

Manufacturers Not Protecting Against Cyber Threats

2016 Manufacturing Report from professional services firm Sikich explores ways to address current challenges and position manufacturers for long-term growth

Naperville, Ill. — Manufacturers and distributors, like companies in other industries, face mounting cybersecurity risks. Still, some don't do enough to address the issue and protect intellectual property and sensitive data and information, according to a new industry report from professional services firm Sikich LLP.

Sikich's survey of manufacturers and distributors for its 2016 Manufacturing Report found that only one-third of companies surveyed conduct penetration testing on an annual basis.

"Warding off cyber threats, including cyberespionage, is a top corporate priority across industries, but manufacturers and distributors need to do much more to protect their patents, designs and formulas, as well as their private company and employee information," said Jim Wagner, partner-in-charge of the manufacturing and distribution practice at Sikich LLP. "Companies need to proactively assess their risk profile and take the necessary steps to address weaknesses. They would also do well to conduct ongoing vulnerability scanning to protect against any new threats."

Manufacturers eye technology to improve customer service

In addition to shoring up their cyber defenses, manufacturers look to leverage technology to improve customer service, according to the report. More than half (51 percent) of respondents identified improving customer service and response time as a top business driver that will impact their technology strategies in 2016.

Nearly 40 percent said the same about reducing costs as manufacturers see growing cost pressures on the horizon. According to the report, nearly half (47 percent) of the manufacturers and distributors surveyed said they expect material costs to increase up to 5 percent in the next year. And 85 percent said they expect labor costs to increase up to 4 percent.

"Innovative technology can reduce manual tasks and help manufacturers improve customer service and achieve overall efficiency and profitability gains," Wagner said. "This, in turn, impacts the bottom line. Manufacturers should take full advantage of technology such as enterprise resource planning (ERP) solutions to improve operational processes. Those companies that commit to leveraging technology throughout their operations will improve response time with customers, ease cost pressures and enjoy a competitive advantage."

Amid economic doubts, R&D investment low

The Sikich report found that more than half of manufacturers and distributors do not expect the industry to expand in the next 12 months. Further, only 29 percent say they are more optimistic about the U.S. economy compared to the last 12 months, and 31 percent say they believe the world economy will grow over the next 12 months.

At the same time, the findings suggest that many manufacturers and distributors are not doing enough to put themselves in a position to innovate and grow. The report found that more than 80 percent invest less than 5 percent of sales in research and development.

“In today’s rapidly changing and hyper-competitive economy, manufacturers who neglect R&D will lose a competitive edge,” Wagner said. “The good news is there are opportunities in the tax code that can help manufacturers boost R&D activities. Companies should leverage all available tax credits and look to expand R&D spending to ensure long-term growth.”

Sikich’s 2016 Manufacturing Report offers a comprehensive view of the state of the industry, including manufacturers’ outlook for the future, strategic priorities and views on the workforce. For more information about the report, [download a copy of the findings](#).