YOUR QUARTERLY CONNECTION TO SPECIALTY PRECISION PERFORATING

SPVISIONS

SUMMER 2011

FROM THE PRESIDENT

Quality is the central theme for this newsletter and we can certainly talk about quality at SPP. We are a quality organization just like our sister company, Precision Processing Systems (PPS). Producing quality products is ingrained in our company culture, emanating from the parent organization, Southern Prestige Industries. SPP is currently in the process of acquiring ISO certification and we hope to complete the process this year.

PPS initially became certified as an AS 9100 company in April of 2008. That original certification expired this year so we were required to go through the full blown recertification process. I am pleased to inform you that PPS is officially recertified as an AS 9100 company. We completed the recertification process in the spring of this year and received our new certificate April 30, 2011. ISO certification is included in the AS 9100 process so we are also certified to ISO 9001:2008.

Conventional wisdom is that manufacturers should make products only as good as required by the customer in order to be cost effective. Such a notion is contrary to the way SPP operates. We are always going to make quality parts because we stake our reputation on our quality. Therefore, we may as well have the certification to go with the practice. We just have to make sure we find customers who appreciate the quality that we provide.

-James "Jim" Wilson, President

To Be, or Not to Be…?

An important question to be contemplated by owners, administrators, entrepreneurs, and other business-minded people is whether to be quality certified, or not. Specific quality certifications are, of course, required by some industries. Companies must meet the requirements of their customers and, hence, the "to be" question may be answered by the client. Aerospace companies require AS 9100 certification for all components related to flight and the automotive industry requires ISO certification for all companies involved in automotive production. The Department of Defense requires ISO certification for most products related to defense and AS 9100 certification for some defense products, i.e., mission critical components. Required or not, proponents of quality programs argue that such programs are simply a sound business model and, therefore, provide sound policies for all businesses.

Is an ounce of prevention really worth a pound of cure?

In today's economy, the cost effectiveness of a quality system must be considered. Certainly, additional resources have to be allocated to maintain a quality system of positive significance. Phil Crosby, a leader in management theory and quality management practices, published his first business book, Quality is Free, in 1979. He believed that organizations that establish a quality program see savings returns that more than pay for the cost of the quality program, hence quality is free.

Crosby's response to quality concerns was based on the premise of "doing it right the first time" (DIRFT). He argues that the costs resulting from poor quality greatly exceed the cost required to produce a high-quality product or service in the first place. Advocates of this philosophy often use the "1-10-100" rule. This widely used rule of thumb suggests that a quality problem costing $100 to resolve in the field would only cost $10 if discovered during in-house design/production review and only $1 to prevent in the first place.

Experienced practitioners of quality programs generally agree with this business rule. However, quality gurus inform us that there is a point above which additional investment in quality management proves uneconomical. Each company that implements a quality program has to determine the level of quality at which the cost of quality is minimized. Finding this level, and then operating at, or above, this cost effective level should be the goal of a quality organization.

Quality Update - August 2011

Our sister company, Precision Processing Systems, is working toward an upgrade of quality system certification from revision B to revision C of AS9100. One of the significant differences between revisions B and C is the addition of the requirement of a Risk Management process. Risk Management is how we determine risks related to our products and processes and the methods used to reduce these risks. For example, we may experience a higher level of risk when using a new vendor for an outside process such as plating. To lessen this risk, we might assess the new vendor quality through preliminary test pieces, vendor surveys, vendor audits, or contacting other companies that use the vendor.

Risk can be associated with anything we do in the workplace. Using a different tool holder, changing inserts, changing feeds and speeds, adjusting chuck pressure, etc. can cause risks involving part dimensions, surface finish, and safety. As you monitor and control your machining processes, remember to assess the risk associated with any actions and make efforts to minimize risk and any impact on the product.

Dr. Cookie's Corner

I have always been interested in the efficiency of quality work.

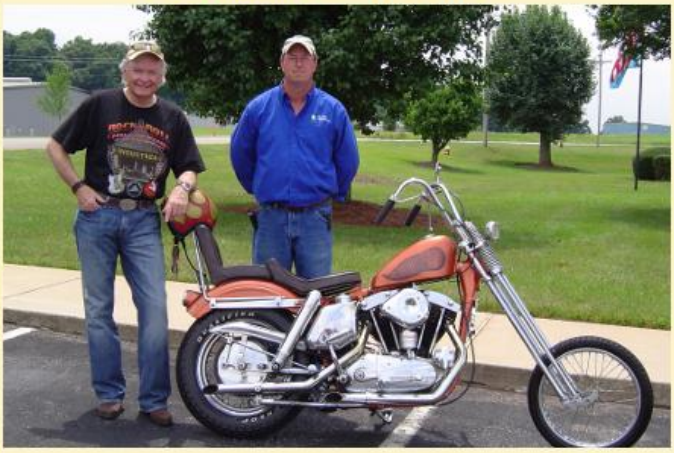
My interest in quality dates back to my youth. I grew up on a farm in rural North Carolina and I had to work in the fields as a regular farm hand. I learned that if you did the work right the first time, you would not have to do it over. I was not interested in re-doing. I wanted to go to the swimming hole on those hot summer days. I also learned that I needed to get a quality education so I wouldn't have to work as hard as a farm hand for the rest of my life.

I was always oriented toward quality and appreciated quality in products and people. My folks said that I was like my Dad who was very meticulous in his work. Little wonder that years later, the research for my doctorate dissertation would focus on quality organizations. Of course, my concentration was on educational organizations, but the principals of quality systems are universal and can apply to any organization.

Leadership and organizational practices from the business world comprised much of the research that I conducted. Some of the business leaders whose work I researched include Jim Collins (Good to Great), Michael Fullan (Leading in a Culture of Change), Leonard Pellicer (Caring Enough to Lead), Lee Bolman/Terrence Deal (Reframing Organizations), and Steven Covey (The Seven Habits of Highly Effective People). These business gurus informed my work then as an educator and continue to enlighten me in my work now in the business world.

PS: This work is as hard as working on the farm... just different.

SPOTLIGHT: DEREK REEP



When you first meet Derek, you might think that he's just a good 'ol boy that knows how to kick rocks and say, "Aw, shucks." But don't be fooled. Underneath that modest exterior lies an impressive mechanical talent. At least we co-workers think so because he can fix or built anything, machine-wise anyway.

Derek first came to Southern Prestige Industries (SPI), the parent company, in February of 1996. He left for a year, but came back in March of 2005. He started off in maintenance, but quickly became invaluable as a builder for certain machines that Jim Wilson, the president, needed built or modified. Now, the two divisions, Precision Processing Systems (PPS) and Specialty Precision Perforating (SPP), operate independently and Derek is an integral member of the perforating division. He is in charge of keeping the perforating presses running smoothly and efficiently with custom-made die sets for whatever the customer needs. Whatever Jim can envision, Derek can build. They are currently working on a new equipment design that will be built and patented in 2012.

Derek is married to Laura and has two stepdaughters, Stephanie and Lauren, and a daughter, Olivia. His favorite pastimes are going fishing with Olivia or taking her skeet shooting. He also enjoys fixing up "vintage" motorcycles (as in the picture with Jim and his Harley) or classic cars.

Derek completed electronic coursework at Mitchell Community College (MCC) and has taken numerous courses in mechanics, as well as ISO training. He says that he is "pretty fair at a lot of things, but a master of none." We, his colleagues, disagree. We think that he is pretty darn good at a lot of things and we are so glad to have him as a member of the SPI team.

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