**Touching the Void: Wealth creation through regional supplier hyper-localisation**

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**Introduction**

This Churchill Fellowship funded research project will explore the problem of supply chain voids created by a combination of COVID-19/Ukrainian conflict, and resultant international approaches to the hyper-localisation of supply chains to fill these voids. This of interest to researchers and practitioners because regional reshoring of suppliers offers benefits to the economically challenged region of Wales, which has reshaped through deindustrialisation, and the growth of green economy through private sector initiatives such as the South Wales Industrial Cluster and public sector funded NetZero Wales. This research seeks to acquire and assimilated global learning from the differing national economies of Japan and Spain who have tackled these supply chain voids using different policy and practical approaches which could be applied in Wales for future economic and innovation growth.

**Background**

The aims of this project are:

(1) To understand and analyse how different national policy and instruments influence trends of supply chain hyper-localization in Japan and Spain.

(2) Implement learning into a live environment, such as Caerphilly County, to uncover supply chain voids and deploy technological and process driven strategies leading to the creation of measures for community wealth creation and foundational economy impact.

Meeting these research aims will build on the current case studies within the space around digital infrastructure (Reynolds *et al.*, 2021) and the construction industry (De Boeck, Bassens and Ryckewaert, 2019) by focusing on public procurement in a local authority.

The aims will be achieved through study firstly into the Japanese economy which offers particular insights into the adoption of hyper-localisation supply chains. This reshoring was encouraged through new policy instruments including JPY 220 billion (USD 2.1 billion) to incentivise companies moving supply chains back to Japan (Directorate-General for External Policies of the European Union, 2021) . This research will support the understanding the impact of funding and policy instruments in Japan for reshoring on micros and SMEs, offering lessons for the successes and failures that Wales and the UK can adopt. Spain on the other hand, and in particular the Basque region, has many parallels with Wales as a deindustrialised regional economy (Johnson *et al.*, 2019). The percentage of industry reshoring in Spain over the past 3 years was one of the highest in Europe with 7.9%) (Directorate-General for External Policies of the European Union, 2021), and understanding the journey from a post-industrial economy to the foundational economy in Spain (Russell *et al.*, 2022) also offers new models and learning for hyper-localization in Wales and the UK.

**Research Approach**

The research will be conducted using a qualitative enquiry in a simple 3 stage waterfall process with supply chain stakeholders and policy makers in the two differing international territories of Spain and Japan. Representatives have been chosen using purposive sampling from agencies and major industrial companies involved in reshoring in Japan and Spain. These interviews will seek to understand how and why structural enablers, such as funding and policy, encourage supply chain reshoring and what the benefits and deterrents are for businesses and the broader economies.

The study will employ a semi-structured interview method, as structured interviewing would have ensured the reliability of the results but restricted the exploration of concepts and ideas that participants offer as part of the process. The semi-structured interview process offers a balance between the reliability of the structured interview with the creativity and experimentation of unstructured interviewing. This provides a space for a “*higher degree of confidentiality, as the replies…tend to be more personal in nature*”(Easterby-Smith *et al.*, 2018, p. 185)). The use of this approach allows the researcher to explore the subject allowing “*opinions to emerge*” and gain greater insight (Saunders, M.N.K., Lewis and Thornhill, 2019, p. 375).

**Discussion**

As the research is in a formative phase the discussion at this points pertains to the literature and practical application of intended findings. The Digital Supply Chain market size was valued at $3.2 billion in 2019 and it is expected to reach over $8 billion by the end of 2026, with a CAGR of 13.3% during 2023-2026 (IndustryARC, 2023). Currently for large organisations, the main way to manage existing and acquire new suppliers is via their own platform, for instance Volkswagen utilise its ONE.Konzern Business Platform. For SMEs, a third-party hosted marketplace tends to be used, for instance Alibaba.com is a neutral platform that connects multiple suppliers and buyers. There are also industry-specific vertical marketplaces e.g. Elemica (originated to serve in chemicals industry), or Teleroute for freight exchange. These broader existing models and platforms are predominantly focused driving down the economic cost of procurement, whereas the Welsh political and economic context has created a new reality where public procurement in Wales is impelled to be driven by a socially responsible agenda supported legislatively by the Well-Being of the Future Generations of Wales Act (Welsh Government, 2015) and the Social Partnership and Public Procurement Bill (Welsh Government, 2023).

Whilst the aforementioned digital supply chain solutions are transitioning from a purely economic focus toward the socially progressive model defined by current legislation. They are still passive receivers of knowledge with typically lengthy and prescriptive tender requirements. This stifles creativity where specialist suppliers (e.g. regionally-based SMEs) may have a unique solution to a supply challenge but the procuring organisation is not aware of the technology or the localised supplier. Supporting the visibility of sole traders, micros and SMEs and their adoption and reintroduction has been noted as important for economic development (BEIS, 2023). Supporting further regionally-based organisations to enter existing supply chains will also create better diversity within public sector supply chains and lead to reduced costs to the public purse and reduce the environmental impacts of non-Welsh and global supply chains.

The benefits of localisation of supply chains can be huge with one local council, which will form the impact case study from this research, Caerphilly County Borough Council spending **approximately £230m every year** (Caerphilly County Borough Council, 2018) with third party providers, if even an extra 10% was spent locally that would add significant wealth and job creation into the region and this research will support the movement towards this target. Scaling more effective hyper-localization of supply chains will only multiply the benefits of this approach and the contribution to the UK national economy.

**Conclusions**

In practice, the findings will be implemented in a live environment such as Caerphilly County Borough Council (CCBC). Enhancing the visibility of local suppliers using digital solutions and utilising learning from international efforts to re-shore supply chains can support new supplier engagement. A technology provider is currently working with the Caerphilly Borough County Council to adopt more Welsh suppliers into supply chains and this research will seek to complement and support this. The findings of this research will allow us to understand, measure, and adopt new models and engagement strategies for sole traders, micros, and SMEs to enhance foundational economy outcomes.

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