Q&A With Phil Roether, AME

Roether: AME's "Rebirth of Manufacturing Jobs" is built on growing the manufacturing sector and manufacturing employment in North America. Manufacturing job growth provides jobs both in the manufacturing sector but also creates the demand for services creating more jobs. In a Nov 20-22, 2009 Gallop poll, respondents rated "Keep manufacturing jobs here" as the best way to create more U.S. jobs. The average U.S. citizen understands the importance of manufacturing for the health of our society. The importance of manufacturing was further supported by a study commissioned by the National Association of Manufacturers (NAM) released January 2010, (**Manufac*turing Resurgence —*** *A Must for U.S. Prosperity*") which identified three critical reasons for the return to our manufacturing roots:

- An increment to manufacturing production in the U.S. creates more economic activity both within and outside the sector than does a similar increment in any other major sector.
- Manufacturing industries perform almost two thirds of private sector R&D and have the highest R&D intensity, as a percent of sales, of any major industrial sector.
- Historically, manufacturing's innovations and investment raised its productivity faster than other large sectors and its productivity has added substantially to overall U.S. productivity.

Our challenge therefore is to change the mind-set of large companies, the efficiency of all companies and convince the government to support an environment which is conducive to growth.

IMPO: What specific efforts has AME been developing to help target this goal? How has the organization been able to engage policy-makers in these efforts?

Roether: Our first focus has been on improving industrial efficiency. AME was founded in 1985 on the premise that shared learning by member practitioners is very effective in helping manufacturers be more successful. The association has grown from 10 founders to 5,000 members who have a passion for continuous improvement. By opening the doors to facilities that are willing to share how they have achieved significant improvement AME facilitates learning opportunities for individuals and companies engaged in the improvement of their operations. This spring in its TARGET magazine AME launched the "Rebirth of American Manufacturing Jobs" initiative with an article on the importance of business and government being engaged in advancing lean and green principles through best business practices to meet the challenge of competing globally. Additionally AME is facilitating the use of the Association for Manufacturing Excellence (AME)/APQC Benchmarking Community of Practice in which members of both AME and APQC are

identifying and sharing best practices which are improving the operations of their businesses. As part of the overall awareness program AME is also reaching out to public officials and other manufacturing associations in seeking their support. To change the mind-set of large companies in reference to off-shoring vs. domestic sourcing decisions we are also supporting the "Re-Shoring Initiative", the subject of an interview (*IMPO*, 6/14/2010) [1] with Initiative leader, Harry Moser.

The Initiative motivates and enables the re-shoring trend by publicizing successful re-shoring, developing the Total Cost of Ownership Estimator, an assessment tool to help large companies understand the total cost of items off-shored vs. domestically sourced, and training of small companies on how to sell "local" to the large companies. The initiative also publicizes the NTMA/PMA **Purchasing Fairs** that have been successful in bringing Original Equipment Manufacturers (OEMs) and job shops together to see how they can work together and bring work home. At the May 12 purchasing fair in Irvine, CA sixty 64 percent of attending OEMs were sending work off-shore. Today 113 job shop attendees are quoting on that work. Additionally AME has a network of industry professionals that can help local and regional manufacturers with forming business excellence groups or consortiums where shared learning enables them to become more productive and competitive.

IMPO: How has the organization been successful?

Roether: Although we are only a few months into the initiative AME has already received over 400 signatures and letters of endorsement. This support comes from governors in Ohio, Georgia, and Virginia, state and federal policy-makers, industry trade associations, manufacturing extensions partnership centers, as well as operations executives from across North America. Others wishing to endorse this initiative may do so my sending a letter of support to "Rebirth of Manufacturing Jobs" at 3701 Algonquin Road, Suite 225, Rolling Meadows, IL 60008. This past June 20th Congressman Larsen of Washington introduced H.R. 5797 to expand export promotion activities for small and medium sized manufacturers. Additionally the Total Cost of Ownership concept is specified in Congressman's Wolf's H.R. 5980 titled "Bring Jobs Back to America; Strategic Manufacturing & Repatriation Act". NIST's MEPs have expressed interest in using the tool to help their client companies compete with offshore competitors. The Initiative has been reported in over 100 articles, newsletters, blogs and other media including the Wall Street Journal, USA TODAY, CBS, and CNBC.

In the private sector the National Tooling and Machining Association (NTMA) is taking the lead in documenting cases where "Reshoring" is taking place in order to better serve customers and reduce the total cost of ownership. A Library of 49 **Re-Shoring** articles is demonstrating the success of this growing trend. Another 20 articles will be added shortly. Some of the OEMs with documented successful re-shorings include: GE, NCR and Caterpillar. Job shops producing re-shored parts include Computed Tool & Engineering, Inc. in Anaheim, CA; Mittler Brothers Machine and Tool in Foristell, MO and Epcor Foundry in Cincinnati, OH. The decision to re-shore is typically based on recognition that domestic cost is lower when all cost factors such as quality, delivery, proximity of manufacturing to engineering, marketing and customer, reduced inventory and protection of intellectual property

are considered.

IMPO: As far as the state of manufacturing right now, what do you see as the industry's biggest hurdles to overcome and why?

Roether: The American Small Manufacturers Coalition and member Manufacturing Extension Partnership (MEP) centers commissioned the Next Generation Manufacturing Study in 2009. The study identified the following gaps between where we are today and where we will need to be to be competitive in the global economy.

- *A serious gap exists between the strategies U.S. manufacturers believe are critical to their future success and their actual progress in implementing those strategies.*
- *Small and midsize manufacturers are less likely than larger firms to be at or near world-class status in each of the next generation strategies.*
- *Green/Sustainability ranks low among the strategic priorities for U.S. manufacturers despite increasing government regulation, growing consumer demand, and new requirements from large downstream manufacturers in their supply chains.*
- *Only 28 replace of respondents believe global engagement is highly important despite a near-term future in which markets, talent, competitors and partner opportunities are growing faster outside the U.S. than within its borders.*
- *In an increasingly networked world, trusted partnerships are a key competitive advantage, but today effective partnerships with employees, suppliers and regional support organizations are the exception rather than the norm.*
- *Leadership loss represents a significant threat — or opportunity. One quarter of respondents say a planned leadership succession will occur within the next five years — potentially impacting 80,000 U.S. manufacturing firms.*

The good news however is that a trend is developing in which more manufactures are investing in learning opportunities that will result in improved operations. One indicator of this is registrations for AME's Annual International Conference (www.ameconference.org [2]) are at an all time high with many organizations recognizing that by sending large groups from their operations they accelerate improvement. This large group or team learning trend is evidenced by 13 companies having already registered over 25 people from their organizations to attend this year's conference vs. only 5 companies that did so just two years ago. To learn more about the workforce issues visit AMEs **Target** magazine for selected articles at www.target.ame.org [3].

IMPO: Why should manufacturers consider aligning themselves with industry trade groups like AME? How can they hope to benefit?

Roether: Industry trade groups provide a networking base in which manufactures are able to share common issues and identify ways of dealing with those issues.

Although the ability to continuously improve productivity through innovation, technology, and best practices has enabled many manufacturers to remain competitive, the future belongs to those who improve operations the fastest. Associations such as AME provide the platform from which individuals and organizations are able to share and learn quickly. Association members are continuously exposed to best practices and emerging trends that enable them to be on the leading edge of change and not a victim of that change. For instance the Total Cost of Ownership (TCO) software is a tool that can be accessed by association members for free by contacting Harry Moser by email at harry.moser@comcast.net [4]. Additionally many associations today are forming inter-association alliances for the purpose to leveraging their combined capabilities to give members greater value than ever before. For instance AME, SME, Shingo, and ASQ are working together to provide certification for LEAN practitioners at the gold, silver, and bronze levels. This certification requires both academic and demonstrated competence.

IMPO: How can manufacturers help encourage their states to become more business (and manufacturing) friendly? What are the best ways to start the dialogue with state and federal agencies?

Roether: Today we are facing a major issue of having enough jobs. Since approximately seventy percent of our GDP is driven by consumers it is imperative that we have more people with jobs. Contact your congressman to identify growth barriers your business is facing that the public sector can help remove to enable your organization and other manufacturers to be more globally competitive. Most public officials want to help but they are not aware of what they can do to facilitate job growth. Also at the state level engage your officials and especially the state economic development offices to endorse the “Rebirth of American Manufacturing Jobs” and “Re-Shoring” initiatives. It is in the interest of these offices to help local companies flourish and to convince the foreign companies of the cost advantages of producing in the U.S.

I would also like to emphasize that individual firms should assure that most OEMs use the TCO Estimator or a similar tool in making off-shoring vs. domestic sourcing decisions. Today many off-shoring decisions are being made without sufficient analysis. Some just look at purchase price and reward their supply chain managers for purchase price variances. Others have policies that X replace of components will be sourced in LCCs no matter what the price. Use of the Estimator would show these companies how much cost is disappearing into overhead or onto their balance sheets. After 40 years of increasing off-shoring it is difficult to convince companies to switch from a belief that “Off-shored is cheaper” to “Local reduces the total cost of ownership.”

IMPO: How does AME see education as a building block for manufacturing’s eventual success?

Roether: Since the U.S. is, and hopes to remain, a high wage country, to produce here competitively we need a sufficient quality and quantity of skilled workers and engineers. Even in the current slow economy, companies are reporting a lack of

skilled workers. One advantage of the “Rebirth of American Manufacturing” and “Re-Shoring” initiatives is the clear message to students and educators that the industry and our country are committed and able to bring back the jobs that will assure well paid manufacturing careers. Unless manufacturers can continue to improve productivity by elimination of waste in their value streams they will not be able to remain competitive globally. These gains come from the application of best practices learned through many sources including associations such as AME.

AME is supporting the redeployment of **Training within Industry (TWI)** programs which proved their worth more than 60 years ago to win World War II (WW II), and now organizations are turning to TWI again. The underlying purpose of this program in (WW II) was to assist defense industries in meeting their manpower needs. Each worker was trained within industry to make the fullest use of his best skills up to the maximum of his individual ability. TWI results:

- Get more done with less machines and manpower
- Improve quality, reduce scrap by achieving standard work across workers and shifts
- Reduce safety incidents
- Decrease training time, especially for temporary workers
- Reduce labor hours per unit of work
- Reduce grievances
- Transfer knowledge from a skilled, retiring workforce to an unskilled, green workforce

Today TWI is being used by companies such as Adidas Group, O.C. Tanner, and Northrop Grumman Shipbuilding to bring on new workers to transfer knowledge from skilled workers who are retiring in record numbers.

Governments — local, regional, and national — have a critical role to play to help create a framework, infrastructure, and environment supporting the education of citizens who are capable of learning new ways of thinking and mastering new skills. Industry and educational teams are coming together to increase the productivity and competitiveness by partnering in defining and refining curriculums and competency levels to support the next generation workers.

In May 2010 the U.S. Department of Labor's Employment and Training Administration (ETA) announced the release of an updated version of the Advanced Manufacturing Competency Model. ETA and its industry partners have worked to update the model so that it accurately reflects the current skill needs of the manufacturing workforce. This model includes the recognition that knowledge of sustainable and green processes and technologies are now an important part of the advanced manufacturing skill set. To access the updated competency model, please visit the Competency Model Clearinghouse at: **www.careeronestop.org** [5].

Businesses, government, academia, and associations must collectively focus on developing and sustaining a lifelong learning environment. This process can provide students, workers, and organizations with the ongoing knowledge and skills to

produce quality products and services at constantly accelerating speed to win the global economic race.

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Interview by Anna Wells, Executive Editor, IMPO

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