

Kansas Manufacturing

INDUSTRY QUESTIONNAIRE
RESULTS REPORT



2023

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KMS Introduction

Kansas Manufacturing Solutions (KMS) is a business consultant focused exclusively on the Kansas manufacturing industry. KMS has decades of experience providing problem-solving solutions to manufacturers so they can compete and grow in the domestic and global marketplaces. Visit www.wearekms.com to learn more about how we solve problems for Kansas manufacturers.

KMS is the partner of the National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) program for the state of Kansas. This private-public partnership is made up of a national network of MEP Centers in all 50 states and Puerto Rico.

As the only resource in Kansas solely dedicated to supporting small to medium-sized manufacturing companies, KMS is held accountable by NIST MEP to ensure our manufacturing customers' needs are met. This accountability is achieved through published

third-party quarterly surveys of KMS clients, confirming a performance scorecard of reported and certified value. This provides reassurance to Kansas manufacturers that KMS has their best interests in mind and that a positive ROI is realized.

KMS also has the interests of the Kansas manufacturing ecosystem in mind. The Kansas Manufacturing Industry Questionnaire is a result of that dedication to the Kansas manufacturing ecosystem. Manufacturers, manufacturing supporters, and influencers in Kansas need to understand the hurdles the industry is facing and the opportunities our manufacturers have to be successful. While KMS provides critical services to manufacturers, working shoulder-to-shoulder with companies to develop strategy in the board rooms and improve processes, efficiencies, and quality on the shop floor, KMS also positions manufacturing to have a positive impact on the state and local communities.

Kansas Manufacturing Landscape

MANUFACTURING PLAYS A CRITICAL ROLE IN THE KANSAS ECONOMY

2,673

Manufacturing firms
(2021)

\$11.4 billion

Approximately exported in manufactured goods
(2023)

\$86,354

Compensates workers on average
(2022)

\$31.3 billion

Contributed in Gross Domestic Product (GDP) or 15%
of the state's total GDP
(2023)

168,900

Employed individuals or approximately
14% of the total workforce
(2023)

Sources: U.S.
Bureau of
Economic Analysis
and the U.S.
Census Bureau

Kansas Manufacturing Solutions (KMS) is pleased to release the results of the 2023 Kansas Manufacturing Industry Questionnaire. The industry survey was conducted to gain insight into critical manufacturing factors, manufacturers' perspectives, and surfacing emerging trends in Kansas.

The 2023 industry survey was conducted from October 2023 to December 2023 and had a 90% confidence level and a +6.9% margin of error. Because of the importance of manufacturing to the state of Kansas, and to ensure manufacturers' voices are heard, KMS will continue to conduct this survey annually.

Sources: U.S. Bureau of Economic Analysis and the U.S. Census Bureau

Executive Summary

To better understand the underlying issues, risks, strengths, and opportunities that define the current and future needs of manufacturing in the state, KMS undertook a detailed needs assessment of Kansas manufacturers.

5 KEY TAKEAWAYS INCLUDE THE FOLLOWING:

1) The primary strategy of manufacturing companies is to produce higher quality products, aiming to enhance customer satisfaction and brand reputation.

58% of companies intend to leverage improved products to expand market penetration, thereby increasing their market share and driving profits. 51% of those companies said that simultaneously, efforts are underway to reduce production costs through efficiency improvements and streamlined processes, ensuring competitive pricing without compromising quality standards. This strategic approach reflects a dual objective of enhancing product value proposition while optimizing operational performance to sustain long-term growth and profitability.

2) To best determine the needs of Kansas manufacturers, it is important to understand what business leaders perceive as the major impediments to growth.

Manufacturers face a multitude of challenges both presently and in the foreseeable future, requiring a comprehensive understanding of growth impediments. Currently, the industry contends with significant hurdles including inflationary pressures, which drive up operational costs and squeeze profit margins. Moreover, attracting new skilled workers remains a persistent struggle. Rising raw material costs further exacerbate these challenges, placing strain on manufacturing budgets. Looking ahead, manufacturers express growing concerns about escalating labor costs, an anticipated rise in raw material costs, and the threat of escalating healthcare costs, potentially burdening manufacturers with added financial strain.

3) The findings shed light on where manufacturers are directing their resources.

There is a notable emphasis on allocating resources toward implementing Enterprise Resource Planning (ERP) systems, enhancing cybersecurity measures, and bolstering employee safety programs. However, there appears to be a relative lack of investment in areas such as industrial automation, additive manufacturing, and virtual reality technologies. Despite the potential benefits of these innovative technologies in improving efficiency and competitiveness, manufacturers seem to be more cautious or hesitant in adopting them, possibly due to perceived barriers or complexities associated with their integration into existing workflows.

4) Workforce is a concern to manufacturers now and for the future.

A prevalent challenge for manufacturing companies is attracting qualified workers (87%), with many facing difficulties in recruiting skilled talent (53%). Also, there appears to be resistance among some companies to explore alternative approaches to alleviate workforce availability issues, such as embracing automation. This stems from concerns about the perceived complexities of integrating new technologies into existing operations. Despite these challenges, there is a growing recognition of the need to address workforce shortages through innovative solutions and collaborative efforts.

5) Remarkably, a staggering 96% of manufacturers express optimism regarding their company's trajectory, underscoring a resilient outlook amidst challenging market conditions.

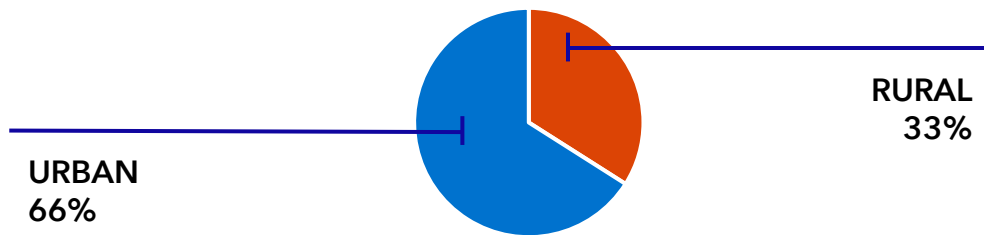
Despite the prevailing concerns among manufacturers regarding rising costs and labor challenges, there exists a notable sense of confidence in the future of their companies. Furthermore, a significant majority, accounting for 75%, anticipate an upswing in gross revenues for the year 2024. This optimistic sentiment reflects a deep-seated belief in the industry's ability to adapt, innovate, and overcome obstacles, ultimately driving sustained growth and success.

Survey

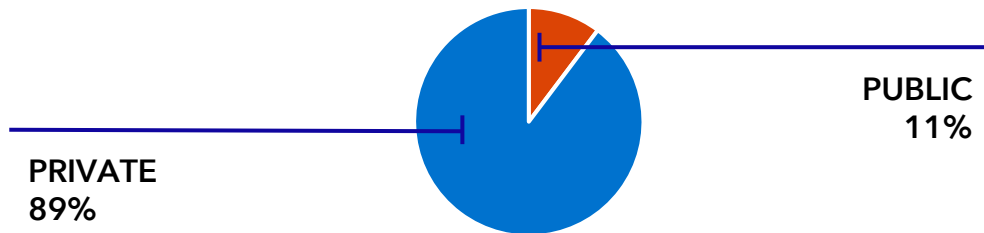
Results

Manufacturing Participant Demographics

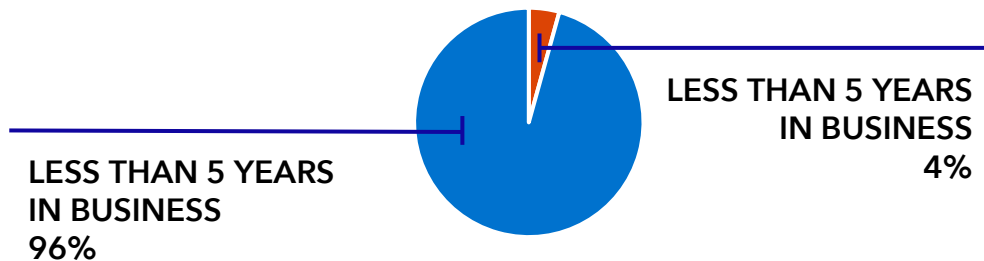
GEOGRAPHICAL LOCATION



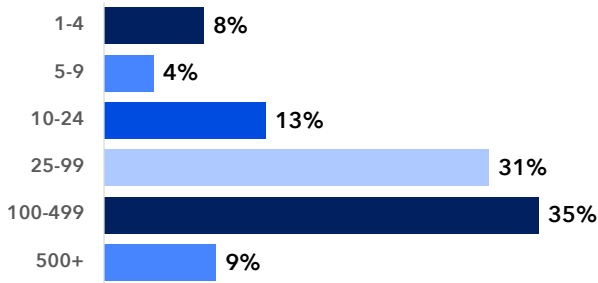
COMPANY OWNERSHIP



BUSINESS LONGEVITY



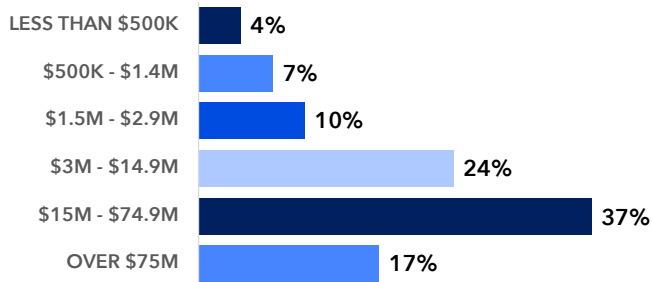
COMPANY SIZE



TOP 6 INDUSTRIES

- FABRICATED METAL
- MACHINERY MANUFACTURING
- MISCELLANEOUS MANUFACTURING
- PRIMARY METAL MANUFACTURING
- PLASTICS AND RUBBER MANUFACTURING
- TRANSPORTATION EQUIPMENT

ANNUAL SALES



TOP 6 COUNTIES

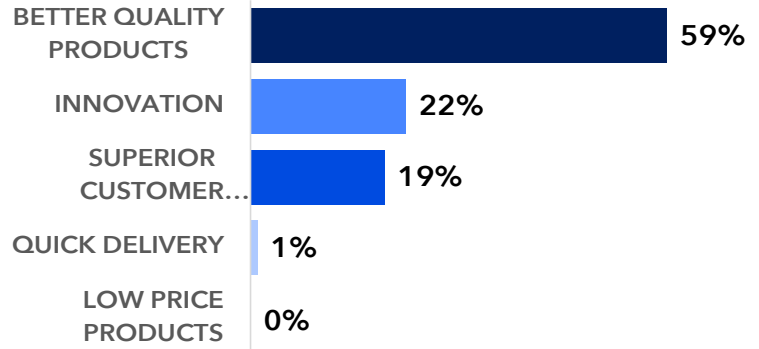
- JOHNSON
- LEAVENWORTH
- MCPHERSON
- RENO
- SEDGWICK
- WYANDOTTE



Strategy

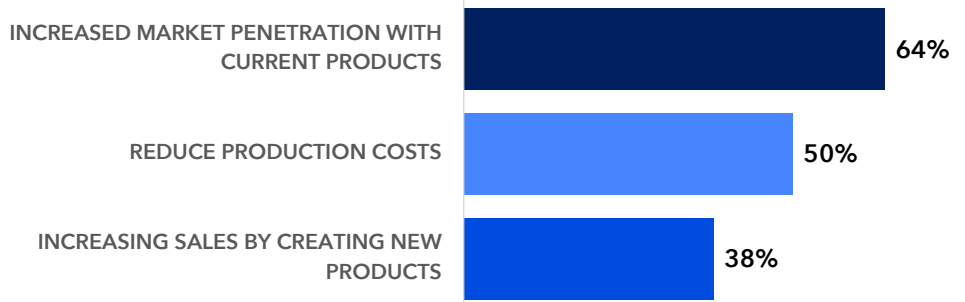
BUSINESS STRATEGY

Manufacturers prioritize better quality products as a business strategy. Superior quality drives brand loyalty, premium pricing, and revenue growth while reducing defects and operational inefficiencies. Ultimately, this focus on product excellence reflects a commitment to success in the competitive manufacturing landscape.



GROWTH STRATEGY

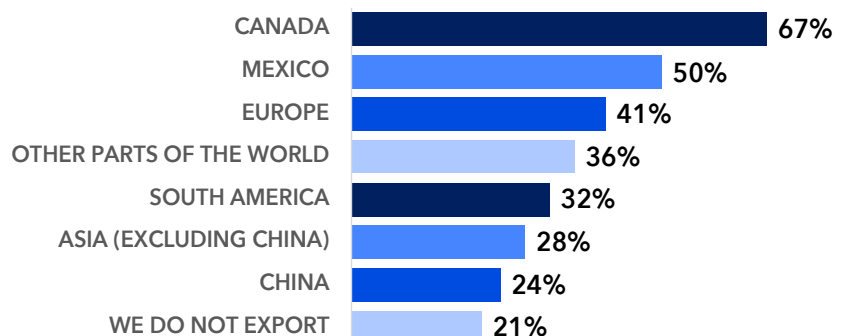
Manufacturers often employ a growth strategy centered on leveraging current products to expand market penetration. This approach maximizes the utilization of resources while minimizing additional investment in product development.



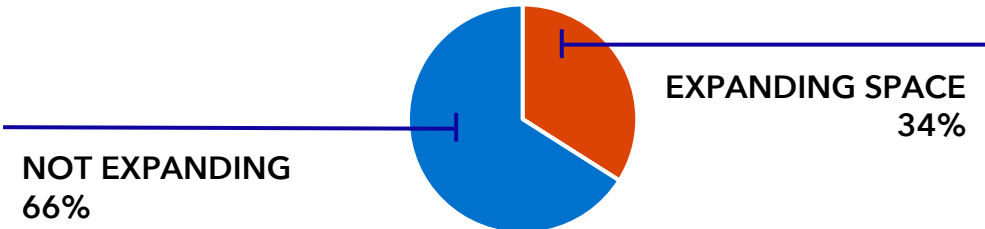
EXPORT STRATEGY

Exporting serves as a pivotal revenue driver for 79% of manufacturers, enabling them to tap into international markets and diversify their revenue streams.

The top two locations Kansas manufacturers export to are Canada and Mexico. (41% of exporting manufacturers export to both Canada and Mexico.)



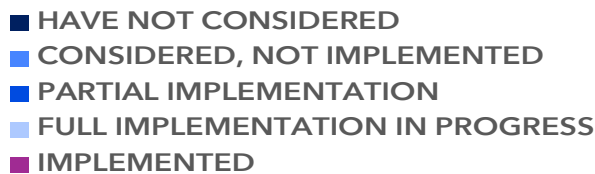
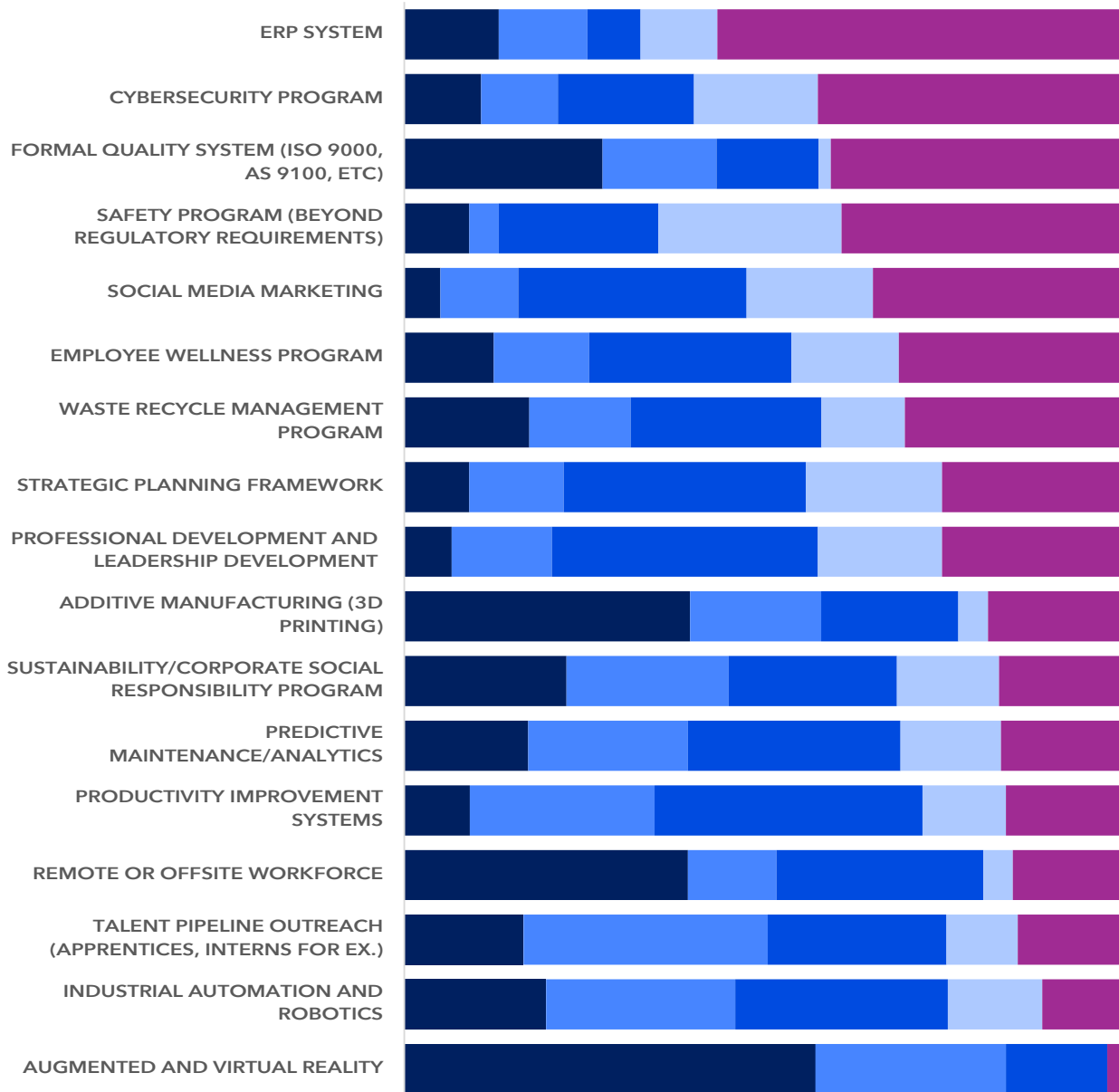
FACILITY EXPANSION



IMPLEMENTATION STRATEGY

Manufacturers were asked about various strategic initiatives and the degree to which they have been implemented in their organization.

The data provides insight into the allocation of resources, indicating where companies are directing their investments and efforts for strategic initiatives.

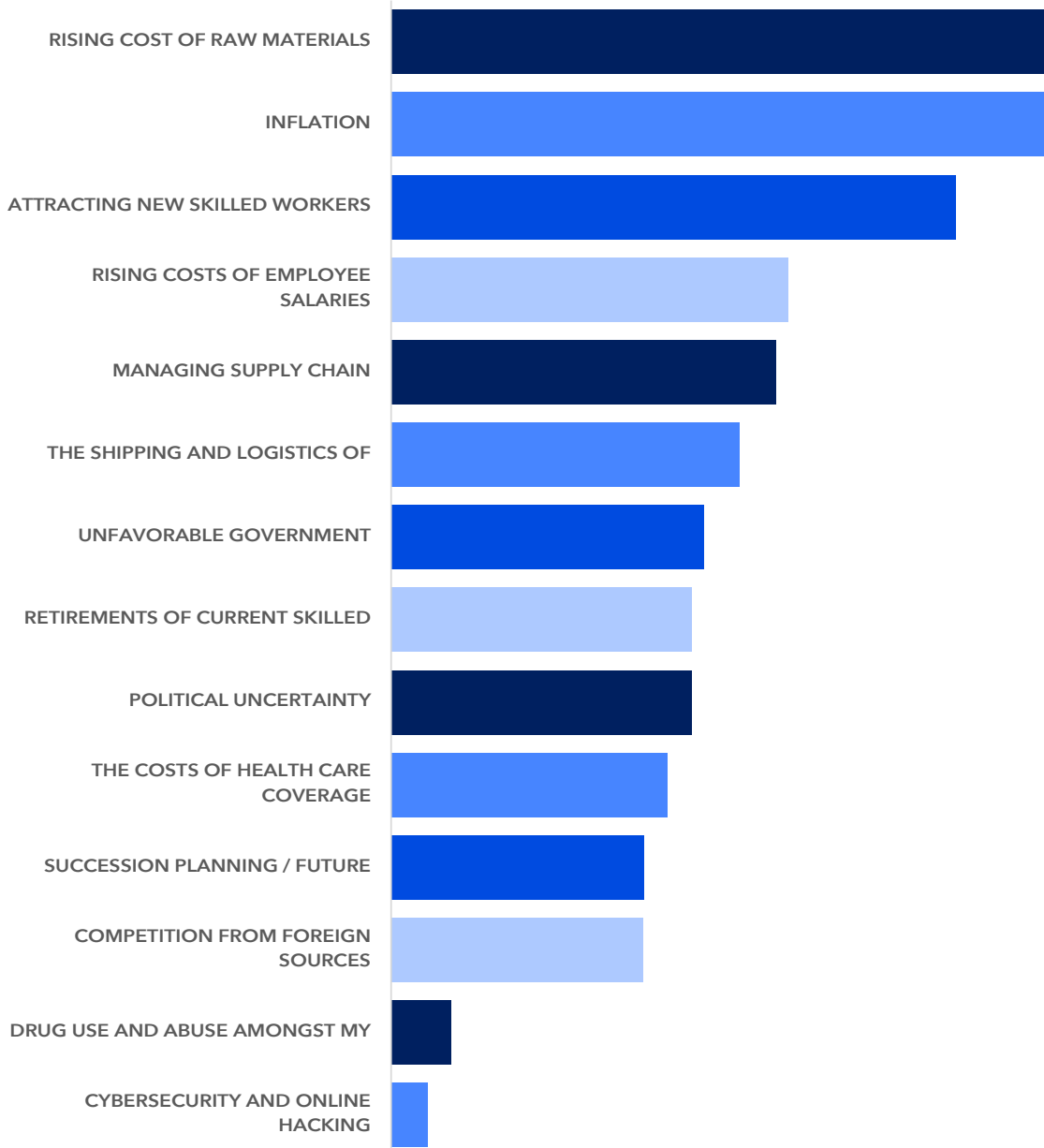




Issues

IMPACTING BUSINESS GROWTH NOW

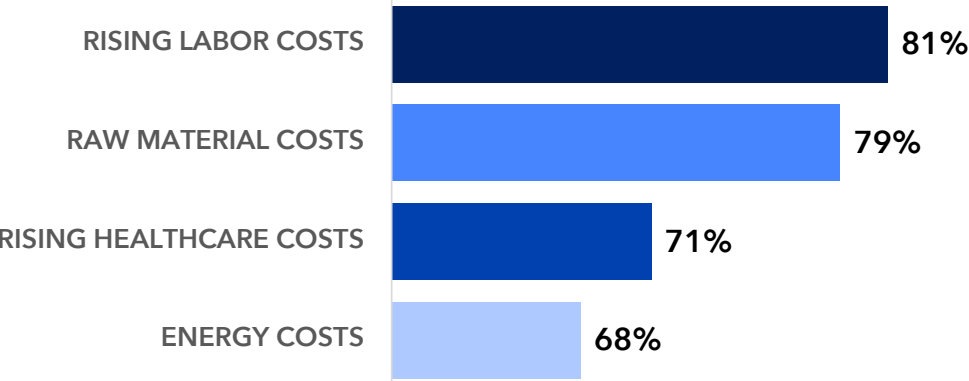
To best determine the needs of Kansas manufacturers, it is important to understand what business leaders perceive as the major impediments to growth. Manufacturers were asked to rate different factors that are currently impacting their business.



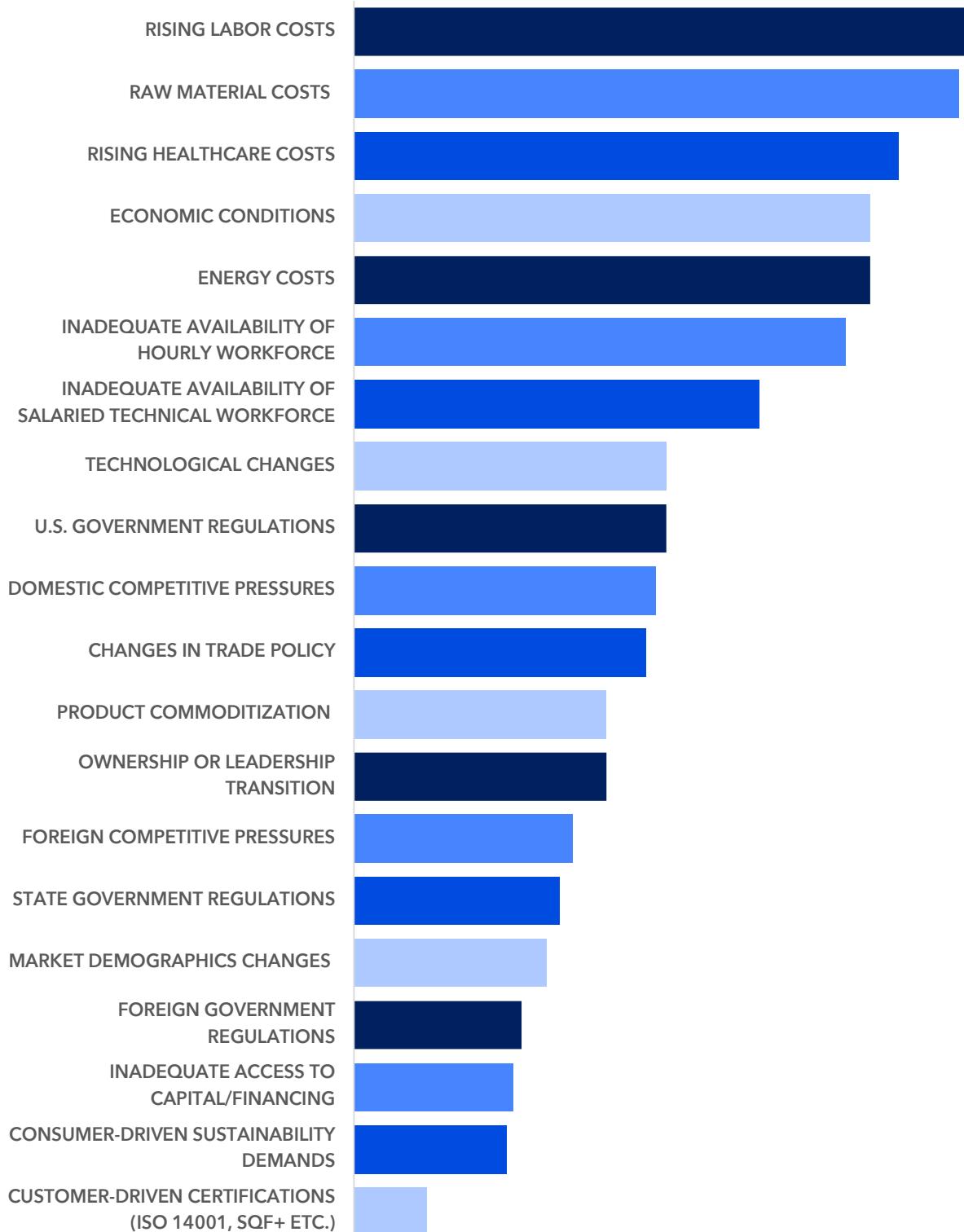
THE FOLLOWING ISSUES WILL LIMIT GROWTH OVER THE NEXT FIVE YEARS

The next question asked Manufacturers to rate different factors that they perceive will impact their business over the next five years. Manufacturers anticipate significant cost increases in critical areas such as labor, raw materials, healthcare, and energy over the next five years, prompting concerns about future operational expenses and profitability.

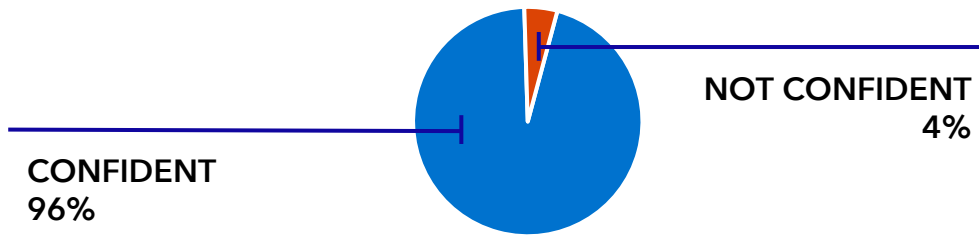
TOP 4 INDICATED LONG TERM ISSUES



THE FOLLOWING ISSUES WILL LIMIT GROWTH OVER THE NEXT FIVE YEARS

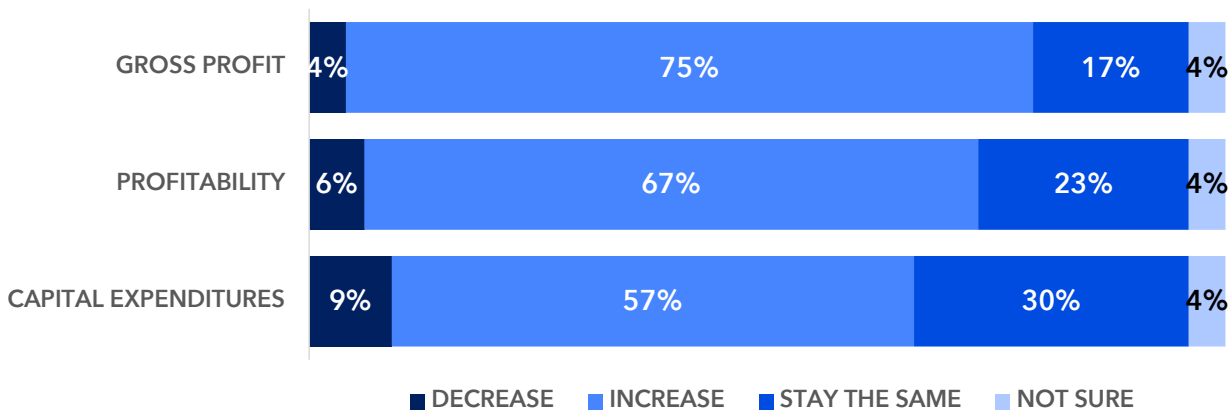


HOW DO YOU FEEL ABOUT THE FUTURE FOR YOUR COMPANY?



96% of manufacturers express optimism regarding their company's trajectory, underscoring a resilient outlook amidst challenging market conditions.

COMPARED TO 2021, DO YOU EXPECT YOUR COMPANY'S PERFORMANCE TO CHANGE?



A significant majority, accounting for 75%, anticipate an upswing in gross revenues for the year 2024. While still a positive indicator, this number is down from the 2022 report anticipation for 2023, which indicated an expected increase in gross revenues of 81%. And expected increases in capital expenditures for manufacturers of 57% experienced a decline from last year's 65%, signaling a potential shift in investment priorities or a cautious approach to expansion amidst uncertain market conditions.



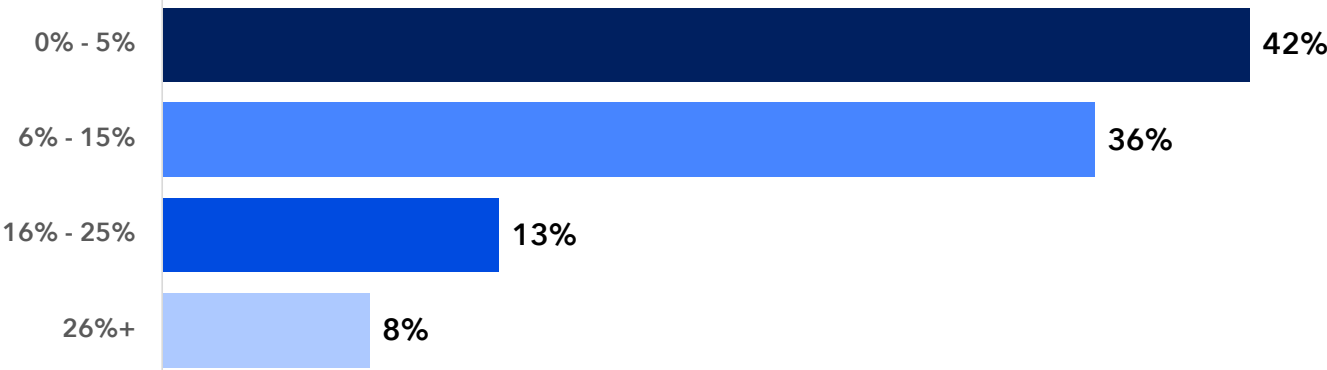
Workforce

THE WORKFORCE NEED

As highlighted earlier in the report, manufacturers express significant concerns regarding the acquisition and retention of skilled talent. The expansion of companies is being hampered due to their inability to secure individuals possessing the requisite skills for specific roles.

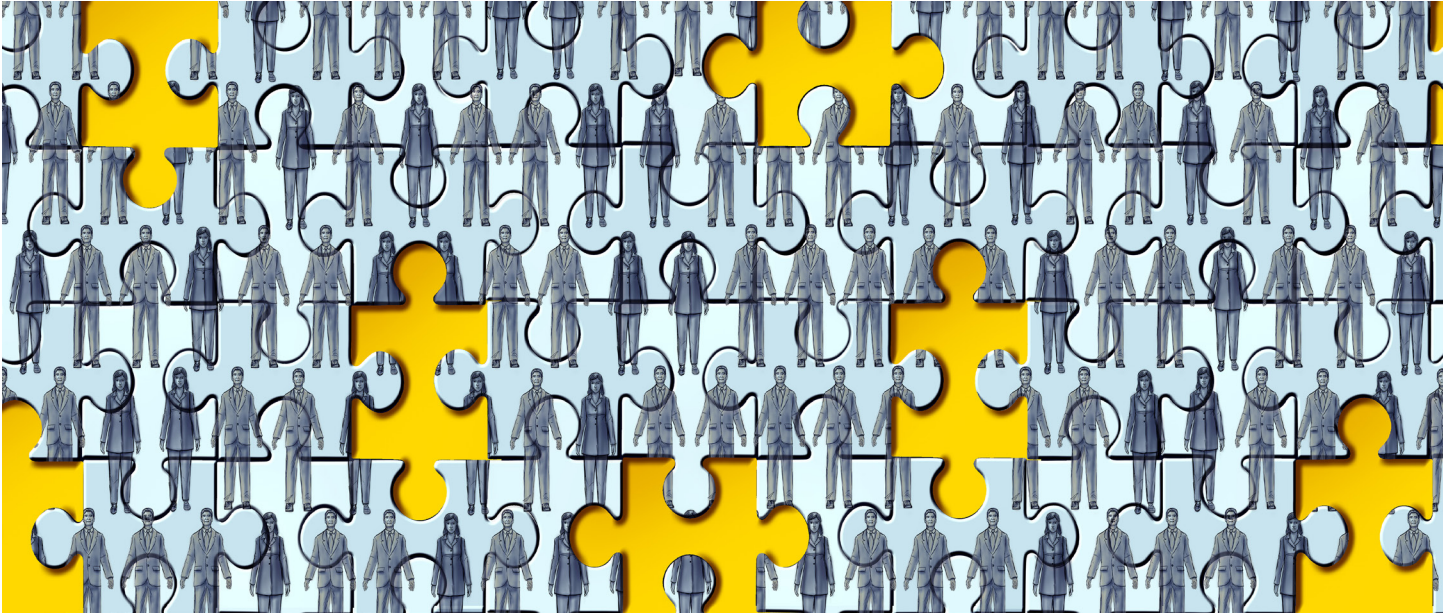
The provided workforce information underscores the considerable task awaiting manufacturers in meeting their workforce requirements. To address this challenge, manufacturers must embrace the adoption of effective tools, thereby moving away from conventional methods of employee recruitment.

HOW MUCH OF YOUR WORKFORCE WILL BE RETIRING OVER THE NEXT 3-YEARS?



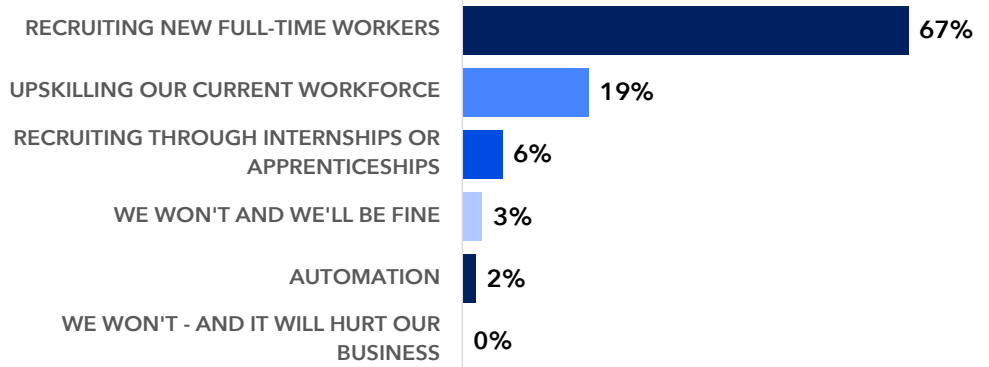
57% of manufacturers anticipate that at least 6% of their workforce will retire, with 21% projecting that this figure will exceed 15% of their staff, over the next three years. Coupled with the ongoing and escalating skills gap, these impending retirements present a potential crisis that requires immediate attention.

(Do you have a strategy in place to preserve the invaluable tribal knowledge held by these seasoned employees?)



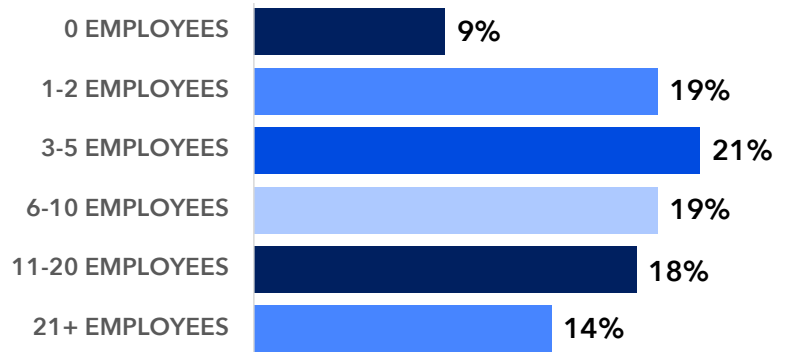
HOW WILL YOU REPLACE THOSE WORKERS?

Amidst a fiercely competitive hiring landscape, 67% of manufacturers face an uphill battle as they strive to replenish their retiring workforce by recruiting new full-time employees.

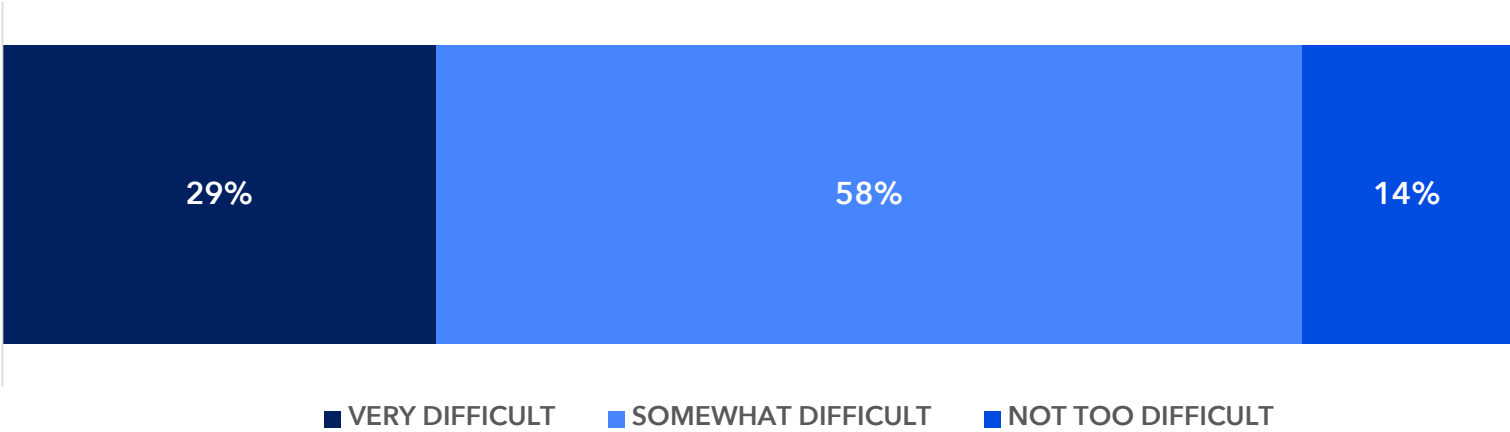


FINDING EMPLOYEES

How many employees do you believe you will hire over the next 12 months because of business growth?

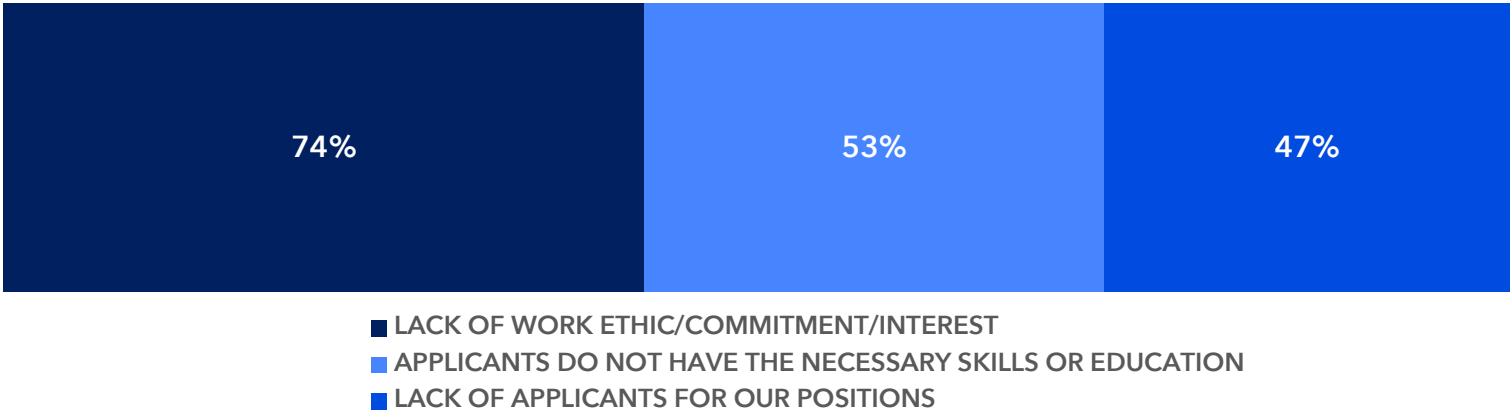


HOW DIFFICULT IS IT TO ATTRACT QUALIFIED CANDIDATES FOR YOUR COMPANY'S VACANCIES?



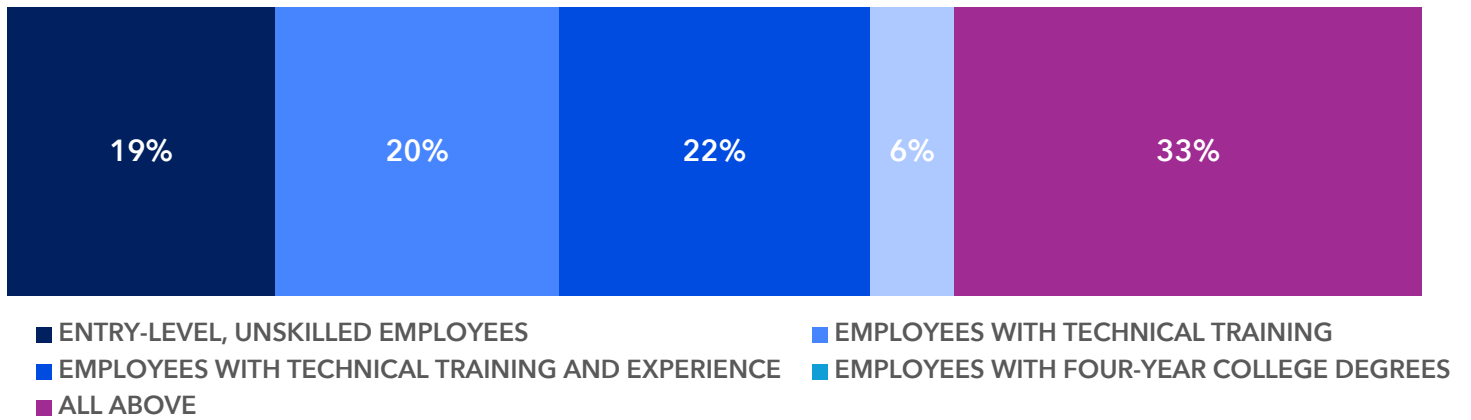
87% of manufacturers express difficulty in attracting qualified candidates for their open positions, highlighting the ongoing struggle to address talent shortages within the industry.

WHAT ARE THE THREE BIGGEST CHALLENGES YOUR COMPANY FACES IN HIRING QUALIFIED CANDIDATES?



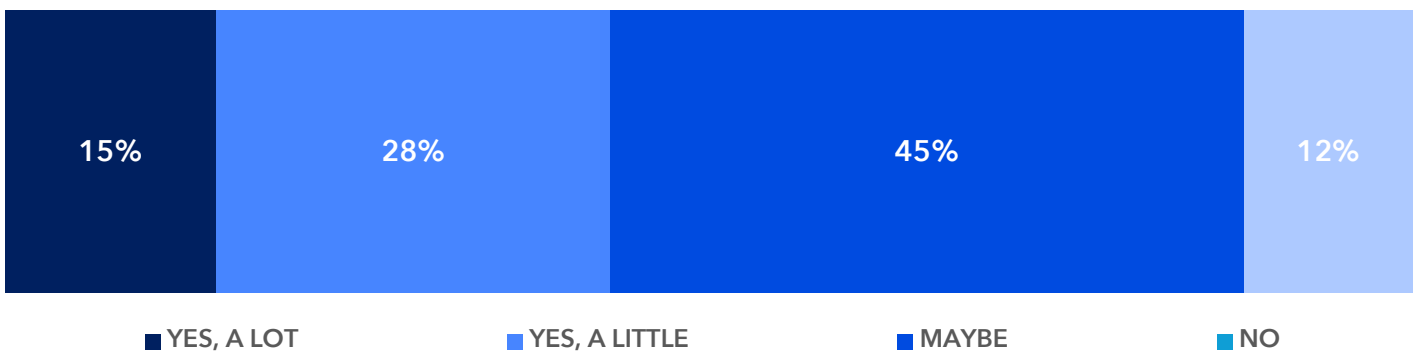
74% of manufacturers identify a perceived lack of work ethic or commitment as the primary challenge in hiring qualified candidates for their open positions, underscoring concerns about workforce values and attitudes in recruitment processes.

WHICH TYPE OF EMPLOYEES ARE YOU ACTIVELY SEARCHING FOR?



Locating the right employees is proving to be a difficult challenge. 33% indicated they are looking for employees who fit a large spectrum of abilities.

WILL THE SHORTAGE OF QUALIFIED WORKERS AFFECT YOUR COMPANY’S BOTTOM LINE AND ABILITY TO MEET YOUR GROWTH PLAN IN THE COMING YEAR?



Open positions not only hinder productivity and lead to higher expenses for recruitment and training but also, according to 43% of respondents, pose a potential threat to meeting their company’s business plans, while 45% acknowledge that it may affect their business performance.

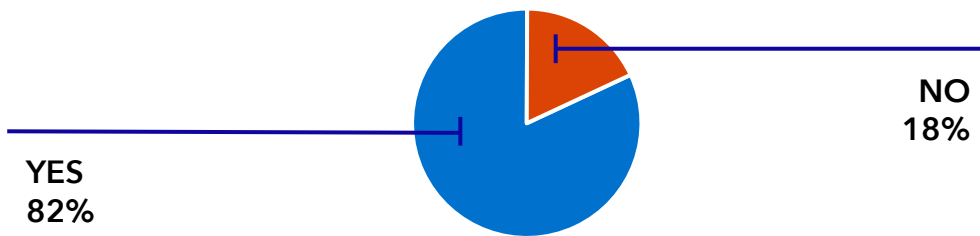


Resources

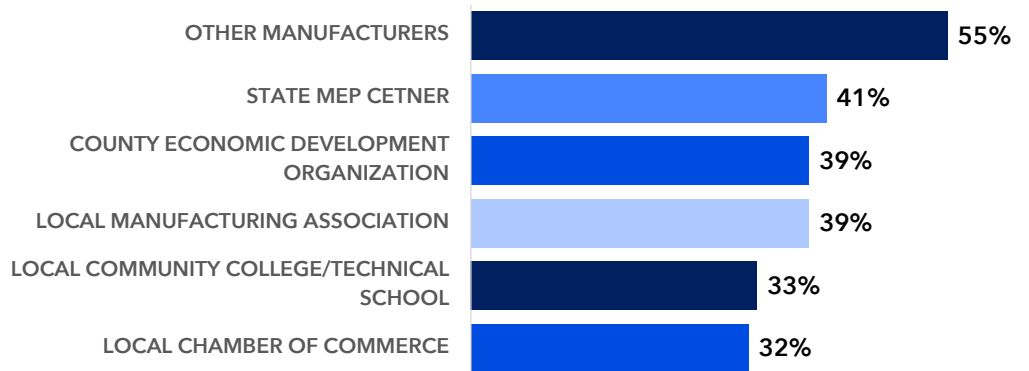
IF THERE IS A NATIONAL DATABASE OF MANUFACTURERS CREATED FOR A “BUY AMERICAN” SUPPLY CHAIN PROGRAM, WOULD YOUR COMPANY PARTICIPATE?

There are efforts in place to create a national database of manufacturers, and KMS is engaged to assist this program at the state level.

82% of manufacturers are open to participating in a national database initiative, recognizing its potential to enhance supply chain efficiencies, foster innovation, and promote collaboration within the industry.



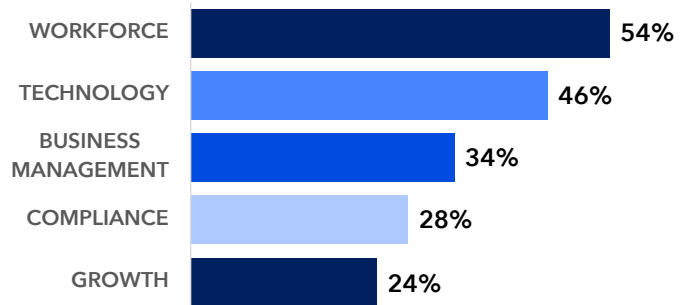
WHAT ORGANIZATION(S) HAVE YOU FOUND HELPFUL IN ASSISTING YOUR COMPANY?



IN WHAT AREAS DO YOU TYPICALLY SEEK OUTSIDE HELP? (PLEASE SELECT UP TO THREE)

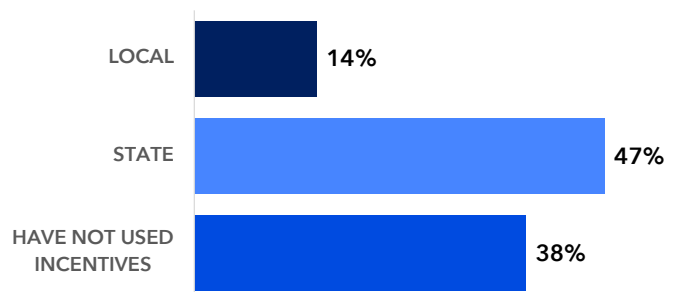
The top five topics that manufacturers seek resources to help them with are:

54% of manufacturers commonly seek external assistance for workforce-related challenges, while 46% actively seek support in navigating technological complexities, indicating a reliance on external expertise to address critical operational needs.



HAS YOUR BUSINESS UTILIZED LOCAL OR STATE INCENTIVES? (SELECT ALL THAT APPLY)

Almost half (of the manufacturers indicated they have utilized state incentive programs.



Conclusion

Manufacturing stands as a cornerstone of society, driving economic growth, innovation, and job creation across Kansas. Recognizing the importance of the manufacturing industry for the economies of Kansas at both local and state levels, the conclusions drawn from the industry questionnaire emphasize critical imperatives.

In today's fast-paced environment, our small and medium-sized manufacturers face tough competition and need help to stay ahead. To do so, they require support in adopting Industry 4.0 technologies and addressing the workforce gap.

Industry 4.0 offers great potential for boosting productivity and efficiency, but many smaller manufacturers struggle to implement these advanced systems. Additionally, finding skilled workers is a challenge. By providing tailored assistance and resources, we can empower these businesses to embrace new technologies and build a capable workforce,

ensuring their competitiveness in the domestic and global markets.

These conclusions emphasize the vital role of strategic partnerships and collective action in propelling the Kansas manufacturing industry forward among evolving challenges and opportunities.

The standout indicator from the 2023 questionnaire results is that despite some difficult headwinds, an overwhelming 96% of respondents express confidence in the future trajectory of their company.

"Coming together is a beginning; keeping together is progress; working together is success." Henry Ford

Kansas Manufacturing Solutions has numerous partnerships across Kansas and the United States to support Kansas manufacturing.

Strategic advocacy partners include the Kansas Department of Commerce and the National Institute of Science and Technology Manufacturing Extension Partnership (NIST MEP). As the Kansas representative of the NIST MEP National Network, KMS has unique access to 50 peer organizations across the country who can provide resources, assets, supplier scouting opportunities, and more for Kansas manufacturers.

Sub-recipient partners leverage their resources and our resources to meet common goals of growing manufacturing in Kansas. These partners are:





KMS works with manufacturing support organizations crucial to the development of the Kansas manufacturing industry and the communities with which they serve. Some of these partners include:

KANSAS CHAMBER OF COMMERCE

KANSAS MANUFACTURING COUNCIL

KANSAS CITY MANUFACTURING NETWORK

KANSAS CITY CHAMBER OF COMMERCE

**WICHITA REGIONAL CHAMBER OF
COMMERCE**

WICHITA MANUFACTURERS ASSOCIATION

**K-STATE TECHNOLOGY DEVELOPMENT
INSTITUTE**

FAIRFAX INDUSTRIAL ASSOCIATION

WORKFORCE PARTNERSHIP

**KANSAS ECONOMIC DEVELOPMENT
ALLIANCE**

**WESTERN KANSAS MANUFACTURERS
ASSOCIATION**

**CENTRAL KANSAS MANUFACTURING
ASSOCIATION**

SEK, INC

OLATHE CHAMBER OF COMMERCE

LENEXA CHAMBER OF COMMERCE

GREAT BEND CHAMBER OF COMMERCE

2023

**KANSAS MANUFACTURING SOLUTIONS
INDUSTRY NEEDS ASSESSMENT
RESULTS REPORT**