

The Chinese are Coming? The Chinese are Coming!

Last Word

By Scott M. Paton

Wake up and smell the green tea, corporate America.

“The regulars are coming! The regulars are coming!” Those are the famous words Paul Revere yelled as he rode through the Massachusetts countryside on April 18, 1775, warning the colonists that 800 British troops (or regulars) were headed their way to capture arms and ammunition the colonists had hidden in Concord.

Why the history lesson? Simple, as George Santayana said, “Those who cannot remember the past are condemned to repeat it.” Yet, repeat it corporate America does – over and over again.

Paul Revere looked to the Old North Church to see how many lamps the sexton had hung to tell him if the British were coming by land or by sea.

Another invasion has begun, this time by land, air and sea. And this time, we need more than two lanterns; we need to slap some sense into senior management.

The Japanese “invaded” the U.S. market during the 1970s and 1980s with high-quality, low-cost electronics and automobiles. We spent 20 years watching market share plunge and entire industries disappear in this country. Want to buy a U.S. – made television, videocassette recorder, DVD player? Forget it. Manufacturing first moved to Japan, then South Korea, and finally to places like Thailand, Malaysia, and eventually, China.

We reacted with quality circles, TQM, reengineering and the like. Quality improved dramatically, design somewhat. We survived the invasion despite huge losses of market share in electronics and automobiles. We accepted our fate without too much protest. After all, we were still the unquestioned world leaders in high tech, aerospace, pharmaceuticals, and intellectual capital. Japan’s gain was really nothing more than a much-needed economic shift.

After we had come to terms with the Japanese, the South Koreans invaded. It didn’t seem so bad. Again, just a natural progression, except this time in addition to cars and electronics, the Koreans were selling appliances – things like refrigerators, washers and dryers. This helped to further erode the U.S. manufacturing base.

Now a third invasion has begun, this time by the Chinese. It’s no secret that most toys and electronics are made in China, but it may surprise you to learn that China is exporting hundreds of billions of dollars worth of auto parts, furniture and appliances to the United States. A Chinese company, Lenovo, recently purchased IBM’s PC business. The first Chinese-made car will hit the U.S. shores in 2007 when China’s Chery Automobile Co. begins shipping the first of an estimated 250,000 vehicles annually to the United States. Chery promises to undercut existing auto prices by 30 percent or more. Others are sure to follow.

When China began to flex its economic muscle a few years ago, I wasn’t too bothered by it. After all, the Chinese had suffered under Communist rule for so long it seemed natural to welcome them to the world economic stage. It actually felt good to see their success. When I traveled to Shanghai last year, I was amazed at what a modern, capitalist society China had become. Despite whatever problems the Chinese may have with their government the Chinese people have embraced capitalism with unbridled enthusiasm.

I also took comfort in the many U.S. companies present in China: General Motors, IBM, Ford, Coca-Cola, and on and on. Of course, the Japanese, Germans, Koreans and other multinationals are there, too. I reasoned that while some U.S. jobs may be lost to Chinese workers, it was at the hands of U.S. companies. Bad for the U.S. employees, but good for U.S. stockholders.

Chinese companies are beginning to sell in greater numbers to the U.S. market, enriching Chinese companies instead of U.S. stockholders. Some argue that it's simply China's low wages and appalling working conditions that give it the edge. Some say it's China's superior work ethic. China leads the world in the number of ISO9001 registrations. Leading Chinese companies have embraced and implemented Six Sigma techniques. Its work force is highly educated and hungry to experience the high living standards of the West.

Their success may have been partly built on low wages, but intelligence and hard work will help them continue and move forward. For example, Japan's workers are now some of the world's highest paid.

I've got nothing against the Chinese. They are a warm, friendly people with much to offer the world. In fact, my wife and I are in the process of adopting a Chinese girl. However, I'm deeply troubled by corporate America's ignorance of the Chinese. We are as unprepared for the Chinese invasion as we were for the Japanese one 30 years ago.

It's not too late to protect our markets, and the answer isn't tariffs or layoffs. The answer lies in designing and building innovative, high-quality products (and services) U.S. consumers want to buy. The first step is knowledge.

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