CLOSE DIE FORGING – IS SUCCESS DEPENDING ON GEOGRAPHY?

Dr. Gianni Martinelli,
Forging Technologies, 6928 Manno, Switzerland

Abstract
Technology developments are generally driven by customers’ needs and should adjust flexibly to changing market needs and conditions. The forging industry worldwide, despite its traditionally very conservative roots, is not left out from the general industrial trends. From another standpoint, companies everywhere are concerned that the return on their investment in technology developments is inadequate. Furthermore, they wrestle daily with issues of choice and balance: how much to invest in process technology and how much in product technology? The author with an extensive experience in consulting companies on the international scene is trying to assess how the approach to the above hot question is varying geographically and on the base of different cultures.

Is there also a globalisation in the forging industry? After all, some cynics may say it has been under way for decades! In some respects, they are right. The underlying processes have indeed been evident for some time, though without making much more than a modest impact on the world’s economy. But all this is changing. Suddenly the pace of globalisation has quickened. The gradual process that gave companies ample time to adjust has gone for good. By the end of this decade, our economy will become substantially global.

In the past, globalisation amounted to little more than evolutionary changes in a few scale-driven industries. In the future, its impact will be strong, affecting services as well as manufacturing, and emerging market economies worldwide. As a result, corporations in almost every sector will face the huge challenge of learning to play in a globalised planet, where many principles no longer apply, and where the new rules are still being created.

A BASIC TRANSFORMATION
Around the globe, nearly every business is under pressure and the transformation now taking place is unlike anything we have experienced before. The increasing availability of global capital, coupled with advances in computing and communications technology is serving to accelerate the process of globalisation. In the various economies there is a vast flow of capital and transplants of production techniques.

Wherever you look, the barriers to globalisation are coming down. Not only in Western Europe, North America and Japan, but also in the BRIC and Eastern European countries.

The drivers for this change can basically be conducted to these 3 factors:

- The growing scale and mobility of world’s capital markets
- The increasing relevance of national borders coupled with various levels of international deregulations
- The expanding ability to communicate at high speed worldwide and to leverage knowledge and talents.

GLOBAL ACCELERATIONS
The combination of the three factors described above is driving an exponential change in the pace, scale and scope of globalisation. Pace is increasing because the process is fueling itself and because the infrastructure for diffusing technology and ideas globally has become much more powerful. Scale, because the share of world GDP that is effectively globalised is set to rise from around 40 percent today to well over 60 percent in the next 10 to 15 years. And, for what scope is concerned, there are and will be increased opportunities to combine resources and segment markets in new ways.
THE FORGING INDUSTRY

What's so important about globalisation in an industry that has existed since the middle of the 19th Century?

Despite its traditionally very conservative roots, the forging industry is not left out from the general industrial trend. Not only, but especially for those who are not willing to respond to the changing business environment, the future could be very gloomy. Old notions of economy of scale, widely applied in the forging industry of the past 50 years are becoming obsolete, as production runs can shrink from thousands to single digits, while the voice of the customer is dictating design to standards undreamed only yesterday. Furthermore, information technology has generated a new way of making things – agile manufacturing, with profound effects on the industry, its workforce and the educational system.

However, despite its revolutionary impact, agile manufacturing requires no inventions. The different processes which must be envisioned are much closer to present reality than it is normally assumed. Some industry leaders are demonstrating and implementing various aspects of it today and their first findings are that product developments that took months at very high costs in the recent past, can now be performed in days and, more often at a cost fraction.

Perhaps, for what our industry is concerned, the most important finding is that the future is just around the corner and that globalisation requires only the development and integration of currently available technologies and related manufacturing principles.

VULNERABILITY OR MANAGING THE CHANGE?

The new global scenario is one in which most forging companies, unable to rely on any patronage or position for protection are permanently vulnerable. The scale of the global opportunities, the complexity of the competitive arena and the discipline imposed by the capital markets are forcing companies either to specialize and become world class and world scale players in their specialized field, or to exit. In the next decade further shakeouts and consolidations will accelerate in new and particularly, in old industries, like ours.

However, though the forces of globalisation are strong, the world is not about to be converted overnight. The process is of gradual but continuous transition. Furthermore, globalisation will not erase the differences between countries nor render local industrial traditions, talents and expertise obsolete. The opposite may well happen: privileged access to country specific intangible assets of this kind will be critical to success. It is also vital to understand what differs and what remains the same from one country to another and to control assets and information that can be leveraged worldwide.

The greatest threat to this trend will come if local companies deny their existence and refuse to adapt. Such companies will find that standing still is no answer in a global economy in which other players are racing ahead.

The following closing remarks represents the author's personal advice, on ingredients strongly contributing to a company's prosperous survival in a dynamically changing environment:

- Change is good and, what's more, it is inevitable. Therefore welcome it, take some energy from it and use it to your advantage.
- Stay current with technology: competition does not wait.
- The gathering of intelligence on our environment is our job.
- Maintain focus by establishing the critical ingredients of the company mission.
- Establish and maintain a company training program.
- Improve your products constantly and at high speed. Re-invent them if you have to and do not hesitate to scrap what is redundant.

TOMORROW IS TODAY!