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# Resilience in Manufacturing: How to Continue to Build COVID-19 Resistant Businesses



# Our Speaker – Jim Seifert



## Head of Manufacturing Fafinski Mark & Johnson

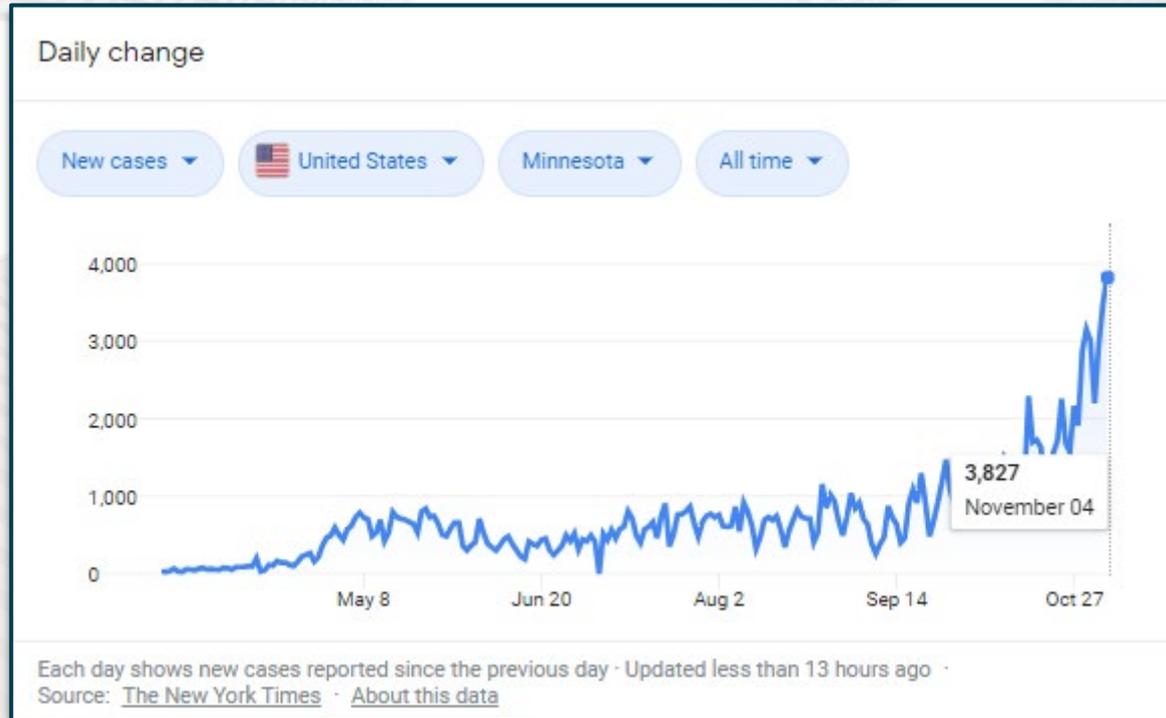
Jim spent 36+ years witnessing and counseling successful manufacturers as the Chief Legal Officer of several iconic Minnesota manufacturers. He holds a Masters degree in Manufacturing Systems, is a licensed patent attorney, and leads FMJ's approach of holistically advising and representing manufacturers.

# COVID-19 – Pandemic Scenarios



Source: *“The Future of the COVID-19 Pandemic: Lessons Learned from Pandemic Influenza”*,  
April 30, 2020, Center for Infectious Disease Research and Policy,  
University of Minnesota.

# Year to Date – Minnesota Case Graph



# COVID-19 – The Solution?

- Is a safe and effective vaccine that is ? years away.
- In the past 25 years, only 7 truly new vaccines.
- Merck developed 4 of the 7, the rest of the world developed 3 and their CEO, Ken Frazier, stated recently: “Officials are doing a “grave disservice” to the public by talking up the potential for vaccines later this year. There are massive scientific and logistical obstacles to achieving such a feat.” HBR Interview, July 13, 2020
- Ebola vaccine took 5 years, a record for a proven safe and effective vaccine.
- In the highly unlikely event an effective and safe vaccine is developed in the next year, the distribution of such a vaccine will take at least another year, depending upon who discovers it first, China, Europe, Russia, Israel?
- 5 • “Normal” will probably never be pre-COVID.

# Manufacturing – The Material Risk Menu

- COVID-19
- Political (State and Federal)
- Economic, particularly the US Budget Deficit, but all government budgets will be stressed.
- McKinsey suggests it will take until 2025 for the Manufacturing sector to return 2019 levels:  
<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business#>
- Tax increases: corporate, personal, capital gains, estate, real estate, healthcare, social security, payroll, sales.
- Societal Restructuring/lack of citizenship.
- Social distancing is any school, let alone a university is highly unlikely and very risky.
- Supply Chains - stress test yours.

# Building Resilience – Manufacturers Thriving

- Ecolab
- Intuitive Surgical
- IBM
- Rockwell
- Microsoft
- Home Depot - proxy for home improvement tools and supplies
- Fast casual dining - food preparation

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# How Do You Get There?

*The manufacturers' mindset must be resiliency.*

# Building Resistant Businesses – Strategies

- We will explore:
  - Expenses
  - Talent
  - New markets
  - Opportunities within existing market



# Strategies – Expenses

- Examine all non-direct sales related expenses/costs and seek structural discounts. Retention of your business is valuable, even critical.
- Re-examine non-customer facing functional overhead, finance, HR, legal and seek discounts.
- Re-evaluate real estate, do detailed examination of whether remote work increased or decreased production.
- Manufacturers' structural costs will likely rise due to COVID prevention equipment and process requirements.
- Digitize as much of the sales process as possible.

# Strategies – Talent

- Now may be best time to change the organization in order to strike the right talent mix.
- Highly talented people from large organizations, especially in the manufacturing space, are on the street.
- 10% + unemployment will be with us for a long time and so the talent shortage forecasted for the past 5 years is now temporarily suspended.



# Strategies – New Markets

- COVID has created new markets that should be sustainable because this is not the last contagious bacteria or virus we will have to deal with as a society.
- Return to US manufacturing movement is real.
- Anything related to cleaning and sanitation from surfaces to clothing-chemistries, processes, tools.
- Remote work-spaces
- Remodeling, customization of living spaces
- Virtual schooling
- Home health
- Non-contact selling
- Infrastructure-government repair and infrastructure programs will be an obvious way to create jobs and jumpstart the recovery.

# Strategies – Opportunities Within Existing Markets

- Ecolab: “Science Certified” service.
- Zoom with 25% of your sales/customers once a month.
- Create a “value” line with good margin.
- Increase capacity if demand soars and is forecasted to last more than a year.
- Spike in demand for anything related to new home-centered lifestyle, home remodeling/addition, exercising, gardening, and traditional hobbies (from woodworking to bees).



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Questions?



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