



WISCONSIN CENTER FOR
**MANUFACTURING
& PRODUCTIVITY**

Growth Opportunities in Manufacturing



Join us at the **2024 WMR Readout Events**

Oct. 2, Brookfield, **Oct. 3**, Green Bay, and **Oct. 23**, UW-Stout, Menomonie

<https://www.wicmp.org/2024-wisconsin-manufacturing-report-events>

The Wisconsin Manufacturing Report returns for the fourth year!

We're very proud of the insights and impact the Wisconsin Manufacturing Report created in its first three years!

The data and conclusions in these reports paint the most complete picture of Wisconsin manufacturing available today. We know our work is used by manufacturers, professional service providers, educators, and policy makers to make better decisions and create greater impact for their stakeholders.

In preparing for this year's report, our team revisited the data and reflected on what we learned during the past 12 months. We decided to share these thoughts to both help manufacturers improve their performance and anticipate the new report coming out in October.

This document highlights several growth fundamentals. We believe growth is the lifeblood of any successful manufacturer. Research by Adam Hartung of Spark Partners demonstrates that more than **93% of companies that experience a sales decline in two consecutive quarters fail to recover**. The WCMP and our partners invested the past 30 years helping companies stay competitive and grow.

Four opportunities emerged from exploring the data:

- Companies that focus too intently on cost reduction jeopardize their ability to grow
- Creative approaches to employee attraction and retention result in a better workforce
- Automation – and the productivity it creates – reduces pressure to find more workers
- Cybersecurity becomes a bigger concern as companies adopt new technology

These insights should stimulate new thinking and inspire you to take bold steps toward growth. Whether it's rethinking your cost strategies to prioritize innovation, finding new ways to attract and retain talent, or embracing the latest technology, the Wisconsin MEP Network can help you move faster and reduce your implementation risk.

It's an exciting time for Wisconsin manufacturing. The emphasis on domestic manufacturing plays to our strengths as a state and major investments in AI and green manufacturing provide additional momentum during 2024. The manufacturers who lean into growth and take advantage of these opportunities will thrive into the future.

The 4th Annual Wisconsin Manufacturing Report will hit the streets in October – Manufacturing Month in Wisconsin. Please join us at one of our public events as we reveal the newest results. We will delve into the latest findings and provide the opportunity for discussion, questions, and new connections with other manufacturing leaders.

Thank you for investing a few minutes with our latest insights. We look forward to seeing you at this year's readouts in October.



Buckley Brinkman
Executive Director / CEO

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A Laser Focus on Costs Results in Missed Growth Opportunities

Manufacturers state they want to invest in growth, but consistently view growth as less of a concern than cost efficiencies. While cost efficiencies are an important element of any company strategy, doing so at the expense of growth can jeopardize the future.

Where do manufacturers leave money on the table when they focus on cost efficiencies over growth?

INNOVATION: Many manufacturers choose cost efficiency over innovation with 63% of companies seeking growth in current markets for current products while only 25% of manufacturers plan growth through innovation.

STRATEGY: 74% of manufacturers do not see better strategic planning and implementation as a main source of growth. This lack of rigorous strategic planning and implementation naturally pushes companies to focus more on costs and takes attention away from growth.

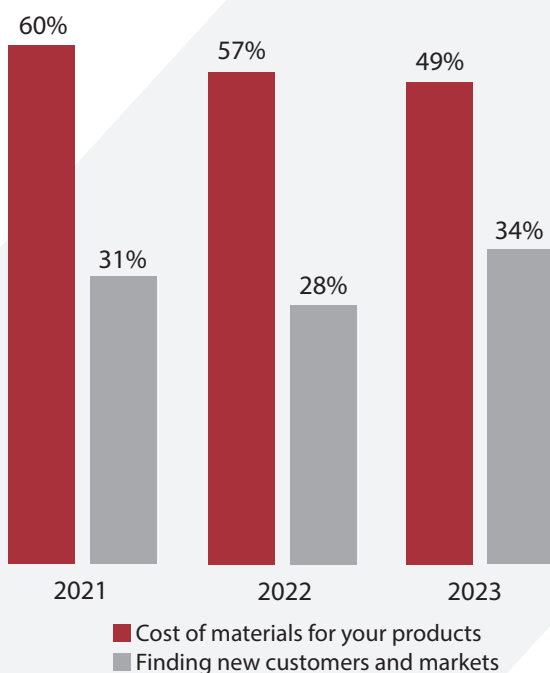
PEOPLE: Companies with an intentional growth focus need employees with specialized skills to ensure success. The results show few companies making that investment with 28% of manufacturers focused on skill development for their leaders in 2023. Also, only 4% of companies saw attracting and retaining good employees as a significant impact on their growth – even though finding and retaining employees has been a top concern for all manufacturers every year of the report.

Fixing these three issues is difficult and requires a step-by-step approach. Focus on growth by engaging your people and outside expertise to design a customized growth strategy and creating an innovative environment, keeping in mind three elements that impact every growth strategy:

- Company maturity
- Company market position
- Company financial position and risk profile

Manufacturing Concerns

Cost concerns dropped from 1st place in 2021 to 3rd in 2023, while “finding new customers and markets” moved up slightly from 10th to 9th.



“ Primary Drivers of Growth

- Support innovation and the culture that supports it.
- Create a strategic plan that is consistently implemented with actionable goals. Stick to the plan.
- Hire people with the talent to achieve the goals.

OPPORTUNITY 2

Using creative approaches engage and attract employees more easily

Many Wisconsin manufacturers believe salaries and wages are their strongest selling point to attract and retain employees even though employers that focus beyond these traditional selling points find greater success in hiring.

How are manufacturers finding creative ways to retain and attract employees necessary for future growth?

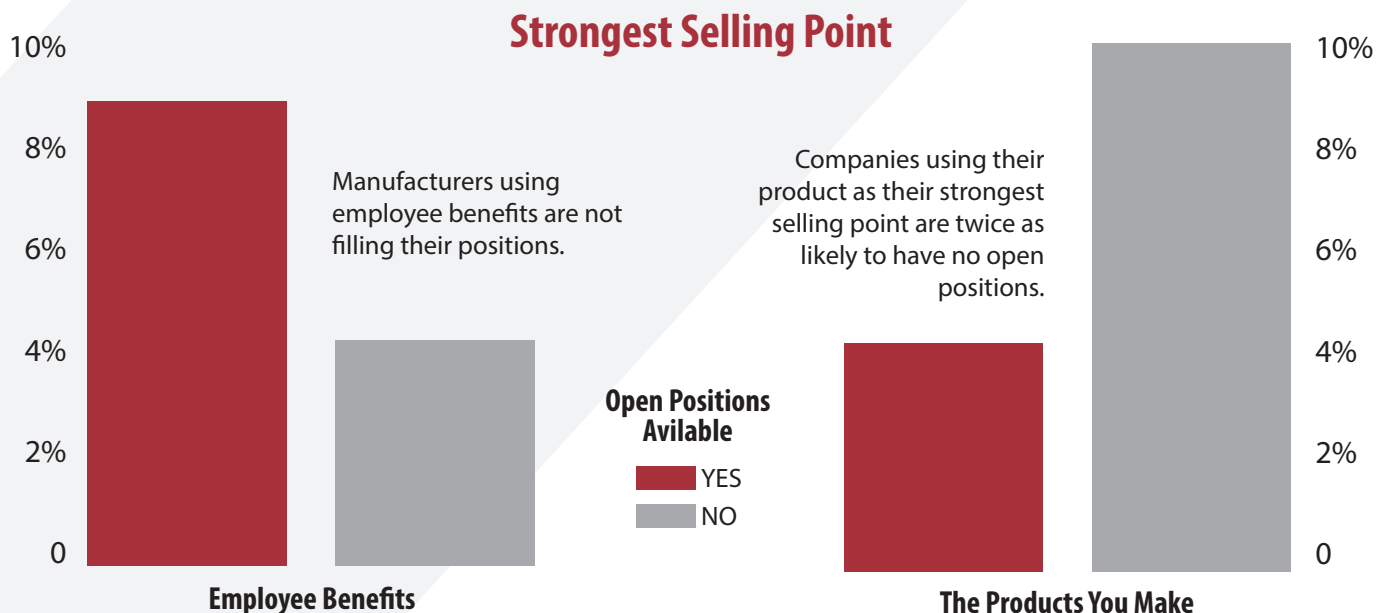
CULTURE: The 60% of manufacturers who use wages and the 44% who use benefits to attract and retain employees have more open positions than counterparts with more creative approaches. Manufacturers that address work-life balance with benefits like flexible shifts find it easier to hire and retain employees, and have fewer job openings. This is particularly important for smaller manufacturers who may struggle to compete on salary, but can create an attractive company culture.

PRODUCT: Employee pride in the product made is difficult to quantify, but results show that your product plays a role in attracting and retaining people. A solid mission and a great story about your product excites employees. Use it to create a unique employment brand.

ADVANCEMENT: In 2023, 14% fewer manufacturers (less than half surveyed) considered employee training as a long-term tool to address workforce challenges. McKinsey studies show that ensuring your employees have the right skills to do their job and advance in your organization is key to retention and overall productivity.

Focusing on wages and benefits result in more open positions, while companies that offer “outside the box” benefits find it easier to attract and retain employees. The best companies employ engaged people with pride in the product they make. Reasonable compensation is not enough. Companies need to focus in these key areas:

- Identify the ideal employee profile,
- Create a meaningful employment brand, and
- Unleash creativity through independent problem solving and work.





Artificial Intelligence

72% of Wisconsin manufacturers surveyed have never used and have no plans to use AI. The 9th Annual State of Smart Manufacturing Report by Rockwell Automation found that 83% of their global clients anticipate using AI in 2024, and that AI is the #1 new area for technology investment. Other surveys show that manufacturers are last in using AI. The challenges for small- and medium-size manufacturers are greater because they do not have the expertise and resources to learn and implement AI.

Automation is Critical to Increasing Productivity

Innovation goes beyond the product itself to include production in the most efficient manner and 64% of all companies consider automation important. Companies that embrace automation and innovation increase their productivity.

While large companies adopted automation rapidly, smaller manufacturers find it much more challenging to implement and benefit from this trend. The inability to implement automation projects increases the productivity gap between large and small companies, placing small companies in a precarious long-term position.

Why are smaller companies challenged to implement transformational automation projects?

BUDGET: 32% of manufacturers cannot implement automation projects due to lack of financing/budget.

TECHNOLOGY: Even with the budget in place 18% see the technology/systems as an obstacle. Small manufacturers don't have the time to experiment with these new technologies.

PEOPLE: With training efforts of manufacturers declining in 2023, training people on automation is an obstacle for 13% of manufacturers.

Smaller companies can identify incremental automation projects within their facility. Assessment of one element within a part of the operation rather than changing the entire plant allows companies to capture productivity gains, while placing less burden on finances and staff. Identify organizations that offer funding/grants for equipment acquisition and training.

Companies will find that leaning into technology and the productivity that it brings will alleviate some of their employment issues. The most successful companies will:

- Implement in small bites to learn along the way,
- Identify early wins within the first six months to support long-term success, and
- Leverage experts to build up internal expertise and reduce risk.

Automation adoption varies by industry

Plastics	82%
Paper or Wood Products	70%
Metal Fabrication	69%
Electrical Equipment	68%
Printing	65%
Machinery Manufacturing	64%
Food and Beverage	63%

Plastics industry appears to be the strongest adopter of automation with **82%** in the industry agreeing it is important to the company's future.

In the middle are the paper, metal and electrical equipment industries between **68-70%**

Rounding out the field are printing, machinery and food with **63-65%** indicating the importance of automation.

OPPORTUNITY 4

Cybersecurity May be the Achilles Heal of Manufacturers

Larger companies are more prominent targets, but as cybersecurity threats increase and grow in sophistication through AI, the ability to target all companies increases. In fact, smaller companies with less developed cybersecurity infrastructure may make a more attractive target.

Trends that will continue to increase cybersecurity threats*

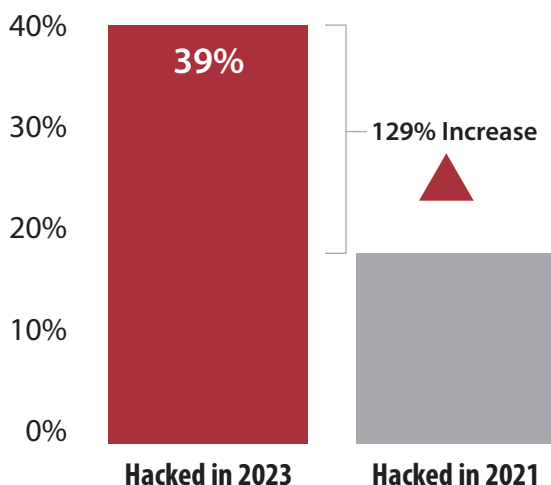
- On-demand access to data as machines are controlled remotely or through computers rather than manually.
- Hackers using AI, machine learning, and other technologies to launch increasingly sophisticated attacks making them able to attack more companies in more sophisticated ways.
- The growing regulatory landscape and continued gaps in resources, knowledge, and talent mean that organizations must continually evolve and adapt their cybersecurity approach.

It is essential to make a full assessment of your risk exposure including creation of:

- An action plan with milestones,
- An incident response plan, and
- A system security plan.

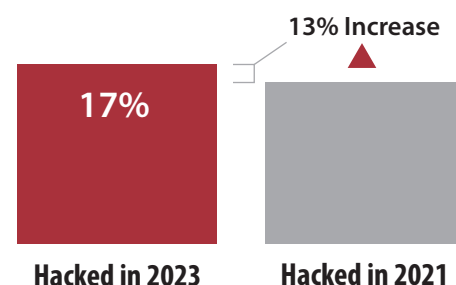
“Yet most manufacturers large and small feel secure from hacking, data breaches and other technological threats.”

50 Plus Employees



In 2023 22% of manufacturers reported being hacked, a 38% increase over 2021. Companies with 50+ employees were hacked at a rate of 39% in 2023, a 129% increase over 2021. 17% of manufacturers with fewer than 50 employees faced data breaches in 2023, a 13% increase over 2021.

Less than 50 Employees



Report Summary

Manufacturers should prioritize growth and innovation over merely managing costs. The Wisconsin Manufacturing Report identified four critical areas essential for positioning manufacturers for growth and resilience. Each manufacturer's situation is unique – differing in company maturity, financial status, and market position. Solutions are just as unique. To build a robust growth strategy, engage your employees, financial partners, and industry experts. Focus on attracting and retaining the talent needed to succeed, embracing new technologies in small bites, and protecting your business from ever increasing cyber attacks.

About the Wisconsin MEP Network

The Wisconsin Center for Manufacturing & Productivity (WCMP) is part of the NIST MEP National Network with centers in every state and Puerto Rico. Together, we've focused for the past 30 years on keeping Small- and Medium-sized Manufacturers (SMMs) competitive. In Wisconsin, the WCMP and our partners – WMEP Manufacturing Solutions and the UW-Stout Manufacturing Outreach Center – make up the Wisconsin MEP Network. Our not-for-profit status frees us to create impact for our clients, delivering resources not usually accessible to SMMs.

Thank you sponsors!



Thank you partners!





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