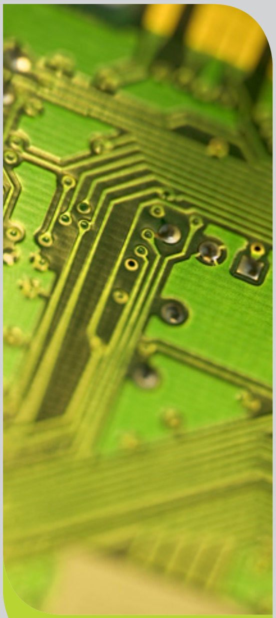
2014



ICT

FINANCE

SKILLS

ANNUAL MANUFACTURING REPORT

SPONSORED BY

aab automation advisory board

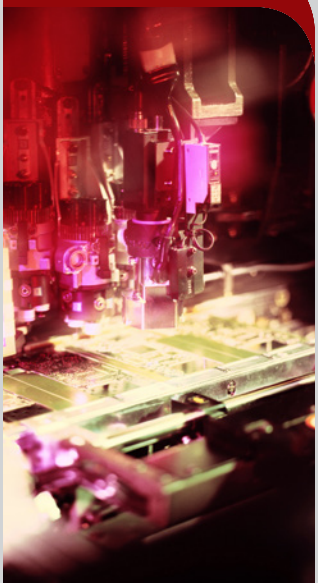
BARCLAYS

eBECS Experts in Microsoft Dynamics

Pera Training

ZURICH

AUTOMATION



ECONOMY, POLICY & RISK

IN ASSOCIATION WITH

THE Manufacturer

CONTENTS

4	**FOREWORD** *By Terry Scuoler, Chief Executive, EEF*
5	**EXECUTIVE SUMMARY** *Tim Brown, Report Editor, The Manufacturer*
6–13	**ECONOMY, POLICY AND RISK** *Survey & Analysis, Sponsored by Zurich*
14–23	**FINANCE** *Survey & analysis, Sponsored by Barclays*
24–31	**AUTOMATION** *Survey & analysis, Sponsored by the Automation Advisory Board*
32–39	**SKILLS** *Survey & analysis, Sponsored by Pera Training*
40–45	**ICT** *Survey & analysis, Sponsored by eBECS*
47–51	**OPEN LETTERS TO GOVERNMENT**

REPORT EDITOR
Tim Brown
t.brown@sayonemedia.com

DESIGN AND ARTWORK
Optic Juice Ltd
design@opticjuice.co.uk

PUBLISHER
Henry Anson
h.anson@sayonemedia.com

Head Office: Elizabeth House, Block 2, Part 7th Floor, 39 York Rd, London, SE1 7NQ
T +44 (0)207 401 6033 F +44 (0)207 202 7488 www.sayonemedia.com

FOREWORD

Terry Scuoler, Chief Executive, EEF

It is always a privilege to introduce a report on our sector where confidence and optimism is so high. More than 90% of respondents to the survey reproduced in this annual report say they are optimistic about prospects for manufacturing in 2014.

What a difference a year makes. At the beginning of 2013 the best even optimists could manage was that things would probably not get worse and might improve a little.

That said, amid renewed confidence and positive talk about renewal, we should not lose sight of the challenges and issues we all face if we want to see a balanced and enduring economic recovery. As political debate continues to revolve around the standard of living for working people in our country, we can be proud that manufacturers are responsible for creating high quality, well-paid jobs. What we want to see now is the renewed optimism in manufacturing translated into more investment and expansion. We want businesses forging ahead with new product developments, selling more goods abroad and sending a clear signal that Britain is the most business friendly nation and a gateway to Europe and new markets.

The Government must play its part, building on the very welcome and focused support we have already seen from departments such as Business Innovation and Skills. There are some urgent items for them to consider in their in-tray, not least the need to tackle the spiralling cost of energy faced by many manufacturers, and not just those industries where energy bills have always formed a large part of their cost base. And across Government we want to see consistency and co-ordination in policy making in support of growth.

And the same message in support of manufacturing and industry must be heard in Brussels, during what will be a transformational year in Europe. Elections in May will trigger a complete shake-up in both the parliament and, just as importantly, the high command at the Commission. It is in all our interests that Britain remains a powerful and leading voice in Europe. We must champion reform that supports business, ensuring that the Commission and MEPs focus their energies on the economic opportunities for UK and European manufacturers and the enormous associated benefits that will bring in terms of jobs, growth and prosperity.

So, looking beyond 2014, what does the future hold in store for manufacturing? The ground-breaking Foresight report, published at the end of 2013, sets out innovative and exciting prospects for manufacturing industries, predicting they will be operating at the cutting edge of technology in a global market place. Let us make 2014 a year where we celebrate with pride the role of manufacturing in our economy and let us channel a renewed economic optimism into supporting businesses and industry to strengthen and rebalance our economy for the benefit of those generations who will be inspired by and benefit from Foresight's vision.

EXECUTIVE SUMMARY

Welcome to the Annual Manufacturing Report 2014 sponsored by Zurich, Barclays, eBECS, the Automation Advisory Board, and Pera Training.

Tim Brown,
Report Editor,
The Manufacturer

In 2014, manufacturers are demonstrating both strong investment intentions for machinery and IT as well as enthusiasm for the overall economic outlook for industry.

This overall improved perspective was also represented in an increased focus on international business opportunities. While the overall sense of optimism is reflected in an improved view of the Government's handling of the economy and UK manufacturing, most manufacturers agree that manufacturers from almost all other countries enjoy a higher level of support from their respective governments than is currently experienced in the UK.

However, according to the report there is a continuing dwindling level of engagement with government's Local Enterprise Partnerships which are designed to help determine local economic priorities and lead economic growth.

The Manufacturer has taken the opportunity to help promote more understanding of industry in government and has created several open letters to parliament covering three specific manufacturing sectors: food and drink; automotive; and clothing and textiles. Condensed versions of these letters are published at the back of this report, while the full versions are available online and have been sent directly to Parliament.

As has been the case over the last decade, the skills agenda remains a top concern for manufacturers who feel that there is not enough being done to make manufacturing an attractive career choice. But while attracting staff is a continued issue due to a lack of demand and interest from job seekers, the risk of losing trained staff to other employers was also highlighted as an ongoing issue.

Where once it was common practice for larger manufacturers to hire and train excess apprentices and let the excess flow down through the supply chain, this practice is now much less common. In some cases this activity has actually reversed, making smaller members of the supply chain more responsible for providing their own training while being more at risk of employee attrition to larger companies seeking experienced applicants.

While the problem of skills is a continued issue for manufacturers, many companies report trying to tackle the issue with a strategic rather than reactive response utilising new IT initiatives and automation to help improve productivity and quality. The trends we see from the automation suppliers show that the uptake of automation into manufacturing continues to increase.

From a financial standpoint access to working capital has become an increasing focus for manufacturing businesses. And with a considerable increase in emphasis on increasing cash flow, manufacturers show a very positive improvement in their appetite to invest to drive growth.

By comparison with previous years, The Annual Manufacturing Report is now being released at the beginning of the year. Although this is therefore the 2014 report, it uses data collected from a survey conducted at the end of 2013.

From all at *The Manufacturer* magazine, we hope you enjoy the Annual Manufacturing Report 2014.

ECONOMY, POLICY & RISK

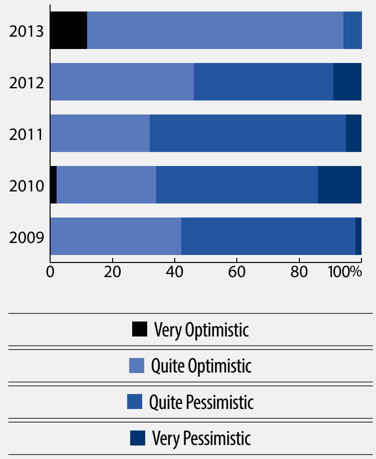
Analysis by Sophie Spink,
Head of Government and Industry Affairs for Zurich's UK General Insurance business

Sophie is Head of Government and Industry Affairs for Zurich's UK General Insurance business. She has a degree in Politics and French and has been with Zurich since 1999. She previously worked in the policy unit of the Federation of Small Businesses and has spent time both in both Brussels and Strasbourg.

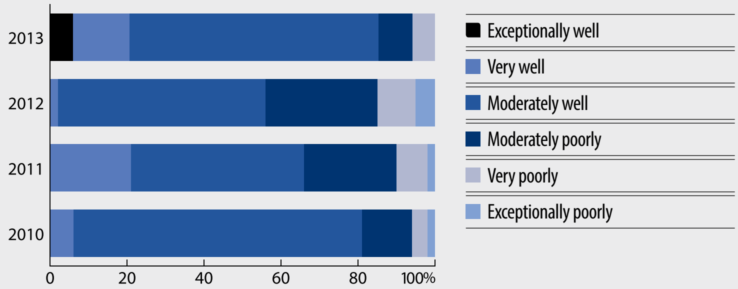
Her role is to interpret the impact of public policy developments on the company and its stakeholders and to develop a strategy for engaging and influencing policymakers. Her work involves representing Zurich on a number of industry working groups and dealing with organisations such as the Association of British Insurers and directly with Ministers, MPs and government departments.

SPONSORED BY ZURICH

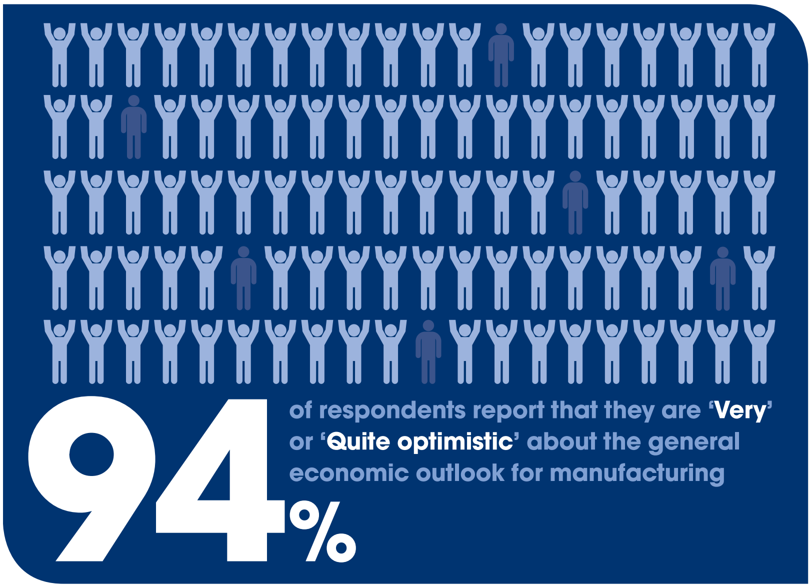
1 How optimistic are you about the UK economy and the effect the general economic situation will have on UK manufacturing over the next 12 months or so?



2 How well do you think the Government is managing the economy with regards to the country as a whole?



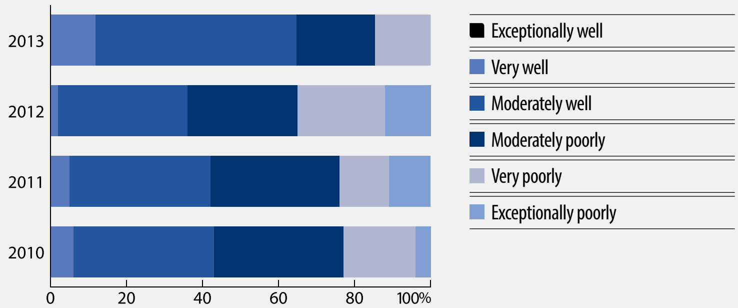
The level of optimism amongst manufacturers has improved significantly with 94% of respondents reporting that they are 'Very' or 'Quite optimistic'. The highest figure since the survey began in 2008. For the first time ever no respondents were 'Very pessimistic.



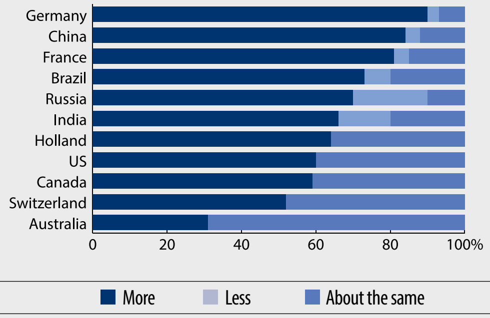
This optimism reflects a wider sense of confidence in the economy driven by Bank of England revised 2014 growth figures (from 2.8% to 3.4%), improving GDP and employment. ONS figures for GDP show that most of the growth in the UK economy over the last 4 years has come from services with a general decline in production. 2013 figures show that production and in particular manufacturing appear to have turned the corner with two consecutive quarters of 0.8% growth and a Q4 performance of 0.9% growth.

The overall sense of optimism is reflected in an improved view of the Government's handling of the economy and UK manufacturing, although our respondents consistently rate the Government's handling of UK manufacturing below that of the country as a whole.

3 How well do you think the Government is managing the economy with regards to its specific impact on UK manufacturing?



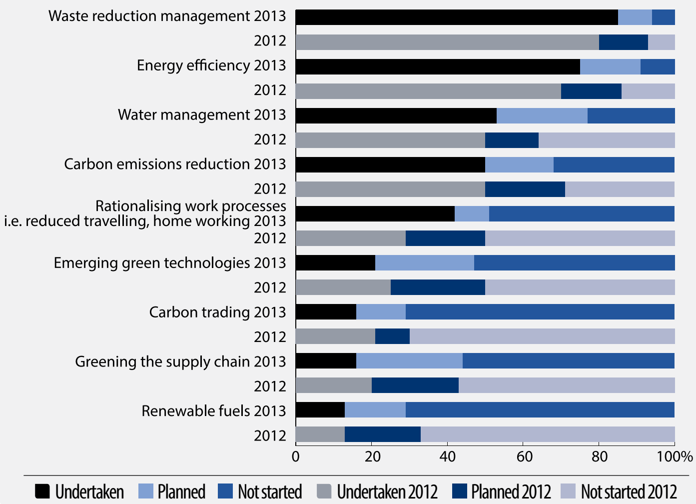
4 In your experience do manufacturers in the following countries receive more or less government support than manufacturers in the UK?



Manufacturers in competitor countries receive more support than UK

Optimism does not extend as far as endorsing the Government's support of UK Manufacturing. There is a general consensus that all of the countries surveyed (except Australia) give more support to their manufacturers. There is an overwhelming feeling that our Eurozone competitors are better supported (Germany 90% 'More' and France 81% 'More') and a feeling that Chinese manufacturers are the best supported of the BRIC countries.. There are signs that the Government is recognising the need to support manufacturing, as evidenced by David Cameron setting out a vision at the 2014 World Economic Forum in Davos to help businesses bring back production to Britain through the launch of 'Reshore UK'.

5 How advanced is your company in adopting the following environmental and low carbon initiatives?



6 Has your company had contact with any of the following agencies or organisations?

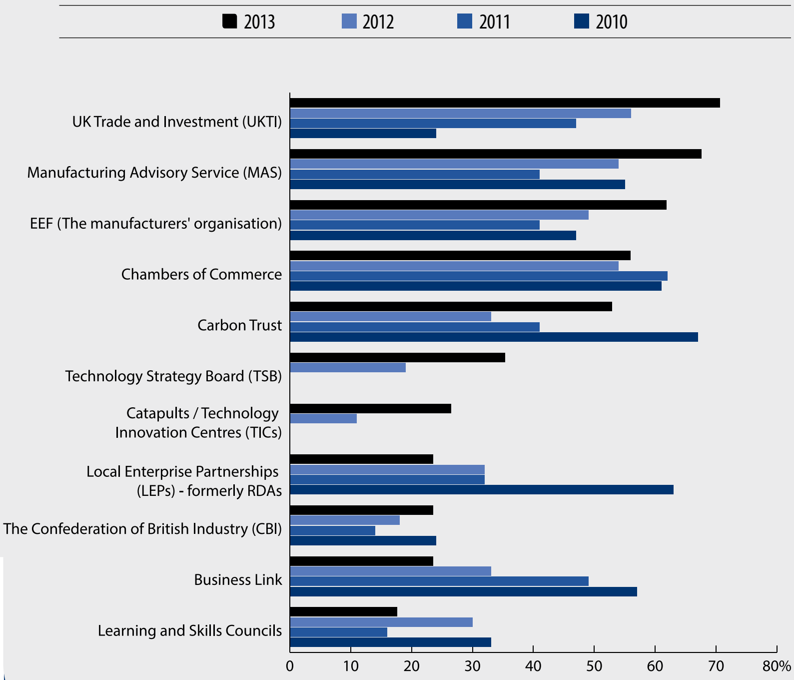
There are five organisations that had contact with more than 50% of respondents. The most significant increase over the 4 years of our survey has been UK Trade and Investment which had 24% contact in 2010 and a year on year rise to its leading position, having contact with over 70% of manufacturers. The Manufacturing Advisory service, the EEF, the Chambers of Commerce and the Carbon Trust all maintain strong positions as organisations well engaged with manufacturers. There are two organisations which have increased their contact with manufacturers in 2013 starting from a low base, the Technology Strategy Board and Catapults/ Technology Innovation.

70% of manufacturers had contact with UKTI

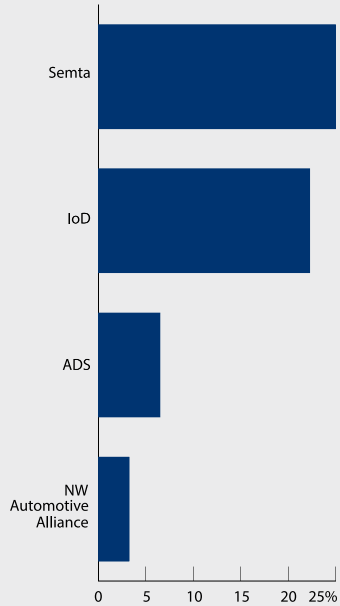
The adoption of environmental and low carbon initiatives continues to be a mixed bag. The most progressed areas are in waste reduction (Undertaken 85%) and energy efficiency Undertaken 75%), both of which have continued to improve in 2013, The least undertaken initiatives are in the areas of Renewable fuels (Undertaken 13%) and Greening the supply chain (Undertaken 16%), these have not improved in 2013. The biggest improvement came in Rationalising work processes which saw an increase of 13% in initiatives undertaken.

This mixed bag illustrates the underlying drive in the industry to improve on environmental issues, tempered with the practicalities of delivering performance in an environment that still contains some significant challenges. This is reflected in the adoption of environmental initiatives that introduce efficiencies into manufacturing businesses and side-lining those that are seen as expensive or include large upfront costs.

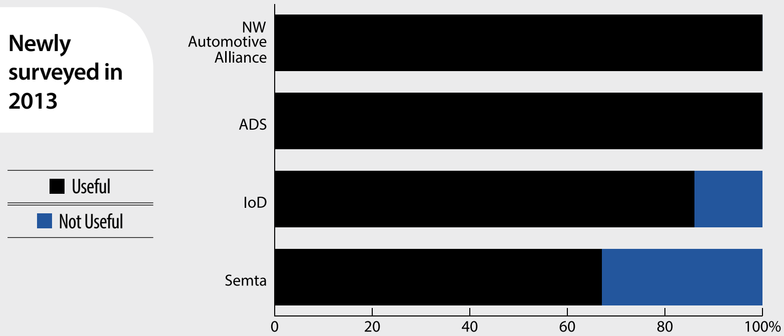
The expectations of the Carbon Reduction Commitment which moves into Phase 2 in April 2014 may also encourage manufacturing companies to drive improvement in some of these areas.



6b Contact: Newly surveyed in 2014



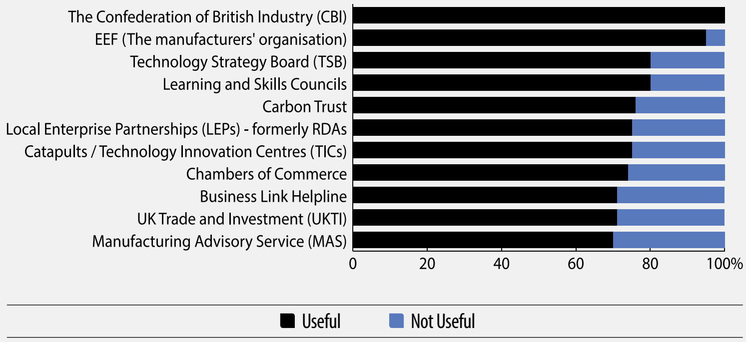
6c Newly surveyed in 2013



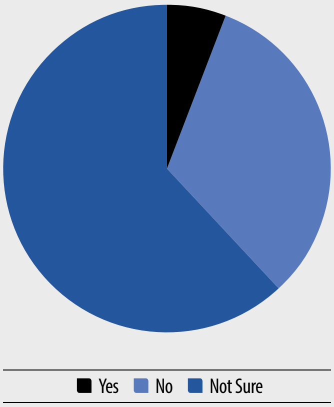
Of the organisations added to the survey for the first time in 2013 Semta and IOD have dominated contact but ADS and NW Automotive Alliance are considered more useful.

7 For each one contacted, please state whether or not you found that agency or organisation useful.

Most of our respondents found the contact they had with agencies and organisations useful although the most contacted were not always the most useful. In particular UK trade and Investment and the MAS were the most contacted but were only thought to be useful in two thirds of instances.



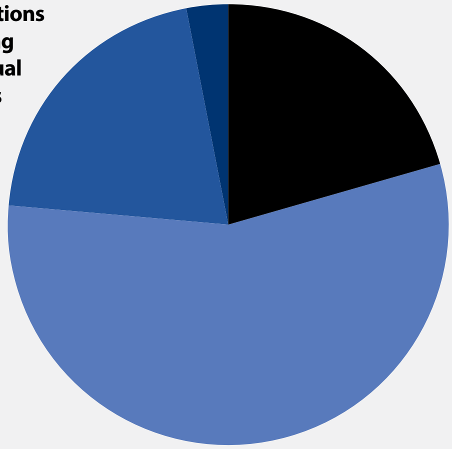
8 Will the formation of Local Enterprise Partnerships be effective in driving growth in the UK?



A third of respondents have decided that Local Enterprise Partnerships will not drive growth. Most of the remainder are unsure how effective the Local Enterprise Partnerships will be.

9 Should trade associations have a greater role in helping members self regulate to achieve regulatory compliance as an alternative to more government enforcement?

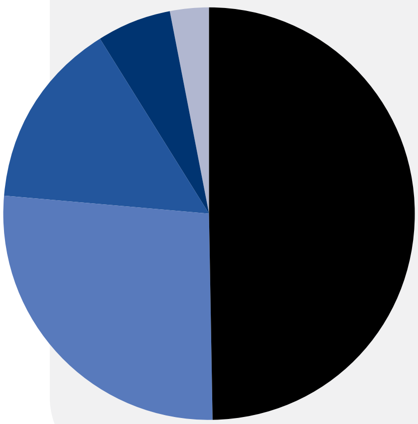
The involvement of trade associations in the regulation of manufacturing business is in the balance. An equal number think it would succeed as those that think it would fail. The majority are undecided.



97% of companies find red tape frustrates business decisions and innovation at least a little.

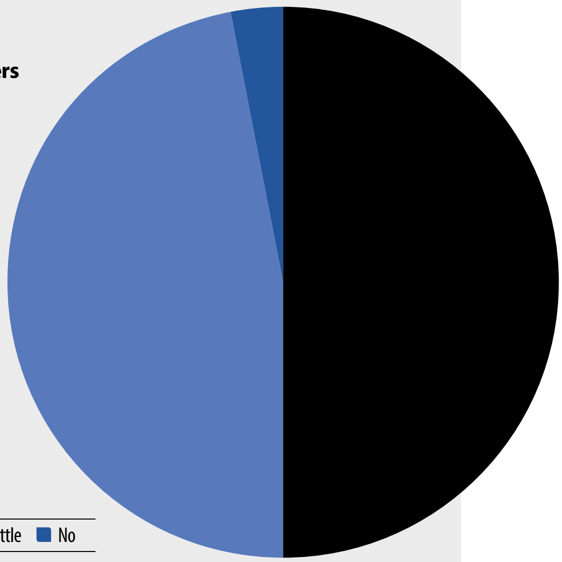
10 Should there be an expert body, independent of government, which could produce radical recommendations for parliament aimed at making the UK a more competitive economy?

There is a ground swell of support for the idea of putting industry experts into a position to recommend ideas to government.

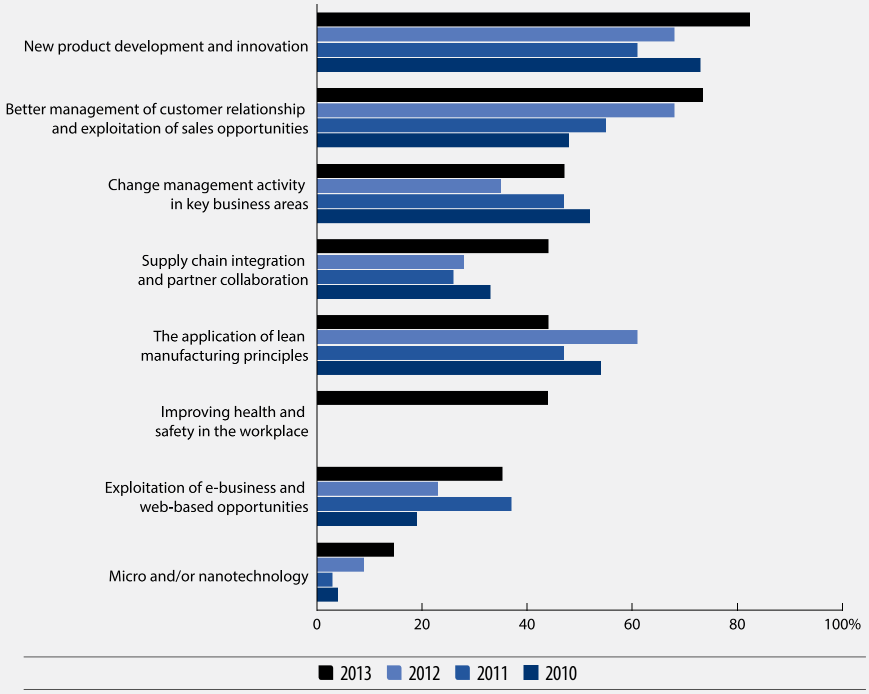


11 Does bureaucracy and red tape cloud business decisions, foster a risk averse approach and frustrate innovation?

There is little doubt that manufacturers think regulation inhibits innovation.



12 Which if any of the following initiatives have been a key business focus for your company during the last 12 months? Answer as many as apply.

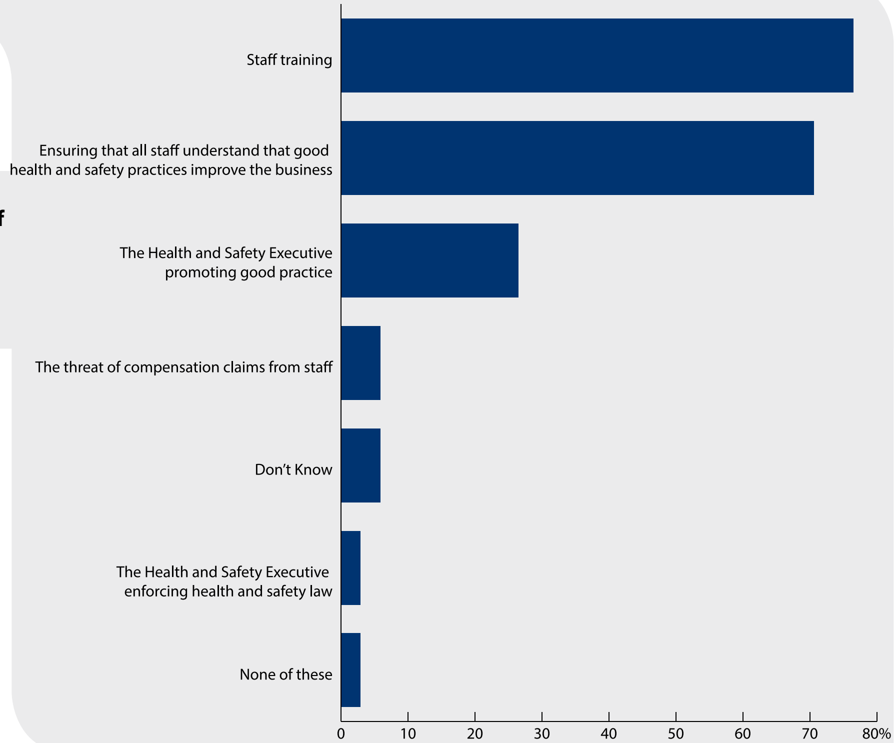


The development of new products and innovation combined with customer relationship management are the initiatives that have been a key focus in 2013. Supply chain integration, customer relationship management, new product development and micro and nanotechnology have all been consistent growth areas since 2011.

82% of companies were focused on new product development in 2013.

13 Which, if any, of the items on the list do you think is most likely to help improve health and safety in the workplace?

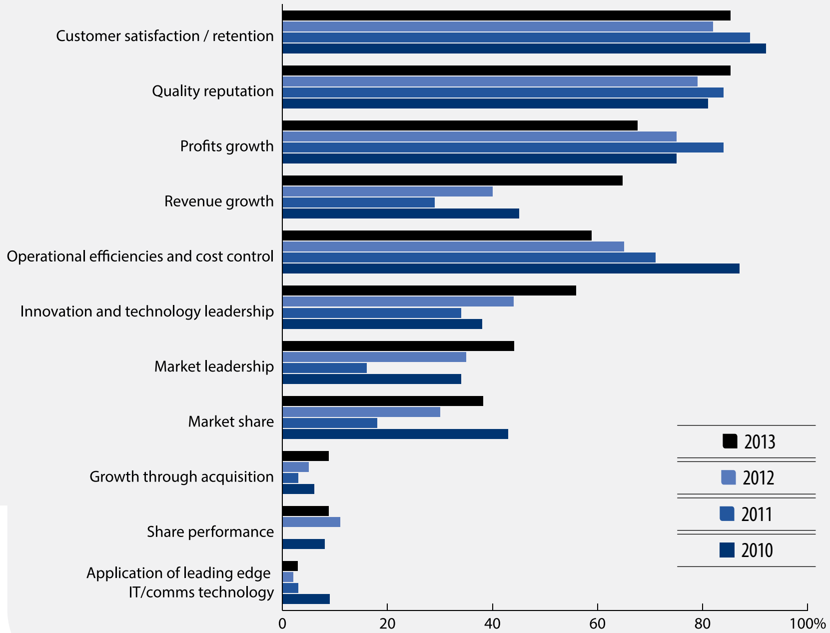
There is a consensus that ongoing staff training and a focus on education will help to improve health and safety in the workplace.



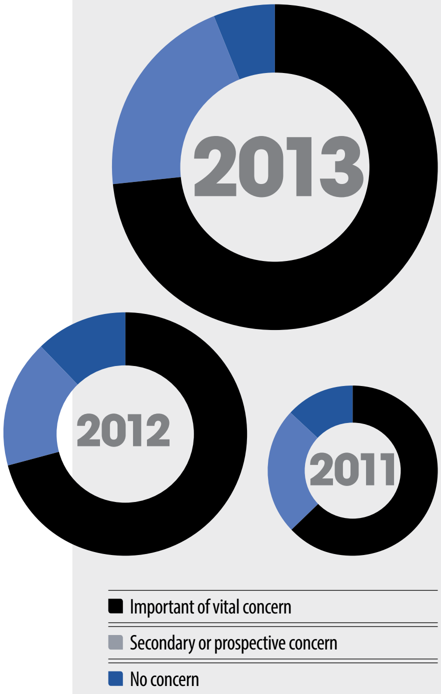
77% of companies believe that staff training is the key to improving health and safety in the workplace.

14 What are the main business drivers for your company? That is to say which of the following do you regard as important performance measures to gauge company success? Select as many as apply.

The dominant business drivers for UK manufacturers are customer satisfaction and quality reputation. This illustrates the UK's position in the global market as providers of quality services and products.



15 How significant is developing international trade for your future growth strategy?

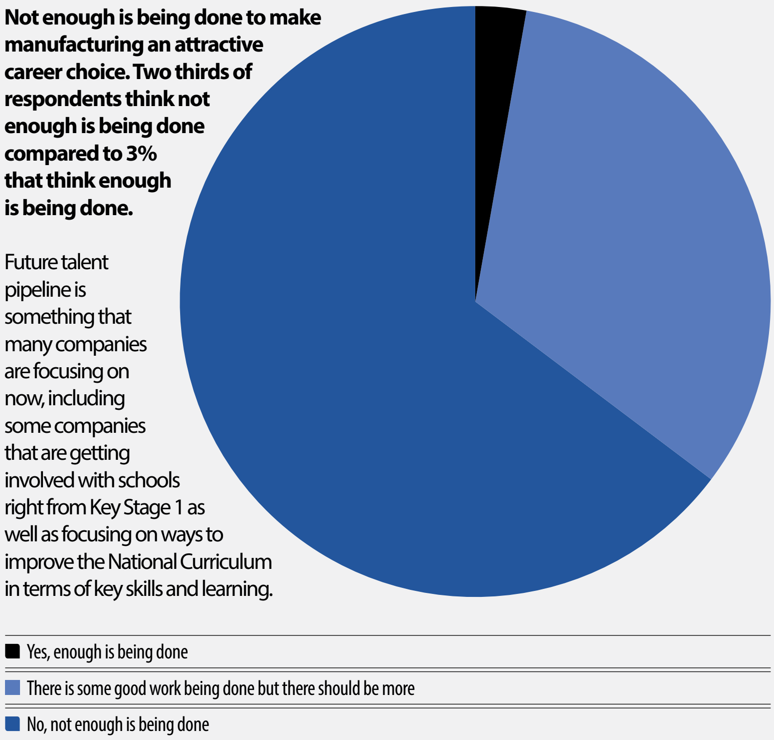


UK Manufacturing's position in the world market is further underlined by the significance of developing more international trade. 74% consider this to be vital and just 6% think this is of no significance.

16 Do you think enough is being done to make manufacturing an attractive career choice?

Not enough is being done to make manufacturing an attractive career choice. Two thirds of respondents think not enough is being done compared to 3% that think enough is being done.

Future talent pipeline is something that many companies are focusing on now, including some companies that are getting involved with schools right from Key Stage 1 as well as focusing on ways to improve the National Curriculum in terms of key skills and learning.



FINANCE

Analysis by Mike Rigby,
Head of Manufacturing, Transport and Logistics, Barclays

This year's report continues to show that confidence is returning to the manufacturing sector. Increased desire for new product development, higher levels of marketing activity, and investment in machine tools are all evidence of a growing market. The value that manufacturing brings to the UK is evident: it is a key constituent to a healthy economy, representing c.12% of GDP and 15% of employment. The government has been consistently clear in its commitment to the sector and the importance of manufacturing in an export-led recovery.

Given the current economic climate, a focus on domestic strategies and procurement is understandable; however, it is encouraging to see manufacturers take advantage of the globalised markets. 32% of respondents now conduct over 40% of their business offshore, which is a marked increase on last year's results. These figures also highlight that many UK manufacturers remain without an export strategy, meaning that some businesses may miss potential longer-term growth opportunities.

From discussions with our clients, we have noted a distinct inclination of UK manufacturers to choose to export to markets which are closer to home – particularly the Eurozone. Over recent months, we've been encouraging our manufacturing clients to take their goods further afield to faster growing emerging market economies where the export sales potential is far greater. To find out more about how your company could benefit from exporting, read our most recent research, 'Tracking the Export Journey', available online at barclays.com/corporatebanking.

At Barclays, we believe that the best way to support our manufacturing clients is by aligning our team closely with the manufacturing industry. Our Relationship Directors cover the whole value chain, from raw materials and mining, processing and manufacturing, to providing transport and warehousing facilities. At every stage we can offer an experienced team that understands the challenges and opportunities your business faces.

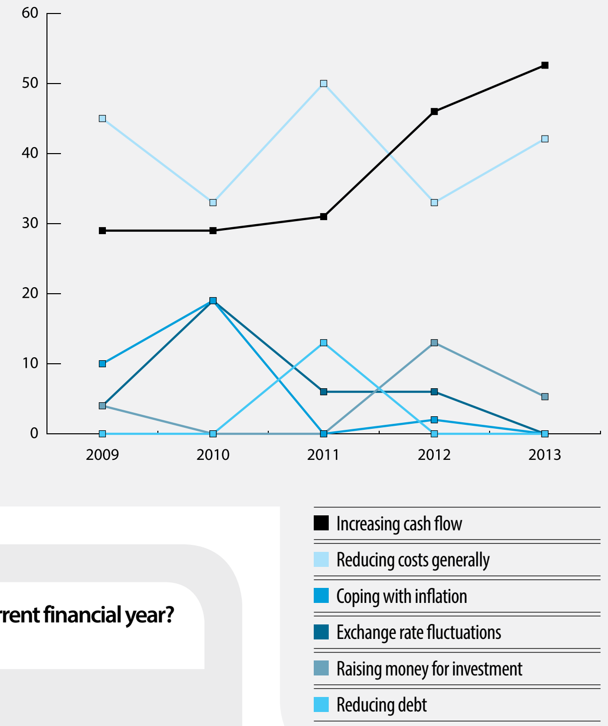
For more information contact Mike Rigby, Head of Manufacturing, Transport and Logistics, at michael.rigby@barclays.com or visit barclays.com/corporatebanking.

1 What area of financial management is your company currently most focussed on?

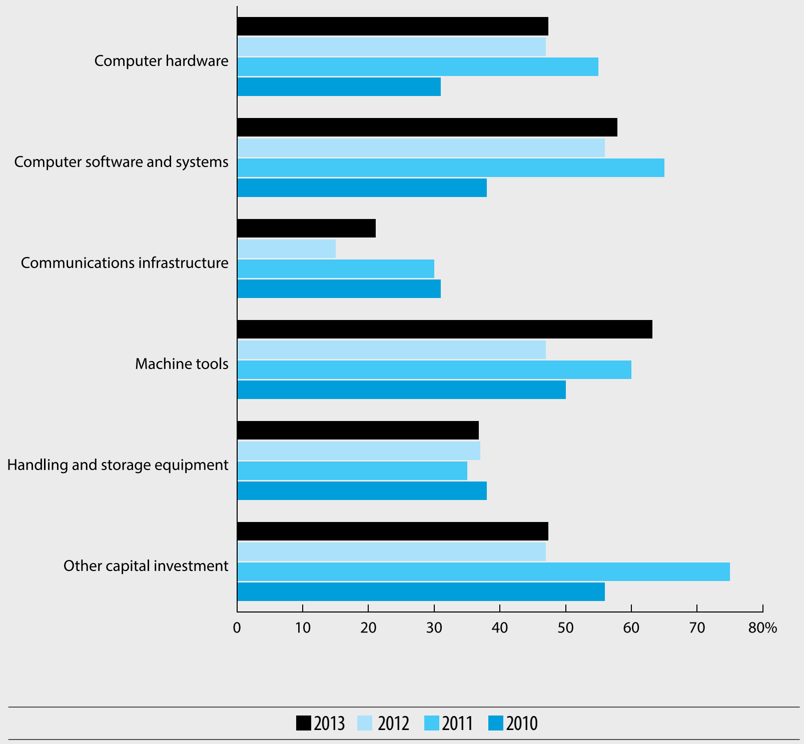
Following on from last year's results, it is unsurprising to see the reduction of concern over exchange rate fluctuations, owing to the relatively benign nature of foreign exchange rates during the last 12 months.

As positivity in the Manufacturing sector has increased during 2013, access to working capital has become an increasing focus for manufacturing businesses. Indeed, this year's results show the largest emphasis on increasing cash flow over the last five years of the Annual Manufacturing Report. This majority response reflects the conversations that we are having with our clients.

For our clients to keep up with the increasingly active and innovative Manufacturing sector, it is imperative that they have the necessary cash flow to fund both investment in capital expenditure as well as working capital within their business. Naturally, cost reduction will remain a focus as manufacturers continue to recognise efficiencies and streamline their processes.



2 Which of the following areas will you be investing in within the current financial year? (Mark as many as apply).

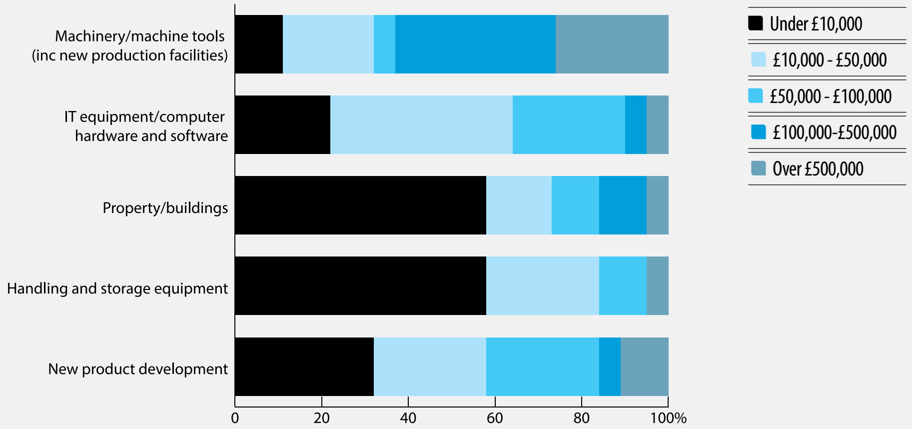


As shown in figure one, manufacturers remain keen to reduce their costs over the year. As we exit the recessionary period, however, manufacturers are beginning to invest in development, in particular machinery, tools and handling/storage equipment.

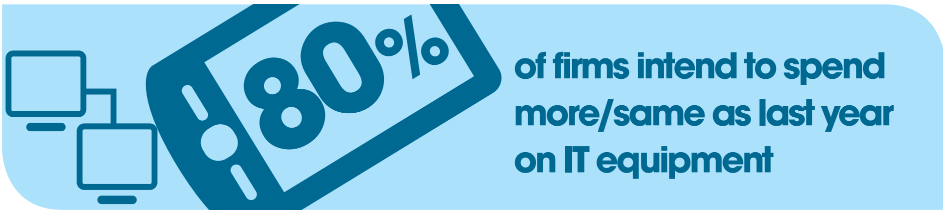
Interestingly, more manufacturers plan to invest in handling and storage equipment since last year's report, which may suggest that manufacturers are returning to batch production, or that companies are becoming increasingly keen to maximise their productivity in order to compete with other industrialised nations.

The desire to create operational efficiency remains a key discipline of any manufacturing company, and it is interesting to see that investment in communications infrastructure continues to decrease year-on-year, from 2010.

3 In broad terms, what is the likely level of capital investment in the following areas during this current financial year?

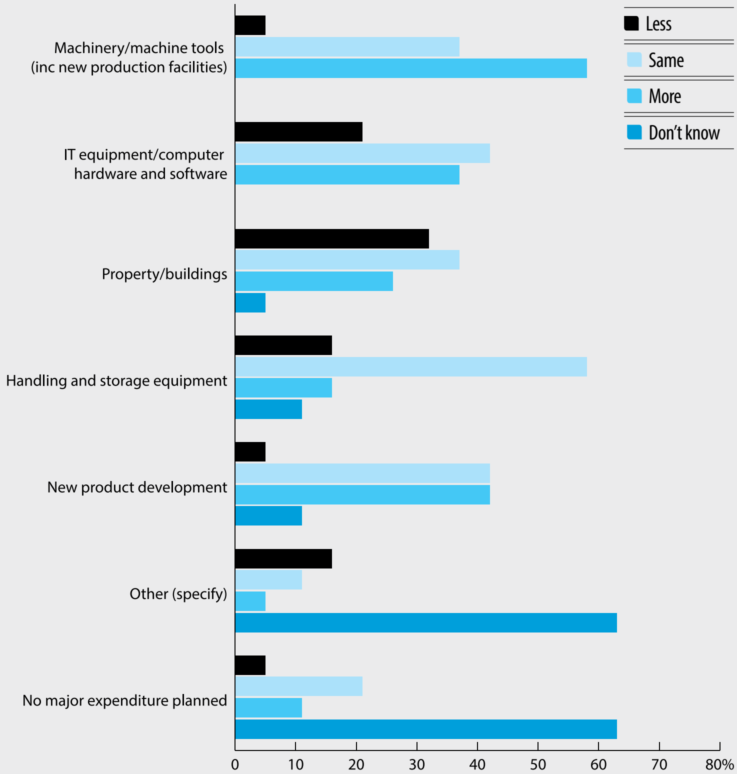


4 Are your investments levels in the following areas this year more, less or about the same as last year?

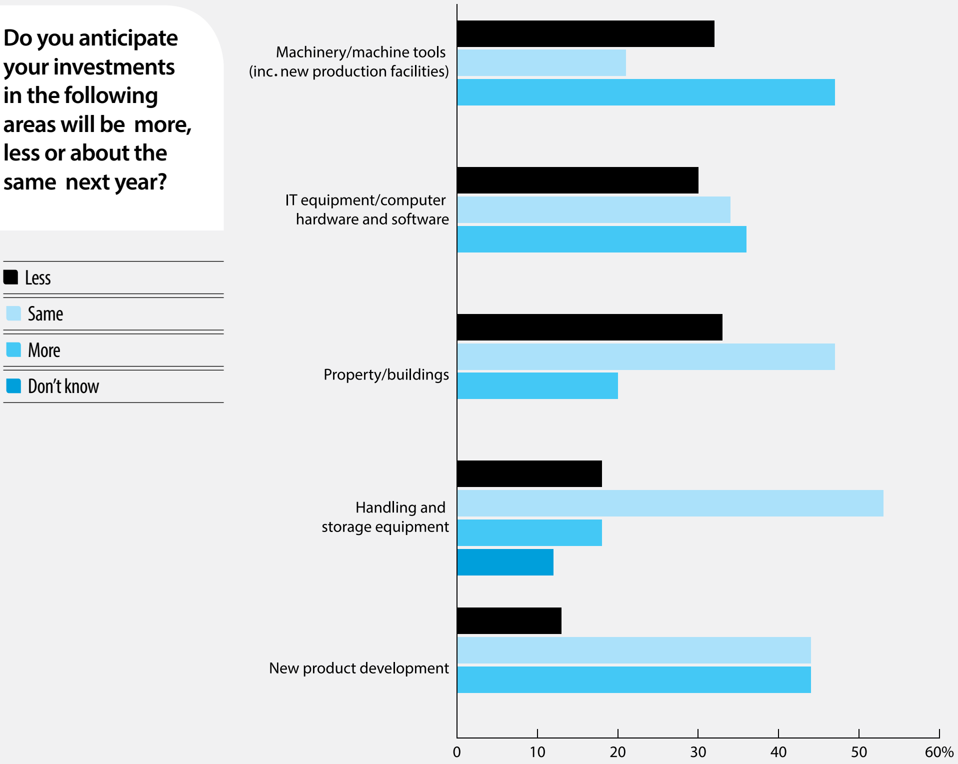


The increasing focus on machinery/machine tools as an area of investment is a positive sign, potentially showing that companies are investing to prepare for a recovery. The fact that over half of manufacturers surveyed plan to develop this area is a huge endorsement for confidence within the sector, and highlights the desire to automate and achieve operational efficiencies. Let's hope this investment stands these businesses in good stead for winning future overseas orders.

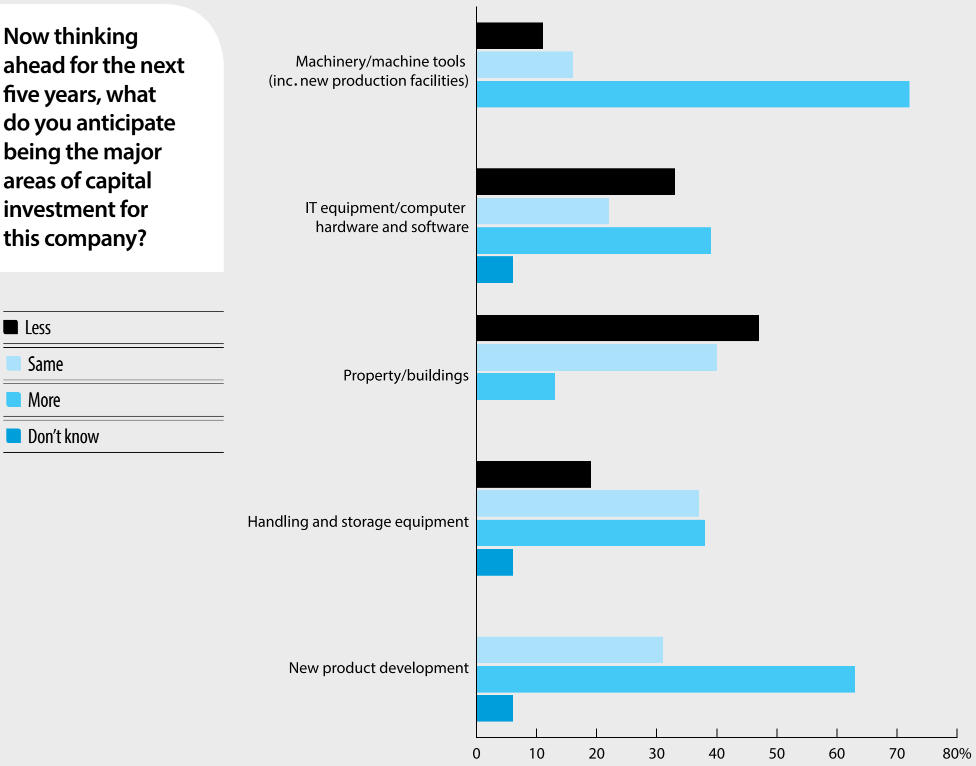
Although more manufacturers are looking to invest in IT, Property, and Handling/Storage Equipment, the number of companies suggesting they will increase spending is actually falling. This may relate to some of this discretionary spend already having been completed. Despite this number falling since last year's report, however, the figure remains high with over 80% of firms intending to spend more/same as last year on IT equipment and 63% of firms on Property/Buildings.



5 Do you anticipate your investments in the following areas will be more, less or about the same next year?



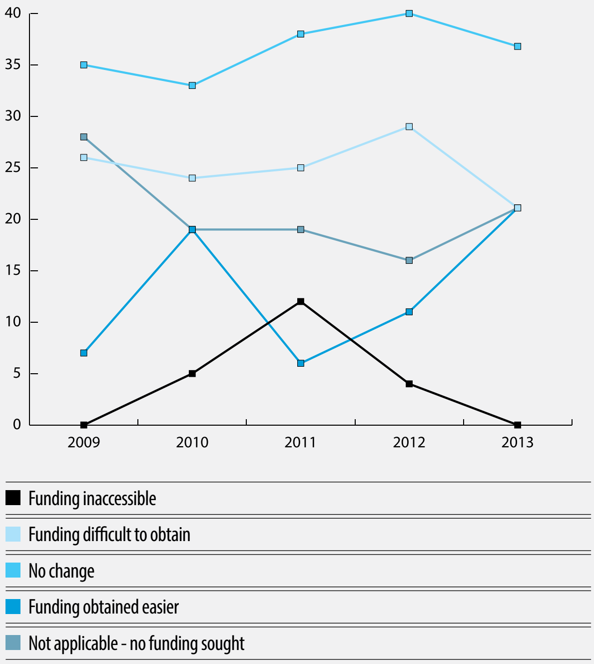
6 Now thinking ahead for the next five years, what do you anticipate being the major areas of capital investment for this company?



These results show a very positive improvement in appetite to invest across most categories. It is clear that UK manufacturers have a strong desire to maintain their factories as world-class facilities, with over two thirds of respondents looking to increase their expenditure on capital goods. Notably, from the data in figure six, most of these manufacturers also intend to continue, or even potentially increase, their level of investment in this area over the next five years.

It is most pleasing to see that over 85% of companies surveyed intend to invest the same, if not more, in New Product Development during 2014, going up to 90% when looking forward five years. Investment in New Product Development is the bedrock on which UK manufacturing was established, and innovation through cutting edge research will be the key differentiator for UK manufacturing going forward.

7 How feasible has it been for your company to obtain any necessary funding in 2013, as opposed to previous years?



From the results, it appears to have been a stable year regarding access to finance, across the various sources of funding available to UK manufacturers.

Interestingly, as many manufacturers commented that it is more difficult to obtain finance as did those who suggested funding has become easier to obtain. The majority of those asked, however, suggested no change has occurred in the last year. Throughout 2013, we have seen many banks, specialist asset funders and private equity houses eager to transact with the manufacturing sector; however, this data suggests that there is still some work to be done by finance providers to work with manufacturers to support their business aims.

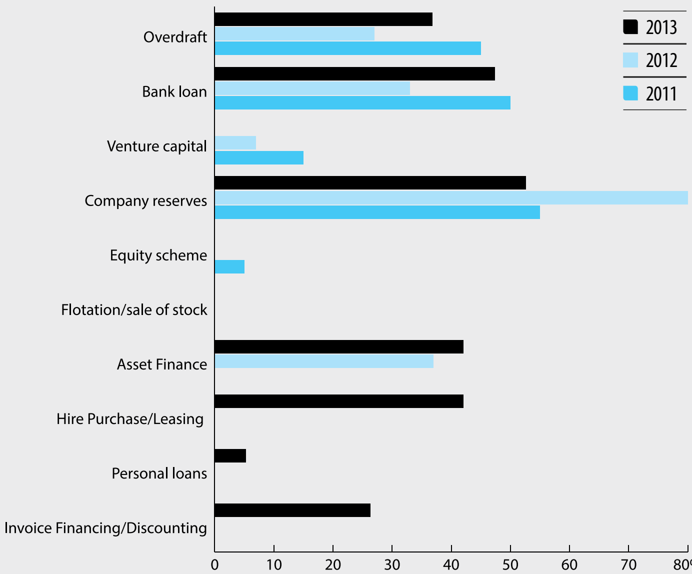
0% of companies reported funding as inaccessible in 2013

8 Which of the following ways of raising capital has this company used within the past two years?

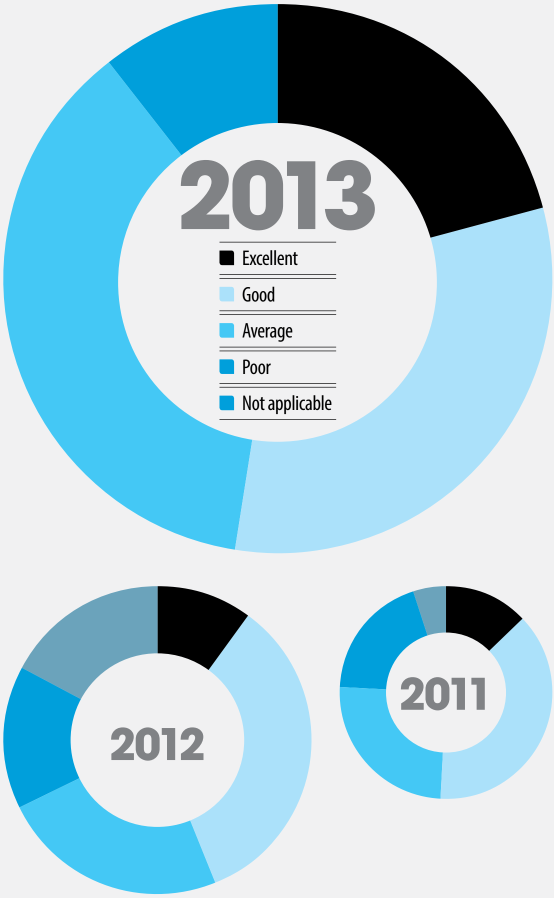
When read in unison with the previous question, this data reveals some interesting dynamics across sources of capital: all the asset based forms of lending (invoice, asset finance, hire purchase) have increased, as well as bank loans, compared to 2012. This would suggest that more of the manufacturers interviewed this year have been successful in securing finance in 2013.

The increase in the asset based lending sector has been noted across the financial markets as a whole. Asset Based Lending is particularly relevant for companies in the Manufacturing sector, which tend to be rich in assets. The benefits to the sector with such asset based structures are that they flex in tune with asset purchases and working capital movements, providing security of cash flow for companies.

Businesses that are looking to raise capital through asset based lending may see notable benefits in 2014, as working capital may become stretched during the recovery.



9 How do you rate the level of service/advice provided by your current lender?



It is pleasing to see that there has been a general improvement in banking service, with the percentage of manufacturers rating their service as 'Excellent' up 9% on 2012.

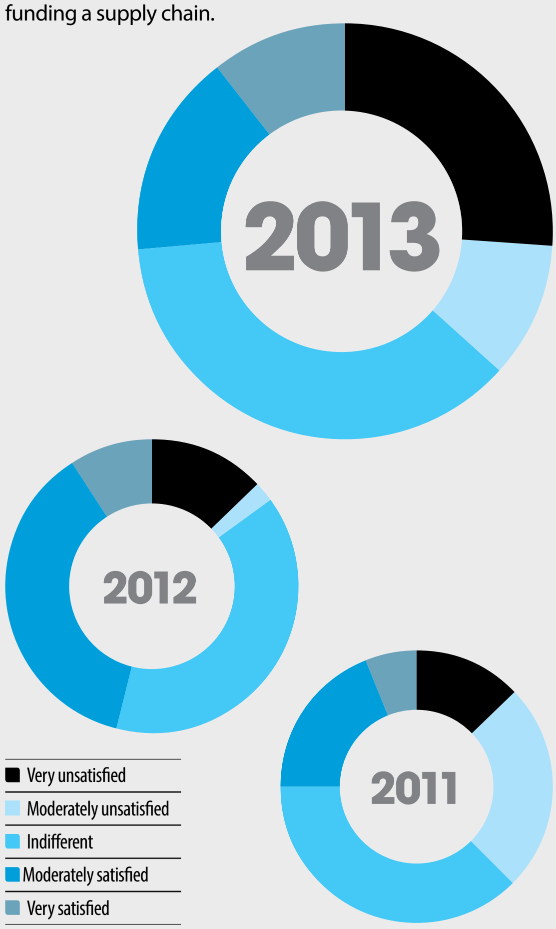
Increasing the level of service and support to clients has been a major driver across all financial institutions, as they seek to put the customer at the heart of all their interactions. We have also seen more banks move to a sector-focused model as they strive to understand their customer better. We believe a sector focus is essential to fully understand a company, their position in the market and how best to assist them. That's why Barclays has been industry-aligned for over 10 years and continues to be number one for overall customer satisfaction. *

(Source: Charterhouse Research based on 2,142 interviews with companies turning over between £5m and £1bn carried out in YE Q3 2013. Survey data is weighted by turnover and region to be representative of the total market in Great Britain.)

10 How satisfied are you with the trade funding options available from your bank?

With just over a quarter of companies reporting satisfaction with trade finance options, a vast number of companies reported indifference and dissatisfaction. This will no doubt be a disappointment to both manufacturing companies as well as the banking sector. Trade finance is an integral way in which manufacturers fund their business and it would appear that better dialogue would be beneficial to assist in improving and understanding the available options. Communication will assist the financier to better understand the needs of the company, enabling them to work alongside manufacturers to achieve ultimate financial success.

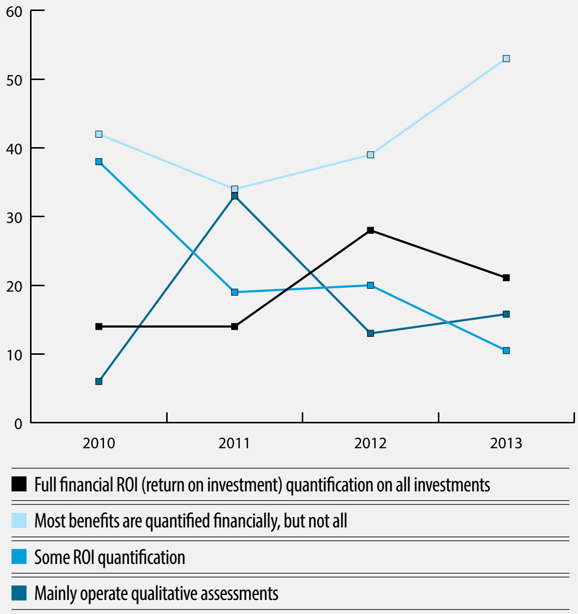
The trend for banks in general to focus on trade finance as an area for investment proves the appetite they have to make funding available. It is likely that, over the next two years, there will be a considerable increase in the prevalence of trade products. We are already seeing supplier finance programmes starting to become more active as a tool for funding a supply chain.



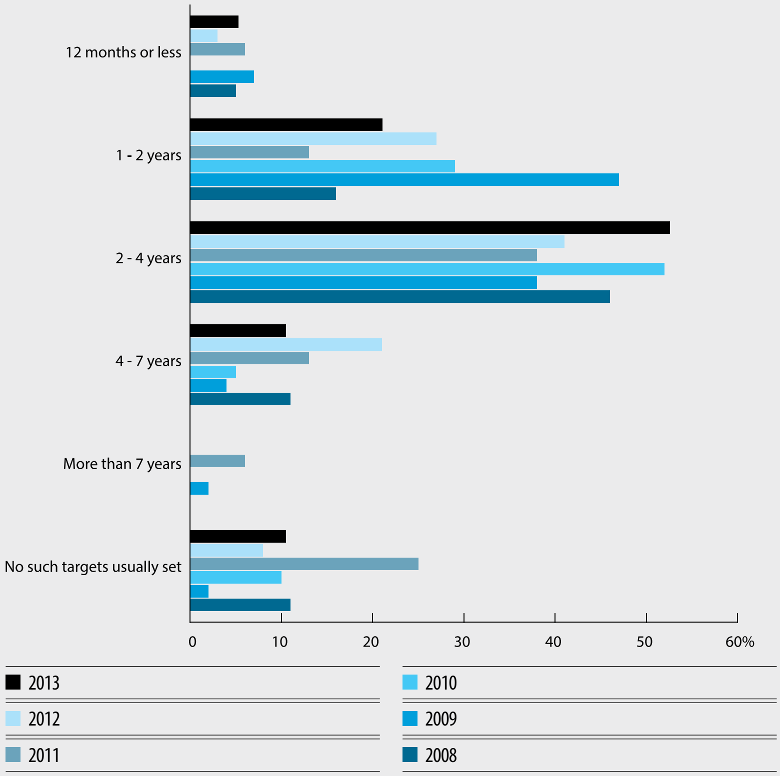
11 To what extent are you typically able to monitor and measure return on major capital investment projects?

This year, the vast majority (74%) of respondents suggest that their investment decisions are based on detailed ROI calculations, with the minority being more subjective. It is reassuring to know that such diligence remains pre-investment and is testament to the disciplines that have been established in manufacturing companies over the recessionary years.

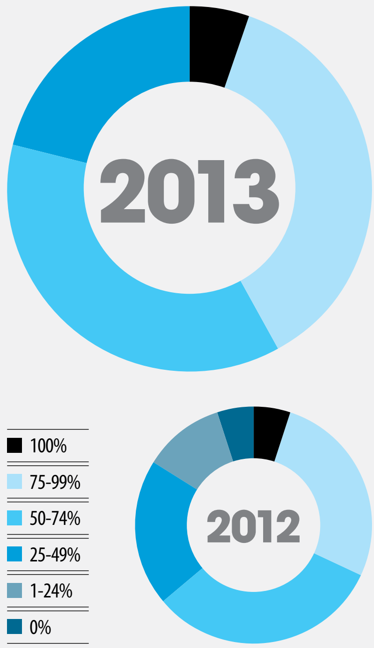
As shown in figure 12, average period for payback is stretching (compared to previous years) with 1-7 years being key for the majority, with a majority preference towards 2-4 years, up 12% on 2012's results. It is also pleasing to see that the number of companies requiring a one-two year payback period (21%) is down 6% on 2012, proving that businesses are making financially driven assessments of their long-term investments.



12 What is the typical required payback period for a return on a major capital investment project?



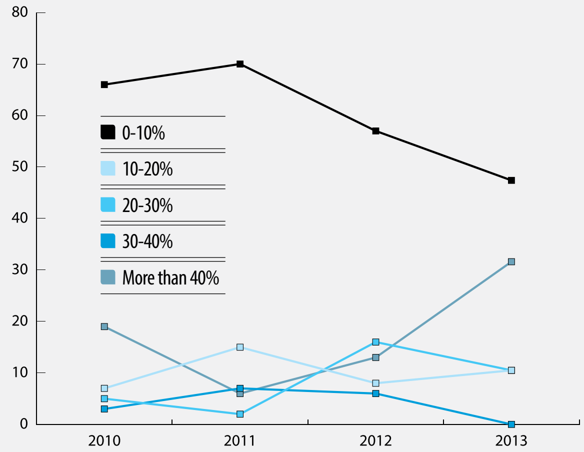
13 In broad terms what percentage of capital investment is strategic as opposed to replacement? (Strategic being investment to support the forward vision of the company)



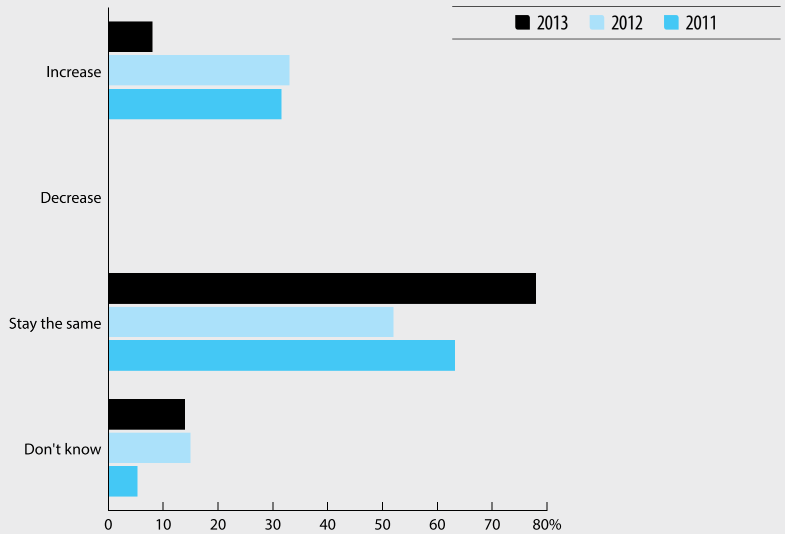
14 What percentage of your business is conducted offshore?

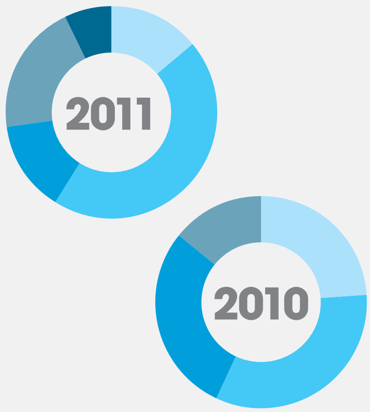
These results prove the shift in UK manufacturers' attitude throughout 2013, proving that many are now seeking to take advantage of a globalised market place. Between 2012 and 2013 there has been a notable increase in offshore activity, with 32% respondents conducting over 40% of their business offshore – up 19% on 2012.

With relatively benign growth rates in the domestic market, a desire to go abroad is both understandable and necessary to secure growth. The continuation of this trend (as suggested by Q15) is a very positive statement for the sector and is the reason we believe that the manufacturing industry has the potential to outperform UK GDP in terms of growth in 2014.



15 Is your level of offshore activity likely to increase or decrease over the next 12 months?

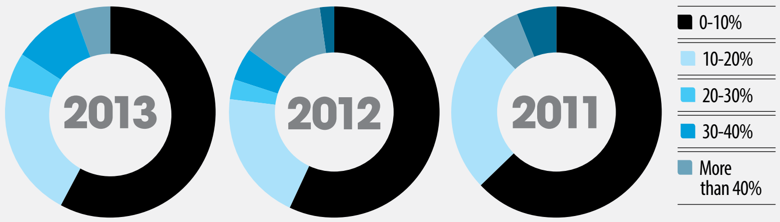




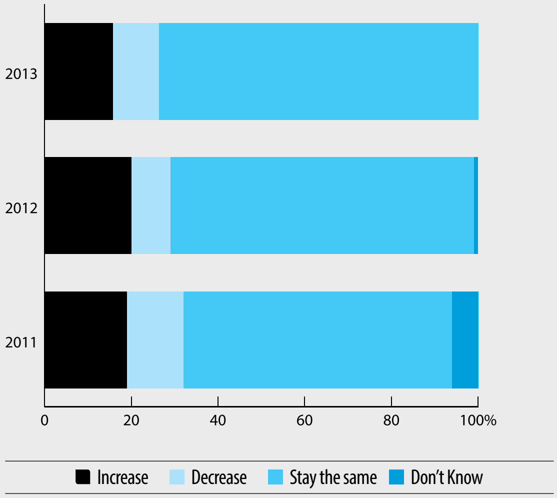
Once again, this year has produced the most positive results seen for this question since this survey began in 2008, with companies increasingly organising capital investments strategically. It is very positive to see that all manufacturers see at least one quarter of their investments as strategic, with no companies responding between 0-24%.

This improvement reiterates that confidence to invest in longer-term assets has increased and additionally reflects the increase in new product development and machine tool expenditure, illustrated earlier in the report.

16 What percentage of your production is outsourced?



17 Is your level of outsourcing likely to increase or decrease over the next 12 months?



At present, a vast amount of press commentary and client discussion exists concerning the benefits of outsourcing with regards to UK industry. When reviewing the results from this question across several years, it would seem that outsourcing is not a major priority for UK manufacturers – indeed, outsourcing is predicted to decrease by 4% on 2012's figures.

It is often commented that manufacturers find significant benefit in keeping complete control of the manufacturing process and only outsourcing the 'commoditised' element. As such, it is unlikely the desire to outsource will significantly diminish but rather it will continue to be conservatively adapted by businesses conscious of finding cost-efficiencies.

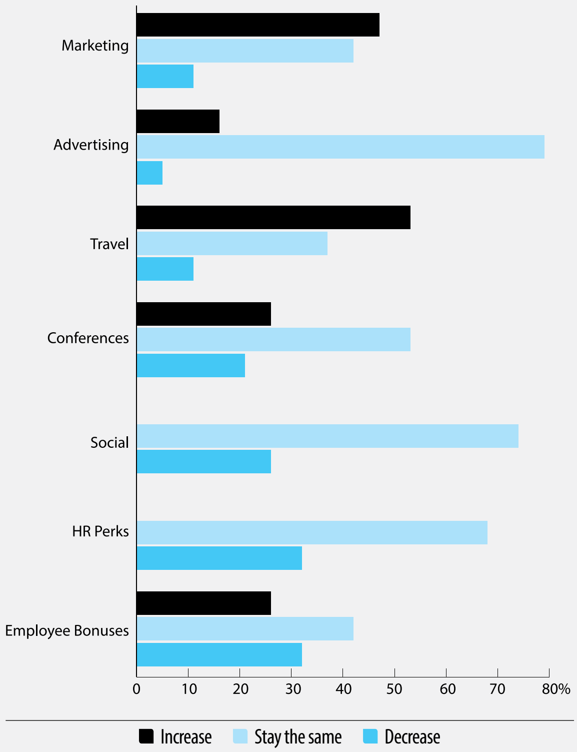
0% of companies reported an increase in social or HR perks in 2013.

16% of companies plan to increase outsourcing while **11%** intend on decreasing outsourcing

18 Over the last 12 months, how has your spending changed in the following areas?

The vast majority of the responses here reflect a positive sector with on-going growth and confidence in the market, shown through increased spend on marketing, travel, conferences and advertising.

More manufacturers are looking to make changes to employee bonuses, with 28% fewer manufacturers keeping performance-related pay the same in 2013. The decreased spending on social and HR perks is perhaps surprising, but may reflect the austerity we are seeing across the economy. In general, spending on these enablers of performance is likely to increase in a healthy and growing sector.




PLACE: Wyke Farms Biogas Digester Vessel, Somerset
PEOPLE: Richard Clothier, Managing Director, Wyke Farms Ltd
Colin James, Relationship Director, Barclays
AMBITION: Total energy self-sufficiency
With 150 years' experience producing award-winning cheese at their family farm in Somerset, Wyke Farms is Britain's largest independent farmhouse cheese maker. With an ambition to become 100% self-sufficient in energy production, Wyke Farms decided to build a biogas plant to recycle waste and generate green electricity. With a relationship extending over 35 years, Barclays supported their plan and provided £3.5m of finance at pace. As MD, Richard Clothier, says, "It's people that make things happen. Barclays' knowledge, enthusiasm and commitment are crucial in making us a sustainable and competitive cheese producer." **Call 0800 015 8642* or visit barclays.com/corporatebanking to find out how we can help your business succeed.**

AUTOMATION

Analysis by Steve Brambley, Deputy Director, GAMBICA - member of the Automation Advisory Board

Steve Brambley is a Deputy Director at GAMBICA, the trade association for instrumentation, control, automation and laboratory technology in the UK.

He is responsible for representing the industrial automation sector to a diverse range of stakeholders including UK and European government, national and international standards bodies, the media, other industry associations & institutions and end users.

Steve brings experience from the automotive industry, having worked for the Michelin Tyre Company and the Dana Corporation in roles across manufacturing, quality, logistics and engineering. He has a degree in Mechanical Engineering from Loughborough University.

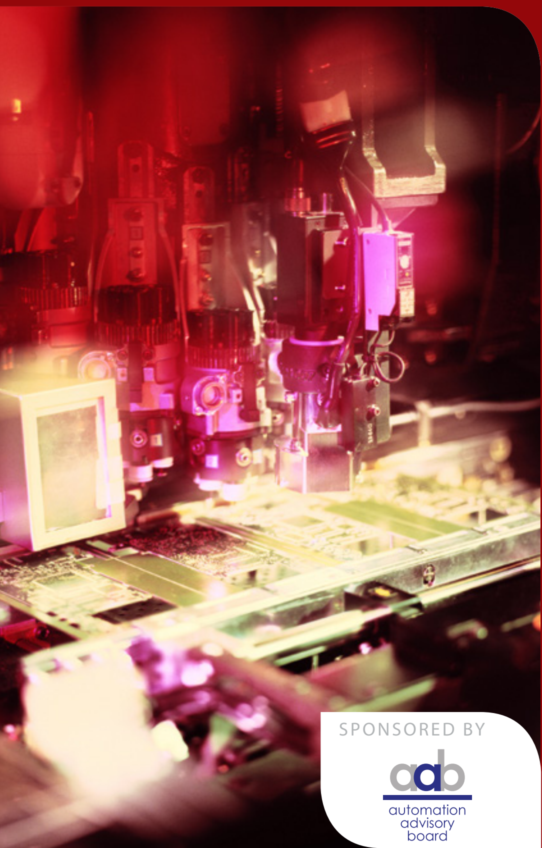
He is passionate about the positive influence that automation can bring to UK manufacturing and industry, with a view to generating growth and increasing the contribution to the UK economy. However, the financial considerations are not the only goals.

"With significant benefits in energy efficiency, pollution control and safety, automation is as important for environmental and societal reasons as much as it is for economic gain."

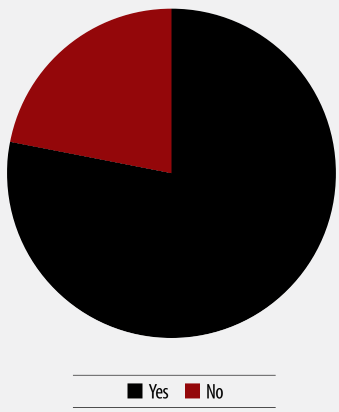
The Manufacturer magazine in conjunction with the leading automation equipment suppliers has established the Automation Advisory Board to educate owner managers and factory directors about what automation equipment can do and the benefits it can bring to UK manufacturers.

Automation needs to rise to the board level in companies of all sizes, but especially larger SMEs where the capital equipment could make a profound difference to winning contracts.

See more at: http://www.themanufacturer.com/automation-advisory-board

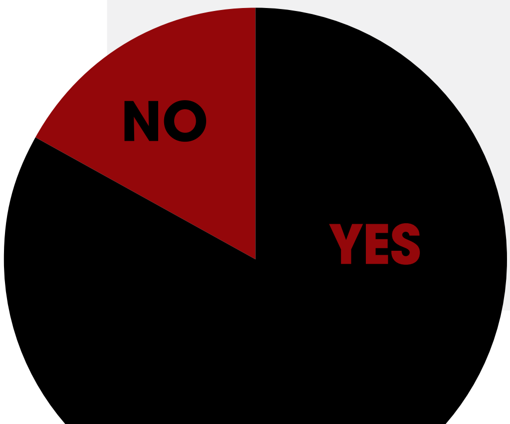


1 Has your company implemented any form of automation equipment into its production process in the last 5 years?



2 Do you think automation could help your business?

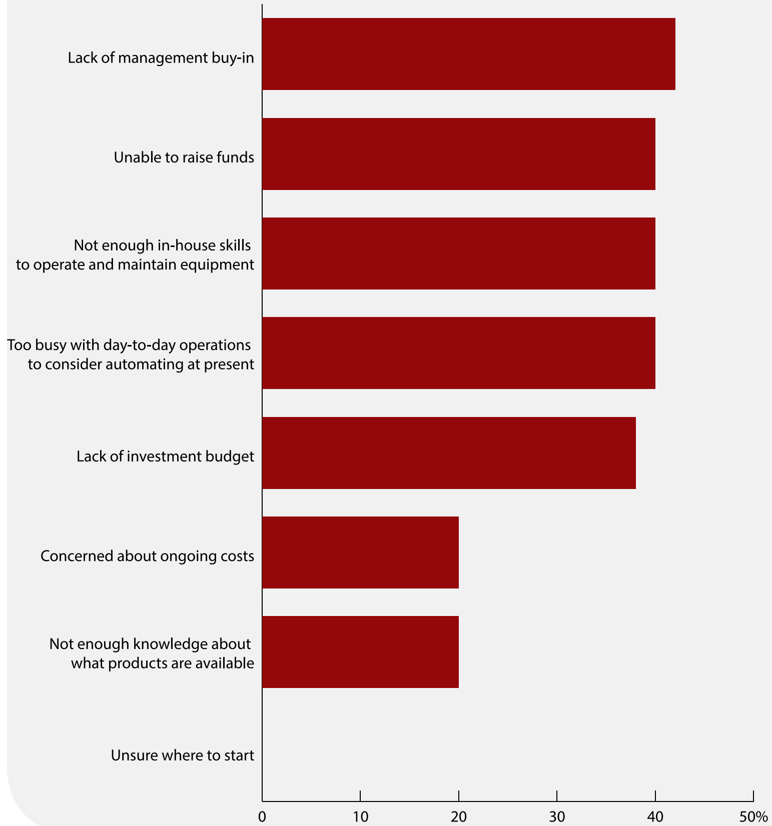
The trends we see from the automation suppliers show that the uptake of automation into manufacturing continues to increase in both the factory automation and the process automation sectors. This is a positive sign, as automating the manufacturing process is one of the ways in which UK companies can compete in a global market. More than 8 out of 10 respondents identified automation as a means to drive their business forward and over three quarters have implemented an automation project in recent times. This underlines the understanding of the importance of the subject within the manufacturing community.



3 What has stopped you from making an investment over the last 24 months? (Mark as many as apply)

The barriers to the expansion of automated manufacturing are diverse, many of them common to businesses large and small. The top 5 reasons given for not investing all hold an equal importance, and can be summarised as "Automation is not built into the strategy or budget at a senior level and the lean workforce has neither the time nor the skills to implement the technology".

The problem does not appear to be a lack of awareness of what automation can do, rather a difficulty in overcoming the apprehension around investing funding and resources in growth.

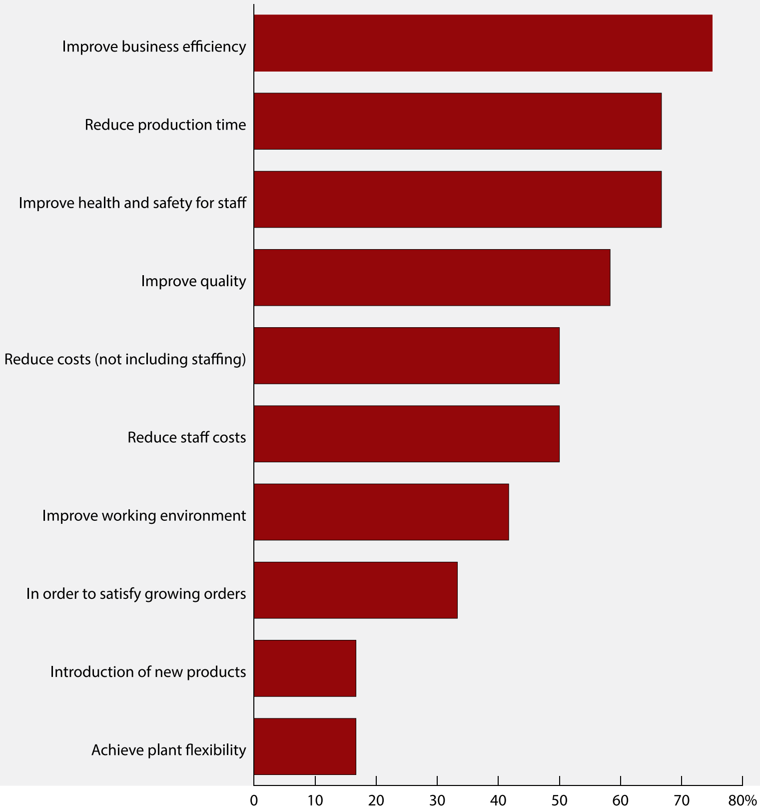


> **The uptake of automation into manufacturing continues to increase in both the factory automation and the process automation sectors.**

4 What are your main objectives for using automation? Mark as many as apply

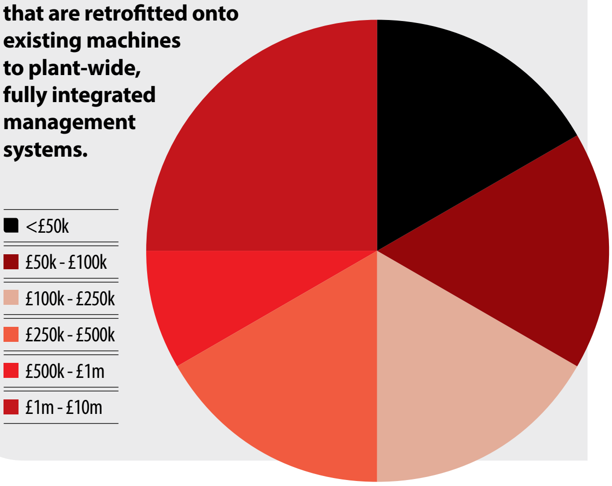
The benefits of automation are many and varied. Respondents each ticked between 4 and 5 objectives on average. Whilst many reasons have a financial focus, the survey shows that health, safety and work environment were also major drivers. Improving the bottom line is achieved through improvements in productivity and quality, which reduces cost and increases output.

However, this would indicate a drive to reduce current costs rather than a focus on growth, innovation and flexibility. A wider adoption of automation could be taken advantage of to make products that otherwise couldn't be made manually, switch between products easily to reduce stocks and decrease delivery times.



5 On average what do you spend per year on automation equipment for your production process?

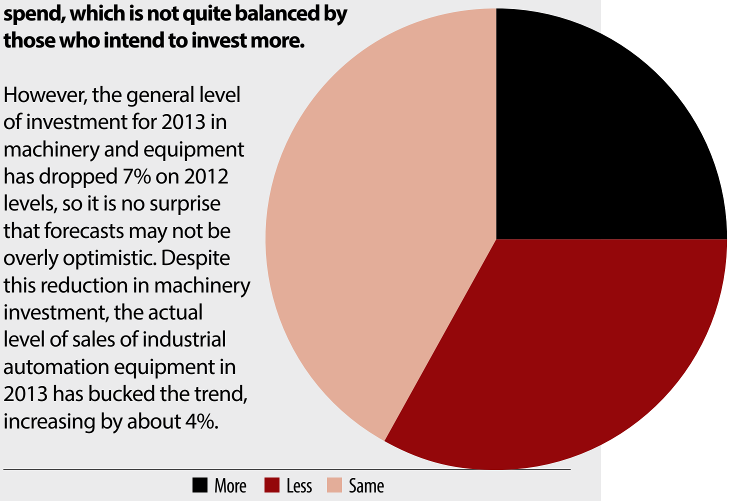
As you might expect in a wide cross-section of businesses, the size of automation projects varies across many price brackets. The survey results show quite an even spread of projects from less than £50k to the £10 million range. This reflects the fact that automation can range from simple control systems that are retrofitted onto existing machines to plant-wide, fully integrated management systems.



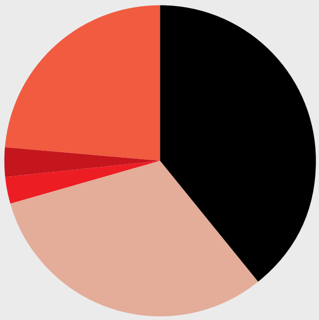
6 Are you planning on spending more, less or the same next year as you did this year?

The forecast for future investment levels looks mixed, with many indicating they will continue to invest at the same level, but significant numbers of respondents are forecasting lower spend, which is not quite balanced by those who intend to invest more.

However, the general level of investment for 2013 in machinery and equipment has dropped 7% on 2012 levels, so it is no surprise that forecasts may not be overly optimistic. Despite this reduction in machinery investment, the actual level of sales of industrial automation equipment in 2013 has bucked the trend, increasing by about 4%.



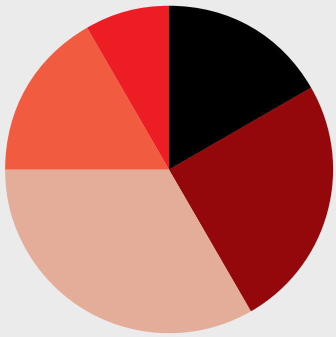
7 When did you last implement a major automation project at your company? (A major project being represented by a large project relative to the scale of your business)



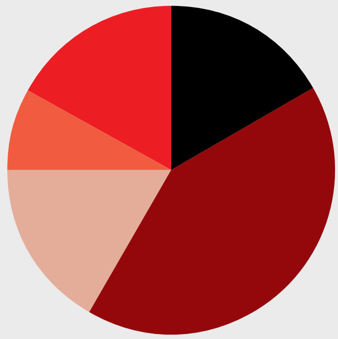
7 out of 10 respondents have implemented a major project in the last 2 years, demonstrating that investment in automation is currently a high priority for many manufacturers. Interestingly almost a quarter of respondents last implemented a major project over 4 years ago, whilst very few did so in the "gap" of 2010/2011. This indicates two very different cycles of investment, with the majority investing on a regular basis with the remainder investing over long cycles. This perhaps reflects different industry sectors, sizes of business or approach to investment. The economic downturn of 2009 will have certainly had an impact on investment confidence in this period.

8 Roughly how much did you spend on that automation project?

9 What payback period did you forecast/budget on that automation project?



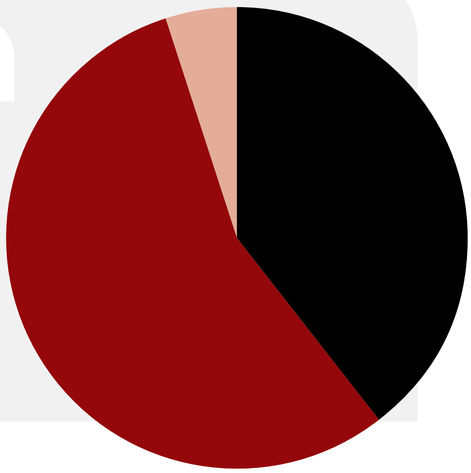
10 What payback period (ROI) did you achieve on that automation project?



11 Did you achieve payback faster or slower than expected?

Looking at payback times, we can see it is not an exact science, as might be expected with major automation projects. Whilst only 5% of projects hit the expected payback time exactly, almost as many were quicker than planned than were slower.

A large majority of businesses forecast paybacks in 3 years or less (75%) with slightly more (78%) achieving payback in this timescale. Most projects with a projected payback of under a year were achieved on time, demonstrating the potential for very quick returns. The results also indicate that many implementations with a 2-3 year forecasted return actually paid back in 1-2 years.



12 Did the project meet your automation objectives?

Where the project was categorised as major, it can be seen that the majority of businesses define that as costing greater than £100k. Over 40% of projects were in the £100k-£500k bracket, with one third of businesses investing more than £1 million. Whilst the investment is not trivial, the majority of objectives are met and the payback can be significant over the life of the equipment and achieved relatively quickly.

EXAMPLE REASONS FOR **SLOWER**:

- Internal Skills Gap and Training
- Initially the Production Rates were slower than forecast
- Tools had to be redesigned
- Slow implementation
- Matched expectations once installed, installation was late

EXAMPLE REASONS FOR **FASTER**:

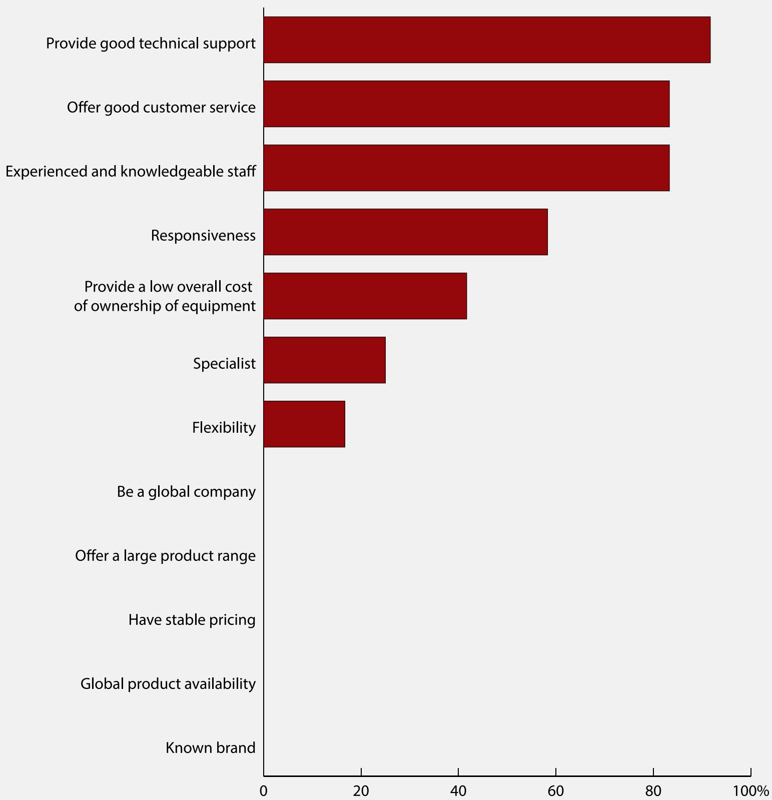
- Equipment function better than expected and were able to run 24hrs non stop
- Higher machine utilisation and uptime than budgeted
- Order levels were stronger than forecast

13 What were your expectations of your automation supplier?

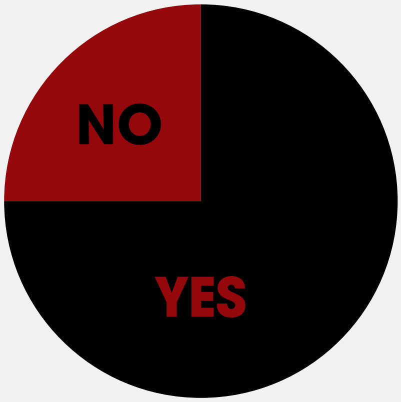
Installation timescale can be a factor in achieving payback, which can be down to a variety of reasons such as unforeseen obstacles and redesigns, commissioning, training or simply meeting project timing. However there is the balance of the automation bringing greater benefit than expected.

It is of note that in some cases, the internal skills of the business meant that full advantage was not taken of the benefits, slowing down the payback.

There are also some factors that are not related to the automation project itself, but the business environment. Order levels and production requirements can make payback quicker or slower depending on machine utilisation. Although if quality and on time delivery were improved through the automation project then an increase in order levels may have been directly linked with the project.



14 Did your supplier meet your expectations. If not, why not?



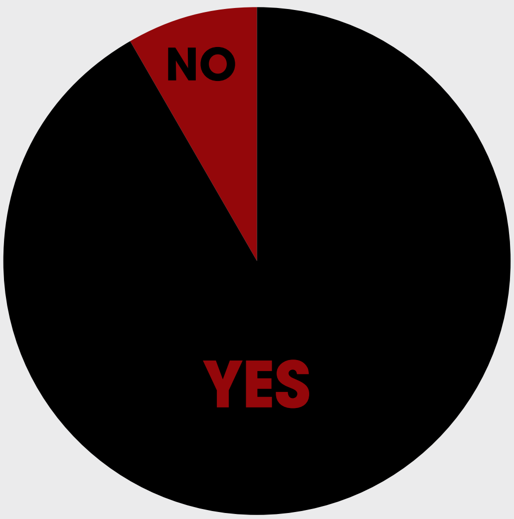
EXAMPLE REASONS
WHY NOT

- Once they had the money for installation weren't interested in ensuring it met the customers needs.
- Late delivery, slow to resolve issues.
- Lack of process knowledge, expectation they could fix things post installation.

The expectations of an automation supplier are not very different than what any business might expect in a supplier: support, service, experience, knowledge and flexibility. Interestingly, brand and global availability did not feature on any respondents list of expectations.

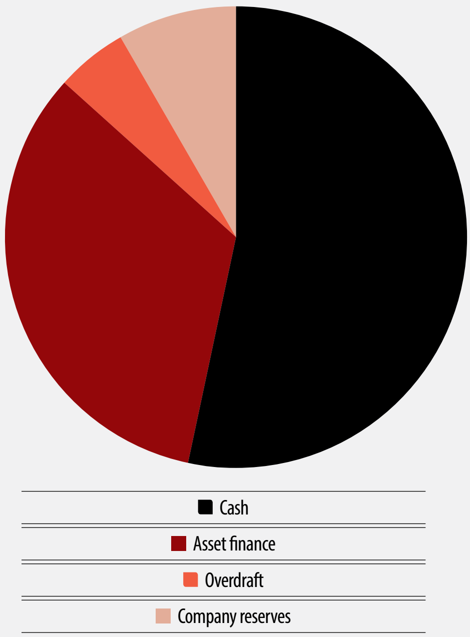
Whilst the majority of manufacturers are satisfied with their suppliers, inevitably there will always be some providers that don't meet expectations, whether in timeliness or service and support.

15 Do you think your bank or financial institution would support you to make an investment in automation?



75% of automation implementations met client expectations

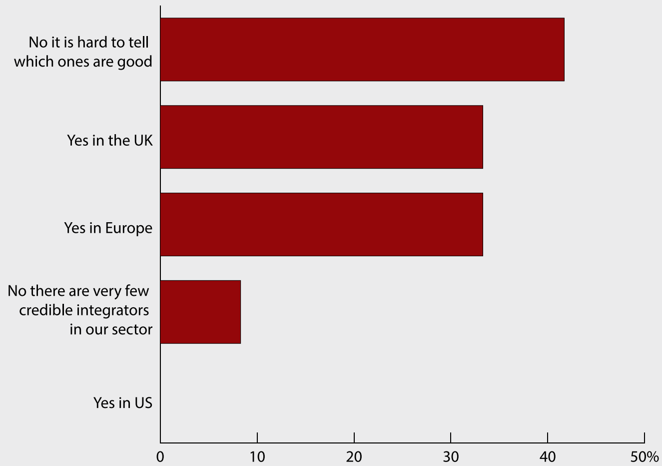
16 What lending option/s would you prefer to use to fund an investment in automation?



There is a great deal of confidence amongst the respondents that they would get support in making an investment in automation. This should be no surprise, given the general size and speed of paybacks on that investment. However, this was not the case for a few years following the 2009 economic downturn.

"Nearly half of manufacturers report having the in-house skills required to run automation systems. Most other companies rely on suppliers."

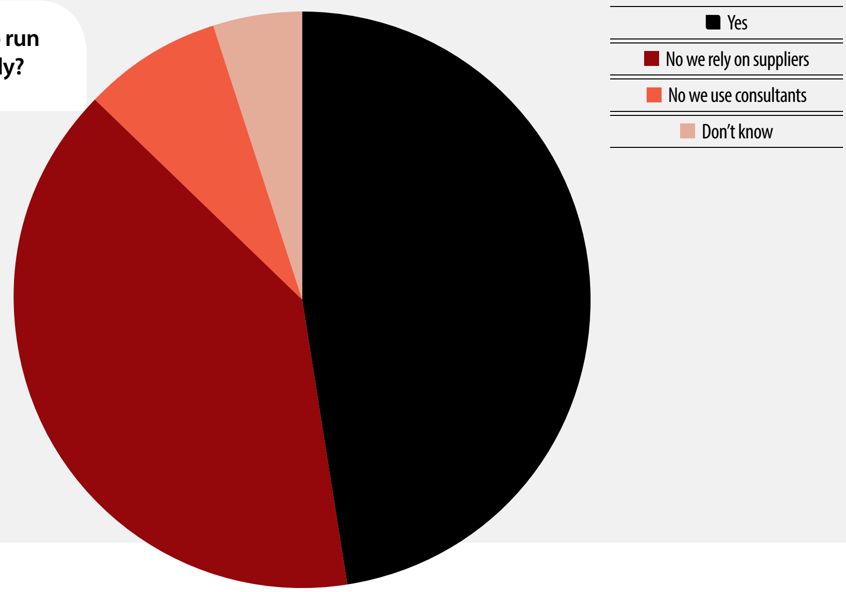
17 Do you find it easy to identify good suppliers for automation systems? Select all that apply.



With a large number of automation suppliers at different levels and sizes, it can be difficult to identify the better vendors. With system integrators, machine builders, consultants, component manufacturers, distributors and other stakeholders in the supply chain, there is a wide choice. Some are specialists in specific fields or industries; others may have a breadth of experience. The survey results show that as many people find it easy to find suppliers as there are who find it hard.

18 Do you have the appropriate skills to run automation systems projects properly?

The survey results suggest that only half of manufacturers have the internal resources and skills to implement an automation project, with the remainder mostly using an external resource. This is not surprising however, as many projects can be quite specialist or innovative in nature and engineering skills within businesses have long been complemented by external resource.



How can you deal with the skills shortage?

How can you improve quality?

How can you grow your business?

How can you increase your company's competitiveness?

How can you give your staff greater job satisfaction?

How can you decrease wastage in production?

I'M THE ANSWER

aab

automation advisory board

The Manufacturer magazine in conjunction with the leading automation equipment suppliers has established **The Automation Advisory Board** to educate owner-managers and factory directors about what automation equipment can do and the benefits it can bring to UK manufacturers.

Automation needs to rise to the board level in companies of all sizes, but especially larger SMEs where the capital equipment could make a profound difference to winning contracts. Companies in non-auto sectors, who are unfamiliar with the range, capability and simplicity of automation kit, need and deserve to know what automation options are available.

In 2013 it is a business risk not to be informed about the benefits this technology can bring.

Automation can provide the answer to all these questions and many more…

Automation is not the question, it is the answer!

For more information please visit:
www.themanufacturer.com/automation-advisory-board/

For more information contact Henry Anson, Managing Director, The Manufacturer

E: **h.anson@sayonemedia.com** T: **+44 (0)20 7401 6033**

The Automation Advisory Board is proudly supported by: ABB, BARA, Festo, Gambica, Innomech, Kuka, Lombard, Manufacturing Technology Centre, Omron, Rockwell, Schneider Electric, Siemens, Staubli

THE Manufacturer
www.themanufacturer.com

SKILLS

Analysis by Richard Grice, CEO of Pera Training

Richard Grice has been CEO of Pera Training since 2008, as well as being a Non-Executive Director of Pera Technology and Pera Consulting. With a degree in Electronics and an MBA, both from Nottingham Trent University, Richard is also a member of the Institute of Directors (IoD) and sits on the Confederation of British Industry Council (CBI).

Richard has over 20 years' experience in designing, managing and delivering major vocational training projects for regional, national and international government as well as private sector clients, including Apprenticeships Programmes for *Jaguar Land Rover, Next, Dixons Store Group, the Professional Golf Association* and *William Hill*. Prior to joining Pera in 1991, Richard worked for the United Kingdom Ministry of Defence.

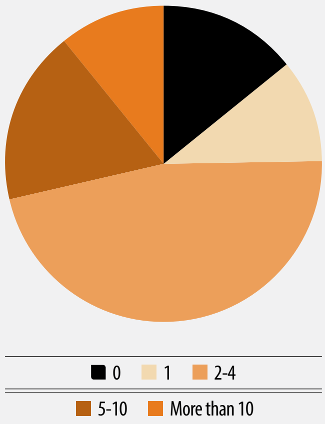
By partnering with Sector Skills Councils, leading learning technology providers and the government, Richard has overseen spectacular growth in the business which now employs over 200 employees, has a £22m turnover of Apprenticeship and other learning programmes and is now expanding into international markets.

Richard believes the key to the growth of Pera Training has been focusing on Apprenticeships, rather than mid-management training programmes: *"Apprenticeships give businesses a sustainable future. By tying our apprenticeship programmes to the real needs of business, we are making a real change to business fortunes.*

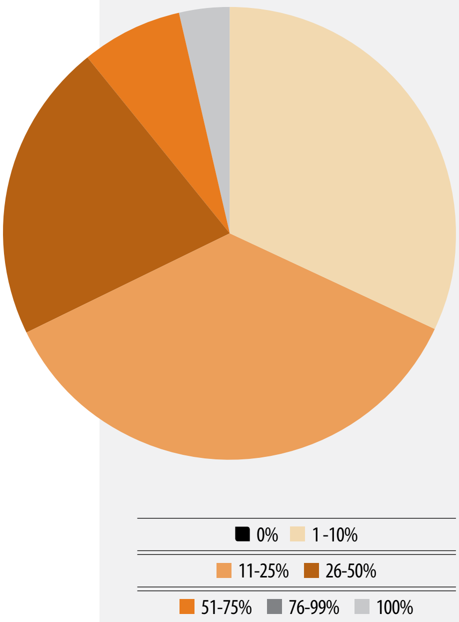
"We have created a well-respected growing business that is not only progressive in its relationship with technology, but also in the way it has introduced social learning into its programmes."

The latest additions to the portfolio of training offerings are Traineeship Programmes and Skills Support for the Workforce. Skills Support for the Workforce (SSW) is a brand new scheme to help improve the skills of employees in small or medium-sized businesses. Fully funded by the European Social Fund, this is an opportunity for eligible companies to update their skills and knowledge and to plug their skills gaps at no extra cost. This is already achieving some great results for Manufacturing SMEs.

1 How many vacancies, if any, do you CURRENTLY have at your company?



3 What percentage of your employees do you estimate receive on-the-job/informal training and development during a typical month?

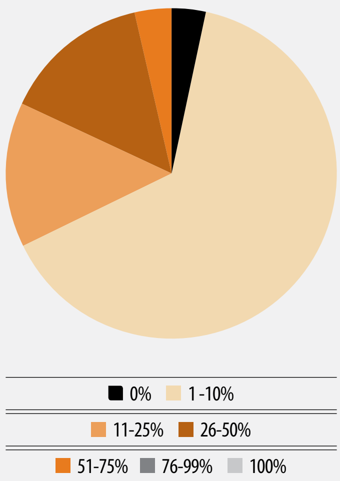


The prevailing issue of skills availability in the UK manufacturing industry is clearly apparent from these figures. The vast majority of firms (86%) have at least one outstanding recruitment requirement with almost half (47%) reporting vacancies of between two to four positions. Furthermore, more than a quarter (28%) of respondents report having over five positions currently available.

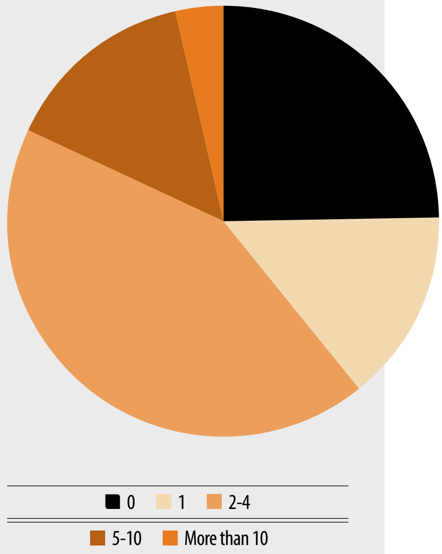
Conversely, the fact that companies are looking to hire in such considerable numbers is an encouraging reflection of the overall economic outlook and is reflective of the overall positivity displayed by the manufacturing sector elsewhere in this report.

In July 2013, the MAS Barometer survey reported that 43% of firms were planning to recruit new staff in the next six months. This survey demonstrates that this trend has strengthened with the vast majority of companies looking to recruit. This increase in employment opportunities was further reflected in the recent ONS statistics which showed the number of people claiming jobseeker's allowance fell by 27,600 in January 2014 to 1.22 million, the fifteenth consecutive monthly drop.

4 What percentage of your employees do you estimate receive formal accredited training and development during a typical 6 month period?



2 How many vacancies, if any, do you CURRENTLY have at your particular site (if different)?

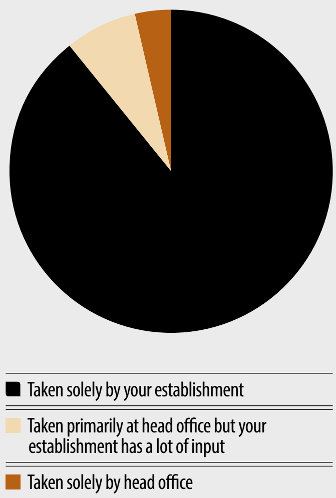


It is a concern, especially considering the difficulty manufacturing companies have attracting the right skills into industry that so few employers are looking to upskill their existing staff. According to the figures, there are no companies that offer formal training to all staff and only 4% offer on-the-job training to all staff, while over three-quarters of manufacturers report that they don't offer any formal training to 75% of their workforce.

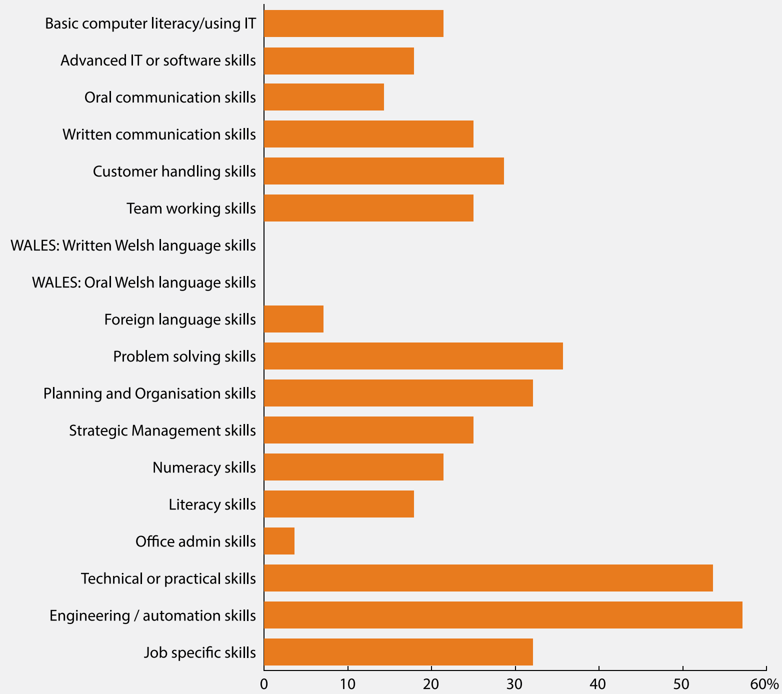
The fact that formal training is offered by 96% of companies, even if only to a small number of employees, is however encouraging and mirrors the growth of Apprenticeships being reported in the UK. According to figures released by the National Apprenticeship Service UK, Apprenticeship vacancies in engineering and manufacturing technologies increased 15% between August and October 2013, compared with the same period in the previous year.

With the increasing profile of Government funded Apprenticeship programmes, and the recently launched ESF funded Skills Support for the Workforce training programmes for SMEs, it would be expected that the amount of formal training would increase over the next 12 months in line with continued growth in the offering of Apprenticeship places.

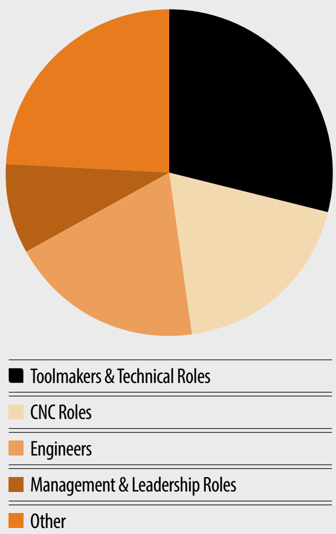
5 **Thinking about decisions relating to recruitment and training, would you say that they are…?**



6 **Have you found any of the following skills difficult to obtain from applicants?**



7 **Are there particular jobs in which you have difficulties retaining or recruiting staff?**



Unsurprisingly, the areas that manufacturers find most difficult to find suitable applicants from are the more specialised disciplines including engineering and automation skills. Expertise in these areas often comes with experience and through a commitment to ongoing learning which often places such individuals in high demand.

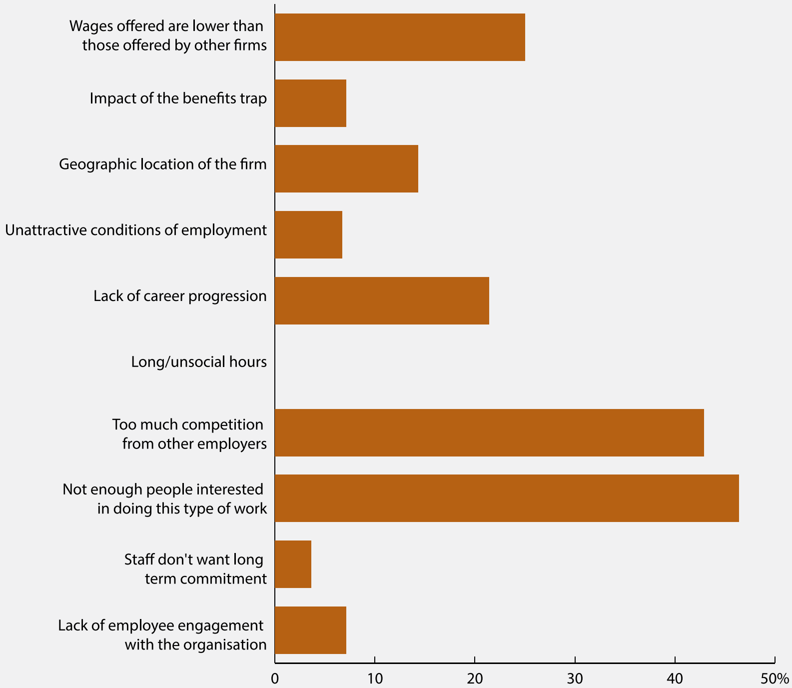
Further growth in the uptake (and completion) of Apprenticeships in those areas is absolutely necessary to alleviate the considerable strain felt. The lack of available skills for people to operate automated machinery is often highlighted as a considerable barrier to investment in automation which has knock on effects for the overall competitiveness of manufacturers.

The high number of businesses that report difficulty in obtaining problem solving and strategic management skills is reflective of the earlier question which highlighted a lack of ongoing training in many businesses. Soft skills such as these are best learned through a combination of experience and on-the-job guidance and training.

Interestingly, despite the common complaint that schools are not providing the right skills to applicants, only around one-fifth of companies reported it difficult to recruit applicants with satisfactory numeracy (21%) and literacy (18%) skills.

The results reflect that a range of factors have led to a shortage of specific skills in the sector. Resurgence in the uptake of Apprenticeships will still take many years to fill the highly specialist skills gaps that are shown to exist within the survey. The effect of this will potentially impact upon succession planning and competitiveness.

8 Which of the following are the main reasons why it is difficult to retain staff in this occupation?



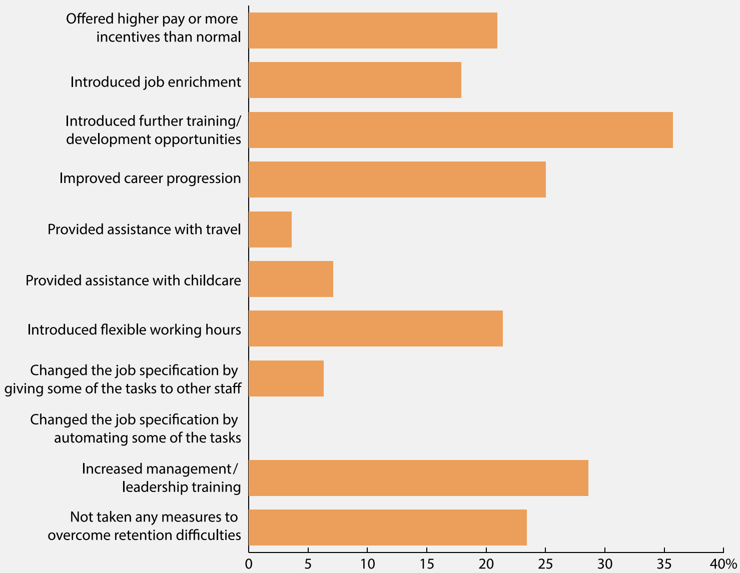
Staff retention is often just as important as hiring the right skills into the business. The risk of losing trained staff to other employers was also highlighted as an ongoing issue which is likely to be compounded if there are additional wage pressures.

A general lack of interest in working in manufacturing has been highlighted as the most common issue when it comes to retaining staff. This lack of interest could be for any number of reasons but ensuring staff are appreciative of future career development opportunities and providing the opportunity to develop skills in multiple disciplines can help alleviate disinterest.

Where once it was common practice for larger manufacturers to hire and train excess apprentices and let the excess flow down through the supply chain, this practice is now much less common. In some cases this activity has actually reversed, making smaller members of the supply chain more responsible for providing their own training but at the same time risking attrition to larger companies seeking experienced applicants.

This makes it difficult for companies to commit training budgets for fear the investment in staff will be wasted due to the draw from other businesses that may be able to offer higher salary packages. A more concerted effort is required by government to support businesses to provide more training opportunities to help stem the skills gap and prevent the poaching of staff between industries.

9 What measures, if any, have you taken to overcome the retention difficulties in this occupation?



Clearly investing in training and developing clear career pathways for staff have been seen as possible solutions to retention issues being faced by manufacturers. It's great to see the investment in leaders and managers across the business – hopefully this is starting to see the development of 'retention culture' so that the reality on the factory floor matches what managers and owners envisage.

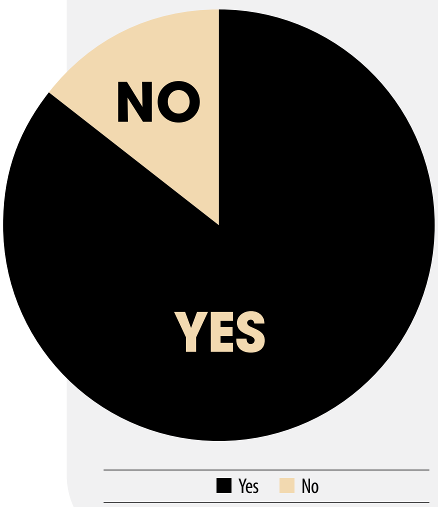
The large proportion of respondents to this survey were SMEs and staff retention is often an area where small and mid-sized companies fail. Whilst some progress has been made, manufacturers could still benefit in seeking inspiration and ideas from other sectors.

Supporting manufacturers with the skills and appetite to innovate on retention is crucial. This must be supported by government in order to address the systemic challenges faced around chronic skill shortages in manufacturing.

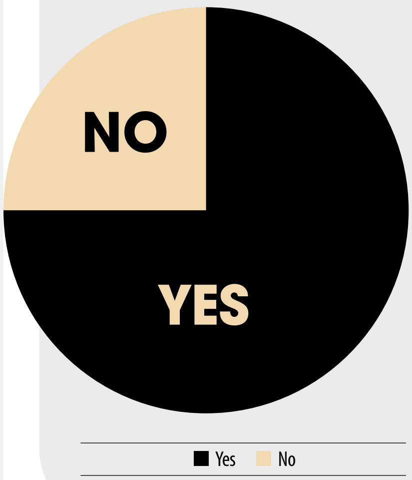
Interestingly again, none of the respondent companies considered introducing automation in order to tackle skill retention issues. This may have been due to the skills needed in the operation and maintenance of the machinery also suffering retention difficulties.

10 Have the retention difficulties in this occupation caused...

11 Are you able to access the correct/required training for staff?



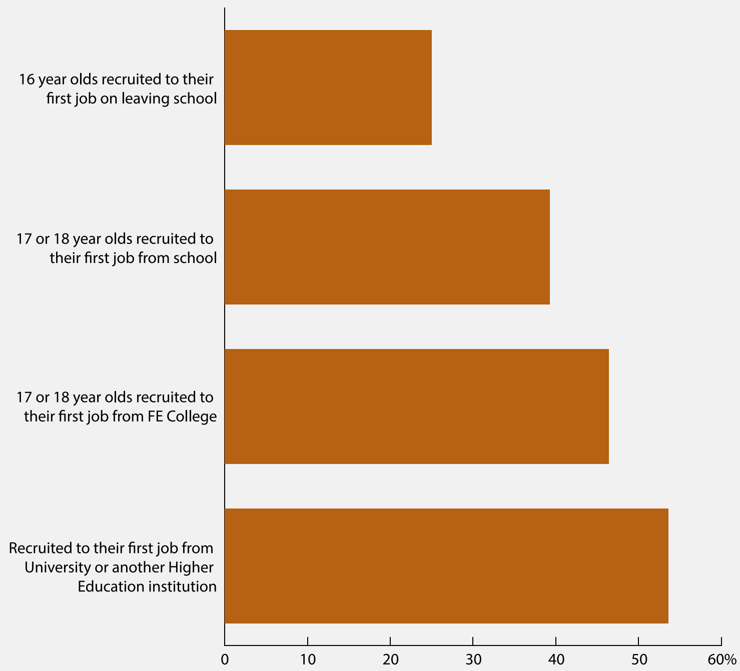
12 In the last 2-3 years, has this site taken on anyone to their first job on leaving school, college or university?



These figures demonstrate a real 'pinch point' for businesses which have undergone a prolonged period of cost and headcount reductions, and are now seeing an upturn in orders coming out of the recession.

The result has meant that close to half of businesses (46%) have experienced a restrictive business environment due to a lack of available skilled staff to deliver required productivity. This in turn has led to a great number of companies having to be overly reliant on a reduced number of staff which may indeed lead to further retention issues. So far, those issues haven't impacted on the customer service of a majority of companies but this may increase if the availability of skilled workers isn't improved.

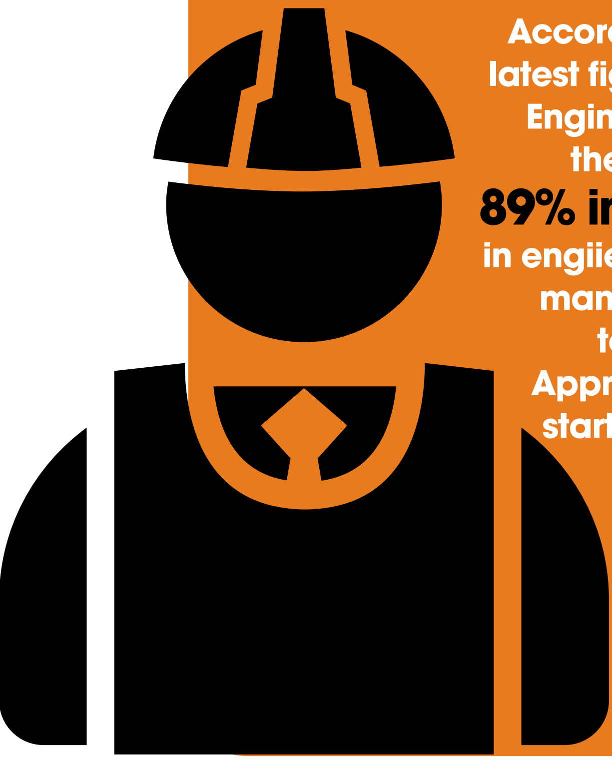
13 Have any of these been...



There has been an encouragingly high percentage (75%) of companies hiring young people into junior positions. Particularly encouraging is that of those positions, more than half (66%) offered were Apprenticeships.

According to the latest figures from Engineering UK, there was an 89% increase in engineering and manufacturing technology Apprenticeship starts between 2002 and 2011, with a 29% increase in the period 2010/11. This is an encouraging trend and positive to see that over two-thirds of employers surveyed offered an Apprenticeship scheme.

Government incentives, greater awareness of the benefits of Apprenticeships and increased costs of university education has certainly contributed to this upturn. But while a good number of companies are delivering Apprenticeships, not only do more companies need to offer more Apprenticeships but those that do provide them need to be encouraged to increase those numbers. This can only be achieved through the assistance of government to ensure the investment risk is shared.

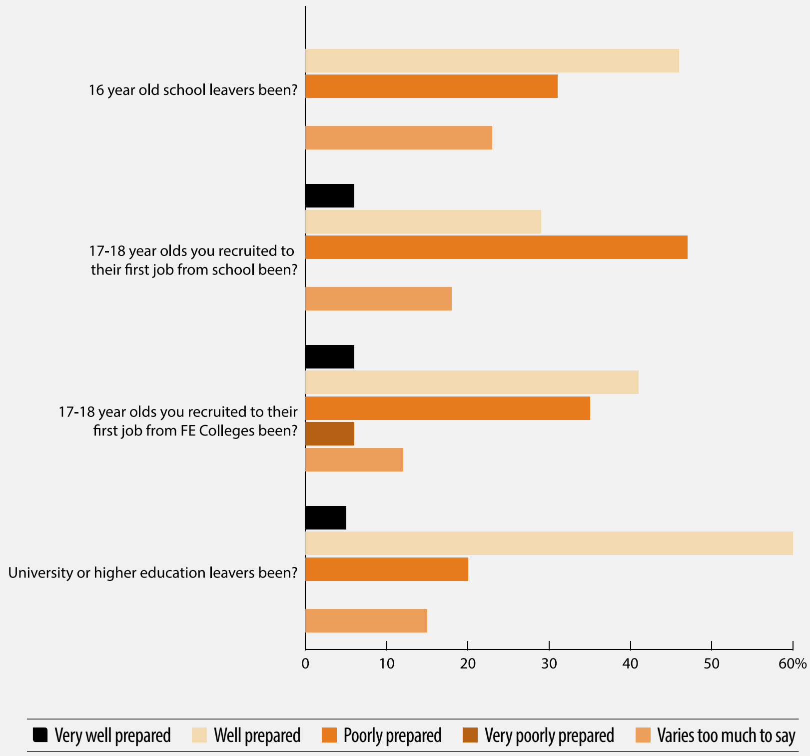


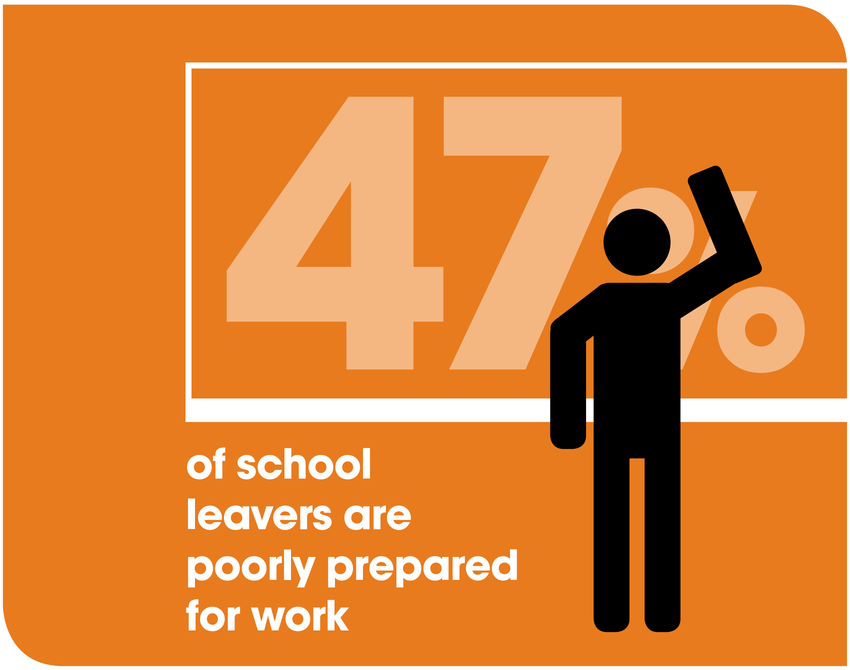
According to the latest figures from Engineering UK, there was an 89% increase in engiieering and manufacturing technology Apprenticeship starts between 2002 and 2011

75%

of manufacturing companies have taken on employees into their first job in the last three years

14 Thinking of those recruited in the last 2-3 years, how well prepared for work have the…





The survey shows a wide variation of opinion in respect to preparedness for work of education leavers. Surprisingly those leaving school at 16 and entering the workplace showed a better level of preparation than those recruited directly from school that were in the slightly higher age bracket of 17-18 and those from further education colleges overall fared better. However, considerable variation is reflected, particularly in the 16-year-old age group with 23% of respondents revealing that preparedness for work between individuals varied too much to give an accurate representation.

The results certainly suggest room for improvement across all ages and academic institutions. However, as would be expected, university graduates were overall considered better prepared for work. It does stand to reason though that more needs to be done to offer training that is more aligned with satisfying work-life requirements while also providing greater opportunities for work experience.

> **The results certainly suggest room for improvement across all ages and academic institutions**

ICT

Analysis by Stephen Wilson
Marketing Director, eBECS

Stephen Wilson, co-founded eBECS in 1999, eBECS has since grown to be the most successful Microsoft Dynamics partner in the UK, winning Microsoft Global ERP reseller of the year in 2013 and Microsoft Dynamics Reseller of the Year in 2010, 2012 and 2013. eBECS is a specialist in the design and delivery of solutions for manufacturing, distribution and the service industries.

SPONSORED BY
eBECS
Experts in Microsoft Dynamics

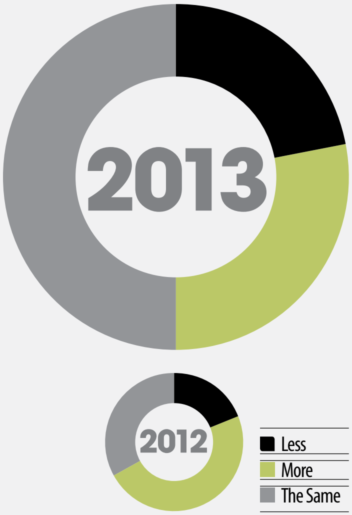
eBECS delivers world class lean and agile business solutions using Microsoft Dynamics AX, Dynamics CRM and Business Intelligence. Its solutions streamline and integrate processes, minimize waste, optimize the supply chain and manage demand-driven operations. eBECS is a global company with a personal touch, and it takes enormous pride in its large referencable client base including Aston Martin, Amec, Amey, Marshalls, The Royal Canadian Mint and the RNLI.

1 Was your total ICT expenditure (including hardware, service, software, infrastructure, training, etc) from last financial year less, more or the same?

In the last 12 months, half the manufacturers surveyed kept their IT expenditure at a level that was roughly the same as the previous financial year, with only a quarter (28%) reporting an increase in IT expenditure.

While at first glance this isn't particularly encouraging, it is important to note that the previous year's survey responses were actually very positive, with almost half of the manufacturers surveyed (48%) reporting an increase over the prior year's expenditure levels.

So from that perspective, the present year sees that enhanced expenditure continued—a rather more encouraging prospect. Put another way, this year we saw 78% of manufacturers saying that IT expenditures were either increased or maintained.

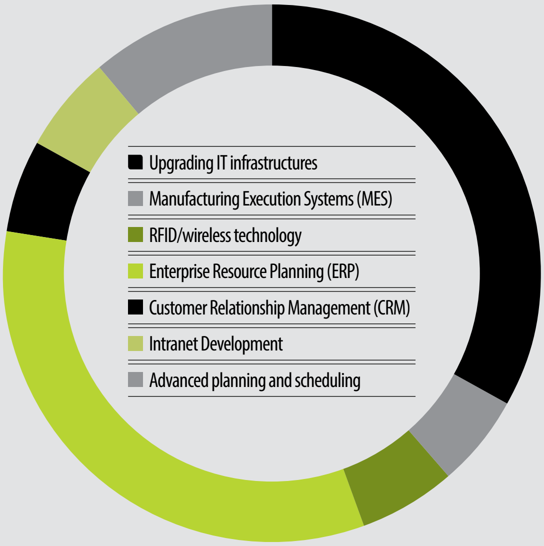


2 Will your proposed expenditure for next financial year be less, more or the same?

Looking forward, the situation is even more positive. Two thirds of respondents—67%—say that they plan on spending even more, next year. A further quarter of respondents (28%) anticipate spending around the same as last year. Put another way, only 6% of manufacturers—one in 20, in other words—actually anticipate spending less next year.

3 Which of the following IT and technology-based initiatives is currently the highest priority within the company, in the sense that there is a current project or that one is planned to start in the next 12 months?

So where, precisely, will this money be spent? In the event, out of the universe of possible areas of expenditure, manufacturers were firmly focused on just a small handful of areas of expenditure as their highest priorities. Almost equally popular—reported respectively by 35% and 33% of manufacturers—were upgrading IT infrastructure and expenditure on ERP.

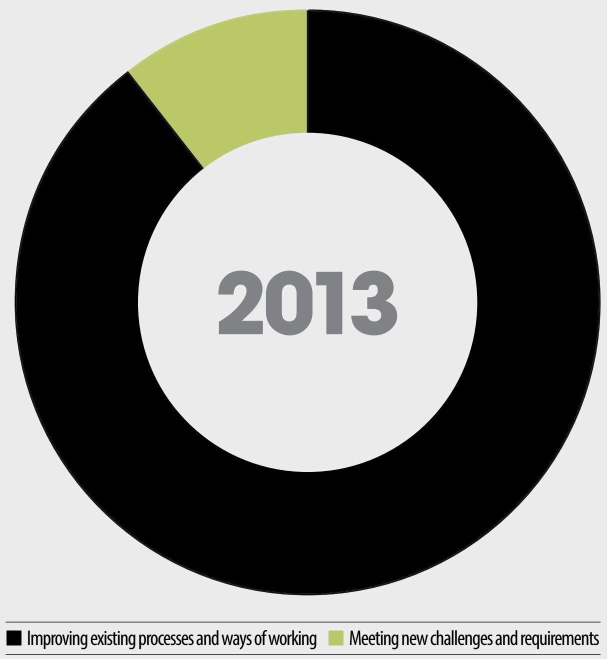


Interestingly, the next most urgent priorities were to do with 'hard' shopfloor manufacturing issues. 11% of manufacturers reported that Advanced Planning and Scheduling or Finite Capacity Scheduling was their highest priority, with 7% describing an investment in Manufacturing Execution System as their highest priority. Just 5% saw Customer Relationship Management (CRM) as their highest priority.

4 **Over the past 12 months, have you made any new IT investments to improve your company's performance in any of the following business processes? (Mark as many as apply).**

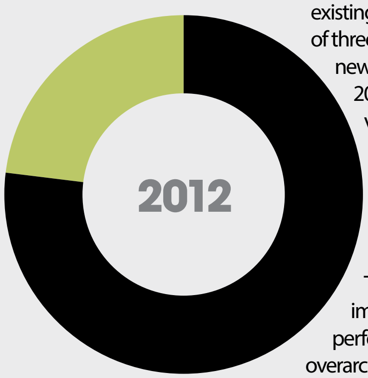
Just as pertinently, on what were manufacturers spending their IT budgets on during 2013? In sharp contrast to 2012, investments in supply chain management were popular, reported by 50% of manufacturers. And in keeping with the expenditure on 'hard' factory-floor issues reported in Question3, the improved planning and scheduling of operational processes had also been a priority, reported by over a quester (28%) of respondents. But the level of interest in analytics and reporting—backed by cold, hard cash—is undeniable, with fully one third of manufacturers (33%) reporting an investment in this area over the previous twelve months.

5 **Have your new ICT initiatives been focused primarily on improving existing processes and ways of working or have they focused on meeting new challenges and requirements faced by the company?**



And on what, precisely, were those IT investments focused on achieving? The answer— perhaps unsurprisingly given the fragility of the economy—has been in large part to achieve improvements in existing processes and ways of working. 89% of respondents reported this as an objective, with just 11% reporting that their investments were primarily driven by the need to meet new challenges and requirements.

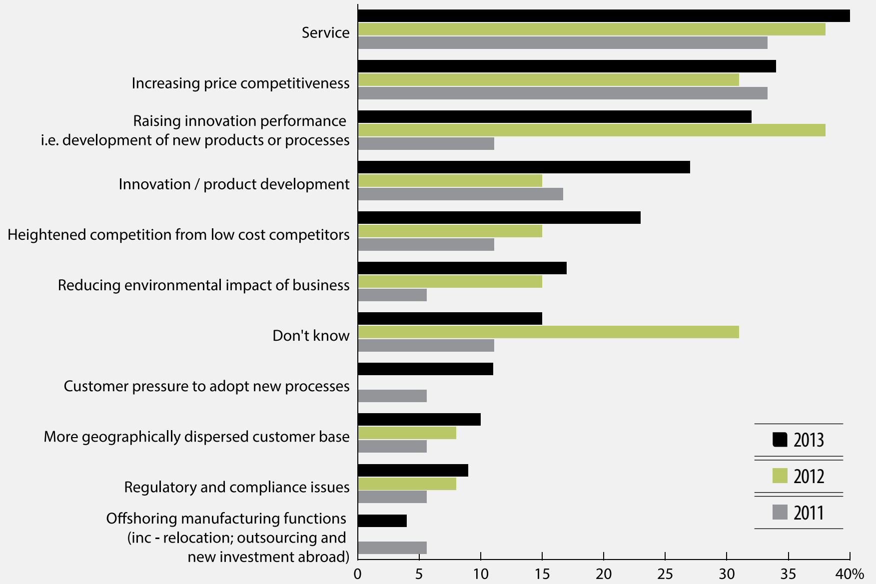
What's surprising is the margin by which this preference is expressed. In contrast to previous years, where manufacturers opted to improve existing processes by a margin of three to one over meeting new challenges, the ratio in 2013 was eight to one—a very different dynamic. And certainly, here at eBECS we've seen this reflected in our own work with customers. From Hoshizaki to Audio Technica, delivering solid improvements in process performance has been an overarching objective.



6 What challenges have resulted in the introduction of new ICT initiatives? (Mark as many as apply).

What pressures are driving IT expenditure—whether in the form of new challenges, or a need to improve existing process and ways of working? In previous years, the voice of the customer has been paramount, with respondents targeting investments on improved service, and increased price competitiveness. And this year is no different: both of these again drew significant investment, with in each case a third of respondents (33%) citing them as pressures.

But the overarching driver this year—in stark contrast to prior years—has been business growth, with 44% of respondents citing that as a challenge. Nor can the 28% of respondents citing productivity improvement as a challenge be ignored: yet again, as in previous questions, we see 'hard' shopfloor issues driving IT investments.

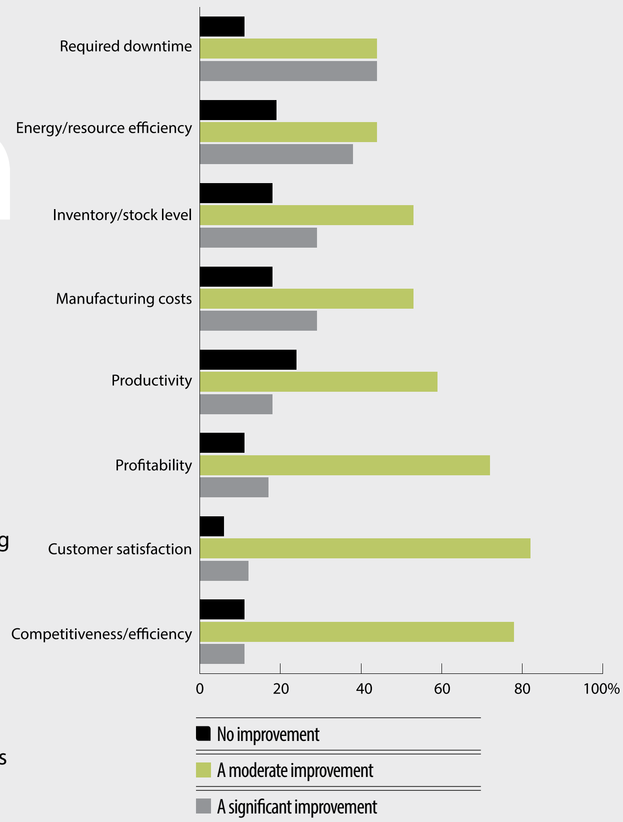


7 To what extent did the introduction of ICT lead to an improvement in the following?

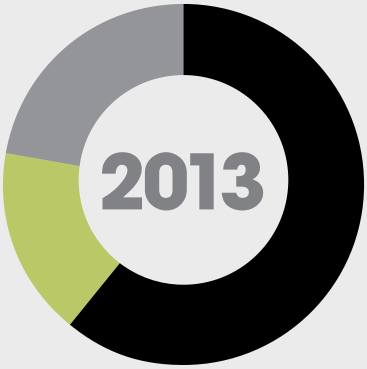
Clearly, manufacturers have high expectations of their IT projects. But how realistic are those expectations? Certainly, as these figures show, IT has failed to deliver a measurable improvement in a quarter to a third of all cases. And when IT expenditure does deliver, only moderate improvement seems to be the norm, cited by roughly a half to two-thirds of respondents.

But hope isn't entirely misplaced: in around 15-20% of all cases, a significant improvement has resulted. And again, 'hard' factory-floor investments seem to offer the most reliable returns, with 24% of respondents—the highest proportion, by quite some margin—reporting that expenditures on productivity improvement delivered the goods. Likewise, at 19%, energy efficiency, and at 18%, inventory management.

The bottom line? Target your IT expenditure well, and implement it carefully. Ill-chosen software, sloppily installed, rarely delivers the goods. At eBECS, we like to cite building and landscaping product manufacturer Marshalls as an example of a business that is getting widespread benefits from a well-chosen product—Microsoft Dynamics AX— that has been carefully implemented across the business.

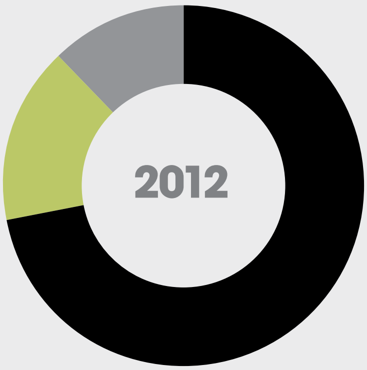


8 Which of the following phrases best describes the nature of your IT deployment at your company?



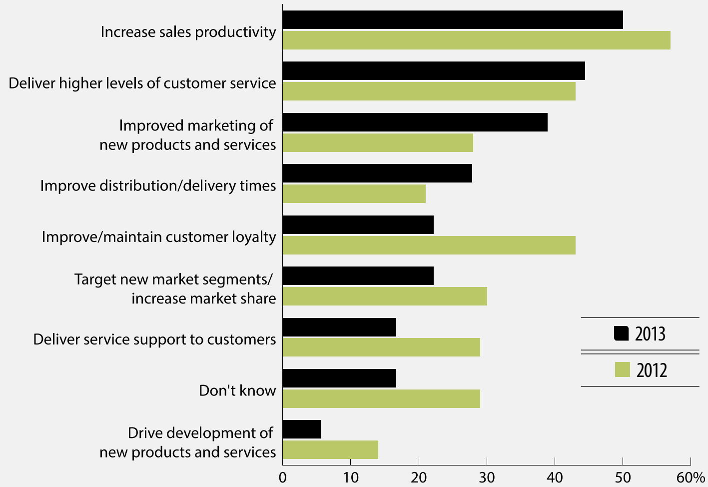
Is IT expenditure strategically-driven, or tactical? And if strategic, is the impetus a company-wide strategy, or a departmental or functional one?

In roughly a quarter of cases (22%), manufacturers confessed that the impetus was tactical, not strategic. More reassuringly, almost two-thirds (61%) reported IT initiatives stemming from company-wide strategic actions. Even so, considering the manufacturing function's reputation as something of a Cinderalla function when it comes to IT, it is pleasing that 22% of respondents felt able to report that it was a departmental strategy that was driving IT initiatives.



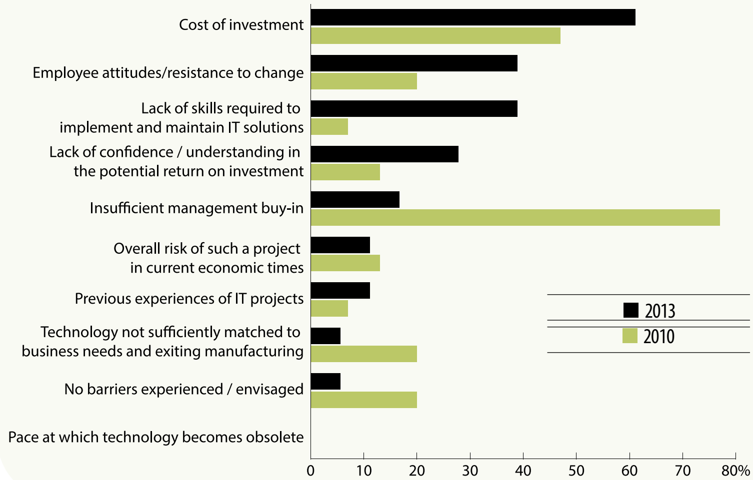
- Company-wide strategy
- Departmental strategy
- Tactical rather than strategic

9 Thinking about your company's customer relations management, have you (or will you) implemented new software solutions to achieve any of the following? (Mark as many as apply).



And what of CRM? Where have CRM initiatives been targeted? In the main, the traditional objectives of improved salesforce productivity and higher levels of customer service have been the overarching objectives. Not surprisingly, too, manufacturers are seeing CRM as a way of improving the marketing of new products and services. And intriguingly, just over a quarter of respondents see CRM as a way of improving distribution and delivery times. But, as we at eBECS understand full well, CRM is a powerful tool—and eBECS customers such as Thorlux Lighting and Mainstream Renewable Power have undeniably used it in some very imaginative ways.

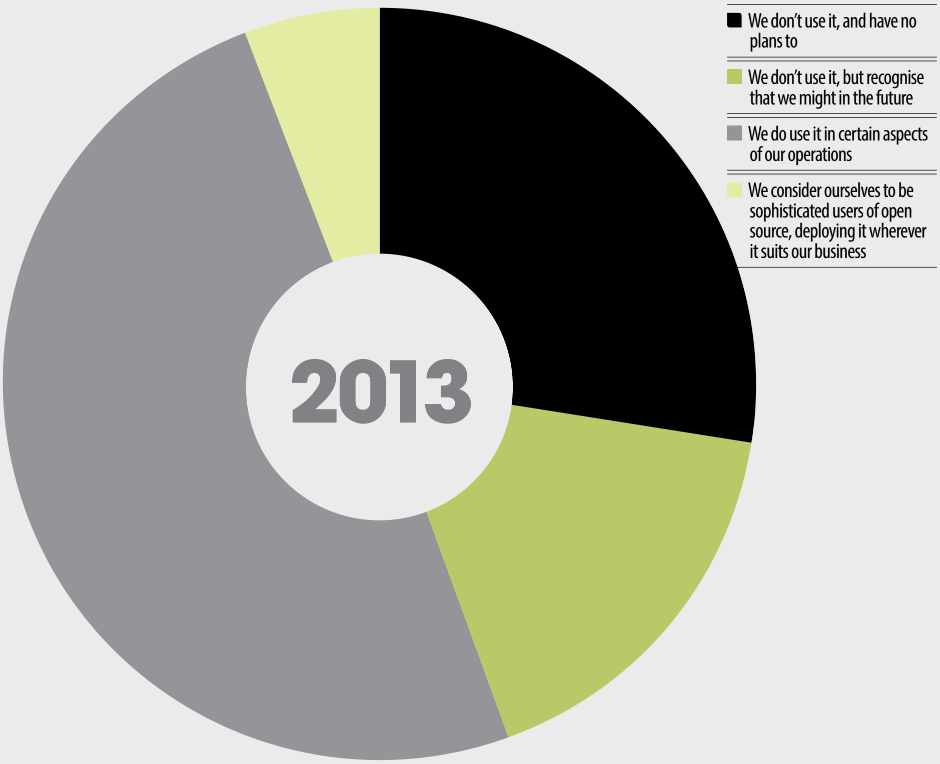
10 What do you believe are the current major barriers to investment and implementation of IT within your organisation? (Mark as many as apply).



11 Thinking about your IT infrastructure as a whole, to what extent do you use open source software? (eg. Linux, MySQL, Apache, LibreOffice etc). Only choose 1

Finally, we turn to manufacturers' use of open source software—a relative newcomer in our annual probing of manufacturers' IT expenditures and initiatives.

And the rise in popularity of open source is undeniable. While only a handful of manufacturers—one in twenty—consider themselves to be sophisticated users of open source, a full 50% make use of open source somewhere in their operations, for something. Throw in the 17% who don't presently make use of open source, but recognise that they might have a valid use of open source technology in the future, and the future of open source software seems assured.



And what of the barriers to investment in—and implementation of—IT initiatives in respondents' organisations? As ever, cost scores highly, cited as a barrier by 61% of respondents. Employee resistance, too, seems a perennial barrier: as in previous years, it is the second-most highly cited barrier. But a lack of skills is also seen as a barrier by 39% of respondents, and a lack of confidence in the eventual ROI is seen as a barrier by 28%. Even so, in this economy, both figures are mildly surprising.

> Cost of IT was **a barrier to investment** for many companies but lack of management buy-in has decreased substantially since 2010.

LETTERS TO GOVERNMENT

From THE Manufacturer magazine

ON BEHALF OF THE **TEXTILES** AND **FASHION INDUSTRY**

Dear Sirs/Madams,

In December 2013, a group of experts from the fashion and textiles industry met to discuss the challenges facing the sector and what progress is being made to address them.

The textiles industry in the UK has a long and proud history but much of the work, which was once UK-based, started moving overseas in the 1960s and 1970s due to the availability of cheap labour elsewhere.

Over the last few years, however, there have been several factors which have provided local manufacturers with an advantage over overseas businesses. These have included: increased foreign labour costs, foreign factory safety concerns and the demand for an increasingly fast speed to market.

The British clothing and textiles manufacturing industry currently employs over 180,000 people and in Q4 2013, the rolling annual fashion and textiles exports topped £10bn.

The representatives in attendance during this meeting made a number of recommendations which government could assist to implement which would help make the UK textiles and fashion industry more competitive for the long term.

THESE RECOMMENDATIONS INCLUDED:

1 As with many other sectors, the textiles industry is struggling with a skills shortage and a better level of engagement with schools is critical.

It was agreed that one of the best ways to counter the skills issue would be to make money available for engineering scholarships so long as the recipients worked for a minimum period in a role directly related to what they studied.

In addition, schools should be actively encouraged to engage with local textiles businesses to help improve the perception of manufacturing amongst students, teachers, parents and guidance counsellors. Businesses could then help develop apprenticeship programmes within the local community.

Creative skills are required in the textiles industry but many schools won't run vocational courses, partly due to the fact that the courses don't appear on league tables. The entry level certificate 1 in fashion and textiles is a small but crucial improvement. Amending the league table rankings to include creative vocational courses is critical to further improving the perception of careers in this field.

2 More needs to be done to promote the benefits of working in the manufacturing sector.

Working in manufacturing can offer significant perks by comparison with other comparable low-skilled work such as in supermarkets, retail shops, restaurants, bars and other similar jobs. These benefits should be made clear to students and job seekers by teachers and guidance counsellors through the provision of literature.

Some examples of the benefits include:

- Manufacturing allows for the development of a skill
- Manufacturing often allows for further paid for education and accreditations
- The work is often slightly better paid
- No weekend work
- Half days on Friday
- Subsidised food

3 Investment and funding is currently a major barrier to the uptake of new machinery technologies, such as computerised stitching machines and automated weaving looms, to help drive efficiency gains.

Greater detail is required to be shared with the industry regarding funding and finance options as well as the provision of expertise and advice about the latest available technology.

In sending this letter to you, we are aware that many of the issues written above are not new. However, we would encourage the continued development of strategies to help tackle the challenges of industry.

The textiles industry is burgeoning on what may be considered a revival and helping to improve its competitiveness and that of similar industries is paramount to improve the economic outlook for the UK.. We hope you will give this letter due consideration and look forward to your response in word and deed.

Tim Brown
Report Editor, *The Manufacturer* Magazine

ON BEHALF OF THE **FOOD** AND **DRINK SECTOR**

Dear Sirs/Madams,

In December 2013 a group of experts from the food and drink sector, including representatives of the packaging industry, met to discuss industry challenges and the progress being made in addressing them.

The group brought forward concerns about: the perception of the food and drink sector; particularly among MPs and school leavers; skills gaps and the complexity of skills solutions; the escalation of external auditing; and the availability of credible information about the long term outlook for resource security.

During the discussion of these topics, a number of recommendations were made to help build on existing efforts and make the UK food and drink sector as a whole, more competitive for the long term.

THESE RECOMMENDATIONS WERE:

1 An initiative should be launched to match all MP's with an annual site visit to a significant food and drink factory in their constituency or nearby: Delegates believed MPs would benefit from more knowledge of the UK food and drink sector and its contribution to public health and the national economy (see statistics.

Delegates were keen that such an initiative should not be a one off, but repeatable so that MPs gain a building picture of employment, community contributions, investment intentions etc.

It was agreed that all sites hosting MP visits under this initiative should have a consistent presentation of industry facts to deliver.

2 Skills solutions need to be further simplified and accelerated, including training for existing employees: While acknowledging the recent launch of the Food Engineering degree at Sheffield Hallam University, and citing a number of other national skills and schools engagement campaigns to attract young talent to food manufacturing, delegates remained concerned about the skills gaps in their organisations.

Practical engineering skills, often to support investments in new production and automation technologies, were found to be in particularly short supply. Delegates were frustrated that there is little support for employers looking to place middle and junior management-level employees on courses/advanced apprenticeships in order to upskill internally. It was felt this would be an immediate way of addressing skills gaps, mitigating the need to import skills, while schools engagement was relevant for the longer term pipeline.

The complexity of securing funding for apprenticeships, including via the Employer Ownership of Skills initiative, was criticised with one delegate comparing the process unfavourably with the challenge of securing bank finance. It was felt that more could be done to publicise and consolidate the processes and points of contact through which funding is secured.

3 Rationalisation of auditing: It was agreed that the proliferation of external, announced and unannounced, auditing by customers and official bodies has become "out of control".

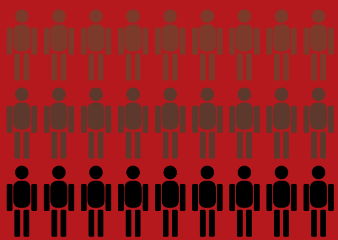
Delegates said that the audit requirements of different organisations are variable and frequently contradictory resulting in time and resources being invested in expensive compliance initiatives which might otherwise be used to grow businesses and create jobs. A food and drink industrial strategy is needed which includes an expertly validated approach to tackling energy and resource security challenges: Delegates

were concerned that the recently published Agri-food Sector Strategy document is not sufficiently relevant to the food and drink manufacturing sector. There were also clear concerns that the wider industrial strategy expressed by the current government has no formal energy strategy that is relevant to industrial users. A recent set of recommendations made by the Energy Intensive Users Group was held up as an important point of reference which policy makers should return to.

From The Manufacturer magazine

The UK is home to around **6,000** food and drink manufacturing companies

The food and drink manufacturing sector is the largest manufacturing sector in the UK with a turnover of **£76bn**



AROUND **400,000** people are employed by food and drink manufacturing companies in the UK

Delegates felt that government should take a more serious and informed approach to developing a policy on the development of GM crops as a means of addressing a rising global population. There was also a call for action on the sale of UK wheat for use in bio-fuels. One delegate said they had recently been forced to import wheat because UK stocks had been sold for this purpose.

In addition to these recommendations and associated concerns a number of other relevant points were made by delegates at this round table regarding factors which have impacted the industry's ability to move forward in addressing its challenges.

One of the foremost factors identified was the perceived lack of communication and consistency of purpose across government departments when designing, implementing and communicating policy.

Delegates urged that government should develop more efficient means for engaging with industry. They said that their experiences to date had been marked with a lack of seriousness or respect for their expertise, time and importance to the national economy or the communities local to their plants. There was disappointment at the fact the food sector was only recognised within the GREAT campaign late in the day.

Specific concerns also raised included short notice summons to meetings and notice of deadlines for consultations and funding opportunities. It was also identified that government communications can be complex and inaccessible to business leaders.

There was also a concern raised by delegates that MPs are reluctant to improve their relations with the food industry because it provides a convenient focus for public health issues such as obesity. There was a consensus that industry needs to be firmer in communicating the many positive contributions it has, and is, making to tackle this problem through healthy living initiatives and product engineering to reduce fat, salt and sugar levels in food.

In sending this letter to you, we are aware that many of the concerns raised are not new. However, we urge those responsible for the design, implementation and communication of policy which impacts the competitiveness of food and drink manufacturing in the UK to take note of the concerns and to acknowledge solutions industry has put forward.

This letter intends to foster a better competitive environment for food and drink manufacturers in the UK.

We look forward to your response.

Jane Gray
Editor, *The Manufacturer* Magazine

ON BEHALF OF THE AUTOMOTIVE SECTOR

Dear Sirs/Madams,

In December 2013 a group of experts from the automotive sector, including representatives of the UK automotive supply chain, met to discuss industry challenges and the progress being made in addressing them.

Given the relatively recent revival of the UK automotive sector, the group decided it was imperative to discuss certain key topics, which not only serve to maintain the positive steps this industry has made in recent years, but will assist the industry to continue to push into the future. These key topics were: supply chain and finance; innovation and technology; and skills.

According to a recent report from the Society of Motor Manufacturers and Traders, the UK automotive sector is the fourth largest in Europe and the only country in the top five to experience positive growth in 2012, producing 1,576,945 vehicles.

A general feeling from the discussions was that, while it was positive to see large automotive manufacturers grow steadily year-on-year, a lot of smaller manufacturers in the UK supply chain were going to miss out on the growth in the sector due the key topics listed above.

During the discussion of these topics, a number of recommendations were made to help build on existing efforts and make the UK automotive sector as a whole, more competitive for the long term.

THESE RECOMMENDATIONS WERE:

1 The difficulties faced by banks when deciding whether or not to finance smaller companies in the automotive supply chain needed to be addressed from the banks' internal structures.

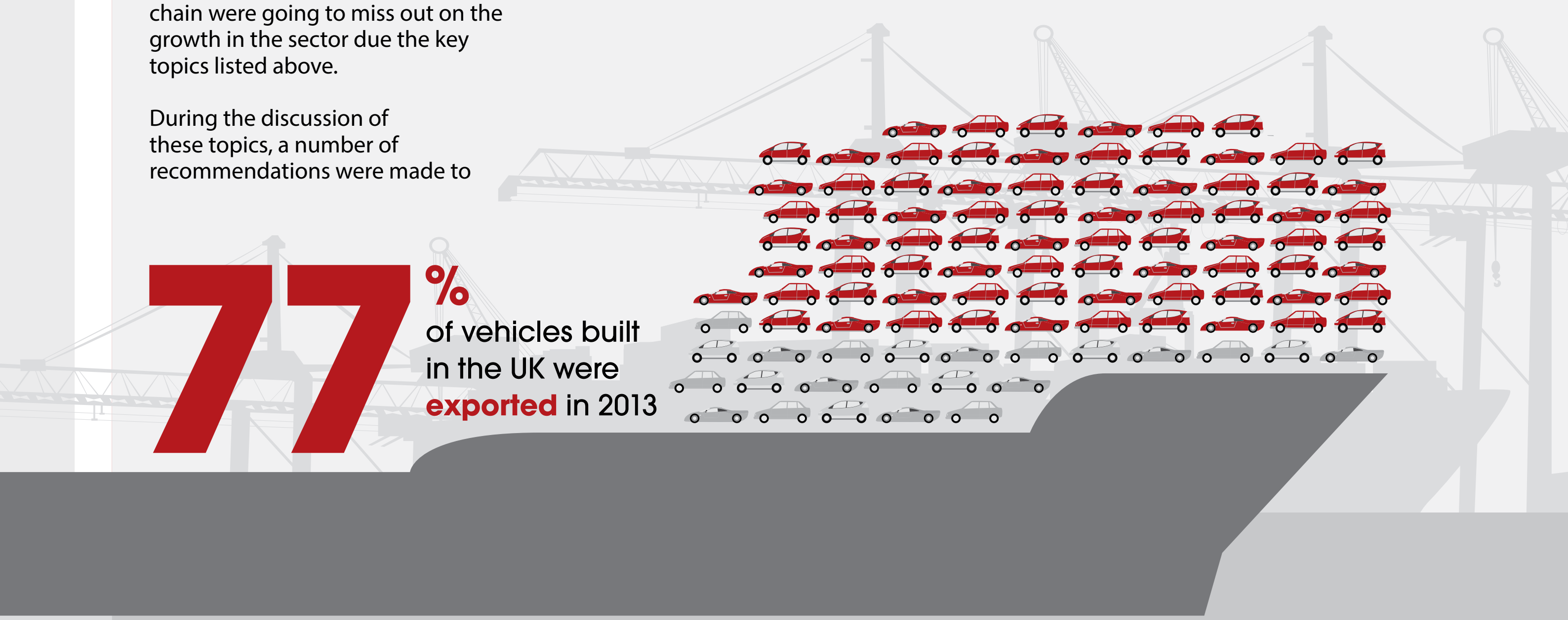
It was emphasised that there is recognition across the industry that banks needed to be more involved in the automotive industry. It was felt that the primary individual responsible for making the final decision whether to offer financial support or not often did not have the proper and correct industry insight and manufacturing knowledge to properly evaluate and justify the investment.

Industry bodies and government have set up support channels for supply chain manufacturers such as the Advanced Manufacturing Supply Chain Initiative and many of these have been hailed as a true benefit for the industry. However the crucial task of securing finance from banks was still seen as a frustrating and sometimes futile exercise. It was agreed that bank managers responsible for issuing finance should have some form of training in the internal workings of the manufacturing industry or at least spend an appropriate amount of time to better understand the workings of the company seeking finance, enabling them to make the correct lending decision.

2 Large automotive OEMs must allow funding access to filter down the supply chain effectively.

There was suggestion from companies, looking to establish a presence in the UK automotive supply chain, that it is difficult to get the attention of the larger OEMs such as Jaguar Land Rover and Toyota. It was suggested that the OEMs should make a more concerted effort to search further down the supply chain.

In addition, the suppliers felt that the OEMs needed to be encouraged to share the funding pot with the supplier base to assist with investment requirements. However, it was also felt that the communication between the OEMs and the tiers was often quite one sided with the suppliers feeling that they needed to tread on egg shells to ensure they did not threaten continued business.



From **THE Manufacturer** *magazine*

3 While the skills shortage is not unique to the automotive manufacturing sector, it is still of major concern to the industry and must be addressed.

It was unanimous that the perception and image of manufacturing must be reinvented. Currently there are some very exciting things happening in manufacturing and innovation in the UK automotive sector, however these innovations are not being promoted in the correct manner to encourage young apprentices to engage with employers.

The reach of Formula 1 and British motorsports within the UK to younger, potential engineers and apprentices is a major selling point which, it is felt, is not being adequately leveraged. The growth in this sector alone is something the entire sector can be proud of. However there is still a strong feeling of neglect from smaller, tier 3 and smaller automotive suppliers that feel as though their contribution to this growth is not being translated adequately to potential apprentices in their businesses.

Further to these recommendations, it was also strongly voiced that the way in which investment and financial lending data is represented in the sector needed to be addressed. It was stated that bank lending figures should not be used as the sole barometer measuring the amount of investment in the UK automotive manufacturing sector. It was agreed this measurement was outdated and, with numerous other sources of funding now available to manufacturers, the current measurement carried out by industry bodies and government must be changed.

It was stated that at least double or triple the current figure of investment in the sector could be recorded if the investment data was correctly collated across the sector.

In sending this letter to you, we are aware that many of the issues written above are not new. However, we would encourage the continued development of strategies to help tackle the challenges of industry, and in this case particularly the automotive industry.

The UK automotive industry is burgeoning on what may be considered a revival and helping to improve its competitiveness is paramount to economic improvement. This letter is not designed to be an attack on government, but a reference point in the development of a better competitive environment for automotive manufacturers in the UK.

Industry wants to play a bolder part in addressing its image and help to develop a more robust and employment driven skills and education agenda. On the behalf of the UK's automotive industry, we hope you will give this letter due consideration and look forward to your response in word and deed.

Callum Bentley
Deputy Editor, *The Manufacturer* Magazine

731,000 people are employed across the UK automotive industry, **82,000** of which are employed in the UK supply chain and **146,000** of which are involved directly with manufacturing

ANNUAL MANUFACTURING REPORT 2014

sayonemedia

Elizabeth House, Block 2, Part 5th Floor, 39 York Road, London, SE1 7NQ
T +44 (0)207 401 6033
F +44 (0)844 854 1010
www.sayonemedia.com.