



Manufacturing Industry Report: How Are We Doing?

The 2021 Manufacturing Industry Report, presented by gener8tor, offers some clues about how the manufacturing industry fared during the past year and what executives are looking forward to in the future.

As expected, larger operations had more of a buffer against the ravages of COVID-19 and are coming out of the pandemic having generally suffered more manageable losses, if not reasonable gains. Larger manufacturers are far ahead of their smaller competitors in technology implementation, lean manufacturing practices, and research and development (R&D).

However, manufacturers of all sizes see the same challenges and opportunities ahead.

Workforce issues: Companies of all sizes note a lack of skilled workers as the largest impediment to growth. Other factors of concern include new market expansion, pricing pressures, and risk management, including the fallout from COVID-19.



Expansion challenges: Not surprisingly, a large percentage—72 percent—of respondents to this survey indicated interest in expanding their products into new markets. They identified several roadblocks, however, with product development bottlenecks as the number one. Poor demand sensing and planning capabilities, supply chain complexities and lack of visibility, and lack of R&D investment and support rounded out the top four expansion challenges.

Production strategies: A little over half of companies have implemented lean manufacturing strategies, with 34 percent using Six Sigma, and 31 percent using just-in-time production. Smaller companies are less mature in their use of these strategies but are still implementing them with some rigor.

R&D improvements: Manufacturing executives see room for improvement in their R&D capabilities, with just 45 percent of the largest companies rating the current state of their R&D as effective or highly effective, and just 36 percent of the smallest respondents saying the same.

Pricing: Determining solid pricing strategies is a challenge in the best of times, but the pandemic exacerbated the issue. In many cases, the pandemic kept pricing stable, which was good for customers, but now, more than half of manufacturers are struggling to raise prices. Notably, companies of all sizes shared this pricing difficulty. On the optimistic front, 64 percent of respondents believe there are opportunities to increase prices without losing customers. This will require careful study and strategy to approach the right customers with the right pricing models.

Technology: While a majority of companies have added automation solutions, few have implemented business intelligence (41 percent), cloud computing (39 percent), and internet of things (36 percent) solutions. Manufacturing execution systems, robotics, 3D printing, and artificial intelligence/machine learning are also on the table, with artificial intelligence/machine learning topping the list of interests.

Will a post-pandemic economy support more technology implementation and innovation? Respondents report that new customer demands, competitive pressure, and productivity goals will have the greatest impact on these decisions.

Investment: Most companies recognize their ability to leverage technology to improve performance as effective or highly effective. With this in mind, it follows that investment in technology, R&D, and capital equipment are the top three investment priorities for manufacturers and distributors.

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Transform Performance with Soft Skill Improvements

Manufacturing and distribution are often thought of as “hard” businesses, with complex machinery, highly technical processes, and physical demands. But it’s the “soft” part of the business that’s transforming many companies as they prepare to meet the workplace challenges of the future.

For example, modern manufacturing facilities thrive on teamwork. Enhancing team skills—cooperation, conflict resolution, and good communication—are just as important as technical training. The ability to effectively articulate ideas and requests cannot be overstated as manufacturers and distributors look toward an even more competitive landscape.

Where to Start

This is not to say that technical innovation takes a backseat. More likely, soft skills should be elevated in the workplace to foster good relationships and motivate performance. Here are some places to start:

Better listening: Good listening builds trust and reduces misunderstandings. Improving listening skills lets people take in more information, which often leads to better decision making. Coined in the late 1950s, the term “active listening” describes a listening technique that’s highly engaged and attentive. This tried-and-true method involves attitude, attention, and adjustment.



A positive attitude includes an open mind so you can actually hear what the other person is saying. Giving the conversation full attention fosters better understanding and adjustment—going with the flow—and means adapting to where the speaker is taking the conversation. Most executives have had some measure of training in active listening, but these skills are important for everyone at your company. Consider implementing team-based listening skills training to enhance effective listening up and down your org chart.

Better meetings: The pandemic may have done permanent damage to employees’ tolerance for ineffective meetings. Many complained of too many or unproductive meetings that could have been handled in an email or quick phone call.

To enhance your company’s meetings, start with some self-reflection. Which meetings do people dread and why? Are meetings led effectively and with purpose? What have you learned from meeting leaders who seem to do an exceptional job of moving discussions along?

Remember, the leader sets the tone and pace of the meeting, so if everyone is distracted (or turns off their video feed!), you might need to up your meeting game. You can find tips and tricks for effective meeting leadership online. Simple tools like using an agenda help define a specific purpose and goal for gathering and decision making.

More focus: You’ve no doubt heard of CEOs who pick a theme for the year—an anchoring thought that defines priorities and actions. This theme can be personal, meant only for you and how you interact with others. Or it could be intended for the whole company, meant as a sort of rallying cry for the entire workforce.

For example, “listening” could be a theme for an executive who desires a better understanding of how the company and its people operate and make decisions. Or “collaboration” could be a meaningful enterprise-wide starting point for a company that’s set on improving corporate culture, innovation, or reorganization. Begin to organize your thoughts around a theme by answering the question, “What do I want the next year to reflect for our company?” Having a theme in mind allows you more focus and concentration on what’s important.

Now’s the Time

With post-pandemic reinvention on the minds of many executives, now may be the time for increased attention on the softer side of management. Fine-tuning in this area can help you prepare for a more productive future.



Make the Most of R&D and Workforce Tax Credits

If your company isn't taking advantage of all available federal and state tax credits, you're leaving money on the table. Here are two programs that can offset your tax liability as you invest in research and development (R&D) and hire new employees.

R&D Tax Credit

The R&D tax credit is available at the federal level and in more than 30 states and is designed to reward companies for conducting R&D domestically. If your company participates in any of the following activities, you may qualify:

- Developing or designing new products or processes
- Improving existing products or processes
- Developing prototypes, pilot processes, or software
- Performing environmental testing
- Hiring designers, engineers, or scientists

Eligibility for the tax credit is based on a four-part test:

1. Are the R&D activities technological in nature, relying on physical, biological, computer science or engineering?
2. Is the purpose to develop or improve a process or product?
3. Are the activities designed to eliminate uncertainty about a new method, product, process, or product design?
4. Is experimentation used to evaluate alternatives relative to improving function, performance, reliability, or quality?



Among the research expenditures that qualify for the credit are wages; cost of materials and supplies; computer rental, cloud service, or server rental; and domestic contract research expenses.

Documentation is required, including payroll records, general ledger expense details, project lists, and notes.

Companies can claim a refund for the credit retroactively, capturing the last three years of qualifying R&D activity, or they can carry the credit forward for up to 20 years.

In addition, certain qualified small businesses may qualify for a payroll tax credit for tax years beginning in 2016, capped at up to \$250,000 for up to five years.

Work Opportunity Tax Credit (WOTC)

The WOTC is a federal tax credit available to employers for hiring individuals from certain targeted groups that have consistently faced barriers to employment.

These groups include qualified veterans, summer youth employees, ex-felons, vocational rehabilitation referrals, supplemental nutrition assistance program (SNAP) recipients, and others.

The WOTC is a dollar-for-dollar tax credit of federal taxes owed based on qualified first-year wages and is equal to 40 percent of the first \$6,000 of wages, for a maximum credit of \$2,400 per employee. Certain groups qualify for an even greater tax incentive per employee.

To qualify, job applicants must be certified and verified as a member of a qualifying group, and employers must submit U.S. Department of Labor forms to their state workforce agencies.

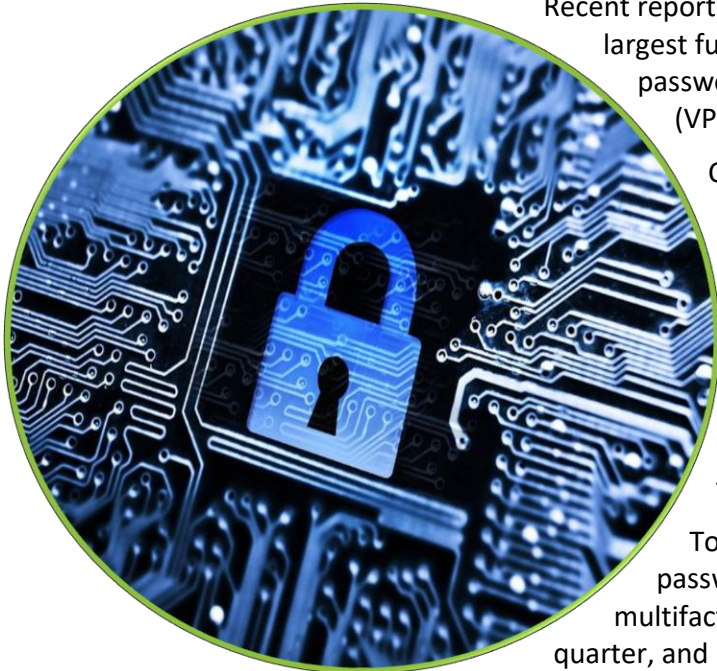
The amount of tax credit your company qualifies for will depend on your R&D and hiring, but the savings can be significant.



Protect Your Assets with Better Password Security

The FBI’s Internet Crime Complaint Center had a busy 2020. The agency’s most recent internet crime report shows a 64.4 percent increase over the prior year and reported losses of \$4.2 billion.

The top three internet crimes for 2020 were phishing scams, non-payment and non-delivery scams, and extortion. And of course, ransomware crimes were also reported in significant numbers.



Recent reports indicate that the May 2021 cyberattack that took down the largest fuel pipeline in the U.S. was the result of a single compromised password used to access Colonial Pipeline’s virtual private network (VPN).

Countless companies use VPNs to allow their employees remote access to their company’s network. Does yours? If so, beware. This type of password credential compromise is responsible for more than 60 percent of data breaches, according to Verizon’s 2021 Data Breach Investigations Report.

Everyone struggles with passwords. They are hard to remember, not terribly secure, and must be changed frequently.

To protect themselves, some companies have implemented password security measures such as “strong” passwords, multifactor authentication, automatic password changes every quarter, and mandatory password changes in case of a breach.

To avoid password issues altogether, some companies are turning to different types of passwordless security solutions.

These solutions verify users’ identities based on a variety of factors and methodologies, including one-time password generators, SMS codes, registered devices, tokens, and biometrics such as fingerprints and facial or retinal scans.

Notably, some of these same types of security measures are being implemented by manufacturers in their industrial control systems.

While there are costs involved in implementing passwordless solutions, going passwordless can save the company money in other ways—and give CEOs peace of mind.

Given the rise in cybercrime, consider implementing increased security measures at your company to protect your network, your operations, and other valuable assets.

