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Manufacturing 2015: The Return of Profitability

Executive Summary of Benchmark Data and Analysis from the MPI Manufacturing Study

Conducted by The Manufacturing Performance Institute
a division of The MPI Group, Inc.

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Introduction

Manufacturing 2015: The Return of Profitability examines plant-level performances and practices for facilities in the United States. The MPI Manufacturing Study was conducted by The MPI Group and is intended to help manufacturing executives benchmark their operations performances; compare best practices; assess management of workforces, equipment, and technologies; and, ultimately, improve.

Manufacturing 2015: The Return of Profitability illustrates the changes underway among U.S. manufacturers and hints at what's to come:

- *Manufacturing employment will rise:* Plant employment is likely to pick up in 2015, and manufacturers are taking steps — e.g., higher wages — to retain the employees they have in the face of rising labor turnover rates, as workers leave for opportunities elsewhere. For many plants, labor turnover is problematic, reaching double-digit percentages.

- *Operations are now driven by improvement methodologies:* Lean manufacturing remains the No. 1 improvement approach in manufacturing, especially among executives who value process improvement. Process improvements are boosting profitability for a majority of plants, but production gains are increasingly incremental.

- *Supply chains remain focused on cost and quality, rather than collaboration:* Manufacturers are struggling to manage global supply chains. Too many still approach customer and supplier relationships as "buy-and-sell" transactions, missing out on the advantages of collaboration and partnering.

- *Production capacities are strained:* Production volumes have reached their highest levels in years (as a percentage of designed capacity). Many manufacturers are considering expansions or new facilities, while others look for capacity by improving the reliability of their equipment.

- *Information technology (IT) effectiveness varies dramatically:* Some functions, such as production and scheduling, are improving thanks to effective IT applications and systems. But others, such as asset management and customer service, exhibit poor IT performances. Human resources and logistics are the most likely targets for upgraded IT this year.

- *Plants are getting started with the Internet of Things (IoT):* Few manufacturers have an IoT strategy in place. But there is IoT movement: plants have begun to embed intelligence into their equipment and production lines, a first step in getting an IoT strategy off the ground.

- *Green and sustainability efforts lag:* A majority of manufacturers are mostly ignoring green and sustainability initiatives. Adoption of green practices — and improvements in green metrics — seems to have stalled.

For more information on U.S. manufacturing performance, practices, and trends, read on.

John R. Brandt
CEO
The MPI Group

Human Resources: The War for Talent Intensifies

Hiring and retaining employees will be harder in 2015

The last year saw manufacturers across the country hiring at last, amid rising demand and strained production capacities. In January 2015, U.S. manufacturing employment reached 12.33 million — an increase of nearly 8 percent since January 2010.[1] Employment is expected to keep rising in 2015:

- 119 employees per plant in 2014 to 125 employees in 2015 (median)
- 442 employees per plant in 2014 to 476 employees in 2015 (average).

Annual labor turnover rates are increasing as well, to 6% (median) from 5% in recent years. Nearly a quarter of manufacturers had labor turnover rates of 15% or higher, indicating greater employee willingness to change jobs.

Pressure to retain employees is leading to higher wages:

- $18.00 wages (median) in 2014 vs. $17.00 in 2012.
- $13.00 starting wages (median) in 2014 vs. $12.00 in 2012.

Some 71% of plant executives report that employee wages increased in the past 12 months, and 65% report that benefits costs increased.

Developing an engaged, well-trained workforce matters more than ever

About half of plants train each employee more than 20 hours annually. Nearly two-thirds of plants have a formal employee-training program in place, and 60% have a leader/supervisor development program.

Some 38% of plants have a majority of production workers in empowered or self-directed teams, and 80% of plants empower at least some workers.

Among plants that train employees more than 20 hours annually, 48% have empowered a majority of their employees — vs. just 21% of plants that train less.

Nearly a quarter of manufacturers had labor turnover rates of 15% or higher, indicating greater employee willingness to change jobs.

[1] Bureau of Labor Statistics, February 2015.

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Manufacturing 2015: The Return to Profitability

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