

Capabilities to support SME growth

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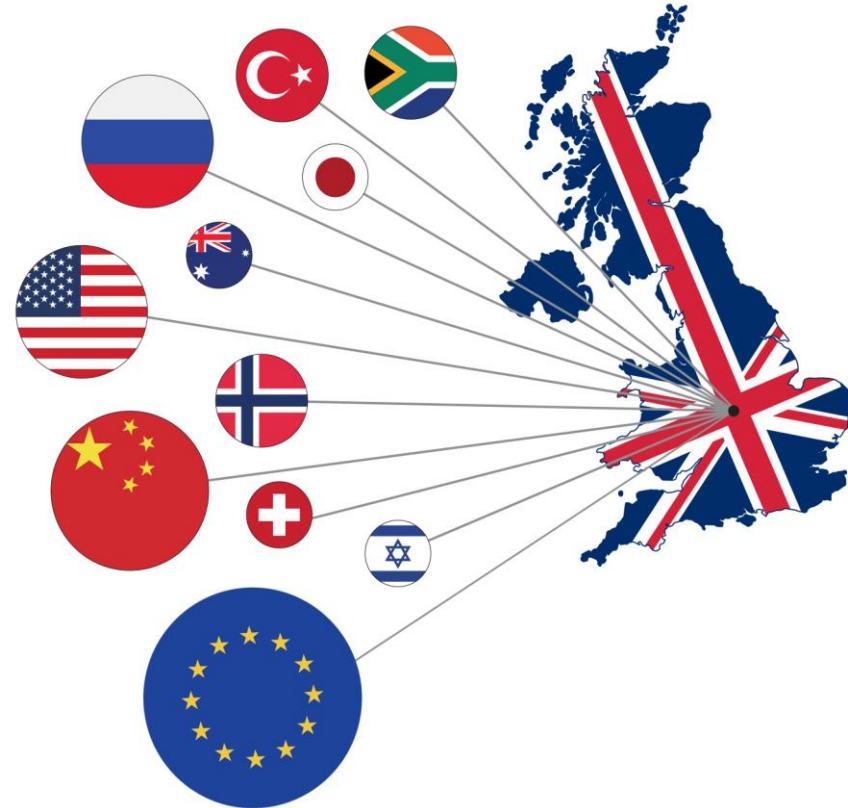
Challenges to the UK are from advanced & emerging economies...

Advanced Economies

- Knowledge, skills, science, R&D

Emerging Economies

- Low cost labour
- Towards high value products.



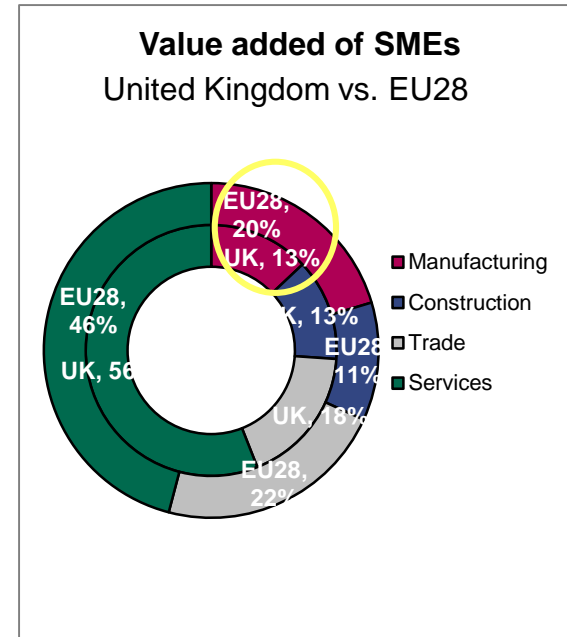
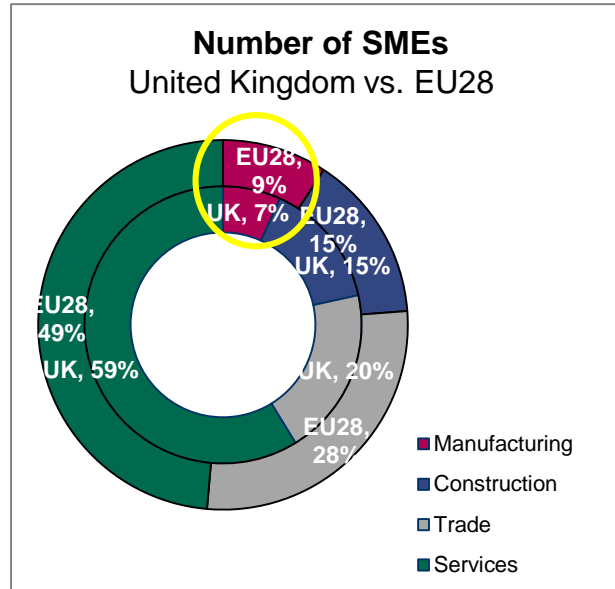
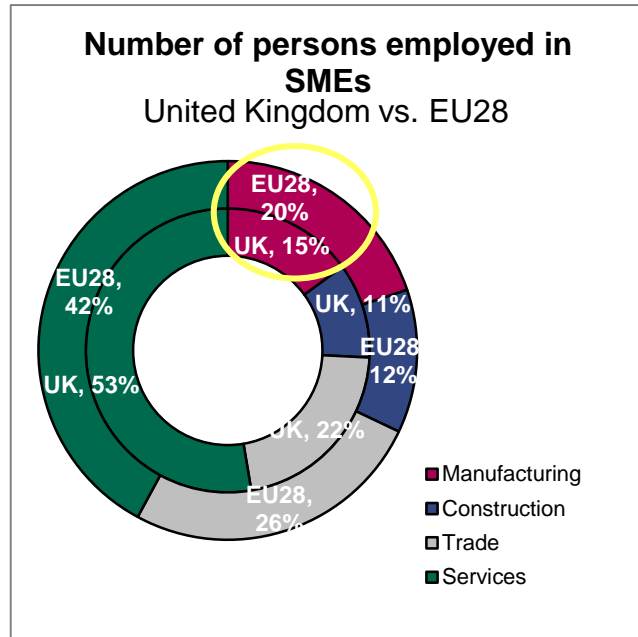
UK response is to focus on High Value Manufacturing...

‘The application of leading-edge technical knowledge and expertise to the creation of products, production processes, and associated services which have strong potential to bring sustainable growth and high economic value to the UK’

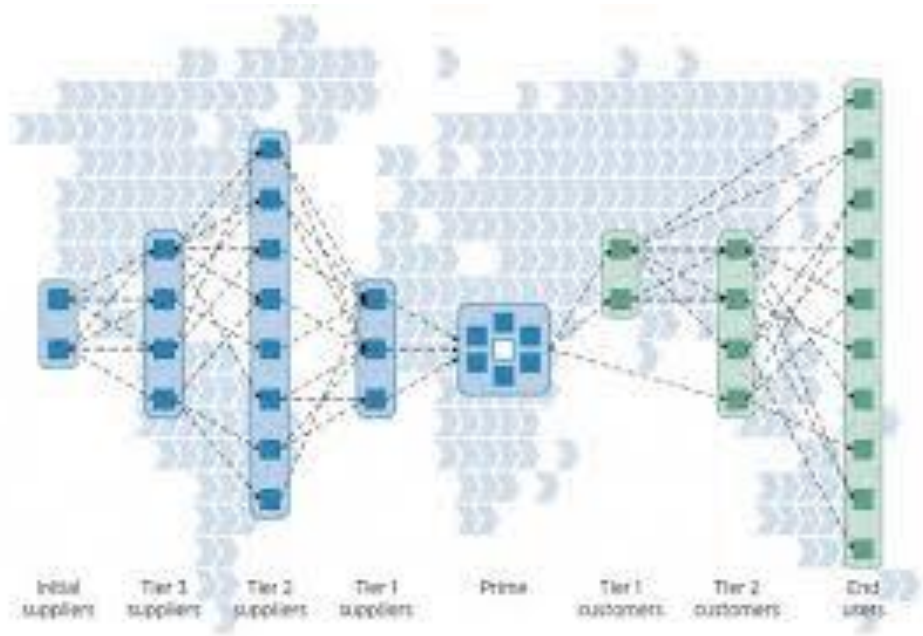
Sector attractiveness – defining the industry sectors with the most potential



UK Manufacturing SMEs are lagging their EU28 counterparts across a number of key measures...



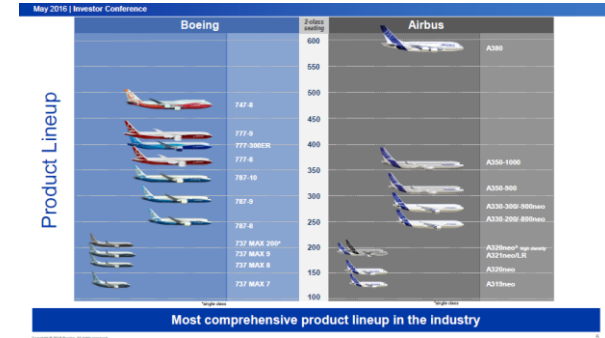
SME contribution is usually at lower tiers of HVM supply chains...



Problem: How to increase SME participation in HVM supply chains?

Increased participation across 3 dimensions through...

- ▶ New products
- ▶ Increased geographic reach
- ▶ Increased diversification of business



Examples – Related

Johnson & Johnson

Consumers products

Baby care

Women's care

Skin and hair care
02/17/16

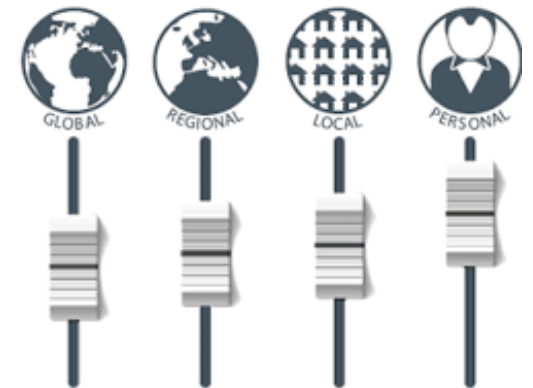
Nutritionals

Medicines

Vision care

Wound care

Oral care



To increase participation SMEs need to successfully 'interact' with their customers...



Technological interaction capability

Ability of an SME to **open up** to technological innovation, **combine** existing technologies & **collaborate** on new technological configurations with larger customers.



Managerial systems interaction capability

Ability of an SME to **plan & collaborate** effectively with larger customers at a strategic level



Leonard-Barton 1992; Johnsen & Ford 2006; Ngugi et al. 2010

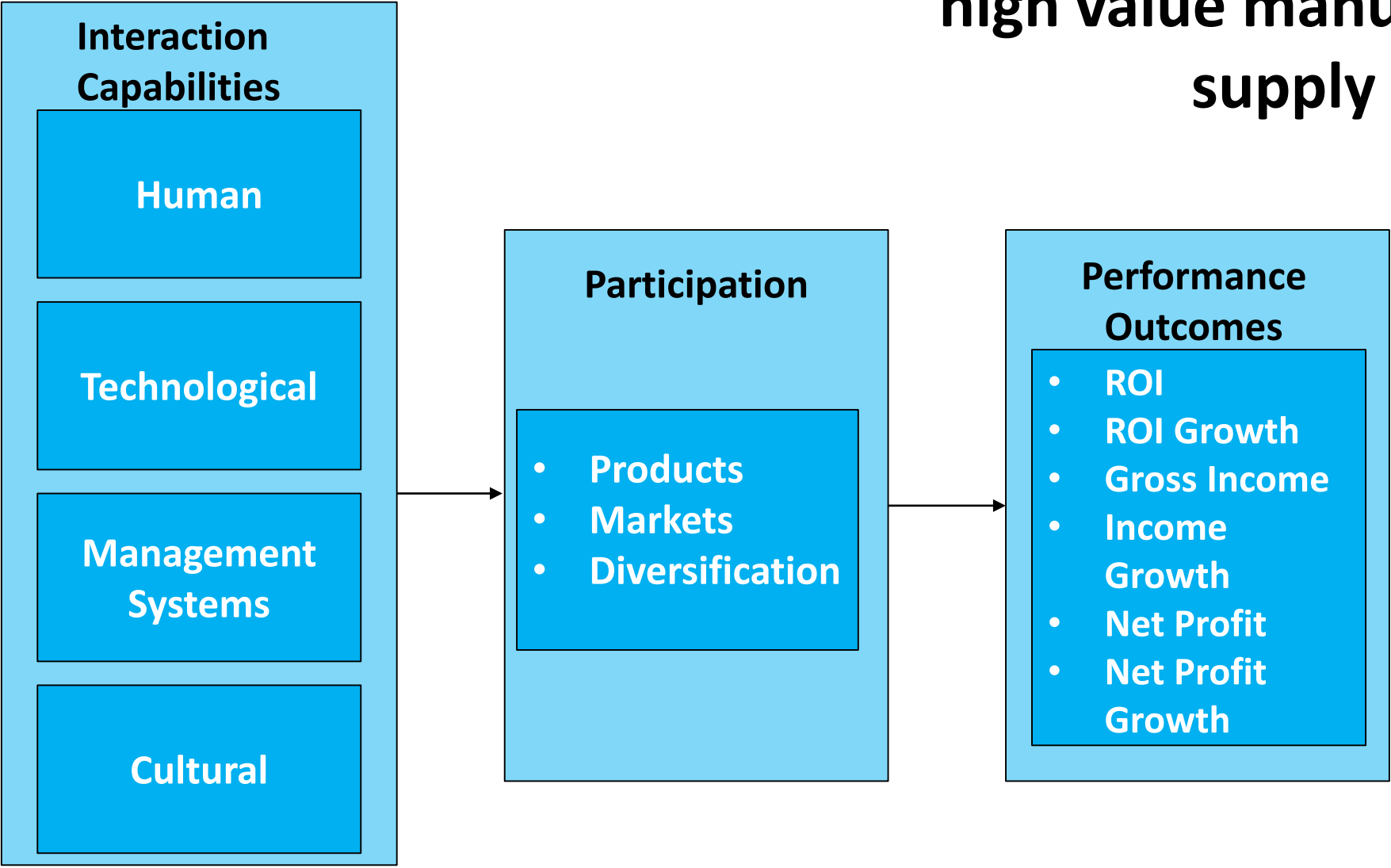


Cultural interaction capability

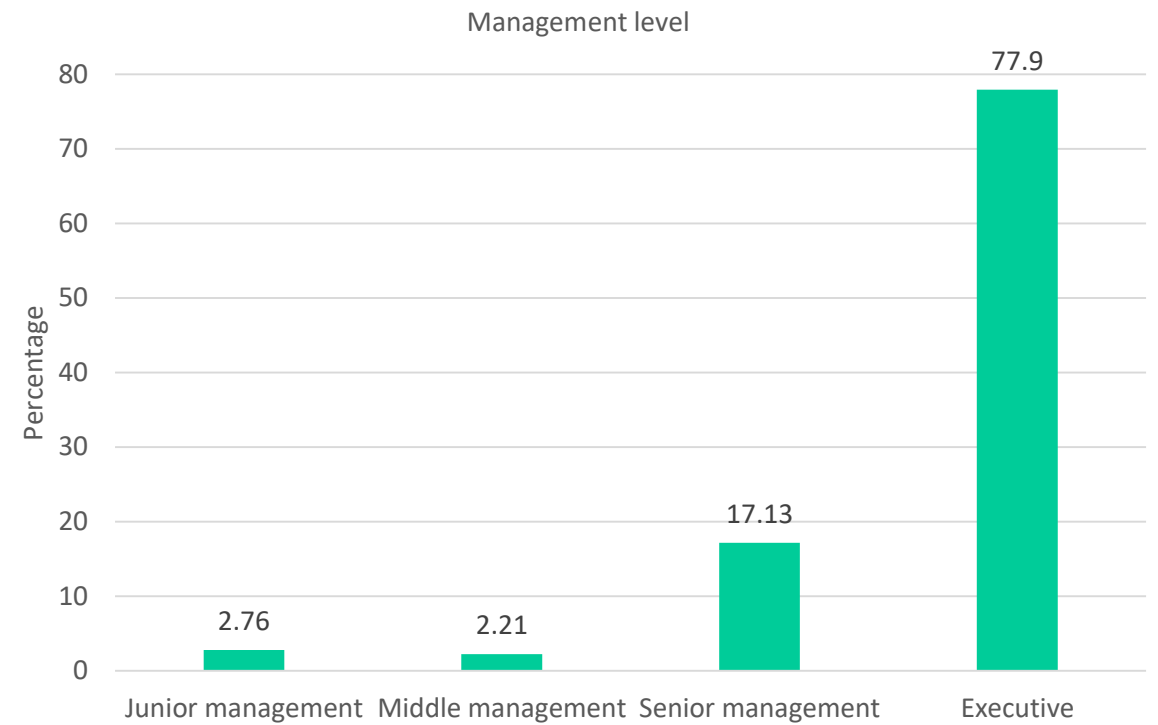
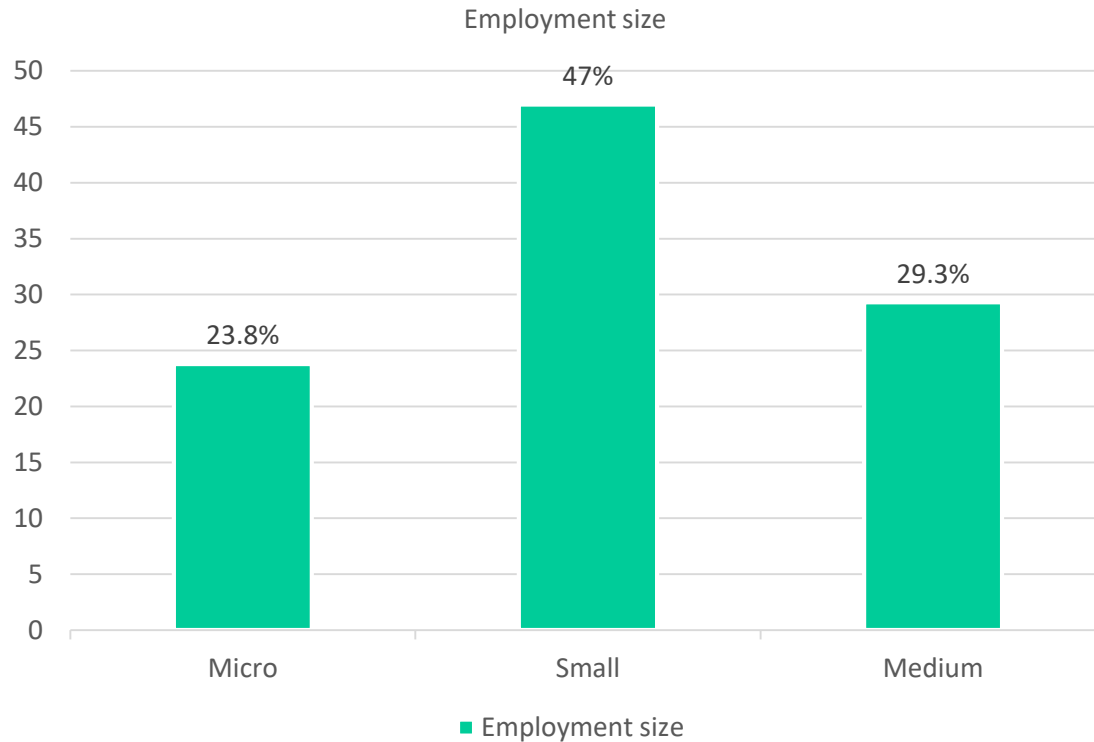
Ability of an SME to **learn** and be **tolerant** of larger customers' culture and values.



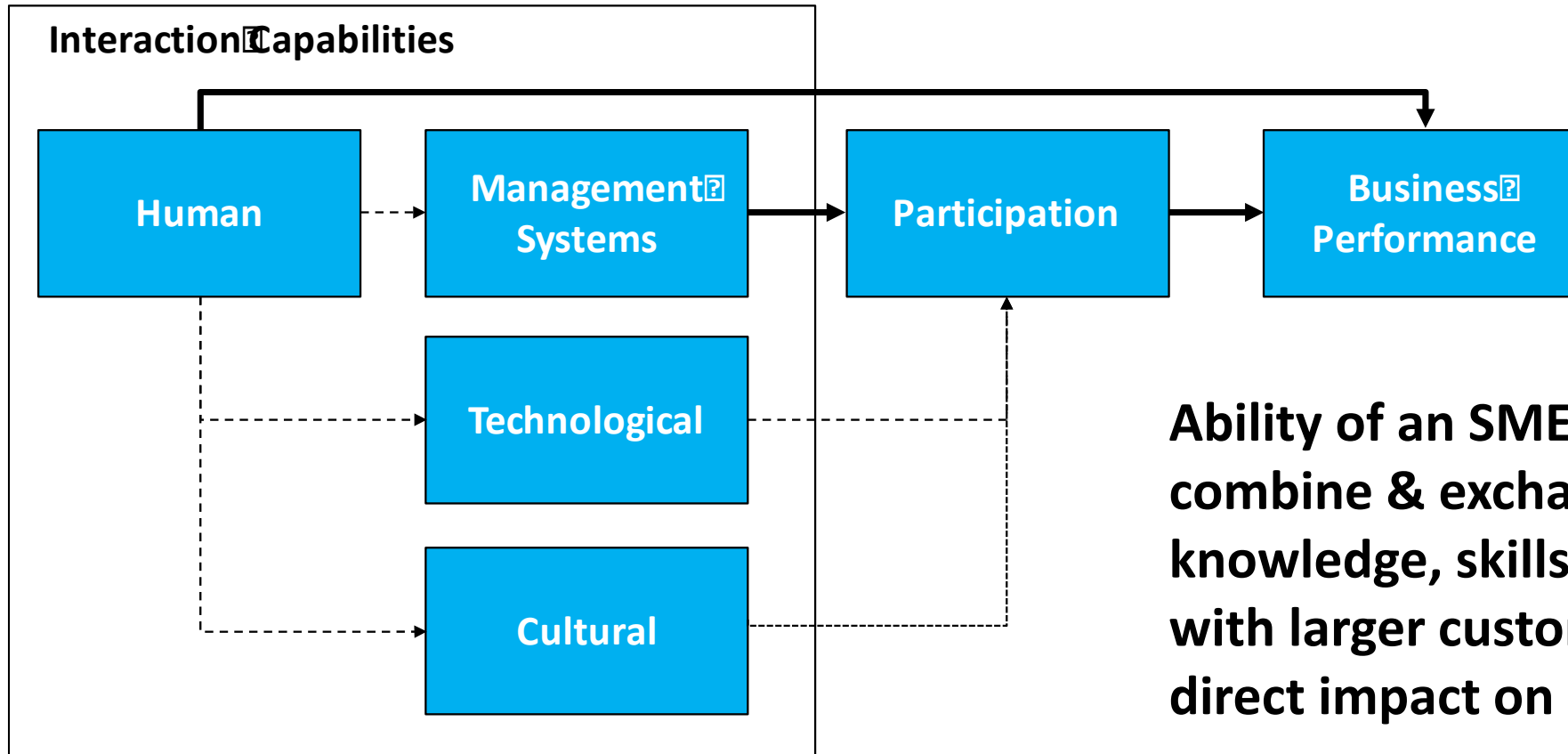
How do interaction capabilities affect the participation of SME in high value manufacturing (HVM) supply chains?



181 UK HVM SME's took part in the study...



SME's ability to strategically plan and collaborate was key to increasing participation and performance...



Ability of an SME to develop, combine & exchange knowledge, skills & expertise with larger customers had a direct impact on performance.

2 practical insights...

1. Develop the capabilities to combine & exchange knowledge, skills & expertise with larger customers
 - Direct positive impact on business performance
 - Supports the development of other interaction capabilities
2. Invest in the capabilities requires to strategically plan and collaborate with your customers
 - Help to grow your business
 - In turn will have a positive impact on business performance

