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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

D00728

United Nations Industrial Development Organization
Organisation des Nations Unies pour le développement industriel
Development Centre

Distr.
LIMITED

ID/WG.41/31
27 November 1969

ORIGINAL: ENGLISH

Expert Group Meeting on the Role and Promotion
of Subcontracting in Industrial Development

Paris, France, 6-11 October 1969

ENGINEERING SUB-CONTRACTING IN ENGLAND AND WALES 1/

by

D.M. Harvey
Council for Small Industries
in Rural Areas

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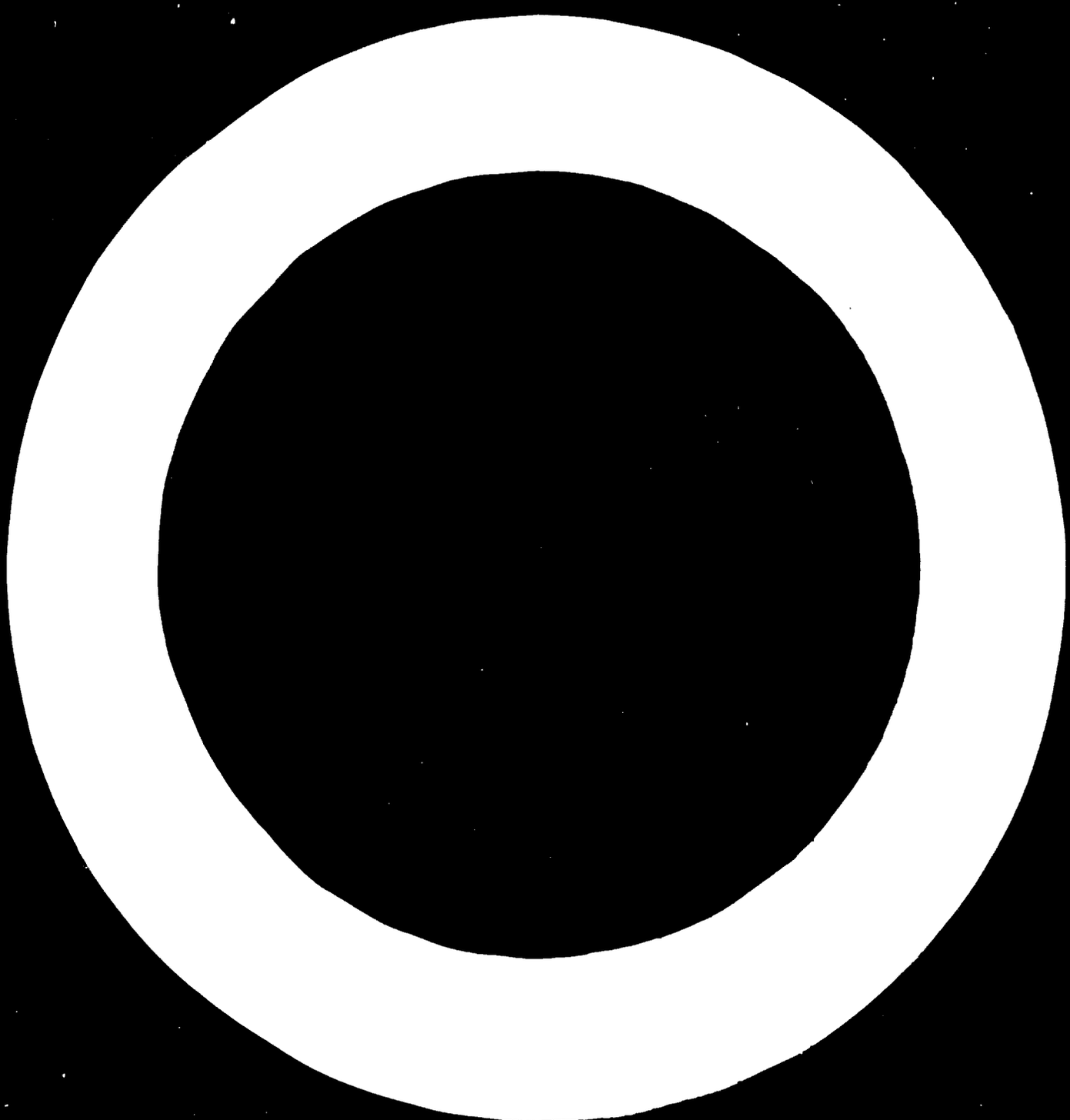
id.69-6140



Sub-contracting by large industry to small firms, for the manufacture of machine component parts and service facilities, is a well established practice in Great Britain. This is particularly found in the urban and industrial areas. The most active are Birmingham, Coventry and London.

In the interest of clarity I shall use the terminology:

Prime Contractor as the giver of orders

and

Sub-Contractor as the receiver of orders.

GREAT BRITAIN GENERALISATION

The past established practice of prime contractors has always been to promote their own suppliers. Old techniques for selecting sub-contract capacity were to a large extent on the basis of the Prime Contractor buyer's personal knowledge and past associations. Industrial enterprises have been encouraged to move away from the densely populated areas, thus assisting the economy and growth as a whole, but this has created many a supply problem. Also hampering the Prime Contractor buyer is the highly competitive world market where old techniques of locating competitive capacity are not viable.

The cause: Whereas in the past old techniques took predominance over price; presently price takes predominance over old techniques. This is progress.

CoSIRA

The Council for Small Industries in Rural Areas is a government sponsored agency providing an Advisory Service and a Credit Service for small industries in low density areas in England and Wales. Its main object is to increase the profitability and encourage technological development in these Firms. We have cultivated techniques which can be applied to the solution of many of the problems that have arisen in industry.

Our activities are mainly Advisory, Instructional, Experimental and the provision of a Credit Service.

We have a staff of advisory officers whose technical qualifications and practical experience make them ideally suitable for assisting small firms in the fields of accounting, engineering, work study, marketing, and in providing technical assistance and instruction to small sub-contracting firms.

We have already had considerable success in bringing large and small firms together in the field of sub-contracting. We are satisfied with the results so far obtained but are very conscious of the fact that there is still much to be done.

In 1964, the Engineering Industries Group of CoSIRA sought to establish a register of production engineering firms of which they approved, but this was confined to a small number.

The catalogued capacity, and encouragement for its use, was directed to traditional Prime Contractors, such as the automotive industry and large firms with sophisticated purchasing departments.

1967 ANALYSIS OF PAST EFFORTS

Past results appeared small in relation to the effort. Major observations were:

a. R.O.P.E. Register (Register of Production Engineering Firms)

The Register known as R.O.P.E. covered far too few firms to interest serious Prime Contractor buyers.

b. Prime Contractor Ignorance of Register

Contacts by the Prime Contractor often came to nothing because the Sub-Contractor already had a full order book.

c. Out of Date Information

Published information about Sub-Contractors contained in the Register was soon out of date.

d. Advisory Services

CoSIRA Advisory Services had improved the rate of technological development in small firms but as large firms were also advancing rapidly the result was that many small firms were still insufficiently competitive.

e. Self Organisational Groups

In these areas local groups of Sub-Contractors had been formed during the previous two years. The results of one of these had been sufficiently important to show the value of a self-generating group effort, and indicated the means by which CoSIRA could further its efforts at encouraging sub-contracting.

f. Movement of Prime Contractors

Throughout the past 20 years 3,016 Prime Contractors had been encouraged to move from high density to low density areas throughout Great Britain (i.e. into the Development Areas). It seemed reasonable to assume at the time of planning the move, a Prime Contractor might be less conscious of competitive bidding and more receptive to local supply. This was later found to be correct.

g. Cause for Concern

It should be noted that one worrying point was the large number of Sub-Contractors relying on two or three large Prime Contractors for their entire turnover, and the vulnerable position created should the Prime Contractor suddenly withdraw the work from the Sub-Contractor in order to carry it out in his own Factory at a time of economic recession.

THE FORWARD PLAN

With full knowledge of the problems of the past, plus the current requirements of the Prime Contractor industries, a forward plan was soon to evolve.

Large firms were categorised into 6 classes, the classification being necessary in order to establish priorities by importance to the existing small firm capacity and strength of management.

CLASS 1. Prime Contractors Planning a Move

It is often found in old established Prime Contractors that large areas are given over to workshop activities which are insufficiently utilised. When a move is being considered, a trained person would have little difficulty in persuading the planning engineer of the advantages of sub-contracting many of these activities, especially when good Sub-Contractors could be recommended. Indeed in such circumstances Prime Contractors have been known to offer machine tools to a Sub-Contractor at nominal cost, in order to undertake future work on his behalf. Guaranteed re-occurring work of this class is highly desirable for small firms.

A test case was located with an internationally known tyre manufacturer planning a new plant to employ 1,000 workers. Liaison with future management at an existing plant in Great Britain was followed by an analysis of the existing plant sub-contract requirements. On examining the proposed area, nine suitable firms were found within a 20 mile radius and were recommended to the Prime Contractor. Prior to the plant operating, and three months after the original recommendation, feed back information disclosed £[illegible],000 of trade had been completed between five of the nine recommended firms.

At the time the plant commenced operations, and six months after the original recommendation, seven of the nine recommended firms were actively trading and over £10,000 of work completed. Management of the Prime Contractor were completely satisfied and converted to the use of local Sub-Contractors.

Management has been receptive to our re-training of one Sub-Contractor for a specialised tooling requirement. The last of the nine [illegible] is promoting himself [illegible] the Prime

At this [illegible], retire from the [illegible] existing within [illegible] firms. The Prime Contractor has expressed confidence in CoSIRA and the facilities it provides as a result of this undertaking.

When a satisfactory local relationship between Prime and Sub-Contractor can be created we find the relationship instinctively is carried into the local trade group association and this in turn fosters other trade.

CLASS 2. Prime Contractors having no Productive Component Capacity of their own

Work of this class is usually of a highly competitive nature. However, the successful small Sub-Contractor is well rewarded in that he is not affected by the slight fluctuations in the national economy, as in the case of the Prime Contractors with their own productive capacity. All quotes on this class of work are closely followed by representatives of CoSIRA. Personnel reports indicate where technical or managerial advice is required and this is provided by specialists from CoSIRA Advisory Services. Many small firms can be quickly brought up to the necessary standard in both the technical and managerial fields with the modern personal approach of the advisory officers. Self organisational groups also receive training based on the feed-back information.

CLASS 3. Prime Contractors Embarking on a Component Rationalisation Programme

Many large industrial Prime Contractors are vigorously engaged in rationalisation and installing highly sophisticated and automated equipment. For the production of components required in small or medium quantities sub-contracting is far more economical than further expansion of the main plant.

The personal approach at engineering management level has proved to be most successful. Usually work procedure schedule times and Prime Contractor costs can be obtained and made available as a guide to the Sub-Contractor.

CLASS 4. Wholesalers, Distributors or Import Agents with Products requiring U.K. Manufacture

Complete product manufacture sometimes requires the co-operative effort of more than one Sub-Contractor and in this instance it has been found that the self organisational groups prove to be most effective.

With this class of work opportunity, CoSIRA efforts start by means of correspondence with the Small Industries Organisers throughout Ireland and Wales. Seldom is distance a factor on product manufacture and we begin by suggesting the class of firms which should be interested in the specific work. Usually we are familiar with interested firms. First of all we check our records to ensure the

firms are technically capable. They are then supplied with the specifications and identification of the source of work. Allied closely with the work source, we observe all aspects of the small Sub-Contractors' approach to the large firm. Our sole function in these instances is to ensure that a fair deal is had by all concerned, and then to record accurate feed-back information, which is used for reference and training purposes.

CLASS 5. Prime Contractors Seeking to Sub-Contract Specialist Operations

We have prepared a fairly comprehensive publication of specialised capacity throughout England and Wales. Most requests for capacity source can be located either through the Register or from office files that now number approximately 1,000 small engineering firms.

CLASS 6. Traditional Prime Contractors, i.e. the Automotive Industry

It is generally thought that not more than 30% of a small Contractor's capacity should be engaged with any one Prime Contractor, and an aggregate not to exceed 60% with the automotive industry as a whole. Far too many small firms exceed these figures and we therefore allocate the traditional Sub-Contractors to last on our priority list.

CONCLUSION

We at CoSIRA feel that we have arrested the problems confronting small industry in the modern world, although always aware of the vast efforts yet to be made. Our results are recorded data and adjustable in the event of technological developments.

When one considers the size of the British market, CoSIRA efforts have been only slightly more than the development of techniques for co-ordinating Prime and Sub-Contractor inter-trade. Our whole activities are in accordance with the requirements of the Development Commission which implements government policy. We would be quite capable of expanding our efforts on any scale should we be required to do so. In brief, we are very conscious of the fact that so far we have really only scratched the surface of the problem.

Our future aims and efforts will be directed towards progress in British Industry through:

LARGE FIRM CATEGORISATION - ASSESSMENT OF PRIORITIES

ACCURATE RECORDING OF FIRM INTRODUCTION, FOLLOW-UP AND RESULTS FOR ADDITIONAL EDUCATIONAL DATA

ESTABLISHING OF FURTHER LOCAL TRADE GROUPS

FURTHER RECORDING AND PUBLICATION OF SUB-CONTRACTOR CAPACITIES

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