

MANUFACTURING: FROM DISRUPTION TO RESILIENCY

AUDIO TRANSCRIPT

Intro: Walk in the cloud.

Ellen: Today, we're talking manufacturing. Those services dominate the UK economy, taking up as much as 80% depending on how you cut that pie chart. Manufacturing is one of the most significant sectors after that. How can manufacturing help the UK economy grow? I'm your host, Ellen Bencard. Come take a walk in the cloud with me and see.

I'm here today with Maddie Walker, who leads the part of Accenture that focuses on manufacturing in the UK. Hello, Maddie.

Maddie: Hello.

Ellen: Now we spoke on the very first season of this podcast, more than two years ago, and you described manufacturing as on the brink of a fifth industrial revolution. Are we there?

Maddie: Good question. Maybe not quite. I'm starting to think about it as an evolution rather than a revolution. You know, my caveat there is it's a very fast evolution. I think, with all the trends that we've seen, and all the changes, and the permacrisis that we've seen over the past couple of years since we spoke last. Like the Ukraine, the energy crisis, issues with semiconductor chips continuing, all about geopolitical instability. All of that means that, the trends that we talked about two years ago are still driving the manufacturing sector to much more move towards that kind of automation and digital wave that we talked about a couple of

years ago.

Ellen: So, given an increasingly, an even more complicated world than that last chat, give me a health check of the manufacturing industry in the UK. What does your doctor's report say?

Maddie: Well, it's struggling, right? You know, it's having a tough time, I think access to the raw materials and the goods that they've been over the last few years has continued to be challenging. The cost of energy has made a massive difference to the cost of production in the UK and it certainly caused challenges to the sector and it's had a tough time. I think you can look at some of the stats around that and in terms of the growth that, where and how it's been growing, or not, as the case may be over the last year or two. I think what's positive, though, in the midst of some of the challenges is actually, we're seeing companies currently considering investing about a billion dollars in digitising and automating and relocating supply and production facilities back to the UK. And back, if not the UK, to geographies closer to us. I think actually the fact that companies are looking to increase their regional suppliers and boost production locally to improve resiliency means that actually we could be on the cusp and a wave of a real difference and a real change for our UK manufacturing economy. I think there is optimism overall despite some of the challenges that they're facing.

Ellen: OK, so picking up on that word, resiliency. The reason I wanted to talk to you today is



Accenture has issued a report called “Resiliency in the Making”. It’s all about the manufacturing industry across the world, and you and I are talking about the UK impact. Tell me, what were your highlights from that report?

Maddie: OK. Well, I think, if you just take a step back because we talk about resiliency and I think quite a lot of people sit and think, well, what do they mean in this context, right? From my perspective, resiliency, in a manufacturing and a supply chain context is about can you proactively sense, absorb, adapt to and recover from disruption as quickly as possible. So, you know, there’s a bit of a V-curve whenever you have a disruption, which is how quickly do you recognise the disruption is coming; how long does it take you to absorb it and to then work out what you need to do to mitigate it; and then how quickly can you put actions in place to make sure you recover so you minimise any production drop or production deficit during the period of the disruption. And what we’re seeing is the most successful and most effective companies have, you know, about 3% revenue increase, I think, was once that I saw. If you are a company that has got much more resilient production and operations facilities than those that haven’t, because over this time of permacrisis there’s been a significant loss of revenue and increasing costs for all of the production companies and production operation sites while they deal with each of these many disruptions that they’re facing.

Ellen: What are the people that you’re talking to needing to do? And what wisdom can they draw from this report? There are a few steps that people need to keep in mind?

Maddie: Yes, there are. So, I guess it’s probably worth taking this one step back which is, if you want to build resiliency in this world of extremely complicated geopolitics and increased costs that many of the manufacturers are having to deal with, how do you do that? Well, the first thing is that what we saw in the past is a shift to global in

terms of manufacturing and supply chain method for many of these large multinationals. So, what do we mean by global? We mean sourcing specifically along global sourcing. You get the cheapest price of the cheapest commodity.

Ellen: That old just in time model, get cheap stuff, move it when you need it.

Maddie: Plant specialisation and free movement across borders, so you’d have one plant building one widget as quickly as possible, so you maximise the volume and maximise the cost. In the new model, to get that resiliency, you’re having to go far more local and create this concept of proximity-based hubs where you’ve got production facilities as close as possible to consumption. So, you then end up with multiple sites producing the same product potentially across the globe. You then source some multiple suppliers. And that means you have to do a lot more load rebalancing which is just a lot more complicated, and I think that’s what, you know, we’re working with many of our clients to think about how do they manage that.

Ellen: Because how do you make that complexity not more expensive and more redundant?

Maddie: Well, exactly. Exactly. You know, because at the same time of dealing with all of the complexity, there’s actually, obviously the consumer is much, much more concerned about cost. The trick here and the most successful companies are trying to work out how do I build that resilience in, so I still get my throughput, so I still get my revenue, so I still maintain my margin. Digital can help a lot with that. I think this is what’s shifting the manufacturing sector away from kind of, or accelerating that journey to the fifth Industrial Revolution that we talked about at the beginning, because the only way you can really do this is through the more effective use of digital and automation and robotics. And we’ve identified in this report, well,



actually we've identified 11 emerging capabilities in this report that would all sit within that revolution. But really, three key actions that we're working with our clients to explore. One would be about how do you invest increasing the visibility of the end-to-end supply chain and the predictability of that. So that's about not only how do you reconfigure the networks to go from global to local, but how do you create automated production, how do you improve your foresight around demand. How do you get these end-to-end control towers in place across the supply chain so you know when things will be delivered. So that's action one. Action two is really about how do you shift left and when I talk about shift left, this is what I spent a lot of time talking to our clients about, is how do you move from creating a product in isolation where you don't really think too much about how do you make it. You're really focused on what does the product do and how does it serve the customer. But actually, bringing in some of that manufacturing and cost control and operational experience into the design process. The pharmaceutical sector is, I would say, one of the leading sectors in this because obviously there are indeed processes so long that it's really important, and especially with the shift to new kinds of methods of manufacturing around biologics and different kind of life sciences products, actually that's a really important one. But that's actually about prototyping more effectively, putting a digital twin in place, really thinking during the design process of the product how do you make it.

Ellen: And what's your third?

Maddie: Third, multiskilling the workforce. Or at least recreating and creating a new type of workforce and building talent that can move to this new model of manufacturing, which is a much more digitally enabled set of manufacturing capabilities.

Ellen: And how big a leap is that for the typical manufacturing workforce in the UK?

Maddie: A big leap, that is a big leap. And when I talk to my clients locally, certainly the clients who are running the shop floor and running the plans, their biggest concern is talent. So, they're like, I understand what we're trying to do here, but actually how do I create a workforce? You know, I've got a machine controller today, how do I make that an autonomous production engineer in the future. That is a big shift for many of these companies.

Ellen: And what's the answer?

Maddie: It's never as simple as one answer, right? And this requires support and investment from multiple places to make this work, right? So, we need to upskill and re-skill. Two different things.

Ellen: So, re-skill the people who are there, upskill the people coming through the pipeline?

Maddie: Yeah. And actually, really think quite carefully about where we locate some of these new plants. So, if we think that this reshoring is going to mean that we're going to be investing and building new plants in the UK and Ireland, for example, well, actually, where are we locating that plant? Locate that plant close to digital skills, you know, the digital graduates of the future, so we can fuse their digital literacy with the traditional manufacturing skills.

Ellen: Yeah, because I did want to ask you, you know, clearly reshoring – good for the UK, as far as the economy, brings jobs. Are there regional impacts? Are there areas that you're looking at that clients are clustering in, that are going to be the new manufacturing boom places?

Maddie: Yeah. I mean, I think the West Midlands is a good one to point out. I mean, they're obviously known very well for their automotive sector already and they're investing a huge amount in digital skills. So, I think they're probably really focusing on that and how do



they drive that bit. If you talk to the northwest, they've obviously got a great digital skills capability there and a historical manufacturing sector there, and then the northeast probably won't be far behind. But, those kind of regional areas, that are traditionally more about manufacturing capability, they will also need to put the investment and the time in to make sure that they're investing in the digital capabilities, so we can do this. I mean, one of the other answers, of course, is that some of those less skilled shop floor worker jobs just won't exist through the investment and introduction in robotics, and certainly many of the large companies that we're looking at, and I'd say in the consumer goods sector in particular, they're asking lots of questions about what next in the wave of robotics and automation, so that they can manage their costs more effectively in the future.

Ellen: So, Maddie, I want to go back to where we started, which is this idea that manufacturing can help the UK drive growth. What's your final thought on the good news that's there?

Maddie: Well, I think the good news that's there is this is a fundamental shake up of how global supply chains work. You know, the fact that there's now a recognition of the need to reshore from global to local, combined with needing to upskill the talent, combined with the need to do more effective product design into the manufacturing process, I think all of that plays to the UK's strengths. We're leaders from a research and development, from a life sciences perspective, which means that what we can actually do is sort of drive the shift left and drive that conversation around actually how do we use digital to more effectively design new products and services globally, for our clients across the globe, and how do manufacturers respond to that? And I think we should harness all of that. We're a leading country in terms of academia. We should harness all of that capability and all of that knowledge to really take a leading position on kind of the next generation of

manufacturing that we're going to see. The flow's now starting, but we're starting from an easier base because we don't have so much legacy manufacturing, as a sector, nowadays and perhaps some of our fellow European countries do. Actually, we should be the company where people are saying: Let's try and do something, manufacturing, differently, taking all of the best, and actually creating a new way forward. So, I think there's lots of optimism if we harness that.

Ellen: Good news indeed, and optimism ahead.

We've reached the end of our walk, but if you loved the topic, do go back to season one to listen to my earlier chat with Maddie, you might also want to search for "Accenture Resiliency in the Making", which is the report we talked about earlier. I hope you'll join us soon on another Walk in the Cloud.

Outro: Walk in the Cloud.

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