

NAM Small Manufacturers Operating Survey Results

The 2007 NAM Small Manufacturers Operating Survey was e-mailed to more than 4,800 small and medium manufacturers nationwide in June 2007. More than 468 surveys were returned and used in this analysis; the response rate was 9.75 percent.

Where similar questions were asked results are show for last year’s survey. Answers are rounded off in all instances.

1. What percent do you anticipate your sales to change in 2007?

Average: +7.4%	Low: -35%
Median: +6%	High: +250%

Sales	2006 Results	2007 Results
Increase more than 10%	40.2%	20.65%
Increase 5-10%	18.6	43.19
Increase up to 5%	13.7	7.74
Stay about the same	14.3	10.09
Decrease up to 5%	6.0	5.16
Decrease 5-10%	3.0	6.80
Decrease more than 10%	4.1	3.99

2. For the following years, what percent of your sales were from exports?

2006 Average:	8.27%
2006 Median:	2.00%

Sales from Exports	2006 Projected	2006 Actual
More than 25%	10.7%	7.51%
11-25%	17.9	16.43
5-10%	15.4	15.72
Less than 5%	34.8	31.69
None	19.4	24.88

3. For the following years, what percent of your sales were from exports?

2007 Average:	8.8%
2007 Median:	3.0%

Over the past year, both reported Average and median percentages of sales from exports have increased.

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4. Does your company have a plant or other investment (acquisition, equity interest or joint venture) outside the United States?

Plant/Investment outside the U.S.?	2006	2007
Yes	19.7%	17.5%
No	78.4	82.5
N/A	1.9	

5. For the following years, what percent did your employee wages (excluding benefits) increase or decrease?

	2006	2007
Average	+4.0%	+3.7%
Median	+3.5%	+3.5%

Wages	2006 Expected	2006 Actual
Increase more than 10%	3.20%	2.11%
Increase 5-10%	8.80	20.18
Increase up to 5%	72.00	63.38
Stay about the same	15.20	3.05
Decrease up to 5%	0.60	.70
Decrease 5-10%	0.20	.46
Decrease more than 10%	0.00	.46

6. For the following years, what percent (increase or decrease) did your capital investment change?

	2006	2007
Average	+18.2%	+22.6%
Median	+4.5%	+5.0%

The Average reported capital investment change from last year increased by 4.4 percent.

Capital Investment	2006 Expected	2006 Actual
Increase more than 10%	25.20%	23.47%
Increase 5-10%	16.00	21.12
Increase up to 5%	17.10	10.32
Stay about the same	31.00	27.69
Decrease up to 5%	4.50	0.23
Decrease 5-10%	1.10	2.81
Decrease more than 10%	4.70	3.52

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7. How many people does your company employ?

	2007
Average	211 employees
Median	110 employees

8. Were you able to hire new workers in 2006/2007?

Most respondents (86.2 percent of the total 333 respondents) were able to hire new workers.

Able To Hire Workers?	2006	2007
Yes	87.0%	86.2%
No	10.9	12.4
N/A	2.1	1.2

9. How did your company’s 2006 profitability compare with 2005?

The majority of respondents, 61.5 percent (238) reported more profitability last year.

Profits-Retrospective	2006	2007
More profitable	52.5%	61.5%
About the same	17.8	15.0
Less profitable	23.1	17.3
Not profitable, but better	2.8	
Not profitable, but worse	3.9	
N/A	0.0	0.5

10. How do you predict your company’s 2007 profitability will be compared with 2006?

Almost half of the respondents, 47.2 percent (183) of respondents expect 2007 will be more profitable than last year.

Profits-Prospective	2006	2007
More profitable	57.8%	47.2%
About the same	25.1	25.0
Less profitable	13.3	23.2
Not profitable, but better	2.6	
Not profitable, but worse	1.3	
N/A	0.0	0.5

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11. What are your plans for inventories in 2007?

The majority of respondents, 57.3 percent (220), plan to hold inventories at or near current levels.

Inventory Plans	2006	2007
Increase inventories	15.0%	20.6%
Hold inventories at/near current levels	61.1	57.3
Sell off inventories gradually	17.1	16.9
Substantially liquidate inventories	1.7	
N/A	5.1	5.2

12. Does your company use the LIFO method of accounting for inventory?

A large portion of respondents, 41.9 percent (159) reported that they use the LIFO method for inventory:

13. How often are you able to pass on price increases?

Pass on Price Increases	2006	2007
All the time	21.7%	22.1%
Under 50% of the time	31.7	39.6
Under 25% of the time	34.8	31.25
Never	8.8	4.7
N/A	2.9	

14. How much do you expect the prices of your products to change in 2007?

	2007
Average	+3.97%
Median	+4.00%

15. A change in the price of your product is due to:

37 percent (158) of respondents reported that competition is the driving force behind changes in product price, however energy costs came in a close second with 35.9% (153).

“Other” factors influencing change in product price: 39.2 percent (167)

Increased Productivity: 19 percent (81)

Innovation: 11.3 percent (48)

Exports: 4.2 percent (18)

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16. Which of the following best describes the legal form of ownership of your company?

- 46.5 percent describe themselves as S-Corporations (198)
- 38.5 percent describe themselves as C-Corporations (164)
- 2.8 percent describe themselves as “Other”
- 0.9 percent fell under the “N/A” category

17. Which of the following best describes the ownership of your firm?

The vast majority, 75.6 percent (322), of SMM respondents are private, family or individually owned firms.

- Other firms are classified in the following ways:
- 6.34 percent (27) Private, investor owned
 - 2.58 percent (11) Public, closely held
 - 2.58 percent (11) Other
 - 1.41 percent (6) Public, widely held
 - .47 percent (2) N/A

18. In order of importance, rank the tax issues that represent the greatest burden to your company:

Nearly 42 percent of all respondents ranked the federal income tax as the number one burden on their company.

Top Concerns	2006	2007
Federal Income Taxes	1	1
Estate (Death) Tax	2	4
State Taxes	3	2
Payroll Taxes	4	3
Compliance with Current Tax Rules	5	5
Current Depreciation Rules	6	6

19. Since 2001, the tax rate for S-corporations and other non-corporate business entities has dropped from 38.5 percent to 35 percent. How important has this tax reduction been to your business?

Tax Reductions	2006	2007
Very important	34.6%	29.9%
Moderately important	22.4	21.1
Not significant	18.8	20.0
N/A	24.1	30.0

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20. How much, if any, have you saved as a result of this tax reduction?

Average: \$205,332.80
 Median: \$10,000.00

Breakdown of Responses:

\$1-49,999 — 41
 50,000-100,000 — 34
 100,001-150,000 — 16
 150,001-250,000 — 16
 250,001-300,000 — 8
 300,001-450,000 — 2
 >500,000 — 25

How Much Saved?	2006	2007
Average	\$376,698.00	\$205,332.00
Median	\$50,000.00	\$10,000.00

21. How did you use this savings? (Leave blank if N/A)

Of the responses to this question, most SMMs reinvested the saved money. Other popular answers included the purchase of new equipment, research & development, paying down debts owed, and offsetting health insurance costs and price increases.

Use of Savings	2006 %	Use of Savings	2007 %
Reinvestment	44.50%	Reinvestment	40.90%
Equipment	19.10	Equipment	35.45
Debts	8.10	Debts	10.90
Health Care	2.90	Health Care	2.72
Labor	2.90	Labor	.90
Benefits	1.50	Benefits	2.72

22. How much did you and your family spend in 2006 on estate planning, i.e. insurance premiums, financial planning accounts, lawyers?

Estate Tax Planning	2006	2007
Average	\$94,346.00	\$37,656.87
Median	\$20,000.00	\$5,000.00

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23. Have your estate tax planning costs increased since enactment of a temporary phase-out of the death tax in 2001?

Increase in Estate Tax Planning Costs	2006	2007
Yes	21.8%	26.4%
No	52.8	59.5
N/A	25.4	25.1

24. If yes, by how much?

Of the 175 responses to this question:

Average: 17.99%
 High: 300% (1)
 Low: 0% (102)

0-50% - 157
 51-100% - 16

Increase in Estate Tax Planning Costs	2006	2007
Average	28%	17.99%
Median	20	0

25. Are you an indirect beneficiary of the federal research & development (R&D) tax credit, *i.e.*, your company has a contractual agreement to manufacture a product for another company using that company's R&D?

R&D Beneficiary	2006 %	2007 %
Yes	6.30%	5.87%
No	80.30	73.7
N/A	13.30	14.20

26. Effective for 2007 is a new R&D Credit formula called the Alternative Simplified Credit. Will this new formula be more beneficial than the other credit formula?

9.9 percent (37) think the new formula will be more beneficial.

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27. In 2006, how much did your company spend on research and development?

	2007
Average	\$667,228
Median	\$25,000
High	\$50,000,000 (1)
Low	\$0 (128)

Of the 355 responses to this question, 63.66 percent (226) of respondents spent less than \$100,000 on R&D in 2006 and 12.67 percent (45) spent more than \$1,000,000.

R&D Expenditures	2006
Less than 2%	40.0%
2-4%	24.6
4-6%	12.0
6-8%	5.1
8-10%	3.2
More than 10%	3.2
N/A	12.0

28. In the last five years, has your company ever had a frivolous lawsuit brought against it?

Frivolous Lawsuits	2006	2007
Yes	44.1%	29.7%
No	54.4	59.7
N/A	1.5	10.5

29. If yes, what were the legal costs?

Average: \$191,239
 Median: \$25,000
 High: \$10,000,000
 Low: \$0

Cost of Lawsuits	2006	2007
Average	\$195,216.00	\$191,239.00
Median	\$50,000.00	\$25,000.00

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30. Have you ever terminated the development of a product due to concerns about lawsuits?

Almost one third of the respondents 29.7 percent (110) have had to terminate development due to concerns about lawsuits.

Terminated Development?	2006 %	2007 %
Yes	32.3%	29.7%
No	59.6	59.7
N/A	8.2	10.5

31. Have you ever terminated the development of a safety innovation to a product already on the market due to litigation concerns?

Safety Innovation	2006 %	2007 %
Yes	8.7%	9.2%
No	79.3	74.9
N/A	12.0	15.9

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32. For your facility’s primary product or product group, rank the following factors in order of importance in how you compete in the market for customer sales. (1 Most important; 6 least important. Do not give the same rank to more than one factor.)

42 percent (179) chose “High Quality” as the most important factor in market competition. Also among the top concerns were “Quick Delivery,” “Adapting Products Quickly to Customer Needs” and “Value-Added Products and Services.”

About 30 percent of respondents identified “Low Price” and “Innovation, New Technology” as factors of the least importance of those choices given (168 and 107, respectively).

Market Competition	2006	Market Competition	2007
High Quality	1	High Quality	1
Quick Delivery	2	Quick Delivery	2
Adapting Products Quickly To Customer Needs	3	Adapting Products Quickly To Customer Needs	3
Innovation, New Technology	4	Value-Added Products and Services	4
Value-Added Products and Services	5	Innovation, New Technology	5
Low Price	6	Low Price	6

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33. Which of these is the most serious problem for your company? (Choose only one.)

38.9 percent (141) indicated that the rising cost of health insurance for employees is their largest concern.

Burdens on Companies	2006 %	Burdens on Companies	2007 %
Cost of Health Insurance for Employees	86.90%	Cost of Health Insurance for Employees	38.90%
Cost of Environmental Regulations	9.60	Cost of Environmental Regulations	N/A
Government Regulations Generally	22.90	Government Regulations Generally	7.70
Finding Qualified Employees	46.30	Finding Qualified Employees	18.50
Retaining Skilled Employees	9.40	Retaining Skilled Employees	
Training Employees	9.90	Training Employees	
Burden of Taxes	24.40	Burden of Taxes	4.10
Difficulty in Obtaining Financing	4.50	Difficulty in Obtaining Financing	.50
Litigation	8.10	Litigation	2.70
Cost of Compliance with Taxes (Not the Tax Payments Themselves)	4.50	Cost of Compliance with Taxes (Not the Tax Payments Themselves)	N/A
OSHA Regulations	4.70	OSHA Regulations	.55
Competition From Imports	39.00	Competition From Imports	18.50
High Energy Costs	34.90	High Energy Costs	3.30

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34. What percentage of your health coverage costs have increased over the past year?

40.1 percent (173) have reported increases in health coverage costs of between 10.01 and 25 percent.

Health Coverage Costs	2006 %	2007 %
0%	3.60%	6.10%
1-10	31.40	31.60
11-20	48.70	34.74
21-30	11.50	8.68
31-40	1.70	0.70
41-50	1.90	1.87
More than 50	0.60	0.23
N/A; Don't offer	0.40	N/A

35. If health care costs continue to increase along current trends, would you:

Health Coverage Costs	2006 %	2007 %
Increase Employee's Share of Coverage Cost	68.60	64.10
Change to a Defined Contribution or HSA Approach	19.00	20.70
Maintain Existing Coverage	8.10	7.70
Drop Health Care Coverage	3.00	4.20

36. What percentage of health insurance premiums for employee coverage is borne by employee contributions?

Average: 26.41%
 Median: 25%
 Low: 0% (67)
 High: 100% (2)

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Health Insurance Premiums	2006 %	2007 %
None	16.50%	15.72%
1-10%	15.60	12.20
11-20	29.90	19.24
21-30	20.10	18.00
31-40	7.50	9.39
41-50	7.10	5.16
More than 50	2.80	3.52
N/A; don't offer	0.60	N/A

37. Do you currently offer a health savings account (HSA) as part of your company's health insurance benefits?

HSA use is increasing. Almost one third of respondents now offer Health Savings Accounts as part of their company's health benefits.

Yes: 30.8% (84)
No: 69.2% (272)

38. Are you planning to offer a HSA as part of your company's health insurance benefits in the next year?

Yes: 30.8% (127)
No: 63.7% (222)

39. Please rank the following health care issues in order of importance to your business: (1 Least Important; 5 Most Important.)

Pooling Arrangements to Help Small Businesses Purchase Health Insurance: respondents are largely divided on this option. 29 percent (123) ranked this as their top priority; where as 31.9 percent (136) ranked it as their lowest priority.

The other issues given were somewhat equally distributed interests:
Implementation of Health Information Technology
Availability of Information Regarding Cost and Quality of Health Care
Expansion of Flexible Benefit Designs Such as HSAs
Implementation of Wellness/Prevention Programs To Prevent Chronic Disease

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40. Approximately what proportion of your company’s training budget goes to which kind of training program? (Does not need to equal 100 percent - Please enter a zero if your company does not offer training in any or all of these areas.)

	Basic Skills	Leadership Development
Average:	25.6%	11.6%
Median:	20	10
High:	100	60
Low:	0	0
	Supervisory Skills	Technical Skills
Average:	13%	27%
Median:	10	20
High:	100	100
Low:	0	0
	Sales Training	
Average:	11.4%	
Median:	10	
High:	70	
Low:	0	

Other training programs reported: Environmental Health & Safety Training, New Equipment Training, Lean Training, Team-Building, and Basic Business/Economic Education.

41. Where does your company most often turn for external education/training resources for current employees? (Select up to three):

Most respondents turn to industry associations for external education and training.

- Business/industry associations: 46.4 percent (198)
- Consultants/External Training Companies: 44.9 percent (192)
- Technical/Vocational Schools: 30.7 percent (132)
- Community Colleges: 30.6 percent (131)
- Manufacturing Extension Partnerships: 15.9 percent (68)
- Universities: 11.7 percent (50)
- Online Training Providers: 10.7 percent (46)
- State or Local Government Agencies: 8.2 percent (35)
- Other: 6.3 percent (27)
- Federally Funded Training Programs: 1.6 percent (7)
- Unions: 0.4 percent (2)
- Community or Faith-Based Organizations: 0 percent

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42. What types of skills will your employees need more of over the next three years? (Percentages indicate number of respondents answering yes. Respondents were asked to answer all that apply.)

Most respondents claim that more than half of their employees will need improved technical skills over the next three years.

- Strong supervisory/managerial skills: 57.5 percent (245)
- Technical skills: 55.8 percent (238)
- Strong basic employability skills (attendance, timeliness, work ethic, etc.): 53 percent (226)
- Ability to work on a team: 50.7 percent (216)
- Reading/Writing/Communication skills: 45.3 percent (193)
- Math: 40.3 percent (172)
- Ability to translate drawings/diagrams/flow charts: 40.1% (171)
- Strong computer skills: 40.1% (171)
- Innovative/creative skills: 30% (128)
- English language fluency: 28.4% (121)
- Other: 2.3% (10)

43. Do you currently offer a paid leave benefit that your employees can use specifically for when they are sick, have doctor's appointments or need to care for a sick family member?

Most respondents offer at least a week of paid sick leave for their employees.

Yes: 54.2 % (191)

No: 41.2% (145)

Other: 4.6% (16)

44. If so, how much leave do you provide?

0-7 days: 67.7% (151)

8-12 days: 12.1% (27)

13 or more days: 10.3% (23)

Other: 0.8% (22)

45. Do you currently offer paid time off, separate from sick leave, for personal use (vacation leave, etc.)?

Yes: 83.4% (296)

No: 14.9% (53)

Other: 1.7% (6)

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46. How much leave do you provide for paid leave benefit?

0-7 days:	16.2% (69)
8-12 days:	29.34% (125)
13 or more days:	17.14% (73)
Other:	10.33% (44)

47. Have you reduced your needs for energy through an energy management program or energy efficiency initiative?

Almost half of the respondents have engaged in an energy management program at their facilities.

Yes:	45.2% (160)
No:	53.1% (188)
Other:	1.7% (6)

48. If so, how much has this program reduced your energy usage in the last year?

Average:	8%
Median:	5%

49. On average, what is the replacement cost of the major equipment that you have on your factory floor?

Average:	\$3,153,412
Median:	\$250,000
High:	\$100,000,000 (1)
Low:	\$0 (6)

Equipment Replacement Costs	2006	2007
Average	\$7,742,970.00	\$3,153,412.00
Median	\$400,000.00	\$250,000.00

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50. Do transportation costs for your raw materials and finished goods constitute a significant overhead cost for your operation?

More than half of the respondents reported significant transportation costs as part of their overhead.

Very significant:	13.7% (48)
Significant:	55.4% (194)
Not significant:	30.9% (108)

51. To what extent have transportation bottlenecks or delays caused you to lose customers during the past five years?

Almost a quarter of all respondents risked losing customers due to transportation bottlenecks.

Significant amount:	0.8% (3)
Nominal amount:	6.8% (24)
Risked losing customers:	25.5% (90)
None:	65.9% (232)
Other:	0.8% (3)

52. Which of the following averages of transportation does your company use to either ship finished goods to market, or receive raw materials for manufacture? (Percentages indicate percent answered yes).

Truck:	81.7% (348)
Railway:	13.6% (58)
Waterways/barge/shipping:	19% (81)
Other (UPS, FEDEX, etc.):	10.1% (43)

53. Do you use two-way radios in your operation?

Yes:	42.4% (150)
No:	56.5% (200)
Other:	1.1% (4)

54. Do you have any contracts with the government (local, state or federal) or sell any products or services to government entities?

Yes:	33.3% (118)
No:	66.7% (236)