

## **Executive Summary**

### **Manufacturing Needs, Practices, and Performance in Georgia, 1999 to 2002**

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The Georgia Manufacturing Survey is one of the preeminent tools for ascertaining the health of the state's manufacturers. Conducted every two years since 1994, the survey benchmarks manufacturing performance by determining the needs, issues, challenges, capabilities, and potential of Georgia manufacturers. The survey is used to inform manufacturing assistance programs and regional initiatives in Georgia. The theme of the Georgia Manufacturing Survey 2002 was Innovation in Manufacturing. This summary presents the 2002 survey's key findings.

#### **Manufacturers Shift Priorities, Search for Markets**

Manufacturers' priorities have shifted since 1999. More manufacturers have needs in the marketing and product development areas in 2002 than in 1999. In contrast, concerns about information technology hardware and software declined from peak 1999 levels. Human resource problems are still a foremost worry of Georgia manufacturers, although at below peak 1996 levels. Most human resource needs involved technical and supervisory skills rather than basic skills.

#### **More Georgia Manufacturers Compete on Price**

About half of Georgia manufacturers underwent major changes in strategy or structure in the last two years. An increasing share of Georgia manufacturers dealt with these changes by competing on low price. The percentage of Georgia manufacturers competing on price rose from 19 percent in 1999 to 27 percent in 2002. However, low price (along with quick delivery) strategies are associated with lower returns on sales and lower employee wages.

#### **Product Development Is Positively Associated With Higher Performance**

More than 60 percent of Georgia manufacturers do some type of product development. Twenty-two percent are developing new-to-the-industry products and 37 percent offer support services that add value to their products. Companies with new to the industry products and value-added service offerings had significantly higher growth, profitability, and productivity than those not engaged in these practices.



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Out-of-state branch plants are more likely to do product development than are Georgia headquartered or single-establishment enterprises. This finding suggests that a good portion of the state's product development and innovations

come from linkages with innovative out-of-state companies.

### **Use of Computers Is Positively Associated With Higher Performance**

Manufacturers with more than 20 percent of their shop floor employees regularly using computers have significantly higher sales growth, profitability, and productivity. Virtually all manufacturers use e-mail, and company Web sites, shared databases, and high-speed Internet connections also are prevalent among the majority of manufacturers. Although most Georgia manufacturers have Web sites, only 6 percent got 10 percent or more of their 2001 sales through the Web. Customer requirements drove IT adoption for more than one-third of Georgia manufacturers, and IT adoption rose with facility employment size.

### **Georgia Tech-Assisted Manufacturers Had Comparatively Higher Productivity**

Twenty-four percent of manufacturers surveyed used Georgia Tech for business assistance. The top benefits reported by Georgia Tech customers were improved management and employee skills, improved an existing process and increased productivity. Compared to manufacturers not assisted by Georgia Tech, Georgia Tech clients on average experienced a value-added increase of \$353,000 to \$443,000 (or \$3,000 on a per employee basis), adjusting for what value-added per worker would have been if the company had not been a client.

### **About the survey**

Mail surveys were sent to 4,000 Georgia manufacturers with 10 or more employees between April and October 2002. Completed surveys received from 636 manufacturers were weighted to reflect employment and industry distributions in the Georgia Department of Labor database.