MENZIES

BRIGHTER THINKING

ACCOUNTANCY | FINANCE | BUSINESS

UNLOCKING MANUFACTURING POTENTIAL

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ARE YOU READY TO UNLOCK YOUR MANUFACTURING POTENTIAL?

The recent launch of the UK's industrial strategy presents a timely opportunity for manufacturers to unlock growth, enhance performance, and increase business value. But to truly capitalise on this momentum, businesses must approach the future with a clear, actionable plan.

While the word "plan" may raise eyebrows, especially in a sector challenged by rising energy costs, political uncertainty, and supply chain disruptions, it remains essential. For ambitious, growth-driven manufacturers, a well-crafted plan is the foundation for long-term success.

Whether you're preparing for expansion, aiming to boost operational efficiency, or planning a future exit, a destination plan is key. It not only improves performance and reduces risk but also enables your business to maximise on its current potential through strong systems, clear documentation, and consistent practices.

Success in today's manufacturing landscape demands more than resilience, it requires vision, structure, and disciplined execution. The best way to prepare and to unlock potential is to have a clear path to the end goal, precision planning and the right tools to get the job done.

Charlotte Langdon
Partner | Manufacturing
clangdon@menzies.co.uk
+44 (0)330 912 9604

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1: CURRENT CAPACITY AND POSITION

Before planning the future, it's essential to understand your current position through a thorough business review. This means evaluating your operational performance, financial health, and strategic standing.

Key areas to assess include:

- Operational efficiency
- Customer base and market position
- Staffing and leadership
- Compliance and risk
- Financial performance

This review helps identify both value drivers and risk factors, highlighting where improvements can unlock growth. Bringing in external advisors or independent experts can offer fresh, unbiased insights, often revealing opportunities or challenges that internal teams may overlook.

WHAT ARE YOUR VALUE DRIVERS?

In manufacturing, value drivers are the key factors that enhance business performance and increase valuation.

These often include:

- Process optimisation & Cost control
- Quality assurance
- Supply chain reliability
- Innovation and technology
- Customer focus
- Sustainability and ESG

Identifying and strengthening these areas helps improve performance and reduce risk. It also highlights where improvements, like upgrading systems or expanding your customer base, can unlock future growth and support your long-term strategy.

TOOLS AND TECHNIQUES TO ASSESS YOUR BUSINESS

SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a fundamental tool that provides a snapshot of the business's internal and external environment.

- **Strengths** – Internal advantages like product innovation or skilled staff
- **Weaknesses** – Challenges such as high waste or outdated equipment
- **Opportunities** – Growth areas like new markets or automation
- **Threats** – External risks like rising energy costs or supply chain issues

By identifying these factors, manufacturers can build on their strengths, address weaknesses, seize growth opportunities, and proactively manage risks.

PORTER'S FIVE FORCES

Porter's Five Forces is a strategic tool used to assess the competitiveness of an industry. It examines:

- **Competitive Rivalry** – The intensity of competition among existing firms
- **Threat of New Entrants** – The risk of new players entering the market
- **Supplier Power** – The influence suppliers have over pricing and supply
- **Buyer Power** – The ability of customers to demand lower prices or better service
- **Threat of Substitutes** – The risk of customers switching to alternative products

By analysing these forces, manufacturers can identify risks, uncover opportunities, and shape stronger strategies.

2: SETTING THE COURSE FOR MANUFACTURING GROWTH

01 CRAFTING YOUR MANUFACTURING VISION

The first step in strategic planning is to define a clear and compelling vision for your manufacturing business. This goes beyond profitability, it includes your desired position in the market, production capabilities, technological advancement, workforce development, sustainability goals, and operational excellence. For example, your vision might be to become the most reliable precision engineering firm in your region, lead in sustainable manufacturing practices, or achieve full digital integration across your production line. A strong vision acts as a guiding principle, helping align your team and inform every strategic decision.

02 SETTING OPERATIONAL AND STRATEGIC TARGETS

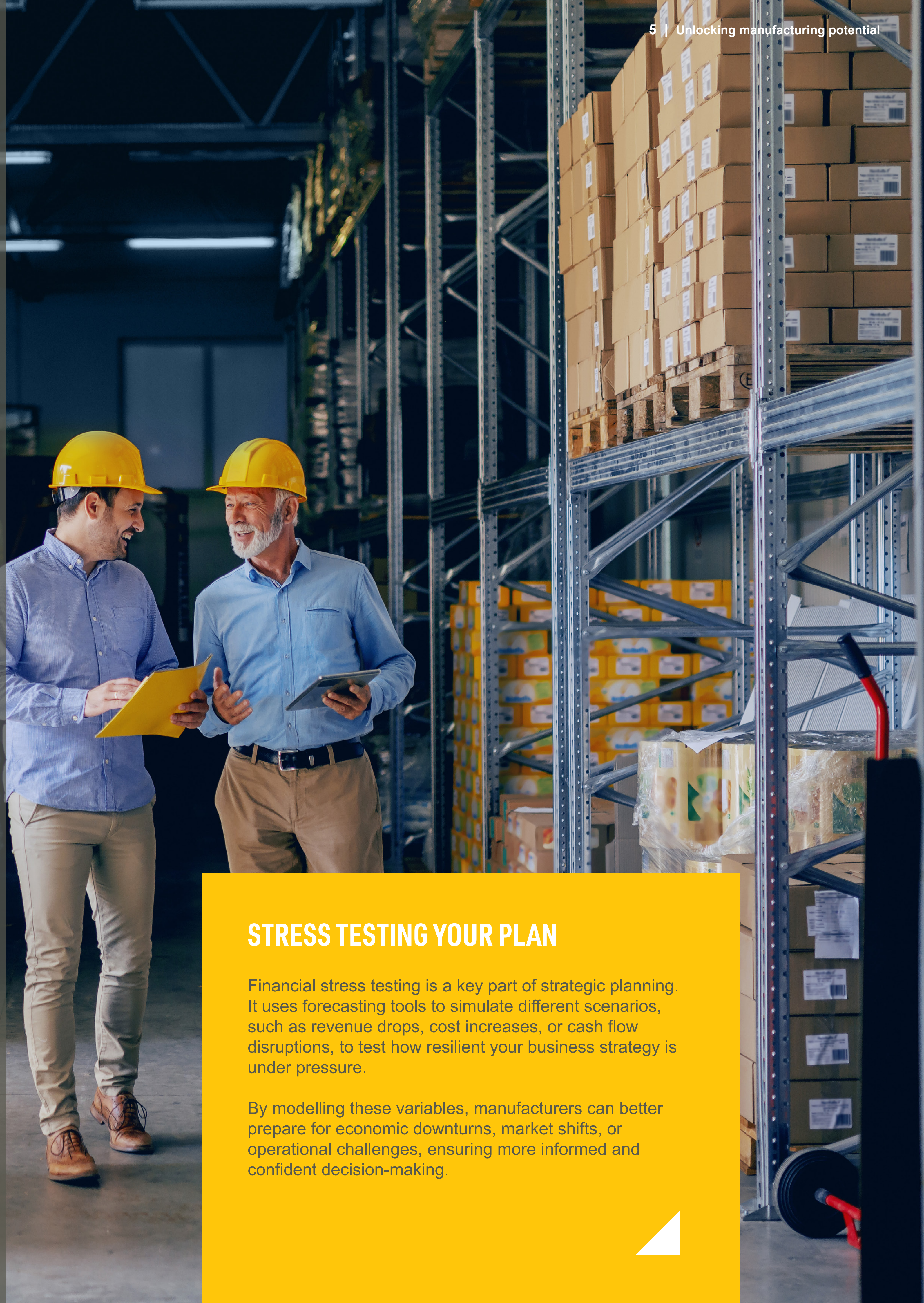
Once your vision is established, it's essential to break it down into measurable targets. These should include both financial goals, such as increasing gross margins or reducing production costs, and non-financial objectives like improving OEE (Overall Equipment Effectiveness), reducing waste, enhancing safety metrics, or achieving ISO certification. For instance, you might aim to reduce machine downtime by 15% within 12 months. These targets provide a practical framework for turning your vision into tangible outcomes.

03 BUILDING YOUR STRATEGIC PRODUCTION PLAN

With your vision and targets in place, the next step is to develop a strategic plan that outlines how to get there. This could involve investing in automation, adopting lean manufacturing principles, expanding production capacity, or entering new markets. Each initiative should be clearly defined with timelines, resource requirements, and performance indicators. A well-structured plan ensures that every improvement project or capital investment is aligned with your long-term goals.

04 DEFINING MILESTONES AND PERFORMANCE CHECKPOINTS

Just like a production schedule includes key milestones, your strategic journey should have checkpoints to monitor progress. These might include achieving a specific throughput rate, completing a factory upgrade, or hitting a customer satisfaction benchmark. Checkpoints should follow the SMART criteria: Specific, Measurable, Achievable, Relevant, and Time-bound. They help you stay on track, make informed adjustments, and celebrate progress along the way.



STRESS TESTING YOUR PLAN

Financial stress testing is a key part of strategic planning. It uses forecasting tools to simulate different scenarios, such as revenue drops, cost increases, or cash flow disruptions, to test how resilient your business strategy is under pressure.

By modelling these variables, manufacturers can better prepare for economic downturns, market shifts, or operational challenges, ensuring more informed and confident decision-making.

3: IMPLEMENTING AND TRACKING YOUR PLAN

With your strategy in place, effective execution is key. Senior managers must lead the process, with clear responsibilities and freed-up time to focus. An independent review of the management structure can ensure the right leadership is in place.

Assign tasks, track progress regularly, and maintain accountability to stay on course and achieve your goals.

DEVELOPING PRIORITISED ACTION TRACKERS

To stay focused and accountable, use prioritised action trackers, dynamic to-do lists that outline key tasks, deadlines, and responsibilities. By ranking tasks by impact, you can allocate resources effectively and ensure critical actions are completed first.

MAKING PRACTICES CONSISTENT

Consistency is key to building a scalable manufacturing business. Embedding quality systems, like standardised inventory procedures, safety protocols, and customer service practices, reduces errors, boosts efficiency, and ensures compliance. Strong systems also support growth and adaptability in changing markets.

ENSURING ACCOUNTABILITY

Clear responsibility is critical to keeping operations on track. Every task in your action tracker should have a designated owner, someone accountable for its execution and timely completion. This ensures nothing falls through the cracks and that there's a clear point of contact for each initiative.

For example, a task like "reducing machine downtime" might be assigned to the maintenance lead, while "improving production line efficiency" could fall under the operations manager. Assigning ownership not only supports progress tracking but also enables quick issue resolution and continuous improvement on the factory floor.

BRINGING IN AN INDEPENDENT VOICE

To stay focused on key priorities and strengthen accountability, involving an external advisor can be highly valuable. In manufacturing, where internal routines and assumptions can go unchallenged, an independent perspective helps ensure objectivity and alignment with strategic goals.

This advisor can conduct regular check-ins, review progress, ask tough questions, and offer fresh insights to improve performance and reduce risk. Their input can uncover blind spots, challenge complacency, and reinforce a culture of accountability across the leadership team.

4: BUILDING A ROBUST MANAGEMENT STRUCTURE

A solid management team in a structure that works is the backbone of any successful business, especially in the manufacturing sector where quick decision-making and efficient execution are paramount.

HOW CAN YOU BUILD THE BEST POSSIBLE TEAM AROUND YOU?

01

Recruit the best
Building a strong leadership team in manufacturing starts with hiring experienced senior managers who can drive strategy, make critical decisions, and lead operational execution. These leaders must bring both technical expertise and a strong cultural fit.

02

Develop the best
To stay competitive, manufacturers must equip teams with the right skills and mindset. This includes technical training and fostering adaptability through programs focused on supply chain resilience, quality control, and regulatory compliance.

03

Promote the best
Equally important is developing internal talent. Investing in employee growth through mentoring, coaching, and leadership training builds a skilled, loyal workforce ready to step into future roles.

Building a robust management structure is not a one-time effort but an ongoing journey. By focusing on recruiting and developing senior management, as well as coaching and nurturing internal talent, you can create a resilient and capable leadership team.

5: KEEPING PRODUCTION MOVING

Even the most carefully planned operations can face unexpected disruptions. In manufacturing, the ability to adapt quickly, whether to supply chain delays, equipment failures, or shifting customer demands is essential for long-term success.

Manufacturers must be ready for a range of scenarios, building agility into their operations so they can keep things moving and respond rapidly to market shifts or operational disruptions.

This flexibility is especially valuable during economic downturns or when facing aggressive competition. Agile manufacturers can reallocate resources, adjust production schedules, explore new product lines, or refine pricing strategies to stay competitive and seize new opportunities.

USING TECHNOLOGY TO STAY AGILE IN MANUFACTURING

REAL-TIME PRODUCTION MONITORING

By integrating sensors into machinery and production lines, manufacturers can collect live data on equipment performance, energy usage, and output levels. This allows teams to:

01 Detect issues like overheating or wear before they cause breakdowns

02 Monitor production bottlenecks in real time

03 Track key metrics such as cycle time, downtime, and throughput

CLOUD-BASED ERP SYSTEMS

Cloud-based Enterprise Resource Planning (ERP) systems centralise data from across the business, covering: inventory, procurement, production, finance, and sales. These platforms allow manufacturers to:

01 Access up-to-date information from any location

02 Improve coordination between departments

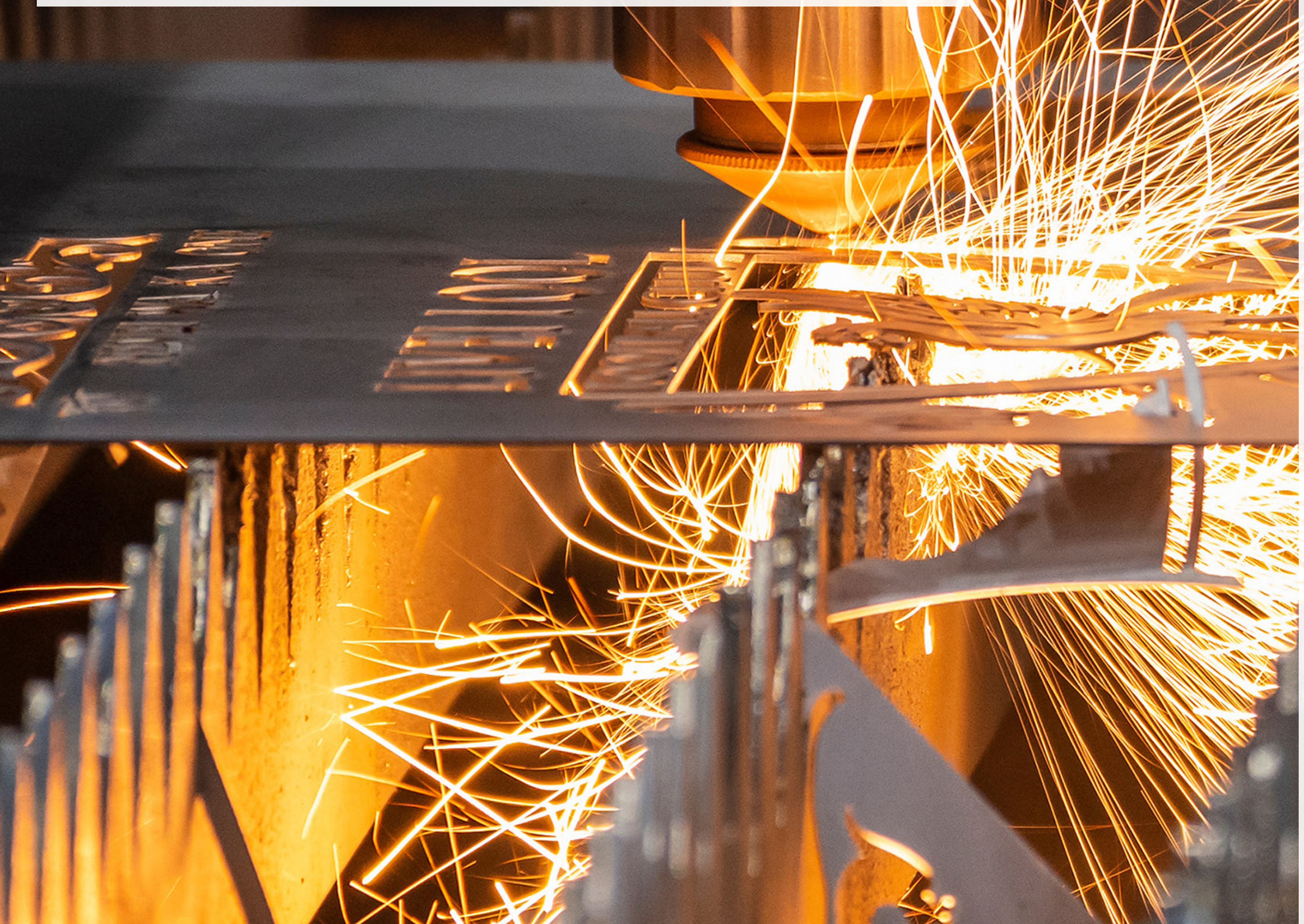
03 Respond quickly to supply chain disruptions or demand changes

PLANNING FOR THE LONG HAUL IN MANUFACTURING

Strategic planning in manufacturing isn't a one-time task, it's an ongoing process. Regularly reviewing your operations, refining your vision, and updating your strategy ensures your business stays aligned with its goals and adapts to changing conditions.

Menzies advisors bring deep industry insight and can help shape a tailored roadmap based on real-world experience in the manufacturing sector. By anticipating challenges, staying agile, and committing to continuous improvement, your business can thrive, even in uncertain times. Invest in the right systems, develop your people, and stay alert to both risks and opportunities.

WITH A CLEAR VISION AND A FLEXIBLE STRATEGY, YOUR MANUFACTURING BUSINESS IS WELL-POSITIONED FOR LONG-TERM SUCCESS.



MEET THE MANUFACTURING EXPERTS

Charlotte Langdon
Partner | Audit & Assurance
clangdon@menzies.co.uk
+44 (0)330 912 9604

Andrew England
Partner | Business Tax
aengland@menzies.co.uk
+44 (0)330 912 9712

Dean Curtis
Partner | Deal Advisory
dcurtis@menzies.co.uk
+44 (0)333 032 4340

Phil Wright
Partner | Outsourcing
pwright@menzies.co.uk
+44 (0)330 912 9794

Iain Round
Partner | Audit & Assurance
iround@menzies.co.uk
+44 (0)333 016 7322

Anna Johnston
Director | Audit & Assurance
ajohnston@menzies.co.uk
+44 (0)330 912 9748

Rachael O'Kane
Senior Manager | Audit & Assurance
rokane@menzies.co.uk
+44 (0)333 016 2972

advice@menzies.co.uk
https://www.menzies.co.uk/sector/manufacturing/

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