

Cost Versus Quality: The Dangers Of Outsourcing Design Overseas

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For many years now, the outsourcing of American manufacturing overseas has been common practice. Asia leads the way in producing most consumer goods — from electronics to housewares and everything in between — at far lower cost than would be possible in the States. While this has resulted in a painful transition period for countless American workers, by and large U.S. companies have embraced the ability to produce their products at significantly reduced tooling, parts and labor costs.

Yet while American firms gave up manufacturing and production to overseas vendors, it has always been assumed that we would remain headquarters for the “brains” of the operation – the research, strategy, concept development, engineering, etc.

Unfortunately, we are seeing the beginning of a new phase of outsourcing, one that could transform the playing field all over again. Having already gained the lion’s share of manufacturing work, countries like China and India are now focusing on building their capabilities in the innovation and design phases of product development. While some may dismiss the seriousness of this trend, we’d be naïve to believe that America has a monopoly on a creative workforce.

In fact the hard numbers tell a very different story. A handful of years ago Businessweek reported China having over 400 design schools with an estimated 10,000 graduates every year. The Chinese government realizes that their position as low cost supplier of cheap labor will not last forever, and their population is already demanding higher wages and better living conditions.

As a result manufacturers are looking to places like Vietnam for even less expensive production solutions. With that in mind, China is consciously investing in educating

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their workforce in the skills needed to add greater value to the product development process, to contribute at a higher rung on the food chain of international trade.

And those who dismiss the quality of thinking and design being offered from newly minted Chinese and Indian professionals are being rather short sighted; we only need to think back to the days when Japanese goods were scoffed at as low quality and derivative.

Of course there are many risks to simply chasing low prices for any service, and that's all the more so when considering the use of offshore resources for research, innovation, and design - the creative foundations upon which a successful product, line or brand is built.

These overseas resources lack not only the experience of western firms in this area, but the culture of their markets also presents a significant challenge to their taking on a greater role at the front end of the product development process.

In China, for example, there's a strong tendency for individuals to refrain from pushing boundaries far beyond those accepted by the larger group, and a desire to reach some level of consensus before acting on new ideas.

This is changing to be sure, but in many cases product development strategies overseas have culturally and economically favored a "produce lots stuff and let's see what sticks" approach that's diametrically opposed to the kind of deep research, thinking and planning engaged in by the most successful western firms. In the U.S. and Europe, focus is placed on taking the time to effectively target needs and opportunities in the market to ensure that new products will be met with open arms and driven demand.

In contrast, the experience of overseas suppliers has largely been based on bringing imperfect products to market quickly, knowing that their deficiencies can be inexpensively addressed in the next version.

There is also the well established concern many firms have for the protection of their intellectual property when outsourcing to certain overseas markets. While IP rights are regularly ignored in both China and India, the risk to losing control over your most valuable intangible property- the critical ideas which form the foundation of your products' success- can be of even greater magnitude (and more difficult to control) than problems related to the theft of technical or engineering-focused properties.

To the extent that low cost overseas design and development services have begun to gain traction, it has often been an indicator of their cost-effectiveness rather than the quality of design and innovation they deliver. For many clients, solutions which are "good enough" suffice, particularly for lower cost products where investment in more expensive domestic design and development is difficult to amortize over their increasingly short shelf life.

And while investment in extensive front-end research, strategy, prototyping and testing can readily pay off for brands with the equity to sell their products at higher margins over lesser competition, the business model for such investment can look decidedly different for products competing primarily on price point or in generic product categories.

So, tempting as some may find the lure of overseas creative services, I would advise proceeding with caution. As a creative professional, I'm concerned about the potential for the United States to give up yet another area of competitive advantage which, as a nation, is so critical to our economic well being.

American design and development firms have a genuine understanding of how to gain insight into the needs of users and the opportunities unmet in the marketplace, and there's much to be said for the proven methodologies of research and design strategy practiced by creative professionals here.

Moreover, thinking is not a precision skill like injection mold tool making, or analogous in the least to tedious assembly operations that can be accomplished by inexpensive, unskilled labor. We've seen examples of clients trying out the creative services offered overseas, only to return in frustration to U.S. firms after realizing that promised cost savings were illusive at best.

While cost will always be an issue for manufacturers, the efficient investment of capital is also a key consideration in the product development cycle. There's no more important aspect of product development than coming up with the right idea or the optimal design... that's the foundation for everything to follow. It's tough to argue with overseas production these days, but innovative thinking is not a place where any firm can afford to cut corners.

About Joel Delman

With a background in corporate law and business, and fifteen years in product development, Joel understands the business side of creativity and how to strategically guide innovation and design. He's spent 11 years with [PDT](#) [1], having helped to build and grow PDT's industrial design and research departments. He is currently focused on strengthening PDT's growing West coast presence, and works regularly with large medical, defense and electronics clients. Prior to joining PDT, Joel spent time as a senior designer for Zenith Electronics, Cousins Design and Henry Dreyfuss Associates (New York). He also practiced corporate law with Gunster, Yoakley & Stewart in Florida and has a great deal of experience with the business side of design, including licensing of technology and intellectual property issues. Joel received his Master of Industrial Design from Pratt Institute, his JD (corporate and patent) from Harvard Law School and his Bachelor's in Economics from New York University's Stern School of Business.

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