James Dyson, the vacuum cleaner entrepreneur worth over £700 million, has just moved the last part of his washing machine manufacturing plant to Malaysia and it is not a popular move. In 2002 he switched production from his base in Wiltshire with a loss of 800 jobs.

Dyson’s final exit from manufacturing in the UK has attracted much criticism - particularly from the unions: “Dyson is just like pop star Britney Spears singing ‘Oops I did it again’” claimed Roger Lyons of Amicus, the engineering union. His colleague, Derek Simpson, equally frustrated, stated “his [Dyson’s] motive is making even greater profit at the expense of UK manufacturing and his loyal workforce.”

UK - The Perfect Place for a Start Up...

A business must consider several factors when choosing where to locate a new manufacturing plant. For Dyson, which started by making vacuum cleaners, the key elements when the business was first set up were:

- **Proximity to key suppliers** - to reduce transport costs and helping with lean production techniques
- **Near to the market place** - to reduce distribution costs
- **Close to a suitable workforce** – with the right skills at the right wage rate
- **Affordable premises** – this includes rent, costs of utilities such as water and electricity, and local business taxes

For Dyson, which started manufacturing in 1993 in the small town of Malmesbury, the initial mix of factors was ideal for a UK base. Malmesbury is close to the M4 corridor, so lorries could easily transport vacuum cleaners to the major electrical retailers. Premises were cheap (Dyson moved into an old Linotype factory), suppliers were close by and there was a well-trained, skilled local workforce.

...But Now Focus on Lower Manufacturing Costs

What changed to encourage Dyson to relocate the Malmesbury factory? James Dyson, writing on his website about the initial decision to move vacuum cleaner production in 2002, noted that pressures were mounting from two sides:

“We faced the double whammy… of plunging prices [due to increased competition] and …increasing labour costs, land prices, taxation and other overheads.”

Given the increase in costs, he faced a tough decision to move since he valued his UK status and above all his workforce. However each element of the location mix had changed.

First, key suppliers were now in the Far East - Malaysia would represent a significant saving in transport costs. Second, Dyson was now a major exporter, not just selling in the UK. New and profitable markets in Japan, Australia and the Far East had been developed. As Dyson says

“Although labour rates (we pay twice the national average) are much lower in Malaysia, the added cost of transporting vacuum cleaners to Europe almost wipes out any saving. The economies come from having most our suppliers nearby and from the proximity to new markets”.

Finally, Dyson increasingly found the UK business environment unhelpful. He lists the following influences on the decision to cease UK manufacturing:

- Poor government support for exporters or to encourage research and development.
- High exchange rates (a strong pound) made exports more expensive abroad.
- Difficulties in getting planning permission for factories, increasing taxes on the workforce (National Insurance) and increasing factory rates

Stakeholder Perspectives

A decision to close a factory involves all the stakeholders in a business. The main stakeholders in the Dyson business are shareholders, employees, suppliers, government and customers.

James Dyson is the sole shareholder. He realised that in order to compete in the highly competitive “white goods” market, his products needed to be both innovative and profitable. It was inevitable that he would focus on finding ways to minimise production and distribution costs.

The decision was clearly a difficult one - made harder by the fact that James Dyson lives in Malmesbury and his UK employees all live locally. Speaking at the 2002 announcement, Dyson encouraged local stakeholders to reflect on the positive achievements:

“I hope people will see we have created wealth and have added a lot to the value of everybody’s lives in the town”

Dyson employees will probably have a mixed view. Malmesbury is situated in an area of very low unemployment. So compared with employees made redundant in poorer areas, those who have lost their jobs should not find it too difficult to find alternative work. Dyson is also creating more jobs for his Research and Development department - which will remain in the Malmesbury area. However, local suppliers to the manufacturing plant will suffer from the loss of business.

The government is embarrassed by the situation – James Gray, the local MP declared in a newspaper report,

“If excellent, high-tech British made products cannot make it what hope is there for anyone else?”

And finally, the ultimate stakeholder, the customer, will continue to benefit from lower prices and greater choice, because Dyson vacuum cleaners and washing machines will still be available in the shops. However they will have travelled a long way to get there.

Sources used in this article: BBC Online News; Malmesbury Newspaper; Dyson Press Releases; FT.com

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