

# Is the US Outsourcing its future?

by Gary P. Pisano

*Editor's Note: The article authors make a very compelling point - how can America create the next generation of technology if we no longer have the core technological base? Those who say that America is hostile to manufacturing forget the many companies that are based here (Even in tax-heavy states like MA) that do produce a world-class product. Our biggest problem IMHO is that we often lack the will to look more than 6 months ahead when we make business decisions.*

([Harvard Business Review](#) [1]) - Today, many people are looking to high technology sectors — like alternative energy — to be the growth engine that revives the U.S. economy and gets it back on track. They're in for a shock. During the boom years, when all seemed well, capabilities that underpin innovation in a wide range of products were continuing to deteriorate.

As my Harvard Business School colleague Willy Shih and I described in "Restoring American Competitiveness," a recent article in the Harvard Business Review, the U.S. has lost or is in the process of losing the ability to manufacture many of the cutting-edge products it invented. These include the batteries that power electric and hybrid cars, light-emitting diodes (LEDs) for the next generation of energy-efficient lighting, critical components of solar panels, advanced displays for mobile phones and new consumer electronics products like Amazon's Kindle e-reader, and many of the carbon fiber components for Boeing's new 787 Dreamliner.

The culprit is the outsourcing of development and manufacturing work to specialists abroad. The result: a damaging deterioration in the collective capabilities that serve high tech. This industrial commons includes not just

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suppliers of advanced materials, production equipment, and components, but also R&D know-how, advanced process development and engineering skills, and manufacturing competencies.

Making matters even worse is something that has been largely ignored: In addition to undermining the ability of the U.S. to manufacture high tech products, the erosion of the industrial commons has seriously damaged the country's ability to invent new ones.

The prevailing view of the past 25 years has been that the U.S. can thrive as a center of innovation and leave the manufacturing of the products it invents and designs to others. Nothing could be further from the truth.

This logic is predicated on utterly false assumptions about the divisibility of R&D and manufacturing and basic competitive dynamics.

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