



BRINGING IT HOME

U.S FIRMS CAN RECLAIM CLIENTS

With companies from General Electric to NCR announcing the reinstatement of U.S. production, and Whirlpool, Dow, and other firms building new U.S. factories, it's undeniable that interest in insourcing among U.S. firms is on the rise. Nevertheless, this doesn't mean manufacturers can simply open their arms and say, "Come home."

To capitalize on the acceleration of U.S.-based production, manufacturers must do more than resolve the issues pulling business away from places like China and Mexico. From agility and speed to market to environmental concerns and energy costs, the problems of overseas manufacturing can become golden opportunities for U.S. firms. By embracing these issues and using them as the platform for proactive, best practices improvements, manufacturers can position themselves to help recapture America's lost crown jewel.

AGILITY MATTERS

As manufacturing executives realize, one of the great differentiators between U.S. and overseas manufacturing firms is agility. Change orders and customizations can be processed far more effectively, especially for U.S.-based companies, when the production lines making the changes are local. However, proximity alone does not necessarily provide a competitive edge.

Whereas Chinese manufacturers are known for their ability to produce a specific item efficiently in vast quantities, American firms can focus on specialization. Today's technology makes it possible for manufacturers to set up lines that can support multiple variations of a product in an efficient manner, whether the requirement is for private label branding or a late-breaking feature.

Regard for individuality is a hallmark of today's consumer, and retail firms want to be perceived as supporting that mindset. Plants that have the capacity to turn around low volume, highly customized products in a matter of days (and in some cases, hours) will have a leg up on their competitors, both overseas and at home.

GO ON A DIET

Saving your clients money by reducing shipping distances provides a powerful motivator. However, with the increasing focus on environmental quality and how man's activities impact earth's future, companies are seeking more. They want to show customers that the choices they make are designed to preserve more than their bottom lines.

Consequently, manufacturers need to take the "lean" principles we all espouse to heart. Then, they can use them as a selling feature to recapture overseas manufacturing business. In 1977, I went to Japan and learned more about lean principles than I knew was possible. The Japanese didn't call it lean – it was just about eliminating waste. They didn't have the luxury of stockpiling materials or disposing of excess waste, because they didn't have the storage space. I was amazed at how little space they needed to get something made.

Today, U.S. manufacturers who think they have already incorporated lean principles need to have another look at their operating models. Lean manufacturing isn't something you accomplish – it's an ongoing process. We must constantly look for waste and then work to eliminate it. If you increase efficiency in one place, it's probably going to create a bottleneck somewhere else, and you can then work to streamline the process there.

Every improvement, whether it's reducing materials overages or shortening production time, can be quantified in terms of its environmental impact. Tell potential customers you not only will save them money but also give them a greener process to brag about and see if they don't line up at your door.

ADDING VALUE

Another area in which U.S. companies can – and should – differentiate themselves is through value-added activities. Chinese and Mexican manufacturing firms are known for their low-cost, low-skill workforces, not for their sharp management teams that constantly work to improve service levels. The possibilities here are nearly limitless.

One of the foremost areas where manufacturers can add value is by handling logistics. Tweaking production lines in the manner mentioned earlier may enable a firm to provide customers with products on a just-in-time basis, reducing the client's need for warehouse space.

Alternately, manufacturers with large facilities may be able to satisfy warehousing and fulfillment needs for clients. In this scenario, the client transmits an order to the manufacturer, who takes over the entire cycle through delivery by the most efficient means. The client can focus on his business, knowing the order is going to be shipped and arrive on time.

This solution can go as far as the manufacturing firm is willing to take it. With more businesses selling products online, manufacturing firms that can produce a finished product and deliver it straight to the end consumer on a timely basis will have a definite edge over competitors both global and local.

For firms equipped, this may involve expanding to an end-to-end production process. If the manufacturer can produce on consignment, so much the better.

IMPROVEMENT BY NECESSITY

These are just a few ways in which manufacturers can differentiate themselves to encourage their clients to insource. This may sound like a lot of work, but it's a necessary evolution if the United States is to recapture its standing (and its jobs).

U.S. manufacturers have proven their capacity to innovate and improve in the past. Consider the automotive landscape of the 1970s, when America was producing some pretty awful cars, and Toyota and Honda were eating us alive. We reeducated ourselves and made changes, and the market has come back.

Of course, manufacturers that fail to deliver on these benefits will find themselves in worse shape than if they hadn't started the journey. If you are not willing to be deadly serious about any enhanced services you intend to provide, don't bother.

I leave you with three things to consider as you plan your future path:

- > Never tell the customer no. If you do, he will go elsewhere. Instead, look for ways that you can meet his needs by working smarter, not harder. The answer is always, "Yes, how can I help you?"
- > If you think you are finished streamlining your operations or increasing customer satisfaction, you are crazy. When you improve something in one area, immediately identify and begin working to resolve any new improvement opportunities it presents.
- > If your deliverables are not currently up to par, focus on quality control before you start implementing these strategies. When you can tell your customer "Our products are guaranteed not to rip, ravel, tear, snare, or come down at the knees," you are ready for the next level. **mt**

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