

The China Flip

Reversing Roles With The United States

Much of great business management is about simply fatalistically accepting certain realities. Denying reality has put many businesses, and even entire industries, out of business.

This paper is a brief discussion of one reality that American companies must not only accept, but actually embrace, if they are to survive and prosper in the coming decade. That reality is that China is steadily and inexorably becoming a business powerhouse.

Do not fight reality. Embrace it. China is a fast-maturing business engine.

The Reality Of China Development

In the 60's and 70's China was little more than a craft industry source for hand-labor intensive goods. Beginning with a major government emphasis on new commercial growth in the 80's, China has steadily improved its industrial capability. The first step in this process was a rushed decade of modernizing China's machine production capabilities and its deployment of advanced manufacturing systems. By 2000, this effort had put China on par with other industrialized nations in its ability to manufacture, package, and ship world-class goods. The next step in China's rapid industrial development was an investment into building their engineering capabilities. Today, most China factories offer world-class engineering, as well as production capabilities.

	China	United States
2010's	Hand Labor, Machine Build, Packaging, Engineering, Design	Marketing
2000's	Hand Labor, Machine Build, Packaging, Engineering	Design, Marketing
1990's	Hand Labor, Machine Build, Packaging	Engineering, Design, Marketing
1980's	Hand Labor, Machine Build	Packaging, Engineering, Design, Marketing
1970's	Hand Labor	Machine Build, Packaging, Engineering, Design, Marketing

The next trend in the China industrial plan is now being pursued, as more China companies are investing into their industrial design and branding. The final stage in this very deliberate improvement process is when China companies invest into their own branded U.S. based marketing operations. One facet at a time, China is methodically erecting the capabilities and systems it will need to directly compete in the global economy. And, as each facet is added and polished, the shining truth is that their need for that skill or service from U.S. partners goes away.

As China has developed over the past 30-years, entire U.S. industries have been extinguished. Today, a surprising number of well-regarded American brands are actually owned and managed by China companies. And, as China's deliberate plan of commercial growth continues to unroll, the effects in the United States will continue to be seen and felt.

In the face of a quarter-century of such evidence, why do most U.S. companies continue to "fight back" against the inevitable success of China's formula? The reality is that U.S. companies cannot fight back against 80-cent per hour labor prices, government subsidized infrastructure, and an unlimited pool of eager, readily deployable labor. When we fight, we lose. Every time.

Profiting From China Development

The old saying about making lemonade out of lemons perfectly applies to this situation. American companies need to be aggressively developing and investing into new ventures that accept the reality of China growth, and that redirect assets into aiding that growth, not fighting it. Companies that find value-added paths for partnering with the China growth trend will evolve into new profit making roles. American companies that find ways to help China companies succeed in the U.S. will also find new success. The key is to focus those efforts in areas where China companies still need our help, to be ahead of the China development process, not behind it.

Look at the chart. Realize that, as China began improving its mechanization 30-years ago, that process began with them buying U.S. factory machinery. Companies here that embraced this reality quickly, had an extended period of sales growth. As China began slowing these purchases, and building their own machines, companies here who helped them do that also profited. Today, with nearly all China factory equipment being designed and built in China, those smart U.S. companies are profiting from services subsidiaries in China. That is the way to admit the reality, and adopt reality-based ventures that neatly expand profits in the face of "The China Menace."

What Is Today's Opportunity?

At this point in China's development, most factories are ISO compliant showpieces of modern technological manufacturing prowess. And, they have strong in-house engineering teams... tens of thousands of engineers fully as capable as any in the U.S. or Europe. Small and mid-size factories there are now looking to master the art of designing products that are attractive to Western buyers. And, they are all hungry for access to mainstream distribution of their products in the United States and Europe.

Now is the time for U.S. companies to be looking within themselves to see what design, branding, and marketing values they own that could be deployed in a China-friendly manner. While China can produce world-class products at unbelievably low prices, those factories still need help in knowing what products to build, exactly how they should be designed for U.S. buyers, and in getting those products effectively branded and marketed here.

I specialize in tracking, understanding, and working with the realities of this ever-changing process of China business development. I can help your company evaluate its opportunities, design smart efforts at capitalizing on the inevitability of this process, and, in setting up and managing your new China-centric business ventures.

The bottom line is that the China development process is going to continue unabated. You can either find profitable ways to embrace it, or, you can miss this wonderful opportunity.