

# CASE STUDY



## **Contracts Engineering LTD, Sittingbourne, embedding culture change alongside digitalisation in a traditional fabrication SME.**

Contracts Engineering (CEL) is one of the Southeast's largest contract steel and aluminium manufacturers and fabricators. They have a healthy culture of teamwork and customer-centric service, high levels of investment in people, a management open door policy, and high job satisfaction with low staff turnover of between 5-10% per year versus a UK manufacturing average of over 25%.<sup>1</sup>

This culture has helped the company move forward when investing in new technologies and training. Over the years, these have included a fibre optic laser, CNC turret punch, new CAD and enterprise resource planning (ERP) software, and an annual training programme that switches between soft and hard skills.

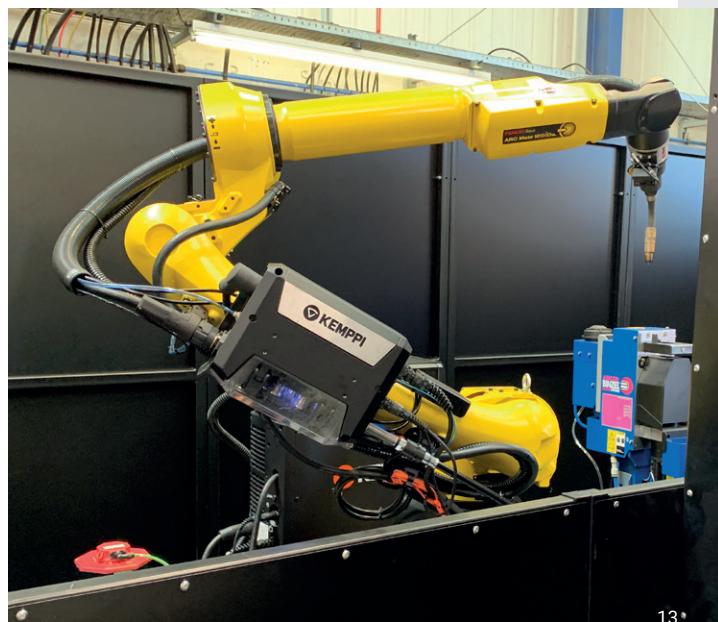
Employees sometimes fear the adoption of automation as they are concerned the new technology may take their jobs. At CEL, their commitment to creating a culture of learning, openness and dialogue with employees helps remove the concern over lost jobs. In particular, every investment made by CEL includes upskilling the team. The numbers speak for themselves; since BAMUK Group acquired CEL in 2012 employment has grown by +50% and average pay is up over 20%, including a bi-annual company profit share.

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In April 2020, the company received delivery of its first robotic MIG welding plant. The robot is over two times faster on high volume production than a manual welder, so it was crucial that the Directors spoke with staff about the investment and its positive impact on CEL. CEL's Operations Director is leading a two-part training program where several welder fabricators have learnt how to program and run the robot, while others are being upskilled in more advanced welding techniques that will not be done by the robot.

Specifically, he has organised to have The Welding Institute send an aluminium welding specialist to upskill staff who are no longer involved in high volume welding. Meanwhile the MD is busy pursuing new contracts to serve CEL's existing customers and prospects who require more advanced welding in their products and projects.

Troy Barratt, Managing Director of BAMUK Group and CEL, says: "We started with a culture of openness so that all staff knew very early on that we would be investing in a robot for the high volume work, and crucially that we would train and upskill staff on the robot or in more advanced welding. This collaborative approach allowed us as a collective team to focus on a smooth install and upskilling, as well as letting us focus on winning new work for the fabricators and for the robot. I'm pleased to say we already have several new projects for the folks being upskilled and for the robot."



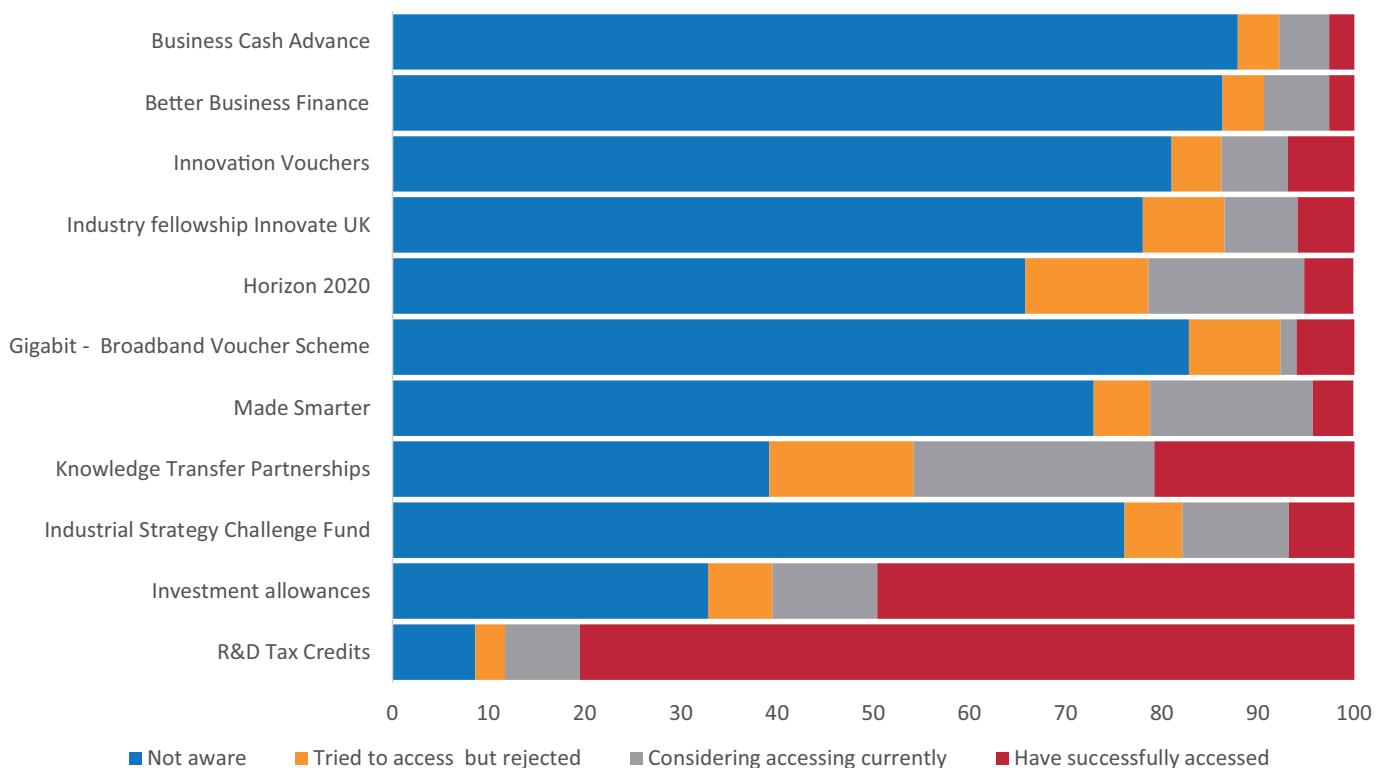
<sup>1</sup> Office of National Statistics Report for 2018. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/10685employeeturnoverlevelsandratesbyindustrysectionukjanuary2017todecember2018>

Some manufacturers are turning to innovative new financing models, which can help overcome some of these issues. For example, if the upfront costs of investing in new, digital equipment are prohibitive, it may be worth exploring a leasing or 'equipment as a service' contract. This requires no initial commitment of capital expenditure, and allows the cost of the investment to be paid over time from current expenditure budgets. As such investments usually produce operating cost reductions and/or productivity improvements, these savings can be used to meet the service payments over the lifetime of the service contract.

The Government provides financial support for innovation in various ways, principally through fiscal incentives (such as tax credits or allowances) and through grants channelled through bodies such as Innovate UK. Make UK's policy work has identified that SMEs have difficulty engaging with Innovate UK, due to the complex and highly competitive nature of its grant allocation process. Fiscal measures – or more locally distributed grants – are likely to be more effective means of support.

### Chart 6: Awareness of different funding schemes for innovation

% of companies citing awareness and use of innovation funding schemes



Source: Make UK/Infor, Innovation Monitor (2020)

And the need for this support is greater now than ever. The achievement of the UK Government's target of 2.4% of GDP being invested in research and development requires both the public and private sectors to increase significantly their R&D investments.

But this kind of discretionary spend is often threatened during an economic downturn. Our analysis suggests that only 28% of manufacturers will spend more on R&D in the next two years, presenting a huge challenge for policymakers.