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Study reveals Illinois' smaller manufacturers lagging in the race to be globally competitive

Illinois Next Generation Manufacturing Study Offers First Ever Scorecard on Manufacturing Performance

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

SPRINGFIELD, IL. – A ground-breaking study to assess the global competitiveness of Illinois manufacturers reveals that many companies remain challenged to implement strategies that will enable them to compete and sustain their companies for the long-term. The Illinois study was sponsored by The Illinois Manufacturing Extension Center (IMEC), a non-profit business services organization that works with the state's manufacturers to be more productive and competitive. Nationally, more than 2,500 manufacturers completed the survey, which was commissioned by the American Small Manufacturers Coalition and conducted by the Manufacturing Performance Institute (MPI).

One hundred and fifty of the state's manufacturers participated in the Illinois Next Generation Manufacturing Study, which examined how prepared Illinois' companies are to weather today's recession and improve manufacturing competitiveness over the next decade. The study was conducted over eight weeks concluding in April.

Next Generation Manufacturing refers to a framework of forward-looking strategies that includes customer-focused innovation, systemic continuous improvement, advanced talent management, global engagement, extended enterprise management and sustainable products and processes.

"We know that manufacturing is changing at a pace never before seen in this country," said Bob Weinstein, IMEC President. "The study results confirm that companies large and small need to re-assess their markets, differentiate their products and services, and focus on the value they can provide to their customers, both domestically and internationally."

Why the Next Generation Manufacturing study is Important to Illinois

"We see the Next Generation Manufacturing Study as a scorecard that the public and private sector can use to assess the progress of Illinois manufacturers in making the changes they'll need to compete and win in the future," said Weinstein. "Success in the next generation is clearly achievable, but it will require a renewed focus and commitment by our government leaders to provide manufacturers with adequate resources."

Currently, manufacturing is the single largest contributing sector to the state's economy at roughly 13 percent of state GDP. Illinois is the nation's 4th largest industrial state, with Value Added manufacturing reaching \$94.1 billion. "The decline in manufacturing employment since the onset of the global recession can be reversed, if Illinois manufacturers start now to prepare to be highly competitive as the economy recovers."

John Brandt, CEO of MPI, said a key finding of the study is that some top-performing Illinois firms are preparing now to succeed in the Next Generation. "The good news we see in this data is that Illinois manufacturers recognize that in order to compete, they must make progress across the spectrum of next generation strategies," he said.

Of potential concern, however, are Illinois-based manufacturers who aren't engaged in transforming their processes and diversifying their customer base. "Many of these firms may recognize the importance of adopting next generation strategies but are unable or unwilling to act," he said. The study found that many

manufacturers are making limited progress across key performance metrics, and that smaller firms in particular are more likely to face these difficulties.

Another concern from the study, said Weinstein, is the fact that Illinois manufacturers may be ill-prepared to participate in emerging market sectors such as alternative energy. "Market diversification will be a key to building a more stable future Illinois manufacturing sector and to enabling future manufacturing growth.

Illinois 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 Illinois 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 (66.4%); Customer-Focused Innovation (61%); and Engaged People (45%). Respondents were considerably less focused on supply chain management with 39.3% ranking it "*highly important*," followed by global engagement (33.6%) and green/sustainability (17.8%).
- Illinois manufacturers ranked their progress as "good" or "world class" on the following strategies: Customer-Focused Innovation (43%); Superior Processes/Improvement (38%); Engaged People (29%); Supply Chain Management (22%); Global Engagement (21%); Green/Sustainability (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: 35.6% of Illinois manufacturers reported that they annually provide 8 or fewer hours of formal training per employee. Only 1 in 16 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: (16% vs.47.8%); Superior Processes/Improvement Focus (8.5% vs. 8.5%); and Engaged People (19.5% vs.19.5%).
- Illinois firms have considerable opportunity to leverage international sales. For example, 79.3% of manufacturers surveyed report that sales outside the U.S. have grown by less than 25% over the last three years. 10.3% of firms report non-U.S. sales growth of 51% or higher. Nearly two-thirds of Illinois manufacturers (46.6%) reported that they have no sales or distribution facilities beyond the U.S.
- A majority of Illinois manufacturers (59.4%) 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 (70% of companies, with 10% indicating "full support"). The lowest satisfaction was for global engagement (47% of companies, with 10% indicating "full support"). Smaller firms were more likely to indicate that they require higher levels of support to implement next generation strategies.
- The study points to notable strengths and weaknesses in productivity: 48% of Illinois manufacturers reported that productivity (i.e., value-add) has increased by less than 25% over the past three years, leaving 52% that indicate productivity growth of more than 25%. Nearly one in five manufacturers (17.5%) reported productivity growth of more than 50%.

IMEC's partners in the Illinois Next Generation Manufacturing Study include: the Illinois Department of Commerce and Economic Opportunity (DCEO), Illinois Manufacturers' Association, the Fabricators and Manufacturers Association, Employers Association, the Peoria Area Economic Development Council's Manufacturing Strategy Team, and the Rockford Manufacturers Council.

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

About IMEC

Globalization has created a fiercely competitive environment for domestic manufacturers. Firms of all sizes, and smaller firms in particular, are challenged by a fast-paced market with high demands for quality, cost and delivery. Since 1996, IMEC (the Illinois Manufacturing Extension Center) has helped Illinois' manufacturers meet these challenges and many more. IMEC's team of manufacturing specialists and affiliated partners assists more than 400 manufacturers each year. Major solutions include operating cost reduction, quality improvement, continuous improvement technology & innovation, and market diversification/growth strategies. IMEC is a non-profit corporation with 10 office locations throughout Illinois.

Companies served by IMEC achieve productivity gains more than four times greater than the firms who don't receive this assistance. They're able to increase sales, retain workers and modernize their facilities when others are scaling back. Independent studies verify that **every dollar the state invests in IMEC generates an additional four dollars in tax revenue for Illinois.**

IMEC is part of the National Institute of Standards and Technology's Manufacturing Extension Partnership, with over 1,400 manufacturing specialists throughout the U.S. IMEC's headquarters is located in Peoria at Bradley University.

For more information, visit www.imec.org or call 1-888-806-4632.

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