

OFFSHORE COMPETITION

(Labour Costs are not the Biggest Factor to Consider)

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The technological revolution in communications is continually making the world smaller and its economy is becoming globalized. This revolution has also spread to manufacturing, and the prime factors today are where the highest quality goods can be produced at the lowest price. The rapid technological advances over the past 20 to 30 years have made countries that implemented the new technology early very wealthy. These countries were able to produce high quality goods at lower costs and as a result gain a large share of the world market. In turn, the countries that were slow to implement the new technologies saw their industrial base decline and unemployment rise. Today, technological advances are so rapid that manufacturing processes of as little as 5 or 10 years ago are made obsolete by more efficient processes. Any country that wishes to survive and compete in this technological world must use the most up-to-date technology; only the most progressive will survive.

Converting from Conventional to Technological Manufacture

To convert from conventional manufacturing to technological manufacture, a *Master Plan* must be devised to achieve this goal. This *Master Plan* must be developed by the people, educators and industrialists in consultation with experts who have the knowledge and contacts with the best schools and most progressive industries in the world.

The plan must be developed to involve educators, administrators and managers of industries who must also develop a plan to update and re-train their workers in the new technological manufacturing processes. A major part of the plan must be educational programs for management based on the philosophies of people such as Dr. W. Edwards Deming, whose work in the 1950's was responsible for transforming Japan's industries and making them a leading manufacturing nation of the world in about 20 years.

Factors Effecting Productivity and Prosperity

Those countries that use the most productive manufacturing equipment have much higher productivity than even the equipment as little as 5 or 10 years ago. Therefore it is not a case of working harder to increase productivity, but using the best equipment work smarter. Computers are electronic tools used to process information, operate household items such as microwave ovens, stereo centers, automobiles, and factory machinery. They provide savings on energy and labor that result in better quality products at lower costs for everyone.

Labour

According to a study conducted a few years ago, labour accounts for only about 10% of the cost of any manufactured product, the rest of the cost is consumed by management, equipment, and manufacturing processes. It is difficult to understand why so many people blame the cost of competing with low labour countries, which at the most is 10%, when the cost saving answers lie in management, equipment, and processes.

Tools and Profits

In our modern economy, we must recognize that everything used in production and exchange is a tool. The purpose of a factory is to house power tools, but it is the land, buildings, and the apparently non-productive equipment that make the use of power tools possible.

If the stockholders had not expected to get paid for the use of their savings, they would not have made the investment - and there would have been no tools, no jobs, and no business. So it can be said that profit is the most important of all *business costs* - and becomes the most important part of the selling price.

Profits

Any discussion of the profit system inevitably brings up the question-how much does it cost the customer? Many people believe that profit exceeds payroll, but the workers get about nine times as much in payroll and benefits as the owners get in profit.

Technology and Processes

The most progressive and productive countries in the world use they best tools and most up-to-date manufacturing processes to keep up with or pass those countries using 5 to 10 year old technology.

The Ultimate Goal

The ultimate goal must be to establish a country as a manufacturing nation noted for the best quality products in the world. Nothing but the highest quality goods must *be exported* from any country because poor quality products will hurt a country's reputation and result in lost markets in a very short period of time.

Intellectual Property

A nation's intellectual property -- its research, industrial designs and processes -- is an essential part of its manufacturing base. A country must develop a manufacturing base that makes products with better features, more reliable quality, and at the lowest possible cost. No country can ignore the technological innovations of other countries and survive.

Any country in the world that wishes a *share of the world market*, and in turn *the world's wealth*, must use the best technology in order to compete. Humans alone cannot compete with

the accuracy and repeatability of the technology available today. Those countries that use the technological tools of today, assure themselves a share of tomorrow's prosperity.

Research and Development

The government must work with and support industries in developing long-term *Research and Development Programs*. The nation needs a plan to encourage industries, universities, and science agencies, to join forces and increase their Research and Development efforts. Unless there is a strong Research and Development program, the technologies learned today will be outdated in 3 to 5 years, as new technology is developed.