CAMBRIDGE, MA -- Manufacturing companies should think in terms of "right shoring," not off-shoring or reshoring, according to John Shook, CEO and chairman of the nonprofit **Lean Enterprise Institute**
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Shook made his remarks during a panel discussion on advanced manufacturing at *Manufacturing's Next Chapter,*
a business summit held Feb. 7, to bring together experts from business, government, and labor to deliberate the impact on industry of powerful trends in technology, insourcing, job creation, workforce development and global competitiveness.

"Things will be made in different places and they should be," Shook said, "but we can be smart about it." Being smart about where to make products usually means locating design and production closer to the markets where products are sold, Shook said. It also means knowing the total costs – not only labor costs – of each location where manufacturing facilities are located.

For example, Shook noted that many companies, chasing low labor costs a decade ago, offshored production but later discovered the labor savings were more than offset by higher supply chain costs. As labor rates rise overseas, companies reshoring production often discover their US workforces have lost important capabilities and need retraining. The original decision to offshore had been made "without fully understanding the implications" of hidden costs, Shook said.

He noted that furniture maker **Herman Miller** resisted the rush to offshore, developing instead the problem-solving and innovation skills of its US employees through lean management. He said the "equation for success hasn't' changed much" for companies. Long-term success and job protection required "team-based problem solving and innovation."

Earlier, **GE** CEO Jeff Immelt sounded a similar note about right shoring. As a global company, GE wanted to be "close to the innovators, close to the markets we sell in," he said. That means adding production capacity in countries where GE sells, including the U.S. Immelt expects a "steady increase" in US manufacturing jobs in coming quarters and years.

In 2010, GE brought 1,300 manufacturing jobs back to Appliance Park in Louisville, KY, to make new products (mostly water heaters, washer/dryers, and refrigerators) for the first time in over 15 years.

Leaner Supply Chains

Answering a question from the audience, Shook said companies will "compress" their supply chains as a result of the impact of the 2012 tsumani in Japan. "Companies no longer want to know just their suppliers. They want to know their suppliers suppliers," Shook said.

The conference featured interviews and panel discussions with a range of industry leaders, including GE's Immelt; Sen. Mary Landrieu (D-LA), chair of the Senate Committee on Small Business and Entrepreneurship; Neil Gershenfeld, director of **MIT's** Center for Bits and Atoms; and Thea Lea, economist and deputy chief of staff at the **AFL-CIO.**

In back-to-back interviews, Senators Michael Bennet (D-CO) and John McCain (R-AZ) discussed immigration's impact on the future of the American workforce.

Shook, an expert in lean management, participated in a panel discussing "What Advanced Manufacturing Requires to Keep Advancing."

The Atlantic organized the conference, which is being underwritten in part by GE. The event was live streamed and archived at http://events.theatlantic.com/manufacturings-next-chapter/2013/ .