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Wisconsin positioned to become a 21st century leader in manufacturing

Study reveals strength, diversity of Wisconsin's \$46 billion industrial sector

Transformation is key, as manufacturers find new strategies to compete globally

MILWAUKEE, Wis. – Wisconsin is well positioned to become a 21st century leader in manufacturing, according to a major study released today.

But in order to seize the opportunities before it, Wisconsin's 10,000+ manufacturers must adapt to emerging trends in management and technology, and find new ways to compete globally, the study found.

The study's findings were unveiled at a news conference held in Milwaukee at Res Manufacturing Co., which designs and manufactures metal stamped components and subassemblies and is a supplier to all the major automotive manufacturers. Res, earlier this year, won a Wisconsin Manufacturer of the Year award for "Reinventing to Meet Global Competition."

The Wisconsin Manufacturing Study, authored by the Ohio-based Manufacturing Performance Institute, offers a comprehensive analysis of the state's dominant industries and examines how those industries are likely to fare in the future. The 400-page study was commissioned by the Wisconsin Manufacturing Extension Partnership (WMEP) with funding provided by grants from the U.S. Economic Development Administration and the Waukesha-based Kern Family Foundation.

"This is a ground-breaking study that gives industry leaders, state policy makers and the public new insights into the opportunities and challenges facing Wisconsin's industrial sector," said Michael Klonsinski, WMEP's executive director.

Key findings:

- Manufacturing and its related industries comprise almost *one half* of the state's economy. In 2004 alone, manufacturers generated more than \$46 billion in gross state product (GSP), exported \$14 billion in manufactured goods and employed 512,000 workers. Manufacturing gross state product is projected to grow to \$54 billion in 2008.
- Wisconsin has a strong and diverse industrial economy and is home to 13 categories of "driver" industries. These industries give Wisconsin a significant competitive advantage over other states and *drive* Wisconsin's manufacturing economy.
- The top five statewide driver industries are paper; machinery; fabricated metals; electrical equipment/appliance; and wood products (see chart for a complete list.)
- Manufacturing suffers from an outdated image in Wisconsin and nationally, hindering efforts to attract qualified and skilled workers into jobs that pay good wages and benefits.

- Exports represent a significant growth opportunity for Wisconsin's many smaller manufacturers, because smaller firms may be more agile in adapting to global opportunities. Between 1992 and 2001, the number of smaller firms exporting grew twice as fast as the number of larger firms exporting in the U.S.
- Wisconsin's productivity lags that of many of its competitor states, including California, Illinois, Indiana, Michigan, Minnesota, Ohio, Tennessee and Texas. Wisconsin's average output per manufacturing employee is 86 percent of the national average.
- Wisconsin manufacturers can succeed against global pressures by shifting from commodity to value strategies in which products and services are bundled and customized to meet the fast-changing needs of customers. Value strategies yield higher profit margins.
- A survey of 75 state manufacturing executives predicts a decline in corporate headquarters, research and development and production from the state in the next five years.

John Brandt, the study's director and chief executive officer of the Manufacturing Performance Institute, said Wisconsin stands at the crossroads, with its industrial sector facing both opportunities and challenges.

"Wisconsin's manufacturing history and base are tremendous assets," Brandt said. "With 13 nationally competitive categories of driver industries, the state has the foundation in place for strong growth and profitability in manufacturing." But that future can only be realized if Wisconsin manufacturers and their employees successfully make the transition to business practices that emphasize speed, agility and find new ways to add value, he said.

Res Manufacturing Co. has made the transition. After seeing its traditional markets decline in the late 90s, Res pursued a strategy to offer more technically-focused products to its customers. The company expanded workforce training, research and development and secured the international certifications that were necessary to compete in a new industry. The company is now enjoying strong growth and increasing revenues.

State manufacturers weigh in

The views of Wisconsin manufacturers are reflected in the study, collected from a survey and roundtable discussion held in May 2005. Manufacturers said that Wisconsin offers much to support a strong, manufacturing-based economy, including an excellent transportation infrastructure; at present, a superior, highly-skilled workforce and outstanding support industries.

However manufacturers said they face several major barriers to success, including.

- Manufacturing has a poor image in Wisconsin, making it difficult to attract and retain high quality workers. This is especially true when it comes to finding dedicated replacement workers for the generation of older employees who will be retiring soon.
- Taxes of all types are high in Wisconsin, compared to border and competitor states.
- Businesses are unable to contain manufacturing costs, due to spiraling healthcare, liability insurance, on-the-job training and new machinery and technology costs.

Recommendations

To capitalize on its 21st century manufacturing potential, the study suggests that Wisconsin needs to create a business climate that fosters growth-oriented manufacturing industries. The study recommends Wisconsin should:

- Build on its driver industries because they are the most competitive and have the greatest potential for growth.
- Create greater focus on manufacturing in government, industry and economic development, including the creation of a bipartisan manufacturing task force in the State Legislature.
- Take immediate action to address skill shortages because the availability of talent is the most important factor for the long-term success of Wisconsin's driver industries.
- Consider a broad-scale legislative package based on a close examination of the policies affecting driver manufacturing industries and their industry clusters with the goal of supporting Wisconsin manufacturing.

Jim Haney, president of Wisconsin Manufacturers & Commerce and WMEP board member who served on the committee to launch the study, said he hoped to use the study and its recommendations as a catalyst for positive change. "We cannot afford to let this study sit on a shelf if we want to maintain our quality of life in Wisconsin," Haney said.

WMEP plans to distribute the study to business and industry leaders, state lawmakers, and others charged with economic development at the federal, state and local levels.

"The first thing we need to do is change the way we think about manufacturing. ," Klonsinski said. "There is a perception out there that manufacturing is dying ... or going away. It's not. This is a \$46 billion dollar industry that is *still growing*. But manufacturing *is* changing. And we're hopeful that this study will provoke public discussion and heighten awareness on the need to transform our manufacturing sector so it can continue to generate wealth and good jobs for years to come."

About WMEP:

Madison-based WMEP is an independent, nonprofit consulting organization that provides services to improve the competitiveness of Wisconsin's small and mid-size manufacturers. WMEP is a leader in lean manufacturing, quality improvement, strategic repositioning and supplier development. For more information, visit www.wmep.org.

Rank	Driver Industry	2003 Gross Product	Employment
1	Paper Manufacturing	\$5,035,080,000	46,220
2	Machinery Manufacturing	\$4,127,840,000	53,540
3	Fabricated Metal Product Mfg.	\$4,045,760,000	42,810
4	Electrical Equipment, Appliance	\$2,800,570,000	16,190
5	Wood Product Manufacturing	\$1,428,940,000	26,050
6	Dairy Product Manufacturing	\$1,402,890,000	16,670
7	Foundries	\$1,079,230,000	17,790
8	Fruit & Vegetable Preserving and Specialty Food Manufacturing	\$997,720,000	11,720
9	Other Electrical Equipment	\$869,630,000	5,040
10	Other Transportation Equipment	\$735,740,000	5,320
11	Soap, Cleaning Compound and Toilet Preparation	\$613,490,000	3,880
12	Transportation Equipment	\$313,080,000	3,220
13	Non-Metallic Product Mfg.	\$220,010,000	3,640
Total	13 Driver Industries	\$23,669,980,000	252,090

Source: Wisconsin Manufacturing Study, Sept. 2005

Wisconsin 2004 Export Revenues

Rank	NAICS 3-digit category	2004 Export Revenues	% change 2003/2004
1 st	Machinery Manufacturing	\$3,714,962,788	15.46%
2 nd	Transportation Equipment	\$1,528,503,002	10.49%
3 rd	Paper Manufacturing	\$ 664,923,606	18.06%
4 th	Electrical Equipment, Appliance and Component Mfg.	\$ 653,287,439	19.09%
5 th	Chemical Mfg.	\$ 638,795,212	9.13%
6 th	Food Manufacturing	\$ 560,428,540	-13.86%
7 th	Fabricated Metal Products	\$ 422,332,369	19.66
8 th	Primary Metal Mfg.	\$ 145,268,217	33.59%
9 th	Wood Products Mfg.	\$ 95,258,811	8.89
10 th	Non-metallic Mineral Product Mfg.	\$ 58,747,808	2.72%

Source: Wisconsin Manufacturing Study, Sept. 2005