

Inspired to Make It - 2014

An industry report into the
attitudes and inspiration levels of
UK manufacturers

Table of Contents

Introduction from Stephen Winder, RVP Manufacturing UK, Epicor	1
Research findings	3
Young manufacturer case studies	15

Executive Summary

There's no doubt about it, UK manufacturing is recovering. Having endured a lengthy and often painful recession, 2014 saw the green shoots of recovery with government figures showing a rise in output that exceeded expectations. And yes, whilst overseas exports need to be boosted further, domestic demand is buoyant so prospects are certainly looking up. With 2014 set to continue along this trend and the manufacturing sector expected to outpace Britain's overall economy, can the industry emerge stronger and better than before?

The road to recovery is ahead for UK manufacturing

We commissioned the *Inspired to Make It* report in association with Redshift Research to determine how 302 senior executives in a cross section of UK manufacturers actually feel about the road ahead and how inspired they feel to succeed. Whilst the current economic reports are more optimistic than they have been in years, we wanted to determine what the inspiration levels are for those who work in manufacturing to understand the opportunities for the mid to long term. Much of the industry's success depends on its greatest asset, its people. So it was important for us to find out what motivates them and how they feel the sector needs to change in order to succeed.

The industry people need to be inspired to ensure its long term success

The findings were quite surprising with only 5% believing that the UK will be a global leader in manufacturing long-term. With a large majority citing price competitiveness, government strategy and policy and the attitude of the sector's people being the most common hindrances, more than two in three manufacturers see the UK as either a struggling survivor or a niche player. It's clear that we have to do more to stay ahead in the global marketplace with Asian competitors still seen as the largest threat to our success. A staggering 98% of respondents to our survey agree that UK manufacturing needs to change, with almost two thirds (62%) citing that it must do so either significantly or completely.

On average respondents give themselves just over half marks regarding the level of inspiration felt for UK manufacturing's future prospects - a small but significant increase on how inspired they felt 18 months ago. Only 6% of respondents rated themselves as 'highly inspired' and approximately one in ten said they were not inspired at all. Interestingly smaller manufacturers seemed to be the least inspired and most sceptical about the prospects for the industry.



"Challenging each other and inspiring a future generation of UK manufacturers is imperative"

Stephen Winder, RVP Manufacturing UK
Epicor

"98% of respondents agree that UK manufacturing needs to change"

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Epicor

We can make our own destiny

But it's not all doom and gloom. Manufacturing executives have identified the steps needed to improve the sector's prospects and opportunity. It's not surprising that innovation was seen as critical with 57% saying manufacturers must be highly innovative, compared to 6% who think innovation is low in importance. And aside from addressing pay and conditions of employment, technology innovation is thought most likely to improve levels of inspiration. We've seen this ourselves through our customer base who are consistently challenging the status quo in their businesses by improving, investing and updating their business critical systems such as their enterprise resource planning (ERP) systems to stay one step ahead of the competition.

Inspiring a future generation of manufacturers

It's clear to me that the government can always do more for UK manufacturing in the sense of business incentives, exports and education to maintain the sector's growth. But more importantly, the industry itself needs to take control of its future. Challenging each other and inspiring a future generation of UK manufacturers is imperative. As a business, we have been delighted to have worked with some inspirational young manufacturers over the last year – some of whom are featured later in this report. What is clear however is that this future generation want to learn what they can from the business now and drive it forward with enthusiasm and a keen eye on growth and opportunities. Only an injection of new skills and ability will inspire the manufacturing industry to succeed for the long term.

I hope you enjoy discovering the level of inspiration amongst UK manufacturers in this report and their opinions on industry change for 2014 and beyond.

Inspired to Make It - 2014 Methodology

The Epicor *Inspired to Make It* study was conducted by Redshift Research on behalf of Epicor in late 2013. 302 senior executives in a cross section of UK manufacturing sector businesses completed the survey. The intention was to explore attitudes and levels of inspiration within UK manufacturing. The following provides a snapshot of the key findings from the research.

Inspiration Levels Now and in the Future

We asked on a scale of 1-10 (1 being not inspired at all, 10 being highly inspired), how inspired UK manufacturers feel about the future prospects of their business.

Key findings highlighted that:

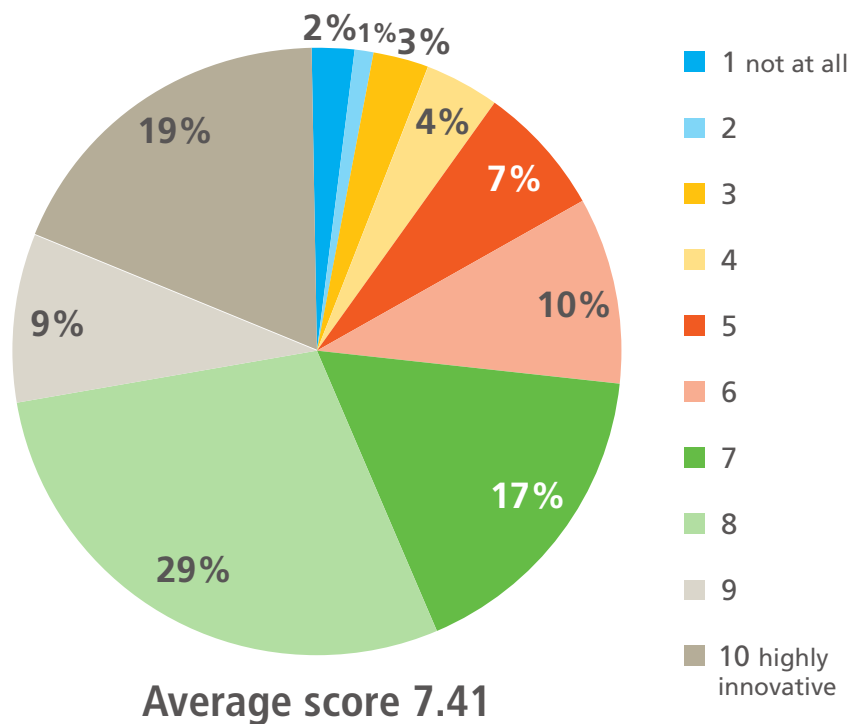
- Mean score is 5.78/10
- Most common score is 7/10
- Only 4% of UK manufacturers feel highly inspired
- Approximately 1 in 10 is not inspired at all
- Mean inspiration increases generally with the size of business with small businesses feeling the least inspired overall



Innovation for Success

We asked on a scale of 1-10 how innovative UK manufacturers think the manufacturing sector as a whole needs to be in order to achieve ongoing success, growth and strength. Key findings highlighted that:

- Innovation is considered key to success
- The average score was 7.41 with the largest percentage scoring 8



Inspiration Levels Today

We asked if UK manufacturers feel more inspired than they did 18 months ago. Key findings highlighted that:

- Despite UK economic reports of six quarters of positive industry growth (2012-2014), over 50% do not feel more inspired than they did beforehand
- The smallest businesses have seen the least improvement in inspiration where larger businesses have seen the most



1-10
employees

60% no



10-25
employees

58% no



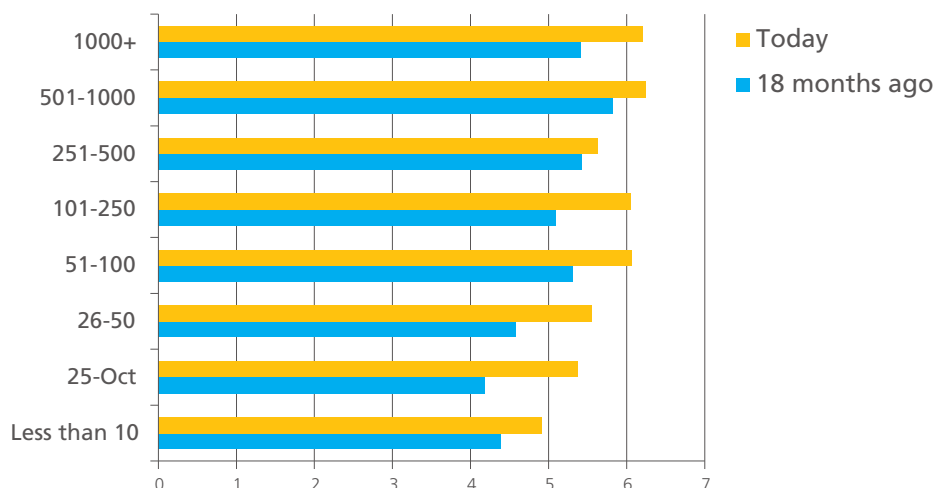
501-1000
employees

38% no

Inspiration Levels in the Past

We asked on a scale of 1-10 how inspired UK manufacturers felt 18 months ago about the future prospects of their business:

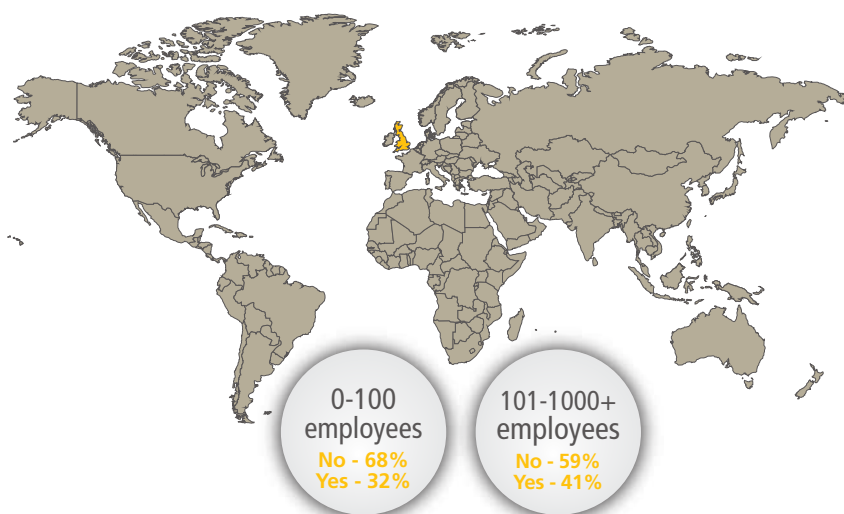
- Inspiration has only risen by 0.7% over the last 18 months
- Mean score is 5.05/10
- Most common score is 5/10 (24%) compared to 7/10 today
- Again smaller manufacturers had lower inspiration levels but companies with 10-25 employees have seen the biggest increase



Inspiration for Industry Leadership

We asked UK manufacturers if they think the UK manufacturing sector is a global leader.

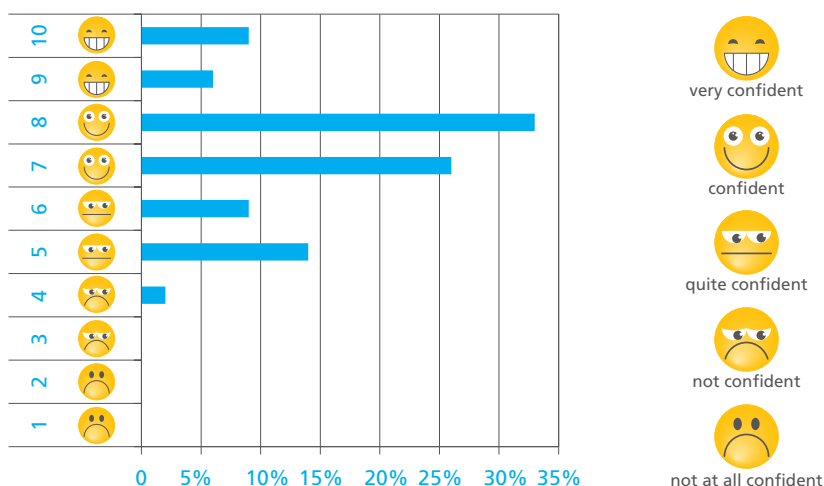
- Most UK manufacturers don't have faith that the UK sector is a global leader
- Generally speaking smaller manufacturers are more sceptical about UK global manufacturing leadership than larger ones
 - 0-100 employees – average No 68%
 - 101-1000+ employees – average No 59%



Inspiration for Future Leadership

Of those that thought the UK manufacturing sector is a global leader, we asked how confident they were that it will continue to be so.

- Only 15% are highly confident that this will continue to be the case
- Far less confidence was shown by smaller manufacturing businesses



Inspiration for Global Leadership

Of those that thought the UK manufacturing sector is a global leader, we asked which of the following do they think contributes to the UK manufacturing sector being a global leader. Key findings highlighted that:

- Product quality is considered the top priority for the UK to maintain a leadership position compared to only 13% who think it's probably/definitely likely
- Quality vs. price is key
- Attitude also seen as an important contributor



Quality of products
76%



Attitude to innovation
56%



Attitude of people
44%



Efficiency of processes
37%



Focus on high value/IP
34%



Price competition
32%

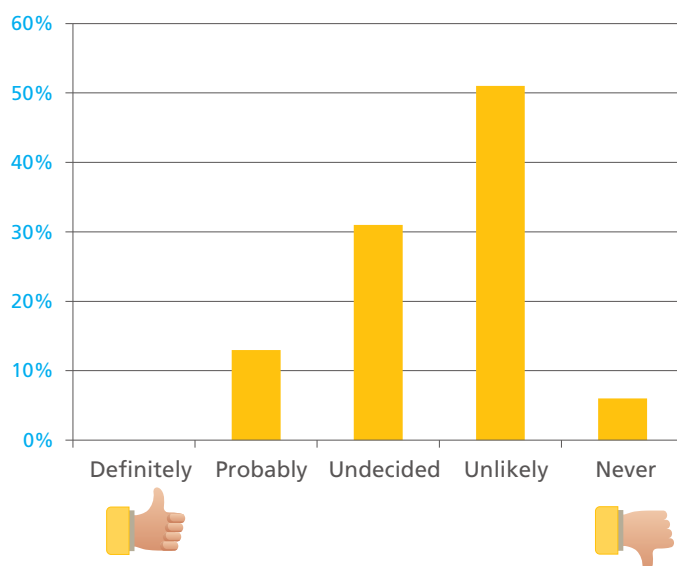


Government policy/strategy
18%

Inspiration for Global Leadership in the Future

We asked UK manufacturers how likely it is that the UK will become a global manufacturing leader again in the future. Key findings show that:

- The majority (57%) think that it's unlikely or never going to happen, compared to only 13% probably/definitely



Holding Back on Inspiration

We asked UK manufacturers which of the following do they think holds the UK back from being a global manufacturing leader. Key findings highlight that:

- In contrast to previous questions, those who think the UK is NOT a global leader think it is because of price competition. The UK is divided into those which think we need to compete on price and those that think we need to compete on quality



Price competition
72%



Government policy/strategy
50%



Attitude of people
48%



Efficiency of processes
32%



Quality of products
22%



Attitude to innovation
18%

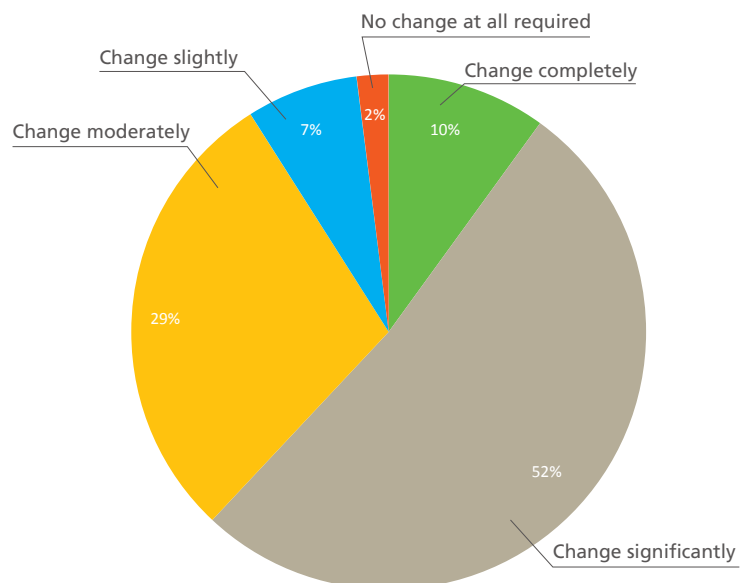


Other
4%

Inspiration to Change

We asked UK manufacturers to what extent they thought the UK manufacturing sector will need to change to be successful in the future. The key result showed that:

- Significant or complete change is needed to ensure the future success according to 62%. Only 2% see no change at all required



Who Drives Inspiration?

We asked UK manufacturers who will be responsible for driving change? Key responses highlight that:

- Manufacturers themselves must drive change
- Consumers are more responsible for driving change than direct customers

Most popular scores



Manufacturers (innovation) – **8 (25%)**



Consumers (choice) – **8 (24%)**



UK government – **8 (22%)**



The EU through trade agreements – **8 (19%)**



UK Industry Associations – **7/8 (20% each)**



Overseas competition – **7 (23%)**



Customers (demand) – **7 (21%)**

“Critically important” scores (9 or 10)



Manufacturers (innovation) – **36%**



UK government (policy/strategy) – **34%**



Consumers (choice) – **32%**



Customers (demand) – **29%**



Overseas competition (disruption) – **29%**



UK Industry Associations (lobbying) – **24%**



The EU (through trade agreements) – **20%**

What Drives Inspiration?

We asked UK manufacturers which of the following they thought could directly improve levels of inspiration in their organisation. Key findings highlight that:

- Aside from pay and conditions (perhaps a given) technology innovation is the most cited trigger for improving inspiration, demonstrating a key link between technology and inspiration



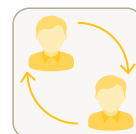
Pay and
conditions of
employment

53%



Technology
innovation

45%



Improved
communication
with staff

40%



Cash
injections
for R&D

34%



New
management

32%



Health and
wellbeing
benefits

27%



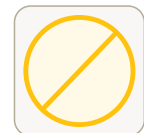
New
business
model

23%



Creative
resources/away days

17%



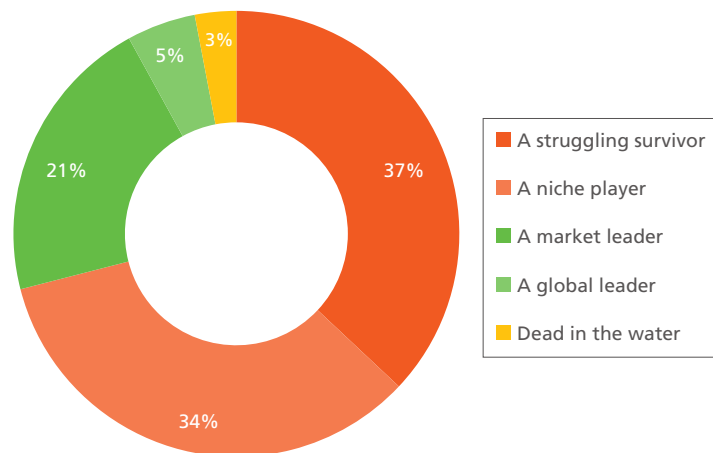
None of the
above

7%

Perception of UK Manufacturing

We asked UK manufacturers which of the following they thought best describes the long term future of UK manufacturing. Key trends show that:

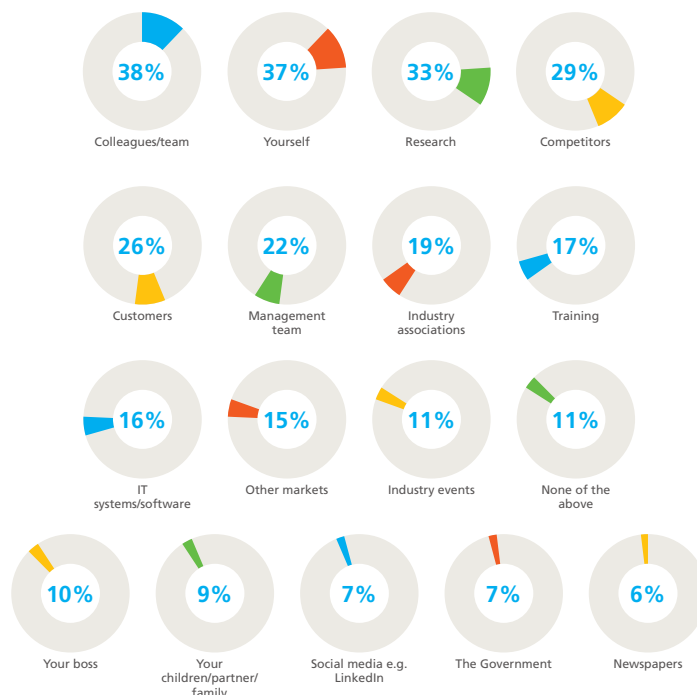
- The long term prospects of UK manufacturing confirm low levels of inspiration
- Only 5% see global leadership for UK manufacturing in the future
- Only one in five sees the UK showing market leadership
- Most respondents envisage that UK manufacturing will struggle or only play in niches



Driving Personal Inspiration

When asked where they draw personal inspiration from to help their business succeed, respondents answered with the following:

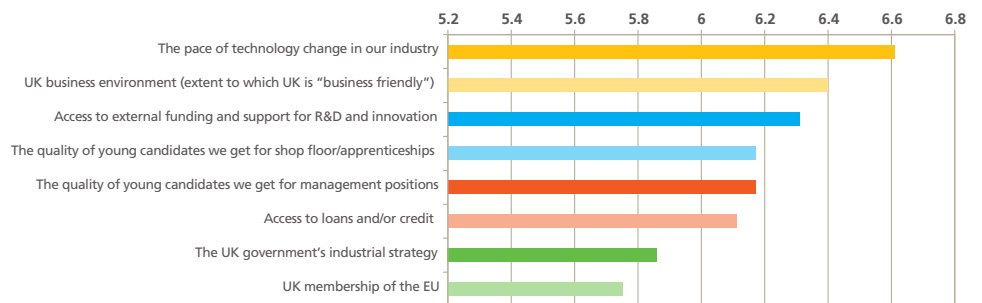
- Collaboration and relationships are key to inspiring people
- More people are inspired by their competitors than by their boss



External Factors on Inspiration

We asked UK manufacturers what external trading factors affect the industry and the extent to which they influence the performance of the business. Key findings show that:

- The pace of technology change is the top influencer



Competitive Strengths in Inspiration

When UK manufacturers were asked about the competitive strength of their business in specific areas, key findings show that:

- Overall strength of the business on average scored 6.5/10 across the board, showing significant room for improvement across all areas
- Leadership is considered the least effective area

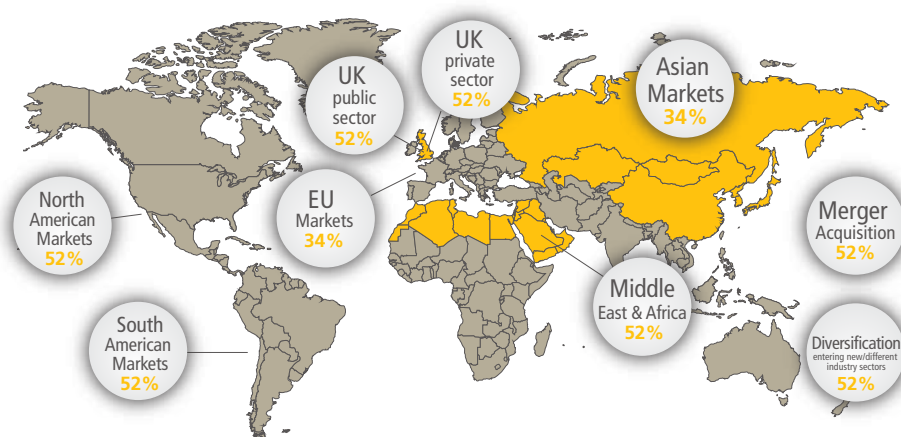


Inspiration for Growth

We asked UK manufacturers who will be responsible for driving change. Key responses highlight that:

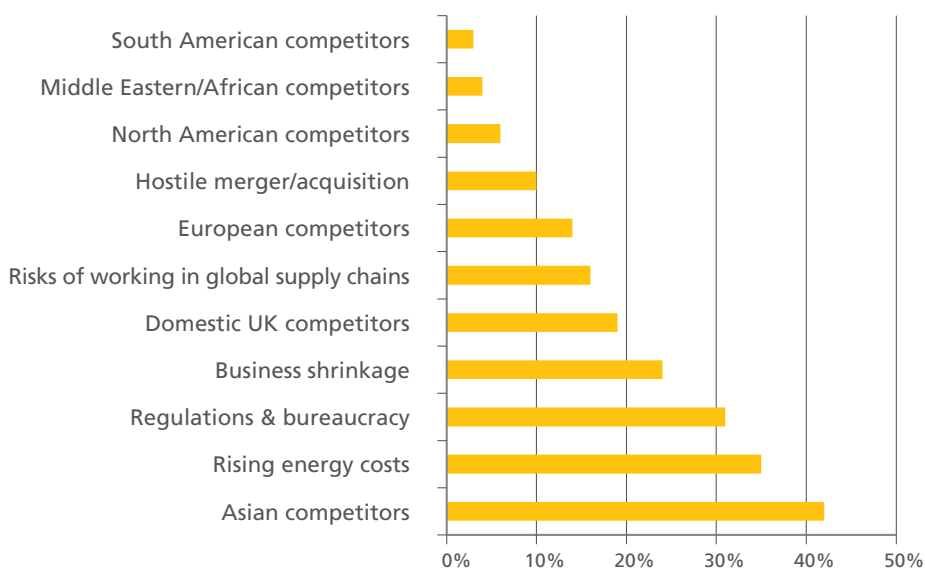
- The domestic market is a key target. UK manufacturers look close to home for business
- But also that Asia is seen as the second growth area, before the UK
- The UK public sector demonstrates a strong opportunity for UK exports

Threats to Inspiration



When UK manufacturers were asked where they think the most serious threats to their business are likely to come from, key findings show that:

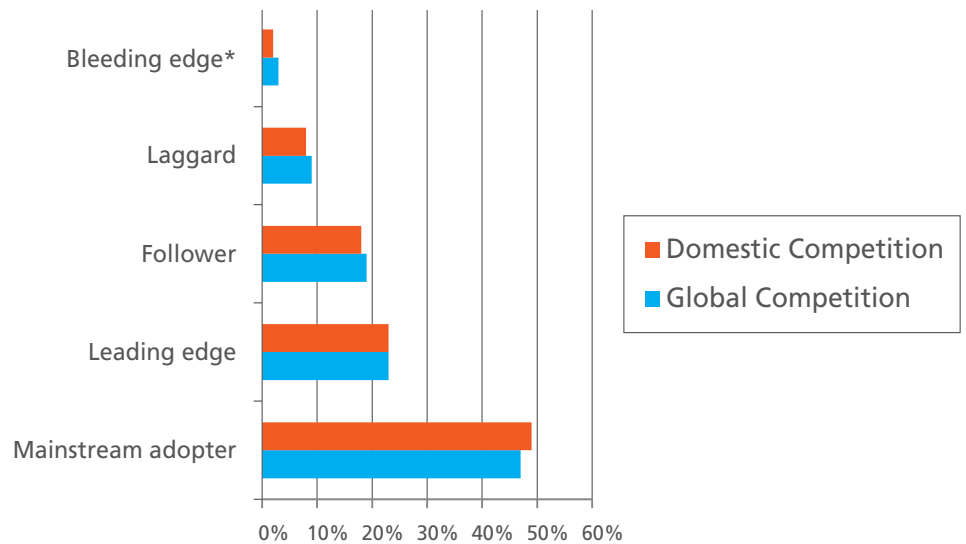
- Asia is the biggest threat but interestingly followed by rising energy costs and red tape. In contrast to earlier responses, Asia offers both opportunity and is perceived as a threat



Technology for Inspiration

When asked how UK manufacturers would rate their company's technology adoption overall against the competition, key findings show that:

- More think they are mainstream than leading edge in comparison to competitors. This indicates safety and caution in more cases than leading the market



* (i.e. we are adopting technology that is so new that it is considered potentially high risk)

Accessing Inspiration

When asked which of the following technology devices is the most critical to accessing inspiration, UK manufacturers highlighted that:

- Laptops and desktop PCs are more commonly seen as important devices for accessing inspiration than tablets and smartphones

Laptops and desktop PCs



are more commonly seen as important devices for accessing inspiration



than tablets and smartphones



Case Studies

As a future generation of young manufacturers rises through the ranks, inspiration levels need to increase to drive the industry forward. We spoke to a couple of young manufacturers to find out how they are inspired.

Ross Meikle, Hayward Tyler

Inspiration level: 10

What inspires you: There's nothing more inspiring than seeing the results of something you have worked on be helpful and have real impact on improving the business.

Why UK manufacturing is inspiring: Everyone recognises the UK as a leading manufacturing base in the world. It has a great legacy and it is something I want to help uphold and develop.

Challenges facing UK manufacturing: Getting kids wanting to study engineering and then making sure there are enough opportunities for them to get into the industry. For UK manufacturing to continue growing, we need to make sure we attract great people into it.

Inspiring other young manufacturers: Young manufacturers have a right to stand up for ourselves more and we should not be dependent on an older generation to hand everything to us. Yes, we need to learn and respect process but great engineering also comes from originality and fresh-thinking need not be age-constrained.

Jaymini Mistry, Greene, Tweed & Co. Ltd

Inspiration level: 10

What inspires you: From the very start of the process, you have the ability to make things possible and make a difference.

Why UK manufacturing is inspiring: It provides a great career option to a future generation of scientists and engineers. I feel proud to be part of British manufacturing.

Challenges facing UK manufacturing: A combination of competition with other countries globally and perhaps a lack of inspiration at some levels.

Inspiring other young manufacturers: Don't have preconceived ideas of the manufacturing industry unless you've experienced it for yourself. Be prepared to work hard.



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