

Profitability Performance and the Role of Manufacturing Cost: Evidence from a Panel of US Manufacturing Firms

Nicholas Apergis*, Steven Johnson** and John Sorros***

For manufacturing firms, full productivity is considered to be one of the main factors for profitability maximization. In such a case, manufacturing costs seem to dominate over the other types of operating expenses. This empirical study aims at analyzing and quantifying the impact of such cost structure (i.e. the ratio of manufacturing cost to other operating expenses) on the profitability of US manufacturing firms. By combining information from the financial statements and the panel time series methodology for 800 firms spanning the period 1999-2009, we are capable of estimating the impact of a particular cost structure on the firms' profitability. Our preliminary empirical findings suggest that there exists a positive association between the cost structure ratio and the measure of profitability, implying that the manufacturing cost seems to be a reliable indicator characterizing the productive potential of the manufacturing sector.

* Nicholas Apergis
Department of Banking & Financial Management
University of Piraeus, Greece

** Steven Johnson
College of Business Administration
Sam Houston State University, U.S.A.

*** John Sorros
Department of Business Administration
University of Piraeus, Greece