

MANUFACTURING FEATURE



## Manufacturing Challenges in the Global Economy

[By Nihit Aurora]

The manufacturers of today cater to mass markets worldwide. Manufacturing techniques such as JIT, Kanban, Six Sigma, and lean manufacturing have encouraged manufacturers to look for mass markets beyond the United States. Two distinct economies are clearly emerging—the service economy, which holds sway over most parts of the industrialized world, and the manufacturing economy, which is rapidly emerging in the developing world.

Globalization and the creation of a single world market have led to a unique trend in the history of trade and commerce in the United States and across the globe. Theoretically, globalization has a number of advantages, such as better economic conditions, an increase in trade and commerce, and a higher, more uniform standard of living across the world. However, it is worthwhile to examine global manufacturing trends in light of the current market scenario worldwide.

Global manufacturing caters to mass markets across borders. Presently, there is a concentration of business interests in a variety of countries around the globe. Catering to the mass market raises a variety of questions regarding topics such as price and economy of labor. At the same time, global manufacturing faces a host of issues such as employment of local labor, outsourcing, mergers and acquisitions of local businesses, and the challenges of Internet marketing.

Other issues, including potential hazards to the global climate and factors such as global warming, environmental pollution on a worldwide scale, and an increasingly unstable global political climate, have added more challenges to global manufacturing.

The advent of the industrial revolution has led to the homogenization of needs across the

globe. Mass manufacturing can significantly alter the needs of indigenous cultures. Manufacturing for the global economy requires companies to face the demands of manufacturing for a mass market on a global scale. At the same time, manufacturing needs to maintain a critical mass to sustain itself on a global scale. This leads to a need for lower manufacturing costs and sustainable profitability margins. Furthermore, it is possible to keep labor costs in tune with what is prevalent in local markets.

Due to recent trends in global manufacturing, there is an increasing tendency to acquire preexisting businesses in regional markets of interest. At the same time, there is a tendency to shift manufacturing centers to lower-cost locales. Therefore, there is always an increased tendency to concentrate manufacturing in centers where there is a prevalence of low costs along with opportunities for profit maximization.

Countries such as China, the Philippines, and India have major concentrations of manufacturing centers that take advantage of lower wages and large market bases. Rather than an equal distribution of manufacturing industries around the globe, there has been a shift of manufacturing industries from the industrialized world to the East, where there are more financial gains.

The fundamental rule of global supply and demand also affects global manufacturing trends. Manufacturing bases shift to centers where it is cheaper to manufacture. Some prime examples of industries that have moved from wealthier industrialized nations to less-developed Eastern nations are iron and steel, textiles, footwear, and automobile manufacturing.

In such circumstances, global manufacturing is unable to maintain a balance of trade in favor of one particular nation or on a global scale. However, one trend is clearly emerging on a worldwide scale. Although the United States is the largest manufacturer in the world whom other manufacturers emulate and follow, the best way forward for the United States is to cooperate with the rest of the world in establishing a vibrant world economy.

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