

Industrial Products

The Future of Manufacturing

Taking a global perspective

A global introduction to the PwC report:

The future of UK manufacturing: Reports of its death are greatly exaggerated



The Future of Manufacturing – Taking the Global Perspective

Introduction

Western manufacturing is neither dead, nor dying.

There is a widespread belief in many high-wage countries, that “we don’t make anything anymore”. According to this myth all manufacturing has either moved to China already, or soon will, with the rest of the world becoming purely service economies. This is factually incorrect. Western manufacturing is neither dead, nor dying. It has survived over the past 30 years by delivering extraordinary improvements in productivity, combined with high levels of specialised skills built over decades that cannot easily be relocated wholesale somewhere else. And, the coming explosive growth of Clean Technologies and Renewable Energy offers a unique (albeit limited) window of opportunity for Western manufacturing to move beyond “hanging on” against low-cost competition back to a real renewal.

Taking the UK as an example:

- Adjusted for inflation, UK manufacturing output reached an all-time high in 2007
- With less than 1% of the world’s population, the UK is the world’s 6th largest manufacturer, and enjoys a 15% global market share in Aerospace as well as a strong position in Tidal energy, which along with other Clean Technologies is likely to emerge as the major growth industry of the next decade.
- UK manufacturing productivity rose 50% from 1997-2007 -- similar to transformations achieved in other high-wage countries.

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Taking the Global Perspective

Many globally competitive manufacturing companies are directly impacted by events in the UK market

Manufacturing is a global industry, and following a period of increased consolidation, many globally competitive manufacturing companies have operations or headquarters in the UK, while others are directly impacted by events in the UK market as competitors, customers, or suppliers. Many of the issues faced by the UK manufacturing sector are found in similar high-wage, western economies. This report raises several questions which make it essential reading beyond UK shores.

These include:

What are the core competencies of UK factories and R&D centres?

How can the owners of UK assets best position and invest in them for maximum long-term benefit?

Markets are at their most fluid during a downturn- market share is easier to take, top talent easier to recruit, and leading-edge technologies and equipment easier to obtain.

How will the response of the UK industry impact on other players in the global manufacturing value chain?

The role of government in supporting and encouraging a sustainable manufacturing sector

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Building a long term sustainable business.

Many of the challenges faced by UK based manufacturers are of equal importance in other regions. Which of these issues should manufacturers in other high-wage regions be addressing to get full value from their installed manufacturing base?

Surviving the downturn and building a long term sustainable business.

In the UK we see many of our manufacturing clients looking beyond the downturn to preserve their core competencies for the recovery that will follow – for example, by agreeing shortened work weeks rather than layoffs with the labour unions, thus retaining their irreplaceable 10, 15, 20 and 25-year veteran employees in the business.

The line between manufacturing and services is disappearing

Manufacturing companies that succeed are most often those that offer differentiated, bundled solutions of goods and services. Rolls Royce, for example, now earns more than half its revenue from services.

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The sustainability agenda provides a window of opportunity

The sustainability agenda

The sustainability agenda provides a window of opportunity for manufacturers willing to take the lead. Developing sustainable green products, managing a green supply chain, managing people and resources sustainably, and developing new cleaner technologies are all areas where skilled manufacturers can position themselves as market leaders.

The full report, published by PricewaterhouseCoopers UK, looks at the real state of UK manufacturing. It assesses the facts, analyses recent and longer term trends, and questions some pervasive, but misleading assumptions. The resulting report draws new conclusions about where UK manufacturing is now, its real prospects for the future, and the key requirements to deliver that vision.

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Further Reading

Sector Analysis

In addition to the main report, we have also published detailed sector by sector analysis on several industries, including Automotive, Aerospace & Defence, Oil & Gas Refining, Chemicals, Clean Technologies, Construction, & Packaging. These make interesting reading for owners of these types of assets, as well as those which are part of the value chain for one or more of these sectors.

Publications of further interest include:

12th Annual Global CEO Survey - Industrial Manufacturing Industry summary

Redefining success, PwC's 12th Annual Global CEO Survey, explores how CEOs are reconsidering the fundamentals of business in response to the economic downturn. In this summary, we look specifically at what the 109 CEOs in the industrial manufacturing industry think.

Manufacturing Barometer quarterly reports

The Manufacturing Barometer series explores the current and future state of the industrial manufacturing economy based on interviews with 60-70 senior executives from large, multinational manufacturing companies

Assembling Value quarterly reports

The Assembling Value series provides quarterly analysis of mergers and acquisitions in the global industrial manufacturing sector, along with a special focus on current industry trends

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