

Peak or bleak?

Ten years ago, the EIGT Report presented the electronics industry with some home truths. **Graham Pitcher** asks EIGT chair David Kynaston whether the messages have had the desired effect.

The report of the Electronics Innovation and Growth Team (EIGT), published in 2005, was intended to act as a 'wake up call' for the UK's electronics industry. The report – *Making a Visible Difference* – reached a number of conclusions, identified the challenges facing the sector, some of the opportunities available and attempted to provide a strategic way forward.

The EIGT's work was directed by David Kynaston. At the time, he said: "We have a stark choice; if we continue as we are, the future for UK electronics will be as a bit player on the world stage."

To highlight the challenges and opportunities, the report included a section called 'peak and bleak scenarios' – looking forward 10 years to 2015 through a crystal ball in an attempt to predict what might happen if the recommendations were taken on board or not.

So, a decade later, have those scenarios come to pass? Who better to ask than Kynaston?

How did he see the industry at the time? "Nobody recognised electronics for what it was: a big piece of the nation's wellbeing. There was a severe lack of confidence," he recalled. "Industry had just come out of the dot com boom and bust and there was huge pressure on margins and prices.

"It was a difficult time; people didn't know whether the future was going to be design, development or R&D. There was a lot of self doubt."

Kynaston also noted the fragmentation of the industry. "The big tier 1s, like Marconi, had gone and the tier 2s had no reason to take on that coordination role. It was like being in a mining village," he said, "but on a bigger scale."

Kynaston's peaks and bleaks were categorised under five headings: Government and industry; market sectors and technology; innovation; supply chain; and skills. Each contained a number of predictions, extracts of which are shown below.

Government and industry

Peak: 'Government has a well informed understanding of the electronics industry'.

Bleak: 'The Government takes no notice of the electronics industry'.

Kynaston is impressed with the way in which Government now looks at the electronics industry. "If you look at the Government today, while it has squeezed resources available, it is still trying to intervene or repair or facilitate things that it sees as being important. When you compare that with earlier times, when it was all about market forces, things have changed for the better."

He saw a significant change in the Government's outlook taking place with the arrival of Lord Sainsbury as minister for science and innovation in 1998; a position he held until 2006. "Sainsbury left a huge legacy," Kynaston noted. "He raised the science agenda and that hasn't been challenged since."

Kynaston believes that, since publication of the EIGT's report, the Government has been more focused. "It's been more prepared to intervene where necessary," he continued, "and hasn't rubbishised good policies."

The EIGT report called for the establishment of the Electronics Leadership Council (ELC), which foundered after a couple of years. "There was never a clear relationship between ELC, the UK Electronics Alliance and Government. The need was obvious," Kynaston reflected, "but the execution was wanting. Now, with ESCO, there is a much better relationship with Government. Time will tell whether ESCO has a critical mass."

Innovation

Peak: 'The UK is a centre of gravity for international activity in new and emerging fields'.

Bleak: 'There is a spiral downwards that is difficult to pull out of'.

When it comes to innovation, Kynaston appears to be leaning towards the 'peak' prediction, rather than the 'bleak'. "Have we grown big companies? We have seen ARM grow over the last decade, but we've also established that it's possible for companies to be significant on the global stage without having a fab.

"This lack of semiconductor manufacturing capacity hasn't been an inhibitor when it comes to attracting major designers of devices and applications. All of this has been good for the UK."

In the mid 1990s, industry was looking to production overseas. "The pressure on margins and prices propelled massive offshoring," he pointed out. "This wasn't just by OEMs, it was also driven by customers insisting on it.

“We’re now seeing reshoring. Some of this is down to the supply chain being full and to cost increases, but some of it is also down to faulty decisions in the first place.”

He also sees the positive effect of the Technology Strategy Board, now InnovateUK. “It has played a huge role in the last 10 years; it gets lots of ‘ticks’ from me. It has a good combined science agenda and has filled large gaps in the market. However, it can’t solve everything and the UK does need a more effective manufacturing sector.”

Kynaston also gives credit to the Knowledge Transfer Networks, KTNs. “These were recommended by the EIGT and have been successful. They have since been amalgamated into a larger organisation, which is correct, in my opinion.”

Supply chain

Peak: ‘The UK maintains its position as a significant EU player in the global supply chain’.

Bleak: ‘Design follows manufacture abroad and the UK simply becomes a sales base’.

One of the issues which Kynaston sees is that few companies look at the design of their supply chain. “Do they know how it works, what capital is needed, what the lead times are and what the return path is? The big issue for me is that few companies do landed cost analysis. It’s a process still dominated by a purchasing mentality.”

But he points to the aerospace supply chain, involving bodies such as the Advanced Manufacturing Supply Chain Initiative (AMSCI) and the National Aerospace Technology Programme. “By going to SMEs in the supply chain,” he said, “many things are being handled by tier 3 companies.

“Bodies like AMSCI weren’t around 10 years ago and have helped with things like access to finance. Going forward, I think we’ll have a revolution in sources of funding for all companies.”

Skills

Peak: ‘The sector is seen as a good place to find a career’.

Bleak: ‘The UK electronics sector loses competitiveness because it does not have the skills to innovate or compete’.

“Everyone recognised the significance of skills,” Kynaston said, “but there are still problems – for example, involving women in technology. Skills, in general, are good, as is training, but we need more apprenticeships.

“Silicon Valley’s success was all about talent moving to the US and US government procurement. Our Government recognises this, but is not solving the access problem.”

But the question of leadership quality lingers on. “What more can be done?,” Kynaston wondered. “It’s a familiar agenda and managers need as much help as they can get. The owner/manager market is unlikely to see change, but there’s no excuse for other companies.”

Concluding, Kynaston believes UK electronics ‘still wants to get there’. “There has been an improvement in self confidence; now we need to take the next steps to grow the industry and to improve access to markets.

“The industry remains fragmented,” he said, “but is that a bad thing? It certainly does a better job than it did 10 years ago because companies are more hungry.”

“There has been an improvement in self confidence; now we need to take the next steps to grow the industry.”

David Kynaston



Photograph: Charles Milligan