

The New Business Lingo: Polycrisis and More

By Kerry Stackpole, FASAE, CAE, PMI CEO/Executive Director



Kerry Stackpole

Can we talk ourselves into an economic recession? How about talking ourselves out of one?

The latest PMI Market Outlook notes the likelihood of a mild economic recession in mid to late 2023. The hurt being felt in the single-family home market is readily apparent. The pain points in the housing markets are predominantly caused

by Federal Reserve Bank efforts to tame inflation that have resulted in higher interest rates.

The better news? These efforts have had the desired impact on core inflation, which settled year-end at 5.7%, and on the overall Consumer Price Index, which ended 2022 at 6.5%. Mortgage interest rates have fallen below the October 2022 high of 7.2%. If those inflation and mortgage interest numbers still seem high, it's because they are – especially when compared to the 3% plus or minus rates we enjoyed over the past decade or so.

Are we living on the edge of a geo-economic fragmentation that would cause the world to evolve into rival economic blocs? The politicians, policymakers and business leaders in Davos spent a great deal of time talking about that question. One example is America's Inflation Reduction Act, which delivers economic subsidies to electric vehicle (EV) makers and consumers in the form of huge investments in EV charging stations and consumer tax credits. The European Union has called these new tax breaks a discriminatory and unfair trade advantage for U.S.-made vehicles.

The International Monetary Fund (IMF) cites other examples of growing fragmentation including the Russian invasion of Ukraine, the COVID-19 pandemic, and international trade disruptions. IMF stated this fragmentation is likely

to cut into global GDP by as much as 7%. An IMF report shared in Davos notes, "The risk is that policy interventions adopted in the name of economic or national security could have unintended consequences, or they could be used deliberately for economic gains at the expense of others."

Could the growing collection of geo-economic fragmentation situations be a polycrisis in the making? Columbia University historian **Adam Tooze** defines polycrisis as a situation in which "the whole is even more dangerous than the sum of the parts." By Tooze's definition, we've all been here before. It's easy to forget the multiple calamities that have befallen the world simultaneously and perhaps more importantly how we engineered or innovated our way out. Still, there are some unique twists to this moment in time – climate change, weakened supply chains, and deep debt among developing nations to name a few.

There are also some oddities in the labor markets not seen before. Payroll employment added 4.5 million jobs in the U.S. in 2022. U.S. manufacturing added about 32,000 jobs monthly on average in 2022. The U.S. unemployment rate remains stable at 3.5%. Tech sector lay-offs have now reached about 60,000 people. It's estimated 3.5 million people are missing from the American labor force. Where did they all go? According to Federal Reserve Chairman **Jay Powell**, in the face of COVID-19, about 2 million older Americans called it quits earlier than expected. We lost another 400,000 people to COVID-19-related deaths. Perhaps more significantly, there is slower growth in the working-age population.

We all know the lingo of business. We have headwinds. We have tailwinds. There are crosscurrents and gravity. There's occasionally low-hanging fruit. We take things offline, and we examine our bandwidth. Is any of it scalable? Is there a polycrisis over the horizon? At the end of the day, the answer will surprise you.

Useful Ways To Make DE&I Efforts More Purposeful

By Judy Wohlt, PMI Communications Team, Valek and Co.

Many companies, including plumbing manufacturers, are looking for ways to build on their diversity, equity and inclusion (DE&I) efforts – to make them more intentional. Competition for talent, demands for transparency from investors and consumers, and growing social justice movements have created an urgency for deeper DE&I gains.

Achieving lasting change requires setting measurable diversity goals, creating action plans to achieve those goals, and communicating openly about progress to boost accountability and trust, experts have reported.

Companies spent an estimated \$7.5 billion worldwide in 2020 on DE&I activities and are projected to more than double spending to \$15.4 billion by 2026, according to a January 2023 World Economic Forum/McKinsey & Company report on DE&I.

Plumbing Manufacturers International has been accelerating DE&I engagement both within the association and to help support PMI members' goals. Efforts have included forming a PMI Board of Directors DE&I subcommittee, presenting a workshop on inclusion and belonging, reporting on members' progress in the PMI annual report and on PMI social media platforms, and hosting PMI Manufacturing Success Conference presentations on implementing inclusive workplace policies.

It's clear that businesses see the value of DE&I to create an inclusive workplace that helps drive innovation and growth. However, some struggle with decisions on where best to invest their DE&I resources.

Embed DE&I into every fiber of your company

Companies with the most DE&I progress embed their efforts into every fiber of the workplace, instead of treating it as an independent program. They create



a unified DE&I strategy and invest in resources to support it, a recent Forbes article reported.

While every organization has different needs, experts suggest that a strong DE&I strategy should involve senior leaders and contain basic elements, such as key performance indicators (KPIs), an action plan to define expectations, tools to track progress, and well-defined responsibilities.

DE&I strategies need to consider how to attract and hire job candidates and how to evaluate and reward workers, according to a Paradigm blog article. KPIs can help by using data that track hiring, retaining and advancing diverse employees, or by analyzing metrics from surveys and focus groups about job satisfaction and workplace culture, the Forbes article noted.

PMI member LIXIL Corporation has been building on its D&I journey since 2018. Through its universal design (UD) products and services, LIXIL aims to improve quality of life for all, irrespective of their age, gender or level of disability. The company seeks to embed a culture of inclusion in the workforce and to achieve gender equity by 2030. Specifically, the company intends to achieve an even split of female and male board and executive officers and 30% female managers across the regions. LIXIL's Global D&I Department and D&I Committee, consisting of global leaders, develop and track common global measures for promoting D&I within the company. LIXIL conducts a D&I survey of all employees and uses the results to gain a clear grasp of the current situation and to update its D&I strategy.

Monitoring overall productivity as a KPI can help companies determine if DE&I supports bottom-line growth. Increased employee performance has been linked to DE&I. Companies that boost diversity in upper management by as little as 1% can achieve up to \$1,600 of additional profits annually per worker, reported CEO World Magazine.

PMI member Zurn Elkay Water Solutions' website pages on sustainability and people outline how the company uses an Associate Inclusion Index to track progress on its engagement with employees. The index measures the average positive responses to the following statements: I feel as if I belong on my team; I receive appropriate recognition when I do a good job; and I am comfortable voicing my ideas and opinions, even if they are different than others. Zurn Elkay's goal is to maintain a score above the industry average of 70% affirmative responses. The most recent company score totaled 83%.

Transparency encourages accountability and action

One of the best ways companies can prove their actions match their policies is by publishing DE&I goals and progress and communicating regularly with employees, customers and shareholders. Transparency encourages accountability and honest conversations.

Company leaders can communicate DE&I progress in regular team meetings and employee resource groups (ERGs), as well as using internal newsletters and other communications, reported a recent Fast Company article.

Zurn Elkay and LIXIL have each established several ERGs. LIXIL's groups focus on issues concerning working parents and caregivers, the LGBTQ+ community, employees with seen and unseen disabilities, multi-culturalism, and working better together. Zurn Elkay's ERGs cover activities and issues

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PMI Launches New Paul Patton Award



Paul Patton

registration for a deserving PMI member.

The award honors former PMI Board of Directors President **Paul Patton**, a dedicated and innovative industry leader who passed away in 2021. Patton worked for almost 28 years at PMI member Delta Faucet Company, where

Plumbing Manufacturers International will launch the new Paul Patton PMI Manufacturing Success Conference Award in 2023, providing one conference registration for a deserving PMI member.

he helped create innovations such as the Delta H2Okinetic showerhead and managed regulatory matters. While at Delta, he managed interns from Butler University, and after his retirement, he continued his passion for working with students and became an executive career mentor at the college.

“Paul was admired in our industry for his forward-looking ideas and willingness to guide and help others. We’re pleased to pay tribute to such a committed mentor and leader with this new award, meant to support a PMI member on their career journey,” said PMI CEO and Executive Director **Kerry Stackpole**.

In addition to conference registration, the award will cover one registration for the PMI Aspiring Leaders Program, designed to help manufacturing professionals learn and hone leadership and creativity skills.

Eligible award candidates must be employed by a current PMI member, dedicated to serving in their communities or within the plumbing industry, and committed to establishing a successful career in plumbing manufacturing. To be considered, award candidates must be nominated by a senior leader or department head at their company.

Watch for more details and a posting of the award application on the PMI website.

PMI Applauds Passage of INFORM Consumers Act

Plumbing Manufacturers International CEO and Executive Director **Kerry Stackpole** applauded the passage of the Integrity, Notification, and Fairness in Online Retail Marketplaces (INFORM) Consumers Act as part of the Fiscal Year 2023 Omnibus Appropriations Act, which was signed into law on Dec. 29, 2022.

“The INFORM Consumers Act will help combat the online sale of stolen and counterfeit consumer products, including plumbing products, by ensuring transparency of high-volume third-party sellers in online retail marketplaces,” Stackpole said. This common-sense measure, a top priority

for PMI in the 117th Congress, “will help law enforcement, manufacturers, retailers, and online marketplaces to work together to protect consumers from bad actors hawking counterfeit and stolen goods,” he stated. “We particularly want to thank Representatives **Jan Schakowsky** (D-IL) and **Gus Bilirakis** (R-FL), and Senators **Dick Durbin** (D-IL) and **Bill Cassidy** (R-LA), for championing this important legislation.”

The act specifically directs online marketplaces to verify high-volume third-party sellers by authenticating the seller’s government ID, tax ID, bank account information, and contact

information. High-volume third-party sellers are defined as vendors who have made 200 or more discrete sales in a 12-month period amounting to \$5,000 or more. The bill’s requirements will be implemented by the Federal Trade Commission and violators would be subject to civil penalties. The act will allow every state attorney general to enforce the law’s provisions.



At KBIS, PMI Crusades for Safe, Clean Water into the Future

By Ray Valek, PMI Communications Team, Valek and Co.

Plumbing Manufacturers International's leadership and staff are leading a crusade for safe, clean water for future generations. Their latest stop at KBIS/IBS 2023 involved persuading policymakers and potential allies about the urgency of PMI's Rethink Water initiative.

"All across the globe, we all need to rethink how we use water every day," said **Kerry Stackpole**, PMI's CEO and executive director. "Not only how do we use it, but how do we save as much as possible and make it safe for those who will need it in the future. Of all the facets of climate change, its impact on water may be the most profound."



Kerry Stackpole with PMI Technical Director Kyle Thompson

The enormity of the challenge makes it somewhat intimidating to address. Where does one begin? Looking at it from the perspective of plumbing manufacturing, Stackpole said he believes you start with your strengths. "For more than 15 years, our industry has been making toilets, showerheads, faucets and other plumbing products that use water more efficiently than the older products most people still have in their homes. We simply need to install more of these WaterSense products, and the water savings will be substantial," he explained.

That's why PMI's first Rethink Water project is legacy product replacement –



replacing older, inefficient products with new, more-efficient WaterSense models.

EPA's successful WaterSense program has proved its ability to save water

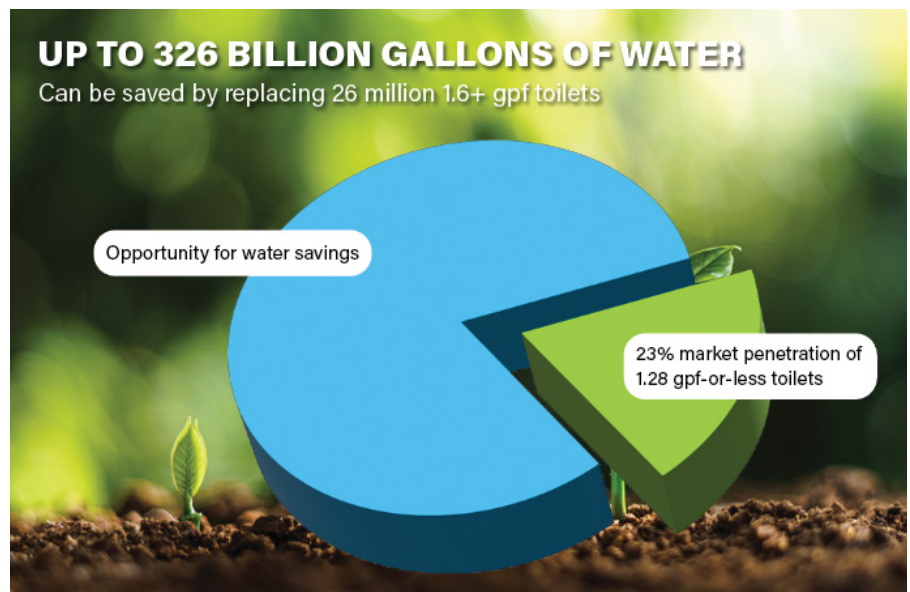
An Environmental Protection Agency program started in 2006, WaterSense has so far saved 6.4 trillion gallons of water, including 1.1 trillion in the last year counted alone, according to the program's latest accomplishments report. To be certified to bear the WaterSense label, a plumbing product must use at least 20% less water than a product meeting federal standards established in 1994 by the Energy Policy Act (EPAct).

American households use about 10 trillion gallons of water each year – which means last year, WaterSense products

saved an amount equal to 11% of the total amount used by U.S. households. That's no easy achievement, but it's one nowhere near the potential of the WaterSense program. That's because many households still don't have WaterSense plumbing products installed.

A 2022 GMP Research study commissioned by PMI found that only 23% of California residences have toilets meeting WaterSense standards. More than half of these residences have WaterSense showerheads and faucets, but a strong minority does not, the study found. An earlier GMP study commissioned by PMI found that most states have WaterSense statistics similar to California's.

PMI estimates that up to 326 billion gallons of water can be saved over 30 years in California by replacing the 26.1



million toilets not up to WaterSense standards with WaterSense toilets. By accelerating the replacement of these toilets, 65.3 billion gallons can be saved within five years, and 95.7 billion gallons within 10 years. Achieving similar savings in all 50 states can increase the gallons saved into the trillions.

But numerical estimates do not reflect the current situation. Because water-efficiency standards are currently set by states, PMI and its allies have started advocating state-by-state for robust legacy product replacement programs, starting with California and other western states having water supplies hit hard by the drought. PMI California government affairs consultant **Jerry Desmond** and PMI technical director **Kyle Thompson** have broached legacy product replacement with California water officials, with the hopes of building the idea into a bill this year.

Legacy product replacement isn't a new idea

In California, toilet replacement or rebate programs have been implemented



Sal Gattone

in Southern California, San Francisco, and other regions and municipalities.

San Antonio, Texas, had a decade-long program that delivered and replaced toilets free of charge until virtually no inefficient toilets were left to replace. Programs replacing toilets free of charge or via rebates have been implemented throughout the nation, primarily at the county or municipal level, in places including Dallas/Fort Worth, Maui, New York City, Seattle, and Tucson. Some of the programs have low-income requirements.

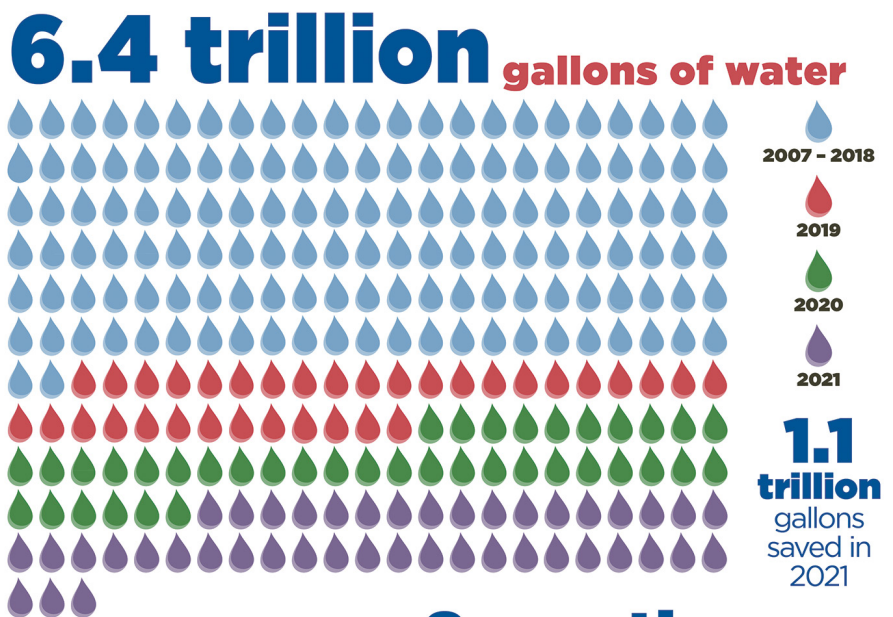
Because these programs save water, PMI would like to see legacy product replace-

ment scaled up into statewide programs through which the total savings would be immense. “Part of our challenge is to get policymakers and allies comfortable with audacious, bold solutions,” Stackpole stated. Compared to other water-related solutions on the drawing board, such as desalination and rainwater catchment, legacy product replacement on a larger scale is relatively modest, he explained. “Half-way solutions won’t solve the water crisis. We have to think bigger.”

PMI Board of Directors President **Sal Gattone** of LIXIL is working closely with Stackpole and PMI board members on the legacy product replacement challenge. “During this time of climate change and uncertainty, we all need to acquire the role of a conservationist,” Gattone stated. “Modern life relies on the easy availability of water. This access assures our health and safety and our very survival. Hence, we need to collectively respond to water crises and actively work together on sustainable solutions.”



(l-r) Jerry Desmond and Stephanie Salmon with PMI Advocacy/Government Affairs Co-Chair Troy Benavidez



Use Contracts to Curb Supply Chain and Other Disruptions

By Judy Wohlt, PMI Communications Team, Valek and Co.

Using the right clauses and wording in business contracts can help plumbing manufacturers guard against supply chain, pricing and inflation challenges.

Some contract clauses can help companies manage uncertainty by finding legal ways to limit liability and excuse certain business performance issues, noted **Austin Kissinger**, associate, Foley & Lardner LLP, during his presentation on “Addressing Inflation and Supply Chain Disruptions” at the PMI22 Manufacturing Success Conference. These clauses can benefit companies whether they manufacture or supply products and materials.

Planning for unforeseeable events

When business disruptions cause a legal challenge, Kissinger suggested companies review their agreements with suppliers and customers to determine if they can excuse a business performance issue using a credible legal argument. Two legal provisions – the “force majeure” clause and the commercial impracticability doctrine – will be helpful.

The force majeure clause covers circumstances in which a company can be excused from performing its duties either completely or partially because of circumstances outside the control of those involved in the contract. Events can involve an inventory loss because of a shipping issue or a supplier that delivered materials late, causing your goods to be delayed to customers. The force majeure clause was used frequently during the COVID-19 pandemic, he noted.

“If you’re worried about risks related to weather, shipping or other unpredictable events that could affect your performance, you can call those out in your contracts. They could be very beneficial down the road,” Kissinger said.

However, the courts often narrowly interpret the force majeure clause. Consequently, when negotiating a force majeure provision, businesses must consider

to which risks they are susceptible and list those risks. “If your business contract doesn’t list a particular event, you will be responsible for the risk of loss if (an unlisted) event takes place,” he stated.

If a contract doesn’t include a force majeure clause, a company’s performance may still be excused using the legal doctrine of commercial impracticability. The courts apply the doctrine when an unanticipated circumstance occurs that vitally changes a situation on which two parties have agreed, Kissinger explained. The courts typically follow a four-part test where the “non-performing party” must show: 1) an unanticipated circumstance; 2) that the circumstance was not foreseeable; 3) it did not contribute to the circumstance; and 4) it tried all practical alternatives, he added.

Limiting risk exposure

Companies can limit their risk exposure by incorporating a limitation of liability clause in contracts, Kissinger noted. This type of clause can apply to the entire contract, specific terms, or individual transactions – such as purchase orders applied under a master agreement.

“This is very important and can save businesses a lot of money because the basic tenant of contract law is that a business is liable for all direct or indirect damages as long as they are foreseeable,” he said.

For example, Kissinger described a scenario in which a subcontractor ordered products from a company but didn’t get them because of some issue. The subcontractor sued the company for breach of contract but also asked to be compensated for revenue lost on a large project that the subcontractor couldn’t complete without the missing products.

To stop this domino effect, you can limit “consequential damages” – damages that don’t flow directly from the transaction, such as lost profits, late



Austin Kissinger

payments subject to interest charges, or third-party lawsuits, Kissinger stated.

By using a consequential damages waiver, a company can limit recoverable damages to only direct damages. Typically, a waiver will include a laundry list of terms encompassing different types of indirect damages and their synonyms, such as “special,” “incidental,” “exemplary,” and “punitive damages,” he explained. These waivers must be conspicuous in a contract and appear in all capital letters.

Thinking beyond the contract

Being flexible can pay off, too. Sometimes, taking a loss on a transaction might be better than ruining a long-term client relationship, Kissinger said. Negotiating with a customer or supplier to amend an agreement may be a possibility. “Many times, everyone’s dealing with the same issues, so a customer might understand that you’re having a hard time getting resources or products,” he added.

PMI members can view Kissinger’s PMI22 presentation slides here: tinyurl.com/c29exanw

This article is not intended as legal advice. Companies should seek legal counsel specific to their needs and situation.

Professor Shares Tips to Eliminate Business Bottlenecks

By Judy Wohlt, PMI Communications Team, Valek and Co.

A chain or process is only as strong as its weakest link. The theory of constraints (TOC) focuses on improving or removing the weak link – or constraint, moving on to the next constraint, and repeating the process for continual improvement.

TOC can help plumbing manufacturers identify and exploit constraints to achieve better business performance, said University of Louisville professor **Mahesh Gupta, Ph.D.**, during his presentation at the PMI22 Manufacturing Success Conference.

A constraint can be anything that limits a company from achieving its goals. Constraints can be either physical, such as the capacity of a machine or a person, or non-physical – involving a corporate procedure or policy, demand for a product, or an individual’s view of the world, he explained.

A TOC mindset centers on running an ever-flourishing company that makes money, provides a secure and satisfying environment for employees, and fulfills market demand – now and in the future, Gupta noted.

Use five focusing steps to work through a constraint

The TOC methodology uses a process of five focusing steps to work through a constraint: 1) identify the system’s constraint; 2) decide how to exploit the constraint; 3) subordinate everything else to the constraint; 4) elevate the system’s constraint; and 5) go back to step one to keep improving or eliminating bottlenecks, he stated.

“To be successful, your entire team needs to work together to address this as a whole system approach,” Gupta said.

For example, he described a plant manager worried about inventory build-up, unhappy customers, and reduced sales. When the plant manager takes his son



Mahesh Gupta, Ph.D.

on a Boy Scout hike, he relates the experience to his plant. The manager quickly sees that Herbie, a larger scout wearing a backpack, has become a constraint and can’t keep up with the rest of the hikers.

For the hike to be successful – much like a manufacturing process to thrive – all hikers need to move at the same pace and arrive at their destination together. He places Herbie at the head of the line and makes sure everyone understands that Herbie’s leading the pace. This is how the plant manager exploits and subordinates everything else to the constraint – Herbie – to ensure all the scouts make steady progress together.

If exploiting and subordinating the bottleneck doesn’t eliminate the constraint, you may need to elevate the constraint by investing money and resources, Gupta said. This could mean adding more staff, buying better equipment, or something else.

Measurements matter

TOC maintains that a company must use throughput, inventory and operating expenses as the best ways to measure performance, Gupta explained.

Throughput is the rate at which the system generates money through sales; inventory is the money a company invests in the system to purchase items it intends to sell; and operating expenses are the funds going out – or, what a

company spends to turn its inventory into throughput, he said.

He also discussed the important distinction between making and saving money by comparing a focus on costs versus throughput. A company emphasizing throughput will recognize system constraints, measure global impacts, recognize the conditions necessary to achieve employee and customer satisfaction, and assume making money means increased sales. A company focusing on costs takes a narrower view, only measuring local impacts and not considering system constraints. The organization sees customers and employees as cost-reduction opportunities and views making and saving money as the same.

Gupta recently published a paper on “Integrating Theory of Constraints, Lean and Six Sigma: A Framework Development and Its Application” (tinyurl.com/342nhe45) that Plumbing Manufacturers International members can purchase to learn more about integrating the strengths of TOC, Lean and Six Sigma – three business excellence philosophies. He also invited PMI members to contact him with questions or for more ideas on integrating TOC into their companies.

PMI members can view Gupta’s PMI22 presentation slides here: tinyurl.com/c29exanw.

Kevin Campbell Joins PMI Board of Directors

By Ray Valek, PMI Communications Team, Valek and Co.

The newest member of the Plumbing Manufacturers International Board of Directors, **Kevin Campbell** is ready to make a meaningful impact as PMI begins its Rethink Water initiative.

“Rethink Water gives PMI the opportunity to contribute to ensuring reliable access to clean and safe water for future generations,” he stated. “I’m excited to help PMI achieve strategic clarity on this initiative and other areas of opportunity.”

As president of Moen Americas, Campbell is responsible for strategy, product management, channel management, and sales leadership in the United States, Canada and Latin America. In this position, he balances delivering day-to-day business results while also understanding the marketplace with a “50,000-foot strategic lens” – a point of view he said he will bring to the PMI board.

Campbell worked as an intern at Moen between his junior and senior years at the University of Notre Dame before joining the company upon graduation. Having worked his way up the ranks through positions in product management, marketing, sales and general management, Campbell said he has had the benefit of working through various economic cycles, the introduction of the WaterSense program, and other industry issues and milestones. “My experiences help me to put today’s challenges in perspective,” he explained.



Kevin Campbell

To achieve engagement with its members and other potential partners in the Rethink Water initiative, Campbell said PMI can communicate how all member products – toilets, faucets, shower-heads, urinals, leak detection systems, irrigation systems, piping systems and more – can save water. In addition, he used Mission Moen as an example of how PMI members are committing themselves to environmental, social and governance (ESG) initiatives that will reduce water use, carbon emissions and plastic waste and contribute to a cleaner and healthier world.

A resident of Westlake, Ohio, Campbell has a master of business administration from Case Western Reserve University. He also serves on the board of directors for the Greater Cleveland Habitat for Humanity.

Making DE&I Efforts More Purposeful (Contd.)

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for women, the LatinX community, Black employees, Asian/Pacific Islander workers, those early in their careers, and LGBTQ+ employees.

Sharing diversity metrics can help companies stay true to their DE&I goals and help managers better understand those goals. Building a DE&I strategy scoreboard with key metrics can help leaders stay on track and more easily communicate to employees and

shareholders how they’re meeting goals, reported a recent Fast Company article.

Increasing demand for fair pay standards has motivated some companies to communicate their pay equity policies and even earn third-party certifications. Organizations such as Fair Pay Workplace can conduct a vigorous pay equity analysis and offer companies an action plan to follow, according to Syndio’s 2023 Workplace Equity Trends Report.

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