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New manufacturing relationships form as economy rebounds

By Pamela J. Gordon, on the Technology Forecasters Blog

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As the economy rebounds and electronic-product companies' (OEMs) requests for manufacturing-outsourcing proposals increase once again, some supplier-customer matches will be made haphazardly. This is a concern of executives at small and large contract-manufacturing companies, as well as at the OEM customers.



Let's start with a small electronics-manufacturing services (EMS) company example. I've known Mo Ohady since 1982 - the year he started Digi-Com Electronics down the road from TFI's headquarters. He'd called to ask questions about an article in which I'd been quoted. We started to meet for lunch every few years, and last month I was delighted to hear that Digi-Com received certification to ISO 9001 (quality management) and ISO-13485 (bio-medical devices).

I asked Mo how he has managed to champion his small electronics contract manufacturing company through numerous economic ups and downs. He said that his tenacity owes in part to his credo: "At the top of our concern is to look for partners that are a good match. Take the right steps at the right time, and resist falling into the traps of 'anything goes as long as the numbers are there.'" As the economy rebounds and Digi-Com receives an uptick in requests for proposals, Mo will continue to control his company's growth. "Be well aware of the pitfalls of poor matches or of grabbing too much." This is good advice for EMS companies small and large alike.

Large-sized EMS companies whose executives best know which customers match their company's strengths will fare better than those who grasp wildly at opportunities outside their sweet spots. At the same time, though, these executives need to realize that the economic downturn and new trends have changed the thinking of executives at some of their long-held customers.

Several OEM executives I know are planning to redirect manufacturing strategy as orders resume - toward in-house manufacturing, toward ready-designed products by original-design manufacturers (ODMs), toward other OEM companies with platforms they can leverage, and toward manufacturing in customers' regions. (More examples are in a recent blog by new TFI Senior Operations / Supply Chain Consultant Pamela Wiseman.) Frankly, not all OEM executives are yet thinking holistically enough - systematically weighing all changes from product concept to customer usage and whether these changes will still foster corporate objectives.

Perhaps OEM executives can take a pointer from Digi-Com's Ohady, who told me he most admires supply-chain partners with these attributes: "Fast responsiveness, no mistakes, and personalized service." While looking to new manufacturing models, OEM executives will be wise to keep sight of customers' needs for responsive, accurate, and customized products and services. See that the new manufacturing relationships meet this core business principle at least as much as did previous paths.

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