

# Global supply chain management

[Business](#), [Management](#)



## **Global Supply Chain**

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Alexandru Coordinating professor Pavaloaia Daniel Contents

### **Introduction**

In order to understand what global supply chain management is we must first become familiar with the concept of supply chain management. The supply chain management is the network of services, material and information flow that link a firm's customer relations, order fulfillment and supplier relations processes to those of its suppliers and customers. It is the science of developing a strategy to motivate, control and organize the resources involved in the flow of services and materials within the supply chain". Nowadays, more and more companies source globally, sell globally, or compete with some other company that is involved in such activities. Thus, global supply chain management (GSCM) represents a central area of focus for many businesses and business schools today. Although the extraordinary growth of GSCM attests to its robustness and practical importance, the field is diffuse and complex. Many methods and perspectives on GSCM have emerged from logistics, operations, marketing, management, economics, sociology, personnel, information systems, and international relations. Their diversity and rapid growth make it hard to keep abreast of significant developments. Moreover, many of these approaches have evolved with relative independence, paying little attention to how they relate to existing methods or interrelate with each other.

This makes it difficult to accumulate wisdom in the field and to develop a coherent knowledge base to guide research and practice. ” Many businesses have found “ global supply chain management” to be an important issue when trying to outsource in regions across their borders. This can be explained by the increase in globalization. To outsource on a global level is difficult because it involves doing business with a variety of companies and suppliers which have their own codes of business conduct and various perspectives on business ethics; mainly on how to trade internationally.

Global Supply Chain Management involves two big concepts: the supply chain management concept which was discussed above and the concept of globalization. This concept infers the cross-border movement of goods and the emergence of global competitors and opportunities across competing supply chains within an industry. However, the current trend towards the globalization of supply chain management leaves many managers confused. Managers often question the differences between a global market and a single market, in that many of the same conditions exist in both.

Although this may be true, the complexities of cross-border operations are exponentially greater than in a single country, and the ability to compete in the global environment often depends on understanding the subtleties that emerge only in cross-border trade—that is, in “ Global Supply Chain Management”. Chapter 1. Issues within the Global Supply Chain Management System For companies to operate on a global level is no easy task. There are many complications that arise from trying to do business across borders. The first issue it faces is the costs and expenses of doing business “ across borders”.

Dealing with international business is a difficult task because it involves many types of different businesses in many countries. Costs for the company may involve: renting the required space, state taxes, transportation and others. “ Additionally, companies need to factor in the exchange rate. Obviously, companies must do their research and give serious consideration to all of these different elements as part of their global supply management approach. ” The second factor that can put a dent into “ global supply management” is the necessary time to conduct all the activities when dealing with this issue. The productivity of the overseas employees and the extended shipping times can either positively or negatively affect the company's lead time, but either way these times need to be figured into the overall procurement plan”. There are multiple factors that can influence the amount of time spent when doing business overseas, factors like: the delay of a shipment due to bad weather conditions, this can also influence the production process, or the time it takes for the merchandise to get clearance through customs.

When dealing with the issue of “ global supply chain management” the expression “ time is money” takes a bigger and more literary meaning. Another factor that managers tend to consider important when dealing overseas is the place where you chose to do business. Some companies may choose technologically developed countries for the obvious reasons: information travels faster, the production process can be sped up and so can the shipment process. Other companies may choose poorer countries just due to the fact that the labor in those types of countries is cheap.

And some companies might want to keep their activities somewhere closer to the main headquarters in order to reduce costs and expenses. Probably one of the most pressing issues is that global supply chain managers deal with is the selection of the suppliers. It is a difficult task to try and get the ideal supplier because there are many and making a comparison between them is very difficult due to various issues like being pressured by time or trying to choose the cheapest supplier due to insufficient funds. A company must take its time when choosing the suppliers most fitted for them and must analyze from all perspectives: quality, price, reputation, promptitude and many others. Taking the time to make a thorough research for suppliers on the market should be one of the main priorities of a company. Another issue that can arise in “ global supply chain management” is of logistic nature. Companies that choose to ship their products overseas can encounter issues such as: how many factories or plants does it need? How many suppliers are needed to ensure a fast manufacturing process in order to meet the market demand? Where should the company export their goods and why? For example, if a business uses a number of vendors around Bangalore, India then it may make sense to locate the manufacturing plant that would utilize those supplies in or around Bangalore as well. Not only will this provide lower employee costs, but overall shipping and tariff expenses should also be reduced. This would then save the company money”. Global Supply Chains Management – Company Strategies For a company to go global is always a difficult and long-term task. It has to face a lot of risks and issues that arise from trying to accomplish such a goal.

When faced with the questions of what are the most challenging aspects of going global for a supply chain, managers and executives tend to refer to the following:

- \* Total resources required to manage supply chain
- \* Recruitment and retention of sufficient local talent
- \* Integration of IT systems between the company and vendors
- \* Degree to which central management was required
- \* Degree to which local management was required
- \* Identification and implementation of risk-management strategy
- \* Greater difficulty of managing safety and/or quality
- \* Speed at which competitive advantages from extending operations to low-cost markets evened out across us and our competitors
- \* Infrastructure to support local workforce

It is inevitable that when a company chooses to go global that it should face these challenges. Many of them represent a great risk while others are technologically based. Technological development for a company is a key factor for success because especially nowadays, a company that has its own IT department and systems can easily gain a competitive advantage. Another important challenge that a company is faced with, is the recruitment of employees.

When expanding to different territories finding talented people to work for the company can be a huge challenge. The company may need to transport capable employees from the mother company to new locations in order to ensure a good start for its activities in that area. This is why companies need to form a solid strategy for their supply chain and try to prioritize their goals. For example in a research done by McKinsey ; Company in 2008 have shown that the primary strategic goals that companies focus on are:

- \* Reducing costs
- \* Improving customer service
- \* Getting new products/services

to market faster \* Improving product quality \* Reducing company's carbon footprint \* Maintaining majority of employees in home region The companies that are trying to emphasise on reducing costs the most are the companies that operate in developing or emerging markets. McKinsey ; Company also says that „ perhaps companies in countries such as China are trying to anticipate the effect of rising costs (including labor costs and appreciating currencies) on the competitive advantages they currently enjoy as low-cost manufactureres”.

The conclusion here is that if companies want to succeed on foreign markets they must develop strong strategies for market penetration, the speed to which the products arrive at the disposal of the customers, hiring competent personnel and lowering costs. Global Supply Chain Model In order for a company to be able to adapt to the everchanging global markets and to manage to keep up with the technological advances it must have a sound „ global supply chain model”. Researchers say that in order for a company to succeed it must have a „ model of global supply chain agility”. Researchers like Patty Swafford, Dr. Soumen Ghosh and Dr. Nagesh Murthy, define in their paper intitled „ A Model of Global Supply Chain Agility and its Impact on Competitive Performance”, the concept of „ global supply chain agility” as „ a measure of the supply chain's ability to efficiently adapt to a rapidly changing global competitive environment to provide and/or services”. They also state that „ global supply chain agility” is determined by four components of flexibility, which are: \* The flexibility of product development \* The flexibility of sourcing \* The flexibility of manufacturing \* The flexibility of logistics

They also state that „ an organization’s information technology flexibility and its industry’s global competitive environment influence its level of global chain agility”. (Patty Swafford, Dr. Soumen Ghosh, Dr. Nagesh Murthy). An example of a practical „ global supply chain management” model could be: The virtualization of Global Supply Chain Management If a long time ago business was conducted in the old fashioned way, like face to face trading, nowadays it is not required to physically be present when closing a deal or trading goods or services. This is mainly because of the Internet.

This amazing invention which revolutionized how the entire world works, has rapidly made its way into the world of business and changed it forever. The birth of the Internet has brought to the business world instruments such as „ E-business” or „ E-commerce” which basically means „ the use of Internet-based computing and communications to execute both front-end and back-end business processes”. With the help of the Internet, companies can obtain a greater visibility outside their own borders on what is happening with their activities and the activities of competitors and thus are able to quickly respond to changes in the market.

The adoption of „ e-business” can mean, for companies, a better global supply chain with the reductions of costs and expenses, the increase in flexibility and faster reactions in time. Hau L. Lee and Seunjing Whang, say in their paper titled „ E-Business and Supply Chain Integration” that „ over the past decade a combination of economic, technology and market forces has compelled companies to examine and reinvent their supply chain strategies. Some of these forces include the globalization of business the



proliferation of product variety, increasing complexity of supply networks and the shortening of the product life cycles.

To stay competitively enlightened companies have strived to achieve greater coordination and collaboration among supply chain partners in an approach called „supply chain Integration“. This means that the Internet plays an important role and will continue to play it in the development of the „global supply chain management“ and provide fast and reliable ways of integration for the supply chain. The way in which a company conducts „e-business“ will be an important factor in the success of that company.

If a company knows how to use the internet for its „back-end“ operations like product development and design, procurement of supplies, production process, keeping inventory, distribution channels, services support, marketing and management then it is very much likely that the company will always be at a competitive advantage. Researchers Hau L. Lee and Seunjing Whang have identified four key dimensions in which the impacts of „e-business“ can be found on „supply chain integration“: „Information integration“. Which refers to „the sharing of information among members of the supply chain“.

If this system is implemented correctly, without the danger of leaking important company secrets to unwanted parties, then the communication between the members of a supply chain can be made easier and thus increase the overall performance. „Planning synchronization“. Which refers to „the joint design and execution of plans for product introduction, forecasting and replenishment“. This dimension refers to the ability of the supply chain members to use the information provided in <https://assignbuster.com/global-supply-chain-management/>

order to accomplish their plans and meet their objectives. Workflow coordination". It refers to „ streamlined and automated workflow activities between the supply chain partners". This means to decide on how the provided information can be used and what is the best way to gain the most out of it. In the end it means to achieve efficiency through technology solutions and to automate many of the cross-company workflow stages. „ New Business Models". „ E-business allows partners to redefine logistics flows so that the roles and responsibilities of members may change to improve overall supply chain efficiency".

Taking an „ e-business" approach to supply chain integration can mean improvements in efficiency but can also spring new opportunities of business for the company that previously were not possible. For example with the help of the Internet a „ supply chain network may jointly create new products, pursue mass customization and penetrate new markets and customer segments". In conclusion, „ e-business" and „ e-commerce" are two powerful tools for the integration of the global supply chain across a widespread area of industries and countries.

Such instruments have the power to enable a faster and reliable cooperation between members of the „ global supply chain" and companies that adopt such methods will surely gain an important competitive advantage on the global markets. The sharing of information benefits not only the company that does the sharing but the whole business community, thus establishing a network of „ e-business" between companies all over the world is an important step towards the development of business processes and conducts.

The internet not only helps develop a company but it also gives it new business opportunities which can enrich its portfolio and make it more attractive to customers. Chapter 5. Conclusions Considering all that has been said in this paper we can safely assume that the core of a business is its supply chain. Thus if the whole world is involved in doing business then we can say that „ global supply chain management” is the core of the business world and it is what really „ makes the world go round”.

The main „ driver” that stands behind the „ wheel” of an efficient „ global supply chain management” is without a doubt the Internet and the instrument known as „ e-business”. With the help of the Internet companies now can gain real-time visibility into the flow of their goods and services, get information on their suppliers, optimize inventory management, reduce transportation and shipping costs, the opportunity to quickly react to a change or shift in the market in order to respond to the customer needs.

However, along with these benefits are the challenges that businesses need to overcome when operating globally. These challenges are related to foreign national economies, logistics, cultures, competition, and infrastructure. These challenges give rise to several risks in global supply chains. In the end “ global supply chain management” is the network that opens countries to cross border trading and is an important part in global business.