

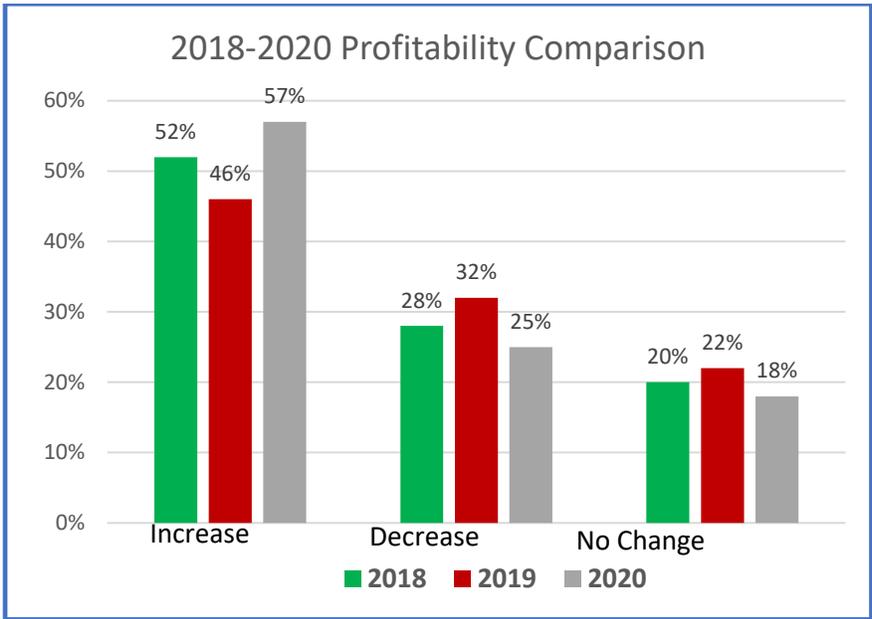
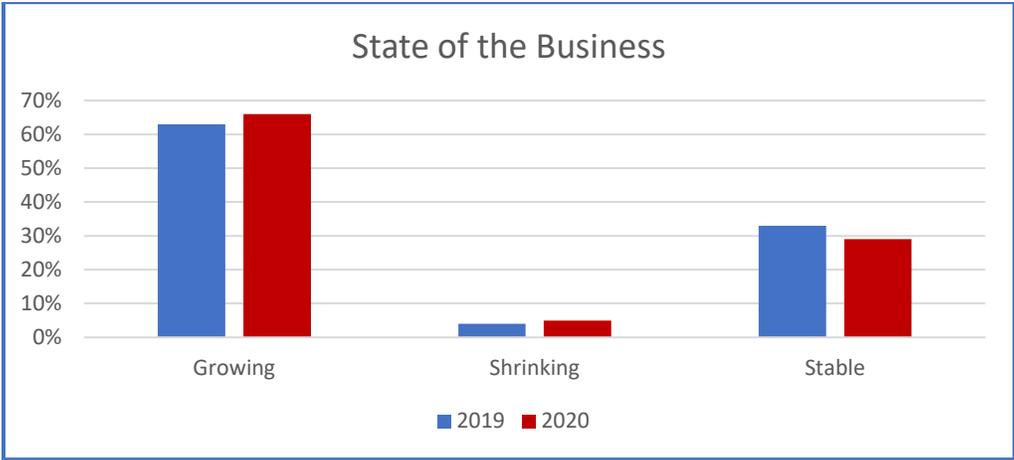


Learning from 2020 . . .

Opportunity for 2021



Manufacturing Respondents Shared. . .



Once Upon a Time...

Just over a year ago, Paranet was eagerly looking forward to a year planned for our members packed with great events, solid advisory group meetings, exciting networking opportunities and growth. And then the pandemic hit and **within 3 days we had to pivot to a virtual platform**. Staff and Group Directors had to be trained on Teams and Zoom virtually. Everyone at Paranet stepped up, just like our members. We did whatever had to be done to help support our membership through something new to all of us.

Paranet proved it is resilient and our members are loyal. Things have been different in both good and challenging ways. But one thing that stands out loud and clear is **we never give up!**

Please read on for the results of our **2020 Year End Survey**.

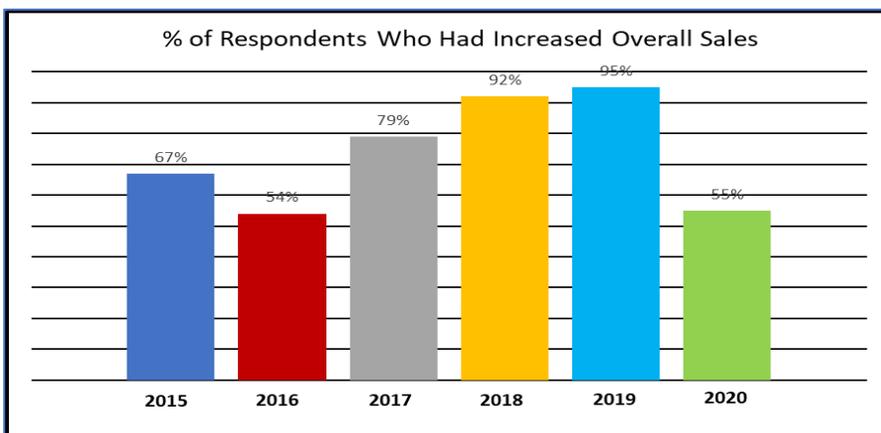
Our 2020 Year End Survey screams it loud and clear, **“We are tired of COVID-19 and want to move on!”** At the same time, it permeates every area of our report. But every coin has two sides and that is true with dealing with a pandemic. While members had to deal with things they had never dreamed of, they also learned some value lessons. **We learned a new language...social distancing, quarantine, isolation and masking up.**

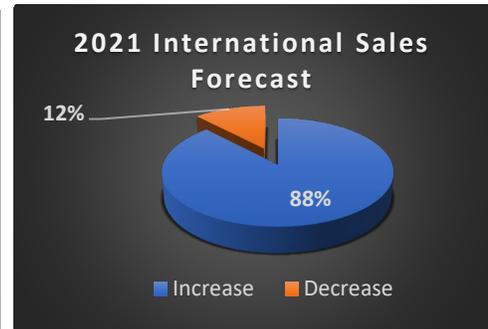
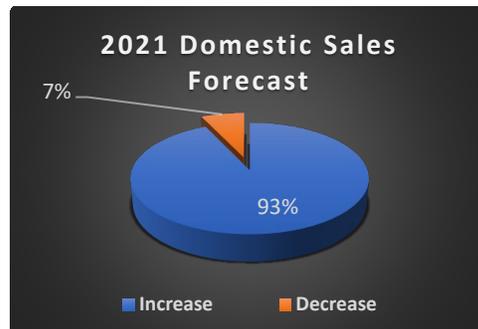
This pandemic certainly took its toll on how business got done. For so many companies, sales took a hit and employers had to make dramatic change to keep their people safe. For what most people hoped would be a short period of change, manufacturers are still coping almost a year later. With rare exception, manufacturing has grown and maintained their employee ranks. **This past year, 30% saw reductions in both hourly and salaried employees.**

Just over half of the respondents had an increase in sales compared with last year’s 95%. However, **profitability improved** over last year as costs were reduced. Travel costs in particular reflected positively on the bottom line. At the same time, reduced travel meant reduced contact with customers and suppliers.

“Whom is on your team matters and your true leaders may not necessarily be the ones with the title.”

Glenn Kormanik
Vice President & GM
Zero Zone





Manufacturers suffered as they tried to pivot from a halt in orders and the added costs of keeping employees safe. Some were innovative and began to manufacture essential PPE products. Others were in the right place at the right time, and their businesses soared. Disruptions in the global supply chain, oil prices, tariff exemptions, changes to demand, absenteeism, turnover and increase in wages all contributed to a very challenging year.

Manufacturers who served the hospitality industry really suffered along with the restaurant and hotel industries. Travel took a huge hit as well.

Remember there is always a positive effect to each negative.

While the pandemic had so many negative impacts, there was also lots of positivity. Moving forward, many manufacturers are seeing an uptick in orders. There is nothing like a crisis to allow efficiencies to be realized. Teams came together in new ways and met the challenge. **COVID-19 forced many to enter into the world of virtual meetings and workspace.** This resulted in a J-Curve embracing virtual technology in ways never thought possible with positive results. Teams are changed forever. New work from home policies have been drafted with approval and confidence from senior leadership.

Companies sold to new customers. Salespeople learned to sell virtually and were effective.

The automotive industry remained strong, medical and pharmaceutical industries had healthy growth, retail food industry demanded more refrigeration, quarantine and isolation created a demand for packaged goods and demand for touch free products soared.

At this point, sales are dramatically improving. Companies are hiring both hourly and salaried employees. **Workplaces are changed forever.** Work from home, for most companies, will be woven into their culture.

“Clear communication is the key to success. Being fast and flexible will not get you to where you need to go unless you understand who needs to know what is happening and how it impacts them.”

Janet Carwell,
 Director of Strategic Sourcing
 & Supply Chain
 Server Products

All companies have learned lessons. Some of the biggest include:

- Agility
- Flexibility
- Apply 80/20 to SKUs
- Change can happen quickly
- Unexpected leaders emerge in a crisis
- Working remotely can be a good thing
- Communication is critical
- Have a Plan B for growth AND reduction
- Patience and being calm
- You can't always have all the answers
- Paraneet membership was never more valuable
- Ability to understand the emotional side of change
- Ability to Lead is critical
- **Life is precious**

“Need more empathy with employees. Be tough on problems not on people.”

David Krems
VP, Commercial &
Customer Service
Emerson

Going forward, what will be different:

The biggest change for many companies is extending the ability for employees to work from home when it makes sense. Prior to COVID-19, working remotely was not possible for many. However, since it was the only way to get work done for many, it has proved to work.

- **Improve technology** to allow virtual work to happen most effectively and give the ability to shift quickly.
- **Improve continuous Improvement/Lean** processes.
 - Train leaders in more **team building, conflict resolution, and virtual tools**
- **Focus on strategy** and then tactical.
- **Gain better visibility** into activities of field sales force.
- Improve **sourcing strategies**
- **Improve forecasting** process.
- Emphasis on **innovation**.
- Supply chain diversity both globally and locally.

“During this crisis, resiliency in the supply chain and the ability to have a more flexible work schedule were key. Additionally, it is critical to have good janitorial practices to help prevent the spread of any virus.”

Dan Barich
VP, Global Operations
Generac Power Systems

Biggest Challenges Manufacturers Will Face in 2021:

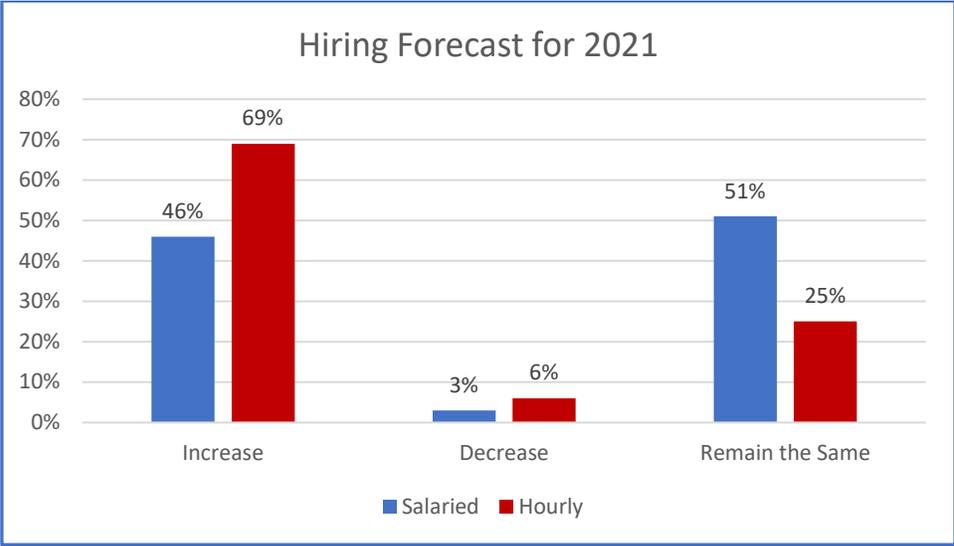
People Challenges:

The pandemic will leave long term effects on people. Not only were they worried about their jobs, they were worried about keeping their families safe. Many people had children home from school and no child care in place. Change needed to happen at a pace never seen before. Companies stepped up with the ability, where

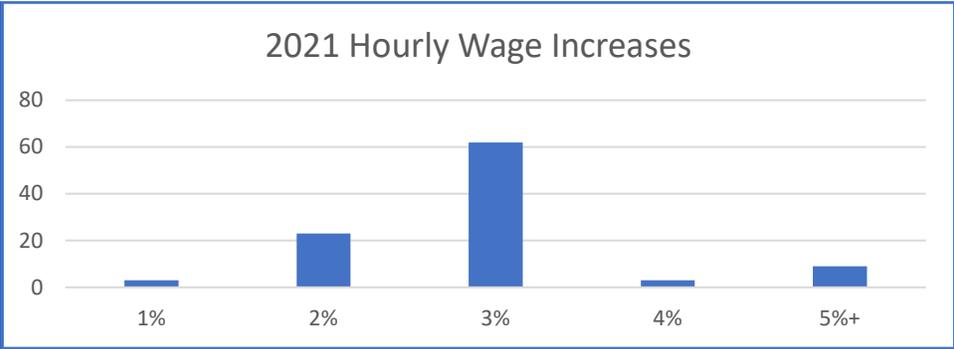
possible, to work from home. CDC guidelines were implemented to keep people safe at work. Some employees did well in these changed conditions, others struggled. Unexpected new leaders emerged.

Companies had to deal with government incentivized unemployment payouts, absenteeism and quarantining. And, it's not over yet. There are more challenges coming such as how to handle people choosing to get a vaccine or not. There is a general melancholy over the country right now as Covid has taken a toll emotionally. The long-term effect is yet to be seen.

Weaknesses in the workforce emerged as well as strengths. But one thing is clear, leaders need all the support companies can provide. Wages, benefits, emotional support and the training to be the best they can be is critical. This new world has new skill needs. Companies are already stepping up to improve in all these areas to remain successful in the future.



Companies need to attract and retain employees. While this is always a challenge, it will be ratcheted up due to changes imposed by a pandemic. Workplaces will be better going forward.



Process and Tactical Challenges:

Weakness in manufacturer's continuous improvement and Lean processes became evident. Going forward there is a renewed commitment. In particular, companies will be focusing on Voice of the Customer, Value Stream Mapping, Leader Standard Work and Kata.

Manufacturers will work on creating more efficiencies. Use of technology will help with new product development and on time launching of those new products.

Embracing 2021 Strategies

Strategic focus will keep manufacturers in and ahead of the game. There are exciting times ahead as manufacturers plan for manufacturing of the future. There will be increased automation as companies look to design the modern manufacturing company. The use of AI, digitalization and IOT/IIOT will push manufacturing into new markets and products.

Innovation strategies using an entrepreneurial spirit will play a key role in moving companies forward. Manufacturers will be looking to use Additive manufacturing as a competitive advantage,

In Summary

Paranet has been through many of the same challenges that our members have and we too are still proudly standing. We stepped up with more support, more advisory group meetings, more coaching, more COVID strategy sharing events, one of the best All Member Leadership Days ever, and many opportunities for members to share ideas, best practices and help each other navigate this pandemic.

We too are looking forward to putting this pandemic behind us and getting back to in person events, new virtual endeavors and great opportunities to learn. Together with our members, our businesses will grow and thrive...

"If properly equipped with technology and connectivity, most business operations (including running major IT projects) can succeed via remote work and without travel. However, change management is more difficult when remote."

Kurt Drier
VP, Information
Technology
Rexnord

...Happily Ever After!

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Make Better Decisions

Make Change Happen Quicker

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Hundreds of Manufacturing Companies

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30 Learning Events for You and Your Team

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Interested in Learning More?

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