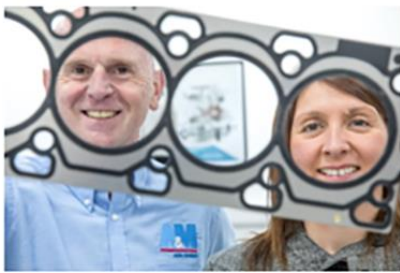


SME Productivity

Roundtable with SME Manufacturers



Purpose of the Roundtable

To understand the challenges faced by Manufacturing SMEs and the external support that they use, or have used, in developing their businesses.

When: 20th July 2018

Where: Harborough Innovation Centre

Attendees

Tony Danker	<i>Be the Business</i>
David Crichton-Miller	<i>SQW Group</i>
Jane Galsworthy	<i>Oxford Innovation</i>

The leaders of **seven manufacturing businesses¹**, clients of the Manufacturing Growth Programme delivered by Economic Growth Solutions Ltd, based in the Midlands:

- Ranging in size from £1.4m - £10m turnover
- Ranging from 46 – 260 employees
- All well-established businesses, i.e. >10 years old
- Serving automotive, aerospace, food, engineering and leisure sectors
- All businesses export/trade internationally
- Three were family owned/managed businesses

Introduction

Each leader was asked to introduce their business, following which an informal roundtable discussion took place. This discussion was loosely structured around the below open questions. Participants were very honest about the strengths and weaknesses of their businesses and the challenges that they face/have faced. Below is a summary of their comments.

¹ One business did not attend on the day but provided input via email in advance of the roundtable

Discussion 1

What problems do you face within your SME Manufacturing business?

- Stability of orderbook; despite having long term agreements in place, demand changes far too frequently. In particular, large contracts with corporates can change very quickly and when that happens it leaves a huge hole in the order book.
- Experience of our management team. When staff are promoted from within as the company grows, they lack experience. Often, they have strong technical experience but little management experience from similar size companies. Finding cost-effective ways of developing their skills and experience is difficult.
- Being able to recruit staff with the right qualifications/experience, as well as the right attitude.
- Site/premises issues. As companies grow and reach capacity, they need to move to extend the existing site or move to a new location. Moving is a big step change; extending is less risky but planning permissions can be difficult.
- Keeping up to date with new sector specific regulations and OEM accreditations.
- We're so busy, we simply don't have the time to do what we need/want to do in order to improve the business.
- Growth causes many issues: cash, skills, capability, lack of vision etc.

Discussion 2

Do you compare your company against others within the industry?

- Sometimes, but primarily on financial measures, e.g. comparing turnover and profit.
- In highly price sensitive markets, product price comparisons with competitors is hugely important.
- Compare product range.
- In our industry, we see our competitors' pricing all the time, as well as their product offering, and know exactly what we have to beat.
- No, in our industry, we don't go around looking at competitors at all. We kind of know the day rates for engineers doing what we do, and what a project would cost, but it doesn't seem relevant to compare to others.
- Belonging to various forums has always been very helpful. I used to belong to an Engineering Forum, which was very helpful in letting us know what sorts of things were being done in other companies, how certain issues were being dealt with, even what rates were being paid for things.
- Sector specific accreditations, e.g. SC21 in aerospace, are another way in which we are assessed by our customers and can compare with our competitors.

Discussion 3

What reasons or events prompted you to decide that you needed to invest in changing or improving your business?

- Deciding to achieve a certain sector-specific accreditation to serve our chosen market.
- A new family member joining the family firm and bringing with them skills/expertise that they applied to changing the business model.
- Someone from GrowthAccelerator (a Government funded programme) knocking at the door and offering the support that we needed at the right time.
- We developed a 3-5-year business plan with Warwick Manufacturing Group – this sets the agenda for our investments and improvement projects.
- The recession was a huge threat and we had to do a lot to adjust and react to it.
- A major problem in the company's history made me take long look at what we did.
- I met someone who, after he got to know us, said that we didn't have a strategy, or any direction, but that we just 'turned up every day and reacted'. That was the beginning of teaching me what being an MD was about.
- The availability of grants to invest in R&D.

Discussion 4

Where do you go for help to overcome problems?

- Professional partners (accountants, lawyers, HR etc.) for legal, financial matters but not for help with the direction of the business.
- Banks are very poor.
- Peer networks have been really useful (specifically cited were several different engineering networks).
- We use a coach/mentor that we initially worked with on GrowthAccelerator and have continued working with. He is great – forces us to look outside our box.
- We've not found anyone that can really help us from an operational point of view. Most people that we have come across say they can help but can't give examples.
- Our customers have several supplier development programmes that we're working to, but again, it's time and we don't have the resource to support all the initiatives.
- In our industry (Nuclear), there was a diagnostic which was great as it told you what you were good at and what you were not.
- We've used Government funded schemes, but they are often slow and very bureaucratic. Our overseas competitors have far more support from Government than we do.
- Grant funding is often tied to job creation, i.e. to receive a grant you need to demonstrate that you will create jobs. This actively hinders productivity improvements.
- I am a Lean Leader and Master Black Belt, so I know 'what good looks like', although I don't have much time to make it happen. We have several other experienced people, but they also don't have much time.

Discussion 5

What support have you received in the past that works?

- Direct support from customers working towards meeting specific accreditations they require or sector specific requirements.
- R&D Tax Credits – these are great and provide a strong incentive to invest.
- Management development training from a specific mentor.
- Most of them had done some form of management training, mostly short courses on specific subjects. They did not sound as if these had been very effective. The most positive story re management training was from an MD who had put his operational staff through a financial training course to help them understand P&Ls and the drivers of profit – that had made a huge difference to their behaviour and attention to the things that determined profitability.
- Manufacturing Advisory Service: pre-2012 it provided great specialist manufacturing advice delivered by industry experts. They also provided great account management and helped to connect us with other relevant support. (Several of the companies said that the MAS service had been great: ‘they really knew our kind of business’; ‘the account manager really helped you’; they ‘really understood our problems and had experience of solving them’).
- GrowthAccelerator/Business Growth Service to identify a suitable coach to work with us. Also, in-house training to give our managers stronger commercial skills. (4 of the 6 companies cited GrowthAccelerator as being great, see below).
- Peer networks: commercial networks (e.g. MD2MD), personal networks, Notts Manufacturing Network (part funded by Council), East Midlands Engineering Forum (funded by EMDA² and no longer in existence).
- DIT for overseas missions in the past although the support they offer now is very stripped back/limited and they don’t have any money to help reduce the risk/outlay of going to a foreign trade show.

² East Midlands Development Agency

- University Technology Facilities, although these can be quite hard work as they are quite 'high level' and typically find it easier to work with large companies rather than SMEs.
- Innovate UK and H2020 grants have been great for investing in developing new technology.
- Capex grants have been very useful although there aren't any around at the moment. I want to invest in equipment that offers new capabilities and access to a new market, but I can't currently afford the full cost (ca £500k). I won't take a loan from the bank, so I'll wait 2-3 years until the price drops to affordable levels.

Discussion 6

What support have you had or seen that you wouldn't use?

- Our accountants have been useless on R&D tax credits – they advised us that the scheme wasn't relevant for us, but it is, and I've successfully claimed funding.
- Our accountants do not provide good advice – I'm in the process of changing.
- Consultants – I've had bad experiences with people promising and then not delivering. Even the good ones just give you a report, which I don't have time to implement.
- The banks are very poor at relationship management. I don't trust them. In the financial crash of 2008, they came down very hard on us. I don't want to borrow and be in the same position again.
- A £3k grant is pointless. It is too small to drive significant change. Growing businesses need a series of grants/support.
- Growth Hub support is too generic. They don't understand our business and what we need. The support offered is too driven by local political priorities. ("Our Growth Hub is not good at all").
- Government support changes all the time as do the people that deliver it – I don't have time to keep up with it.

Discussion 7

Reflections around publicly funded business support

Most businesses are so busy keeping on top of day to day activities that they do not have time to proactively think about how to improve their business; they also do not have time to search out someone who might be able to help them. However, an approach by someone who understands their business with an offer that is of value to them, often provides a catalyst to embark on a programme of improving management practices and developing internal management capabilities. The GrowthAccelerator support received by these businesses provides a good example.

All the businesses had received coaching from GrowthAccelerator, they were strong advocates of the scheme citing the following reasons:

- It was a single national brand with a good reputation and getting onto the programme was seen as something only available to growing companies, i.e. it was aspirational.
- They heard good things about the programme from their peers and felt that they wanted to join a group of scale-ups.
- The account manager that they dealt with had a strong commercial background and they felt understood their business.
- They were offered 3 strong business coaches to work with them and had the opportunity to select which one would be best for their business.
- The Government subsidy for the service was important in persuading them to participate although they commented that it was important that they also contributed financially as 'free' often equates to 'worthless'.
- They acknowledged that coaching was really important to embed new management practices within their organization.
- They recognized that they were too busy day to day to set aside time to think about the development of their business and valued having someone external come in and make them think about it.
- Several of the businesses continued working with their coach beyond the subsidized GrowthAccelerator intervention.

These small and medium-sized businesses (>£1m turnover) are typically quite demanding of external advisory support. They want advisers that have deep commercial experience, a genuine understanding of the problems that they face and the ability to bring new skills and

thinking to their business. They strongly felt that making significant changes didn't happen overnight; effective support needed to extend over a period of months or years and this could require embedding an improvement specialist within the organization for several months. Additionally, they are looking to build a relationship with a trusted adviser over an extended period such that their adviser understands their business well and can proactively connect them to other support that is very relevant to their specific challenges at the right time.

These businesses are all making use of Government support to invest in R&D and innovation and tapping into innovation grants as well as R&D Tax Credits. They commented that some of the specialist technical facilities offered by universities are primarily geared up to dealing with large companies and it is relatively difficult for them to engage as an SME. The processes for securing innovation grants were also seen as slow and relatively bureaucratic.

Finally, the requirements of some publicly funded schemes sometimes appear perverse to SMEs. In particular, the short-term requirement to create a job through investing government grants in improvement projects is not necessarily in the best interests of their business. It also actively hinders productivity, albeit that improving the productivity of the company should enable the company to invest in growth with the likelihood of increasing staff numbers further down the line.

