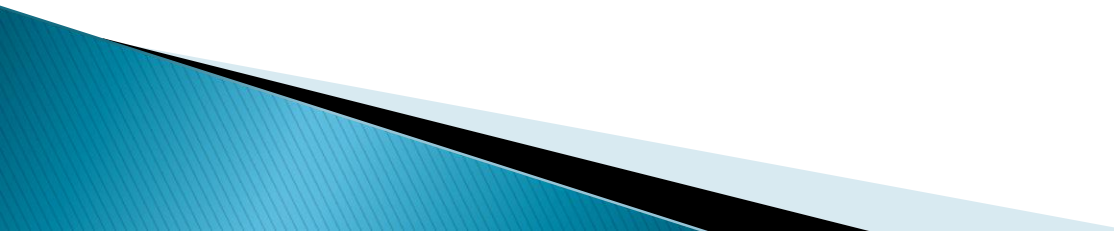


Illinois Financial Forecast Forum: Manufacturing

January 27, 2012



Is Manufacturing facing
a steep decline, doing
relatively well given the
economy, revitalizing
and growing?



“Mixed picture of manufacturing: factory orders rise, but demand for core capital goods falls”

“Manufacturers face a slow grind”

“Manufacturing ends year on positive note”

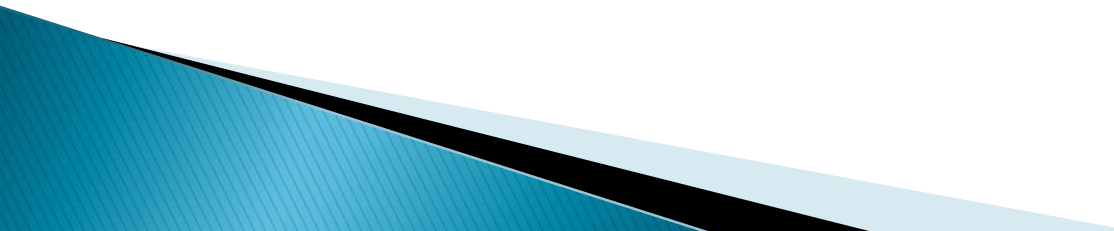
Headlines

“Manufacturing data makes US stocks sizzle”

“Manufacturing jobs available but skills rare, exec says”

“Manufacturing firms bring new jobs, but some depart”

Agenda Topics

1. Manufacturing Overview
 2. General Trends
 3. Next Generation Priorities
 4. Planning Considerations
- 

Illinois Manufacturing Extension Center (IMEC)

- ▶ U.S. Department of Commerce
Manufacturing Extension Partnership
 - Public – private
- ▶ Strategic advisors to small and mid-sized
manufacturers
 - 44 staff 12 offices
- ▶ Results (FY' 11)
 - 527 companies with \$862,000 average benefit

IMEC University Connections

UIC UNIVERSITY OF ILLINOIS
AT CHICAGO

NIU NORTHERN
ILLINOIS
UNIVERSITY

BRADLEY
UNIVERSITY



Southern
Illinois University
Carbondale



**ILLINOIS STATE
UNIVERSITY**
Illinois' first public university

Manufacturing Overview



Importance in the United States

- **Taken alone, the 9th largest economy.**
- **Most productive workers in the world.**
 - Twice as productive as workers in the next 10 leading manufacturing economies.
- **Average worker annual earnings = \$74,447**
 - All industries = \$56,436.
- **Performs two-thirds of the nation's R&D.**

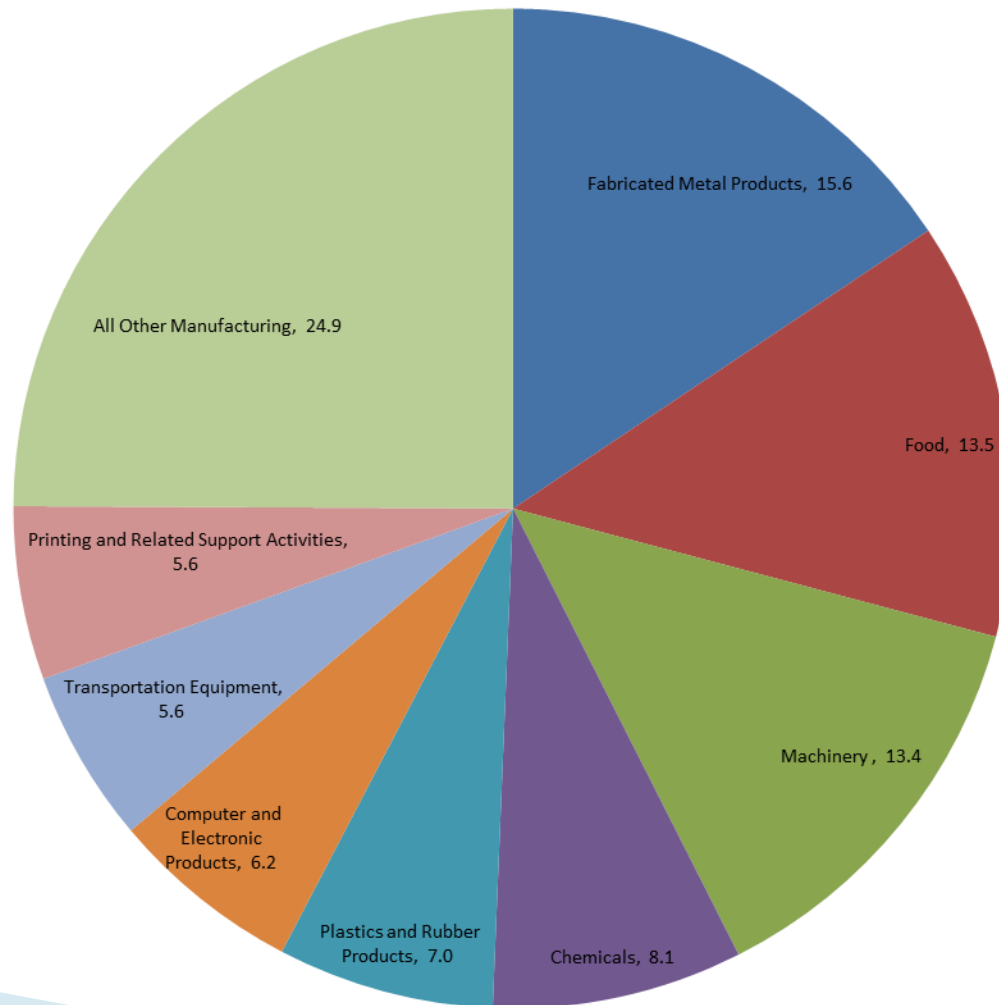
Illinois Summary

Number of manufacturing:	
Establishments	14,722
Employees	559,100
Average employees/ establishment	38
Percent:	
Total employment	10%
Gross State Product	12%
State exports	93%
Employed by firms with less than 500	49.9%

Manufacturing Sector Diversity

Employment by Industry, 2010

Source: US Bureau of Labor Statistics, Quarterly Census of Employment and Wages

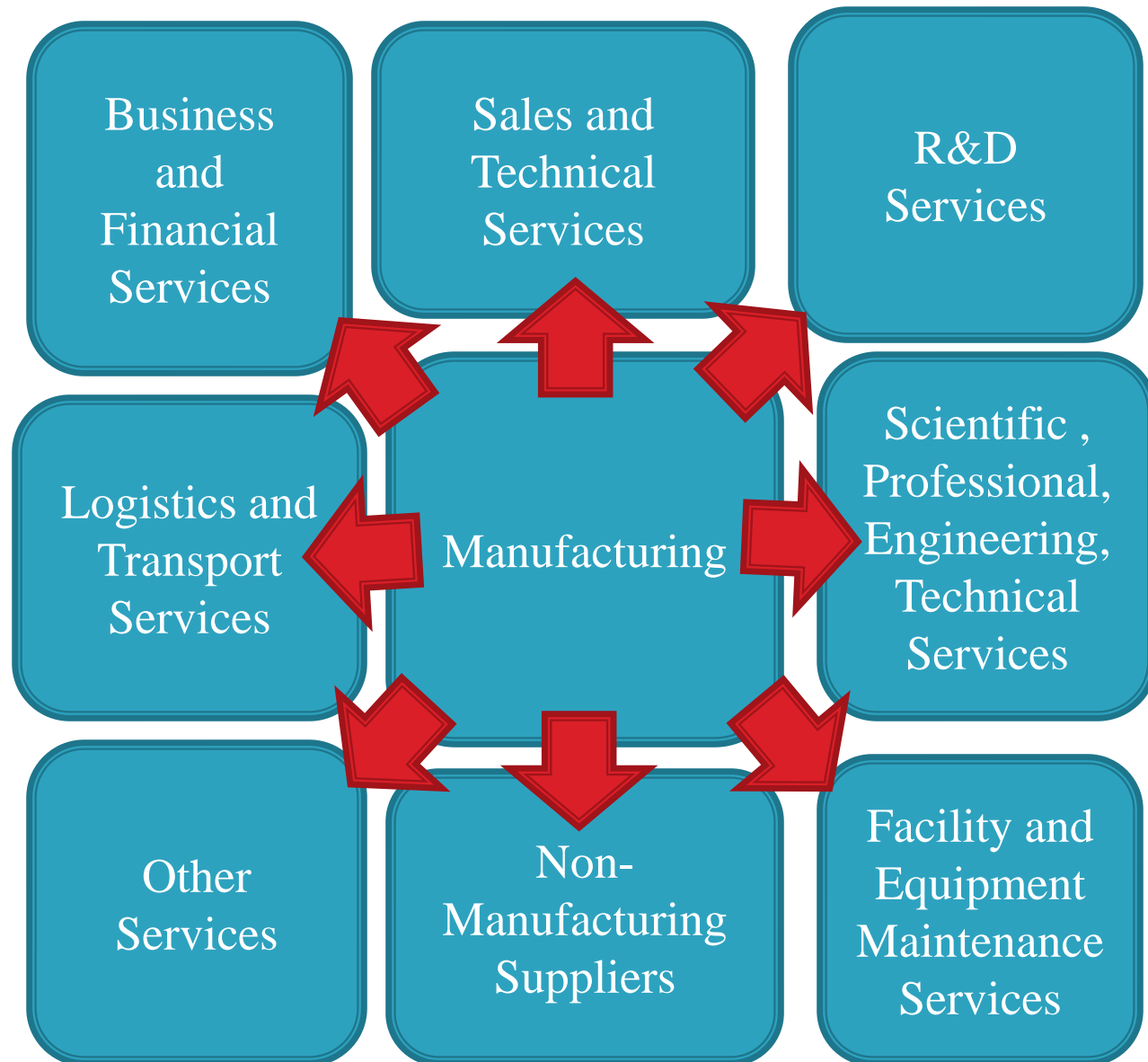


Manufacturing Impact and Reach

Impacts—
Significant
Multiplier Effects
(3.2)

Reach—to Other
Critical Sectors

(NGA Academy)



Overview Summary

Wages

Innovation and R&D

Diverse

Global reach (Exports)

Expanded sector impact

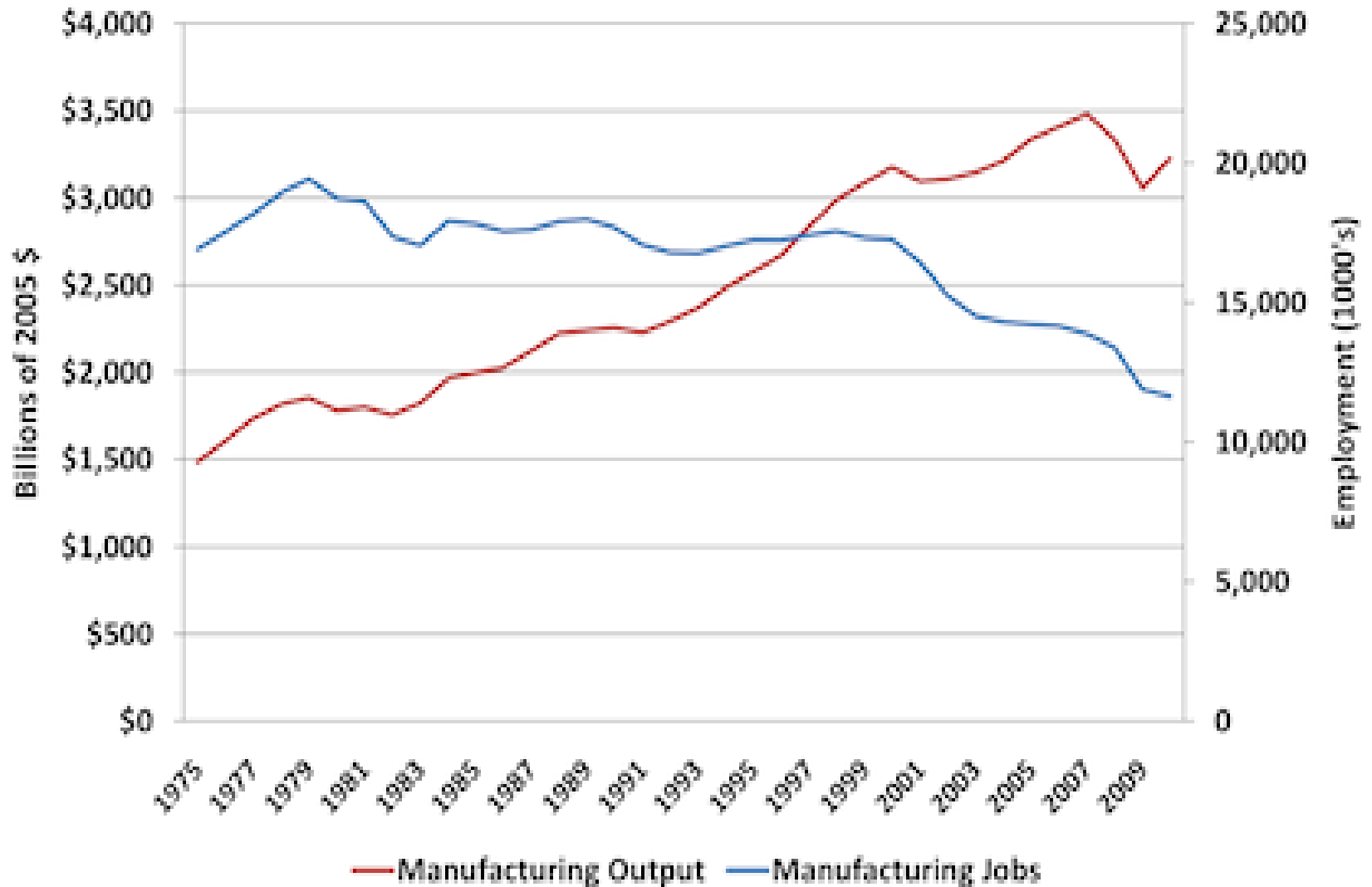
Talented, skilled, and productive



General Trends



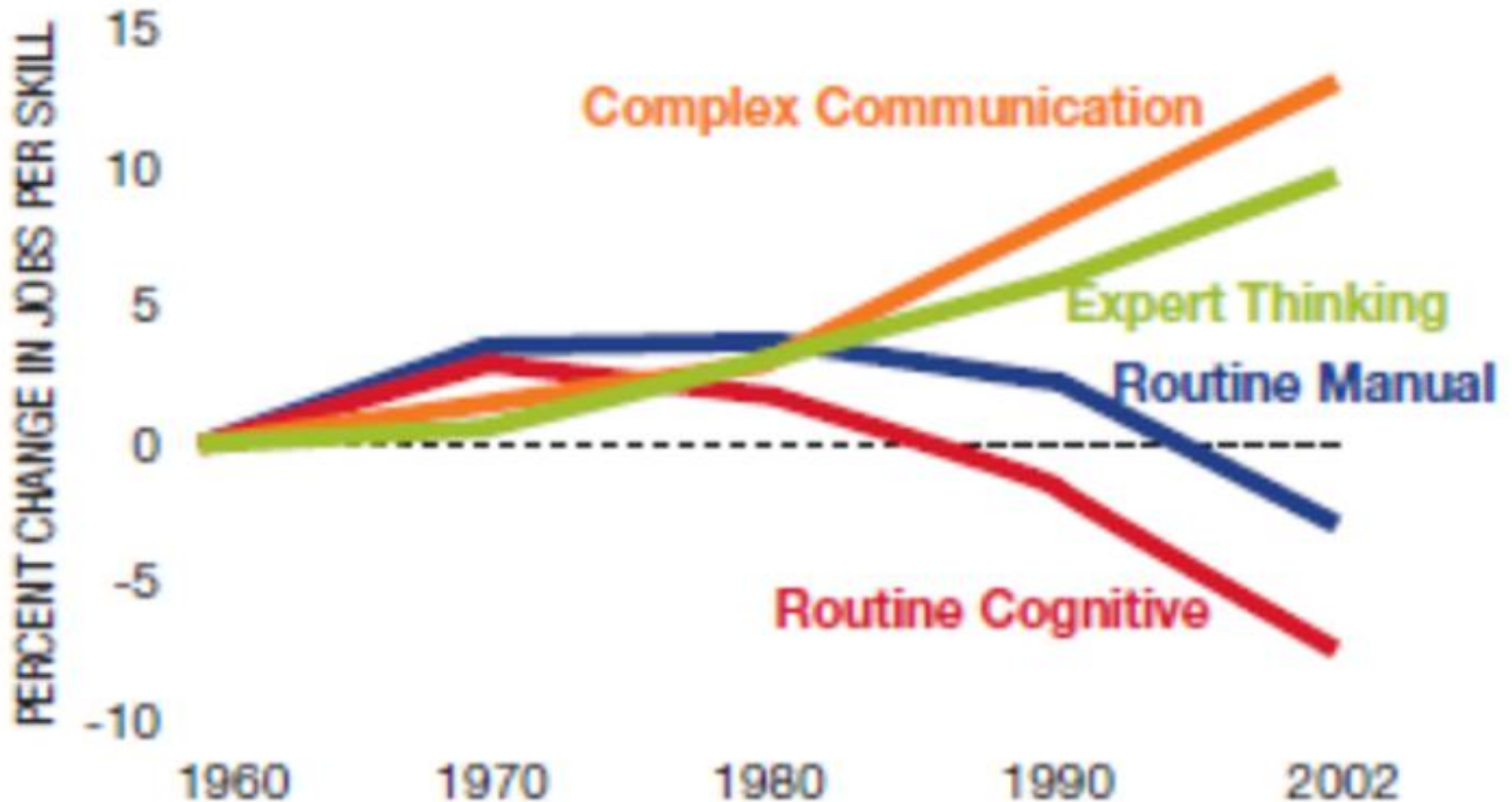
U.S. Manufacturing: Output vs Jobs Since 1975



Source: Federal Reserve, Bureau of Labor Statistics

Produced by Monique de Ruvo, Mercatus Center at George Mason University

Job Loss and Skills Gap



Next Generation Priorities



Preparing to Succeed in the Next Generation

1) **Human capital**

Secure a competitive performance advantage by having superior systems in place to recruit, hire, develop, and retain talent.

2) **Customer-focused innovation**

Develop, make, and market new products and services that meet customers' needs at a pace faster than the competition.

3) **Superior process improvement**

Record annual productivity/quality gains that exceed the competition through a companywide commitment to continuous improvement.



Preparing to Succeed in the Next Generation (con'd)

4) **Supply-chain management**

Develop and manage supply chains and partnerships that provide flexibility, response time, and delivery performance that exceeds the competition.

5) **Sustainability**

Design and implement waste and energy-use reductions at a level that provides superior cost performance and recognizable customer value.


6) **Global engagement**

Secure business advantages by having people, partnerships, and systems in place capable of engaging global markets and talents better than the competition.



Facing “execution gaps”

For example:

- 72% of manufacturers believe supply-chain management is important or highly important.
 - Only 29% of manufacturers are near or at world-class status.
 - ▶ Smaller manufacturers facing greater challenges.
- 

Planning Considerations



Considerations

Understand local manufacturers:

- Common issues
- Distinguishing features
- Community assets and gaps
- Competitive challenges
- Small and mid-sized manufacturers

Confronting the skills mismatch



Considerations

Retention efforts that align with competitive needs

- ▶ Sustainability
 - Waste reduction
- ▶ Innovation and Growth
 - Global connections

Image and Message



Questions/ Discussion

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