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Embrace radical change, and long live manufacturing, econ executive says

By Ron Kitchens

Chief Executive Officer, Southwest Michigan First

Just a few years ago, it seemed that every "expert" was quick to tell us that manufacturing was dead, that we should accept the fact that cheap labor in Asia was the only way products would be made in the future.

It has been our good fortune in the past 90 days to prove them wrong. We have seen five manufacturers announce nearly 900 new manufacturing jobs in southwest Michigan - from Kaiser Aluminum's new plant at Midlink Business Park to Fresh Solution Farms's new plant outside of White Pigeon to the creation of Fabri-Kal's new design and manufacturing center in Kalamazoo.

All these companies have one thing in common: They discovered a new way to create a better product more efficiently and will do it in the United States.

These companies remind me of one of the best examples in the nation of a company that has succeeded in growing jobs and wealth creation here at home, New Balance.

New Balance truly is the classic example of the new "advanced manufacturer." In a time when its competitors have become simply celebrity marketing and design companies, New Balance is growing manufacturing jobs and creating wealth in the United States.

Currently New Balance has 1,400 manufacturing workers in the United States and has increased manufacturing jobs by 65 percent since 1997.

How, might you ask, can it bring these jobs home when most, if not all, of its competitors are leaving low-cost locations for even lower-cost locations?

Innovation, that's how. New Balance has changed the way business is run.

On the labor standpoint, it does not pay employees by the piece as its industry has for a hundred years; it pays on an hourly basis with full benefits. This lets employees concentrate on skills, quality and the customer rather than just putting product out the door.

As you might guess, unlike other companies in the garment industry, it has very little turnover.

New Balance has also centered its efforts on automation and work design. This allows it to focus not just on speed of product but encourages the production employees to help redesign the work flow.

Does all this work? You bet it does. New Balance employees in the United States produce a pair of shoes using 25 labor minutes. That same pair of shoes produced in Asia requires four labor hours.

Let me do the math for you. New Balance's American workers are 1,000 percent more productive than Asian workers making the same shoes.

But is New Balance making any money? Well, it is a private company, so the exact numbers are not available.

What we do know is that in 1990 it was in 12th place in terms of sneaker sales, as of 2004 it captured the second place in the market and it is continuing to pull away from the competition.

All without any boosts from celebrity sales or hipster tipping points.

So is manufacturing dead? Yes. That is, the old way of manufacturing is. But in those companies and communities willing to embrace change, radical change, we are witnessing the birth of the new world of innovative advanced manufacturing.

Long live manufacturing.

Ron Kitchens, [www. RonKitchens.com](http://www.RonKitchens.com), is CEO of Southwest Michigan First and the general partner of the Southwest Michigan First Life Science Fund. He is the author of the soon to be released book, "Community Capitalism," and a frequent speaker on economic growth.