"Made in China"

These three words—"Made in China"—do not have to foreshadow plant closings or downsizing. Rather, they must be embraced as a wake-up call to our industries, our business and our economy. We have a race to win, and our motto is "Beat China!"

What comes to mind when you read those three words? Recent stories about tainted food products? Lead paint in children's toys? Low wages and cheap labor costs? Inexpensive products, often cheaply made? Many people I meet in conference sessions, workshops and consulting in our nation's manufacturing plants have horror stories about experiences with products, parts or tools made in China that continue to reinforce examples of low quality. Another common and not-so-popular opinion of the words "Made in China" is that it represents manufacturing job loss here in the United States of America. Look around retail stores in our country and you will see a predominance of Chinese made products. They're everywhere, and many formerly "Made in the USA" products are now labeled "Made in China." Ouch!

But there is another side to the "Made in China" experience that we often fail to recognize—a perspective that rarely makes it into the main-stream media. It's about history repeating itself. I am old enough to remember back in the 1960s when "Made in Japan" represented cheap, poorly made, ever-growing amounts of products appearing in our retail stores: cheap toys, games, cars, transistor radios and motorcycles, just to name a few. Some of you can remember those days too. Well, here it comes again. "Made in China" represents another wave of offshore competition that is beginning to seriously threaten our on-shore businesses. The sleeping giant has awakened, and we seem to be sitting back, resisting change while our industries are being threatened, ravaged and driven into extinction. Wake up, America!

Productivity

We are the most productive nation in the world. Well, we were until Switzerland beat us out of the number one spot in the 2009-2010 Global Competitiveness Report by a single point. Regardless, since our nation's beginnings, we have demonstrated to the world that we are innovators, a manufacturing powerhouse. As soon as markets shrink or unique products turn into commodities, we rebound as strong as or stronger than ever.

The American work ethic and the use of advanced technology have made our manufacturing operations historically competitive. We must have a strong manufacturing sector to sustain our economy and our standards of living. We cannot afford to let manufacturing shrink because it lies at the beginning of the economic food chain as one of the largest sources of original wealth alongside agriculture and mining, all three of which take raw materials and convert them into salable goods. These are the business sectors where the money trail begins. From these three fundamental sources of wealth, citizens, businesses and organizations prosper—real estate, investments, restaurants, higher educational institutions, retail sales, power generation and distribution and so on. We must have a strong manufacturing basis.

An Emerging Economic Powerhouse

Products that are made in China include more than just cheaply made toys. Just look at the Chinese economy. For example, how can employees who make 20 cents an hour afford to buy cars? Well, they can't. But there were more cars and trucks sold in China in 2009 than in the USA. General Motors broke manufacturing and sales records this year in China, selling more vehicles there than anywhere in the world. Yes, more than in the United States! Chinese auto sales this year through October accounted for 10.9 million vehicles compared to 8.6 million in the United States. Before this year, the only nations that logged more that 10 million vehicles sold were the United States and Japan. Now, China joins our ranks.

Sales for General Motors' joint venture Shanghi GM rose 109.7 percent in October from a year ago. Chinese auto sales overall were 70 to 80 percent higher in September and October than last year. Auto manufacturing and sales in China have exploded. Every major automaker in the world has set up operations in China—the fastest-growing auto and truck sales market in the world. This cannot happen if the workers are all making 20 cents an hour.

The auto industry historically has led manufacturing innovation in the United States and the world (read the *Machine That Changed the World* by Womack, Jones, and Roos). Quality of workmanship and productivity are key elements of continuous improvement. Well, it is happening now in China. Their auto quality has improved significantly since 2000, according to J.D. Power's ten-year study. Quality of vehicles is measured in "problems experienced per 100 vehicles" (PP 100) in the first six months of ownership. When comparing domestic Chinese brands to international brands, the quality gap of 396 defects in 2000 has declined to a gap of 116 in 2009. What is even more surprising is that while the international brands' quality has improved from 430 defects in 2000 to 142 in 2009, the Chinese brands have made even larger improvements in quality from 834 defects in 2000 to 258 in 2009. The difference between Chinese automobile quality and international automobile quality is rapidly closing. The study included 127 different vehicles from 48 different manufacturers: the Chinese Chery alongside Toyota, Volkswagen, Audi, Honda and GM's Buick brands.

Not too long ago, a Chinese business bought the IBM PC business. A U.S. brand name is now made in China—the IBM ThinkPad by Lenovo. I have had my Chinese-made ThinkPad for going on three years, and it is great! Sure, I could have bought a Dell, as I had for the prior decade, but this ThinkPad offered more features at a faster delivery and lower cost. However, I may return to the Dell when it's time to upgrade, depending on my choices at that time. We make these kinds of decisions every day in our personal lives and businesses. We want the best value for our money. As the Chinese-made products, regardless of what they are, improve their value-for-price ratio, more and more of their goods will be sold here. More and more companies are finding that Chinese-made components, raw materials and ingredients are becoming equal to and some times better than American made—and at a lower cost.

Do It Right the First Time

Imagine this. Here's China, a relatively new entrant to the global manufactured products marketplace. How can they compete if their only advantage is low-cost labor? They can't. They must have very clear expectations for their workers, supervisors and managers. These expectations are often standard work methods or best practice procedures—instructions, training, and accountability to follow the procedures. "Do it right the first time, every time; and you can have employment here." We took the same approach during World War II when we trained inexperienced housewives to build bombers, combat vehicles, tanks and other munitions. It was called Training Within Industry (TWI). After the Japanese surrender, from 1946 to 1952 when the Allies occupied Japan, we taught the TWI methods to the Japanese workers, supervisors and managers. To this very day, the top Japanese automakers use the TWI methods in their plants around the world, even here in the United States. Unfortunately, most U.S. businesses abandoned these proven methods when the servicemen came home and returned to work. Most women went back home, and for the most part, things returned to the pre-war mindset. But the United States was the only remaining industrial power in the world, so the world was our marketplace. Quality of workmanship was now optional.

Here's Our Weakness

We often allow individual workers and supervisors to do their own thing. We allow non-standard work. We facilitate variation from crew to crew in the name of productivity improvement: "I don't care how you get it done. Just get it done." We often fail to hold ourselves accountable to "do it right the first time, every time." Why? Because we choose to. We don't what to upset someone who is getting the job done, maybe taking a bit longer than others, because they are not following a published procedure. We allow human variation to creep into most things we do on our plant floors and in our maintenance shops. We have an independent spirit that is the legacy of our early settlers in this melting pot of a nation.

We can compete with China, if we choose to. As business owners and business leaders, as supervisors and managers, as hourly maintenance technicians and operators, we must choose to compete with Chinese businesses in markets that are important to us. It's too late for textile and apparel products. We lost it decades ago. It might be too late for commodity furniture. We started losing it years ago. But there are markets that we dominate and markets in which we are a very competitive front runner. We cannot afford to lose those. There are markets currently supplied by China that we can regain because it's not about low labor costs but rather the total cost of manufacturing and distribution. An eight- , 10- or 12-week shipping schedule from China is inefficient and costly. Higher inventories, in-transit damage and defects are expensive.

How Can We Compete?

Easy. We have quite a number of advantages for "Made in the USA" products that we need to exploit, not ignore. Here are seven advantages we have:

1. Advanced manufacturing technology: But it must be reliable (first time, every time).
2. Market proximity: But we must deliver on time.
3. Workmanship: But we must attract and retain a skilled, competent workforce.
4. Productivity: But we have to do our very best, first time, every time.
5. Wide-spread electric power and utilities: But they too must be reliable.
6. Responsiveness: But we must listen to our customers and have the agility to respond to market changes fast.
7. Capitalism: But we must drive waste, fraud and abuse from the system at all levels.

We know how to compete in almost any market in the world today. We choose not to compete in some. But in many cases, we lost our market share because of our weaknesses in education and training, unclear expectations and lack of accountability. "Do it right the first time" has to be our motto, our credo, our maxim, our competitive edge.

We must learn to practice what every motorsports race team does: Know your competition, pursue 100-percent reliability of the critical assets, and we'll win or lose together. Run to failure and fast repairs are not competitive strategies for our critical assets in manufacturing, transportation, facilities and utilities. We know how to be a world leader in manufacturing. We know how to make our equipment and processes reliable. It's up to each of us to see it, believe it, talk it, walk it, teach it and do it. The choice is ours to compete or not. We are in a race—a very critical race—and failure is not an option. The race is ours to win: Beat China!

Robert M. Williamson
Strategic Work Systems, Inc.
PO Box 70
Columbus, NC 28722
RobertMW2@cs.com
www.swspitcrew.com