How Global Should Your Supply Chains Be?

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Executive Briefing: The starting point for determining global leverage and achieving maximum total value in global supply chains is to address three basic questions: (1) How global is our industry? (2) How global should our strategy be? (3) How global should our supply chains be? With global supply chains forecasted to increase their strategic influence on companies' performance from 21 to 25 percent in 5 years and the need for today's supply chains to become 43 percent more global in the next decade to stay competitive, we offer nine guidelines for managing global supply chains to help companies reach this increased strategic focus and globalization of supply chains.

Supply chains need to be a lot more global, and soon!That's what many executives think. But how global?

No matter where we are born and grow up in the world, we are taught at a very young age to organize our daily lives into smaller pieces, often in a sequential way based upon time increments. The instruction most often is carried out in an informal manner over a period, first by our parents and elementary teachers, then perhaps by sports coaches, music instructors, and other activity leaders.

The idea is that breaking down projects and undertakings into component parts or simple steps will make us focused, efficient, and effective in completing tasks. Sometimes we refer to this as "division of labor." The desired result of creating division procedures is to complete each step fully with quality and speed, to achieve an optimal outcome that we value. In a way, we are all taught to be operational in our daily lives, whether focused on family life, work life, or sports life. What about the bigger picture, though, where we can see and achieve vital leverage?

Clearly, all elements of a task, every meeting in a day, or even each morsel of food on a plate are not equally important or interesting. So what do we do? We typically make calculated or even intuitive judgments to focus more heavily on one part of a major task. We make assumptions about a meeting's importance based on the number of people in attendance. And we eat the food on the plate that we like but which may not give us appropriate energy to carry on tasks we intended to do that day. In essence, we all develop a personal operational scheme for accomplishing things in our lives.

Whether we realize it or not, we intuitively develop a strategy for our lives based on trial and error of where we have been and what we hope to be involved in. This does not mean that we do not have bosses at work (or at home!). It simply means that we take all aspects of our lives into account – often indirectly and intuitively – and form a "strategy" for how to be a global citizen, even in our particular corner of the world.

In contrast, people and organizations involved in global supply chains – all the linkages, resources, and connecting points – do not have the luxury of this level of daily oversight and cannot be involved in all aspects of the full global supply chain. Rather, supply chain professionals are generally involved in just one or a few links and connecting nodes of global supply chains, potentially with some influence and input over other parts.

> *Global supply chains should be run as total value systems, not as a chain of individual connecting nodes.*

Now, like people, global supply chains are "total value systems" that work best if all aspects of the chain (e.g., links, resources, connecting nodes) are strategically leveraged. For the global supply chain, the idea is to work toward helping the total chain to succeed, not toward maximizing the success of an individual organization in the chain. At the same time, we still want companies involved in global supply chains to maximize their value from being a part of the chain. However, strategically, such efforts should be at the forest level, not at the level of the trees!

To yield optimal results, executives need to do away with the illusion that supply chain management in the global marketplace is purely a task-oriented, sequential "chain" of operational activities combined into a whole after the chain is completed. Strategic global supply chains are not dime-on-the-dollar production operations outsourced to a low-cost country. The best-value global supply chains are those that strategically leverage the inbound and outbound (or upstream and downstream) operations from raw material to finished products reaching end-users. The use of critical leverage points, total cost analysis, alignment with industry globalization drivers, and combination of global supply chain systems within corporate strategies become the emphasis.

Global supply chain management, then, is not the additive utility of its functions (e.g., logistics, purchasing, operations, market channels) or the individual companies in the chain. Rather, first, it is the integration and coordination of the strategic leverage points embedded in those supply chain functions. Additionally, we must consider the companies, activity links, and resources throughout the chain. What we need is better understanding, developing, and implementing of the core leverage points throughout the complete global supply chain, involving all critical entities (e.g., suppliers, partners, agents, buyers, customers). In many cases, a second-tier supplier can be as critical to the total value offered in the chain as a retailer is. Leverage points are leverage points for a reason; they need to be strategically identified, analyzed, and used. This means that global supply chains have to be developed and implemented to be both operational and strategic.

Global supply chains will increase their strategic influence on companies' performance from 21 to 25 percent in 5 years.

In global supply chains, the starting point for determining global leverage and achieving maximum total value is to address three basic questions:

How global is our industry?
How global should our strategy be?
How global should our supply chains be?

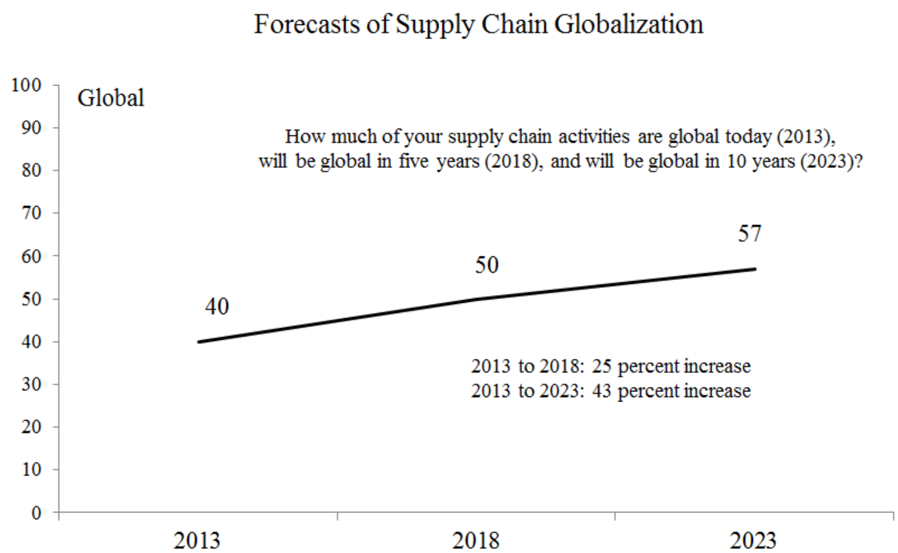
These three questions provide the global strategy perspective to supply chains and the foundation to think strategically about the chains. The questions highlight a logical but often overlooked fact. Virtually all industries have aspects that are global or potentially global. The same goes for strategy – it can be more or less global in its different strategy levers. An industry is global to the extent that inter-country connections exist in the industry.[1] A strategy is global to the extent that a company synthesizes strategies across countries and/or regions.

Today, global supply chains explain roughly 21 percent of a company's performance, and the prediction, based on available data, is that it will be 25 percent in five years. Today, companies such as ABB (22 percent of ABB's strategy is tied to its global supply chains), Amex (16 percent), AB InBev (21 percent), ArcelorMittal (21 percent), Cemex (15 percent), Dell (23 percent), FedEx (14 percent), Daimler (13 percent), Microsoft (19 percent), Nestlé (21 percent), Nokia (21 percent), OMV Group (17 percent), Siemens (22 percent), Skandia (19 percent), Swatch (18 percent), and Unilever (21 percent) are acutely aware of the importance of global strategic supply chains for the worldwide performance of their businesses.

Given this strategic importance of supply chains, one may think that ideally global companies would be able to develop and implement an extreme global supply chain. This would be where each major activity (e.g., R&D, design, raw material sourcing, production, marketing) would be located in a different country where the comparative advantage was the greatest for that particular element of the chain. On the flip-side, perhaps in a perfect world for very domestic-centric consumers, each global company would establish all operations in each country in which it sells products, basically operating a fully constituted multi-local chain. Neither extreme is of course going to result in sustainable performance. Instead, all global supply chains need some level of redundancy built in.

Today's supply chains need to become 43 percent more global in the next decade to stay competitive.

So, what are the key issues to consider when locating global activities to make up the strategically oriented global supply chain? The answer is to combine strategic (company) and comparative (country) advantages when evaluating the global location of value-added activities. Reaching a logical decision that considers strategic and comparative advantages takes careful attention to strategic alignment between industry globalization drivers and global supply chain strategy, along with careful integration of strategic advantages and knowledge of the company. In effect, if a company tries to globalize its supply chains more than the globalization drivers warrant for its industry, the company has to be a part of educating the marketplace about appropriate globalization efforts, their products, and consumer channels. On the other hand, if the company does not globalize to the extent that globalization drivers in the industry warrant, it is likely to fall behind since it is not taking full advantage of the value-added advantages that can accrue through globalization. And, importantly, we are not talking about what the average company in the industry does; we are talking about what the industry can support in terms of the drivers of globalization in that industry.



Global strategic alignment is fluid over time. What works today may not work tomorrow, and what is viewed as a position of strength in global supply chains today may be a position of weakness in a few years. Therefore, it is incredibly important to have the pulse on the right amount of globalization of supply chains to be able to leverage them effectively. It is all about the value-added identifiers at each step of the process relative to the cost endured. Cost, in this sense, is also the expense of not improving or changing by leveraging the

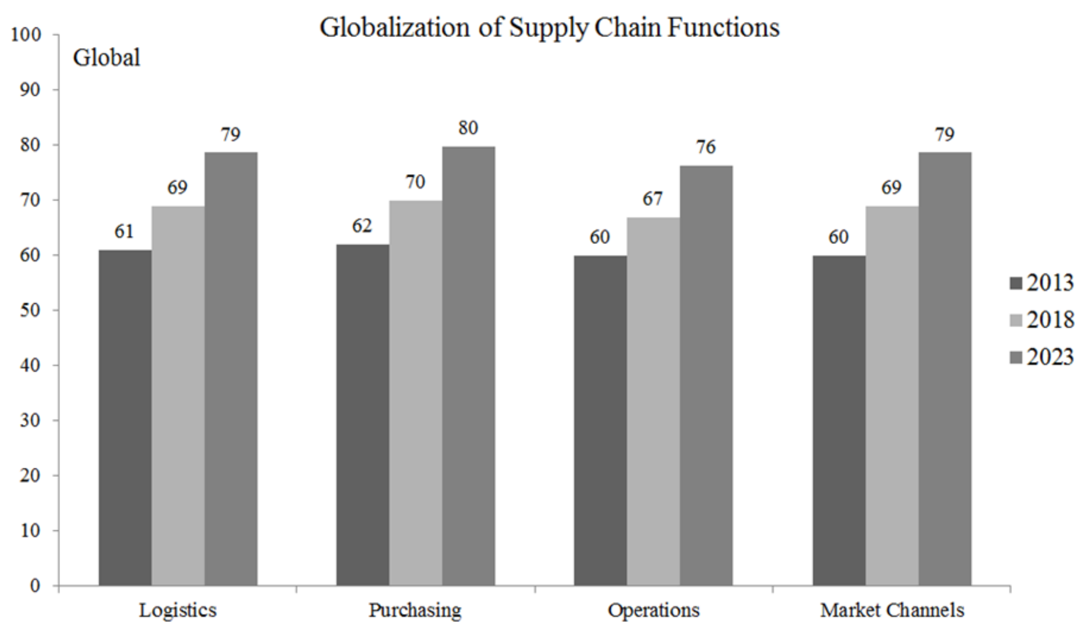
global supply chain. For example, based on our benchmarking, we know that companies need to globalize their supply chains by 25 percent more than they are today by the year 2018 to result in the same value leveraging as in 2013. The chains need to be 43 percent more globalized by 2023 than they are in 2013 to achieve the same value-added leverage from the perspective of a total chain analysis. But achieving 43 percent more globalness will take strategic efforts of leveraging by companies.

Leverage, however, is both a function of a total chain perspective – from raw material to end-consumer products – and a fully coordinated effort within the company with respect to the core supply chain functions of purchasing, logistics, operations, and market channels. Each supply chain function is different, and each function should strategically be globalized differently. For example, it is mission-critical for the global company to create a boundary-spanning role between internal and external parts of the supply chain. This often involves connections in the main boundary-spanning role with external suppliers (inbound portion of the chain) and connections in the main boundary-spanning role with external customers (outbound portion of the chain).

The key functions of a global company's internal (purchasing, logistics, operations, and market channels) and external boundary-spanning activities (suppliers, customers) can be illustrated in a global supply chain framework that has purchasing as the critical link between suppliers and the manufacturer. This effectively starts at the very outbound portion of the chain and links manufacturers in the middle of the chain. Market channels link manufacturers to the end-customers on the far outbound side of the chain (sometimes also called marketing channels). Meanwhile, logistics and operations function throughout the chain to support and provide added value. Our article rests on this basic supply chain framework.

Importantly, as we said before, global supply chain strategy can be more or less global in its different core functions of purchasing, logistics, operations, and market channels. The key, however, to gaining global leverage and to ensuring that value is added, especially when costs are added at each node or activity, is to be able to engage globally. Again, this also means that each core function in the global supply chain need not be equally global or contribute equally. Instead, we advocate alignment with the ideal degree of globalness supported by the structure that exists worldwide for each function. It is all about leveraging strategic advantage (company) with comparative advantage (country) to assure achievement of the greatest total value and each cost scenario for the entire global supply chain.

As with almost any business function, the expectation is that improvement, economies of scale, and better knowledge will be a part of the timeline. What makes you successful today is likely not going to be sustainable in perpetuity. As such, we need to understand where we are today in globalization efforts for each supply chain function and where we need to be in the future, planning accordingly. Based on our benchmarking, the function of purchasing is slightly more globalized (most likely via worldwide sourcing efforts that many companies engage in) than the other core (internal) supply chain functions.



Global Trade and Global Supply Chains

By some estimates, 90 percent of today's global demand is not fully met and satisfied by local supply. Or, stated differently, nine of ten products you buy in your local metropolitan area come from somewhere outside the general reach of that area. This incredible supply chain storyline is backed up by today's global trade numbers. International trade across countries' borders has increased dramatically in the last few decades. This means that the global marketplace is highly dependent on global supply chains to provide the buying and supplying infrastructure that the world has come to depend on these past several years. In essence, the incredible growth in world trade observed over the past decade is driven largely by the effective development and implementation of global supply chains. No wonder companies today are expecting their supply chains to have to be 43 percent more global in a decade to satisfy the forecasted curve on the international trade graph.

This begs the question: Has your company kept up with the globalization of supply chains, and will you be able to leverage your chains to increase their globalization by the predicted 25 percent in the next 5 years and 43 percent in the next 10 years? If not, you are likely to fall behind and your company risks losing its competitive edge. What is even more important is strategically leveraging global supply chains; that is, you should incorporate supply chains into overall corporate strategy to leverage them as much as products, market participation, marketing, and competitive moves are used to achieve global competitiveness.

Global supply chains are critical for the new breed of companies that are becoming major players in the global marketplace. The old blueprint of first serving one or a small set of countries using a diversified conglomerate approach is left to a select few companies in each industry. Some say that no more than three companies can and will fit this "past reality" blueprint in the future.[2] Instead, the emerging reality is that companies will develop much more around focused businesses that go global early after inception or early after reconfiguration and then thrive in a globally integrated economy.

To that extent, the major competitor of the past – which could be seen from miles away because of its domestic and global footprint – is not the main threat anymore. The new threat is the company that uses global supply chain strategies to get its product out effectively in a globally integrated economy to a large number of customers. This company does so with more limited product lines and product assortments than the massive conglomerates we were accustomed to in the past. Where large companies in the past had sophisticated global supply chain infrastructure, now small and nimble global companies leverage supply chains to reach larger numbers of customers in more global markets than ever before.

This is all about what makes companies unique, and unique comes in all forms. Consider this restaurant interaction: one minute surrounded by friends, the next minute standing alone at the bar. A woman walks up and without hesitation asks, "What makes you unique?" The normal pattern of introductions or even a common icebreaker does not happen. Instead, "What makes you unique?" opens the dialogue. True story as it may be, we will leave the finer details of that bar interaction, but think about the question. "What makes you unique" is really what it is all about in global supply chains. We take a number of people, working for a number of organizations, with access to a number of resources, and then we create a global supply chain. The intention is to make the chain competitive in the marketplace, preferably emphasizing core competencies that can sustain the value-added features in the chains and maintain the competitiveness for some time. We stress a total value system.

Every node, activity, and resource used in global supply chains should result in value being added to the chain in the sense of a reduced total cost, not added cost. This also means that being vertically integrated to exercise more control in global supply chains is not helpful if it results in reduced effectiveness. Similarly, involving additional companies in the chain without seeing a true value-added benefit creates trouble not only in providing total value from the full global supply chain but also in terms of having extra layers and linkages that require coordination, integration, and investment. These result in additional cost centers. The total value analysis of global supply chains is a strategic, somewhat dynamic, and continuous process.

Global supply chains thrive because they coordinate and integrate the best that the globe has to offer to provide the greatest value possible to the system. Companies demand it, supply chain members demand it, and customers demand it. This takes global competence on the part of companies, their employees, and their supply chain partners. Our customers are global, and they demand global solutions to their local and global needs. Most of all, they demand value. That value has to be sought in developed markets, newly industrialized countries, emerging markets, and even less developed markets.

Industry Globalization Potential

"This is not your father's Oldsmobile" was the advertising slogan used in the 1980s for the Oldsmobile car brand produced by General Motors. The company

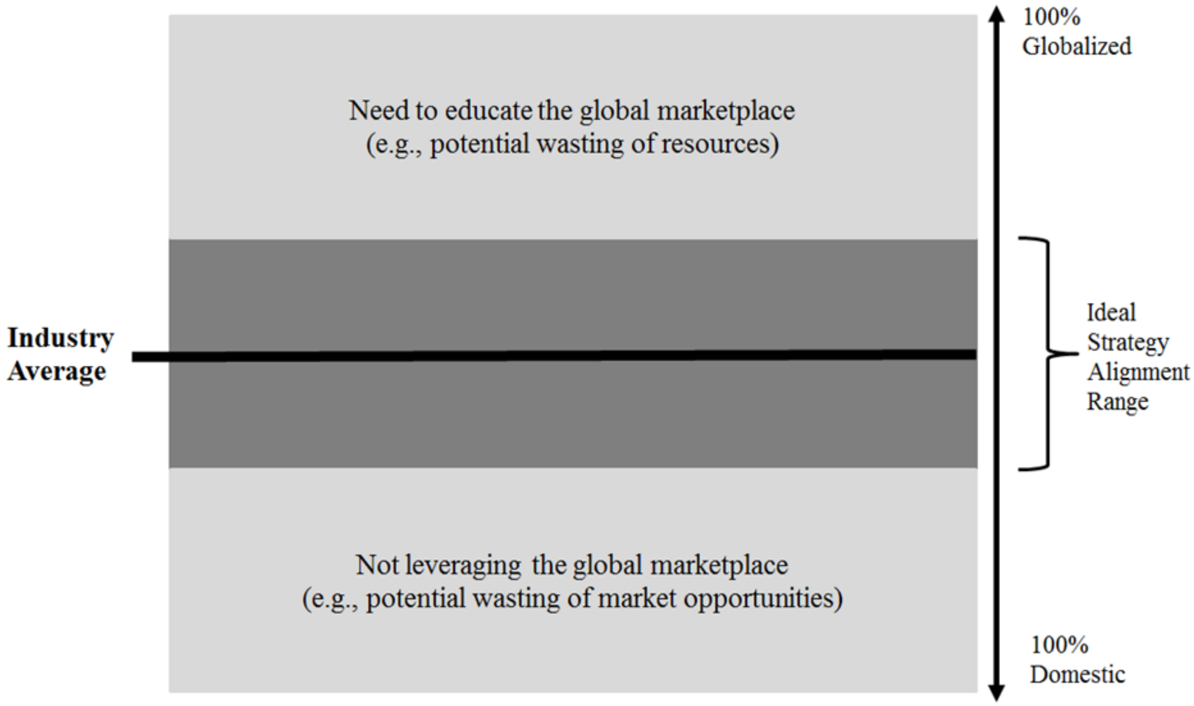
Source: The World Bank World Development Indicators

was founded by Ransom E. Olds in 1897, and the brand lasted 107 years – longer than most car brands – before it was phased out by GM in 2004. Approximately 35 million Oldsmobile cars were produced in the century-long time span, with some 14 million in Lansing, Michigan. Over the years, we have since seen hundreds of variations of the advertising slogan, such as "it's not your father's America anymore," "it's not your father's newscast anymore," and "it's not your father's customer service anymore," to name just a few. The key point, though, is that the original ad slogan is what ultimately destroyed the Olds brand! As it turned out, at the time, the largest market for Oldsmobile cars actually comprised the people whose parents had owned one, and the automaker was attempting an ad that was not aligned with its many loyal customers. This created a mismatch in alignment with what the Olds brand stood for (or tried to portray) and what the customers expected, resulting in a collision course with Pontiac and Buick, other GM brands, and the ultimate downfall of Olds.

Alignment is the key. Being around for 107 years, having a history as a remarkable success story, and being an icon meant very little in the end because alignment with the industry, along with its potential, no longer existed for Olds. Global supply chains need to be nurtured to achieve this alignment. In this context, *industry globalization potential* refers to the likelihood that an industry will support and have the underlying conditions needed to facilitate the use of strategic global supply chain management. This is not your father's supply chain anymore. Supply chains today are global, strategic, and also operational. Supply chains represent an important way to leverage value-added features in an industry by focusing on alignment with certain industry globalization drivers.

If you have not noticed that your supply chains should be global and strategic, if you still focus on supply chains as some operational activity usually done close to your production facility, then you are most likely too late in developing effective and efficient supply chains. Do not let the Olds example repeat itself in your company. If your supply chains are not yet global at all, there are potential major issues looming! Take action now to make sure your supply chains are global, at least to some degree, and strategically plan for the chains to be much more global in the next five to ten years (25 percent in the next five years and 43 percent in the next ten years).

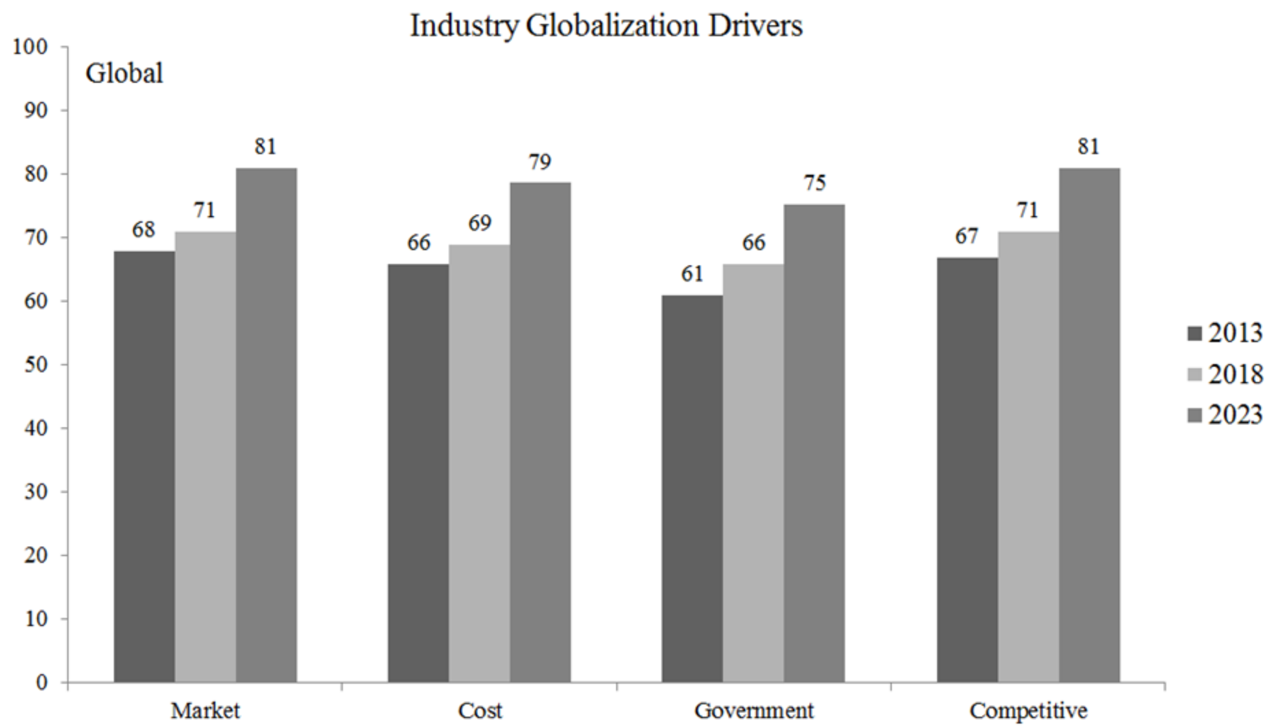
Global Alignment of Strategy and Industry



Industry globalization conditions dictate the starting point – what type of alignment should be created – for the strategic implementation in areas of logistics, purchasing, operations, and market channels. The industry conditions also provide a structure for how to coordinate and integrate the nodes in the global chain, how to link activity between the nodes (e.g., companies, organizations, units, individuals), and how to use resources between the nodes appropriately. The bottom line is that in order to achieve the benefits of globalization, supply chain managers and corporate executives need to recognize when industry conditions provide the opportunity to use strategic global supply chains as a part of the global company's strategies. This does not mean all chains should be global. Being more global than the industry warrants potentially wastes resources (e.g., your company has to be part of educating the marketplace), while being less global than the industry supports potentially wastes opportunities (e.g., your company is not selling as much as it could). Alignment with industry globalization drivers is the key.

We can categorize the industry globalization drivers into market, cost, government, and competitive drivers.[1] Market drivers largely depend on customer behavior, the nature of available distribution channels, and marketing practices in the industry. Cost drivers largely depend on the economics of the business and the primary industry in which it operates. Government drivers largely depend on the policies, regulations, and laws set by independent country governments. Competitive drivers largely depend on the actions of competitors and the nature of the competitive landscape and expectations set by previous competitive actions in the industry.

To set the tone for global supply chain alignment, we offer both a comparative ranking of the four drivers and a forecast, based on data, covering where we are now and where we are predicted to be in five and ten years, respectively. Each score is based on a 100-point scale where a score of 100 represents a fully globalized driver and zero represents a fully domestic-oriented driver. As expected, none of the industry drivers falls near either end of the spectrum.



What we find is that the market globalization drivers exhibit the most globalization potential today (score = 68) and are also forecast to maintain that standing in ten years (score = 81). Importantly, we will see an increase in globalization potential based on the market drivers (i.e., the conditions to globalize supply chains will be favored more in five years than they are now for market drivers). The increase expected over the next ten years is 19.1 percent. The competitive drivers are forecasted to go from 67 to 81 (an increase of 17.3 percent). In ten years, we expect that the cost drivers will be at 79, up from 66 or an increase of 19.6 percent. However, the largest improvement will be seen in the government globalization drivers – from a score of 61 today to a score of 75 in ten years (an increase of 23.0 percent). Still, the government drivers remain the toughest aspect of globalizing supply chain efforts. It is the case today and it will be in five and ten years, respectively. Clearly, national governments, albeit improving, will maintain their "bureaucratic" reasons (sometimes) hindering globalization of supply chains even more.

Global Supply Chain Functions

The core global supply chain functions are logistics, purchasing, operations, and market channels. Collectively, we know that these four have to be integrated, used, and coordinated to achieve 25 percent more globalization in the total supply chain in the next five years and 43 percent more globalization in ten years. At the same time, the four functions are independent building blocks in the chain, and they should be treated strategically as opportunities to leverage the core competencies of each global company's supply chains. This means that, as we said earlier, each function should not necessarily be globalized at the same level, even for companies within the same industry.

Broadly, global logistics is the part of global supply chain management that plans, implements, and controls efficient, effective forward and reverse flow and storage of goods, services, and related information between the worldwide point of origin and the worldwide point of consumption in order to meet global customers' requirements. It involves the worldwide management of order processing, inventory, transportation, and the combination of warehousing, materials handling, and packaging, all integrated throughout a network of facilities. This means that issues such as global distribution center network orchestration, integrated inventory management, packaging and materials handling, reverse logistics (including backhaul logistics), and various forms of transportation (ocean, air, land, and intermodal) are key strategic and operational elements of global logistics. Strategically, logistics as a function within the integrated global supply chain of multinational corporations is predicted to become 13 percent more globalized in the next five years (2013 to 2018) and 30 percent more globalized in the next ten years (by 2023).

Purchasing as a strategic function has a clearly defined role in global supply chains. It takes place in the inbound or upstream portion of the global supply chain, it involves buying something (e.g., raw material, component parts, work-in-process, products, or services), and it should be strategically and tactically integrated with the elements of the production cycle for multinational corporations. So, global purchasing is the part of global supply chain management that refers to the company functions associated with the worldwide buying of goods, services, and/or information required by the multinational corporation. Global purchasing involves the following: worldwide management of a multinational corporation's evolvement from international to global purchasing (assuming that is the progression the MNC is undertaking), various types of purchasing strategies, outsourcing and offshoring, global customer and channel management, order fulfillment and delivery, global supplier selection, and global supplier networks. Strategically, purchasing as a function within the integrated global supply chain of multinational corporations is predicted to become 13 percent more globalized in the next five years (2013 to 2018) and 29 percent more globalized in the next ten years (by 2023).

Companies have options for which supply chain functions – logistics, purchasing, operations, or market channels – to globalize and by how much to reach the 43 percent overall chain goal by 2023, instead of globalizing all equally.

Global operations management is the part of global supply chain management that refers to the systematic design, direction, and control of domestic and global processes that transform various inputs into services and products for internal and external global customers. A global operations strategy is the means by which operations implements the multinational company's corporate strategy and facilitates the company being market driven. It involves the worldwide management of make-or-buy decisions in global supply chains, global production and manufacturing, competitive priorities in such supply chains, total cost analyses in global supply chains, process-based quality standards, guidelines within the supply chain operations reference model, and decisions on the usage of operational (logistics) providers within the realm of global operations across the supply chain. Strategically, operations as a function within the integrated global supply chain of multinational corporations is predicted to become 12 percent more globalized in the next five years (2013 to 2018) and 26 percent more globalized in the next ten years (by 2023).

The last mile of the global supply chain is important, is unique, and often involves a high degree of variance in terms of what customers want, how they want it, when they want it, and so forth. And, although market channel decisions do not have to occur prior to other global supply chain decisions, they are a powerful influence on the rest of the core functions of the chain (logistics, purchasing, and operations). Market channel decisions are highly visible because of the exposure in the marketplace and contact with the global supply chain's end-customers. Market channels create four utilities, and each needs to be taken into account when delivering on the last mile of the global supply chain: time, place, possession, and form. The time utility is straightforward – having products and/or services available to customers when they want them. The place utility refers to making products available in locations (e.g., retail, online) where customers wish to buy them. The possession utility is a bit more complex, but broadly, we talk about customers having access to the product to use now or to store for some future use, when needed. The form utility is also complex and important. It refers to global market channel members assembling, preparing, and/or refining the product to suit the customers' needs and wants. Global market channels pertain to the part of global supply chain management that includes all activities related to sales, service, and the development of relationships with customers, preferably long-term relationships. Strategically, market channels as a function within an MNC's integrated global supply chain is a category that is predicted to become 12 percent more globalized in the next five years (2013 to 2018) and 26 percent more globalized in the next ten years (by 2023).

Coordination in Global Supply Chains

If you are interested merely in tactically managing global supply chains, then you are not the main audience for this article. And if you used math to average the forecasted globalization efforts that are embedded in each of the four core functions of the supply chain (logistics, purchasing, operations, and market channels), you know that global supply chains cannot get to 25 percent increased globalization in five years and 43 percent increased globalization in ten years without something more!

That "something more" is leveraged and integrated *coordination* and increased importance of global supply chains for global companies. Global supply chains are predicted to account for 25 percent of a global company's corporate strategy in five years (up from 21 percent now). This is in the new future of strategy making, and strategy should include global supply chain management. Global supply chain management is inherently both strategic and tactical (operational).

The importance of locating global activities and developing global supply chains cannot and should not be understated. The range of possibilities, sustainable efforts, needs of the global marketplace are wide spanning. For example, despite some negative media coverage in various areas, Wal-Mart is a fascinating driver of global supply chain development, efficiency, and even infrastructure development.[3] An argument can even be made that Wal-Mart has helped increase purchasing power of the "bottom of the pyramid" customers – often viewed as the world's poorest people.[4] Wal-Mart has achieved a competitive edge by being better than other companies at coordinating the raw-material-to-end-customer global supply chain to maximize efficiencies in total costs (i.e., provide greater total value than many other companies). And they are particularly good at orchestrating global supply chains that produce low-cost versions of products wanted (and needed) by the bottom of the pyramid customers.

Supply chain coordination is as important globally as the chain functions themselves. Coordination drives the total value achieved in global supply chains.

Earlier in this article, when we presented the general framework of what we include in global supply chain management we focused heavily on logistics, purchasing, operations, and market channels. Importantly, we now need to address the coordination aspect of running effective, strategic global supply chains. In some way, coordination needs to take place at every cross-section of the basic model we introduced earlier. Better, improved, and strategically leveraged coordination within and across companies in the global supply chain is what gets us to 43 percent more globalized chains in ten years in addition to globalizing – as best we can – each core function in the chain.

Our data collectively indicate that coordination of global supply chain efforts is as important for operating a strategically effective and efficient chain as any of the functions in it (logistics, purchasing, operations, and market channels). We find that the importance of coordination to global supply chain management receives a score of 88 out of 100 in 2013 and is predicted to move to 93 on the 100-point scale by 2018 (where a score of 100 signifies the utmost importance and a score of zero signifies no importance). The changes in 2013 to 2018 for the four supply chain functions are: logistics (94→93), purchasing (89→89), operations (92→93), and market channels (96→94). So, what are you doing about coordinating efforts across your global markets and across the functions of global logistics, purchasing, operations, and market channels?

Managing Global Supply Chains

There are numerous issues that should be continually evaluated and decided upon in global supply chain management. Some are large items that you can see, and some are intricate details of doing global business that are not readily obvious or understood. Given the web of relationships in global supply chains and the many actor bonds, activity links, and resource ties involved in such chains, managing the chain at strategic and operational levels is critically important for achieving excellence. Corporate strategy should not dictate the global supply chain strategy, and global supply chains should not dictate what can be developed at the corporate strategy level. In that spirit, a number of guidelines for managing global supply chains can be further explored to get companies to reach the 43 percent increased globalization level of the chain in ten years.

- Do not assume that industries are either global or not global. Nearly every industry has global supply chain potential in some aspects and not others. Importantly, different industry globalization drivers can operate in different directions, some favoring global supply chain management and others making it more difficult. Companies should respond selectively to industry globalization drivers and globalize supply chain activities (purchasing, logistics, operations, market channels) affected by favorable drivers.

- Companies need to select countries for global supply chain activities based on comparative advantage and alignment with the company's competitive advantages. Different countries can play different strategic roles, such as inbound value-added (purchasing) and outbound value-added (market channels).

- Similarities and differences of potential supply chain partners are important factors to consider. In the inbound portion of the global supply chain, the idea is to evaluate when similarities synergistically enhance the value-added elements in the chain and when differences are positive and uniquely valuable. In the outbound portion of the global supply chain, the idea is to evaluate when similarities outweigh the differences and stress those in the relationship (and when differences outweigh the similarities, consider pulling back and not engaging in the relationship).

- The best global supply chains are usually those that are designed as such from zero-based assumptions and constraints. However, realistically, supply chains become globalized when the benefits outweigh the costs. Such cost/benefit analysis needs to be done for the inbound and outbound parts of the supply chain separately and for each of the "value relationships" (nodes/actors) in the chain – including vendors, suppliers, and partners on the inbound side and buyers, customers, and clients on the outbound side.

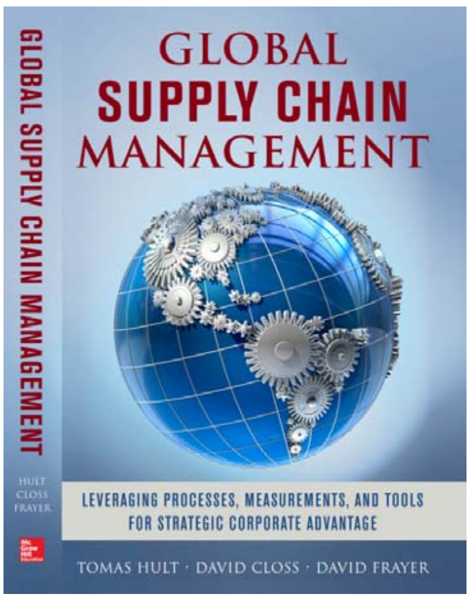
- The best pattern of global supply chains usually allows for some degree of redundancy in each link in the global supply chain (node/actor to node/actor) to maximize value while minimizing supply chain risks.

- Each component of the global supply chain – purchasing, logistics, operations, and market channels – has its own unique opportunities and limitations in global uniformity. Global supply chain managers (and business people in general) typically have been trained to maximize the effectiveness and efficiency of their component of the chain. Creating a successful global supply chain requires a reorientation toward the holistic view of the chain, the potential sacrifices on their own part of the chain for the benefit of coordination, integration, and cooperation of the full global supply chain.

- Not globalizing a company's supply chains – or parts of it – can be detrimental to the company's performance in the long term, as the forecast is that companies will globalize more and more of supply chain efforts. Twenty-five percent increase in globalization by 2018 and 43 percent by 2023 are big numbers. Do not fall behind the competition by maintaining global strategic initiatives in supply chains – increase them.

- Global strategic supply chain management cannot succeed in the face of organizational barriers and resistance. Some parts of the supply chain will be more difficult to globalize, depending on the culture and historically established practices and behaviors of the company. Oftentimes, it may be best to first globalize those parts of the supply chain that are the most easy to globalize, as a way to initiate culture/behavioral changes for the more difficult parts. Market channels (especially selling to global customers) is typically a logical starting point for many companies, followed by sourcing globally for some commodity product used in operations and/or commodity-oriented raw materials or component parts. Logistics and operations span the full chain and will take more dedicated, organized, and leveraged efforts.

- Do not assume that global supply chain management is not for your company or that “it can’t happen here.” Almost any industry or company has the potential for globalization of supply chain activities. Global supply chains are not born; rather, they are created by companies based on need, cost benefit analysis, opportunity, or diversification interests. Proactive globalization of supply chains is always preferred to reap some first-mover advantages as opposed to globalizing supply chains based on a reactive approach that is motivated by competitors’ actions. ♦



Notes

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