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[Manufacturing  
Our Future  
Summit](#)

[Upcoming  
Programs](#)

[Resource  
Library](#)

[Partners](#)

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From the Desk of Jack Healy

## When Change is Better for Manufacturers and for the State

By Jack Healy, Director, MassMEP

We all know that the world of manufacturing is changing, but it comes as a surprise to some, like myself, when we see a positive change in action amid media coverage that insists on positioning manufacturing as a "doomed" industry.

Last month, the Mass Office of Business Development (MOBD), as part of the state's recognition of "Manufacturing Month," held a series of roundtables to hear about the issues facing the manufacturing community. The problem of **finding qualified people** was one of the top three concerns voiced by manufacturers in attendance across the state. At several of the roundtables, this was the number one concern, which stood alongside **healthcare** and **energy costs**, the other primary issues. Unfortunately, manufacturing, as a whole, views people as an expense, like healthcare and energy.

### Engineering Education

With headlines of "Oil Prices Soaring," "Housing Starts Falling," and a financial equity market gone missing, manufacturers are fervently looking to find qualified people and are hard-pressed to fill existing positions in the current declining economy. The good news is that thanks to successful initiatives like the **First Robotics** contests and **Project Lead the Way**, we are now seeing enrollments in engineering programs start to climb in local colleges for the first time in a very long time. More young people are realizing there are actual opportunities for a career in manufacturing, especially in new technologies, emerging technologies, and smaller manufacturing enterprises where they can make a difference.

### Employment

Such change comes in the face of continuing poor industry news, such as last month's headlines heralding the closing of the North Andover Alcatel – Lucent plant which, at its peak, employed more than 12,000 people. But the reductions that we have seen in this state have continued to be primarily related to large companies with over 500 employees, or divisions of such companies. Two thirds of the state's manufacturing employment job loss -- approximately 100,000 positions between 2001-2005 -- were directly attributable to large manufacturers where people are still viewed as an expense.

## **Plant & Equipment**

The signs of such positive manufacturing change are not restricted to people but include plant and equipment as well. With towns across the commonwealth considering Proposition 2 1/2 overrides, it comes as a pleasant surprise to see that Massachusetts will enjoy a 68% share of \$2.8 billion in capital/MRO projects announced to start within the second quarter through out New England. Massachusetts has 18 projects valued at \$1.9 billion that are set to begin construction by the end of June. This will be a nice addition to the tax basis of a number of towns.

## **Business Structure**

We have also seen a change in the overall manufacturing community's business structure. Massachusetts is not tied to the traditional domestic market as its manufacturers now produce over \$25 billion in exports and fully a third of the state's manufacturing workforce is engaged in production of defense related products and systems. A number of international companies, such as the Irish medical device company **Creganna**, believe that Massachusetts is the hub of the medical industry and locate their manufacturing operations in the state.

## **Manufacturers See Results**

The real change that we are seeing in manufacturing every day, not just during "Manufacturing Month," is what is being done by the manufacturers themselves as they reform and change their respective operations. A study conducted of 471 MEP client companies indicates the significance of such change. This study estimates the total economic contribution to the Massachusetts economy from firms whose employment, sales, or investment activity were changed as a direct result of assistance provided by the Massachusetts MEP.

MassMEP clients are surveyed, by an independent third party survey company, to determine the economic impact resulting from their relationship with the MEP program and to determine the sustainability of the improvements enacted. Clients are surveyed roughly one year after the completion of a project and are questioned relating to changes in efficiency and output. For **Quarter 1 2003 through Quarter 4 2007**, 471 companies surveyed reported that, as a result of their work with the Massachusetts MEP, they have:

- Created or retained 4,970 jobs that otherwise would not have existed
- Increased and retained \$507.8 million in sales
- Spent \$127.2 million on new investment
- Experienced \$101.7 million in cost savings

The effects of this increased economic activity extend beyond MassMEP clients. Increased sales by client firms require that they increase their purchases of intermediate goods and services from companies located in Massachusetts and elsewhere to support their increased output. The supplying companies, in turn, generate additional demands of their own. In this way, dollar expenditures for final demand can be traced to all of the affected industries in the regional economy. In addition, the income from

new jobs generated by MassMEP clients and the supplying firms results in increased demand for consumer goods. Each of these effects, in turn, generates ripples throughout the Massachusetts economy. The sum of these direct, indirect, and induced effects suggests that small- and medium-size manufacturing companies that increased or retained jobs or sales and/or increased investments with assistance from the Massachusetts MEP are responsible for:

- Creating or retaining 11,553 jobs that paid a total of \$591.9 million in employee wages and benefits
- Increasing or retaining economic output worth \$2.1 billion
- Contributing or retaining \$940.8 million of gross state product
- Generating or retaining \$259.3 million in additional tax and non-tax revenues at the Federal, state, and local government levels, including \$82.2 million at the state and local level

To support this willingness to change, Associated Industries of Massachusetts (AIM), MassDevelopment, and MassMEP have formed a new partnership – [Next Generation Manufacturing Initiative \(NGMI\)](#). NGMI is a productive approach to assist manufacturers who looking to remain globally competitive and who are open to change.

NGMI will work to assist selected companies to establish a successful growth strategy for their future. The next generation manufacturer wants to radically grow its top line sales with an investment in people, process and plant facilities. Since 2001, productivity in manufacturing has increased, even though there has been a decline in the number of overall companies in Massachusetts. This indicates that companies that will the change can remain competitive.

The program is offering an assessment to companies will to change – at no charge to the company. The initiative target companies in Gateway Cities regions across Massachusetts. Online applications are available at [www.massmep.org/ngmi.html](http://www.massmep.org/ngmi.html) or contact Glenn Gertridge at 781-376-0028.

The foundations for the new world of manufacturing will be built by those who have the courage to deal with change. The only place that you will not see change in manufacturing may be from the vending machines.

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