

The InterMedium - Third Quarter 2005

Partnering With State Governments To Reduce TBM Costs and To Obtain Other Financial Benefits – Part I

By Marty Abbott, President of The IM Group, Inc.

Most people in business view government as a morass of bureaucracy and taxes. What isn't so obvious is that state, county and local governments truly would like to see your business prosper. And most are willing and able to put their pocketbooks behind their good wishes.

By one estimate, governments provide about \$25 billion each year in incentives to induce businesses to take certain actions, or to partner with the business to help it to grow.

Take training, for example. State governments spent over \$1 billion in 2002 (the latest year data was available) to provide grants and tax credits to businesses to offset training costs. Although each state program is different, it is usually a basic requirement that the training being funded provides significant skills upgrades, as occurs with TBM kaizen events.

Here is how the process generally works: An application is filled out providing specifics about the company and the training program, with special emphasis on demonstrating why the training is critical to the company's success. When a company does this in-house, the application process takes about three or four months, in our experience. From anecdotal evidence, it appears there is a this-is-a-pain-in-the-neck dropout rate of about 67 percent, meaning that two-thirds of companies that start the application process never finish it.

The state agency that receives the application then takes a couple of months to review it. Approved companies receive a grant notification letter with an approved dollar amount. Depending on the state, only about 25-50 percent of requested grants are approved. Next, the company does the training and requests a reimbursement. Within a couple of months of the request, a check is issued to the company.

An alternative to do-it-yourself applications is to hire a consulting firm to manage the process for you. At our firm, we complete 100 percent of applications started and have a 100 percent approval rate (with 97 percent first-pass yield; three percent are re-submitted and subsequently approved). We attribute our approval rate to (a) our expertise in knowing how the state wants the application prepared and (b) our work pre-selling the application by getting together with senior state personnel, sometimes including the governor.

As an example of how we do it let's look at Hubbell, Inc. This is one of our largest clients and a large client for TBM.

At Hubbell, over \$1 million in training grants have been acquired over the past year, averaging about \$600 for every person trained. The largest training component was TBM kaizen events.

For example, at KIM Lighting in Los Angeles, the state of California provided a grant of \$230,000 for two years training for 200 employees. This was a 50 percent recapture of TBM kaizen costs and an average grant of over \$1,000 per employee.

At the Hubbell plant in Christiansburg, Virginia the state provided a grant to train employees in lean manufacturing. The grant was for \$215,000 for two years of training. In this case 47 percent of TBM costs were offset by the grant.

With the success of these lean initiatives, Hubbell now has the ability and the space to combine similar operations by moving jobs to locations that can become centers of excellence.

Here's even better news: In many cases, states will offer even more funding to help companies move jobs into a state through growth or consolidation. In the next issue, read how one state offered Hubbell \$7,500 in incentives for each new job moved in from another state. Learn how you can get those benefits too.