Key Manufacturing Risks & Opportunities

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The Manufacturing industry faces challenges and risks that are unique from any other industry. Since manufacturing is a vital spoke in the global economy and an essential component of many other industries, risks to manufacturers tend to have a much larger ripple effect. If risks go unaddressed they can lead to operational and financial losses throughout our economy, not to mention damage to the reputation of the company. It's important for manufacturers to be aware of the basic and evolving risks they may face and take appropriate steps to mitigate them.

Some key risks include:

- Supply chain constraints
- Attracting and retaining quality workforce
- Cyber security threats
- Inflation

Our team of Manufacturing Experts have put together a risks overview so you can explore the risks to the manufacturing industry in detail and search for opportunities for growth as we cruise through 2023.

Risk	Description
Supply Chain Constraints *Parts/materials difficult to find/long lead times.*	• Acquire logistics companies or develop in-house logistics operations. Greater supply chain visibility and higher quality as well as reducing shipping costs and time due to more streamlined logistics networks • Consider new suppliers and sourcing options • Relationship management

Risk	Description
Attracting & Retaining Quality Workforce *Labor challenges experienced through a shrinking pool of applicants, aging workforce and shortage of highly skilled workers.*	• More favorable working conditions including pay increases and flexible work arrangements • Diversity, Equity & Inclusion (DEI) approach to attract more women and racially and ethnically diverse groups • Manufacturing companies today have a hard time finding employees who will show up and be on time for work and stick with their jobs • Considerable void when it comes to skills and experience – Manufacturers need to work with schools and universities in their communities to ensure that manufacturing focused subjects are being well promoted and taught
Cyber Security *Rise in cyber security incidents across manufacturing companies.*	• Potential effects of a network infiltration include shut down of operations, theft of sensitive customer information, or theft of sensitive banking information • Education of employees of potential phishing schemes is paramount to a successful cyber security campaign
Technology *Technology continues to evolve with endless possibilities.*	• Take ERP to the Cloud • Data analysis predictive maintenance and use of data analysis to identify anomalies in equipment performance • Data decision making around sourcing, production, fulfillment, cost reduction. • Controls around Artificial Intelligence • Autonomous vehicles in warehouses to move materials and product • Robots will change the economics of manufacturing with less time focused on low cost labor positions
Environmental, Social, Governance (ESG) *A sustainability mind-set becomes more of a focal point.*	• Complete visibility throughout supply chain for own compliance and that of their suppliers • Manage waste • Increase supplier diversity • Smart buildings • Electrifying fleets
Product as a Service (PaaS) *Diversifying revenue sources has become more important in establishing an indefinite future.*	• Manufactures lease equipment to customers and offer a list of subscription based value-added services • Collect equipment usage data from customers

Risk	Description
Inflation *Manufactures have to integrate higher priced materials into budget and determine how much to increase prices to customers to absorb these cost increases.*	• Producer price inflation for goods other than food and energy slowed to an annualized 4.2% in the three months ending in December 2022 from 11.5% in the three months ending in April 2022. (Reuters) • Manufacturing payrolls increased at an annualized rate of 1.6% in the three months ending in December, down from annualized growth of 5.5% in the three months ending in April. (Reuters)
Possible Recession *Managing through a potential slowdown in the economy will be a focal point of 2023.*	• Sixty-two percent of manufacturers expect the U.S. economy to enter a recession in 2023, according to a survey conducted by the National Association of Manufacturers

Manufacturing Services