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Elizabeth Abraham: A recipe for manufacturing success in Minnesota

By Elizabeth Abraham

Updated: 11/02/2010 05:38:27 PM CDT

Minnesota manufacturers are a resourceful and resilient group. We collectively represent one in seven jobs and have the largest payroll of any business sector in the state.

Still, we cannot minimize our challenges in the rapidly changing global economy. We must focus on what we do best and, at the same time, advocate for public policy to boost our efforts and the fortunes of this state. The end of an election season in which the key theme was "jobs, job, jobs" is opportune time to spread our message.

More and more, Minnesota manufacturers are making a name for themselves by excelling in made-to-order precision parts and high-quality machines. That's our foothold in the 21st century marketplace. We no longer can expect to make profits based on volume alone. There's no market for a million screws unless they are distinctive - for example, screws with an embedded radio transmitter that allows their condition and whereabouts to be tracked.

We also must accept and be poised for increased competition from around the world. Free trade or some version of it is only going to expand by leaps and bounds. If we signal public distress about the future of manufacturing in our state and nation, we send a message that we cannot be or will not be competitive.

To the contrary, Minnesota companies can compete

. Consider these success stories:

- A garage-door manufacturer in northwestern Minnesota ships doors to Finland because, unlike other producers, it can size doors to fit any opening, especially one-of-a-kinds. That's the same reason the labels of Minnesota window manufacturers can be seen on new homes and renovations in the Middle East.
- Workers in India and China are turning millions of varied metal parts, but the tools that cut and shape those parts may very well have been made by a Minnesota toolmaker.
- Minnesota is home to at least one livestock processor whose product can be and is shipped directly to the European Union. That sets this processor apart from most others in the United States. The company can do so due to its ability to certify that the product it ships meets animal health standards distinctive to the EU. **Ingenuity and creativity** will not alone propel Minnesota manufacturers. Public policy plays an important role in creating a prosperous business environment. We do not seek protectionist policies to buffer us from outside competition. We do, however, seek measures at the Capitol to put us on a level playing field with our international peers. Among our priorities:
 - We need a qualified workforce. Minnesota cannot afford to graduate students without world-class math skills for their age. To that end, legislators must reinstate our math standard, including the Algebra II requirement. Doing so sends a powerful signal to Minnesota companies and, even more important, to our customers around the world. Who wants to do business with companies that might lack skilled labor?
 - We need efficient transportation. Many of the components we make are small and high



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value. That places a premium on air freight and air service. It's imperative we maintain and improve our transportation infrastructure - all modes, not just highways.

- We need a competitive tax policy. Up-to-date equipment is necessary if we are to produce sophisticated and precise parts and machines. For small and medium-size manufacturers, cash flow is integral to making these investments. Conversion of the sales tax on capital equipment from a refund to an up-front exemption remains a priority.
- We need reliable and competitively priced electricity. Since 2005, Minnesota's investor-owned utilities have been granted six electricity rate increases; three more are under consideration, and there have been a variety of rate riders that have raised costs, too. While harder to track, cooperatives and municipals also have had significant rate increases. Quality and cost-competitive electricity is a big deal to precision manufacturers. Even a momentary power outage can trip computerized machines, forcing a system to be reset. The result is lost time and money. And, even when everything is operating correctly, electricity is one of many manufacturers' top five expenses. **A strong manufacturing sector** is key to the state's economic vitality. Each manufacturing job supports another 1.3 jobs elsewhere in the economy through supplier purchases and employee spending. In all, manufacturing accounts for nearly 800,000 jobs or about 29 percent of all jobs in Minnesota. In 2009, it provided for \$16.1 billion in wages. Manufacturing exports brought more than \$14.6 billion into the state economy. It's no time to stand on our laurels, especially in the current economy. Minnesota manufacturers and policy-makers alike must understand the dynamics of the world economy and take the

appropriate steps to strengthen our position. Elizabeth Abraham is chief executive officer of Top Tool Company, Minneapolis, and just completed a two-year term as chair of the Minnesota Manufacturers Coalition. The Minnesota Chamber of Commerce manages the coalition.



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