MMTC

The State of Michigan Manufacturing: Driving Impact … *Again*

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Sturgis Business Celebration

February 29, 2012

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a NIST MEP | Network Affiliate

PURE MICHIGAN

Michigan Economic Development Corporation

Documented Service Impact

Clients Surveyed October 2009-September 2010

Sales:	Cost Savings:	Jobs Created or Retained:	Investments Made:
Created: $55.0 Million Retained: $123.1 Million	$29.3 Million	1,731	$44.0 Million

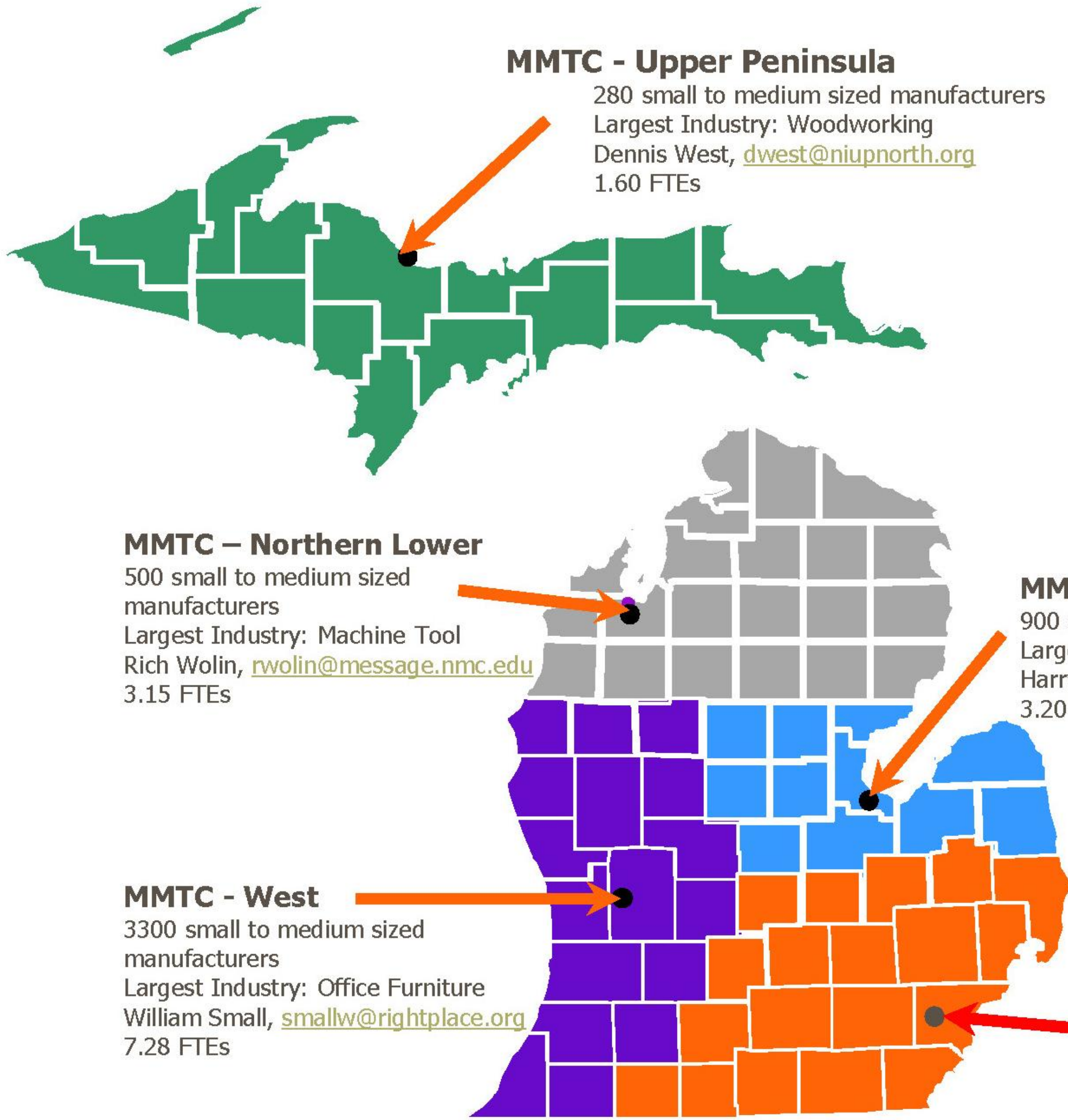
Clients Surveyed Over the Past Ten Years

Sales:	Cost Savings:	Jobs Created or Retained:	Investments Made:
Created: $556.8 Million Retained: $1.074 Billion	$184.8 Million	12,337	$1.061 Billion

Our State and federal sponsors measure the impact of the services we provide to Michigan manufacturers. MMTC clients are interviewed by an independent, third-party survey firm six months after project work is completed.

MMTC Regional Offices
A total of 12,580 small to medium sized manufacturers

Michael Coast, President
mcoast@mmtc.org
2.125 FTEs



MMTC - Upper Peninsula
280 small to medium sized manufacturers
Largest Industry: Woodworking
Dennis West, dwest@niupnorth.org
1.60 FTEs

MMTC – Northern Lower
500 small to medium sized manufacturers
Largest Industry: Machine Tool
Rich Wolin, rwolin@message.nmc.edu
3.15 FTEs

MMTC - Saginaw Valley/Northeast
900 small to medium sized manufacturers
Largest Industry: Automotive Supply
Harry Leaver, hlleaver@svsu.edu
3.20 FTEs

MMTC - West
3300 small to medium sized manufacturers
Largest Industry: Office Furniture
William Small, smallw@rightplace.org
7.28 FTEs

MMTC – Southeast/Central
7600 small to medium sized manufacturers
Largest Industry: Automotive Supply
Bruce Knapp, bknapp@mmtc.org
40.5 FTEs

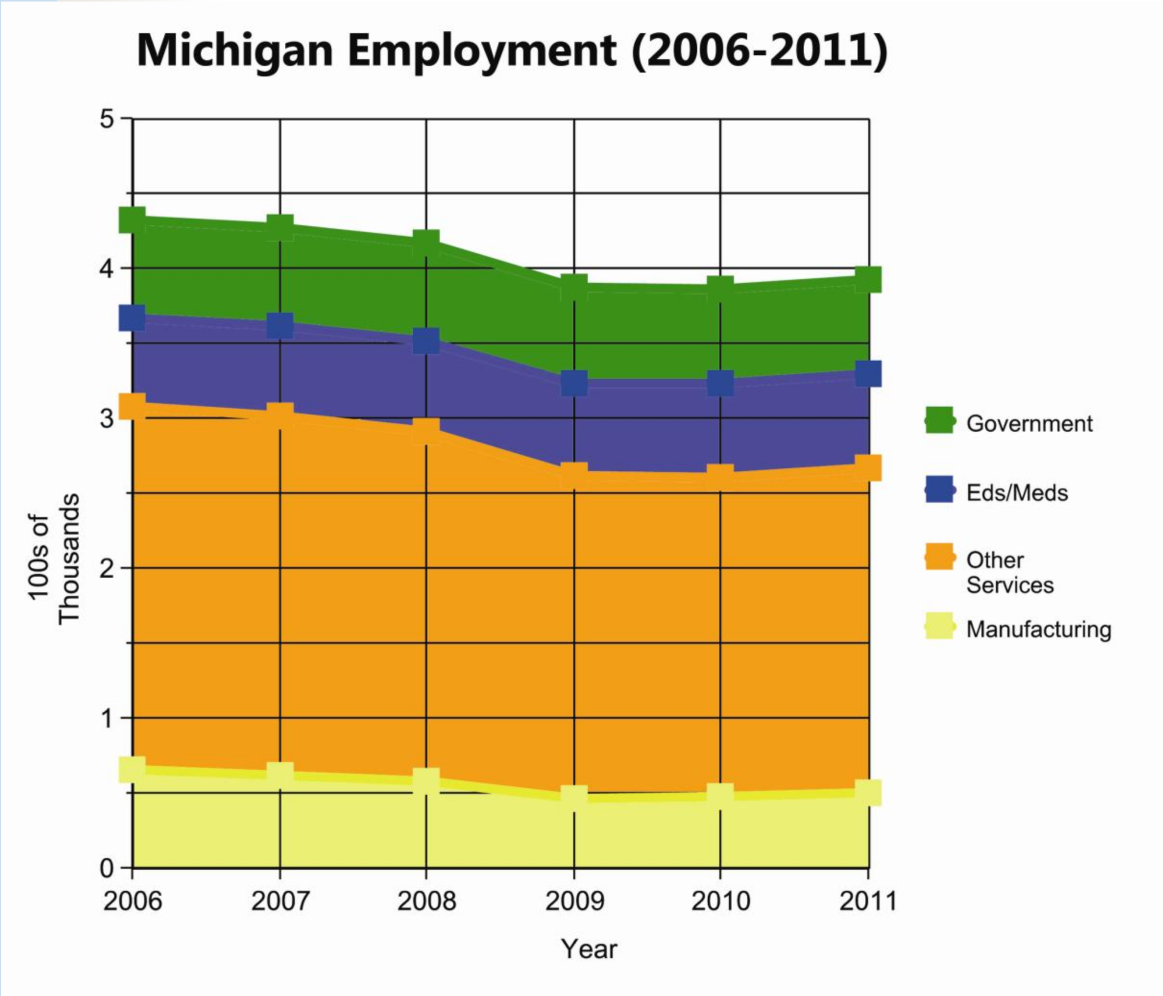
Michigan's Recovery in 2011

- In 2011, jobless rate fell from 11.1% to 9.3%
- 66,500 jobs added (6th in US)
- 26,400 mfg jobs added (12% of US total)

In other words, mfg pulled 3.5 times its weight.

Sector	% of MI Jobs	% of Jobs Added
Manufacturing	12.8%	39.7%
Rest of Economy	87.2%	60.3%

Manufacturing's Fuller Impact

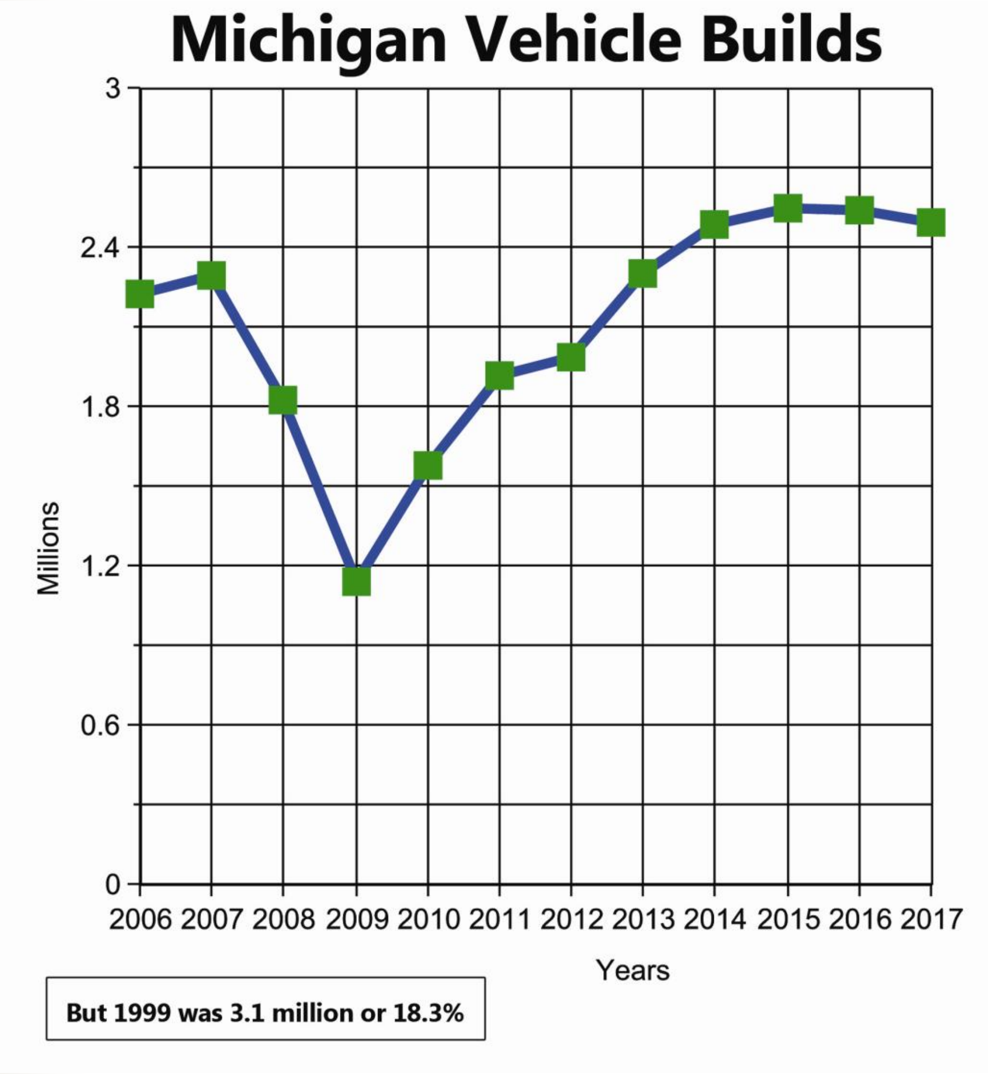


- Though just 12.8% of state employment, income earned in the sector powers much of the service economy.
- Most other service employment is in *non-traded* sectors, which do not bring non-Michigan income into the state.

Automotive Still Critical

- Responsible for 2/3 of the rise in mfg jobs in 2011
  - 12 OEM assembly plants
  - 375 automotive R&D facilities (337 in Detroit area)
  - Including supply chain, auto = 22% of Michigan employment (CAR, 2010)
- But that's a two-edged sword:
  - Many manufacturers sliding back into dependency
  - Growing role of transplants brings Michigan companies into competition with Asia- and Europe-based suppliers

Recapturing Share in Vehicle Assembly



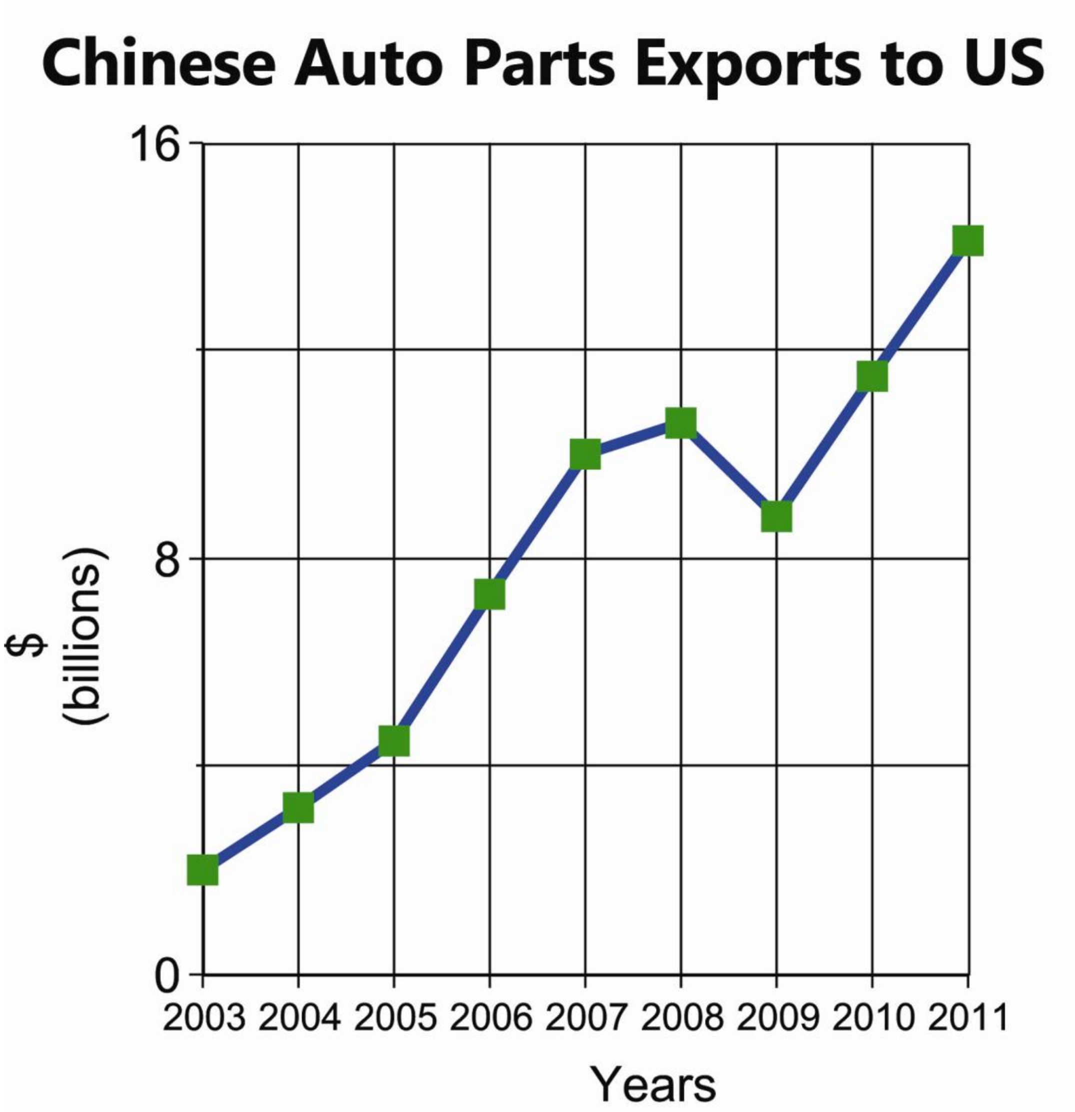
Auto production is growing in Michigan … and in Mexico. As a share of North American builds:

	2010	2014
Michigan	13.3%	16.0%
Mexico	17.3%	19.5%

Threats: Economics & Policy

- Bipartisan fatigue with manufacturing
  - False dichotomy of "factories" versus "knowledge work"
  - Misperception of mfg as "old economy"
- Challenges from globalization / offshoring:
  - More imported parts
  - Mounting competition from global companies willing to make investments that impatient US capital markets won't permit
- Legacy of family ownership means too few MI mfrs really going for maximum share and profitability.

Imported Parts Still On the Rise



Why Manufacturing?

- States & regions don't jump from success in Sector A to success in Sector B. They migrate from A to A' to A".
- New activity in startups, including university spinouts, heavily driven by federal funding. A few big successes, many failures, few jobs
- Unless new activity leads to in-region companies making new or improved products, little economic impact
- The point is not to extol manufacturing; it's to say that manufacturing must GET BETTER to power a better economy.

That's where the MMTC comes in.

Our Mission

To enhance the global competitiveness of Michigan's small and medium-sized manufacturers

Our Focus

Survivable manufacturers with 20-499 employees

How We Are Measured

The MMTC is a Public Private Network that is measured by the impact we have on our client companies

But Impact Uneven

- As with everything, the 80/20 rule applies: many with a little impact, a relative few with BIG impact
- So we studied the few and found:
  - **Leadership** competency and sponsorship critical to achieving & sustaining success
  - Competent **management team** with competency across full range of business domains essential … and relatively rare
  - **Employee engagement** critical to “discretionary effort” needed to take firms to next level
  - **Profitable growth** – not just hanging on – must be the explicit goal.

MMTC Areas of Expertise

- Leadership Evaluation
- Performance Benchmarking
- Operational Assessment
- Lean Business Solutions
- Quality Systems
- Green Manufacturing
- Six Sigma
- Cost Identification and Quoting
- Customer-Supplier Matchmaking
- Business Development
- Website Development
- Solution Selling®

Our New Solution: "*Leadership in Action*"

- In development since 2010
- Ten pilots run 2010-11
- Intensive 2-day assessment :
  - Leader
  - Managers
  - Engagement survey of entire workforce
- Confidential reports for:
  - Leader
  - Management team
- Every domain rated green, **yellow**, or red
- 3-day Execs-only workshop
  - What best practice takes
  - A plan to attack every red and many yellows

Competency Rated in Leadership & 27 Critical Business Areas

Strategic Direction & Vision			Financials			Process / CI		
Strategic Plan	Business Plan	Succession Plan	P & L	Quotation	Asset Management	Process Management	Improvement Plan	Quality Management

Workforce			Sales			Product Innovation		
Recruitment & Separation	Engage & Reward	Develop & Advance	Customer Management	New Business Development	Sales Management	Concept Development	Product Development Engineering	Product Launch Engineering

Information Technology			Supplier Relations			Green Resources		
IT Management	Information Systems	Infrastructure	Performance	Partnership	Integration	Green Marketing	Raw Material Consumables	Energy Efficiency

The Forecast: Cloudy with Clearing …

if we can increase our IMPACT

- Manufacturing performance critical to state's and region's comeback. Solid 2011 at most a partial recovery:
  - Michigan still down 400,000 mfg jobs from 2000
  - Detroit 3's share half what it was in 1978
- A moment of threat and opportunity:
  - A weak dollar, rising transportation prices, and higher Asian costs could ignite more than recent anecdotal reshoring
  - Vehicle lightweighting to meet 2025 CAFÉ standards could bring a sea-change in materials and fabrication …
  - ***… but many MI cos. will need help to seize these opportunities.***

We are all here today to show our commitment to helping them do so. Thank you.