

# Going On The Offensive to Save American Manufacturing

MIKE COLLINS, author of Saving American Manufacturing



Many economists have characterized stories about the decline of U.S. manufacturing as simply doom and gloom opinions. Ralph Keller of the Association of Manufacturing Excellence says of American manufacturing: “This is not the story of the death of manufacturing in the United States, just one of change and continuous improvement.” He cites as evidence:

- Value added. From 1977 to 2005, the value added increased 377 percent, from \$585 billion to \$2.2 trillion.
- Sales. At the same time, sales grew 349 percent.
- Capital Investment. In this 29 year period, the census data shows that capital investment increased from \$51.9 billion to \$128.3 billion.

These growth figures seem very positive but they also led to the reduction of employees and production hours—hence the best productivity of any sector of the economy.

At first glance you would think that these figures tell a wonderful story of manufacturing, but in my opinion the real issues are masked by this “happy talk”. The truth is that despite the increased productivity, American manufacturing is in trouble. At best, production gains have been defensive strategies that have allowed us to hold our own, but we are not growing.

Here are some facts to consider:

- 40,000 factories have closed in the last decade.
- In 1977, manufacturing had 18.5 million workers. This has declined 30 percent, to less than 13 million.

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- Our share of the global market is slowly shrinking with the rise of China and other Asian countries.
- 40 years ago, manufacturing was 23 percent of the GDP. Today it is only 10 percent.
- The total public and private investment in R&D has not grown in 10 years.

For the last 30 years, American manufacturers have fought hard to stay in the game by lowering costs and improving internal efficiencies. This effort began a long time ago with three letter programs like TQM, JIT, and ISO. We have continuously improved internal processes with programs like Lean and Six Sigma. We have reduced the use of labor by investing in automation. We have reduced the cost of parts by buying them in Asia. Ultimately, we are getting an enormous amount of work done with a lot less people, but these have been defensive measures to keep us in the game.

Despite these efforts, manufacturing is not growing. Lean manufacturing, Six Sigma, or any of the other three letter acronym programs are not going to increase sales, find new markets, develop innovative products and services, or give manufacturers a competitive advantage based on cost.

### Going On The Offense

Jeffrey Immelt, CEO of General Electric, gave a speech this year which might signal a new direction for American manufacturing. GE has been a leader in Six Sigma and in moving many product lines and factories overseas. However, at a June, 2009 meeting in Detroit, Immelt now says we should begin reversing the outsourcing of factory work. He is walking his talk by building a plant in Schenectady, NY to convert railroad engines from diesel to hybrids. Another GE factory in Louisville will boost employment by making hybrid water heaters that have been made in China. But the most startling change is that he is calling for a doubling of the manufacturing labor force from 10 to 20 percent by year 2020. This is truly amazing coming from a company that has always been bottom line oriented.

The same message was echoed by John Engler, President of the National Association of Manufacturers. In a speech to the Kentucky Manufacturing Association in November, 2009, he gave a presentation titled "Why America Needs a Growth Agenda."

Growing the manufacturing sector is a matter of changing policies and strategies. Manufacturers really need help with tax policy, health care, energy costs, and leveling the international playing field. Perhaps the best thing the current administration could do right now is to release an industrial policy that commits America to retain and grow American manufacturing, and concede that it is the most vital sector of the economy. But these are political matters that will be decided by politicians; manufacturers can only influence the outcomes with their votes.

### The Strategies

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However, American manufacturers do control the growth strategies they adopt. I wrote a book in 2006, *Saving American Manufacturing*, that addresses specific strategies for growth:

- Find new customers and markets.
- Develop new products that sell.
- Redesign the sales channels to fit customer groups.
- Go after foreign markets like all European manufacturers do.
- Reorganize your company into a “Prospector” organization designed to grow.
- Develop a growth plan that will guide investment and strategies.

I am finally encouraged that recent signs are pointing to a new direction for American manufacturing—focusing more on sales growth, increasing market share, and doing more manufacturing in the U.S. I can't predict policy changes, but I can say that many progressive small and midsize American manufacturers are already using the above listed strategies and are growing.

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