

Business Consultant comments on the “Recovery” and challenges

It finally looks like the long awaited recovery has started with reports over the past few weeks providing further evidence that the Manufacturing Sector is leading the UK out of recession. The expectation is that over the next few months a recovering manufacturing sector will also drag the services sector along in its wake bolstering the UK's economic recovery.

A major threat to this outcome are Government stimulus packages put in place to minimise the impact of the recession will inevitably be cut back over the next months. Severe cutbacks in public spending are on the cards irrespective of the cabinet make-up and this could have a negative effect on the recovery. The hope though is that the manufacturing sector will continue to strengthen and taking advantage of recent support and economic trends, grow sales via exports and compensate for inevitable cutbacks in the public sector.

A number of assumptions support the view that manufacturing can pick up the slack

- Sterling is expected to remain weak giving UK exporters a competitive edge
- Asian Economies will continue to grow
- China will increase internal consumption and increase value of its imports
- UK Government support for innovation and exports will continue

On the down side the required growth is expected to come mainly from within the SME community and they will have to adjust to new operating environments: i.e.

- be open to overseas requirements for products both regulatory and cultural
- be willing to modify their offerings to meet specific market requirements
- invest time and effort to build relationships with overseas clients
- be committed to diversifying and expanding into new markets

The good news is that there will still be funding & support accessible for companies looking to expand into new markets, and cost effective resource management solutions and expertise available to manage each stage of the new market entry process. e.g.

- Market Research
- R&D for product variants customised for overseas markets
- Product testing and certification for overseas technical & legal requirements
- Implementation of robust product lifecycle management processes and systems

Therefore while it is certain that economic factors may support the recovery, the success and timing may depend on the capabilities SMEs acquire to implement their plans, and their ability to manage multiple supplier and partner relationships. I.e government agencies, product designers, testing and certification organisations and consultants.

SMEs can choose to do this work in house, with the management team taking on the additional workload while balancing the implementation of export plans against day to day business needs. While this may work in theory in reality unless additional resources become available the additional burden will fall on Technical and Sales Directors who are already fully committed with day to day operational activities and export plans will be postponed.

An alternative would be for companies to seek outside assistance and outsource the project management of new market entry until sufficient revenue is generated from overseas sales to justify bringing the work back in house. One advantage of this approach would be that while the initial costs may be higher they could be offset by grants, while the disruption to daily operations would also be eliminated. Once sales revenue has grown sufficiently, this option could be phased out and external expertise replaced by less expensive operational staff with the recruitment of new staff bundled within the outsourcing arrangements.

The best option may be a combination of approaches though this will naturally depend on individual circumstances. Any questions or comments should be directed towards the author.



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The author is a business consultant and owner manager of DenovO Consulting Ltd which provides consulting and interim management services to medium sized and owner managed enterprises mainly across the West Midlands. He has degrees in engineering and business and has worked with manufacturers and service providers for over 15 years in the UK and Asia, launching products/services in overseas markets, setting up and managing new enterprises, and turning around failing business. He speaks Japanese, graduated with an MBA from Aston University in 2006 and now lives in Warwick with wife and son. He is a new member of Coventry & Warwickshire First and has recently been asked to serve on Aston University's standing committee of convocation and to join Coventry University's panel of mentors to help young entrepreneurs.