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THE ILLINOIS Manufacturer

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Winter 2013

Success within reach: A guide to exporting

Exelon CEO: Abundant clean, low-cost power benefits manufacturers

Managing the 800-pound gorilla

New paperless ERP: From a cloud of paper to a paperless cloud

Quarterly Economic Update

Commercial Bank

citi

We have raised our forecasts for economic growth for the four quarters of 2013 from 2% to 2.4%, reflecting a combination of surprising strength in private demand, more favourable financial conditions than anticipated and slightly less fiscal drag. Also, the rebound in housing markets looks increasingly durable and is expected to provide broader support to expansion, barring new shocks. Although lawmakers have successfully averted the fiscal cliff, the government lacks immediate borrowing and spending authority and still has no plan for longer-term consolidation. Our outlook anticipates small-scale agreements yielding incremental deficit reduction and overall drag this year near 1%. Chances of timely reforms have dimmed.

To discuss how this data can impact your business please call:

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The Federal Reserve's aggressive forward guidance and open-ended bond-buying have yielded the longest stretch of accommodative financial conditions since the late-1990s. Near-term restraint on growth from higher payroll taxes will likely sustain asset purchases at an elevated pace through the first half. Beyond that, strengthening job growth and concern about exit costs may slow the pace of QE in the second half of this year. Forecasts for unemployment and inflation suggest no change in policy rates through the 2014 forecast horizon.

Slower global growth and seasonal biases have eased inflation in recent months, enhancing policy flexibility for now. We expect relatively stable inflation this year and modest cyclical pressures thereafter as global growth picks up somewhat and wage costs rise with sustained improvement in job markets.

Economic Forecasts, 2012-2014F

					2012		2013				2014	
		2012F	2013F	2014F	3Q	4QF	1QF	2QF	3QF	4QF	1QF	2QF
GDP	SAAR				3.1%	0.7%	1.6%	1.9%	2.9%	3.1%	3.0%	3.1%
	YoY	2.2%	1.9%	3.1%	2.6	1.8	1.7	1.8	1.8	2.4	2.7	3.0
Domestic Demand	SAAR				1.9	1.5	1.2	2.0	3.1	3.2	3.1	3.2
	YoY	2.0	1.9	3.1	1.9	1.8	1.5	1.7	2.0	2.4	2.8	3.1
Consumption	SAAR				1.6	2.4	1.2	1.9	3.0	3.1	2.9	3.0
	YoY	1.9	1.9	3.0	1.9	2.0	1.7	1.7	2.1	2.3	2.7	3.0
Business Investment	SAAR				-1.8	1.9	2.1	3.6	5.9	6.2	5.9	5.7
	YoY	7.2	2.7	8.0	4.8	2.7	1.4	1.5	3.4	4.5	5.5	6.0
Housing Investment	SAAR				13.5	12.6	14.5	21.1	22.6	22.0	20.1	16.8
	YoY	11.6	16.4	19.9	13.6	13.7	12.2	15.4	17.6	20.0	21.4	20.6
Government	SAAR				3.9	-2.8	-0.9	-0.8	-0.6	-0.5	-0.3	-0.1
	YoY	-1.4	-0.6	-0.3	-0.5	-0.7	-0.2	0.2	-1.3	-0.7	-0.6	-0.4
Exports	SAAR				1.9	-6.5	3.5	3.5	4.3	4.6	5.0	5.1
	YoY	3.2	1.9	4.9	3.2	1.4	1.2	0.8	1.4	4.0	4.4	4.8
Imports	SAAR				-0.6	-1.5	3.6	3.7	4.6	4.9	5.0	4.9
	YoY	2.6	2.3	4.6	2.5	0.9	1.0	1.2	2.6	4.2	4.6	4.9
PCE Deflator	YoY	1.7	1.5	2.1	1.5	1.5	1.2	1.5	1.6	1.7	2.0	2.1
Core PCE Deflator	YoY	1.7	1.4	1.9	1.6	1.5	1.3	1.2	1.4	1.6	1.8	1.9
Unemployment Rate	%	8.1	7.7	7.1	8.1	7.8	7.8	7.8	7.6	7.5	7.3	7.2
S&P 500 Profits (US$ Per Share)	YoY	6.7	6.4	6.0	1.4	6.7	5.0	6.3	6.0	6.2	5.7	6.2

Notes: F Citi forecast. E Citi Estimate. YoY Year-to-year percent change. SAAR Seasonally adjusted annual rate

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, I/B/E/S, Treasury Department, *Wall Street Journal* and Citi Research

		Quarterly Average					
	Current	1Q 13	2Q 13	3Q 13	4Q 13	1Q 14	2Q 14
US							
Policy Rate (Fed Funds) End Quarter	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-Month Libor	0.30	0.30	0.35	0.40	0.45	0.55	0.60
2 Year Treasury Yield	0.25	0.25	0.35	0.45	0.55	0.70	0.85
5 Year Treasury Yield	0.76	0.75	0.90	1.05	1.20	1.45	1.60
10 Year Treasury Yield	1.82	1.80	2.00	2.25	2.60	2.75	2.85
30 Year Treasury Yield	3.03	2.95	3.20	3.50	3.95	4.05	4.15
2-10 Year Treasury Curve	157	155	165	180	205	205	195
2 Year Swap Spread (Swap Less Govt), bp	13	15	20	20	20	20	20
10 Year Swap Spread (Swap Less Govt), bp	3	10	10	7	5	0	0
30 Year Swap Spread (Swap Less Govt), bp	-20	-36	-35	-40	-40	-45	-45
30 Year Mortgage Yield	3.50	3.50	3.70	3.85	4.05	4.35	4.40
10 Year Breakeven Inflation	252	250	250	245	240	240	240

Winter 2013

Success within reach: A guide to exporting 16

There's a fair amount of evidence that a successful export program enhances an organization's economic growth and sustainability.

Columns

***The Illinois Manufacturer* is underwritten by Constellation — an Exelon Company**

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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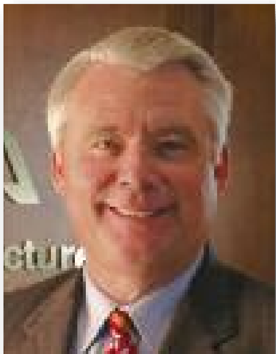
GREGORY W. BAISE

The camel's back



In the past two years, Illinois' pension debt has snowballed to more than $96 billion and is increasing at a rate of $17 million every single day. Our pension debt spiked while Illinois' bond rating slipped.

When you spend 20 plus years at the helm of the Illinois Manufacturers' Association and a total of 35 years dealing with state government, you learn to roll with the punches that democracy occasionally throws. Like other states, Illinois has had its fair share of economic challenges. Sometimes we handle them fairly well, sometimes not.

But in the annals of historic challenges that Illinois has faced in its 195 years, the approaching catastrophe of collapsing pension systems far exceeds any problem we have faced. Regrettably, it's not just the sea of red ink that will soon have us drowning in debt causing concern, it's the growing belief by many employers in Illinois that our state cannot come to grips with this and other major problems and is not worth the bet to expand or stay put in this once proud state.

In January of 2011, Illinois faced a massive $75.7 billion debt in our five state pensions systems. Despite the fact that nearly every single legislator — Democrat and Republican alike — campaigned on the need to create jobs, balance the budget and eliminate the pension debt, nothing happened except the hole deepened significantly while elected officials pointed fingers.

In the past two years, Illinois' pension debt has snowballed to more than $96 billion and is increasing at a rate of $17 million every single day. Our pension debt spiked while Illinois' bond rating slipped. Our pension debt grew by 26 percent despite the fact that Governor Quinn and Democrat lawmakers enacted the single largest income tax increase in state history pumping an additional seven billion dollars into state coffers in each of the last two years.

In the current fiscal year, Illinois' pension payment increased by more than one billion dollars to a record $5.1 billion level constituting nearly 16 percent of the state budget. This spiraling debt is threatening Illinois' fiscal health. Essential services — the basic responsibility of state government — like education, public safety and transportation are now being impacted.

Illinois employers have a right to be frustrated and angered by the actions of the Governor and General Assembly who are elected to lead and solve state problems. While many of our neighboring states are making positive changes that are attracting and encouraging business development, Illinois continues to make self-inflicted wounds.

It was bad enough when we only had the frictional costs of doing business in the Land of Lincoln — higher Workers Compensation costs, impractical and over-reaching regulations and higher taxes after the latest increases to consider. Now, with lawmakers once again failing to act on finding ways to ease the pension crisis, the restlessness of employers has reached a new and dangerous zenith.

And what I'm hearing from them is bad. Really bad.

Many are deciding enough is enough. About 85 percent of our members are small employers who have bravely faced and stared down economic woes, but this is worse because they have no confidence that a fix is near.

These aren't cold-hearted decisions made by faceless entities; many are family-owned companies whose owners are distraught over the inexplicable behavior of our state government — a state in which they have lived, where they've raised their families, and supported our civic, religious and educational institutions. Now, their patience is spent.

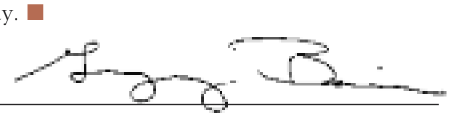
A most telling quote came from one such family business owner. He lamented, "My job is to make sure my kids can operate this business somewhere other than Illinois." It's a very sad commentary that is unfortunately being repeated across the state.

Statistics reported in recent AP stories demonstrate the negative impact that occurs when businesses leave and people follow the jobs. According to IRS figures, Illinois lost a net 366,000 tax paying households between 1995 and 2010 costing the state $26 billion in taxable revenue. As a result of this population shift, Illinois lost another congressional seat after the latest Census.

Failure to once-and-for-all fix the problem may just be the nearly $100 billion straw that has broken the camel's back. Yes, mayors or the Governor will still hold their press events touting the latest expansion or location of another business in the state. But the outflow of business — including manufacturers — will accelerate.

Time is very short to fix this problem, and it's not just about pensions. It's about whether Illinois is a good place to build a business, raise a family and chase the American Dream.

At the moment, most decisions are going the wrong way. ■



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Taking advantage of the fracturing boom

Previously shuttered steel manufacturers are opening their doors again in Ohio . . . more than $60 million in new manufacturing investments have been announced in Louisiana. Similar stories are occurring across the country in state after state including Colorado, Texas, California, and Oklahoma.

"Let us set as our national goal, in the spirit of Apollo, with the determination of the Manhattan Project, that by the end of this decade we will have developed the potential to meet our own energy needs without depending on any foreign energy source."

— President Richard Nixon (November 7, 1973)

Four decades ago, President Richard Nixon introduced "Project Independence" to the American people only weeks after the Arab oil embargo threatened the United States with the long-term possibility of high oil prices, a disrupted energy supply, and a potential recession. The price of gasoline jumped from 38.5 cents per gallon to more than 55.1 cents within a span of five months and politicians called for a gas-rationing program. Ninety percent of gas station owners complied with the President's request not to sell fuel at certain times on weekends and the state of Oregon implemented a ban on Christmas and commercial lights. The nearly five-month embargo had a profound impact on the nation and lit the fuse to develop home grown energy.

Unfortunately, making America energy independent has proven more elusive than landing a man on the moon. Since President Nixon first advocated energy independence forty years ago, every single president has echoed that mantra beginning with President Gerald Ford who "recommended a plan to make us invulnerable to cutoffs of foreign oil," all the way through to President Barack Obama who indicated that "now is the moment for this generation to embark on a national mission to unleash America's innovation and seize control of our destiny." While innovation and new developments arose in every decade, it is the advent of high volume hydraulic fracturing that has led the International Energy Agency to report that the United States is poised to overtake Saudi Arabia as the leading oil producer in the world by 2017 and surpass Russia as the leading producer of natural gas in 2015.

There is no mistake that the perfection of high volume hydraulic fracturing is a paradigm-shifter that can influence not only the United States economy but also the world's geopolitical structure. Hydraulic fracturing and domestically produced natural gas are leading the manufacturing renaissance occurring throughout the United States.

Illinois is poised to become a larger pillar of our nation's energy production because geologic studies indicate the presence of shale gas in the New Albany Shale located in the southeast corner of the state. Tremendous opportunities exist because energy companies risked billions of dollars in research and development to discover how to unlock our vast domestic energy resources. According to economic studies, hydraulic fracturing in Illinois could potentially add tens of thousands of good, high-paying jobs in manufacturing, mining, transportation, engineering and construction with an economic impact totaling billions of dollars. This is possible if Governor Patrick Quinn and the General Assembly create a strong regulatory framework allowing the industry to flourish while protecting the environment.

We can look at other states that have been using this innovative and safe technology to see what may lie ahead. North Dakota, which has seen its oil production skyrocket from 7.5 million barrels in 2009 to 16.9 million barrels in 2012, sits on a budget surplus of $2 billion and is contemplating a two-year elimination of the income tax in large part because of the massive energy boom in the Bakken region. In Pennsylvania, Royal Dutch Shell just announced plans to build a $2 billion petrochemical plant creating 10,000 construction jobs because of the proximity to natural gas production. Previously shuttered steel manufacturers are opening their doors again in Ohio and hiring hundreds of workers while more than $60 million in new manufacturing investments have been announced in Louisiana. Similar stories are occurring across the country in state after state including Colorado, Texas, California, and Oklahoma.

Research shows that this new domestic energy production is not a bubble and won't disappear overnight. The United States Energy Information Agency predicts that we have 272.5 trillion cubic feet of proven reserves of natural gas and 4.2 trillion cubic feet that is currently recoverable. Given today's

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SONYA ROSENBERG

Understanding and surviving in the NLRB's new age

The National Labor Relations Board has entered a new age. Until recently, while the Board certainly had issued guidance and decisions, its activity was contained to relatively limited, predictable issues. The last several years under President Obama's first administration, however, have revealed a new, revamped, active Board that is only all too willing to reopen, reexamine and even rescind long-established and long-accepted employer policies and practices. Although the validity of the Board's recent activity was just recently questioned by a federal appellate court in the January 25, 2013 decision of *Canning v. NLRB,* the Board's precedent and pronouncements will remain the law of the land until and unless the case is decided by the Supreme Court. Meanwhile, all indications are that the next four years at the NLRB will be just as active, if not more active, than the preceding four. For one, a democratic administration tends to coincide with more employee-centric legal initiatives. In addition, today's Board may be struggling to remain relevant in the age of changing technologies and dwindling unionization. Whatever the drivers, it is apparent that employers can expect more and more active initiatives designed to educate and encourage employees' union-related activities from the new NLRB.

The NLRB and social networking sites

We might as well admit it. The days of employees congregating and chatting around the water coolers are, for the most part, behind us. What water coolers, when we can e-mail, text, and post on Facebook! It should come as no surprise to most employers that, over the past several years, social networking sites have become more prevalent than ever. In October 2012, Facebook reported reaching one billion users; Twitter currently boasts over 500 million active users, who generate over 340 million tweets daily; and the LinkedIn site reports a membership of over 175 million. Combine these telling statistics with the fact that employees in this country tend to spend most of their waking life working, and an employer can be sure that in one way or another, work has made its way into its employees' social networking.

Failure to recognize and effectively deal with this reality can spell a recipe for disaster, but recent precedent indicates that employers must be extremely careful in how they word their social media policies so as not to attract unwelcome attention from the Board. In several recent decisions, the NLRB has held that seemingly reasonable, well-written and well-intentioned policies may violate the law if they can be interpreted as interfering with employees' right to discuss their terms and conditions of work, including by criticizing management. Grounding its analysis in Section 7 of the National Labor Relations Act, which gives employees in unionized and non-union workplaces the right to engage in protected concerted activities — i.e., to discuss and otherwise interact with one another regarding, among other things, their various terms and conditions of work — the NLRB has shown a ready willingness to strike down policy provisions that it deems to interfere with or chill employees' Section 7 rights.

A. *Costco Wholesale Corp.*

The NLRB's first decision on social media, *Costco Wholesale Corp.,* 358 NLRB No. 106 (Sept. 7, 2012), considered an employer policy that prohibited employees from posting "defamatory" or "damaging" statements about the Company on social networking sites. Specifically, Costco's "Electronic Communications and Technology Policy" stated: "Employees should be aware that statements posted elec-

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consumption, there is enough natural gas in North America to last the United States for more than 175 years. Our recoverable oil reserve of 1.4 trillion barrels is five times greater than reserves in Saudi Arabia.

Illinois needs to utilize hydraulic fracturing to grow and expand our energy portfolio that already includes nuclear, wind and solar energy, and coal-fired plants while reducing our reliance on foreign sources of oil. It provides a lost-cost source of energy for Illinois businesses and residents that will save money. New environmental technologies used by companies combined with affordable domestic natural gas have resulted in the lowest levels of greenhouse gas emissions in twenty years. It is a win-win proposition.

The Illinois Manufacturers' Association is leading negotiations at the State Capitol to create a well-designed regulatory structure governing things like water management, chemical disclosure and wellhead protection. As we have seen in other states, it is possible to protect our air, water and land while growing this vibrant industry and creating thousands of manufacturing jobs. ■

UNDERSTANDING
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tronically (such as online message boards or discussion groups) that damage the Company, defame any individual or damage any person's reputation, or violate the policies outlined in the Costco Employee Agreement, may be subject to discipline, up to and including termination of employment." The NLRB held Costco's policy unlawful on reasoning that employees could reasonably construe prohibitions against any statements that "damage the Company" or "damage any person's reputation" to include employees' statements that may protest Costco's treatment of employees, and thus to prohibit Section 7 activities.

B. *Knauz BMW*

Shortly after *Coscto Wholesale Corp.,* the NLRB issued its second social media decision: *Knauz BMW,* 358 NLRB No. 164 (Sept. 28, 2012). Not unlike *Costco Wholesale Corp.'s* policy in question, Knauz BMW maintained a "courtesy" rule in its employee handbook stating: "Courtesy is the responsibility of every employee. Everyone is expected to be courteous, polite and friendly to our customers, vendors and suppliers, as well as to their fellow employees. No one should be disrespectful or use profanity or any other language which injures the image or reputation of the Dealership." The NLRB found this rule to be unlawful on the grounds that employees could reasonably construe it as encompassing employees' protected communications, including criticism of working conditions.

C. DISH Network Corp.

On November 14, 2012, an NLRB administrative law judge struck down DISH Network's social media policy, which provided: "You may not make disparaging or defamatory comments about DISH Network, its employees, officers, directors, vendors, customers, partners, affiliates or our, or their, products/services. . . . Unless you are specifically authorized to do so, you may not participate in these activities with DISH Network resources and/or on Company time . . ." See *DISH Network Corp.,* Case Nos. 16-CA-62433, 16-CA-66142, 16-CA 68261 (Nov. 14, 2012). Consistent with the NLRB's decisions in *Costco Wholesale Corp.* and *Knauz BMW,* the administrative law judge in *DISH Network Corp.* reasoned that the policy's prohibitions against "disparaging or defamatory comments" and the ban of any social media discussions, including on "Company time," could be reasonably interpreted by employees to interfere with or prohibit their Section 7 activities.

The NLRB and confidentiality of internal employer investigations

Beyond social media policies, the NLRB also recently forayed into the long-settled and long-upheld employer investigation practices. Many employers provide general confidentiality instructions to employees in connection with internal, various workplace investigations, asking employees to not discuss the investigation and the underlying circumstances in or outside of the workplace. The NLRB has taken issue with that precise practice.

In yet another recent, controversial decision — *Banner Health System,* 358 NLRB No. 93 (July 30, 2012) — the Board held that employers' confidentiality instructions in internal investigations better be supported by a legitimate business interest in order to withstand a challenge under the National Labor Relations Act. Banner Health System's human resources consultants routinely instructed employees to not discuss matters under investigation while such investigations were ongoing, regardless of the underlying subject of the investigation. The Board held this generalized, blanket practice to violate employees' Section 7 rights, reasoning that every investigation must be treated individually, on its own facts, and evaluated as to whether it involves a specific need to protect witnesses, avoid spoliation of evidence or fabrication of testimony, or to prevent a cover-up, to support and legitimize a confidentiality instruction. Only where such a need is properly determined to exist — and it may well exist in many, if not most, investigations — an appropriate confidentiality instruction may be given.

The NLRB and employment at-will policies

Do you have an "employment at-will" policy in your employee handbook? If you do not, an employment lawyer is certain to tell you to get one, and rightfully so. An at-will policy is among the most ubiquitous and the most important policies in the employment relationship. It informs the employee that the employment relationship is not guaranteed for any term: it may be terminated by the employer, or the employee, at any time, for any lawful reason, with or without notice. An appropriately drafted and implemented at-will policy is key in helping an employer to prevent and defend against contract-

see UNDERSTANDING *page 12*

Illinois Hires Heroes Consortium

Like many states, Illinois is recovering from the worst national recession in generations, and the strength of that recovery outpaces the feel. To illustrate the disconnect between job growth and how the recovery feels, Gideon Blustein, Deputy Director of the Illinois Department of Employment Security (IDES) points to private-sector expansion since 2010: 140,000 new positions, including 40,000 in the all-important manufacturing sector.

"Every day, I'm talking to businesses that are not just hiring, but are desperate for skilled, dedicated workers," said Blustein. "I know we can find the workers they need."

Blustein says finding qualified job applicants for these open positions can be difficult because the grinding recession has created a skills gap. Employers want to hire, but the traditional channels to find the right candidates are not working. To help solve the skills gap, connecting Veterans with ready-to-hire employers has been a long-standing goal at the Illinois Department of Employment Security (IDES). For years, the Department has hosted Veteran-specific job fairs and service programs. Additionally, IDES can find qualified Veterans and help businesses leverage tax credits at the state and federal level. These tax credits, along with the Illinois Hires Heroes Consortium (IHHC), an innovative new program that will recruit Veterans and identify Veteran-friendly businesses, are ideal ways for companies to emphasize to customers and shareholders they are Veteran friendly.

The Illinois Hires Heroes Consortium (IHHC) is a unique alliance of business owners who agree to implement a series of Veteran recruitment, training and retention practices. Consortium members are rewarded through no cost recruitment of Veterans and the ability to exclusively display the IHHC logo, which will be a tell-tale sign to consumers that the company meets specific goals to actively hire and support Veterans. IHHC members will be displayed prominently on materials and websites operated by IDES and the Illinois Department of Veterans' Affairs.

"Veterans represent the best of all of us and are the perfect match for our workforce needs," said Jason Speer, Vice President and General Manager of Quality Float Works, Inc. and an inaugural member of the consortium. "Veterans typically have had significant experience with technology, such as operating complex equipment. These skills are critical to operate the advanced equipment that exists in manufacturing plants across America. I speak from experience in that Veterans tend to embody the types of skills we are looking for in new hires. Quality Float Works is very excited to be part of this innovative program."

The Illinois Hires Heroes Consortium focuses on three aspects of veteran employment; recruitment, hiring and retention. IDES, the Illinois Department of Veterans Affairs and many partners worked collaboratively to come up with a set of best practices for each area. Recruitment practices center around using websites that can help employers identify job-seeking veterans such as www.IllinoisJobLink.com. Hiring practices mostly focus on military-skills translation; many human resource professionals are not familiar with how military training and skills transfer to the private sector, so training can be provided to help

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The **Illinois Department of Employment Security** has more information on the Illinois Hires Heroes Consortium (IHHC). Visit their website at www.IllinoisHiresHeroes.com.

HEROES

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familiarize employers with some of the terminology and transferability of skills. Retention focuses on creating a work environment that is supportive to the veteran employee's long-term success with the employer. Employers are encouraged to set up a military veterans affinity group or to pledge to offer pay differential to National Guard and reserve troops when they are activated.

Illinoisjoblink.com is the revamped IDES employment website that links job seekers with ready-to-hire employers. This no-cost, online career resource allows individuals to create multiple resumes that emphasize different talents and allows businesses to search for specific skills. The keyword matching technology increases the likelihood of a successful new hire. Illinois JobLink emphasizes Illinois jobs, scrapes other commercial job boards, and compares favorably to private efforts that cost hundreds of dollars for a single advertisement.

There are 120,000 help-wanted ads in Illinoisjoblink.com and more than 70,000 resumes. "We really have the strongest job-board and database of skilled job-seekers in the Midwest," Blustein said. "As an agency, we are amped to help connect these skilled workers with the job-creators that need them. And we supply these services to Illinois businesses at no-charge."

IDES acknowledges that some business owners might be reluctant to consider a Veteran. That is why there are specific support efforts for business owners and the Veterans they hire, especially through the Illinois Hires Heroes Consortium, to ensure that the transition is successful. Simple efforts such as creating a Veterans affinity group or a mentorship program can help a company succeed and set them apart among their competitors. Businesses in the inaugural Illinois Hires Heroes Consortium embrace the philosophy and include a diverse set of industries in manufacturing, telecommunications, construction and defense.

The consortium was publicly launched last August at AT&T's Chicago office. Illinois Governor Pat Quinn was on hand to thank the inaugural members and encourage more employers to seek out veterans for employment.

"Our Veterans are the best trained in the world. Our business owners are the backbone of our growing economy. Bringing them together helps our returning soldiers find civilian work, helps our entrepreneurs identify expert talent, and helps our residents patronize stores and operations that are proven to be Veteran friendly," Gov. Quinn said.

Gov. Quinn's support of Illinois soldiers and those who employ them is well-known. Last summer, Gov. Quinn raised the $1,200 state tax credit to $5,000 annually for businesses that hire qualified Veterans. Gov. Quinn has made it easier for Veterans, and spouses relocating to Illinois, to more quickly obtain professional licenses required in some occupations. The Illinois Secretary of State's office has also been directed to add a unique distinction to driver's licenses and identification cards so Veterans are immediately identified for services, benefits and appreciation. The Governor has been instrumental in coordinating Veteran specific job fairs and career expos across Illinois as well as creating the Illinois Veteran Conservation Corps and Illinois Veteran Recreation Corps to help young, unemployed Veterans build additional skills through meaningful work.

Employers interested in joining the Illinois Hires Heroes Consortium are encouraged to learn more and sign up at www.IllinoisHiresHeroes.com. ■

Quality Float Works joins Gov. Quinn in effort to help veterans re-enter the workforce

IMA member Quality Float Works, Inc. Vice President and General Manager Jason Speer joined Governor Quinn last fall to support the launch of the Illinois Hires Heroes Consortium (IHHC), an innovative new program designed to recruit Veterans and identify Veteran-friendly businesses. Quality Float Works has been a long-time proponent of hiring Veterans to join their workforce. Through Speer's participation in the event, Quality Float Works signed a pledge acknowledging the company is an Illinois employer recognizing the great value Veterans bring to the workplace, and is a "Veteran-friendly" business committed to implementing military veteran recruitment, training and retention practices. The Consortium is geared towards increasing public attention and employer commitment to helping Veterans find employment. Participating business members will also benefit from partnering with this resource in hiring some of the most dedicated and skilled employees available.

"Veterans represent the best of all of us and are the perfect match for our workforce needs," said Jason Speer, Vice President and General Manager of Quality Float Works, Inc. "Veterans have typically had significant experience with technology operating complex equipment, these skills are critical in working on the advanced manufacturing equipment that exists in manufacturing plants across America. I speak from experience in that Veterans tend to embody the types of skills we are looking for in new hires. Quality Float Works is very excited to be part of this innovative program."

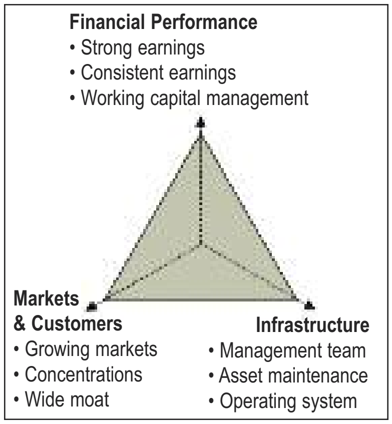
According to the IHHC website, participating business owners agree to implement a series of Veteran recruitment, training and retention practices. The Illinois Department of Veterans Affairs (IDVA) and Illinois Department of Employment Security (IDES) will assist participants in meeting goals that will lead employers to recruit and retain high-quality Veteran candidates. Employers will be publicly recognized by Governor Pat Quinn and will be allowed to use the Illinois Hires Heroes logo to market themselves as Veteran-friendly. To qualify, employers must meet specific goals with regard to recruiting practices, human resource training, retention and support practices. Business can register at www.illinoishiresheroes.com.

Quality Float Works, Inc. is the premier manufacturer of hollow float metal balls and float assemblies in the nation. Led by third and fourth generation entrepreneurs, President Sandra Westlund-Deenihan and her son, Vice President and General Manager Jason Speer, this 97-year old family-owned and operated manufacturing business is globally engaged and has grown sales by 143 percent over the past 10 years. To learn more about Quality Float Works, Inc., visit www.metalfloat.com and www.floatvalve.net. ■

Managing the 800-pound gorilla

In the 2012 *Manufacturing & Distribution Outlook* report conducted by CliftonLarsonAllen, nearly half of the manufacturing and distribution leaders surveyed said their growth strategy is focused on increasing domestic sales. Illinois serves as headquarters for many of the nation's largest manufacturers. This includes chemical, food and machinery manufacturers, as well as metal fabricators, electronics, plastics makers, etc. As an Illinois manufacturer, chances are you're either currently doing business with or are seeking to do business with an 800-pound gorilla customer or two. You know who these gorillas are — they're the cornerstone customers that helped you grow, but also the customers that would jeopardize the survival of your company if they were to leave. You love them because they pay the bills and keep your business going, but they're also a demanding and brutish bunch. Those big customers have power, and they're not afraid to use it. They'll dangle the promise of volume and riches while simultaneously making demands that shave margins that are already razor-thin. For most manufacturers, playing with this type of customer is a fact of life, but the stakes are high. If you play your cards right, big customers can be a vital part of growing the value of your company. But if played poorly, relationships with big customers can be a value killer.

The Value Triangle is a simple model to show the three key drivers of enterprise value: financial performance, markets and customers, and infrastructure. In order to grow the value of the business, we need to expand one or more of these dimensions. Through their sheer size, 800-pound gorilla customers can dramatically change the shape of a company's value triangle.



On each corner of the value triangle, 800-pound gorillas can create a paradox. They simultaneously enhance and detract enterprise value.

As simple as it may sound, the key to working with 800-pound gorillas is to leverage the value enhancers while minimizing the value detractors. This is a classic case in which the concept is easy, but putting it into practice is very difficult. Two common traits our most successful job shop clients have in dealing with these customers are: 1) A clear understanding of the financial engine of their company, and 2) An increased level of operational agility.

Financial engine

The accounting profession has done a disservice to many manufacturers over the years by advocating standard cost systems. Many of these cost accounting systems are based on concepts that were developed in the 1930's and 40's, when labor costs were 70 percent of the total cost of the product. Manufacturing has changed considerably since that time, but costing methods haven't. Unfortunately, costing methods that many manufacturers use can lead to bad business decisions. One of the most common effects of the traditional costing methods is to underprice the most complicated and

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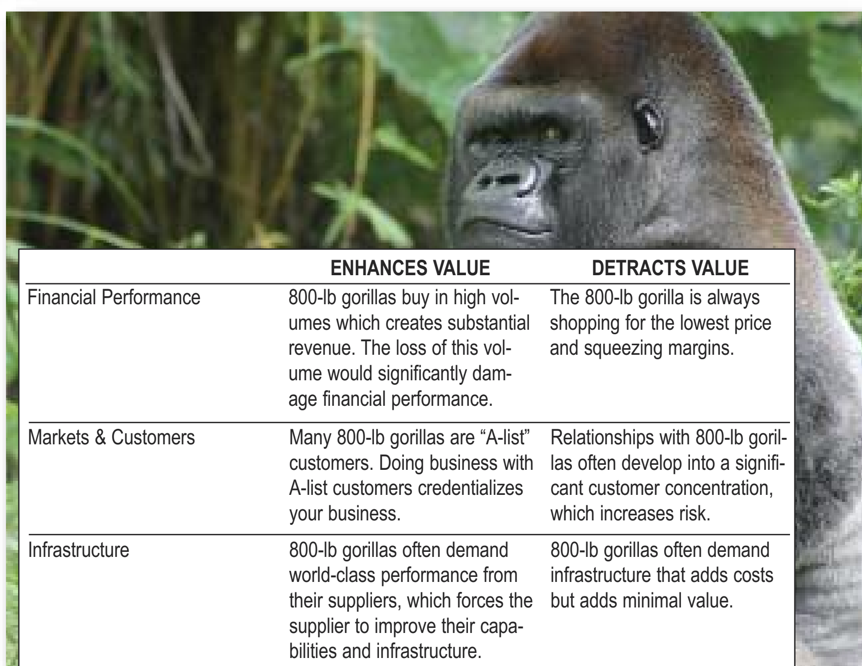

	ENHANCES VALUE	DETRACTS VALUE
Financial Performance	800-lb gorillas buy in high volumes which creates substantial revenue. The loss of this volume would significantly damage financial performance.	The 800-lb gorilla is always shopping for the lowest price and squeezing margins.
Markets & Customers	Many 800-lb gorillas are "A-list" customers. Doing business with A-list customers credentializes your business.	Relationships with 800-lb gorillas often develop into a significant customer concentration, which increases risk.
Infrastructure	800-lb gorillas often demand world-class performance from their suppliers, which forces the supplier to improve their capabilities and infrastructure.	800-lb gorillas often demand infrastructure that adds costs but adds minimal value.

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UNDERSTANDING

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based employment claims from former employees.

Although at-will policies have been around for decades and decades as the basic staple in employee handbooks, the NLRB administrative law judges recently issued decisions criticizing and striking down such policies as unlawful under Section 7 of the National Labor Relations Act. For example, in *American Red Cross Arizona* (Case No. 28-CA-23443, Feb. 1, 2012), an administrative law judge held the following statement to be overbroad and discriminatory under the Act: "I further agree that the at-will employment relationship cannot be amended, modified or altered in any way." The administrative law judge concluded that this language effectively waived employees' right to engage in Section 7 activities. Similarly, in *Hyatt Hotels Corp.,* (28-CA-061114), the NLRB alleged that the at-will acknowledgement "that no oral or written statements or representations regarding my employment can alter my at-will employment status, except for a written statement signed by me and either Hyatt's Executive VP/Chief Operation Officer or Hyatt's President" also violated the Act, for the same reason.

To employers' relief, in late October 2012 the NLRB issued advice memoranda clarifying that the Board took issue only with those employment at-will statements that extracted promises from employees that their at-will status could never be changed. Thus, a carefully drafted at-will statement is likely to be deemed lawful, so long as the Board determines that employees are unlikely to reasonably construe it as a waiver of their right to engage in union-related activities.

The message: Review and, where appropriate, update your policies

If recent NLRB activity has left you scratching your head and concerned about whether or not your workplace is likely to be deemed in compliance with the National Labor Relations Act, you are not alone! Many employers and management-side labor attorneys have expressed concern that the Board has lost its way in attacking some of the most basic, established and long-accepted employer policies and practices. Be that as it may, and while the recent NLRB decisions certainly do not favor employers, they are also not devoid of legal logic. An employer assisted by competent counsel should be able to discern the NLRB's string of thought, including which policy provisions are likely to withstand scrutiny from the Board and which may send "red flags" as to non-compliance. With these considerations in mind, recent NLRB activity should give employers good reason to revisit their policies and practices to ensure that they both appropriately and currently meet the needs of their business and likely would not attract unwelcome attention from the Board. ■

GORILLA

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sophisticated products, while overpricing the simple products.

Rather than focusing on standard costs and individual product profitability, we encourage our clients to evaluate the profitability of a family of products using a technique called value-added analysis. Value-added emphasizes the direct costs of manufacturing a product while focusing on available capacity. Value-added analysis gives a much clearer picture of how pricing decisions will affect financial performance.

800-pound gorillas are aggressive in their negotiations and demands for cost reductions, and the costing clarity provided by value-added analysis can give you the business insights that you need to enter the negotiation fully armed.

Operational agility

When it comes to operations, 800-pound gorillas are very demanding. They know what they want, and they want it now. It may be a shipment that they need to expedite, demands for cost reductions, a schedule that needs to change, a product spec that needs to be revised, a new requirement in the quality certification, or risky terms and conditions requirements. In the end, 800-pound gorillas are not terribly concerned about the impact of their demands on your business. The customer is always right. Just ask them.

In order to serve these customers effectively, your organization must be agile. Webster defines agility as the "ready ability to move with quick easy grace" — this is an apt description of the capability that must be built into your organization. If you sell to 800-pound gorillas, you need to respond to their demands. It's only a matter of how gracefully you do it.

There are many actions you can take to increase agility, including the application of lean principles, but it starts with making agility a priority to the leadership team. We see many leadership teams that are so singularly focused on the piece cost (see the Financial engine section on page 11) that they make decisions resulting in the organization becoming less agile. A leadership team that does not put agility as a top priority will tend to make decisions that are more appropriate for a mass production shop rather than a high-mix, low-volume job shop.

Conclusion

800-pound gorilla customers are a paradox. You love them and you hate them. They can enhance value or they can destroy it. These large customers can be the foundation of or an essential component for a company to survive, but the waters are dangerous and must be navigated with care. It can be done. There are many examples of small manufacturers that have built very healthy and sustainable businesses working with large customers. However, there are also countless businesses that have ceased to exist because they didn't navigate the waters safely. If you deepen your understanding of your financial engine and become agile, you'll find you can grow profitably and enterprise value will be enhanced through all of your customer relationships, not just the big ones. ■

The new paperless ERP for manufacturers: From a cloud of paper to a paperless cloud

By Nick Sprau, Vice President of Marketing, Metafile Information Systems

ERP is a wonderful technology for tying together all the people, processes and departments inside the manufacturing enterprise. Until recently, however, it has been hobbled by a cloud of paper (largely from vendors) that can continuously clog the system — paper invoices, paper purchase orders, paper receipts, paper hours reports. Historically, someone has had to wade through all this paper to enter the relevant data into the ERP platform so invoices can be reconciled and bills paid. That can be an inefficient, expensive and often inaccurate process. Technology is supplying a remedy, however, through cloud-based ERP platforms integrated with document management solutions.

Despite the paper blitz that bombards accounting departments, cloud-based computing has made ERP much more efficient. Many ERP platforms now are hosted in the cloud, and data is stored there in total or onsite with an automated connection between the on-premises and online technologies. Datacenters in the cloud can offer a range of advantages over a server room full of hardware, software and networking components squirreled inside the plant. These include:

- **Lower technology costs.** When manufacturers buy software, they must license it for every machine in the plant. The cloud, however, allows the company simply to subscribe to cloud-based ERP, charging a low monthly fee for each user. Perhaps even more important to manufacturing innovation, the cloud frees IT staff from the daily onus of installing, maintaining, and upgrading servers and network devices on premises. These routine burdens eat up an average of 75 percent of IT spending across the globe, according to a recent Microsoft study. With all the ERP hardware and software stored, maintained and advanced in the cloud, IT staff now largely can spend its time developing applications and systems to make plants more efficient and profitable.
- **24/7 access.** When manufacturers reach for cloud-based ERP, they simply log on to a website that every authorized employee can access, anytime from any place across the globe. In addition, they always are working with the latest version of ERP software. That technology is upgraded by the cloud-based host as soon as a new version is available, and it becomes accessible to every user immediately.
- **Growth and expansion.** Manufacturers often experience seasonal swings in demand — a new model year, a holiday-season spurt, a construction boom — and trying to ensure everyone in the organization has the right hardware and software at the right time can become challenging. The cloud resolves this problem of scaling merely by changing the number of user subscriptions. With the cloud, the manufacturer can reach as far as necessary, offering ERP tools to new plants, new departments and new personnel (while the cloud manages the back end of the scaling operation), then shrinking back

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as required if and when the seasonal deluge subsides.

- **Better security.** Cloud-based datacenters host many of the world's largest and most sensitive businesses, so cloud-based security systems must be world-class as well. Manufacturers can anticipate that a well-established cloud-based host will protect their data with the highest level of security protocols — far greater than a manufacturer could afford to maintain on its own.
- **Safer data.** A flood, fire, tornado or earthquake can obliterate data that is kept on the plant premises — or even offsite at a location in the same town. The cloud, however, sits far above local disaster, often with multiple sites that replicate the data in far-flung centers to ensure it will stay secure. In effect, the cloud serves as an automatic back-up service for the manufacturer; even if a plant is demolished, the business can be set up in any new location and access its data directly from the cloud, so not a bit of customer, product or process data is lost.

Paperless, cloud-based ERP

Certainly these benefits can make the plant a more efficient operation from assembly line to the accounts receivable department. But the manufacturer will never gain the full advantages that ERP can bring if it continues to chase down paper and manually transfer data in its accounting processes.

Fortunately, the cloud now can blow away the paper piles and clear the path from supplier to plant to payment with "Paperless ERP." New cloud-based configurations of ERP platforms like Microsoft Dynamics AX, GP and SL furnish a comprehensive range of accounting and business-management tools while enabling accounting departments to stop working with paper invoices, purchase orders and other printed documents. Paperless ERP is made possible by integrating ERP technology with a document management system, like MetaViewer from Metafile. With the paper gone, cloud-based accounts payable and receivable automation leads to greatly improved accounting processes while dramatically cutting the cost of technology investment.

Factories and global organizations that adopt Paperless ERP with AP/AR automation have found they boost their operations in many ways:

- **Accuracy and speed increase by magnitudes.** The best paperless document management products automatically transform the paper invoices received from vendors into digital formats that the technology can read and manage easily and accurately. The same solution can deploy workflow automation that ensures approvals are passed to the correct individuals and are completed in a timely manner. No longer do paper invoices stack up in a manager's inbox or disappear between offices. Each invoice can be separately tracked, and management is afforded an up-to-date view of payments due. The result is an exceptional improvement in financial planning accuracy.
- **Digital data becomes trusted data.** With Paperless ERP, once the document management technology reads the digital information on the invoice, that same data can be accessed anytime from any location around the world. Since everyone in the manufacturing organization is working with the same version of the data, they can have confidence that the Paperless ERP technology is supplying production and financial reports that are consistent and timely.
- **Costs from an operational standpoint tumble.** By combining Microsoft Dynamics with paperless document management technology like MetaViewer, the costs for people to manage stacks of paper documents evaporate. At the same time, the manufacturer is well-positioned to avail itself of vendor discounts for on-time payments while eliminating late-payment penalties.
- **Time savings multiply.** Some manufacturers with multiple locations may spend days organizing and entering invoices collected from sites in various geographies and time zones. Other plants trek through offices to hunt down a delayed invoice that still lies unapproved on a desk. Even at their best, paper-based systems require documents to be handed off, back and forth, among all the people involved in a product launch and production. Cloud-based Paperless ERP, however, is digital. It centralizes and automates workflow, with the knowledge of where every document resides, where it should go next and when it must be there.
- **More confident projections.** Because Paperless ERP continually furnishes the most current and timely information for accounts payable and receivable, management can rely on that data in developing financial projections. Managers always have a complete, up-to-date view of the organization's finances, and they can more confidently predict financial trends and production needs.

Five tips for embracing paperless ERP in the cloud

Even though the benefits of paperless, cloud-based ERP are apparent, some manufacturers may be reluctant to embrace it fully because the technology may seem intimidating. That's what partners are for. Your technology partner can help you ensure that you acquire the right cloud-based service and documentation management solution for your particular needs. In working with a vendor keep these five tips in mind:

1. You may not be ready yet to consider a cloud-based ERP platform, but you should proceed with choosing both an ERP vendor and document management system vendor that offer cloud-computing solutions. Later, when you are ready, you'll be able to transition to the cloud with much less expense and disruption, because you won't need to change vendors.
2. Similarly, if you anticipate keeping your ERP in-house for now, be certain that your vendor for accounts payable automation can integrate its solution with your system. When you do decide to reach for the cloud, the vendor should be able to move the entire system there as one integrated solution.
3. It is not necessary to transfer all of your business-critical applications to the cloud at one time. Begin with a smaller project to

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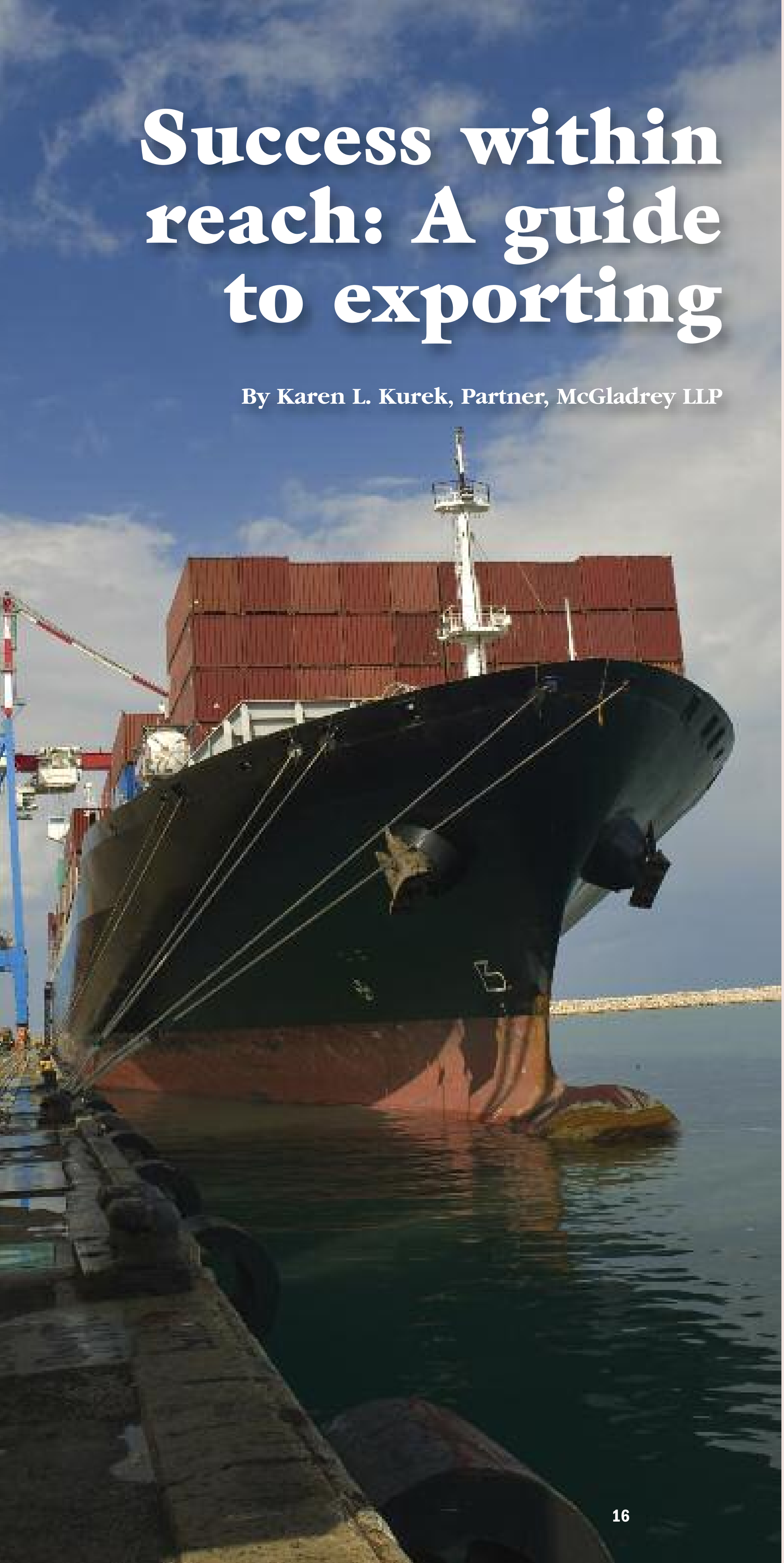
implement — perhaps email or invoicing — and then build on your successes with that effort.

4. Your technology vendors should have experience integrating with solutions that reside in different secure databases. It is highly unlikely that all your solutions will be housed in the same datacenter, and you want to avoid having these applications become their own isolated clouds.
5. Ask your vendors to send their invoices and other documents in digital formats, not on paper. With digital data, all the sites in the company can transmit their invoices directly to headquarters, where they can be managed with ease. Paper documents that are scanned into a cloud-based system will consume more bandwidth and the information is more difficult to extract when compared with the efficient and 100 percent accurate transmission and indexing of digital documents.

If you would like to determine how cloud-based Paperless ERP might impact your own production facilities, start by reviewing the opportunities and savings outlined at www.metaviewer.com/cloud-computing. You are likely to find a surprisingly bright silver lining for your company in the cloud. ■

Success within reach: A guide to exporting

By Karen L. Kurek, Partner, McGladrey LLP



If you're like many manufacturing and distribution executives, you recognize that exporting can play a compelling role in an organization's business strategy. There's a broad consensus among CEOs that exporting is a good idea and there's a fair amount of evidence that a successful export program enhances an organization's economic growth and sustainability.

Since 2006, the McGladrey Manufacturing & Distribution Monitor surveys have indicated that internationally active companies tend to fare better than those focused only on domestic markets. Even in 2009, during the deepest point of the recession, survey data indicated these companies tended to be less affected by the recession than domestic-only companies, showing fewer revenue declines and higher margins. This held true throughout 2011, when survey participants in the McGladrey 2011 Fall Manufacturing & Distribution Monitor revealed a striking finding in the correlation between growth in exports and a company's health: Sixty percent of companies that reported an increase in exports were "Thriving and Growing," a significantly higher percentage than companies who reported they were "Holding their own" or "Declining." In other words, export sales are recognized by those thriving companies as a key driver for growth.

Exporting and other global business practices are generally associated with business health. In fact, it's already a significant part of our economy: according to *The World Factbook,* exports by U.S. companies in 2011 reached an estimated total of $1.49 trillion. And according to a National Association of Manufacturers/Industry Week survey of manufacturers in 2011, increased international sales are expected to be among the top four primary drivers of future growth.

But you might also be cautious about entering markets which are literally foreign to you. "Even a well-executed successful international growth strategy has its risks and inherent difficulties," says Frank Le Bihan, managing director of international services at McGladrey, "so it's critical to understand the drivers and barriers businesses face when considering exporting to foreign locations or establishing a presence overseas."

Elements of attraction

Several factors explain the link between exporting and success.

On the most basic level, exporting allows you to tap a growing market. This is especially true now, since the economic recovery has been more pronounced in certain areas of the globe. Asia, in particular, has a growing middle class. In 2011, estimates by *The World Factbook* reflected China's economic growth rate at greater than nine percent, with much of this growth coming from domestic consumer spending. And that market appears to be expanding. The Brookings Institute Wolfensohn Center for Development, for example, estimated that "by 2015 the number of Asian middle-class consumers will exceed the number in Europe and North America."

Exporting also presents a sound strategic response to low-cost imports. For U.S.-based companies, finding new markets outside the United States for high-quality, differentiated goods is a compelling alternative to surrendering margin and commodifying products in a so-called "race to the bottom." For example according to the McGladrey Fall 2011 Manufacturing & Distribution Monitor, companies in the manufacturing space that have highly engineered products are able to differentiate themselves in foreign markets. This was particularly true for U.S.-based manufacturing companies in the biotech/medical; computers/electronics; and the industrial machinery sectors.

In addition, while attractive global markets are expanding, the globe itself has effectively shrunk. The introduction of larger and faster vessels and cargo containerization has introduced permanent efficiencies in international shipping. Expanded fiber optics capacity has exerted similar downward pressure on international communication costs, including the ease with which your international customers are placing orders on your Internet site.

Exporting best practices

Of course, exporting poses challenges. In fact, it might be useful to think of your export business as a promising new venture. Like all new ventures, it starts with a plan built upon a diligent and honest examination of your strengths, weaknesses, points of difference and purpose. While the broad case for exporting is clear, you need to identify how it furthers your mission and aligns with your capabilities.

- It starts with your customers — The most common mechanism for middle-market manufacturers and distributors to export appears to be a basic one: customer and key client demand. Are you already a domestic supplier to a company which does business internationally? Make enquiries about expanding your role with this part of your customer base. Following your customers as they expand internationally is typically the first foray into an offshore market — and it is relatively less risky than venturing out on your own. Your own customers can provide invaluable guidance.
- Then be strategic — Reactionary exporting (i.e., only following your existing customers as they expand globally) can cause companies to miss out on other potential markets that could present new opportunities. Questions companies should ask themselves before executing an export strategy include:
  - Is our product exportable?
  - What are the demographics in the United States that make my product acceptable in this marketplace?
  - What foreign countries have demographics that could be synergistic with my company's product?
  - What does the competitive landscape look like and how does my company match up?
- Ensure you have the right resources in place — These should include:
  - Executive team — The CEO needs to be involved in the process. Be sure the people leading the exporting charge in your organization are committed to travel, are good "ambassadors" for your organization, and are flexible and culturally sensitive. Dedicated executive support may also include hiring a sales or marketing executive with significant international experience.
  - Financing — Discuss exporting financial needs with your existing commercial banker. Investigate resources available through The Export-Import Bank of the United States (EX-IM); the Small Business Administration and other export councils in your home state.
- Leverage your advisors — Engage consultants or specialists who can make key introductions for you in new foreign markets. Your accounting firm, law firm or bank may have significant foreign experience and may have helped other clients establish global operations. They should be able to arrange visits with potential business associates and advisors. They should also assist you in exploring and understanding all tax and other relevant incentives for which your company may qualify.
- Level the international playing field for your company — Understand U.S. Free Trade Agreements (the United States is currently a party of 14 FTAs with 20 countries) to overcoming trade obstacles. Understand and access U.S. government trade advocacy programs. These can assist your company with access to key foreign officials and U.S. officials stationed overseas.
- Leverage industry and U.S. government resources — Take advantage of resources provided by trade associations, federal and state government entities, such as:
  - The National Association of Manufacturers (NAM), the U.S. Commerce Department and FedEx have teamed up to create the New Market Export Initiative, which offers NAM members "the export expertise of an experienced commercial officer as well as direct access to Department of Commerce Programs." The program's

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commitment is serious because its goal is ambitious: double exports by 2014.
  - The National Export Initiative is focused on educating small- and medium-sized enterprises "about opportunities overseas, directly connecting them with new customers and advocating more forcefully for their interests." It also seeks to improve those businesses' access to credit and to continue the "rigorous enforcement" of international trade laws which remove barriers. The program is designed to help first-time and current exporters alike.
  - Become a Feature U.S. Exporter (FUSE) and put your products on U.S. Commercial Service websites in more than 50 markets around the world.
  - Websites such as www.export.gov provide an excellent starting place for research and planning for international sales strategies. In addition, many states have their own international trade agencies.
- Know your foreign markets — Approaching the sale of your product in another country the same way you approach it in the United States can be a recipe for trouble. Companies without experienced guides to foreign markets, for example, may fall out of compliance with local regulations and be barred from doing business in that country. Beyond regulatory issues, thinking strategically means having the right expertise and consultants along the way.

Together, these individuals and organizations can help you with business intelligence, relationship building, logistics, regulatory and legal assistance, financing, customs, tax and accounts, and payables and cash flow strategies.

Customizing for new markets

Of course, there are some highly specific business challenges involved with exporting.

Some companies are reluctant to enter new markets because they suspect that this may require expensive product modifications and distinct marketing efforts. While you do have to acknowledge the new market, it is important to get a good sense of how much local adaptation is really required. In some cases, it may be little or none. Increasingly sophisticated design software allows mass customization of even complex engineered-to-order products by teams dispersed across the globe and throughout the supply chain.

If you are currently relying on your sales force for direct customer feedback, you will want to put similar processes in place in your new markets. You will want to conduct or review market research studies to access the feasibility of your current product design. Yet even if particular customers or markets require more extensive adaptation, it might still be worth it. According to a November 2010 *Industry Week* article, European companies with limited domestic markets have thrived in the international marketplace by improving their mass customization capabilities.

The article noted that North American manufacturers, on the other hand, were reluctant to make adjustments in their production capabilities despite global growth opportunities. Due to the differences in culture, business practices and regulations, however, certain tasks that are easy to complete in the United States could be difficult in other countries.

Good neighbors make good markets

While you need to be committed to exporting, you don't need to start with the most exotic, distant or daunting markets. Consider one of the NAFTA signatories. Canada and Mexico are nearby and, especially in the case of Canada, culturally and politically similar to the United States (although it should be noted that many companies make the mistake of thinking of Canada as "America Lite'; it is not). Once you learn the ropes in North America, you can take on more far-flung opportunities.

In the McGladrey national survey taken in the fall of 2011, an overwhelming 71 percent of participants indicated they export their products to customers in countries outside the United States, which translated into 16 percent of their total company sales. This appears to continue a trend that was seen in a survey taken earlier in the year, where executives at almost half (48 percent) of participating companies said they planned to expand sales in non-U.S. markets where they already had a presence, or stage an entry into a new global market. When they looked outside the United States, managers in the spring survey were increasingly likely to look beyond Canada or Mexico, traditionally the United States' largest trading partners. Increasing sales in emerging markets is important to a growing minority (approximately 25 percent) of all businesses participating in the survey.

You may want to consider four export markets which have shown robust recent growth: Australia, Brazil, Central America and India. And, of course, countries where you have manufacturing operations are often natural starting places.

Summary

Considering that 95 percent of the world's population resides outside the United States, exporting is a common-sense idea which is absolutely central to the mission of most manufacturers and distributors. It allows you to bring your product to the greatest number of people. On the other hand, it poses the challenges associated with new ventures. Fortunately, you have a wealth of resources nearby, including your own business acumen. Why not take the first step toward making the world your customer?

About the author

Karen L. Kurek is a partner with McGladrey LLP. As national head of its Manufacturing & Distribution Practice, she oversees the audit, tax and consulting services to the firm's manufacturing and wholesale distribution clients. She is also on the board of the Illinois Manufacturers Association.

The next McGladrey Manufacturing & Distribution Monitor survey will be fielded in March, 2013. If you would like to participate, please contact Stacey Doherty at 847-413-6292, or Stacey.Doherty@mcgladrey.com. ■

IMA participates in trade mission to Brazil with Governor Patrick Quinn

Fall trip focused on manufacturing, agriculture, biotechnology, education and tourism

IMA Vice Chair Andrew M. Faville accompanied Governor Pat Quinn on a trade mission to Brazil in an effort to increase economic opportunities between Illinois and Brazil. The group arrived in Brazil on Sept. 23rd for a six-day mission designed to strengthen Illinois exports, foster education and boost tourism. Faville is the President and CEO of Falex Corporation in Sugar Grove, Illinois.

Other mission participants accompanying the Governor included IMA members Archer Daniels Midland (ADM), Baxter International, Boeing Co., Caterpillar, Ingredion, Inc., Motorola Solutions, Tate & Lyle, and United Airlines.

"I'm honored to have represented the Illinois Manufacturers' Association and thousands of manufacturing companies on this important trade mission," said Andrew M. Faville. "As a manufacturer, it is critical that we develop new markets for our products around the world. I applaud Governor Quinn for making this a priority and setting an ambitious goal of doubling Illinois exports by 2014."

In 2011, Illinois exports to Brazil totaled $2.55 billion, up 24 percent from the previous year, making Brazil the state's fifth-largest export market. Illinois is the fourth-largest exporter to Brazil in the United States. Overall, Illinois exports increased by 30 percent in 2011, nearly double the national average.

"Brazil's strong economy and expanding middle class make the country an important market for Illinois," Governor Quinn said. "We are bringing together leaders from business, government and education to create and develop the relationships that will help fuel economic growth in Illinois."

Governor Quinn is the first Illinois governor to lead a trade mission to Brazil. With Illinois already leading the Midwest in exports, the trade mission builds on the state's prior successes as part of Governor Quinn's agenda to aggressively pursue international trade and create jobs in Illinois.

The delegation of officials also included representatives from educational institutions, and state and local governments. The trip made stops in São Paulo, Brasilia and Recife. During the mission, Governor Quinn presided over the signing of several memorandums of understanding as part of the Doing Business with Illinois program, which is designed to establish ties in manufacturing, agriculture, biotechnology and education. The trip also paved the way for Illinois companies to take advantage of business opportunities as Brazil invests $150 billion of public money to build out its transportation and physical infrastructure.

FIESP event in Sao Paulo (above and below). Lower left: Business event in Recife, Brazil.

At each of the three stops in Sao Paulo, Brasilia, and Recife, Governor Quinn held meetings with key private sector leaders, top government officials and potential trading partners in order to open up more markets to Illinois companies.

More information about Illinois trade and business opportunities can be found on the Illinois Department of Commerce and Economic Opportunity website at www.illinoisbiz.biz. ■

Exelon CEO: Abundant clean, low-cost power enhances U.S. competitiveness and benefits manufacturers

Christopher M. Crane, president and CEO of Exelon Corporation, said abundant supplies of natural gas and the emergence of new clean energy sources will provide manufacturers in Illinois and nationwide with a key competitive advantage in the global marketplace.

Speaking in December before an audience of nearly 400 at IMA's annual luncheon in Chicago, Crane said America's energy outlook has improved significantly in recent years due to investments and advancements in drilling technology that have unlocked major domestic reserves of natural gas and oil.

"In the past few years, the energy landscape has shifted at a speed we've never experienced before," Crane said. "The shale gas revolution and the drive for clean energy have created a 'new normal.'"

North America has become the fastest-growing oil and gas region in the world, and is likely to remain so into the 2020s. Surging supply growth could transform the continent into the "new Middle East" by 2020, driven by growth in shale oil and gas, deepwater wells and oil sands resources, Crane said.

"The United States and Canada have the lowest natural gas prices in the world, by a significant margin," Crane said. "This in turn leads to lower industrial electricity rates versus global competitors."

Crane offered the rate comparison shown at bottom, left.

"U.S. industrial competitiveness stands to gain from abundant and low-cost domestic energy supply," the Exelon executive said. "All this translates into a significant competitive advantage for U.S. energy-intensive manufacturing."

The benefits of competition

In addition to low fuel commodity prices and expansion of clean energy supply, IMA's members have benefitted greatly from competitive energy markets.

Crane credited Greg Baise and IMA's leadership for embracing competition and advocating for retail electricity choice in Springfield.

"IMA has been a resolute partner — and Greg in particular a strong, persuasive voice — on key policy issues in Illinois," Crane said.

Illinois' restructuring law was signed in December 1997. Crane said that milestone is worth celebrating in view of competition's success.

"Since the market opened in 1999, competition has delivered extraordinary results for consumers and IMA members," Crane said. "In 1999, Illinois rates were 12 percent above the national average.

"In 2012, Illinois rates were 7.5 percent below that national average. Getting power prices from far above the national average to 7.5 percent below has saved IMA members and electricity consumers billions."

Crane said market restructuring has helped utility customers, includ-

see **EXELON CEO** *page 22*

NATURAL GAS FOR MANUFACTURING*

Japan	$16/MBtu
Germany	$14
Mexico	$11
US	$5

INDUSTRIAL ELECTRICITY RATE**

Japan	15¢/kwh
Mexico	10¢
Korea	8¢
US	7¢

Constellation is the preferred energy provider for IMA members. For more information, visit http://www.constellation.com/partners/associations-chambers/pages/ima.aspx. Article provided by the Constellation Commodities Management Group

EXELON CEO

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ing those of Exelon-owned ComEd, as well as those shopping from alternative retail suppliers.

"Since restructuring was enacted 15 years ago, while the cost of everything else has gone up, ComEd's regulated rates have gone down by 23 percent when adjusted for inflation," said Crane. "Restructuring truly was a game-changing economic victory for Illinois. IMA deserves a great deal of credit for getting the law passed and implemented."

Competition continues to thrive and expand in Illinois and nationwide. In the 17 states with retail competition, nearly 45 percent of load is served by competitive suppliers — more than double what it was in 2003.

Communities across Illinois are saving through competition. Between June 2011 and May 2012, residential customers in ComEd's northern Illinois territory saved $24 million by switching to alternative suppliers, Crane said.

Including Chicago and other communities that passed referenda for municipal aggregation in November, Exelon expects about 75 percent of ComEd's total residential usage to be served by competitive suppliers by mid-2013.

"I'm preaching to the choir," Crane told the audience. "But, let's not take this success for granted. Let's remain vigilant in the fight to preserve and expand competition in energy markets in Illinois and across our economy."

A new era of clean energy sources

Competition — and an array of state and federal tax subsidies – has also spurred development of new clean energy sources. Crane said this represents an important policy achievement, but he also warned that mandated subsidies can distort the market if left in place too long.

"Over the past 10 to 20 years, a public and private sector partnership has helped drive considerable investment in wind and clean energy generation," Crane said.

"Wind production has boomed the past 20 years. Since the wind energy production tax credit was created almost 20 years ago, wind energy has grown tremendously, producing 43 times more electricity than it did in 1990. As of August 2012, there was 50,000 megawatts of wind capacity in 38 states — enough to power nearly 13 million homes."

But the purpose of subsidies is to jumpstart investment in emerging technologies, Crane said. If left in place too long, subsidies introduce a host of "unintended consequences."

"We believe government mandates should broadly and predictably frame markets; they should not drive actual outcomes," the CEO said. "The federal tax subsidy to the wind industry is a prime example.

"It distorts the wholesale market, undermining other, more reliable clean energy sources. Market distortions are not good for our customers, and manufacturers, because they can drive higher prices.

"Exelon is and will continue to be a strong advocate and producer of clean energy, including wind energy," Crane said. "But, the start-up phase is over…wind energy can stand on its own. We don't believe in taxpayer subsidies for mature technologies."

Exelon's commitment to clean energy

Exelon has made considerable progress on its own clean energy agenda, which the company has dubbed Exelon 2020. Launched in 2008, the program aims to eliminate the equivalent of the company's carbon footprint by 2020.

"Our goal is to eliminate 15.7 million metric tons of greenhouse gas emissions annually," Crane said. "We achieved 80 percent of that goal by 2011 by greening our operations, helping our customers reduce their emissions, and introducing more clean energy into the marketplace."

Also contributing to cleaner generation is a significant wave of coal plant retirements due to Environmental Protection Agency mercury and air toxics standards.

Exelon forecasts that approximately 42 gigawatts of capacity will be retired in the U.S. Eastern Interconnection power grid by 2016, with over 30 gigawatts of retirements already announced.

The importance of sound energy policy initiatives

Turning to topics of interest in Springfield and Washington, Crane said government has a vital role to play in crafting energy policy, but he urged lawmakers and regulators to stop short of "picking winners and losers."

"Given the backdrop of low-cost gas and growth in clean energy generation, what message do I have for Washington and Springfield?" Crane said.

"The first message is our energy future looks better than we could have imagined 10 or 20 years ago.

"A second message is that our newfound energy security means we must reassess outdated mandates and subsidies.

"And low-priced natural gas and clean energy generation are just two parts of the long-term energy equation. To truly unleash the power of innovation across the electricity sector, we need to modernize the grid."

On that front, he said, America is not faring as well as it has with the shale gas revolution.

The World Economic Forum Global Competitiveness 2012 Report surveyed several thousand business leaders from 144 countries. The United States ranked No. 25 out of 144 countries in infrastructure quality and No. 33 out of 144 in quality of electricity supply.

"That low ranking is a drag on manufacturing," Crane said.

Last year, the Illinois General Assembly enacted legislation specifically aimed at modernizing the grid.

Crane said ComEd is embarking on a 10-year, $2.6 billion program to modernize the power system in northern Illinois. However, the pace of the grid modernization work has slowed due to recent rulings by the Illinois Commerce Commission that reduced the funding available for the program.

"Resolving this issue is vitally important so that we'll be able to deliver the full reliability improvements, cost-savings and customer service benefits promised to our customers," Crane said, "and create 2,000 jobs, as required by the legislation, to further boost the Illinois economy."

see **EXELON CEO** *page 24*

CAMILLE OLSON, PHILIPPE WEISS & NATHAN KIPP

U.S. Supreme Court to revisit scope of the Faragher/Ellerth Supervisor Liability Rule

On November 26, 2012, the Supreme Court of the United States held oral argument in a case that may reshape the scope of supervisor liability under the Court's opinions in *Faragher v. City of Boca Raton,* 524 U.S. 775 (1998), and *Burlington Industries, Inc. v. Ellerth,* 524 U.S. 742 (1998). In *Faragher* and *Ellerth*, the Court held that, under Title VII of the Civil Rights Act of 1964, an employer may be vicariously, and strictly, liable for its supervisors' workplace harassment of, and discriminatory conduct directed toward, employees. However, an employer is vicariously liable for harassment or discrimination inflicted by employees' coworkers only if the employer was negligent in either discovering or remedying the offending conduct.

In *Vance v. Ball State University,* the Court will examine the scope of the *Faragher/Ellerth* definition of "supervisor" by deciding whether (i) it encompasses all individuals who have the authority to direct and oversee a Title VII complainant's daily work, or (ii) is limited only to those individuals who have the power to "hire, fire, demote, promote, transfer, or discipline" the complainant. Depending on how narrowly or broadly the Court defines "supervisor," the volume of Title VII claims brought against employers involving employees in management-level positions will increase or decrease. Regardless of how the Court rules in *Vance*, the case will require employers to ensure that company-wide policies, training, job descriptions, and performance expectations are all consistent with current Title VII law so as to avoid and, if need be, to defend against any Title VII claim.

Facts

Plaintiff Maetta Vance was the only African American who worked in defendant Ball State University's Banquet and Catering Department. In 2006, she filed a complaint against Ball State, alleging, among other things, that the University violated Title VII through the actions of Saundra Davis, who also worked in the Banquet and Catering Department. Specifically, Ms. Vance claimed that Ms. Davis created and fostered a hostile work environment by making discriminatory remarks about Ms. Vance's race and ethnicity. Ms. Vance reported Ms. Davis' actions to Banquet and Catering Department supervisors, who investigated the claims. Because both women provided conflicting accounts concerning who harassed whom, the supervisors declined to formally discipline either woman and instead required both to undergo counseling concerning proper work-place behavior.

Based on these facts, Ball State filed a motion for summary judgment on the ground that it was shielded from Ms. Vance's suit under *Faragher* and *Ellerth*. In granting the motion, the U.S. District Court for the Southern District of Indiana concluded that Ms. Vance failed to establish that Ms. Davis was her supervisor; as the court noted, Ms. Vance's only evidence on the point showed that Ms. Davis had the authority to direct Ms. Vance's day-to-day activities, and was not required to record her time like other hourly employees in the

see **SUPREME COURT** *page 24*

Camille Olson is a partner in Seyfarth Shaw's Chicago and Los Angeles offices. **Philippe Weiss** is the managing director of Seyfarth Shaw at Work and **Nathan Kipp** is an associate in the firm's Chicago office. For more information, visit Seyfarth Shaw's Website at http://www.seyfarth.com/Chicago.

EXELON CEO

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An optimistic outlook for America's energy future

Crane closed his remarks by saying that competitive markets are driving investment and innovation. The nation's energy future, long an area of concern, is now much more promising.

"The world of manufacturing was revolutionized by automation and robotics," Crane said. "What revolutionary energy advancements lie ahead for homeowners, manufacturers and our nation?

"Competition in energy markets certainly is one innovation, and others are sure to follow in the areas of automated load response and clean energy.

"At a time when our economy is still struggling, low-cost energy supply, competition and innovation are combining to create a meaningful silver lining," Crane said.

"This is a great development for our customers at IMA and for all Americans. It's one we should jointly appreciate and celebrate." ■

**Source: ISI Group: Investing in the U.S. Manufacturing Renaissance, 2012*
***Source: International Energy Agency (IEA), 2012*

SUPREME COURT

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Banquet and Catering Department. Thus, because Ms. Davis was merely Ms. Vance's co-worker, and because Ball State took corrective action in addressing Ms. Vance's claims by requiring both women to undergo work-place counseling, Ball State was immune under *Faragher* and *Ellerth*. The U.S. Court of Appeals for the Seventh Circuit affirmed the district court's decision, reasoning that Ms. Vance failed to establish that Ms. Davis had the authority to hire, fire, demote, promote, transfer, or discipline employees, and therefore failed to establish that she was a "supervisor."

The Supreme Court granted Ms. Vance's petition for a writ of certiorari, placing front and center the question of what is the correct definition of "supervisor" under *Faragher* and *Ellerth*. For their part, the Circuit Courts of Appeals have formed two camps of thought when addressing the issue. In some circuits, a "supervisor" is one with whom an employer vests authority to direct and to oversee employees' daily work activities. Other circuits had adopted the narrower definition that the Seventh Circuit applied in its opinion: that "supervisors" are limited to individuals who have the power to "hire, fire, demote, promote, transfer, or discipline" employees. By hearing Ms. Vance's appeal, the Supreme Court will act as the final arbiter in defining "supervisor" under *Faragher* and *Ellerth*.

The impact of *Vance*

The Supreme Court's decision in *Vance* not only will impact employment discrimination and harassment litigation, it also will require employers to proactively re-examine policies, training, and job descriptions to ensure that the *Faragher/Ellerth* defense is available if litigation arises. The Court's conclusion as to the proper definition of "supervisor" will lead either to increased or decreased litigation against employers. On one hand, if the Court adopts the broader definition of "supervisor" — that is, an individual who has the authority to direct and oversee employees' daily work activities — employers will face increased exposure to Title VII claims. On the other hand, if the Court affirms the Seventh Circuit's narrower definition — that is, "supervisors" are individuals who have the power to "hire, fire, demote, promote, transfer, or discipline" employees — employers' exposure to Title VII litigation will decrease.

> The Court's conclusion as to the proper definition of "supervisor" will lead either to increased or decreased litigation against employers.

Vance underlines the importance of employers continuously taking steps to ensure that they can assert *Faragher/Ellerth* immunity if faced with a Title VII claim. As always, the optimal scenario is one where an employer avoids any such litigation altogether because it has instituted the proper prophylactic measures. However, as recommended action items, employers should take the following steps:

- Review and, if need be, revise job descriptions and performance expectations of those employees in management-level positions to ensure that the descriptions and expectations do not undermine any opportunity to assert the *Faragher/Ellerth* defense.
- Continue to thoroughly and promptly investigate any harassment, discrimination, or retaliation claims to avoid any allegations of failing to take appropriate action to address offending conduct.
- Ensure that their anti-harassment, anti-discrimination, and anti-retaliation policies are up-to-date and comport with the latest developments of the law.
- Take appropriate steps to provide information to all employees — and, in particular, those in management-level positions — explaining those updated policies in practical, user-friendly terms.
- Deploy effective and practical Equal Employment Opportunity training programs to ensure that supervisors, frontline managers, and others of authority are acutely aware of their broad Title VII obligations, and of how all nondiscrimination laws can be implicated when dealing with employees or applicants.

Regardless of how the Court holds in *Vance*, such measures will help employers to reduce their exposure, if not altogether eliminate such exposure, to any costly and prolonged Title VII litigation. ■

Foundation implements education initiative

A comprehensive plan to create a pipeline of skilled workers for today's advanced manufacturing professions

Manufacturers in Illinois are faced with a growing problem; the necessity of replacing more than 30,000 manufacturing production professionals each year for the next 15 years due to retirements of the "Baby-Boom" generation. Technological advancements in manufacturing make it mandatory that every successful employee have at least some post-secondary education, but deficiencies in our education system hamper those efforts.

Manufacturers recognize that teachers in K-12 need help in the classroom to bring the concepts in math and science to life and understand that for many teachers, these subjects (particularly math) are especially challenging. Moreover, the need to keep students "connected" to math and science, and to career options to help drive down unacceptable dropout rates is keen.

Working with educators and government officials for over two years, the IMA Education Foundation developed a comprehensive pathway of study to prepare students, career changers, veterans and other at-risk populations for careers as manufacturing professionals. Using industry driven, nationally portable certificates as well as Associate, Bachelor and advanced degrees, the pathway can be easily incorporated into existing curricula and give students a wide variety of career options. With more than 450 credentials available in manufacturing, there are ample opportunities for success for every student regardless of age or gender.

The pathway of study is based on the concept of "Stackable Credentials" which teaches skills beginning as early as ninth grade. With each credential achievement, additional credentials can be earned in the same manufacturing vertical (i.e., machining, welding, engineering, logistics to name just a few) or individuals can move between verticals to become an invaluable employee. The approach also relies on internships with private sector manufacturers that put into practice what is taught in the classroom.

Among the credentials readily available are those offered by the Manufacturing Skill Standards Council (MSSC), National Institute for Machine Skills (NIMS), the American Welding Society (AWS), the American Society for Quality (ASQ) and the Association for Operations Management (APICS).

Manufacturers and educators generally have agreed to the following to assure success.

Manufacturers want the following from every applicant:

1. Occupational skills for the career
2. Acceptable soft skills
3. Ability to pass a drug screen
4. Truthful responses to disclosure

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Jim Nelson is Vice President of External Affairs for the Illinois Manufacturers' Association. He can be reached at 217-718-4211 or jnelson@ima-net.org.

IMA members among 122 who received Women in Manufacturing STEP Awards for Excellence in Manufacturing

The Manufacturing Institute, the Society of Manufacturing Engineers, University of Phoenix, and Deloitte recently announced the recipients of the first Women in Manufacturing STEP (Science, Technology, Engineering and Production) Awards. The inaugural STEP Awards honor women who have demonstrated excellence and leadership in their careers and represent all levels of the manufacturing industry, from the factory-floor to the C suite.

"These women are the faces of exciting careers in manufacturing," said Jennifer McNelly, president, The Manufacturing Institute. "We chose to honor these women because they each made significant achievements in manufacturing through positive impact on their company and the industry as a whole."

The STEP Awards are part of the larger STEP Ahead initiative launched to examine and promote the role of women in the manufacturing industry through recognition, research, and best practices for attracting, advancing, and retaining strong female talent.

"The stories of these 122 women — and the leadership they demonstrate in a diversity of careers — are also meant to inspire the next generation of women leaders in manufacturing," said Tim Welsh, SVP National Industry Strategy Group, University of Phoenix. "We must empower today's leaders to help attract and educate our future workforce to keep our manufacturing base and our economy competitive."

"As the nation emerges from the recession, we know that manufacturing is critical to our economy, and critical to the success of each manufacturer is a high-quality workforce," said Mark C. Tomlinson, executive director/CEO, SME. "By telling the stories of real women in manufacturing, we not only will celebrate great careers, but also make a profound public statement about the significance of manufacturing."

Among the 122 women are four from IMA member companies in Illinois. They are:

Rebecca Guinn, Global Director, Operator Station Internal Platform, Deere & Co., Moline

"Manufacturing is a dynamic environment that has its own energy. The power of products, processes and most importantly people coming together to create value, can not only provide many challenges, but also rewards as the product rolls off the line. This is a team sport."

Rebecca is responsible for the global design, development, production and support of operator station environments and operator experience for Agriculture and Turf products. She manages nine manufacturing locations across the globe as well as global design and development resources.

Rebecca joined Deere and Company in 1992, gaining expertise in manufacturing, engineering, supply management, quality and operations. A former Global Director of Manufacturing Services for the Agriculture and Turf Division, Rebecca was responsible for establishing the global strategic direction for division manufacturing engineering and operations units. Her leadership transformed the division operations from separate regional centers to a globally aligned organization that leverages global capabilities and optimizes results.

Rebecca is a strong leader and mentor for her employees and a strong advocate for women engineers and women in leadership roles.

Barbara Suski, QA Lead Analyst, Bison Gear & Engineering, St. Charles

"My very first job was in manufacturing and I've remained fascinated ever since. To be a part of the evolution of Quality Systems within manufacturing during the past few decades has been rewarding and fulfilling. I eagerly await the next challenge!"

As lead inspector for Bison's Quality Assurance Department, Barbara is responsible for continuously improving the QA processes in the department to reduce non-value-adding activities using the tools of Lean Manufacturing and coordinating the activities of three other inspectors, ensuring that Bison's production areas have quick response to first article inspections.

Barbara consistently demonstrates her commitment to improving work processes and dedication to helping Bison develop co-working by sharing her knowledge and training others within and outside the QA Department. She develops leadership skills by integrating herself into the production processes and working side-by-side with workers to troubleshoot problems and implement effective corrective actions. This willingness to help others and communicate daily with co-workers and management has made her contributions critical to maintaining Bison's level of increased productivity and satisfaction with customers.

Tana Utley, Vice President, Industrial Power Systems Division, Caterpillar Inc., Peterborough, UK

"I am most proud of leading Caterpillar low emissions development programs. We've reduced diesel engine emissions by 98 percent over a 20-year period. It's been incredibly challenging and has transformed the environmental footprint of the diesel engine while improving its economic value to the consumer."

Tana is Vice President of Caterpillar's Industrial Power Systems Division and President of Perkins Engines Company.

Tana's Caterpillar career has been focused primarily on diesel engine emissions reduction. She is best known for leading the team that developed ACERTTM Technology, which remains the foundation for diesel engine development and emissions reduction programs at Caterpillar. Most recently, as Chief Technology Officer, Tana led the effort to refresh the company's technology strategy and chart strategic growth across a global research and development footprint.

Tana earned a BS in mechanical engineering from Bradley University and a MS in management from MIT's Sloan School of Management. She is the recipient of the Suzanne Jenniches Upward Mobility Award from the Society of Women Engineers, and an honorary Doctor of Technology degree from Loughborough University.

Sandra Westlund-Deenihan, Chief Executive Officer and Design Engineer, Quality Float Works, Inc., Schaumburg

"I am a third generation manufacturer — it is in my DNA. There is nothing more satisfying than conceptualizing a design and turning it into a finished component. I am extremely proud to carry on a family tradition as a manufacturer."

Sandra serves as Chief Executive and Design Engineer of Quality Float Works, Inc., the premier manufacturer of hollow metal float balls and float assemblies in the nation. Founded by her grandfather in 1915, Sandra took over as President in 1995 and turned this virtually unknown family-owned and operated small-business into a global industry leader. Today, Quality Float Works, Inc. exports its products throughout Asia, Canada, Europe, Latin America and the Middle East.

Sandra has long been an advocate to increase the pipeline of women in STEM and serves on the Board of Directors for the National Association of Manufacturers (NAM), the National Alliance for Partnerships in Equity Education Foundation (NAPE-EF), and works with several other state and national organizations looking to solve the skills gap. Through her efforts, she has been instrumental in bringing a successful STEM Equity pipeline program to her local school district to engage young girls in STEM learning.

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Deere to invest in improvements at John Deere Seeding

Deere & Company said it will invest approximately $58 million to enhance operations at John Deere Seeding in Moline where the company manufactures planting equipment.

The investment will be made in conjunction with the implementation of a new factory master plan that targets enhancements in efficiency and quality. Improvements include a new paint system and increased use of automation and robotics.

"This investment reflects the past success of John Deere Seeding and prepares the factory to further serve customers in the future," said John May, President, Agricultural Solutions. "Deere continues to invest in facilities both in the U.S. and around the world to enhance our position as the world's largest manufacturer of agricultural equipment."

John Deere originally started manufacturing planting equipment in 1877 and has maintained operations at the current John Deere Seeding location in Moline since 1879. John Deere Seeding currently has approximately 800 employees in Moline.

"Our employees at John Deere Seeding have served customers well and responded to the needs of the marketplace," May said. "Our investments at John Deere Seeding are focused on helping agricultural equipment customers succeed in the important work of feeding the world."

Deere & Company is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land — those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

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Railroader of the Year: Union Pacific Chairman James R. Young

James R. Young, Chairman of Union Pacific Corporation, has been named 2013 Railroader of the Year by *Railway Age.*

"As Jim Young so aptly puts it, 'Union Pacific has evolved from the company that built America by building the first transcontinental railroad to one that today is critical to the global supply chain,'" said *Railway Age* editor-in-chief William C. Vantuono. For his vital role in that evolution, he is a deserving recipient of our Railroader of the Year award. Under the leadership of Young and such key team members as Jack Koraleski, the current President and CEO, UP recently has started to see what its franchise can deliver for customers, employees, communities, and shareholders. Leading up to its 150th anniversary have been such mile-markers as record full-year earnings in 2010 and 2011; record capital investment in 2010, 2011, and again in 2012; and record levels of customer satisfaction since 2009."

"I am honored to accept the railroader of the year award on behalf of all Union Pacific employees," Young said. "Very few companies have achieved 150 years in business, and the best part about it for Union Pacific is despite all our incredible accomplishments during the past century and a half, we think our best years are still ahead of us."

Jim Young is *Railway Age's* 50th Railroader of the Year. He is the sixth Union Pacific recipient, preceded by Frank E. Barnett (1975), Robert M. Brown (1978), Mike Walsh (1991), Richard K. Davidson (2003), and William E. Wimmer (2007). *Modern Railroads* magazine founded the award, one of the most prestigious in the railroad industry, in 1964 as the "Man of the Year." *Railway Age* acquired *Modern Railroads* in 1991 and has presented the award annually since then. Young will be honored on March 12, 2013, at Chicago's Union League Club.

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Railway Age (www.railwayage.com) is a monthly trade magazine circulated at the management levels of North American freight and passenger railroads. Founded in Chicago, in 1856, it is the transportation industry's longest-running trade publication.

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Proven manufacturing executives take helm of NAM Board of Directors

The National Association of Manufacturers (NAM) recently announced its new Board leadership for the 12,000 member organization. Doug Oberhelman, chairman and CEO of Caterpillar Inc., will serve as chair of the NAM Board of Directors, and Gregg Sherrill, chairman and CEO of Tenneco Inc., will serve as vice chair for a two-year term. In addition, Al Lubrano, president of Materion Technical Materials, will serve as chair of the Small and Medium Manufacturers (SMM) Group, and Thomas Riordan, president and CEO of Neenah Enterprises, Inc., will serve as vice chair.

"Manufacturers in the U.S., big and small, play a critical role in the U.S. economy by employing millions of people and providing a wide range of goods that are not only used in the United States, but are also exported around the world," said Oberhelman. "I am honored to serve manufacturers in the U.S. at such a critical time for our nation. The prescription of what America needs to remain competitive is clear — we must invest in our future to improve our infrastructure, reduce the tax burden on manufacturers, explore and develop our energy resources and continue to open new markets for U.S.-manufactured products. If we don't act now, our competitors will. We're ready to work together to solve our nation's challenges and ensure America is the best place in the world to manufacture."

"The future of America's economy depends on the success of manufacturing," said Lubrano. "Today, we are facing burdensome regulations, an outdated tax code and a shortage of skilled workers — which are hurting our competitiveness. Small and medium-sized manufacturers can lead job creation and innovation, but we need the right policies so we can lead the world."

These manufacturing executives are committed to lead efforts that aggressively advocate for pro-manufacturing policies, which will grow jobs in the United States, attract direct foreign investment, lead the world in innovation, expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders and ensure manufacturers in the United States will have the skilled workforce that the 21st-century economy requires.

"These are proven manufacturing leaders who know firsthand what policies help and hurt the manufacturing economy," said NAM President and CEO Jay Timmons. "We're confident that with their leadership, policymakers will listen. Manufacturers continue to face much uncertainty with the turbulent climate in Washington, in addition to mounting regulations. It is 20 percent more expensive to manufacture in the United States compared to our major trading partners. If we are going to compete globally, this must change. Manufacturers must continue to educate policymakers with one voice in addressing these challenges. Nearly 12 million men and women in manufacturing can't afford for Washington to wait. They need action now if we are to maintain the mantle of global manufacturing leadership."

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FOUNDATION

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of background issues

5. Reliable transportation and reliable/flexible child care

Educators want the following from employers:

1. Viable internships that put into practice what is taught in the classroom
2. Between-term externships for faculty
3. Some help to assure the right equipment and techniques are being taught
4. A guarantee that successful students will be interviewed for job openings
5. Ongoing dialogue to assure continuous improvement

The Manufacturing STEM Learning Exchange is being developed statewide through 8-10 Regional Exchanges led by a statewide steering committee. They are designed to help assure that delivery of the pathway and sharing best practices is available to every school in Illinois. The IMA Education Foundation has been unanimously chosen to lead the Manufacturing STEM Learning Exchange and looks forward to the prospect of working with schools.

To learn how your company can take advantage of the Manufacturers Education Initiative, contact Jim Nelson, IMA Vice President of External Affairs, 217-718-4211, jnelson@ima-net.org. ■

Advertiser Index

New IMA members

AMERICAN CHEMISTRY COUNCIL
Des Moines, IA

ASSOCIATED FINANCIAL GROUP, LLC
Aurora, IL

BANK OF AMERICA
Naperville, IL

FLYING FOOD GROUP, INC.
Schiller Park, IL

GRECIAN DELIGHT FOODS, INC.
Elk Grove Village, IL

MCDONNELL BOEHNEN HULBERT & BERGHOFF LLP
Chicago, IL

NELSEN STEEL & WIRE COMPANY, INC.
Franklin Park, IL

PRAIRIE FARMS DAIRY, INC.
Carlinville, IL

RUSSEL G. WINICK & ASSOCIATES, P.C.
Naperville, IL

SCHILLING VENTURES LLC
Naperville, IL

SOUTHERN IMPERIAL, INC.
Rockford, IL

TEMPEL STEEL COMPANY
Chicago, IL

VERSATECH LLC
Teutoplis, IL

WELLS FARGO
Chicago, IL

2013 Calendar of events

March 15, 2013
IMA's Women in Manufacturing Council (WIMC) Meeting — 9:00 AM to 12:00 NOON CDT — Marriott Hotel-Naperville, 1801 N. Naper Blvd., Naperville
The newly-designed Women in Manufacturing Council will meet three times a year and will focus on topics selected by Council members. The March meeting will focus on the lack of skilled workers and what is being done to address this problem. Dr. Maria Coons will discuss the Advanced Manufacturing and Training Program at Harper College as well as Harper's efforts leading a consortium of 21 community colleges that are focused on training workers for careers in manufacturing. Other 2013 meeting dates for WIMC: June 7 and October 18.

March 20, 2013
IMA's March Breakfast Briefing: The NLRB — 8:00-10:30 AM CDT — Mon Ami Gabi Restaurant, Oak Brook Center Mall, Oak Brook
The Obama Labor Board is bringing employee-management-labor relations to the forefront by engaging in a fundamental re-examination of the legal framework of employee and labor relations in the U.S. Issues such as:
- Social Media
- Issues related to Free Speech under the 1st Amendment and Labor Act
- Employee rights within and outside the workplace
- Personnel Policy statements by employers
- Union and Management Rights in the context of organizing campaigns,

and more are under scrutiny. Manufacturers and all private sector employers are being impacted in both union and non-union workplaces. Join us on March 20th and learn about the evolving new direction of the National Labor Relations Board and its Obama majority at our interactive program. Jim Spizzo and Mark Stolzenburg, from Chicago-based Vedder Price PC will discuss these important issues and answer your questions.

April 12, 2013
IMA's Small Manufacturers Council Meeting Oak Brook
Future SMC Meetings: August 2 and November 1

April 24, 2013
IMA's April Breakfast Briefing: R & D Tax Credits — 8:00-10:30 AM CDT — Mon Ami Gabi Restaurant, Oak Brook Center Mall, Oak Brook
Could you be leaving money with the IRS? Randy Crabtree, with Tri-Merit LLC, will discuss R & D Tax credits covering the history and future of the credit, how to qualify for the tax credit, what expenses qualify, calculating the credit, and offering examples of credits for manufacturing, software development and engineering.

April 25, 2013
2013 Employment Law Update — hosted by IMA member Vedder Price PC, 12:30-4:00 PM, Palmer House, 17 East Monroe Street, Chicago
A Complimentary half-day conference led by Vedder Price attorneys. For more information, visit http://www.vedderprice.com/event-search/ or call 312-609-4162.

April 26, 2013
Training Within Inudstry: Job Instruction & Understanding Workforce Training Needs hosted by IMEC, sponsored by College of Lake County — 8:00 AM-12:00 NOON — 1120 S. Milwaukee Ave., Vernon Hills — $79 per person
Register online now by visiting http://clcmanufacturingseries-eorg.eventbrite.com or contact Amy Fitzgerald, 309-677-2911, afitzgerald@imec.org, for more information.

May 1, 2013
IMA Business Day Springfield

May 2, 2013
2013 Employment Law Update — hosted by IMA member Vedder Price PC, 8:30 AM-12:00 NOON, Hyatt Regency O'Hare, 9300 Bryn Mawr Ave., Rosemont
A Complimentary half-day conference led by Vedder Price attorneys. For more information, visit http://www.vedderprice.com/event-search/ or call 312-609-4162.

Visit http://www.ima-net.org/calendar-of-events for information, pricing, registration, etc., related to all IMA events. For more information, contact Kimberly McNamara at kmcnamara@ima-net.org, 800-875-4462, ext. 9371

Building a 21st Century Manufacturing Economy

SAVE-THE-DATE • CRAIN'S MANUFACTURERS SUMMIT, MAY 21, 2013
THE RITZ CARLTON, CHICAGO, IL 7:30A.M. – 5P.M.

Introducing Crain's Manufacturers Summit aimed at senior management at Illinois manufacturing companies.

PRELIMINARY AGENDA:

Summit Opening: Networking and Continental Breakfast

Morning Keynote: CEO of local Manufacturer with Q&A

Morning Panel: Key industry leaders discuss investment, trade, the workforce and innovation followed by Q&A

Luncheon Buffet and Networking

Roundtable Discussions: Attendees engage around a key topic and share findings with the entire group

CEO Spotlight: Regional or National Manufacturer

Cocktail and Networking Wrap Up

To register, visit, ChicagoBusiness.com/events

For information on attending or sponsorship opportunities please contact ccbevents@crain.com

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