What Support do SME Manufacturers need in the future?

Analysis of a survey of SME manufacturing businesses across England

OXFORD INNOVATION ADVICE

Foreword

Oxford Innovation Advice has been supporting SMEs to grow and succeed for over 30 years. We strongly believe that they are the engine that will power the UK economy to recover and rebuild from the impacts of Covid-19 and rising energy prices.

SMEs are a large contributor to our economic landscape. The number of private sector businesses has risen in the UK over the last 18 years by 2.2 million. SMEs contributed 47% annual turnover to the UK economy as of 2016. However, that has now increased to £2.3 trillion (52%) in 2021.

The relative importance of small businesses is increasing with these businesses making up 16.3 million; 60% of total private sector jobs. Compared to large organisations which identify as having over 250 employees. SMEs make up 99.9% of all businesses in the UK, 96% of which are micro-businesses, employing no more than 10 people, leaving just 0.1% for large organisations.

From this, it is clear to see that SME businesses are of significant importance for the future of the UK and its economy.

Oxford Innovation Advice … the Voice of SMEs

In January 2022, our largest and leading business support programme for SME manufacturers, the Manufacturing Growth Programme, carried out an online survey in which they asked their clients "What business support and funding would your company really benefit from in the future?"

The following analysis reveals that manufacturing businesses require continued SME business support to survive, let alone thrive. The analysis also portrays how the Manufacturing Growth Programme (MGP) has supported them to date and the gap it would leave when European Funding comes to an end in 2023.

To address this problem, we call upon Government to continue providing business support programmes that target SME manufacturing needs that will in turn enable economic growth in the upcoming UK Shared Prosperity Fund.

Manufacturing Growth Programme

Funded by the European Regional Development Fund (ERDF) and delivered by Oxford Innovation Advice, the programme was launched in 2016 to create a targeted service to support manufacturing SMEs by delivering business improvement projects in strategic planning, productivity and process improvement, competitiveness, innovation and leadership & management.

MGP has assisted more than 4,000 companies to date, providing over £12m of grants and helping to create or safeguard 9200+ jobs, with nearly £20m of private sector investment also leveraged.
Digital marketing and e-commerce, productivity strategies, quality standards, business and growth plans and new product development have been the most popular forms of help.

Like many businesses, the Manufacturing Growth Programme had to pivot during the pandemic, developing a 'Crisis Management Framework' as an engagement tool for SMEs. This meant that firms knew the route to market to access essential support during Covid-19 and this helped them make the necessary changes and business strategy adaptations to remain operational and in a good position to maximise the recovery.

SMEs are operating in unique times, with companies looking to recover from the after effects of the pandemic but against a volatile backdrop of supply chain disruption and rising inflationary pressures. It is critical that manufacturing MD's continue to receive specialist support to re-build their businesses growth strategy.

Manufacturing is responsible for 10% of national GDP and still accounts for half of the UK's goods exported and nearly two thirds of all R&D activity in this country. These reasons alone means that government need to understand what the industry wants and need are in order to grow.

SME Survey Analysis

On the 20th December 2021, a SurveyMonkey invitation was sent out to all SME manufacturing businesses that had previously engaged with the Manufacturing Growth Programme.

The purpose of the survey was to encourage the business owners to provide honest, open feedback of their experience with the programme itself, and to find out what business support/funding their business would really benefit from in the future so that we can utilise the information to inform and influence government policy makers that will allow Oxford Innovation Advice to be able to continue supporting SME manufacturers growth, productivity and competitiveness.

The survey closed on 28th January 2022 with a total of 335 respondents spread across the 18 Local Enterprise Partnership (LEP) regions MGP operates in.

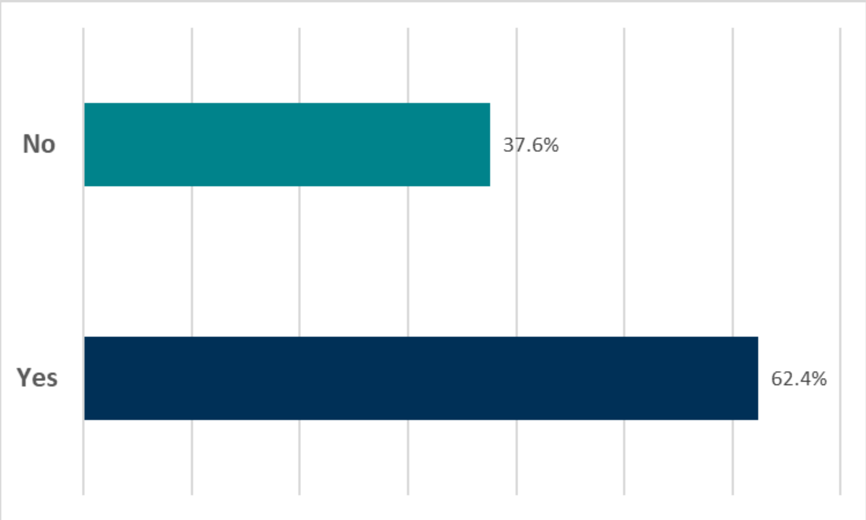
Figure 1: Breakdown of respondents by LEP region

Black Country	7%
Coventry & Warwickshire	5%
D2N2	3%
Enterprise M3	3%
Greater Birmingham & Solihull	6%
Greater Lincolnshire	6%
Hertfordshire	7%
Humber	1%
Leeds City Region	5%
Leicester & Leicestershire	8%
Sheffield City Region	7%
Solent	2%
South East	6%
South East Midlands	3%
Stoke-on-Trent & Staffordshire	3%
The Marches	3%
Worcestershire	4%
York North York East Riding	2%

Current Business support

37% of SME manufacturing businesses confirmed that MGP was the only business support programme that they had accessed in the last 5 years, while 62% of SME manufacturers confirmed that they had received business support from other organisations. Given how many other opportunities in the market there are for SMEs to access, 37% is considered as a high percentage to have only accessed the one programme over such a long timeframe.

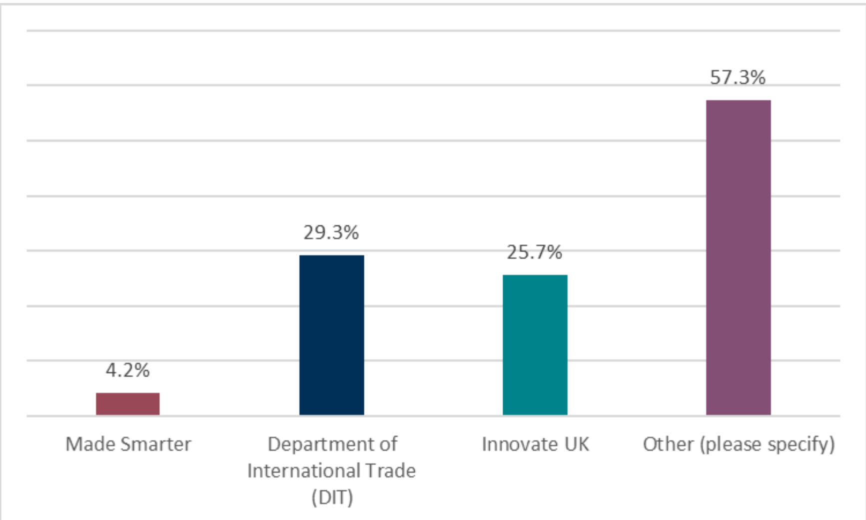
Figure 2: Question 1 "Have you accessed other business support programmes (non MGP) in the last 5 years?"



By asking what other 'national' business support programmes SMEs have accessed, we can identify the direct competition to the programme as well as needs of the businesses. Only 4% have accessed manufacturing specific 'Made Smarter', while nearly 30% have retrieved support from DIT for internationalisation.

The other's included programmes such as; Be the Business, Carbon Trust, Covid business support loans/grants, Green Business, support from the LEP, Peer Networks, Supply Chain programmes and support from Universities.

Figure 3: Question 2 [*Logic to those who answered Yes to question 1*] "Have you previously accessed any of the following national business support programmes?"

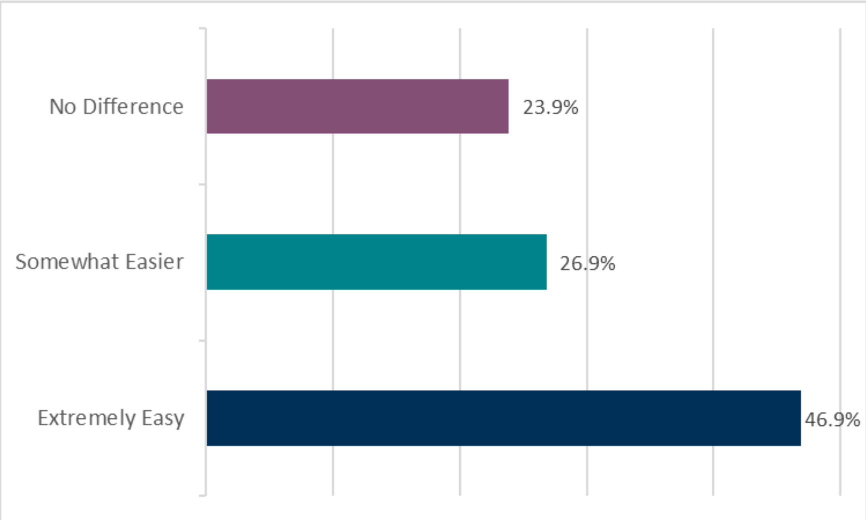


Even though making referrals to other business support organisations is not part of the outputs of the programme or a key KPI of the team, the regional Manufacturing Growth Managers that work alongside the SMEs account manage them with their best interest in mind and suggest other organisations/business support programmes for them to engage with that will enhance their productivity, competitiveness and their growth.

Accessibility

64% of the SMEs surveyed said that the Manufacturing Growth Programme was easier to access in comparison to other business support providers. Where 23% stated that there was 'no difference'.

Figure 4: Question 3 "How easy has it been to access support from the Manufacturing Growth Programme (MGP) compared to other business support providers?

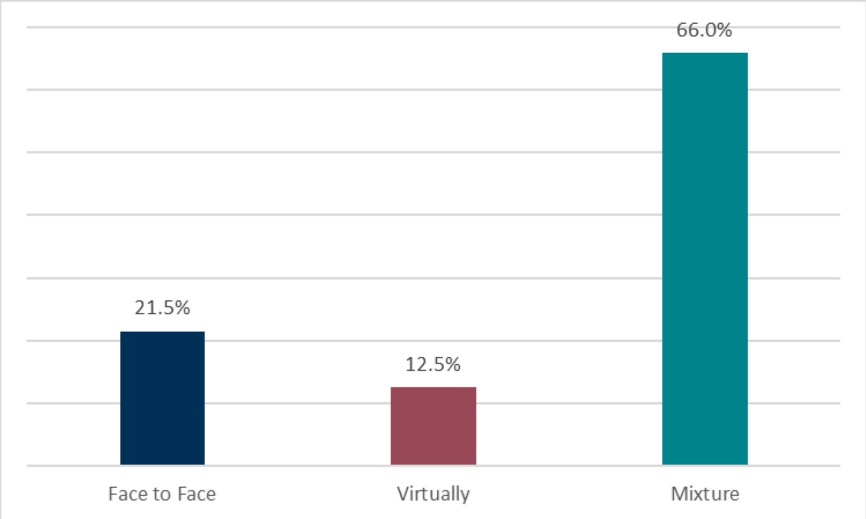


Future Business Support

The following questions and analysis are based on what and how SME manufacturing businesses would like in regards to the future of business support programmes.

Starting with 'how', when asked what method they would like the support to be delivered by, more than two thirds stated a mixture of 'face to face' and 'virtual' delivery. This isn't surprising given how the recent pandemic has effected the way in which businesses have had to run and moving more towards an online delivery model.

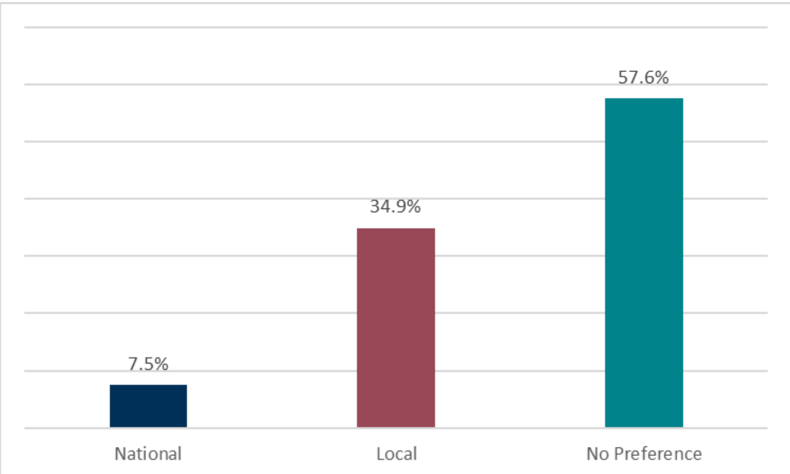
Figure 5: Question 4 "What method would you like future business support programmes to be delivered by?"



Since 2016, there have only been a handful of national business support programmes on offer for SME manufacturing businesses (DIT, Made Smarter), whereas the majority of programmes have been delivered on a local basis. The Manufacturing Growth Programme was contracted on a local basis with the individual LEPs, each region has a local expert who is connect to the Growth Hubs, other businesses and regional support initiatives.

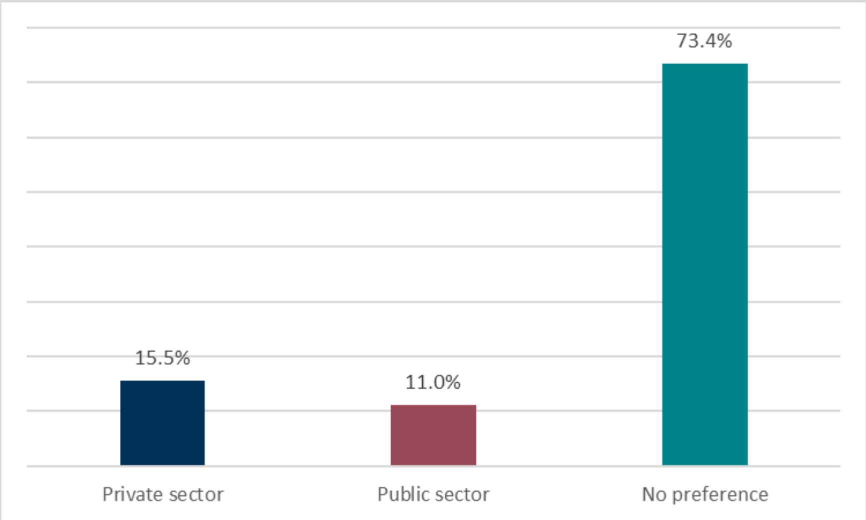
Going forward, more than half had 'no preference' on whether a future business support programme should be a national initiative or local initiative.

Figure 6: Question 5 "Would you rather have access to a national initiative or local initiative for business support in your area?"



When asked whether a future funded business support programme should be delivered by a private sector organisation or a public sector organisation, nearly three quarters has 'no preference'.

Figure 7: Question 6 "Would you prefer your funded programme of business support to be delivered by a private sector organisation or a public sector organisation?"



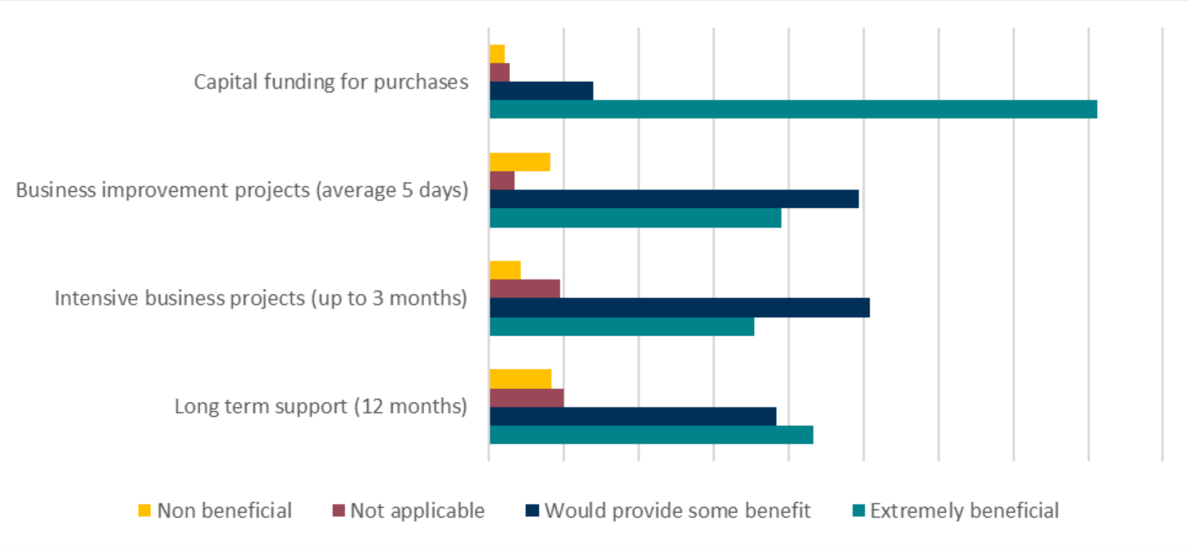
The survey wanted to dig deeper and better understand what type of business support packages would be of a greater benefit to their business in the future. The four options provided are base don opportunities that are already available in the marketplace; capital funding and three variations of grant funding; 5 days, up to three months and long term 12 month support.

The most beneficial category was 'Capital funding for purchases', where the longer term support of up to 12 months for grant funding improvement project support was rated slightly higher than the other two as being 'extremely beneficial'.

Figure 8: Question 7 "What types of business support packages would you feel would be of benefit to your business in the future?"

	EXTREMELY BENEFICIAL	WOULD PROVIDE SOME BENEFIT	NOT APPLICABLE	NON BENEFICIAL	TOTAL
Capital funding for purchases	81.27% 269	13.90% 46	2.72% 9	2.11% 7	331
Business improvement projects (average 5 days)	39.02% 128	49.39% 162	3.35% 11	8.23% 27	328
Intensive business projects (up to 3 months)	35.38% 115	50.77% 165	9.54% 31	4.31% 14	325
Long term support (12 months)	43.30% 139	38.32% 123	9.97% 32	8.41% 27	321

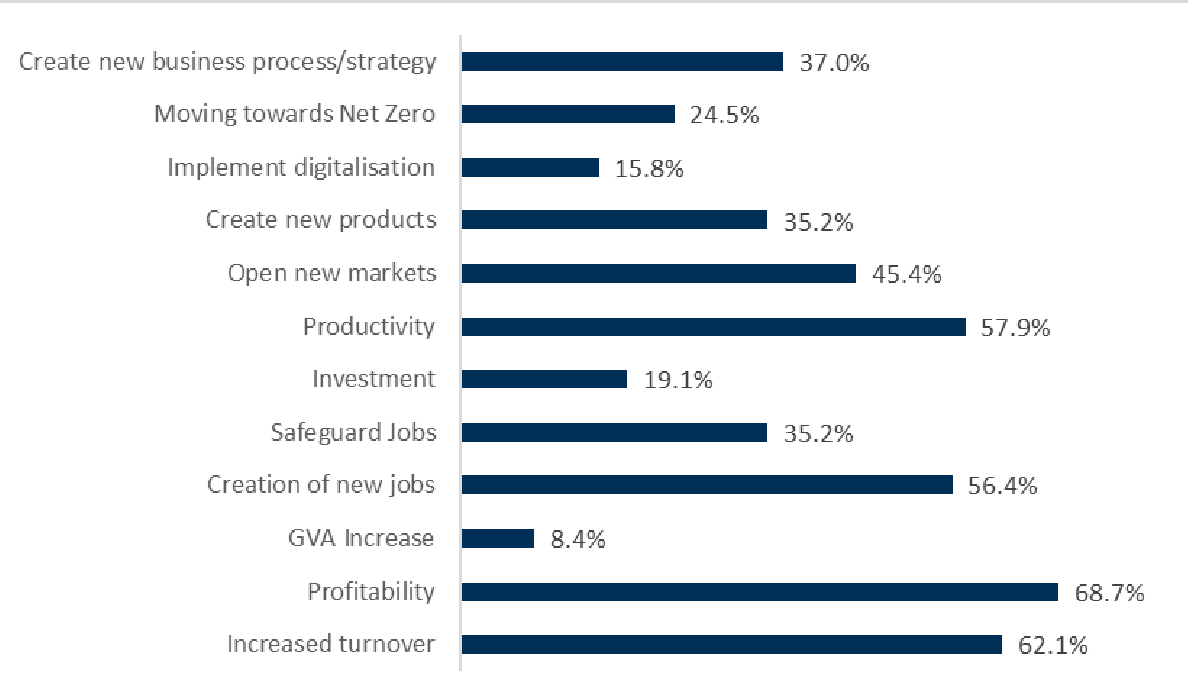
Figure 9: Question 7 in graph format.



Business support programmes are monitored on 'outputs'. This can range from jobs created and jobs safeguarded to increase in productivity. The survey asks SME businesses directly, how would they monitor their success of a business support programme.

The top three results were; Profitability, increased turnover and productivity, closely followed by creation of new jobs. The lowest three categories were GVA increase, implement digitalisation and investment which contradicts the answers to question 7 with 'capital funding for purchases' as being their most beneficial support package.

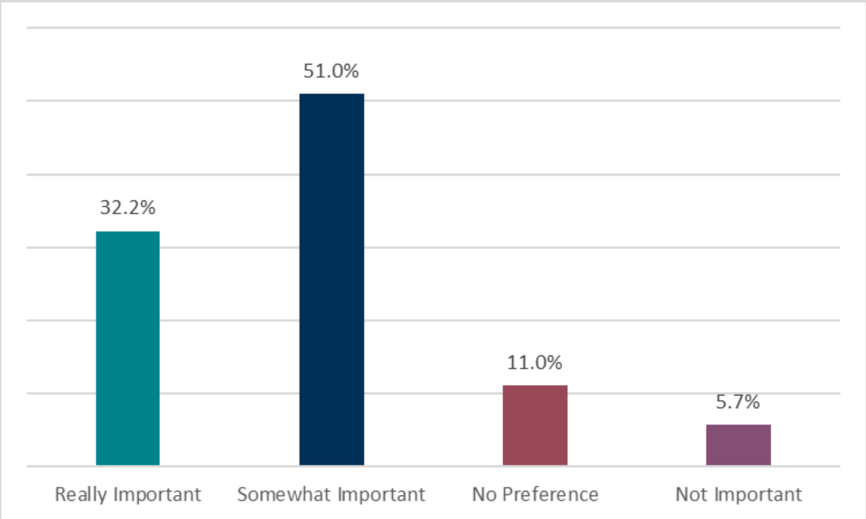
Figure 10: Question 8 "How would your business monitor the success of a business support programme? *Please choose your top 3"*



The survey wanted to better understand how important it is to the SME business owners how important it is that the business support provider has a deep understanding of knowledge for their sector, in this instance – Manufacturing.

More than 80% identified that it was important that the provider has knowledge of the manufacturing industry to be able to better support their business.

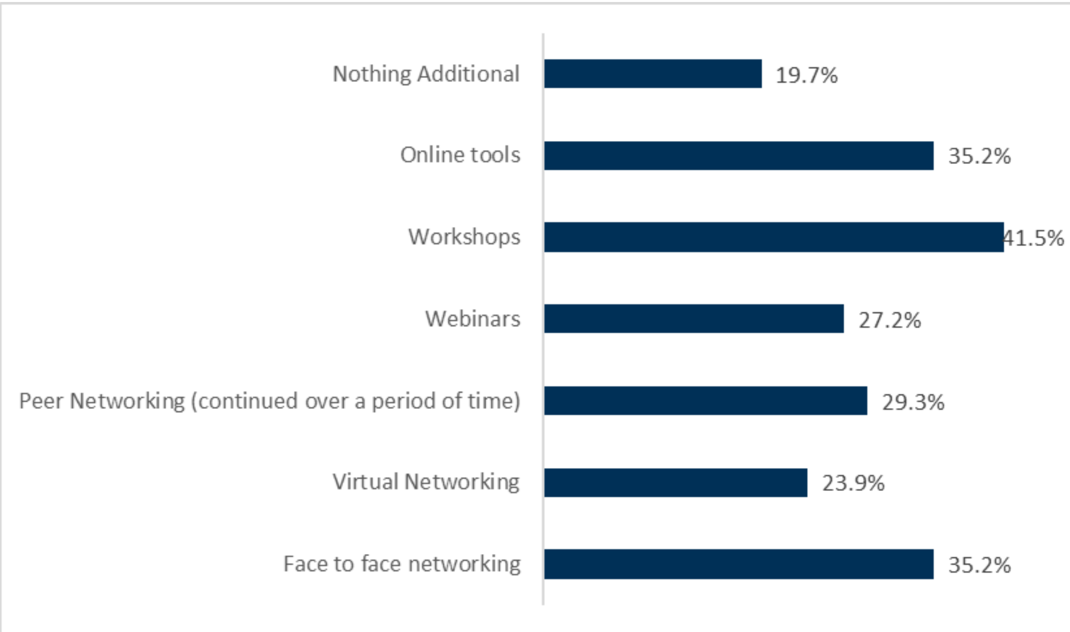
Figure 11: Question 9 "How important is it to your organisation that the business support provider has knowledge of your sector?"



80% of those surveyed stated they would like to access additional elements from future business funded programmes beyond the grant funding. Workshops was rated the highest, while having access to online tools and face to face networking opportunities came in second.

This isn't surprising given the added value these activities can bring to an SME.

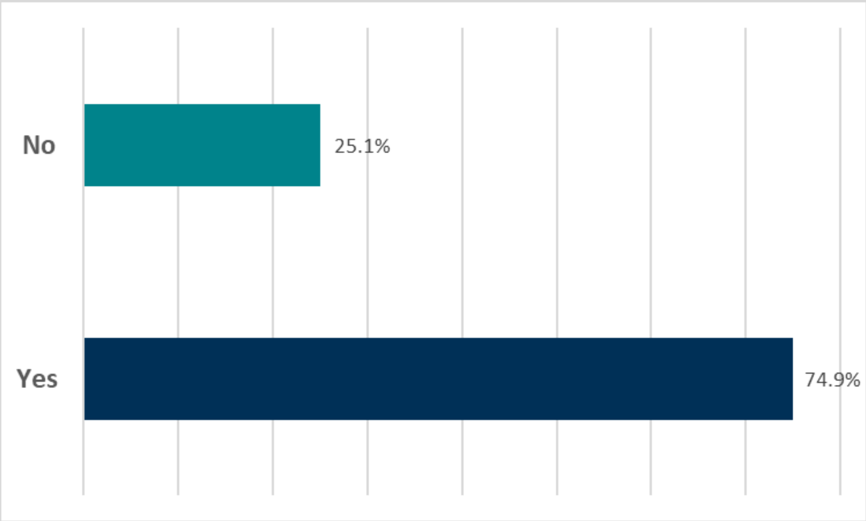
Figure 11: Question 9 "What additional elements would you like to access from future business funded programmes?"



Being an MD of an SME business can sometimes be a lot to handle. Improving their leadership and management skills would not only make them become better MDs, but may also enhance their businesses internal productivity and encourage staff to make improvements.

Nearly three quarters of business leaders stated they feel funded support to improve their leadership and management development within their business would be of benefit to them.

Figure 12: Question 10 "Do you feel funded support to improve your Leadership & Management development in your business would be of benefit?"



Manufacturing businesses have had to overcome a lot of challenges during 2019 onwards. With the impacts of Covid effecting their staff, supply chains and sales to Brexit impacting importing and exporting. The survey wanted to find out what areas/themes they require additional business support initiatives for and the importance on their business now and in the future.

The highest business priority area for 65% of manufacturers is 'increasing productivity' shortly followed by 'financial sustainability'. Whereas only 20% consider 'Net Zero' as a priority while a further 15% have not considered Net Zero to be of importance for business support.

However, it's great to see that nearly half of those surveyed are planning to reduce their carbon.

The highest area that the majority of businesses feel is 'not important' has been shown to be 'diversification' with more than a quarter. Could this be as a result of the direct/immediate impacts it has on a manufacturing businesses activity in becoming more profitable, productive and competitive?

Figure 13: Question 11 "Please rate the importance of the following areas in terms of the need for additional business support initiatives"

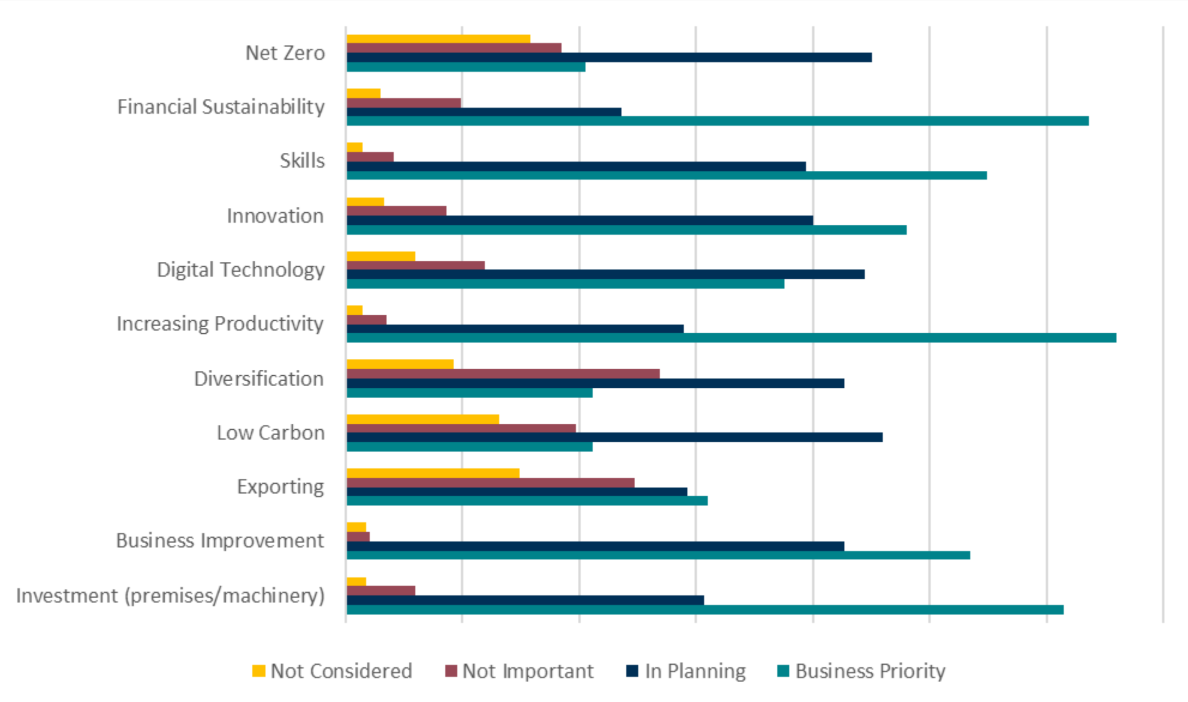


Figure 14: Question 11 in detail

	BUSINESS PRIORITY	IN PLANNING	NOT IMPORTANT	NOT CONSIDERED	TOTAL
Net Zero	20.60% 69	45.07% 151	18.51% 62	15.82% 53	335
Financial Sustainability	63.58% 213	23.58% 79	9.85% 33	2.99% 10	335
Skills	54.93% 184	39.40% 132	4.18% 14	1.49% 5	335
Innovation	48.06% 161	40.00% 134	8.66% 29	3.28% 11	335
Digital Technology	37.61% 126	44.48% 149	11.94% 40	5.97% 20	335
Increasing Productivity	65.97% 221	28.96% 97	3.58% 12	1.49% 5	335
Diversification	21.19% 71	42.69% 143	26.87% 90	9.25% 31	335
Low Carbon	21.19% 71	45.97% 154	19.70% 66	13.13% 44	335
Exporting	31.04% 104	29.25% 98	24.78% 83	14.93% 50	335
Business Improvement	53.43% 179	42.69% 143	2.09% 7	1.79% 6	335
Investment (premises/machinery)	61.49% 206	30.75% 103	5.97% 20	1.79% 6	335

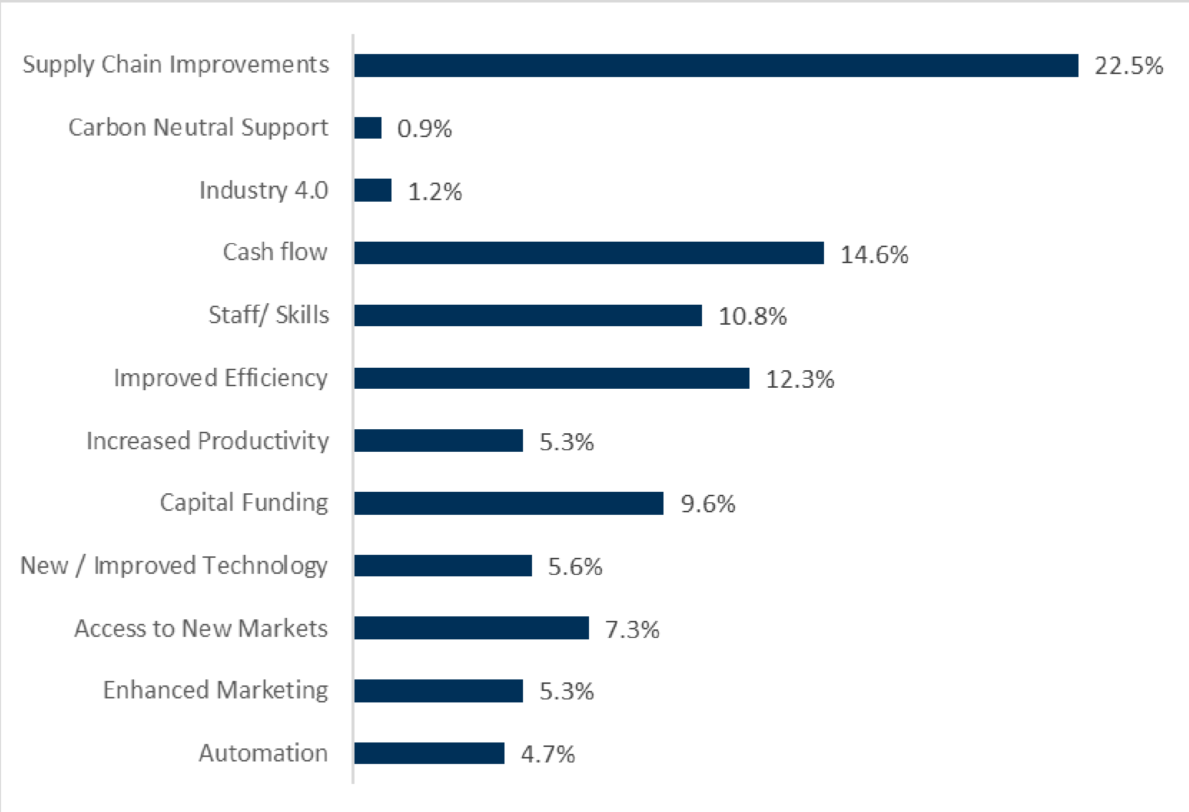
Becoming more profitable

By finding out what an SME manufacturing business would like to change to help make it become more profitable, we can identify the true business support project needs to support them reaching those goals.

This question was asked as an open-ended question. The answers have been categorised into 12 themes so that we can better understand the areas of support.

It was clear from the responses, that 'supply chain improvements' was the highest change. The answers included; sourcing more local materials to reduce costs to developing better relationships with our suppliers and customers.

Figure 15: Question 12 "What is the one thing you would like to change about your business to make it more profitable? *Open ended question"* [342 Responses]



Future Business support

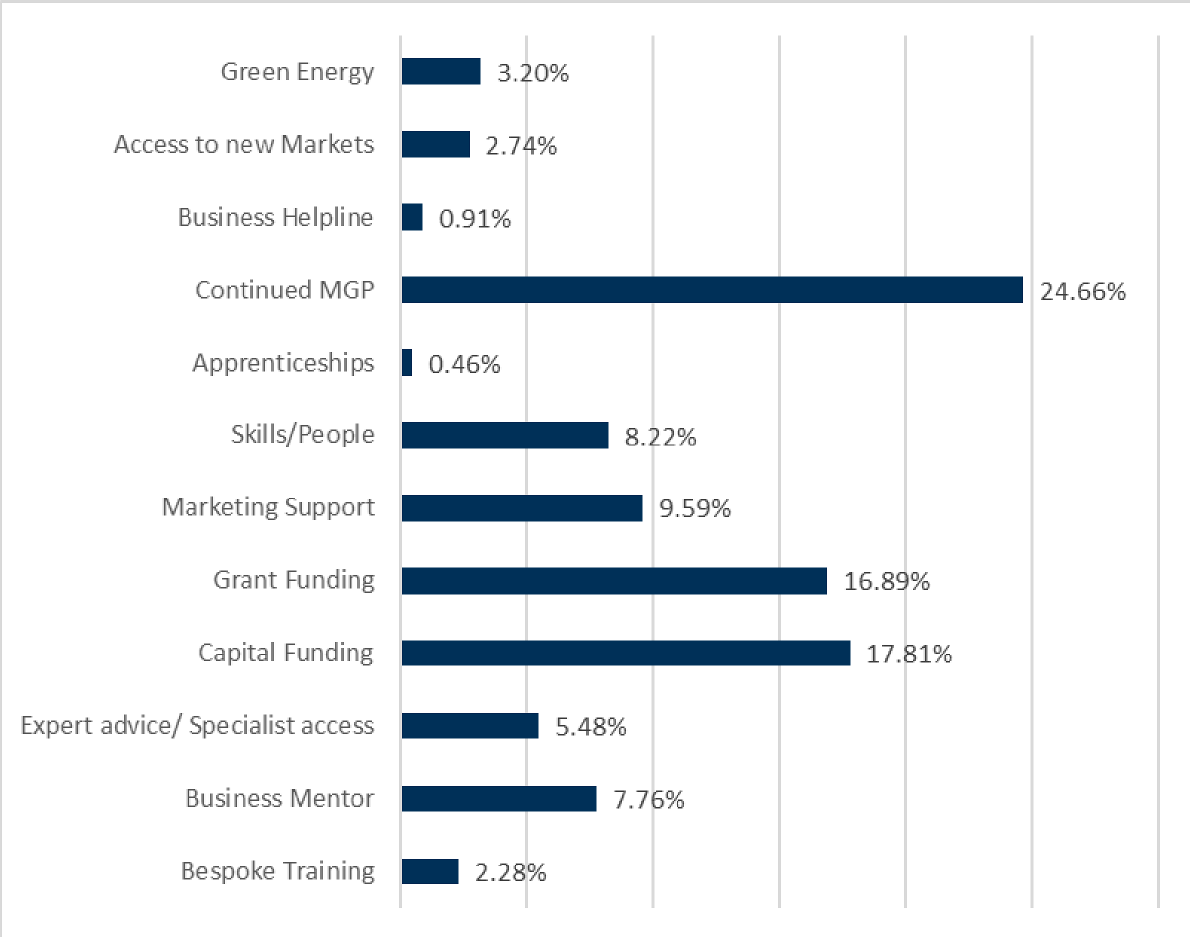
To close the survey, it was asked "If it has not been highlighted above, please describe what kind of business support you would like to be able to access in the future."

Again, this question was asked as an open-ended question. The answers have been categorised into 12 themes so that we can better understand and analyse the areas of support that SME manufacturing businesses would like to access in the future.

Although 219 responded, a lot of those were "already stated above". Having removed those, figure 16 showcases the results.

Over 86% called for support that is already on offer through the Manufacturing Growth Programme; access to new markets, marketing support, grant and capital funding, expert advice and monitoring, with a quarter calling for the continuation of MGP once it comes to an operational end in March 2023 directly.

Figure 16: Question 13 "In the comments box, if it has not been highlighted above, please describe what kind of business support you would like to be able to access in the future... *Open ended question"* [219 Responses]



Conclusion

It is clear from the answers within this survey that there is a need for manufacturing specific business support programme going forward, with a funding aspect to support the sectors growth.

Since 2016, the Manufacturing Growth Programme has been the backbone to more than 6,800 SME manufacturing businesses, helping them develop and grow as part of an evolution curve in the business funding landscape.

With 37% having accessed MGP in last 5 years alone, it can be shown that the impacts of the support have made such a difference that the need for other business support programmes is not required. Although MGP has made more than 2,400 referrals to stakeholders, partners and other business support programmes, MGP is an established integral part of the local business support eco system, working with one another, complimenting offers rather than competing.

Levelling up is one of the Government's key commitments for future economic prosperity, Oxford Innovation Advice have given the powers that be a blueprint for how they can deliver industry-specific support that tackles low levels of productivity, failure of SMEs to seek assistance and lack of innovation in our smaller manufacturers.

This includes the importance of evidencing economic growth by delivering improvements that can be substantiated through robust data.

With funding due to change, it's now time for Government to build on this insight, whilst also continuing to listen to what firms are telling us – most noticeably to make it easier to access capital grants and for the support to be longer-term and strategic.

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We provide SMEs with support in three crucial areas:
Space for entrepreneurs to innovate and collaborate
Business expertise and **Advice** for leaders of ambitious businesses
Access to **Finance** for growing innovative businesses

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