

# DCMME Fall Operations Conference 2011: Revisiting Onshoring

By Karen Hatke

After decades of steadily moving their supply chains and production to other countries, are U.S. companies returning to U.S. shores? Maybe...maybe not, according to Mark Burton, Strategic Sourcing Manager for John Deere, “It all depends on your seat in the ballpark.” Mr. Burton was one of six speakers at the Dauch Center’s 2011 Fall Operations Seminar on September 16, 2011. “Revisiting Onshoring” was the topic of the day, and it was plain to see from the variety of speakers who participated that not everyone agrees how much of this type of activity is occurring and when it make sense to do so. There was agreement by the speakers, though, on the main reason for taking their production needs elsewhere: to reduce the high labor and material costs of formerly “made in USA” products in order to stay competitive. Some experts have estimated this offshore lost production to be as much as one-third of the U.S. manufacturing capacity, but the tide may be turning in the current volatile world economy.



According to a March 12, 2010 Wall Street Journal article, onshoring is picking up steam because the weakened U.S. dollar makes it costlier to not only import products from overseas, but makes them more expensive to produce there too. “We have sufficient data to show that many companies that thought they would save money



by offshoring really didn’t,” said the first speaker of the day, Patricia Polastri, an adjunct professor at Indiana State University and an associate of ReshoreNow.org. Her organization’s mission is to change the sourcing mindset of manufacturers from “Offshore is Cheaper” to “Local Reduces the Total Cost of Ownership.” Mark Burton, as shown above, took a contrarian view to her onshoring one-size fits-all attitude. As the world’s largest exporter of tractors and many factories worldwide, John Deere continues to have very strong foreign markets and always looks to find the best strategic source for their supply chain, wherever that may be, and “made in USA is not important in Turkey.” The speakers that followed added clarity with examples from their worldwide companies. General

Motors’ Executive



Director of Global Purchasing and Supply Chain, Matthus Joshua, explained the sequence of events leading up to the unveiling of the Chevy Volt, the batteries for which currently can be manufactured only by LG Chem in Korea. Negotiations are now under way with LG Chem to bring \$100,000,000 of this battery production to Holland, Michigan in the near future to take advantage of the labor market there. GenPact, a provider of “back room” processes for clients worldwide, deals with a people-based product. According to GenPact’s Senior VP, Scott McDonnell, the key to their success is a clear understanding of the client’s needs and the context of delivery. “It’s not about whether I do the work in Danville or Juarez,” he declares, “It’s about how I integrate what I know about the capabilities available there with what I know about the

customer’s needs.” Research and development costs are over \$300 million annually for ArcelorMittal Steel, the No. 1 steel company in the world, and Richard Sussman, its general manager, is convinced that only in North America can his company be on the cutting edge of new technology and at the forefront of improving their products and developing future products.

Bremen Castings, an Indiana family-owned and operated foundry and machining business, talked about how his company has been benefitting from the return of businesses to the U.S. “We began to see a marked downturn in customers in the late 1990s with lower prices overseas that we could not compete with,” according to Bremen’s president, JB Brown. That changed, though, in 2007 when they began to see customers return to them from overseas suppliers due to the quality and delivery problems. After



expanding his facilities recently, he has a new problem of finding capable manufacturing employees due to the prolonged cutting back of manufacturers’ capacities and the greater emphasis on higher education.



Onshoring is a complicated issue and clearly has its own problems. The speakers may not have offered solutions in a few hours, but attendees like David Futa of Break Rubber Technologies of North Liberty, Indiana summed up the value of the Dauch Center’s real world approach. “I have been coming to these conferences for four years and I always learn something new or make a contact that helps my business, and this year,” he added, “I located a foundry right here in Indiana that may enable me to bring back my casting needs from China.”