McGladrey Monitor Shows 150 Percent Increase In Optimism

According to results from the winter 2012 McGladrey Manufacturing and Distribution Monitor® - a survey of middle-market manufacturing and distribution executives, which provides a unique look into the state of manufacturing on “Main Street” – the number of executives who are optimistic about the U.S. economy is 146 percent greater now than it was a few short months ago in the fall of 2011.

“While the resurgence of American manufacturing has recently become a hot topic across the country, the story has largely focused on large, household-name companies who have generally expressed optimism about the direction of the economy in recent weeks,” says Karen Kurek, national manufacturing leader for McGladrey & Pullen, LLP, which operates under the McGladrey brand. “But the manufacturing sector’s overall health can’t be assessed without a close look at its heart – the middle-market companies that account for the vast majority of the country’s manufacturing jobs. The unique aspect of the data from the McGladrey Monitor lies in the fact that approximately 87 percent of the participants are privately owned or are private equity-owned organizations, making the results rather exceptional for the industry.”

“The increase in optimism in the U.S. economy among middle-market manufacturers in the winter Monitor (59 percent this winter, compared to 24 percent in the fall) is striking,” says Kurek. “Optimism about the world economy increased significantly, as well, with 27 percent indicating optimism this winter, compared to 17 percent in the fall. These increases in optimism are good signs for 2012.”

The winter Monitor also shows that automotive and transportation executives are more likely than others to be optimistic about their companies, and automotive and industrial machinery executives are more likely than others to be optimistic about their industries.

The winter Monitor results, which took a look back over the course of a year, showed that the number of participants who said their companies are thriving and growing averaged 45 percent throughout 2011 – nearly twice the level of those who responded positively in 2010 (24 percent), and comparable to 2007 levels (48 percent). Notably, the number of companies in decline is much lower than in 2007 (3 percent vs. 9 percent).

While the winter Monitor shows increased levels of optimism, this is somewhat tempered by several factors that many executives are concerned with, including federal government gridlock, access to free trade agreements, the lack of a meaningful energy policy in the U.S., and the uncertainty of regulations due to the impending election this fall. These issues need to be addressed if the U.S.

manufacturing industry is to remain competitive.

Another area of concern is the challenge of finding skilled workers. “Winter Monitor results show that nearly 60 percent of survey participants expect to increase their workforce (compared to 50 percent in the fall), but finding qualified workers to fill open positions continues to be a concern for the industry – an unusual dichotomy, given that national unemployment rate remains high,” says Kurek. “The need for a skilled workforce could be one of the greatest impediments to growth for U.S. manufacturers and distributors, and makes it difficult to compete in the global market.” An addition for the winter Monitor was the identification of best practices culled from previous Monitor results over the past year, which show that thriving and growing companies are those that focus on process improvement, invest in efficient equipment, evaluate their risk management programs, identify and manage their top talent, price their products based on value, understand the impact of capital strategy issues, and establish global compliance policies. “Embracing these best practices will help position organizations to join the ranks of thriving and growing companies that are seeing increased productivity and profitability,” says Kurek.

The winter Monitor also included insights from industry experts. Kellie Johnson, president of Ace Clearwater Enterprises in Torrance, CA, and chair of the NAM Small and Medium Manufacturers Group, stated, “Manufacturing is a known and proven solution to the many economic challenges facing our country. It’s important that we work together as a country to address the issues facing manufacturers so that we can have a positive impact on jobs and economic development in the U.S.”

The Monitor is distributed by McGladrey & Pullen, LLP, the nation’s fifth largest provider of assurance, tax, and business consulting services. Monitor results provide unique insight into topics and issues that are top-of-mind for middle-market manufacturers and distributors. Participants responded to the survey between Jan. 11 and Jan. 25, 2012. Results showed some companies posted the best performance in their histories during 2011.

Monitor respondents receive access to customized, interactive dashboards they can use in multiple ways to compare their responses against the national aggregate. Those who participate can track changes to their companies’ responses over time and receive regular reports that delve into the findings. Results from the 2012 winter Monitor are online, along with 2011 spring, summer, and fall results. Detailed breakdowns of industry segments, including automotive; food and beverage; chemicals, oil, and plastics; industrial machinery, biotech, and medical; metal fabrication; and more are incorporated.

The next Monitor will launch in the spring 2012.

Research Methodology

The McGladrey Manufacturing and Distribution Monitor surveys industry leaders of manufacturing and distribution organizations to assess the current state of the industry and to determine what steps CEOs, CFOs, and other executives are taking

to grow their businesses and stay competitive. All data is collected online in response to invitations from McGladrey and from partnering associations and chambers of commerce across the United States.

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