THE

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Made in the U.S.A.

E.M. Burton examines domestic manufacturing in post-industrial America.

By E.M. Burton January 2012



I played a small part today in creating an American job. I donated \$5 at my local Starbucks to their Create Jobs for USA program. Once 599 other people make the same donation, they estimate one job will be created.

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A small contribution, granted, but it felt pretty good; the Opportunity Finance Network administers the fund to provide micro-financing opportunities for people who deserve them. But it started me thinking. Giving someone a job is one of the most direct ways you can help someone: you are improving a person's capacity to provide for necessities of life.

Most affiliate owners know a thing or two about this. There's a shift in thinking that occurs between being dependent on others for a job and making a job for oneself. There's another shift that takes place when you hire someone else.

How cool would it feel to create a bunch of jobs? But is it even possible or sustainable in an economic climate that has been nothing less than chaotic in the years since 9/11?

Things Suck

According to the U.S. Bureau of Labor Statistics, the national unemployment rate this past season was 9 percent. Public debt has climbed to \$14.58 trillion, putting it over the \$14.53-trillion size of the U.S. economy in 2010. Recent economic reports have shown weakness in everything

from consumer spending to manufacturing. Suggestions of a double-dip recession have run rampant in the news bolstered by factors such as a decline in the stock market, low housing prices and debt troubles in Europe. And local economies can be a volatile mixed bag; California has the highest unemployment rate in the nation yet the greatest degree of job creation.

Political protests are taking place in countries where such activity is outlawed at the same time the Occupy movement is reaching around the globe. While the protests might not coalesce around one specific theme, the protesters' demands to be heard indicate we are experiencing a break or "generational shift" from a society oriented around a late capitalist form of production to some new model where the elite have less control over the rest of society. The protest movement is demanding we reshape the way we think and embrace new—or new-again—values. Whatever positive indicators the next few months might bring, things at home and around the world are shifting rapidly.



American Apparel and other companies are committed to domestic manufacturing at a time when the phrase "made in America" isn't heard as often as it used to be.

American manufacturing has been in decline since the 1970s, a period that has seen the expansion of free trade and globalization. According to the United States Bureau of Labor Statistics, U.S. manufacturing employment has dropped by roughly 34 percent since 1970, equivalent to 6 million jobs. Between 2001 and 2009, the U.S. lost over 42,000 factories and 38 percent of factories that employ between 500 and 999 employees.

As a major sector of the economy, manufacturing has been bleeding.

As a major sector of the economy, manufacturing has been bleeding. In the mid-'60s, manufacturing supported 53 percent of the American economy. By 1988 it was down to 39 percent, and by the first decade of the new century, it accounted for just 9 percent, obviously with significant associated job losses. Some major firms that have laid people off last year—though not necessarily due to job relocation—include Lockheed Martin, Merck & Co., Cisco Systems, Research in Motion, and Borders. Boston Scientific has let American jobs go and increased employment in China. Even Pfizer is cutting American research-and-development positions.



In the 21st century, large factories are far rarer than they were in the 1970s.

What happened? Domestic manufacturing is inextricably bound up with the development of the United States. Not only was it an economic practice, but it was also an iterative, productive aspect of American culture. "Made in America" was largely taken for granted and expressed with more than a bit of patriotic pride as recently as the '80s. It was closely bound up with Cold War culture and Reaganomics, and just as quickly as the U.S. had to transition into post-Cold War politics, domestic manufacturing had to co-exist with the rapid emergence of large-scale post-industrialism.

This went largely unnoticed in daily life because Americans still had plenty of things to buy from the same old brands. Now, post-9/11 and well into the 21st century, people are feeling the loss of manufacturing jobs more acutely but don't understand how it came about. Perhaps this is because it happened rather gradually, with each year after 1970 showing a steady loss of manufacturing jobs. Perhaps the decline was too gradual and too hidden among other pressing economic matters to make people and their government sit up and take notice.

For many, there is now a bit of a knee-jerk reaction—"Oh, shit! We've gotta start making stuff here again!"—but no attempt to understand how that culture of domestic industry was eroded, why nobody noticed the process, and why we are now somewhat compelled to notice standout companies that have chosen to go against the tide by setting up shop at home and stamping "Made in America" on their products.

The rationale of the American Reinvestment and Recovery Act of 2009—the stimulus package—is derived from Keynesian macroeconomic theory. Controversial and contributing to the debt-ceiling crisis of 2011, the final "conference version" amount was set at \$787 billion. Of that, a tiny amount was earmarked for small-business development or incentives for manufacturing. The problem with the stimulus package is that it attempts to inject capital into a system that is no longer sustainable or functioning, and as such, it's a temporary solution to a problem that won't go away. It doesn't stimulate production, which is necessary if one wants to have something on which to spend. The fact that post-stimulus spending hasn't nearly met estimates speaks to this.

The doom-and-gloomers see job losses and claim the demon is outsourcing and globalization. They claim, as a consequence, Americans will get poorer, and the average American's standard of living will decline. Free trade is often seen as the enemy, too—as if a large group of humans could get everything they need from within a set of physical borders; take gasoline, for example.

The economy is not that simple.

Despite this rather challenging economic climate for domestic manufacturing, some U.S. producers are thriving in the current economy.

Proponents of globalization argue that freer access to foreign markets and cheap labor increase corporate profits and benefit the U.S. economy. While this may be true in the short term, it ignores the fact that America's wealth and technology are slowly migrating to other nations. Once new technologies have been developed in the U.S., offshore producers can invest in advancing these technologies and take the lead in their future development. According to Scott Paul, executive director of the Alliance for American Manufacturing, "When you separate the production from the innovation, the innovation leaves. It goes, and it goes where the production is." Organizing a manufacturing process with design and innovation in the U.S. and labor sourced elsewhere is a death knell for R&D. The future for U.S. domestic manufacturing is in innovation and technology, and research and development in these areas cannot be physically separated from the production that is its result.

Many companies have moved most or all of their production abroad. India and China are emerging markets. China, for one, is graduating thousands of engineers every year, an educational sector on the decline in the U.S. In fact, there are many vacant positions for trained, skilled workers in the U.S., and the jobs remain unfilled. However,

the standard of living is rising in China and other countries in Asia and Southeast Asia, causing some manufacturers like Jarden Corp. to return to the U.S.

There is more to this picture, and cheap labor is not the only villain.

Despite this rather challenging economic climate for domestic manufacturing, some U.S. producers are thriving in the current economy and making a difference by creating jobs, providing a stimulus to communities, and perhaps pointing a way out of the recession. Among all the bad news can be found signs of optimism and recovery. Many economists feel we are in the midst of a "crisis of confidence," and confidence can shift upwards again if the economy starts to show signs of steady improvement.

One economic indicator that's providing optimism for some is found in domestic manufacturing, which in many cases is as important to patriotic pride and the more ethereal economic drivers as it is to hard numbers on job creation, employment and GDP.

"Amid a lackluster economic rebound, the manufacturing in this country has, for the first time in decades, seen an unlikely boom," Stephen Gandel wrote on May 16, 2011, in the *Curious Capitalist* article "A surprising jobs recovery: American manufacturing is back."



Can it still be made in America? Some companies say yes.



Rogue Fitness of Columbus, Ohio, now employs 65 people and fabricates strength-and-conditioning gear stateside.

It makes sense to provide for established and emerging needs by producing proportionally more at home. The critical factor is the degree to which the needs are considered, developed and continually renewed. The two areas singled out in the stimulus package are \$400 million for electric-car technology, and \$2 billion for the manufacture of "advanced car battery systems." That's a tiny fraction of the package's provisions but is encouraging nonetheless. Innovation in emerging and meaningful aspects of technology calls for testing, development and production—at home.

Going Rogue

Rogue Fitness is well known by those in the CrossFit community. Indeed, someone new to the program just might encounter Rogue gear before learning much about CrossFit itself.

For the uninitiated, Rogue Fitness is a designer, manufacturer and retailer of made-in-America strength-and-conditioning equipment. It's also a CrossFit affiliate,

a sponsor of athletes, and a sponsor and supplier of the CrossFit Games to the tune of 20 people and nine semi-trailers of equipment at the Home Depot Center in 2011. Rogue just celebrated its fifth anniversary in fall of 2011, and in those five years the company has gone from one employee to 65 people now employed in their premises in Columbus, Ohio.

In Rogue's September newsletter, owner and founder Bill Henniger noted how the five years began with a sleep-in-on-the-floor start, and Henniger attributes much of Rogue's success to his experience working in factories, apprenticing under a generation that "didn't accept defeat." The experience of that time taught him that the bottom line in business is job creation and the value of his people. Rather than measuring his success in ways that can be immediately monetized, he gauges it in terms of jobs. If you're unclear on the connections between the national economy, job creation and local manufacturing, spend some time talking to Henniger.

"Without manufacturing, there is a broken chain of events in our country," he said with reference to the February 2011 Rogue newsletter. "An American-made barbell, for example, is a steel shaft made at a foundry, which employs not only steelworkers but also all those who work for the secondary companies supplying that factory. Machinists then machine and finish the assembly of the bar. The equipment seller in turn employs the sales and warehousing staff. If a barbell is imported, the customer sales and warehousing staff will have jobs, but it's easy to see that these two models have very different effects."

Quality control and innovation go hand in hand at Rogue. What's interesting about its method is that it, too, is constantly evolving; Rogue's methods of production are inherently innovative due to open-source use of feedback channels. Sharing design prototypes with the world is not the way most companies think of improving their products. If difficulties arise, it doesn't matter; on balance, feedback is the only way they advance their work.

"So far, having everyone involved in the Idea Factory has worked, and I can't see it happening any other way. Regardless of when we bring out a prototype, someone will copy it in some respect. We are not reinventing the wheel but are putting a new-school spin on old-school equipment. For the most part, the input and feedback that we get from Facebook and the message board are essential to the evolution of our equipment," Henniger said.

Indeed, there can be perils associated with ignoring feedback.



Owner Bill Henniger measures Rogue Fitness' success in terms of jobs created.

"I like the example of the Pontiac Aztec," Henniger said. "If you have never seen it, it's very ugly. Pontiac refused to listen to anyone that said it was terrible and pushed it on the public. Big-time fail there, and I think it's unnecessary. We learn everything we need to know from the community, from a T-shirt that may offend to a specialty bar that may hurt someone.

"The issues facing these large manufacturers result because, in fact, they got so large they quit listening. They built cars that people didn't want and told people that quality problems are the norm. With today's economy there is no excuse; you have to figure it out."

One of the benefits of feedback and making your stuff at home is that the movement from initial concept to final sale and beyond can be extremely efficient.

Building relationships in the Internet age means posting daily and asking for feedback. As of press time, 44,813 people like Rogue Fitness' Facebook page.

Rogue, of course, is closely linked to CrossFit: Rogue's gear, and that of other retailers, is used in many CrossFit workouts. And CrossFit, now featured on ESPN2 and appearing in *Men's Health* articles and Reebok commercials, has been an open-source fitness program since the workouts started appearing on CrossFit.com in 2001. CrossFit's "post results to comments" mode of taking in new information, and its affiliate model where individual gym owners are free to experiment and implement best practices, has positive benefits, it would seem, for the manufacturing process.

"For the most part, our business was built upon word of mouth and our involvement with CrossFit," Henniger said. "We never want to grow so big that we can't stop listening to people. That is what drives my team to excellence. It may look easy, but the work it takes to do the common uncommonly well weeds many out."



Rogue integrates the CrossFit community into its design process by having athletes and customers test new equipment and provide feedback.

One of the benefits of feedback and making your stuff at home is that the movement from initial concept to final sale and beyond can be extremely efficient. According to Henniger, the manufacturing process at Rogue is streamlined.

"The part that is pretty standard is safety testing; everything else is moving fast and breaking things. We design the product, test a ton and then launch."

The CrossFit community has been participating in the design process and the testing of Rogue gear from Day 1. Rogue tests new products in its facility for extreme case failure, and from there the gear is sent to their HQ training facility so it can really get worked on. They then send out three to five units to people through Facebook, to Rogue-sponsored athletes or to existing customers to give products the final assault. Assuming a product makes it through these trials, Rogue launches it.

Henniger has noted that "building capacity" is critical to his business's growth. Other than his new 15,000-square-foot facilities in which he literally owns his own manufacturing and welding processes, there are other conscious ways he builds his capacity. In this regard, he echoes many

frustrated would-be employers: "The hard part is finding good people. From the beginning, we have had to invest in people, in training them, in paying them a salary. And that was the best thing we ever did."

Rogue also actively seeks out entrepreneurial people who have become experts in their niche. Ian Maclean and Kris Warner are both part of the Rogue team but began by supplying its store. Rogue also works with Rob Orlando's stone molds, Steve Slater's logs and Chuck Rumbley's Hi-Temp bumpers.

"These guys have a passion for what they do, and their equipment doesn't come via shipping container," Henniger notes. "If you want to make plyo boxes, then you should find people that understand design first and wood second. These people are not all that common, but if they are successful by working with us, then they will continue to provide new and creative products for us to carry."

Despite his success building boxes, squat racks, pull-up systems and other products, Henniger has noted that it's nearly impossible to manufacture shoes in the U.S. Yet he notes that with the demand created by CrossFitters, it might even be possible to "light-switch a shoe factory."

Rogue has some definitive ways to think about what it means to do business. At first glance it might seem that its approach is traditional and old school, advocating a return to some of the practices of generations past: emphasizing the significance of employees, investing in training, focusing on hard work. Yet in many ways Rogue is forging new paths for domestic manufacturing. Rogue's commitment to innovation through testing like mad is evident in its process, and the way the company views its bottom line in terms of job creation rather than profitability points to a new, post-capitalist form of currency.

Henniger's commitment to domestic manufacturing also extends to the products he buys.

"We print our T-shirts only on American Apparel, and I wear Oakleys that have been made in the U.S.A.," he said. "You can tell the quality of something that has been made in the U.S.; it looks and feels American. Some things are tough to get made in the U.S., but it won't stop us from pursuing them."

Oakley: Innovation

As Oakley's web editor Danny Evans so eloquently puts it on Dannyevans.com, the company's internal mission statement can be summed up as, "We make cool s—t. F—k you."

Founded in 1975 in Southern California, Oakley Inc. designs, manufactures and distributes products such as sunglasses, prescription lenses and frames, goggles, apparel and accessories, bags and packs, footwear, and watches.

Oakley understands the importance of keeping research and development in close contact with production.

Known for trailblazing innovation and high quality, Oakley continues to make its home base in Foothill Ranch, Calif., where it employs most of its staff. Holding more than 600 patents and 1,100 trademarks globally, Oakley is a design-driven company that aims to create—like Apple—not those products people want but those products people will want. Oakley also operates more than 145 retail stores worldwide. The company went public in 1995 (NYSE: OO) and as of 2007 is no longer American owned.



Oakley's headquarters building in California looks exactly like you would expect it to look.

In recent years, with rapid growth and a sale by owner and founder Jim Jannard—to the Italian luxury eyewear manufacturer Luxottica in a cash deal worth \$2.1 billion—foreign ownership is guiding Oakley in a different direction. With its new international approach, Oakley continues to prosper. In 2010, Oakley led Orange County in job growth among the largest foreign-owned companies by adding nearly 450 jobs for a total of 2,110 workers at the Foothill Ranch-based company.

Oakley understands the importance of keeping research and development in close contact with production. Oakley's innovation and dedication to developing new cutting-edge products is extremely unique in its field, though not all Oakley's products are manufactured in America. The company recognizes, however, that in order to maintain exacting standards of quality, the eyewear must continue to be manufactured at the source of the ideas. All design, research and development, as well as a large part of eyewear manufacturing, continue to take place in Southern California.



With design and R&D located together, innovation is encouraged at Oakley.

Having the design, research and development work in one location allows for rapid prototyping and testing, providing Oakley with the ability to craft products exactly as desired. This drive to produce highly evolved, high-quality products requires Oakley to design its own machinery, build its own parts, and to even develop new mold processes. According to Oakley's CEO, Colin Baden, "There are no machines on the planet that can make our products the way we want them. We are forced to make the machine that makes our products."

As with Rogue, many of Oakley's products are created in close consultation with its athletes, providing input for the development of new products as well as rigorous testing. Through a relationship forged by providing protective eyewear to the military, Oakley designed tactical performance footwear and tactical assault gloves for the U.S. Special Forces, and the equipment is now standard issue.

That's a far cry from the early days. Oakley was famously started by Jannard in his garage with an initial investment of \$300. He then sold the grips he'd made out of his trunk at racing events. According to Jannard, there is a strong relationship between Oakley's success and the pursuit of excellence.

"It's a really good recipe. Do good work ... and it's hard to fail," he said in a *Los Angeles Loyolan* interview published on Nov. 17, 2011 ("Oakley, Inc. founder inventor of Red Camera Jim Jannard visits LMU," by Luisa Barron).

The company sees itself as heir to an impressive legacy of American innovation and technology booms. A visit to Foothill Ranch makes that pretty clear.

The publicly accessible areas flow together to form an art gallery, museum, retail store and archive. At the main entrance roundabout sits a war-era torpedo, followed closely on entry by three ejector seats arranged like quiet sentries. Further inside in the main gallery is a soapbox racer emblazoned with the rather cryptic words "dedicated to purpose beyond reason" and the not so cryptic image of a Gibson Girl-type straddling a bomb. The objects' reverent placement and arrangement indicate the significance of the pieces as works of art: the iconic, made-in-America technological advances of the past. This is the legacy inherited by Oakley designers. And they're reminded of it every day when they arrive at work.

The gallery contains now-iconic artifacts tracing the trajectory of Oakley's development from the earliest days, the idea of art and science combined in service of an end use. In Oakley's case it's an important use: there is a level of expectation of product quality when someone's life hangs in the balance.

For the rest, the clothing, bags, etc., the increased scale and need for market share carries with it the seemingly inherent need for sales of peripheral articles not manufactured in the U.S. As critic Christopher Ketcham has noted in "The curse of bigness" in the March/April 2010 issue of *Orion*, size can be negative, with "too big to fail" being part of a mentality that's linked to a "corrosive and counterintuitive ideology."

As for Jannard, what came after he sold Oakley? He founded Red Digital Cinema Camera Company, which to date produces three digital cinematography cameras that have changed the way some very prominent filmmakers think about making moving images.



"We make cool s—t. F—k you." —Danny Evans

American Apparel at Home in L.A.

Like Oakley, American Apparel has navigated waters muddied by the effects of getting big and, unlike Oakley, of having a rather eccentric founder. The company's dogged pursuit of innovative production methods is at the heart of its business.

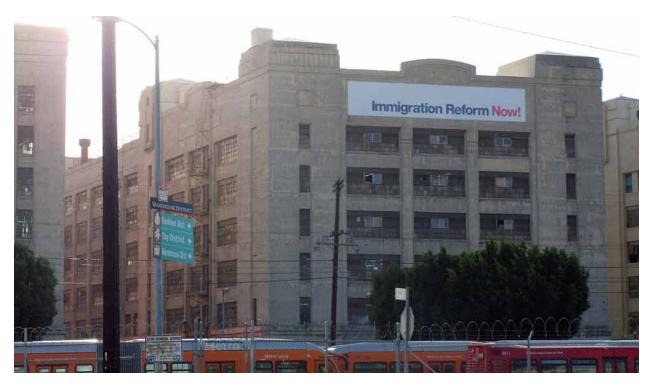
American Apparel Inc. is a publicly listed company on the American Stock Exchange with market capitalization in excess of \$450 million (AMEX: APP). With the exception of retail outlets, it is based exclusively in downtown Los Angeles in 800,000 square feet of space. This proud and purposely made-in-America clothing company is a basics garment manufacturer, distributor and retailer employing roughly 10,000 people globally. Approximately

5,000 people work in the Los Angeles premises, making it one of L.A.'s largest employers. The company operates the largest garment factory in the United States and is known not only for its provocative advertisements and its controversial founder, Dov Charney, but also for its unique business approach.

At a time when most apparel production is occurring overseas, American Apparel has created what it calls in its own literature and ads an "industrial revolution."

At a time when most apparel production is occurring overseas, American Apparel has created what it calls in its own literature and ads an "industrial revolution." By performing all designing, knitting, dyeing, cutting, sewing, photography, marketing and distribution functions out of the company's facilities in L.A., the use of subcontractors and offshore labor is eliminated. Products are shipped to and sold at the more than 280 American Apparel retail stores across the globe, allowing the company to furnish the stores with the right merchandise at precisely the right time. In addition to retail stores, American Apparel also operates wholesale and online distribution channels, supplying screen printers and other similar distributors. The "vertically integrated" business model is extremely efficient and allows for close collaboration among departments and the rapid evolution of ideas to products.

For U.S. clothing manufacturers, vertical integration represents a big innovation. Because all American Apparel merchandise originates from a single location, there are efficiencies in shipping and a liquidity of merchandise that are unavailable to other retailers. In the typical model, merchandise is produced and shipped from a number of different countries around the globe, each with its own trade and shipping regulations. The process of managing inventory and keeping the American Apparel stores adequately stocked is streamlined without red tape written in a host of different languages.



The American Apparel factory in L.A. is a rarity in a clothing industry that has migrated out of the United States.

According to founder/CEO/majority shareholder Charney, combining all the company's operations from design to distribution under one roof is more cost effective and efficient, regardless of scale. The time it takes to go from having a new idea to having something in stores can happen in a matter of days.

"You can design it on a Monday, cut it on a Tuesday, sew it on a Wednesday, and have it in London by the following Monday," Charney said on PBS in 2006.

If you discount several sexual-harassment lawsuits (no allegations were ever proven), American Apparel treats its employees well. The company trains them and retains them. Benefits include medical, dental, vision, meals, ESL training, productivity bonuses and a medical clinic. In January 2008, factory workers were granted \$25 million in stock.

Still, the garment manufacturer has faced other challenges. In 2009, it was forced to lay off nearly 1,600 employees due to immigration reforms. Many of the casualties had been with the company for close to 10 years and had developed skills that had allowed the company to produce 800,000 garments per week while keeping prices competitive with imports.

The proclivity of the founder toward a legal and moral edge beyond which most wouldn't go is a matter of public record, as is his "contrarian" leadership style. The company's advertisements are controversial, deriving as they do from Charney's desk and not an agency, which would likely play it much safer. Charney lets the world know what he thinks through his advertisements and the banners that adorn his buildings, and controversial as they might be, you can identify an American Apparel ad even without seeing any text.

A visit to the factory is a blast; the sheer scale of the operations is immediately apparent and quite impressive. Two seven-story, large-scale industrial buildings, sitting side-by-side and adjoined by walkways, comprise the premises. With just the right amount of room in front and in between them, the buildings are monolithic twins simultaneously reminiscent of both a sacred space and the traces of American industry of the past. This is the company's work of art, a monument to the processes of the human activity within. The banners slap you out of it, however, calling to mind Jenny Holzer Truisms.

It's Charney's history of entrepreneurship that's the most revealing. As a child born in Montreal, Que., he received public attention for his efforts to sell rainwater in jars and newspapers he'd created. While still in high school, he imported T-shirts (a lot of them) and sold them to fellow students while developing a deep admiration of Americans. As with many Canadian boys his age, that passion came to center around California and girls, girls, girls.

Eventually Charney figured out—by doing it—that he could make both the shirts and the process better by creating the garments himself. He had drive and perseverance and didn't give up even after filing for bankruptcy. He had a vision that a common T-shirt could be reconstructed to have a better fit, a better edge and a sexier line. Clearly, he knew someone would agree with him.

Blue-Collar Values

In *Great by Choice*, Jim Collins outlines a "recipe" for success in any endeavor: be "specific, methodical and consistent." And adhere to the recipe with "fanatic discipline," "paranoid production" and "empirical creativity."

Perhaps this sounds simplistic, but it's actually even simpler than that.

Companies like Oakley, Rogue and American Apparel, like CrossFit, don't come out of nowhere. They come from the same place: the philosophy and mentality of those people who create innovation and blaze trails with new products that meet evolving needs.

In practice, this translates into behavior that can be described as hard work, perseverance in the face of adversity, and the ability to get up the next day and do it all again—repeating ad nauseam. Innovative people care deeply about the product they're producing, they believe passionately in the necessity of that product, and they care about the people with whom they make it.

Some worry that the entrepreneurial spirit is mostly dead in the current economic climate, when disposable income is rare, debt levels are enormous and credit is difficult to obtain, but it would seem that's far from the case. The impetus is there: "Today's ideal social form is not the commune or the movement or even the individual creator as such; it's the small business," William Deresiewicz opined in *The New York Times* in "Generation sell" on Nov. 12, 2011. He was referring to a phenomenon of youth culture to see just about everything as having an identity that can be marketed and branded, but he's onto something.



Will domestic manufacturing return in the 21st century?

"Our culture hero is not the artist or reformer, not the saint or scientist, but the entrepreneur," he wrote. "Autonomy, adventure, imagination: entrepreneurship comprehends all this and more for us."

Earlier I mentioned that it's hard enough to create a job for oneself. But the bottom line is that doing so might be thought of as "financial fitness" for a family and for a nation. Investment in small businesses that produce things we need is an area in which the country should expend some energy.

For my part, I'm not worried about Americans. Ingenuity and entrepreneurship are part of the human condition for which Americans seem to have an abundance of enthusiasm. Perhaps it's pioneer spirit bred in the bone, but the nation has always attracted people with these qualities.

I asked Bill Henniger about the connections between fitness and success in business.

His reply was succinct:

"In short, without hard work there is little result."

Author the Author

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