

MERGERS & ACQUISITIONS



3Qs With...

Paul Golden, founder and managing partner of Schilling Ventures

By Anthony Noto
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With your background in manufacturing, what direction do you see the sector heading?

I'm one of those folks who believes we're seeing a renaissance of manufacturing in the U.S. We've done a great job in marrying specialized automation with highly-skilled and flexible motivated employees better than anywhere else in the world. With all of the political risk you have in emerging markets, there's no stability and people have become a lot smarter in taking those elements into consideration when manufacturing their product. (See "10 Bright Spots in Manufacturing M&A," on page 26.)

Do you see the manufacturing shift to China slowing down?

China still has a major wage gap, but it's shrinking. And there's nothing to suggest it's not going to continue happening. It becomes effective because they're less productive than U.S. manufacturers are with labor. Manufacturers in China have been dealing with workers demanding wage increases-some 20 percent, and others in the 40 percent range. The automotive sector has been the most vulnerable. Several Honda suppliers or component manufacturers have gone on strike. It also happened to Toyota and GM.

What emerging markets do you suggest for manufacturers?

South Africa is a good spot for manufacturing, particularly if you're a private equity firm of any real scale north of a billion-dollar fund. There's so much cash coming out of the Middle East, it is hard not to have a presence there. You can spend a fair amount of time in Dubai and other stops in the Middle East, because if you don't, you'll end up paying top dollar to bankers to make introductions.