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## **First National Survey of Next Generation Manufacturing Identifies What Florida Firms Must Do to Survive Global Competition**

***Study provides new tool for manufacturers to assess strategic priorities***

**Celebration, FL** – The Florida Manufacturing Extension Partnership ([www.FloridaMEP.org](http://www.FloridaMEP.org)) today announced the results of the first national survey of world-class manufacturers, hailing the findings as valuable to both state policymakers and Florida companies.

Based on an in-depth national survey of more than 2,500 manufacturers, including firms in Florida, the study identifies six crucial strategies necessary for world-class manufacturing success. The most unique aspect of the ground-breaking study, however, is the evaluation instrument utilized in the study. It provided participating manufacturers with a detailed assessment of how their management practices compare to global industry leaders and can evaluate whether individual firms are implementing the procedures and strategies that will enable them to survive the current economic downturn and succeed in the coming decade.

“The Next Generation Manufacturing study provided us with an opportunity for analyzing our operations and issues, as well as learning how other manufacturers see the world. We could then formulate a plan from these insights instead of reinventing the wheel, saving much time and allowing us to implement steps to improve our competitiveness more quickly and in real time. Like many small manufacturers, we could not have afforded this strategic planning opportunity if it wasn’t offered,” said Nancy Simmons, president of AERO INDUSTRIES of the Space Coast, Inc

Florida manufacturers like Titusville-based AERO INDUSTRIES that participated in the study received a free customized benchmarking report comparing their progress to the overall state and national results. Each confidential benchmarking report was prepared by the respected research and strategic consulting firm, the [MPI Group](#).

Commissioned by Manufacturing Extension Partnership (MEP) centers across the country, including Florida MEP, and the American Small Manufacturing Coalition, the study offers the most detailed description yet of what it takes for American manufacturers to compete in the global economy. The study was designed as the first step in a long-term effort to help U.S. manufacturers survive the recession and renew America’s manufacturing leadership over the next decade.

“Florida’s economic recovery depends on the ability of its manufacturers to maintain profitability in the face of fierce competition. Our state’s economy shrank last year. The challenge to policymakers is not to give up on manufacturing but to support the transformation of the state’s manufacturing sector into a faster, more flexible industry capable of outperforming their non-world-class peers,” said Gene Lussier, chairman of the Florida MEP board of directors.

“The study itself is only the first step in Florida MEP’s efforts to assist local manufacturers,” Lussier stated. “Although the national study is complete, Florida manufacturers can take advantage of the evaluation instrument and work with Florida MEP project managers to conduct an assessment of their company’s strategic policies, investments and performance. Every manufacturer in the state has the ability to utilize this valuable new resource.”

## **The Keys to Next Generation Manufacturing Success**

Next Generation Manufacturing (NGM) refers to a framework of strategies that will drive manufacturing growth in the 21<sup>st</sup> century. Developed by leading manufacturers, industry thought leaders and the MEP centers, Next Generation Manufacturing reflects the best practices and performance strategies of world class companies. To remain competitive, manufacturers in Florida and across the country need to achieve world-class performance in at least some of these key areas. The study identifies six essential strategies:

- **Customer-focused innovation:** Deliver new and better customer solutions at a faster pace than the competition.
- **Advanced talent management:** Secure a competitive performance advantage by having superior systems in place to recruit, hire, develop and retain talent.
- **Systemic continuous improvement:** Record annual productivity and quality gains that exceed the competition through a companywide commitment to continuous improvement.
- **Extended enterprise management:** Leverage a flexible network of supply chains and partnerships to provide competitive advantages of speed, cost and quality.
- **Sustainable product and process development:** Design and implement waste and energy-use reductions at a level that provides superior cost performance and recognizable customer value.
- **Global engagement:** Secure business advantages through people, partnerships and systems capable of engaging global markets, talent and resources.

The survey administered to the initial 1,500 companies nationwide employed 63 questions to drill down and measure each firm’s progress, or lack of progress, in implementing strategies in these six essential areas.

Florida manufacturers who participated in the survey praised its value.

"The NGM study gave us a forum to examine where we are today with respect to technology and people. The feedback helped Laminations benchmark our company against other manufacturers, which we will use to make strategic decisions," said Chris Saucedo, the Jacksonville plant manager for Laminations, part of Great Northern Corporation.

## **Sobering Findings**

- A serious gap exists between the strategies that Florida and U.S. manufacturers believe are critical to their future success and their actual progress in implementing those

strategies. Currently, only a fraction of Florida manufacturers are at or near world-class in any of the six NGM strategies.

- Small and midsize manufacturers are less likely than larger firms to be at or near world-class status in each of the NGM strategies. One-third of respondents nationwide with less than \$10 million in revenue were not at or near world-class in any strategy, compared to just 14% of manufacturers with more than \$100 million in revenue.
- Measurement systems are inadequately deployed. Even in one of the most fundamental and easiest-to-measure areas – process improvement – 40% of respondents in Florida and 45% of firms across the country had no measurement system or only ad hoc measurement systems.
- Effective partnerships with employees, suppliers and regional support organizations are the exception rather than the norm. Nationwide, a majority of respondents (56%) engage less than half of their employees in improvement initiatives, falling far short of industry best practices that require company-wide participation. In Florida the results were only slightly better, with 52% of respondents engaging less than half of their employees.
- In Florida and across the nation approximately 35% of companies fail to reach or approach world-class status in the ability of their supply chains to respond to unexpected customer demand for existing products. In part this is due to the failure of companies to implement supply-chain measurement systems. More than 52% of Florida firms said that they have no measurement system or only ad hoc measurement systems in place to review the return from supply chain management and collaboration, despite the fact that nearly 80% of Florida firms rate supply chain management as important or highly important to their success over the next five years.
- While the public at large is rapidly embracing Green, few Florida manufacturers are making a substantial effort to adopt Greener practices and produce Greener products. For example, only 11% of manufacturers have been able to annually reduce their energy usage per unit of product by more than 10%, and only 16% have reduced their use of non-recycled material per unit of product by more than 10%. There's also a surprising lack of interest among many in sustainable strategies (11% believe it is "not important").

Improvements required to compete in the next generation move through two distinct phases: Recognizing the need to improve (i.e., identifying that a given NGM strategy is important), and then executing the NGM strategy by applying best practices and investing in people, equipment, and product and process technologies to bring about positive changes.

Fortunately, most Florida manufacturers have entered the first phase, recognizing the importance of NGM strategies to their business success. Florida manufacturers identify superior process improvement (64% of manufacturers rated it "highly important") and customer-focused innovation (52%) as the most important NGM strategies to their firms' success over the next five years. Receiving less attention among Florida manufacturers were human-capital acquisition, development and retention (50%); supply-chain management (49%); global engagement (35%); and green/sustainability (22%).

Unfortunately, recognition that an NGM activity is important doesn't necessarily lead to superior performance or *world-class* status for the strategy. In fact, there's a gap between firms' *recognition* of the importance of NGM strategies and these firms' actual *ability* to achieve superior performances.

### **Florida's Strength: Global engagement**

The survey data reveal a sobering picture of the challenges facing American manufacturers. But the report highlights an important distinction that characterizes Florida manufacturers. Florida companies are much more attentive to the growth possibilities in foreign export markets and are more globally engaged than manufacturers nationwide.

- Half of Florida firms (50%) consider global engagement as very important or highly important to their success over the next five years, which is modestly better than the national average.
- Almost twice as many Florida firms are at near world-class status in terms of employees dedicated to global business activity: 15% of Florida firms have at least a quarter of their workforce located overseas or located domestically and responsible for global business activity, compared to only 8% for manufacturers nationally. On the reverse side, approximately 56% of Florida respondents indicated that they do not have any employees located overseas or focused on global activity.
- Significantly more Florida firms are at or near world-class status in terms of foreign sales and distribution channels. More than 26% of Florida firms reported that they had sales or distribution facilities in six or more foreign countries compared to only 17% of firms nationally that reporting achieving that benchmark.

These findings coincide with the Florida's export trends. Over the past decade many Florida manufacturing sectors have experienced substantial upward growth in export levels. In 2007 Florida experienced such an increase in total manufactured exports that the state became a net exporter in terms of overall trade, which distinguished Florida from most other U.S. states. Manufactured goods comprise more than 90% of all exports from Florida.

"Florida's attentiveness to global market opportunities is clearly an advantage, but the Next Generation Manufacturing study clearly shows how far many manufacturers still have to go to reach world-class status," said Florida MEP Chair Lussier. "In many strategic areas our state's firms are just as challenged as manufacturers nationwide and need to take major steps to improve their performance or else risk being left behind by the global competition. Florida's economic future will be determined by how well our state's manufacturers respond to this challenge."

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For a copy of the full report, *Next Generation Manufacturing Study: Overview and Findings*, please visit the FL MEP Web site at [www.FloridaMEP.org](http://www.FloridaMEP.org).