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Manufacturers' Consultation

Roundtable Presentation, November 18, 2009

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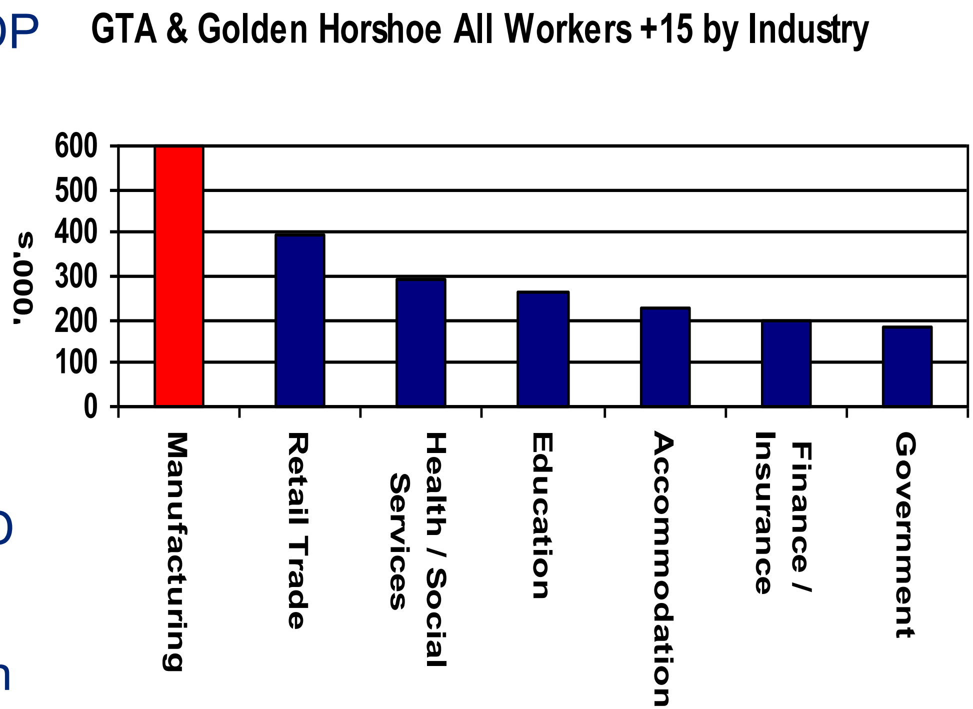
Manufacturing in context

- Manufacturing = 18% of Canada's GDP
- Manufacturing accounts for 75% of Canada's annual goods and services exports ($400 Billion)
- Every $1.00 of manufacturing output generates over $3.00 in economic activity – greatest multiplier effect
- 2/3 of all private sector Canadian R&D is driven by manufacturing
- 2.3 million Canadians are employed in the manufacturing sector

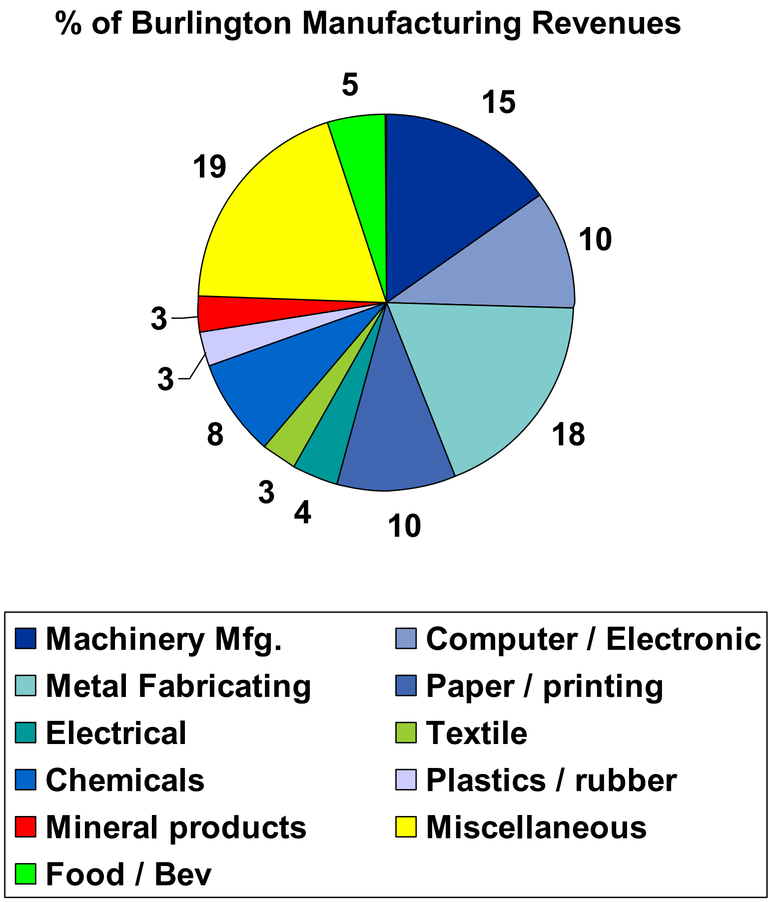


Manufacturing jobs are among the highest paying hourly jobs

In the GTA and Golden Horseshoe - Manufacturing is the largest employer

Manufacturing in Burlington

# of firms	510
# of headquarters	41
# of employees in Burlington	14,831
% of Burlington workforce	17.5%
Burlington manufacturing revenue	$2,293M (million Cdn $)
% of all Burlington industry revenues	55%
Average revenue per employee	$299.5 (thousand Cdn. $)



Background on BEDC Consultation

Burlington Goals

- Become a preferred location for foreign and new business investment
- Maintain the manufacturing employment base
- Increase the productivity of manufacturing and output by 10% to 15% over the next decade

BEDC Collaboration with Manufacturers:

- Explore innovative business models and best practices;
- Review and identify manufacturing workforce needs; and
- Recommend a strategic roadmap for the future

Action plan for BEDC

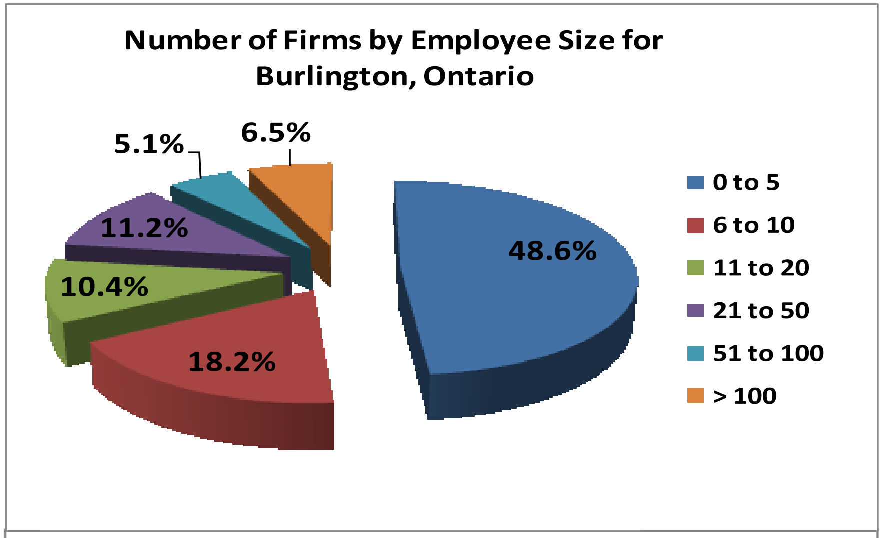
- Generate opportunities for improved collaboration
- Facilitate rapid adoption of new business methods.

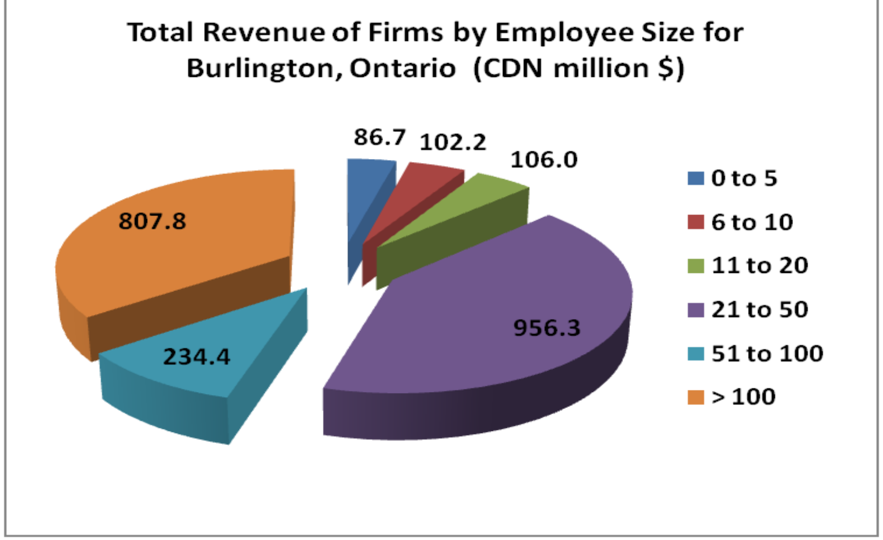
Manufacturer interview profiles

- 18 manufacturers selected with wide range of profiles:
- Variety of industries including food, material handling, military, automotive, mining, construction, aerospace, advertising, electronics, marine, waste management technology
- Ranging from knowledge - based (i.e. high office to factory staff ratios) to traditional 75% plus factory staff
- Startup companies to mature businesses
- Ranging from “build to customer specifications” to “design to build”
- Ranging from fully outsourced to fully in house manufacturing

Sampling represented the sector profile

Burlington Economic Profile





Manufacturer Interview Profile

of Employees

3 companies with less than 20

9 companies with 21-100

6 companies with over 100

Annual revenues

6 companies with less than $10M

6 companies with $10-20M

5 companies with $20-35M

1 company with over $100M

Industry consultation lines of inquiry

The following lines of inquiry were used to identify a range of issues that were strategic for Burlington manufacturers:

- Attractiveness as a location for manufacturing
- The future of manufacturing in the region
- What sectors and sub-sectors will emerge as leaders
- Key factors influencing the future
- Workforce/human capital issues
- Burlington's competitiveness as a location
- How should BEDC respond to the challenges

Workshop themes for roundtable discussion

Industry consultation indicated 5 major themes for further roundtable workshop development

- Innovation/creativity
- Networking/collaboration
- Key success factors (startup/mature businesses)
- Evolving workforce capabilities
- Business development

Theme #1 Innovation/creativity

Interview findings

- Significant appetite for product and process innovation
- Emphasis on capturing the voice of the customer
- Focus is on hiring innovative people

Global practices

- Global median R&D investment is 3.84% of sales
- Sourcing government money and support for innovation is a core competency
- "Idea Factories"

Theme #2 Networking/collaboration

Interview findings

- An overwhelming array of network choices are available
- Many overlaps, gaps, and agendas dilute the overall effectiveness
- Few manufacturers have clearly defined the value they are seeking from networking

Global practices

- Value chain collaboration in technologies, knowledge bases, production activities, and organizational/learning traits
- Regional networking coordination, fast connections
- Keiretsu model (set of companies with interlocking business relationships)

Theme #3 Key success factors (startup/mature businesses)

Interview findings

- Emphasis on retaining IP in Canada
- Focus is on talent retention, managing for greater accountability
- “As-built” environment out-of-step with modern manufacturing needs

Global practices

- Competing on the basis of value chain efficiency
- Smaller / micro flexible operations
- Product customization to meet the needs of various markets

Theme #4 Evolving workforce capabilities

Interview findings

- Increasing ratio of knowledge workers versus unskilled workers
- Hiring for attitude, fit and aptitude
- Cross training / multi- tasking with less emphasis on specialization
- Capabilities for process improvement/ Lean implementation is underdeveloped

Global practices

- Move low skill jobs to low-wage locations
- Move product design close to the customer
- Retain IP and complex processes in North America
- Address “Gen-Y” needs
- Hire employees with exemplary team building multitasking and problem-solving skills

Theme #5 Business development

Interview findings

- Few manufacturers have sophisticated sales and marketing engines
- Approx 75% of production is exported - however need for geographical market entry mentorship identified
- Penetration required into non traditional product markets (lesson learned from automotive)

Global practices

- Develop innovative products / services tailored to international customer needs
- Market-driven, results-oriented channel strategy
- Leverage “green” and “buy local” content requirements

Gaining Consensus - Calibrate Deloitte's Findings

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- Go to the flip chart that is assigned to your group. Please take your handout with you and turn to the page with the appropriate theme number on it. I.E., if you are group #4, turn to Theme # 4.

- As a group, decide whether you Strongly Agree or Strongly Disagree (or somewhere in the middle) with each of the statements. Circle the number that represents your level of agreement. If there is no agreement, circle more than one number. Please add comments you feel are important for the project team to know.

- When you hear the signal, rotate to the next flip chart and repeat.

- If you agree with the number the previous group selected then please make a check mark below or above the circle that is there already. Please feel free to add additional comments.

- You will have an opportunity to comment on every theme.

Planning for Action - Turning Findings into Planning

- We are going to put you into 5 groups.
- Each group will be assigned a specific theme.
- Working with the “Interview Findings” and “Global Practices”, as a group create a list of initiatives, activities and/or plans which will need to be executed in order to turn these findings into reality.
- You may choose to work with 1 or 2 specific findings or more generally with the theme. The intention is to generate some specific ideas which could be acted upon.
- When you are satisfied with your list (or you have run out of time), prioritize the list from most important to least important.
- Create a “Top 3 List” that contains initiatives manufacturers can take direct action on.
- Create a “Top 3 List” which will require “others” to take action on. “Others” may include various levels of government, other sectors of the economy or community.
- You will report your 2 “Top 3 Lists” to the entire group at the end of the working session.
- There will be a facilitator at each table to answer your questions and help you get started and the research team from Deloitte will be roaming to answer any specific questions which may arise

Closing thoughts – Burlington as a location

- Manufacturers are satisfied with their choice and planning to stay
- Strategic cross-roads between GTA and U.S. export market
- Right ingredients to evolve into a business centre for entrepreneurs and small to medium manufacturing
  – access to skilled labour, knowledge workers
  – excellent educational facilities
  – solid infrastructure, and amenities

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