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Manufacturing Can Be Competitive In The United States

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Increased foreign competition continues to drive much of the U.S. manufacturing sector overseas to take advantage of cheap labor. However, there are still many ways to improve performance and become more competitive while keeping operations in the United States.



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It is no secret that American manufacturers must contend with challenges many of their foreign counterparts don't, such as higher labor and healthcare costs, pollution abatement fees, and relatively higher business

taxes. Add a shrinking skilled labor pool, and one can see why the U.S. manufacturing sector has turned elsewhere — i.e. outsourced labor overseas — to bolster its survival. This has been bad news for the overall well-being of the domestic manufacturing industry, a sector that remains a powerful economic engine and source of employment. Of the more than \$580 billion in business tax revenues in 2008, almost \$90 billion of that came from manufacturing firms, according to the Manufacturing Institute. That's more than the tax revenues from the retail and communications industries combined.

However, those manufacturers who wish to stay at home and succeed here have the tools to do so. An increasing number of domestic manufacturers are countering the notion that one must turn to cheaper labor to reduce their expenses. Instead, they have turned to lean manufacturing, which has increased their productivity, strengthened customer relationships, and most importantly, kept jobs at home. To top it off, they don't have to worry about paying the skyrocketing transportation costs that come with shipping those foreign-made parts back to the United States.

Flexible and Integrated

Lean manufacturing is effective because — when done right — it can make a business flexible and integrate its supply chain, which streamlines production flow and assists just-in-time delivery. But we should remember that although the continuous improvement philosophy behind lean manufacturing has seemingly limitless potential, it is not an immediate fix-all. Businesses must make holistic and long-term commitments to these principles to stay on a profitable course. Companies who have truly embraced lean manufacturing have incorporated it into their culture by focusing on improving cash flow, enhancing their organizations through leadership and continuous improvement, driving out operating waste and building a profitable sales pipeline.

For example, a Switzerland-based supplier of measuring instruments with U.S. headquarters in Greenwood, Ind., has exemplified this focus. Ninety percent of its products are manufactured in the United States, and the company is currently expanding its Greenwood facilities. The manufacturer credits much of their success to its commitment to lean principles. It has dramatically improved its productivity since it adopted lean strategies, and in 2008 it reorganized its inventory and reduced it by 27 percent, making it that much more nimble in responding to customer demands. It improved its cash flow by increasing its inventory turns and also enhanced its operations by putting an emphasis on continuous improvement. The company made "lean" a mindset adopted at every warehouse within its operations, and it continually seeks employee feedback, holds regular staff meetings to stay proactive and always sets higher goals.

A Columbus, NE-based manufacturer has also benefitted significantly from practicing lean strategies, specifically by driving out operating waste. This company took part in the Oregon Manufacturing Extension Partnership's lean program, to streamline its operations in the long term. According to the Manufacturing Institute's *2009 Facts About Modern Manufacturing* report, this company rewarded employee feedback on how to increase operational efficiencies. With this new insight, the manufacturer was able to take critical action. The company's lead time dropped from a matter of days to hours, product changeover reduced from nearly 30 minutes to less than a minute, and employees became at least 29 percent more productive.

Onshoring Gaining Strength

Although increased foreign competition continues to drive U.S. manufacturing sector overseas, many are pulling operations back home to save on shipping costs. Known as onshoring, this rapidly-growing trend recently caught the eye of the *Wall Street Journal*, who reported that manufacturing behemoths such as Caterpillar, Inc. and General Electric are moving production home to save money. With the dollar so weak, an increasing number of manufacturers find it is more cost-effective to consolidate manufacturing domestically and pay a higher working wage than to import foreign-made products back into the country.

Shipping cost savings aren't the only motivation for manufacturers to bring their production back home. The federal government offers incentives to manufacturers who take this course of action. With tools such as lean manufacturing in their arsenals, manufacturers are more able than ever to create competitively-priced, efficiently-made products here in the United States, and it looks like the best and the brightest have already begun.

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