

Study: Hoosier Manufacturers Feel Optimistic About 2010

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An annual survey that examines Indiana's manufacturing industry confirms what many Hoosiers already know—the recession has impacted the sector. However, the fourth annual "Gear and Fulcrum: Performance and Practice of Indiana's Manufacturers" survey also shows the vast majority of Indiana manufacturers—about 95 percent—are optimistic about the future, expecting steady or improved results in 2010.

[The survey](#), commissioned by Indianapolis-based accounting firm Katz, Sapper & Miller, reports more than half of the 3,800 respondents believe the recent economic downturn had a significant, negative impact on sales volume. In fact, study leaders say 175 of respondents to past surveys are no longer in business.

"I think [the survey] is critical; when things are good, success can hide some problems. [In the current economic environment], I think the companies that don't make changes won't survive," says Scott Brown, Partner-in-Charge of the Manufacturing and Distribution Services Group at Katz, Sapper & Miller. "It's heartening that the majority of respondents are looking optimistically toward the future and thinking things are going to get better—presumably because of the changes they're making in their businesses to make things better."

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While organizers say the results of the 2009 study show "the harsh realities that living through the worst economy since the Great Depression has had on Indiana manufacturers," they also believe there's cause for optimism. In addition to manufacturers expecting improvement in 2010, top performers are reporting increased revenues from various new strategies, such as globalization, the development of new products and an increase in the product mix.

"Overall, manufacturers seem to be doing what it takes to try to survive this recession," says survey principal investigator Ananth Iyer, Susan Bulkeley Butler Chair in Operations Management at Purdue University's Krannert School of Management. "Times have been tough, but our read is that manufacturers are pulling themselves up from their bootstraps and trying to fix it themselves. So, when things turn around, the hope is it will be a brighter day."

Iyer says the sector, undoubtedly, had to maneuver a bumpy road in 2009, including decreased sales volumes, tightening credit and lower selling prices for finished goods. [Listen](#)

However, one purpose of the study is for the sector to benefit by sharing best practices, which organizers say are even more valuable in a tough economic environment. While the study's top performers have several characteristics in common, Iyer believes their most important "best practice" is globalization. [Listen](#)

"One piece that stood out very distinctly is that [the top performers] had a global focus in two directions: they looked at sources for inputs, but they also looked for global markets," says Iyer. "I think the reality is that even firms that are not very large should think about ways they can take advantage of global opportunities—both as buyers and as sellers." [Listen](#)

Study leaders say this year's results show that 2009 is a transition year for Indiana manufacturers; ROA (return on assets) declined sharply from 2008 to 2009, but is forecasted to improve significantly from 2009 to 2010.

"We want [the survey] to keep a baseline going," says Brown, "so we can look at things over time and say, 'What changed over time, what adjustments did people make to get through this?'"

One adjustment Iyer recommends as the sector emerges from the economic downturn is deeper collaboration—"both upstream and downstream." He says advancing technology allows collaborators to exchange ideas without visiting in person, which also cuts the cost—an important factor when budgets are tighter than ever.

"Even though times this year are tough, we think if the respondents are right, things are going to get significantly better fairly soon," says Iyer. "I think tough times bring out the best in management, and I hope manufacturers in Indiana show the rest of the country—and the world—that they can, in fact, compete, and that they're very effective business managers here in Indiana."