

Evaluation of UK Futures Programme

The Strategic Role and Influence of Supply Chains in Workforce Development - Thematic paper

Briefing Paper
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The UK Futures Programme

The Strategic Role and Influence of Supply Chains in Workforce Development - Thematic paper

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1 Introduction

1.1 UK Futures Programme

The UK Futures Programme (UKFP) is seeking to provide an innovative approach to tackling workforce development issues. The UKFP is not intended as an extension of previous large scale funding initiatives by UKCES, but instead is adopting a different approach by offering smaller scale investments, targeting particular issues and sectors, and seeking greater levels of innovation. The UKFP has four key aims, to:

- Support collaborative approaches to workforce development issues amongst employers and, where applicable, wider social partners
- Encourage innovative approaches to addressing workforce development issues
- Identify ways to address new or persistent market or system failures which act as a brake on UK workforce competitiveness
- Identify 'what works' when addressing market failures in relation to workforce development, for adoption in policy development and wider business practice.

1.2 UK Futures Programme evaluation

UKCES has commissioned SQW to carry out a real-time evaluation of the Programme. The aim of the evaluation is to develop a rich understanding about 'what works' in addressing workforce development issues; understand the conditions that can stimulate workplace innovation and learning; actively enable continuous improvement of the investment approach; and communicate the learning in a way that can readily inform and influence policy and wider practice. As part of the evaluation and in order to improve their understanding of key themes UKCES has commissioned a number of thematic papers from SQW.

2 About this thematic paper

Finding out what works to address skills issues, drawing strongly on collaborative working and the use of networks, was one of the key objectives of the UK Futures Programme (UKFP)¹. Based on extensive research and in common with many other organisations, UKCES has identified that successful collaboration between employers and other stakeholders in finding solutions to address workforce development issues can lead to the transfer of learning and best practice between collaborators and subsequently through their networks. This paper looks at a particular type of collaboration, that which occurs through supply chains and networked organisations to promote workforce development.

This paper summarises the learning from the first three Productivity Challenges of the UKFP on how supply chains can be used to promote workforce development. Productivity Challenge 1 focussed on developing solutions to the workforce challenges in the offsite construction (OSC) industry. The construction sector typically has a flat supply chain, with the prime contracting with many small and medium sized enterprises (SMEs), which account for 86% of the employment and 75% of the turnover in the sector². Two projects in particular focussed on their supply chains as part of Productivity Challenge 1.

Productivity Challenge 2 focused on raising demand for management and leadership skills through supply chains and network organisations. It was driven from a recognition that leadership and management skills tend to be weak amongst SMEs. The Challenge sought to test if this weakness could be addressed through leadership from primes. Those who took on this role included large and medium sized employers and networked organisations (often sector bodies).

The third, Productivity Challenge 3 focussed on career progression pathways in the retail and hospitality sectors, with a focus on low pay occupations. Both sectors are forecast to grow, but traditionally they experience high rates of staff turnover which leads to training focussing on the induction of new staff rather than the development of existing employees. Of the seven projects, three were delivered by a prime who offered a training solution to their vertical supply chain of business customers.

¹ The UK Futures Programme is an initiative funded by the UK Commission for Employment and Skills, which seeks to provide an innovative approach to tackling workforce development issues. The initiative is constructed of five Productivity Challenges, each focusing on a specific challenge relating to workforce development. The programme will run until summer 2016.

² <http://projects.bre.co.uk/sme/Download/Journ.PDF>

The next chapter draws on a range of literature to describe what is understood by the terms supply chains and networked organisation, the types of relationship that exist in each and how these relationships can support workforce development. Section 4 then looks at the evidence generated through the UKFP to date, including the motivations of primes and supply chain organisations, and the enablers and barriers to participation. Section five summarises the benefits arising, and the emerging implications are set out in section six.

3 The nature of supply chains

This chapter describes a number of different types of supply chain structures found in the literature and in the UK Futures Programme. It then describes how existing supply chains and networks come to focus on skills, and the nature of this activity, as a basis before exploring the activities and benefits of supply chain structures in the UK Futures Programme in chapters 4 and 5.

The term “prime” is used generically to describe project leads. In practice, the lead organisations can be split into two types, companies (e.g. large construction firm) and networked organisations (e.g. sector bodies). The term “supply chain organisation” is used throughout to describe those who have engaged with UKFP projects as an end user.

While there is a clear difference between primes and the supply chain, it is important to understand that the relationship is not linear. Instead, there is a mutual dependence. While supply chain organisations rely on primes for work, at the same time primes have businesses models based on suitable supply chains undertaking elements of their work.

3.1 Different types of supply chain and networks

The Understanding Employer Networks report³ identified a broad range of different network types. The structures identified were: Group Training Associations; Industrial Training Boards; geographically-based networks and clusters; higher education/industry collaborations and business incubators; trade associations / sectoral employer associations; supply chain networks, vertical or horizontal in nature; employer networks supported by publicly regulated bodies; and informal networks without an established mode of organisation.

The report noted that many of the networks listed above focussed around skills. While this may in part reflect the commissioning of the research by UKCES, it does suggest that employers find common purpose around the subject.

³ Cox, A., Higgins, T. and Marangozov, R. (2013) *Understanding Employer Networks Evidence Report 66*, UK Commission for Employment and Skills

Productivity Challenges 1, 2 and 3 included a range of employer networks and supply chain structures, reflecting four types identified in the earlier research:

- Vertical supply chains where there was a prime contractor which was the lead customer for a range of businesses. In many, but by no means all cases, the businesses in the supply chain were only supplying one prime
- Horizontal supply chains where firms which may compete in some cases but also recognise the advantages of co-operation on other issues. In such cases the supply chain tends to be flatter and more networked, with relationships around outsourcing, projects and partnerships. It was this type of relationship Productivity Challenge 2 was targeting by including “networked organisations” alongside supply chains
- Geographically based networks focussed around a key sector in a local area
- Higher Education Institutions and industry collaborations.

Table 3-1 identifies each of the UKFP projects with one of the four employer network or supply chain categories. In practice, some projects could be aligned to more than one category, for example Realm primarily was a geographic network as it focussed on delivering a solution to organisations based on their location. The supply chain was also horizontal as the prime and supply chain organisations had some mutual dependence. We have suggested the supply chain structure of the Realm project is primarily geographical as the physical location of the supply chain organisations was the main consideration in the design and delivery of the solution. Also, the projects led by networked organisations have been classified in most cases as having a horizontal supply chain as they often drew in a number of larger employers from the sector and worked through them to reach the wider sector. The first stage of drawing in larger employers reflects horizontal activity, which then led to vertical activity. This is explained more in the following chapter.

Table 3-1: UKFP Projects, their organisation type and type of employer network

Project	Organisation type	Employer network type
Productivity Challenge 1		
Laing O'Rourke	Company	Vertical
Offsite Management School (Skanska)	Company	Vertical
Productivity Challenge 2		
Action Sustainability	Networked organisation	Vertical
Jaguar Land Rover	Company	Vertical
Robert Woodhead	Company	Vertical
Legal Aid Practitioners Group	Networked organisation	Horizontal
Civil Engineering Contractors Association	Networked organisation	Horizontal
Black Country Consortium	Networked organisation	Geographical
University of Chester	Networked organisation	Higher Education Institution and industry collaboration
Productivity Challenge 3		
People 1 st	Networked organisation	Horizontal
National Coastal Tourism Academy	Networked organisation	Geographical
Realm	Company	Geographical

Source: SQW

Note: Table show best fit employer network or supply chain structure, projects may span one or more structures

3.2 The role of supply chains in workforce development

The potential of networks was investigated in the UKCES Collective Measures project⁴, which identified a range of possible benefits including:

- Networking to identify business problems which lead to identification of skills needs as part of the solution

⁴ Stanfield, C., Cox, A. and Stone, I. (2009) *Review of Employer Collectives Measures: Final Report: Evidence Report 10*, UK Commission for Employment and Skills

- Making training more affordable through economies of scale in sourcing learning provision
- Educating managers about benefits of training
- Improving access to training providers and information on quality standards
- Potentially reducing poaching through developing closer social bonds between employers and raising volumes of generic transferable skills.

However, the report also noted that while reviews had shown promise, there was a lack of evaluation evidence in this area of policy.

Rubery et al.⁵ also identified that employer networks are a potential policy lever to stimulate employer investment in skills. They found that through either contractual conditions or more informal mechanisms, clients may influence training provision either by providing some or all of the training themselves, or by specifying the types of training and the qualifications/accreditation requirements for the subcontractor. These types of arrangements could then spread practice through the supply chain.

The first three Productivity Challenges provided an opportunity to test these impressions and learning through a range of specific projects in different sectors and context. The learning from these projects is contained in the following chapters.

⁵ Rubery, J., Grimshaw, D. and Marchington, M. (2010) Blurring Boundaries and Disordering Hierarchies: Challenges for employment and skills in networked organisations, Praxis No. 6, UK Commission for Employment and Skills

4 The role of supply chains and networked organisations in UKFP

This chapter describes learning from Productivity Challenges 1, 2 and 3 about the role of the prime and the role of supply chain organisations in addressing workforce development issues.

4.1 The role of the prime

Primes are the focal point of supply chains, either because they are a significant source of revenue for other businesses or they benefit others on a particular issue such as skills development for example, and the first three Productivity Challenges have demonstrated that they were well placed to lead on workforce development. In particular, they had robust knowledge of sectoral or industry wide issues which meant they were well placed to understand any workforce development issues. Also their existing relationships with organisations in their supply chain meant that they were able to engage their suppliers in addressing any identified need. In addition to oversight and engagement strengths, primes were typically larger than their suppliers, and as a result they had more capacity to develop and deliver solutions. These factors were consistent across the three Productivity Challenges and were found to make primes an effective vehicle for leading on workforce development.

The workforce development solutions developed through UKFP were, in most cases, very specific to an industry, sector or geographic area. The role that each prime took to address workforce development issues varied, usually to reflect the nature of the solution being developed and how far the prime wanted to be fully in the lead, or facilitating others to lead / deliver. Across this spectrum there was a range of responsibilities including:

At the inception stage...

- Identifying needs
- Facilitating discussions with other primes and stakeholders, and mobilising their inputs
- Identifying partners and delegating project design and development activities to them

During the development stage...

- Designing skills solutions

- Encouraging the engagement of the supply chain
- Endorsing a solution, including to their supply chain members

During the delivery stage...

- Delivering skills solutions, e.g. by giving a presentation
- Providing a physical location for the delivery of a solution
- Taking part in the training, and being seen to do so

After delivery...

- Maintaining momentum with primes and stakeholders
- Securing further in-kind and financial investment.

At the inception stage, identifying and engaging partner primes was particularly important for projects led by networked organisations, irrespective of the network type or supply chain structure of the project. Networked organisations often created employer steering groups (or similar) to ensure industry endorsement of their solution. The credibility offered by primes differed by organisation type: networked organisations were typically engaged as they brought objectivity to solutions; while primes were credible partners as they brought the potential for commercial benefits. Both models encouraged supply chain organisation engagement. Existing relationships between networked organisations and primes aided this initial process. Where there was no existing relationship, having something to show e.g. a draft assessment tool, was an effective means to gaining prime involvement.

There was a consensus from primes leading projects that, where relevant, it was important to engage other primes as early as possible in the design of the solution. Where there had been engagement from the start, primes were able to delegate responsibility for aspects to partner primes. Project leads found that partner primes that had been engaged the longest bought into the project more and had a greater sense of ownership as they had helped to shape the solution.

Primes that engaged partner primes found that existing relationships and senior support were factors that enabled buy-in. Similarly steering groups that had representatives from a number of primes operated best when the primes were already familiar with one another. In Productivity Challenge 2, three projects had existing employer engagement groups that were attended by other primes. These projects thought that the existing relationships made it easier to reach a consensus on issues

and agree solutions. Utilising existing networks was an effective way to gain broad buy-in and support from other primes, and supply chain organisations.

Engaging partner primes was not straightforward in all cases and some projects encountered difficulties. Commercial sensitivities in some cases presented a barrier to engaging other primes as partners, for example, one prime might have reservations about hosting training and sharing insights if other primes, who are competitors are present. To prevent commercial sensitivities being a barrier to prime engagement, there is merit in: keeping the solution generic; using a neutral venue; and/or involving a neutral organisation to deliver the solution.

4.1.1 Motivation for primes

For the primes in Productivity Challenge 1 the key motivation was self-interest, both for their own business and the wider sector. This combined a desire to work more closely and collaboratively with their supply chains because they required more from it if the business/sector was to meet its growth ambitions and also in some cases because primes were losing contracts because the supply chain could not meet the standards that were required, for example around sustainability.

Similar motivations led to primes in Productivity Challenge 2 developing solutions for leadership and management skills. In a number of cases the primes had previously collaborated with others to develop skills, typically these non-UKFP projects focussed on technical, on-the-job skills rather than management and leaderships skills. Primes developed solutions to boost leadership and management capabilities as they recognised this would help to stabilise their supply chains and facilitate their own growth aspirations.

Self-interest was also a key motivation for primes in Productivity Challenge 3. The three projects all sought to address poor progression pathways for low paid workers in retail and hospitality, as doing so would be beneficial to the prime. Of the three projects, two were led by networked organisations who also had organisational objectives to address the issue. The three projects saw the UKFP investment as an opportunity to pilot a solution, which could then be sustained if proven successful.

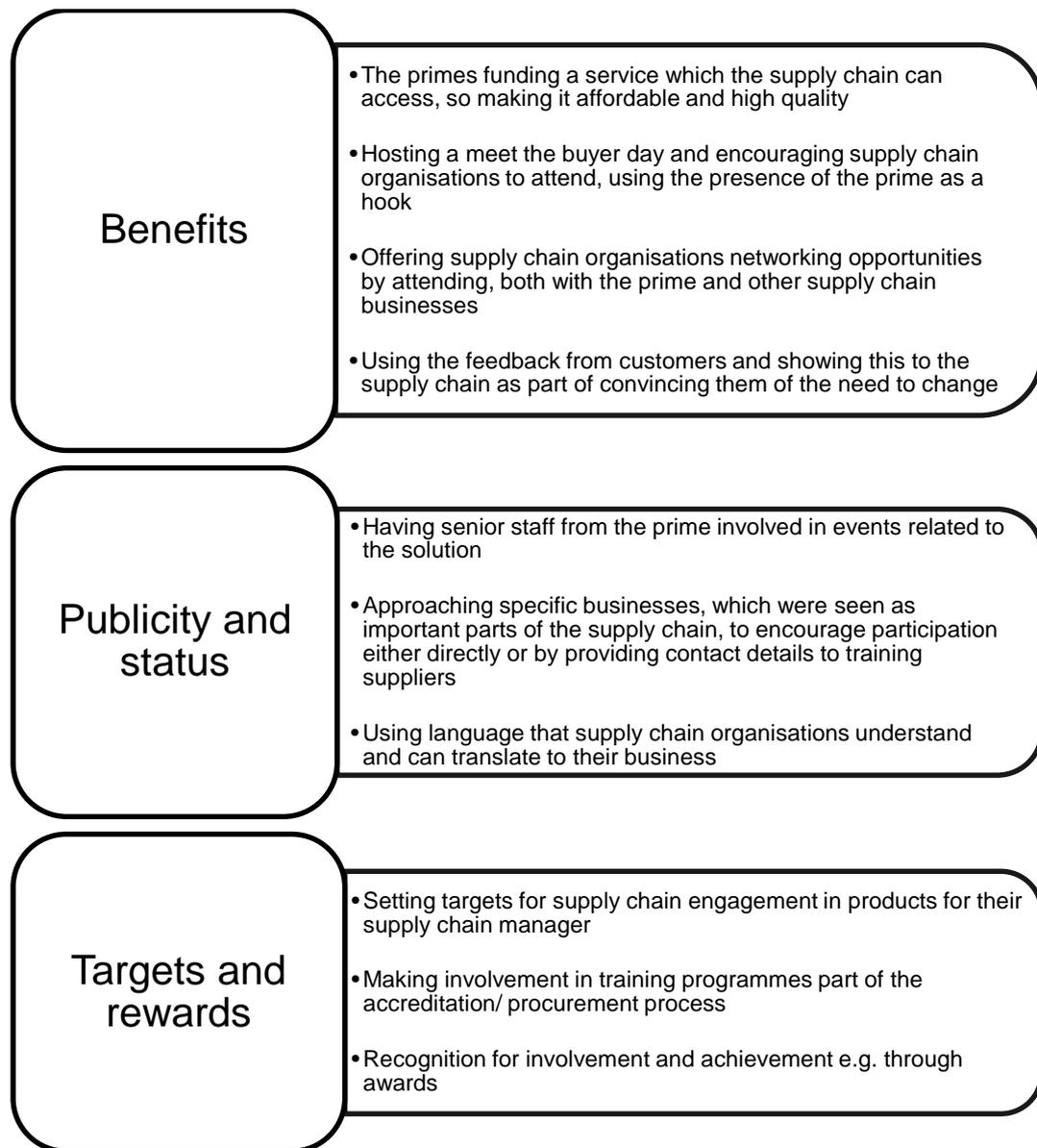
It appears as though the structure of the supply chain influences what type of organisation takes responsibility for developing a solution. Vertical supply chains benefitted from primes who were commercially motivated as the development of a solution would hopefully lead to improved performance of supply chain organisations

and in turn the prime itself. Horizontal and HEI/industry collaboration supply chain structures benefitted from the leadership of networked organisations. In these supply chains the large organisation type prime that might take the lead was less clear due to the flatter structure of the supply chain. Networked organisations were motivated by their commercial awareness, aspirations and/or feedback from members. This might suggest that networked organisations can fulfil the role of a prime where there is no clear head of the supply chain with a clear commercial interest.

There was evidence from all three of the Productivity Challenges that the availability of funds from UKCES to develop a solution was a catalyst. A number of the projects were conceptual prior to UKFP, but the funds enabled them to be developed. This perhaps suggests that even if there is an identified need, external stimulus, including funding, may be necessary to encourage primes to take action.

Across the three Productivity Challenges primes leading projects were able to influence partner primes and supply chain organisations to invest financially or in-kind (e.g. time). Financial contributions were often more forthcoming towards the end of the UKFP activities. As an example from Productivity Challenge 2, at the early stage of project delivery a prime found it difficult to secure financial support from other primes to sponsor some project activities. However, once the prime had self-funded the activity that they had hoped would be sponsored, they were able to secure future financial support from partner primes to repeat the activity the following year. Projects in Productivity Challenges 1 and 2 were also able to leverage funding from partner primes and supply chain organisations to fund the ongoing development of their solutions examples of how they achieved this are shown in Figure 4-1.

Figure 4-1: Approaches used to engage supply chain organisations



A single or combination of approaches as shown in Figure 4-1, were enough in many cases to secure involvement of many supply chain organisations. Primes often found the greatest hurdle to overcome was getting the supply chain to engage in the first instance i.e. getting them to attend a meet the buyer event, once this was overcome generally primes were able to maintain engagement. The main factor that contributed to maintaining engagement was having a high quality offering at the first event.

Primes in the three Productivity Challenges chose to emphasise the positive reasons for their supply chains to engage. Projects that were prime led with a vertical supply chain structure did consider how far take up of any provision could be made a requirement to be on their supplier list. However, they chose not to pursue this,

believing that businesses would be more committed and so gain more if they engaged positively. They also recognised that:

- They needed the supply chain in a wider context and so were in part risk adverse about losing good suppliers who might have chosen not to engage
- Driving such a change would require engagement across the business, while many of the initiatives were being driven on particular departments or even individuals (reflecting the projects being seen as developmental).

That said, some supply chain organisations did perceive implicit pressure to take part to ensure that the prime continued to view them favourably. This type of support to encourage engagement was not available to networked organisations.

4.2 The role of supply chain organisations

Supply chain organisations were in all cases the end user of solutions developed by primes. Some supply chain organisations were also involved in aspects of project delivery (e.g. sitting on an employer steering group) although this only occurred in a few projects.

Some supply chain organisations that became involved already had a close relationship with the prime. They saw further engagement through UKFP as a way to remain close to the prime and to demonstrate a level of commitment. For others, there was no prior relationship (beyond contracts) but they chose to engage:

- As a means to get closer to the prime, and key employees of the prime
- To get noticed and show commitment to the relationship
- In recognition of the importance of the issues being addressed to the sector
- As the training offered aligned with an identified business need
- They had been unable to source training elsewhere
- The training offered was of a better quality compared to offers on the open market
- Compared to other similar training, the offer was lower cost.

Across all of these factors the prime was often acting as a catalyst for greater workforce development investment by the supply chain. Even where organisations in the supply chain were aware of their needs, they had often not acted on this need, or not found a solution that was sufficiently tailored and suitably priced.

A common factor that engaged supply chain organisations across the three Productivity Challenges was the credibility of the prime. Supply chain organisations were more likely to engage (and invest financially) if the prime was credible and/or a significant business to them directly or in the sector or locality. This was also true where more than one prime had endorsed a solution. In effect the supply chain organisations were trusting that the prime(s) knew what was needed and would ensure good quality was offered.

Supply chain organisations did not feel obliged to engage in solutions offered by the prime, but chose to engage. The opportunity to work with or get close to a prime was a consistent factor that encouraged engagement. Indeed, this opportunity was more important for some than the actual support that was being offered. The supply chain organisations hoped that their involvement might, for example, give them an opportunity to promote their business or gain contracts. This was particularly evident in prime led projects with a vertical supply chain structure. In these projects, a minority of supply chain organisations perceived that there may be consequences if they did not participate. They might not be added to a preferred supplier list for example. The fear of missing out on commercial outcomes contributed to their decision to engage. There did not appear to be any perceived consequences, or at least they were not as commercial in nature, in projects that were led by networked organisations.

Endorsement from partner primes strengthened communications and acted as an additional reason for engagement. Broad endorsement also increased the trust that supply chain organisations had of any solution offered, in terms of being appropriate to them and in helping them develop.

In all three Productivity Challenges, the primes were successful in engaging supply chain organisations but nearly all found there were a minority that were difficult to engage. The most common barrier was a lack of capacity within the supply chain organisation for example, if a supply chain organisation was an SME there was limited capacity amongst employees to be able to release one or more to engage with the solution. Similarly lack of capacity meant that if there was an urgent matter arose in the workplace, then the employee would, at short notice, not be able to attend training. A lack of capacity to engage in some cases could not be overcome, particularly when trying to engage micro-businesses (although some did engage when they saw the need and recognised the expertise of the prime, and where delivery tended to be shorter and so also allow them to spend time in their business during the day).

Primes, as far as reasonably possible, designed solutions that were accessible by, for example, using local venues to host training and requiring a manageable time commitment per engagement (for some this meant half day sessions, for others it was easier to clear a whole day, reflecting different types of businesses and management structure and re-enforcing the need to tailor solutions to specific circumstances).

5 Benefits arising

There was a recognition across all three Productivity Challenges that the benefits arising as a result of the UKFP funded activity for workforce development would only be fully realised over time. As Productivity Challenge 3 was ongoing at the time of writing, this section focusses on benefits that arose through Productivity Challenges 1 and 2 immediately after the UKFP funded activity ended.

A common benefit that projects gained was a clearer understanding of the challenges their industry, sector or locality had in terms of workforce development. This meant that beyond UKFP projects were clear about what to do next, for example a project that was part of Challenge 2 was developing a training solution to meet the identified need and had broad industry buy-in. In most cases, the issues identified were as expected but there was evidence that projects in both Productivity Challenges had uncovered some issues that primes did not know about. Without the UKFP projects, these would not have been identified. Issues were found to exist at different levels:

- The primes often came to reflect on their own practices and how they worked with their supply chain, coming to recognise that there were internal issues to be addressed (e.g. the use of high performance working practices within their own organisation, as well as supply chain organisations)
- Supply chain organisations having begun to address their issues became aware that they actually needed more support than they thought. Thus, the challenge was to get them to attend a first event from which they were then more likely to engage in others.

Together these factors mean that the Productivity Challenges have met identified skills needs and grown demand for further activities in the future. Projects in Productivity Challenges 1 and 2 had created a shift in attitude and commitment to workforce development.

Nearly all of the projects had a core aim of upskilling supply chain organisations. A relatively short time period had elapsed since projects ended, which means the transfer of new learning to improved business performance in supply chain organisations would be challenging to evidence. There were early indications that some supply chain organisations who benefitted from a project in Productivity Challenge 2 had seen a positive impact on their profit and relationships with employees.

As an example, one business had started charging for abandoned visits as they did not charge for these, but realised they could as a result of training received. The supply chain organisation expects this to noticeably increase their profitability over the next 12-18 months. Of the supply chain organisations that benefited from this project, 95% reported a positive benefit as a result of their attendance.

Projects in Productivity Challenge 1 spent more time at the outset designing and testing their solutions, which meant less evidence about the impact on supply chain organisations was available by the end of the Challenge.

At the end of the UKFP funded activity, the relevant projects that participated in Productivity Challenge 1 were hopeful that they would gain financial investment from employers as partnerships and solutions had been developed and the benefits of the solution were better understood. Subsequently, the projects found that whilst they had been able to maintain momentum, further financial investment from employers had not been as forthcoming as hoped. The projects were successfully increasing the volume of in-kind support they received from employers but ongoing financial investment was being made by the lead primes themselves or was received from other external sources. As such the projects were continuing, but slightly differently from what had been expected.

Also, at the end of Productivity Challenge 1 the projects had hoped to establish a cross-project, collaborative, sector body. This aspiration has not been realised as no organisation took leadership to drive the process forward. This perhaps reflects that the facilitation role UKCES had played, was not readily filled by the individual projects.

All of the projects that had completed the second Challenge had gained further investment from existing and/or new partners to sustain and further develop their activities. The success of the UKFP projects had provided evidence of the concept, which in turn made it easier to engage other primes and funders. Then, this wider engagement made it easier to draw in businesses from their supply chains.

6 Emerging implications

Each of the first three Productivity Challenges sought in different ways to work through primes and networked organisations to address workforce development issues within supply chains. This focus came from evidence that such networks were often developed around and focussed on skills issues. It was thought that working through a network could provide a range of benefits, from identifying common needs to providing a means to deliver a solution. However, such benefits were not substantiated by evaluation evidence of earlier initiatives and hence there was a need to test if the anticipated benefits could be demonstrated in practice.

The Challenges operated across a range of different supply chains and networks, and in different sectors and parts of the country. They therefore provided a rich resource to test and understand the ways in which supply chains could influence workforce development.

Having noted the differences across the Productivity Challenges and projects that they contained, it is notable that the findings emerging about the supply chains are remarkably consistent. They largely replicate across Challenges, with similar issues arising, approaches to development and delivery, and key learning points. As a result, the key lessons that are set out below largely mirror those from Productivity Challenge 2, which was the most explicitly focussed on this agenda. However, they take on added weight because of the greater evidence on which they are based.

The over-arching conclusion that emerges is of support for the hypothesis that primes and networked organisations can influence workforce development in their supply chains if certain conditions, as discussed in this report, are in place. The key messages and implications arising from this are set out in the Figure below.

Figure 6-1: Key messages

Primes and networked organisations

- Primes should be aware of their potential influence on their supply chains
- Networked organisations can fulfil the role of the prime in sectors dominated by smaller businesses
- By improving their supply chains, primes can achieve business benefits
- Primes will get better engagement from their supply chains if they associate themselves with the solution and make themselves available to supply chain businesses through the process
- This engagement is likely to also lead the prime to reflect on their own behaviour and practices
- Supply chain businesses are price sensitive buyers of training. They also become more engaged and aware of their needs after they have begun. Therefore, any initial offer is more likely to gain traction if it is reasonably priced
- Prices might also be set to reflect the downstream benefits that primes may receive from improved supply chain performance, i.e. development of the supply chain can be seen as a business investment by the prime

Policy makers

- That primes and networked organisations provide a means to stimulate action in supply chains
- Supply chains may be aware of these needs, but are not responding to them. The credibility of the organisation making the offer, especially around the very specific context each supply chain business works in, is important in generating follow through
- The market appears price sensitive, with many supply chain businesses unwilling to pay full price for an unproven product, especially from a supplier that they do not know
- While primes may have an interest in their supply chain, they may need an external stimulus (including funding) to become proactive

Source: SQW

The UK Commission for Employment and Skills (UKCES) is a publicly funded, industry-led organisation providing leadership on skills and employment issues across the UK. Together, our Commissioners comprise a social partnership of senior leaders of large and small employers from across industry, trade unions, the third sector, further and higher education and across all four UK nations.

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