

# 2020 NTMA EXECUTIVE COMPENSATION SURVEY

Each year NTMA conducts an Executive Compensation Survey of manufacturers in the precision machining industry. This year’s survey is currently underway.

## Why should members fill this out?

*Talent retention is more challenging than it has been in 5 decades* — Salary may not be the only thing that determines your employees’ satisfaction on the job. But it’s certainly one of the most important factors when it comes to recruiting the best people and convincing them to stay on board.

It’s crucial to ensure that the compensation you offer is competitive with other companies in the precision machining industry. For that reason, every organization should annually benchmark its salaries. The NTMA Executive Compensation Results help members do just that.

## How does it help their bottom line in business?

Let’s examine the results from another study of NTMA members, the annual NTMA Operating Costs Survey. This research is a profitability study designed to obtain, understand and analyze “best practices” in precision machining industry.

The exhibit below shows the a “High Profit” precision machining manufacturer makes nearly three times more money than the typical manufacturer in the industry. High Profit in this case refers to 1 of every 4 NTMA members that participate in the Operating Cost Survey.

	<b>Typical NTMA Mfr.</b>		<b>High Profit NTMA</b>	
<b><u>INCOME STATEMENT</u></b>				
<b>Net Sales</b>	<b>\$10,000,000</b>	<b>100.0%</b>	<b>\$10,000,000</b>	<b>100.0%</b>
<b>Cost Of Goods Sold</b>				
Direct Materials	2,510,000	25.1	2,620,000	26.2
Plant Labor	3,490,000	34.9	3,080,000	30.8
All Other Factory Costs	<u>1,640,000</u>	<u>16.4</u>	<u>1,680,000</u>	<u>16.8</u>
Total Cost Of Goods Sold	7,640,000	76.4	7,380,000	73.8
<b>Manufacturing Profit</b>	<b>\$2,360,000</b>	<b>23.6</b>	<b>\$2,620,000</b>	<b>26.2</b>
<b><u>S,G&amp;A Expenses</u></b>				
S,G&A Payroll Expenses	1,160,000	11.6	820,000	8.2
All Other S,G&A Expenses	<u>690,000</u>	<u>6.9</u>	<u>360,000</u>	<u>3.6</u>
Total S,G&A Expenses	1,850,000	18.5	1,180,000	11.8
<b>Profit Before Taxes</b>	<b>\$510,000</b>	<b>5.1%</b>	<b>\$1,440,000</b>	<b>14.4%</b>

How did the High Profit NTMA manufacturer earn \$930,000 with the same \$10 million in sales? Two factors predominantly contributed to their overwhelming success;

1. Lower Plant Labor Costs
2. Lower S,G&A Payroll Expenses

How did the High Profit group achieve lower payroll expenses? Again, two factors impacted their success;

1. Employee productivity — Sales per Employee
2. Appropriate salary and wage rates

As seen in the exhibit below, employees at High Profit companies were more productive, as measured by sales per employee. You may be surprised to learn that plant employees at the high profit company actually earned \$12,000 more on average compared to employees at the typical firm. So, pay your employees more and they will be more productive? Not necessarily. Offer a better compensation package and you will attract more skilled, more productive employees? Probably.

	<b><u>Typical NTMA Mfr.</u></b>		<b><u>High Profit NTMA</u></b>	
<b><u>Employees</u></b>	<b><u>Payroll per Employee</u></b>	<b><u>Head Count</u></b>	<b><u>Payroll per Employee</u></b>	<b><u>Head Count</u></b>
Plant Employees	\$71,000	49.2	\$83,200	37.0
S,G&A Employees	\$101,679	11.4	\$100,329	8.2
<b><u>Sales per Employee</u></b>				
Plant Employees	\$203,438		\$270,130	
S,G&A Employees	\$876,543		\$1,223,529	

### **What information is gained from Executive Compensation Report?**

Are you overpaying or underpaying your employees? The NTMA Executive Compensation Report gives you good compensation benchmarks so you know if the compensation package you offer is competitive.

So, participate in the benchmarking studies that NTMA offers. Find out how your company can be more successful. And start making more money!

All responses are kept confidential by Mackay Research Group, a 3<sup>rd</sup> party research company. No one at NTMA will see your response, so you are assured of confidentiality! Please note the report is **FREE** to participants only!