Main Street Success Stories

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It’s a question that’s been asked over and over for the past decade, in particular. Is manufacturing dead in America? For those of you who go to work each morning at a thriving manufacturing plant, there is an easy answer to this. Clearly, production is in full swing for many, and this “death knell” feels fictional, almost like a smoke and mirrors game that resulted from too many reexaminations of the economy and what will incite this little, struggling plant to grow.

The paranoia is there, but the stats say something else. According to the April Manufacturing ISM Report On Business, a monthly report generated by the Institute for Supply Management, economic activity in the manufacturing sector expanded in April for the 33rd consecutive month and the overall economy grew for the 35th straight month. Furthermore, the pace at which manufacturing grew was the fastest since June of 2011.

“It’s just a reflection of what I think is a stable economic environment, despite the global concerns about Europe and so on,” said Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management Manufacturing Business Survey Committee. “Manufacturing is a reflection of that stability.”

Other points of stability include the recent rebound of the auto industry — capped in May by the much-publicized improvement in Ford’s debt rating that allowed the company to regain the rights to its blue oval logo — a piece of collateral it posted in 2006 in order to get a $23.5 billion loan and avoid bankruptcy.

So perhaps the better question than “Is manufacturing dead in America” is “Why isn’t manufacturing dead in America?” There are many reasons that point to the recession as a tipping point — a make-or-break sort of a situation for many businesses. Those who were unwilling, or unable, to take a hard look at their businesses and truly streamline their costs were the ones likely sent swirling into the wind after the economic storm.

One of the reasons Moody’s improved Ford’s debt rating had to do with a strong improvement in cash flow and improvements in cost management. “The company has approximately $20 billion in cash, and it has been disciplined about cutting costs, controlling production, and lowering spending on incentives,” Moody’s said. “The key factor in our considering an investment grade rating for Ford was whether or not the company would be able to sustain its strong performance,” said Bruce Clark, Moody’s senior vice president. “We concluded that the improvements Ford has made are likely to be lasting.”

Discerning Quality & Value

But the other part of this ability to remain competitive is also how businesses have been able to discern where the value truly lies in their existing organizations. Any manufacturer will tell you that cost cutting and “streamlining” sound great on paper, but finding the lowest cost option for labor, parts, and sourcing does not necessarily make for the highest value. In fact, some proponents of the outsourcing of jobs say they can’t create jobs domestically because the costs required inhibit their ability to remain competitive, something that David Sylves disagrees with. Sylves, VP of Sales & Marketing for BITZER U.S., Inc., an Oakwood, GA-based manufacturer of refrigerant compressors, saw his company defy this argument with a recent operational expansion. Ground broke on a new $10 million BITZER plant in March — one that will enable BITZER to increase its production capacity to meet the growing market demand for high-efficiency A/C and refrigeration compressors. The expansion, which will be completed by year-end, is expected to add an estimated 50 production personnel to BITZER’s current work force. This plant will become BITZER’s third U.S. factory, including its Scroll Compressor plant in Syracuse, NY. So why Georgia? “While our labor and overhead expenses are higher than they would be in ‘low-cost’ manufacturing countries (e.g. Mexico), we benefit by hiring trainable and highly motivated production personnel,” explains Sylves. “Other benefits include lower turnover rates and higher throughput than we might expect in a ‘low-cost’ country. We remain competitive because we are closer to our customers, providing our OEMs JIT deliveries and minimizing transportation costs. As a result of our high quality and competitive pricing, our market share has increased to the point that we must double our plant size and production capacity.”

Andy Lobo, director of product management and development, echoes this point of quality and its value when it comes to customer retention. “In product categories like tools and service equipment, there remains an implicit assurance for quality for U.S.-made tools,” he explains. “Yes, foreign manufacturers are catching up — and their prices may be lower — but for the professional tool users in critical industries where the cost of downtime and failure is high, it is simply not worth jeopardizing your operation or workers to save a few dollars, or even many dollars, on tools.” For Snap-on, this quest for the quality means the company operates eight plants in the U.S. in places ranging from tiny Conway, AR to tech center San Jose, CA where the company produces diagnostic equipment.

Proximity To The Customer

Both Sylves and Lobo also see the benefits their companies derive from being close to their customers and having access to and visibility of supply chain and logistical elements. “Georgia is an ideal location for a manufacturing plant for (a few) reasons,” explains Sylves. These include “Proximity to customers, multiple truck lines, and major airports, as well as proximity to the Port of Savannah where containers of castings and parts arrive each week from Germany (where BITZER’s parent company is located).”

“Supply chain disruptions can be devastating,” adds Lobo. “By sourcing products close home, they can be better controlled, minimizing potential problems.”

For CMMS software company, eMaint, the expansion of its headquarters in New Jersey resulted from a company strategy to retain the personalized service their customers had come to expect. “We believe it’s essential for sales, marketing, product development, and service to continue to work together to ensure the voice of the customer is heard throughout the organization,” says eMaint CEO Brian Samelson. “So we continue to expand our current headquarters rather than create a virtual workforce.”

This might be considered the new streamlining — cultivating an organization that limits the fragmentation that can come with global distances between key branches. Rather than dilute the highly targeted aim of the organization, eMaint added new positions specific to responding to their customers’ needs — and they kept them U.S.-based in order to, says Samelson, “enable a high level of personalized service.”

For Snap-on, looking at their customers needs and wants has also been a great way to truly get at the value of its manufacturing and assembly work in the U.S. — rather than simply counting dollar for dollar labor rates. “The ‘Made in U.S.’ debate has been going on for many years now, and there is an emotional element to it,” says Lobo. “When people have a choice of purchasing a product that’s made here in America versus overseas, we think people would like to support a U.S. manufactured product when possible. And while there are generational differences in how the value of U.S.-made goods is perceived, the relentless quest for increased productivity across all businesses changes the terms of the debate.”

Problem B

Outside of what the customer wants, there are other matters in terms of what the business itself wants — among them, accessibility to a strong, local labor force, something that has been a great incentive for BITZER to keep developing its company in Georgia. Sylves cites the area’s qualified labor force, quality of life, good schools, and affordable housing as additional reasons the company finds its location to be ideal. As manufacturing looks down the barrel of a skills gap, access to a qualified workforce is key. Perhaps the real issue here then is not if enough jobs are available, but how we as an industry are going to facilitate the training necessary to fill them.

The short answer? Manufacturing is not dead. However, the industry still requires some serious TLC from a career development standpoint, something each manufacturer with an interest in domestic manufacturing should take some responsibility for before we find this gap becomes an insurmountable problem.

Links:

[1] http://www.impomag.com/digital-editions/2012/06/june-2012-jobs-report-2012