energy use and 42 percent less water use, which adds up to an estimated annual energy cost savings of \$800,000.

In Petersburg, we installed a rooftop solar photovoltaic system, geothermal heat pump system, and an on-site biomass heating system,

the first ever built in to a Federal Bureau of Prisons facility. In terms of payback, the biomass project helped support the rest of the project so that the solar and geothermal system could be installed. There were also substantial energy efficiency and water savings measures undertaken that impacted consumption at every building in the complex. The combined measures there are expected to reduce annual costs by \$1.4 million.

These two projects were implemented through federal energy savings performance contracts. Those contracts are designed to combine energy and water conservation measures with renewable technologies to reduce utility costs and improve sustainability throughout an entire facility. However, the same approach could be taken to non-federal projects, or even a focused renewable energy project that needed some extra economic support to get it over the top.

We have completed thousands of energy conservation projects nationwide, while providing the necessary technical training and knowledge for building operating personnel. For more information, contact [cepsinfo@constellation.com](mailto:cepsinfo@constellation.com) or 800-436-3749. ■

*Author Christopher Abbuehl is the Director of Renewable Energy Programs at Constellation Energy Projects and Services, and is responsible for the development of projects that utilize solar, wind, geothermal and biomass resources.*



# What you need to know about the Food Safety Modernization Act and potential retaliation lawsuits

The U.S. House of Representatives passed the Food Safety Modernization Act (“The Act”) with broad bipartisan support more than one year ago and the Senate version, which is similar but less comprehensive, has broad bipartisan support. The Senate vote was delayed for months due to health care reform, but the massive salmonella outbreak that sparked a recall of eggs from two Iowa plants last August could provide momentum for the Senate to act on its own food safety bill as soon as late September.

The proposed legislation, sponsored by U.S. Senator Dick Durbin (D-IL), currently is being considered in Senate Committee. The Act is an amendment to the Federal Food, Drug and Cosmetic Act of 1938, which established the FDA’s authority to monitor the safety of food and drugs. The Act broadens the FDA’s regulatory powers over manufacturers, retailers and farmers.

Specifically, the Act would expand the FDA’s authority by allowing for the suspension of the operation of any food facility when a reasonable probability exists that products might cause adverse health consequences. The Act would give the FDA the authority to order a food recall if the manufacturer or distributor did not recall a product in a timely manner after becoming aware that it presents a serious health risk to the public. Currently, the FDA can pressure food manufacturers to issue a recall, but does not have the ultimate authority to mandate one.

The Act also would enable the FDA to conduct more frequent inspections of facilities and impose stricter standards on imported foods, as well as increase the capacity for the inspection of manufacturers’

records. Facilities would be required to develop their own plan to prevent, identify and address tainted food. The Act would also enhance the FDA’s authority to track many agricultural products and expand the FDA’s presence in foreign countries.

Along with the substantive changes that would have a significant impact upon manufacturers, a draft of the Act contains whistleblowing provisions that protect employees who participate in investigations or inform officials of conditions that might prompt an investigation. Presently, employees are covered by the Illinois Whistleblower Act (“Whistleblower Act”). The Whistleblower Act prohibits employers from retaliating against employees for disclosing information to a government or law enforcement

agency when the employee has reasonable cause to believe that the information discloses a violation of a state or federal law, rule or regulation. The Whistleblower Act also prohibits employers from retaliating against an employee who refuses to participate in an activity that would result in a violation of a state or federal law, rule or regulation. Thus, the Whistleblower Act would encompass alleged violations of the Act.

Once an employee has engaged in an activity protected under the Whistleblower Act or other applicable laws, an employer’s adverse actions, such as a termination, denial of a promotion or decrease in benefits, could form the basis of an alleged retaliation claim. The employee has the burden, however,

see **FOOD SAFETY** page 29





## OUR ENERGY FUTURE IS COMING TOGETHER.

We all want the same thing: affordable, reliable, clean, and secure sources of energy. The good news is that we know how to get there, and we're already on the way. Energy markets are increasingly competitive. New Smart Grid technologies are making energy use more efficient. Investments in nuclear, solar, wind, and natural gas will more cleanly provide electricity for homes and businesses today, and for the cars and trucks of tomorrow. At Constellation Energy, we understand the challenges. And we're delivering the innovative energy solutions that are helping our customers succeed and our communities prosper.

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# An alternative way to protect your intellectual property

At a time when assets such as real property, equipment, and stock value have precipitously declined, the value of a company's intellectual property rights has taken on increasingly added importance. Intellectual property provides a link between research and the marketplace. It can also increase market share by blocking potential competitors from entering the market, or forcing current competitors to spend their own resources to innovate, or pay licensing fees as a cost of doing business. In addition, a corporation's intellectual property can aid in safeguarding its brand, and help to ensure that its products are not confused with those of another entity.

Despite this, virtually all small businesses undervalue their intellectual property, and even those which do not, often fail to adequately protect it against infringement. This is due, in no small measure, to the cost and effort involved in litigation, especially in the patent area. It can cost millions of dollars in attorneys' fees, and consume several years of time, to prosecute a piece of patent litigation through trial, and more if the verdict is appealed. While there are times when such expenditures are necessary and economically wise, such as, when an injunction is necessary to protect a product's market share, or when potential damages are greater than the costs to be incurred, federal court patent litigation is often too expensive to undertake when measured against the benefits to be realized.

There is, however, an alternative way for businesses to protect their intellectual property rights in certain

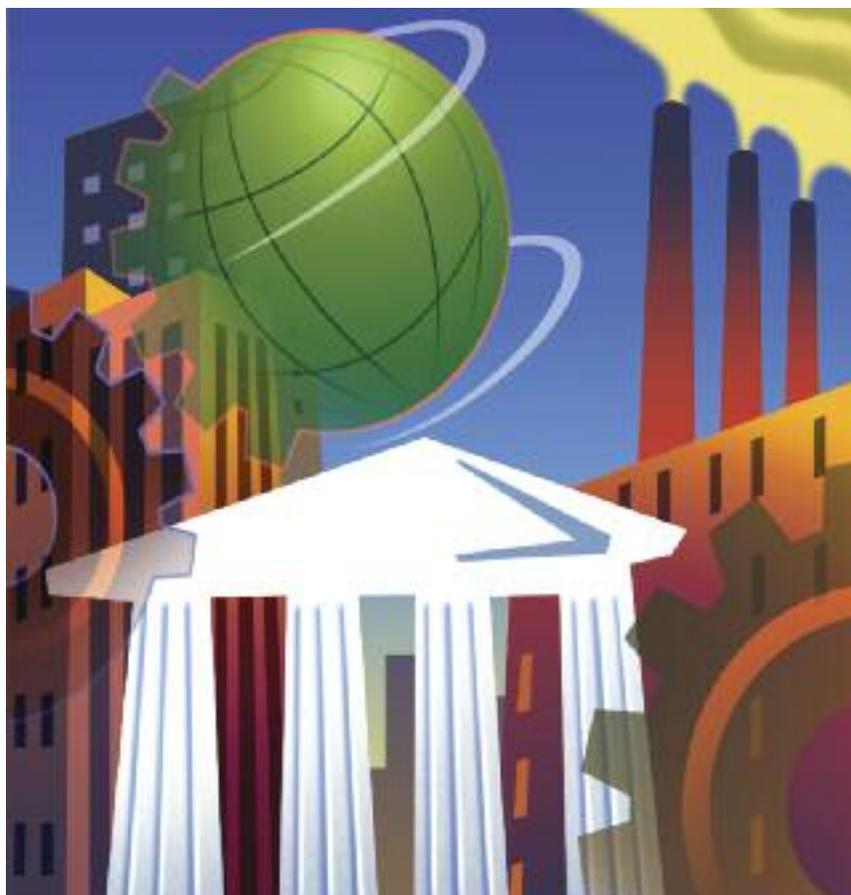
limited circumstances at a small fraction of the cost of conventional litigation, and with the possibility of obtaining substantially quicker relief. Where this alternative is available, it is a powerful and increasingly used tool.

If a company's rights are being infringed by products manufactured abroad and imported into the United States, Section 337 of the Tariff Act of 1930 allows the company to bring an administrative action before the United States International Trade

Commission ("ITC") to preclude the importation of the infringing products and/or further sale of any already imported infringing products. The action can be brought against a single infringer, or against multiple infringers, even if they sell different products, so long as the rights being infringed are the same.

If the conditions exist for a Rule 337 claim, the rights holder files a petition with the ITC asking it to

see **PROPERTY** page 27



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Teens and instructors participating in the Driving Skills for Life: Ride and Drive Teen Safety program (here and above)



Ford volunteers doing clean up for Friends of the Park



Ford Motor Company volunteers at the JDRF Walk in Chicago

# Ford's community involvement parallels their

**F**ord Motor Company's presence in Chicago goes back almost a century, and has just entered a new chapter with the announcement that the Chicago Assembly Plant will produce the new Ford Explorer SUV and bring 1,200 new jobs to the facility. Included in this rich history has been the company's long-standing commitment to the community.

As a major industrial hub, Chicago and Illinois could scarcely avoid a major role in the growth of the auto industry. In addition to vehicles themselves, the city was a major producer of auto parts and materials. Horseless carriages first arrived at the 1893 Columbian Exposition. In 1895, a high profile auto race between Chicago and Evanston was held concurrent with what is considered Chicago's first auto show.

In the midst of the industry's early expansion, Ford built its first manufacturing plant in Chicago in 1914. After producing more than 4,200 Model T's in Chicago, Ford acquired an 11-acre parcel of land on the swampy southeast side of the city. The plant, at 126th and Torrence, had rail and water access and could take advantage of a large population of highly skilled manufacturing workers already at work in Chicago's heavy industries.

Ford's Torrence Avenue Assembly Plant has produced some of America's most legendary vehicles, inextricably connected with our history, our culture and our own personal memories. In addition to Model T's, the plant, which on a recent visit President Obama called, "a part of American history," produced Model A's and early Ford trucks. The plant underwent numerous expansions and now covers 113 acres and more than 2.7 million square feet of space with nearly 1,400 employees. A few miles away, Ford's Chicago Stamping Plant produces body panels at a 2.5 million square-foot plant with more than 800 workers.

With this historic, robust and growing presence in Chicago, it is no surprise that Ford has made major investments in the local community. During the past decade alone, Ford Motor Company invested more than \$20 million in community projects and partnerships, mostly through its philanthropic arm, Ford Motor Company Fund and Community Services.

In these difficult economic times, many companies have shifted focus to more strategic giving programs that look for synergies with company operations, make more use of company product donations and expertise, and rally employees to give of their time and knowledge for the community's benefit. Ford and the Ford Company Fund have long championed this type of targeted philanthropy, recognizing that the company can make more impact in areas where they have abundant experience and that employee volunteerism is crucial to community involvement.

In 2008, Ford designated Chicago as one of only seven cities in the nation to participate in a groundbreaking new program — "Operation Goodwill." The Ford Motor Company Fund designed this initiative to increase the company's philanthropic commitment to communities and leverage partnerships with local dealers and community agencies with an emphasis on projects of local impact.

"Operation Goodwill gives us the opportunity to make our philanthropy and community relations more relevant in areas such as Chicago," says Jim Vella, Ford Motor Company Fund's

# Community commitment long history in Chicago

president. Ford integrates its community involvement with its broader marketing and advertising efforts to raise public awareness of the important projects the company supports.

A prime example of Ford's focused involvement is found in its development and ongoing support of the "Driving Skills for Life" program, which has taught safe driving skills to more than 340,000 high school students nationwide through hands-on driving events and web-based training.

For the past several years, Ford's Driving Skills for Life has partnered with the Illinois Department of Transportation (IDOT) to provide Illinois students with two days of advanced driving safety training using specially equipped vehicles that simulate hazardous conditions and are supervised by professional instructors.

These collaborative efforts have helped the state realize a 49 percent decrease in teen driving fatalities since 2007. In recognition of the impact of the program, IDOT presented Ford with its Peter K. O'Rourke Special Achievement Award in 2009 for notable contributions to highway safety.

Illinois has the seventh highest number of traffic fatalities in the U.S. for children under the age of 14. But the numbers are proportionally higher in the Latino community. When Ford recognized an alarming disparity in vehicle accident deaths for children among Latinos they sought to address this issue through effective partnerships in the community.

Working with the National Latino Children's Institute (NLCI) and the Centro San Bonafacio, Ford Motor Company Fund brought in a new initiative — Corazon de mi vida (You are the center of my life). It seeks to overcome language and cultural barriers to promote the adoption of effective child safety practices. Each year it provides courses in English and Spanish to certify safety advocates on car seat installation. The program also provides free installation and inspection of child seats at

special events, and free car seats for select families in need.

In 2007, Ford teamed up with community organizations in Chicago's North Lawndale neighborhood to launch Henry Ford Academy: Power House High, revitalizing a former industrial site in one of the city's most disadvantaged areas. With a \$1.25 million grant from the Ford Fund, this new charter high school became one in a network of schools modeled after the nationally recognized Henry Ford Academy in Dearborn, Michigan. It provides students with an innovative curriculum focused on real-world experiences and the development of problem-solving skills.

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During the past decade alone, Ford Motor Company invested more than \$20 million in community projects and partnerships, mostly through its philanthropic arm, Ford Motor Company Fund and Community Services.

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The curriculum, also funded by Ford Fund, emphasizes the use of green building features to enhance lessons on the environment, clean technologies and sustainability. Ford volunteers assist students throughout the year through the Junior Achievement Classroom Sponsorship Program.

Early indicators show the school is making a difference. While nearby conventional public schools see dropout rates approaching 50 percent, the Henry Ford Academy saw less than four percent of its students leave school in its first year.

Other Ford Fund-sponsored programs in Chicago include:

## JDRF Illinois Juvenile Diabetes Research Fund

- Since 2008, Ford has been a leading corporate sponsor of JDRF in Chicago, creating a partnership with JDRF which includes support for all five Chicago-area JDRF Ron Santo Walk to Cure Diabetes events, as well as a number of Ford dealerships sponsoring local family walk teams.
- Ford Motor Company raises more money for JDRF nationally than any other corporate sponsor.

## Project S.N.A.P. —

### Share Nature Act Preserve

- Project S.N.A.P. uses art with a message to empower children and families.
- In 2009, JDRF and Ford Motor Company Fund partnered with Project S.N.A.P. to work with Chicago-area families to create two large mosaic murals with the theme "Hope for a Cure." More than 1,000 children and their families created artwork for the murals that expressed their hope for finding a cure for Type 1 Diabetes.
- Proceeds from the sale of the murals benefited JDRF.

## Shedd Aquarium

- Ford Motor Company Fund sponsors Shedd Community Discount Days.
- The program offers people the opportunity to visit the Shedd Aquarium for free and experience Shedd's amazing collection of marine life.
- Shedd connects young people to educational and professional resources to spark a life-long interest in science.

## Ready, Safe, Drive!

### Car Care Clinics

- In partnership with SafeSmartWomen, Ford presents workshops that teach young women about personal safety and preventive vehicle maintenance, including how to change a tire

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# Medical costs drive health insurance premiums

from Blue Cross and Blue Shield of Illinois

increasing significantly faster than inflation throughout the economy as a whole.

- **Increased utilization.** Americans utilize more and more medical services each year.
- **New technologies.** New and more expensive therapeutic and diagnostic technologies, as well as devices and pharmaceuticals may be used instead of older, less expensive ones that may be as effective.
- **Unhealthy lifestyles.**

Rapidly increasing “waist lines” and growth in other unhealthy lifestyles have led to a greater incidence of chronic and expensive conditions, ranging from heart disease to diabetes. As a result, the severity of Americans’ medical conditions on average is increasing, as is the intensity of the treatment.

- **Cost shifting.** Providers “cost shift” to cover financial losses from care for patients in government programs that pay less than it costs providers to deliver care.

## National health care costs

The U.S. spends more on health care than any other nation. In total, medical costs nationally are approaching \$2.4 trillion annually — nearly \$8,000 a year for every man, woman and child in America.

In general, federal government data confirms that rising medical costs are driven by increased spending on hospital care, physician services and prescription drugs. The government data shows that nationally:

- Hospital spending growth is projected to have accelerated from 4.5 percent in 2008 to 5.9 percent in 2009, as spending reached \$760.6 billion.
- Spending growth for physician

and clinical services is expected to have accelerated to 6.3 percent in 2009, up from 5.0 percent in 2008, with expenditures having reached \$527.6 billion.

- Prescription drug spending is expected to have grown 5.2 percent in 2009, an acceleration of 2.0 percentage points from 2008, and to have reached \$246.3 billion.

These figures do not include increases in utilization and the impact of unhealthy lifestyles, which also are significant drivers of overall medical costs. Treating patients with one or more chronic diseases costs \$1.65 trillion per year, which is nearly identical to the nation’s federal deficit in 2009.

## National and unique factors in Illinois have caused local medical costs to increase significantly

Like the nation as a whole, Illinois faces similar upward pressure on medical costs. However, additional factors make the situation here unique, including:

- Illinois has 47 coverage mandates, more than most other states. It is important to understand that each mandate adds to the price of health insurance premiums. In total, mandates add from 25 to 50 percent to the price of premiums.
- Research by the Dartmouth Medical School in New Hampshire showed that medical care for Chicago area Medicare patients costs 25 percent more than the national average.
- A recent U.S. government report on medical imaging found that in 2008, Illinois hospitals provided double chest CT scans twice as often as hospitals did nationally.
- In Chicago, chronically ill patients return to the hospital after they are discharged more often than in any other place.
- Illinois has the 27th highest rate of

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The news media, blogs, pundits and policymakers are rife with stories about significant health insurance premium increases and their impact on businesses, consumers and the economy. These stories offer many valid points but what they tend not to recognize is the primary underlying cause of premium increases — the growing cost and utilization of health care services.

Blue Cross and Blue Shield of Illinois (BCBSIL) understands why Americans may be frustrated by premium increases. But it is difficult if not impossible to reduce the rate of growth in health insurance premiums when medical costs continue to increase so rapidly. Here we present information about the multitude of underlying drivers of medical costs across the nation and in Illinois, and points to the future of the health system.

## What does medical care cost in the U.S. and why is it increasing so rapidly?

To reduce medical costs, it is important to understand what drives them:

- **Medical inflation.** The cost of a single unit of care, from an MRI or the delivery of a baby to an emergency room visit — has been

# MEDICAL COSTS

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adult obesity in the nation, at 25.9 percent, and the 10th highest rate of overweight among youth ages 10 to 17, at 34.9 percent.

## Unhealthy lifestyles cause rapid rise in chronic conditions

Lifestyles also have a significant impact on health insurance premiums. In fact, five of the top 10 claims BCBSIL pays are related to obesity. In recent years, the proportion of BCBSIL members with chronic and serious conditions has increased greatly. From 2004 to 2008 alone:

- The diagnosis of type 2 diabetes among members increased by about 14 percent and charges for services increased by 34 percent, from about \$22,000 to \$29,000.
- The diagnosis of atherosclerosis among members increased by about 17 percent and charges for services increased by 29 percent from about \$51,000 to \$65,000.
- In addition, though not related to obesity, the diagnosis of asthma among members increased by 12 percent and charges for services increased by 53 percent from about \$11,000 to \$17,000 during this period.

## Average billed charges for BCBSIL members for the following services

The average billed charges for BCBSIL members for the following services are:

- Hospital stay . . . . . \$12,700
- Emergency room visit . . . \$3,025
- C-Section OR natural birth . . . . . \$13,600
- Shoulder MRI . . . . . \$1,400

## Number of medical claims and costs continue to climb

The following information shows increases in BCBSIL's in-state medical claims costs from 2008 to 2009. The charts below include data from BCBSIL's PPO, point-of-service and traditional fee-for-service plans. From 2008 to 2009, growth in spending across all of BCBSIL's medical claims categories increased significantly, with outpatient facility care increasing the most rapidly.

- Inpatient (facility) . . . . . +7.1%
- Outpatient (facility) . . . +12.6%
- Professional . . . . . +8.4%

- Rx . . . . . +6.6%
- Per Member Per Month (PMPM) is the average amount of dollars spent for each enrollee, each month.*

Major examples of cost increases by claim type include:

- CT Scan . . . . . +13%
- ER visits . . . . . +11.5%
- Inpatient surgery (56% of inpatient PMPM) . . . . . +9.1%
- MRI . . . . . +15.3%
- Outpatient lab . . . . . +13.9%
- Outpatient surgery (ambulatory surgery center) . . . . . +10.2%
- Outpatient surgery (hospital) . . . . . +11.8%
- Professional evaluation and management . . . . . +7.6%
- Professional surgery . . . . . +5.6%

The wave of change will crest in 2014 when the Affordable Care Act (ACA) goes into full effect and as many as 31 million currently uninsured Americans gain access to the health system as Medicaid expands and health insurance exchanges go live.

## Prescription medication costs and claims increase rapidly

From 2008 to 2009, inflation and the increasing use of brand name and specialty pharmacy medications caused significant increases in BCBSIL's overall pharmacy claims costs. Total pharmacy claims grew by 2.3 percent from 2008 to 2009. The following information is based on BCBSIL data from year end 2009:

### Brand name medications

- The average cost of a one-month prescription for a brand name medication was \$146.89 — a 10.3 percent increase from 2008.
- The overall rate of inflation among brand-name prescription medications was 9.7 percent.
- Brand name prescription medications accounted for 37.4 percent of all BCBSIL prescription medication claims and, at the same time, 81 percent of all prescription medication costs.

## Specialty medications

"Specialty medications" are prescribed for complex and ongoing medical conditions, ranging from multiple sclerosis and rheumatoid arthritis to hepatitis. In addition to being more expensive, specialty medications often are more difficult to use, requiring patient and caregiver education about how to properly store and administer them. The following is based on BCBSIL data from year end 2009:

- The average cost of a one-month supply of a specialty medication was \$2,083.75.
- The rate of inflation for specialty medications was 8.4 percent. At the same time, utilization among our members increased by 8.9 percent.
- Specialty medications accounted for only 1.3 percent of all prescription medication claims but at the same time 17.3 percent of all prescription medication costs.
- In addition, the overall use of statins — medications used to reduce cholesterol levels — increased by 10 percent, and the use of antivirals increased by 20 percent.

## The future starts now

The Affordable Care Act (ACA) already is having a significant impact on the health care system and marketplace. The wave of change will crest in 2014 when ACA goes into full effect and as many as 31 million currently uninsured Americans gain access to the health system as Medicaid expands and health insurance exchanges go live.

Getting from 2010 to 2014 will require new approaches and innovative thinking that will change how consumers, providers, health insurers and others approach access to and payment for services. Reining in costs in a smart way that enhances quality and accountability and reduces growth in costs is a top priority for BCBSIL, which already is working collaboratively with health care providers and other stakeholders to prepare for ACA's full implementation. ■

For more information, visit [bcbsil.com](http://bcbsil.com).

# Wellness — A manufacturer's strategy



**E**mployers have struggled with rising health care costs for more than a generation, and continue to do so today. The cost drivers behind increasing health care costs are numerous and complex. What can an employer do to manage and reduce this significant expense?

More than 20 years ago one answer to this question began to take form. Taking a page from the property/casualty insurance play book, employee benefit brokers and others in the industry realized an equivalent to a property/casualty “risk management plan” was needed. A significant factor driving costs of health care plans is the health of employees. How could an employer manage this risk or potential cost — the health and wellbeing of employees? An employer sponsored wellness plan was the answer.

A well designed and implemented wellness plan:

- Provides the employers with the ability to address health care initiatives for employees;
- Could alert an employee to a previously unknown and potentially life threatening medical condition;
- Can help employers control health care costs.

Several components are necessary to create a comprehensive wellness plan. Employers first need a method to independently determine the health care challenges facing their employees. A wellness plan must incorporate best practices and a sound operating plan to meet established objectives and reap the dividends of a healthier workforce and lower health care costs.

## **Health care challenges facing employers**

There are a variety of challenges employers must address within their organizations to implement a successful wellness plan. Some of these challenges common to manufacturers include:

- An aging workforce;
- Reduced productivity due to absenteeism;
- Unhealthy lifestyles;
- Increase in Workers Compensation costs;

By Jeff Lawler, DS&P Insurance Services, Inc. and  
Joe O'Brien, Interactive Health Solutions

# to control rising health care costs

- Escalating health insurance costs.

Each of these challenges should not be ignored by manufacturers who want to compete, grow and prosper in today's marketplace. Worksite health promotion is an investment in an employer's most valuable asset, their employees. A comprehensive workplace wellness program can positively influence each of these challenges.

Most employers are aware their employees engage in high risk behaviors. A recent review of employee health evaluation questionnaires produced results that shocked some employers into rolling out a wellness program. The results are listed below:

- 58 percent of participants will be found to have a health issue that they did not know about or were aware of but not managing properly;
- 23 percent will be assessed to be of high risk for heart attack or stroke;
- 2-3 percent will have a severe potentially life-threatening issue;
- 19 percent will be assessed to have a pre-disposition to diabetes;
- 63 percent have not seen a doctor in five plus years.

## Best practices when developing a wellness program

The Wellness Councils of America (WELCOA), an organization dedicated to the promotion of worksite wellness, has identified the seven best practices ("The Seven C's") for employers to follow when building a comprehensive, effective worksite wellness program within their organization.

1. **Capture senior-level support** — make corporate health a strategic initiative.
2. **Create a wellness team** — set a vision, expectations and outcomes.
3. **Collect data that will drive the health initiatives** — how healthy are employees and their families?
4. **Craft an annual operating plan** — measure, monitor and reward.
5. **Choose appropriate health initiatives** — 75 percent of health issues are avoidable.
6. **Create a supportive environment** — education, incentives and reinforcement.

7. **Consistently evaluate outcomes** — annual review with senior management.

## Developing a wellness program operating plan

An effective wellness program operating plan should contain the following elements:

1. **Vision statement.** A successful and long-lasting wellness program requires a clear vision or mission statement.
2. **Goals.** Goals are the long-term accomplishments designed to be achieved from the program. They are more likely to be accomplished when realistically set, reflect the needs of both management and employees, and flow naturally from the data collected. Goals should include clear time-frames and be measurable.
3. **Objectives.** Objectives are the tactics implemented in order to achieve the stated goals. Like goals the objectives should be clear, include specific action steps, a timeline and be measurable.
4. **Timeline.** Develop a realistic timeline to both implement and evaluate the program. The timeline will incorporate key dates contained in the objectives and goals. Health promotion programs are generally kicked off at the start of the new year when people are making resolutions and then promoted at least two more times throughout the year.
5. **Budget.** It takes resources to carry out the objectives necessary to accomplish the program goals. The program budget may include such items as salaries, program materials, administrative needs, outside vendors, evaluation and the costs associated with incentives used to drive participation. A comprehensive budget is essential during the evaluation process as program costs are compared to outcomes.
6. **Communication plan.** Proactive communication is a must in order for the program to increase employee awareness and drive participation. Specific communication techniques will vary depending on the company size and budget.

7. **Implementation plan.** This section of the operating plan will provide detailed information regarding when the various health promotion programs will be offered and will assign the individual responsibilities associated with the offerings.

8. **Evaluation plan.** The final section of the operating plan will address how to measure the success of the program. Ideally, evaluation will include both measuring how well the program is working and whether or not it is achieving its expected results.

## The dividend for implementing a wellness program

Implementing a wellness program requires careful planning. With good planning, your company can reap the benefits of workplace health promotion: healthier employees, reduced absenteeism, increased productivity, a boost in morale, and reduced health care costs. All of these benefits will contribute to keeping the company's bottom line fit and healthy. Studies have shown that employees are more likely to be on the job and performing well when they are in optimal health. Benefits of implementing a wellness program include:

- Attracting the most talented workers;
- Reducing absenteeism and lost time;
- Lower Workers Comp claims;
- Improving on the job time utilization, decision making and productivity;
- Improving employee moral;
- Reduction in turnover;
- Improved disease management and prevention, and a healthier workforce in general, both of which contribute to lower health care costs.

A body of research and data supporting a substantial return-on-investment (ROI), for a workplace wellness plan is readily available in the marketplace today. Zoe Consulting, an independent and credentialed consulting firm, recently analyzed a sample of two and a half years of medical claims data from a

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## WELLNESS

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mix of over 300 employers. The sampling included companies that did have a wellness program, and companies that did not. The findings from the study showed that employers who had implemented a wellness program had a 54 percent lower medical trend during the two and a half year study time frame compared to employers who did not have a wellness program. Also, employers who used a wellness plan combined with a disease management program had a 65 percent lower medical trend during the two and a half year study period compared to those who did not.

Millman Inc, a leading actuarial and consulting firm, was recently asked to review the wellness programs and return-on-investment methodology of a national wellness provider. A comparison of the study to control groups over a three year period produced the following aggregate results (actual results will vary by group):

- The control group per member/per month costs increased annually 12.5 percent while the study group that utilized a wellness plan had a cost increase of only 5.3 percent, an improvement of 7.2 percent annually.
- For every dollar invested in the wellness plan, the group experience between \$2 and \$3 in reduced costs.
- Timeline: Financial returns began in the last half of Year two.

### Example of a successful wellness program

The findings from the study conducted by a national consulting group focused on working with employers to leverage their health plan design in order to maximize participation and improve engagement and results. In other words, for a wellness program to be successful employees must participate. There are many steps that an employer can take to encourage participation. Wellness companies offer a variety of action plans to drive employees to utilize a wellness program. Some of these action plans include:

### Health insurance contribution

**differentials:** To incentivize employees to participate in the first year of the program, employers can for example reduce an employee's monthly health insurance contribution by \$50 per month for participating in the wellness program.

**Risk rating:** A wellness company can establish a Risk Rating of each participant on their lifestyle related preventable health risk factors. The risk rating provides each participant with a measurable, annual health score and a goal to achieve when the person retests next year.

**Pro-active outreach:** A professionally trained health coach is made available to counsel participants on their health issues to insure that participants are on target to meet their health goals by next year.

**Quick test:** An opportunity for each participant to retest within six months after their initial evaluation to assess progress with managing lifestyle related clinical risk factors.

A wellness plan that includes this type of a process results in participants

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# Twelve mistakes to avoid in site selection

**S**ite selection, the concept that applies both analytical and qualitative techniques to determine the most favorable location for a business operation, has been around for a long time. Manufacturers have historically taken widely different approaches to location analysis and asset deployment, with varying degrees of success. Some prefer an abbreviated methodology, while others examine every detail, utilizing outside consultants and experts to maximize returns, minimize risk, and use location as a competitive advantage.

Few corporate decisions have as many immediate and long-term implications on tax structure, cost of goods sold, supply chain, labor force, and overall operating success as the choice of location. Furthermore, several factors have emerged to make site selection increasingly complex. These include fast-track expectations, globalization, strict environmental legislation, tightening labor availability, scarcity of certain labor skills, and utility consolidation. With each degree of complexity comes a new set of considerations requiring a higher degree of analysis to avoid risk and make the right location decision.

The accessibility of location information on the internet may give the appearance that the site selection process can be simplified and accelerated. Unfortunately, applying data without context and experience can lead the search for the most optimal facility location down a path lined with risks, delays, hidden costs, and even fatal flaws. At every step in the process, a host of errors can be made that will compromise the final location selection. Here are a few of the critical mistakes that can undermine the analysis and lead to risk, higher cost, and unfavorable operating conditions:

## 1. Unprepared site selection team

Successful companies are able to bring multi-disciplinary teams together to enable and implement an effective location strategy. They have found that to limit risk and avoid surprises, it is critical to address certain technical, analytical, and financial elements early in the site selection study. An effective team will possess core competencies in the areas of human resources, cost accounting, logistics, tax, engineering, construction, and in some cases, environmental issues. Neglecting to assemble the right mix of stakeholders and experts early in the process increases the risks of project delays and poor location selection.

## 2. Lack of executive consensus

In most organizations, the critical effect that location has on an operating unit's success places the results of the site selection process under a "C-level" (CEO, CFO, etc.) microscope.

The executive management group has more at stake than most of the day-to-day members of the site selection team, and therefore is likely to have strong opinions on the analysis and solution. Many teams make the mistake of sharing only the final results of the analysis with their executive leadership, risking challenges of the original assumptions, rationale, methodology and solution. Including corporate leadership early on and throughout the process helps promote buy-in and understanding of the long and highly analytical process of most site searches.

## 3. Incorrect search area

Manufacturing site selection usually begins with a general region of interest due to transportation issues, human capital needs, or other market dynamics. Problems will arise and valuable time will be

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who are more engaged and results are improved as outlined below:

**High participation** — 80-90 percent participation including employees and spouses. Virtually the entire plan member population is engaged in prevention.

**Healthy people stay healthy** — Nearly 100 percent of the low risk rated participants maintain their health status from year to year.

**High risk participants improve** — 45 percent of the high risk participants became low risk after one year.

**The majority wins** — 81 percent of the population meets their health goal from year to year.

**Budget neutral wellness program** — the wellness program becomes a budget neutral solution. The incremental contributions from participants who do not qualify for their incentives will create a funding mechanism that eliminates the need for employer funding for the program.

A program that engages more than 80 percent of the population shows that more than 80 percent of the participants make their measurable health goals from year to year and requires no funding from the employer.

## Wellness plans receive a boost under the new health care reform legislation

Under the recently passed health care reform legislation, employers can offer increased incentives to employees for participating in a workplace wellness program or meeting certain health status targets starting in 2014. Grants will be made available for small businesses who implement comprehensive workplace wellness programs starting in 2011, and technical assistance will be made available to companies of any size.

### Wellness incentive increases

Existing wellness regulations under HIPAA permit wellness incentives of up to 20 percent of the total premium, as long as the program meets certain conditions. Under the new legislation, the potential incentive increases to 30 percent of the premium in 2014 for employee participation in the program or meeting certain health standards. Employers must offer an alternative standard for

those employees for whom it is unreasonably difficult or inadvisable to meet the standard. Following a governmental study on wellness programs, the incentive may be increased to as much as 50 percent.

### Small employer grants

Under the new legislation, there will be a five-year, \$200 billion program for implementing comprehensive workplace wellness initiatives starting in 2011. Grants will be available to eligible employers who provide their employees with access to a new workplace wellness program. Eligible employers include businesses that employ fewer than 100 employees who work 25 hours or more per week and did not have a workplace wellness program as of March 23, 2010. To be eligible for the grants, wellness programs must be made available to all employees and include:

- Criteria related to health awareness including health education, preventive screenings and health risk assessments;
- Efforts to maximize employee engagement;
- Initiatives to change unhealthy behaviors and lifestyle choices;
- A supportive environment at the workplace including workplace policies to promote healthy eating, increased physical activity and improved mental health.

### Technical assistance

Companies of any size will be eligible for access to technical assistance, consultation, resources and other tools to help evaluate, analyze and monitor their wellness program, set to be made available no later than two years after the date of enactment.

## Conclusion

Many employers likely view the rising costs of health care as out of their control. To a certain extent this is true. However, a wellness program that is effectively designed and implemented to include steps to drive participation can improve the overall health and wellbeing of a workforce. Regardless of how much an employer is paying for health care, it can always improve its results. Implementing a wellness program is the perfect place to start. Employers should not minimize the wonderful benefit they are providing employees. It is a gift of health that they are giving and this should

never be minimized.

A manufacturer recently implemented a wellness program that included health screenings and follow-up coaching sessions. When asked how the program went, the Director of Human Resources said "This is the best thing we have ever done for our employees."

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lost if this geography is not carefully validated with the new facility's overall operating objectives and criteria. For example, a manufacturer may consider a six-state region as the initial search area for a new plant to minimize inbound transportation costs from vendors. However, a more cost-effective search area may emerge some 750 miles to the west after a more comprehensive study of all inbound and outbound freight costs. The lost time and wasted effort in analyzing the original search area is unrecoverable.

### 4. Narrowing the search area too rapidly

After the search area is determined, companies are often tempted to quickly eliminate large chunks of geography to accelerate the process. Whole states or countries might be eliminated that, with some analytical consideration, could have been favorable alternatives. This can be avoided by correctly prioritizing the project's critical location factors — those aspects of the desired solution that can be quantified and measured. These can include transportation, demographic, labor, tax, and in some cases, utility infrastructure requirements. With an agreed-upon methodology for elimination, the critical location factors should be used to reduce the areas of consideration thoughtfully and objectively. If areas exhibit borderline characteristics, it is generally wise to retain them, not eliminate them, for the next round of analysis.

### 5. Failure to consider all the issues

No two location searches are identical: each has its own unique set of critical location factors, specifications, needs, timing and risks. A common error during the site selection process is to consider only easily quantified aspects such as labor costs, real estate, or taxes. In reality, each location will present a host of variable tradeoffs, opportunities, strengths and weaknesses. Some will be financial (cost-based) while others will be qualitative (risk-ori-

ented). Knowing which issues will most contribute to the project's ultimate success and evaluating them completely in each candidate area is critical to uncovering the best location solution.

### 6. Incomplete labor market analysis

Unemployment and average hourly earnings statistics, the "usual suspects" in any labor study, are only general indicators of workforce availability and cost. However, the market for employees in any area is affected by dozens of other factors that should be quantified and interpreted during the site selection process. These include population demographics, union characteristics, turnover, absenteeism, average fringe benefits, commuting patterns, recent plant openings and closings, and others. Labor market studies are often complex, and very detail-oriented exercises that address two objectives: to limit the location risks inherent with human capital, and to provide a solid basis for human resources strategy and implementation once the final selection is made. For manufacturers looking outside the U.S., be aware that published labor market data is often outdated and inconsistently collected in different countries.

### 7. Failure to consider community trends

No location exists in a vacuum; towns, counties, states, and regions are in a dynamic state of evolution that affects most aspects of business operations. Labor and real estate markets, utility services, political factors, community image, and demographic characteristics can and do change from year to year. Evaluation of statistics is important, but datasets do not capture the dynamics and context behind the numbers. Making the right long-term location decision is generally more difficult than understanding today's costs and conditions.

### 8. Poor or absent technical site review

When considering candidate sites for a new manufacturing operation, it is critical to conduct a technical site study of several of the finalists to limit construction risk and quantify

hidden development costs. Every year, projects experience unforeseen circumstances such as adverse geotechnical conditions, floodplain issues, and various permitting hurdles that could have been avoided. It is crucial to understand and measure environmental risk, timing, obstacles to development, and geographically variable construction costs. At a minimum, obtain recent Phase one and other available environmental studies, soil borings, zoning regulations, development codes and covenants, wetlands studies, floodplain information, and utility maps for each site under consideration.

### 9. Breach of confidentiality

Why is project confidentiality important during the site selection process? It protects owners from unwanted attention and distractions, both external and internal, that can influence the outcome of the study. Management may be sensitive to premature, out-of-context leaks that can reach Wall Street, competitors, land speculators, and employees. This means that the site selection team must take precautions to not reveal the corporate identity or nature of the business to third parties who may not have the firm's best interests in mind. When the location analysis is complete, a carefully planned and executed announcement strategy will help ensure that the project is properly communicated and accepted from political, financial, and human resources perspectives.

### 10. Failure to capture negotiable incentives

The state and local economic development community is in the business of attracting and retaining jobs and investment. Nearly every jurisdiction has some variation of legislated incentives that are available to any qualified business locating in the area. Often overlooked or under-achieved are discretionary incentives that can be available. Through a carefully planned process, manufacturers can receive inducements to help offset cost differences (or mitigate risks) between location finalists. These incentives

see **SITE SELECTION** page 28

## GREENHOUSE GAS

Cont. from page 7

(Endangerment Finding). Prior to the Endangerment Finding, EPA promulgated a rule on October 30, 2009, that requires about 10,000 businesses in the U.S. to report emissions of GHGs beginning with calendar year 2010 (Mandatory GHG Reporting). On May 7, 2010, EPA finalized its "Light-Duty Vehicle Greenhouse Gas Emission Standards" (Light Duty Vehicle Rule) that will apply to affected vehicles beginning with model year 2012. Under the Clean Air Act, this GHG emission reduction rule triggers a Clean Air Act provision that would increase major source permitting requirements nationwide from approximately 15,000 facilities to about 6,000,000 facilities; most of whom were not regulated in this manner previously. To address this "unintended" consequence of using the Clean Air Act as the vehicle for GHG regulation, EPA issued a final rule on June 3, 2010, to change certain thresholds mandated by Congress when it passed the Clean Air Act. This so called Tailoring Rule decreases the number of affected entities from 6,000,000 to about 22,000.

In summary, in the last 12 months, the EPA has required a significant number of businesses to record and report GHG emissions (Mandatory GHG Reporting), formally issued a finding that GHGs are a danger to human health and the environment (Endangerment Finding), began to restrict GHG emissions by issuing a rule to limit emissions of GHGs from motor vehicles (Light Duty Vehicle Rule) and promulgated a rule to prevent the "absurd results" that would occur through application of Clean Air Act requirements to a large number of commercial and institutional facilities (Tailoring Rule). If EPA had hoped this flurry of activity would provoke Congressional action, it hasn't worked yet.

### Stimulus for the lawyers

All of these actions have created an avalanche of requests for reconsideration by EPA and petitions for judicial review from the D.C. Circuit Court of Appeals. In the interest of space, the details of these challenges won't be covered here but suffice it

to say that all sides are involved. This includes business groups, environmental organizations, elected officials at various levels, and state and local governments. On July 29th, the EPA denied the petitions for reconsideration of its Endangerment Finding clearing the way for a judicial review by the D.C. Circuit Court of Appeals. The Endangerment Finding underpins both the Light Duty Vehicle Rule and the Tailoring Rule. If the Endangerment Finding is stayed or vacated, neither one of these two rules can stand. However, the motor vehicle manufacturers are already well into the implementation of this rule for model year 2012 and regulatory uncertainty will only add to the complexity of planning for design and production of later model years. The arguments presented in appeals of the Tailoring Rule are worth highlighting, especially given that this rule goes into affect January 2, 2011, and has such a significant potential impact. In simple terms, one of the arguments against EPA's approach is that the very fact that EPA sees the necessity for such a rule to avoid the "absurd results" shows that Congress did not intend to regulate GHGs through the Clean Air Act. Petitioners argue and that the EPA does not have the authority to make the proposed changes to provisions of the Clean Air Act to fit its notion of unspoken Congressional intent.

### Texas says no; Illinois says maybe

In the meantime, the State of Texas informed the EPA in a letter dated August 2nd that Texas, "... has neither the authority nor the intention of interpreting, ignoring, or amending its laws in order to compel the permitting of greenhouse gas emissions." This statement was made in regard to the Tailoring Rule which will impact permitting transactions beginning January 2, 2011. While there is much grumbling about this issue, states have not joined Texas in refusing to implement the rule. Illinois on the other hand is legally prepared to implement the rules come January, 2011, since it has a delegation agreement with EPA to apply such rules in Illinois. However, Illinois has notified the EPA that without additional resources, permitting transactions that would normally take 14 months could take seven years. Illinois already has two permit applications

under review that will be affected by the new rule since these applications will not be issued prior to the effective date of the Tailoring Rule.

### Illinois' fee plans

This brings us back to the beginning. The IEPA has been struggling with limited resources (aren't we all) for some time and the increase in permitting work brought about by EPA's regulation of GHGs is well beyond the IEPA's ability to cope. Hence the plans for a GHG fee of \$0.10 per pound. However, while the IEPA plans to seek the fee through legislation yet this year, it believes that it already has authorization to charge a GHG fee at the current rate for air fees of \$18 per ton set in the Environmental Protection Act. If the IEPA is correct, absent legislation, a number of small businesses could see their air pollution fees skyrocket to the current limit of \$250,000 per year. Such a fee could be demanded from a gas-fired boiler as small as approximately 30 mmBtu per hour. The IEPA's legislation would set the lower rate of \$0.10 per pound and make a few other adjustments that will see an overall increase in revenue to the IEPA. Among other concerns the business community might have for such a proposal, arguably the most basic is whether the IEPA would ever be authorized to spend those funds to provide the service it is promising. History has shown that special purpose funds in Illinois often are directed away from the purpose they are intended to serve.

### Stay tuned

The flurry of activity summarized in this article is likely to continue well into next year and beyond. We haven't even touched on cap and trade efforts going on at the regional and state level and Congress is expected to tackle this matter, in some fashion, in the next Congress. Couple all of this with the appeals of the EPA's regulations that are working their way through the system and the real problems that will occur as the IEPA and others try to regulate GHGs with Clean Air Act provisions that everyone, EPA included, agrees were never intended for that purpose. The IMA will continue to be engaged in this issue on behalf of its members. ■

# A road map to true transformation: Translating strategy into action

**A**s the economy struggles to sustain an extended recovery, manufacturing — particularly in the Midwest region — is leading the way. July 2010 was the 12th consecutive month that the manufacturing sector had expanded.

As companies redirect their focus from survival to boosting productivity and growth, executives are meeting to devise a corporate strategy they hope will result in transformational change — a shift in a company’s culture based on new strategy and processes implemented over a period of time. At these sessions, top managers gather, reach a consensus, make plans, and identify benchmarks — and the participants leave convinced they have charted a course for success. More often than not, however, the organization fails to achieve the full potential of its own program. So why do the best-laid plans for transformational change fizzle in the early stages of implementation?

## Obstacles to transformational change

A number of factors can prevent a company from translating strategy into an effective operating plan. On a conceptual level, many companies fail to take a comprehensive approach to strategy, focusing instead on piecemeal efforts that don’t add up to more than the sum of their parts. In addition, competing priorities can emerge after the initial round of meetings, leading departments to work at cross purposes rather than as a unified team.

Obstacles at the operational level only magnify the difficulties. Since companies are focused on manufacturing, sales, and distribution, many don’t have an effective management system in place to oversee strategic initiatives. Similarly, most organizations reduced their work force during the downturn and lack the staff to devote to projects that don’t serve core operations in the short term.

Even companies that clear the strategic and operational hurdles can face unexpected resistance at an organizational level. Employees can be slow to embrace change without a tangible benefit that compels them to do so, and a lack of engaged leaders to champion strategic initiatives can quickly doom projects to failure. In addition, success in the initial stages of a plan often breeds complacency, which quickly saps the organization’s will to follow through with the measures that can realize value in the long term.

## The road map as a catalyst

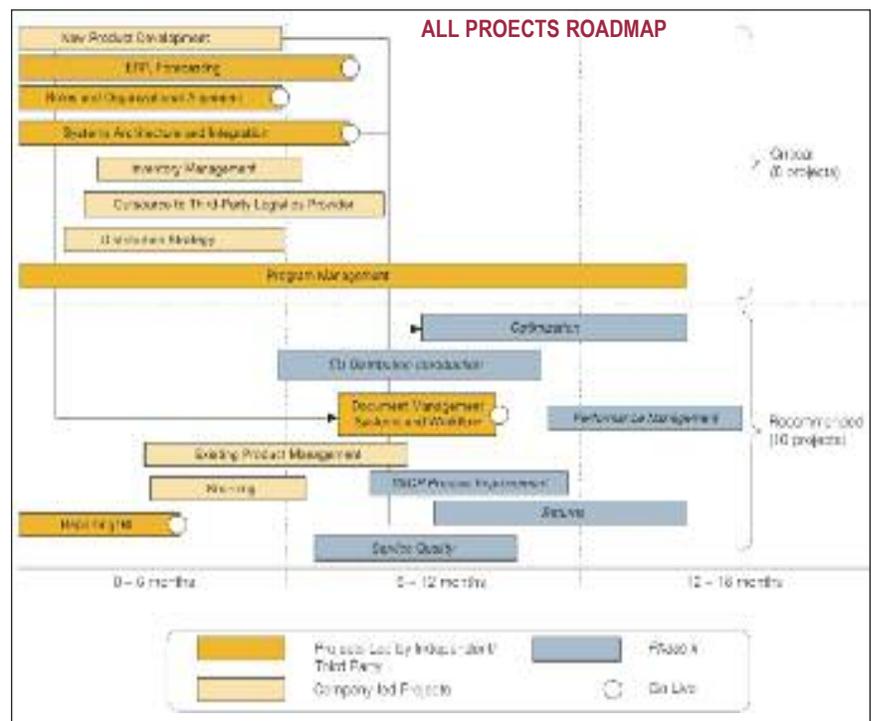
Implementing transformational change falls outside the core mission of many organizations. A road map, however, can provide the necessary focus and tools to translate corporate strategy into a concrete action plan. The process of formulating a road map — which involves intensive

review and analysis to uncover the opportunities that have the potential to achieve strategic goals and boost productivity — forces executives to take a comprehensive view of the organization. This perspective helps a company identify and prioritize initiatives that support its strategy and make the most of its business assets.

## How a road map works

The process for developing a road map should be a collaborative approach that builds consensus across the organization. The finished road map, which includes a detailed plan and schedule for executing on the initiatives, can function as a strong management system to help implement measures smoothly and efficiently and introduce initiatives over time. To produce the most effective road map, companies should take the following six steps.

see **ROADMAP** page 26



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## Consider a System Process Review with IMA-member HighTower, Inc.



Technology. Above and Beyond.

The purpose behind a System Process Review is to have HighTower's field implementation staff "discover" what it is your firm is doing, how the paper work is flowing, and what, exactly, are the processes you go through on a day-to-day basis. Once the review is completed HighTower will make recommendations on process improvements within your firm, including recommending automated tools to aid in this process improvement, if needed.

Without this process review, you wind up implementing a new system into the exact same work-flow process that existed, and passing up the opportunity to "make things better," which is one of the main reasons a company invests in upgrading their accounting, distribution, manufacturing or job costing and billing systems.

This process is fairly formalized and the resultant 'deliverable' is a complete write-up of the System Process Review. This will include a recap of what HighTower discovered as well as an explanation of options covering each 'issue' that was uncovered during the System Process Review. Options usually cover three areas: 1) Changing internal procedures, 2) Implementing changes to manual procedures or implementing automated tools to match internal procedures better, or 3) a hybrid combination of both. The write-up and suggestions are presented at the Implementation Planning meeting, where HighTower reviews everything in detail with you and your staff. To schedule a System Process Review or for more information, contact IMA member HighTower's Pat Leccese at 847-763-4756 or email pleccese@hightowerinc.com. ■

## IMEC expands to Chicago-area

Building on its decade-plus record of improving the productivity and global competitiveness of downstate manufacturing companies, the Illinois Manufacturing Extension Center (IMEC) has won a \$2.5 million competitive contract to bring its job-creating expertise to the Chicago area.

The U.S. Department of Commerce's National Institute of

Standards and Technology (NIST) has been working with IMEC since 1996, when it became one of 59 affiliate centers throughout the country to become a Manufacturing Extension Partner (MEP). Since then, IMEC has generated more than \$1 billion in economic benefits for downstate manufacturers and the state of Illinois.

IMEC President Bob Weinstein orchestrated a coalition of partners to win the federal contract and expand into Chicago and the collar counties. Partners for IMEC's Chicago operations include the Illinois Manufacturers' Association as well as the University of Illinois at Chicago, Northern Illinois University, City of Chicago-Industrial Initiatives and Policy, Chicago Manufacturing Renaissance Council, Argonne National Labs, Illinois Science and Technology Coalition, Illinois Sustainable Technology Center, and several state and local economic development organizations among others.

In Illinois, companies receiving IMEC's assistance report achieving more than \$100 million in cost savings, sales and investment benefits each year. In the last two years alone, the companies IMEC served reported creating and/or retaining nearly 2,200 jobs at a time when many other companies were reducing employment. ■

## United Airlines and Continental close merger

United Continental Holdings, Inc., formerly UAL Corporation, announced recently that Continental Airlines and United Air Lines, Inc. are now wholly owned subsidiaries of United Continental Holdings, Inc., creating a world-class global airline.

The 16-member board is comprised of six independent directors from each United and Continental, including Glenn Tilton, who will serve as non-executive chairman of the board, and Jeff Smisek, who will serve as president and chief executive officer.

"This is a true merger of equals, bringing together two strong companies and positioning us to succeed in a dynamic and highly competitive global aviation industry. This sets us on a path to create the world's leading airline from a position of strength with one of the industry's best cash positions, industry-leading revenues and a competitive cost structure," Tilton said.

"We are delighted to announce the successful completion of this merger. With great people, an unparalleled

global network, the best new aircraft order book among U.S. carriers and a commitment to superior products and services, United is well positioned for a bright future," Smisek said.

Continental and United, operating under United Continental Holdings, Inc., will immediately begin the work to fully integrate the two companies.

The new company's corporate and operational headquarters will be in Chicago, with a significant presence in Houston, the company's largest hub. Together with United Express, Continental Express and Continental Connection, these airlines operate a total of approximately 5,800 flights a day to 371 airports throughout the Americas, Europe and Asia from their hubs in Chicago, Cleveland, Denver, Guam, Houston, Los Angeles, New York, San Francisco, Tokyo and Washington, D.C. ■

## Tim Elder retires – Jim Baumgartner named new Director of Corporate Public Affairs at Caterpillar

After 37 years of service, Tim Elder, Director of Corporate Public Affairs, has retired. Tim joined the company in 1973 as a sales development technician and has had a big influence on Caterpillar's public image ever since.

During his career, Tim held various marketing positions as a field representative, interacting with Caterpillar customers across the United States. In 1977, he became a governmental affairs representative in Peoria and Washington, DC and was promoted to Manager of Governmental Affairs in 1986 where he helped bolster Caterpillar's influence in Washington.

Tim's next assignment as Director of Cat China Investments, CCI and Product Development Support took him to Beijing. He then returned to Peoria. In 2001, he became Director of Corporate Public Affairs where he has had responsibility for Corporate Communications, Governmental Affairs and the Caterpillar Foundation. Caterpillar thanks Jim for his service.

Jim Baumgartner, currently Director of Environment, Health and Safety, will replace Tim as Director of Corporate Public Affairs. Jim's wealth of experiences, both within Caterpillar and outside the company, give him the well-rounded background necessary for this position. ■

## Republic of Korea Ambassador to United States visits Quality Float Works, Inc.



Left to Right: Ambassador Chul Huh, Consul General, Chicago; Jason Speer, V.P. and General Manager, Quality Float Works, Inc.; Sandra Westlund-Deenihan, President, Quality Float Works, Inc.; Al Larson, Mayor of the Village of Schaumburg, IL; Han Duk-Soo, Ambassador of the Republic of Korea to U.S.; Dr. Chul Chung, Chief Economist, Korean International Trade Association

An August Chicago area visit for the Korean Ambassador to the United States and other Embassy officials included a tour of IMA member Quality Float Works, Inc. — a small business that continues to be successful due to their international business. Quality Float Works, Inc. is advocating for free trade with Korea. Led by President Sandra Westlund-Deenihan and her son, Vice President and General Manager Jason Speer, the company has been an international player for almost 50 years. This 95-year old family-owned and operated manufacturing business is globally engaged and has grown sales by 143 percent over the past five years due to developing a technological innovation that has allowed them to compete in the international marketplace. Quality Float Works, Inc. is an example of why free trade agreements are successful for businesses, even small businesses.

“We are very impressed with the Ambassador and the Embassy’s willingness to pursue American interest in working with their country,” said Jason Speer. “It shows a strong commitment in their openness to align interests to do business with companies like ours.”

## John B. Sanfilippo & Son, Inc. appoints Howard Brandeisky as VP Global Marketing and Innovation

Howard Brandeisky has joined John B. Sanfilippo & Son, as Vice President Global Marketing and Innovation. In this new role, Brandeisky will lead marketing and innovation for the company.

Brandeisky brings a diverse background to JBSS along with a track record of growing established businesses and launching successful new products. He spent over 20 years at Kraft Foods in a variety of brand management, new product development, strategy, and finance roles.

“JBSS has a great history and track record of success. The company is a leader in its industry, with exciting plans for the future” Brandeisky says. “I’m excited about the opportunity to develop consumer driven marketing initiatives and product innovations that will drive future growth.”

“We are delighted to have Howard on board,” says JBSS Chief Executive Officer Jeffrey Sanfilippo. “His wide

range of experience in marketing and strategic product development adds enormous value to our Management team. Howard’s business acumen aligns well with our direction during a period of great innovation and growth at JBSS.”

IMA member John B. Sanfilippo & Son, Inc., founded in 1922, is a leading processor, marketer and distributor of nut based snacking solutions. Their products can be found under the company’s Fisher, Orchard Valley Harvest and Sunshine Country brand names and under a variety of private labels. ■

## ADM donates more than \$1.3 million to support education in central Illinois

Archer Daniels Midland Company recently announced a donation of more than \$1.3 million to support schools and educational initiatives throughout Central Illinois. The donation includes \$260,000 for Decatur Public Schools, \$250,000 for the Decatur Area Education Coalition and additional funds for schools and organizations in 16 Illinois counties.

The donation of more than \$1.3 million is the single largest contribution ADM has made to support educational initiatives in Central Illinois, and was made through ADM Cares, the company’s corporate social investment program.

“Education is the key to progress and a foundation of a great community,” said Victoria Podesta, ADM vice president of Corporate Communications. “ADM is proud to support educational initiatives in Decatur and the surrounding area to help create a great future for our community, our employees and our children.”

In 2008, ADM realigned its corporate giving efforts and launched ADM Cares for more meaningful social investing and to strengthen the company’s commitment to agriculture, communities, colleagues and others who have a direct tie to the company. The program directs up to one percent of ADM’s pretax profits to initiatives and organizations around the world that drive meaningful social, economic and environmental progress. ■

## Manufacturing Miles off to a ‘running’ start

More than 2,000 employees of manufacturers from Rockford to Effingham have already registered for Manufacturing Miles, the IMA Wellness in the Workplace competition to see which manufacturing companies in Illinois can accumulate the most miles between now and October 31, 2011. Participants can log mileage they walk, run, cycle or any other activity that can be measured in miles. The competition will award prizes worth \$10,000 to the top companies representing small, medium and large manufacturers. Only member companies of the IMA are eligible to win prizes. The IMA will provide pedometers free of charge to participating companies as long as supplies last.

Funded through a grant provided by the Illinois Department of Public Health, Manufacturing Miles is designed to encourage creation of Wellness programs and lifestyle change among workers. Numerous studies have shown the significant positive effects that wellness programs bring to the workplace. For more information, call Jim Nelson at 800-875-4462, ext. 3023 for details or simply register Online at: [www.ima-net.org/miles](http://www.ima-net.org/miles) today. ■

# ROADMAP

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**1. Define objectives.** The development process begins with a concentrated review of the existing environment. Since the corporate strategy already represents a consensus of senior leadership about the company's direction, the challenge is translating these ideas into a series of well-defined business objectives with quantifiable and tangible measures of success. Notably, this process should uncover new opportunities rather than serve to confirm existing strategy. When done successfully, the review reaffirms the company's commitment to transformational change and reinforces the role of top executives in leading and managing the effort.

**2. Identify opportunities.** Since transformational change will have an impact on every part of the company, an effective road map should include a detailed analysis of five organizational areas — both to identify new opportunities and to build on existing projects and investments.

**Products.** Review product offerings, profitability, and new-product development;

**Organization.** Assess organizational

structure, roles and responsibilities, shared services, outsourcing, internal best practices, and risk management;

**Systems.** Evaluate business processes and systems integration, enterprise architecture, and new projects such as enterprise resource planning, business forecasting, and data management;

**Customers.** Analyze customer relationships, forecasting, service-level agreements, and opportunities for customer collaboration;

**Supply chain.** Examine supplier relationships, service-level agreements, transportation, distribution centers, and contract management.

**3. Assess impact.** Once all of the opportunities have been identified, the next step is to determine their strategic impact on the company's organizational, financial, operational, and strategic goals. This impact assessment may include a detailed business case showing the relative return on investment and the speed with which the program can be executed. An organization should also compile a comprehensive list of key dependencies and risks, the maturity of current processes, projected business benefits, resources required to implement, and critical success factors. In addition, a comprehensive assessment can serve to break down organizational walls and encourage new channels of collaboration — important factors in any

change-management effort.

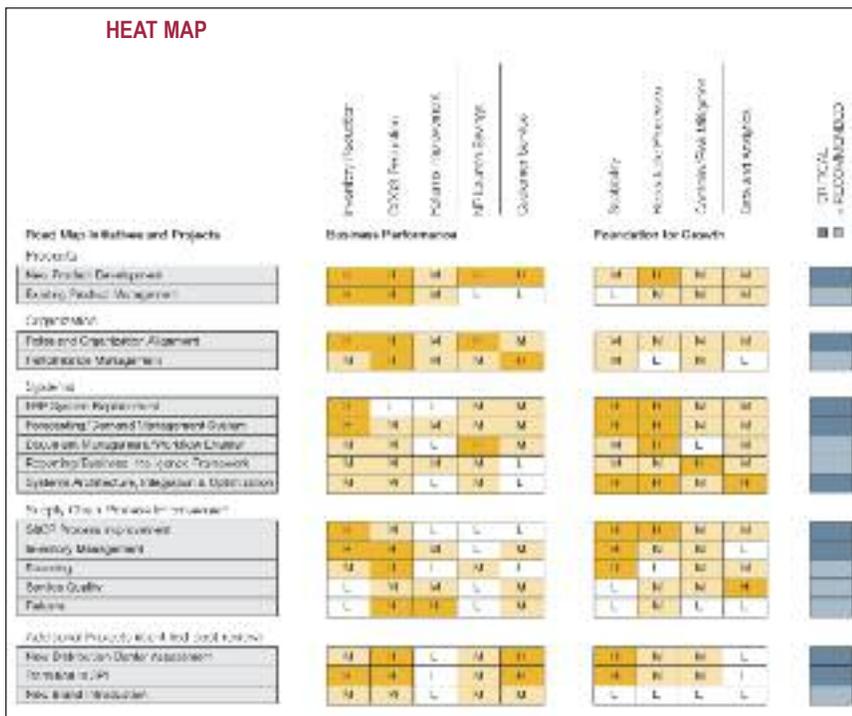
**4. Prioritize initiatives.** To select a portfolio of initiatives, a company should start with the impact assessment and then consider other critical factors — such as timing, potential barriers to implementation, resource constraints, risks, and strategic importance. A heat map (see below) can be a useful tool to aggregate all of these factors and provide a comprehensive view of the potential initiatives.

**5. Plan resources.** Assigning the proper resources to carry out these initiatives is crucial. The final road map includes detailed budgets, projected benefits, timing, and a plan for implementation. The road map on page 23 illustrates the phased approach, which allows the project leaders to apply the experience and understanding they gained in Phase I to the initiatives of Phase II.

**6. Execute the initiatives.** With the road map in hand, management can assign responsibility for each initiative and confirm its priority in the overall improvement effort. A company should seek to complete the first wave of initiatives over a compressed time frame — say, two to three months — in order to build momentum for success with the longer-term initiatives.

### From theory to practice

In an undertaking of this magnitude, a road map can be a critical component. Since every employee must contribute for it to be successful, the road map not only provides much-needed structure but also helps lay the foundation for a more collaborative environment. Moreover, since the best companies recognize that true transformation isn't a one-off effort, a road map can jump-start the continual pursuit of better performance. ■



## IMA ANNUAL MEETING

Friday, December 3, 2010

Hotel InterContinental  
505 N. Michigan Ave.  
Chicago

For information, email:  
kmcnamara@ima-net.org

## PROPERTY

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investigate the infringement. The ITC has the seldom exercised, but possible option to refuse to go forward with an investigation; for this and other statutory reasons, the petition is far more detailed and inclusive than a complaint filed in conventional litigation. Petitioner must show importation, an unfair act, the existence of a “domestic industry” on the part of the petitioner (which means a showing that the petitioner has significant operations in the United States other than merely sales which pertain to, and involve, the asserted intellectual property), and injury from the infringement. Affidavits or other evidence pertaining to the importation and sale of the allegedly infringing products, evidence of petitioner’s activity with respect to its intellectual property rights (i.e., research and development pertaining to products incorporating the rights, marketing efforts, manufacturing and sales, etc.), and evidence demonstrating and explaining the infringement (in the case of patent infringement, the full file history and a claims chart showing the claims to be made) are attached to the petition.

Once the ITC determines to undertake an investigation, the staff attorney charged with initial review of the petition becomes a party to the proceedings, and can aid in the discovery and prosecution of the claim. There are no jurisdictional issues against foreign or domestic entities or individuals, because the jurisdiction of the ITC covers the infringing goods themselves, and the remedies are directed specifically against the offending products. Any named entities are permitted to file a response to the petition, and to engage in discovery.

Discovery in ITC cases is broad, but extremely expedited. The ITC provides litigants with nationwide subpoena capability, and aid in securing foreign depositions and documents.

The hearing in an ITC proceeding is held in Washington D.C. before an Administrative Law Judge (“ALJ”) who is experienced and knowledgeable in intellectual property matters. The hearing is sched-

uled between eight and 18 months after the investigation is undertaken, usually towards the earlier part of that period. The ALJ hears evidence, reviews post-hearing briefs provided by the parties, and issues an initial decision, which is then reviewed by an experienced panel of ITC Commissioners, which renders a final decision. The entire process, from petition to administrative decision takes 12-24 months.

The nature of these proceedings dramatically reduces the costs incurred to prosecute such claims: typically, an ITC proceeding runs from 10-35 percent of the cost of federal court patent litigation. Federal court litigation in intellectual property cases usually takes about twice as long to reach the stage where a final, appealable verdict is issued, and the condensed time

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... the condensed time frame for ITC proceedings significantly reduces cost inefficiencies which inevitably occur when cases drag, and lawyers and witnesses are forced to prepare and re-prepare for testimony and hearings.

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frame for ITC proceedings significantly reduces cost inefficiencies which inevitably occur when cases drag, and lawyers and witnesses are forced to prepare and re-prepare for testimony and hearings. Further, the expertise of the ALJ and Commission members stands in stark contrast to the situations which often occur in federal court, where the presiding judge (and the jury, if one is requested) has little or no intellectual property and/or patent background. While full discovery rights are available in a Rule 337 action, discovery disputes are handled in an informal and expeditious manner, without time spent on written briefing. Pre-trial hearings (including claims construction hear-

ings in patent cases), motions and submissions are not favored, which can lead to monumental savings. And, because ITC proceedings permit only injunctive relief, in the form of exclusion of products from being imported and prevention of products already in inventory from being sold, and do not allow for damages to be awarded, the damages phase of federal court litigation — a phase which is usually the most expensive single phase of the litigation, and often more expensive than all other phases combined — does not come into play.

What if, however, a company whose intellectual property rights are being infringed wants to also seek damages from infringing products which were imported and sold into the United States prior to legal action being undertaken? The answer is simple: a federal court lawsuit can be filed seeking damages at the same time as the ITC petition is filed. In almost all cases, the federal court will put the litigation on hold, pending the outcome of the ITC hearing, and then look to the results of that hearing as to whether an infringement of a valid right occurred so as to avoid repetitive litigation on the same issue. If the holder of intellectual property rights wins at the ITC level, and the federal court case will be concerned exclusively, or largely, with damages, the chance of settlement without the need to resort to such costly, time consuming proceedings increases exponentially.

Obviously, the preceding is an extremely limited snapshot of the uses, limitations, requirements and proceedings which are part and parcel of ITC hearings. Legal analysis of the particulars of a company’s IPR, and potential infringements, by attorneys familiar with the ITC process is necessary to determine whether resort to such a claim is warranted and likely to be productive in any given case. However, at a time when increasing numbers of businesses face competition from those who manufacture abroad, it is important to know about, and consider, this increasingly utilized tool for protecting valuable rights and assets. ■

## SITE SELECTION

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can be an important component of the overall cost analysis and may influence the final decision.

### 11. Acceptance of overvalued incentives

The negotiation strategy must account for the specific needs of both the operation and the corporation itself. A common mistake is to negotiate and accept state corporate income tax credits that appear to offer annual savings of millions of dollars while later analysis reveals that the firm will owe no such tax in the first place. According to a recent Deloitte survey of corporate executives, the most desirable incentives include infrastructure improvements and property tax abatement, both tangible contributors to the bottom line. The site selection team should maintain consistent emphasis on both short and long-term incentive pro-

grams that will benefit the operation in material and measurable ways.

### 12. Poor implementation of incentives

Once the deal is signed and the announcement is made, there is still work to be done. The implementation and transition team must not forget the effort expended and agreements struck during negotiations. Many state and local incentives will require "care and feeding" to ensure that all available benefits are captured. Implementation can include monitoring and reporting of new job creation, training documentation, and credit/abatement filings.

Successful manufacturers have discovered that using location as a competitive advantage can enable the facility network to yield additional financial gains. However, the analytical process of site selection should not be short-circuited by a few statistics, an available property, or hastily accepted incentives. The internet is a source, not a solution, for the hundreds of pieces of infor-

mation required to measure the costs, conditions, and risks associated with site selection.

Leading a corporate site selection effort requires a unique set of capabilities. The team must have the ability to logically analyze a myriad of factors, the savvy to negotiate and build consensus with management, and the judgment to remain unbiased throughout the process. Knowledge of logistics, human resources, real estate, tax, financing, infrastructure, construction, incentives, and environmental considerations has become more important as the complexity of location strategy increases. If, while armed with these competencies, the site selection team is able to avoid the mistakes highlighted above, they will be better able to deliver a location outcome that can position the manufacturer for many years of success. ■

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## FORD

Cont. from page 13

and jump-start a battery.

### Hispanic College Fund

- Every year, college students from Chicago have the chance to receive a Ford Blue Oval Scholarship.
- The organization's mission is to provide Hispanic students with the vision, resources and mentorship to become successful leaders.

### Chicagoland

#### Entrepreneurial Center

- Ford is a proud sponsor of CEC's Future Founders Academy that provides team building and indi-

vidual leadership development opportunities. More than 500 students from 10 Chicago public high schools have been served during the past five years.

- At the end of the program, students participate in a business plan competition that is judged by the entrepreneurial community.
- Each winner receives a Ford Blue Oval Scholarship.

### Ford Volunteer Corps

- Since 2008, Ford volunteers and Friends of the Parks have worked together to clean up Chicago's beaches, parks and playgrounds for Earth Day.
- Each year, more than 20,000 Ford employees and retirees in 44 countries give more than 100,000 hours to their communities.

In a year that the *Chronicle of Corporate Philanthropy* said, "could be far more painful for charities and the people they serve than any other they have known," Ford is continuing to live up to its hundred-year-old commitment to the Chicago area. By developing a focused and strategic approach to community involvement, Ford has been able to make a real and sustained impact by leveraging its expertise, its people and its financial resources, providing an example for other companies seeking to make a difference in the communities where they operate.

You can learn more about Ford's philanthropic and volunteer activities online at [www.community.ford.com](http://www.community.ford.com). Or, visit Ford in the Community on Facebook. ■

## FOOD SAFETY

Cont. from page 9

to prove, among other elements, a nexus between the protected activity and the adverse action.

Retaliation lawsuits can result in significant damages against employers, including reinstatement of the employee. Employers can help avoid retaliation claims and potential liability related to the Act or any other basis for a retaliation lawsuit by developing a comprehensive retaliation policy. An effective retaliation policy should contain an unequivocal statement that the employer will not tolerate retaliation in the workplace. It also is important to include a clear explanation of the complaint procedure, including how and to whom an employee might make a complaint or voice a concern. In addition, the retaliation policy should contain a statement that the employer will not retaliate against an employee for reporting or participating in an investigation.

If an employee does inform the employer of a possible violation of the Act or any other federal or state law, the employer should conduct a prompt, thorough investigation of the employee's complaint. The employer also should document the investigation's conclusions and recommended corrective action. Throughout the investigation, the employer should keep the information as confidential as possible.

If you have any questions about the Food Safety Modernization Act, the Illinois Whistleblower Act, or any other employment law issues,

please contact the authors (see bottom of page 9). ■

**SAVE THE DATE**

**IMA** **MICHAEL BEST & FRIEDRICH LLP**

**Food Industry Seminar**  
**Thursday, October 21, 2010**  
**Northern Illinois University - Naperville Campus**

IMA and the law firm of Michael Best & Friedrich LLP invite Illinois food industry executives to join us for a must-attend seminar designed to provide CEOs, Presidents, Vice Presidents and other top-level executives with practical "how to's" in response to timely issues facing food manufacturers.

Reserve your space for this complimentary half-day seminar now by contacting Kimberly McNamara at [kmcnamara@ima-net.org](mailto:kmcnamara@ima-net.org).

## New IMA members

### GLOBAL DATA SCIENCES, INC.

Aurora, IL

### HIGHTOWER, INC.

Skokie, IL

### KRW CONSULTING

Elk Grove Village, IL

### SARATOGA SPECIALTIES

Bolingbrook, IL

### TWIN SUPPLIES, LTD.

Oak Brook, IL

## IMA & MIT 2010-2011 Calendar of events

October 21, 2010

### IMA Food Manufacturing Seminar

NIU-Naperville, 1120 E. Diehl Rd., Naperville

Join IMA and Michael Best for an informative and interactive discussion on topics that are specific to food manufacturers. We'll start with a networking breakfast at 7:30 a.m. The program will begin at 8:30 a.m. with a panel of your peers in food manufacturing and will end with an update on legal issues facing food manufacturers presented by Michael Best attorneys.

November 5, 2010

### IMA-MIT Event: World Class Negotiating Skills, DePaul University, 8770 W Bryn Mawr Avenue, Chicago

This interactive, one-day workshop will consider both the selling and purchasing aspect of business negotiations. It will provide effective solutions and settings in which to practice negotiating skills. Attendees will learn how to formulate strategies, overcome potential difficulties and apply proven principles to make business transactions more productive for all involved.

November 10, 2010 — Naperville

November 11, 2010 — Peoria

### IMA EVENT: Sales & Use Tax Seminar NIU-Naperville Campus, 1120 E. Diehl Rd., Naperville

This annual, half-day seminar will cover the Illinois tax structure, how manufacturers are impacted by the sales and use taxes, Manufacturers' Purchase Credit, recent tax law changes and issues relating to sales taxes in other states will also be addressed. Bring your questions for the Q & A session. Cost: \$125 IMA members, \$200 Non-members. Contact: Kimberly McNamara, 800-875-4462, ext 2109, Email: [kmcnamara@ima-net.org](mailto:kmcnamara@ima-net.org).

November 16, 2010

### IMA-MIT Event: Leading and Managing Through Change, DePaul University, 8770 W Bryn Mawr Ave., Chicago

This one-day interactive workshop combines proven leadership behaviors with practical skills for helping leaders respond to the changes they face in today's rapidly changing and highly competitive environment. This program is designed to provide leaders with the strategic and tactical skills to lead change. Participants are encouraged to analyze and then apply the strategies and skills that will help their followers develop resiliency for adapting to change as rapidly and effectively as possible.

November 30, 2010

### IMA-MIT Event: Time Management and Personal Effectiveness, DePaul University, 8770 W Bryn Mawr Avenue, Chicago

Identify the essential personal effectiveness skills needed in today's fast paced environment and focus on applying these key skills utilizing the process you choose paper based, e-tools or both. This powerful combination of skills and tools will result in immediate and dramatic improvements and help you develop effective techniques for planning and achieving short and long term goals, prioritize your daily activities/tasks, plan and schedule the necessary time for important projects, make effective decisions and handle information flow efficiently, delegate with confidence, use creativity and mind-mapping techniques to effectively design and manage projects, plan and execute productive meetings and achieve balance in key areas of your life.

DECEMBER 2010

December 3, 2010

### IMA Annual Luncheon & Meeting

InterContinental Hotel, 505 N. Michigan Ave., Chicago. Contact Kimberly McNamara, 630-368-5300, ext. 2109, Email: [kmcnamara@ima-net.org](mailto:kmcnamara@ima-net.org).

December 7, 2010

### IMA-MIT Event: Effective Presentation Skills DePaul University O'Hare Campus, 8770 W Bryn Mawr Ave, Chicago

This interactive, energetic workshop will provide the business presenter with all of the necessary skills required to deliver a winning presentation. The workshop will introduce and reinforce these skills by having the participants deliver three videotaped presentations.

December 13, 2010

### IMA-MIT Event: Essential Internal Training Skills and Techniques, DePaul University, 8770 W Bryn Mawr Avenue, Chicago

This one day workshop will introduce the new internal trainer or subject matter expert to the skills necessary for them to be a successful trainer or facilitator. Essential Internal Training Skills and Techniques will cover core skills such as how to create rapport with your learner, how to communicate learning objectives, how to introduce a learning activity, how to ask the right question, and how to engage and reengage the adult learner.

JANUARY 2011

January 20, 2011

### IMA-MIT Event - Project Management Skills for Non Project Managers, DePaul University O'Hare Campus, 8770 W Bryn Mawr Ave, Chicago

Objectives • To provide non-project managers with the project management knowledge, skills, tools and techniques to make the transition to a project leadership role and ensure optimum project execution. • To increase the competence to manage a project through all project stages: initiating, planning, delivering, monitoring and completing. Approach • A basic overview approach to be adopted that will allow first time project managers to practice their project manager role with confidence. • Practical checklists and/or tools to be used throughout.

Visit <http://www.ima-net.org/calendar.cfm> or <http://www.ima-net.org/MIT/open.cfm> for information, pricing, etc., and a complete listing of IMA and IMA-MIT offerings.

*The Illinois Manufacturer is underwritten by Constellation NewEnergy*



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