



Industry Forum

Business Excellence Through Inspired People

June 2015

Supply Chain Collaboration Produces Results

The success of car making in the UK is now widely recognised with the stream of good news stories continuing into 2015. The situation in the UK supply chain has not been so widely publicised but a recent report from the Automotive Council by Phil Davies at BIS helps put this right. Davies concludes that good progress is being made towards bringing automotive supply back to the UK from overseas and that the activities of the Automotive Council have been important in bringing this about.



A recent study by Deloitte predicts that automotive suppliers who get risk management right will be more competitive, more profitable and less likely to encounter the threat of disruptive recalls with serious financial consequences. So risk management continues to rise up the strategic agenda of OEMs and this makes supply chain proximity an increasing priority.

Back in 2011 Matthew Holweg of Cambridge University had shown that around 80 per cent of all component types required in vehicle assembly could, in principle, be produced in the UK. In fact, the volume of UK supply chain business increased from £11.8 billion in 2009 to £15.9 billion in 2013. In 2014 the turnover of the parts manufacturers expanded more rapidly than that of the car manufacturers and so it is likely that the share of their purchasing, which goes to UK firms, is now increasing after a long period when the trend was in the other direction.

The Automotive Council was set up in 2009 to strengthen the links between government and industry and is a model which has been widely adopted by other sectors. This led to the formation of the Automotive Investment Organisation in 2013 to make the case for overseas investment in the UK supply chain. 10,000 new supply chain jobs as a result of inward investment from overseas have been created in the two years to April 2015.



The Coalition's Advanced Manufacturing Supply Chain Initiative has supported 48 individual supplier projects in the automotive sector and nearly £90 million investment has been secured. The investment goes into capex, R&D and skills and so far more than 1200 jobs have been safeguarded. There are also a number of projects in development. In addition the Employer Ownership Automotive Supply Chain Project has bought a further £20m government funding for skills development.

Davies' analysis highlights the importance of well-designed business to business communication in achieving strategic business goals for the supply chain. He finds that SMMT 'Meet the Buyer' events are effective

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and there should be stronger efforts to communicate with lower tiers in the supply chain. He concludes that despite the efforts so far which have clearly bought excellent results, there remains an information failure where buyers and sellers are unaware of what each other has to offer, despite the range of new communication channels now available in the digital realm. These findings are particularly important given the expansion opportunities that exist elsewhere in the UK transport equipment supply chain cluster such as aerospace and railway equipment where significant development programmes are under way.

In 2014 BIS published a study of how good practice in industry and government could strengthen UK supply chains. It highlighted major business challenges where the evidence shows that supply chain collaboration produces results. For example, supply chain collaboration can solve problems in skills, finance, innovation and supply chain efficiency, balancing the whole supply chain.

A report in 2014 by the All Party Parliamentary Manufacturing Group - 'Making Good, A Study of Culture and Competitiveness in UK Manufacturing' – developed the theme of effective communication for strategic change. It concluded that there is still too much reluctance on the part of owners and managers in UK manufacturing to engage with the kind of support packages and business development programmes that would boost business competitiveness via innovation, automation, skills, exporting and long-term financing. The Group recommends that politicians need to focus on changing the overall business culture and promoting the long-term attitude changes required. They issue the stark warning to the new government it would be disastrous if the result is a change in the rules of the game. A sustained cross-party approach is needed to press home the key messages.

In the robotics industry, ABB Robotics have endorsed the All Party Manufacturing Group Study highlighting the importance of effective supply chain communication in boosting UK productivity. Apart from the automotive sector, the UK lags international competition in the use of robots as a means of getting better value added per person. ABB and other robot manufacturers know they must convince manufacturing SMEs to invest and to abandon the prevailing approach identified in the Parliamentary Group study of 'make do and mend'.



ABB's own research shows the UK SMEs lack the skills and resources to use robotics confidently. ABB tackle this by demonstrating the benefits that robot investment has brought elsewhere to SMEs in competitor countries and showing how robot investment can produce a rapid return. They endorse the Parliamentary Group's stress on the need for a consistent long term policy framework. This should cover a much better integration of industrial and educational strategies.

Improving supply chain collaboration is a priority across major economies, including for example in the US Defence

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Industry. In April the Pentagon have released 'Better Buying Power 3.0', the latest iteration in a strategic long term drive to improve defence acquisition and supply chain collaboration. Under earlier iterations, the US Navy piloted a Superior Supplier Incentive Program and this approach is to be adopted by other services.

To achieve the US's strategic goals, defence acquisition has to integrate inputs from many perspectives, balance competing needs and satisfy different stakeholder requirements. This means that more technically qualified program leadership is needed with proven competence in terms of experience based standards. Stronger partnerships between different communities are also required so that emerging threats are spotted earlier and effectively countered more rapidly. Just as in ABB Robotics' analysis, the Pentagon see the need for continued efforts to promote technical education right the way across the defence supply chain.

The key point from all these different initiatives and studies is that better supply chain collaboration means a long term strategic commitment involving multiple stakeholders to deliver consistent messages, particularly to smaller firms at the lower levels in the supply chain. The importance of this approach is the way it delivers real and tangible results as the world becomes more uncertain and risks proliferate.

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