

# MANUFACTURING barometer

**SPECIAL FOCUS: EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE**

**SOUTH WEST REPORT FOR Q4 2020/21**

JANUARY, FEBRUARY, AND MARCH 2021 - SURVEYED IN APRIL 2021

**SWMAS** 

IN PARTNERSHIP WITH  
**Manufacturing**  
Growth Programme

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**NICK GOLDING**

Managing Director  
SWMAS

# INTRODUCTION

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**Welcome to the South West Manufacturing Barometer for Q4 2020 (covering Jan, Feb, and March 2021).**

This quarterly survey uncovers the past performance and future expectations of businesses across the region, allowing us to map these core trends over time. Each response is incredibly helpful to build an accurate picture of SME manufacturing in the South West of England.

The manufacturing sector has been vital throughout the COVID-19 pandemic, supporting the NHS and other essential industries, but, in line with government restrictions, many businesses have had to change the way they operate over the past 12 months. This quarter, we asked questions around whether the COVID-19 pandemic may change working practices on a permanent basis. Could these changes result in employee benefits and influence future strategies for SME manufacturing businesses?

As lockdown restrictions ease, this report highlights how regional business leaders are adapting to changing working conditions. Understanding the staff benefits that could be offered by other companies going forward (i.e., flexible working) could help SME manufacturers across the South West to compete, in order to attract and retain highly skilled people. This will in turn drive growth for their business.

By sharing best practice and the future plans of these regional businesses, we hope to encourage support from national and local government to help firms address the additional costs of operating safely and implementing the positive changes they have identified.

I would like to thank all participants for their time, insight, and expertise. Take a look at what SME manufacturers across the South West are saying about their future growth prospects, workplace changes, and employee engagement...

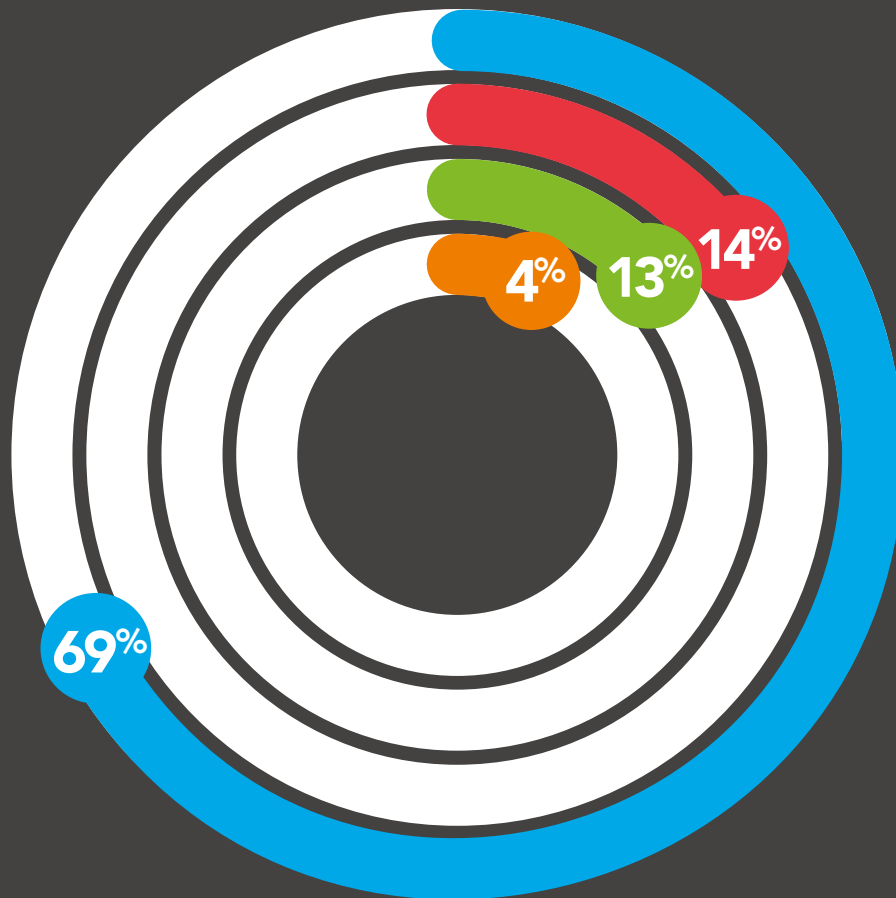
## **SME MANUFACTURERS ...MAKE YOUR VOICE HEARD!**

Each quarter, this report is shared with local stakeholders and national government to provide a critical insight into SME businesses across the manufacturing sector. Every response counts and helps to ensure that future support addresses the specific needs highlighted.

**[Click here](#) for your invitation to participate in next quarter's Barometer survey.**

# SURVEY DEMOGRAPHICS

90 RESPONDENTS



## 83%

OF RESPONDENTS ARE:

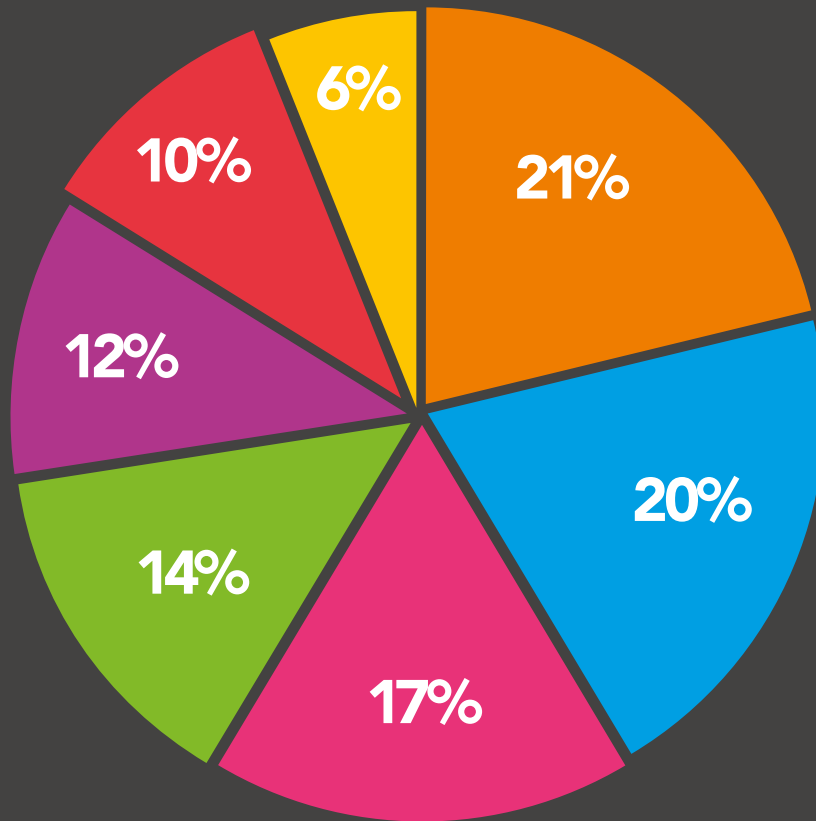
> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

Individuals with the highest level of strategic responsibility across their business.

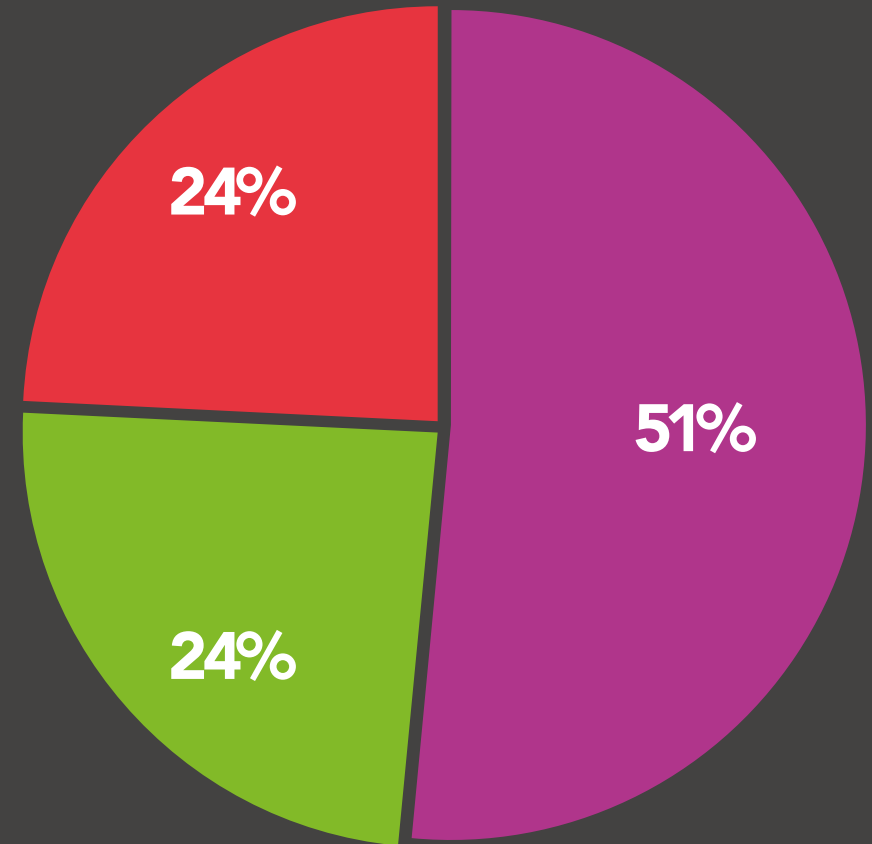


# SOUTH WEST SURVEY DEMOGRAPHICS

## LOCATION

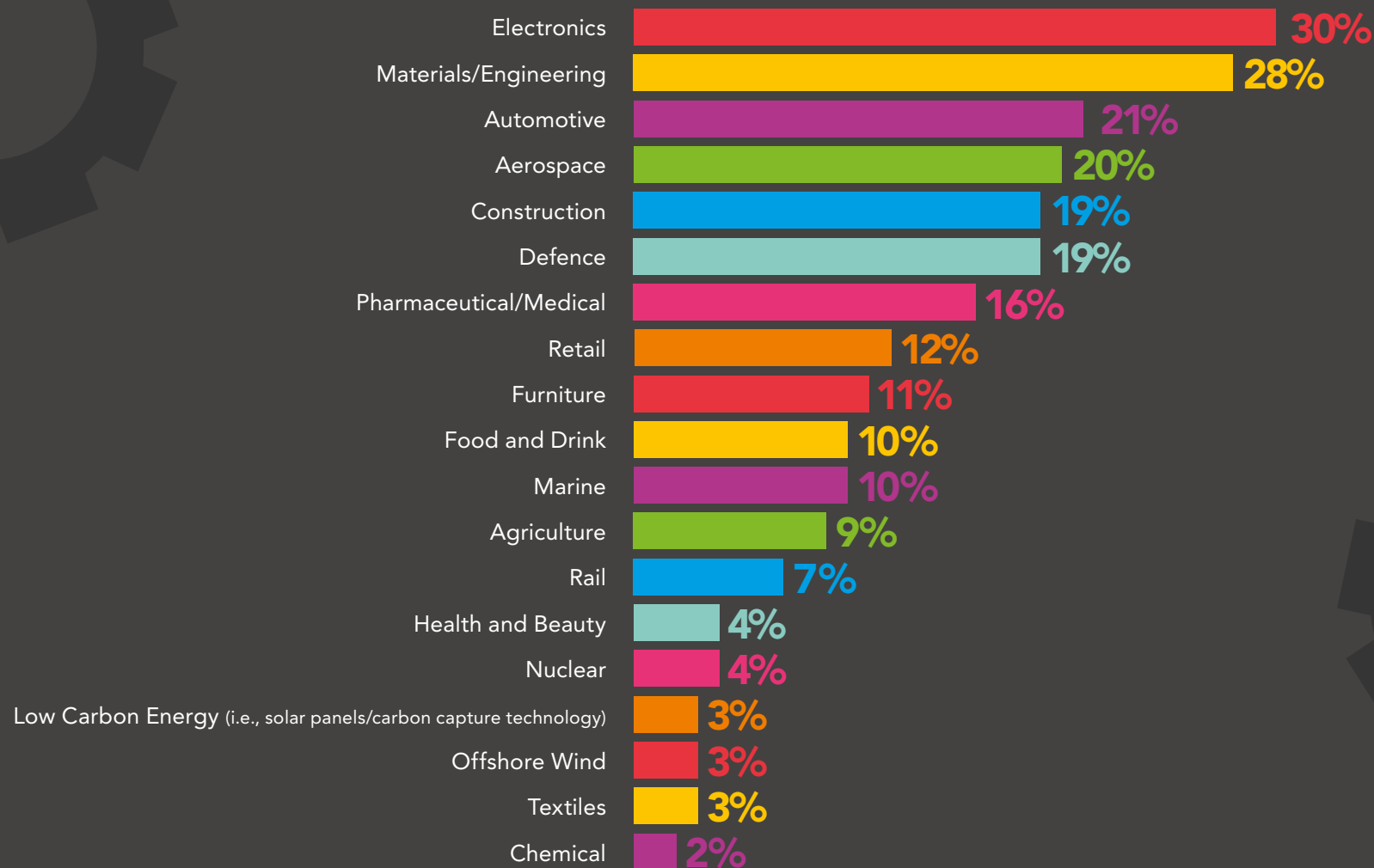


## SIZE



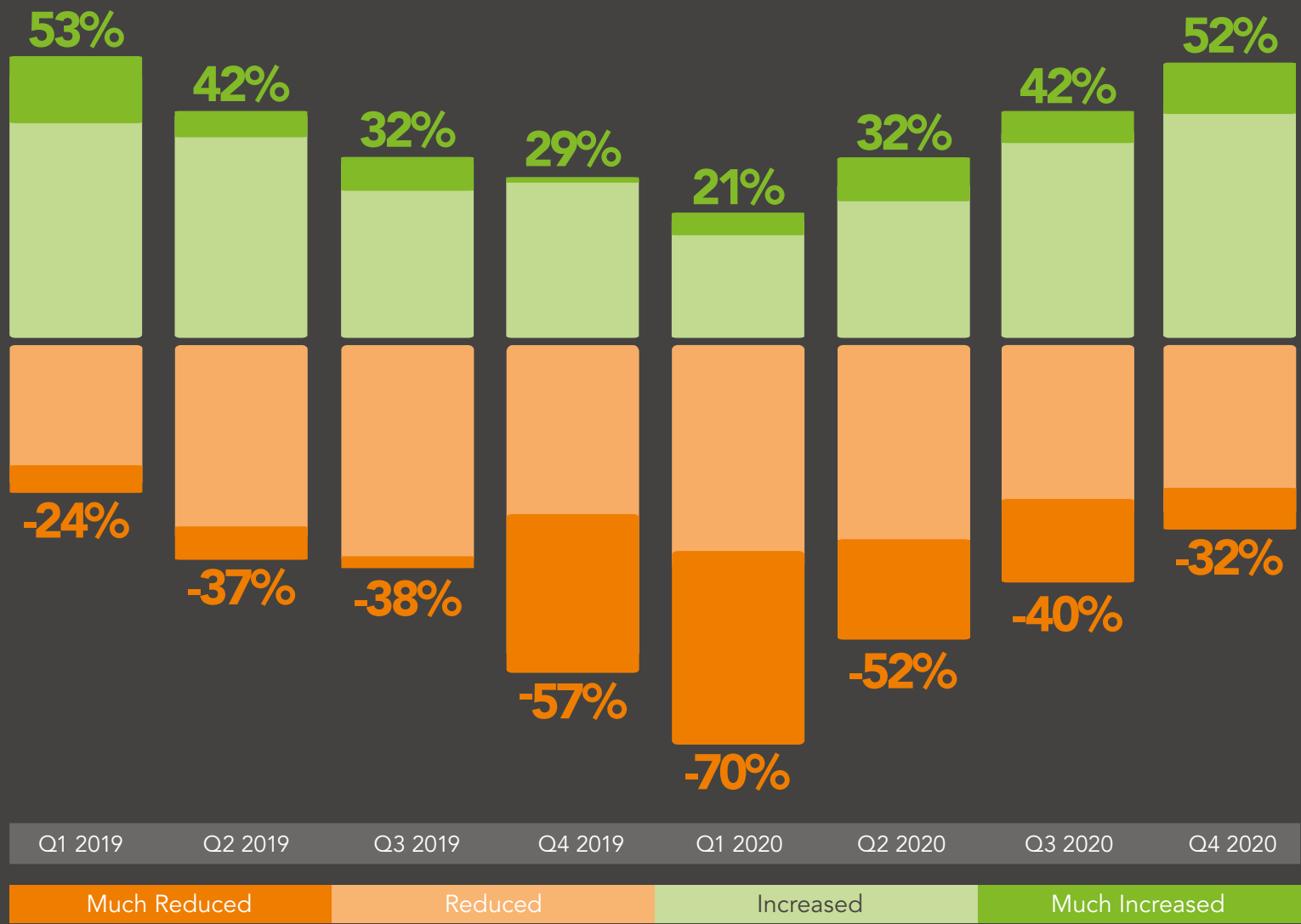
# SOUTH WEST SURVEY DEMOGRAPHICS

What markets account for at least 10% of sales turnover?



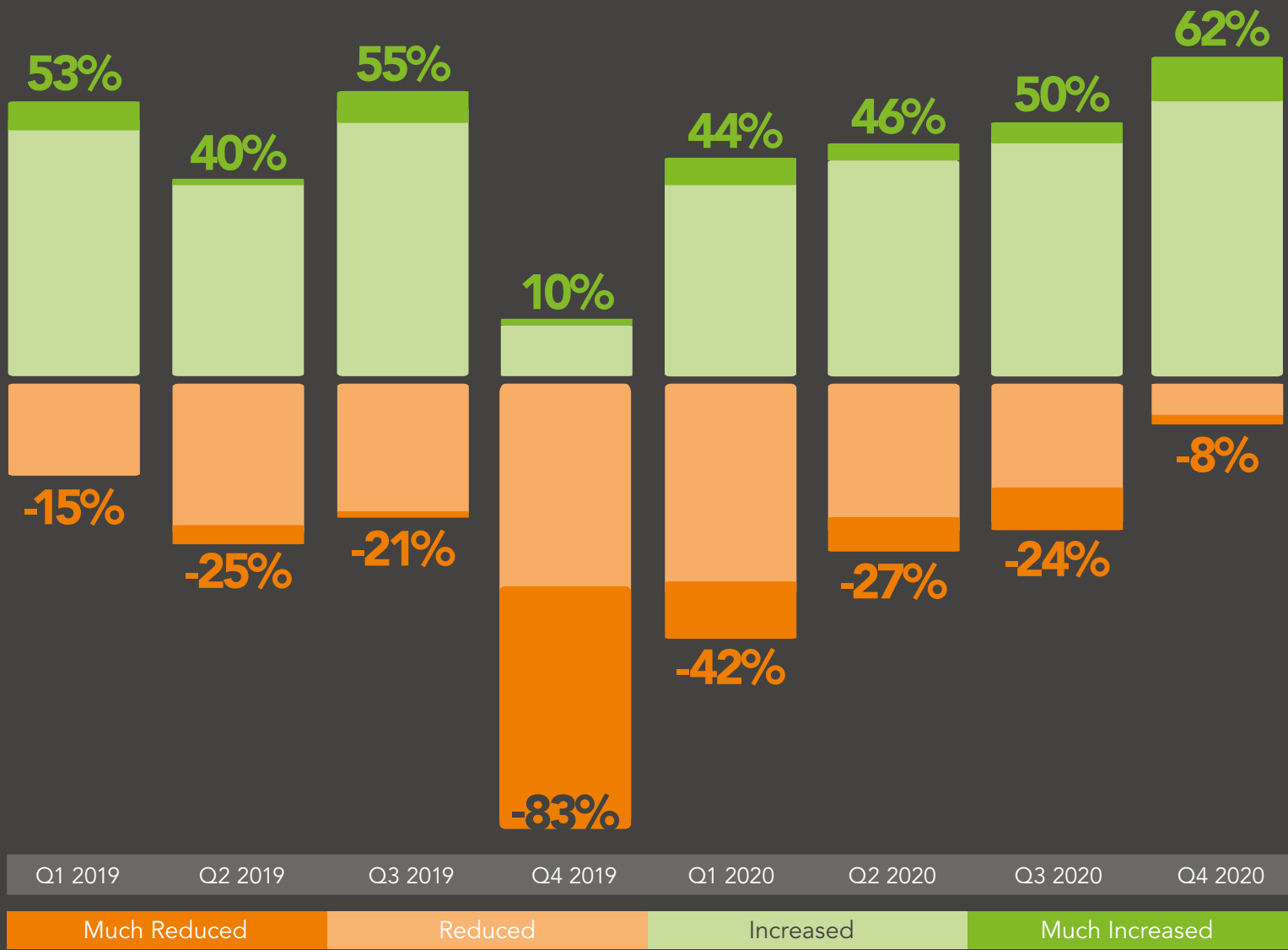
# SOUTH WEST PAST SALES

How sales turnover has changed for SME manufacturers over the past six months...



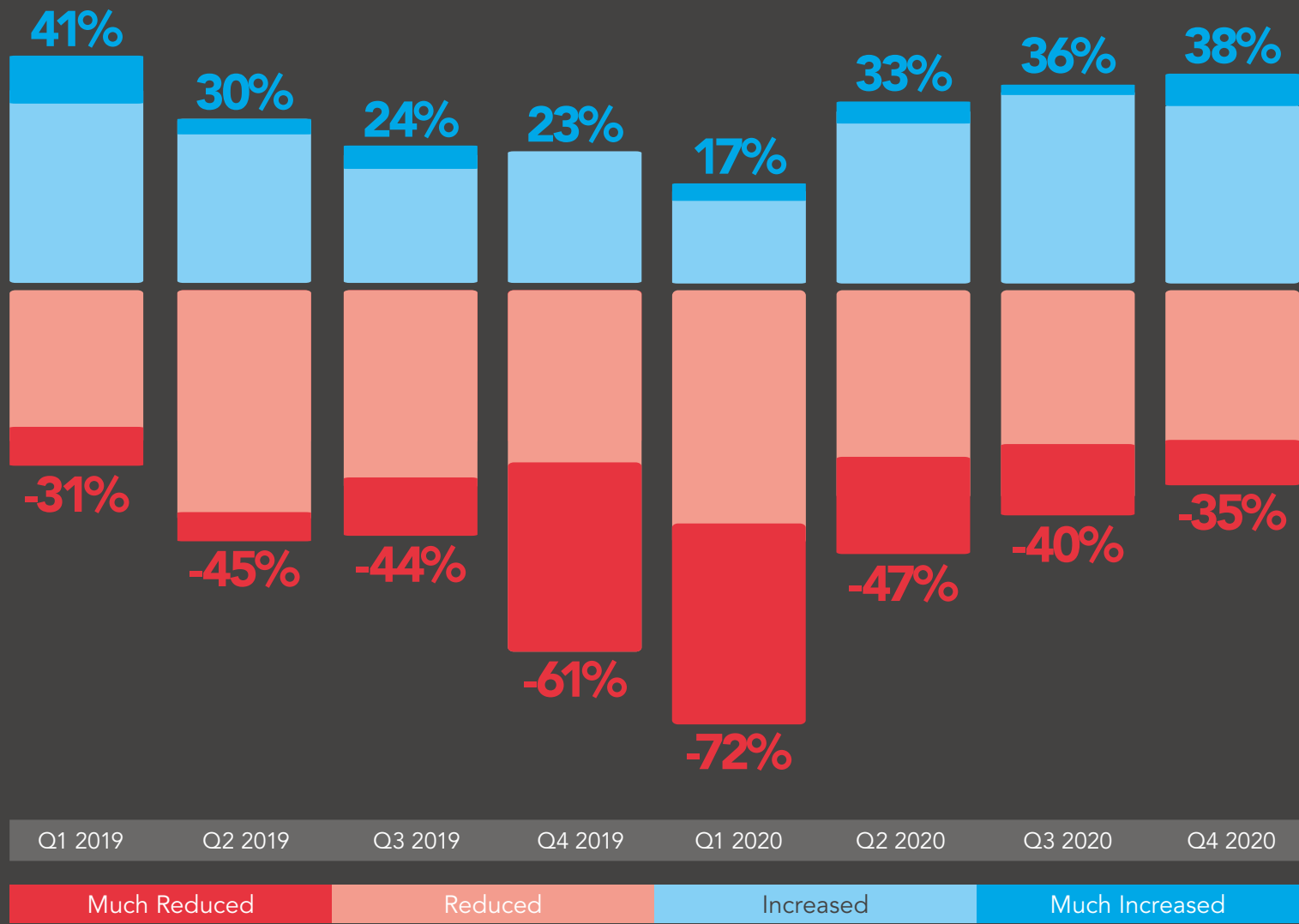
# SOUTH WEST FUTURE SALES

How SME manufacturers expect their sales turnover to change over the next six months...



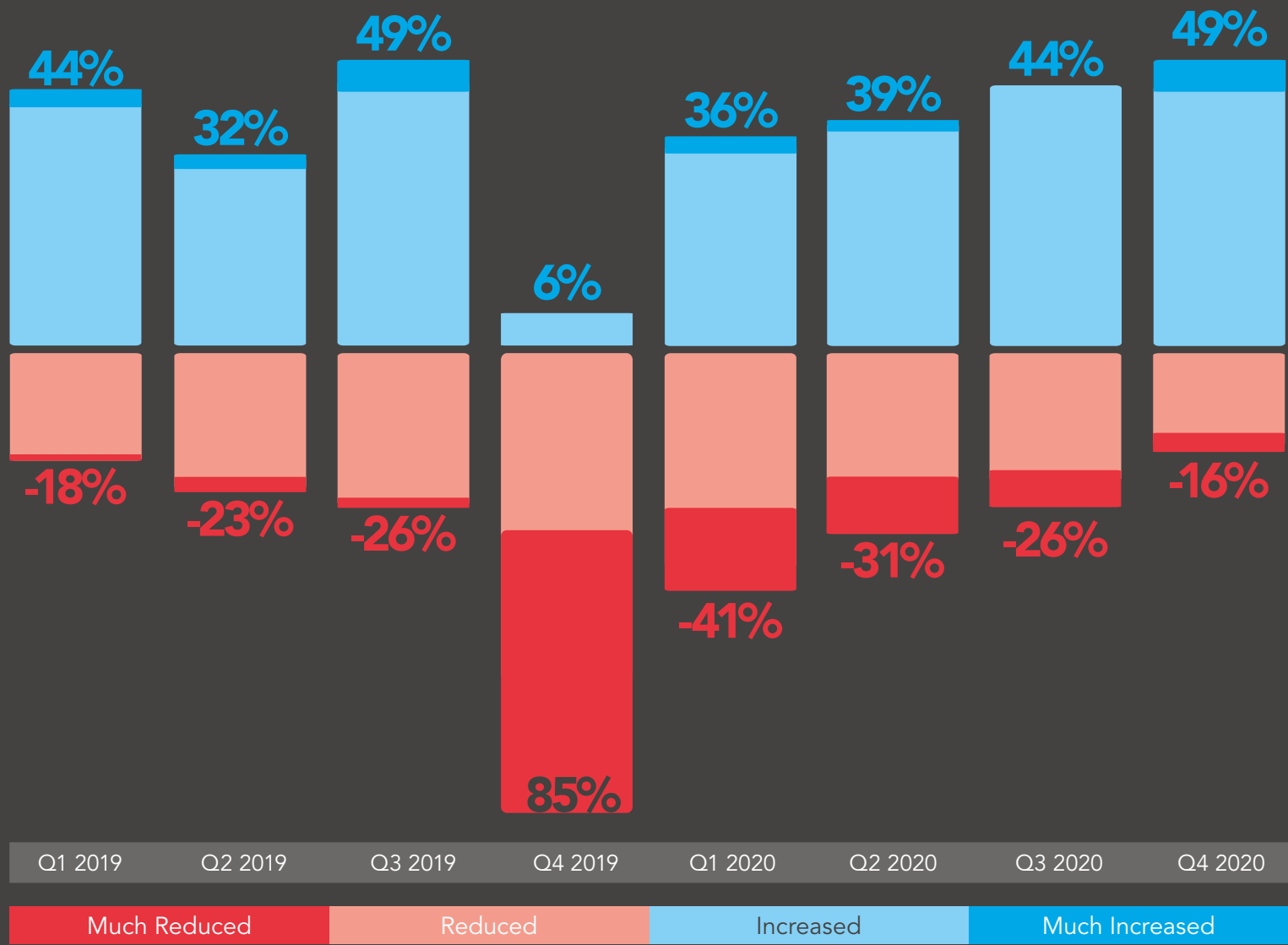
# SOUTH WEST PAST PROFITS

How profit has changed for SME manufacturers over the past six months...



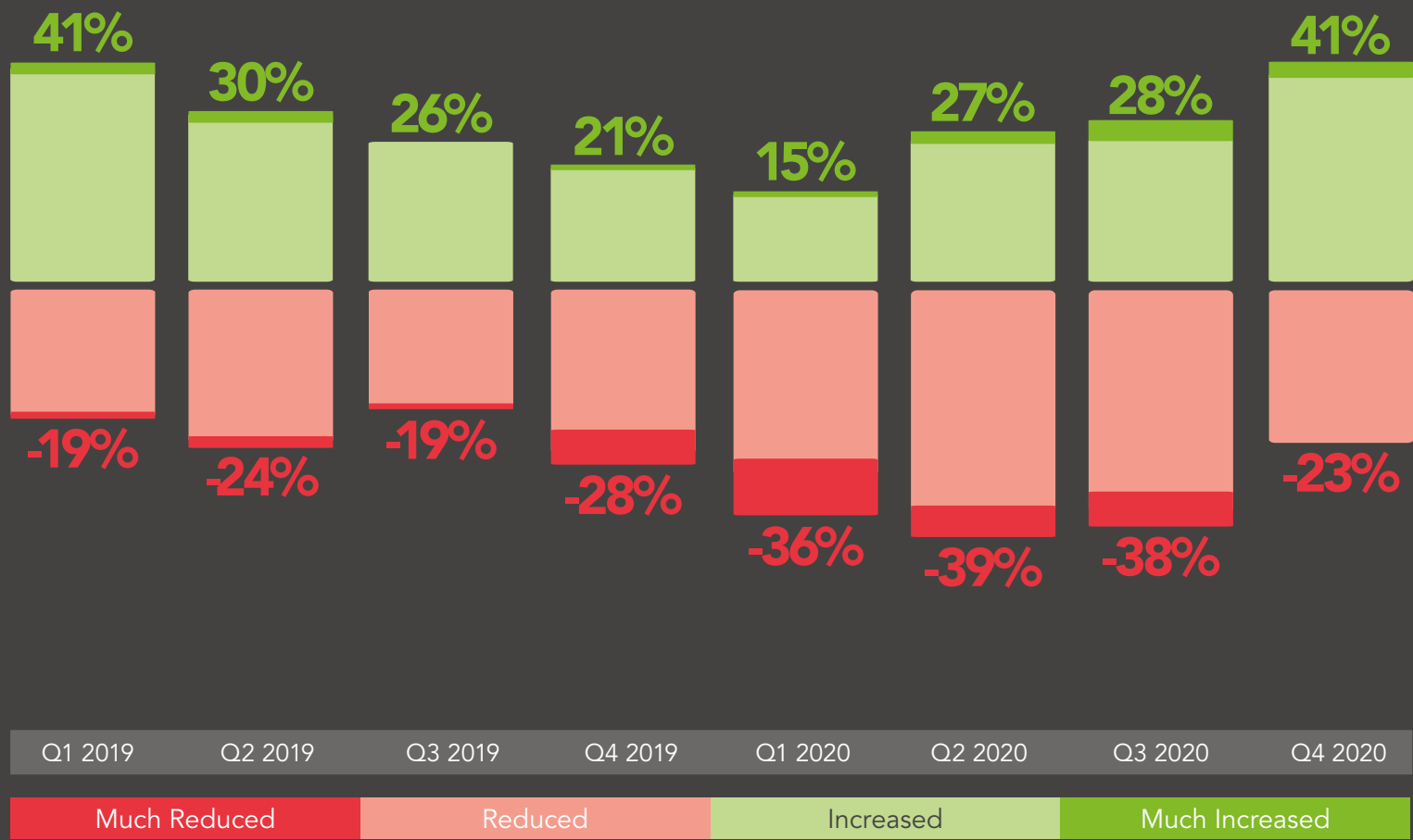
# SOUTH WEST FUTURE PROFITS

How SME manufacturers expect their profit to change over the next six months...

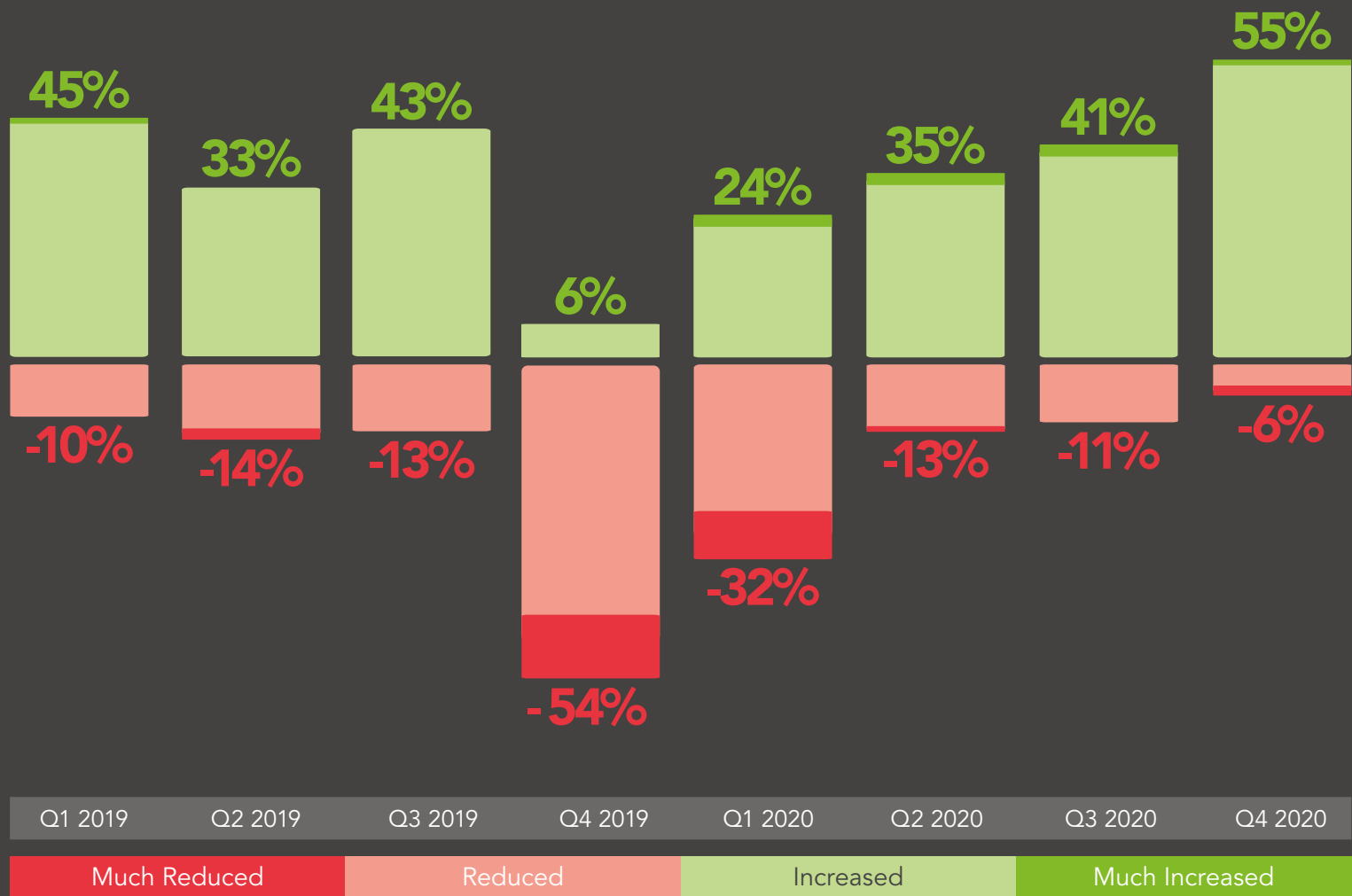


# SOUTH WEST PAST EMPLOYMENT

How staff numbers have changed for SME manufacturers over the past six months...



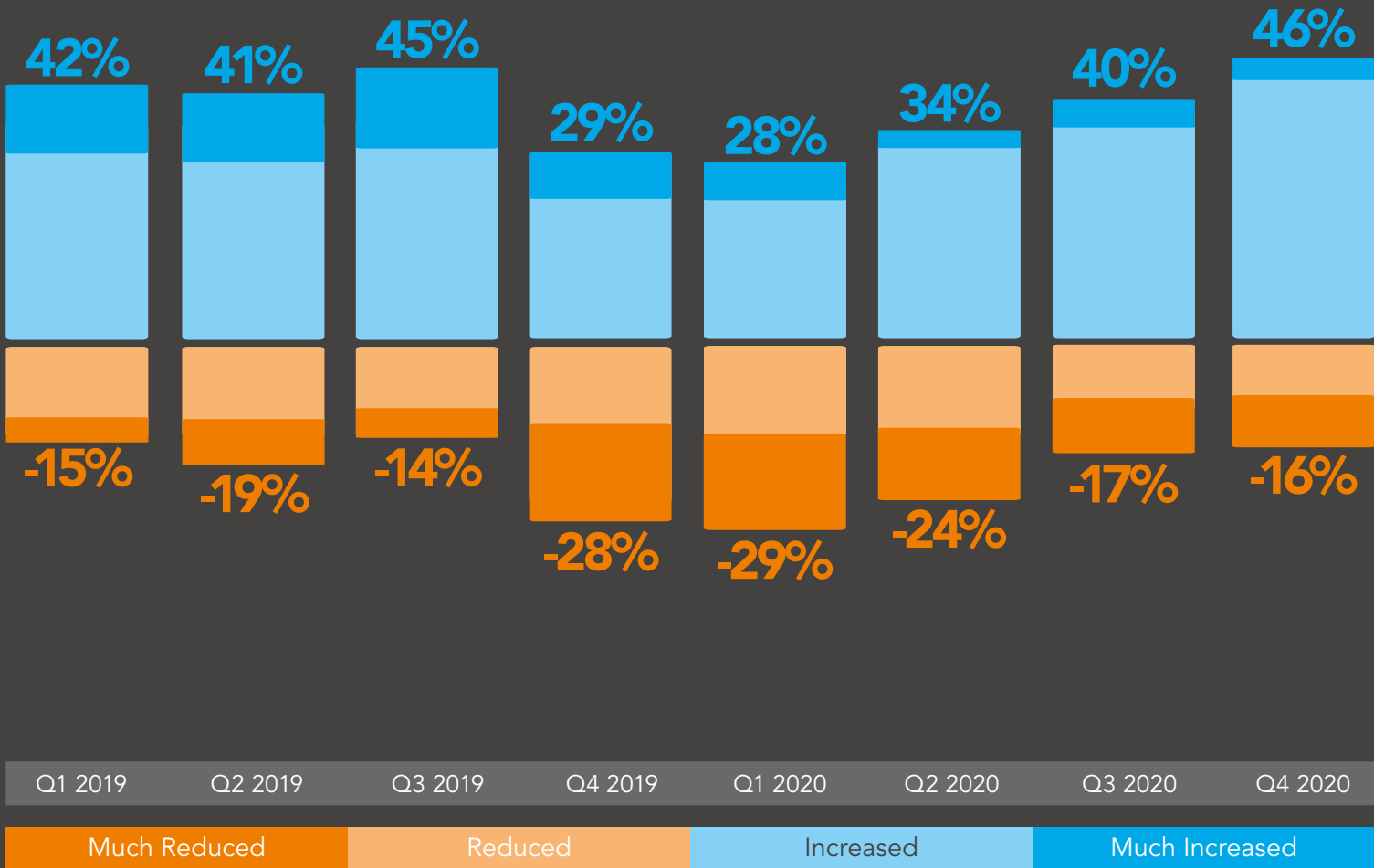
How SME manufacturers expect staff numbers to change over the next six months...



CORE TRENDS

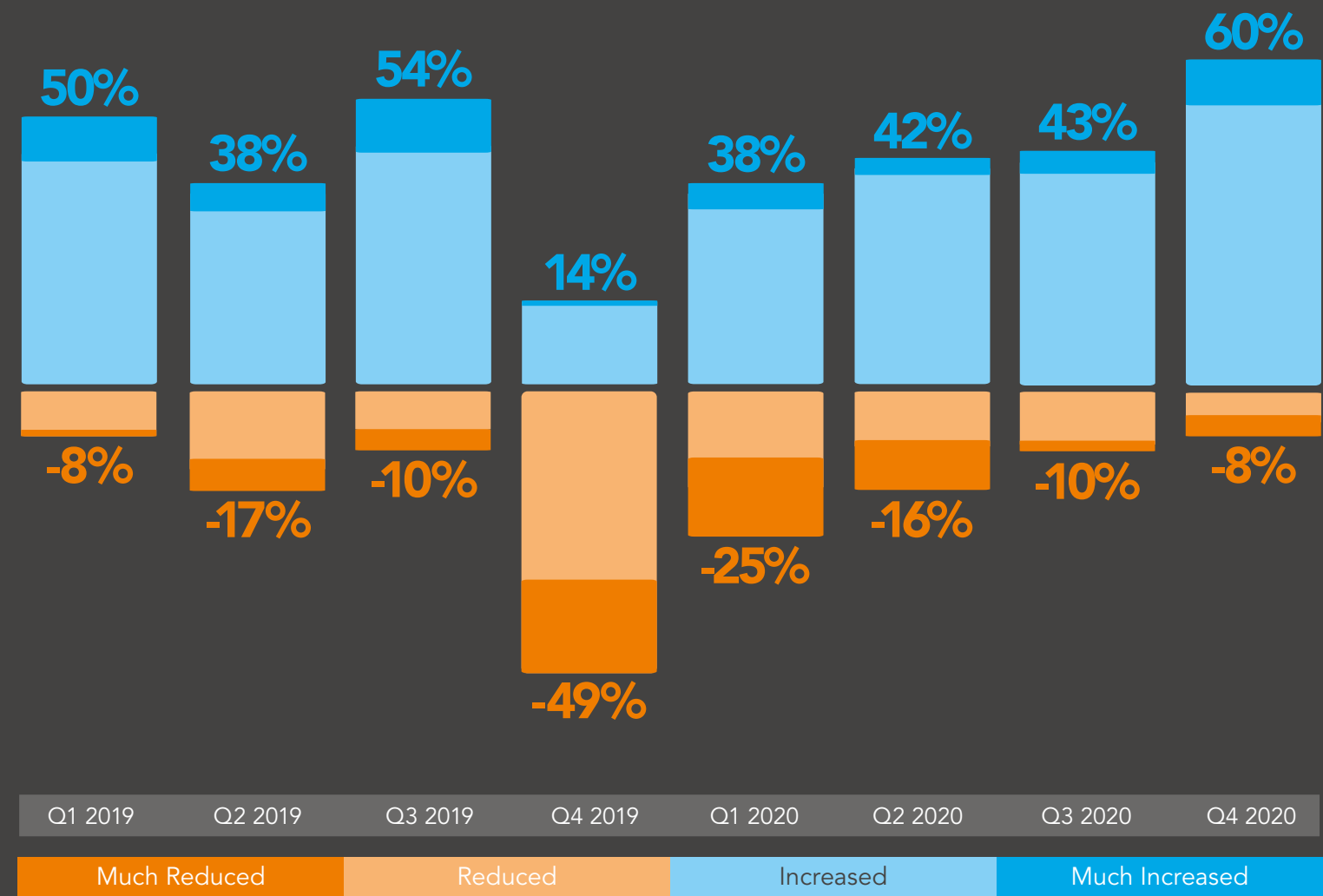
SOUTH WEST PAST CAPITAL INVESTMENT

How investment in new machinery/premises has changed for SME manufacturers over the past six months...



CORE TRENDS SOUTH WEST FUTURE CAPITAL INVESTMENT

How SME manufacturers expect their investment in new machinery/premises to change over the next six months...



# OVERALL CORE TRENDS

A summary of changes over the past six months and expected changes over the next six months...

	Much Reduced	Reduced	No Change	Increased	Much Increased
Sales turnover: past six months	8%	24%	16%	<b>42%</b>	10%
Sales turnover: next six months	2%	6%	30%	<b>53%</b>	9%
Profit: past six months	9%	26%	28%	<b>32%</b>	6%
Profit: next six months	4%	12%	34%	<b>43%</b>	6%
Staff numbers: past six months	0%	23%	36%	<b>38%</b>	3%
Staff numbers: next six months	2%	4%	38%	<b>54%</b>	1%
Investment: past six months	8%	8%	38%	<b>42%</b>	4%
Investment: next six months	4%	4%	31%	<b>51%</b>	9%

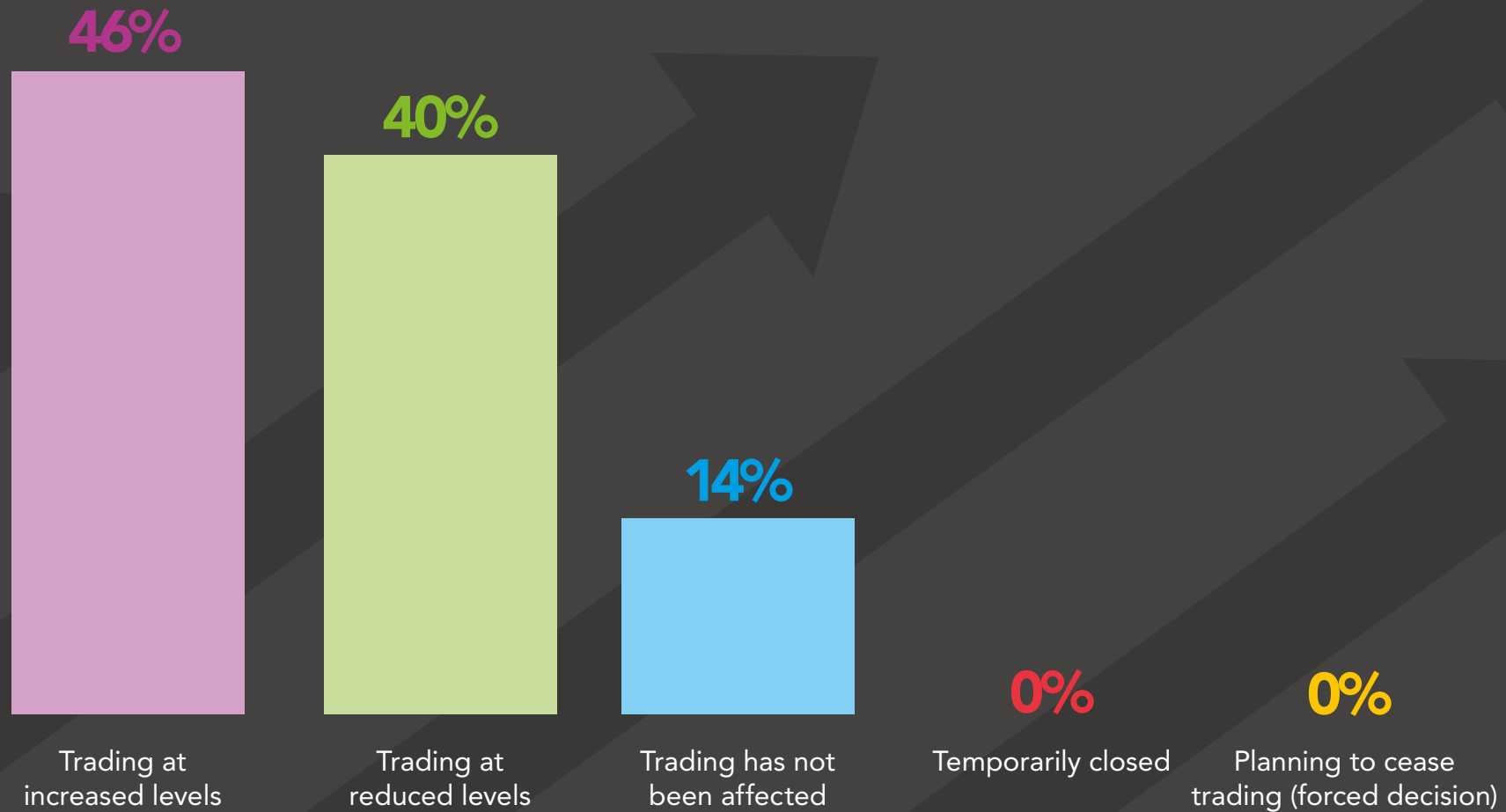
The background of the slide is a dark, textured surface with several large, detailed, spherical particles that resemble viruses or bacteria. These particles have a rough, bumpy surface and are covered with numerous small, protruding, cylindrical structures that look like spikes or tentacles. The lighting is dramatic, with highlights on the edges of the particles, giving them a three-dimensional appearance. The overall color palette is dark, with shades of grey and black, and a touch of green from the text box.

# TRADING THROUGH CURRENT CONDITIONS

This quarter, we have repeated the questions asked six months ago to understand how recent challenges are continuing to affect SME manufacturers across the South West, and how they are adapting to current conditions...

# TRADING THROUGH CURRENT CONDITIONS

The current state of SME manufacturing businesses in comparison to their pre-COVID-19 position...



# TRADING THROUGH CURRENT CONDITIONS

The estimated timeframe for SME manufacturers to recover to their pre-COVID-19 position...



No recovery needed - we are doing better than ever



28%

No recovery needed - our trade has been consistent



18%

Less than 3 months



7%

53%

of respondents expect to return to, or exceed, their pre-COVID-19 position within three months.



3- 6 months



13%

7 - 12 months



20%

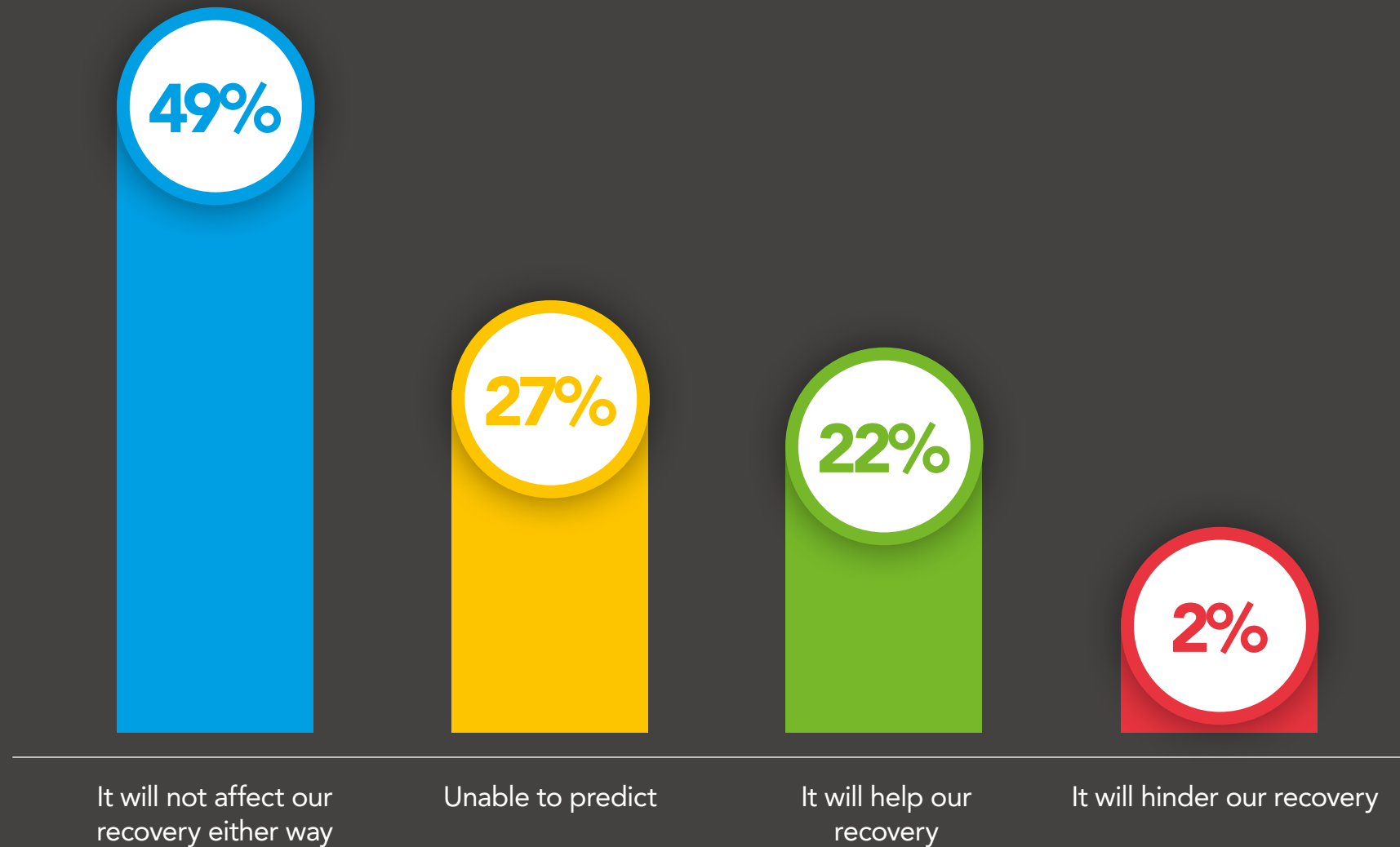
1 - 5 years



14%

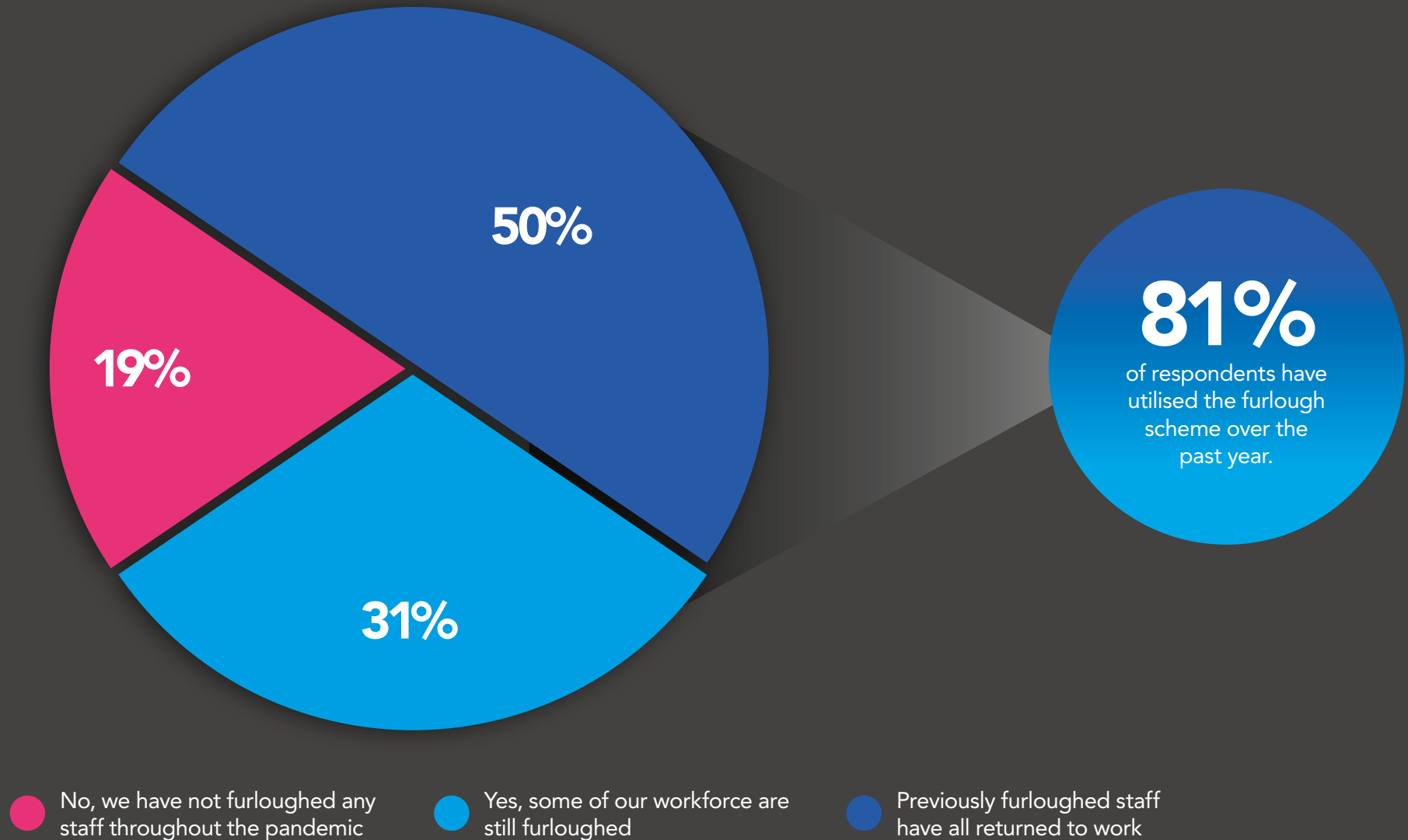
# TRADING THROUGH CURRENT CONDITIONS

How SME manufacturers expect the latest budget announcement to affect their recovery...



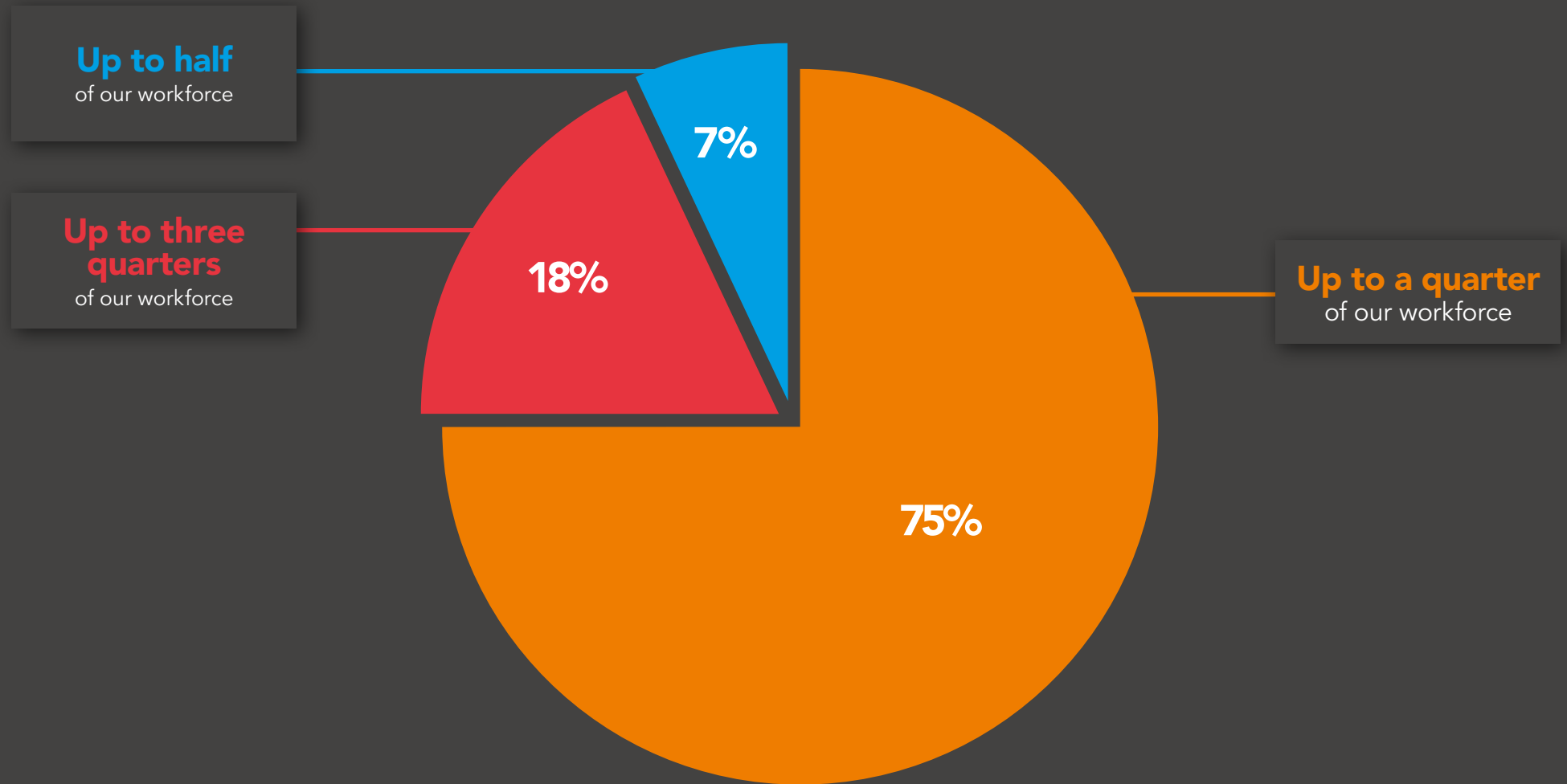
# TRADING THROUGH CURRENT CONDITIONS

The Job Retention Scheme: Current furlough situation amongst SME manufacturers...



# TRADING THROUGH CURRENT CONDITIONS

The 31% still utilising the Job Retention Scheme told us how many of their workforce are still on furlough...





## CORE TRENDS AND CURRENT TRADING CONDITIONS

### WHAT DOES THIS DATA TELL US?

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These results indicate that optimism from regional SME manufacturing businesses has increased since the start of the COVID-19 pandemic. Over half of respondents (52%) have now seen an upturn in sales over the past six months. This number has grown steadily since April 2020, and is 6% higher when compared to this quarter's national report. In addition, nearly two thirds of those questioned (62%) expect continued sales growth over the coming months. These encouraging signs may be responsible for the increased confidence around future investment in capital equipment and staff.

52% of regional respondents reported higher sales volumes over the past six months, but only 38% said their profits increased over this same period, indicating that COVID-19 related expenses could have impacted cashflow for a number of these businesses. Despite over a third reporting a recent rise in profits, a similar number of respondents (35%) have seen them drop, showing that current conditions are having a diverse effect on the South West's SME manufacturers, dependent upon the markets they serve and their individual business circumstances.

Although 55% of respondents expect their staff numbers to increase between now and the end of June, some of this growth may relate to staff returning from furlough, as just under a third of South West respondents (31%) are still utilising this scheme. The Furlough scheme has been very well received by the region's SME manufacturing community, with 81% of respondents saying they have called upon it at some point since it was introduced. Going forward, it's vital that relevant support continues to be available to help those businesses who are still recovering from the COVID-19 crisis.

When the latest budget was announced in March, it featured the Super Deduction, with the aim of encouraging investment by increasing the businesses' capital allowance. Despite this, the majority of regional respondents (49%) don't expect the budget to make any difference to their recovery plans. Only 22% indicated that it would help, with over a quarter unable to predict the impact it would have on their business. These findings suggest that the Super Deduction may not be overly beneficial to the manufacturing sector and indicates that additional support is still required to meet the needs of small and medium-sized manufacturing businesses.



## **SPECIAL FOCUS:** EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE

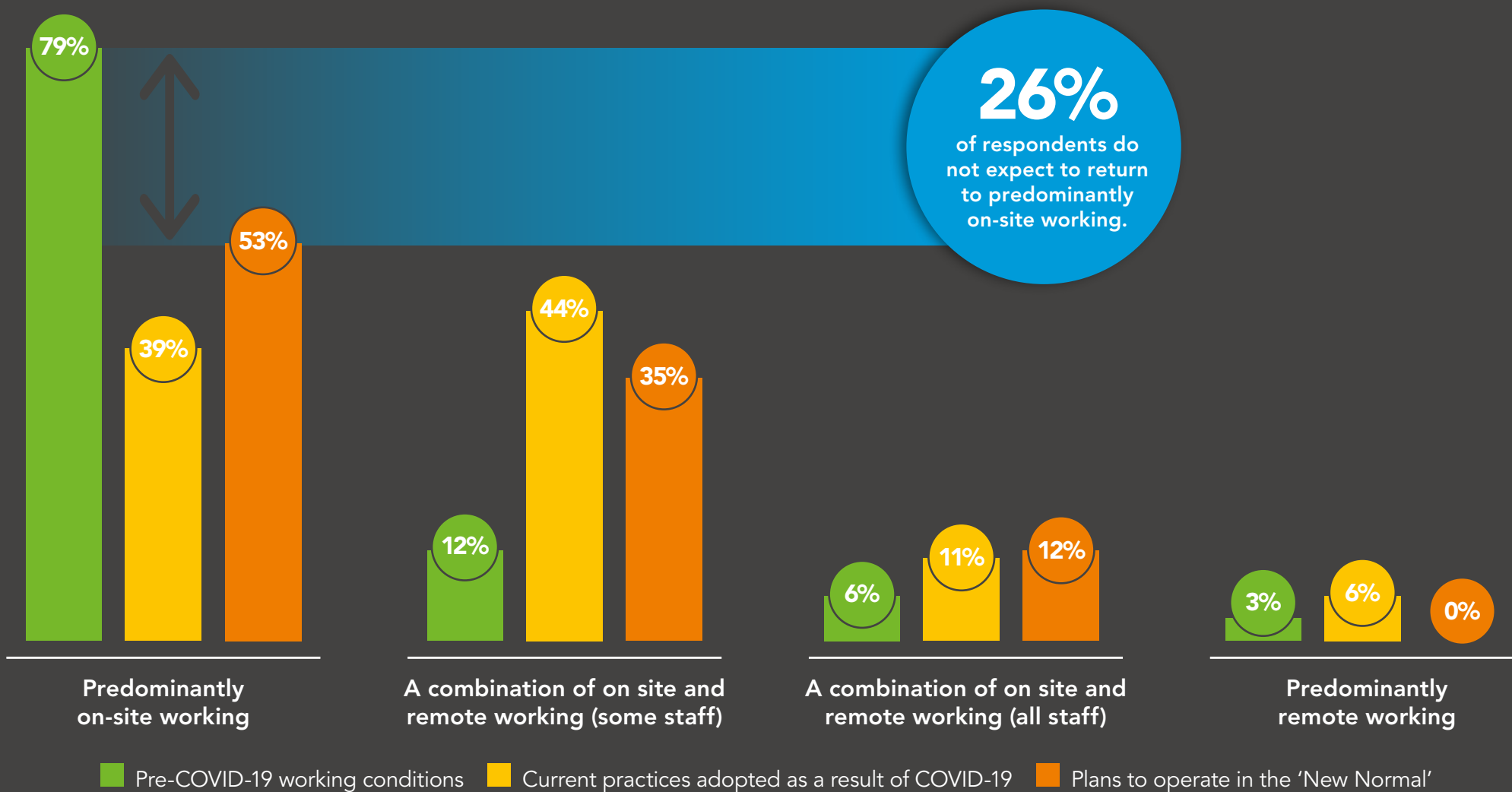
There has been a lot of talk about a 'new normal' but are things really going to change?

This quarter we want to see if new ways of working due to COVID-19 have resulted in, or will lead to, benefits for regional manufacturing businesses and their employees.

Read how working conditions have had to change over the past year, and whether or not this has influenced future operational strategies... could some of the practices made mandatory by COVID-19 restrictions lead to permanent, positive changes for the South West's manufacturing businesses and their employees?

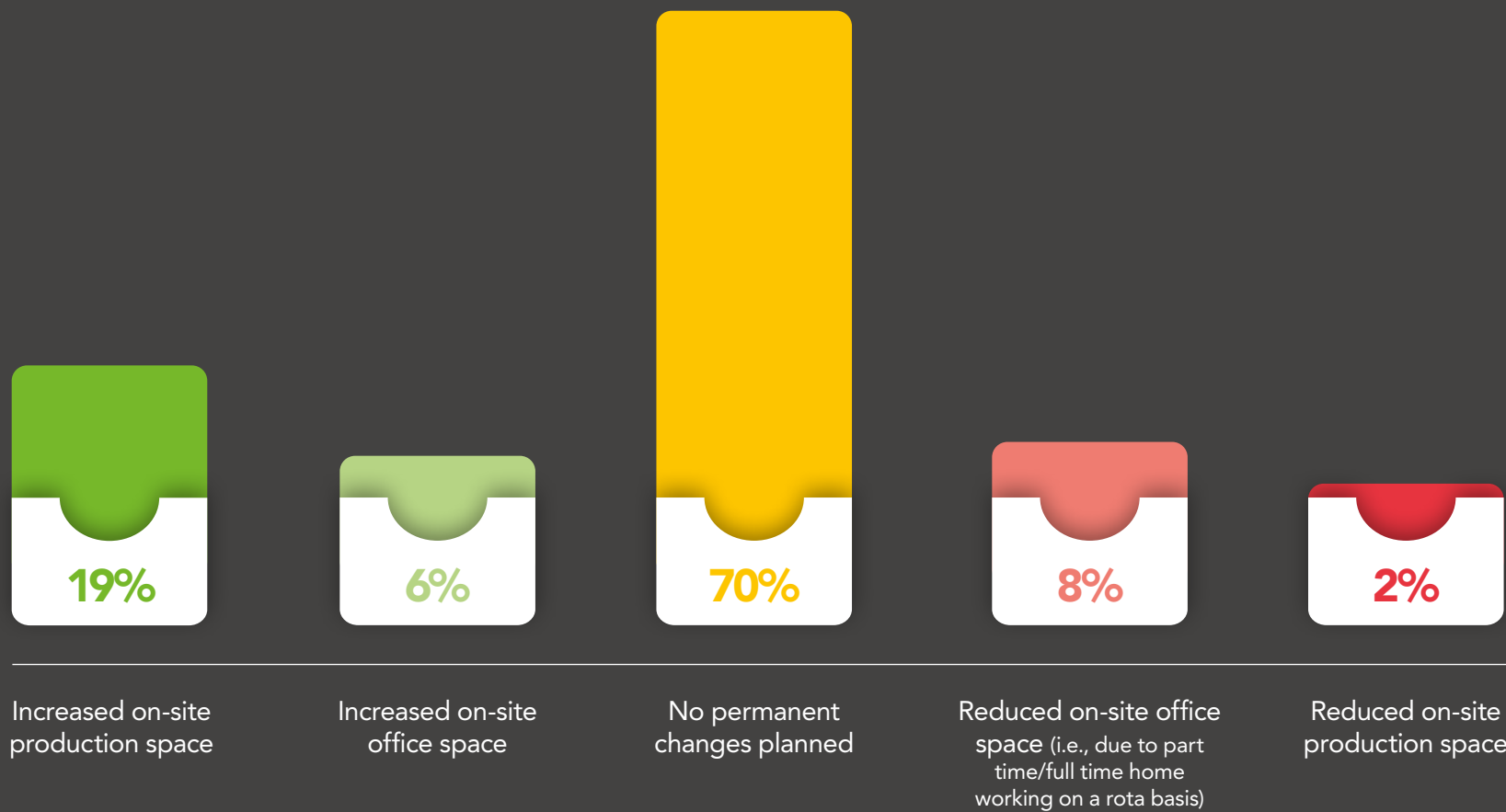
# SPECIAL FOCUS EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE

We asked respondents to chart their pre-COVID-19 working conditions against both current procedures, and their plans for the future...



# SPECIAL FOCUS EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE

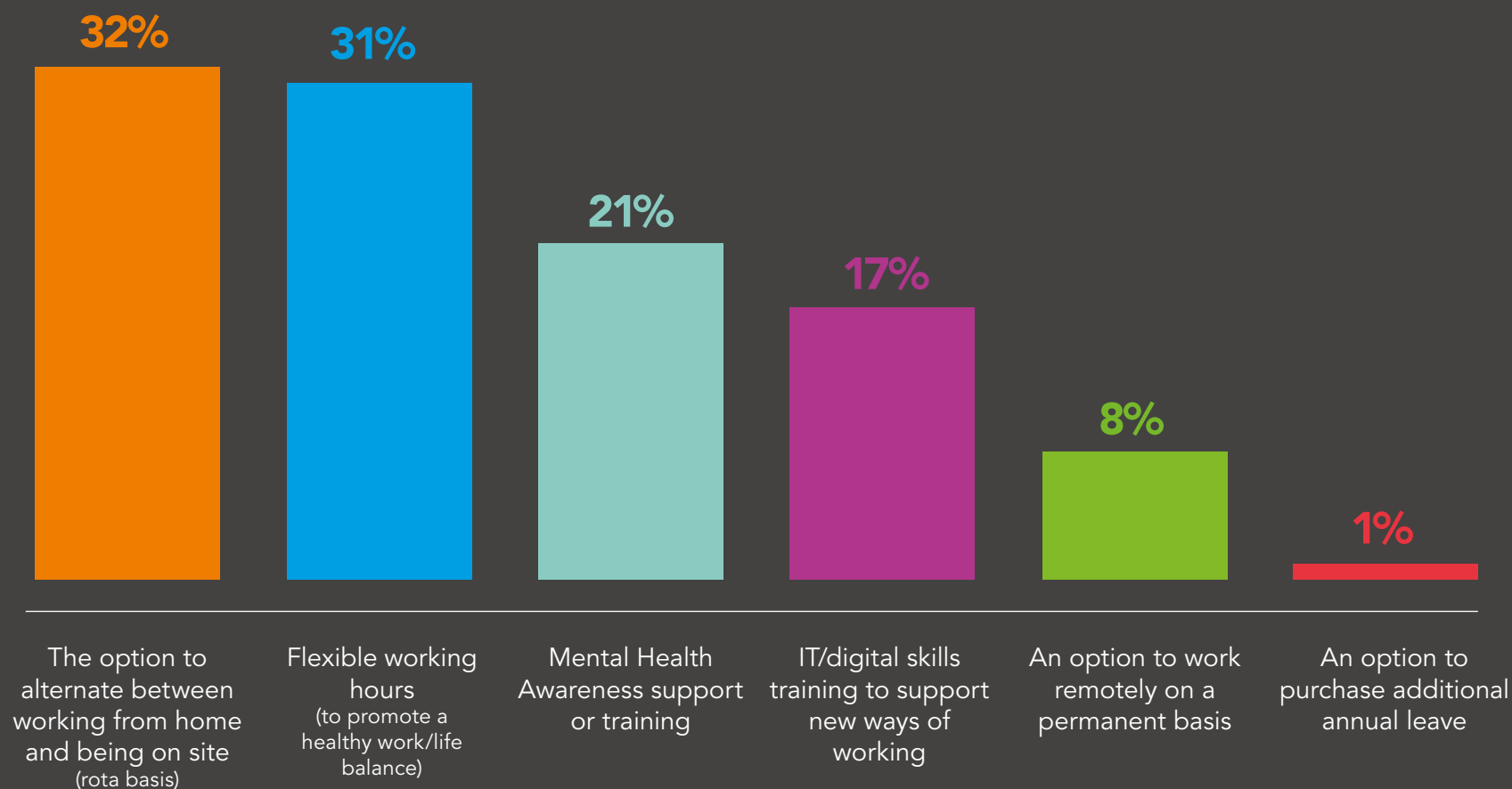
Permanent changes to business premises planned, or already implemented, due to changing on-site staff numbers...



\*6% stated 'Other'

## SPECIAL FOCUS EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE

As a result of changes brought about by COVID-19, SME manufacturing business leaders are planning to offer the following employee benefits going forward...



## SPECIAL FOCUS EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE

Do SME manufacturing businesses think their current digital infrastructure is sufficient to support future plans (either in relation to remote working or in line with future growth strategies)?



54%

yes



18%

unsure



24%

no

*3% stated 'Not applicable to my business'.*

## SPECIAL FOCUS: EMPLOYEE ENGAGEMENT THROUGH TIMES OF CHANGE WHAT DOES THIS DATA TELL US?

Before the COVID-19 pandemic began, more than three quarters (79%) of South West respondents had their workforce predominantly on-site. This has more than halved to 39% because of recent COVID-19 restrictions, with only 53% expecting to return to this way of working in the future. Instead, just under half of respondents (47%) are planning to offer a combination of on-site and remote working to some, or all, of their employees, which is up considerably from the 18% who offered this flexibility before the pandemic began.

Despite these intended changes to working practices, over two thirds of respondents (70%) aren't planning to make permanent changes to their premises. However, 19% are planning to increase their on-site production space, which suggests a confidence around future demand from some of the businesses who contributed to this quarter's South West Manufacturing Barometer report.

To adhere to social distancing rules, many manufacturers have had to adjust working practices to reduce the number of staff on site at any one time. These changes may become a permanent fixture for some businesses, with just under a third of respondents (31%) planning to offer their staff flexible working hours going forward. This could offer a better work/life balance for a number of employees within the manufacturing industry.

Just over half of South West respondents (54%) believe that their current digital infrastructure is sufficient to support their future plans, either in relation to remote working, or in line with their company's growth strategy. That said, almost a quarter of those questioned (24%) recognise a need to address this area of their business, with an additional 18% unsure either way. This indicates that there could be a need for future support as manufacturing businesses continue to adapt to the current and future climate.



# BUSINESS ASPIRATIONS

“

To continue to trade profitability on a reduced turnover. In the medium to long term, recover sales and profitability to pre-COVID-19 levels and beyond.

We are enjoying a growing order book and hope that it will continue, and it's not just restocking/catch up. Our aim is to double to £5m of sales over the next three years.

DORSET

“

Cash protection and talent retention to be able to manage a recovering aerospace sector in order to grow positively again in the next 2 years.

Overcome custom issues, recruit new staff, and launch new product to marketplace.

DEVON

“

Short term to overcome the shortfalls of 2020, medium term to grow at a sustainable rate. Currently at a point where greater expansion will be required to cope with demand.

De-risk each process interface; People (competency/skills), Material (testing/analysis), and Machine (upgrade). Take cost out whilst adding customer value and quality.

CORNWALL

“

Short-term; to increase customer base and increase sales.

Medium-term; to update database to increase efficiencies in purchasing.  
Long-term; to improve the premises to help us become more environmentally friendly.

Survive Brexit.

WEST OF ENGLAND

# BUSINESS ASPIRATIONS

“

Broaden our customer base to avoid a downturn in workload if one of our customers reduces demand.

Our business currently turns over approximately £2.5 million per annum and we are looking to increase this to £4-5 million over the next two years. We are openly looking into new markets and sectors where our capabilities can be applied, ideally working on some long-term contracts. We plan on investing either through acquisition or capital infrastructure to increase our scope but there must be a business case for this and will be dependent on future opportunities.

— SWINDON AND WILTSHIRE —

“

Re-launch with new brand, focus on winning more business, re-locate to larger premises, and resource to suit, and manage growth.

Our market is buoyant, the busiest we have ever been. We will continue to look at our promotions and market segmentation to allow us to stay ahead.

— GLOUCESTERSHIRE —

“

Short-term; survive cash flow issues. Medium-term; become more efficient with investments made in 2020. Long-term; continue to invest in people and plant with a view to achieve 100% growth by 2025.

To achieve greatly increased turnover in the next three years while at the same time reducing our environmental impact. This will be primarily through growth in the offshore wind market, including more exports.

— SOMERSET —

**SME MANUFACTURERS MAKE YOUR VOICE HEARD!**

[Click here](#) for your invitation to participate in next quarter's Barometer survey.

# CONCLUSION

With predictions for future sales and profits at the highest they've been since January 2020, results this quarter reveal heightened optimism from a number of the South West's SME manufacturers. These positive forecasts are backed up by a gradual uplift in the number who have seen their profits increase over the past 12 months.

Overall, future employment looks positive across the region, with over half of respondents (55%) expecting staff numbers to grow over the next six months. This figure is in direct contrast with predictions made a year ago when, unsurprisingly, almost the same number (54%) expected a need to reduce staff as the COVID-19 crisis began. As highlighted earlier, some of this predicted growth could be due to staff returning from furlough, but may also indicate heightened confidence from some South West-based SME manufacturers.

There are several positive points highlighted in this report, such as 46% of respondents trading at increased levels when compared to their pre-COVID-19 position; an increase on the 37% who reported this in the national report. That said, 40% of respondents across the South West are still seeing reduced levels of trade. Likewise, when looking to the future, more than a third (34%) believe that it will take them more than six months to return to their pre-pandemic position. These findings suggest that, despite some optimism, recovery is still ongoing for many of the regional businesses surveyed.

Our special focus clearly shows that COVID-19 restrictions have brought about a variety of changes that will benefit both SME manufacturing businesses and their employees in the future. Around a third of respondents will continue to offer staff flexible working hours and the option to continue

with some level of remote working to help promote a healthy work/life balance. In addition, 17% will offer IT/digital skills training to support these new ways of working, and 21% will provide training in mental health awareness to ensure staff wellbeing.

This survey indicates that, despite meaningful progress being made, the South West manufacturing sector is not quite back to its pre-pandemic position, and a number of businesses will need some level of support to put their future plans into practice.

The government recently released the 'Build Back Better' plan, which cited that "too often 'Invented in Britain' has translated into 'Made Elsewhere'". The South West is home to many innovative SME manufacturers who have the skills, expertise, and entrepreneurial spirit needed to boost UK manufacturing.

If manufacturing business leaders across the South West are provided with the right support environment to help them compete with their international counterparts, they will help to turn 'Made elsewhere' into 'Made in Britain'. This will contribute to the national effort and ensure that UK manufacturing grows and flourishes on a global scale.

**SWMAS can offer SME manufacturers advice and support to help address some of the issues highlighted in this Barometer report:**

**[CLICK HERE TO FIND OUT MORE](#)**



## WHAT IS THE MANUFACTURING BAROMETER?

The UK's largest survey of SME manufacturers; delivered quarterly to capture the views and challenges of SMEs, who account for over 95% of UK manufacturing businesses. The reports generated from these findings have informed both government industrial strategy and the national debate on manufacturing.

Run by SWMAS (South West Manufacturing Advisory Service) in partnership with the Manufacturing Growth Programme (MGP), the Manufacturing Barometer has been recording trends in employment, turnover and investment for over a decade. Each quarter, a 'special focus' explores topical issues in greater depth, such as productivity, overseas production, and energy efficiency.

## WHAT ARE THE BENEFITS?

- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be utilised by respondents to compare their challenges and expectations against those of others across the industry
- It offers vital intelligence to Government to help them plan future industrial strategies that adequately support the needs of SME manufacturers for future sector growth

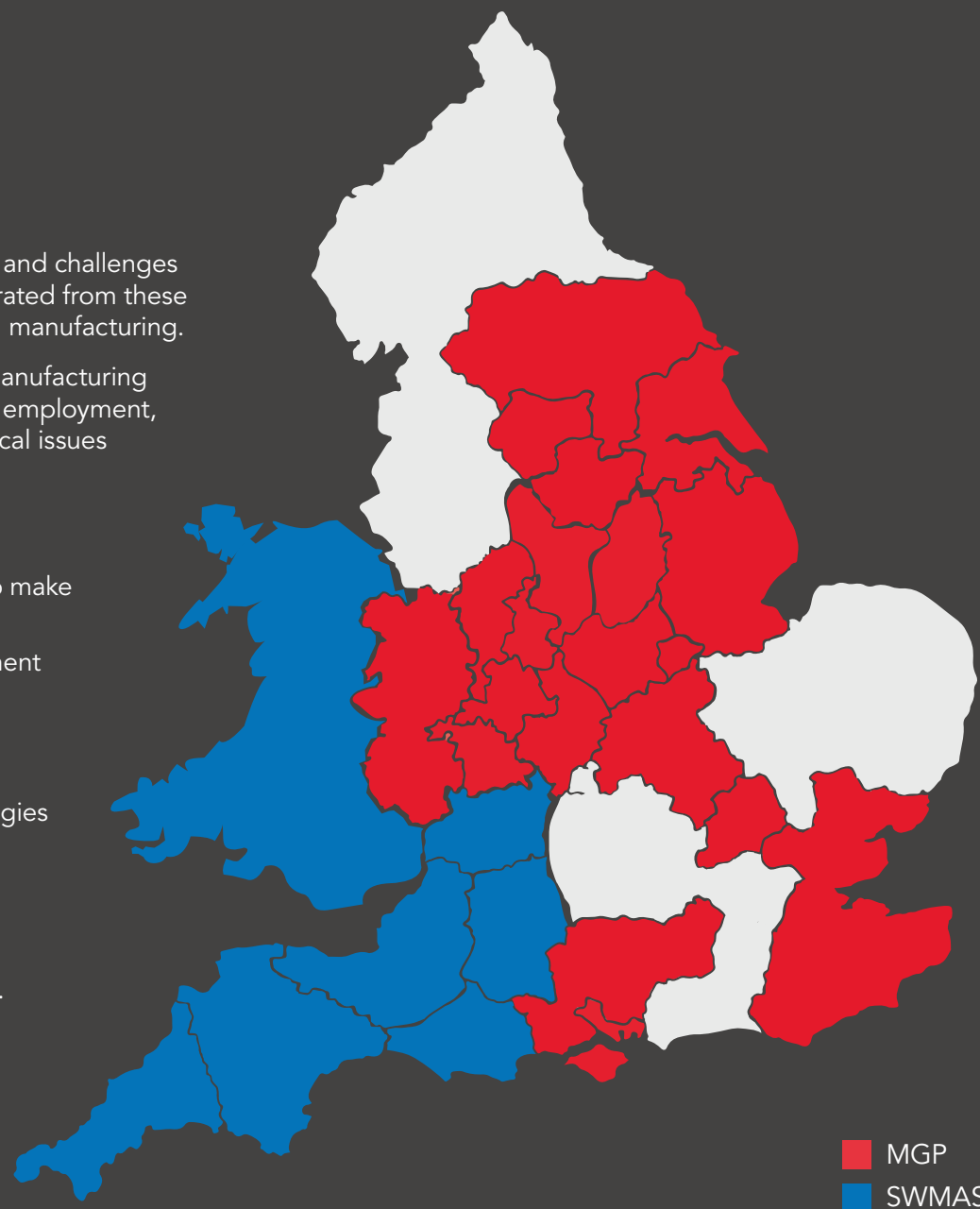
## WHO ARE SWMAS AND MGP?

**SWMAS** and **MGP** are experts in productivity and growth and provide fully funded, bespoke support to SME manufacturers across 23 LEP areas in seven regions of the UK.

If you would like one of our team to help you identify opportunities in your business, or for more information on this report, please get in touch:

[info@swmas.co.uk](mailto:info@swmas.co.uk) | 01278 767 010 | [www.swmas.co.uk](http://www.swmas.co.uk)

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# MANUFACTURING barometer

