

SWMAS

MANUFACTURING
barometer



South West Report
Winter 2017 (October, November and December 2017)
Surveyed in January 2018

Contents

Productivity and Culture: managing productivity improvement through strategy, leadership and delivery



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Introduction



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Delivering SWMAS

Welcome to the SWMAS Winter 2017 (Q3) Manufacturing Barometer report, mapping the trends, current views and confidence of manufacturing SME's across the South West of England.

This latest Manufacturing Barometer represents the collective voice of 126 senior decision makers in South West manufacturing SME's who have shared their views to reveal the latest insight into business performance and forecasts for the future.

Reflecting the outcome of last quarter's Barometer, which reported manufacturers' intention to improve productivity through focusing on existing people and processes, this quarter's Special Focus looks harder and deeper at how businesses are managing productivity improvement. 'Productivity and Culture' explored how they manage productivity at each level - strategic, leadership and delivery of change.

The Core Trends

The headline for this quarter is that 75% of the region's SME Manufacturers anticipate an increase in sales in the next six months– the highest figure recorded since Quarter 3 2013 (78%) and higher than 72% nationally, this is a reflection of the confidence of our business leaders. Only 6% anticipate a reduction in sales – the lowest figure recorded since 5% in Q1 2014. Coupled with 65% of manufacturers looking forward to an increase in profits over the next six months, this is good news.

Comparatively, however, only 46% experienced a growth in profits in the last half of 2017. The gap between predicted sales increases and actual increase in profits seen over the last six months continues to raise questions about productivity.

Encouragingly, 58% aim to deliver against their growth targets by investing in machinery and premises. This is a rise of 15% on the last quarter's Barometer report.

The Quarter 2 2017 Manufacturing Barometer also showed that manufacturers were prioritising development of existing people (and processes). This quarter, plans to recruit new staff are recorded by 53% of respondents. Although a figure 12% higher than last quarter, it may not be quite in step with anticipated growth as this finding again raises questions around the ability to find suitably qualified staff to feed business growth – something reflected in Barometer feedback last quarter and the conversations our Productivity Specialists are having with business leaders. Whilst some manufacturers are achieving growth through investment in new machinery and premises, the importance of improving productivity through existing staff and facilities remains a focus.

Continued Overleaf...

Special Focus: Productivity & Culture

This quarter the Manufacturing Barometer asked manufacturers to look at the extent to which productivity good practice is integrated into the culture of UK SME manufacturing businesses.

At a strategic level, respondents divulged that they are positioning themselves to achieve their productivity goals. Around 70% are confident that they have mostly or completely defined productivity improvement as a key strategic objective, and that productivity improvement is championed by the board and senior managers. There is a slight softening of that confidence (63%) when identifying budgets and resources to enable productivity improvement, but overall the position is that a focus and drive for productivity improvement is integrated at a Strategy and Vision level

Exploring productivity improvement at the Leadership and Management level, the weight of responses indicate that most manufacturers would like to achieve better results. Furthermore, variations in how department leaders measure and communicate current and targeted performance indicate that effective measurement and communication could be a factor in businesses' ability to deliver and achieve productivity improvement goals.

In the final special focus category we looked at delivering and sustaining productivity improvement. This revealed that whilst most manufacturers recognise the need, many do not always perform well in this area, or achieve insufficient results. Over 40% of South West manufacturers identified that they would like to improve across all three activities at the level: having resource in place, enhancing the engagement of their existing people in identifying and improving productivity, and their ability to sustain and share learning about the changes made.

Conclusions

Overall, manufacturers are confident that they will grow and make a profit, but, as recent history shows, the strides made might be smaller than the ambitions set, particularly if underlying barriers to improving productivity are not addressed. Looking at capacity to grow, the views captured this quarter show that this is unlikely to come from new staff or investment alone (just over 50% intending to recruit and 58% intending to purchase new machinery and premises), so the focus on productivity and getting more out of existing people and processes remains.

With the Special Focus this quarter showing that difficulty in engaging staff in increasing productivity proves one of the biggest hurdles to delivering and sustaining the improvements required by businesses, the findings of the Winter 2017 (Q3) Manufacturing Barometer suggest that workplace culture at this change level has to evolve. The call to action is for manufacturers to look harder at how they involve their leaders and their people to unlock their own hidden potential and achieve their productivity ambitions.



Business Aspirations

Growth by 50-100% for the next 3-5 years. Increase our profit margins by improving efficiency. Relocate to a new purpose built workshop/ offices to help facilitate growth and increased efficiency. Start to tap into international markets as well as broaden domestic markets - *Tom Raffield Ltd, Cornwall*

Significant upturn in market, short/medium term to satisfy this demand and reinvest in capital and develop our staff – *Anonymous, Dorset*

Global export growth short medium and long. But, at present we are unable to expand EU sales due to customers not wishing to accept the uncertainty – *Anonymous, Bristol*

Invest in new processes and automation in order to create a more cost efficient production facility. Develop our export market. Reduce the lead time for designing and then launching new products. Create/find space for growth – *Anonymous, Devon*

Grow our market outside Europe but hold on to it in Europe with Brexit implications causing ongoing problems – *Seed Developments, Somerset*

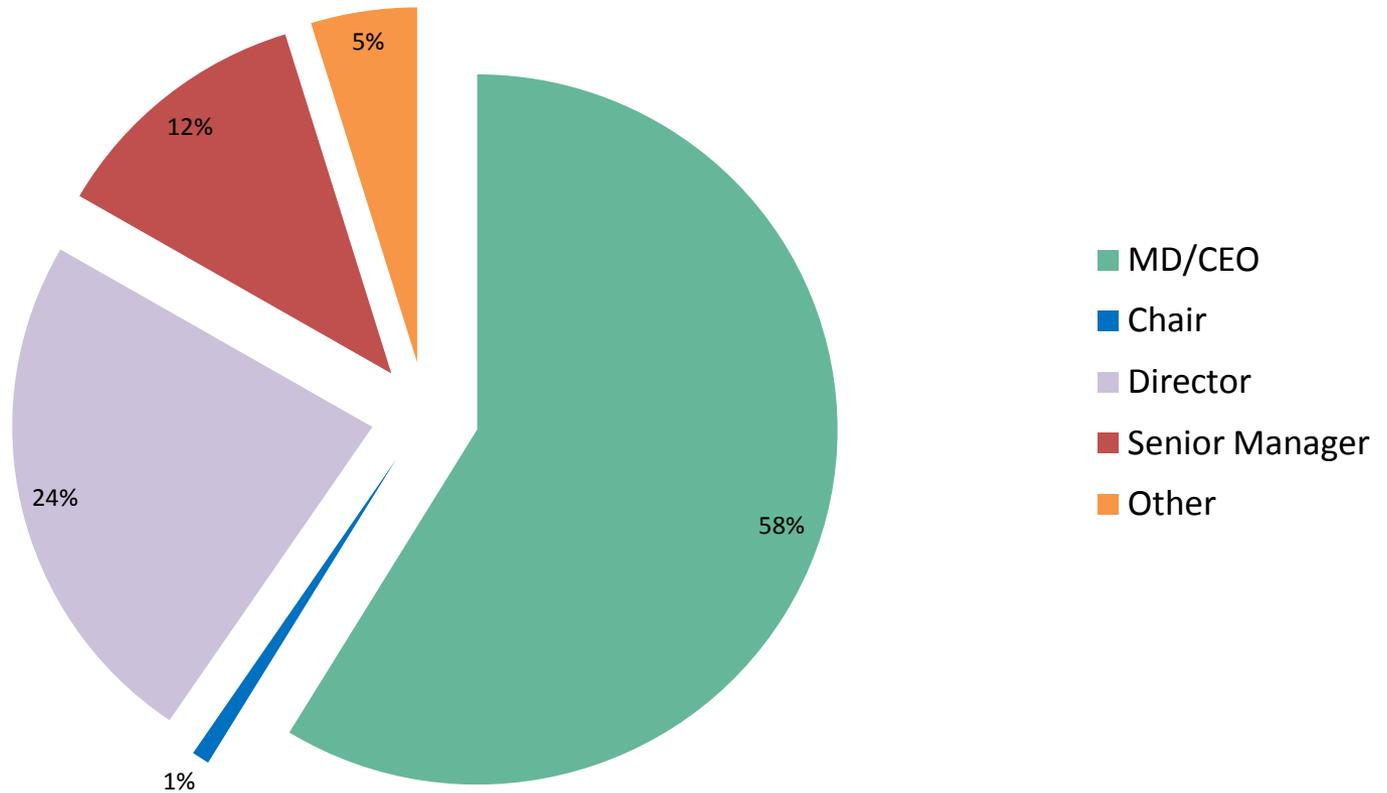
Short term = improve production efficiency, Medium and long term = increase capacity – *Anonymous, Gloucester*

Invest in new processes and automation in order to create a more cost efficient production facility. Develop our export market. Reduce the lead time for designing and then launching new products. Create/find space for growth. – *Anonymous, South West England*

Increase sales and gross margin by improving productivity through improved quality, non-value added work elimination and automation, and introduce new products – *Anonymous, Wiltshire*

Expect 2018 to be a year of growth – *Protechnic, Somerset*

Survey Demographics



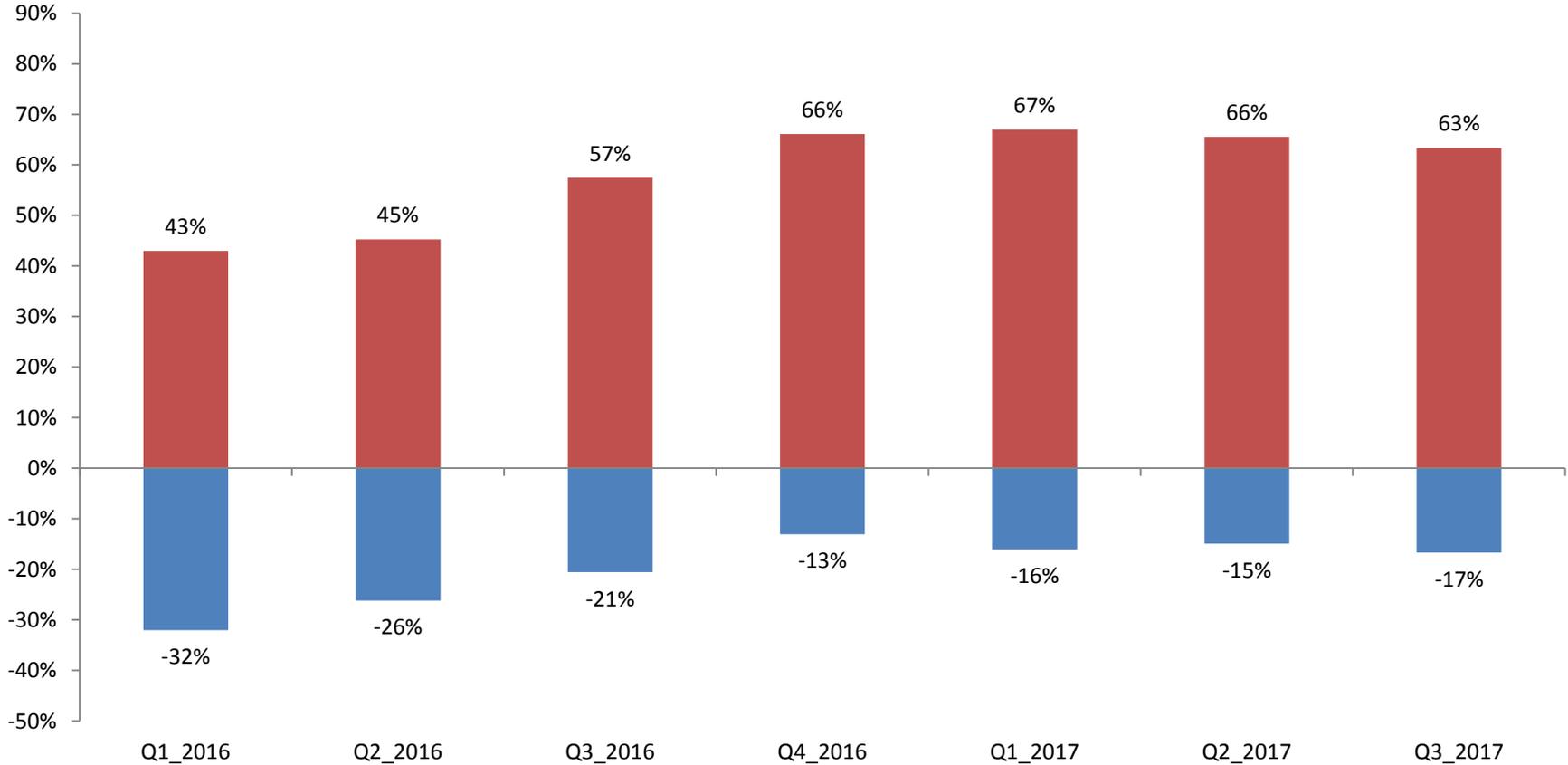
**Over 60% of respondents are Managing Directors or Chief Executive Officers
Individuals with the highest level of strategic responsibility within their business**

324 Respondents

South West Past Sales

How has your sales turnover changed within the past 6 months?

Much Reduced/Reduced
Much Increased/Increased

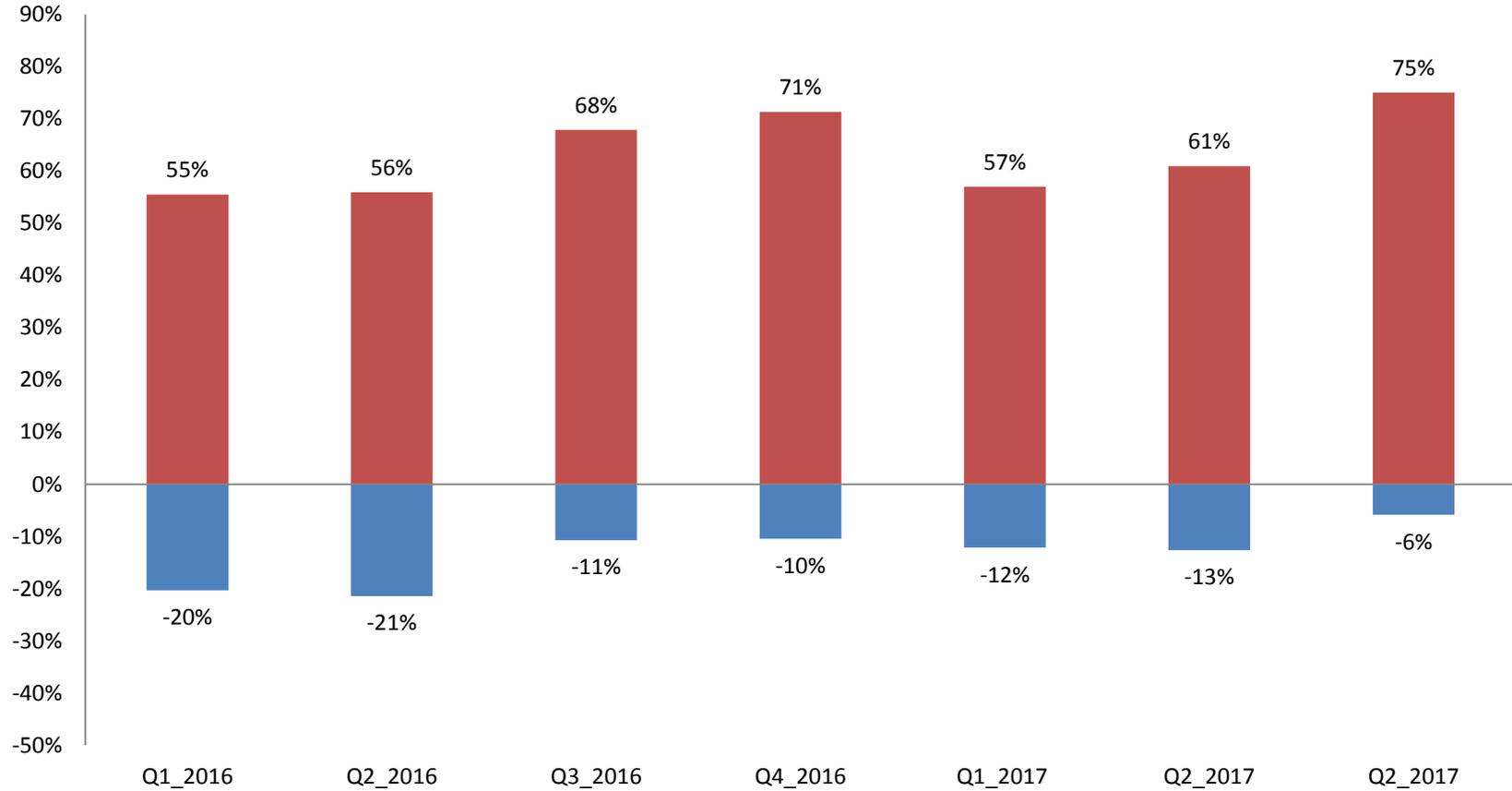


120 Respondents

South West Future Sales

How do you expect your sales turnover to change over the next 6 months?

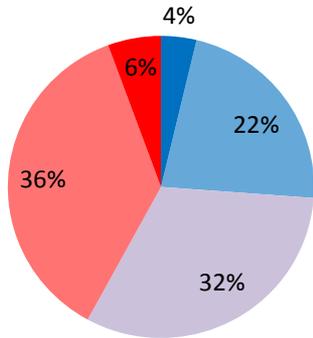
- Much Reduced/Reduced
- Much Increased/Increased



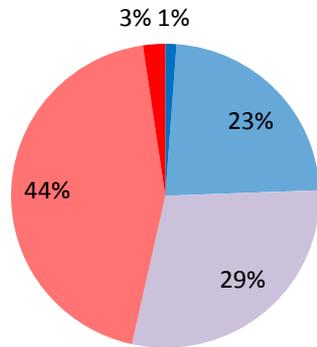
120 Respondents

South West Past Profits

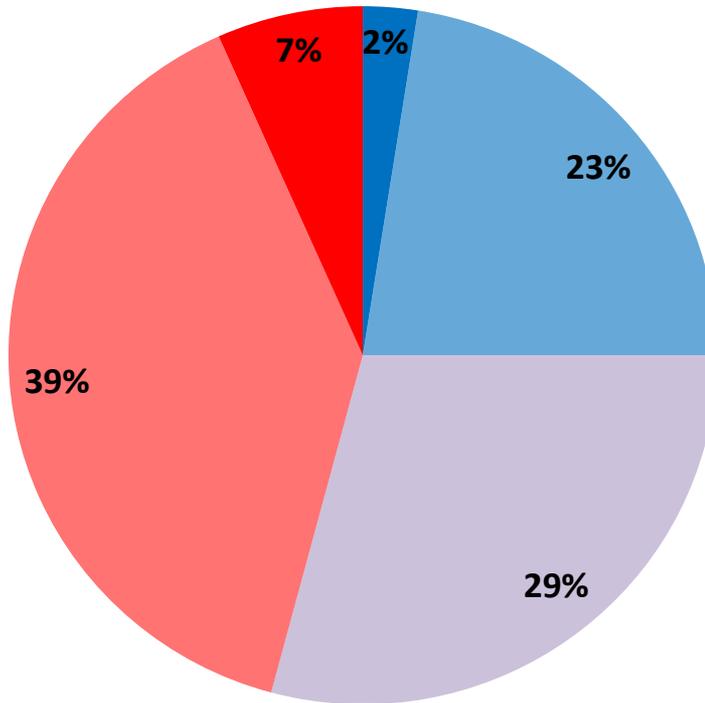
How has your profit changed within the past 6 months?



Q1 2017 results



Q2 2017 results

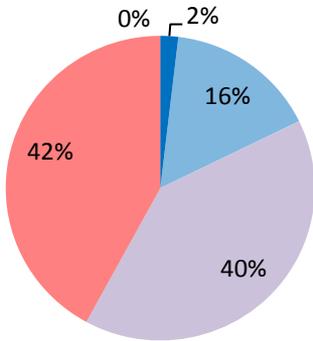


- Much Reduced
- Reduced
- No Change
- Increased
- Much Increased

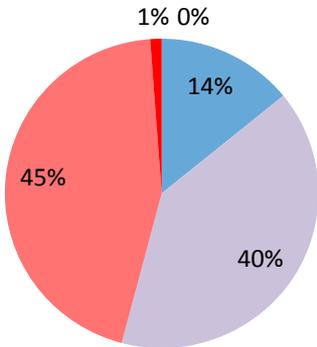
120 Respondents

South West Future Profits

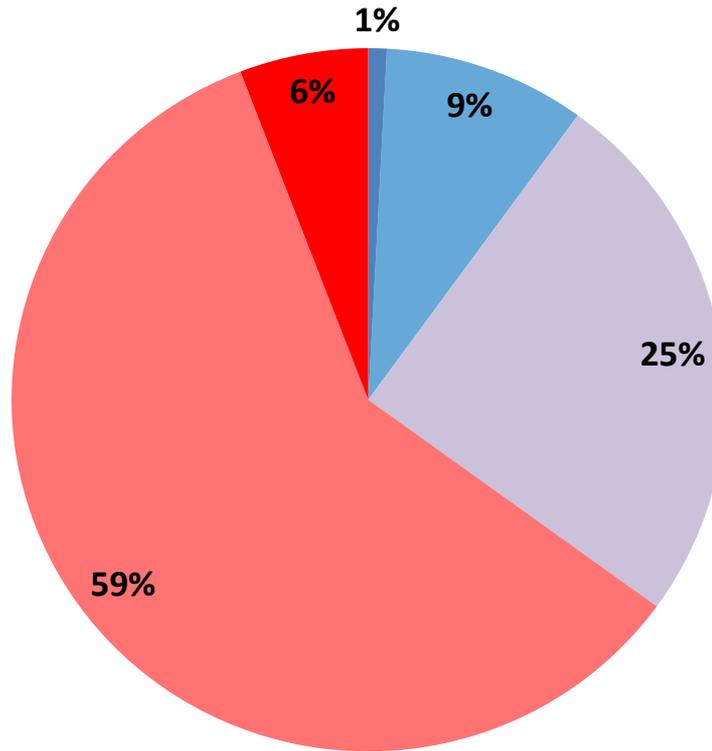
How do you expect your profit to change over the next 6 months?



Q1 2017 results



Q2 2017 results



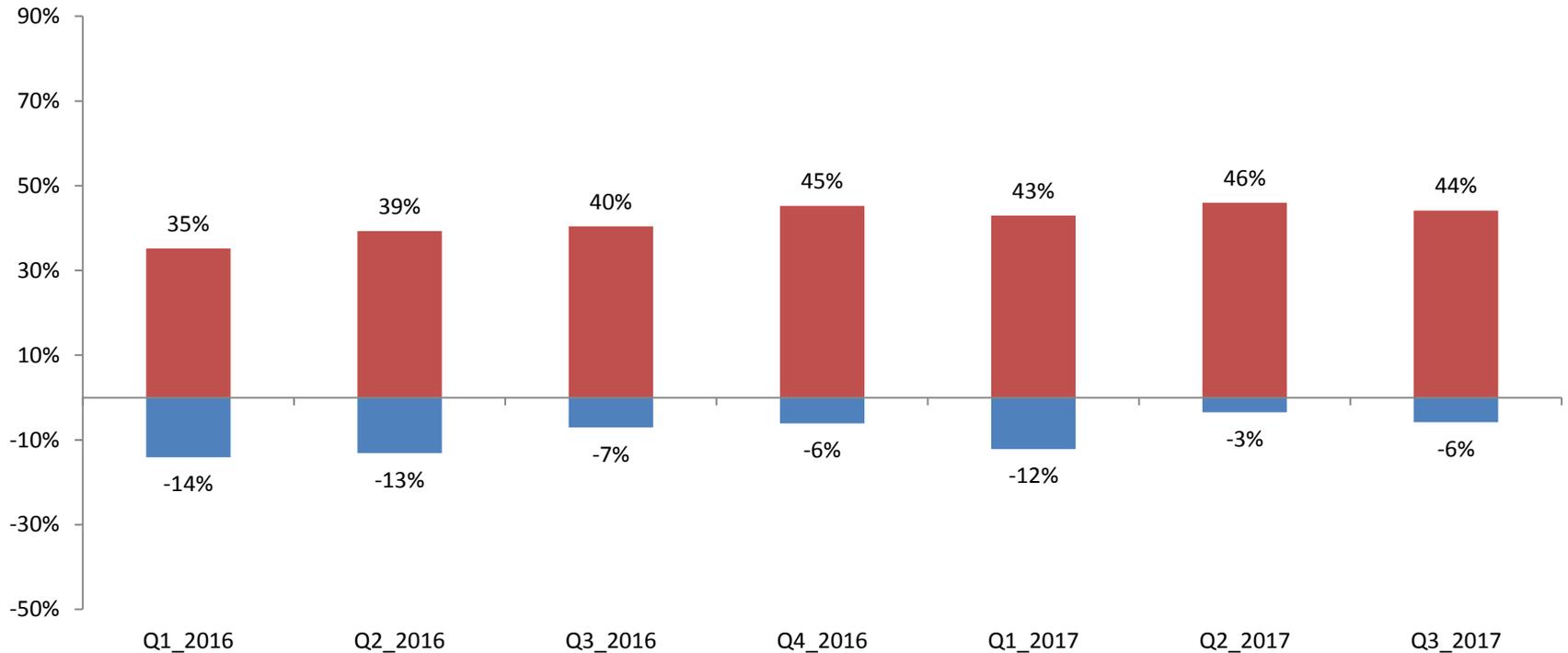
- Much Reduced
- Reduced
- No Change
- Increased
- Much Increased

120 Respondents

South West Past Capital Investment

How has your investment in new machinery/premises changed in the past 6 months?

Much Reduced/Reduced
Much Increased/Increased

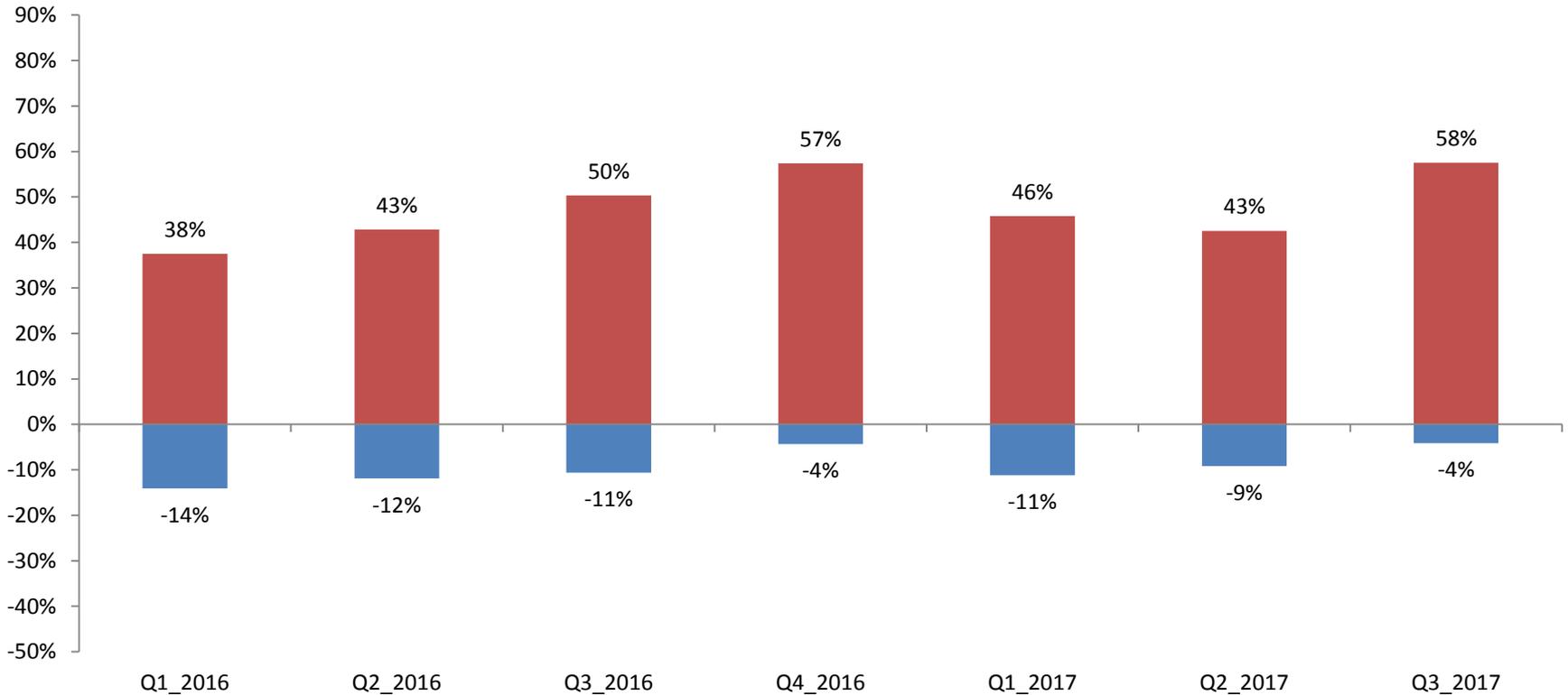


120 Respondents

South West Future Capital Investment

How do you expect your investment in new machinery/premises to change in the next 6 months?

- Much Reduced/Reduced
- Much Increased/Increased

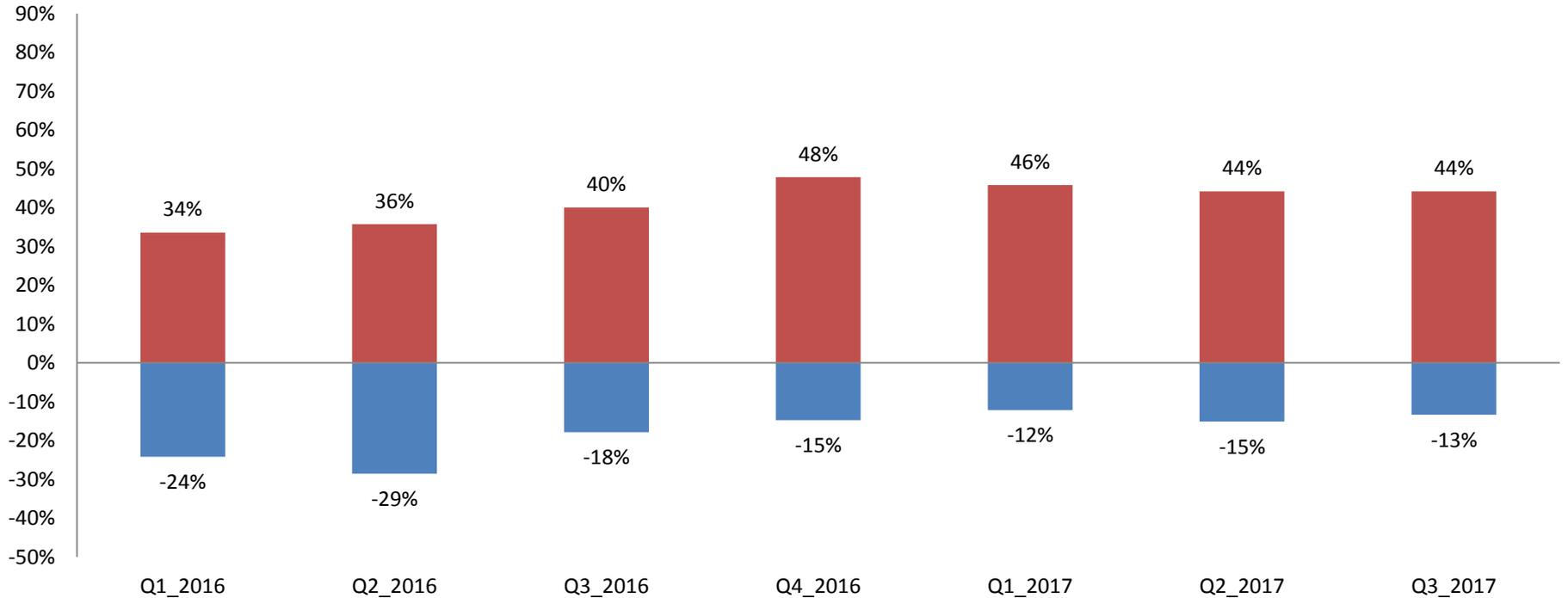


120 Respondents

South West Past Employment

How have staff numbers in your company changed in the past 6 months?

- Much Reduced/Reduced
- Much Increased/Increased

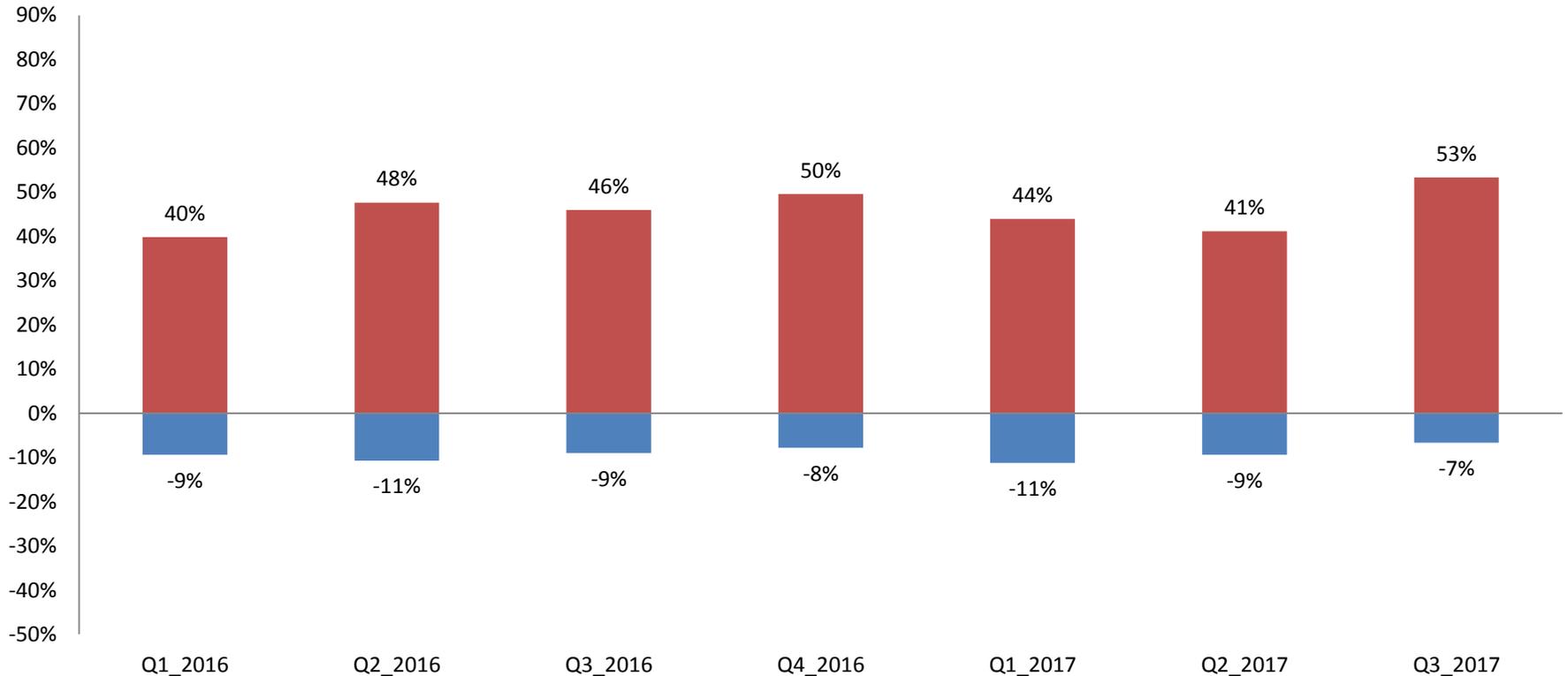


120 Respondents

South West Future Employment

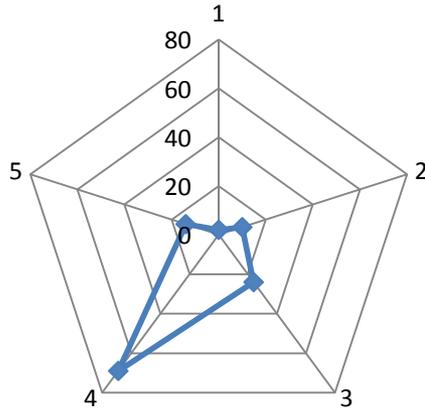
How do you expect staff numbers in your company to change in the next 6 months?

- Much Reduced/Reduced
- Much Increased/Increased

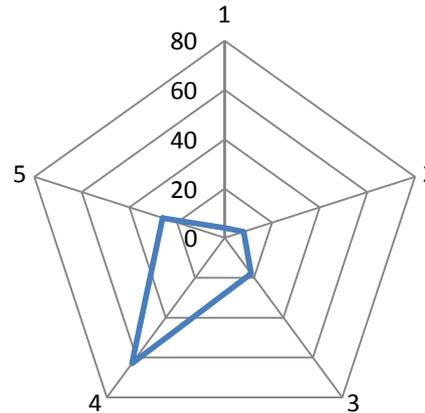


120 Respondents

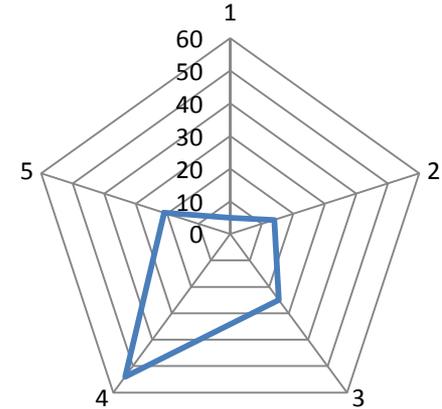
Strategy & Vision



Our organisation has defined productivity improvement as a key strategic objective with a shared vision and clear connections to how improving productivity increases the value we deliver to customers and stakeholders.



Our board and senior managers champion productivity improvement and provide continuous and visible support.



We have identified budgets and resources to deliver productivity improvement throughout our organisation.

Score guide:

- 1 – We do not do this and do not recognise the need
- 2 – We do not do this but we recognise the need
- 3 – We do some of this but have achieved insufficient results
- 4 – We do most of this and we are making some progress
- 5 – We do this and we are achieving our productivity goals

119 Respondents

Strategy & Vision

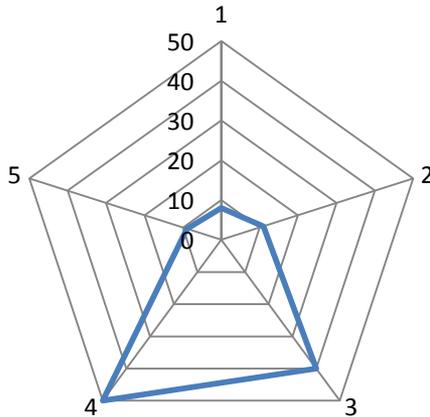
Viewed as critical activity this year – *Anonymous, Dorset*

Productivity improvement championed at Board level, reduced downtime and faster change overs – *Anonymous, Somerset*

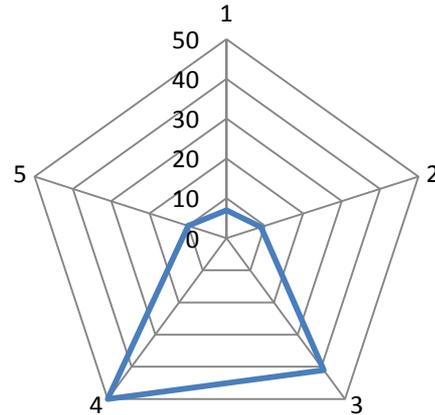
We are focussing on productivity improvement in our factory rather than across the business although currently we are doing a lot of work with consultants to restructure and introduce measurement of our R&D dept – *Anonymous, Bristol*

New production planning system in use and changed work practices to improve productivity – *Anonymous, Dorset*

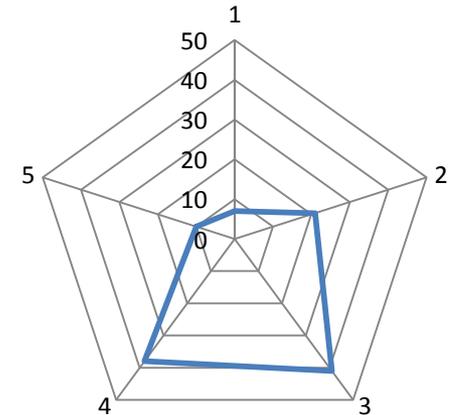
Leadership & Management



All departments have defined objectives that link driving productivity with our business strategy.



Our leaders are managing change effectively and each department has identified and prioritised improvements that drive productivity.



Each department measures and communicates its current performance, and has targets for improvement, which are deployed at all levels.

Score guide:

- 1 – We do not do this and do not recognise the need
- 2 – We do not do this but we recognise the need
- 3 – We do some of this but have achieved insufficient results
- 4 – We do most of this and we are making some progress
- 5 – We do this and we are achieving our productivity goals

117 Respondents

Leadership & Management

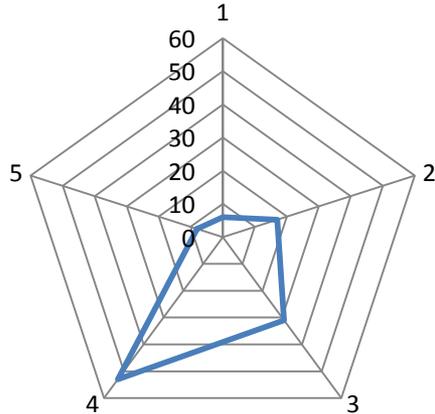
Most staff are relatively inexperienced, so process and systems implementation is slow. We will get there eventually – *Anonymous, Wiltshire*

Communication is a strength within our company. But we don't always communicate the results at all levels – *Anonymous, Somerset*

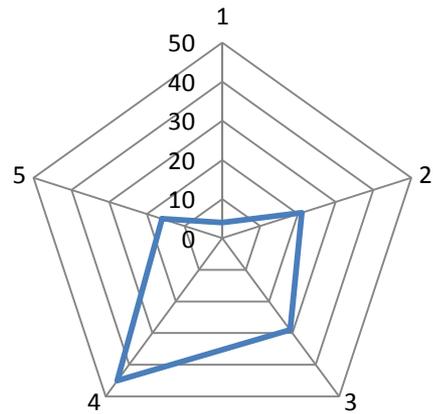
Working on the implementation of KPI's – *Anonymous, Dorset*

The general workforce struggle to understand their connection and only believe that any profit should be paid to them as wages. The concept of investment does not want to be understood – *Anonymous, Devon*

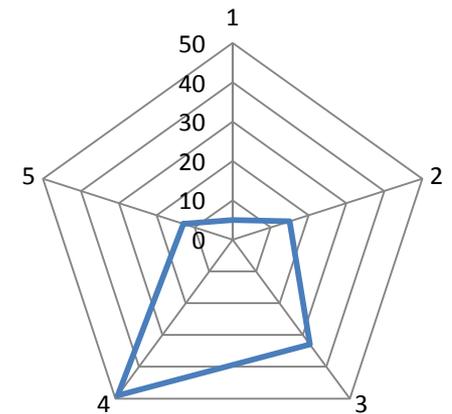
Delivering & Sustaining Improvement



We operate a structured, team-based approach to productivity improvement with skills and resources in place to define, measure, analyse and improve what we do.



Most of our people are engaged in identifying and improving productivity improvements.



The changes we make are sustained and we share learning with our wider business.

Score guide:

- 1 – We do not do this and do not recognise the need
- 2 – We do not do this but we recognise the need
- 3 – We do some of this but have achieved insufficient results
- 4 – We do most of this and we are making some progress
- 5 – We do this and we are achieving our productivity goals

115 Respondents

Delivering & Sustaining Improvement

Major drive to improve productivity - *Anonymous, Dorset*

Most people are aligned to improvement but not everyone! – *Anonymous, Somerset*

We are always looking to improve – *Peter Bennet, MD, Groveley Precision Engineering, Dorset*

Recent change in leadership team with new Managing Director redefining roles & responsibilities, policy deployment and KPI reporting – *Anonymous, Somerset*

We view this as long term and continuous – *Nelson Stokes Ltd, Cornwall*

What does Productivity mean to your business?

Productivity is the efficiency of man hours spent by our workforce as well as the support of our employees to ensure they have all of the necessary tools to carry out their role to their best ability – Liam Dell, Creative Party, Dorset

**Better utilising our staff and other resources to satisfy our customers more efficiently – Ben Mellick, AM
Sensors, Somerset**

Improved capacity, shorter lead times, maintaining a competitive edge, improved profits – Anonymous,
Gloucestershire

The ability to remain competitive – Anonymous, Cornwall

Safety, Quality, reliability and reduced defects and increased profitability – Anonymous, Gloucestershire

**Hours input v product output but this is hugely dependent on other factors such as pay, engagement,
leadership, training and product mix/volume – Anonymous, Cornwall**

Value output per worker per hour, this is critical to our profitability – Anonymous, Bristol

***Less waste - both materials and time Hitting deadlines Getting as much work as possible out of the door per
hour worked – Frocester Engineering, Somerset***

About the Manufacturing Barometer

The Manufacturing Barometer is a quarterly survey that charts the experiences of UK SME manufacturers. It is the largest survey of its kind and has informed both government industrial strategy and the national debate on manufacturing.

Run by [SWMAS](#), part of the [Exelin Group](#), since 2009 in the South West of England, the Manufacturing Barometer records trends in employment, turnover and investment. Each quarter, a 'special focus' explores an issue in greater depth. In the past this has included issues such as productivity, overseas production and energy efficiency.

Companies are able to use this quarterly Manufacturing Barometer to compare themselves against other firms within their sector or region.

The Exelin Group are experts in productivity and growth. If you would you like one of our team to undertake a diagnostic review, helping identify opportunities in your business, or for more information on this report, please contact:

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