

MANUFACTURING COUNTS™

AN EXECUTIVE BRIEFING FOR MANUFACTURING LEADERS published by THE CHICAGO MANUFACTURING CENTER

December 2001 Issue 1

Welcome!

Welcome to the first issue of *Manufacturing Counts*™, a monthly briefing for leaders of small and mid-sized manufacturing firms in the greater Chicago area. We want this publication to be both a bulletin board of news and events and a sounding board about issues that matter to manufacturers trying to stay competitive in a rapidly changing world.

Economists have now acknowledged what manufacturers have known for a year: the country is in a recession, and while there are some encouraging indicators, no one can say with any certainty when the recovery will begin and how long it will take. If there is a lesson to be learned from this downturn it is that *Manufacturing still Counts*: for people, productivity, technology, growth, and investment - investment in the companies that are the bedrock of our industrial base, and in the communities that count on manufacturing for employment and tax revenue.

We invite your comments and suggestions as to how *Manufacturing Counts* can address the needs and interests of manufacturing executives. Please contact us at info@cmcusa.org or at 1-866-2EMERGE.

Events

January 15, 2002

Lean 101 – Identify eight process wastes in this fun simulation.

DePaul O'Hare campus.
8:30 a.m. - 4:30 p.m.

February 14, 2002

Value Stream Mapping and Kaizen Blitz – Find and reduce waste. DePaul O'Hare campus.
8:30 a.m. - 4:30 p.m.

Details: www.cmcusa.org

On the Road to Recovery?

RECENT SURVEYS by three respected observers of the US economy indicate that manufacturing may have turned the corner from recession to recovery—but the pace will be slow.

A **National Association of Manufacturers** (NAM) survey indicates that the US economy will begin a slow and steady ascent in the first quarter of 2002. NAM reports that it expects the economy to grow at a 1.7% annual rate in the first quarter—lower than the nation's economic potential, but still a marked improvement from the current downturn. The NAM report is one of the first positive indications that the economy may begin a comeback as early as the first half of 2002. NAM forecasts that US exports will rise 3.8% in 2002 after falling an estimated 9.9% in 2001. NAM also predicts that US business investment will rise 1% next year after plunging 11.3% in 2001.

The National Association of Purchasing Management (NAPM) also reports some good news: "After absorbing last month's aftershock of the terrorist attacks, the manufacturing sector showed surprising resilience in November as New Orders gained 10.5 percentage points, which is among the largest one-month increase in the history of the index," stated Norbert J. Ore, C.P.M., chair of NAPM's Manufacturing Business Survey Committee and group director, strategic sourcing and procurement, Georgia-Pacific Corporation. Adds Ore, "Based on the [Manufacturing NAPM Report On

"The manufacturing sector showed surprising resilience in November."

Norbert J. Ore, chair

NAPM's Manufacturing Business Survey Committee

Business®], the sector regained a significant portion of the output lost in October. The fact that 5 of 20 industries recorded strength in new orders is encouraging."

The Chicago Federal Reserve Bank's Economic Outlook Symposium, compiled from a survey of business leaders, predicts a "relatively modest" improvement next year. One encouraging note in the Fed's forecast is that the more than year-long decline in manufacturing should narrow as companies begin to rebuild inventory. Industrial production, which rose by 5.6% in 2000, is expected to show a 3.3% reduction in 2001, but that decline will slow to less than 1% in 2002. Business investment, which jumped nearly 10% in 2000, will fall 3.7% in 2001 and another 6% in 2002, according to the Fed's panel of business leaders.

While there is no question that September 11 will continue to impact the economy into 2002, it appears that the outlook may not be as bleak as initially predicted. That said, NAM President Jerry Jasinowski believes the long-term economic recovery will be "sluggish."

"We are likely at the bottom of the business cycle," Jasinowski said, "but the recovery in 2002 will be ugly and U-shaped, in my judgment, without significant growth in investment and exports."



Surviving in Today's Economy:

Revenue Growth Through Diversification

by Larry Martinelli
Director of Growth Management Services, Chicago Manufacturing Center

IN ORDER TO REMAIN VIABLE in an unstable marketplace, companies that specialize in one particular niche market need the ability to explore other market options to diversify their revenue streams. CMC is currently working with a local design/build machinery company that has encountered this common problem. The company produces steel stamping and draw forming equipment.

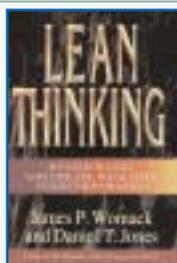
This company's traditional stamping and draw forming market niche is projected to have flat sales growth over the next several years. In anticipation of this eventuality, the company expressed a need to reassess business conditions and develop a new strategic direction. Through an initial assessment, CMC ascertained that the company had broad skill sets compatible with related industries that they had not capitalized on, specifically in total process, design and improvement applications involving continuous metal forming operations.

In working with the company, CMC learned that it had never conducted a customer benchmarking study in its current market. A benchmarking study provides an objective review of a company's position among existing and past clients while providing key insights into revitalizing its business. CMC conducted a combination customer benchmarking and customized industry analysis to help the firm identify and validate new strategies and marketing methods by evaluating the company's market position relative to the customer trends, competitive dynamics, technological alternatives, economic factors and other critical issues.

As a result of this strategic assessment and research, the company is now well-positioned to:

- Assess new business opportunities in the continuous production metal forming and stamping industry
- Increase the size of the business and sustain revenue growth rate
- Benchmark its product offering and business methodology vs. market expectations, buying habits and motivations, which will validate the company's corporate direction and ability to penetrate new markets
- Align core competencies and business systems to maintain a strategic competitive advantage and harden the business against natural downside cycles
- Identify competitive counter strategies to win back customers and gain more business

Larry Martinelli provides professional consulting services to small and mid-sized manufacturers, focusing on increasing corporate value and optimizing their enterprises. Martinelli has more than 25 years of marketing and sales experience, including extensive Fortune 250 experience in strategic business development, technology transfer, operations management, marketing management, change management and product innovation.



Lean Thinking

by James Womack and Daniel Jones

Recommended Resource!

Review by

Thomas Jarapko, CMC Senior Business Adviser

Lean Thinking provides a good overall understanding of the theory, principles and advantages of Lean Manufacturing. Five principles of lean are explained: value, value stream, flow, pull and perfection.

Lean Thinking provides a framework for implementation but it is not a "how-to" book. Additional lean manufacturing education and experience plus top management commitment are needed in order to implement lean manufacturing successfully. I recommend **Lean Thinking** for those who are starting their lean journey.



Manufacturing Counts™ is published by the Chicago Manufacturing Center. For a free e-mail subscription, please send your name, phone number and e-mail address to info@cmcusa.org. CMC welcomes your comments and suggestions. Please address them to Helen G. Squires, Vice President, Corporate and Client Communications.

About the Chicago Manufacturing Center

Founded in 1994, CMC is dedicated to improving the competitiveness of small and mid-sized manufacturers and related technology-based companies by delivering high value, high impact improvement projects. CMC serves manufacturers in the six-county Chicago metropolitan area. As a public-private partnership, CMC receives support from the Illinois Department of Commerce and Community Affairs, the City of Chicago, and private corporations and foundations. CMC is an affiliate of the Manufacturing Extension Partnership, a national network created to enable US manufacturers to become recognized world leaders in productivity, technology and growth.

The Chicago Manufacturing Center

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