

## 3 Concerns of Wisconsin Manufacturers

### Critical Issues

- What worries Wisconsin's manufacturers?
- What do they believe would help them be more competitive?
- Do they know what they need to know about new customer demands to compete in the new global economy?

### 3.1 Panel Results

The MPI Group convened a panel attended by 17 business men and women representing 11 Wisconsin manufacturing industries in Milwaukee on May 17, 2005. They agreed on four major barriers to the state's competitiveness that may bear on Wisconsin's readiness for competition with its competitor states and in the global marketplace.

1. Manufacturing has a poor image professionally; therefore, it is difficult to attract and then retain high quality labor.
2. Taxes of all types are exorbitant in Wisconsin, compared to border and other competitor states.
3. Businesses are unable to contain manufacturing costs, due to spiraling health care, liability insurance, on-the-job training, and new machinery and technology costs.
4. There is a two-tiered workforce. Older, reliable, hard-working employees are retiring soon. Their potential replacements are not dedicated to the work ethics of their forerunners and are increasingly difficult to hire and retain.

To improve their competitive position, both in domestic and foreign exports, panel members advocated these changes.

1. Reinstate the state tax incentives to encourage the purchase of new equipment and higher technology.
2. Subsidize automated manufacturing.
3. Provide state-funded on-the-job training, especially for new employees.
4. Guarantee freedom from product, workplace, and environmental liability.
5. Improve planning to relocate new business in Wisconsin, especially in the southwest.
6. Aid in linking to new export distribution channels.
7. Overcome ethnic language blocks through pre-employment training or English classes to provide more high quality workers.

The panel also recognized state policies and programs that had been helpful to their manufacturing progress.

1. Lean manufacturing practices made significant contributions to containing costs.
2. The engineering schools are producing excellent employees.
3. Wisconsin's quality-of-life has been a powerful attraction to the state's superior workforce.
4. Adding value to exported products to gain a competitive edge over prices.
5. Restructuring of hiring and employee management practices, enhancing individual growth, first, before company growth.

The full transcript of the Panel<sup>18</sup> conveys the impression of a group of people who are solidly together in their perception of what is difficult for them in manufacturing. Most of their spoken concerns were about taxes, the costs of doing business, the poor image of the state's manufacturing, and the fearful prospect of their inability to find highly skilled, motivated, and hard-working employees. There seemed to be only a slight acknowledgement of the pressures from outsourcing and the conflict between low-paying, low-priced commodity products and high-paying, high-tech new economy products. New attitudes toward customer changes, their desires and needs, and how those are going to affect globalization were not paramount ideas to this group.

The striking difference between what is argued in Section I as important—changing from costs to value, and what this group emphasized—costs, suggests there is room for increasing their experience about what is happening to manufacturing globally. They did recognize the symptoms of their dilemma, but they did not seem to know clearly what long-term strategies they would need to adopt.

Though, near the end of the meeting, a number of the participants did address the importance of flexibility, listening to customers, and—because of the small size of many manufacturers—an urgency for assistance from outside sources.

### **3.2 Survey Results**

In addition to opinions about Wisconsin's manufacturing competitiveness from these 17 panelists, MPI also received additional details from 75 respondents to a written survey. The compilation of their responses appears in the Appendix. Respondents' answers to the six open-ended question in the survey appear with their respective regions under the title "Wisconsin Executive Perspectives in the [Name] Region." Like the issues raised by the panel members, survey respondents present a picture of Wisconsin manufacturing that warrants follow-up with companies in each industry sector to learn precisely what obstacles they see to future competitiveness. What is more, the leadership at these companies must also be asked what it will be doing to keep its current customers and to attract new buyers of its products and services. To succeed in the new economy, these companies must become partners with their customers, offering them total solutions to their business problems, not just a product or service.

One rather alarming finding was the pending loss of business leadership. The survey asked what would be the projected change in business functions performed at the respondents' present Wisconsin location five years from now. In all 10 categories queried, every single business function was predicted to erode substantially in the next five years.

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<sup>18</sup> MPI has a transcript of the proceedings.

<b>Business Function</b>	<b>Currently</b>	<b>In Five Years</b>
Corporate headquarters	82.7%	48.0%
Division/unit headquarter	53.3%	28.0%
Research, development, & Product deployment	78.7%	46.7%
Manufacturing, Production, Procurement & assembly	98.7%	54.7%
Logistics/distribution & Fulfillment	82.17%	44.0%
Data center/IT	77.3%	38.7%
Call center/customer care	73.3%	40.0%
Service	69.3%	36.0%
Sales and marketing	88.0%	49.3%
Administrative/shared Services (back office)	90.7%	49.3%

Although no reasons were directly given by survey respondents for this outlook, perhaps it is the beginning of the California prediction, above, “. . . the global manufacturing footprint of the future, even for a single company, likely will involve a mix of locations, with ‘basic’ high-volume production offshore and ‘customized’ production maintained domestically.”<sup>19</sup>

With these losses in business functions, it is difficult to imagine just how these same respondents will be able to take on the tasks which comprise the strategies they are “planning to emphasize over the next five years to encourage profitable growth.”<sup>20</sup> (This is a partial quote of the survey question.) They listed the percent of their effort in seven strategies.

<b>Strategy</b>	<b>Percent Effort</b>
Improved operations (e.g. speed, cost, quality, delivery)	81.3%
New products	56.0%
New product markets or distribution channels	56.0%
New features/services on existing products	50.7%
Enhanced service and support	48.0%
Increased customization of products and services by staff	42.7%
Enter new geographic markets	40.0%

Like the Panel members, these 75 company representatives indicated that entry-level and semiskilled production labor would be increasingly difficult to employ and retain, while managerial labor was generally available and qualified.

Their plans for improving competitiveness are primarily three. Two-thirds of the companies indicated they were “very likely” to purchase new equipment over the next five years. They are going to continue their outsourcing, which, once more, might mean that some of the business

<sup>19</sup> Bay Area Economic Forum, pp. 2-3.

<sup>20</sup> The MPI Group, WMEP Wisconsin Manufacturing Study Survey, online, May-June 2005.

functions will leave Wisconsin to go to those new sources. And, approximately 75% of these are going to emphasize Lean manufacturing and Lean and Six Sigma methodologies to improve their competitiveness, with which they have already experienced great success.

While these trends are primarily under the control of the individual manufacturer, other trends are not. Of the many that are not, health care cost was the bad apple. This single cost was rated by 96% of the respondents at 4-5, the latter meaning a “major obstacle.” Other factors beyond a company’s control were governmental regulations and taxes. They were cited as major influences on deciding whether to stay and/or expand in Wisconsin, or not. These confirm earlier panel, survey, and statewide documentary findings.

Answers to six open ended questions supported Wisconsin manufacturers’ anxieties about issues critical to their competitiveness and, as some put it, to their survival. The following questions were asked, with respondents allowed 50 words for their answers.

1. As you consider your industry and business for the next 5 to 10 years, what are the most prominent workforce-related concerns?
2. As you consider your industry and business for the next 5 to 10 years, what are the most prominent advantages that the Wisconsin workforce can offer?
3. Will your company be able to retain and attract the talent in Wisconsin necessary for your business to succeed over the next 5 to 10 years?
4. What changes, if any, would you like to see in the Wisconsin higher education system to better meet the long-term needs of your industry and firm in the state?
5. Describe any innovative workforce attraction or development programs that you would like to see expanded in Wisconsin.
6. What are the business challenges that your organization faces – what most keeps you up at night?

Again, full results were pulled out by region, and the comments are included in their entirety for each region under “Wisconsin’s Executive Perspectives on the [Name] Region.” A full discussion of the findings appears in Section 6, Business Climate, while the entire MPI Survey report data and tables appear in the Appendix.

In summary of the survey, which included opportunities for open-ended answers and were assigned by the seven economic regions, the overall responses highlighted these concerns:

- Future replacement workers
- Spiraling health care costs
- The poor reputation of manufacturing as a career

Global competition

Good employee work ethic

The agreement, again, between the Panel and the Survey results is nearly perfect, lending credibility to the current perception of Wisconsin's business climate. These opinions will be compared to other, statistical analyses in Section 6.