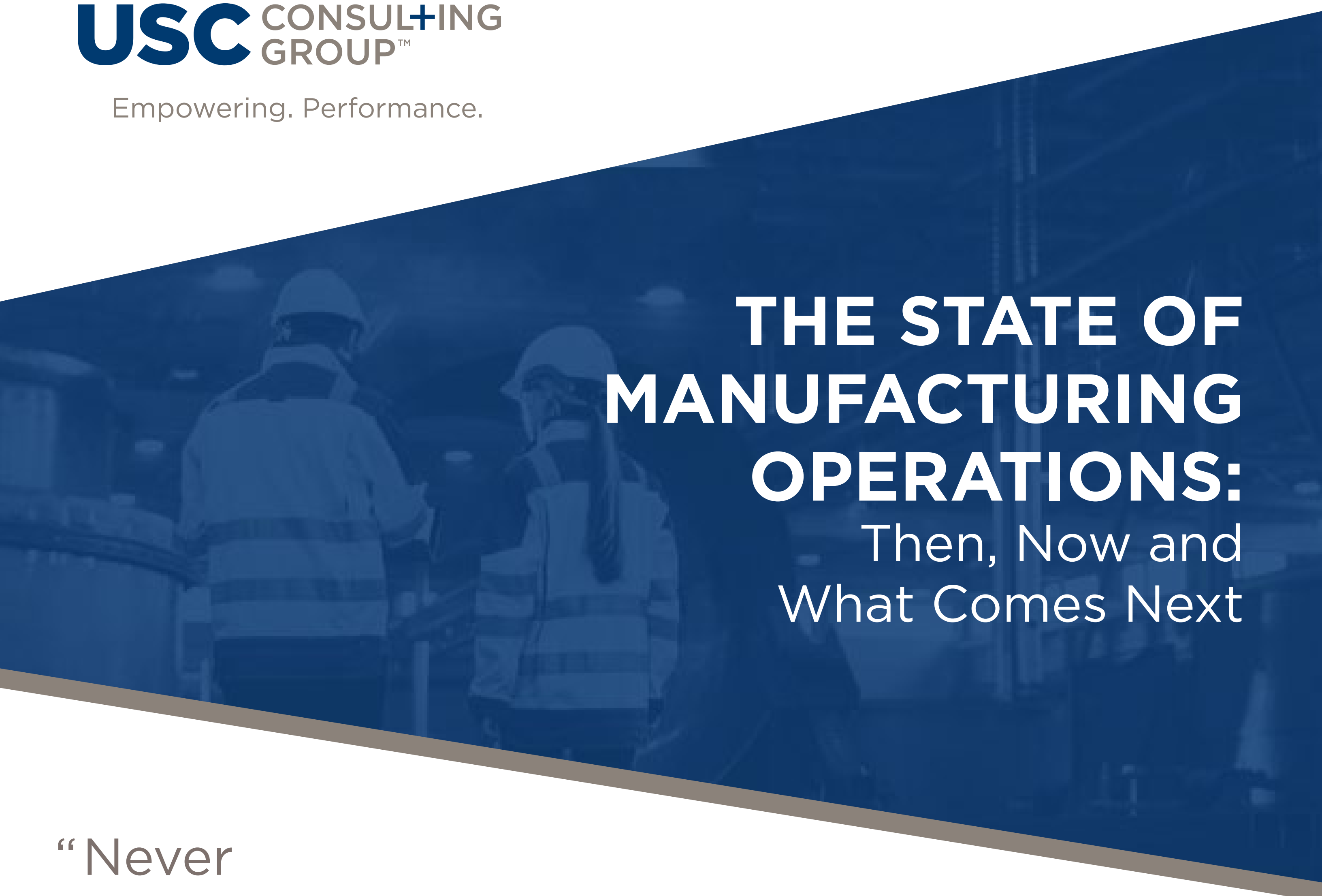
USC CONSULTING GROUP™

Empowering. Performance.



THE STATE OF MANUFACTURING OPERATIONS:
Then, Now and What Comes Next

"Never let a good crisis go to waste."

— Winston Churchill

Churchill said this famous line as World War II neared its end. It's inspiring for many reasons, chief among them the optimism that comes from looking for a silver lining in the darkest of clouds. The manufacturing industry, and indeed our world, has been engulfed by a different type of dark cloud during the pandemic. Some businesses have closed. Others have had to pivot in response to COVID-19 challenges. The supply chain has been disrupted. Production has slowed. Demand is all over the place. Employees are wondering if their jobs are safe. What would Churchill say now?

At USC Consulting, we'd like to think he would have retained that sense of optimism. Yes, we've been through a trial by fire. And it's not quite over yet. But great opportunities may arise from the ashes. Changes made on the fly in response to COVID might actually lead the manufacturing industry to bounce back stronger, leaner and more efficient than before.

In this whitepaper, we'll explore the state of manufacturing operations today, and shine up our crystal ball to take a look at what might be coming down the pike in the future. No doubt that 2020 was a bumpy ride. But we just might be happy with the destination.

Overview of manufacturing today

There's no doubt the manufacturing industry took its share of hits in 2020. It was a one-two punch of supply chain disruption and operational disruption, combining to hand the industry a year the likes of which we have never seen in modern history: forced shutdowns, plummeting production, furloughs and layoffs of employees.

The manufacturing industries that have been most affected include:

- High-manual, low-margin companies that were disrupted by operational changes, resulting in less production.
- Companies that deal with complex supply chains. Supply chains, too, were disrupted by the pandemic, forcing companies to look elsewhere.
- Brick-and-mortar sales. For much of 2020, customers simply couldn't come through the doors because of the shutdown. Manufacturing, like many industries, was impacted by this.

Manufacturing has been down, but it's not out. Not by a long shot. Manufacturing has bounced back with renewed demand, and production methods are changing as a result. Because certain supply chains, like those from China, were disrupted, manufacturing is rethinking supply chains and finding new markets, and is contemplating large-scale changes in everything from how employees work to where companies source materials.

The future looks bright after this difficult year. Following Churchill's example of finding silver linings in dark clouds, lessons learned during this year of trial-by-fire just might emerge as best practices tomorrow. This is a chance for manufacturing to take a look at the new processes and procedures that resulted from COVID-19, what's working and what's not, and make permanent changes for the better.

Manufacturing today

- **Manufacturing has been down, but it's not out. Not by a long shot.**
- **Having to rethink supply chains and markets**
- **Opportunity to make large-scale changes**
- **Industries that have been the most affected: high manual, low margin, those who deal with complex supply chains and selling through brick-and-mortar**

Common issues and challenges manufacturers are facing now

Let's look a little deeper at the issues and challenges COVID created for the manufacturing industry, and the opportunities for change that are arising.

Safety of people and products

The highly contagious nature of COVID-19 ushered in new procedures and protocols on the manufacturing shop floor. Getting people onto the floor for their shifts took on several layers of complexity, with temperature checks and the spacing of workers for safety. It also meant that products had to be kept safe, especially those in the food industry. All of these new measures slowed down production lines and ate into efficiency and productivity. It's an ongoing issue for many manufacturers.

Greater focus on automation

Automation had already been prevalent in the manufacturing industry, but during COVID, artificial intelligence took on a new importance. Simply put, if you've got bots on the production line, you don't need to worry about social distancing, temperature checks, absences because of illness, work slowdowns and a whole host of other COVID-borne challenges. The drops in efficiency and productivity would be eliminated.

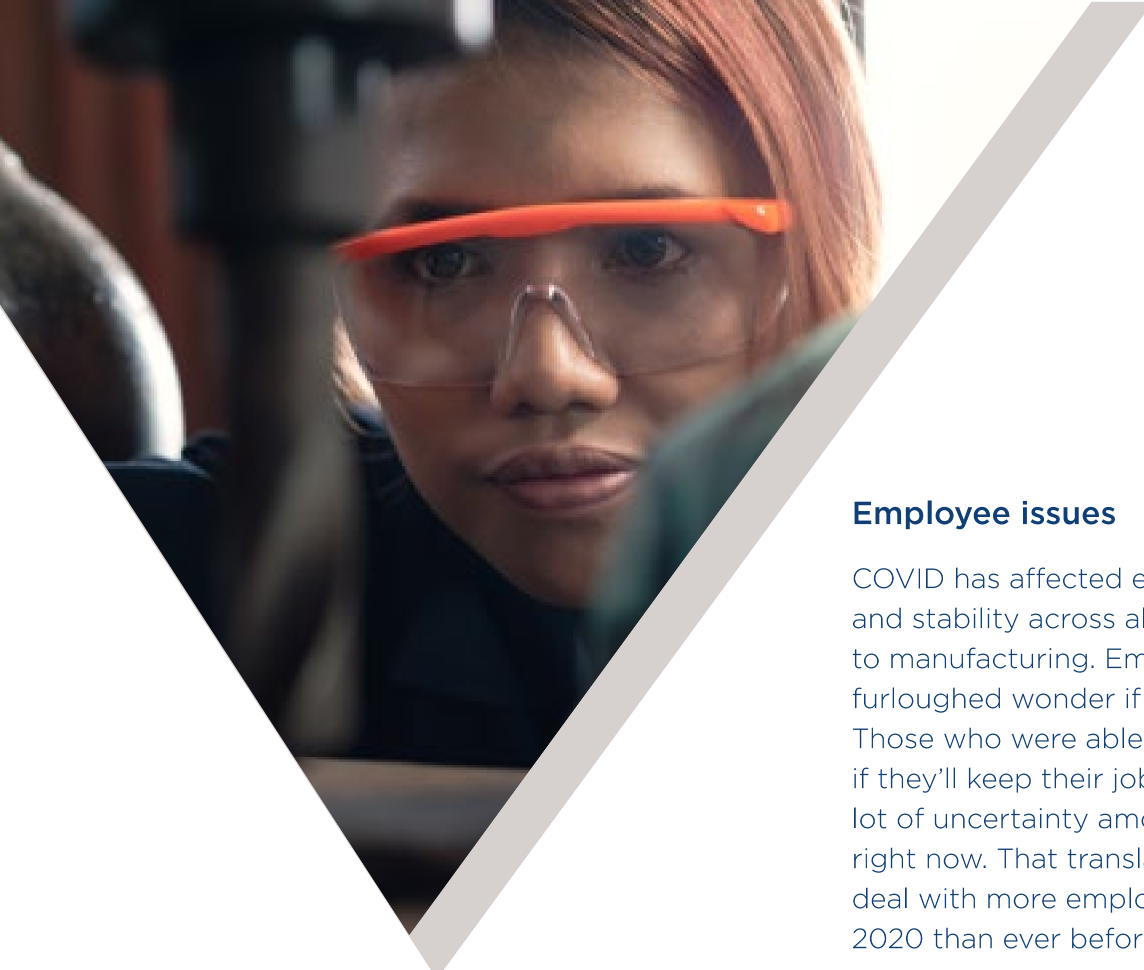
Manufacturers are looking at greater automation now and in the future. Even when society is vaccinated against COVID, another pandemic is possible. Heading off those drops in efficiency by automating production lines may be a crucial step to preventing the kind of business cataclysm caused by COVID.

Working from home

Obviously, employees on the production line are not able to work from home. But those in support positions in the office can, and have. It's leading manufacturers to contemplate large-scale changes in where people work. Within those changes are hidden opportunities for efficiency. Here's just one: The "road warrior" may be a thing of the past. How much business travel is really necessary now, when most everyone is comfortable with Zoom or other online meeting software? Why pay for people to travel halfway around the country, or the world, when they can accomplish the same meeting sitting in their home offices? That concept extends to workers who don't travel, as well. Does your CFO really need to crunch numbers in the office, or can she do the work from home, cutting down her commute time and upping her work/life balance in the process? And, if some work and transactional processes can be performed remotely, can they also be moved to a lower cost jurisdiction?

Common issues manufacturers are facing:

- **Safety of people and products**
- **Greater focus on automation**
- **Working from home**
- **Rethinking supply chains**
- **Employee issues**



Employee issues

COVID has affected employee health, morale and stability across all industries. It's not unique to manufacturing. Employees who have been furloughed wonder if they'll get their jobs back. Those who were able to stay on the job wonder if they'll keep their jobs in the long run. There's a lot of uncertainty among the workforce out there right now. That translated to employers having to deal with more employee-related issues during 2020 than ever before. Just a few:

- Until the vaccine is widely distributed, how do you keep employees safe on the production line? It means the continuation of safety protocols, despite the drops in efficiency they may cause.
- Employees need more time off, whether they're ill themselves or having to care for an ill family member. HR is rethinking time-off policies and management is rethinking employee schedules to accommodate it.
- Businesses that have experienced furloughs and layoffs are now faced with low employee morale and a simmering distrust of management. People are unsettled and afraid for their livelihoods, thinking management doesn't care. This is especially true if companies have automated some positions.

Bottom line, many manufacturers find they have work to do to reengage their workforce. It is going to mean taking a new look at policies to ensure employees feel cared for, valued and needed.

Rethinking supply chains

Because supply chains from China were disrupted during the pandemic, manufacturers needed to find other sources of materials and product. The situation forced people to think outside the box, create new possibilities and find new partners. Where can you source from if borders close again? One issue being talked about in front offices is the possibility of sourcing locally. If we have the capacity to make it here, it would prevent another massive supply chain disruption like we saw in 2020.

It's also a matter of inventory. Manufacturing has always had to do a delicate dance with how much inventory to have on hand at any given moment, but COVID has put a new spin on it. On the one hand, too much inventory during drops in production is never a good thing. But on the other, being caught short during supply chain disruptions can be catastrophic.

A look to the future: Will some changes be permanent?

At USC Consulting, we've been in this business for more than 50 years. But even we haven't seen anything like what 2020 dished out to manufacturers. However, based on our half-century on the front lines, we can postulate about how the manufacturing landscape may look once the dust settles and the pandemic is over.

Some of the changes brought about by COVID will surely be permanent. Here's what our crystal ball is showing:

More automation

If companies brought in automation, it's here to stay. The efficiencies realized by automating manufacturing tasks will boost companies' bottom lines. AI will help speed production and guard against the downtimes and downturns that manufacturing experienced because of COVID if another pandemic hits our shores. These changes aren't just affecting people on the production lines. Office tasks will increasingly be automated, too.

Less business travel

Why take days to travel across the country for a meeting, incurring expenses like gas or plane fares, hotel rooms and meals on the road, when you can accomplish the same thing with a Zoom meeting before lunch? The savings companies will realize by limiting or eliminating business travel are enormous and will have a substantial effect on their bottom lines. We can see the end of the "road warrior" era on the horizon.

More working from home

People's lives and structures have changed because of COVID-19. Employees who never worked at home before were suddenly forced to do so because of the lockdown, and it opened a lot of eyes. Employers who previously required "face time" in the office found that employees were just as productive, or even more so, at home. And employees found they like working from home. The lack of the daily commute alone is a great benefit, reducing people's stress levels, giving them more time in their day, and increasing happiness. Working at home increases their work/life balance. Why go to the office if you're not physically using a wrench?

Changes in operations

COVID has forced everyone to put a laser focus on safety and efficiencies. Many of the new safety protocols arose from the need to find new ways of doing the same processes, with new efficiencies emerging as a result.

Less brick-and-mortar

We will see a resurgence of brick-and-mortar transactions, to be sure. But now that people have been used to buying online, why go back to the old way? The effect is cutting out the middleman.

New sources in the supply chain

Manufacturing has lived through the disruption of supply chains caused by COVID, found new partners, new sources of materials and product, and new ways of meeting the demand. Where can you source products if the borders close again?

Permanent changes in manufacturing after COVID

- **Safety of people and products**
- **Greater focus on automation**
- **Working from home**
- **Rethinking supply chains**
- **Employee issues**

No doubt, 2020 was a trial by fire for the manufacturing industry. But out of that crisis, opportunities for positive change have emerged. Many manufacturing businesses are rethinking everything from their supply chains to employees working at home to business travel. Change is coming to this traditional industry, change for the better.

Adopting those positive changes can steel your business for the possibility that another pandemic might hit, and prevent the downturns and losses seen in 2020 from happening again.

Bottom line, it means making your business as efficient as possible. At USC Consulting, we know something about that. If you'd like to learn more about how you can become more efficient, please give us a call today.

USC CONSULTING GROUP™

Empowering. Performance.

Contact Us:
1-813-387-4327
Email: info@usccg.com