



The **Wisconsin**
Manufacturing
Report



WISCONSIN CENTER FOR
MANUFACTURING
& **PRODUCTIVITY**

Before we dive into the data, we wanted to extend a big
“**THANK YOU**” to those who helped make this possible!

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An In-Depth Look At The Opinions Of Wisconsin Manufacturers



THE FIVE BIGGEST TAKEAWAYS

FIVE BIGGEST TAKEAWAYS

1

Recession (?)

Opportunities are out there, but it is tougher to take advantage of them

2

Workforce

Challenges are driving change downstream

3

Inflation

Quotes are just estimates

4

Manufacturers Under Stress

10-20% of manufacturers are not healthy

5

COVID-19

Still an issue, also accelerated trends and opened new opportunities

KEY METHODOLOGY

RESEARCH METHODOLOGY

- **On behalf of Wisconsin Center for Manufacturing and Productivity, Meeting Street Insights is pleased to present the key findings from a survey among manufacturing executives in Wisconsin.**
- The quantitative survey was conducted July 29 – August 23, 2022, among 400 manufacturing executives; it has a margin of error of $\pm 4.9\%$.
- In addition to the survey, four in-person focus groups were conducted among manufacturing executives in Menomonie (Sept. 13th), Green Bay and Madison (Sept. 14th), and Brookfield (Sept. 15th), and one virtual group (Sept. 15).
- This is the second annual survey conducted among manufacturers in the state. The first study was completed August 16 – September 12, 2021.

SURVEY SAMPLE COMPOSITION

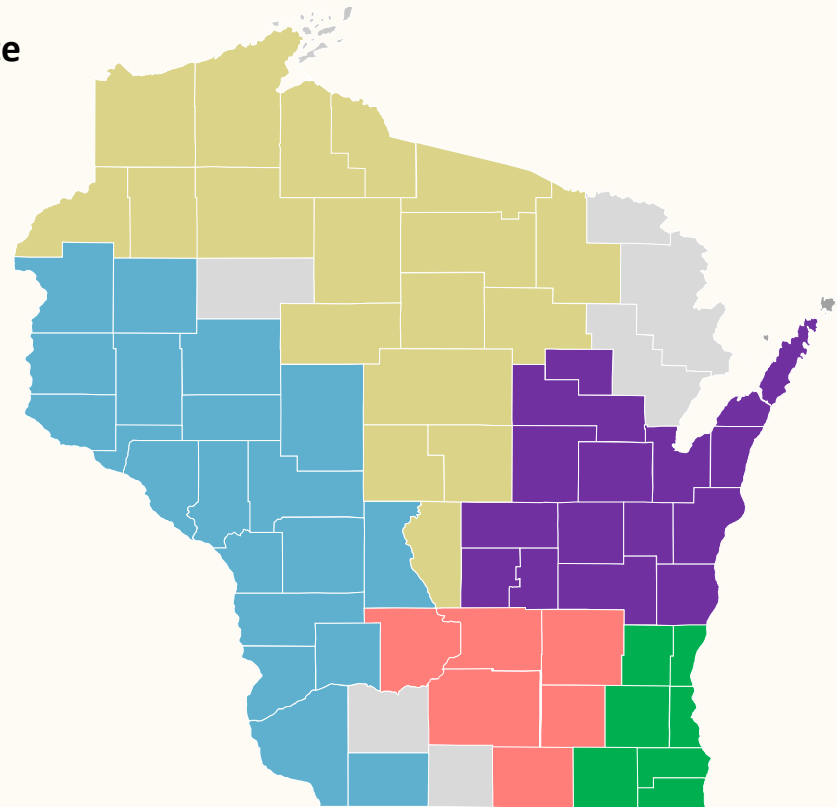
	This Survey Demographics	Census Statistics (County Business Patterns Survey)
Fewer Than 50 Employees	75%	75%
More Than 50 Employees	25%	25%
Metal Fabrication	19%	24%
Machinery Manufacturing	17%	12%
Printing	6%	8%
Food/Beverage	7%	14%
Paper/Wood Products	8%	13%
Other Type of Manufacturing	22%	20%
Seven Rivers	5%	5%
Centergy	5%	5%
Grow North	4%	4%
Madison Region	14%	14%
Milwaukee (Southeast)	35%	35%
Momentum	9%	9%
Prosperity	2%	3%
The New North	23%	22%
Visions Northwest	3%	3%

SURVEY SAMPLE COMPOSITION

- For reporting purposes, we divided the state into five distinct regions:

- **Northwest** (12% of the sample)
- **West** (16%)
- **South Central** (15%)
- **Southeast** (35%)
- **Northeast** (24%)

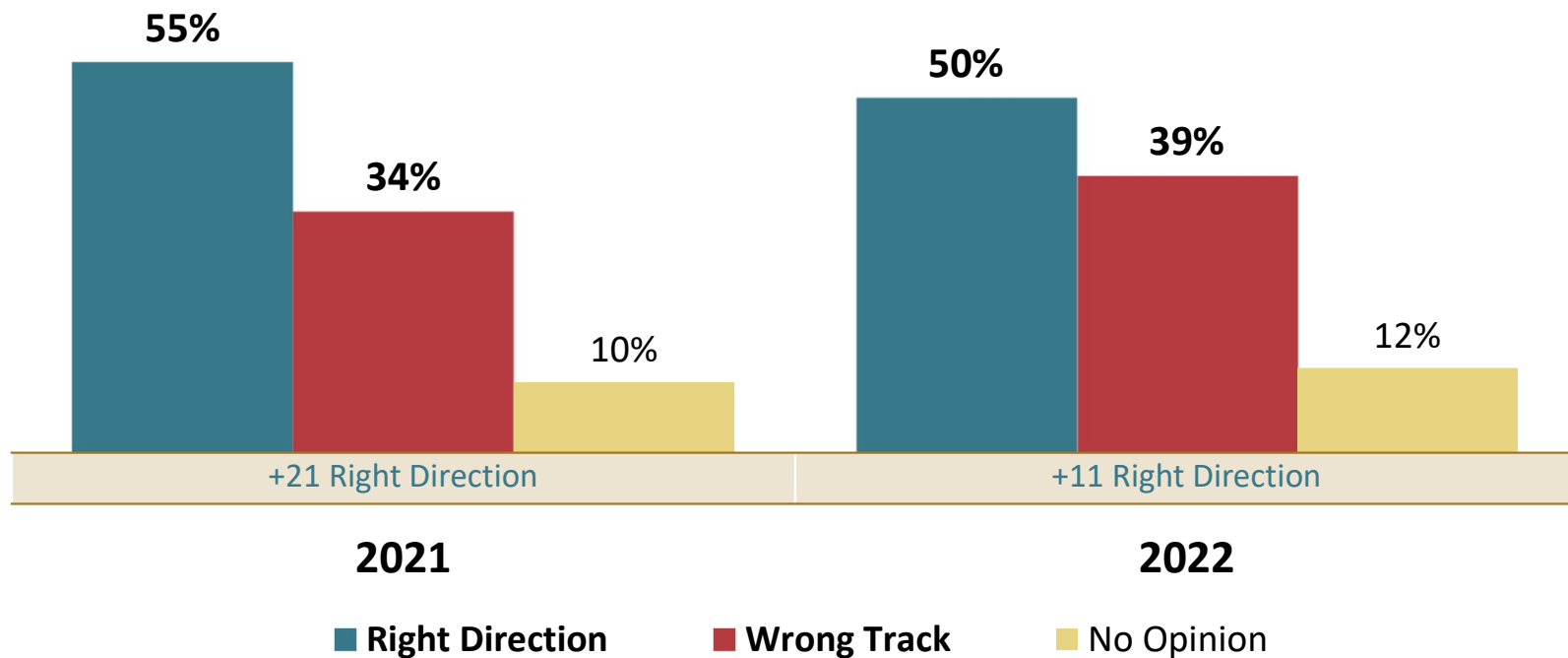
* Shared Counties Are Grey



KEY RESEARCH FINDINGS

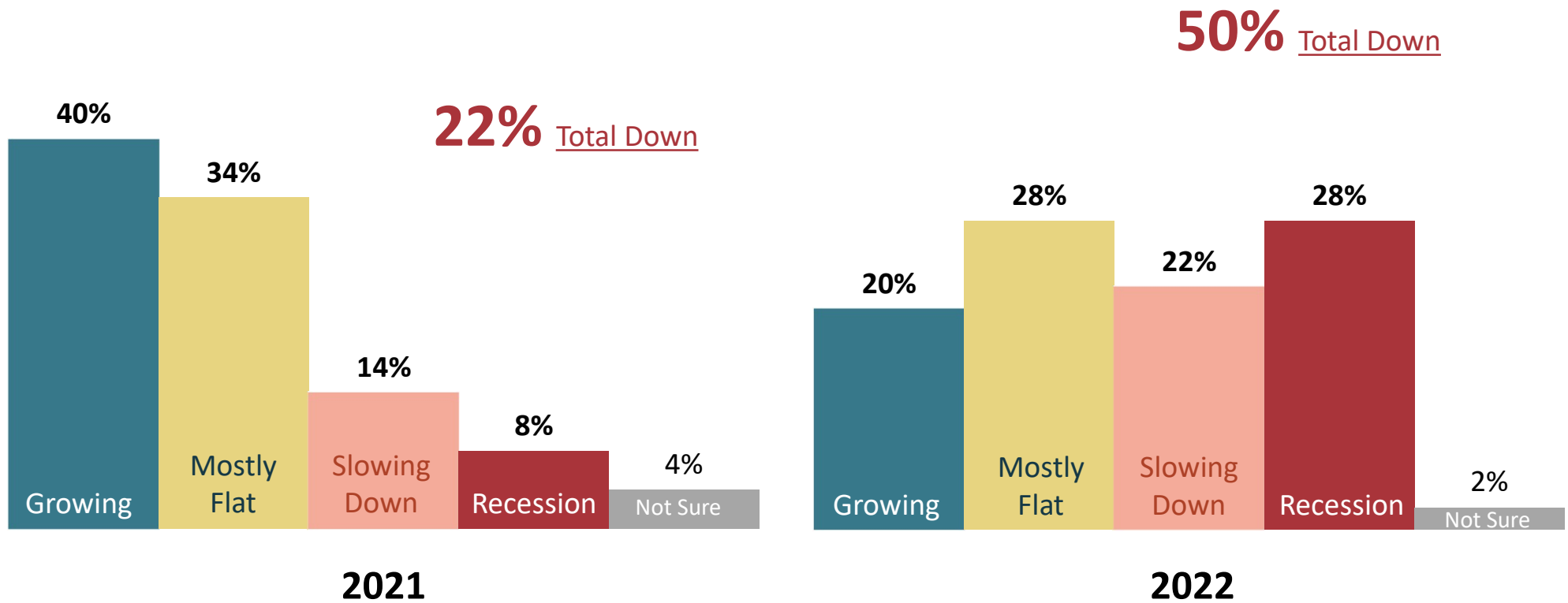
Wisconsin business executives still say the business climate is heading in the right direction, but the mood is less optimistic than it was a year ago.

“Would you say the business climate in the state is heading in the right direction, or is the business climate off on the wrong track?”



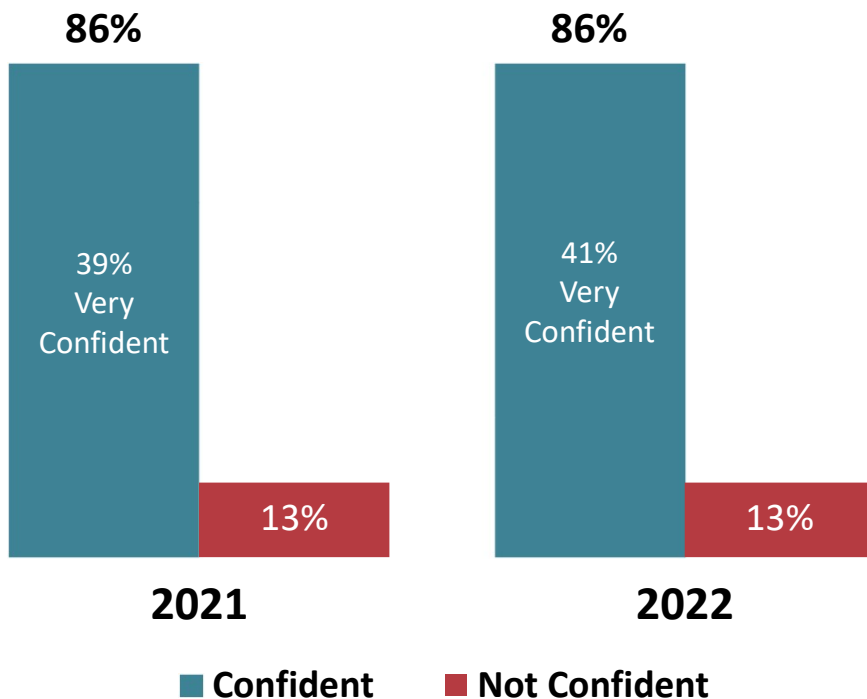
Most manufacturers now say the state's economy is slowing down.

“Overall, right now, do you think Wisconsin's economy is growing, slowing down, mostly flat, or in a recession?”



Despite concerns about the overall economy, Wisconsin manufacturing executives remain confident about their own companies' financial outlook.

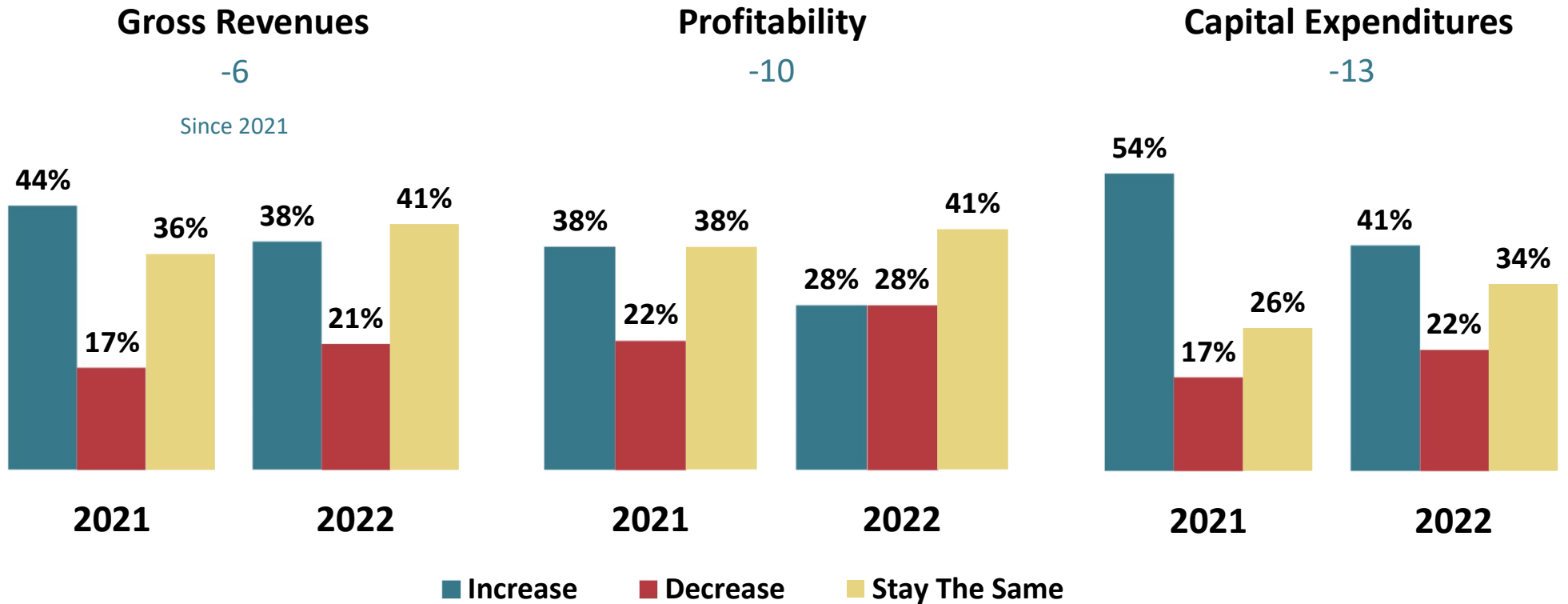
“Let's shift gears for a moment and focus more on your company. From a financial perspective, how do you feel right now about the future for your company?”



% Very Confident			
	2021	2022	Change
1-49 Employees	39%	35%	-4
50+ Employees	40%	58%	+18
Revenue Under \$1 Million	35%	29%	-6
Revenue \$1 - \$5 Million	39%	40%	+1
Revenue \$5 Million +	43%	55%	+12

Despite that optimism, we see drop-offs in expected increases in gross revenues, profitability and capital expenditures this year.

“As you look to the year-end, do you expect your company’s _____ for 2022 to increase or decrease compared to 2021, or will they probably stay the same?”



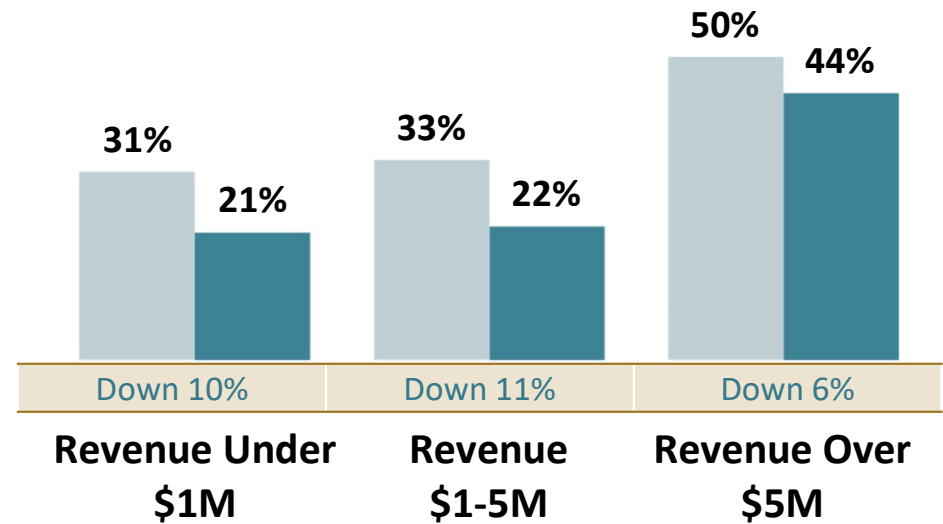
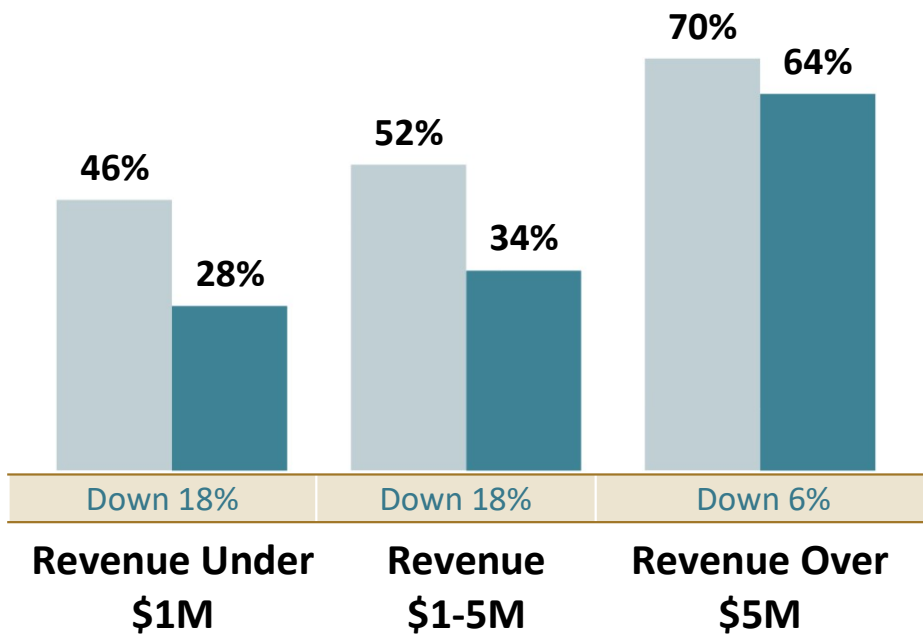
The drop-offs in expected increases in gross revenues and profitability is much greater among smaller revenue manufacturers.

Gross Revenues

(% Expected Increase In 2022)

Profitability

(% Expected Increase In 2022)



■ Increase in 2021

■ Increase in 2022

Manufacturers outside of Milwaukee and Madison are less optimistic about seeing increases in gross revenues and profitability than a year ago.

Key Manufacturers' Business Metrics (% Increase)

Gross Revenues

	2021	2022	Change
Southeast	55%	46%	-11
South Central	54%	50%	-4
Northeast	51%	36%	-15
Northwest	53%	36%	-17
West	60%	34%	-26

Profitability

	2021	2022	Change
Southeast	35%	34%	-1
South Central	42%	34%	-8
Northeast	36%	26%	-10
Northwest	43%	19%	-24
West	35%	22%	-13

Material cost and keeping employees top the list of manufacturers' concerns, with inflation and energy costs on the rise this year.

"Next, we're going to look at a series of different issues that may or may not impact you and your company. For each one, please rate how important that issue is to you and your company's success." (1-to-10 Scale: 1 = Not Important At All / 10 = Extremely Important)

	2021	2022	Change since 2021
Costs of materials for your products	Rating 9-10 59%	57%	-2
Keeping qualified employees	60%	55%	-5
Availability and supply of materials for your products	63%	53%	-10
Finding and attracting qualified employees	55%	53%	-2
Overall inflation	41%	49%	+8
Costs of employee salaries and benefits	33%	38%	+5
The costs of health care coverage	44%	36%	-8
Federal and state taxes	41%	34%	-7
Energy costs	17%	30%	+13
Getting operations to where they were before pandemic	35%	29%	-6
Finding new customers and markets	31%	28%	-3
Federal government regulations	33%	27%	-6
Economic and global uncertainty	31%	27%	-4
State government regulations	30%	25%	-5
Developing company managers and leaders	25%	19%	-6
Hacking and cyber security	24%	19%	-5
ESG or environmental, social and governance issues	n/a	13%	n/a

Costs and supply of materials and inflation rank higher for smaller manufacturers, while workforce concerns top the list for larger ones.

Top Five Issues (% Very Important 8-10) By Company

Workforce Issues Highlighted



**Companies with
1-49 Employees**

- #1 Costs of Materials (75%)

- #2 Overall Inflation (69%)

- #3 Availability/Supply of Materials (69%)

- #4 Keeping Qualified Employees (63%)

- #5 Finding & Attracting Employees (60%)



**Companies with
50+ Employees**

- #1 Finding & Attracting Employees (85%)

- #2 Keeping Qualified Employees (84%)

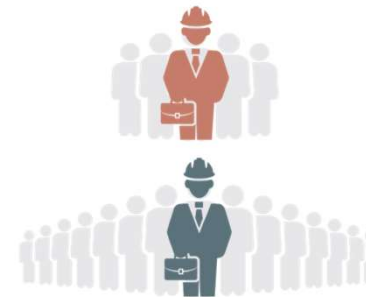
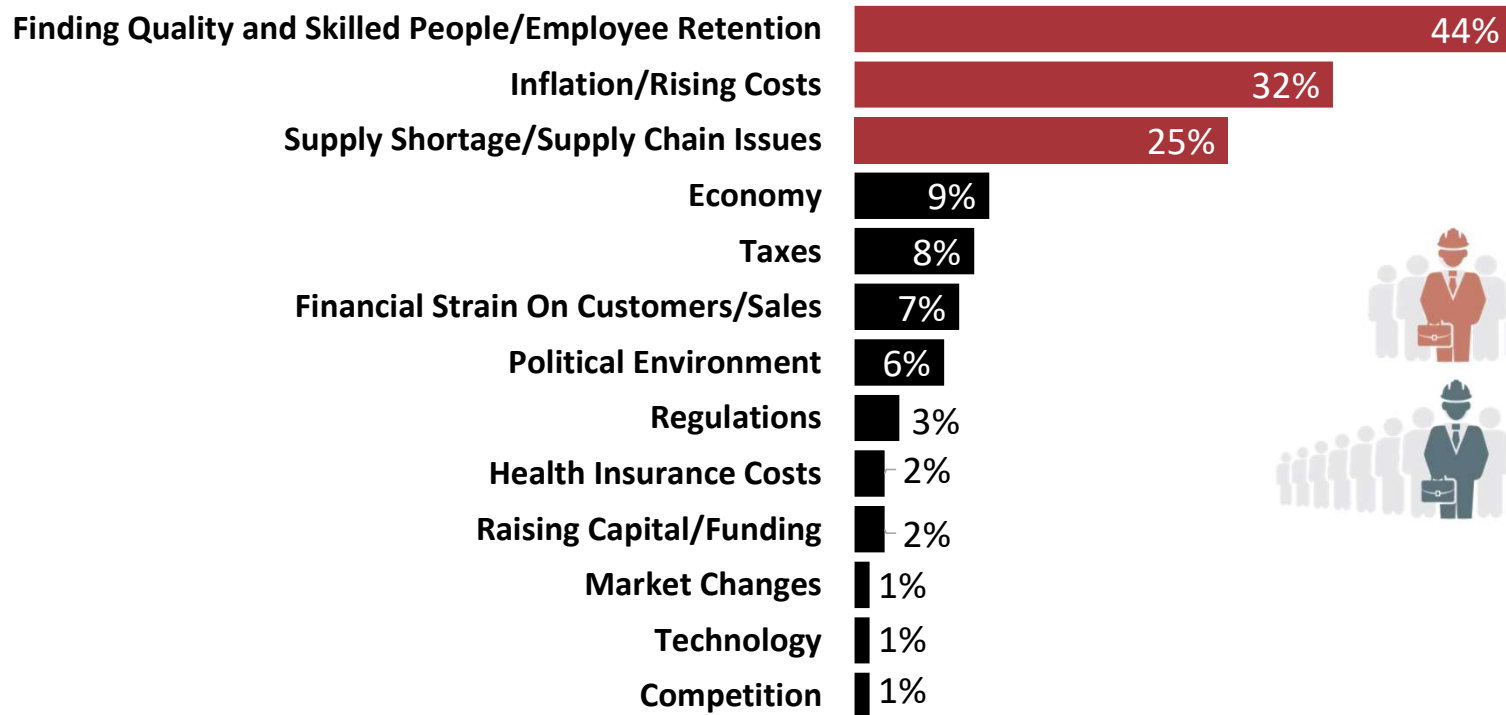
- #3 Cost of Materials (78%)

- #4 Availability/Supply of Materials (71%)

- #5 Overall Inflation (69%)

Workforce issues, along with inflation and supply chain concerns account for most of the issues manufacturers see affecting their success.

“Next, thinking about your company, what would you say is the one or two most important issues affecting your business and its future success?” (OPEN ENDED)

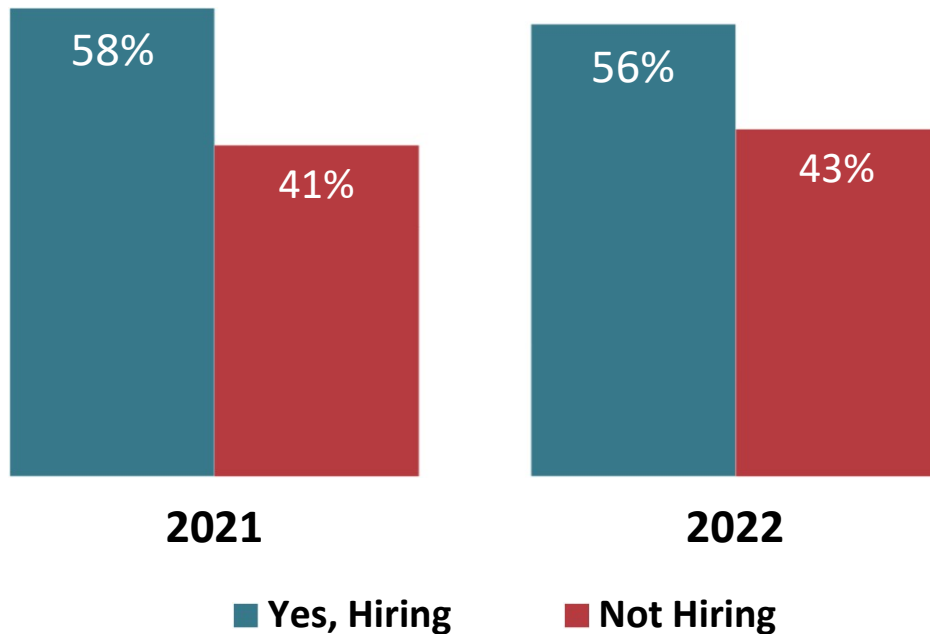


38%
Among
Companies with
1-49 Employees

63%
Among
Companies with
50+ Employees

A majority of executives say they are hiring and about a third of those hiring have six or more open positions they are looking to fill.

“Does your company currently have positions that are open for hiring?”



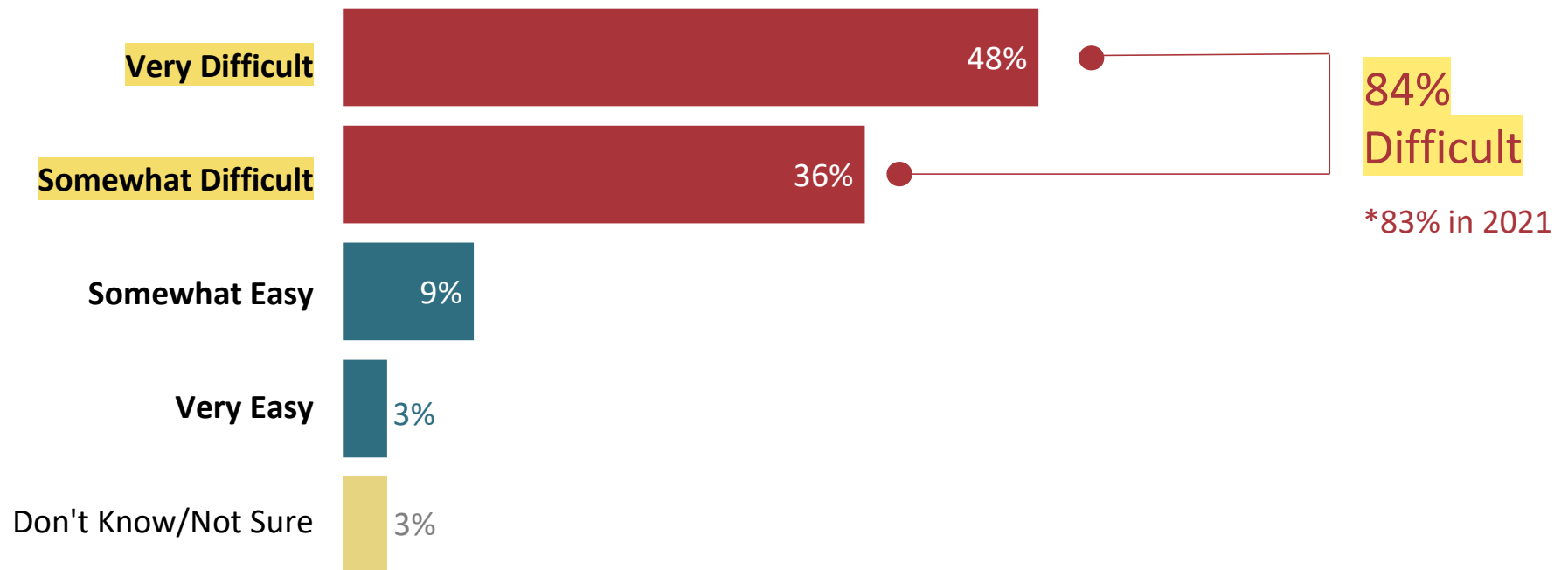
(ASKED AMONG THOSE HIRING) “And, based on your best estimate, how many positions would you say your company has open that you are currently hiring for?”



Number of Positions	
1–2 Positions	35%
3–5 Positions	32%
6+ Positions	31%

Very few executives say it is easy to find qualified workers for new or open positions, and nearly half say it is *very* difficult.

“Generally speaking how easy or difficult is it for your company currently to find qualified workers for new or open positions?”



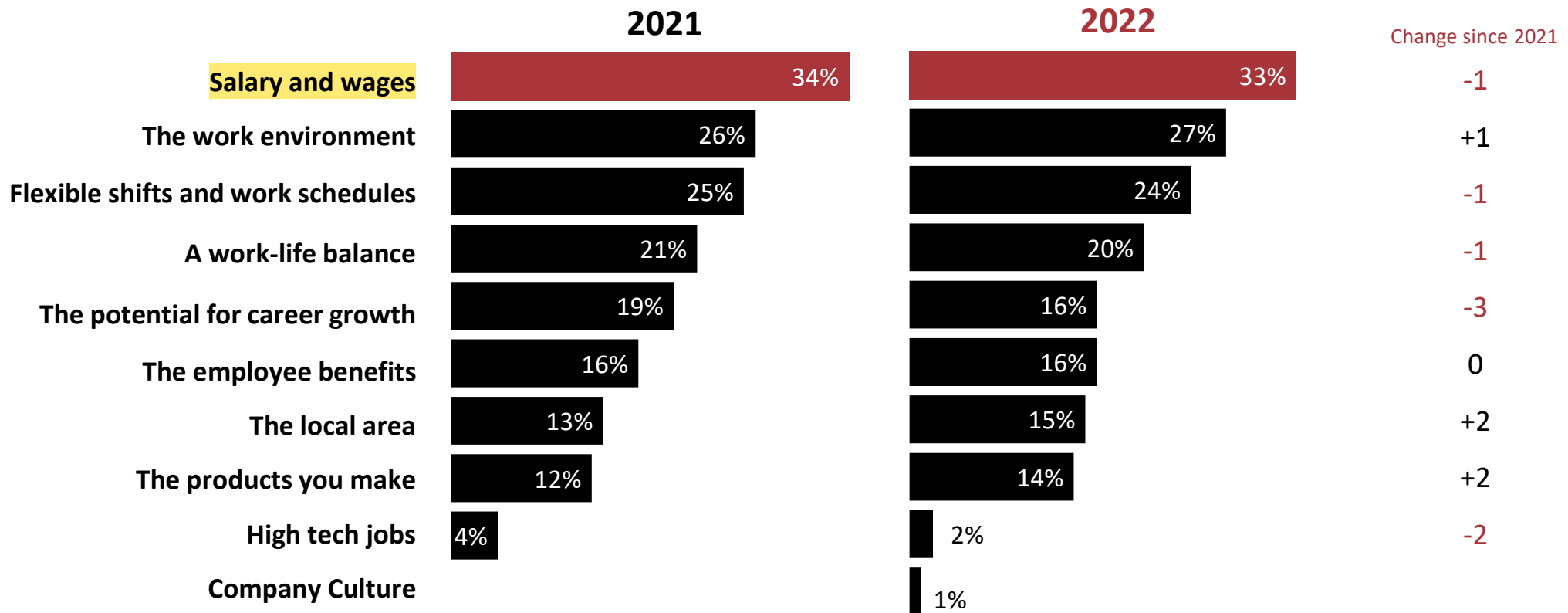
Large firms report more difficulty finding the workers they need for new or open positions.

Difficulty In Finding Workers By Company Type

	Very Difficult	Total Difficult
1 – 49 Employees	44%	81%
50+ Employees	58%	92%
Revenue Less Than \$1 Million	35%	72%
Revenue \$1 Million – \$5 Million	57%	94%
Revenue \$5 Million +	56%	92%

Companies see the salaries they offer as their strongest selling point, with the work environment and flexible schedules not far behind.

“When thinking about attracting and hiring new employees, what does your company believe is its strongest selling point to prospective employees?”



Smaller manufacturers focus more on flexibility, work-life balance, and their locations. Larger companies focus more on benefits and career growth.

Top Five Strongest Selling Point By Company Type

Unique Points To That Group Highlighted



**Companies with
1-49 Employees**

- #1 Salary and wages (31%)

- #2 Flexible shifts and work schedules (26%)

- #3 The work environment (25%)

- #4 A work-life balance (23%)

- #5 The local area (15%)



**Companies with
50+ Employees**

- #1 Salary and wages (40%)

- #2 The work environment (31%)

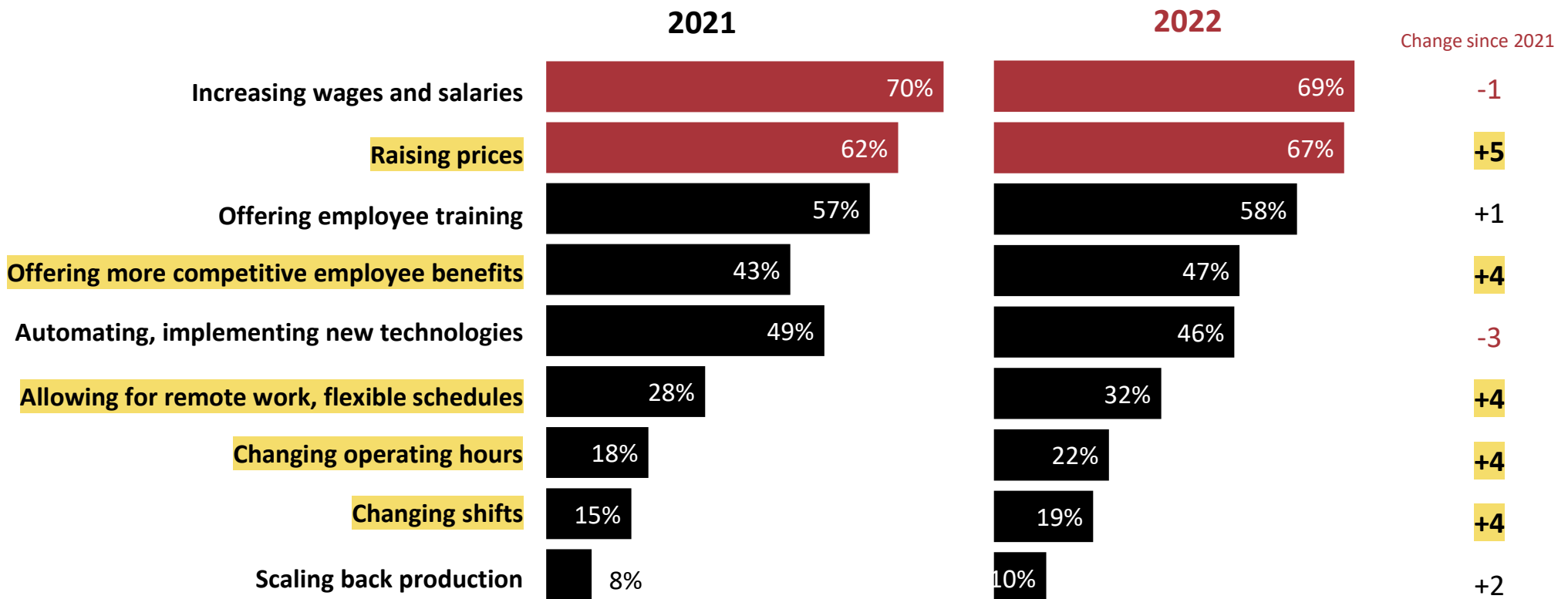
- #3 Employee benefits (25%)

- #4 The potential for career growth (21%)

- #5 The products you make (18%)

Increasing wages and salaries is the most common change to workforce challenges, while raising prices has risen over the past year.

“Is your company considering any of the following changes to address potential long-term workforce challenges?”

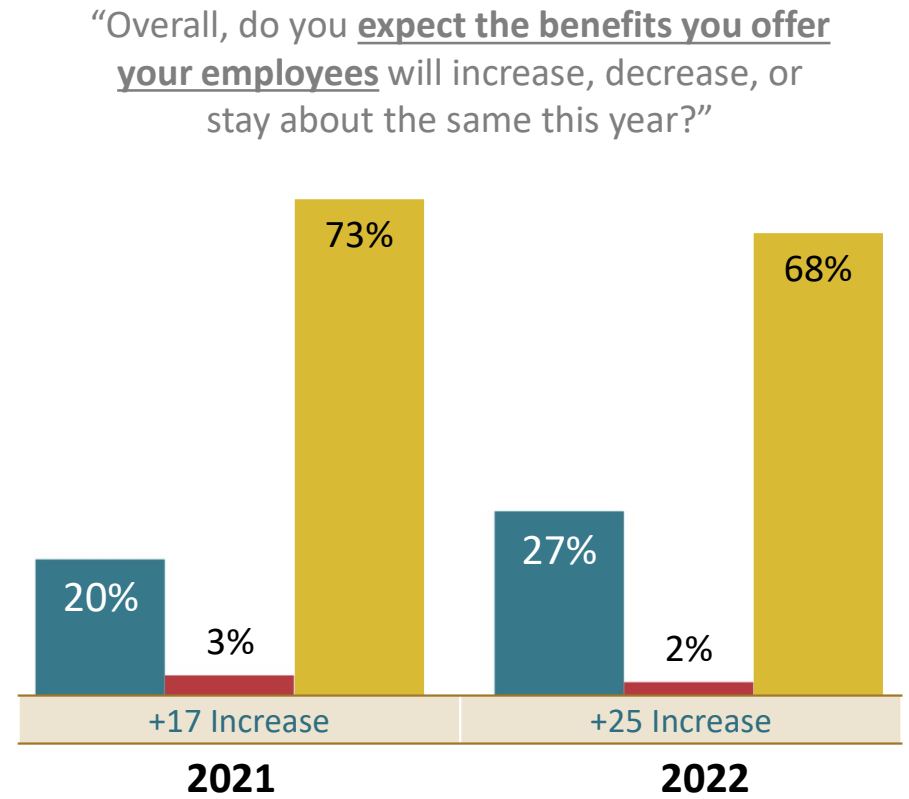


Larger firms are more likely than smaller ones to be considering increasing wages and benefits and implementing automation or new technologies.

Considering Changes By Company Type (Results 50%+ Per Type Are Shaded)

	Company Size		Revenue		
	1-49 Employees	50+ Employees	Under \$1 Million	\$1 – \$5 Million	\$5 Million+
Increasing wages and salaries	64%	86%	49%	77%	88%
Raising prices	67%	68%	62%	69%	72%
Offering employee training	52%	77%	49%	57%	71%
Offering more competitive employee benefits	40%	68%	29%	49%	66%
Automating or implementing new technologies	41%	64%	36%	40%	68%
Allowing for remote work and flexible schedules	27%	50%	24%	33%	43%
Changing operating hours	20%	28%	24%	12%	30%
Changing shifts	14%	35%	12%	12%	35%
Scaling back production	11%	9%	10%	13%	10%
Finding employees/ Hiring the right people	1%	2%	0%	4%	1%

Manufacturers expect to increase wages, but most don't plan to make any changes to their benefit offerings.

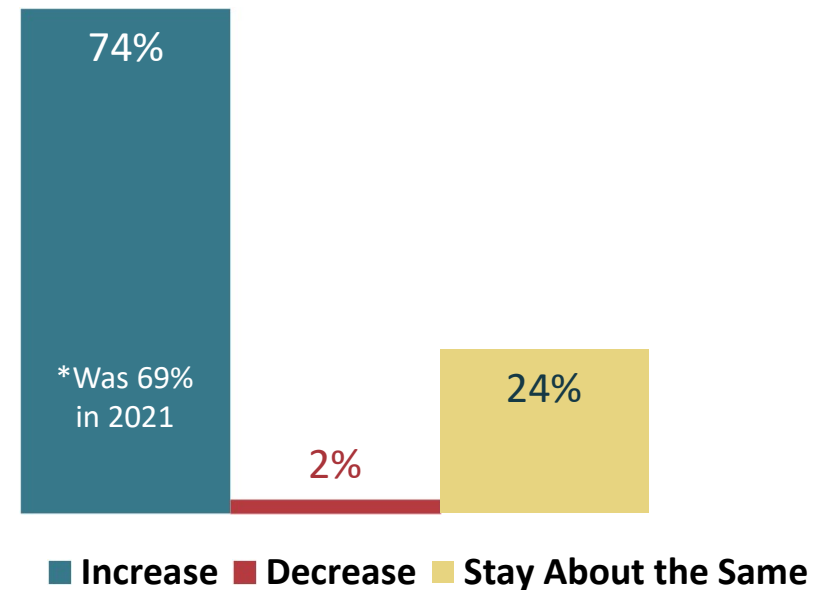
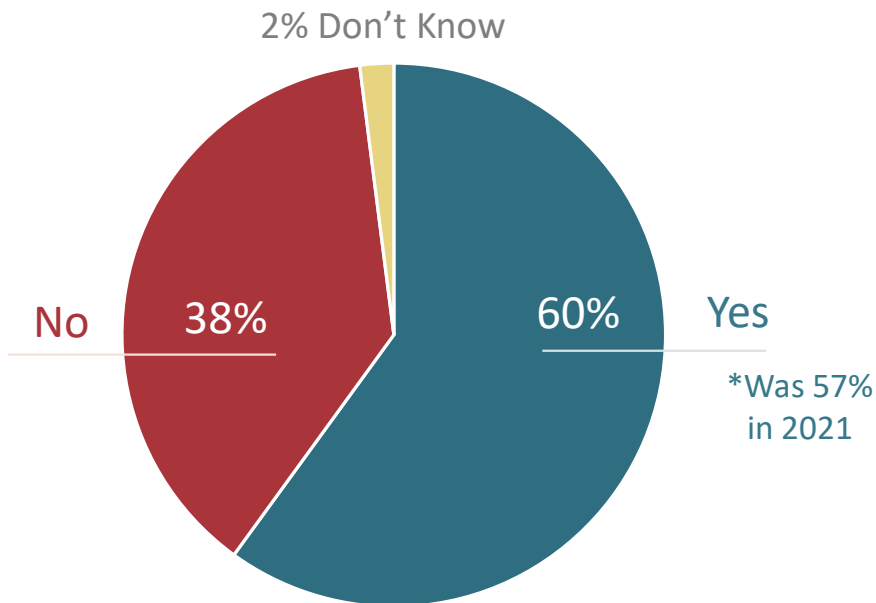


■ Increase ■ Decrease ■ Stay The Same

A majority of manufacturing companies provide health insurance to their employees, and nearly three quarters of those who do expect costs to rise.

“Does your company currently provide health insurance to your employees?”

AMONG THOSE WHO PROVIDE INSURANCE: “Do you expect the cost your company pays for health care will increase, decrease, or stay about the same in 2022?”



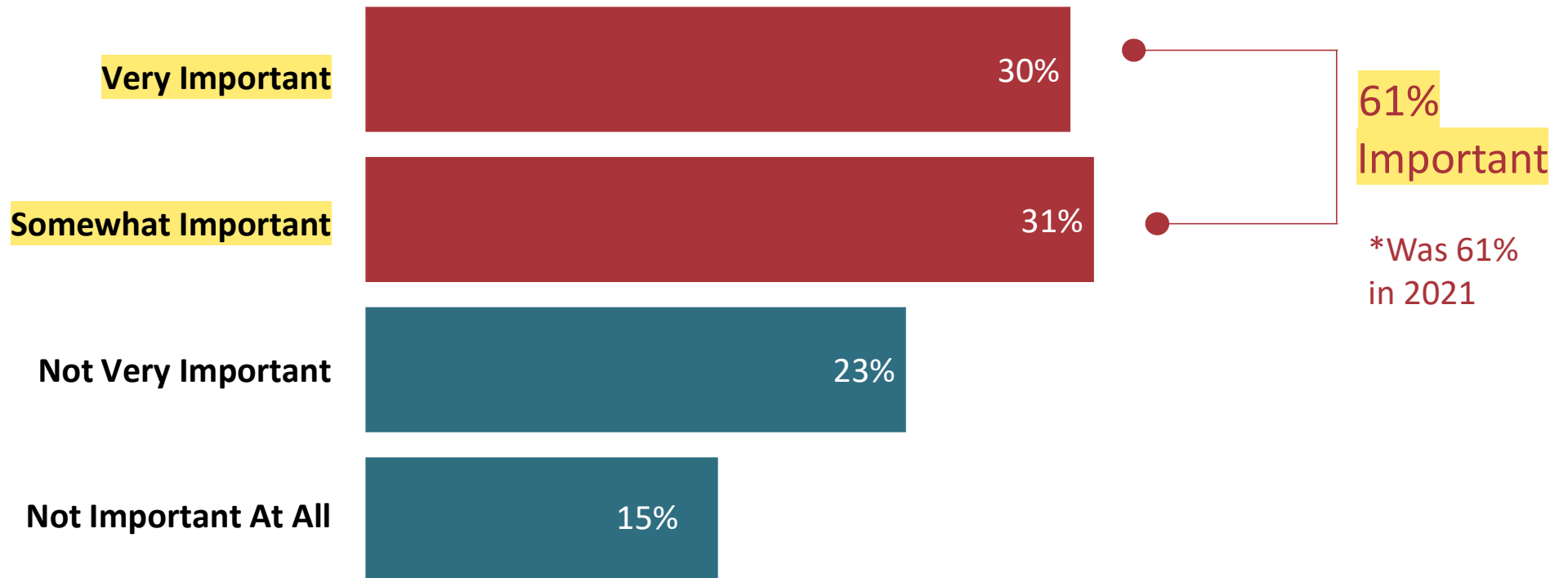
Of all the potential areas for increasing investment, growing revenue and profitability and maximizing productivity still top the list.

“Overall for the year 2022, do you expect to increase investment in any of the following areas?”

	2021	2022	Change since 2021
Growing revenue and profitability	75%	73%	-2
Maximizing productivity	72%	69%	-3
Expanding sales within the United States	61%	60%	-1
Employee training	59%	57%	-2
Employee development	58%	56%	-2
Systems, technology, and automation	43%	48%	+5
Workplace and company culture	44%	46%	+2
Data and cyber security	34%	33%	-1
Research and development	30%	32%	+2
Expanding sales globally	19%	18%	-1
Obtain ISO certification	8%	11%	+3

A majority of manufacturing executives see automation as important to their company's future, with three-in-ten saying it's *very important*.

“Generally speaking, how important do you think automation will be to your company's future?”



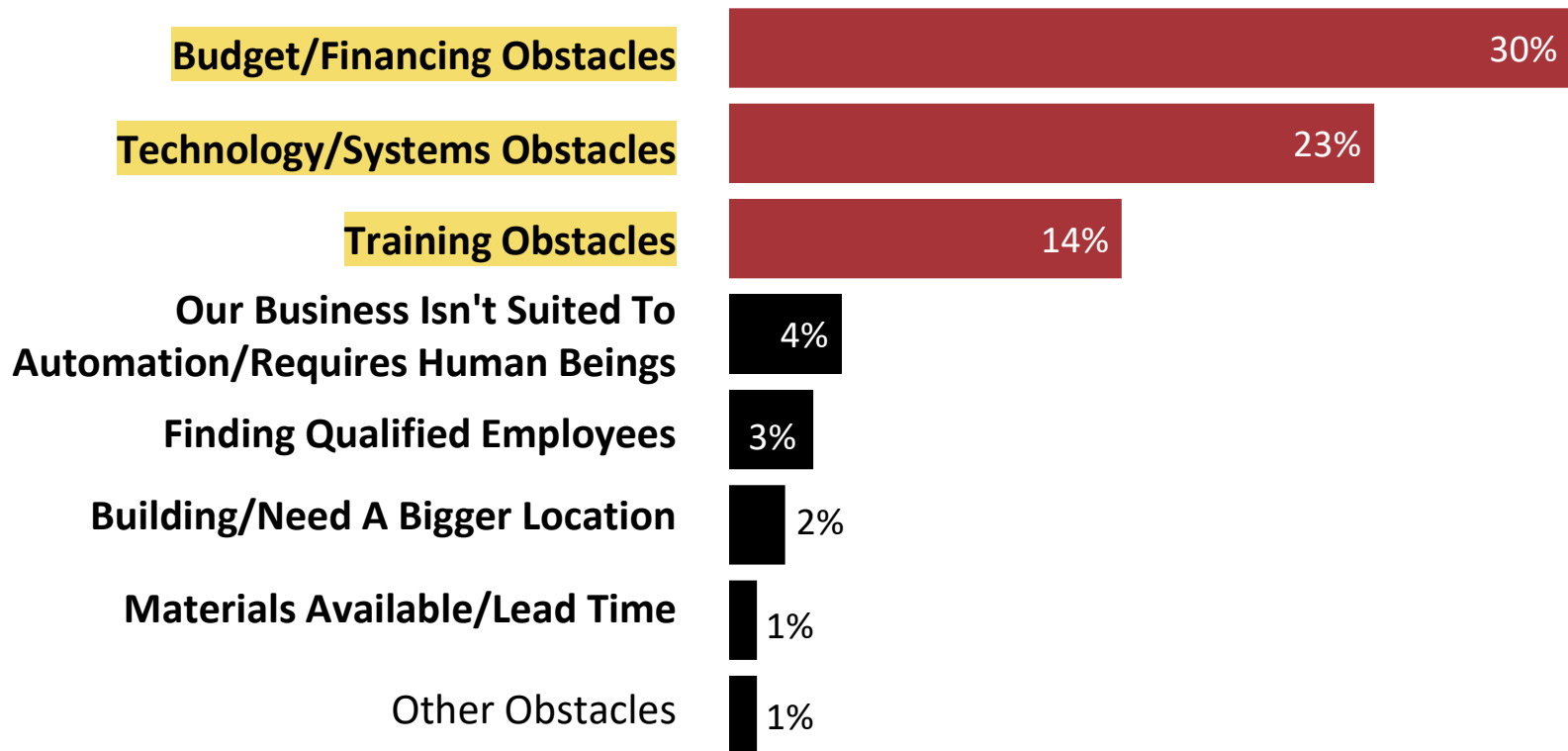
Automation is clearly more important for larger companies.

Importance of Automation By Type of Company

	Very Important	Total Important
1-49 Employees	4%	56%
50+ Employees	48%	79%
Revenue Under \$1 Million	14%	47%
Revenue \$1 - \$5 Million	28%	56%
Revenue \$5 Million +	49%	84%

Of those who say there are obstacles to implementing automation, financing, technology/systems, and training are the top concerns.

“Are there any obstacles to implementing automation at your company?”



Eighteen percent of Wisconsin manufacturers say they have been hacked or experienced a data breach of some kind.

“On a different topic, has your company been hacked or experienced a data breach of some kind?”

80%
Have Not

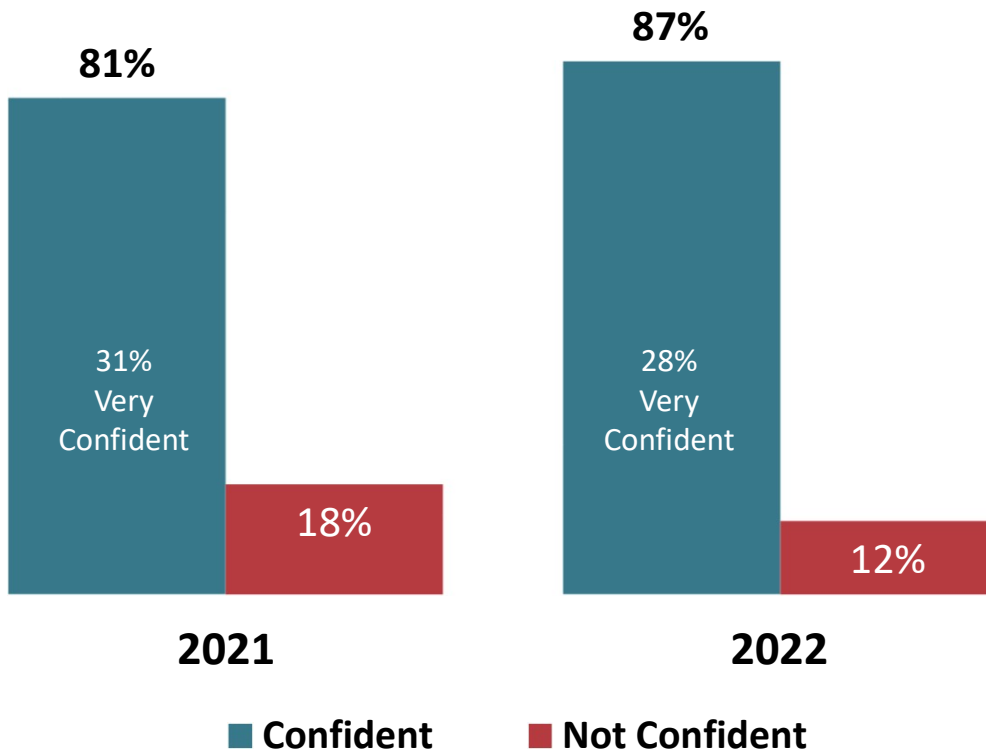


18%
Have

*16% in 2021

Manufacturer confidence in cybersecurity continues to be high, especially among those who haven't had to deal with it firsthand.

“How confident are you that your company is secure from hacking, data breaches, and other technological threats?”

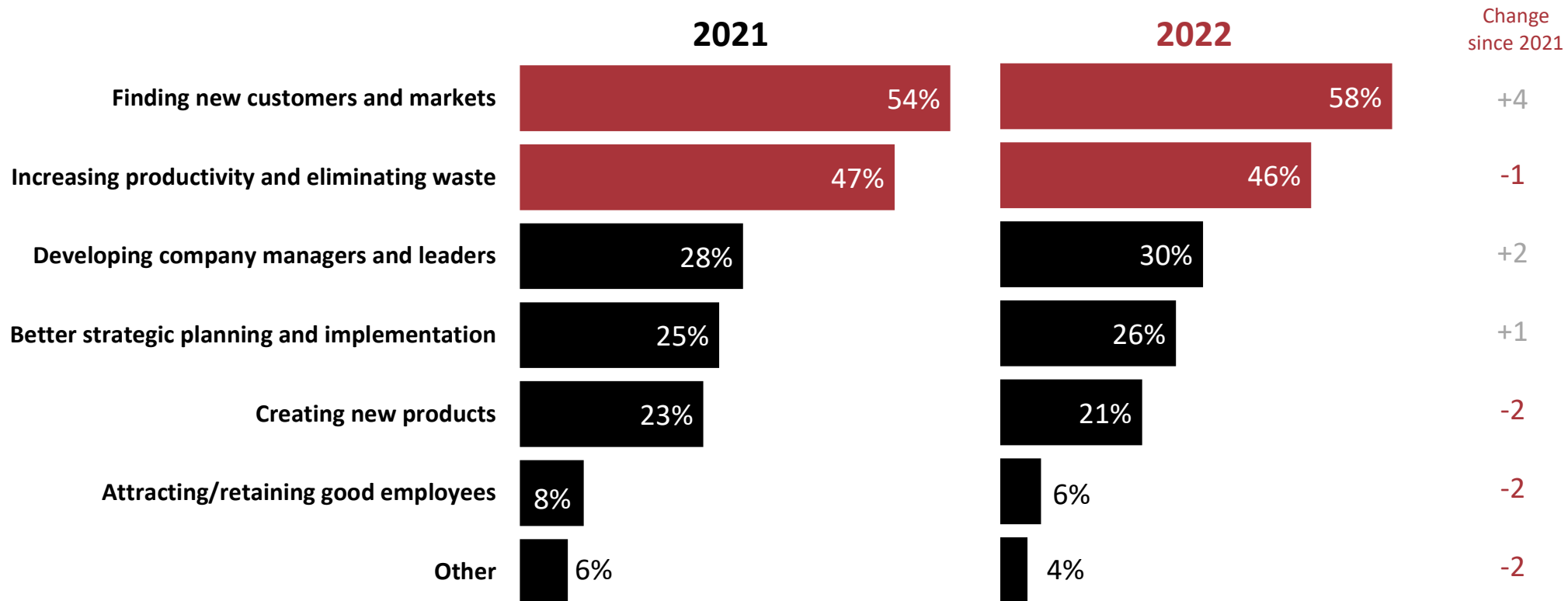


% Very Confident

	2021	2022
Those who Have Been Hacked	10%	19%
Those Who Have <u>Not</u> Been Hacked	35%	31%

Companies see their growth as lying in finding new customers and markets and in increasing productivity and eliminating waste.

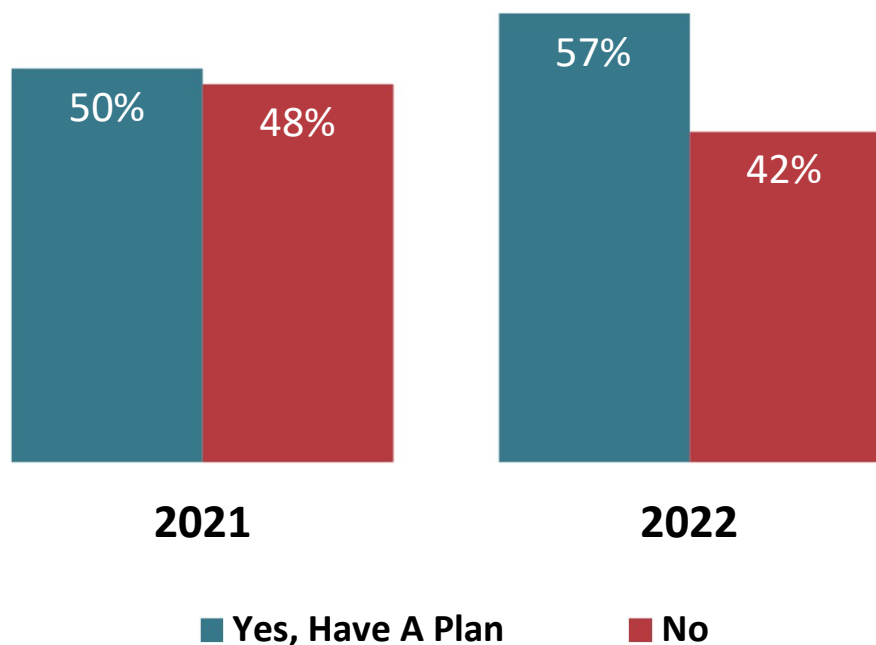
“As you think about your company's future, what would you say are the two or three most important drivers of your company's future growth?”



A majority of Wisconsin manufacturing companies say they have a formal strategic plan for growth, with smaller companies being less likely to have a plan.

“On a different topic, does your company have a formal strategic plan for profitable growth?”

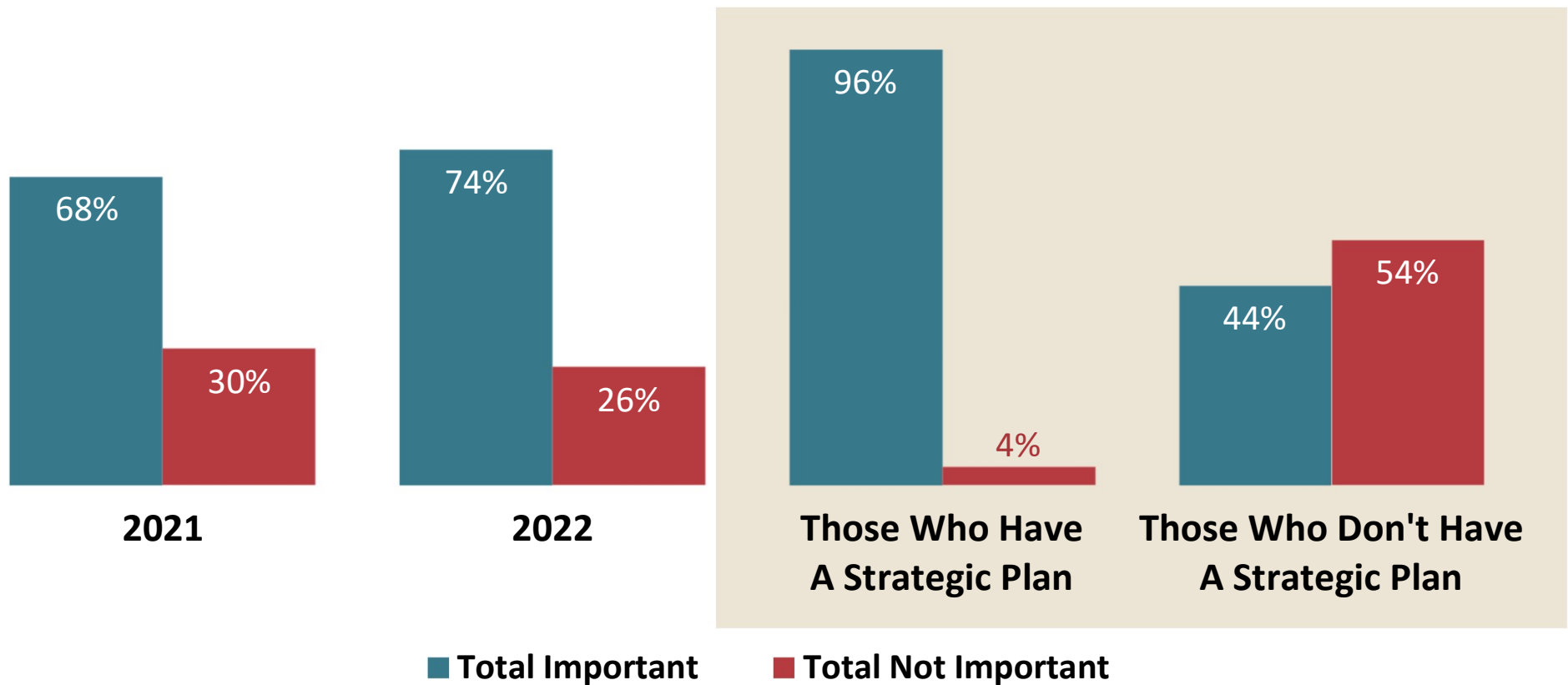
% Yes, Have A Plan



	2021	2022
1-49 Employees	41%	51%
50+ Employees	78%	78%
Revenue Under \$1 Million	34%	47%
Revenue \$1 - \$5 Million	49%	45%
Revenue \$5 Million +	68%	78%

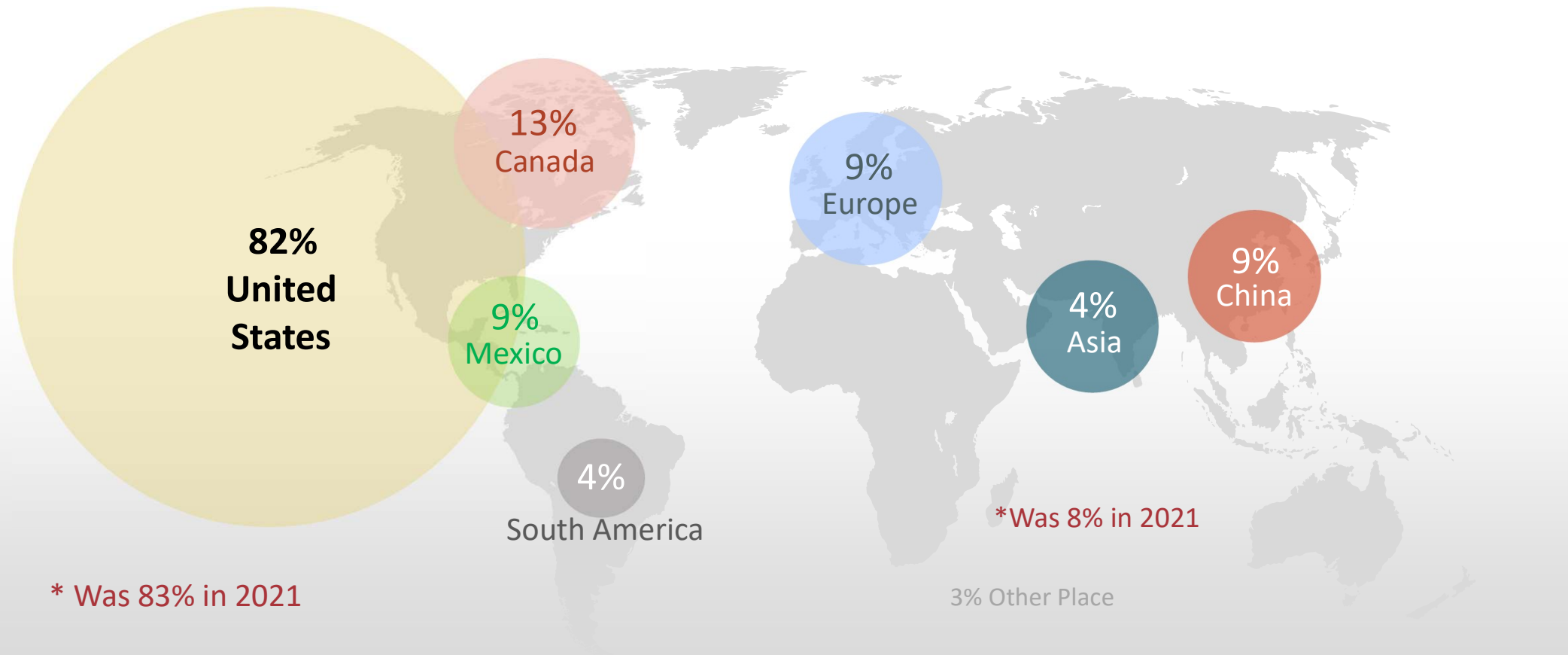
Those who have a formal strategic plan say it is very important to their company's future growth.

“How important is having a formal strategic plan to your company's future growth?”



The United States is overwhelmingly seen as the greatest opportunity for increasing prospective business.

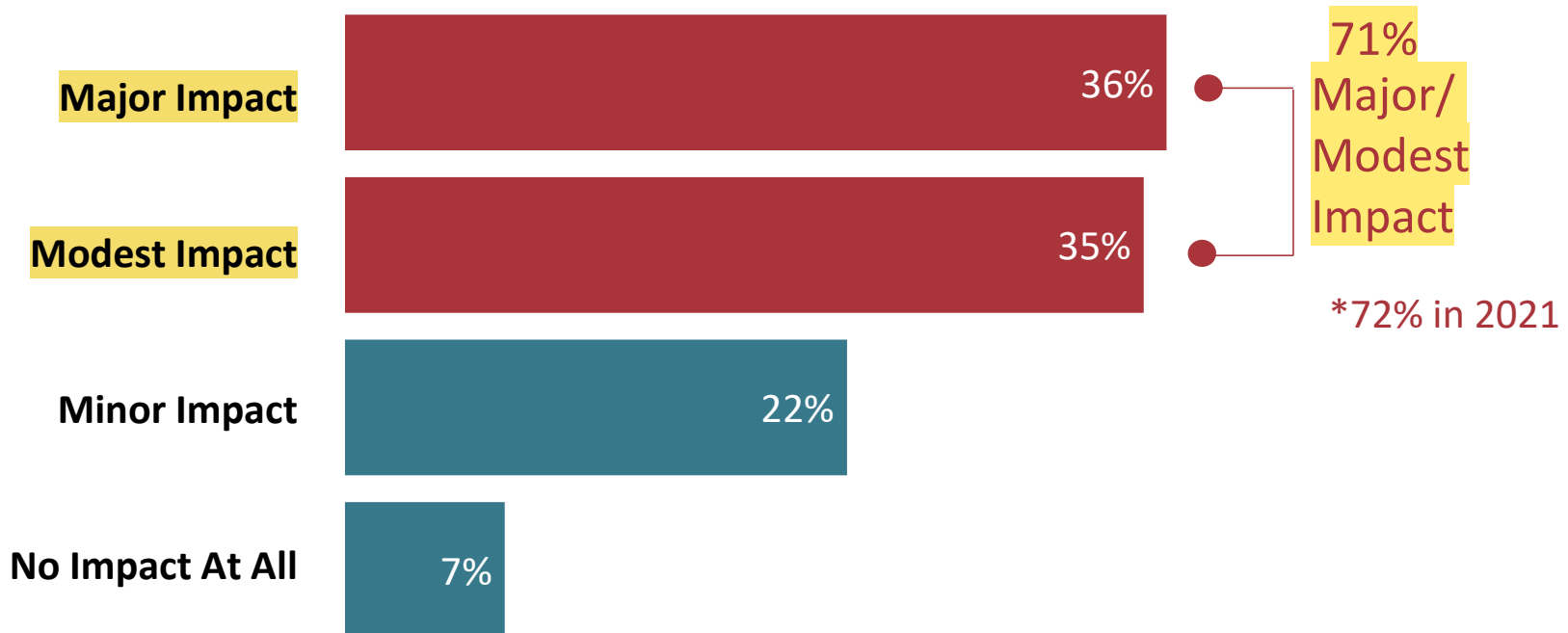
“And, in what part of the world do you see greatest increase in prospective business?”



* Was 83% in 2021

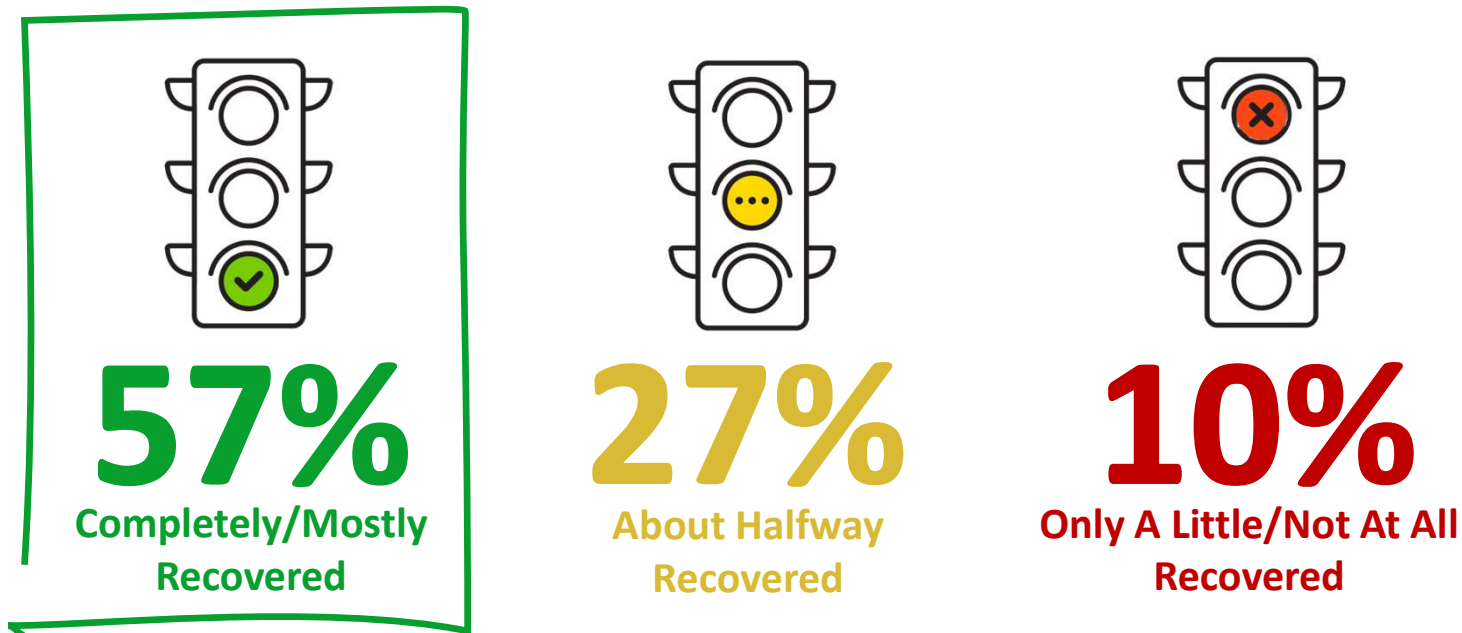
Lest we forget, most manufacturers continue to say that COVID-19 has had a significant impact on their businesses.

“Overall, what impact would you say the COVID-19 pandemic has had on your business, if any at all?”



Over half of all manufacturers in the state say they have mostly recovered from the COVID-19 pandemic.

“How much you think your company has recovered from the COVID-19 pandemic? Have you completely recovered, mostly recovered, recovered about halfway, only recovered a little, haven't recovered at all, or were you not that affected by the pandemic?”



* 15% Say They Were Not That Affected By The Pandemic

THE BOTTOM LINE

THE BOTTOM LINE

1

Manufacturers appear to be hedging their bets when it comes to the state's economic outcome. While most executives say the state's business climate is heading in the right direction, there has been a noticeable uptick in the percentage saying the economy is slowing down.

2

While manufacturers remain confident about their companies, they are clearly not as bullish as they were coming out of the pandemic last year. Projected increases in gross revenues, profitability, and capital expenditures are down this year, especially with smaller and lower revenue manufacturers and those outside Madison and Milwaukee.

3

We see a surge in concern about inflation (especially among smaller manufacturers) and energy costs this year. Larger manufacturers remain more focused on workforce challenges.

4

Workforce issues are cited as the most important issue impacting manufacturers' future success. We continue to see manufacturers struggle with hiring qualified workers – nearly half say it's very difficult to find the workers they need. While most companies tell us they are increasing salaries and wages (and raising prices, as a result) to meet this challenge, smaller and larger manufacturers are employing different strategies to attract prospective employees.

THE BOTTOM LINE

5

Manufacturers are investing more in systems, technology, and automation than they were a year ago. Automation is seen by many larger manufacturers as a potential solution to their workforce difficulties. Manufacturers say financing, technology and system changes, and training are the biggest obstacles to implementing automation at their company.

6

One-in-six manufacturers have been hacked or experienced a data breach of some kind. Interestingly, those who have not been impacted are noticeably more confident their company is secure from future breaches.

7

COVID-19 is still impacting some manufacturers. Seven out of ten manufacturers say COVID-19 has had a major or modest impact on their business. And, though most say they have recovered from the pandemic, one-in-three are still struggling to get past it.

THREE MANUFACTURER TAKEAWAYS

#1 / Chronic Workforce Shortage Is Transforming Manufacturing



#2 / Size Matters



#3 / Significant Number of Manufacturers at Risk



Supporting Data:

- ↓ Recession (20%)
- ↓ Not Confident in Own Business (13%)
- ↓ Revenues Down (21%)
- ↓ Profitability Down (28%)
- ↓ Capital Expenditures Down (22%)

Similar numbers in all our surveys since the start of the pandemic.

Actions for Manufacturers

- ✔ Employ an **“All the Above”** Workforce Strategy
 - Be creative!
 - Show you care
- ✔ Make **technology** (and cybersecurity) a key part of your strategy
- ✔ Focus on **Growth**
- ✔ Engage a **Guide**



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