



EVOLVING FROM "SHELTER" SERVICES INTO MANUFACTURING PROCESS PARTNERS

By John Riley

Since its beginning, the concept of maquiladora shelter operations has been one of providing key services and increased value to clients. Traditionally, this has taken the form of useful (but narrowly defined) administrative support by most shelters - the hiring, firing, legal, accounting, and logistics functions that clients haven't wanted to encumber themselves with as they entered the Mexican market. Taking a lesson from India and China, however, an evolution is occurring in some shelters - moving from solely administration into higher value-added, true BPO ("Business Process Outsourcing") partners.

What does this mean for shelter clients? As the maquiladora industry continues its restructuring up the high tech curve (and manufacturers continue to focus their Mexico-based operations into higher skilled assembly and design services), the traditional role of a shelter maquiladora is expanding into offering a more diverse set

of support services, providing an integrated manufacturing process service. Becoming a BPO partner with a shelter client now means not just the legal and administrative skills to manage their operations in Mexico, but to understand in depth the operational needs of a client's business model, to provide proactive operational consultations (in lean manufacturing principles, for example), strategic considerations (in terms of maximizing a client's benefits of free trade and fiscal incentives), supplier identification (to help clients reduce costs), and even support training and educational partnerships to ensure a supply of skilled engineers, machinists, and technical staff for 21st Century manufacturing needs.

Going beyond the traditional shelter role also means establishing the most appropriate legal corporate structure to provide shelter clients with the most optimal fiscal benefits (particularly those that can serve capital intensive projects,

such as those in emerging, technology-intensive clusters).

INCREASING SUPPLIER AND MANUFACTURING EFFICIENCIES

In the new Shelter BPO model, it is critical that shelter maquiladoras view themselves as a member of their client's team, and to review all aspects of their supply chain from sourcing through identification and development of new market opportunities. It also means having the in-house expertise to work with a client's operations and management staff to develop the most cost efficient and productive operation possible. As a true operational partner, both the shelter client and the shelter have a mutual benefit to continually look for ways to drive down the unit cost of the finished product or service.

Many major manufacturing projects that either exist or are either being

considered for Mexico require secondary support operations such as CNC machining, close tolerance metal fabrication, certified welding, composite material manufacturing for the aerospace, defense, and infrastructure markets. Rather than sourcing these needs outside of the maquiladora industry, the new shelter model means working with clients to help their suppliers set up their own Mexican operation in support of OEMs and other third parties that may need these types of capabilities close by.

INCREASING ROLE OF SKILLED LABOR

The demand for higher labor skills will continue to increase in Mexico's maquiladora industry, so it's no surprise that shelters have to be more involved with labor and educational aspects of the workforce. It is now common to have requirements for journeymen machinists, bio-technicians, medical technicians, composite materials technicians for shelter clients. Even the skills of assembly workers are advancing to where they need

to be more like electro-mechanical technician's aides. World-class manufacturing is the norm - and assembly lines that provided small, repetitive functions to produce thousands of the same product are a thing of the past. Cellular manufacturing, small lot sizes, and the complexity of product being produced in Mexico is evidenced by the growth of clusters such as medical devices, biotech, aerospace, defense, automotive, pharmaceuticals, semiconductors, software and many others.

To address the need for higher skilled labor, it is essential that shelter providers have effective and active links with local vocational and technical schools as well as the universities. It is imperative that the private sector actively participates with the educational systems to identify and help design the curriculum that prepares students to be able to fill the needs of these higher paying career sustaining positions. As maquiladoras become manufacturing centers, shelters also have to evolve into these integrated partners.

Manufacturing Process Partners must develop the confidence of their clients to be able to effectively communicate with each other to their mutual benefit. Without this earned trust between the "partners" it is very unlikely that the full potential of the "partnership" could be fully realized. **MN**

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With more than 30 years of experience in the maquiladora industry, John is a widely recognized leader within the US/Mexico manufacturing industry. He was the Founding President of the Northwest Chapter of the "Mexican Chamber of the Electronics Industry, Telecommunications and Information Technology," (CANIETI) in Tijuana. He is also a Board member of the Tijuana Economic Development Corporation, member of Manufacturing Committee for the San Diego Chapter of the American Electronics Association, Senior member of the Society of Manufacturing Engineers, Member of the Board of Directors of the Otay Mesa Chamber of Commerce and founding Board member of PRODUCEN (the industrial strategy organization for the Baja California government). John has his degree in Business Administration from National University.

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