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## Bring It Home

U.S. MANUFACTURING IS MAKING A COMEBACK, AND WITH HIGH-QUALITY PRODUCTS AND FAST DELIVERY, IT'S BEATING OUT OVERSEAS COMPETITION.

MICHAEL JONES started in business in 1998 as an importer-exporter, buying household goods from low-cost producing countries and bringing them to the U.S., where big-box retailers moved them. Jones then began designing products and having them manufactured in Asia for sale to mass retailers. His next move was starting his own manufacturing operation, a seemingly natural step on a logical continuum—except, rather than buying it in the low-cost overseas locations he knew so well, he opted to build his factory in the U.S.

"It happened naturally," says Jones, 37. "We wanted to have a little more control over our destiny." But anyone who has watched the long-continuing drop in U.S. manufacturing employment has to wonder whether he's crazy. He isn't. This year, Jones's 55-person company, Hartmann & Forbes, will do between \$8 million and 10 million in sales of custom window coverings, manufactured in three factories in Tualatin, Oregon. Despite the real and significant decline in American manufacturing jobs, the number of U.S. entre-

preneurs who are starting up manufacturing companies is rising—and has been pretty steadily for that.

preneurs who are starting up manufacturing companies is rising—and has been pretty steadily for that. That's the message of a 2006 report from the Kauffman Foundation, which found the growth index of entrepreneurial activity for manufacturing was higher than the same figure for service trade from 1995 to 2005. Specifically, the index of entrepreneurship in manufacturing (see chart below) rose from 0.07 percent to 0.10 percent in 2005. Meanwhile, the index for the seemingly red-hot services sector fell from 0.44 percent to 0.38 percent, and declined from 0.21 percent to 0.18 percent, manufacturing coming back in the U.S. The stat best is "perhaps." Almost certainly, manufacturing won't return to the same level of prominence it had in the past. To stand more, it's necessary to know what Kauffman's index is made up of. Economist Robert Fairlie of the University of California, Santa Cruz, explains the index measures the number of people starting businesses in a given industry compared to the number of people employed in that industry. An index above 1.0 means more entrepreneurs started than the number of people employed in manufacturing fell during the period. Jones found that both factors came into play: "The number of people working in manufacturing has gone down, but entrepreneurship is up," he says. "There are more entrepreneurs in manufacturing over that decade, but fewer people working in firms for that decade." Entrepreneurs who start statewide face both challenges and opportunities, according to Jones. "Hiring and training [employees] and managing manu-

facturing in the U.S. today is kind of a tough business," he says. "But because it's tough, there's not a lot of competition." Competitors that manufacture overseas can't match his turnaround, his ability to customize or the speed with which he can introduce new designs, Jones says. Those advantages allow him to serve demanding top-tier designers who don't balk at paying higher prices. As a domestic manufacturer, he faces less direct competition overall. "It erects a tremendous barrier to entry, because most people don't want to do this kind of business," Jones says. "Business schools are cranking out students who are more service-oriented." Part of what makes it hard to be a U.S. manufacturing entrepreneur these days is that the business is much different from the conventional view of the smoke-belching, metal-bending industry. Hartmann & Forbes, for instance, is something of a hybrid, importing raw and semi-finished materials before assembling them in Oregon into finished custom shades. Jones leaves the low-cost market to competitors, as well as the high-volume giant customers. He sells to more than 3,000 mostly small businesses. And while smokestacks and lunch buckets may have characterized 20th-century American manufacturing, in Jones's view, marketing savvy plays a much bigger role in 21st-century manufacturing. "In the past, you could just make great products and do well manufacturing here," he says. "Today, you have to have a decent marketing team and be able to communicate what you are all about and what your value proposition is." —MARK HENRICKS

### Where the Entrepreneurs Are

The chart below shows the index of entrepreneurial activity by industry. [The index of entrepreneurial activity is the percentage of individuals ages 20 to 64 who do not own a business in the first survey month and who start a business in the following month with 15 or more hours worked per week.]

Year	CONSTRUCTION		MANUFACTURING		TRADE		SERVICES		OTHER	
	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size	Index	Sample Size
1996	1.07%	23,833	0.07%	71,293	0.41%	60,379	0.44%	206,479	0.42%	55,922
1997	1.05%	23,794	0.08%	71,322	0.30%	59,721	0.39%	209,081	0.38%	55,603
1998	0.98%	24,113	0.08%	69,979	0.36%	60,016	0.42%	212,295	0.32%	55,443
1999	0.92%	24,914	0.06%	67,177	0.30%	60,219	0.41%	214,065	0.33%	54,683
2000	1.02%	25,945	0.06%	65,836	0.37%	59,781	0.38%	213,970	0.33%	54,358
2001	0.92%	28,629	0.08%	68,030	0.29%	63,428	0.39%	232,813	0.30%	57,152
2002	1.06%	31,415	0.08%	70,520	0.33%	70,036	0.40%	258,327	0.34%	61,782
2003	1.30%	31,761	0.09%	65,718	0.32%	68,408	0.41%	255,897	0.35%	58,774
2004	1.22%	31,726	0.10%	67,079	0.27%	67,839	0.41%	248,391	0.29%	56,946
2005	1.14%	32,179	0.10%	59,476	0.28%	67,481	0.38%	246,875	0.34%	57,671

SOURCE: 2006 "Kauffman Index of Entrepreneurial Activity"