# SME Business Support – Operational and Strategic Issues


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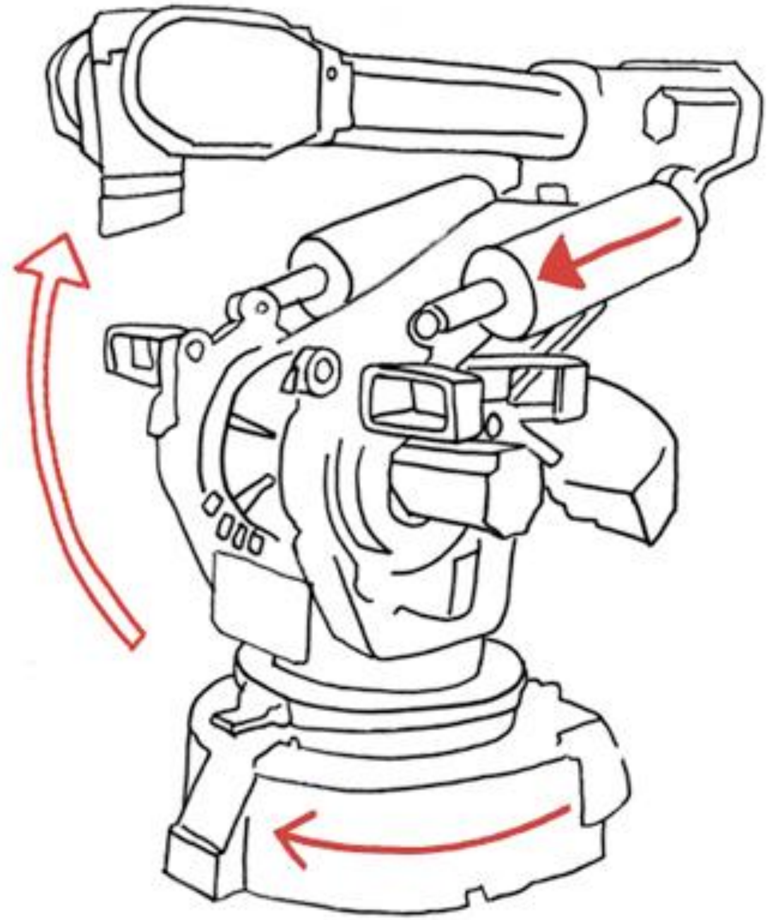
**Manufacturing Advisory Service – West Midlands**


26th February 2010



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- > Why is manufacturing important to the region?
- > Manufacturing Advisory Service – Overview.
- > Strategic issues facing businesses in the West Midlands.
  - > Volumes.
  - > Margins.
  - > Skills.
  - > High Growth / Technology.
- > Thoughts for the future.

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# Manufacturing in the West Midlands

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> Manufacturing remains a key part of the West Midlands Economic Strategy.
> It is one of the region's major strengths and is essential for its future prosperity.
> It is the most productive of the major sectors and the biggest creator of wealth.
> It accounts for 22% of regional Gross Value Added (GVA).
> It is a major contributor to productivity growth and the leading driver of business innovation.
> It comprises more than 18,000 firms employing almost 330,000 people with an annual turnover of £49.5bn per annum.
> SMEs (Small & Medium Enterprises) account for nearly 50% of both regional employment and GVA generation.

# Who we are…

- The Manufacturing Advisory Service in the West Midlands (MAS-WM) is dedicated to ***“Making a Difference in Manufacturing”*** .
- One of nine regional centres administered by dep. BIS and funded by AWM & ERDF
- We deliver customised solutions for manufacturing businesses across the region
- We aim to address their practical needs by delivering hands-on advice and business support through Specialist Manufacturing Advisors and a network of expert providers, including HEIs & RTOs
- We can assist with any aspect of manufacturing including productivity improvements, new and enhanced product development and operational efficiency.

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European Regional Development Fund
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Advantage West Midlands
www.advantagewm.co.uk

# What we've achieved…

- Established in 2002, MAS-WM has assisted over 6000 companies to improve their products, productivity, processes and people
- We've created over £60.4m of new added value and over £250m to the turnovers of those firms that have embarked upon in-depth business improvement projects
- 87p of every pound awarded to MAS-WM is invested directly in improving West Midlands manufacturing businesses
- As a result every £1 invested *results in a benefit* of £60 to the region.

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# How we do it…

- > Manufacturing Helpdesk 0845 245 0845
- > Manufacturing Reviews
- > Manufacturing Projects
- > Strategic Change Projects (SCP)
- > Supply Chain Improvement Projects (SCIP)
- > Sector Focused Programmes - SC21 in Aerospace & Defence and the Automotive Recovery Programme
- > New Product Development & Introduction (NDPI)
- > Specialist Sourcing services
- > International Marketing & offshore issues advice
- > Best practice workshops: Manufacturing, Purchasing & Marketing
- > Best practice company visits

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# Strategic Issues facing SME Manufacturing Business in the West Midlands

Data : Source T.Gebbels :AWM & WMRO

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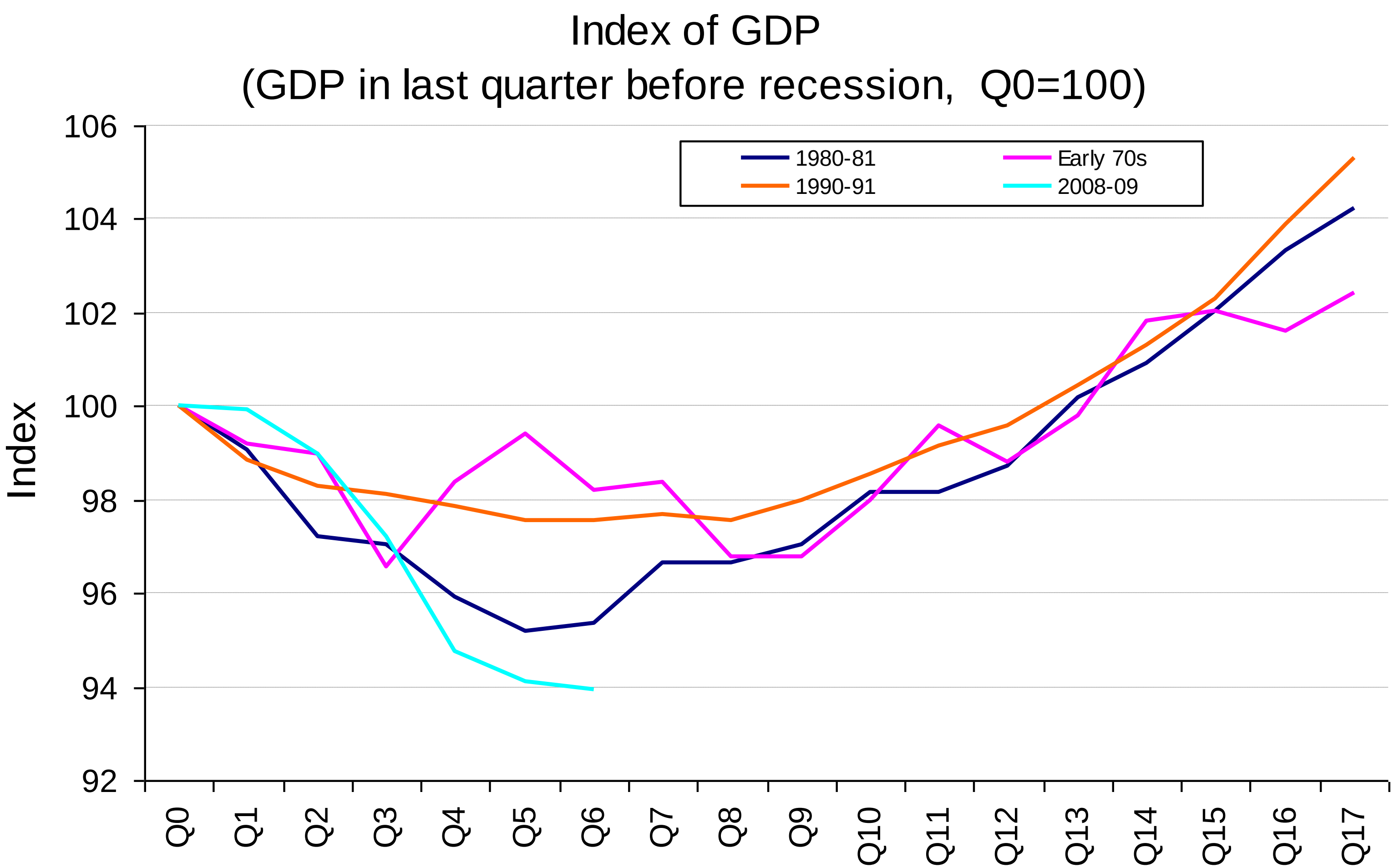
# The UK economy shrank for 6 consecutive quarters, the longest recession since records began in 1955....

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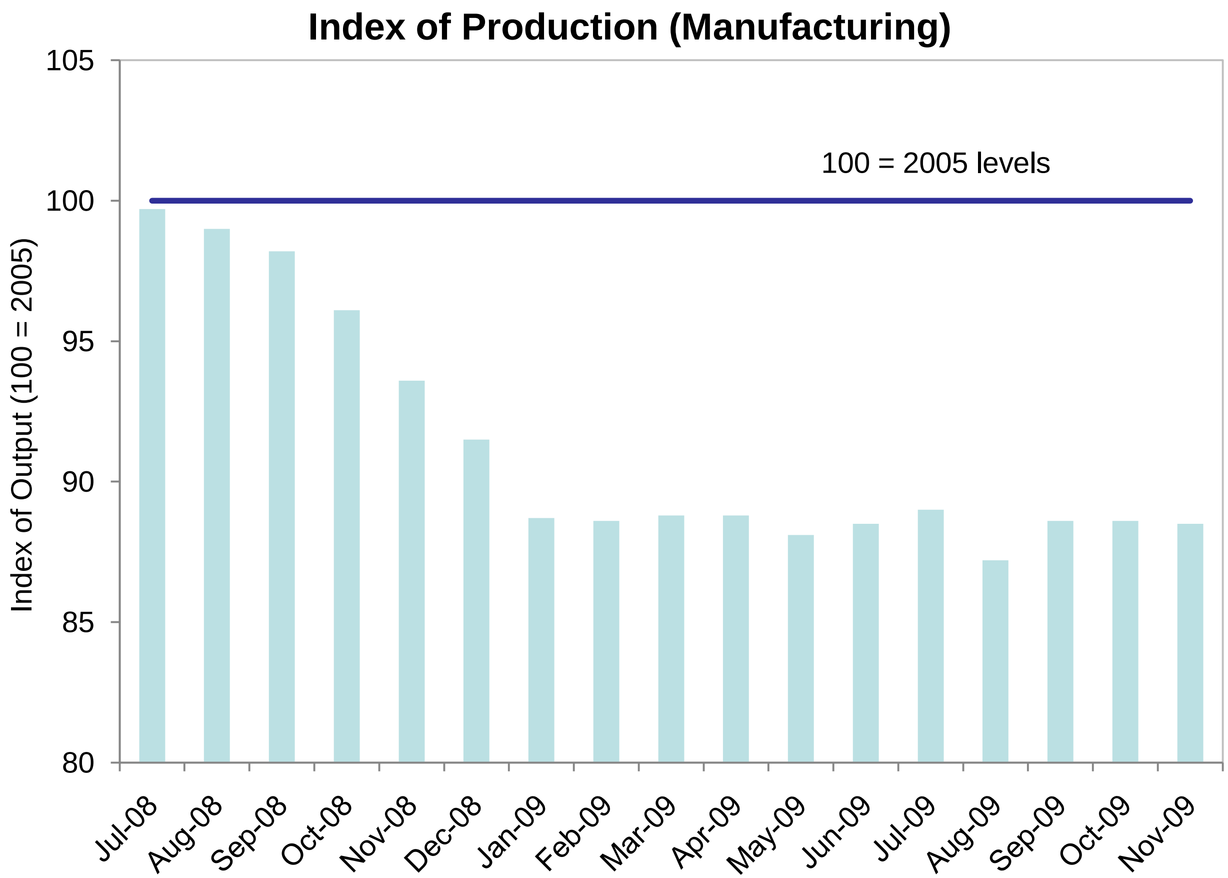
# UK Manufacturing output remains fairly 'flat'




>Source: ONS, Index of Production, January 2010

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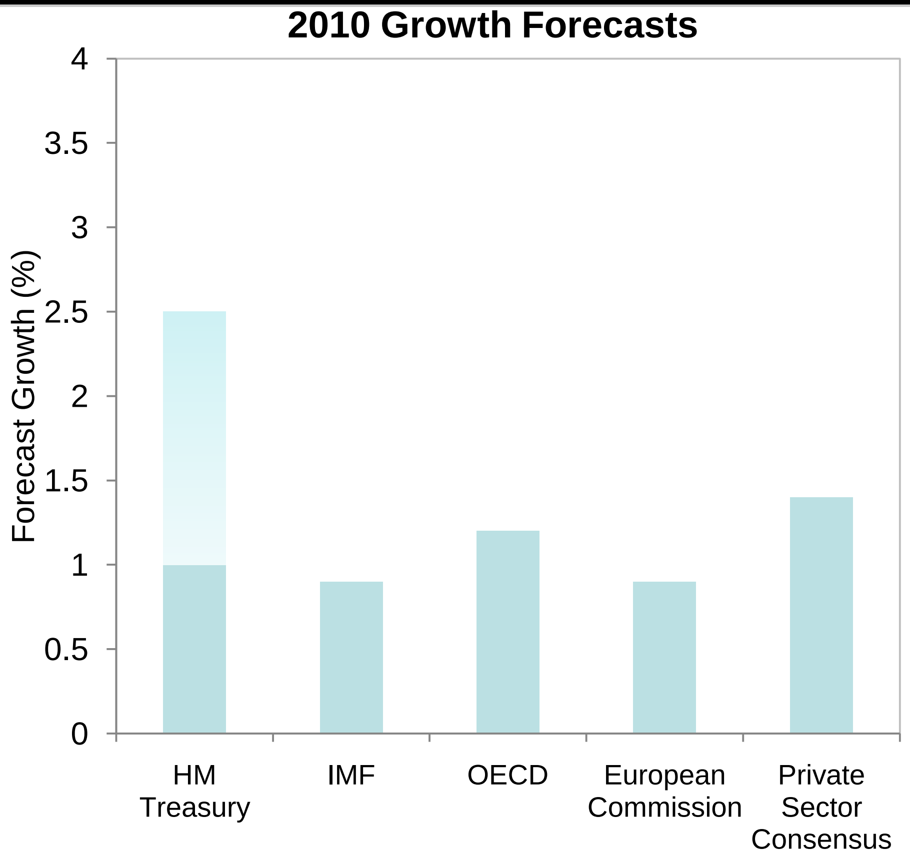
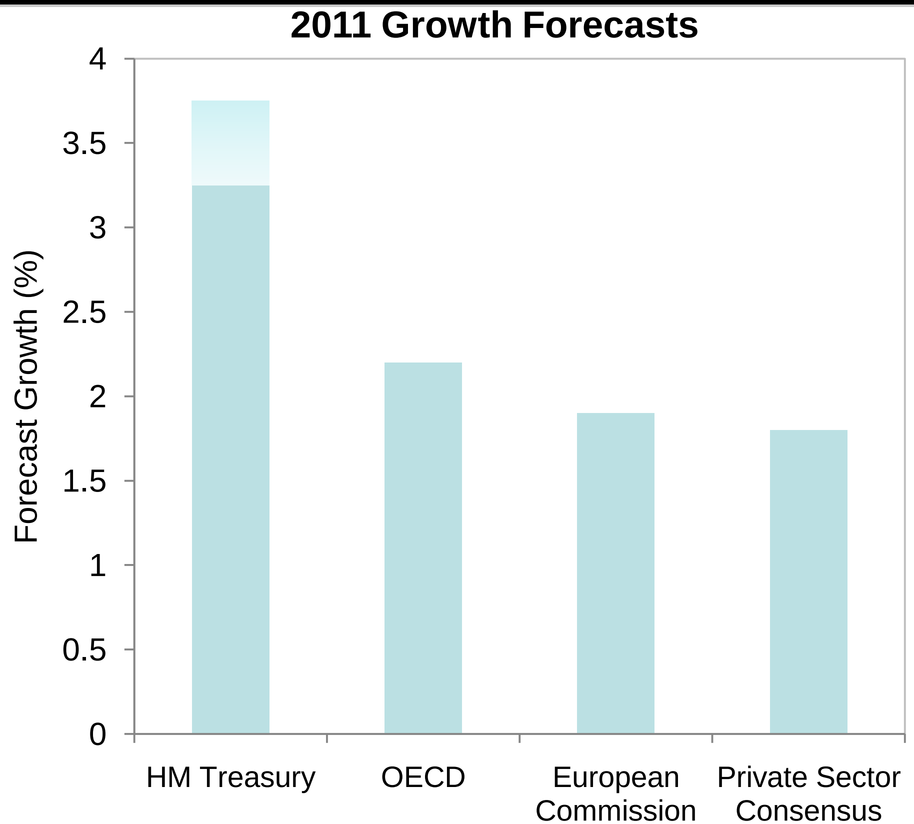
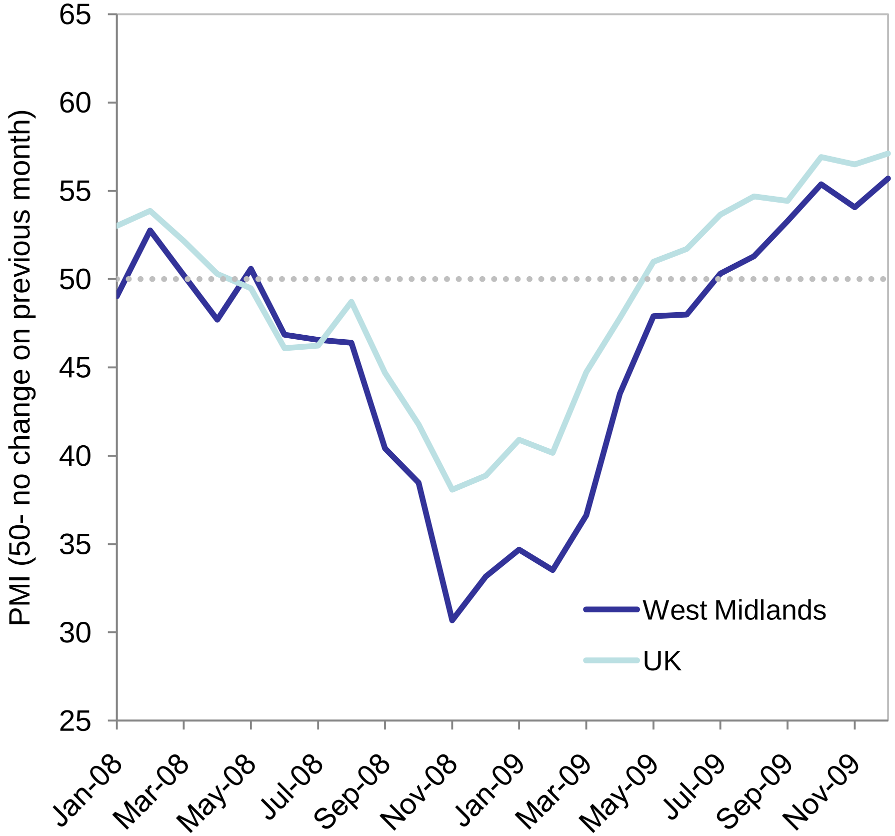
# The expectation is that growth will remain sluggish in 2010 and beyond

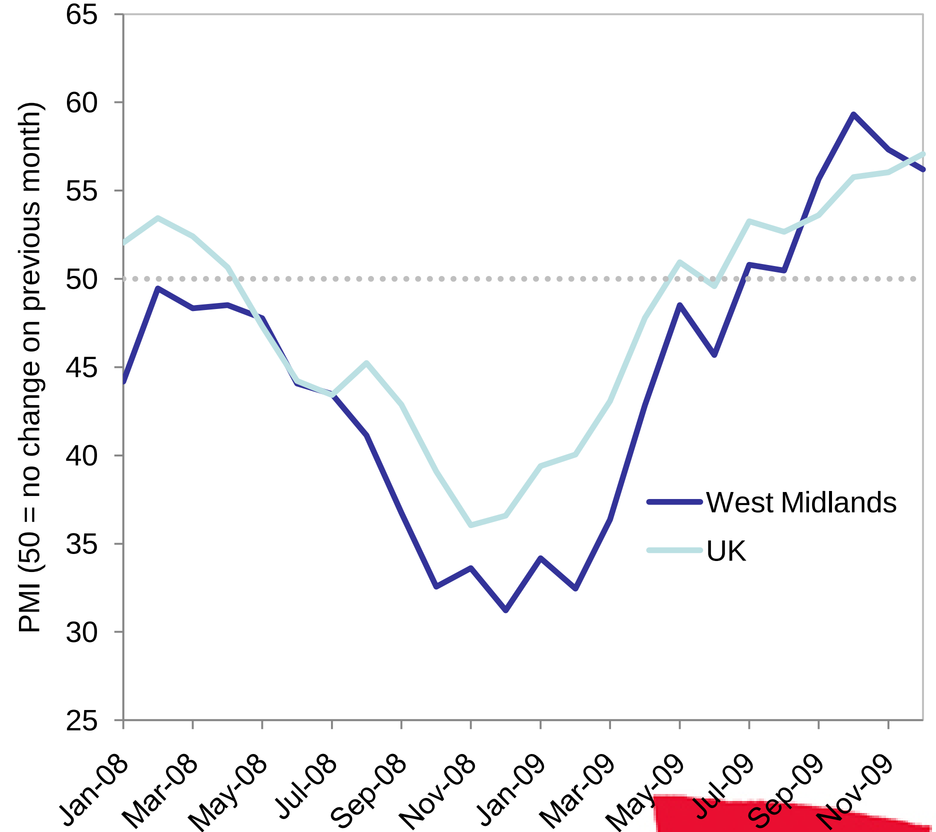



>*Notes*: Private Sector Forecasts for 2010 dated from December 2009, forecasts for 2011 from October '09

# The regional economy is showing 'tentative' signs of recovery.....




>Source: PMI West Midlands, Dec 09 (Markit Economics / AWM)

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# For business, input prices continue to rise, strong competition bears down on output prices, squeezing margins

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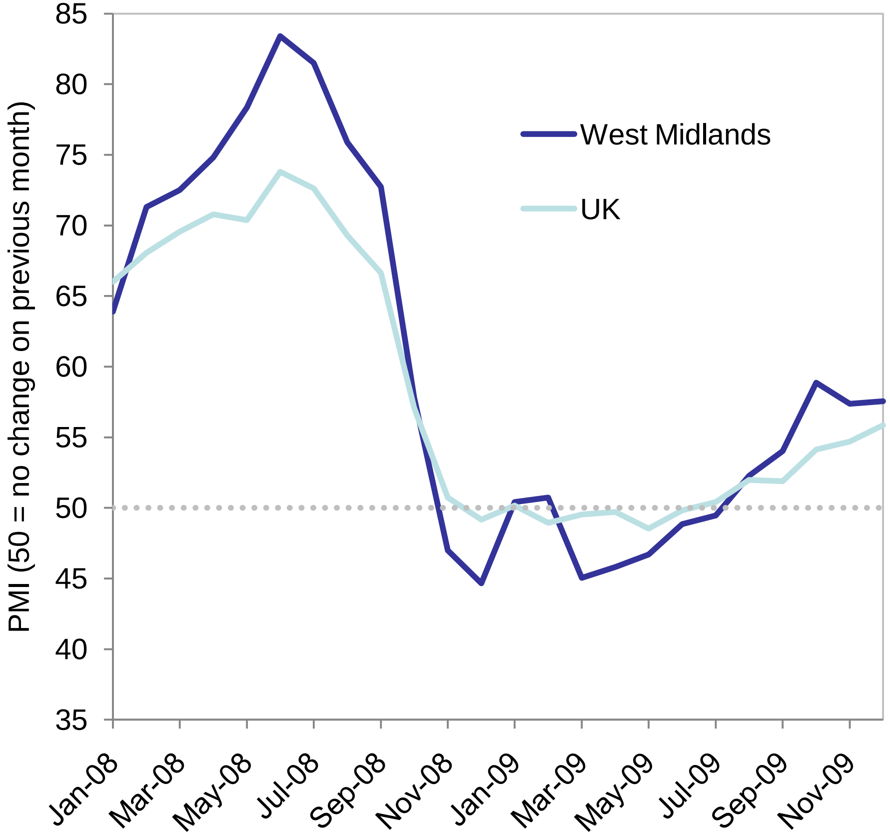
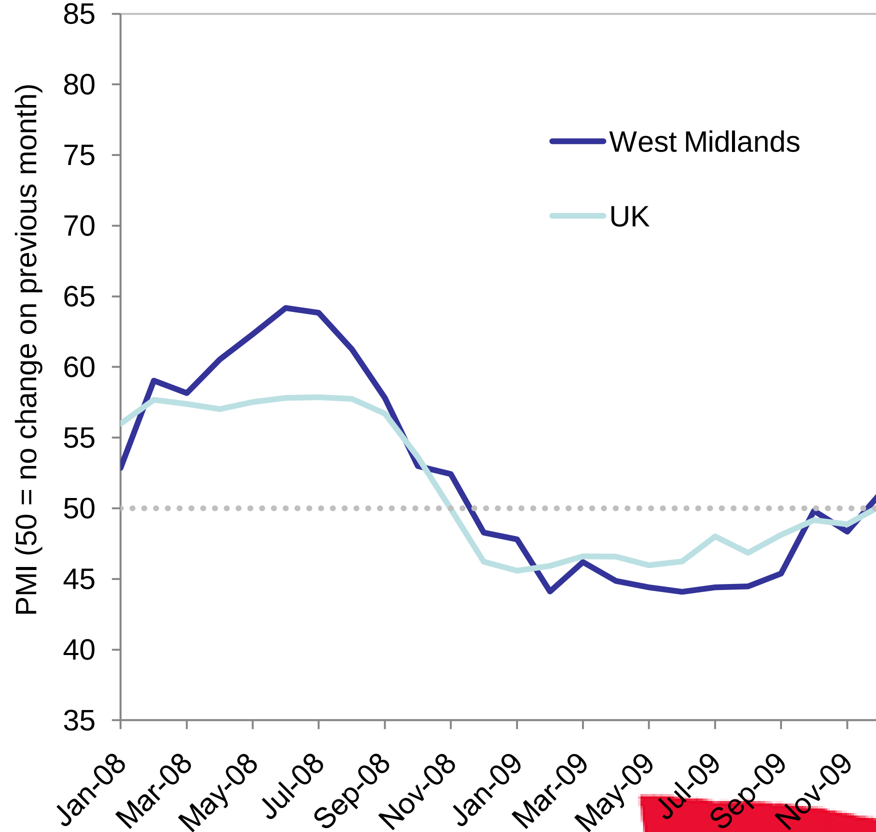
**Purchasing Managers Index - Input Prices**




**Purchasing Managers Index - Output Prices**

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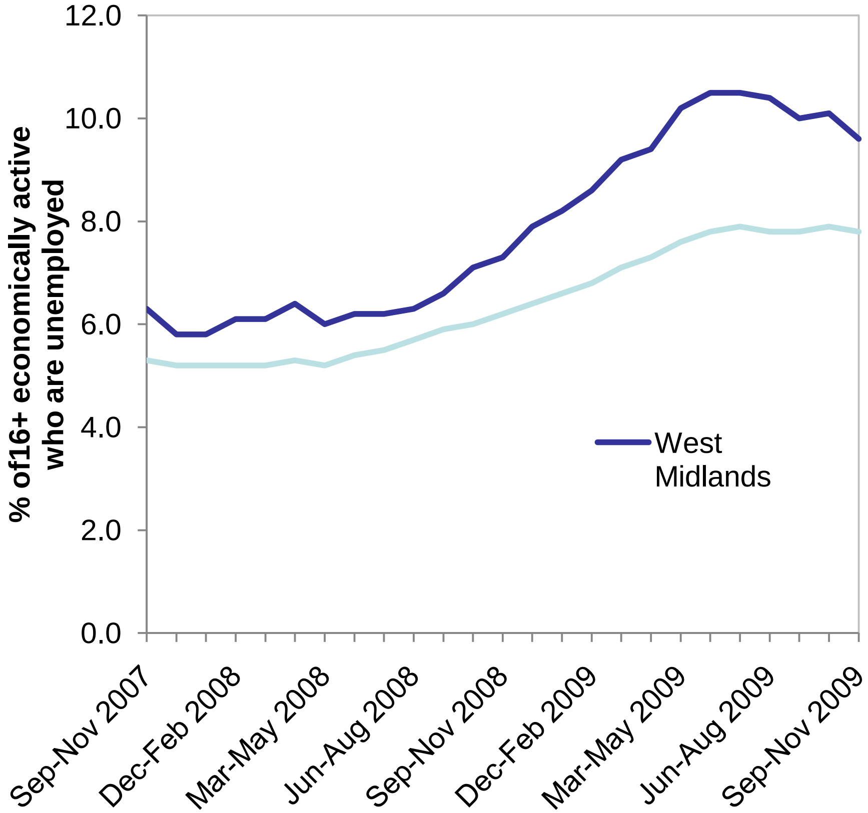
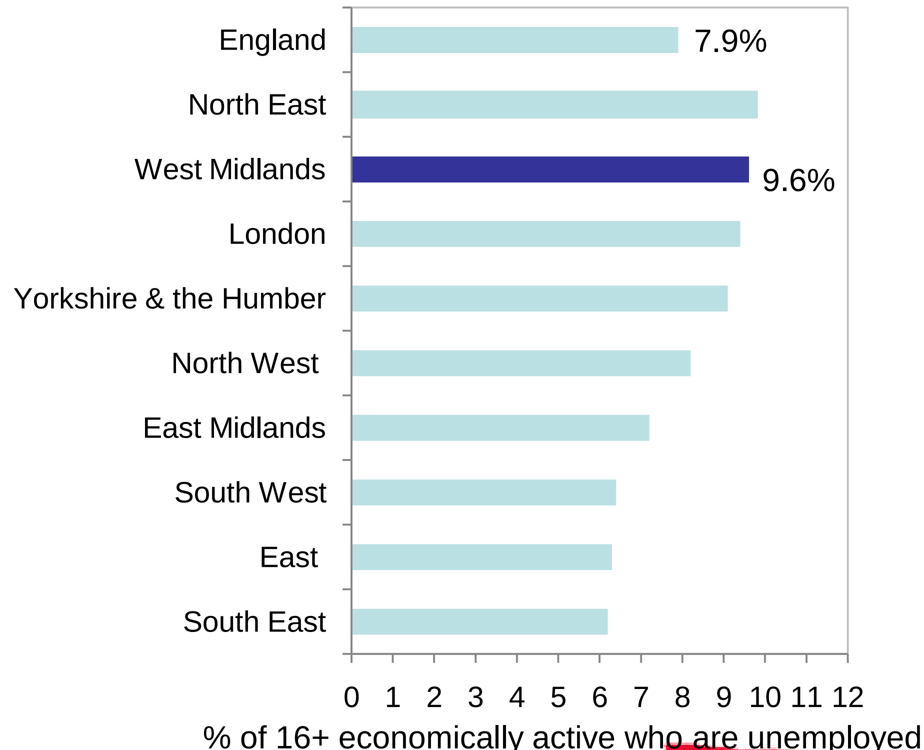
# The labour market is improving,

## ILO Unemployment Rate (seasonally adjusted)




## ILO Unemployment rate (Sept – Nov 2009)




>Source: Labour Force Survey, January 2010

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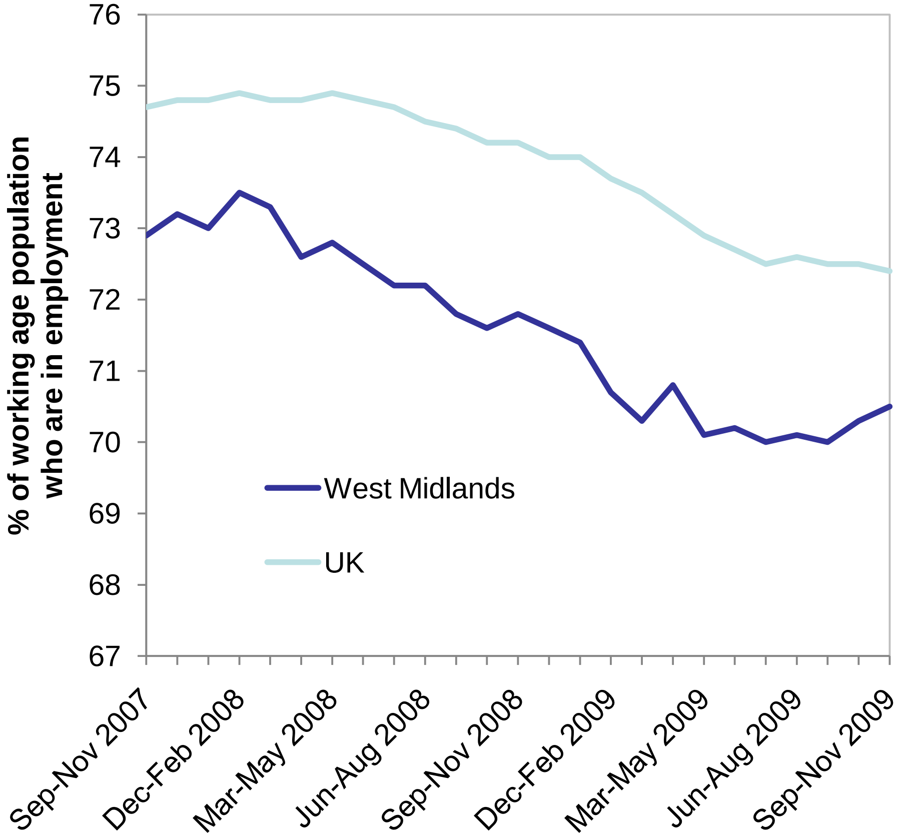
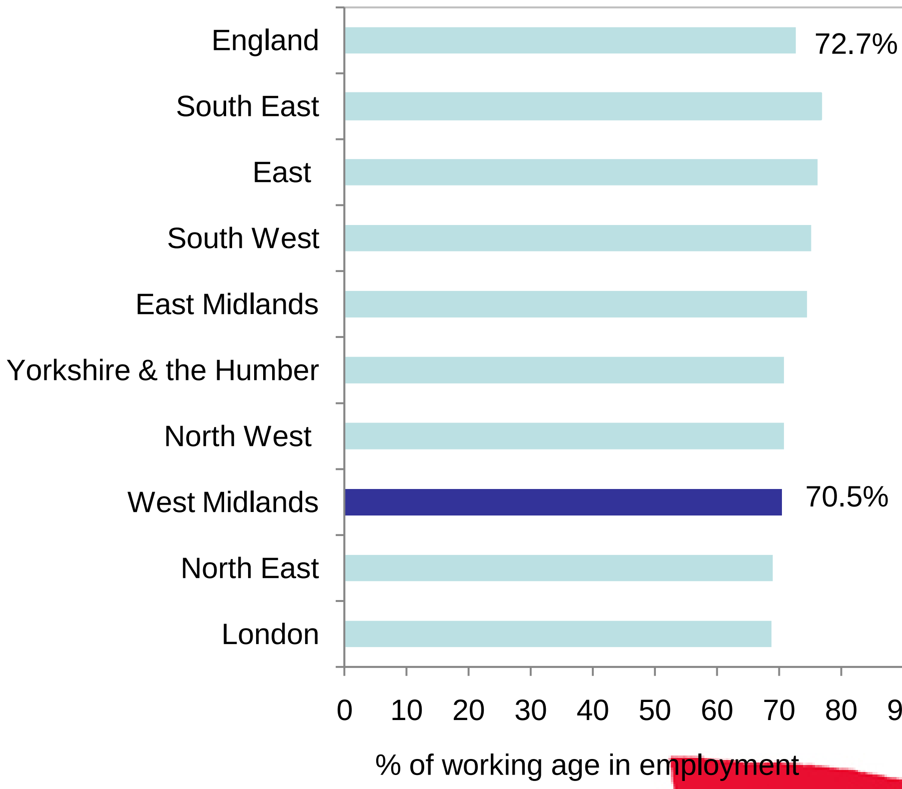
# The region's employment rate is starting to improve faster than the national average

## ILO Employment Rate (Seasonally Adjusted)




## ILO Employment rate (Sept – Nov 2009)




>Source: Labour Force Survey, January 2010

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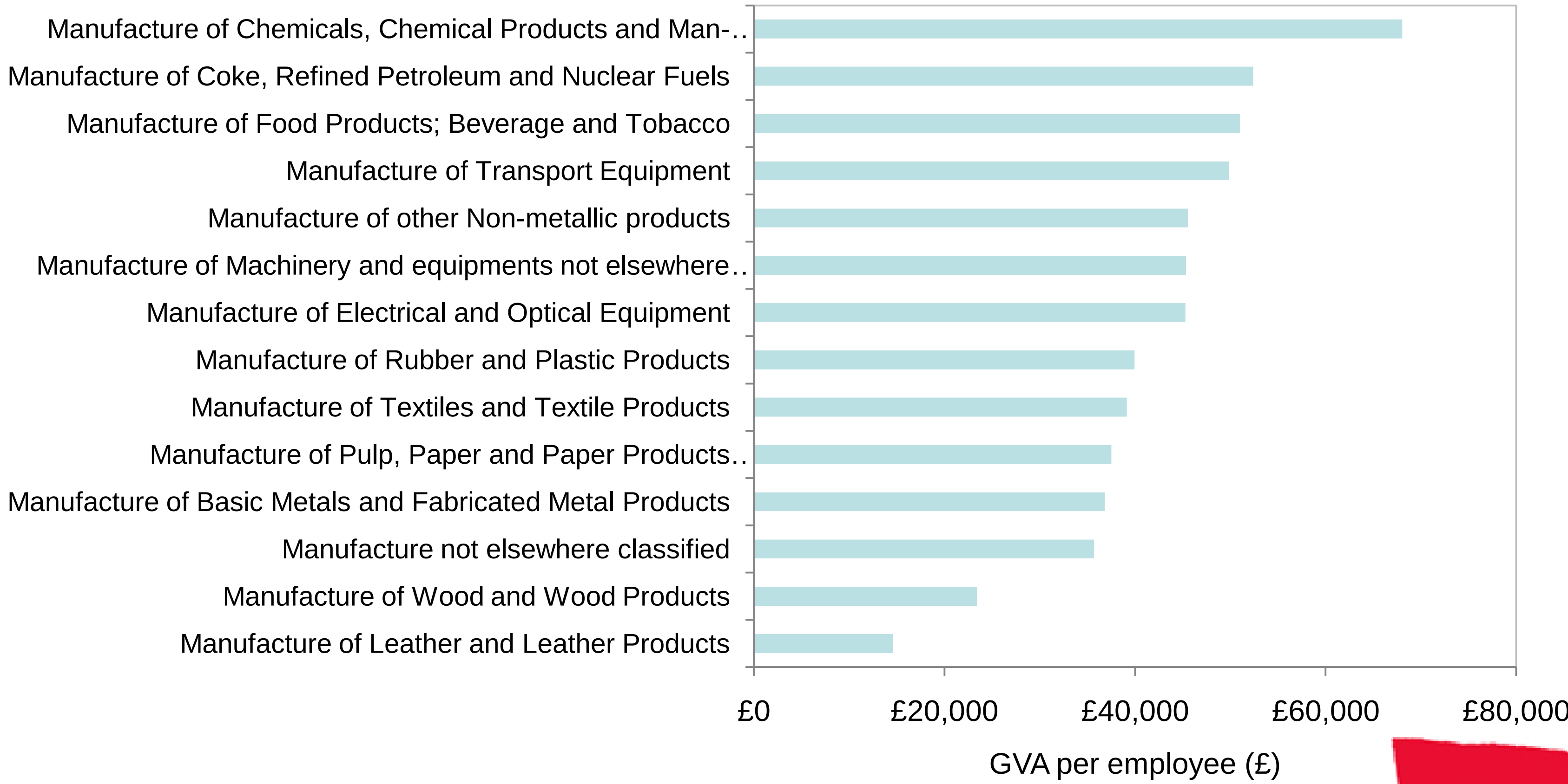
# Within sectors there are substantial variations in the levels of GVA per employee

**GVA per employee – Manufacturing Sector (West Midlands, 2006)**

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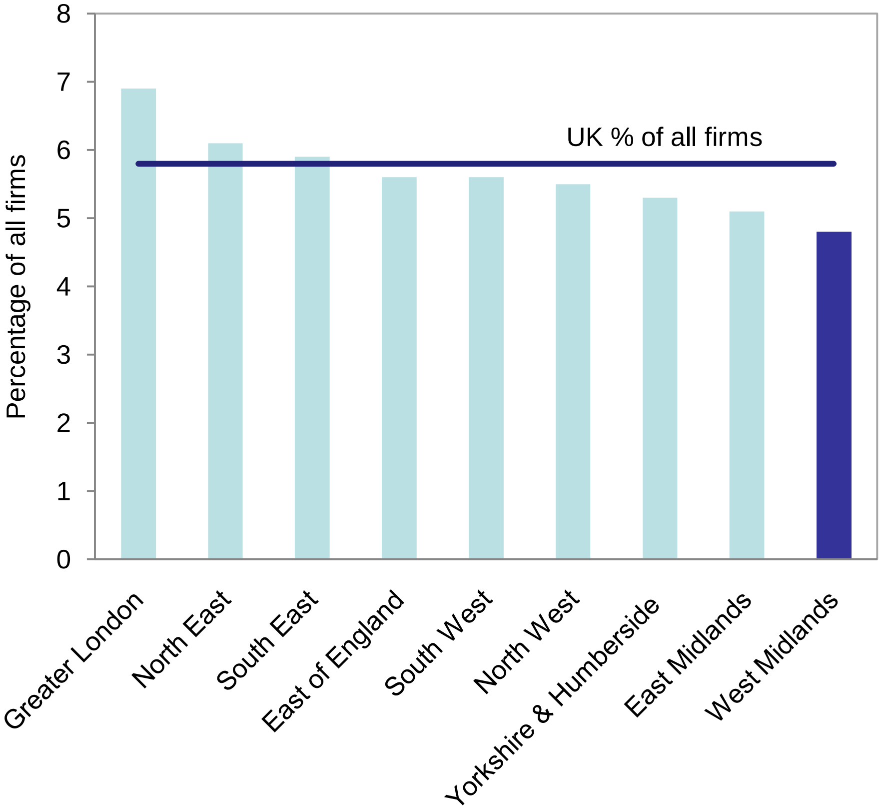
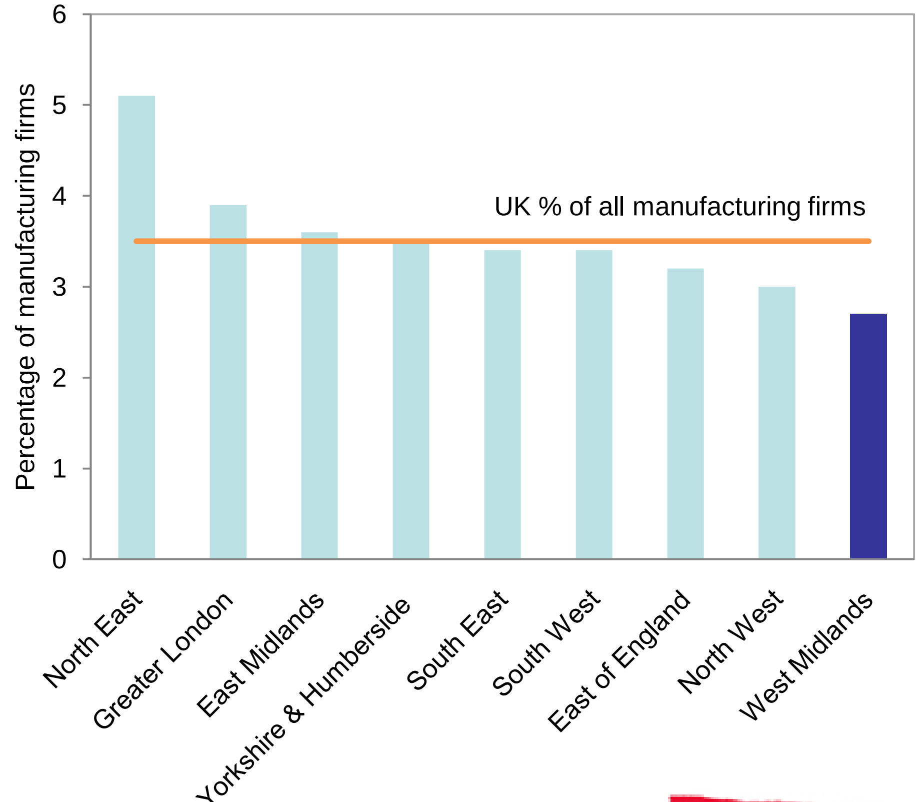
# The region's private sector has the lowest proportion of 'high-growth' firms

**Proportion of businesses (10+employees) that are high-growth (2005-08)**




**Proportion of manufacturing businesses (10+ employees) that are high-growth (2005-08)**




>Source: NESTA 2009 from the ONS Business structure database

>High growth firms are defined by the OECD as a firm with an average employment growth rate exceeding 20% per annum over a 3 year period and with 10 or more employees at the start of the period.

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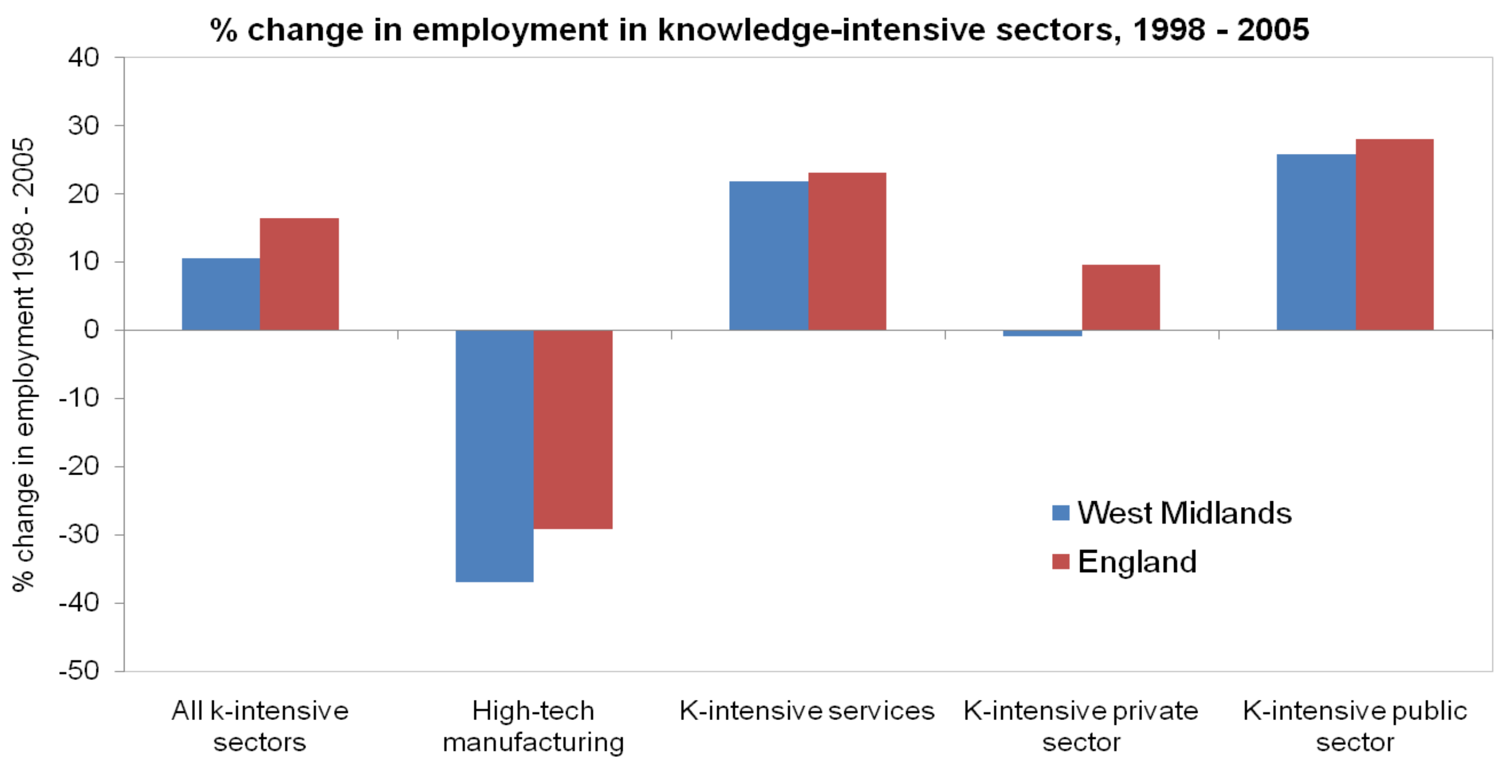
# And in terms of change, development of the knowledge economy has been especially poor




>Source: Work Foundation analysis, 2009

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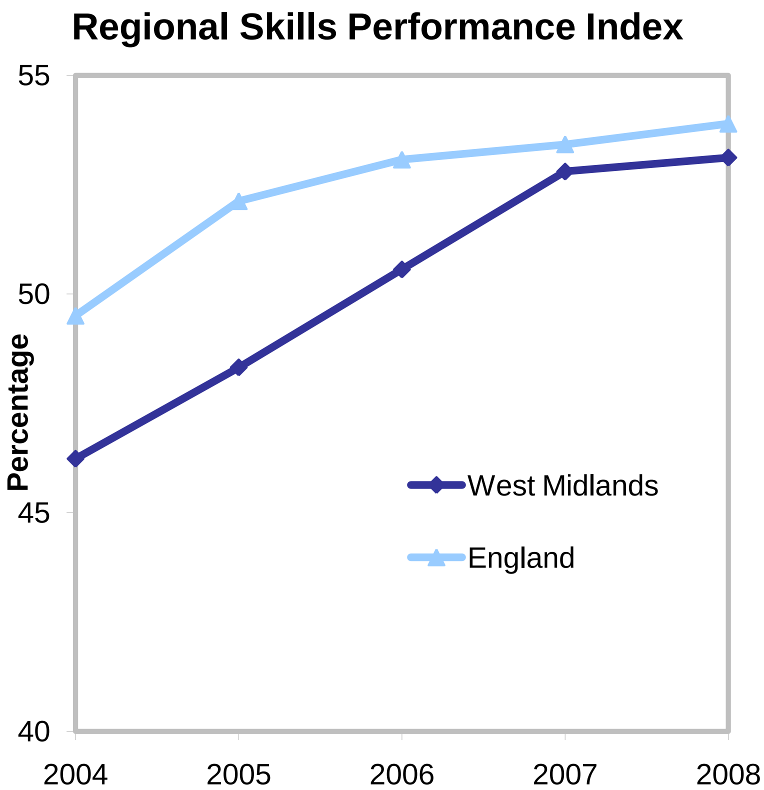
# Regional skills performance overall is improving, but skilled workers are highly mobile.....




>Source: WMRO

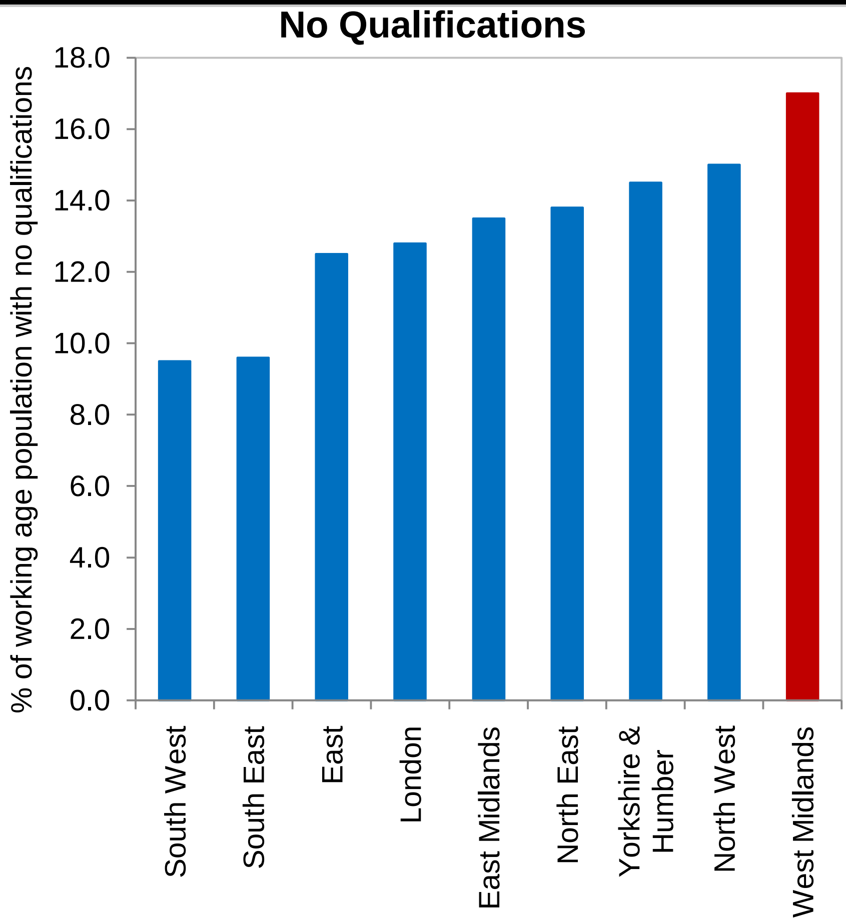
>**Key drivers of improvement:**

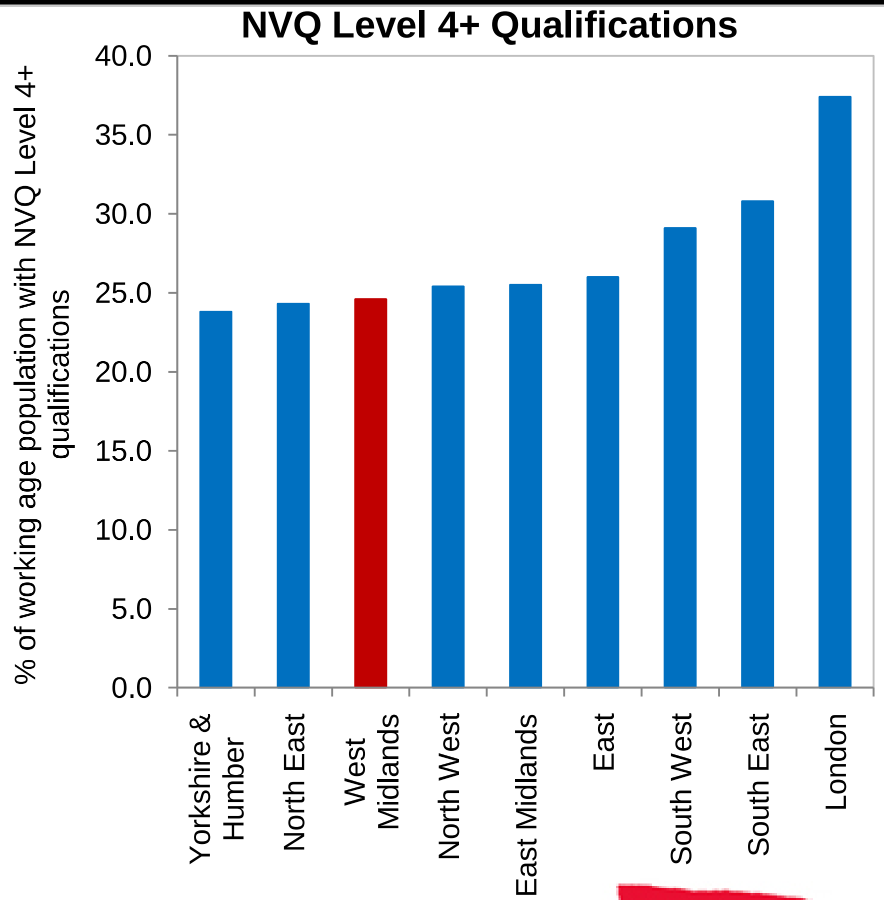
- >Employer investment in training and up-skilling, e.g. Train to Gain, Apprenticeships
- >Qualification attainment by individuals
- >Fall in the incidence of skills shortages
- >School attainment levels

>**But still issues of:**

- >Private sector demand for higher skills
- >Graduate retention
- >Qualification levels of adults

# Unskilled workers are relatively 'immobile' and act as a 'drag' on regional performance




>Source: Labour Force Survey, 2007

# Conclusions – the not so good news

- The region has seen a significant recession which has been both deep & long.
- There are tentative signs of recovery – but a “double dip” cannot be ruled out.
- Volumes are still weak & margins have been squeezed.
- Skill levels are weak and need to be improved.
- The West Midlands is poorly represented in the high growth / high technology sectors.

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# Conclusions – the good news

- Unemployment is reducing faster that other UK regions.
- Movements in the € / £ rate have helped the UK to become more competitive as a manufacturing location.
- Many customers are realising that long supply chains in India & China are disadvantageous.
- There are increasing signs of willingness to “repatriate” off-shored work.
- Opportunities exist to focus in creating higher value products / processes and services, and should not be frightened to invest in upskilling employees.
- Government policy seems to be moving in favour of the manufacturing sectors

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