
Iowa Business Council 18th Annual Partnership Dinner February 16, 2004

Presentation

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Governor Vilsack, members of the General Assembly, and invited guests, on behalf of the Iowa Business Council, welcome to our 18th Annual Partnership Dinner.

The Iowa Business Council is made up of the chief executives of 22 of Iowa's largest employers, including the presidents of Iowa's three Regent universities. Each member has made a commitment to be actively involved in the mission of the Council, which is to enhance the economic vitality of our state. As employers of more than 150,000 Iowans and with investments of over \$20 billion in the state, Council members have a significant vested interest in Iowa's future. It goes without saying that our collective private sector companies represent a large segment of Iowa's gross state product.

Last year, we told you that the Council was very concerned that the state was not sufficiently focused on economic development – that it needed to create wealth, not just jobs – and that focusing on Iowa's comparative strengths was vital to our economy's future. We endorsed the concept of the governor's economic values fund as it focused on those strengths. Legislators responded with an innovative bill that got the ball rolling - the Iowa Values Fund. We commend you for this initiative. But, the work is not done. The IBC supports the need for a permanent, viable funding source for this fund. We ask that leaders from both sides of the aisle and both chambers work together, along with Governor Vilsack, to ensure that this happens. Unless we start growing the economy at a faster rate, every legislative session will have to deal with budget cuts or tax increases!

Ron Pearson, Chairman of Hy-Vee, was in front of you last year laying out his vision for a National Center for Food Safety and Security to be created by the federal government and located here in Iowa. This

federal center would act as the coordinating clearinghouse for all existing federal, state, local, academic, and private sector entities involved in various aspects of protecting our nation's food supply.

Ron announced that the Council, at the invitation of Deputy Secretary Moseley at the USDA, submitted a Planning Grant application to further develop the concept. Officials at the USDA were impressed with the proposal and particularly with one of Iowa's unique assets, the ICN. I'm pleased to inform you that we were notified on January 22 that Congress approved a \$500,000 appropriation for the first step in planning this project – evaluating the capabilities of the ICN to serve as the backup database for the USDA as well as serve as the information backbone of a new system tasked to protect the nation's food supply. The IBC will be working with the USDA on the next steps in this regard. Even though Ron was not able to be with us tonight, I want to take this opportunity to thank Ron for his leadership on this initiative, one that offers a huge potential for economic development in Iowa as well as the safety of the nation's food supply.

The Iowa Coalition for Innovation and Growth, a true partnership of business, government and education, and co-administered by the Iowa Chamber Alliance, is continuing its good work. The Coalition, which was spawned in 2002 as a result of a collaborative effort led by the IBC, met just preceding this meeting. I am pleased to report that true progress is continuing by all of the "hot" teams. I want to personally thank the team leaders and team members for their dedication and commitment in moving their great ideas to reality.

Tonight I want to focus on the economic outlook for our companies. As you might expect, it has been a difficult couple of years for many of our businesses. Many of our companies faced challenges from global competition, skilled worker shortages, escalating health care costs and a national economic downturn. But, I'm pleased to report that they are recovering and are on solid ground.

But what have they done to remain competitive? It's all about productivity – extensive restructuring with a focus on the customer. Our members have applied business tools such as Lean Enterprise to eliminate waste from processes and free up resources that were redeployed into more value added activities. In today's global economy, companies simply must find ways to be more productive with less, but they also must increase the quality of their goods and services to remain competitive. Has this been easy? No. It takes commitment and resources from the top.

Talk to Mel Haight, CEO of Pella Corp. or Rockwell-Collins' CEO, Clay Jones. Both will tell you how their businesses were transformed utilizing Lean Enterprise methodologies. They started their lean journeys on the manufacturing floor, which was so successful they moved it into their administrative processes and then throughout their companies. They were able to leverage their hard-working, committed employees.

At Pella, not only was there a 58 to 77% reduction in lead time on orders but also increased sales, profits and customer satisfaction. Involvement in continuous improvement also has resulted in higher levels of employee engagement, because it is more meaningful to work in an environment where team members' ideas are valued and change is implemented based on their suggestions. Over time the culture at Pella has changed to one of "yes – it can be done – just do it."

Rockwell Collins has many examples from their Lean Enterprise efforts as well. In their Coralville operations, they reduced cycle time 75%, increased output 600%, and decreased the total time it took for a part to be produced and shipped to the customer by 83%. In their Decorah facility, they achieved a 22% improvement in productivity, 46% reduction in inventory, and 41% cycle-time reduction.

All of our companies on the Council are embracing these tools in a constant, aggressive push to improve our processes, drive out waste, and ultimately make our businesses and our state more competitive. In fact, just today I spent the first two hours of my day listening to employees at my company report out on their progress.

But, can these same tools and techniques be used in the public sector? Clearly they can and are. Ask Jeff Vonk at IDNR! He thinks so. Our hats go off to Jeff and his staff at the Air Quality Permitting Bureau for taking a risk to work with the Business Processes "hot" team spawned by the ICIG. This team shared a tool that has worked for business - an administrative kaizen—a team-based, up-close focus on solving a specific issue with set goals and parameters. The event was held in June of 2003. Within a week there was a reduction of lead-time for processing applications for air quality permits from 62 days to 11! – a 75% reduction. There was also an increase in the number of permits processed during a day, thereby freeing up resources to tackle a large backlog of permit applications. I'm told that this backlog has now been completely eliminated.

This not only results in higher efficiency for the IDNR, it is a real cost savings to businesses, which must wait for the approval of permits before they can start construction of new plants and projects. Please note that it was the process that was streamlined, not the regulations. We understand that the state has committed to use this same tool on other projects at the DNR and possibly at other agencies. We're not talking about a flash in the pan approach but rather the beginning of a change in the mindset and culture of our state employees. Commitment and support from the "very top" is necessary for the continuous journey to begin.

The IBC would like to recognize Governor Vilsack for his overall leadership to streamline our government and Director Vonk for his specific focus on process improvement at the DNR.

There are also Lean Enterprise opportunities for healthcare. These same tools can work on both the clinical and administrative side of healthcare. HON Industries and Pella Corporation are working with their local hospitals on pilot projects applying Lean Enterprise to healthcare. Their accomplishments were nationally recognized in a recent issue of *Industry Week* magazine.

There are also Lean Enterprise opportunities for education. We all know that the cost of education continues to rise, even as enrollment is declining. We are funding a 19th century model of education in the 21st century. Hence, educators also are looking at restructuring and finding ways to eliminate waste from their processes. Redundancies in infrastructure, programming and administration are all areas of opportunity for utilization of process improvement tools.

We must address and accelerate these efforts, however, to diminish the spiraling costs of government, education, and healthcare. Both the IBC and the ICIG are here to help!

Becoming and staying competitive is an unrelenting process with a bar that is consistently being raised by competing states and countries. We must all work together to do what it takes to maintain and create the jobs that will drive future economic growth and make Iowa a better place to live and work. To this end, the IBC supports the following priorities:

Economic Development - The early success of the Iowa Values Fund gives credence to the fact that it can and does provide economic growth by incenting Iowa businesses and entrepreneurs to expand. It also encourages out-of-state companies to think seriously about relocating or expanding in Iowa. It has already demonstrated that it provides a strong return on investment to the state and its citizens. We recommend that a permanent funding source be found to insure the continued availability of funds to jump-start economic growth.

Education - The shift to a knowledge-based economy makes it critical that our workers of the future are proficient in math, reading, and science. We recommend systemic changes in the delivery of K through 16 education that will drive cost reduction without sacrificing quality. Our higher education institutions are critical to the economic growth of the state, as they supply the intellectual capital and innovative capacity necessary for a knowledge-based economy – they too, must be supported.

Taxation – The IBC supports fair and equitable taxation to fund the state's priorities. However, we urge legislators to avoid fiscal actions that will further erode state competitiveness or impede economic recovery and growth such as shifting the tax burden to business.

We've all seen various rankings of where Iowa stands on a variety of measures, some metrics list Iowa very favorably and others indicate areas in which Iowa has meaningful opportunities for improvement. The Iowa Coalition of Innovation and Growth again has published a booklet listing various criteria on which Iowa is competitively ranked in this regard. Be sure to pick up your copy that also includes the principles I am describing in this speech either at dinner or outside of this room. We hope you find it helpful as you discuss various taxation proposals.

Restructuring Government – The IBC supports Governor Vilsack's commitment to restructure and streamline government. The Council further encourages all agencies to replicate what DNR Director Jeff Vonk and his team have accomplished in partnership with the Iowa Coalition for Innovation and Growth. Restructuring and applying Lean-type productivity tools to government can and will reap big rewards - but it will take time to identify, implement, and harvest the savings.

The Council met with the governor in January and discussed his budget proposal and recommendations for overcoming the fiscal challenges the state is currently facing. We also recently met with Republican leadership to hear their priorities for the legislative session. It is indeed sobering to hear of the fiscal problems the legislature must solve this session. These challenges are not unlike those faced by business. Indeed, as is the case in our businesses, tough choices will have to be made.

We urge you who are in the legislature to work together to strengthen Iowa's economy without sacrificing essential services or taking action that will deter new industry from coming to Iowa or disincite existing business from expanding. We urge you to think outside the box. We urge you to leverage the strengths of the private sector by staying focused on heightening Iowa's competitiveness and applying the productivity tools of the private sector to get the job done. Here again, the IBC is here to help, and the ICIG is here to help.

Now, more than ever, we are committed to work with all of you for a better tomorrow.

And now, it's my pleasure to turn the podium over to Governor Vilsack for his brief remarks.