

UK manufacturers need to innovate to survive globalisation

Manufacturers in the UK must add value through services as well as products if they are to survive the recession and increasing globalisation, according to a report by the Advanced Institute of Management Research (AIM) and the Technology Strategy Board.

According to Professor Andy Neely, Deputy Director of AIM, "This report seeks to identify ways in which UK manufacturers can address the challenges they face in the light of globalisation. Manufacturing firms in the UK cannot compete on the basis of cost alone and as recessionary forces gather pace, it will become increasingly important for them to innovate, adding value through services as well as products".

The report sets out to define what 'high value manufacturing' actually means to academics, practitioners and policymakers, and what this in turn means for the future of the UK manufacturing industry. The definition it proposes underlines changes in perspective:

"High value manufacturers...do not compete primarily on cost. Instead they deliver value ...by contracting for capability, delivering product/service innovation, establishing process excellence, achieving high brand recognition and/or contributing to a sustainable society."

Building on work by the Technology Strategy Board, the report identifies four pillars of high value manufacturing – products, manufacturing processes, service systems and global value systems. While significant work has been undertaken on the first two of these pillars, the report calls for more work on service systems and global value systems.

Specifically the report identifies 12 challenges faced by high value manufacturers. Each challenge involves a series of core questions to be further explored by the Technology Strategy Board in particular. Challenge 11, for example, looks at the development of organisational capabilities and individual skills and asks 'what are the implications of high value manufacturing for education systems from basic to lifelong learning? What skills and capabilities should we expect managers of high value manufacturing firms to have?' The report asserts that the exploitation of technology and the development of service strategies and operations will require specific skills sets to be cultivated from the education system upwards, particularly in readying management for thinking and acting in a global context.

Other questions include:

- How profitable is the shift to services for high value manufacturers?
- What are the best ways for manufacturers to adopt a high value manufacturing strategy?
- How can high value manufacturing and the associated global value systems best contribute to a sustainable society?
- How can technology best be exploited for the development of the global value systems that underpin high value manufacturing?

Professor Neely adds, "The face of the UK manufacturing industry is undergoing a period of substantial change. With competition from developing markets in Asia and Eastern Europe only going to intensify in coming years, UK manufacturers simply cannot rely on the quality of products 'you can drop on your toe' anymore. Ever increasing numbers of manufacturing firms are putting emphasis on the services they provide, challenging traditional ideas about just what product is".

AIM Press Release



None of the questions raised by the report is straightforward to answer. However it argues that only when these challenges have been addressed will UK firms make significant steps towards achieving their vision for high value manufacturing capable of effectively competing on a global scale.

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Notes for Editors

High Value Manufacturing: Delivering on the Promise is available free to download from the **AIM Research** website (<http://www.aimresearch.org/aim-publications/executive-briefing>). The report was produced following a workshop involving 39 academics, practitioners and policymakers, including representatives of BERR, DIUS, Airbus UK, Rolls-Royce and IBM.

AIM Research is funded by the ESRC and EPSRC and was launched in November 2002. AIM's mission is to improve understanding of management's contribution to organizational performance, and thus UK well-being. AIM's more specific objectives are: (i) to conduct research that will identify actions to enhance the UK's international competitiveness; (ii) to raise the scientific quality and international standing of UK research on international competitiveness; (iii) to expand the size and capacity of the active research base for UK research on management; and (iv) to develop the engagement of that capacity with world-class research outside the UK and with practitioners as co-producers of knowledge about management and other users of research within the UK. For more information on **AIM** visit www.aimresearch.org

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