SWMAS MANUFACTURING barometer

in partnership with ECONOMIC GROWTH SOLUTIONS

National 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

Simon Howes
Managing Director
Exelin Group Ltd
Delivering SWMAS

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

This latest Manufacturing Barometer represents the collective voice of 324 senior decision makers in UK 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 72% of UK SME Manufacturers anticipate an increase in sales in the next six months– the highest figure recorded since Quarter 2 2015 and a reflection of the confidence of business leaders. Only 6% anticipate a reduction in sales – the lowest figure recorded since 5% in Q2 2014. Coupled with 59% of manufacturers looking forward to an increase in profits over the next six months, this is good news.

Comparatively, however, only 45% of manufacturers experienced a growth in profits in the last half of 2017. The gap between predicted sales increases and actual increase in profits seen by SME manufacturers over the last six months continues to raise questions about productivity.

Encouragingly, 56% of manufacturers aim to deliver against their growth targets by investing in machinery and premises. This is a rise of 13% 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 48% of respondents. Although a figure 8% higher than last quarter, it is only 2% higher than the same time last year and may not be quite in step with anticipated growth. This finding again raises questions around the ability of manufacturers 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 their manufacturing clients. 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 UK manufacturing businesses 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 assertion (62%) when identifying budgets and resources to enable productivity improvement, but overall the position of UK manufacturers 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 manufacturers' ability to actually deliver and sustain productivity improvement. This revealed that whilst manufacturers recognise the need, they do not always perform well in this area, or achieve insufficient results. Approximately 47% of manufacturers said they would like to both enhance the engagement of their existing people in identifying and improving productivity, and enhance 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 manufacturers capacity to grow, the views captured this quarter show that this is unlikely to come from new staff or investment alone (less than 50% intending to recruit and just over 50% 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.

Read on for more about the Manufacturing Barometer results...

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*

We are currently finalising capex project for 2018. This is a massive investment for a business of our size and will be the catalyst for even greater growth and profitability. Long term goal is to double our turnover in 3-5 years. – *Anonymous, Home Counties*

To grow and develop the business but it is quite challenging at the moment due to skills shortage, which is an industry wide issue – *MD, Technoset, Warwickshire*

Consolidation of production facilities and then continue growth – *Peter Bruch, MD, AE Aerospace, West Midlands*

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

Increase turnover by 50% and implement a second shift short / medium term. Longer term implement a second line into expanded facility – *Shaws Huddersfield Ltd, West Yorkshire*

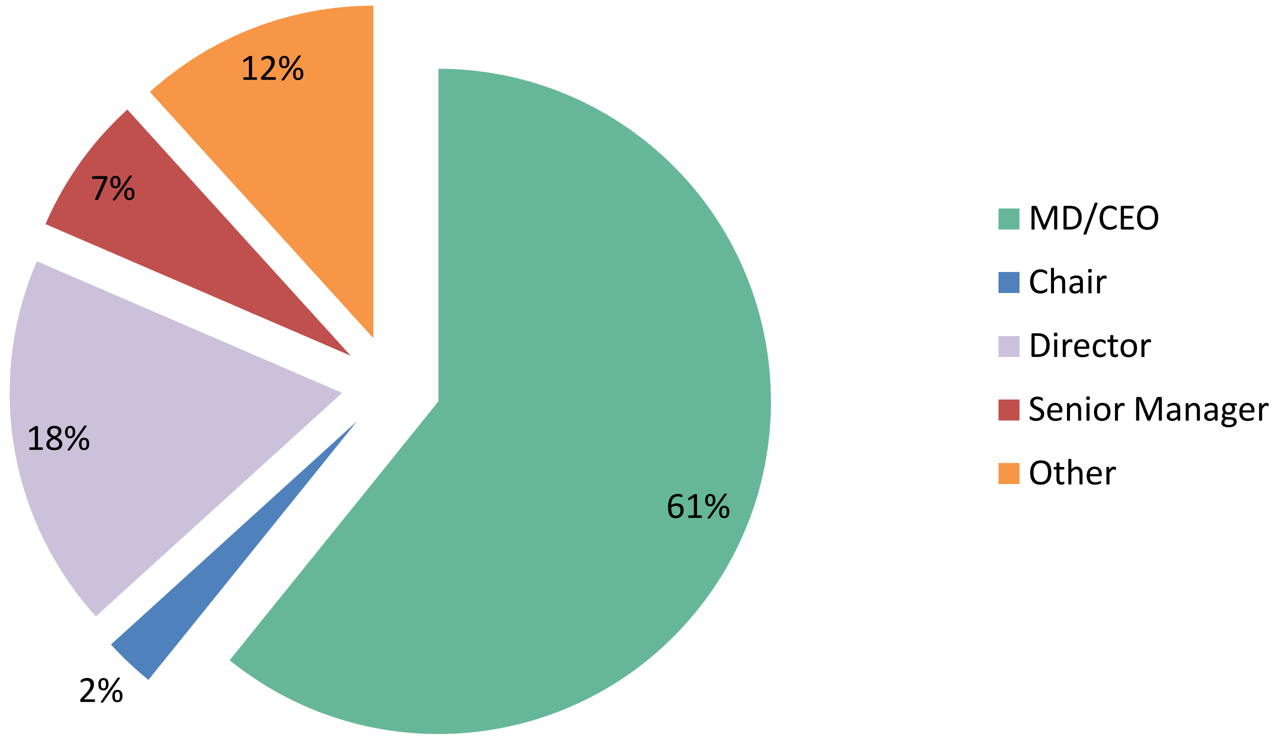
Invest in new processes and automation in order to create a more cost efficient production facility. Develop our export market. Reduce the lead time for designing and then launching new products. Create/find space for growth – Anonymous, South West England

Improvement of net profit by a mixture of growth and productivity – Chair, Racks Industries Limited, West Yorkshire

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

Manufacturing Barometer Winter 2017 (Q3)

Survey Demographics

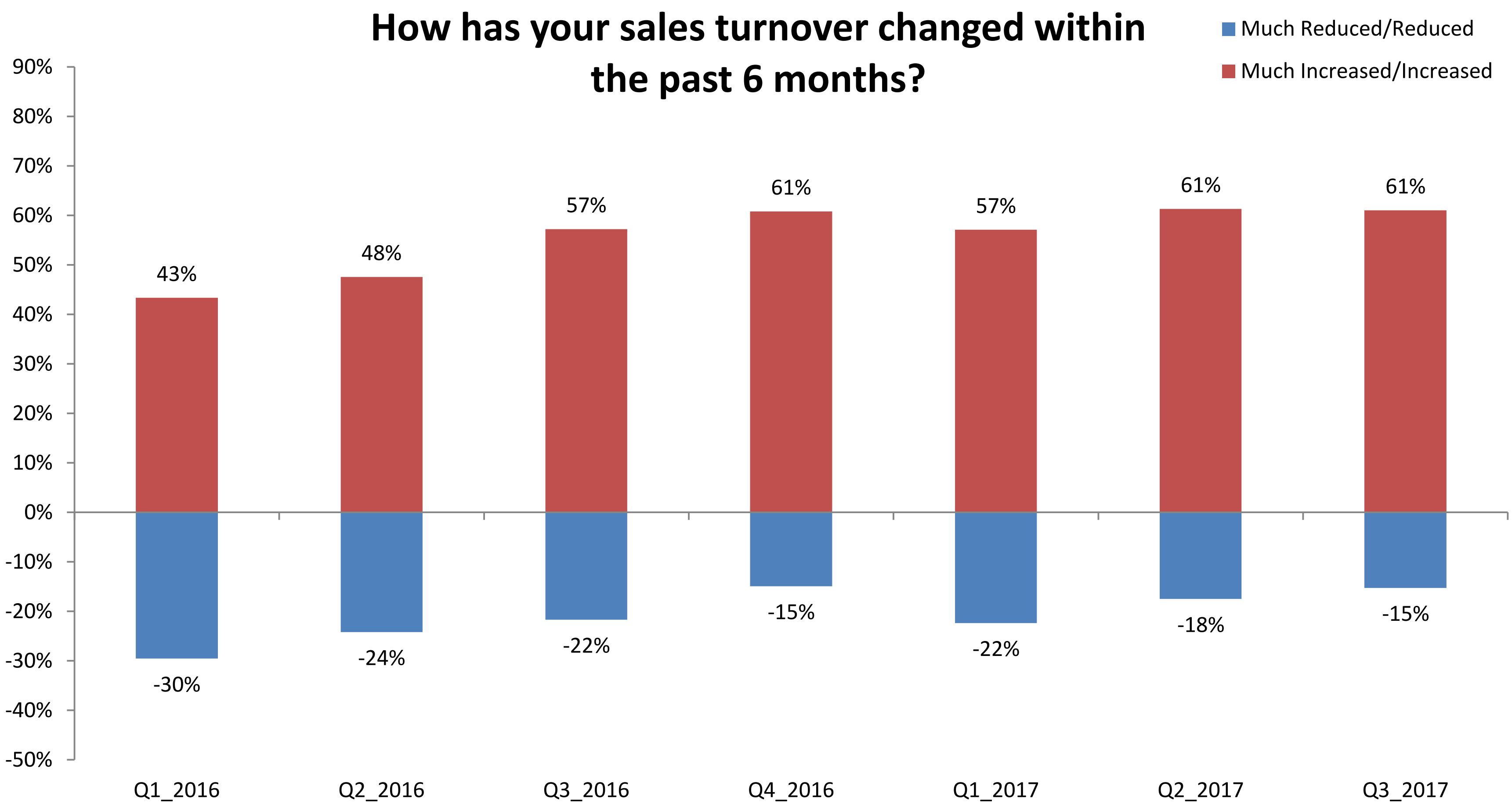


Over 60% of respondents are Managing Directors or Chief Executive Officers
Individuals with the highest level of strategic responsibility within their business

324 Respondents

Manufacturing Barometer Winter 2017 (Q3)

National Past Sales



308 Respondents

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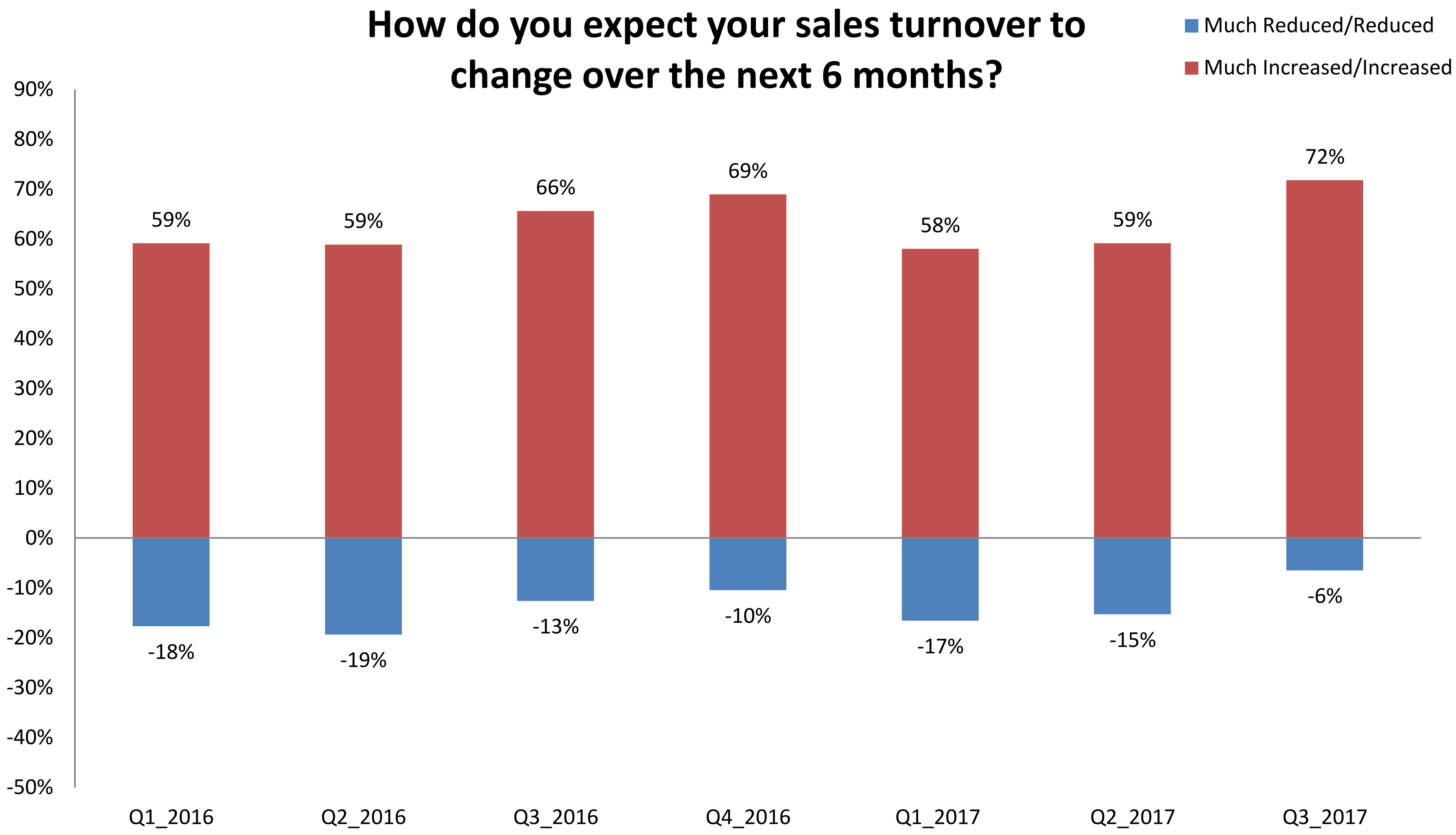
Manufacturing Barometer Winter 2017 (Q3)

National Future Sales



308 Respondents

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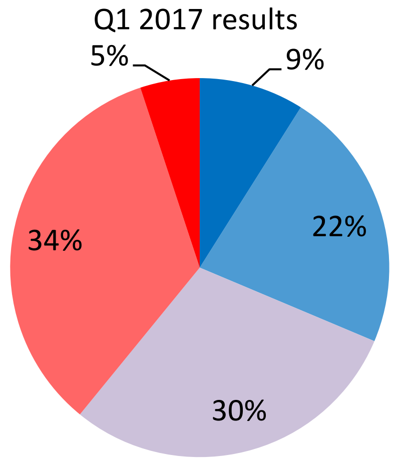
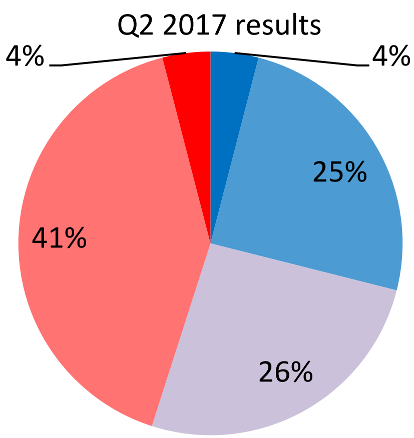
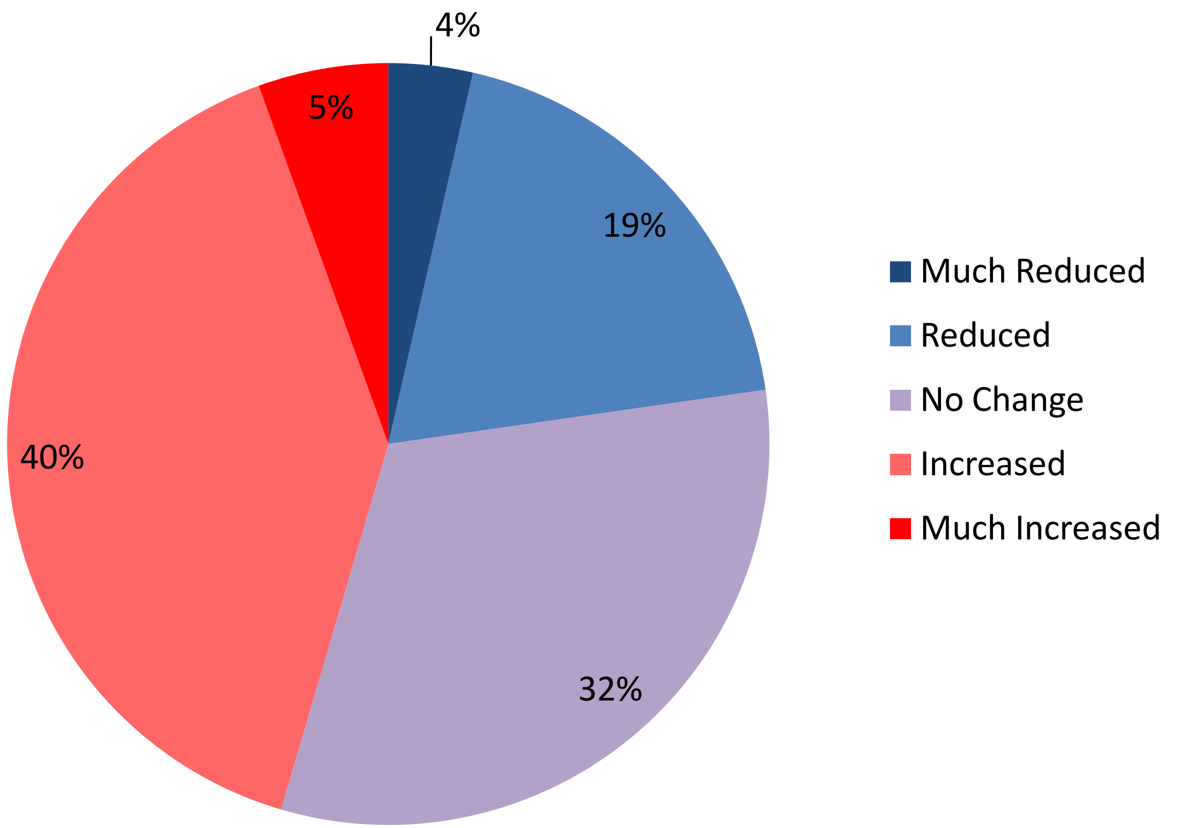
Manufacturing Barometer Winter 2017 (Q3)

National Past Profits





How has your profit changed within the past 6 months?



308 Respondents

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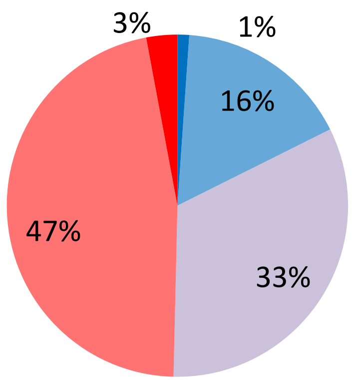
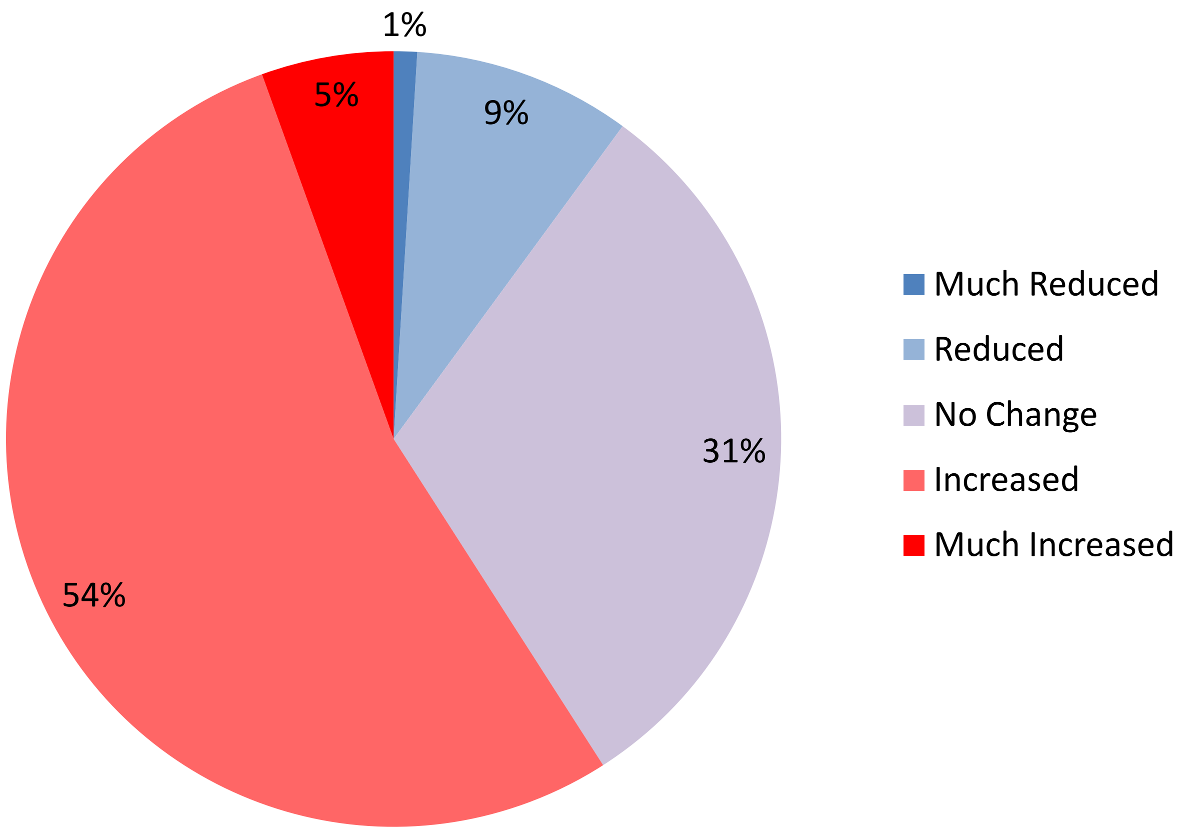
Manufacturing Barometer Winter 2017 (Q3)

National Future Profits

Q2 2017 results



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



308 Respondents

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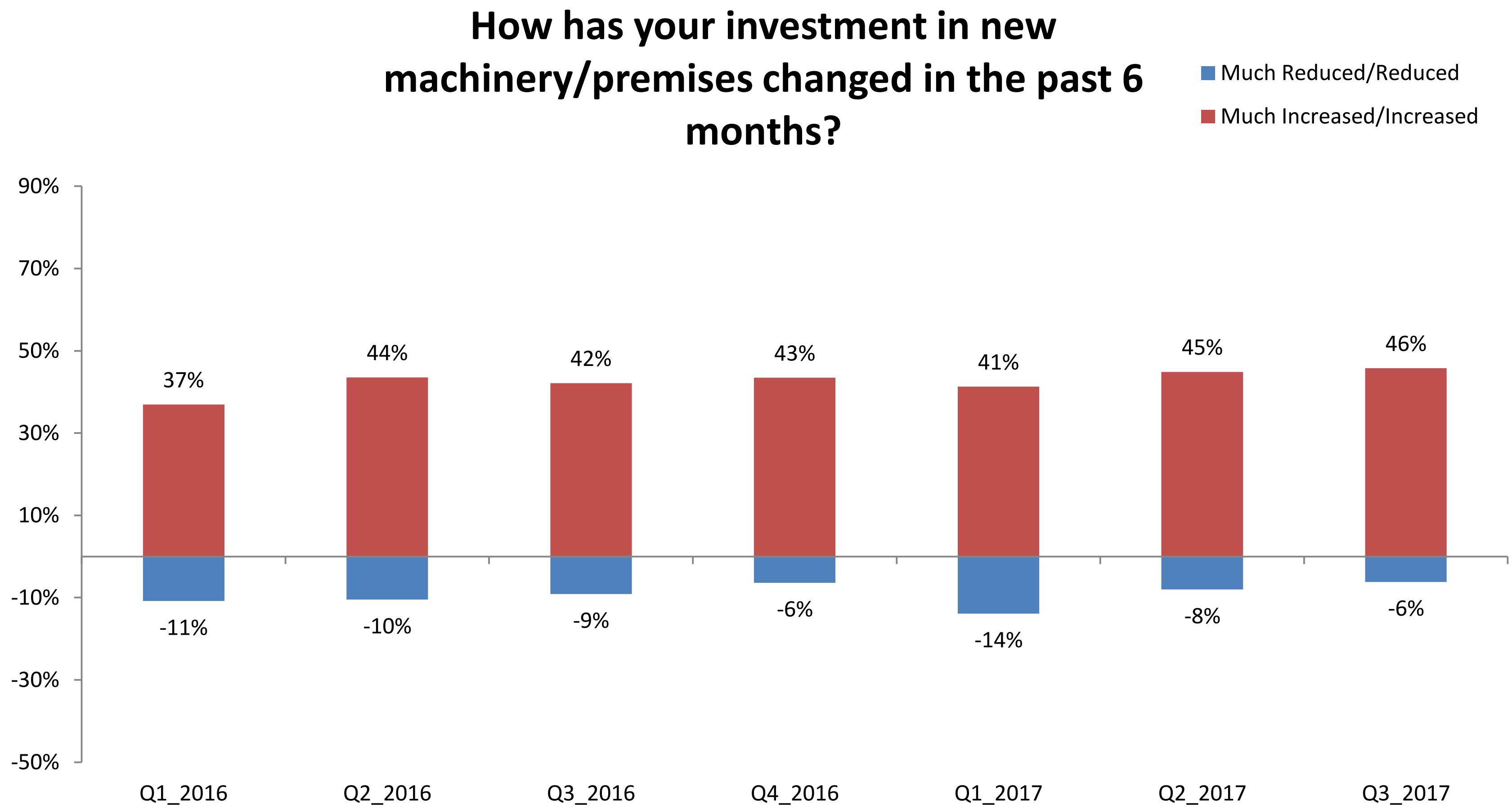
Manufacturing Barometer Winter 2017 (Q3)

National Past Capital Investment



308 Respondents

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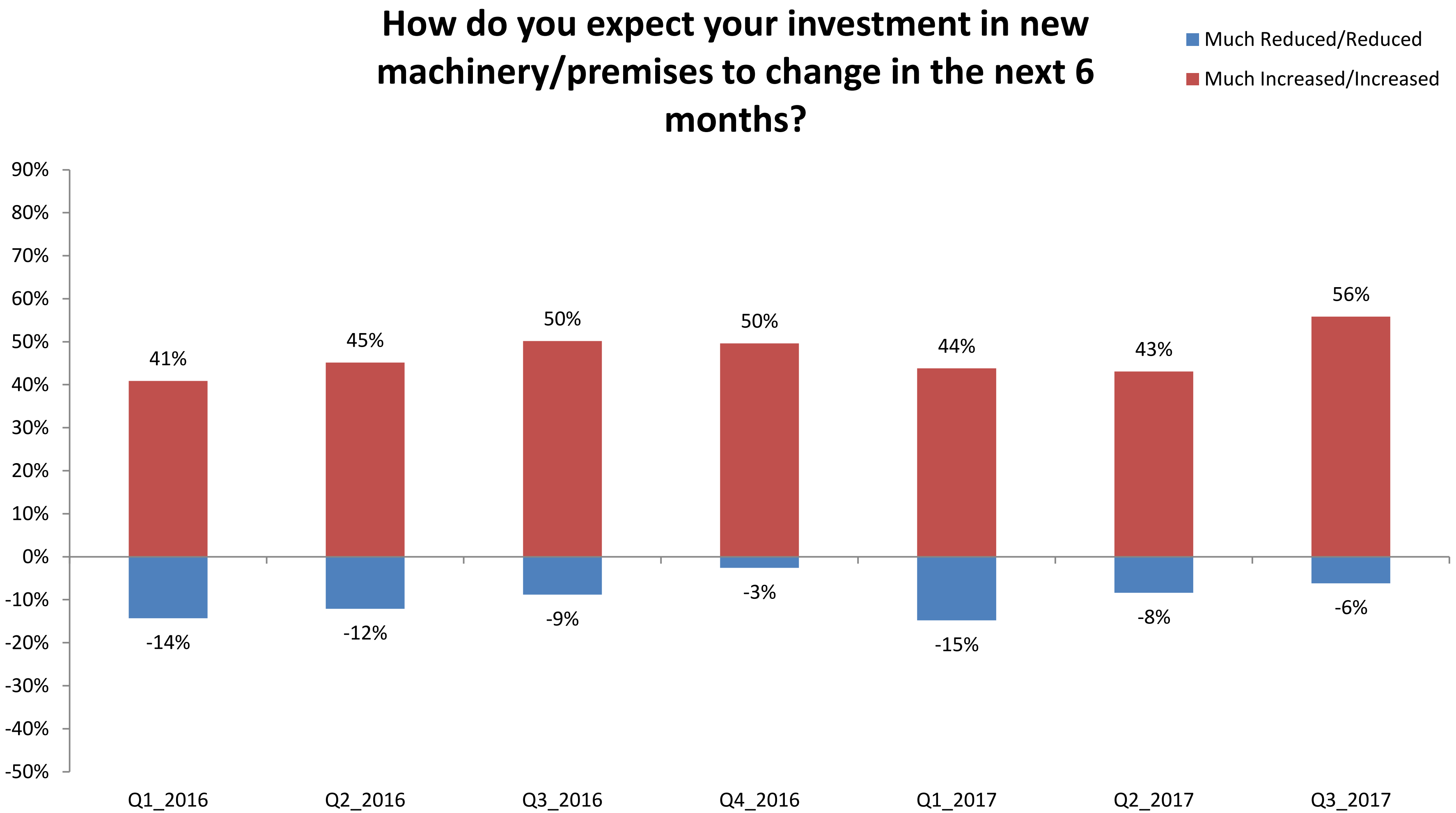
Manufacturing Barometer Winter 2017 (Q3)

National Future Capital Investment



308 Respondents

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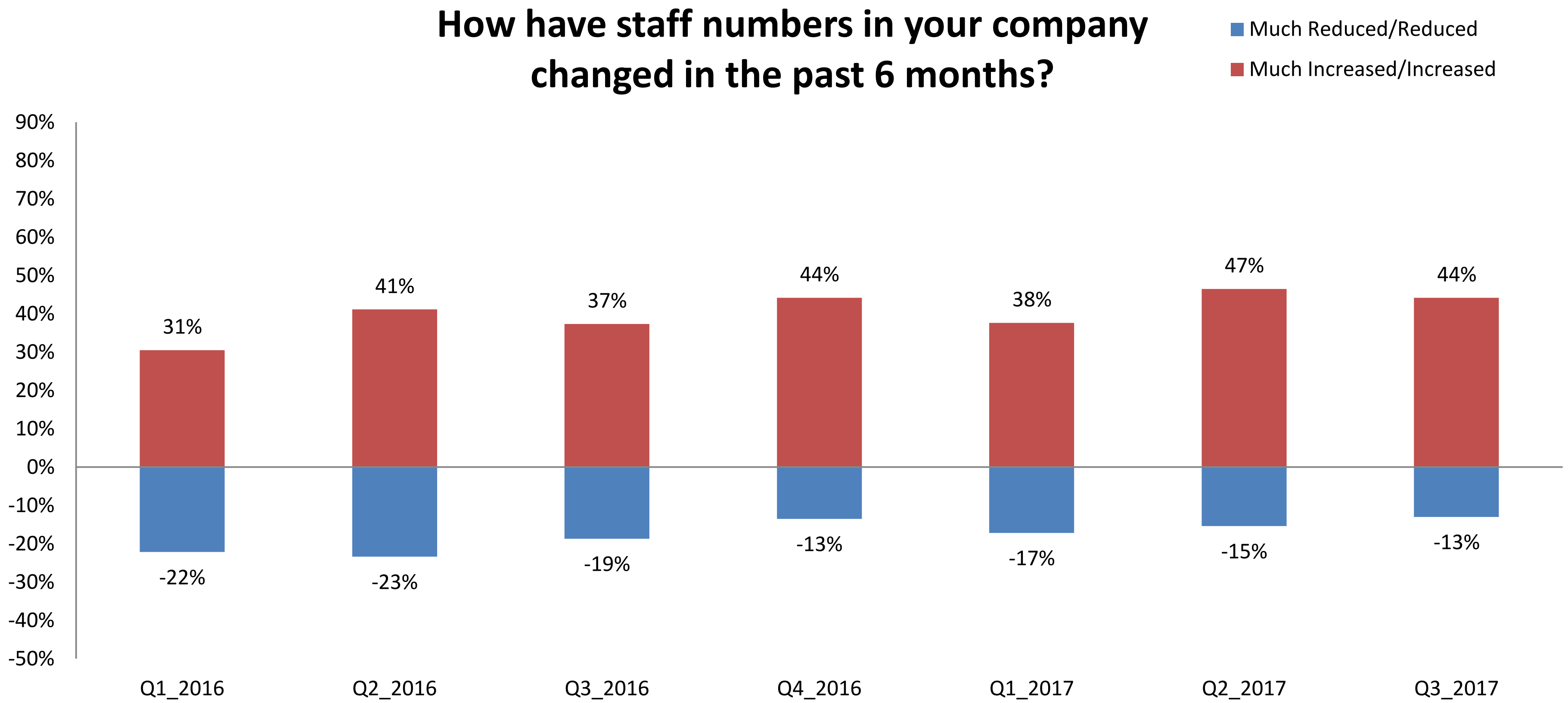
Manufacturing Barometer Winter 2017 (Q3)

National Past Employment



308 Respondents

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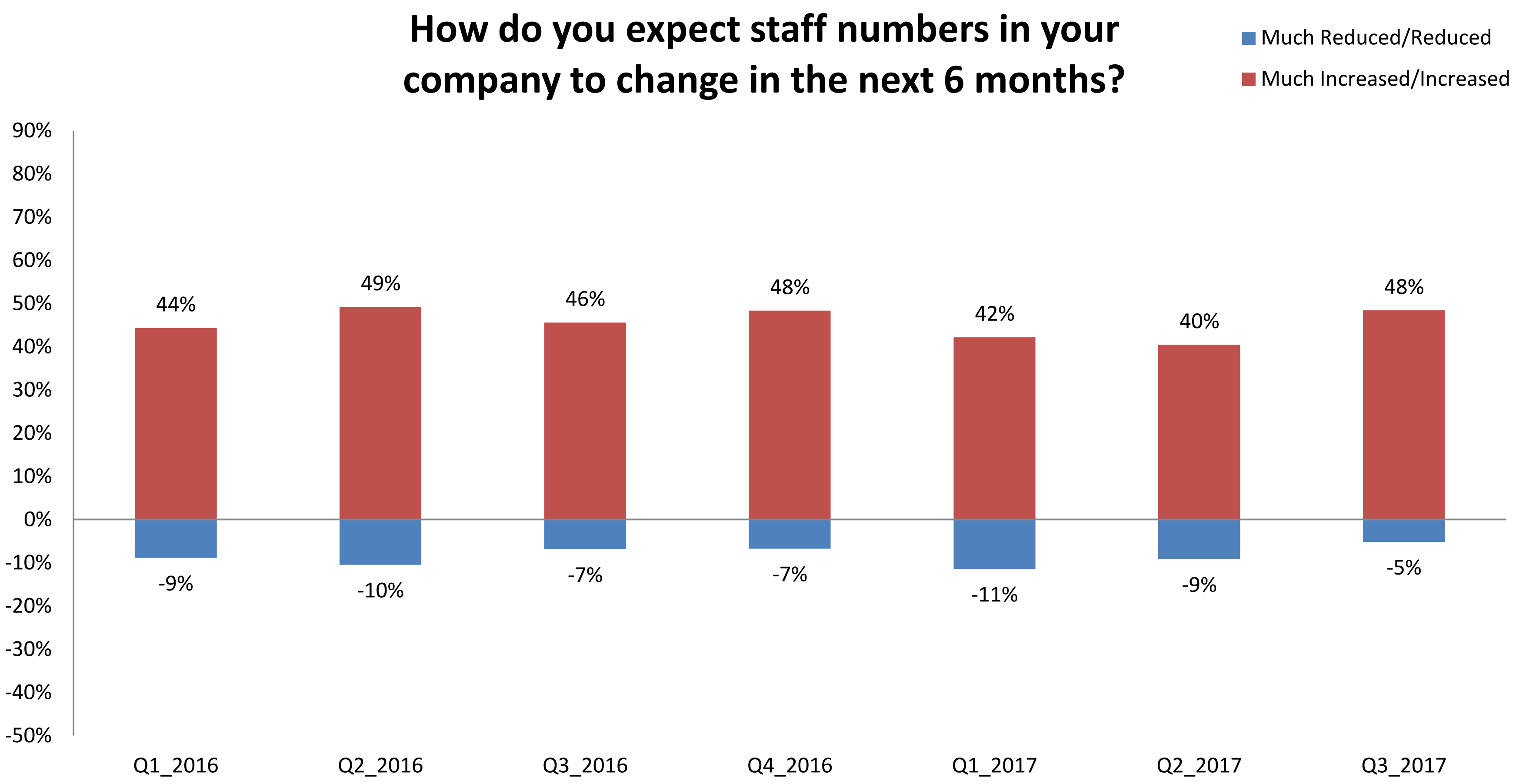
Manufacturing Barometer Winter 2017 (Q3)

National Future Employment



308 Respondents

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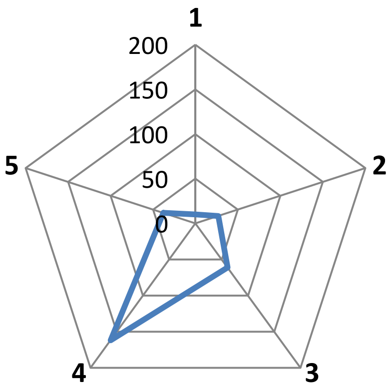
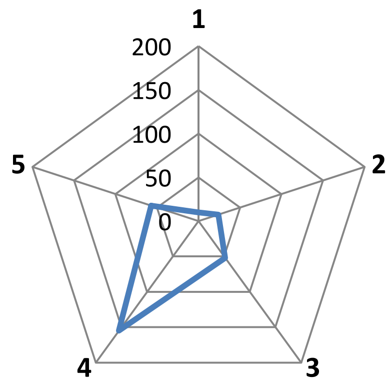
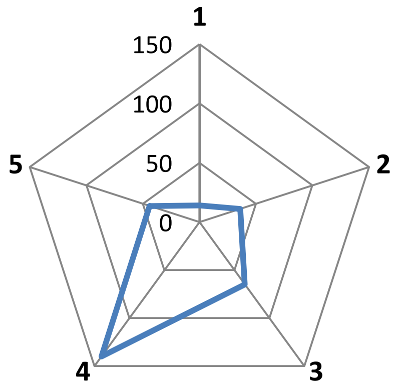
Strategy & Vision



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

298 Respondents

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Strategy & Vision

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

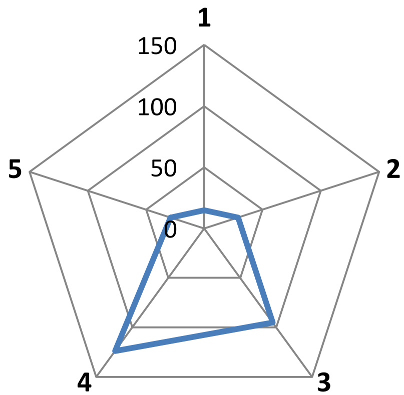
Productivity improvement championed at Board level, reduced downtime and faster change overs – *Anonymous, Somerset*

We have over doubled productivity in the past 4 years and seek to repeat this over the next 2 years – *Peter Bruch, MD, AE Aerospace, West Midlands*

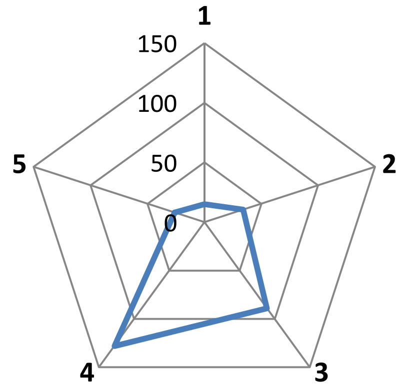
We have a 10 year plan in place to achieve our future goals – *Heights (UK) Limited, West Yorkshire*

Part of strategic plan from 2016 – Anonymous, West Yorkshire

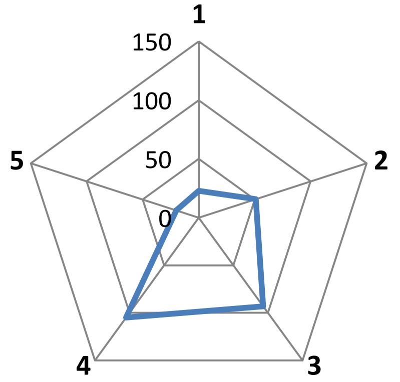
Leadership & Management



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

292 Respondents

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Leadership & Management

Productivity can often become a victim of a customers ever changing requirements.......leading to unproductive working practices – *MD, Axis Electronics Limited, Bedfordshire*

We have a long term plan to improve productivity in our business. But rapid changes in our market makes it difficult to follow a single strategy – *Heights (UK) Limited, West Yorkshire*

Management team are committed to driving improvements, gaining employee buy in seems to be the problem – *Anonymous, Worcester*

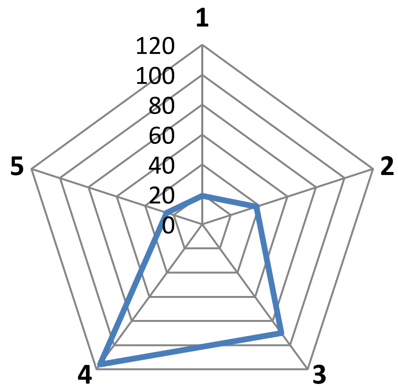
We recognise that we are poor at this, however the growth of the business has precluded a full CI & Leadership process to be implemented – *Anonymous, West Midlands*

We struggle to employ staff who have the correct skills and to be honest the drive to do well, this is especially true in the younger age bracket – *Anonymous, West Yorkshire*

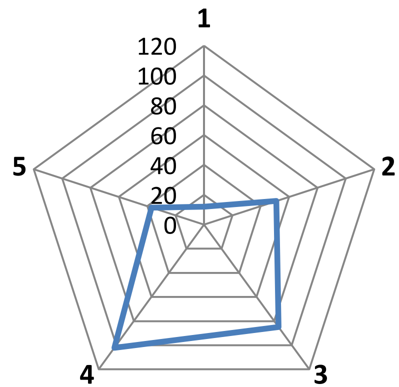
We are struggling to find key skilled management to take the company forward – *Anonymous, Bedfordshire*

The general workforce struggles 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*

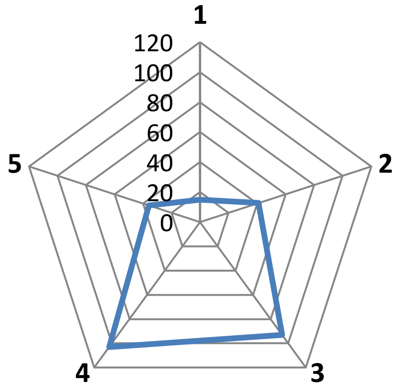
Delivering & Sustaining Improvement



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

288 Respondents

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Delivering & Sustaining Improvement

Recent recruitment should help in this area, but at the moment the results are not coming through as yet – *SRM Industries*

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

There is an industry skills deficit which impacts upon our business which means we have to do a lot of in-house training which takes a lot of time and resources – *Anonymous, West Midlands*

it is hard to find the cash to invest in growth as we are being squeezed on costs – *Anonymous, Bedfordshire*

Need to make changes, hard to implement the changes, employees cannot see problems – *Anonymous, West Midlands*

What does Productivity mean to your business?

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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

Work with maximum efficiency, whilst maintaining high quality. Utilising the staff and facilities that we have to achieve maximum output - *Ace Contracts London Ltd, Essex*

Larger number of units produced to the same quality – Anonymous, West Sussex

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

To an SME productivity is the way we stop accepting reduced profits from our business. Our costs are mostly outside of our control and rise every year. Our customers however rarely apply the same logic, and even want price reductions if they can get them. Therefore the only way we can stop being the squeezed middle is to improve our productivity. That way we can cope with cost increases and sales price freezes, and still make a profit - Geometric Manufacturing, Worcester

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

Everything – *MD, Sabel Cosmetics, West Yorkshire*

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 and recently partnering with Economic Growth Solutions, 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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0845 608 3838

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