MEMBERSHIP INITIATIVE IS OFF TO A FLIER WITH AEROSPACE EVENT

The first of our new market sector-based events for members got underway in Derby, and as might be expected from that location, the focus was on aerospace.

A powerful line-up of speakers explained the huge potential for CBM members to win work in the supply chains of the sector's primes, but also considered the challenges which might lay ahead.

The intense half-day session also featured a case study by one of our members, Oxford-based **Micas Simulations,** looking at how its innovative QForm V8 software was helping clients predict and eliminate material flow defects and increase their tool life.

Managing director Nikolay Biba said his company had been creating metalforming simulations for aerospace applications since 1997, and his intriguing graphics of the software in action certainly held the audience's attention.

The event, which was sponsored by RBS, began with a passionate presentation by Doug Allen, executive director of the **Midland Aerospace Partnership,** whose career has included spells with such well-known suppliers as Goodrich Actuation Systems, United Technologies and Moog Inc.

Doug began by stressing the international dimension to aerospace supply chain work; particularly with regard to China and India.

"China is relying on people in the West to engineer its future, and there are great opportunities. Clearly there are challenges, notably intellectual property (IP), but also the capital which companies would need to supply this market," he said.

"After Boeing and Tata Advanced Systems announced their joint venture in November, we expect to see India ramp up its production, and ultimately to produce its own aircraft.

"As we focus on increasing talent through apprentices, you must remember that they are there to learn, not to produce.

For me sustainability, is about building on the experience and the competencies of your existing workforce.

"I admit, it is difficult for new suppliers to get into aerospace, so it's crucial to identify and manage the risk in your business. The lower the risk the more chance of winning new business. There's a mood of short-termism in manufacturing, which isn't sustainable.

"When that gets underway, we are likely to see more activity in mergers & acquisitions, and we'll also see the primes being more protective of IP that has previously devolved into their supply chains, which will bring challenges, and there will be more restructuring of its supply chains. However, if suppliers can adopt a stra-tegic mindset - not just a tactical one - they can overcome those challenges and win business."

Rolls-Royce strategy executive Eddy Higgs, who also leads the supply chain working group within the **Aerospace Growth Partnership (AGP),** emphasised the critical importance of establishing productive relationships between industry and government.

The AGP, which is now in its sixth year, is a collaboration between the ADS (the trade body for the aerospace, defence, space and security industries, with more than 900 member companies) and the Department of Business, Innovation & Skills (BIS).

Eddy reminded his audience that the UK has the world's second largest aerospace sector, supporting some 230,000 high-skill and highly-paid jobs, and generating annual revenues of around £29 billion.

"Anyone thinking of moving into this industry has to look beyond wings and engines," he said. "Windows, landing gear, seats, and cabin lighting are among the other key supply chain elements.

"There are important initiatives launched by the AGP, such as Sharing in Growth and the Aerospace Technology Institute. The AGP is a long-term and inclusive relationship between industry and government, which embraces the whole supply chain, so it certainly should be something you learn more about if you are looking to enter aerospace."

If Nikolay's presentation was intriguing for reasons of technological advances, the one from Design Council's Andy Cripps was likewise for its innovative mindset.

Andy is a **Design Council** approved Design Associate and a passionate believer in the way the strategic use of design can be better harnessed to give companies a competitive edge. To support this view, he cited research from the Design Management Institute in the United States indicating that over a 10-year period, design-savvy businesses, such as Apple, Ford, IBM, Walt Disney and Whirlpool, significantly outperformed their peers.

Closer to home, Andy is part of a Design Council team delivering a supply chain innovation programme to a global Tier One engine manufacturer.

<< continued from page 8 "The T1 we're working with recognises that design is central to both innovation and delivery excellence. It understands that competition no longer takes place between individuals but between the entire supply chain and that greater levels of collaboration as well as proactive innovation - rather than reactive - will create new value for supply chain businesses to remain competitive in the future."

Andy said that, for him, part of this means developing the 'know how' of those within supply chain businesses. For instance, with new emerging technologies disrupting the sector, manufacturers need to know how to translate these to best advantage – design has a key role here and knowing how best to exploit it is important. This is a view supported by Design Council's own aerospace research that signals that a much greater diversity of skills and competencies are required by aerospace companies to enrich the value they can deliver for clients.

"When you're aiming to make innovation happen" Andy concluded "it's always useful to remember the four Ds: Discover, Define, Develop, Deliver – in other words a strong design-led method to guide the process. For example, cabins are the most important element when passengers judge airlines, and there's huge scope for innovation in their design and their fit-out."

Next up was David Priestley, now of the Derby-based **Aerospace Capability Project Ltd,** but who previously spent more than 30 years with Rolls-Royce; including a spell as managing director of its international division in Vietnam, after previous positions in Saudi Arabia, Bahrain and Abu Dhabi.

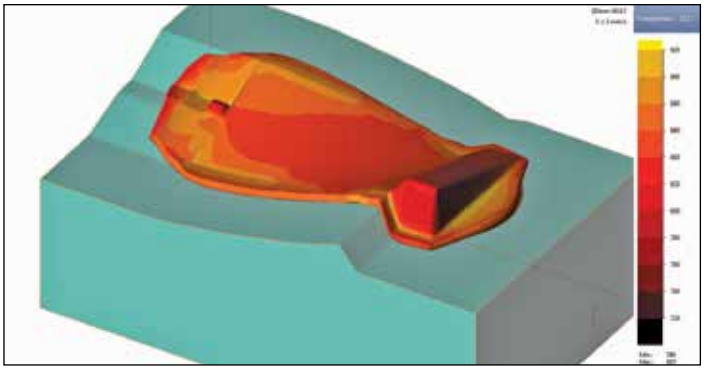
He began in bullish mood, referring to record global order books, and acknowledged that high barriers to market entry at an OEM level created opportunities for trusted and enduring supply chain relationships for the relatively small number of prime and tier 1 companies, but on the downside that there were estimates of weaker future demand at least in the short term for both new equipment and aftermarket services, indicating a mixed bag of opportunity and risk

"As aviation make / buy strategies continue to evolve, there will be an on-going need for a further diversified engineering supply chain, ," said David. "Of course, there will always be pressures on both cost and cash-flow, but suppliers must also understand and support the drive for innovation ... product improvements and manufacturing techniques that reduce waste emissions as well as cost etc.

"Developing strong customer relationships is crucial, understanding needs and delivering added value must become part of a supplier's USP, but David highlighted that suppliers must strive to maintain their diversity. "Aerospace is a cyclical industry, so you shouldn't just focus on one major customer".

"Once you're in a supply chain, supporting competitive advantages for your customers is critical. It's important to take costs and waste out of your production processes – aiming to optimise the buy-to-fly ratio, and to have sensible conversations with your OEM customers to discuss your own performances and where you can improve.

"Disruptive technologies and innovations in use of materials also need to be understood. Carbon-fibre fan blades will come back, ceramics and composites will become more prevalent, so understanding how this will impact your long-term offering is important. David also reminded the audience that one important industry factor is that success in the aviation supply chain is built around quality, delivery and cost ...ensuring that there are no surprises for your customers."



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Programme manager Richard Tinson explained that **Sharing in Growth (SIG)** was a government-funded body tasked with driving higher levels of global competitiveness into the UK's aerospace supply chains, backed by Airbus, Bombardier, GKN and other major corporates.

SIG offers four-year training and transformation programmes to qualifying suppliers, and of the 40 companies which have so far benefitted, each has accessed more than £1m of professional support.

"Our aerospace supply chains are typically 20% less competitive than they should be to compete internationally, so it's vital that the gap is narrowed. We were originally given £50m from the Regional Growth Fund, but have recently been given another £30m, so the funding is there," said Richard.

"We already have 120 full-time staff, and are recruiting more, and the core aim of our activities is secure 10,000 UK manufacturing jobs, by helping companies to increase their annual growth rate, boost their turnover and become more productive.

"We're looking for ambitious companies to join the programme, we want to work with good companies and make them great. Typically they have a turnover of at least £8million and employ over 100 staff. They need to large enough to cope with the demands imposed by the programme. The work we do is paid for by the Regional Growth Fund and companies are expected to match that "in kind" contribution based on the time spent by their staff on the programme."

Mark Lynam, a trade and international manager within the **RBS** corporate banking team at its Leicester office, closed the event by addressing the challenge of access to finance.

He highlighted the merit of trade finance, which can be used for UK suppliers with overseas customers, who have agreed contracts in place, but might need external finance to cover funding 'gaps' which arise from the cost of purchasing raw materials, manufacturing the products and then exporting them.

Mark stressed that such loans were made for specific contracts, were tightly monitored and controlled, and offered certainty of payment. Credit for a particular supplier would be assessed on the strength of its performance.

He also pointed out that trade finance loans are kept separate from regular everyday working capital facilities, such as overdrafts, and that because funding is provided for the length of a contract, there is no requirement to take credit for a longer period than is necessary.

Mark also mentioned Capital Import Finance; a 'one-stop' funding package, created for companies planning to acquire plant and machinery from abroad, and fund it with asset finance.