Welcoming change

Manufacturing firms that embrace innovation will not only survive, but will also far exceed their competitors

D. Richard Lester, director of the Industrial Performance Centre at Massachusetts Institute of Technology, strongly disputes the argument that the West should give up on manufacturing, simply because other countries can supply lower labour costs.

Speaking at the National Centre for Partnership and Performance conference in June, he said: “Western consumers have not lost interest in manufactured goods and there are plenty of successful, profitable manufacturing firms in developed countries that American and European manufacturers can no longer compete in global markets.”

He believes trying to compete with low-cost manufacturing economies (such as Asia) is pointless; instead, the West should focus its efforts on bringing about improvements in the way traditional work practices are carried out – in other words – innovate.

“The firms that continually develop innovative products, find new markets for them and improve on their production and delivery processes will not only survive, but prosper,” he says. This applies to traditional sectors as much as high-tech industries.

Lester put forward an interesting debate on the blurring of the lines between manufacturing and services. “It is no longer clear whether we are talking about a service-enhanced product or a product-enhanced service.”

He cited the Apple iPod success story to further illustrate this point – highlighting the fact that by outsourcing practically all of the manufacturing to an army of suppliers, Apple could get on with what it does best – adding value to the product and, better still, bringing it to market faster.

“With the iTunes music downloading service, Apple found a creative and profitable way to combine its product with a value-added service,” he said.

The Irish experience

Closer to home, Lester believes Ireland Inc. is on the right track with its innovation strategy. Our low resistance to the adoption of new technologies is one of our strengths as much as our own inventiveness,” he says. “Critical to the entire process is the ability to attract financial capital with an appropriate appetite for risk and a workforce at all levels that is open to innovation,” he added.

Crucially, on the subject of cost, Lester says innovation does not require a large financial outlay – an important point in the Irish economy where 96% of businesses are small to medium-sized enterprises (SMEs).

Similar to many myths in the marketplace, surrounding manufacturing, there is the incorrect perception that innovation costs money. “Some kinds of innovative activity require upfront investment of a substantial nature, but others don’t. Somebody spotting the opportunity to improve an efficiency can cost very little or nothing at all,” he said.

Lester believes technology is a key facilitator of innovation, however he is quick to point out it is far from the only factor. “Often, on the process side, it’s more about changes in the way work is organised.”

“Often the most creative ideas or insights come out of an open-ended conversation between people – they are interacting with each other. Companies that want to be innovative have to make room for this and reward people who are good at it. They are essential skills.”