

# Manufacturing Competitiveness & Innovation

Comments by  
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Wednesday, February 1, 2006  
NAM Headquarters, Washington, DC

## Introduction

Good morning. My name is Ken Hutton, and I am the Executive Vice President of the Wood Machinery Manufacturers of America®. This 100+ year-old trade association is commonly referred to as WMMA®, so I may use these names interchangeably. And, I am convinced that *"Manufacturing Matters!"* As we have heard this morning and last night during the President's State of the Union, manufacturing is the backbone for economic growth in this country and is vital for national defense. Without innovation, however, I am just as convinced that manufacturing won't matter too much longer.

Why do I say that? Look at who WMMA® is. Founded in 1899, the Wood Machinery Manufacturers of America® (WMMA®) is a manufacturing trade association composed of more than 230 U.S. manufacturers—primarily family-held companies with sales of \$10 million dollars or less--of woodworking equipment, cutting tools, and supplies and whose purpose is to promote the interests of its members serving the woodworking industry. Distributors, suppliers, educators, and consultants to the industry also belong to the association as Associate Members. Manufacturer members design, build and sell equipment, tooling, supplies, and components used in the manufacture of all types of wood products. Members' products are used in furniture, door and window, flooring, and kitchen cabinet manufacturing plants; plywood and particleboard mills; lumber mills; shipyards; mobile home and pallet manufacturing plants; home workshops; plus a wide variety of associated

wood processing operations. Many members also serve the plastics, stone, and non-ferrous metals market machining aluminum, brass, copper, and other non-ferrous metals. WMMA® members' equipment is sold worldwide. Yet, the members are located in small towns all across this great country. Their employees are your neighbors.

They want to compete and see their companies succeed. For that to happen, as the first Popkin Report observed, we must recognize the core pillars for the NAM pro-manufacturing agenda and their impediments:

1. **Level the international playing field.** (Personally believe that there will always be inequities because of our country's fundamental belief in the free enterprise system and how our government responds to that versus what happens in other countries.)
2. **Reduce the external structural costs of production relative to major foreign competitors.** (As society, we are not about to give up clean air and water or the other high standards of living which we have come to enjoy. Some areas, such as litigation can be and should be addressed to somewhat reduce that burden.)
3. **Promote investment and innovation,** which I believe is the most critical of the four.
4. **Increase the supply of skilled workers.** (NAM, through the Manufacturing Institute, has some excellent programs in place to begin attacking this area.)

All four are important and must receive attention in order for manufacturing in this country to survive and thrive. However, I believe the most critical of these four is #3—innovation.

### **Two Quick Illustrations**

Sometimes innovation flourishes and, on other occasions, circumstances squelch it.

1. One old-line WMMA member was quite innovative, but their customers never knew it. Why? Product liability concerns kept all the product design developments in the company safe, and where never released. That company went out-of-business.

2. Another newer company (only 2<sup>nd</sup> generation now) took an established approach to routers and literally turned-it upside down, and thereby eliminated many of the worker safety and potential product liability issues. Today that second generation management has mechanized with technology into highly-automated systems for wood processing. As a result, that innovative approach from 3 decades ago now only constitutes less than 15% of the company's sales.

Innovation works! To remain competitive in the face of an uneven international playing field and a 22% structural cost disadvantage (see NAM study from November 2003), U.S. manufacturers must constantly improve productivity, as Jerry Jasinowski and Joel Popkin observed, and create new products and processes. That can happen when three things occur: 1) an increased commitment to research and development; 2) a tax and investment system that encourages innovation through research and development; and 3) incentives to attract scientists and engineers to this country.

To accomplish any of these initiatives but particularly the latter, there must be an increased visibility to and priority for the manufacturing sector at all levels within our society. We need to "tell the story" of manufacturing's role and importance in our country's economic stability and national security. We also need to do the simple things such as capturing ideas generated within each organization's team; tapping into an organization's human capital is an obvious solution often overlooked but provides the greatest return. Lastly, as leaders, one must examine ways failure can occur and plan accordingly, because failure can often sow the seeds of success when it is understood why the failure occurred.

With a focused innovation agenda, manufacturing in the U.S. across all industry segments, including the wood processing and forest products industries, can indeed survive and thrive. In many ways, we are our own impediments to make that innovation happen, however. We cling to the status quo. We resist change, when we should be finding ways to bring

brainwaves into the bustle of the marketplace, again giving U.S. manufacturing a competitive edge.

Thank you for the opportunity to participate in this event.