COHNREZNICK MANUFACTURING CHECKUP - SURVEY RESULTS

CohnReznick LLP

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COHNREZNICK MANUFACTURING CHECKUP

Overview

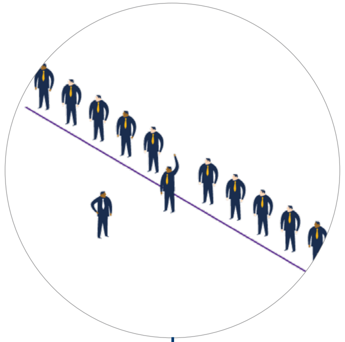
The **CohnReznick Manufacturing Checkup** is a new survey and benchmarking tool designed exclusively for manufacturers and distributors to share their insights on today's manufacturing landscape. The purpose of this survey was to help manufacturing executives across the nation assess the efficiency and effectiveness of corporate functions critical to performance and profitable growth.

- The CohnReznick Manufacturing Checkup collected data from 172 manufacturers across the U.S. to gain an understanding of their core functional areas including:
  - Enterprise
  - Operations
  - Supply chain
  - R&D/Product development
  - Customers

Read on to conduct your own Manufacturing Checkup. You'll find out if your company has the practices and systems for sustainable profitability – and what to do if you don't.

This survey was sponsored by CohnReznick and conducted by The MPI Group, the global research firm. All respondent identifying information has been kept completely confidential.

COHNREZNICK MANUFACTURING CHECKUP



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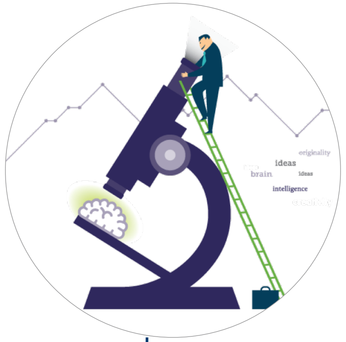
Profile
Demographic data on Manufacturing Checkup participants



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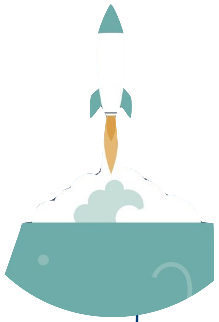
Operations
Production practices, programs, and performances



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R&D/Product Development
Innovation practices, programs, and performances

2

Enterprise
Strategic and cross-company analysis

4

Supply chain
Supplier-management practices, programs, and supply-chain performances

6

Customers
Practices, programs, and customer-focused performances

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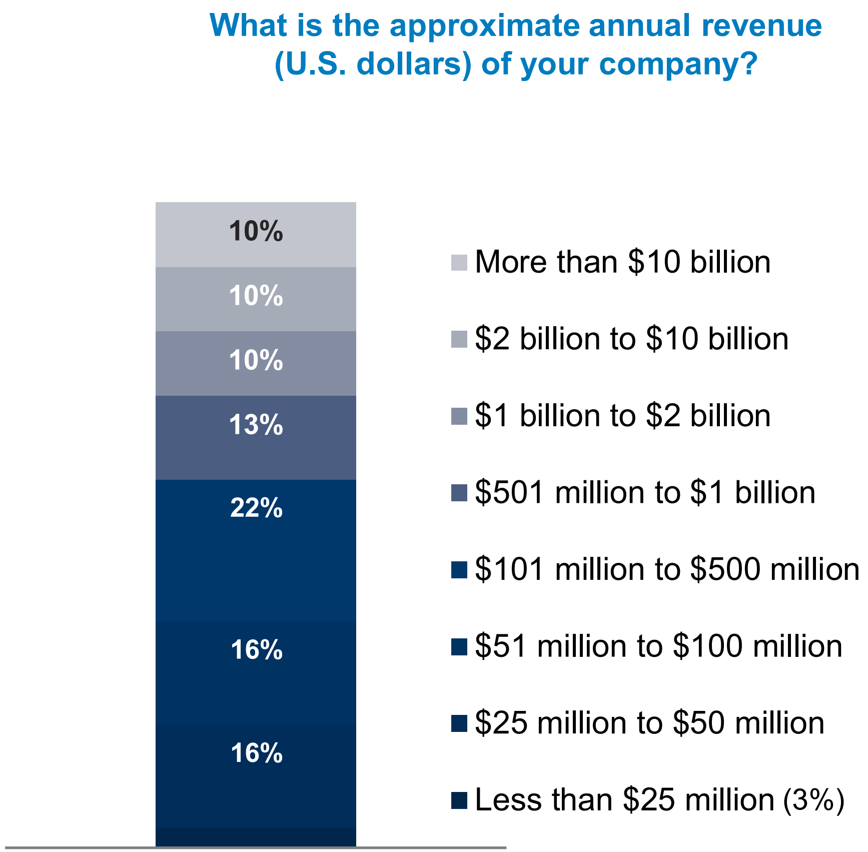
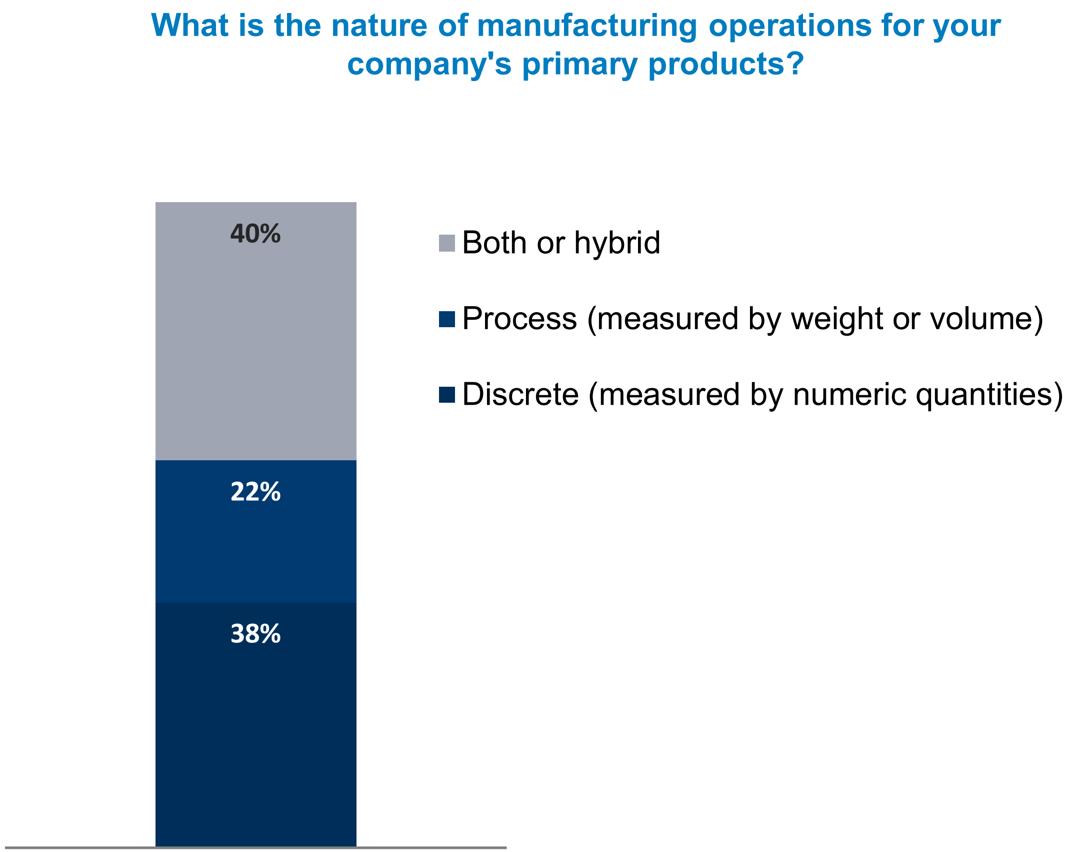
RESPONDENT PROFILE

RESPONDENT PROFILE

Profile
A large, diverse group of executives from across the country participated in the CohnReznick Manufacturing Checkup, representing many types of manufacturers. More than half of the executives were VP-level or higher.

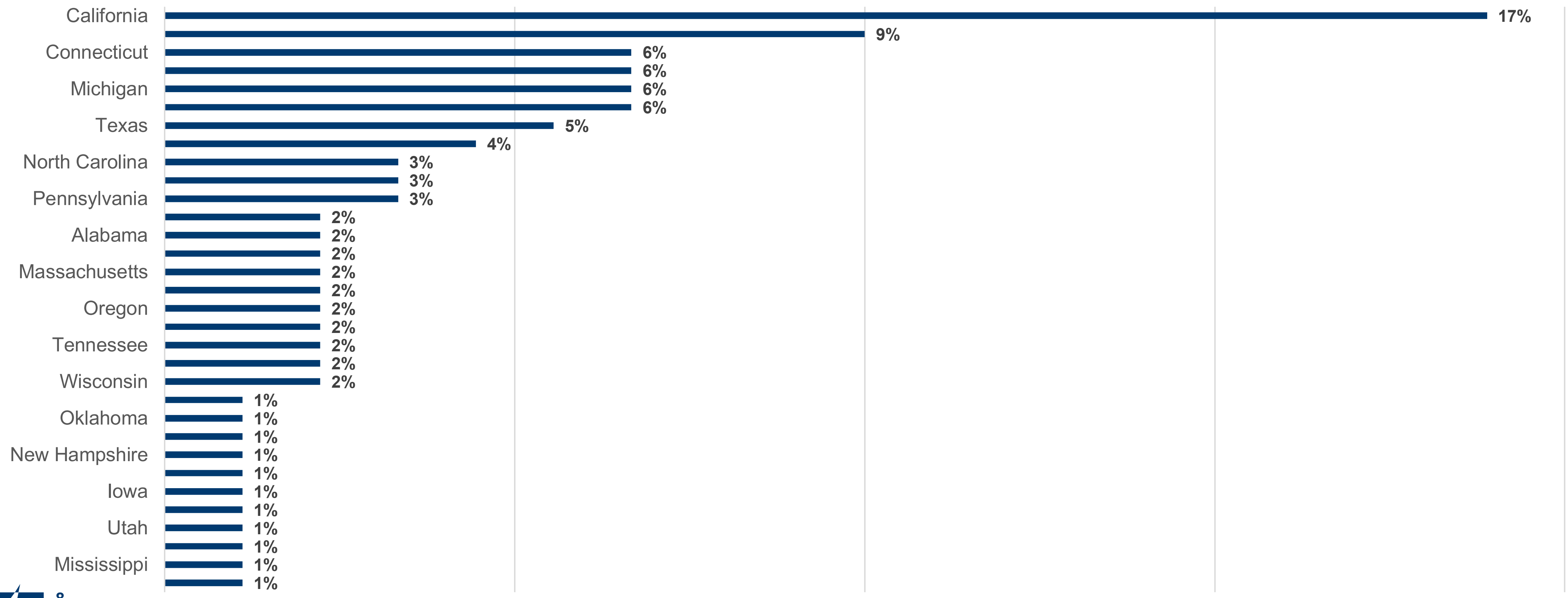
A MIX OF CORPORATE REVENUE LEVELS ARE REPRESENTED





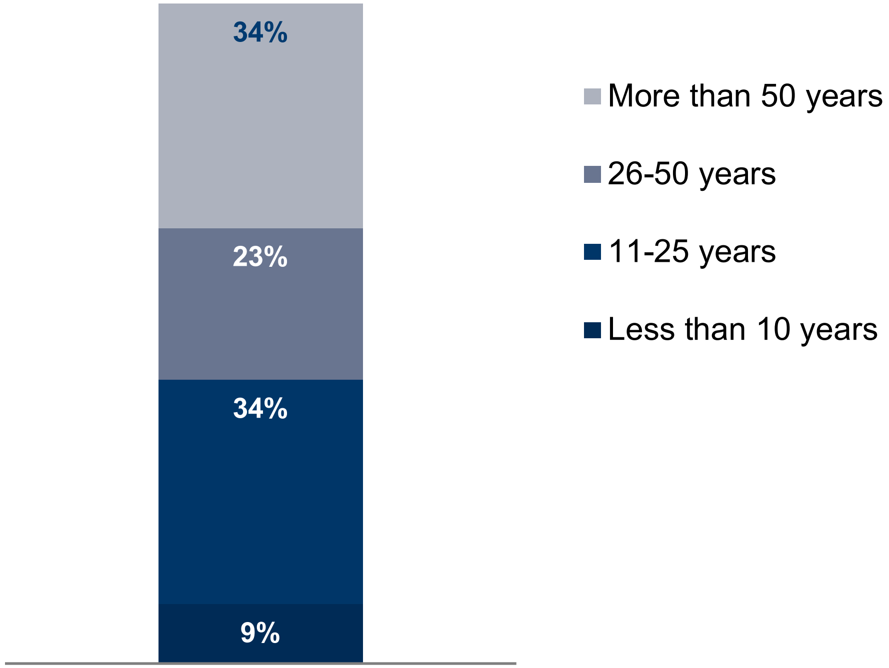
MANUFACTURERS FROM ACROSS THE COUNTRY PARTICIPATED IN THE CHECKUP

In which state is your company's headquarters?



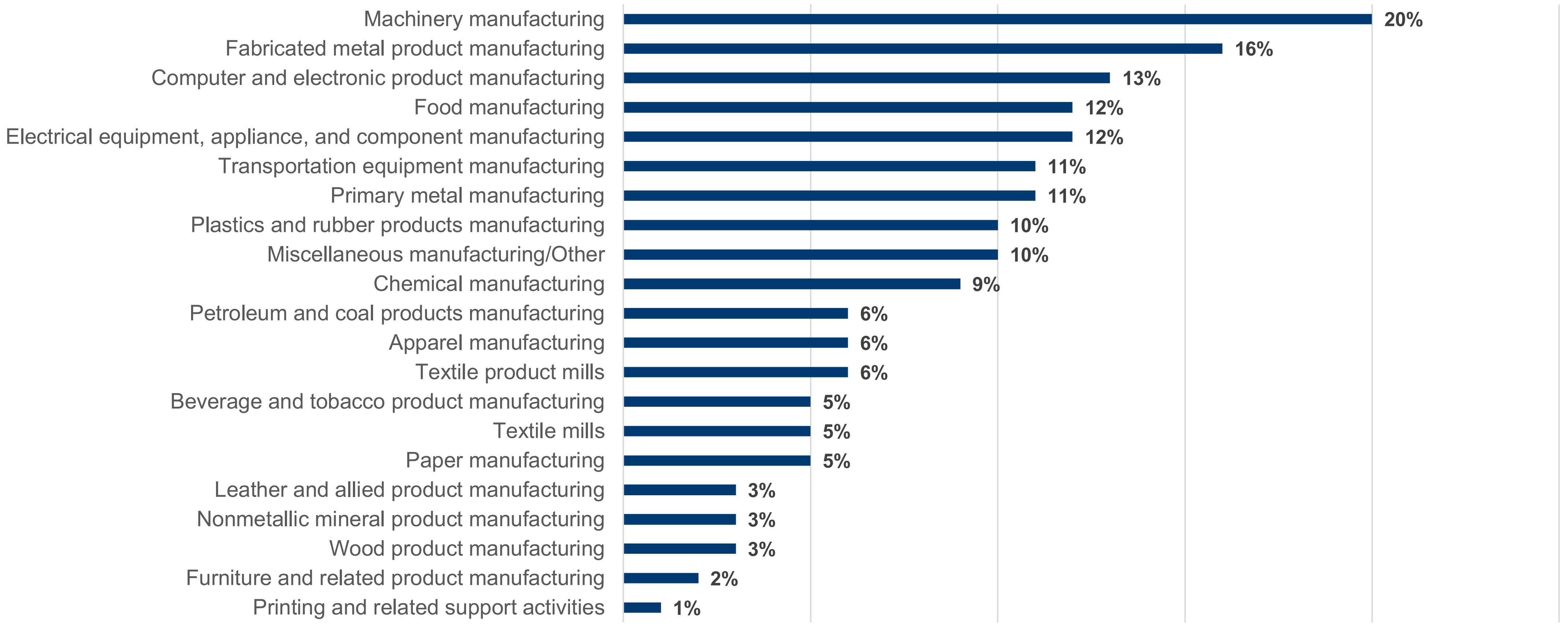
A MAJORITY OF COMPANIES HAVE BEEN IN BUSINESS MORE THAN 25 YEARS

How many years has your company been in business?



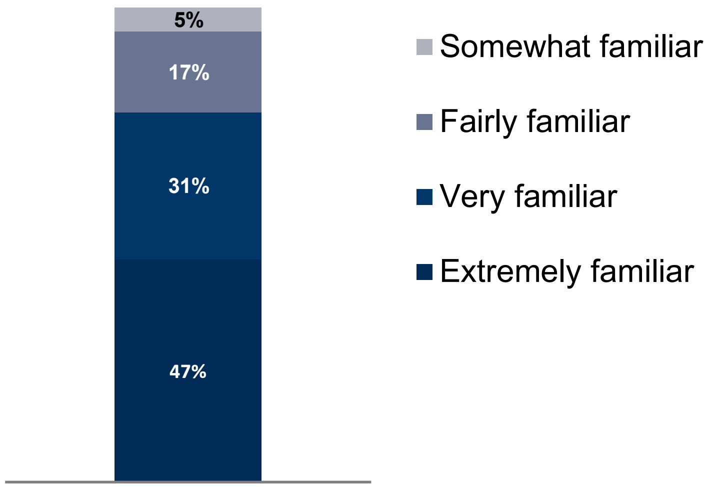
MANUFACTURERS FROM MANY INDUSTRIES PARTICIPATED

In which of the following industries does your company participate? (select all that apply)

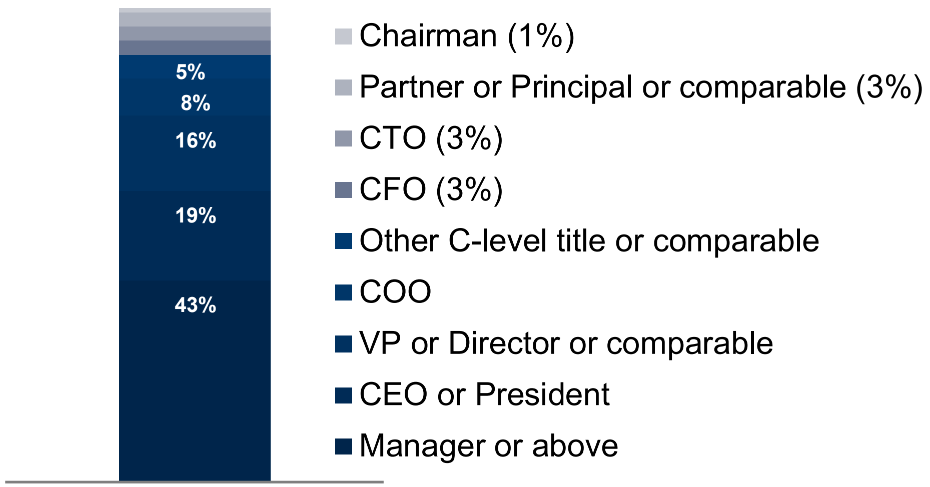


A MAJORITY OF EXECUTIVES ARE VP-LEVEL OR ABOVE

How familiar are you with your company's practices and performances for major corporate functions?



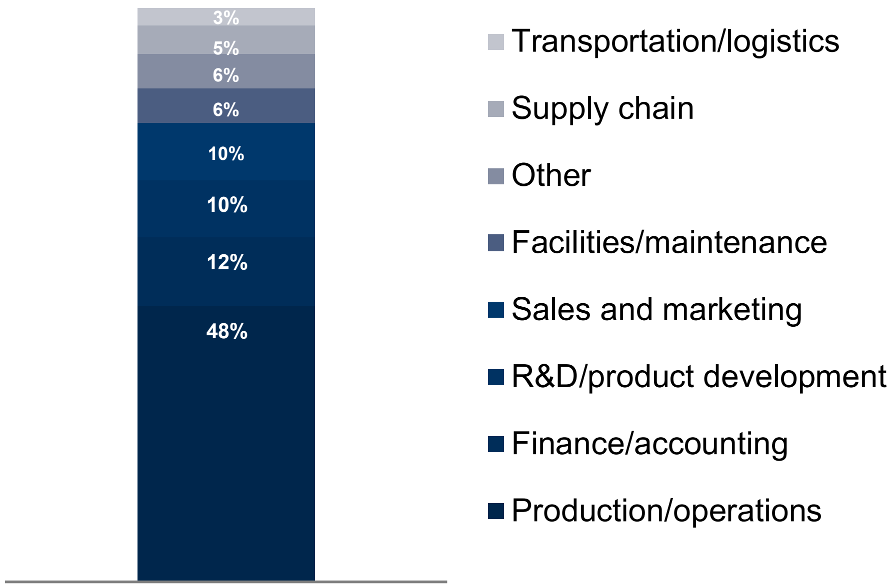
Which of the following best describes your title?



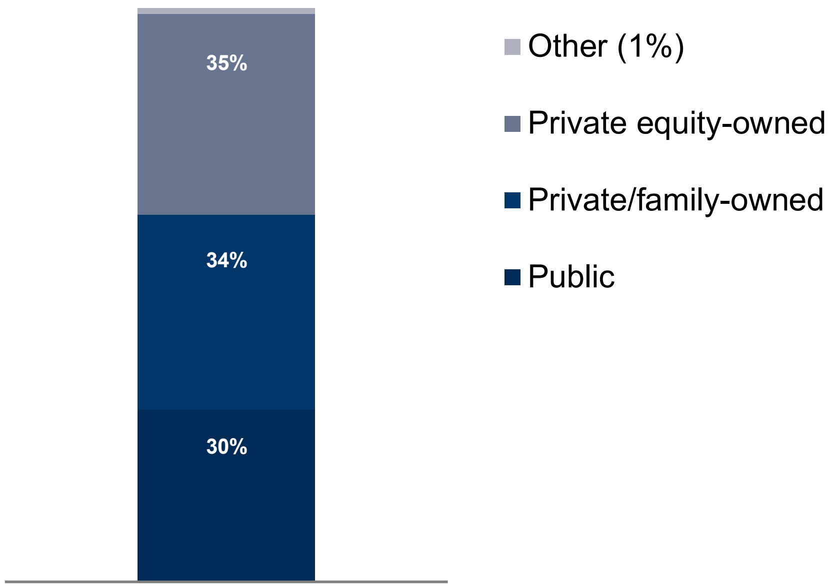
Percentages in this presentation may not sum to 100% due to rounding of decimals.

PARTICIPANTS HAVE RESPONSIBILITY/ IN-DEPTH KNOWLEDGE OF FUNCTIONS

For which of your company's functions do you have responsibility and/or in-depth knowledge?



What best describes the ownership structure of your company?



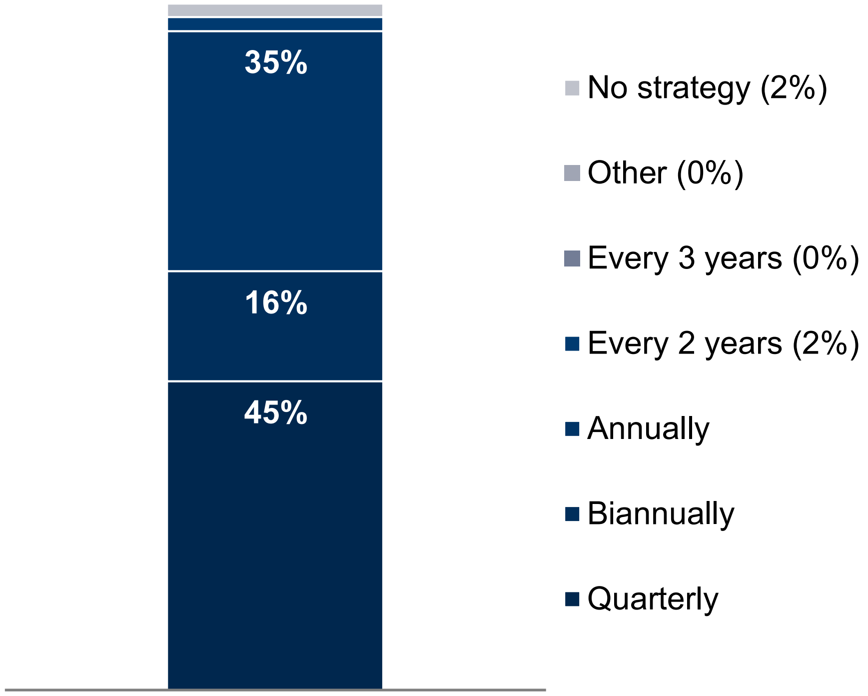
ENTERPRISE

KEY INSIGHTS: ENTERPRISE

Enterprise	Insights
The vast majority of manufacturers review and update strategies annually or more frequently.	Over the past few years, amid COVID and other volatile market issues, executives are aware that they must keep their companies agile.
Despite strategic planning, many manufacturers lack leadership systems and actions to drive improvements — e.g., tiered communications infrastructures, cross-functional collaboration, standard work, and well-established ESG programs.	Knowing what to do and how to execute are two different things: Manufacturing leaders require assistance in establishing performance-based cultures and implementing systems to achieve strategic goals.

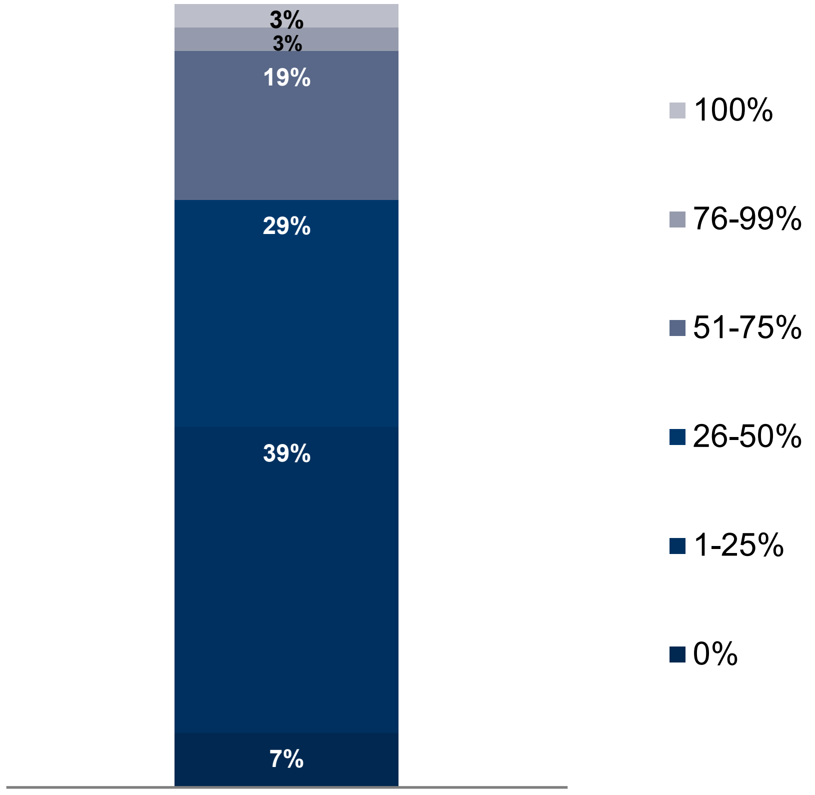
MOST MANUFACTURERS REVIEW AND UPDATE STRATEGIES ANNUALLY OR MORE FREQUENTLY

How often is your company's strategy reviewed and updated?



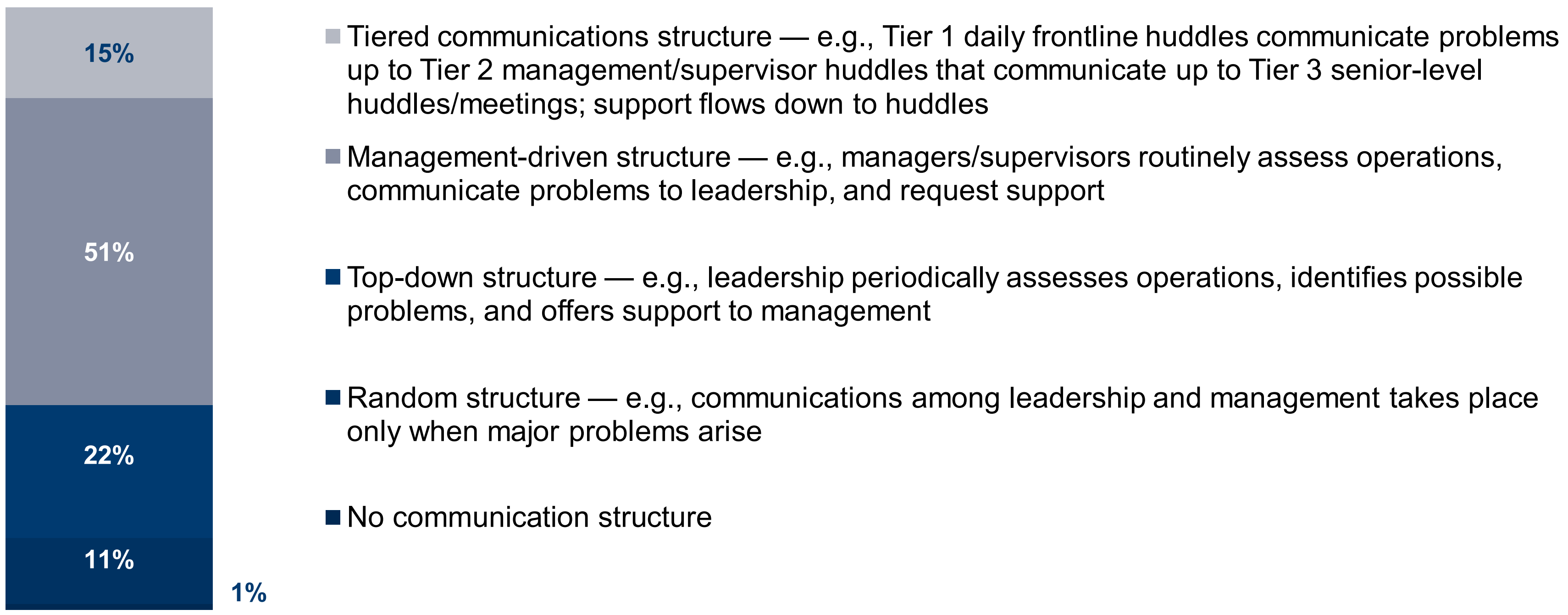
A MAJORITY OF SENIOR-EXECUTIVE POSITIONS LACK IDENTIFIED SUCCESSORS

For what percentage of senior executives has a successor been identified?



A MAJORITY OF LEADERSHIP SUPPORT IS MANAGEMENT-DRIVEN

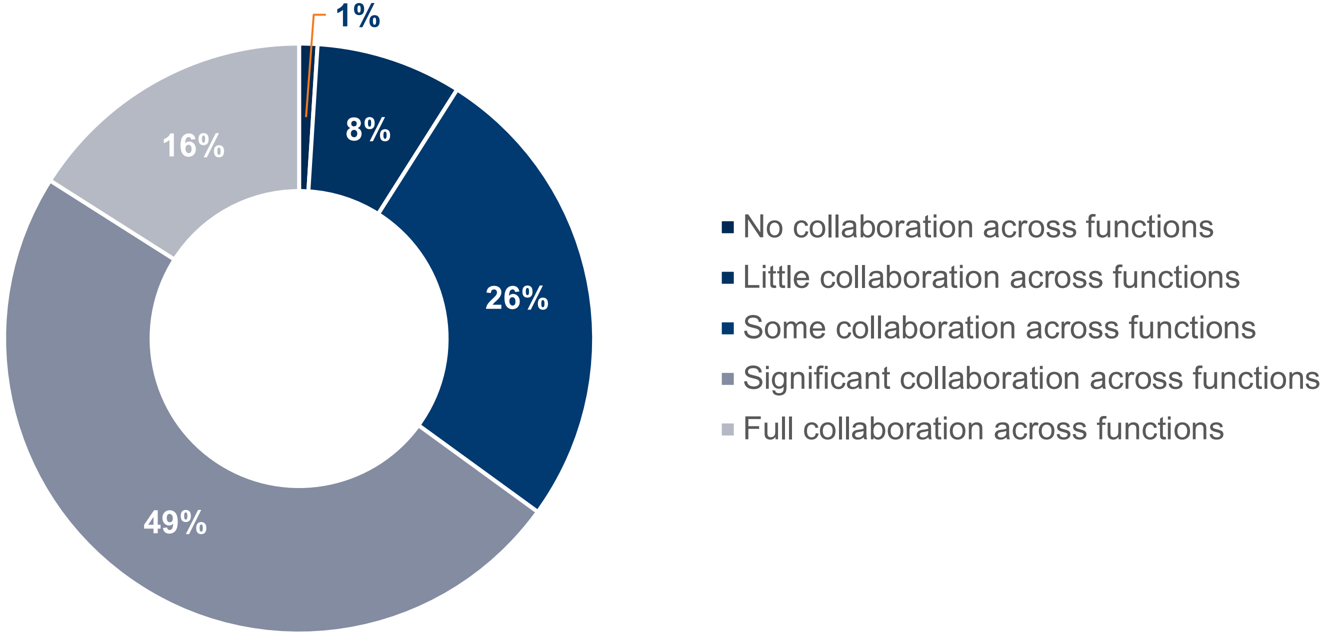
Which of the following communication structures best describes how corporate leadership supports management and frontline needs?



SENIOR LEADERSHIP OFTEN IGNORES STANDARD WORK PRACTICES

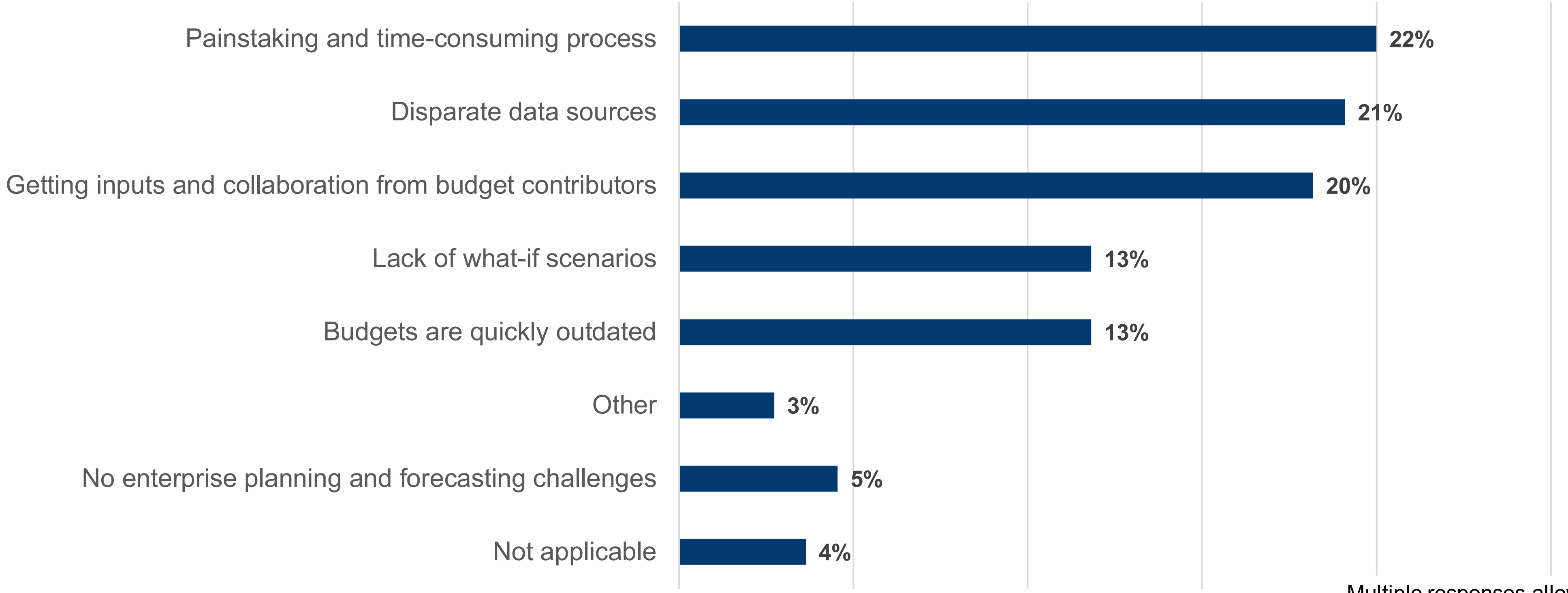
FEW MANUFACTURERS HAVE FULL COLLABORATION ACROSS FUNCTIONS

To what extent does the company's organization structure result in collaboration across functions?



MANUFACTURERS FACE PLANNING AND FORECASTING CHALLENGES

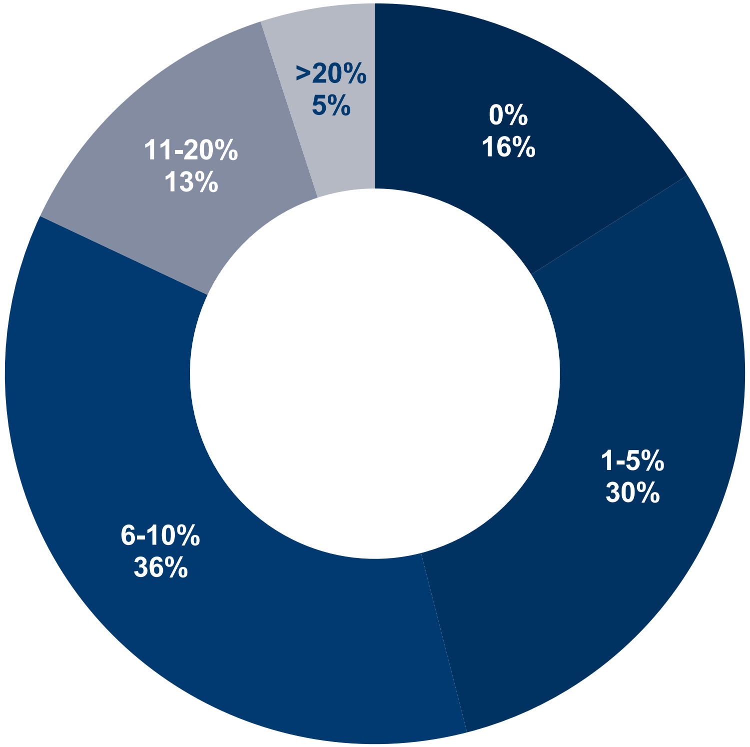
What is your biggest enterprise and forecasting challenge?



Multiple responses allowed

A MAJORITY OF MANUFACTURERS HAVE ANNUAL EXECUTIVE TURNOVER OF MORE THAN 5%

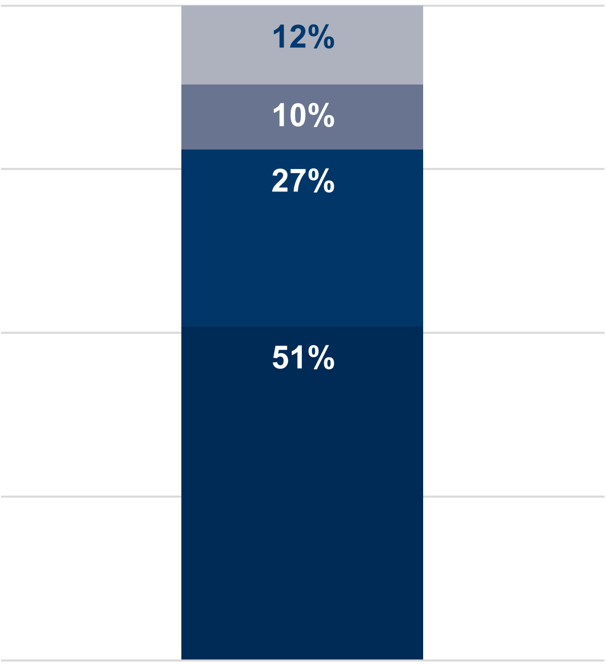
What is the annual turnover percentage among senior leadership (C-level positions, VPs, directors, etc.)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

ONLY HALF OF MANUFACTURERS HAVE A WELL-ESTABLISHED ESG PROGRAM

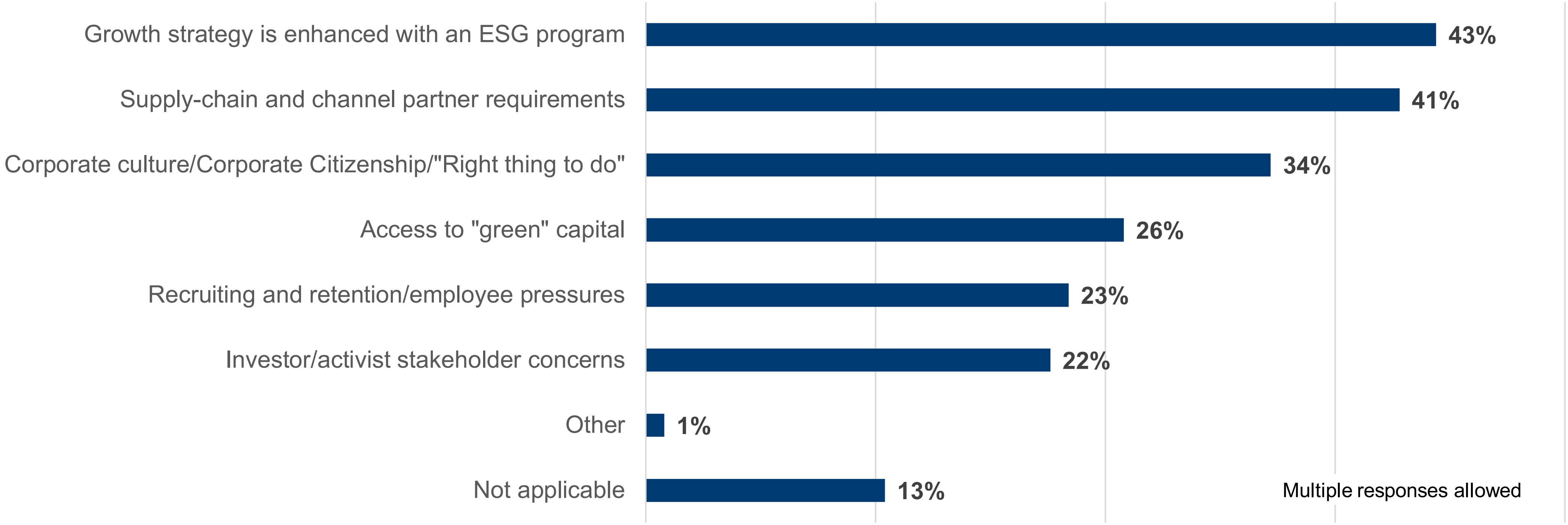
How would you characterize the current state of your environmental, social, and governance (ESG) program?



- None: The company has not yet explored implementing an ESG program
- Exploratory: An ESG program is being evaluated, but has not yet been executed by the company
- In development: ESG program has been formed, but is not complete and lacks one or more of the above elements
- Well-established: ESG program has clear value proposition, goals, policies, data management and analytics, and stakeholder reporting

GROWTH AND SUPPLY-CHAIN REQUIREMENTS SPUR ESG PROGRAMS

If you are exploring or have implemented an ESG program, which of the following reasons drove your decision-making? (select all that apply)



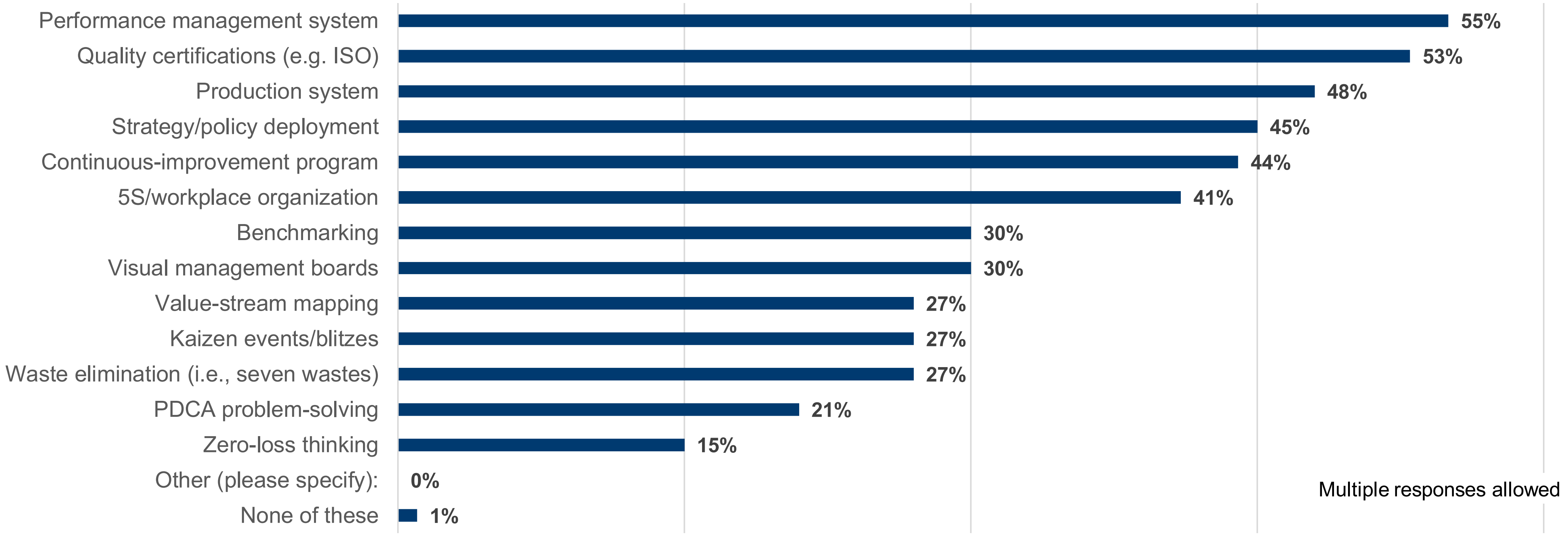
OPERATIONS

KEY INSIGHTS: OPERATIONS

Operations	Insights
Many manufacturers lack common programs/practices that improve operations — e.g., production systems, benchmarking, visual management boards — and their absence shows in operational outcomes. For example, 48% of manufacturers have on-time delivery of 90% or worse.	CohnReznick can assist manufacturers in adoption of cost-effective tactics that generate immediate returns and remove risks from the workplace (e.g., zero-loss thinking, use of 5S/workplace organization).
Less than half of manufacturers collect data for functions using Internet of Things (IoT) devices. For example, only 26% use the IoT for predictive maintenance, often the first step of a digital transformation.	Manufacturing is becoming a world of digital haves and have-nots. Inability or unwillingness to digitally transform operations will leave many manufacturers — especially smaller firms — with a competitive gap that will be hard to overcome.

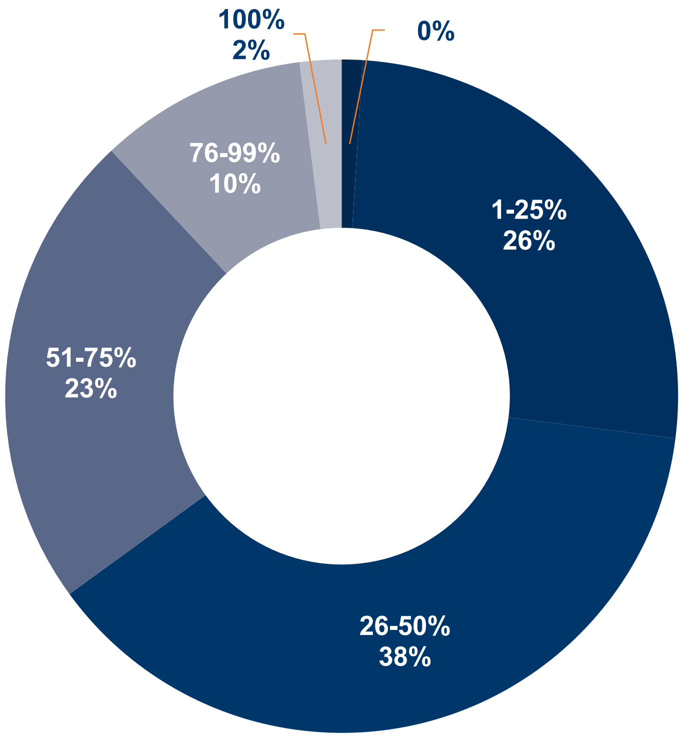
OPERATIONAL BEST PRACTICES ARE MISSING AT MANY FIRMS

Which of the following programs and/or practices are in place to drive continuous improvement? (select all that apply)



A MAJORITY OF FRONTLINE EMPLOYEES AREN'T ENGAGED IN IMPROVEMENT AND PROBLEM-SOLVING PROJECTS

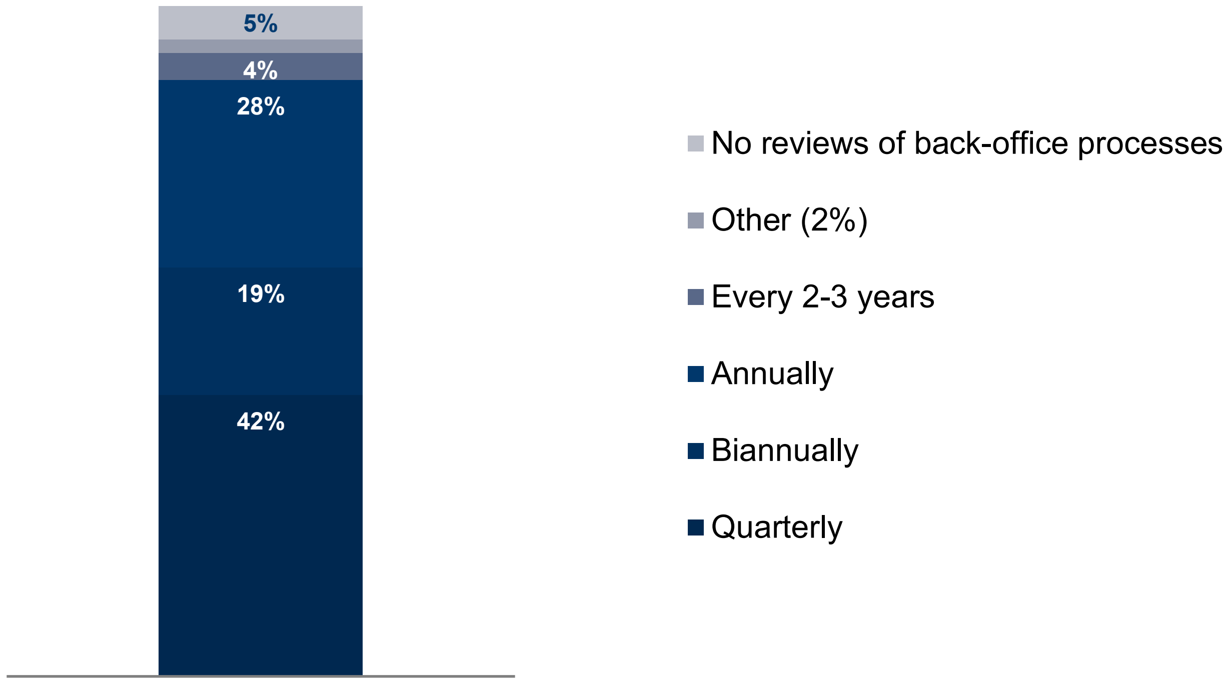
What percentage of frontline employees are routinely engaged in improvement and problem-solving projects?



*Top value indicates answer range. Bottom value indicates respondent percentage.

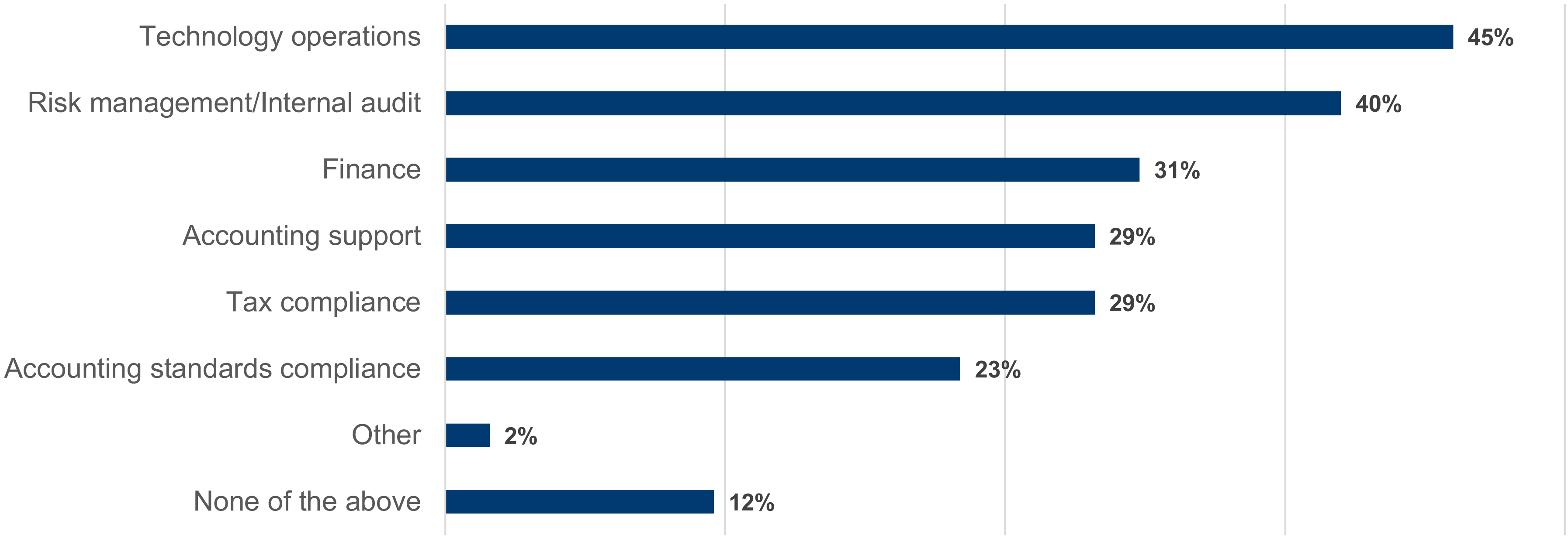
A MAJORITY OF MANUFACTURERS REVIEW BACK-OFFICE PROCESSES AT LEAST TWICE PER YEAR

How often does your company review the efficiency, scalability, and automation of its back-office processes?



LEADERSHIP IS OPEN TO MANY FORMS OF OUTSOURCING

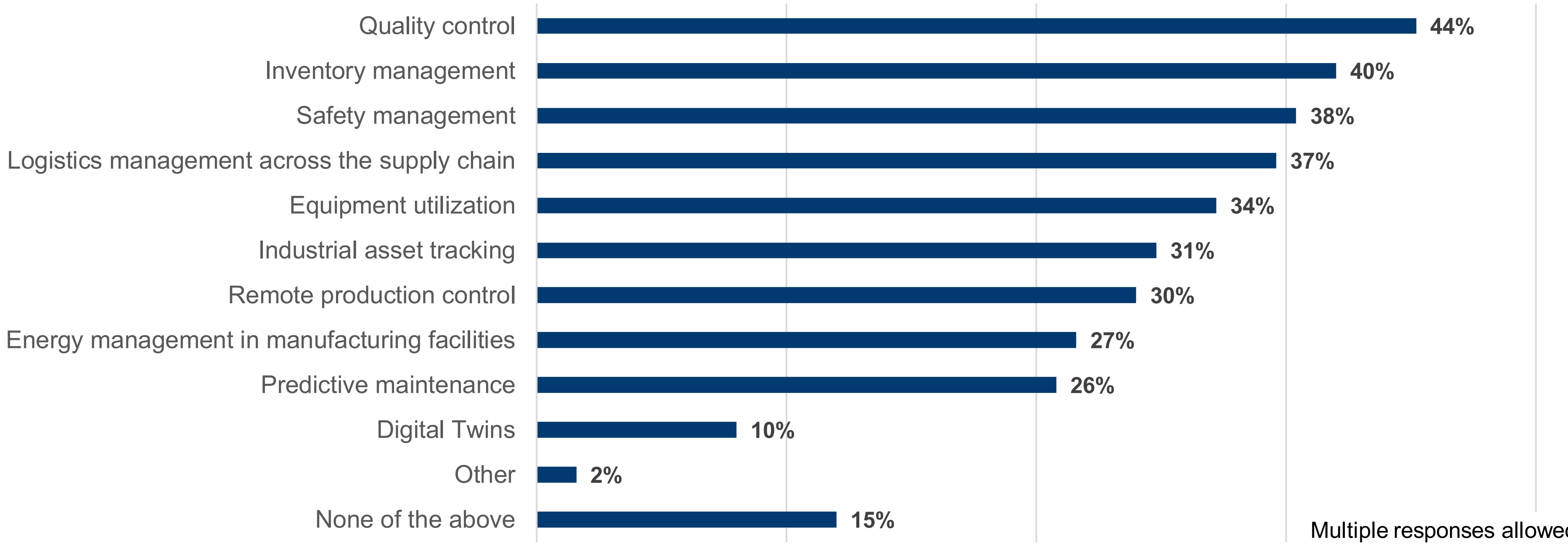
For which of the following areas has leadership discussed the potential of outsourcing to complement staff? (select all that apply)



Multiple responses allowed

OPERATING DATA IS COLLECTED VIA IoT BY SOME MANUFACTURERS

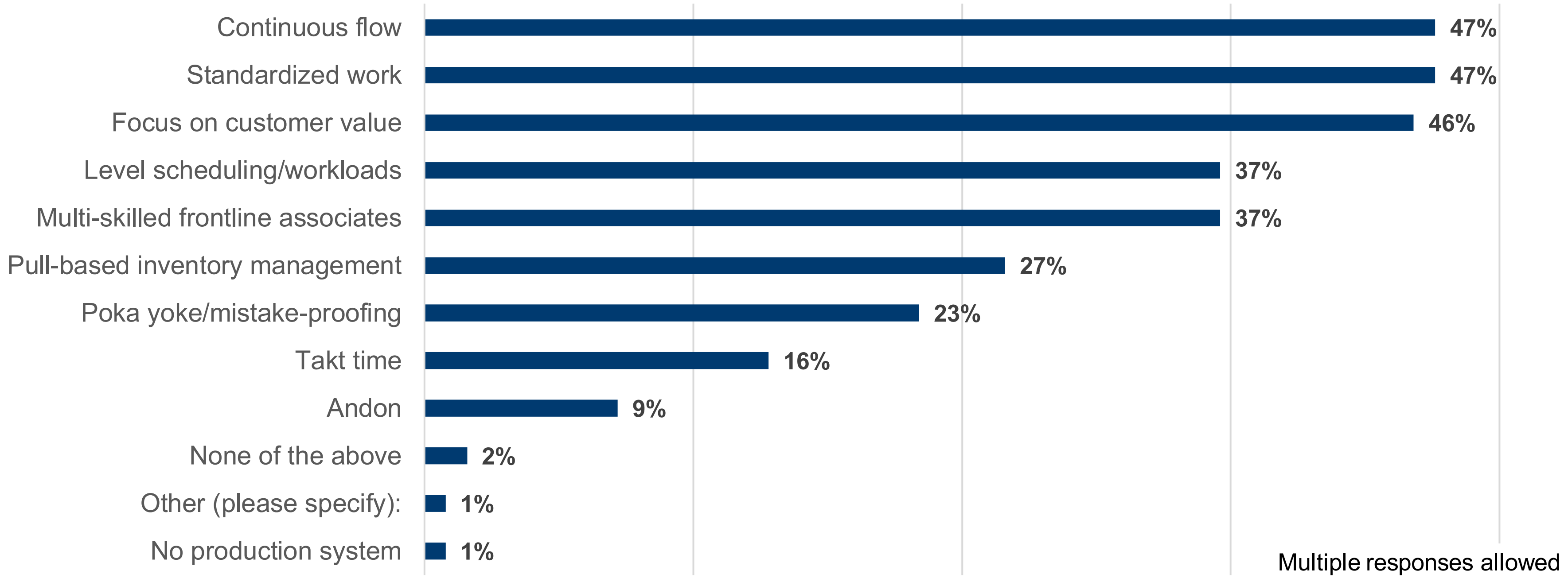
In which of the following business functions are you currently utilizing Internet of Things (IoT) devices to collect operating data? (select all that apply)



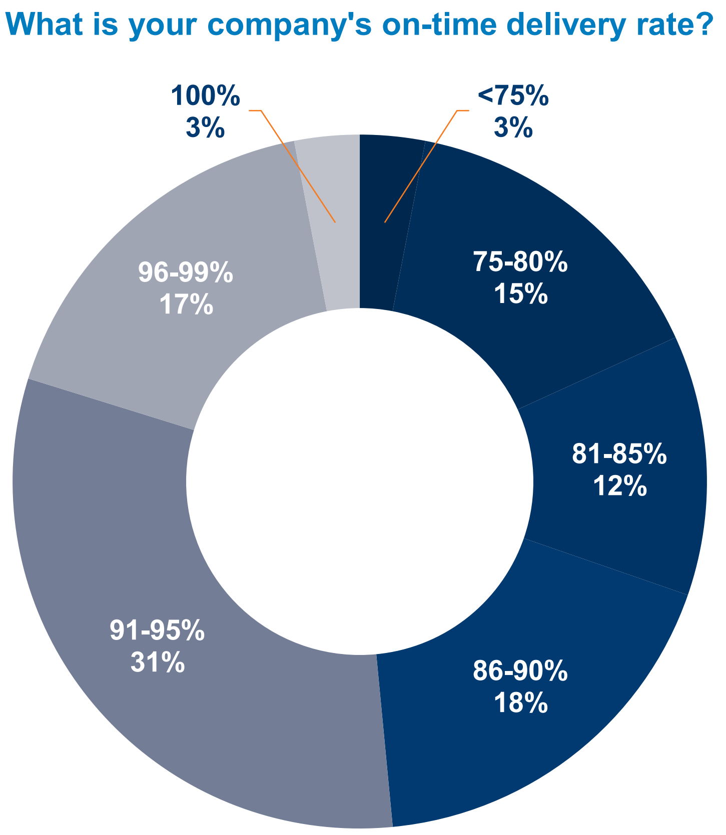
Multiple responses allowed

LESS THAN HALF OF MANUFACTURERS USE LEAN-BASED PRODUCTION PRINCIPLES

Which of the following are principles of your company's production system? (select all that apply)



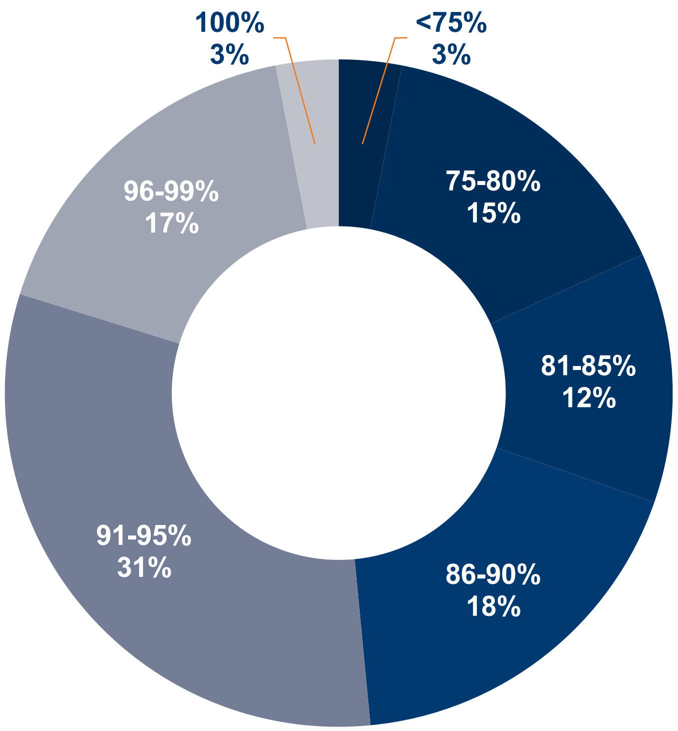
HALF OF MANUFACTURERS HAVE ON-TIME DELIVERY RATES OF 90% OR WORSE



*Top value indicates answer range. Bottom value indicates respondent percentage.

MANY MANUFACTURERS NEED HELP WITH PRODUCTION QUALITY

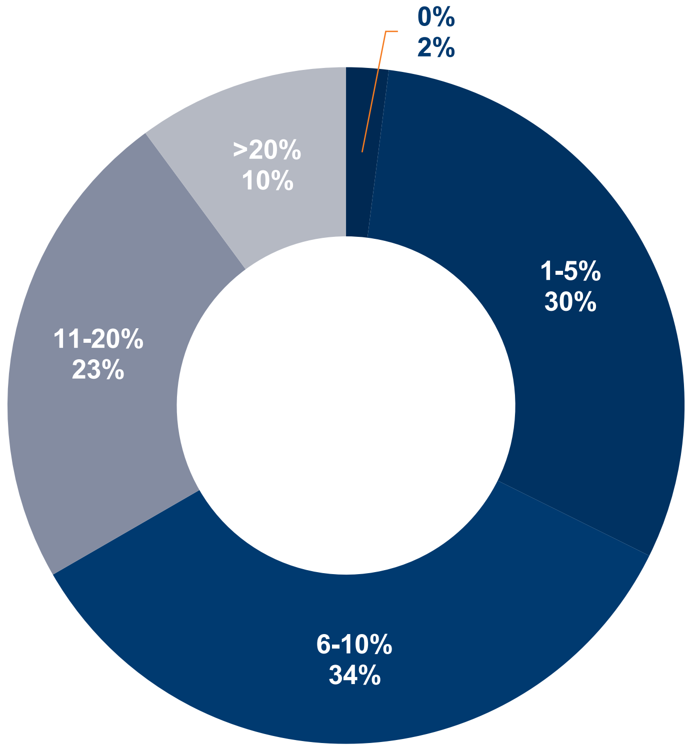
What is your company's finished-product first-pass yield
(i.e., products that are not scrapped or require rework)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

A THIRD OF MANUFACTURERS HAVE HIGH OPERATIONS LABOR TURNOVER OF 11% OR MORE

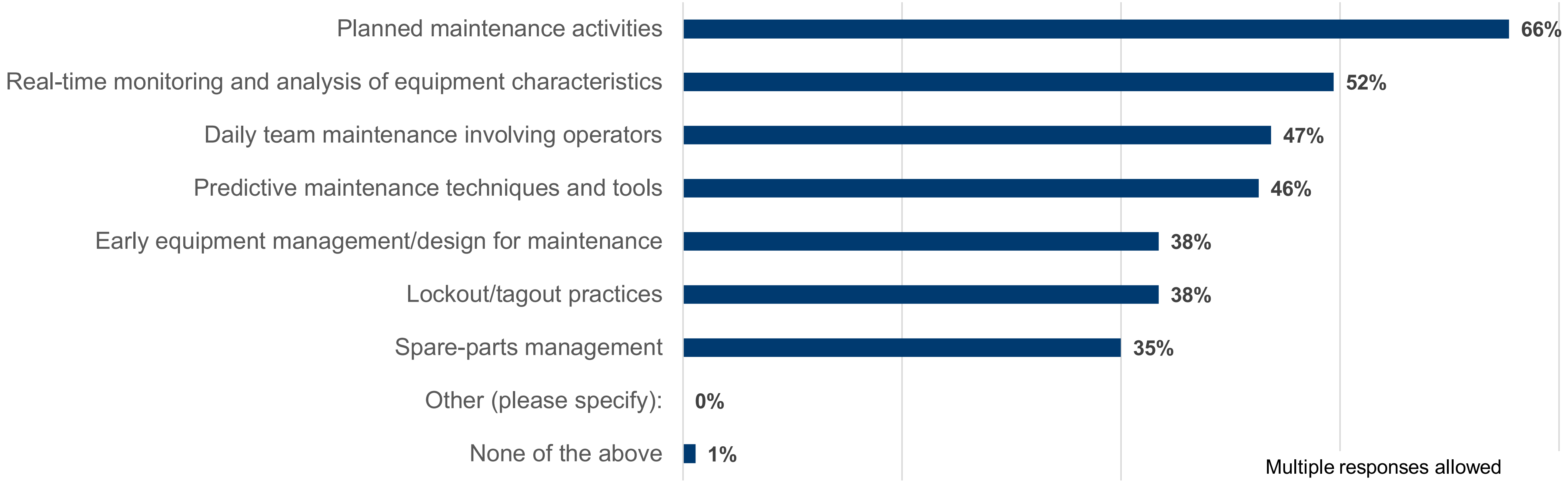
What is the annual turnover percentage among operations management and frontline associates?



*Top value indicates answer range. Bottom value indicates respondent percentage.

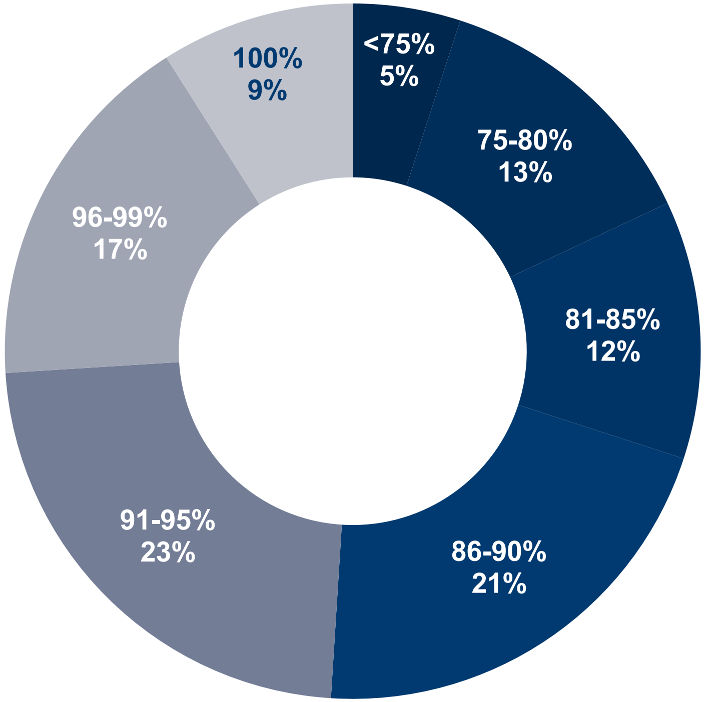
A MAJORITY OF MANUFACTURERS USE PLANNED MAINTENANCE AND REAL-TIME MONITORING OF MACHINES

Which of the following maintenance activities are standard practice across your company? (select all that apply)



MANY MANUFACTURERS LOSE CAPACITY DUE TO MACHINE DOWNTIME

What is your company's machine availability (as a percentage of scheduled uptime)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

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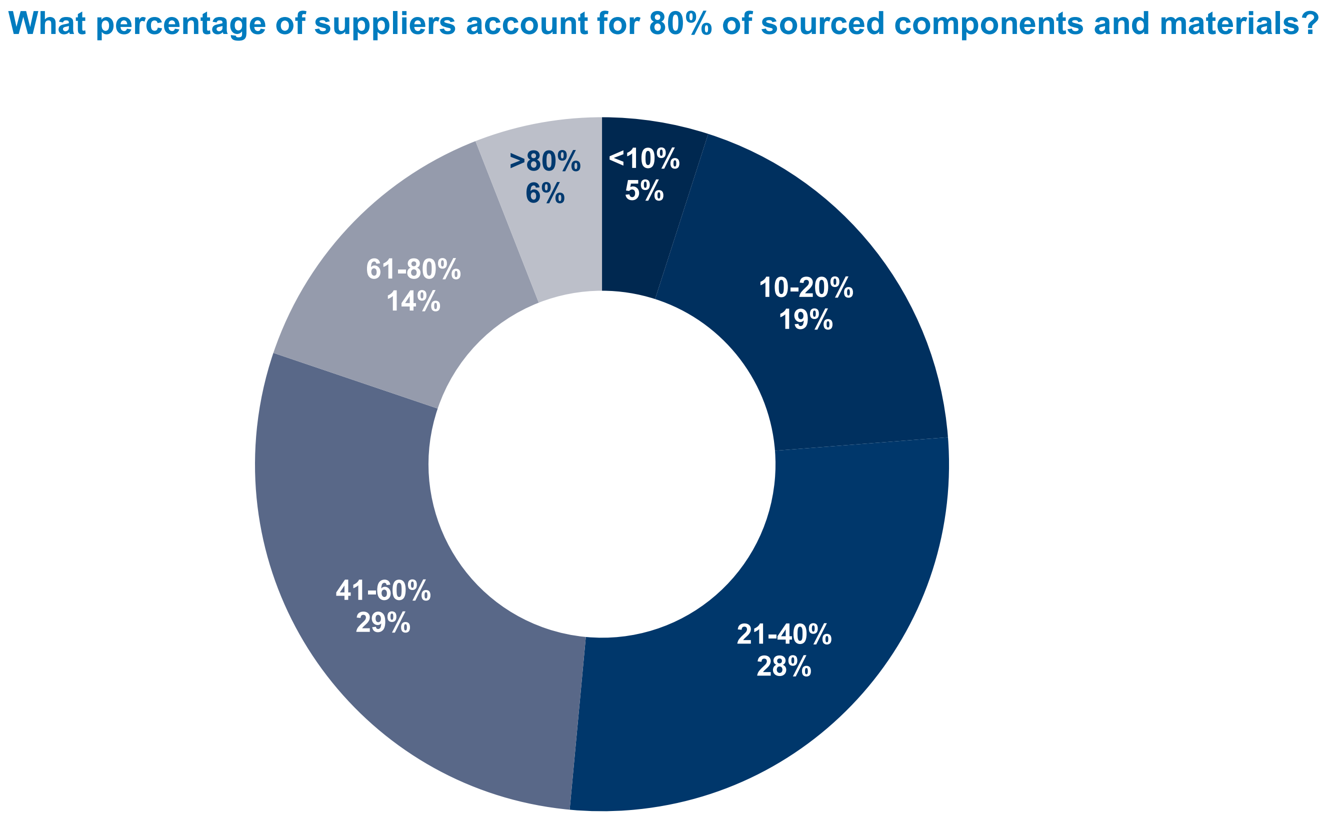
SUPPLY CHAIN

KEY INSIGHTS: SUPPLY CHAIN

Supply chain	Insights
Manufacturers could do much more to manage ESG supply chain risks. For example, only 39% measure supplier ESG performance vs. KPIs, and only 35% have contracts with ESG-compliance terms.	CohnReznick can educate manufacturers on the risks they face if they don't coordinate ESG efforts with supply chains — and can help discuss a path towards developing a successful ESG strategy.
Many activities that can alleviate supply chain problems are ignored by manufacturers. Only 46% have periodic audits and certification of primary suppliers, and only 37% share their forecasts with primary suppliers. Even worse, 43% of manufacturers have backup/redundant suppliers for 25% or less of their primary suppliers.	Knowing what to do and how to execute are two different things. Manufacturing leaders require assistance in establishing performance-based cultures and implementing systems to achieve strategic goals. Pandemic supply chain delays continue to plague manufacturers across industries. Relying on a single supplier for key components, materials, or ingredients eventually proves costly.

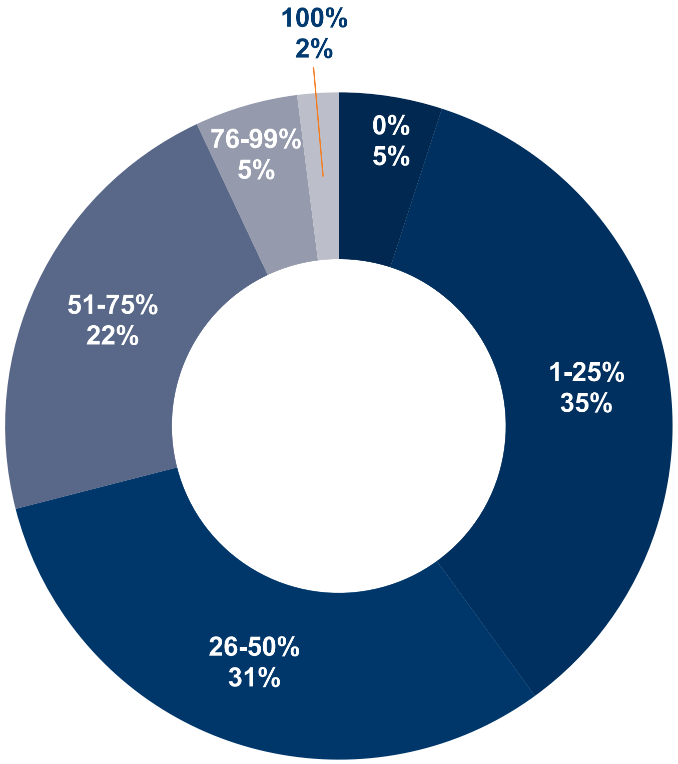
MANY MANUFACTURERS RELY ON LIMITED SUPPLY CHAINS



*Top value indicates answer range. Bottom value indicates respondent percentage.

NEARLY ALL MANUFACTURERS RELY ON IMPORTED COMPONENTS AND MATERIALS …

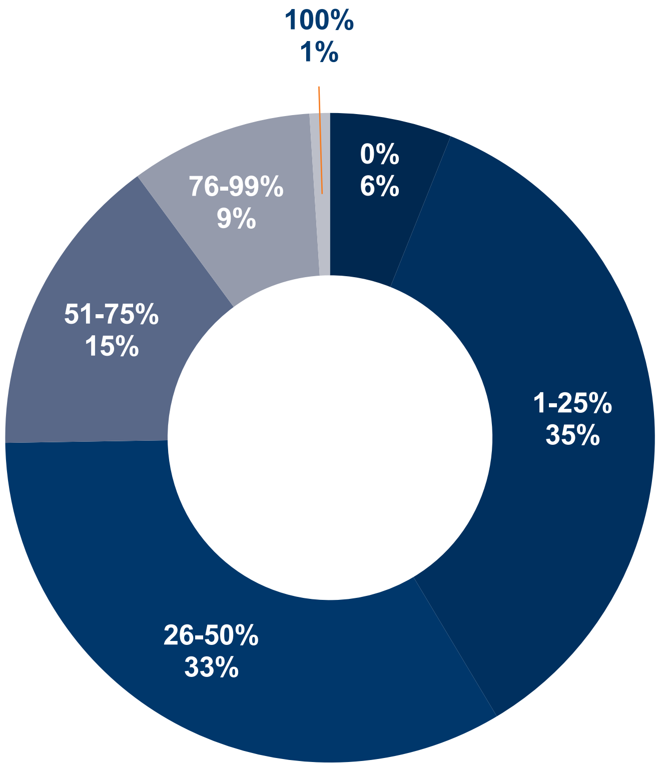
What percentage of components and materials are imported (i.e., sourced from non-domestic suppliers)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

... WITH NO SIGNIFICANT CHANGES IN THE NEAR FUTURE

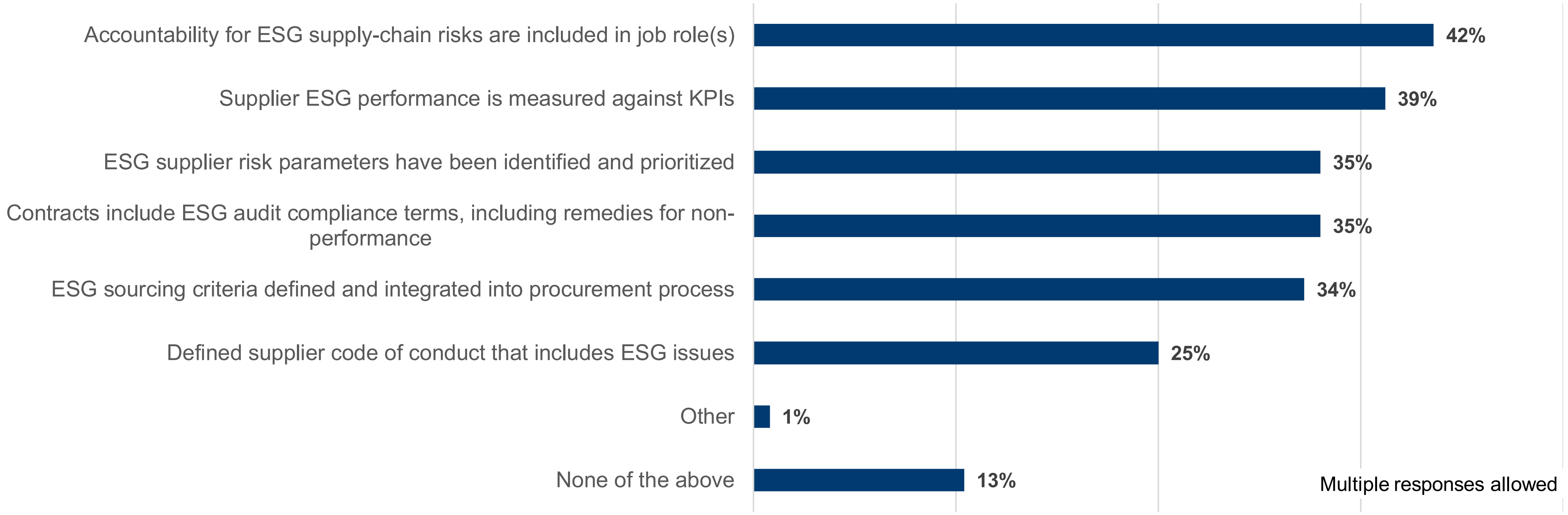
What percentage of components and materials do you expect to be imported (i.e., sourced from non-domestic suppliers) two years from now?



*Top value indicates answer range. Bottom value indicates respondent percentage.

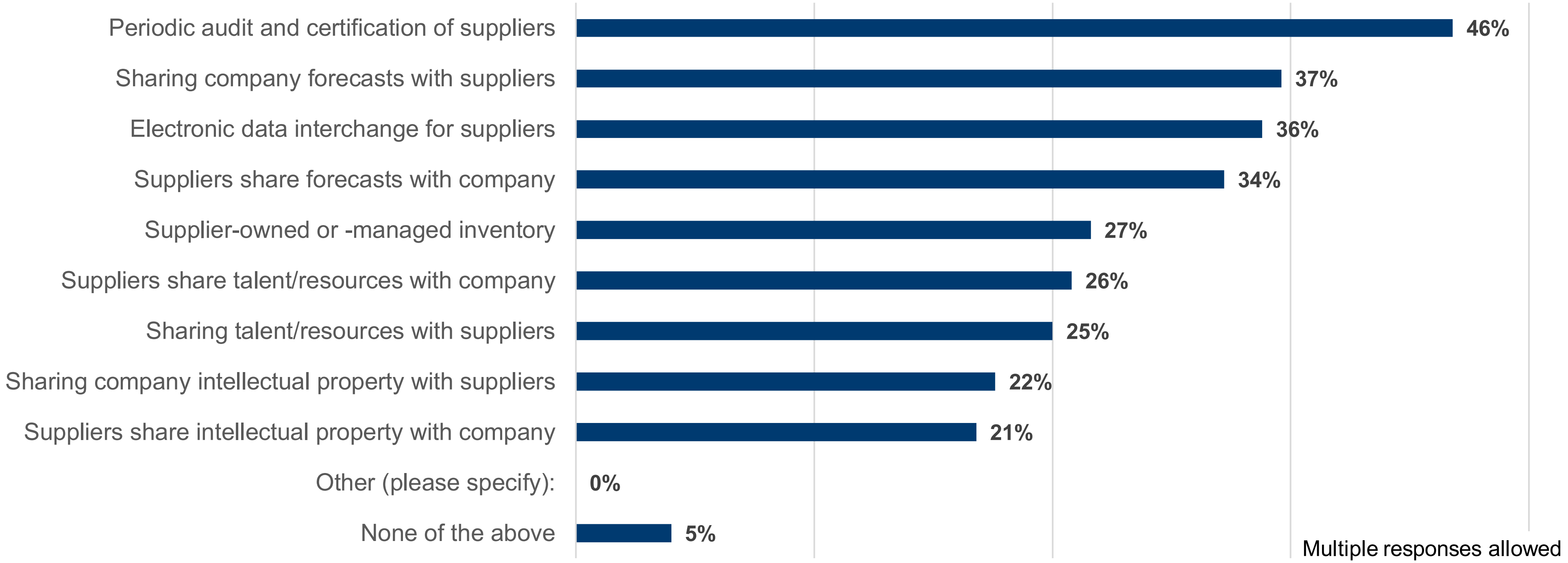
MANUFACTURERS COULD DO MORE TO MANAGE ESG SUPPLY-CHAIN RISKS

Which of the following activities are you implementing to manage ESG risks across your supply chain? (select all that apply)



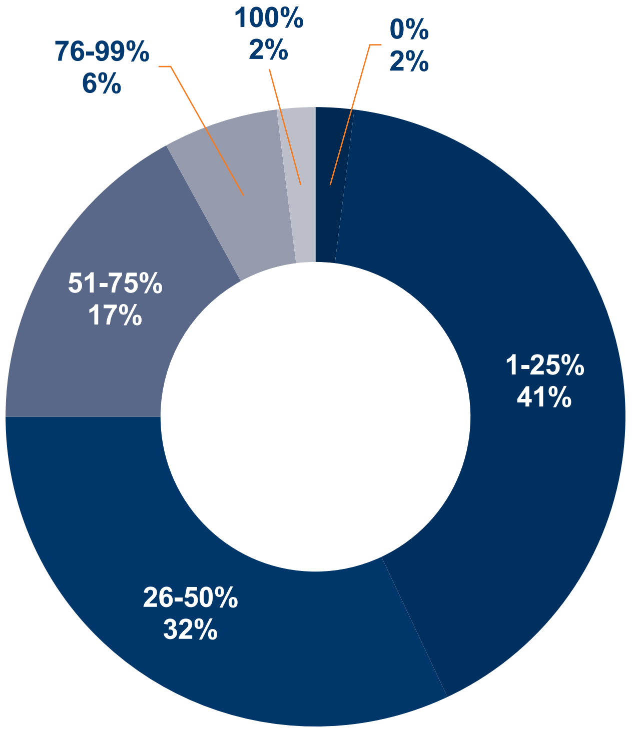
LESS THAN HALF OF MANUFACTURERS AUDIT AND CERTIFY PRIMARY SUPPLIERS

Which of the following activities take place with your company's primary suppliers? (select all that apply)



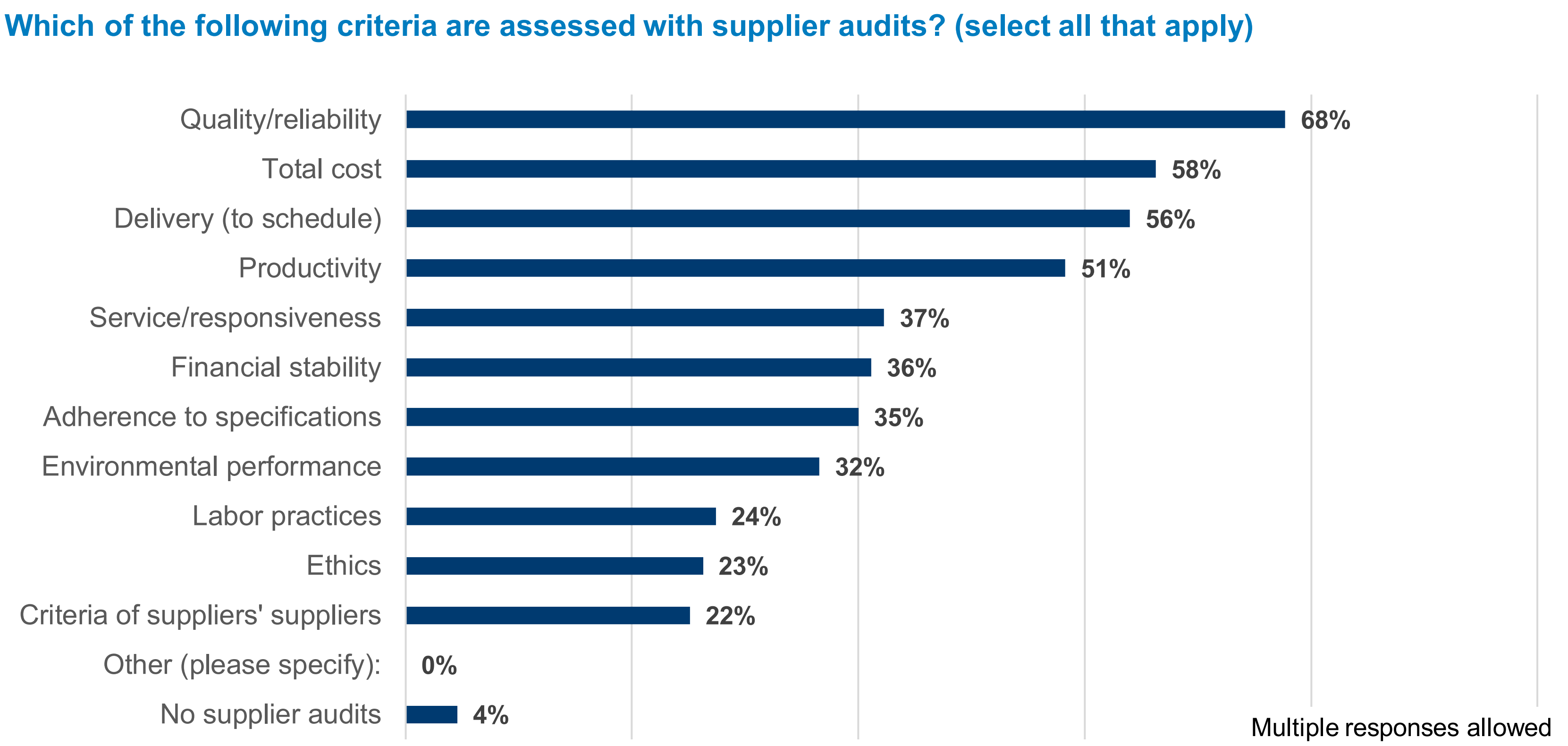
ONLY 25% OF MANUFACTURERS HAVE BACKUPS FOR A MAJORITY OF PRIMARY SUPPLIERS

For what percentage of your company's primary suppliers are redundant or backup suppliers in place?



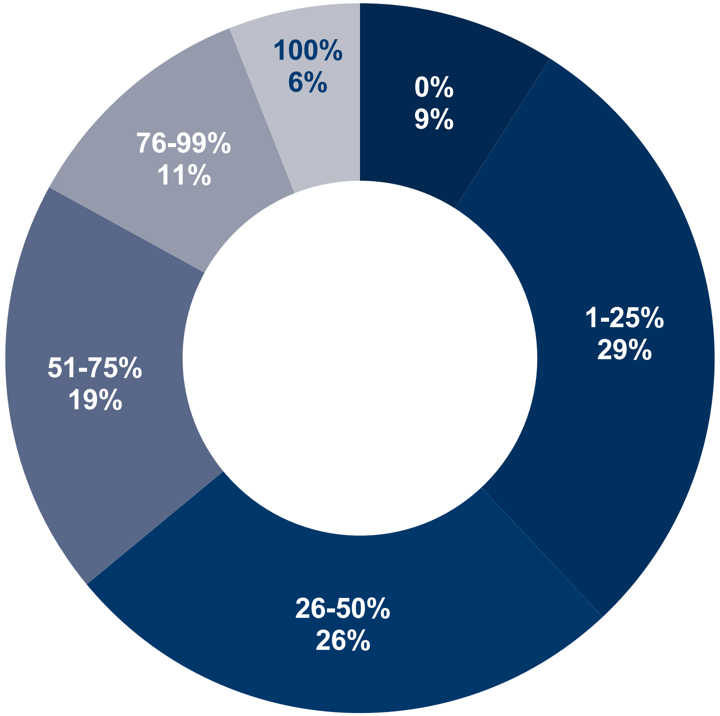
*Top value indicates answer range. Bottom value indicates respondent percentage.

SUPPLIER AUDITS ARE FOCUSED ON QUALITY, COST, AND DELIVERY



HIGH PERCENTAGES OF PRIMARY SUPPLIERS WEREN'T AUDITED IN THE PAST YEAR

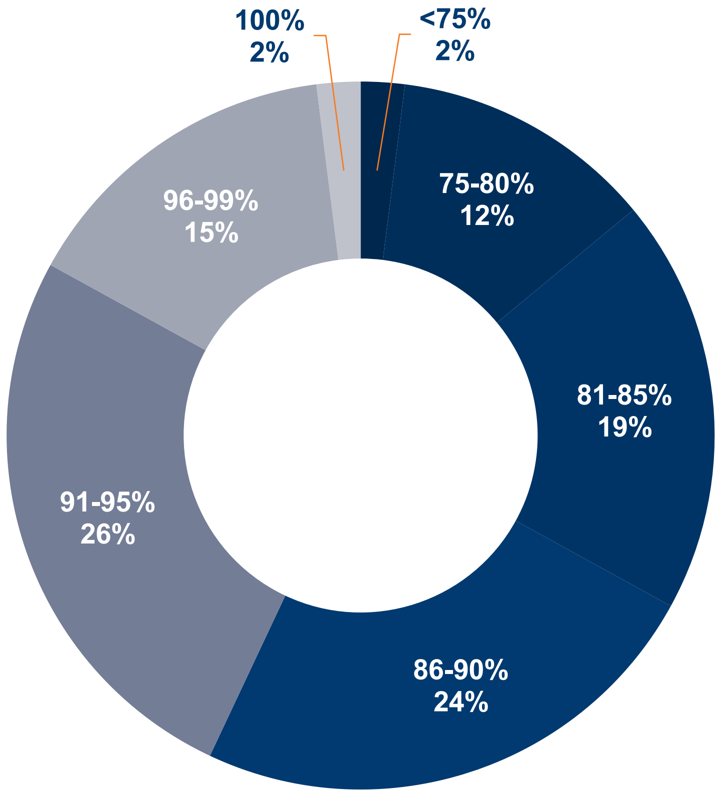
What percentage of primary suppliers have been audited in the past year?



*Top value indicates answer range. Bottom value indicates respondent percentage.

AT LEAST ONE IN 10 SUPPLIER DELIVERIES ARE LATE FOR A MAJORITY OF MANUFACTURERS

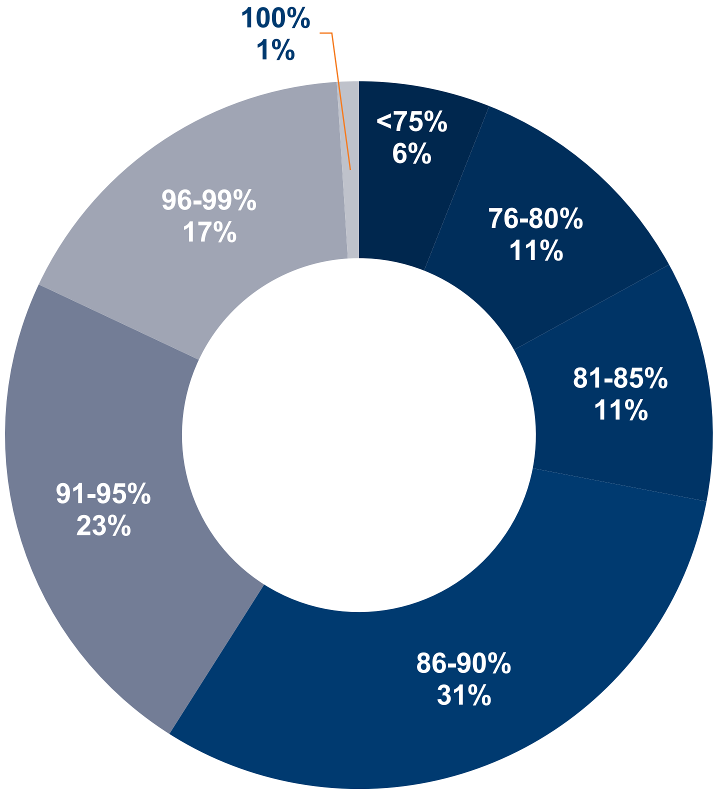
What is the approximate on-time delivery rate from primary suppliers?



*Top value indicates answer range. Bottom value indicates respondent percentage.

MANY SUPPLIER DELIVERIES FAIL TO MEET MANUFACTURER SPECIFICATIONS

What percentage of supplier deliveries pass all company criteria (e.g., quality, count, on-time)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

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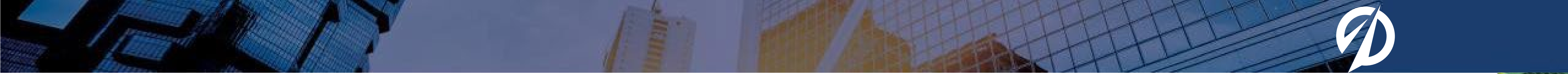
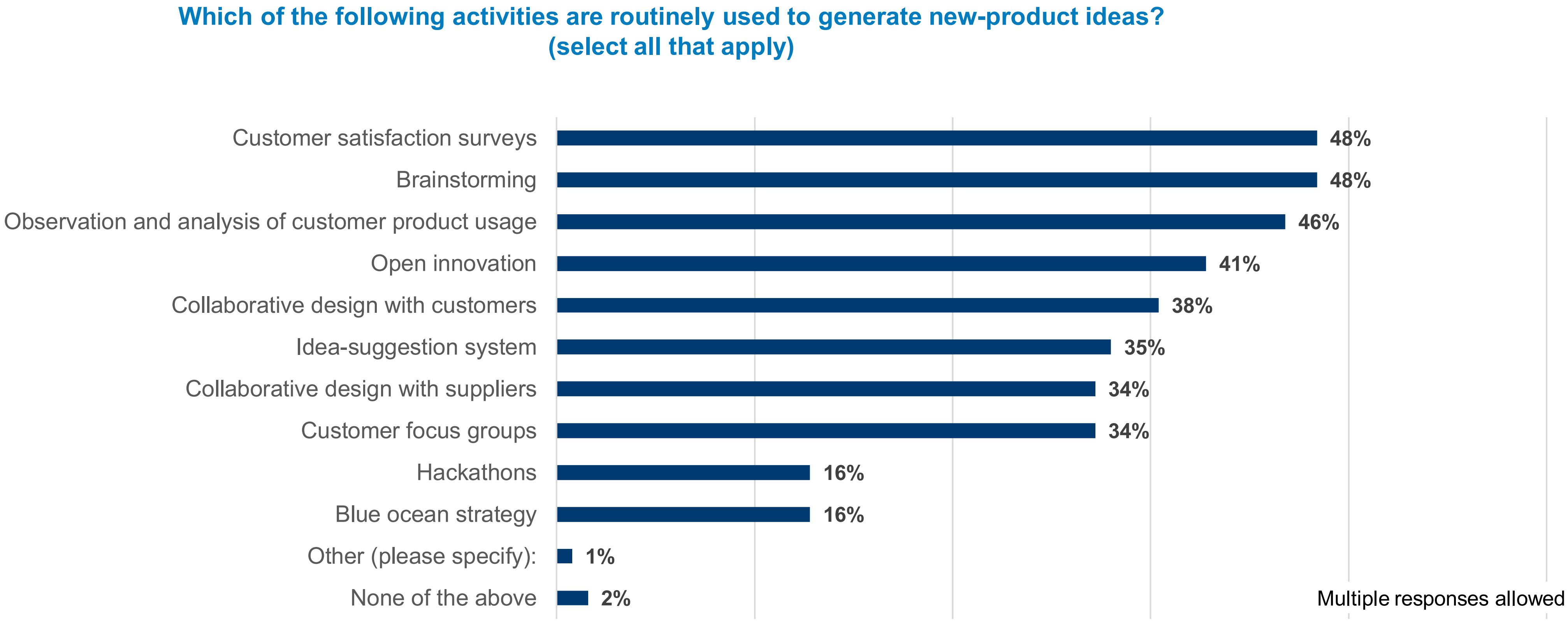
R&D/PRODUCT DEVELOPMENT



KEY INSIGHTS: R&D/PRODUCT DEVELOPMENT

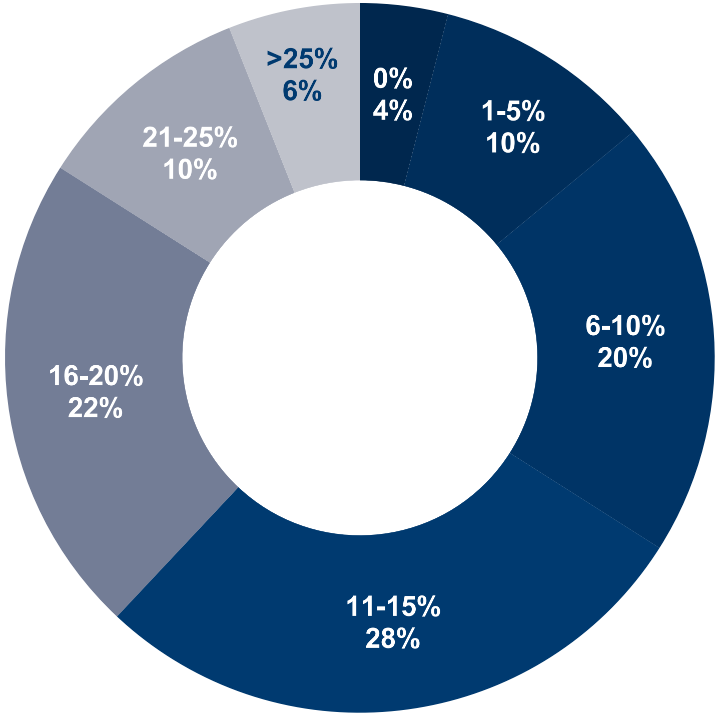
R&D/Product development	Insights
While two-thirds of manufacturers generate more than 10% of sales from new products introduced in the past year, most fail to use ideation activities to spur new product ideas. Only 35% have an idea-suggestion system and just 16% use hackathons.	R&D is the lifeblood of a company — and its impact extends well beyond the product development function. CohnReznick can help manufacturers select and implement appropriate ideation and new product evaluation tools.
Many manufacturers cancel a high percentage of products in development after they've consumed a quarter of their budgets for prototypes, testing, technology development, etc.	This is a tell-tale sign that lean R&D practices — which encourage full cross-functional buy-in and ongoing commitment to product ideas — are missing from many product-development processes.

MANY BEST PRACTICES TO SPUR INNOVATION AREN'T ROUTINELY USED



TWO-THIRDS OF MANUFACTURERS GENERATE MORE THAN 10% OF SALES FROM NEW PRODUCTS

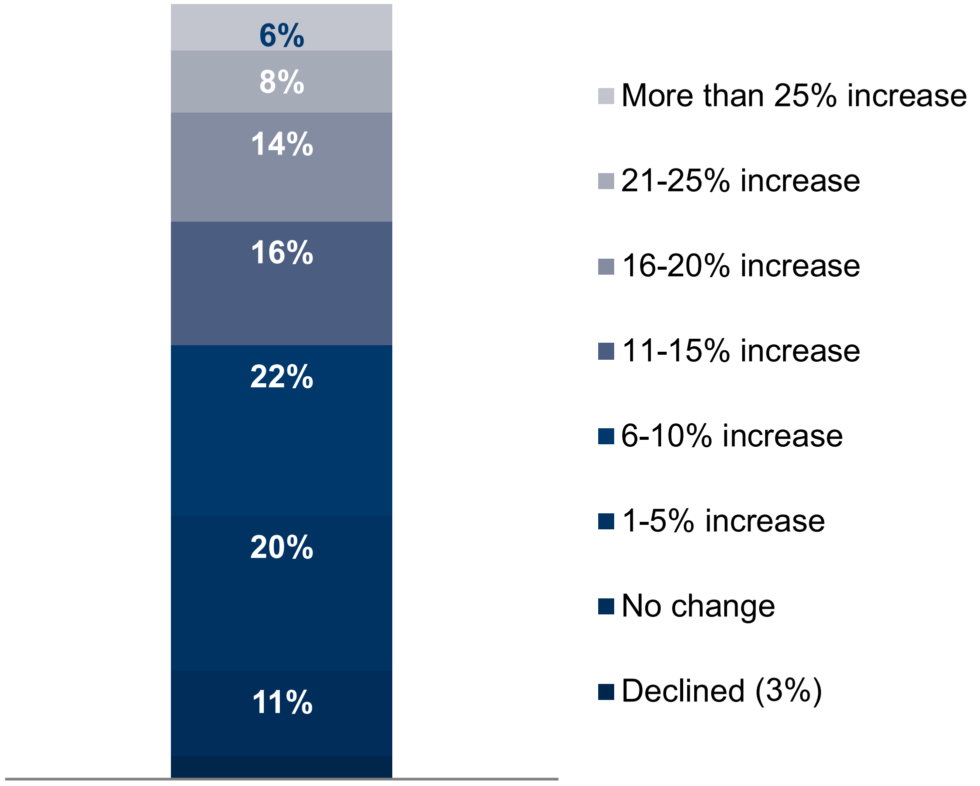
What percentage of sales in the past year came from the launch of new products or services?



*Top value indicates answer range. Bottom value indicates respondent percentage.

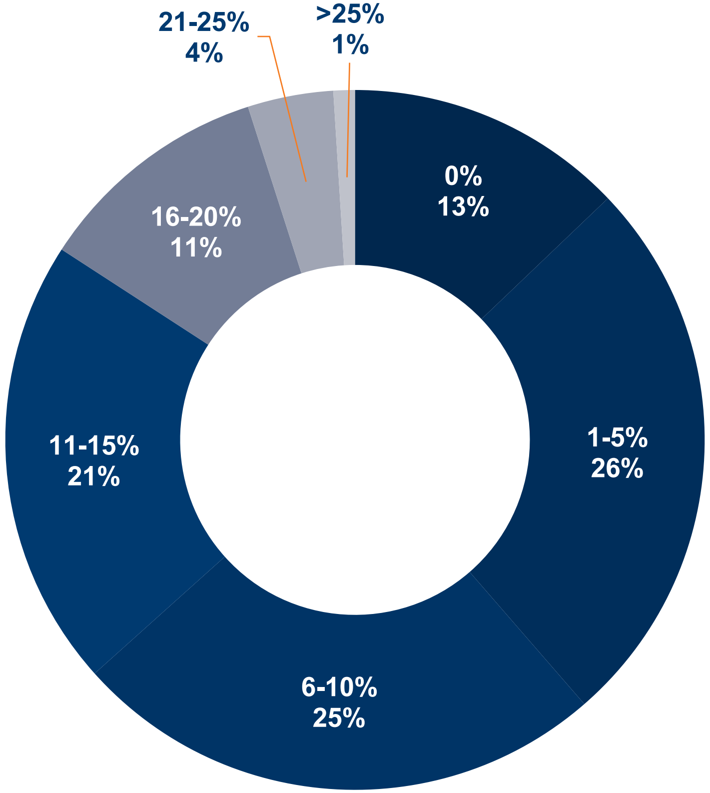
MANY MANUFACTURERS HAVE POSTED LARGE GAINS IN NET PRESENT VALUES OF PRODUCT PORTFOLIOS

By what percentage has the net present value of your company's product portfolio changed over the past three years?



A MAJORITY OF MANUFACTURERS CANCEL NEW PRODUCT WORK AFTER SIGNIFICANT R&D SPENDING

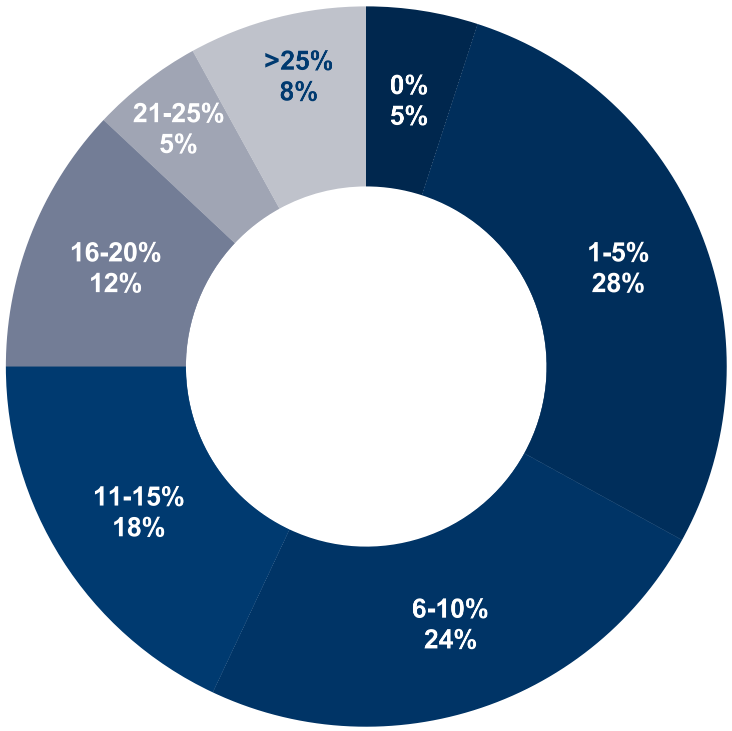
What percentage of new product ideas are cancelled after the project has consumed one-quarter or more of its budget for prototypes, tooling, technology development, etc.?



*Top value indicates answer range. Bottom value indicates respondent percentage.

CORE PRODUCTS CONTRIBUTE THE BULK OF REVENUES FOR MOST MANUFACTURERS

What percentage of your company sales are not from core products
(e.g., aftermarket/replacement parts, branded merchandise, services, leasing, financing)?



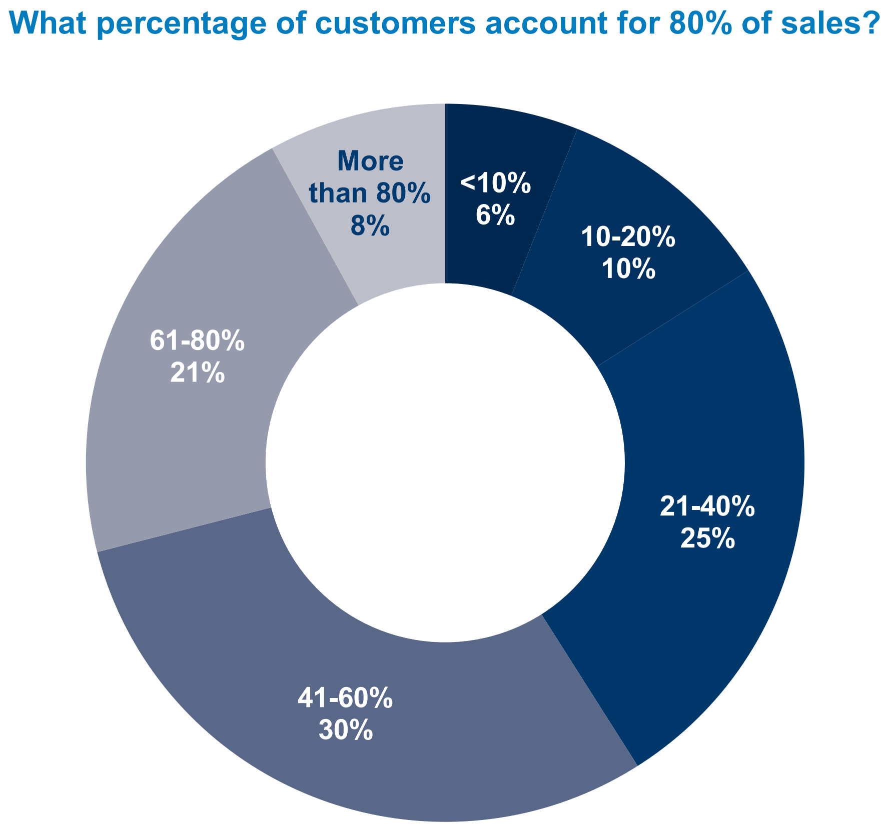
*Top value indicates answer range. Bottom value indicates respondent percentage.

CUSTOMERS

KEY INSIGHTS: CUSTOMERS

Customers	Insights
Most manufacturers aren’t strengthening customer relationships to move beyond buy-and-sell transactions. For example, only 33% share company forecasts/plans with customers, and only 22% share talent/resources with customers. Many also fail to provide after-sales services.	Manufacturers must offer more than just products. They must also support customers in ways that improve B2C product experiences and B2B customers’ operations.
Manufacturers use a mix of channels to reach customers, but primarily rely on direct sales (36% average) and distributors/wholesalers (22% average).	Manufacturers require assistance in development of omnichannel approaches to sales, marketing, and support services.

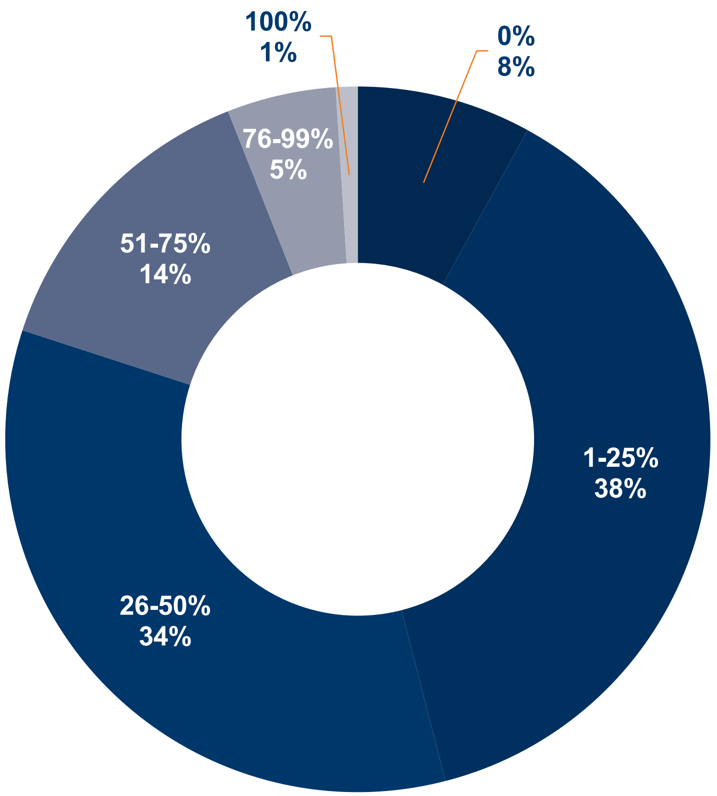
MOST MANUFACTURERS HAVE A DIVERSE CUSTOMER BASE



*Top value indicates answer range. Bottom value indicates respondent percentage.

A FIFTH OF MANUFACTURERS EXPORT A MAJORITY OF THEIR SALES

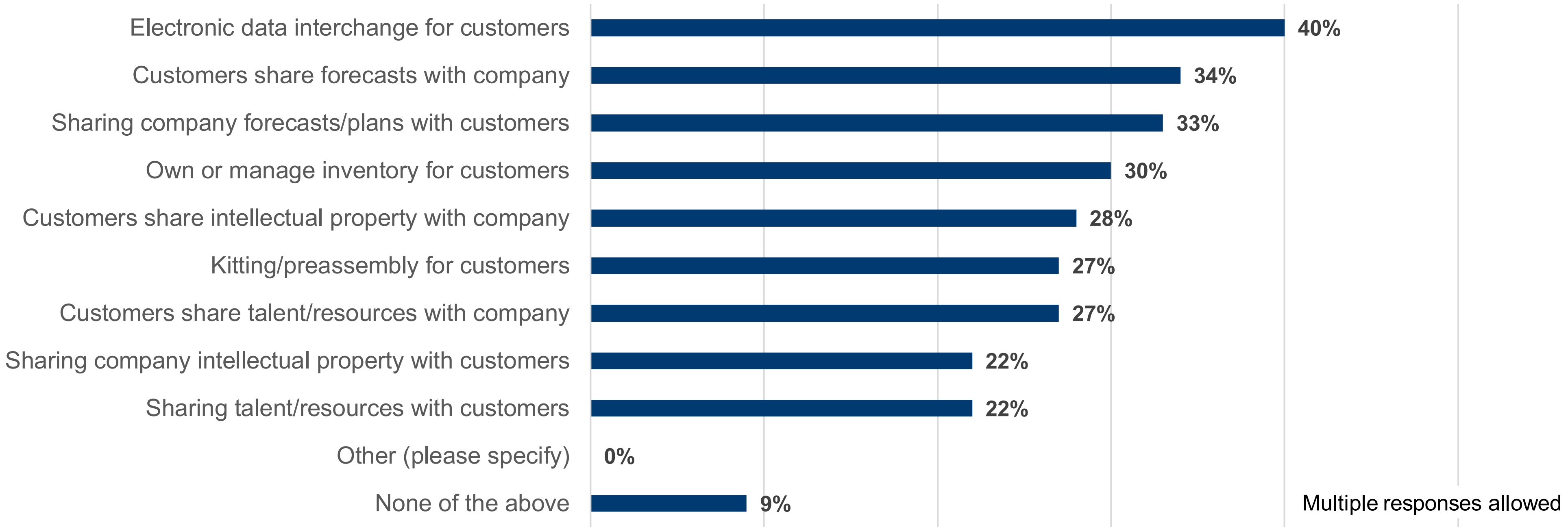
What percentage of sales are exported (i.e., sold to non-domestic customers)?



*Top value indicates answer range. Bottom value indicates respondent percentage.

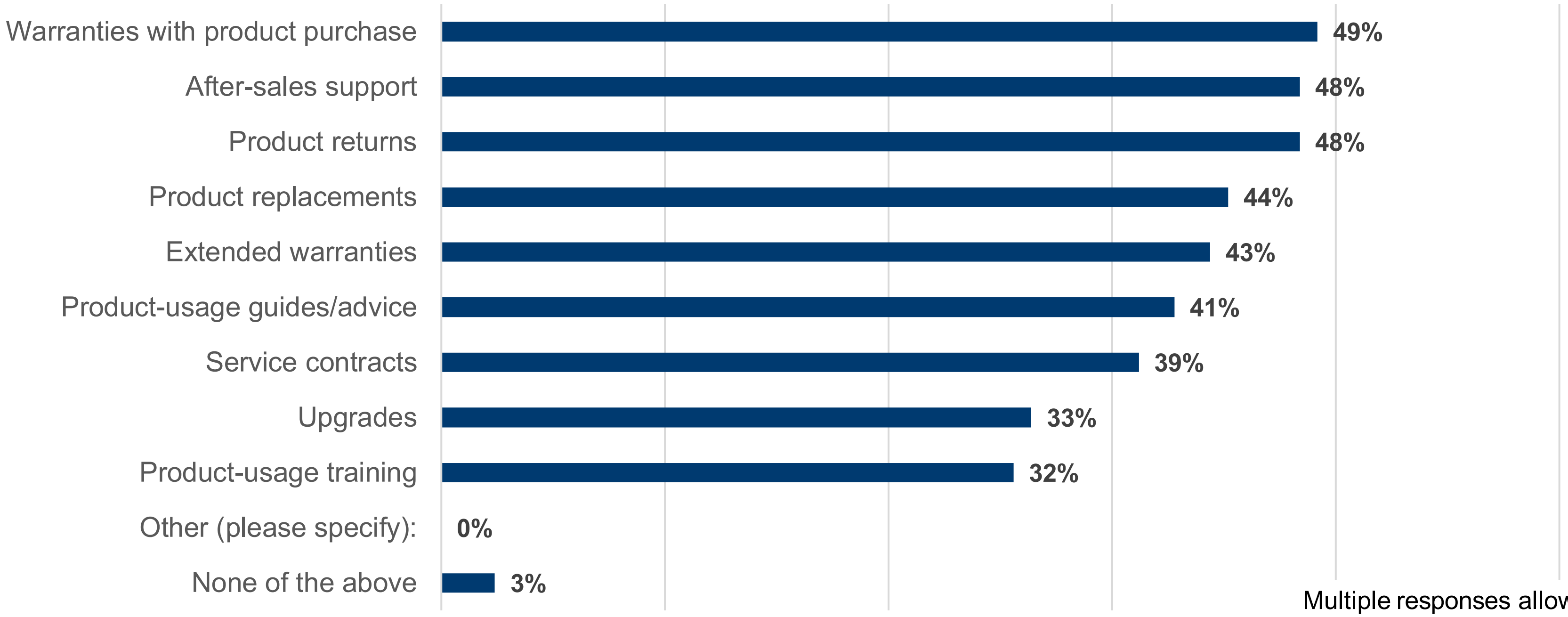
MOST MANUFACTURERS COULD WORK MORE CLOSELY WITH CUSTOMERS

Which of the following activities take place with your company's primary customers? (select all that apply)



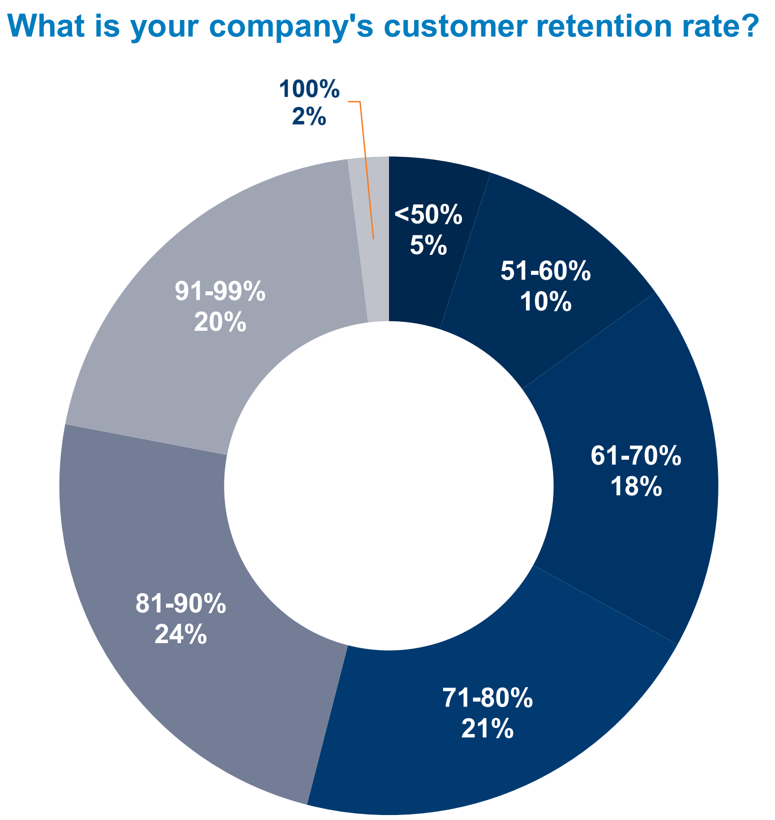
ALMOST HALF OF MANUFACTURERS OFFER PURCHASE WARRANTIES, AFTER-SALES SUPPORT, AND RETURNS

Which of the following after-sales services are offered to customers? (select all that apply)



Multiple responses allowed

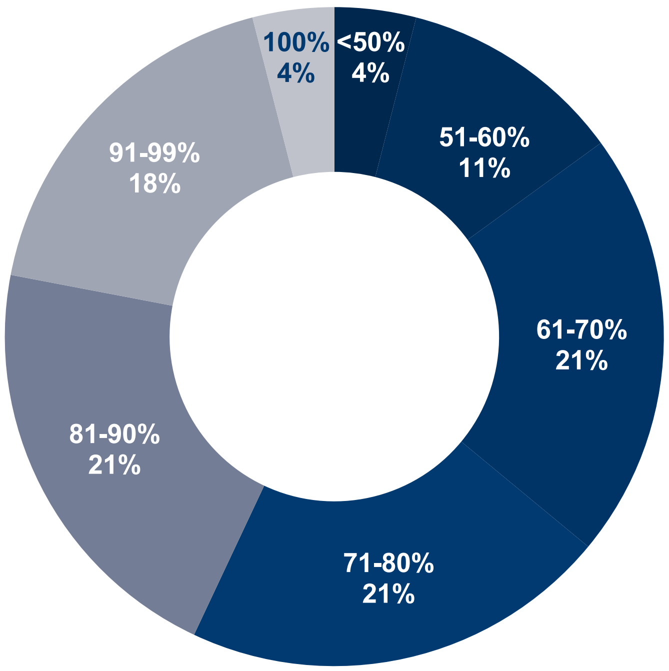
TWO-THIRDS OF MANUFACTURERS HAVE CUSTOMER RETENTION RATES HIGHER THAN 70%



*Top value indicates answer range. Bottom value indicates respondent percentage.

MOST MANUFACTURERS HAVE HIGH PERCENTAGES OF REPEAT CUSTOMERS

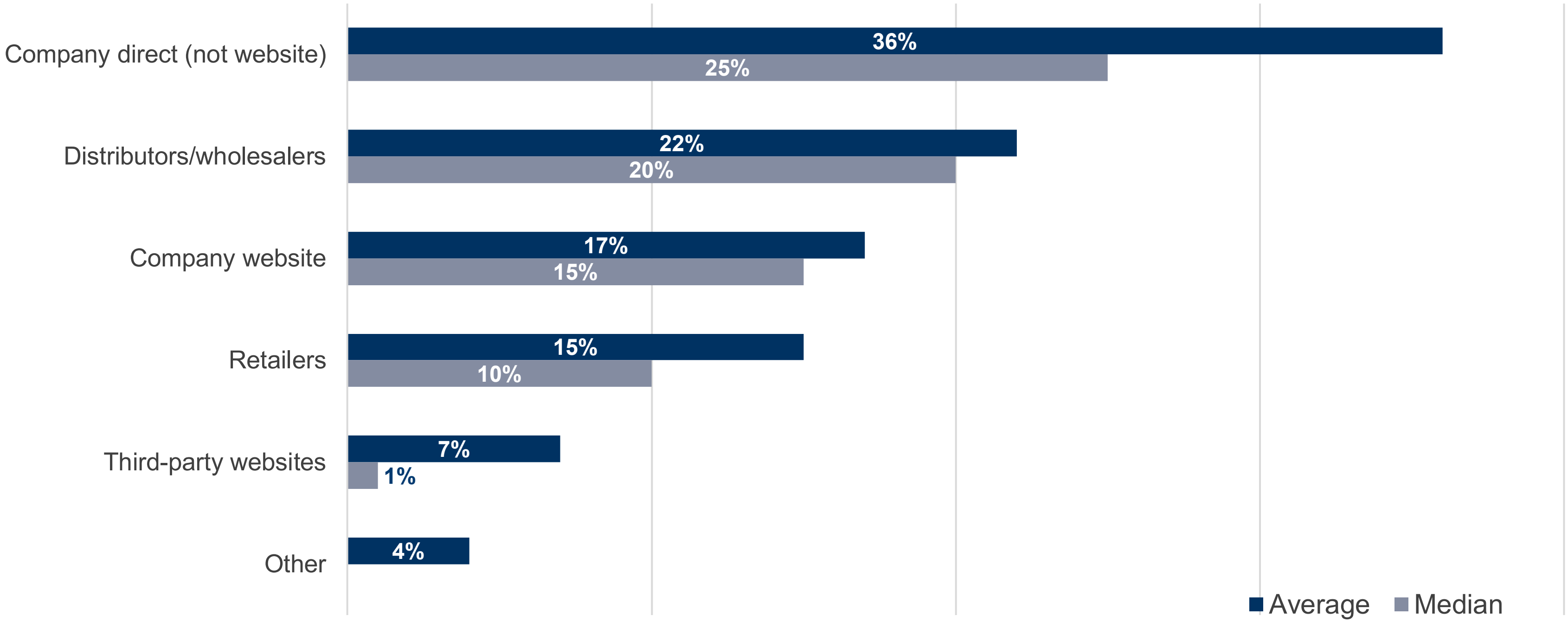
What percentage of sales are repeat customers?



*Top value indicates answer range. Bottom value indicates respondent percentage.

A MAJORITY OF SALES ARE DERIVED FROM DIRECT SALES AND DISTRIBUTORS/WHOLESALERS

What percentage of company sales are derived from the following channels?



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ABOUT COHNREZNICK

INDUSTRIAL MANUFACTURING FACTS & FIGURES

With over 100 years of insight in manufacturing, our experience spans nearly every industrial sector from textiles, to semiconductors, to heavy manufacturing, and more. This wide variety of experience allows us to create tailored solutions to fit your company's needs.

Over
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Manufacturing focused professionals

100+
Capital transactions

Serving over
850
industrial sector clients

International reach
via Nexia International
in more than
100 countries

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As a leading advisory, assurance, and tax firm, CohnReznick helps forward-thinking organizations achieve their vision by optimizing performance, maximizing value, and managing risk. Our clients benefit from the right team with the right capabilities; proven processes customized to their individual needs; and leaders with vital industry knowledge and relationships. Headquartered in New York, NY with offices nationwide, the firm serves organizations around the world through its global subsidiaries and membership in Nexia International. For more information, visit www.cohnreznick.com

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Ensure Compliance

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