

# INDUSTRIAL EXCELLENCE

A Monthly Publication of the  
Greater Jamestown Empire Zone and the  
Manufacturers Association of the Jamestown Area

## News From the GJEZ

- Fernando DiMaggio, Executive Director of the Empire Zones' Program, Visits the GJEZ
- Funding Opportunities Offered By Empire State Development

## Training Opportunities

- Jamestown Community College
- Manufacturers Association of Northwest Pennsylvania Training Opportunities
- Penn State Behrend MBA Program
- The Private Industry Council
- The Technology Development Center

\* See Enclosed Calendar on page 7 \*  
For more information call MAJA  
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## Feature Stories and News

### The Chautauqua Plan: A Community Based Approach to Health Care Cost Containment (page 3)

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### Funding Opportunities Offered By Empire State Development (page 2)

Environmental Management Investment Group (EMIG) is accepting applications for funding to help qualified businesses improve their environmental performance. EMIG will invest in projects that lead to reuse, re-manufacturing or recycling of materials otherwise destined for disposal, and pollution projects that lead to reductions in the volume or toxicity of waste before it is generated.

### **Strap.....Strategic Training Alliance Program**

STRAP was created as part of Governor Pataki's Jobs 2000 legislation to identify and address the employer needs for skilled workers. The program is designed to solve common workplace problems by addressing the shortages of skilled workers within a n industry or within a single employer's establishment. STRAP also promotes the upgraded skills for current employees, particularly in high technology jobs. The funding is available only to manufacturers.

For information regarding the STRAP program, contact: Marguerite Greco, Empire State Development Corp. (716) 856-8123 ext. 222 or Carolyn Bright, Department of Labor (716) 851-2753

*Source: WNY TDC*

### **The Empire Zone News**

## **Fernando DiMaggio, Executive Director of the Empire Zones' Program, Visits the Greater Jamestown Empire Zone**

On July 18, 2001, Fernando DiMaggio, Executive Director of The Empire Zone's Program, paid a visit to the GJEZ. Mr. DiMaggio spoke at the bi-monthly Board of Directors meeting updating the Board on the current status of the State Budget negotiations and its effect on the Zones Program. DiMaggio also noted that the extra two-square mile addition to 22 zones proposed by Governor Pataki is not likely to come to fruition.

The Board asked questions about the Statewide Zone Capital Corporation (SZCC) in regards to its lending practices. The SZCC was created for "Gap Financing." To date \$28,000,000 has been raised from various lenders giving each participating Zone just under \$600,000 to lend. Questions about collateral position have arisen. Mr. DiMaggio stated the Statewide loan fund problems will be resolved significant impact on development in the Zones.

After the Board meeting, Mr. DiMaggio took a tour of Chautauqua Institution accompanied by Sally Martinez, Zone Coordinator. He was impressed at the beauty and significance of the Institution.

## **Funding Opportunities Offered By Empire State Development**

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A guideline is available from EMIG by contacting the office at (518) 292-5340, by sending an email to: [emig@empire.state.ny.us](mailto:emig@empire.state.ny.us), or contacting the GJEZ office at 483-7773.

## **Workforce Diversity Training**

The Jamestown YWCA Racial Justice Center and Jamestown Community College Diversity Clearinghouse will be offering Workforce Diversity Training beginning in August. This interactive workshop will cover topics that include:

- Active listening skills for improved understanding
- Trends in the workplace
- How to improve workplace communication
- A better understanding of how stereotypes, biases and assumptions impact productivity
- Guide to diversity language and raising personal awareness of the value of diversity

**The one-day training will be offered on Fridays: August 10, September 28, November 30 of 2001 from 8:30-4:00 p.m. in the Sarita Weeks Room at JCC campus. The cost is \$99 and includes workbook, refreshments and lunch. For further information contact: Betsy Blanco Perez at 665-5220 Ext 2377.**

## Cellular Manufacturing

Cellular manufacturing, also known as group technology or work cells, is a technique of combining machines and people to complete a portion or all of a process. Products that are grouped into work cells generally have similar features and processes. Operators may do one or more operations based on the required volume. The proximity of these processes makes it possible for the operators to see the processes before and after their station. This creates an awareness of their effect on the entire process, reducing defects. Work cells may be part of a focus factory or lean manufacturing. MRA's 2000 Manufacturing benchmarking survey shows that 39 percent of respondents to the survey are using some form of work cells.

### Benefits

- ⇒ Flexible manufacturing process
- ⇒ Operator awareness of other processes
- ⇒ Reduced scrap and rework
- ⇒ Increased throughput

In today's world, the ability for companies to keep up with customers' demands and to be able to switch gears quickly to meet changing needs is critical.

*\*Source: Institute of Management Journal; Manufacturing Strategies by Sue Griswold*

## Manufacturer's Association News

### The Chautauqua Plan: A Community Based Approach to Health Care Cost Containment

Manufacturers, physicians, hospitals and labor have worked together to develop a health insurance product named The Chautauqua Plan. "Health care cost inflation has been a primary concern of manufacturers for several years," stated Heidi Nauleau. "We are very excited by the collaboration of physicians, employers and consumers to take pro-active steps to contain costs."

On average manufacturers face 12-13% increases in premiums per year but some companies in just this past year experienced increases in premiums of more than 20%. These increases have the potential of crippling industry in Chautauqua County.

"The issue of health care costs go to the root of economic development and the stability of jobs in Chautauqua County," stated Gary Johnson, President of Phoenix Metal. "Finding a way to curb the rising costs of health care is a great way to help the businesses that are struggling in Chautauqua County and keep them here as the foundation of our economic base."

A solid option is under development and that is the Chautauqua Plan. The Chautauqua Plan is an attempt to take pro-active steps toward improving the health care cost situation faced by business, employees and families throughout Chautauqua County.

The development of The Chautauqua Plan is the result of a collaborative effort of the Chautauqua Integrated Delivery System, Jamestown Area Labor-Management Committee and the Manufacturers Association of the Jamestown Area. This effort is in response to the trends being faced in the Chautauqua County community including; increasing insurance premiums, limited medical access and coverage restrictions. The Chautauqua Plan is a community based 501(c)(3) not-for-profit health insurance program that creates access by employers, families and individuals to cost effective high quality health care benefits. Local medical providers will play a key role in the Chautauqua Plan and will actively participate in the local management of care. The Chautauqua Plan also provides a structure to promote new health, wellness and prevention initiatives that improve the local quality of living by improving individual health.

The Chautauqua Plan is unique in the healthcare industry due to the fundamental alignment of employers, consumer and medical objectives that has been brought together in Chautauqua County. While other health insurance plans and HMO's are based upon ratcheting down provider fees, restricting coverage and transferring financial risk to providers, employers and consumers, the Chautauqua Plan is based upon collaboration. Collaboration is made possible through data access and local management.

The Chautauqua Plan is in the final stages of the process of creating contractual agreements with vendors of excellence, bringing to the table years of collective experience in health insurance management and the ability to implement innovative strategies to contain health care costs. The Chautauqua Plan is based on the fundamental belief that health care is best managed locally. Our approach will provide the plan with the tools it needs to best manage a health insurance plan both efficiently and cost effectively. The Chautauqua Integrated Delivery System (CIDS) represents 105 physicians and two hospitals. CIDS is in the process of developing a solid network of physicians that will be an integral component of the plan. "Our community physician and hospital organization will be engaged in an innovative process to improve the health delivery system and Chautauqua County would be at the forefront of this positive development," stated Stan Lundine of the Chautauqua Integrated Delivery System.

The Chautauqua Plan will provide affordable, high quality health care insur-

*The Chautauqua Plan (continued on page 4)*

## Focus Factory

The focus factory, sometimes called a business unit or a factory within a factory, is generally used to divide similar products into smaller, more manageable product lines. Products are generally chosen for some similarity in customer design or manufacturing method. Each independent "business unit" is designed to be self-contained. Machinery is dedicated to this product line. The operators, leadership and support staff are also dedicated to this family of parts. These members of the focus factory become very familiar with their specific products and customers. The structure is designed to keep the decision making closest to the manufacturing processes and the customer.

In *Industry Week's* 2000 Census of Manufacturers, plants reporting "wide adoption" of focused factory production showed lower lead times, lower cycle times and better hands-on-time delivery ratings than the average plants.

### Benefits

⇒Dedicated operators, leadership and support staff

⇒Quick response to customer issues

*\*Source: Institute of Management Journal; Manufacturing Strategies by Sue Griswold*

*The Chautauqua Plan (continued from page 3)*

ance to employers. As a result more families and individuals throughout Chautauqua County will have access to health care. Health care costs are escalating out of control under the current Health Maintenance Organization (HMO) system. In response our community's employers, providers, hospitals and consumers are seeking to define a system in which costs can be controlled and the quality of care will not be sacrificed.

The Chautauqua Plan has been developed based on a recognition that the community must take control of health care expenditures and it has evolved with a clear understanding of the importance of establishing a broad partnership including employers, consumers, providers and hospitals. The Chautauqua Plan will bring a health care insurance product to the community that meets the unique needs of our rural market.

We are in the final stages of negotiations with an insurer based in New York City, with offices in Buffalo and with Health Economics Group (HEG), a management organization in Rochester, New York. Our concept is to offer an insurance product to employers with one to fifty employees, which will be community rated, those employers with fifty one to five hundred employees may be group rated dependent upon their demographics, and those with more than five hundred employees may be experienced rated.

Our arrangement will be based on a partnership agreement with an insurer. The insurer and the community board will establish budgets. The community board of the Chautauqua Plan will decide how to allocate surpluses toward wellness, prevention and premium stabilization.

The Chautauqua Plan is governed by a not-for-profit corporation, which has achieved 501(c)(3) status with the Internal Revenue Service. It will be governed by a board of directors comprised hospital representatives, physician representatives, employer representatives, labor representatives and one member of the community selected by the other eight directors.

The Chautauqua Plan will offer the community a reliable, high-quality, community based health care system. The goal of the Chautauqua Plan is to implement long-term strategies to contain health care insurance costs and provide high quality insurance coverage in the Chautauqua County area. The Chautauqua Plan strives to create options for the consumer in the health care market, opening doors to needed care at an affordable price. The Chautauqua Plan strives to achieve this objective through the development and implementation of a community based health care system. "This an opportunity for both consumers and providers to have local control of health care and to help insure access, quality and long term cost containment," stated Hugh Trantum, Executive Director, of the Jamestown Labor-Management Committee.

The Manufacturers Association of the Jamestown Area is committed to assisting in the development and the success of this product.

## Employers Frustrated with Health Care Delivery

A new survey from Hewitt Associates found that U.S. employers are concerned about the current health care environment and are evaluating new strategies to control rising costs, limit liability and deliver quality health care.

Findings of the study, reported by more than 600 major organizations nationwide, included concern about pending legislation; increased interest in consumer-driven health care models, such as defined contributions; and how employers expect technology to affect health care.

Participating companies also indicated that exposure to greater liability-

*Health Care Delivery (continued on page 6)*

## Manufacturers Achieve High Rates of Productivity Growth

Productivity growth in manufacturing has been consistently strong since the early 1980s, growing by 3.4% annually since 1983. In the 1990s, there was a further rise, with manufacturing productivity surpassing 4.7% per year from 1996-1999.

## Manufacturing Generates More Output Than Other Sectors

Manufacturing's use of intermediate goods and services in its production process means that it generates substantial economic activity at the intermediate level.

Specifically, every \$1 of a manufactured product sold to a final user generates an additional \$1.19 of intermediate activity. Manufacturing's multiplier effect is greater than the general multiplier effect of 94 cents for all industries. It is far greater than that of the service sector, which generates only 77 cents of intermediate activity for a \$1 sale to the final users.

*\* Source: U. S Department of Commerce, Bureau of Economic Analysis*

## Chautauqua County Manufacturers Awarded Training Funds

The Manufacturers Association of the Jamestown Area has been awarded \$650,497 through the Department of Labor Manufacturing Training Grant, on behalf of 14 manufacturers who participated in a consortium application. Compilation of the application was made possible through a partnership of the Manufacturers Association of the Jamestown Area, the Jamestown Community College, the Private Industry Council, BOCES and Chautauqua Works in cooperation with the business community. The grant is a product of the Manufacturing Technology Institute and its mission to provide services to business in Chautauqua County in the form of hands-on technical training as well as technology assistance.

"Manufacturing remains the backbone of our community and this funding will go a long way toward helping business meet its workforce development objectives," stated Todd Trantum, MAJA Executive Director. The grant will train 8,946 workers in Chautauqua County. "This was a success because several organizations came together to reach out to manufacturers in the community." "The business community can be assured that we will coordinate more efforts like this application in the future."

The organizations that received funding include: Artone Manufacturing, Bush Industries, CP Plastics, Cummins Engine, Ellison Bronze Ethan Allen, Excelco, Fancher Chair, Hanson Sign, Trinity Bio-Tech, Truck-Lite, Ulrich Planfiling, Universal Tooling and Valeo Engine Cooling.

In addition, through separate applications Dawson Metal received funding on behalf of 120 trainees. Chautauqua Works (Workforce Investment Board) received 565,000 on behalf of 815 trainees.

The Manufacturers Association congratulates those companies and organizations funded through the DOL Grant.

## Six Sigma—Road to Excellence

Six Sigma is a system which combines continuous improvement tools and appropriate resources to improve processes. Processes selected for improvement are benchmarked against other processes using the tools so objective decisions can be made as to where to assign resources.

Six Sigma is not new. The concepts was developed by Motorola in the mid 1980s to analyze their manufacturing processes and eliminate defects. Texas instruments adopted it in 1991 followed by General Electric and Allied Signal. These organizations have adopted the Six Sigma philosophy for many reasons, not the least of which is the tremendous potential for economic gain. In 1999, Allied Signal spokesperson Kristin Lemkau stated that "applications of Six Sigma principles have saved the company \$500 million in 1998, \$1.5 billion to date, and is projected to save \$600 million in 1999."

Six Sigma is a system, but it is also much more. It is a metric in that it measures defects within a process and provides a goal for improvement. It is also a benchmark in that it normalizes metrics so processes can be compared and decisions made as to which process to work on first based on payback.

In discussing Six Sigma, there are three main areas in which to place emphasis: philosophy, measurement, and methodology. Philosophy determines the drive and vision for the organization. Measurement allows the organization to quantify how a process is actually performing. Methodology is the systematic process for identifying, defining, measuring, analyzing, improving, and standardizing process.

*Six Sigma—Road to Excellence (continued on page 6)*

## Upcoming Heritage House Childcare Center

The Gerry Homes (d.b.a. Heritage Village Family of Homes) is a not-for-profit organization that has a rich history of service beginning with an orphanage in 1886. A recent study done by the Social Work Department of Roberts Wesleyan College (Rochester, NY) indicated that the greatest need in Chautauqua county is childcare, specifically non-traditional childcare. The Gerry Homes has formed a ministry plan to meet that need and to create a new childcare center. This 4,700 square foot non-profit childcare center, Heritage House, will be located on the corner of Prather and Prospect Avenue in Jamestown, directly across from Heritage Park Health Care Center.

Heritage House will be designed to daily meet the needs of children from the age of six weeks up to nine years during the hours of 6:00 AM—12:00 midnight. The goal of Heritage House is to employ a wide variety of learning experiences, materials, curriculum, and equipment accounting for the uniqueness of each child.

Heritage House will initially be funded through assistance from foundations, corporations and individuals who want to assist with this new ministry. For information you may contact Karl J. Sisson, Director of Marketing and Development, at 985-6804.

Six Sigma—*Road to Excellence* (continued from page 5)

Is Six Sigma only for large organizations? No. Small organizations can also benefit from the application of Six Sigma techniques. Due to the level of training and the expertise required, smaller organizations may need to utilize the assistance of a third party expert. Nevertheless, the gains that can be achieved outweigh the costs of the outside assistance.

The heart of understanding Six Sigma lies in the concept of opportunities for error and Defects Per Million Opportunities (DPMO). Processes are analyzed to determine all of the possible opportunities for defects to occur. The DPMO is calculated by dividing the defects per unit of product or serve by the number of opportunities for defects to occur. Defects Per Million Opportunities is the basis for benchmarking all of the processes. So, how does DPMO relate to Six Sigma? Six Sigma is equivalent to 3.4 Defects Per Million Opportunities and is the goal for improvement in a Six Sigma system. For comparison sake, the average organization has 6,210 DPMO for order entry, while airline flight fatalities are approximately 3.4 DPMO.

How does an organization start down the path to Six Sigma? Cultural change, starting at the top. As with any successful program, there must be top management understanding and support. Senior staff members should gain and understanding of the Six Sigma philosophy and of the commitment necessary for an organization to implement it. Then, and only then, they can make an informed decision whether the organization should start down the Six Sigma path.

*\*Source: Human Resource Digest, January 2001, Article Written by: Rick Goodson*

*Health Care Delivery* (continued from page 4)

would have a negative effect in the following areas: employer costs (81%), consumer costs (80%), and medical management efforts (48%).

Employers are worried that they could potentially become the target of employee lawsuits. This is causing employers to not only examine their current health care strategy, but also evaluate new solutions and alternatives to delivering health care.

According to the survey, more than half (54%) of organizations would support legislation that would change the tax code to enable an individual tax credit for the purchase of health insurance, and increase of 14 percentage points since last year. This type of delivery model would allow companies to provide employees with a specific amount of money to select and purchase their own health coverage.

Consumer-driven approaches are likely to become more appealing to organizations as health care costs continue to rise, legislation looms, consumer satisfaction declines and new, more efficient options evolve.

As companies look to the future, many anticipate technology playing a major role. For example, 84% of participating employers currently conduct their health plan selection and renewal process through paper-based proposals; only 22% anticipate using paper in three years. About 60% of participating employers expect to make plan selection and renewals through the Internet in three years, and 25% plan to use Internet-enabled HMO selection with real-time competitive bidding.

Other findings:

- Organizations expect a 12% increase in costs for 2001 across all plan types.
- These organizations also expect prescription drug costs to rise by 20%. Methods that organizations have implemented to control prescription drug costs, include the use of mail order, closed or partially closed formularies, three-tiered formulary system, prior authorization for certain drugs, higher co-payments and exclusion of lifestyle medications.
- Sixty-three percent of organizations think that health care benefits are a basic need of employees, but secondary in importance to pay, work environment, and work opportunities.

*\*Source: HR Survival Newsletter*

## Upcoming Training Events

|                         |   |                                     |  |
|-------------------------|---|-------------------------------------|--|
| August 23, 2001         | Managing Problem Employees & Difficult Supervisory Situations | Jamestown, NY<br>716.665.5220       | JCC: Center for Continuing Education                 |
| August 24, 2001         | How To Get People To Pay                                      | Jamestown, NY<br>716.665.5220       | JCC: Center for Continuing Education                 |
| September 4, 2001       | Coordinate Measuring Machine                                  | Jamestown, NY<br>716.664.5076       | The Private Industry Council                         |
| September 11, 2001      | Taxes, Taxes, Taxes!  | Dunkirk, NY<br>716.665.5220 x2332   | JCC: North County Center                             |
| September 11 & 18, 2001 | Managing and Embracing Change in Organizations                | Jamestown, NY<br>716.665.5220 x2332 | JCC: Center for Continuing Education                 |
| September 12, 2001      | How to Double the Value of Your Business in Three Years       | Buffalo, NY<br>716.636.3626         | Center for Tomorrow, Amherst Campus, Suny at Buffalo |
| September 14, 2001      | 12 Steps to Successful Selling                                | Jamestown, NY<br>716.665.5220 x2332 | JCC: Center for Continuing Education                 |
| September 20-21, 2001   | Understanding and Implementing ISO 9001: 2000 Version         | Jamestown, NY<br>716.665.5220 x2332 | JCC: Center for Continuing Education                 |
| September 21, 2001      | Management Principles   | Jamestown, NY<br>716.665.5220 x2332 | JCC: Center for Continuing Education                 |
| September 27, 2001      | Principles of Lean Manufacturing 101                          | Buffalo, NY<br>716.636.3626         | A.T.C. 275 Oak St. Buffalo, NY                       |
| October 10, 2001        | The Future Isn't What It Used to Be                           | Buffalo, NY<br>716.636.3626         | Center for Tomorrow, Amherst Campus, Suny at Buffalo |
| October 25, 2001        | Set-up Reduction  | Buffalo, NY<br>716.636.3626         | A.T.C. 275 Oak St. Buffalo, NY                       |
| November 29, 2001       | Cellular/Flow Manufacturing                                   | Buffalo, NY<br>716.636.3626         | A.T.C. 275 Oak St. Buffalo, NY                       |

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 MAJA members receive a special discounted tuition rate  
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