

Key Challenges for Mid-market Industrial Manufacturing Companies



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This article outlines the critical concerns facing mid-market industrial machinery manufacturers and underscores the importance of strategic intelligence and market development. By leveraging our expertise, your company can navigate these challenges and thrive in a competitive market environment.



Introduction

The mid-market industrial machinery manufacturing sector in the United States is a vital component of the nation's economy, responsible for producing essential equipment that powers industries ranging from construction and agriculture to energy and transportation.

It significantly contributes to GDP, employment, exports, and innovation. Its impact extends across various industries and regions, underscoring its importance in maintaining the country's economic vitality and competitiveness on the global stage.

This sector plays a critical role in the manufacturing industry, contributing approximately \$400 billion to the GDP each year. Mid-market companies within this subsector play a significant role, often accounting for 30-40% of the total output and they are key employers, providing jobs to an estimated 400,000 individuals.

The sector's impact is especially pronounced in manufacturing-heavy states such as Ohio, Michigan, Indiana, and Texas. In these regions, mid-market industrial machinery manufacturers are often the backbone of local economies, driving job creation and economic development.

Despite its critical role in the economy, the industrial machinery manufacturing sector faces numerous challenges that threaten its stability and growth prospects. This article identifies and examines four critical concerns affecting mid-market industrial machinery manufacturers:

1. Supply chain disruptions
2. Economic uncertainty
3. Automation and workforce issues
4. Global competition



\$400 bn

Manufacturing industry's contribution to the US GDP



30-40%

Mid-market companies' contribution to total manufacturing output



400,000

Estimated workforce of mid-market manufacturers

While these challenges present significant hurdles, they also offer unique opportunities for companies to innovate, diversify, and strengthen their market positions. By addressing supply chain vulnerabilities, companies can explore alternative sourcing and local production, fostering resilience. Economic uncertainty encourages businesses to adopt flexible strategies and leverage new technologies to enhance productivity. Automation and workforce challenges highlight the need for upskilling and reskilling, presenting opportunities to cultivate a more agile and skilled workforce. Global competition drives companies to differentiate through innovation and customer-centric strategies. This article emphasizes the imperative need to develop new market opportunities and understand what, where, when, and how to mitigate these challenges effectively, ultimately transforming potential obstacles into avenues for growth and competitive advantage.

| Industry Challenges

1. SUPPLY CHAIN DISRUPTIONS

1.1 Ongoing Geopolitical Tensions

The global geopolitical landscape is fraught with conflicts and tensions that have created significant supply chain disruptions for mid-market industrial machinery manufacturers. Events such as the ongoing war in Ukraine, trade tensions between the United States and China, and the recent sales blockade to Russia have caused companies to lose access to important markets and disrupted established supply routes. These geopolitical conflicts not only create volatility in the availability of critical components and materials but also increase costs and lead times, making it challenging for manufacturers to maintain production schedules and meet customer demands.

Scenario Planning and Risk Mitigation

Companies must adopt a proactive approach to geopolitical risk management by engaging in scenario planning and stress-testing their supply chains. By simulating various geopolitical scenarios and their potential impacts on supply chains, companies can identify vulnerabilities and develop contingency plans. For instance, manufacturers might explore reshoring or nearshoring options, where production is brought closer to home or to more stable regions, thereby reducing dependency on high-risk areas.

1.2 Dependence on the Electrical Industry

Mid-market industrial machinery manufacturers heavily rely on the electrical industry, particularly for electronic components critical to modern machinery. China's dominance in the electronics industry means that any disruption in Chinese manufacturing or trade policies can lead to increased costs and scarcity of essential parts. This dependency creates vulnerability and necessitates the exploration of alternative supply sources and the diversification of supply chains.

Supplier Diversification & Collaborative Innovation

To reduce dependency on a single supplier or region, companies should pursue supplier diversification strategies. Establishing partnerships with suppliers in different geographical locations and investing in collaborative innovation with these partners can enhance supply chain resilience. For instance, co-developing new technologies or components with suppliers in emerging markets can provide dual benefits: reducing supply chain risks and fostering innovation.

2. ECONOMIC UNCERTAINTY

Economic uncertainty, driven by factors such as fluctuating interest rates, inflation, and unpredictable global markets, poses a significant threat to the mid-market industrial machinery sector. This uncertainty deters investment in new projects and technologies, potentially causing a slowdown in growth and innovation. Companies must adopt flexible and resilient business strategies to navigate these uncertain times, including cost management, diversification, and proactive customer engagement.

Agile Business Models & Financial Hedging

To mitigate economic uncertainty, companies can consider adopting agile business models that allow for rapid adaptation to changing market conditions. This may involve flexible pricing strategies, scalable production processes, and dynamic workforce management. Additionally, financial hedging strategies, such as using futures contracts and options to lock in prices for key commodities, can provide a buffer against economic volatility.

3. AUTOMATION & WORKFORCE

3.1 Labor Shortages

The industrial machinery sector continues to grapple with a persistent shortage of skilled labor. As technology advances and machinery becomes more sophisticated, the demand for highly skilled engineers and technicians has outpaced supply. This shortage hampers production efficiency and innovation, as companies struggle to find qualified personnel to design, operate, and maintain advanced machinery.

Talent Ecosystems & Apprenticeship Programs

To address labor shortages, companies should consider building talent ecosystems that connect educational institutions, industry associations, and local communities. By developing apprenticeship programs and collaborating with technical schools and universities, manufacturers can cultivate a pipeline of skilled workers equipped with the necessary competencies. These initiatives not only bridge the skills gap but also foster community engagement and brand loyalty.

3.2 Rising Cost of Labor

The increasing demand for skilled labor has driven up wages, making it challenging for some manufacturers to sustain profitability. In response, businesses have had to explore cost-saving measures, such as relocating factories to regions with lower labor costs. However, this approach may not always be feasible or sustainable.

Smart Automation & Workforce Optimization

To address rising labor costs, companies should invest in smart automation technologies that enhance productivity and reduce reliance on manual labor. Implementing advanced robotics and artificial intelligence can optimize manufacturing processes, allowing for more efficient use of human resources. Additionally, workforce optimization strategies, such as cross-training employees and implementing performance-based incentives, can maximize labor productivity and morale.

3.3 Reskilling Workforce

To adapt to technological advancements in automation, companies must invest in comprehensive training and reskilling programs. These initiatives ensure that the existing workforce can effectively utilize new technologies, thereby maintaining operational efficiency and fostering innovation.

Continuous Learning & Digital Transformation

Companies should cultivate a culture of continuous learning and digital transformation, encouraging employees to embrace new technologies and methodologies. Implementing online learning platforms and virtual reality training modules can provide immersive and engaging learning experiences. Moreover, establishing mentorship programs that pair experienced employees with younger workers can facilitate knowledge transfer and skill development.

4. GLOBAL COMPETITION

Mid-market industrial machinery manufacturers face intense competition from both domestic and international players. Larger companies often have more resources to invest in market intelligence (MI), competitive intelligence (CI), and market research (MR). These capabilities allow them to stay ahead by understanding market trends, customer needs, and competitor strategies. For mid-market companies to compete effectively, they must enhance their MI/CI/MR functions, leveraging both internal expertise and external partnerships.

Data-Driven Decision-Making & Strategic Alliances

Mid-market companies should prioritize data-driven decision-making by harnessing big data analytics and artificial intelligence. By analyzing market trends and customer preferences, companies can make informed strategic decisions and tailor their product offerings. Additionally, forming strategic alliances with technology providers, research institutions, and other industry players can bolster competitive intelligence efforts and expand market reach.

How We Help

To mitigate these challenges and ensure sustained growth, it is imperative to develop new market opportunities. Emerging Strategy offers strategic intelligence to address key concerns:

Market Dynamics

By partnering with us, you can better understand market dynamics and develop strategies that ensure long-term success. Our team provides insights into industry trends, customer behavior, and regulatory changes, enabling you to navigate complex market environments confidently.

Market Diversification

Our company provides insights into new geographical markets, helping companies reduce dependency on volatile regions by identifying growth opportunities and risks. We analyze market entry barriers, competitive landscapes, and cultural nuances to facilitate successful market diversification strategies.

Competitive Landscapes

Our Competitive Intelligence Services and Advanced MI/CI/MR solutions allow you to gain actionable insights and stay ahead of the competition. We provide comprehensive analyses of competitor strategies, product portfolios, and market positioning, empowering you to make informed decisions and capitalize on emerging opportunities.

Customer Insights

Utilizing advanced analytics, we help understand customer needs and preferences, enabling tailored product and service offerings. Our customer insights solutions provide deep dives into consumer behavior, purchasing patterns, and satisfaction drivers, ensuring that your offerings align with customer expectations.

Innovation

We support R&D efforts by identifying industry trends and technological advancements, fostering innovative solutions. Our team collaborates with your R&D department to explore new product concepts, evaluate feasibility, and accelerate time-to-market.

Strategic Partnerships

We facilitate collaborations with industry experts, research institutions, and technology providers to enhance capabilities and expand market reach. Our network of partners enables you to access cutting-edge technologies, share best practices, and co-create solutions that drive business growth.

Emerging Strategy supports clients in overcoming challenges such as information overload and limited internal resources by delivering targeted intelligence essential for strategic growth.

Conclusion

Addressing the key concerns of supply chain disruptions, economic uncertainty, automation and workforce challenges, and global competition is not only crucial for the survival of mid-market industrial machinery manufacturing companies but also presents an opportunity to achieve substantial growth and innovation.

By proactively tackling these issues, companies can transform challenges into catalysts for positive change, allowing them to explore new markets, enhance operational efficiencies, and develop cutting-edge technologies. Developing new market opportunities and leveraging expert solutions positions your company for resilience and sustained success, enabling you to build a robust and agile business model that can adapt to changing global dynamics.

This document outlines the critical concerns facing mid-market industrial machinery manufacturers and underscores the importance of strategic intelligence and market development. By leveraging our expertise, your company can navigate these challenges effectively, turning potential obstacles into avenues for competitive advantage and thriving in an ever-evolving market environment.



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Barbara Galvez is a Manager at Emerging Strategy. She has over 20 years of experience in market research in the US, Canada and Latin America. Her past experience includes extensive client-side work.