

Who's Really Responsible for Assuring the Growth of Good New Jobs?

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Every businessman knows that manufacturing jobs in the United States have been on a steady decline for decades. In 1980 they peaked at roughly 19.5 million, representing one out of every 11.6 people. Today, according to the latest report from the Bureau of Labor Statistics, there are approximately 14 million manufacturing jobs equating to one out of every 21 people.

This represents a drop in manufacturing jobs of nearly 30% in 27 years – while the US population has increased by 32% over the same time frame.

Experts cite many reasons for the decline, including: the availability of lower cost manufacturing outside of the United States facilitated by a series of global trade agreements, continued increases in productivity with technology, tools and process breakthroughs, increased product reliability, miniaturization (it takes a lot fewer labor hours to build an iPod than a 30-pound multi-component stereo system), and increasing trade deficits that by some accounts have caused almost 60% of all manufacturing job loss.

But few pundits are talking about who really is to blame for the lack of creating good substitute jobs.

Shortly after Ross Perot sold EDS to General Motors, a reporter asked him about his assessment of the struggling giant, now that he was a Board member. Although he was never known as a union lover, he responded, (and I paraphrase): “Did anyone in the UAW – from the head of the union down to the people who sweep the floor – decide what cars to build, what designs to

go with, what interiors, what engines, what colors, where to make them, what dealers to use, how to price them, what mileage to be satisfied with, what sound systems, or any of that? Even to the tools they have in their hands to build the things with – the United Auto Workers haven't decided anything.... only in America would we blame that guy.”

Perot laid the blame where it deserved to be – on the doorstep of American management and, more specifically, at the door of the CMO, the chief marketing officer and his or her team who recommend product investments, product specs, pricing parameters and other critical competitive decisions.

The cause most responsible for the declining number of quality replacement jobs is the lack of real product innovation. To create market demand with innovative products requires a combination of marketing creativity, buyer insight and risk-oriented senior management.

I personally became a convert of this theory after a career as a manufacturing engineering manager for Texas Instruments where I participated in each and every quality transformation program of the late 80's (Crosby Quality College, Juran, Deming, SPC, SQC, TQC). The light bulb came on and I changed direction to become a marketing strategist when I realized that all the improvements we made in manufacturing yields, automation and productivity gains and enhanced processes meant very little if the product did not have a fundamentally sound value proposition for our customers and it wasn't targeted at the best market. There was nothing I could do in manufac-



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turing that could make up for those deficiencies no matter how hard I worked..

As an example, IKEA is a company that has it right. It has created a line of furniture that wows its customers with a combination of simplicity, style, affordability and functionality and breaks traditional ideas of what furniture distribution and shopping is all about. That's innovativeness in design, manufacturing and distribution.

The key to innovation is insight – and insight is found by digging deep and wide into the essence of the customers' challenges and experiences, not by spending more money on ads, websites, brochures, tradeshows and branding programs.

Peter Drucker said, “If you offered me a million dollars of market research or a day in the kitchen with a housewife, I'd pick the kitchen.” What he meant was that only by putting yourself personally into the problem space of the customer can you learn the

key insights that lead to innovation. Do your marketing people do that? Do they live in the problem-space of the customer? If the marketing team cannot conceive of innovative new product ideas that directly solve a target customer's most pressing problems, in some cases problems that the customer may not even know they have, then what the heck are they getting paid to do? Spend money?

Do marketing experts in American companies have the tools and knowledge they need to do this? The answer is "no," according to the majority of CEOs who were queried in several recent surveys. In their book entitled "Counter-Intuitive Marketing," authors Kevin Clancy and Peter Krieg cite a Coopers & Lybrand study that revealed that CEO's in general find their marketing departments "ill-focused and over-indulged." They also cite a McKinsey company report that identified that many CEOs saw their marketing departments as "unimaginative, generating few new ideas and no longer delivering." Most of them rely solely on focus groups to conduct research on their customers and prospects. Clancy and Krieg caution about the sole use of focus group information when they say, "...corporations are basing multi-million dollar marketing decisions on the offhand opinions of small groups of people who are willing to give up a couple of hours for \$50 or so and eat the free sandwiches."

If you asked a dozen carpenters to come into your executive conference room with their tool kits you'd find consistency. They would all be able to show you their saws, hammers, nail guns, measuring tapes, squares, et al. Extend the same invitation to marketing MBAs from the top dozen business schools in the country. Then ask them to show you their tool kit for innova-

tion, creativity and identifying opportunities for innovative high-customer economic value products or services. I venture to say that not only will you find no consistency, you may not find any clearly articulated processes at all!

To help create good substitute jobs, marketing professionals, encouraged and pushed by their senior managers, must become more disciplined and daring when it comes to identifying new, innovative products and services.

Now let's point the finger at executive management for not supporting and demanding their CMOs to innovate. Many executives simply do not have the inclination and guts to invest in innovative ideas – nor do they have an in-place set of criteria by which to assess the true customer and market value of an innovation. The status quo is quite often comfortable enough. Why risk the downside of investing in an innovation? Why disturb the comfort of the culture (and our salary and perks) by pushing hard to create innovative ideas? The larger share of a CEO's attention is usually focused on the financial statements and ways to avoid risk to preserve short-term bonuses.

Mergers, acquisitions and linear, incremental competitive initiatives are often perceived as the only strategies worth investing in and that's because unimaginative and risk-averse executives have the majority voice when it comes to identifying future direction. There are simply more risk-averse managers than innovative. The competition manufactures in China – so we open up a Chinese manufacturing operation. The competition launches a convertible – so we launch a convertible. The competition offers a low-end product so we offer a low-end product by buying out

some company with a similar line.

But innovative ideas are not the exclusive territory of leading edge technology, risk-oriented companies or historically innovation-oriented firms like 3M. Old line companies can do it too. The SUV concept took the same metal, rubber, electronics, glass, leather and other components and materials used in traditional configurations of automobiles and re-packaged them to create a higher-demand, higher perceived value, higher margin, higher-selling price and higher growth product. This happened in an old-line industry that was replete with look-alike and incremental products for many years.

The lesson? Innovation doesn't always require invention.

Our economic success in this century is going to be based on our ability to turn traditional US industry into the world's best producers of rapid and repeated innovativeness, supported by pioneering and courageous investment. We must train and groom the marketing talent, set up the process disciplines and provide the tools for multiple generations of innovators and creators. And we must develop, and reward, senior executives with a penchant for assessing and taking innovation-based risk.
