

M7 Manufacturing Survey Results: An Analysis of the CEO Call Program 2006

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**Special thanks to the 177 manufacturers who took the time to respond to our many questions
and to the 140+ interviewers who asked those questions.**

EXECUTIVE SUMMARY: Manufacturing

August 30, 2006



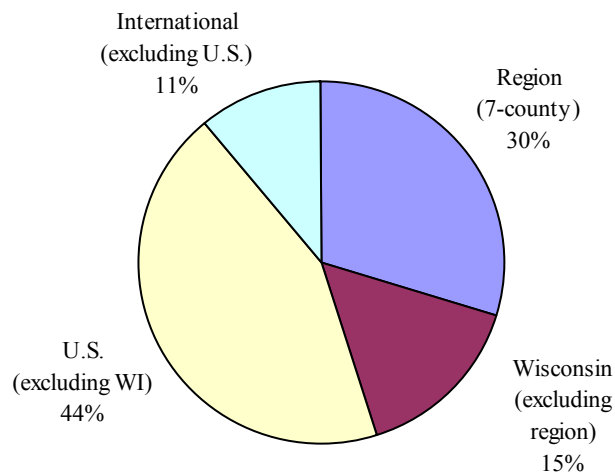
Background

- Manufacturing remains the largest sector of the regional economy and is a powerful driver of regional income
- Manufacturing comprises more than 20% of employment in five M7 counties
- 177 interviews / 447 manufacturers with 50+ employees (40% response rate)
- Respondents are representative of the 447 target manufacturers
- 61-question survey instrument

Characteristics

- One-fourth of firms interviewed were founded between 1844 and 1930; 13% since 1991
- 37% are single-site firms; 64% are headquarters
- Employee mix of respondents (average): skilled – 33%, unskilled – 33%, management – 10%
- Average wage/hour: Skilled – \$18.30 (range \$9.00 – \$44.30/hr.); Unskilled – \$12.70 (range \$7.75 – \$33.00/hr.)
- 28% indicate that continual development of intellectual property is *not* important to their business
- 51% export products outside the U.S.
- 44% buy supplies internationally, but only 11%, on average, of supply dollars are spent internationally
- Largest portion of supplier dollars are directed outside the region (Graph 1):

Graph 1: Where Do Regional Manufacturers Direct Their Supplier Dollars?



Key Findings

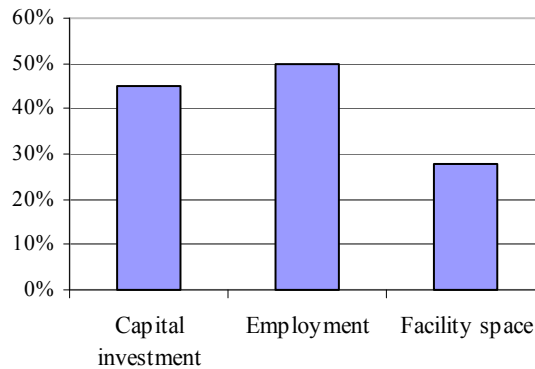
1. Despite global challenges, manufacturing continues to be an essential component of the regional economy, exhibiting strong sales, profitability and investment trends (Table 1):

Table 1: Sales and Profitability Trends

	<u>3-Year Sales Trend</u>	<u>3-Year Profitability Trend</u>
Growing	71%	69%
Stable	20%	19%
Declining	9%	12%

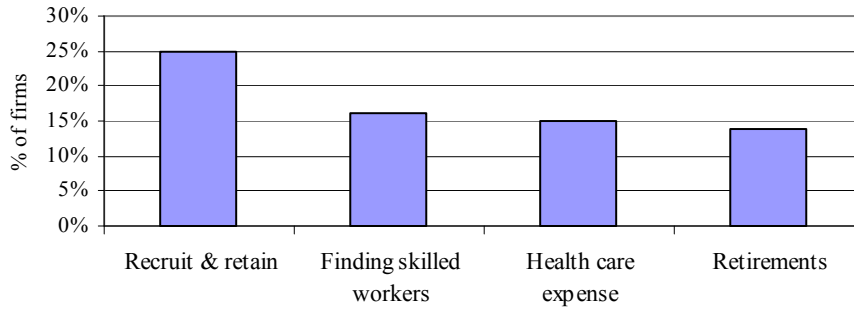
- In the next 12 months, 62% of respondents expect to increase employment, capital investment or facility space (Graph 2):

Graph 2: Firms Expecting Growth in Next 12 Months



2. Workforce quality and availability are key manufacturing success factors.
 - Workforce quality cited by 23% of respondents as the top reason for their firm's success in the region. Location advantages were cited by 17% of respondents. Work ethic was the most frequently mentioned positive workforce attribute, although this trait appears to be waning as baby-boomers begin to age out of the workforce.
 - Workforce deficiencies and shortages are clear threats to manufacturing's future viability. Graph 3 (see following page) shows what manufacturers expect to be their most critical workforce challenges over the next three years:

Graph 3: Most Critical Workforce Challenges Over the Next Three Years



3. On a 5-point scale, manufacturers rate the overall regional business climate a middling 3.24. Below are ratings on specific elements of the business climate (Table 2):

Table 2: Business Climate Rating

<u>Elements of Business Climate</u>	<u>Ave. Importance</u>	<u>Ave. Rating</u>
Workforce quality	4.40	3.38
Workforce availability	4.35	2.94
Health care expenses	4.22	1.86
K-12 education	3.90	3.28
Technical education	3.84	3.37
State taxes	3.84	2.20
Universities/colleges	3.70	3.66
Police/fire protection	3.68	3.81
Local taxes	3.68	2.50
Regulatory climate	3.54	2.70
Access to capital	3.48	3.69
Local transportation network	3.32	3.15
Public transportation	2.95	2.73
Entrepreneurial support	2.90	2.87

Overall Regional Business Climate 3.24

Importance: 5 = Very Important; 1 = Not Important / Rating: 5 = Excellent; 1 = Poor

- The regional business climate is trending moderately positive according to respondents (Table 3):

Table 3: Business Climate Trends

	<u>Compared to 3 years ago, climate is:</u>	<u>In 3 years, climate will be:</u>
Better	47%	37%
Same	32%	37%
Worse	21%	26%

4. Respondents showed strong receptivity to receiving local assistance with the following challenges and opportunities (Table 4):

Table 4: Willingness to Consider Local Assistance

<u>Area of Assistance</u>	<u>% of respondents</u>
Workforce training programs or finance	66
Advice on how to form business relationships	50
Meeting immediate technology needs	38
Assistance on expansion	36
Advice on sales to government	32
Advice on exporting	28
IP development, deployment, protection	26

5. If we, as a region, want manufacturing to continue contributing in important ways to the regional economy, we must address a wide variety of challenges in addition to workforce deficiencies and shortages, health care expense, and taxes.

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Introduction

Manufacturing has been a mainstay in the Southeastern Wisconsin economy for more than a century. In the early twentieth century, in fact, more than 50% of employment in Milwaukee and in Racine was in manufacturing. That proportion has been in decline as services have grown and manufacturing employment has disappeared.

But even today manufacturing is responsible for more than 20% of all employment in five of the region's seven counties. It is still the single largest industrial sector in the region in term of employment. Manufacturing is also the largest regional income producer. It reportedly generated over \$15.6 billion in 2004 (the latest figures available) in gross product (the value of goods produced), a figure that continues to grow despite declines in area manufacturing employment. In 2004 the region exported manufactured goods to other nations valued in excess of \$5 billion and almost double that figure to the rest of the US. In short, manufacturing is central to the continued health of the economy.

When we look out ten or fifteen years, manufacturing should still be an important contributor to the M7 economy. Will it be as important as it is today? That remains to be seen. Several trends would suggest that it will not, at least in employment terms. Then again, with a concerted effort it could well remain the most important industry in the region economically, if not in terms of direct employment. That is for all of us to help determine. One of the more compelling challenges is that the average output per manufacturing employee in Wisconsin is 86% of the national average.¹ Will Wisconsin, and especially Southeast Wisconsin, more solidly join the knowledge economy and raise productivity to at least national averages? It likely will need to, if manufacturing is to continue to play its leading role in the region.

This survey of current manufacturers was undertaken to gain a better understanding of the role these firms play in the regional economy, the challenges and strengths the employers have, the trends that they are currently experiencing, and the public policy agenda items that most need attention. Employers were asked about 60 questions regarding their current and near future experiences. Topics ranged from general information, including sales trends, to such elements as workforce issues, technology issues, and their assessment of the business climate. We also sought to learn of any specific items on which employers wanted immediate attention from public officials.

This report reveals what the 177 manufacturing leaders said about their assessments of their own and the region's assets and liabilities. The report is broken into several sections. It begins with a description of the organization of the study, the study format, how well the respondents represent the mix of manufacturers in the region, and other descriptive elements that inform the reader about the respondents. That is then followed by discussions of the findings by major topic area. These include workforce issues, business climate, technology, and items that might be addressed through public policy or

¹ The MPI Group. 2005. *The Wisconsin Manufacturing Study: An Analysis of Manufacturing Statewide and in Wisconsin's Seven Economic Regions*. Shaker Heights, Ohio. Prepared for the Wisconsin Manufacturing Extension Partnership.

more collective actions. It ends with a preliminary discussion of steps that should be taken to bolster the role of manufacturing in the region.

Methodology

To identify the larger (with 50 or more employees at the site) manufacturers in the seven-county region, Harris Data listings were used. Some 447 firms were identified as not only being in manufacturing and in the seven counties but also having at least stable employment over the preceding 12 months. We decided to avoid those firms that were continuing to lose employment. Such a criterion eliminated between 150 and 200 manufacturing firms from the list of those to be contacted. These firms reportedly lost just over 3,700 jobs in the preceding 12 months, an average of 25 jobs per firm.² The criterion of a minimum employment of 50 persons was chosen to both limit the size of the undertaking and to assure that we were dealing with the larger employers in the manufacturing sector. By the end of the call period (May through mid-July), some 177 surveys were completed for a very serviceable 40% completion rate.

Volunteers were assigned to contact the heads of the firms to request appointments. Letters alerting these leaders of the pending calls were mailed to all firm heads under the signature of local political leaders. The letters requested the employer's participation. About 150 volunteers followed up with calls. More than half of the potential interviews were not completed, mostly because the leaders did not find a compelling enough reason to invest their time in the effort. Regardless, two-fifths did, yielding the insights that appear below.

Those who did participate largely reflect the composition of the entire 450 employers. The group that was interviewed is reflective by scale of employment, industry, and largely geographic location. The last is qualified because participation in one county in particular was not at the level expected. But given the size of the county relative to the size of the region, their under-representation should not be an issue in the overall findings.

The survey itself consisted of two parts. One was sent to willing participants before the time of the interview. This consisted of 20 factual questions regarding such items as the functions that are located at the specific sites, employment for the firm at various sites, average wages for workers in various classifications, trends in employment and sales, detailed assessments of various elements of the business climate, and a few related questions (See Appendix A).

The second part of the survey was undertaken using in-person interviews. Respondents were asked up to 41 different questions arranged in five basic topics: company information, local workforce, sales, technology and innovation, and business climate. Some 19 of these were open-ended questions that asked the respondents to give insightful

² Some of the firms that lost employment in the preceding 12 months may well add in the future, if the results of those firms included in the survey are any indication. Some 20% of those that did lose employment in the last 12 months expect to add employment in the next 12 months.

answers to some probing queries (See Appendix B). These proved to be very useful but challenging to report in a succinct fashion. Employers were also asked to indicate whether they wanted additional information or assistance on a number of topics, ranging from expansion activities to workforce training options on exporting, selling to the government, or protecting intellectual property.

The Companies

To begin, we need to briefly describe the respondents to assure the readers that they represent manufacturers in SE Wisconsin. Table 1 shows the respondents distributed by major industry within manufacturing. What should be noted is that the two largest industries, Fabricated Metal Products (332) and Machinery (333) are well represented. Each has close to 20% of the interviews. Other industries are proportionately quite well represented: that is the percentage of interviews matches or comes close to matching the percentage of employers in each industry in the region. This, in turn, means that the responses should represent those of the industries in the M7 region.

Table 1: Distribution of Firms and Responses by Industry*

	<u>NAICS Industry</u>	<u>Interviews (%)</u>	<u>Firms (%)</u>
311	Food Manufacturing	6	7
313	Textile Mills	1	1
314	Textile Product Mills	1	0
315	Apparel Manufacturing	1	0
316	Leather and Allied Product Manufacturing	2	1
321	Wood Product Manufacturing	2	2
322	Paper Manufacturing	2	4
323	Printing and Related Support Activities	5	6
325	Chemical Manufacturing	3	4
326	Plastics and Rubber Products Manufacturing	7	7
327	Nonmetallic Mineral Product Manufacturing	2	2
331	Primary Metal Manufacturing	5	5
332	Fabricated Metal Product Manufacturing	19	19
333	Machinery Manufacturing	20	18
334	Computer and Electronic Product Manufacturing Electrical Equipment, Appliance, and Component Manufacturing	7	7
335	Manufacturing	9	7
336	Transportation Equipment Manufacturing	5	3
337	Furniture and Related Product Manufacturing	1	1
339	Miscellaneous Manufacturing	5	4
	Total**	103	98

*This chart uses the 2002 North American Industrial Classification Code (NAICS).

** These do not equal 100 because of rounding errors.

A second issue is employment size. Table 2 reveals the employment of respondents. Not all employers responded. But the 147 that did ranged in size from four to three thousand employees at their interview site. As would be expected, the vast majority (82%) have fewer than 250 employees at the site we visited. This is higher than the US average but

not far from the norm, as Wisconsin has a greater proportion of smaller manufacturing firms than the nation.

In terms of employment across the state, the numbers ranged from a reported 4 to 8,300 employees. The mean establishment size in the rest of the state is 346; at the site, it is 210. (The low end [4 employees] is smaller than the Harris List led us to believe, but the next two smallest firms reported 20 and 30 employees.) In terms of total corporate employment, the totals ranged from 20 to 160,000 with a mean of close to 4,500. It is clear that among the largest employers, the region is not the home to most of these employees; other parts of the world are seen as having advantages.³

Table 2: Distribution of Employment by Size of Respondent

<u>Size Category</u>	<u>World %</u>	<u>US %</u>	<u>WI %</u>	<u>Region %</u>	<u>Site %</u>
0-99	33	34	38	39	44
100-249	27	29	36	37	37
250-499	11	13	12	12	9
500-999	8	10	9	7	6
1,000 - 9,999	13	11	6	5	3
10,000 and over	8	3	0	0	0
Total	100	100	100	100	100
Mean	4310	1381	346	290	210
Minimum	20	20	20	20	4
Maximum	160,000	56,000	8,300	8,300	3,000

A third numeric question was the date of their founding. About one-quarter reflect the long history of manufacturing in the M7 region: they were founded before 1931 (Table 3). In fact, the earliest was founded in 1844. The Depression and Second World War were not good times for founding manufacturing business and thus are but 15% of respondents. More activity occurred post-war. Even since 1990 almost 13% of these firms came into being, with one starting in 2002. Overall, it is a pretty even and explicable distribution of starts over time.

Table 3: Year of Company Founding

<u>Date of Founding</u>	<u>Frequency</u>	<u>Percent</u>
1800-1930	42	24
1931-1950	26	15
1951-1970	36	21
1971-1990	46	27
1991-2006	<u>23</u>	<u>13</u>
Total	173	100

³ One point made several times is that production of parts needs to be close to customers. These customers are moving out of Wisconsin, the Midwest, and the US. Thus, the movement of customers helps to drive M7 manufacturing location decisions.

Another issue is that of the geographic distribution of the firms. Are they from all seven counties? Yes, fortunately, they are (Table 4). Do they represent the distribution of manufacturing employers by county? Yes, they are relatively close to this. Milwaukee had the most respondents (55), followed by Waukesha and Racine (35 each). These three counties contain three-quarters of the region's manufacturers. The relative proportions of respondents do not quite match their proportion of current employers, but it is reasonably close in most cases. The current employer proportions do give a sense of the relative roles of each county in this sector.

Table 4: County of Respondent and Proportion of Regional Manufacturing Employers Located in Each County

<u>County</u>	<u>Frequency</u>	<u>Percent (%)</u>	<u>% of Regional Manufacturing Employees</u>
Kenosha	16	9	5
Milwaukee	55	31	37
Ozaukee	17	10	6
Racine	35	20	10
Walworth	3	2	5
Washington	16	9	8
Waukesha	<u>35</u>	<u>20</u>	<u>29</u>
Total	177	101	100

Another aspect of location is whether these firms are entirely located at the site of the interview or whether there are more locations within the state or region or even outside the US. Related to this question is that of what functions they have in this region, notably at the sites that were visited.

Table 5: Locations of Company's Operations

<u>Possible Patterns of Facility Locations</u>	<u>Frequency</u>	<u>Percent</u>
All company operations are housed at this site	55	37
Add'l operations located inside the 7-county region	13	9
Add'l operations located outside the region	48	32
Add'l operations located inside AND outside the region	<u>33</u>	<u>22</u>
Total	149	100

The pattern of the majority (63%) of the firms having multiple locations for their business is increasingly the norm for US companies. This 63% figure is not surprising. What is surprising is the geographic breadth of that distribution.

Thus, only an additional 9% have at least one other operation in the seven-county region. About one-third (32%) have other operations outside the region, in addition to the one site in the region. And over one-fifth have additional operations both inside and outside the region. Thus, 31% have other operations in the region, and 54% have other operations outside the region. These are not commonly single-site firms, nor are they generally

confined to South East Wisconsin (SEW). Manufacturing is done across borders, and most of the respondents have more than one plant location.

The second part of the location issue is that of which functions are housed here. Obviously, those that have but one location are likely to have the headquarters here. But what happens among those with multiple locations? Is M7 subject to the problem that most decisions regarding remaining open and viable are made elsewhere, or is the decision-making for the future done right here in M7 territory? Do we have control of our future, at least in that dimension?

The answer is yes, to some degree. Some 64% of respondents indicated that their headquarters is located in the region at the interview site (Table 6). But already not all of the sites are involved in manufacturing, but 95% are. Some revealed that they once were and have moved manufacturing to lower cost locations in other states or countries. Other firms manufacture in the region, just not at the location of the interview. Still others have moved manufacturing in and out of the region, depending on market conditions.

Other business functions do exist in M7. Engineering is done by two-fifths of the firms at the reporting sites. That is very good news for the region, as this is the key for innovation in product and process development. Warehousing and distribution are done by more than one-third of the firms. Somewhat surprisingly, one-fifth has call centers at these sites. Some 75% of the firms have more than one function here, and over 50% have four or more functions here.

Table 6: Corporate Functions at Reporting Site

<u>Functions</u>	<u>Incidence (%)</u>
Distribution	41
Headquarters	64
Services	30
Call center	21
Warehousing	45
Manufacturing	95
Engineering / RD	43

Employers were asked to respond in detail as to the types of workers they employed at their site. The distributions are revealing of the variation in manufacturing in the region. For example, skilled workers ranged from 0% to 96% of all workers on site. Unskilled workers ranged from 0 to 90% of all workers. The extremes of those ranges represent radically different approaches to competing in today's market. Some firms are still able to compete with almost exclusively unskilled workers (23% had at least 60% of their workforce unskilled) while 27% had at least 60% of their employees in the skilled category. In any event, the means are very similar: about 33% of all workers across all respondents were in one or the other category. That balance is more normal.

Among the other types of workers, the ranges are more limited, varying between 0 and 31%, 36%, 50% and 75%. But far more telling than the outliers are the averages, which

vary between three and ten percent. Manufacturing is commonly accomplished by skilled and unskilled workers supported by a smaller cast of management, technical, marketing, sales, clerical, and financial workers. If we look at specific classifications, we find that only 11% or 12% of respondents had more than 20% of their employment in technical and management occupations. These were commonly the headquarters. All of the other employers had less than ten percent of employers with any concentrations outside skilled and unskilled.

Table 7: Distribution of Workers by Job Classification

<u>Job Classification</u>	<u>Ave. Percent %</u>
Financial (analysts, forecasters)	3
Marketing/sales professionals	6
Clerical	7
Technical (engineers, IT professionals)	8
Management	10
Unskilled laborers	33
Skilled laborers	33

n = 137

Wages

Employers were asked to reveal the average wages for each job classification. These averages were then combined to form an average of averages. These are reported in Table 8 along with the range. There is surprising variation within all categories. The differences between low and high averages are often greater than a factor of three. Technical workers vary from \$15 to \$52 an hour, marketing/sales, from \$15 to \$50, and management varies from \$20 to \$104 an hour. Skilled labor rates vary almost as widely: \$9 to \$44 an hour, a factor of five. Unskilled vary from a low below \$8 to a high of \$33. These ranges reflect very different conditions at the different firms. They also reveal that unskilled and lower skilled workers can still earn substantial incomes, if they are in the right positions.

On average, however, unskilled workers do not earn all that much. Their average is \$12.70 an hour or less than \$26,000 a year, not counting overtime. Some earn less; others, more. Even the average earnings among management is not huge multiples of unskilled or clerical workers; the management worker average is 2.7 times that of clerical workers and 3.2 times that of unskilled workers. The other office workers are in between, on average. Manufacturing does generate some good earnings among its workers, but it is not, on average, creating wealthy people in this region.

Table 8: Average and Distribution of Wages per Worker by Job Classification

<u>Job Classification</u>	<u>Ave. Wage</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Responses #</u>
Management	\$41.20	\$20.00	\$104.00	91
Marketing/sales professionals	\$31.61	\$15.00	\$50.00	74
Technical (engineers, IT professionals)	\$28.75	\$15.00	\$52.00	88
Financial (analysts, forecasters)	\$26.79	\$14.75	\$58.00	71
Skilled laborers	\$18.30	\$9.00	\$44.30	108
Clerical	\$15.15	\$9.50	\$28.00	97
Unskilled laborers	\$12.70	\$7.75	\$33.00	94

Role in Regional Economy

Employers were asked to give estimates as to what proportion of their supply purchases were made in different geographic areas. This question was asked to better learn what level of supplier concentration there is in the M7 region as well as attempt to learn just where it is that supplies do come from that make the products of this region. Table 9 reveals the responses.

On average, about 29% of all supply expenditures are made in the M7 region by the manufacturers located here. The range is from 0 to 100%. But the mean is just less than one-third. The rest of the state of Wisconsin is relied upon for another 15%, on average. That means that the average firm spends about 45% of its supply budget within the state's boundaries. Since we have no history, we cannot say how much this may have changed. But it is very likely that the figure today is quite a bit smaller than it was 25 years ago. It is likely much smaller than it was 50 years ago.

The component that has increased is the move to use suppliers in other parts of the US and in other countries. The US outside Wisconsin is the source for 43% of supply expenditures, and other nations are the recipient of 11% of supply expenditures, on average. That figure is undoubtedly increasing; we just do not know the rate.

The ranges for each geographic area are quite large among the respondents. Firms in M7 vary from 0 to 100% purchases from within the region and within the US outside Wisconsin. And they vary between 0 and 75% or 80% on international or Wisconsin. It is not a neat world out there; firms are seeking to survive by buying wherever they get the best combination of factors that meets their needs. (The main reason for purchasing from specific suppliers is discussed below.)

Table 9: Supplier Locations – Distributions and Averages

<u>Geographic Area</u>	<u>Ave. Percent</u>	<u>Minimum %</u>	<u>Maximum %</u>
Region (7-county)	29	0	100
Wisconsin (excluding region)	15	0	80
U.S. (excluding all of WI)	43	0	100
International (excluding U.S.)	11	0	75

n = 131

The last characteristic to be examined is sales. Respondents were asked to report both total corporate sales and sales at the site of the interview. Both responses appear in Table 10. What is most striking is the two-tailed distribution. On the one end, some 14% of those responding are part or all of companies that have sales of at least \$1 billion annually. On the other end, 58% of the respondents have total corporate sales of less than \$50 million, with 18% have sales of less than \$10 million.

Table 10: Annual Sales Volume for Companywide and Specific Interview Site, 2005

<u>Sales Categories</u>	<u>Site %</u>	<u>Companywide %</u>
\$1,000,000,000 and above	1	14
\$500,000,000 - \$999,999,999	2	3
\$100,000,000 - \$499,999,999	17	21
\$50,000,000 - \$99,999,999	9	5
\$10,000,000 - \$49,999,999	51	40
\$5,000,000 - \$9,999,999	11	13
\$2,500,000 - \$4,999,999	7	5
\$1,000,000 - \$2,499,999	2	0
\$1 - \$999,999	1	0
Total	100	100
	n = 104	n = 126

What is of greater interest locally is the site-specific sales figures. They give a somewhat different picture. In fact, only one site has sales of at least \$1 billion and 73% have sales of less than \$50 million. One fifth has annual sales of less than \$10 million. Thus, there is a preponderance of smaller manufacturing firms in the region, based on sales volume.

Business Success

The first question asked all heads of firms was their assessment of the attributes that make their companies successful here in the M7 region. Not all respondents answered with respect to regional, as opposed to corporate, attributes, but almost all answered the question. They had many positive things to say about the region. Their responses are summarized in Table 11.

As can be seen, there is wide variety in their responses. The actual responses were even more varied. In fact, there were few repeats in terms of the actual phrasing. It was a challenge to categorize them in ways that show the common themes. The largest general response (23%) to which success is attributed is the regional workforce. Some employers attribute that to work ethic; others, to the quality of the workforce, the skills and skill levels available (commonly noted were engineers and skilled workers), or the fact that workers are available.

The next largest (17%) is location advantages. In part, it is closeness to Chicago and occasionally Detroit. But much more common are nearness to suppliers and materials and to customers. The region is populated by manufacturers who commonly do not sell

to consumers but rather to other businesses. Being located near other manufacturers, be they suppliers or customers, is recognized as an asset for our respondents.

Table 11: Reasons for Company Success

<u>Category of Reason</u>	<u>Responses (#)</u>	<u>Responses (%)</u>
Workforce Characteristics	60	23
Quality	22	
Skills	19	
Work Ethic, Loyalty	14	
Availability	5	
Location Advantages	44	17
Suppliers or materials	21	
Customers	18	
Nearness to Chicago or Detroit	5	
Quality Product or Service Provided	29	11
Unique Corporate Advantages	27	10
Corporate Qualities: Brand, Business Model		
Finance, Facilities	19	7
History; Community Ties	19	7
Infrastructure, Transportation, Distribution	18	7
Low Cost of Doing Business	10	4
Other, not categorized	27	13
No Advantage to Being in the Region	<u>5</u>	<u>0.7</u>
Total	258	99.7

n = 162

The next most common responses had less to do with the region and more to do with the reasons why these firms were successful. Some 11% attributed success to the quality of their product or service they provided to their customers. About 10% indicated that they had some unique corporate advantage, such as their production machine design, their links to specific local firms, OEM relationships, patents, reliable sales/service team, state assistance, and purchasing decisions. Some of these might fit into other categories, but they see themselves as unique in these regards.

Among the next most common categories are a different set of corporate qualities: strong brand, business model, finance arrangement, or a facility that was seen as giving them an advantage. Together these accounted for 7% of the responses. When we combine these with the preceding category, they total 17% of responses. Other responses included transportation/ infrastructure/distribution advantages of location in the region (7%), their long histories in the community (7%), and a wide ranging set of responses (for example, technology, market niche, less competition, quality of life in the region, facilities and finance) that were categorized as “other” (13%).

The remarkable response was that less than 1% of participants indicated that the region’s characteristics played no role in firm’s success. In other words, 99% of the firms do identify regional qualities that have been important to their success.

Respondents were subsequently asked whether they are expecting any significant growth in regional operations in terms of employment, capital equipment expenditure, or physical space over the next 12 months. We were seeking to learn just how influential the characteristics of the area are in terms of current business decisions. Obviously, all decisions are made in the overall economic environment. But if the firms are making additional commitments to the region, that reflects well on the region.

The good news is that many employers among our respondents are expecting to grow in one or more of the categories (Table 12). In fact, of those who responded to the question, 50% expect to make a significant capital equipment expenditure, 45% expect to add significantly to employment, and 28% plan to significantly add physical space. Those are robust numbers.⁴

Table 12: Expected Growth in Regional Operations in Next 12 Months

<u>Type of Growth</u>	<u>% Change</u>
Capital (equipment expenditure)	50
Employees	45
Physical space	28
n = 172	

The expected growth indicates that manufacturing is not dead in M7. In fact, a significant proportion is expected to grow. Overall, 62% of respondents are expecting growth in at least one of the three areas. Furthermore, over 70% of those expecting to make new capital expenditures also expect to add employment. And 77% of those adding space also will add new capital equipment. Thus, these expenditures are interrelated. Manufacturing in SE Wisconsin is viewed relatively optimistically by the respondents.

This optimism for the next 12 months does vary across the counties. Its high point is in Waukesha, where 54% of respondents expect to significantly add employment and capital expenditures. The low point of the six reporting counties was 35% of employers in Ozaukee for employment and 44% for capital expenditure in three counties (Kenosha, Milwaukee, and Racine. Physical space is expected to be an issue far more often in Racine (47%) and Ozaukee (41%) counties than elsewhere.

This overall optimism is fact based. When asked about companywide and site specific sales trends, the news is quite positive (Table 13). Site sales have not grown as often as

⁴ If we attempt to determine what proportion of all manufacturers of 50 or more employees is expecting to add significant employment, for example, we would combine those employers excluded with those included to form the denominator. For the numerator, we keep the same number to be conservative, multiplied by 2.6 to represent all 447 employers. That method would suggest that about one-third of manufacturing employers expect to experience significant employment growth over the next 12 months.

companywide, but 71% of the sites reported growing sales over the last three years while 79% of their larger companies did so. Firms are doing slightly better overall than here. In terms of declining sales, conditions are quite similar. Seven percent of the companywide firms are losing sales while 9% regionally are having this experience.

Table 13: Three-Year Trends in Sales, Companywide and Site Specific

<u>Direction</u>	<u>Site %</u>	<u>Company %</u>
Growing	71	79
Stable	20	14
Declining	9	7
n = 177		

One component of sales that was explored is the proportion of sales that comes from the largest customers. The basic question is whether these firms are highly dependent upon a few customers or whether they have the advantage of having multiple customers, the health of any one of which is not overly critical to the health of the M7 locations. The indications are that the vast majority of firms have lower risk, since their customers are more varied. As seen in Table 14, only 14% of the firms are dependent upon one-to-three customers for 76% to 100% of their sales. Another 15% are reliant on a few customers for 51%-75%. That implies somewhat less risk. Large customers can be a boon, but a region that has 30% of its manufacturers highly dependent on a few customers can be subject to some greater volatility.

Table 14: Distribution of Sales to Three Largest Customers

<u>Categories</u>	<u>% of Firms</u>
1 - 9%	11
10 - 25%	33
26 - 50%	27
51 - 75%	16
76 - 100%	14
Total	101
n = 133	

Another issue is that of their proportion of sales that are international. This has been a growing phenomenon globally. The question is the degree to which this is the case with M7 manufacturers. Unfortunately, this question was not asked. What we did learn is the proportion of the respondents that do export and the names of the countries that are the largest importers of SE Wisconsin products. It appears that 51% of the manufacturers in the M7 region export. The most common countries cited are Canada, Mexico, and China, followed by Germany, France, and Japan. These countries should be no surprise, as they have often been mentioned as those with trade ties to Wisconsin.

All firms were asked if they were interested in learning more about international exporting. Not surprisingly, 29% indicated that they would like to learn more. Two-thirds of these were firms that are currently involved in exporting. One third of those seeking to

learn more are beginning to realize that they need to become involved in this important trend.

Another potential market issue is that of sales to governments. Firms that sell intermediate products (parts) are not likely to have much to do with consumers, such as governments. But all firms were asked whether they currently sell directly to governments. About 40% of the respondents said that they did. Furthermore, about one-third (32%) of all respondents indicated that they would like to learn more about selling to governmental entities. Half of these respondents were already selling; the other half wants to learn more about doing so.

A key question for sales beyond the direction of total revenue is that of profitability. Firms were asked if they are more profitable today than they were three years ago. Furthermore, are more firms profitable than have experienced sales increases when compared to three years ago? Fortunately, the numbers are very similar: 69% of firms are more profitable (Table 15) while 71% claimed to have had increased sales (Table 13). The two appear to go hand-in-hand. Interestingly, some 31% of respondents indicated that they were not just more profitable but significantly more profitable than they were three years ago, suggesting that conditions here and elsewhere must be better.

Table 15: Distribution of Trends in Profitability over Last Three years

<u>Degree of Profitability</u>	<u>% of Firms</u>
Significantly more profitable	31
More profitable	38
About the same	19
Less profitable	9
Significantly less profitable	4
n = 162	

Building upon the earlier question about what makes their company successful here, a rephrased question was asked: how does being located in the region positively impact your profitability. This was intended to get more specifically at what this region contributes to manufacturing success. As the reader might expect, there is a fair degree of overlap with the responses to the initial question asked employers.

Table 16: Reasons Why Being Located in M7 Positively Affects Profitability

<u>Reasons Given for Profitability</u>	<u>Responses (%)</u>
Location re Customers, Suppliers, Services	37
Little or No Difference Made by Region	24
Access to Good/Skilled Workers, with work ethic	17
Good Infrastructure (roads, RR, bus, port, air, power)	8
Special Conditions for Firm	7
Less Expensive	4
Other	14
n = 216 responses; multiple responses possible	

As most skeptics would believe, it is not inherent attributes of the region that have largely helped the region’s manufacturers become more profitable (Table 16). In fact, one quarter of the respondents did not think that the region gave them any particular advantages for profitability. Most of like-minded respondents said very directly that the location has no impact or none that they could discern. The good news is that three-quarters of the employers could identify at least one characteristic that they thought contributed to profitability.

The most important factor was being in the center of manufacturing. The key was being located near suppliers, support industries, and customers. Thus, 37% of respondents indicated that proximity to one or more of these links was the key to profitability. Knowing the suppliers and support companies, having very limited shipping costs between themselves and these entities, and having the mix of suppliers or customers that they need close at hand makes business easier and more profitable. Of the 37%, one-fifth identified customer closeness as a distinct advantage. Almost a third of the 37% indicated that having suppliers of goods and services close at hand makes the difference. Having the critical mass of manufacturing and manufacturing related firms definitely contributes to success.

Access to a good, skilled labor force is said by 17% of respondents to be influential in term of profitability. Numerous statements were made about the positive contributions of the local workforce. Good infrastructure, defined as roads, railroads, local and long-distance bus, electricity, and public services, were identified by 8% of respondents. Having access to transportation for themselves or their products was cited by 4%, as was generally being less expensive than alternative parts of the US.

In sum, many attributes of the region were identified as contributing to profitability. Not just one, but many factors assist. That implies that efforts to improve profitability should not just focus on one or two factors.

Business Challenges

Several challenges have already been noted: one-quarter of the respondents think that being in the region contributes nothing to profitability; about 9% of respondents have been experiencing declining sales and 13%, declining profitability; 20% have stable sales and 19% have had stable profitability over the last three years. These trends are in contrast to the approximately 70% that have experienced gains in revenue and profits. The numbers suggest that there are challenges here.

Summary of Sales and Profit Trends, Last Three Years

<u>Trends</u>	<u>Sales (%)</u>	<u>Profits (%)</u>
Increasing	71	69
Stable	20	19
Decreasing	9	13

n = 177

To gain further insights into the challenges area manufacturers face, all were directly asked two questions on the topic. The first asked them to list the top three challenges facing their company at this particular location. The second asked them to note how being located in the M7 region negatively affects their profitability. As might be expected, though asked differently and at a large time interval during the interview, there are many similarities across the responses.

Perhaps most insightful was the second question asked during the interview: “What are your top three challenges?” The respondents mentioned items that could be classified in about 30 different topics. When several of these topics were combined, three responses stand out: issues of workforce (21%); health care costs (12%); and various forms of taxes (8%).

Top Three Challenges Facing Companies at This Location

Workforce	21%
Health Care Costs	13
Various Taxes	9

Since this is a critical topic for the region and for these firms, it is examined in greater depth. Respondents were quite specific in what they see as the challenges and the order in which the topics were cited (Table 17). The number one issue by order of answer is workforce. It was mentioned far more often first than it was subsequently. For example, on the first response, 35% of challenges were workforce related, health care costs were 14%, and taxes were but 6%. As respondents added items, taxes appeared on more agendas. But by the third challenge, over 16% of the respondents said they had already named their greatest challenges. Workforce issues were cited by only 15% of the respondents. Some mentioned shortages of specific types of workers, such as screen printers or pressmen. But most respondents talked about shortages of or difficulties procuring quality skilled workers. This was different from finding quality engineers or quality management, issues that were cited separately 3% of the time.

Individual topics that received the most mentions overall were health care costs (13%), an adequate supply of workers (12%), quality workers available (9%), taxes of various types (9%), corporate challenges – a mix of individual company challenges (9%), and location/space – issues with their current site (6%). When all elements of workforce challenges are combined, then workforce in its many dimensions comes to the fore (30%). There is no question but that collectively workforce issues dominate.

The phrasing commonly used for health care costs was precisely that phrase. Almost all respondents described it the exact same way. That is not true for workforce issues. Some examples have already been given on the category of quality issues. But other phrases included “finding highly skilled employees,” “qualified workforce,” “technical help supply,” and “we don’t have a sufficient number of ‘good’ people.” The issue of supply was often just “workforce,” “labor pool,” or “availability of workers.” Others put on qualifiers of “trained,” “well educated,” or “drug free,” to describe the needs more

Table 17: Top Three Challenges Facing Company at This Location

Categories of Challenges	<u>1st Response %</u>	<u>Total (%)</u>
Quality of Workers Available	15	9
Health Care Costs	14	13
Corporate Challenges (specific to firms)	13	9
Adequate Supply of Labor/ Attracting Talent, esp. Prof.	12	12
Cost of doing Business (energy, freight, materials, wages)	7	7
Taxes	6	9
Facility and location inadequacies	6	6
Wage Rates	4	2
Manufacturing's Poor Image	3	3
Unions	3	2
Finding/Developing New Products	2	2
Transportation (bus for workers, trucking, railroad service)	2	2
Regulation	1	3
Capital Needs	1	2
Global Competition	1	2
No Challenges	1	7
All others combined	9	8
Total	101	100
	n = 157	n = 495

exactly. The point is clear: with nearly 70% of the manufacturing workforce consisting of skilled and unskilled workers, these firms are very dependent on having an available, qualified labor pool.

This need carries over to professional and management personnel. Several (3%) talked of the difficulty of attracting engineers or management to the M7 region. One went so far as to say that Milwaukee was seen as a dead-end career move for executives. Such images do not enhance the prospects for success in manufacturing.

Corporate challenges included such responses as dealing with demanding customers, controlling costs, addressing rising raw material costs, customers leaving the region, lack of a diverse workforce, and improving their supply chain. These are not unique to individual companies, but they were mentioned by just a few of the respondents as their main challenges.

Specific taxes were not often specified. Of the 43 mentions of taxes, two-thirds were inclusive of “all” or “taxes.” State taxes were cited six times, but the property tax was explicitly mentioned but once. It was certainly included in the general statements. Taxes are on radar screens, but they are not as critical as other issues, nor are the issues with taxes as clearly defined as issues such as quality and availability of workers.

Location and space issues were raised by 6% of the respondents. Over half (58%) of these were statements on the limited space that they had at their current plants. That

speaks to a need that should be explored. Some of the other comments were on their location relative to particular treatment by local government, access to I- roads, trucking problems, and other issues related to specific sites. Few can be treated except by moving the firms to new sites.

Unfortunately, finding or developing new products or markets was not often mentioned (2%). This oversight is not healthy, as most of the advice that is coming from manufacturing analysts talks of the critical importance of new product development on the future of manufacturing in the US, especially in the Upper Midwest. That the subject is not at the top of agendas suggests that an education program should begin, so that more manufacturers are investing more money and effort in new product development.

Factors Inhibiting Company Growth

Respondents were asked to note what factors, if any, are currently inhibiting their company's growth. This is a broader question than the one aimed at challenges in being located where they are. The factors cited reflect that broader view of their situation. Respondents gave 1.4 answers, on average. Interestingly, some 12% of the respondents claimed that there were no factors inhibiting their growth. That is good news, especially since more than four-fifths did cite at least one factor and 44% cited more than one factor.

Table 18: Most Commonly Cited Factors Inhibiting Company Growth

<u>Categories of Inhibiting Factors</u>	<u>Responses (%)</u>
Worker Shortages Combined	14
General statements of shortage	(6%)
Skilled shortage	(5%)
Unskilled	(2%)
Nothing Inhibits	12
Global Competition	8
Corporate Issues (Internal issues)	8
Market conditions	7
Cost Structure (wages, benefits, taxes, health care, etc.)	7
Site issues (limited space, landlocked, cost)	6
Regulatory Climate (largely state)	6
Sales Effort	4
Workforce Issues (overtime, turnover, languages)	3
Capital Shortages	3
Health Care Costs (Explicitly)	3
Competition (local)	2
Material Costs	2
New Product Development (Too slow)	2
Taxes	2
Others, combined	<u>11</u>
Total	100
n = 167	

Respondents gave answers that fit into 33 different categories. But some related to workforce can be combined. If we do so, workforce factors total 14% of all responses (Table 18). Worker shortages were the most common. One set of responses did not differentiate between skilled and unskilled. The comments were often the difficulty of finding qualified employees. A few talked of entry level skills such as reading, writing and speaking English. Others spoke of engineers and other professionals. Several employers, however, were explicit about skilled and unskilled worker shortages. Most referred to skill shortages, but others talked of work ethic and drug-free worker issues. Still others talked of the lack of personnel who can speak languages other than English, the decline in quality of the workforce, the difficulty attracting management, and the like. Together, these workforce issues are again at the top of the list as needing attention, if manufacturing is to succeed in the region.

The most commonly mentioned single factor is global competition, noted by 8% of the employers. China was mentioned in over one-third of these answers, but most of the phrasing talked of foreign or global competition generally. For all of the press that this topic receives, it is surprising that so relatively few actually saw this as a prime inhibitor. Many may see it as a challenge, but it certainly is not seen universally as an inhibitor. This is not the death knell for US manufacturing. In fact, many of the firms have developed ways to take advantage of China's production and incorporate it into their business plans.

The next-most cited single reason (7%) is that of Market Conditions. Included here are such issues as long selling cycles in their industries, a changing customer base, industry shrinkage, customer movement out of the US, product obsolescence, and limited market in our region. M7 firms will have to address these many dimensions, if they are to grow here. In some cases, the firms are quite clear that they will have to either develop new products or follow their markets to other regions by moving their production.

The third-most common inhibitor is that of Cost Structures. These fall into basically two categories. One has to do with high labor costs, cited as the combination of wages and benefits. The second is a more general statement that was commonly given – the high cost of doing business in this region or state. Some respondents went on to discuss cost competition with other parts of the US or other nations. And a few mentioned elements such as high fuel costs, healthcare cost increases, and taxes. It is the combination that makes growth difficult, especially given their current workforce skills and levels of capital investment.

Site issues again were cited. Almost all concerned the inadequacy of their site for growth. One stated explicitly that it is going to move; the others do not mention plans, but they seem ripe for efforts to help them move. Another complained of inadequate electric service in the plant, having upgraded and maxed out despite the upgrade. The need for larger space speaks well of the health of firms, and it also should be noted as a need that others may want to help fix.

Regulatory issues, cited above, appeared also as inhibitors. The most common complaints are with various environmental regulations (DNR was cited often) and with permitting procedures, be they state or local. These slowed or stopped efforts to grow.

Regional Factors Negatively Affecting Profitability

Employers were asked a somewhat similar question to that of challenges: How does being located in this region negatively impact your profitability? The question was asked to again force respondents to look at the region from yet a different perspective – that of the bottom line to determine if this would yield any new insights into factors that might be addressed to create greater manufacturing success. Unfortunately, most of the employers had multiple responses. They averaged 1.7 ways in which the region negatively affected their profitability. But some 13% of employers indicated that there were no ways in which the region negatively affected profitability. The region works well for some; for the majority, there are drawbacks.

When broached in terms of profitability, many employers thought of expenses that detracted, despite everything they did right. At the top of the list were two expected items: health care costs and taxes. Some 19% of the respondents noted health care costs, and 14% mentioned taxes. Both types of responses were often very few words: ‘health care costs’ and ‘taxes,’ period. About one-third of these respondents said “high” health care costs. The rest just implied it. With regard to taxes about half just said taxes; the others were a mix of specific taxes (corporate, personal income, or real estate) and statements of how much higher taxes are here than elsewhere.

Table 19. Regional Factors Negatively Affecting Profitability

<u>Categories of Factors</u>	<u>Responses (%)</u>
Health Care Costs	19
Taxes	14
No effect	13
Higher Cost of Doing Business	10
Labor Costs (mentioned by itself)	10
Workforce Shortages	5
Regulations	5
Shipping costs (supplies or final product)	4
Utility Costs	4
All others combined	<u>16</u>
Total	100
n = 166	

Another issue (10% of all responses) is that the area has higher costs for doing business. A variety of components were cited (e.g., wages, taxes, health care, housing costs, building rents, and fuel cost), but none was cited individually by more than three persons. The point is that several factors contribute and make earning a sufficient profit challenging.

The one area that several (10%) respondents cited explicitly was labor. Again this often consisted of wages, but it also included benefits, salary requirements, and union impacts. These responses are quite a bit different from those of “challenges” explored above. There the issues were finding workers or workers worth what they are being paid. Here it is that costs of labor are high relative to several alternative locations. This may affect just these firms or it may afflict many in the region. These costs are limiting profits. If we combine the two categories, the more general costs of doing business and higher labor costs, we find higher costs are one-fifth of the assessments of negative impacts on profitability in these areas.

Less frequently cited were workforce shortages. Mentioned were higher recruiting costs, extended periods without sufficient workers (using overtime), and the difficulty of recruiting management – all topics that were reported earlier. One response was similar to several given earlier: all manufacturing is facing the issue of image. Manufacturing is perceived to be an industry that is dead or dying. More capable individuals are avoiding entering the industry or training programs for the industry because of this perception of little or no future. That is a perception that should be collectively addressed.

Equally commonly cited (5% of responses) as reducing profitability were regulations. Most referred to the DNR, but some talked of State Court decisions. Almost as often mentioned were shipping costs, since several had customers that were well outside Wisconsin. Most of these complaints came because suppliers and markets are now national and international, adding to freight costs. The landscape has changed and adjustments may not have been made as quickly as change has occurred.

The factors limiting profitability are similar to but often differ from the challenges cited above. The top three factors –health care costs, taxes, and the cost of doing business— are still at or near the top. Workforce is still critical, but it is viewed differently. Health care costs and taxes being high remain relatively similar. The challenge is developing answers to all three.

Workforce Issues

There are certainly many employers who face difficult challenges in terms of workforce. Despite these challenges, between 45% and 47% of all respondents expect to add significantly more workers to their payrolls within the next 12 months. That interest in growing may prove to be a challenge, given the workforce issues that have been raised in the preceding section. Most (67%) of those expecting to grow in the next 12 months have grown in the last 12 months, so they know the territory. The growing employers may or may not have answers, but they seek to expand employment anyway.

One way to learn of employer views on workforce is to ask them to rate on a scale of 1 (poor) to 5 (excellent) workforce quality and workforce availability. The respondents think that the quality is relatively high, giving the workforce a 3.48, on average. Workforce availability is not as well regarded. The average given was 2.93, a little less

than okay. This latter response would indicate that availability of workers is already a concern and that a number of firms have been dealing with this issue. Several employers repeatedly stated they were having trouble finding skilled workers, in particular, or good workers, in general. When employers look across their existing workforces, the workers tend to be reasonably well regarded. There were numerous comments on weaker new entrants compared to their senior workers. That is why the score, on average, is 3.48 rather than 4.5, the latter being the impressions the employers give when discussing their long-term workers. The history of quality workers here is one of the reasons that employers are still expanding here.

Workforce Quality Rating: 3.48 on a five-point scale

Workforce Availability Rating: 2.93 on a five-point scale

It is clear that expanding employment and citing impending workforce challenges are not mutually exclusive. Firms are beginning to question whether they can find sufficient quality workers here. Those they have are good to very good. But recent experience is suggesting to many that such conditions may not continue.

Positive Attributes of the Workforce

Employers were asked to tell interviewers what they thought were the three most positive attributes of the local workforce. This may appear to be searching for compliments for the region, but it also is a legitimate effort to learn what is valued by employers. The attributes often mentioned are likely to be those that are highly valued and needed for new workforce members.

Far and away the most common attributes cited are those that are commonly referred to as the “work ethic.” Some respondents talked directly of the work ethic, but many spelled out just what they meant when they were talking about characteristics of desirable workers. These characteristics include: reliable, hard working, dedicated, dependable, on time, seldom absent, honest, loyal, prideful in workmanship, quality conscious, good in teams, and the like. Such terms were used repeatedly. In fact, interviewers recorded these descriptors and others like them 58% of the time on their first response and 46% of all responses to this query (Table 20).

The next most common topic (17%) to be mentioned overall was what we categorized as “quality.” In this category are statements about skilled or very skilled workers, expertise, knowledge, creative/innovative, well trained, technically sound, and the like. These are important attributes but mentioned about one-third as often as the work ethic.

Table 20: The Three Most Positive Attributes of Your Workforce, 2006

<u>Workforce Attributes</u>	<u>% 1st Responses</u>	<u>% All Responses</u>
Work Ethic: dedicated, reliable, hard working	58	46
Quality: skilled, knowledgeable, energized	12	17
Availability: mostly unskilled; also engineers	7	7
Bright; Well-educated	5	4
Corporate special circumstances	5	4
Diversity: immigrant populations	6	4
Understand Factory Work	0	1
Area Culture: know manufacturing	3	1
No positive attributes	<u>3</u>	<u>16</u>
	n = 154	n = 454

The third-most common response overall was that there were no attributes of the local workforce that were positive. Such a total is misleading: on the first response only 3% of employers did not say something very positive about the local workforce initially and only 13% of respondents could not come up with a second positive descriptor. It is clear that the local workforce is well regarded and an important reason for the success of manufacturing in the region.

A variety of other compliments were paid to the local workforce. The more common ones appear in the table. There were several others as well. But the key for employers is having a dedicated and, by implication, productive workforce. That is what they currently have in place.

Later in the survey when asked what the three most important benefits to their company from being located in the region were, workforce compliments again surfaced. The major points were the quality of the workforce, its work ethic, and the availability of workers. Those are familiar, but unfortunately not universal, themes.

Shortcomings of the Local Workforce

To ensure that the view of the workforce was not skewed, respondents were also asked to name the three most critical shortcomings of the local workforce. Employers did not balk at the exercise. Their responses were a bit more varied than were those on positive attributes. They sometimes listed the same topics that were cited as advantages. While seemingly odd, it actually reflects the degree to which they hold these characteristics to be important. These are characteristics they seek. These are characteristics that the region should continue to try to instill in its workers.

The most commonly cited shortcomings appear in Table 21. At the top of the list, once again, is the category of descriptors that relate to work ethic (20% of first responses and 32% overall). Whether these are called work habits, dependability, or whatever, they are a series of actions that allow employers to rely on their workers to meet or exceed production schedules. In each round of questioning, these are the top issue. One should note that the number of negative responses is considerably smaller than those associated

with positive responses. For example, 89 employers pointed to a strong work ethic in their first response to positive attributes locally, and only 28 cited this as an issue on the shortcomings' question. Thus, over three times more employers see this characteristic as a positive in the local labor force. The challenge is making sure the ratio of strong to weak workforce assessments increases rather than decreases.

This point is mildly reinforced by the responses that there were no shortcomings in the labor force. While relatively small (17% of all responses) these view points offset the employers who said there were no positive attributes.

The other shortcomings noted were each mentioned by a relatively small proportion of respondents. Availability of workers was mentioned in 14% of the responses in the first round and 11% overall. These types of responses included the need for a larger pool of potential employees, the simple lack of workers, an imbalance of supply and demand, and some qualified statements about an insufficient supply of qualified applicants.

Some 12% initially also mentioned lack of trained workers, but overall this was cited by only 5%. A specific reference to a shortage of skilled workers was mentioned about 10% of the time initially and 6% overall. These specifically mentioned skilled workers or specific trades, such as machinists, tool & die makers, and even bakers. Other responses account for even smaller percentages of all responses. These included topics such as language barriers with new employees, lack of basic skills and knowledge in new workers, and lack of math and reading skills. There is not a uniform view. This makes reducing these shortcomings a greater challenge – there are many attributes to address.

Table 21: The Three Most Critical Shortcomings of the Local Workforce

<u>Specific Shortcomings</u>	<u>% 1st Response</u>	<u>% All Responses</u>
Work Habits: work ethic, absenteeism, initiative	20	32
Availability: not sufficient good candidates	14	11
Lack of Trained Workers: higher skills, technical skills	12	5
Skilled Worker Shortage: trades, specific skills	10	6
Job Readiness: poorly educated and trained	9	3
Communication with employees	7	4
Basic Skills; Lack of Knowledge	5	6
Unions: inflexibility	5	4
None	5	17
Wage Scale	5	4
MPS/Racine or other school education	4	4
Manufacturing Image: poor image deters interest	3	3
Lack of Diversity	<u>2</u>	<u>1</u>
Total	101	100

n = 162

Workforce Challenges Now and over the Next Three Years

Employers were asked not only about the present but also about the future. This was done to see which, if any, problems are expected to be even more challenging in the future than they are today. The question was also asked in the hopes of eliciting different responses because of its different time focus. It succeeded to some degree. It certainly elicited some more involved responses.

One extended question asked employers to rate the level of difficulty between 1 = very difficult to 5 = not at all difficult they have experienced in the previous 12 months hiring and retaining qualified employees at this site. Seven different job classifications were to be rated on both hiring and retention difficulty. Table 22 reveals the average scores given by the region's manufacturers, listed from hardest to easiest jobs to fill.

Table 22: Ratings of the Difficulty of Hiring and Retaining Seven Types of Workers in the Last 12 Months

(1 = Very difficult; 5 = Not at all difficult)

<u>Job Classification</u>	<u>Recruit</u>	<u>Retain</u>
Skilled laborers	2.49	3.54
Technical	2.63	3.85
Management	3.17	3.88
Unskilled laborers	3.36	3.17
Marketing/Sales	3.39	3.87
Financial	3.51	3.85
Clerical	3.78	3.89

n = 91-127, depending on the job classification

The table lists the occupations by degree of difficulty in recruiting. Thus, Skilled Workers are listed first, since they have the lowest score (2.49). Nearly as difficult has been the hiring of Technical workers (2.63). These two occupations are by far the greatest challenge. Not surprisingly, given the many comments made in the interviews, Management talent is the third most difficult (3.17). Unskilled (3.36) and Marketing (3.39) workers are next, followed by Finance (3.51) and then Clerical (3.78). These latter workers have not been much of a problem.

Interestingly, most of these workers are relatively easy to retain. The only exception is unskilled workers. They are easier to attract (3.36) than to keep (3.17). A very common employer experience with M7 is that once workers are involved with an employer, they tend to be both good and loyal. That was reflected often in the assessment of the workforce.

Employers were also asked to note what they thought were the most critical workforce challenges they will face over the next three years. One should not be surprised if the attraction and possible retention of specific types of workers were on that list. The responses are briefly summarized in Table 23.

Table 23: The Most Critical Workforce Challenges to be Faced in the Next Three Years

<u>Workforce Challenges</u>	<u>% Responses</u>
Recruit and Retain Talent	25
Finding Skilled Workers	16
Health Care Costs	15
Retirements and What To Do	14
Specific Corporate Challenges	10
Finding Unskilled Workers	7
None	5
Keeping Up With Training	4
Attract and Retain College Graduates	<u>4</u>
Total	100

n = 165

A number of topics were suggested. These are variants on what are current challenges. But they also show the variety of perspectives that exist with respect to workforce. It should be noted that some 197 challenges were identified by the 167 respondents. Five percent of the respondents saw no critical challenges, but 95% of the respondents did see at least one. Most of the responses were variations on finding enough qualified workers. The responses were worded sufficiently differently that they could be categorized separately.

At the top of the list (25%) was a group of responses that are characterized as being the Recruitment and Retention of Talent. Four-fifths of these responses focused on the challenge of finding enough workers, especially those who are quality workers and who will commit to the firm. A few mentioned management workers while others mentioned such areas as foundry or die designers. But most responses were very general – finding qualified people. The word or implication of “quality” appeared very regularly. One went so far as to define quality as having a high school degree with basic reading, writing and math skills. One-fifth focused more on the retention or on both attraction and retention.

Very closely related to this topic were two other categories: Finding Skilled Workers and Finding Unskilled Workers. Together with the Recruitment category, they constitute over 50% of all workforce challenges identified. The skilled responses were often a general statement of need for qualified skilled workers. But several explicit mentions of positions were made. These included: machinists, electrical technician, welders who are knowledgeable with robotics, individuals knowledgeable with thermoset plastics, bakers, skilled tradesmen, pressmen, and skilled workers with math knowledge. Others commented on the need to find skilled workers willing to learn new technologies and processes. Skilled workers will need more skills than they have today to meet the demands of global manufacturing.

The comment about willingness to learn was also commonly applied to the need for unskilled workers. But more often mentioned were qualities such as coming to work

every day and having basic math and reading skills. Employers see an increasing challenge finding motivated individuals who want to work in manufacturing. For an industry that has over 30% of its workforce in this category, finding productive workers is critical to its future. The issue of available, qualified workers is huge. These employers are facing an extremely real challenge in the M7 region.

Finding qualified workers is not the only common challenge. About 15% of the respondents also identified health care costs as its most critical challenge. The point was phrased slightly differently across responses, but their gist was that the high and rising health care costs in SEW are a severe challenge to futures.

Also comparably high in terms of responses were concerns about retirements. Just under 15% talked about retirements and what they must do to try to replace their workers. Some firms questioned their ability to stay in the region and maintain their operations, because of the projected loss of highly skilled workers. Respondents admitted that they had younger and older workers, but few in the middle years. That makes their challenge even greater. Most spoke of the potential loss of knowledge, experience, and technical skills. One firm said that at least one department would lose one-third of its employees in the next three years. Others gave smaller percentages. But these firms see a very difficult challenge in finding suitable replacements for its retiring workers. Some talked of the need to change the perception of manufacturing: it does have a future and they do make exciting and needed products. The industry must rethink how it sells itself and how it attracts workers, especially those in a variety of skilled positions.

As the reader can see in Table 23, there are a number of other concerns as well. One of them is college students. The search for engineers and managers was mentioned repeatedly throughout the interviews. Some said these two skill areas were indeed the most difficult to attract and retain. One indicated that they had the most success in growing their own rather than bringing people in from other states. Regardless of source, firms need qualified engineers and management talent to be successful businesses. These are a critical concern.

One other point that was made several times was the concern about the costs of training the workers they need. With screening being more expensive and candidates at times being less well prepared than the employers would prefer, training costs more and takes longer. Both aspects make it more challenging for employers. If more assistance could be provided on training, it would be appreciated.

The other larger response category includes answers that are somewhat unique to the respondent. A couple talked of the challenges of dealing with union demands. Another talked of wages and how they will have to change processes to reduce the need for such labor. One talked of pricing pressure from Wal-Mart. Another talked of the challenge of getting workers to work harder without any increases in pay, since they had been working at less than full production up to this point. Yet another, located in an outlying suburb, was concerned with whether workers would continue to be willing to commute to the plant, given the cost of gasoline. Another firm indicated they were considering moving

closer to available, low-cost workforce and acknowledged that the increase in diversity would create some initial challenges to them.

About 5% of respondents did not see critical workforce challenges in the next three years. But 95% of employers do. Meeting those challenges is critical to their futures and to the future of manufacturing in this region. The challenges they face must be addressed. The community at large must help address these challenges, if the region is to prosper. This topic will be addressed in greater detail below.

Workforce Development

With the current and impending needs for better trained workers, manufacturers were asked several questions on what types of training they have offered employees in the last 12 months. Employers were asked if they had provided structured classroom instruction or on-the-job training, either in-house or through an outside vendor, or whether they had provided tuition reimbursement or tuition assistance for employees who pursued education or training. If they said yes, each was asked what proportion of the workforce had been included. The results revealed that education and training were priorities for a large share of employers.

Forms and Levels of Workforce Training

<u>Forms of Training</u>	<u>% Offering</u>
On-the-job Training	95
Classroom Instruction	85
Tuition Assistance	78

Some 95% of employers offered on-the-job training in the last 12 months, and 85% of employers offered classroom instruction. Even 78% of respondents offered tuition assistance. Those are very good numbers. Unfortunately, the educational offerings did not serve all employees. Only 7% of employers had tuition-reimbursement elected by more than half of all employees. Classroom training was much better, but still only 53% of employers served more than half of their employees. OJT was better, with 61% of employers serving more than half of their employees. With the continuous need to upgrade skills and compete globally, these figures should be even higher than they are. The good news is that at least 3/4ths of the firms are investing in workforce development activities. The bad news is that the investment is usually only going to about half the employees. And 14% of respondents did not provide any classroom training and 23% did not offer any tuition assistance.

Table 24: Employer Participation in Additional Workforce Training Activities

<u>Types of Training</u>	<u>% Responses</u>
Safety	13
Six Sigma/Quality Training	12
Lean Manufacturing	11
Internships/Education	6
Leadership/ Management	5
Equipment	5
In-house Training/ Specialized Curriculum	4
Language: for supervisors or employees	3
Apprenticeship/ On-the-job Training	3
Computer Training	3
Financial/Investment	3
Tuition Assistance	3
Health/Wellness	2
Environmental	2
Cross Training	2
Other: single mentions	<u>25</u>
Total	102*

*Rounding error; n = 88

Respondents were also asked to describe any major workforce training initiatives that were not listed in Table 24. Several responded. Their most commonly reported efforts included safety training (13%), quality training, such as Six Sigma and ISO 9002(12%), and lean manufacturing (11%). But the respondents also mentioned management and leadership training, computer training, language, financial, and health and wellness courses. The list included 118 descriptors of topics that employees are offered. These firms are taking different tacks to upgrading and attempting to retain their workforces. Obviously, this is not all of the respondents, but at least 70% of these firms are providing special learning opportunities for employees.

When asked if they wanted to receive additional information on workforce training and government sponsored programs that can offset the cost of training, about 66% said that they did. Most (84%) of the firms indicating an interest in learning more have fewer than 250 employees, but six firms of 500 or more employees also expressed interest in learning more. Interestingly, almost two-thirds of those saying yes to more information had annual sales between \$100 million and \$1 billion. As might be expected, those seeking more information and aid are largely in Milwaukee, Racine, and Waukesha counties. They are concentrated in the larger industries: Fabricated Metal Products, Machinery Manufacturing, and Electrical Equipment, Appliance, and Component Manufacturing, respectively.

Workforce training and possible financial support for some of that training are important to these employers. Making sure these employers receive this information and making a concerted effort to assure employers that more training money will soon be available to them are two priorities, both for the employers and the region.

Regional Business Climate

A critical issue for M7 is whether one cause of its recent economic challenges is the business climate. Several different questions were asked to elicit views of the various components of the business climate. In one series of questions, employers were asked to not only rate several different elements of the climate but also to indicate just how important each element is to their company. Employers were later asked a summary rating question and to note how the climate had changed, if at all. Furthermore, they were asked to project what they see happening over the next three years and what it is they would most like to see changed locally that would most benefit their firm.

The business climate is important to employers in the M7 region. The topic was discussed formally and informally. On the most detailed business climate question, respondents were explicitly asked to rate 14 different elements of the local business climate and how important each is to their firm. The scale runs from 1 = poor to 5 = excellent. The average score on each element appears in Table 25. In terms of importance the average across all 14 factors was 3.49. This means that the climate is of concern to these employers.

Of greatest importance to area employers are basic workforce issues: the quality and availability of workers. These both received average scores approaching very important. These are at the top of the employers' list. Very close behind, however, are health care expenses. Having experienced several years of double-digit inflation in health care costs, it is clear why this has employers' attention. But it is not the most critical element.

A step down in points are K-12 education (3.9), Technical Education (3.84), and state taxes (3.84). The more recent products of K-12 education are giving some employers pause, and employers know they need to increasingly hire from this pool. They also know that an increasing proportion of their workers will need to have attended technical training. That is why these items are ranked so highly. State taxes are a bit of an anomaly. State taxes on manufacturing are very reasonable relative to other states. What employers are likely referring to are the individual income taxes that are higher than several states and make hiring out-of-state more expensive as they have to additionally compensate new hires to cover the higher taxes they will pay.

As one looks down the list, all except two have scores above the median of 3.0. This means that all but transportation and entrepreneurial support are of greater than average importance. These elements do matter to manufacturers.

Table 25: Rating of Business Climate and Its Importance to the Region's Firms
 (Rating: 5 = Excellent, 1 = Poor; Importance: 5 = Very Important, 1 = Not Important)

<u>Elements of Business Climate</u>	<u>Ave. Importance</u>	<u>Ave Rating</u>
Workforce Quality	4.40	3.38
Workforce Availability	4.35	2.94
Health Care Expenses	4.22	1.86
K-12 Education	3.90	3.28
Technical Education	3.84	3.37
State Taxes	3.84	2.20
Universities/Colleges	3.70	3.66
Police/Fire Protection	3.68	3.81
Local Taxes	3.68	2.50
Regulatory Climate	3.54	2.70
Access to Capital	3.48	3.69
Local Transportation Network	3.32	3.15
Public Transportation	2.95	2.73
Entrepreneurial Support	2.90	2.87
Overall Business Climate	3.49	3.02
n = 137		

Comments ranged from “The climate is not what it could be” to “This area is a great fit” and “We are basically very happy here.” Overall, the average rating of the climate was 3.02, right in the middle of the range. On the 14 different elements, the scores ranged from a high of 3.81 for local police/fire protection to a low of 1.86 for health care expenses. It is very clear that health care expenses are too high and have been rising too rapidly.

The next highest ranked elements of the business climate include access to capital (3.7) university/college education (3.66), workforce quality (3.48), and technical education (3.37). These are interrelated and appreciated. They collectively speak to the importance of having an educated workforce for these firms to succeed. Somewhat ironically, paying for these qualities is bothersome for the employers: state and local taxes are rated as damaging factors in the business climate. State taxes are given a 2.20 and local taxes a 2.50. These scores are above poor but not very appealing to employers.

Other elements of the business climate are thought to be okay. They are not good nor are they poor. All could be better.

What this combination question suggests is that workforce quality and availability and health care expenses are the issues that should be addressed first, if the region is to improve its business climate. Others near the top of the list should also be addressed, as they also are of importance to employers. Very few of the rating scores are where they should be; all could stand some attention.

Since this is a key topic, employers were asked during the second interview how, on a five-point scale, they would rate the overall regional business climate. Again 1 = poor and 5 = excellent. Less than three percent said it was poor and only four percent said it was excellent. Thus, the average was 3.24, a bit higher than the composite average built from responses to the 14 elements. The difference may be due to different persons in the firms completing each of the two surveys, respondents not valuing all fourteen criteria equally, or the respondents were a bit more positive responding in person. In any event the assessment was more positive, although it is certainly not an overwhelming endorsement of the area.

Changes in the Business Climate

During the in-person interview leaders were asked how the current regional business climate compared to that of three years ago. Some 47% thought that it was better today while 32% thought it had not changed (Table 26). Some 21% thought it was worse. So more than twice as many respondents thought the climate had improved as thought it had gotten worse. That is positive news.

When asked what they thought would happen over the next three years, the optimism is not a prominent. Only 36% thought it would be better than today while 25% think it will be worse. Milwaukee, Racine and Waukesha employers are a bit more likely to be negative. That does not bode well for their decisions on investments in M7.

Table 26: Assessment of the Regional Business Climate Three years Ago, Today, and in Three Years

<u>Three Years Ago</u>	<u>Percent %</u>
Much better today	14
Better today	33
No change	32
Worse today	20
Much worse today	1
n = 164	
<u>Today</u>	
5 (Excellent)	4
4	35
3	46
2	13
1 (Poor)	2
n = 169	
<u>In Three Years</u>	
Much better than today	5
Better than today	32
No Change	37
Worse than today	23
Much worse than today	3
n = 170	

Another way to assess the climate is to ask business leaders what are the most important benefits to their firm from being located in the region and what are the three most critical drawbacks to their firm from being located in this region. The questions and their responses are similar to the first two questions. But since the latter questions were more specific as to regional impacts, some different responses were elicited. The first of these appear in Table 27.

Table 27: Three Most Important Benefits to Your Firm from Being Located in M7

<u>Important Benefits Cited</u>	<u>% 1st Response</u>	<u>% All Responses</u>
Quality/ Skill of Workers/ Work Ethic	13	12
Proximity to Customers	13	8
Established Here/ Family Roots	11	7
Proximity to Suppliers/ Supporting Businesses	9	9
"Workforce"	8	6
Transportation of goods and people	7	7
Central Location in US	6	4
None	4	5
Community/ Quality of Life	4	9
Available Skilled Workers	3	3
Available Unskilled workers	3	5
Proximity to Similar Businesses	3	3
Geography/ Location	3	4
Freight: availability and low costs	2	2
Proximity to a Large City	1	2
Education Quality	1	3
Other	<u>9</u>	<u>12</u>
	99	101
	n = 160	n = 396

Collectively, as was noted above, workforce qualities were on this list 29% of the time. This is the second-largest general area. It was discussed in the workforce section. A second similar topic is the region's beneficial location. This accounted for 34% of the responses. Very similar in number were proximity to suppliers and support industries and proximity to customers. Employers giving these responses were clear that these were advantages. Other respondents also included the region's central location, its proximity to similar businesses, and its proximity to a big city. Another important benefit (11% of responses) is the quality of life. This was expressed in different ways, but the message was clear that this is a very desirable area in which to live. Another benefit is transportation alternatives, be they air through Mitchell Airport, rail, bus, or truck. All were mentioned as beneficial.

Participants were also asked to name the three most critical drawbacks to the region. A summary appears in Table 28. Unlike many questions that elicited several equal concerns, this one yielded two dominant responses: health care costs and taxes, each with 18% of the responses. These two dominated the first two responses to this question from employers. This is no surprise, given what was reported above: these are at or near the top of problems cited by manufacturers on this and many other surveys. If all of the

workforce problems (such as skilled worker availability, attracting professional workers, and generally, workforce) are combined, they add to 15% of the problems identified. All have been discussed above. These three items dominated the responses to the question of what are the top three challenges to your firm. But it is interesting that several of the items mentioned repeatedly in Table 28 (for example, workforce, availability of workers, transportation, and location) were exactly the same as those mentioned as benefits in Table 27. It appears that some employers are not able to take advantage of several of the region’s benefits.

Table 28: Three Most Critical Drawbacks to Company Being Located in M7 Region

<u>Factors Affecting Future in M7</u>	<u>% 1st Response</u>	<u>% All Responses</u>
Taxes: general or specific	21	18
Health Care costs	16	18
Labor Costs/ Wages	10	6
Availability of Skilled Workers	6	7
Transportation: public transit, Chicago traffic	6	5
Cost of Doing Business Here/ All Costs	6	4
Workforce: declining, work ethic declining	5	5
Government: state's lack of support; local inefficient	5	7
None	4	4
Attracting Workers, Especially Professional	2	3
Other: mix of reasons	<u>14</u>	<u>13</u>
Total	100	100
	n = 155	n = 391

Factors That Most Affect the Future and That Need to be Changed

Employers were also asked two specific questions regarding change at the local level. Rather than rely on inference from the responses to the last two questions, participants were asked to note local factors that they saw as most affecting their company’s future here, and what, if anything, they would like to see locally that would most benefit their company. Their responses, which appear in Tables 29 and 30, give some clear direction on steps that might be taken in the M7 region to assist manufacturers.

Participants could give one or many responses to this question on what local factors most affect their futures in the region. Three-fifths (60%) of the respondents gave just one response. Oddly, these did not often match the distribution of those who gave multiple responses. Both are listed in Table 29. The one point that the majority of both groups agreed upon is that health care costs are at the top of their lists. One-third of those that gave one response and one-fourth of all respondents cited health care costs as the top issue. Interestingly, the next most common response for those with one answer was “none.” These respondents did not see any local factors as affecting their future here. What this says is that the vast majority of respondents can and do identify local factors that may well influence their futures here. That means attention should be paid, if we are to succeed in making manufacturing more successful here.

Table 29: Local Factors Most Affecting Their Company’s Future Here

<u>Factors Most Affecting Future</u>	<u>% 1st Response</u>	<u>% All Responses</u>
Health Care Costs	37	26
Aging Workforce	17	8
Availability of Skilled Workers	11	10
Taxes: too high	10	16
Education Systems' Inadequacies	4	4
Attracting Workers, especially high level	4	6
Workforce: Insufficient number/ number trained	3	3
All of the above	3	3
Government: regulations, inefficiencies, unfriendly	1	4
Other	<u>14</u>	<u>12</u>
	100	100
	n = 106	n = 378

The first three responses of those with multiple responses were: health care costs, aging workforce, and availability of skilled workers. The most common second responses were: taxes, health care, and the availability of skilled workers. The most common third responses were: health care costs, taxes and attracting workers, especially high-level workers. Overall, the most common responses were: health care costs (26%), taxes (16%), availability of skilled workers (10%), an aging workforce (8%), and attracting workers, especially high-level (management and engineers) workers (6%). These are the local topics that are most on the minds of manufacturers.

There are a number of topics that also are seen to affect manufacturing’s future. Some are closely related to the topics already noted. These are not expressed as often as others. Nonetheless, they warrant noting. The most common among them are: government (local and state and how well they work with businesses), educational systems (Milwaukee Public Schools and others), workforce (general issues, often that of availability), the development of workforce through schools and training – most often the need for additional technical training, and a combination of several of the topics. As should be easily seen, workforce and its development are important. If we combine three of these smaller responses, they equal 10% of all responses. If we combine these with the topics most noted above, we find that workforce topics are at least 27% of the factors most affecting their futures. Again, the various aspects of workforce are identified as critical to the future of manufacturing in the region.

The follow-up question asked employers was what they would like to see change locally that would most benefit their company. Some 60% of the respondents gave but one answer. The other two-fifths noted at least two changes. The most common response among those with but one prescription was no change (16%). These individuals do not think that any local changes would make a difference. The vast majority of manufacturers were eager to share at least one suggestion for what needs to be changed.

Interestingly, there were not the large differences in the proportion that names several topics (Table 30).

Table 30: Local Factors You Most Want to See Changed To Benefit Your Firm

<u>Conditions Most Desirable to Change</u>	<u>Only Response</u>	<u>% All Responses</u>
Nothing	16	6
More Educated Workers	13	12
Better Transportation	12	12
Improved Workforce Skills/ More Training	9	8
Improved School Systems	7	8
Promote Local Business, esp. Local Gov't	7	4
Reduce Health Care Costs	7	9
Less Government Regulation	6	10
Reduced or Restructured Taxes	6	13
Improve Local Government	6	6
Other	<u>4</u>	<u>8</u>
Total	103	101
	n = 103	n = 276

Among those with only one response, the most common prescriptions, other than none, were more educated workers, better transportation (usually referring to public transit), improved workforce skills, especially through more training programs, improved school systems, promotion of local businesses, and reduced health care costs. What is intriguing is that health care cost reductions are well down this list, despite its top ranking on the problems' list, and taxes received even fewer mentions. This might suggest that the formulation of action plans for the region should be done very carefully, with additional attention paid to priorities suggested in response to this question.

What makes that a challenge is the shifting priorities one gets, depending on how one interprets the responses. For example, if we combine all responses, the top priorities become (in order): reducing or re-structuring taxes, creating more educated workers, providing improved transportation, reducing government regulation, reducing health care costs, improving worker skills and training programs, and improving school systems. Those suggesting that "nothing be changed" drops to 6% of all responses, in contrast to 16% of those with but one response. Those who want change want multiple changes. Thus, total responses are somewhat different from the impression one would get from the tally of factors most affecting their company's future in M7.

The differences between first and total responses make selection of top priorities a bit more difficult. What may be needed is a discussion of just how difficult addressing some of these topics is and some agreement that if certain topics were addressed, the others might matter less. Ideally, they all would be addressed. They speak to both the different perspectives of employers and the different ways employers have of expressing what problems they face.

Supplier Issues

In an additional search for strengths of the region, employers were asked two questions about their suppliers. The first asked what the specific appeal was of their largest supplier. The second asked them to describe the geographic distribution of their suppliers to learn more of the use of firms in this region. Table 31 gives a summary of their responses to the first.

Table 31: Reasons Given for Appeal of Their Largest Supplier

<u>Appeal of Largest Supplier</u>	<u>Only Response</u>	<u>% All Responses</u>
No Appeal	25	8
Proximity to plant	19	18
Cost of supplies	12	19
"Quality" of Products/Materials	7	19
Long-term Relationship	7	8
Availability of product/materials	4	3
Reliability	3	2
Expertise	3	3
Delivery Speed/Responsiveness	2	4
Technology	2	1
Service	0	5
Other	<u>16</u>	<u>10</u>
Total	100	100
	n = 89	n = 283

This was an open-ended question: respondents could give one or several answers. About half of the firms gave one answer; the others averaged two attributes apiece. Among those who gave but one response, the most popular (25%) answer was “none.” This response infers a competitive market. The second and third most common responses were proximity (19%) and cost (12%). With an emphasis for some on just-in-time, proximity can make a difference. It may also be easier to work with suppliers on design and logistics, if they are closer. Cost is likely to matter to many. In fact, overall cost was the most common response. But it is noteworthy that for those with one response, only 12% of respondents cited cost as the central appeal of their largest supplier. That implies that manufacturers in the M7 region are not competing only on cost, which is a good sign for their futures.

When the total responses are examined, it is clear that three attributes are important to manufacturers in M7. At the top are cost (19%), “quality” (19%), and proximity (18%). Quality, especially, had a number of modifiers such as “high” and “best.” “Having a long-term relationship accounted for 8% of all responses, and descriptors such as the quality of service given by the supplier (5%) and delivery speed (4%) were next most common. Many other qualities were cited, but few had multiple responses. All are good reasons. But it would be nice to have seen more responses for expertise, technology, and design, all words associated with the knowledge economy.

The more critical question is the degree to which manufacturers in M7 use others in the region for their supplies. As was noted above in Table 9, the region's suppliers receive about 29% of all expenditures by the region's manufacturers. The rest of Wisconsin receives an additional 15%, giving all of Wisconsin about 44% of the expenditures. The rest of the US is supplier of about the same percentage. And international sources supply about 11%. We talk of a global economy, but it is not a major part of the supply network, at least for products made in the M7 region. There are many firms that do have off-shore facilities that utilize suppliers in other parts of the world but not as many M7 operations.

Corporate Involvement in the Community

Another element in the regional business climate is the degree to which businesses are involved in the larger community. Respondents were asked to describe their level and forms of involvement. What is clear is that almost all firms (81%) are involved, and the vast majority is deeply involved in community efforts. These speak to the quality of life and civic engagement of these firms and their employees.

When asked, many firms indicated that they are very actively involved in multiple charities, civic, and trade organizations. Some talked of time commitments. Other discussed financial or product donations. Still others mentioned a wide variety of activities, ranging from involvement in UPAF and United Way to Salmon-Rama, the local economic development organization, to financial support for many different charitable and industry organizations. About 35% of all respondents volunteered enough information to categorize their actions as being highly involved. Others may be as well; we just did not learn of it. But at least another 28% of firms could easily be categorized as at least moderately, if not actively, involved. Another 18% were involved, but the responses recorded indicated more the type of involvement (financial donation, product donation, time donation, etc.) than just how active these involvements. Many seemed quite active, but it was not as clear. The key is that more than four-fifths of the firms are clearly contributing to the region in multiple ways beyond employment.

Interviewer Assessments

Interviewers were asked to rate their impressions of several elements of what they saw and heard on their site visits. Three of those elements have particular relevance for the assessment of business climate. Interviewers were asked to rate from 1 = poor to 5 = excellent their insights into local management's affinity to the community, the risk of this site closing in the next three years, and the risk of this site downsizing in the next three years. All are a reflection of the business climate.

The assessments are rather positive. Some 75% of local managers were perceived to have a high (excellent or close thereto) affinity for the local community while only 1% was said to be poor. That speaks well of the community and the leaders' commitment to the region. In terms of the risk of the site closing in the next 3 years, only 5% were assessed as this being very high and an additional 8% were quite high. Such figures match the impression of problems with profitability at this site. The third issue was

related: what is the risk of this site downsizing in the next three years. This was seen as very high for 7% and quite high for an additional 11%. Such downsizing has been a fact of life in the current manufacturing environment in the US. And since only 45% saw potential for significant employment growth in the next year, this assessment is in line.

What these responses indicate is that the majority of manufacturers is committed to the region and is not likely to either close or downsize in the near future. A small portion may either close or reduce employment. They will be a greater challenge to keep here. It may warrant an analysis of the characteristics of these firms to learn their characteristics and what it is that most needs attention for them to succeed here. That is one place that intervention may be most warranted.

Technology and Innovation

Manufacturing is more likely to succeed in M7 the more employers use technology. Given the wisdom of that statement, participants were asked a series of questions about their development and use of technology. They were also queried about their desire for assistance in meeting their technology needs.

The most important question was: “What are your company’s immediate technology needs?” This elicited a number of responses. But the most common was a version of “none.” About one-third of the respondents did not think that they had any immediate tech needs (Table 32). For a bit less than half this group, the basic reason was that they were well advanced technologically and did not have any tech issues that they were not already addressing. That is what we liked to hear. The larger portion of these respondents, however, had a very different reason for saying none: they applied little or no technology and were not faced by any tech issues (16% of all respondents). That group is likely to struggle in the global economy.

Table 32: Manufacturers Immediate Technology Needs

<u>Immediate Technology Needs</u>	<u>% All Responses</u>
Upgrade Computer Operated Equipment: CNC, Robotics, Printing	19
None: low or no tech	16
None: Up to Speed on Technology	14
Accelerate R&D	11
Need Highly Skilled Engineers and IT People	8
Upgrade Software	7
Update Computer System (Hardware and Software)	5
Need to Keep up with Technology	4
Software Training	3
Use More Technology Tools	2
Upgrade Communications Equipment	2
Develop Stronger University Links	2
Establish a Testing Lab	1
Other	6
Total	100

n = 185

For those manufacturers who identified an immediate technology need, the most common response was that they need to upgrade their computer-operated equipment, be it CNC, robotics, printing presses, or the like. Just under one-fifth of respondents indicated this need. If we add to this the responses that indicated a need for updating of computer software and/or hardware, then the total rises to 34%, a little higher than those that said they had no immediate needs. The software needs varied from office software to design software to process control software to ERP software. Few specifics were given with regard to the computers.

A group of respondents took a rather different tack to their response; they spoke of the need to develop more technology. They spoke of accelerating R&D or of developing specific products or patents or translating recent innovations in technology to their industry. Such responses were about 11% of the total.

The last larger group of responses was those that dealt with the need for tech workers. Most common was the need for engineers. But other comments noted IT people, software writers, engineers with specific competencies, and just having enough technically skilled people to hire. Together these constituted 8% of all responses. Less common topics were also mentioned.

Having identified these needs, employers were asked if they would like to be connected with local resources for meeting those needs. Some 38% of respondents indicated an interest in connecting with local resources to meet these needs. Exactly what this is and how to undertake it is an assignment that needs greater analysis to begin to suggest how this might be done. It would appear that those seeking specific products have easily identifiable sources. Others who are less specific will be more difficult to assist. But given the interest and the need for further application of technology, this topic should be further examined.

Intellectual Property

One element of technology and innovation is the creation of intellectual property. Several of the respondents noted this in passing. What we hoped to learn went beyond anecdote. We asked respondents directly to rate on a scale of 1 = Not at all important to 5 = Very important just how important the continual development of intellectual property was to their company's future. We expected some to say what was important was the application of technology, and others to reply that creating new IP was important to them.

Table 33: Rating of Importance of Continually Developing IP

<u>Degree of Importance</u>	<u>Responses</u>	<u>Percent %</u>
1 (Not at all important)	32	19
2	16	9
3	24	14
4	23	13
5 (Very important)	77	45
Total	172	100

Fortunately for the region, 45% of respondents claim that developing IP is very important and an additional 13% said it is important. That is 58%. On the other end of the spectrum, 28% gave IP a one or a two ranking. In other words, for this quarter of employers, IP is not an issue. It is likely that they will have a more difficult time competing in the global economy.

But that has not been the case to date. In terms of profit, there is no difference in the proportion of firms that are more profitable today than they were three years ago among those for which IP is very important versus those for whom IP is not at all important. Furthermore, there is no relationship between importance or lack of importance of IP and expected growth over the next 12 months. Thus, these two contrasting business models appear equally valid. Time will tell whether this is the case.

Participants were asked to reveal the character of their IP. This was to determine whether they have protected process innovations, new products or devices, designs, chemistry or formulas, software, or whatever. Their responses appear in Table 34.

Table 34: Character of the Firms' Intellectual Property

<u>Type of Intellectual Property</u>	<u>Only Response</u>	<u>% All Responses</u>
Production Process	35	35
Products	9	10
Devices	9	11
Designs	9	8
Chemistry/Formulas	4	4
All of the above	4	3
Patents	3	3
Digital/Software	1	2
Materials	1	2
Function	0	5
Equipment	0	3
Other	<u>25</u>	<u>15</u>
Total	100	101
	n = 96	n = 189

Over 80% of the firms talked about their intellectual Property (IP). This is an important part of their businesses. Some were very aggressive in their defense of their IP. As is clear in the table, the most common IP has to do with production processes. This is the area in which most innovation (35%) has occurred in recent decades. Such innovation has helped firms become more efficient in their production, thereby extending both product and firm lives. Firms reported, for example, that they buy machines from others but then they work to make them more efficient, or they have machines built to their specifications, or they have a unique manufacturing process. These are common descriptors of process IP.

But to succeed in the more competitive global economy, new products or devices are needed to a greater degree. These developments have occurred, but they may not have

occurred as often as is necessary for these firms to continue to succeed. Some 21% of the IP mentioned had to do with products or devices. If equipment is included, the combination totals 24% of all forms of IP identified. That is important, but it is very likely that more innovation of products and devices must be done in M7, if these firms are to compete globally. Much greater returns can be earned from new creations than they can from squeezing pennies out of production processes.

Fortunately, some other IP has been developed that is likely to lead to additional revenues for the firms. These include chemistry/formulas, software, materials, and designs. These together constitute about 14% of the total IP identified. There is also another 15% of IP that could not be classified in any of the other categories. All of these contribute in some way to the bottom lines. The very good news is that over four-fifths of the firms talked of the role of IP in their operation. The hope is that they want to develop more IP.

In fact, they were asked if they were interested in learning more about local resources for developing, deploying, accessing or protecting IP. About 27% of the firms indicated an interest. We can hope that the others are all well versed in these subjects. But at the least we should try to develop means to assist those who indicated an interest.

Such a task will not be easy, because these firms are spread over the landscape in terms of characteristics. The 43 firms indicating an interest are in 19 different three-digit NAICS industries. They vary in size from less than 100 employees to more than 1,000. They are distributed, as are all respondents, across five different size categories. Those wanting to learn more are more likely to have been founded between 1950 and 1970 than the population at large and not as often started before 1950. Their annual revenues are distributed quite similarly to the population of all firms interviewed. Thus, these firms are largely indistinguishable from others, except they have greater interest in learning more about IP.

Assistance Requested by Participating Manufacturers

The participants were asked several questions during the interview on whether they would like to learn more about specific topics that were discussed. It appears that there is a good deal of interest in gaining information about a range of topics. The topics and the percentage of employers expressing an interest in each appear in Table 35.

Table 35: Assistance Topics and Level of Interest among Employers

<u>Subject of Assistance</u>	<u>% of respondents</u>
Workforce training programs or finance	66
Advice on how to form business relationships	50
Meeting immediate technology needs	38
Assistance on expansion	36
Advice on sales to government	32
Advice on exporting	28
IP development, deployment, protection	26
n = 167-172, depending on the question	

Absolutely at the top of the list of interests is workforce training. This topic is capturing the attention of many employers. Here two-thirds of the participants indicated that they want more information and in some cases, money, to better prepare their employees. Currently, many firms are involved in training. But they realize that they need to do more. Getting this information, be it about specific classes at technical colleges, federal training programs, skill assessment procedures, lean manufacturing, or building better workforce development systems in the region should be a priority.

Half of the participants want to learn more about forming business relationships. Firms were asked whether they had established formal relationships with other firms in the region for the purposes of developing and sharing intellectual property, introducing new products/services, streamlining processes (e.g., customer/supplier partnerships), or marketing their products or services. To date, a little more than one-third of these firms has done so. Some are working with customers on new product development. Others are working with customers on product improvement. Still others are working on sharing best practices, using industry organizations. And a few others have banded together for purchasing. But there is substantially greater interest in developing such formal relationships, given that 50% of respondents want to learn more about such activities.

As is revealed in Table 32, manufacturers have a number of different, immediate technology needs. Table 32 only summarizes them; others mentioned go beyond these. At any rate, there is employer interest in addressing these issues. Almost two-fifths of the respondents indicated that they would like to be connected with local resources to meet these needs. Among the needs mentioned beyond those in the formal table are design engineering, patent, R&D, and new product development. The M7 region does have many of the answers to their needs. A method of matching those with answers to those with needs must be developed soon.

With more than 60% of the respondents expecting significant growth in at least one of three areas (Table 12), it should not be surprising that more than half of these firms (36% of all participants) indicated that they would like assistance from local officials in planning/executing the expansion (e.g., financing, real estate, or hiring). These are often firms that appeared ready to execute and would very much appreciate assistance as soon as possible.

A surprising 39% of these firms sell to governments. Examples range from local governments and school districts to state and national governments, both here and outside the US. This is a reasonably large market, it appears. Other manufacturers want to learn more about such sales. In fact, some 32% of employers said that they would like to learn more about selling to governmental entities. Such further exploration of what they need to know must be undertaken. But then this information should be made available to all who seek it.

With the explosive growth of the global economy, it is almost imperative that most manufacturers explore markets outside the US. Since just over half (53%) of these firms

currently export, it is a very positive sign that others want to learn more about exporting. Again, more exploration is needed as to the specifics, but 29% of the firms replied that they wanted to learn more about exporting.

Intellectual property is not critical to all firms in the region, but it is very important to many and likely will be important to even more in the future. Respondents were asked the nature of their intellectual property and then whether they would like to learn more about local resources for developing, deploying, accessing or protecting intellectual property. About 27% indicated that they want to learn more. An effort should be made to learn more specifically what knowledge is desired and develop mechanisms for delivering that knowledge.

Conclusion

Manufacturing is still extremely important to the M7 regional economy. Dollar value of products produced continues to increase, even if employment may not. But most manufacturers are being challenged by many forces locally, nationally, and globally. The manufacturers exist in a very competitive world. If we in the M7 region want manufacturing to continue to play a central role in our economy, M7 must help devise answers to the multiple challenges facing this industry.

Workforce issues of supply and quality must be at the top of the list. These alone will require many different actions, as they have many different dimensions.

Two other topics that need to be on the list requiring attention are health care costs and taxes. Both need continuing efforts.

Additionally, many other elements that also affect manufacturing success require attention. Manufacturers asked that they also be addressed. These elements range from improving public schools, improving and enlarging training programs, and creating more educated workers to improving transportation, usually public transit for the workforce but also improved rail freight service, creating more responsive governments, and generating better regional promotion, to name a few. Many answers are needed to address the many challenges manufacturers in the region currently face.

The first step for M7, however, should be to respond directly to the requests for assistance made during the many interviews. M7 should immediately begin formulating appropriate responses to the requests for workforce training assistance, assistance in building new relationships with business partners, assistance in physical expansions, assistance on meeting immediate technology needs, assistance on selling to governments, assistance on exporting, and assistance on developing, deploying, protecting or accessing intellectual property. Large numbers of manufacturers are interested in hearing about these topics soon. Manufacturers' needs are real and pressing.

Appendix A

PRE-MEETING QUESTIONNAIRE

Version 1.2



Company name: _____
Survey completed by: _____

Date: _____

Instructions: Thank you for agreeing to meet with a representative of the Milwaukee7 to help us learn more about the challenges you face running a company in southeastern Wisconsin. The information you provide will remain confidential (see attached Confidentiality Policy).

Please complete this questionnaire prior to the in-person interview and return it to our representative at the time of the interview.

Note: The term "region" is defined as the seven counties that comprise the Milwaukee7: Kenosha, Milwaukee, Ozaukee, Racine, Waukesha, Washington and Walworth.

1. Does this site serve as the company's headquarters?
 Yes No

2. If no, what is the name of the parent company and where is it located?
City: _____ State: _____

3. Where are your company's operations located (choose one)?
 All company operations are housed at this site
 The company has additional operations located inside the 7-county region
 The company has additional operations located outside the region
 The company has additional operations located inside **AND** outside the region

4. What are the major functions housed at this site (check all that apply)?

<input type="checkbox"/> Distribution	<input type="checkbox"/> Warehousing
<input type="checkbox"/> Headquarters	<input type="checkbox"/> Manufacturing
<input type="checkbox"/> Services	<input type="checkbox"/> Engineering / RD
<input type="checkbox"/> Call center	

5. What is total employment (full-time equivalent) for your company?

Worldwide: _____
 U.S.: _____
 Wisconsin: _____
 Region (7-county): _____
 This site: _____

6. Please indicate the portion of this site's workforce in each of the following job classifications:

	<u>% of workforce</u>
Technical (engineers, IT professionals)	%
Financial (analysts, forecasters)	%
Management	%
Marketing/sales professionals	%
Clerical	%
Skilled laborers	%
Unskilled laborers	%
	100%

7. Please indicate average hourly wage (minus benefits) for employees at this site in each of the following job classifications:

	<u>Avg. hourly wage</u>
Technical (engineers, IT professionals)	\$ _____
Financial (analysts, forecasters)	\$ _____
Management	\$ _____
Marketing/sales professionals	\$ _____
Clerical	\$ _____
Skilled laborers	\$ _____
Unskilled laborers	\$ _____

8. Please characterize the change in employment at this site in the last 12 months:

- Significantly increased
- Increased
- About the same
- Declined
- Significantly declined

9. Please characterize the expected change in employment at this site for the upcoming 12 months:

- Significantly increasing
- Increasing
- Staying about the same
- Declining
- Significantly declining

10. What percent of your company's workforce do you expect to lose to retirement in the next 3 years (check one)?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

11. Please indicate the difficulty your company has experienced in the previous 12 months hiring **AND** retaining qualified employees at this site in the following job classifications:

	HIRING 5 = Not at all difficult 1 = Very difficult	RETAINING 5 = Not at all difficult 1 = Very difficult
Technical (e.g., engineers, IT professionals)	_____	_____
Financial (analysts, forecasters)	_____	_____
Management	_____	_____
Marketing/sales professionals	_____	_____
Clerical	_____	_____
Skilled laborers	_____	_____
Unskilled laborers	_____	_____

12. Please list annual sales for your company. What has been the sales trend over the past three years?

	<u>Annual Sales</u>	<u>Growing/Declining/Stable</u>
Companywide	\$ _____	_____
This site	\$ _____	_____

13. What percent of sales from operations at this site is generated by your top three customers?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

14. If this site has international sales, please list the three countries that generate the highest amount of sales (list highest to lowest):

- a. _____
- b. _____
- c. _____

15. With regard to the location of your company's suppliers, please indicate the portion of total supplier expenditure directed to firms in the following locales:

Region (7-county)	_____ %
Wisconsin (excluding region)	_____ %
U.S. (excluding all of Wisconsin)	_____ %
International (excluding U.S.)	_____ %
 Total	 100%

16. Please rate the following aspects of the regional business climate **AND** rate the importance of each factor to your company:

RATING	IMPORTANCE
(5 = Excellent, 1 = Poor)	(5 = Very important, 1 = Not important)

Workforce quality:	_____	_____
Workforce availability:	_____	_____
Local taxes:	_____	_____
State taxes:	_____	_____
Regulatory climate:	_____	_____
Access to capital:	_____	_____
Health care expenses:	_____	_____
Support for entrepreneurs:	_____	_____
K-12 education:	_____	_____
University/college education:	_____	_____
Technical education:	_____	_____
Police/fire protection	_____	_____
Local transportation network:	_____	_____
Public transportation:	_____	_____

17. Status of physical facility located at this site:

- Owned
- Leased

18. If facility is leased, what is the lease expiration date: ___/___/___
(mm/dd/yyyy)

19. How much of this facility's space are you currently using? _____ %

20. Is there room for physical expansion of your business at this site?

Yes No

Appendix B

MANDATORY QUESTIONS

Version 2.2



Company name: _____ Date: _____
Interviewer: _____

Instructions for interviewers: The following questions will be asked of all companies during the in-person meeting.

COMPANY INFORMATION

1. What makes your company successful here (i.e., what are your competitive advantages)?

2. What are the top three challenges facing your company at this location?

a. _____

b. _____

c. _____

3. Are you expecting significant growth in regional operations in any of the following areas during the next 12 months (check all that apply)?

- Employment
 Capital (equipment) expenditure
 Physical space

4. If yes for any of the above (Question #3), would you like assistance from local officials in planning/ executing the expansion (e.g., financing, real estate, hiring)?

- Yes
 No

5. What factors, if any, are currently inhibiting your company's growth? _____

6. Is the company owner and/or CEO 55 years of age or older?

- Yes
- No (go to Question #8)

7. If yes (Question #6), does the company have a succession plan?

- Yes
- No

8. Has your company established formal relationships with other firms in the region for the purposes of developing and sharing intellectual property, introducing new products/services, streamlining processes (e.g., customer/supplier partnerships), or marketing your products/services?

- Yes
- No

9. If yes (Question #8), please describe: _____

10. If no (Question #8), would you be interested in learning more about forming such relationships?

- Yes
- No

11. Company information notes: _____

LOCAL WORKFORCE

12. Please describe the three most positive attributes of the local workforce:

- a. _____

- b. _____

- c. _____

13. Please describe the three most critical shortcomings of the local workforce:

- a. _____

- b. _____

- c. _____

14. What are the most critical workforce challenges your company will face in the next three years? _____

15. Has your company provided structured classroom training to employees either in-house or through an outside vendor in the past 12 months?

- Yes
- No

If yes, what portion of your workforce has participated in these efforts?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

16. Has your company provided on-the-job training to employees either in-house or through an outside source in the past 12 months?

- Yes
- No

If yes, what portion of your workforce has participated in these efforts?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

17. Has your company provided tuition assistance or tuition reimbursement to employees that pursued education and training in the past 12 months?

- Yes
- No

If yes, what portion of your workforce has participated in these efforts?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

18. Please describe any major workforce training initiatives not listed above: _____

19. Would you like to receive information on workforce training options and government-sponsored programs that can offset the cost of training?

- Yes
- No

20. Workforce notes: _____

SALES

21. Compared to three years ago, please describe the current profitability of your firm?

- Significantly more profitable
- More profitable
- About the same
- Less profitable
- Significantly less profitable

22. How does being located in this region positively impact your profitability? _____

23. How does being located in this region negatively impact your profitability? _____

24. Does your company sell to governmental entities?

- Yes
- No

25. Would you like to learn more about selling to governmental entities?

- Yes
- No

26. Would you like to learn more about international exporting opportunities?

- Yes
- No

27. Sales notes: _____

TECHNOLOGY AND INNOVATION

28. What are your company's immediate technology needs? _____

29. Would you like to be connected with local resources for meeting those needs?

- Yes
- No

30. How important is it to your company's future to continually develop intellectual property (5 = Very important, 1 = Not at all important)? _____

31. Describe the character of your company's intellectual property (e.g., processes, functions, devices, etc.): _____

32. Would you like to learn more about local resources for developing, deploying, accessing or protecting intellectual property?

- Yes
- No

33. Technology notes: _____

BUSINESS CLIMATE

34. Please rate the overall regional business climate (5 = Excellent, 1 = Poor): _____

35. Please compare the regional business climate today versus three years ago:

- Much better today
- Better today
- No change
- Worse today
- Much worse today

36. Please forecast the condition of the regional business climate three years from today:

- Much better than today
- Better than today
- No change
- Worse than today
- Much worse than today

37. What are the three most important benefits to your company of being located in this region?

- a. _____
- b. _____
- c. _____

38. What are the three most critical drawbacks to your company of being located in this region?

- a. _____
- b. _____
- c. _____

39. Local efforts cannot change national and international economies, but they can affect local conditions. What local factors do you see most affecting your company's future here (e.g., aging workforce, not enough skilled workers, inability to attract management, health care expense, taxes, etc.)? _____

40. What, if anything, would you like to see changed locally that would most benefit your company (e.g., more educated workers, better transportation, less government regulation, etc.)? _____

41. Are you aware of companies based outside the U.S. interested in establishing branch locations here?

- Yes
- No

42. If yes, may we contact? _____

43. What is the appeal of your largest supplier (e.g., cost, geographic proximity, quality, long history, design)? _____

44. What is the geographic distribution of your suppliers? _____

45. Please describe your company's involvement in business, civic and charitable activities (e.g., memberships, financial support, volunteer participation): _____

46. Business climate notes: _____

ASSESSMENT (to be completed by the interviewer)

47. Please rate local management's affinity to the community (1 = Excellent, 5 = Poor): _____

48. Please rate the risk of this site closing in the next 3 years (1 = Very high, 5 = Very low): _____

49. Please rate the risk of this site downsizing in the next 3 years (1 = Very high, 5 = Very low): _____

50. Please rate the physical condition of the facility (1 = Excellent, 5 = Poor): _____

51. With regard to physical space, please rate the usability and efficiency of the facility (1 = Excellent, 5 = Poor): _____

52. Assessment climate notes: _____

