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Diversity in manufacturing offers many benefits

Is remote selling the new normal?
Tips to make the most of your sales program

Creating a business plan in uncertain times

NOL carrybacks: Look at the big picture

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Diversity in manufacturing offers many benefits

As the U.S. population becomes more diverse, many manufacturers are adapting their workforces to reflect that diversity. And while diversity for its own sake is a laudable goal, a diverse workforce can also pay off in the form of improved business performance.

Benefits abound

Manufacturers can struggle to find quality workers. This includes employees with the highly technical skills needed as the manufacturing process increasingly turns to automation and digital technologies. Expanding recruitment efforts to reach a more diverse audience can help close the skills gap.

Manufacturers that embrace diversity often find that it helps them reach more customers. Diversity reflects their customers' values and helps manufacturers better understand their customers' needs.

Studies show that a more diverse workforce enhances innovation and improves financial performance. For example, a study of women in manufacturing by The Manufacturing Institute, Deloitte and APICS found that manufacturers with greater gender diversity (particularly those with strong female leadership) enjoy not only an improved ability to innovate, but also higher return on equity, increased profitability, and better-than-average valuations.

A commitment to diversity can also help manufacturers keep valuable employees. Manufacturers that incorporate diversity into their cultures often enjoy improved retention rates as employees see themselves and co-workers appreciated and treated with respect.

Best practices

Here are some best-practice tips for manufacturers that want to step up their diversity efforts:

Don't exclude inclusion. Simply having a diverse workforce isn't enough. It's equally important to create a culture of inclusion, in which all employees feel accepted, understood, respected and valued.

Set the tone at the top. To succeed, diversity and inclusion efforts must have the full support of company leadership. Company leaders must communicate their commitment to diversity throughout the organization.

Empower employees. Many of the companies that have been most successful in creating a culture of diversity and inclusion have embraced employee resource groups (ERGs). These identity- or experience-based groups help give a voice to various communities within an organization, allowing them to share their experiences and advocate for increased recognition and opportunities.

Workplace safety in the COVID-19 age

The COVID-19 crisis isn't behind us quite yet. The Centers for Disease Control (CDC) and the Occupational Safety and Health Administration (OSHA) have published safety guidance for the manufacturing industry workforce. Many of these measures are labeled "temporary," but uncertainty about COVID-19's continuing impact means that they'll likely be with us for the foreseeable future.

While much of the guidance has been relatively easy to implement, some recommendations are more complex and potentially costly, such as moving or repositioning workstations to maintain distance between workers, or installing barriers between workstations, such as plexiglass shields or strip curtains. Manufacturers may look into reconfiguring break rooms and other common areas to improve worker separation, or using alternative areas, such as conference rooms or outdoor tents.

Establishing staggered shifts or other flexible work-hour arrangements may be another way to meet CDC guidelines. Regardless of split shifts, the CDC recommends installing handwashing stations and adding additional clock in/out stations or switching to touch-free methods. You may need to consult an HVAC engineer and make necessary modifications to ensure adequate ventilation in work areas.

These are just a few examples of the many guidelines that have been offered by the CDC and OSHA. For more guidance, visit cdc.gov, type "manufacturing" in the search box, and click on "Manufacturing Workers and Employers."

If the cost of some of the larger fixes are overwhelming, keep in mind that the cost of interior improvements to your manufacturing facility may qualify for 100% bonus depreciation tax breaks as qualified improvement property (QIP). Contact your CPA to learn more.

Emphasize diversity in recruiting. For example, involve leaders in your recruiting efforts who have backgrounds similar to those you are striving to recruit.

Track diversity metrics. Treat diversity and inclusion as key business performance goals and track related metrics in recruiting, hiring and employee retention. Analyze data related to diversity in leadership and promotion decisions.

Implement training programs. Conduct regular training on unconscious bias, communication, conflict resolution and other diversity and inclusion issues.

Address work-life balance. According to the Deloitte study mentioned above, lack of work-life balance is one of the top reasons women leave manufacturing. Create an ERG that focuses on this issue.

Embrace foreign-born workers. The percentage of the U.S. population that is foreign-born has been steadily increasing and represents an often underused source of knowledge and talent. Consider strategies for accommodating language and cultural barriers.

Cultivate diverse teams. Diversity within organization teams connects people with contrasting perspectives, which in turn fosters collaboration, innovation and creative solutions.

Vive la différence

Diversity doesn't just make the workplace more interesting. It's been shown to improve morale and enhance employee engagement, leading to greater innovation, increased productivity and other significant business benefits. ■

Is remote selling the new normal?

Tips to make the most of your sales program

The COVID-19 pandemic has had a dramatic impact on the way people interact and do business. And it's likely that a number of the changes made to adapt to a social-distancing environment will become permanent. Even before this crisis, there was a definite trend toward digital interactions, and many experts believe that our experiences during the pandemic will accelerate this trend.

As this transformation continues, manufacturers should review their selling processes and consider adjustments that will help them adapt to the "new normal."

A shifting landscape

In recent years, the world of business-to-consumer (B2C) sales has fully embraced e-commerce and digital sales. In the business-to-business (B2B) environment, the move toward digital has been more measured, but the pandemic virtually eliminated in-person interactions and forced businesses to adapt quickly. An interesting byproduct of this crisis is that it created sort of an involuntary experiment in remote work. And many businesses that were previously reluctant to allow teleworking and remote selling have learned that it can be highly effective. For many, their fears about abuses and lost productivity haven't materialized.

Recently, McKinsey & Company conducted a survey of B2B businesses in 11 countries and a variety of sectors and industries. The findings indicate that COVID-19 has accelerated several existing trends, including omnichannel selling, inside sales, tech-enabled selling and e-commerce. The survey also indicated that, during the height of the pandemic, around 90% of sales moved to a "videoconferencing (VC)/phone/web sales model," and that around half of the respondents (60% in

the U.S.) feel that this model is equally or more effective than pre-COVID-19 sales models.

A few tips

So how can manufacturers maximize what we've learned so far in 2020? The following are some tips for implementing remote selling effectively.

Keep your eye on the target. Even in ordinary times, your selling efforts should be targeted. For example, it's far easier to sell to existing customers — who are already familiar with your products and with whom you have an established relationship — or to new customers that you've researched thoroughly. In the current environment, it's even more critical to concentrate on existing customers. Be sure to research which industries and businesses have been negatively affected by the pandemic and to focus your efforts on those that are weathering the storm better.

Leverage technology. For remote selling to be effective, it's important to research and implement video chat and virtual meeting solutions that work for you. But it's also critical to understand the technology's limitations. Even with the best technology, it's difficult for salespeople to pick up on body language and other visual cues that are more readily apparent in a face-to-face meeting. That's why many experts recommend that your remote selling efforts focus, at least initially, on building relationships rather than closing sales.

In addition to video, consider other types of technology that can enhance or support the sales process. For example, software platforms that enable you to create customized, interactive, visually appealing presentations can help you meet some of the challenges surrounding remote sales. And salespeople can use brandable "microsites" to share documentation and other information with existing and prospective customers, monitor customers' activities on these sites, and appropriately tailor their follow-up.

Also, because different customers have different preferences, it's a good idea to offer a variety of communication platforms, such as email, messaging apps, videoconferencing and live chat.

Create outstanding experiences. Customers increasingly prefer the convenience and comfort of self-service and digital interactions. So, it's important for manufacturers to ensure that customers' experiences with these interactions are positive.

According to a 2019 McKinsey survey, for example, suppliers that offer "outstanding digital experiences" are more than twice as likely to be selected as those that provide poor experiences, and 70% more likely to be selected than those providing fair experiences. According to the survey, buyers value speed, transparency and expertise, noting that features like live chat can deliver all three.

Transforming your sales function

The lasting impact of COVID-19 isn't yet clear, but remote sales will play an increasingly significant role in the future. To stay competitive, manufacturers will need to incorporate and enhance remote selling techniques and technology in their sales arsenals. ■

Creating a business plan in uncertain times

With the economy in a state of flux because of the COVID-19 pandemic, many manufacturers may need additional financial assistance. A business plan that accurately reflects your business is something every company — manufacturing or not — should have. Now is the time to create or update your business plan to provide company growth expectations and strategies.

Setting the scope

The first section of your business plan should generally contain an executive summary and a business description. Be sure to include an overview of your management team.

From there, you can move on to an industry and marketing analysis. Then, most important, have a separate section for your company's financials. Of course, 2020 will be a tough year to encapsulate due to the economic ramifications of COVID-19. Conclude your business plan with a section discussing how you intend to implement the plan. Small or midsize businesses might balk at compiling a comprehensive business plan. But it's an essential part of the loan application process for start-ups and when a company needs financing for a major capital expenditure or is nearing the edge of bankruptcy.

Remember, the best plans can be quite simple. You don't want to bury management's message in a long-winded plan. For a small business, the executive summary shouldn't exceed one page, and the maximum number of pages should generally be fewer than 40.

Seeing the future

Though many firms are just trying to get through the short term due to the COVID-19 disruption, business planning involves long-term vision. Determine where the company is now and where it wants to be in six months, the next year, or three, five or 10 years.

Lenders tend to look at executive summaries first, but they're the last page management should write. It's better to start with historic financial results. From there, identify key benchmarks that management wants to achieve. These assumptions will drive the financials.

Financing the business

After reviewing the executive summary, lenders will dive into a business plan's financials section. Management's goals are fleshed out in its budgets and financial projections. The financials section outlines how much financing your company needs, how it plans to use those funds and when you expect to repay the loans.

For example, suppose a company with $5 million in sales in 2020 expects to double that figure over a five-year period. How will the borrower get from Point A ($5 million in 2020) to Point B ($10 million in 2025)? Many roads may lead to the desired destination.

Let's say the management team decides to double sales by hiring two new salespeople and acquiring the assets of a bankrupt competitor. These assumptions will drive the projected income statement, balance sheet and cash flow statement.

When projecting the income statement, management makes assumptions about fixed and variable costs. Salaries and rent are generally fixed. Direct materials are generally considered variable. But some fixed costs can be variable over the long term. For example, rent may become variable if the company has a lease about to expire and management decides to relocate to a different facility to accommodate changes in size.

Balance sheet items, such as receivables, inventory, payables and so on, generally grow in tandem with revenues. In a business plan, management makes assumptions about its minimum cash balance, and then debt increases or decreases to keep the balance sheet balanced. Remember, your bank will be expected to fund any cash shortfalls that take place as the company grows. This makes cash flow projections among the most significant for lending purposes.

Be realistic

The best business plans are realistic business plans. Be sure that all sections of your plan provide reasonable and well-founded data and analyses. The COVID-19 pandemic is affecting different manufacturers in different ways and no one knows how long it will last. Projections based on 2019 might not necessarily be relevant for 2020 — so be sure to make adjustments for the current economic realities. ■

NOL carrybacks: Look at the big picture

To help manufacturers and other businesses improve their cash flow, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides a temporary five-year carryback for net operating losses (NOLs). Previously, the Tax Cuts and Jobs Act had eliminated NOL carrybacks, starting in 2018. Now, under the CARES Act, businesses with NOLs in 2018, 2019 or 2020 may carry those losses back up to five years, offset them against taxable income in those years, and claim a refund.

Look before you leap

Before you take advantage of this opportunity, however, it's important to look at your overall tax picture and consider how NOLs interact with other tax provisions.

Consolidated group considerations. Certain consolidated groups of corporations should consider how the rules regarding consolidated returns may limit their ability to carry back NOLs experienced by certain members of the group. For example, this may affect businesses with a group member that was part of a different consolidated group during the carryback year but was since sold or spun off.

Business interest deduction election. Affected businesses may opt out of the limit on deductions of business interest if they forgo bonus depreciation and other accelerated depreciation benefits. The CARES Act allows businesses to retroactively claim 100% bonus depreciation for certain building improvements. In some cases, doing so generates NOLs, which can be carried back up to five years, yielding additional tax benefits. However, businesses that previously elected out of the interest deduction limit are ineligible for bonus depreciation. The CARES Act permits these businesses to reverse the election, but before doing so it's critical to weigh the benefits of bonus depreciation (and related NOLs) against the loss of business interest deductions.

Affected businesses may opt out of the limit on deductions of business interest if they forgo bonus depreciation and other accelerated depreciation benefits.

Seize the opportunity

For many manufacturers, temporary NOL relief provides a great opportunity to reduce tax liabilities in previous years, claim a refund, and give their cash flow a much-needed boost. Before seizing this opportunity, however, you'll need to evaluate the potential interaction between NOLs and other tax provisions. Your tax advisors can help you look at the big picture and determine the best strategy for your situation. ■

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We Know Manufacturing

With increasing regulations, technological changes and heightened competition, manufacturing companies are faced with a myriad of challenges in getting their products to clients in a fast and cost-effective manner. Staying abreast of the constantly changing rules in the industry makes it difficult to remain profitable. The Hoffman Group is experienced in helping manufacturers develop profit enhancing solutions to improve the bottom line and anticipate marketplace changes. We become a part of your management team to help develop and implement strategic decisions.

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