



Chinese Manufacturing: Leveraging the Advantages of Newcomer Status



Edgardo Donovan
Touro University International
OPM 500
Dr. Gregory Duane Herbert
Module 4 – Case Analysis
Monday, September 4, 2006



.....

Chinese Manufacturing: Leveraging the Advantages of Newcomer Status

"Almost two-thirds of the Chinese manufacturers say they follow a "total quality management" philosophy. Less than 20% singled out some version of "lean manufacturing," which is the driving force behind operational improvement for 55% of US manufacturers. Chinese respondents reported a healthy 80% capacity utilization rate (verses a median of 70% in the United States). In most IT categories, the select group of China-based manufacturers participating in the study report higher degrees of implementation than US manufacturers as a whole. "

(Drickhammer)

The fledgling Chinese manufacturing industry is poised for growth in its quest for greater global market share thanks in part due to lower production costs which enable them to increase their productivity by outspending percentage-wise the majority of US manufacturing firms vis-à-vis employee training and new infrastructure implementation. Whereas years earlier Chinese employees were not competitively trained and were not accustomed to organizational methodologies tightly integrated with IT management tools today the Chinese are giving North American, Japanese, and European manufacturing operations a run for their money out competing them in many instances.

Traditionally, US manufacturing operations had an easier time competing with Chinese firms by leveraging superior product quality and more efficient operations processes combining a synergistic blend of superior engineering expertise, total quality management, and integrated IT processes. For many years these advantages were enough to compensate for the lower personnel and material cost advantages that were present in China. However, in recent years, especially after the Chinese government began to slowly move away from the strict central planning economic system in place since the advent of the communist regime, the Chinese have begun to close the quality gap and in surpass US standards. Some of the major contributors to this trend lie within Chinese adoption of traditional US operations management techniques, IT integration, extensive employee training, and the utilization of what in many cases is a brand new production infrastructure. Given their lower costs they are able to invest a greater percentage of their revenues into the above mentioned areas more substantially than most US firms granting them for their first time in their history a significant competitive advantage in respect to North American, Japanese, and European industries.



This does not signify the eventual demise of the traditional Western World's manufacturing sector given that eventually the success generated by Chinese manufacturers will help develop their economy and raise operating costs over the long-term thus reducing their current competitive advantage. However, it does mean that in the short term US manufacturers will have to strive to find an alternative competitive advantage in being able to provide on demand just-in-time manufacturing capabilities for a multitude of low shelf-life mechanical and high tech product lines.

However, the Chinese are trying to build alternative competitive advantages related to the quality of their products. One of the key quality control techniques that are becoming increasingly good at leveraging has become sampling. The sampling dilemma revolves around finding the right balance of quality assurance controls. An insufficient amount of quality assurance sampling would result in an unacceptable number of bad quality products whereas an excess of product sampling would bring production to a halt.

"An individual sampling plan has much the effect of a lone sniper, while the sampling plan scheme can provide a fusillade in the battle for quality improvement.."

(Nist.gov)

While understanding that a company will never be able to achieve 100% quality on the manufacturing side they must strive to achieve 99.9%. If there are defects their nature must be determined and measures must be put in place to correct the problems within the operational flow. Targeted sampling vis-à-vis potential problem areas within the process can act as a stop gap measure to monitor operations and prevent finding out about defects before the customer does.

"When it comes to upgrading worker skills, Chinese manufacturers appear to be rising to the challenge. Over half of Chinese respondents provide over 20 hours of training per employee per year. In the United States, a little more than one third of manufacturers offer a comparative level of employee training. Most Chinese respondents also spend 5% of their annual labor budget on training, compared with the 2% of labor costs allocated to training by most U.S. manufacturers. "

(Drickhammer)

The fledgling Chinese manufacturing industry is poised for growth in its quest for greater global market share thanks in part due to lower production costs which enable them to increase their productivity by outspending percentage-wise the majority of US manufacturing firms vis-à-vis employee training and new infrastructure implementation. Whereas years earlier Chinese employees were not competitively trained and were not accustomed to organizational methodologies tightly integrated with IT management tools thus today the Chinese are giving North American, Japanese, and European manufacturing operations a run for their money out competing them in some cases.



BIBLIOGRAPHY

I. Works Cited

- Drickhammer, David. Manufacturers Like Us. Industry Week 2004
- Nist.gov. What is Acceptance Sampling? Engineering Statistics Handbook, 2006.

II. Works Consulted

- Drickhammer, David. Manufacturers Like Us. Industry Week 2004
- Nist.gov. What is Acceptance Sampling? Engineering Statistics Handbook, 2006.
- Gentry, Connie. Million Dollar Savings. Chain Store Age 2005
- Quinn, William. Easing the Load On the Road. NJBIZ, 2004.
- Berner, Robert. Is Kohl's Becoming Unbuttoned? Business Week, 2004
- McClenahan, John.. Bearing Necessities. Industry Week 2004
- Yogesh, Malhotra. Knowledge Management for [E-]Business Performance. Kmbook.com, 2005.
- Bremner, Brian. Edmondson, Gail. Dawson, Chester. Nissan's Boss. Business Week 2004
- Wollan, Melody. Introduction to Operations Management. Wiley, 2002
- Iacocca, Lee. Iacocca – An Autobiography. Bantam Books 1984
- Pretzer, Stephanie. Using Technology to Buy Time. Currency Doubleday, 1963.
- Ansoff, Igor. Corporate Strategy. McGraw Hill, 1963
- Alfred, Alfred. My Years with General Motors. Currency Doubleday, 1963.
- Jackson, Tim. Inside Intel. 1997.