

RSM McGladrey 2007 Manufacturing and Wholesale Distribution National Survey

NEW ENGLAND FACT SHEET

The RSM McGladrey 2007 Manufacturing and Wholesale Distribution National Survey offers insight into what 947 CEOs, CFOs, and other senior executives at small and mid-sized enterprises around the country think about the state of their business and the challenges of competing in today's global economy.

This fact sheet examines the responses from **39 New England industry executives** who participated in this year's survey. States represented include Massachusetts, Connecticut, Vermont and New Hampshire.

Business Climate

- Forty-nine percent of the New England manufacturing and wholesale distribution executives surveyed said business is thriving and growing.
- Forty-six percent said their companies are holding their own, while 5 percent indicated business is declining.
- Eighty-seven percent of the New England business executives are very or somewhat optimistic about their company's growth prospects over the next 18 months.
- Seventy-seven percent said they were very or somewhat optimistic about prospects for growth in their industry.

Growth Strategies

- New England manufacturing and wholesale distribution executives are relying on the following strategies to grow their businesses:
 1. Sales of new products in domestic markets (56.4%)
 2. Sales of existing products in international markets (55.2%)
 3. Sales of existing products in domestic markets (53.8%)
 4. Sales of new products in international markets (45.9%)
 5. Increasing brand recognition (35.9%)
- Asked where they experienced significant geographic growth in the past year, 54 percent of the New England respondents said their companies have experienced significant national growth, followed by regional growth at 39 percent, international growth at 26 percent, and local growth at 23 percent. Eighteen percent said they saw significant statewide growth in the past year.

Global Strategy

- More than half (54%) of the New England survey respondents said working globally is part of their strategy, well above the national average of 46 percent.

- Fifty-three percent said their companies are experiencing revenue growth in foreign markets.
- Twenty-six percent said their companies have moved, or are moving, production offshore, while 32 percent are moving sales and customer service offshore.
- Forty-nine percent of New England respondents said their companies are experiencing health care increases of 5 - 9.9 percent. Twenty-one percent are seeing cost increases of 10 – 14.9 percent, and 18 percent are seeing cost increases of 15 – 19.9 percent. The latter is among the highest number of respondents experiencing cost increases at this level, with a national average reporting at 8 percent.

Operational Effectiveness

- Thirty-six percent of the New England survey respondents said they are requiring business process improvements in their supply chain, below the national average of 41 percent.

Health care

- In dealing with health care costs, 64 percent of the New England survey sample said their companies are remaining with their current plan, among the highest number reported, with the national average reporting in at 42 percent. Twenty-one percent said they are considering a change in carriers.
- Fifty-six percent said their companies are passing along the rising costs of health care to employees, slightly below the national average of 59 percent.
- Thirty-three percent said their companies offer wellness programs to help keep costs under control, and 3 percent said they offer disease-management programs, among the lowest in the nationwide sample.
- Only 5 percent said their company audits third-party administrators, even though this is a process that often pays for itself.

Tax Strategies

- Twenty-nine percent of the New England respondents said their companies use state and local tax credits and incentives to reduce overall tax expense.
- Half said their companies use R&D credits to reduce their tax bill.
- Thirty-three percent reported using last in, first out (LIFO), as a tax strategy.

Risk Management

- Only 18 percent of the New England survey participants indicated their companies have an independent audit committee to oversee management of risk (national average is 25 percent).

Workforce

- Seventy-six percent of the New England respondents said their companies are planning to expand employment opportunities over the next 18 months; only 11 percent indicated they are decreasing their workforce.
- New England manufacturers and wholesale distributors were among the highest in the country to report significant, across-the-board need for skilled and unskilled labor. Sixty-five percent of the respondents reported

their companies greatest hiring need is for entry-level workers, followed by the need for engineers (64%), and machinists (63%). These were well above the national averages of 47 percent for entry-level, 46 percent for engineers and 38 percent for machinists.

- Offering cash bonuses is the most effective employee-retention incentive according to 62 percent of the New England survey participants, followed by offering supplemental benefits (56%). Permitting flex time arrangements came in low at 36 percent. Three percent reported that their companies offer on-site daycare; none reported offering childcare allowances.

About RSM McGladrey

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RSM McGladrey and McGladrey & Pullen serve more than 8,000 mid-sized manufacturers and wholesale distributors. As the largest member of RSM International, a worldwide organization of independent accounting and consulting firms, we help companies establish and enhance global operations and distribution channels. Among our internationally active clients, around 80 percent are manufacturers and wholesale distributors.