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Next Generation Manufacturing a Winning Strategy for Wisconsin Firms

Wisconsin Next Generation Manufacturing Study Offers First Ever Scorecard on Global Competitiveness

Study Finds Many Firms Striving Toward World-Class, Others are Struggling

MADISON, Wis. – A ground-breaking study to assess the global competitiveness of Wisconsin manufacturers reveals that Next Generation Manufacturing strategies are a powerful catalyst for world-class performance and success.

More than 500 manufacturers responded to the Wisconsin Next Generation Manufacturing Study, which was conducted by the Manufacturing Performance Institute (MPI), a global research firm that annually conducts the largest study of manufacturers in the U.S.

Next Generation Manufacturing refers to a framework of forward-looking strategies that are driving manufacturing growth and profitability in the 21st century, said Mike Klonsinski, executive director of the Wisconsin Manufacturing Extension Partnership (WMEP), which commissioned the study with several partner organizations. The next generation success strategies are customer-focused innovation, systemic continuous improvement, advanced talent management, global engagement, extended enterprise management and sustainable products and processes.

John Brandt, CEO of MPI, said a key finding of the study is that top-performing Wisconsin firms are focused on deploying tactics and strategies consistent with Next Generation Manufacturing. “The good news we see in this data is that many Wisconsin manufacturers are making progress across the spectrum of next generation strategies,” he said.

Of potential concern, however, are state manufacturers who aren’t engaged in change or transformation, as well as firms that recognize the importance of next generation strategies but are unable or unwilling to act, he said. The study found numerous manufacturers making limited progress across key performance metrics, and that smaller firms were more likely to face these difficulties.

Wisconsin Next Generation Manufacturing Study Highlights:

The study identified key components of Next Generation Manufacturing strategies including: Customer-Focused Innovation; Engaged People/Human Capital Acquisition, Development and Retention; Superior Processes/Improvement Focus; Supply Chain Management & Collaboration; Green/Sustainability and Global Engagement. Manufacturers were asked to respond to 7-8 questions in each area.

- Most Wisconsin manufacturers recognize Next Generation Manufacturing strategies as important to their future success. Manufacturers ranked the following strategies as “*highly important to their organizations’ success over the next five years*”: Superior Processes/Improvement Focus (61%); Customer-Focused Innovation (55%); and Engaged People (49%). Respondents were considerably less focused on supply chain management with 36% ranking it “*highly important*,” followed by global engagement (21%) and green/sustainability (12%).
- Wisconsin manufacturers ranked their progress as good to world-class on the following strategies: Customer-Focused Innovation (43%); Superior Processes/Improvement (42%); Engaged People (29%); Supply Chain Management (25%); Green/Sustainability (17%); Global Engagement (21%). More than a third of respondents were in the mid-range, indicating average progress on four of the six strategies.

- The study reveals a worker training deficit: 29% of Wisconsin manufacturers reported that they annually provide 8 or fewer hours of formal training per employee. Only 1 in 10 respondents provide more than 40 hours of annual training, a level considered world-class.
- In general, smaller firms trailed the performance of larger firms in deploying next generation strategies. For example, across all categories small firms (less than \$10 million in annual sales) were significantly more likely not to have measurement systems in place than large firms (\$100+ million in annual sales): Customer-Focused Innovation: (46% vs. 5%); Superior Processes/Improvement Focus (27% vs. 2%); and Engaged People (38% vs. 7%).
- Wisconsin firms have considerable opportunity to leverage international sales. For example, 77% of manufacturers surveyed report that sales outside the U.S. have grown by less than 25% over the last three years. 7% of firms report non-U.S. sales growth of 51% or higher. Nearly two-thirds of Wisconsin manufacturers (63%) reported that they have no sales or distribution facilities beyond the U.S.
- A majority of Wisconsin manufacturers ranked support services, peer groups and training opportunities in their geographic region as average or higher for most next generation strategies. The highest satisfaction levels were for superior process/improvement focus (76% of companies, with 14% indicating “full support”). The lowest satisfaction was for global engagement (47% of companies, with 5% indicating “full support”). Smaller firms were more likely to indicate “no support” for all next generation strategies.
- The study points to notable strengths and weaknesses in productivity: 48% of Wisconsin manufacturers reported that productivity (i.e., value-add) has increased by less than 25% over the past three years, while 52% indicate productivity growth of more than 25%. Nearly one in five manufacturers (19%) reported productivity growth of more than 50%.

Wisconsin companies lead the way

The results of the Wisconsin Next Generation Manufacturing Study were unveiled today at news conferences at Standard Imaging, Inc. in Middleton and Proven Direct in Milwaukee,

Standard Imaging, a leading manufacturer of radiation calibration and quality assurance instruments for healthcare, exemplifies the next generation attributes of customer-focused innovation, global engagement and sustainable products and processes. The company attributes 25–30% of its annual sales to overseas customers, and has experienced revenue growth every year since 1993. Its products are found in all the top 100 cancer centers in the U.S. and in national calibration standards laboratories around the world.

Company President and CEO Ed Neumueller credits the firm’s success to its talented employees and their dedication to customer satisfaction. “It takes a stable, educated workforce to stay competitive in a global market and to maintain a high level of customer-focused innovation. One of our key metrics is to routinely track the revenue contribution of all of our new product releases over the last 24 months. Because of the dynamics of our industry, we like to see this percentage be in the 15-20% range of total revenues,” he said.

Standard Imaging demonstrates its commitment to sustainability by following the directives of the ISO 140001 (Green) Certification for manufacturing, and in the construction of a facility that has geothermal heating and cooling in addition to solar panels for electricity generation, he said.

Proven Direct is an innovator in the on-demand digital printing industry, with products that include designer custom printed photo books, greeting cards and keepsake calendars. Mike Erwin, WMEP board member, CEO of Proven Direct and president of Tailored Label Products, said the next generation strategies of customer-focused innovation, continuous improvement, and sustainability are driving growth and success for both firms.

An example of customer-focused innovation, Proven Direct has invested in state-of-the art equipment and developed a technology infrastructure that allows the company to produce 7,000 unique consumer-generated photo products every day on a 24-hour turnaround time. Both Tailored Label Products and

Proven Direct rely heavily on lean manufacturing to increase efficiency and flexibility. In the past year, both firms have doubled their operating space and undergone plant redesigns that allow them to double the amount of orders processed every day.

Sustainability measures at Proven Direct include the construction of a new building on a brownfield site, installation of energy-efficient lighting and a computer controlled humidification system, Erwin said. Tailored Label and Proven Direct plan to attain LEED certification, a world-class environmental building standard, in the coming year, he added.

Proven Direct, which employs 55 and is located in the Menomonee Valley, started in the basement of founder Mike Limbach's Menomonee Falls home in 1995.

A Scorecard to Measure Future Progress

Wisconsin is the only state in the nation to do a manufacturing study of this scope and magnitude that is focused upon Next Generation Manufacturing success. The 61-question research initiative provides a wealth of data for state manufacturers, business leaders, policymakers, economic development organizations and others, said Klonsinski. "The results of this study are essentially a scorecard that will allow us to measure future progress on implementing these strategies. That's an important first step to strengthen our competitive position and become a global leader in Next Generation Manufacturing," he said.

Noting the current economic slowdown and auto industry crisis, Klonsinski said, "If there were ever a time to be talking about transforming our industries, it is now."

Manufacturing contributes \$47.7 billion – 21% – to Wisconsin's economy annually and employs one in six workers.

WMEP's partners in the Wisconsin Next Generation Manufacturing Study include: the Wisconsin Department of Commerce, Wisconsin Manufacturers & Commerce; Wisconsin Technical College System, Milwaukee 7, New North, Inc., Racine County Economic Development Corp., and the Northwest Wisconsin Manufacturing Outreach Center (NWMOC).

WMEP received partial funding for the study from the WIRED program coordinated by the Regional Workforce Alliance, along with grants from the federal Economic Development Administration and Wisconsin Department of Commerce.

To download the study results or view regional findings, visit www.wmep.org.

About WMEP

WMEP is a private, nonprofit organization committed to the growth and success of Wisconsin manufacturers. WMEP is a leader in lean manufacturing, growth services, strategic business planning, quality systems and supplier development. During the past five years, WMEP-assisted manufacturers reported economic impact of \$931 million with 8,635 jobs created/retained. WMEP receives financial support from the Wisconsin Department of Commerce, and partners with many public and private organizations to serve Wisconsin manufacturers.

For more information, visit www.wmep.org or call 1-877-856-8588.