



MEXICO & CHINA

COMPARED TO MEXICO, MANAGING A CHINESE FACILITY FROM THE US IS ANYTHING BUT A "PIECE OF CAKE"!

By Doreen Huro Michelini, C.P.M.

Many companies, looking for ways to reduce costs and stay competitive, immediately think of China as the solution to their dilemma. China is attractive not only because it offers an abundance of low cost labor. The eastern coast of the country, which stretches from Shenzhen to Beijing (also known as the golden banana), has seen a rise in population recently as citizens from the interior migrate thousands of miles leaving their homes and families behind in search of opportunity and a better way of life in this prosperous region. Industrial parks, subsidized by the governments of China, Taiwan, and Singapore, have sprung up throughout the region. As newly developed areas grow, so do the roads, railways and seaports connecting these once secluded towns and villages from the world.

Due to China's immense size, this article will focus on the Shenzhen and Guangdong provinces. Both areas are easily accessible from Hong Kong by private car, bus, train or ferry. Average travel time from the Hong Kong airport to the Shenzhen border is less than one hour. In the region's undeveloped areas one can still see the traditional farmers who once dominated the area. . But tradition has been steadily giving way to progress in Shenzhen and Guangdong as evidenced by the sprawling industrial parks and palatial hotels catering to the millions of business people visiting the region every year.

This up and coming area of China boasts western style hotels and restaurants, and close proximity to a major international airport. But even with all these modern conveniences in place, China can be a disaster waiting to happen for the naïve and unprepared.

Mexico, on the other hand, should not be discounted as being a competitive place to manufacture. Although wages in Mexico

have been known to double those offered in China, there are other considerations to keep in mind when deciding to expand your manufacturing capabilities. Again, due to the size of Mexico, this article is based on a facility in the city of Chihuahua, which is approximately 230 miles south of El Paso.

Over the past eight years I have logged countless miles throughout China and Mexico both sourcing product and managing manufacturing facilities. My current position takes me to China every eight weeks and to Mexico monthly. I have learned that success in China and Mexico is a combination of luck, experience (both good and bad) and an abundance of hard work and long hours. It is up to you to analyze your business, its products, your customer base and your resources to determine which is the right move for your company.

Below are some of the areas to consider when making your decision:

Time Difference - No matter how you look at it, when you're physically in North America and running an operation in China, day is night and night is day. This means that in order to effectively do your job, you must be on call 24 hours per day 7 days per week.

On the other hand, because Mexico and the US share the same time zones, immediate and effective communication between the two regions is easily achieved. Support staff on both sides of the border can resolve problems as they occur thereby enabling companies to attend to customer needs quickly and efficiently.

Language - Most Chinese people understand, write, and read in English, but unfortunately they have problems speaking English. It is important when communicating that you use the



simplest of words to get your message across. Even the most common slang expression can confuse them. Imbedded within their culture is a fear of "losing face. They will not always make you aware of the fact that they don't understand the message you are trying to get across. For example, I always use the express "piece of cake". It took me some time to realize that they had no clue to its meaning. In hindsight, what I should have done was

read the look of confusion on their faces and know that further explanation was necessary. . Ask the same question many different way;even the most experienced English speaking Chinese can misinterpret your words and their meanings.

Most Mexican managers speak, read and write English. Due to the close proximity to the US and the availability of American television, most Mexicans understand US slang. This can speed up the process of resolving problems quickly and efficiently.

Travel - Hong Kong, the gateway to southeast China, is accessible from any major city in the United States with several offering direct flights. Due to the number of travelers, airfares are usually reasonable. Plan ahead and be flexible. The downside is the eleven to seventeen hour flight depending on where in the US your departing from.

Depending on the destination, most cities in Mexico can be reached within 6 hours of anywhere in the US. Fares from Chicago to Mexico City can be as low as \$250 round trip. The higher cost of air travel comes from the regional carriers within Mexico to the smaller cities.

Correspondence - Email has made communicating with China swift and relatively effortless. Messages and files can be quickly sent resulting in immediate answers. Programs have been created to translate English to Mandarin and Mandarin to English. It would be wise to invest in these

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programs to simplify your flow of information. Reports, orders and working instructions can be translated and transmitted within minutes.

Like China, there are several good translation programs from English to Spanish. Email communication between the US and Mexico is more efficient since the messages are sent and received during similar working hours.

Local Management - Whether in China or Mexico, take your time in choosing your staff. Since you will not be on site full time, you need to have complete trust and faith in your people. This team will be your eyes and ears when you are off site as well as your representative to visiting customers. It is imperative that they understand and embrace the philosophies and goals of the company. Daily contact via phone calls and emails is a must. Never let them sense you are not in complete control or have forgotten their existence between visits. Corruption can happen anywhere, but will be more likely to occur if you do not retain total control. Most importantly, you must make frequent visits to assure your staff that they are an important part of your operation.

In Case of Emergency..... - No matter how efficient your staff is or how immersed you are in the day to day running of the facility, there will come a time when a crisis will occur. This can be anything from quality problems to a natural disaster. The key is to keep calm and attack the issue head on just as you would in your domestic operation. Although with China it can take you over two days to get to your facility, with email and teleconferencing you have more tools available to access the situation and will be able to react quicker. No matter where your facility is located, it is advisable to have a disaster plan in place to cover several situations such as crashed tools, quality issues, accidents and loss of manufacturing capabilities.

Patience is the best advice for managing a facility half way around the world. Working in China is not easy, but when done properly it can make your life less stressful. It is my experience that even the simplest task can take twice the amount of time it would normally take in the USA. A good example of this is when I was in the process of setting up a new facility and needed to insure the equipment. My staff contacted the local insurance company and asked for a policy to cover loss and damage. Since we are a US company I requested that the policy be presented in English to enable me to understand the coverage. I was assured this would be no problem and a morning appointment was scheduled with the agent later that week to review and sign the policy. What I wasn't prepared for was sitting all day waiting for the representative to arrive. Repeated calls by my staff assured us that the agent "was on the way". It wasn't until 4:00 PM that she arrived as if on time for our meeting. Surprisingly to me, none of my staff thought this was unusual and accepted it as normal behavior. Because of this and many more similar experiences, I have learned to budget twice the amount of time normally needed for even the simplest of tasks.

Mexico has had the reputation of "manana" or tomorrow. Because of their increased dealings with the US, their attitude has greatly changed over the past few years. No longer is it acceptable to put off until tomorrow what needs to be done today and the Mexican workers has adapted to this change.

Managing a facility in China or Mexico from the US is not an easy job. It takes a great amount of work, dedicated employees and vigilant, round the clock monitoring. Frequent visits and support by top management is critical. Beware of "burnout syndrome" in your corporate executives responsible for the facility. Your product, the raw material needs and their final destinations are all areas that need to be analyzed before deciding whether to manufacture in China or Mexico. Missing even one component of this formula or not completely looking at all the information before making this decision can make a potentially successful operation fail. **MN**

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