

# NAED Education & Research Foundation: Helping distributors increase profitability

Part one of a series by *Office ribbon*

By Dr. Parviz Daneshgari

**TO FURTHER THE PROFESSIONAL** growth and career development of the many people who work in the electrical industry, the NAED Education & Research Foundation increased its offering in April of 2003 by funding research programs that benefit the electrical industry.

To oversee this strategically vital activity, The Foundation formed an expert panel of 12 electrical industry leaders. This "Blue Ribbon Panel" is made up of 12 distinguished members (see chart below).

One of the tasks of this panel is to select appropriate, time-demanding research projects to ensure the future vitality of the industry.

## The first project

The Blue Ribbon Panel reviewed several research proposals. Among the presenters was Dr. Perry Daneshgari, president of MCA Inc. and adjunct professor of management and engineering at the University of Michigan in Dearborn.

Dr. Daneshgari's proposed research, "Operational Model for Increasing Profitability of Electrical Distribution," was chosen for funding.

Profitability is a growing concern as the recession of the early 21st century has caused declining sales for distributors. According to

NAED's *Performance Analysis Report (PAR)*, sales have dropped by 4% from 2000 to 2001 and another 2.2% from 2001 to 2002. The *PAR* reported pre-tax profit margin was only 1.1% of sales in 2001 and 1.2% of sales in 2002. This is compared to 1.9% in 1999 and 1.8% in 2000.

Profitability increases when an electrical distributor becomes a low-cost producer. To become low-cost producers, electrical distributors must revisit their current operational model.

The purpose of this project is to examine the lessons learned in other industries that have proven to increase their profitability and to determine how the lessons can be applied to electrical distribution.

This project will identify the principles and how they apply to electrical distribution by concentrating on:

- Discovering the leaning (waste reduction) principles

applied in other industries.

- Examining a profitable partnership model for upstream and downstream customers.

- Examining the supply chain as a single industry or system.

- Identifying what "lean" means in the electrical distribution industry.

- Examining where waste reduction principles can be applied by electrical distributors.

- Identifying the benefit to creating partnerships within the supply chain to cut cost and improve profit.

- Studying electrical distribution companies that have already applied the principles discovered in the study.

The Foundation's research project will examine various industries through the following six-step process:

- Selecting and interviewing a statistically viable number of electrical distributors to determine the principles that guide their operations.

- Comparing five to seven electrical distributors through interviews.

- Selecting and interviewing non-electrical distribution companies that use lean productive methods.

- Tabulating and analyzing the discrepancies and similarities between electrical distributors and the non-electrical distribution companies.

- Developing an optimal operational model for maximizing profitability of electrical distributors.

- Disseminating the results to NAED workshops and conferences.

The results of the research project will be presented in an educational session at each of the NAED 2003-2004 Regional Conferences. In addition results will be sent to all members and contributing affiliates in early 2004. ■■■

Daneshgari can be reached at 810-953-5500.

## NAED Education & Research Foundation Blue Ribbon Panelists

|                  |                             |                                  |                     |
|------------------|-----------------------------|----------------------------------|---------------------|
| Robert Reynolds  | President/CEO               | Graybar Electric Company, Inc.   | St. Louis, MO       |
| David Beattie    | President/CEO               | McNaughton-McKay Electric Co.    | Madison Heights, MI |
| John Duda        | President                   | Butler Supply, Inc.              | Fenton, MO          |
| William Elliott  | President                   | Elliott Electric Supply          | Nacogoches, TX      |
| Ben Herr         | CEO                         | Dakota Supply Group              | Fargo, ND           |
| Tammy Miller     | Executive vice president    | Border States Electric Supply    | Fargo, ND           |
| Richard Schmid   | Vice president of marketing | Crescent Electric Supply Company | East Dubuque, IL    |
| Robert Zamarripa | President/CEO               | OneSource Distributors           | Oceanside, CA       |
| Dominic Pileggi  | President/COO               | Thomas & Betts Corporation       | Memphis, TN         |
| Richard Angel    | Senior vice president       | Lutron Electronics Co.           | Coopersburg, PA     |
| Ralph Jackson    | COO                         | Cooper Industries, Inc.          | Houston, TX         |
| Timothy Powers   | President/CEO               | Hubbell, Inc.                    | Orange, CT          |