



ANTHONY BARNES WITNESSES AT FIRST HAND THE EMERGENCE OF THE LATEST INDUSTRIAL POWER.

Made in China

The Chinese border crossing was not designed as a showcase for the new economy. Our minibus had crawled from central Hong Kong and as we waited in a huge barn for humourless immigration officials, I reflected that the dynamism I was coming to see did not extend to the public sector.

Across the border, the roads became more and more crowded. Finally we pulled off the main road and manoeuvred along one in the course of reconstruction. A yard to the right, several unsupported pipes hesitantly crossed a builder's ditch – one lurch and we would join them.

A minute later we were at the factory. No time to think whether finished goods left by the same route; the large electric gate slid back, the guard saluted and our bus pulled up at the office block. Two paces inside the doorway, we were greeted not by security or the receptionist, but the founder, owner and president in person. Any visitor who had travelled 8,000 miles, from the head office of her major customer, was going to be accorded the warmest welcome.

I had asked to see the factory, but the products speak louder than

Executive summary

- An 8,000 mile trip saw an impressive manufacturing business with world-beating ambitions, although staffing issues are beginning to emerge as the Chinese economy expands.

the process, so our first stop was the showrooms. Cards were exchanged and pleasantries translated, then the goods were inspected. The company's website claim, to make "all kinds of upholstered seating", is a very modest representation of the truth. Easy chairs, armchairs, rocking chairs, office chairs, sofa beds, corner seats, hospital seats, reclining seats – the several hundred samples filled two complete floors. The factory's larger products are reserved for American-sized homes – would you like a popcorn holder in the arm of your chair? Designs for the British market are more modestly sized.

Established only in 1998 and still expanding, the complex feels spacious. A dozen buildings, each the size of a football field, allow for roomy, open process areas. We saw different teams processing timber, assembling frames, cutting foam and leather, sewing covers; all focused, working at speeds that only trained and motivated operators can achieve; production lines laid out by Taiwanese consultants to yield best-in-class processes. Any doubts about quality should have been allayed on arrival: it is not the company name but its ISO 9001 accreditation that is displayed in five-foot-high letters above the entrance.

Health, safety and quality control are at the centre of all processes. The factory's international customers inspect regularly and would accept nothing less. A sewing machine operator peeled back the protection on his left hand, revealing three gloves, two of cotton sandwiching one made of metal links – 21st century chain mail! And a factory which can prove the efficacy of its quality control and inspection processes frees up resources in its customers' own quality control teams, inspiring confidence and reducing costs.

And cost is what makes factories such as these so attractive. The company's website shows two million items produced in 2003 and \$45m of revenue – an average product price of \$23. No wonder Western producers can't compete and that Chinese ports and freight businesses are booming.

Throughout the factory, the workforce was focused. The sewing machinists and cutters are paid piece rates, with a guaranteed basic if there is insufficient work available. All wore uniform shirts – the supervisors recognisable by their red collars. I struggled to spot anyone unoccupied in a factory of 1,600 workers, whose monthly salary was less than \$150 – the nightly rate for my hotel.

Factory auditors call regularly, inspecting batches, reviewing production lines, checking material sources, even visiting the dormitories in which the workers live for 49 weeks a year. They have the power to reject batches, demand product reworks or even refuse to renew contracts – the strongest of incentives to ensure continuing quality.

Next we called on a manufacturer of lighting, office machines and power tools – not the heaviest industries, but every product requiring metal to be bent, drilled, moulded, cut or stamped. Longer established – since 1993 – and Hong Kong-owned, the older buildings of this factory are now enclosed in the town of Dongguan and surrounded on three sides by company dormitories.

The company's 4,600 employees almost all live on site, eight to a room. They leave their families for more than 11 months a year, travelling, some more than 1,000 miles, knowing they can find work in Guangdong province. I asked the manager whether he advertised in workers' home towns? No, he said, they simply took the company minibus down to the central bus station and interviewed on the streets; prospective employees make their own way to the region.

Staffing the factories of the delta region is becoming harder. Factory managers were bracing themselves that after the forthcoming 'golden week' holidays, hundreds of their 4,600 staff might decide not to make the long return journey. As the Chinese economy expands westwards and northwards, employment opportunities are opening up closer to home.

This factory now considers itself a high-cost environment. Its focus is moving to the tops of the ranges – generic products can be sourced more cheaply from the Shanghai region. So it invests 5% of turnover in R&D. I counted eight large showrooms of lighting products alone, all designed in-house to meet different customers' specifications.

How has this economy emerged? How has such an industrial



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power materialised? It has seen an opportunity to seize a market and fought for it harder than the competition. Just 20 or 30 years ago almost any small goods might have been labelled Hong Kong, but that has been outpriced. In the future others will try to stamp their marks, but at the moment the box at the top of the pile says "Made in China".

Antony Barnes is Group Treasurer of GUS plc.

a.barnes@gus-treasury.com

www.gus.co.uk

Any treasurers with an interesting business or commercial experience to relate, should contact the editor Peter Williams, editor@treasurers.co.uk