

KEEPING IT LOCAL

East Midlands



The ERA
Foundation



The Manufacturing Technologies Association

A report by the Manufacturing Commission,
sponsored by the ERA foundation and the MTA

RECOMMENDATIONS

Based on the discussion in the East Midlands and additional conversations with local stakeholders, we have formed the following recommendations:

- 1 The Productivity challenge needs long-term solutions underpinned by a cross-party strategy. Government and Opposition should commit to the continuation of the principles and structures of the Industrial Strategy including putting the Industrial Strategy Council on a statutory basis, learning from the value of the Climate Change Committee as a statutory independent oversight body.
- 2 Industrial policy development needs much better inclusion of SMEs in the process. The Cities & Local Growth Units and BEIS should commission work to map national and regional membership bodies and create an engagement plan to ensure all voices are consistently heard and listened to, including SMEs in local supply chains. A good example of a highly successful model of regional engagement is the Bank of England's Agents network¹.
- 3 Tackling bureaucracy and regulation through simplifying arrangements for manufacturing support and innovation funding, and merging funds such as seed-corn funds wherever possible. This should include an easily accessible peer-to-peer industry collaboration fund.
- 4 Digital technology take up should be driven forward by BEIS through a best practice model based on the range of successful manufacturing support programmes across the country (e.g. LCR4.0/SAM/Digital Catalyst etc.). The learning taken from these programmes should be fed into Made Smarter in advance of its national roll-out to ensure that no good practice is missed.
- 5 Global trade growth needs BEIS and DIT to provide British manufacturers with better and more specific intelligence on potential high growth overseas markets. This should also involve DIT mapping their current regional skills and capacity to understand what support is available and analysing what more could be provided.
- 6 Academic support for business to be improved by incentivising universities to develop specialist hubs as opposed to competing in the same fields; this would provide businesses with a clear regional network of excellence. Also, Regional Business Schools can better support the full breadth of the employer base by providing executive courses tailored to local SMEs (especially focusing on the 'long tail' of low productive SMEs)².
- 7 Engage and enthuse young people about careers in manufacturing and engineering through greater Government investment in successful programmes such as Primary Engineer and Industrial Cadets. This engagement should also point them to high value future growth areas for the digital age, such as creative design and careers in automation/digitisation.

¹ <https://www.bankofengland.co.uk/about/people/agents>

² See the University of Bath's 'Productivity through People' programme or Aston Business School's Goldman Sacks 100 Small Business Programme. <https://www.bath.ac.uk/campaigns/productivity-through-people/> <https://www.goldmansachs.com/citizenship/10000-small-businesses/UK/about-the-program/>

LONG TERM, NATIONAL TO LOCAL STRATEGIES

A meaningful industrial strategy needs to be long term, with the local strategies mapped onto the national picture and vice versa. The LIS should be analysed on an England-wide basis to see how they contribute towards the Grand Challenges and how they align with the five foundations of productivity as set out in the Industrial Strategy³. The government should look to how regional strengths identified through the Local Industrial Strategies could be connected across the country to best facilitate business growth and productivity. This will require increased oversight from an independent body with a minimum 5 - 10 year horizon which allows it to ensure the short term targets of different government departments do not undermine longer term objectives.

"I think there needs to be a clear strategy from the top... and it's got to be connected up."

THE SME CHALLENGE IN POLICY DEVELOPMENT

Despite being mixed groups which included representatives of OEMs, a number of Tier 1 suppliers and a range of Small-Medium Enterprises (SMEs), there was a consensus among participants that a strong localised programme of support for SMEs would be a positive focus for the LIS. Participants stressed that SMEs often lose out due to their inability to engage with policy programmes such as the LIS because of time pressures and lack of collective voice. During the discussion, numerous comparisons were made to other countries and lessons the UK could learn from them, especially the strength and unified voice of the German SME base (Mittlestand).

"the small SME, regardless of sector, doesn't get heard... you don't see them at forums like this because they can't afford the time... they're busy on the tools, doing the job."

BUSINESS COLLABORATION

Manufacturers stressed the importance of business collaboration, citing the value of peer to peer knowledge- sharing. Participants suggested they would actively seek and attend events which featured networking as they provide the opportunity to make connections and gain new business. Membership organisations were also seen as important to business collaboration as they provide events at which manufacturers can network and share best practice.

"...we have a lot of meet the buyer events and it doesn't necessarily have to be meet the buyer, but it's all about getting the companies communicating with each other, talking to each other..."

EXPLOITING THE CHANGING TECHNOLOGICAL LANDSCAPE

Participants noted the need for the government to act to protect and grow industry, but felt that to do so would require strong analysis to provide a baseline from which the area and LEP can build. Manufacturers are conscious that the sector is facing a profound period of change and noted that many businesses were not investing in the new technology required to meet the higher production volumes necessary to grow their business. Whilst participants were positive about the benefits of technological change, several made the point that many manufacturing businesses are still not lean, despite this being the start point for digitalisation.

"The vast majority of factories I go into are fairly poorly managed on the shop floor. The processes aren't lean, because there is no resource coming through to do it... [the] Internet of things, isn't the solution, it's a tool."

³BEIS, 2017. Building a Britain fit for the future. BEIS. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf [Accessed 11 April 2019].

NEW GLOBAL MARKETS

During the discussion, a number of participants highlighted the need for more support for those businesses wishing to set up in new markets. Whilst manufacturers recognised the work the Department of International Trade currently do to support trade in established markets through trade missions, several felt that such support needs to be extended to help business break into new markets.

“...if you're looking to set up in a region, manufacture from that region, sell products into that region, and then bring the profits back, there just isn't the support there”

HIGHER EDUCATION

Several manufacturers cited collaborations in which they had taken part as examples of successful partnerships with academia, however they also stressed how difficult it is when Universities compete to specialise in the same fields, making it confusing for businesses looking for academic support or knowledge transfer partnerships. Leadership skills was another recurring theme, with manufacturers citing a lack of leadership skills within businesses as a factor in holding back growth. There is increasing empirical evidence that Leadership - especially in HR practices and raising employee motivation to engage in innovative activities - are also critical to productivity growth.

“...a lot of these businesses just continue to tick over and are not driving growth because the ability of the senior management is not capable of putting that growth strategy into place”

SKILLS FOR WORK

The current lack of clear pathways into industry alongside outdated perceptions of the sector were highlighted as putting young people off starting a career in manufacturing. Some manufacturers explained that their own programmes of school engagement have helped them to access more of the skills they need, but that they often find that those they recruit have not been “work ready” with the requisite skills or attitude required to succeed in a practical working environment.

“Germany get this right. They take in school pupils at the age of six and seven and they get them into sectors... one thing I would add to that for [students in our] secondary schools, they lack employability skills massively.”



WHY THE LOCAL INDUSTRIAL STRATEGIES MATTER

The Local Industrial Strategies (LIS) aim to address the Places element of the five foundations of productivity set out in the Industrial Strategy (Ideas, People, Infrastructure, Business Environment and Places). The Strategies are led by Combined Authorities (CAs) or Local Enterprise Partnerships (LEPs) with the objective of coordinating local economic policy and national funding streams and establishing new ways of working between national and local government, the public and private sectors.

Manufacturing accounts for 23% of the UK economy (including induced spending)⁵ - and remains a major component of the economy outside the major cities of the UK⁶. With the Local Industrial Strategy focusing on maximising productivity, manufacturing must play a central role in any place-based industrial policy aimed at addressing the productivity challenge.

THE EAST MIDLANDS

Manufacturing still accounts for a large proportion of the East Midlands total output, 1.7 times higher than the UK average⁷. The area is host to a diverse range of manufacturing - food and drink to high-value manufacturing sectors including motorsport, aerospace and automotive. However, despite these high value sectors, the region achieves only 86% of the UK average productivity, with only Wales and Northern Ireland posting lower figures⁸. In Make UK's Q2 2019 Manufacturing Outlook report, the East Midlands saw manufacturing output up, investment and employment down, but business confidence at the highest level of the whole of the UK. A good base from which to grow.

The logo for the Manufacturing Commission, featuring the word "manufacturing" in a light blue, lowercase, sans-serif font above the word "Commission" in a smaller, white, uppercase, sans-serif font, all set against a dark blue rectangular background.

The Manufacturing Commission is an independent body comprising leading figures from across the manufacturing sector that carries out in-depth research into policy relating to manufacturing. The Commission is Chaired by Lord Bilimoria CBE DL and is a Parliamentary and industry led body which conducts high-level research inquiries aimed at forging new thinking around industrial policy in the UK. It is cross-party and cross-sectoral, and makes recommendations to government and industry in order to instigate positive change in the UK manufacturing sector.

The logo for Policy Connect, featuring the word "policy" in white, lowercase, sans-serif font on a red rectangular background, followed by the word "connect" in white, lowercase, sans-serif font on a grey rectangular background.

Policy Connect is a cross-party think tank improving people's lives by influencing public policy. We collaborate with Government and Parliament, through our All-Party Parliamentary Groups and Commissions, and across the public, private and third sectors to develop our policy ideas. We work in health; education & skills; industry, technology & innovation, and sustainability policy. This project is being undertaken by the Industry, Technology & Innovation team at Policy Connect and is led by Ben Carpenter Merritt, Policy Manager Manufacturing. Special thanks go to the Manufacturing Technology Association and ERA Foundation who have sponsored this project. Additional thanks to our regional partners Norton Motorcycles, Made in the Midlands and the Leicester and Leicestershire Enterprise Partnership.

⁴ BEIS, 2017. Building a Britain fit for the future. BEIS. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf [Accessed 11 April 2019].

⁵ MTA, 2018. The True Impact of UK Manufacturing. Oxford Economics.

⁶ Centre for Cities, 2018. Places with purpose: The future of Industrial Cities, Towns and Communities. Centre for Cities. Available at: <https://www.keycities.co.uk/places-purpose-0/> [Accessed 20 April 2019].

⁷ Deloitte, 2018. Power Up: UK-Wide Growth. Deloitte CCS. p.11.

⁸ Make UK, 2018. Regional Manufacturing Outlook 2018. Make UK. pp.4-5.

REGIONAL PARTNERS



The Leicester and Leicestershire Enterprise Partnership Limited (LLEP) is an incorporated strategic body established to drive forward regeneration and growth of the local economy. The LLEP works with partners and government to set out key investment priorities for Leicester & Leicestershire. It also invests funding and aligns partner resources to drive activities that ensure positive outcomes for the local economy. The LLEP is currently working with government to develop the Local Industrial Strategy for Leicester and Leicestershire. Part of this process included commissioning an independent review of the local economy, in addition to a call for evidence from stakeholders regarding local priorities.



Made in the Midlands, established in 2009, are a voice for the manufacturing industry in the Midlands. The company was created to challenge the erosion of the British manufacturing industry and to champion those in the sector. With more than 500 members, Made in the Midlands is the fastest growing membership group, connecting the industry through networking best practices, a digital platform and much more. Made in the Midlands is now part of the Made in Group along with: Made in Yorkshire and Made in London, in a bid to connect the industry on a larger scale.

REPORT SPONSORS

The ERA Foundation

The ERA Foundation is a non-profit organisation which contributes to the economic vitality of the UK by supporting engineering skills development and by helping bridge the gap between engineering research and its commercialisation. Our history means we have a particular interest in electrotechnologies, but we maintain a broad interest in all of engineering especially in our work supporting young people. Much of our activity is in partnership with other organisations or individuals. All our partners have a significant stake in what we do and how we do it.



The Manufacturing Technologies Association exists to promote the interests, and be the voice, of the manufacturing technologies sector in the UK. Key aspects of manufacturing technology include; machine tools, cutting tools, metrology (measuring) equipment, additive manufacturing (3D printing), surface finishing, robotics and computer aided design and manufacturing products (CAD/CAM), as well as the technology which is enabling the digitisation of manufacturing - the fourth industrial revolution. These combine to make up complete systems - increasingly automated and adaptive - that manufacturers deploy, making the sector fundamental to the prosperity, health and defence of the nation. Established in 1919 the MTA has been at the core of the UK's engineering based manufacturing economy for over a century.