
UNIT 7 ORGANIZING FOR GLOBAL MARKETS

Objectives

- define WCSCM and International SCM;
- discuss international logistics and globalization;
- identify the steps to be initiated before going global;
- talk about organization for global markets & global sourcing; and
- describe world-class logistics management & interfacing of logistics.

Structure

- 7.1 Introduction
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7.1 INTRODUCTION

After having seen the strategic SCM, supplier alliances, quality management & SCM re-engineering let us see SCM as organized for global markets. This particular unit is focused on world-class supply chain management, which is spreading rapidly in almost all countries across the globe, and in most advanced economies. Broad product range, shorter product life cycle and growing changes in the market place are becoming the norm. More and more companies are coming forward to provide customized value based services to their clientele and at the same time maintaining a high volume of production. Internet, e-business and e-commerce have become the business drivers of today with companies able to converge geographically through the electronic media. At the same time data warehousing and data mining is allowing the companies to contact the customers over a wide front and at the same time maintain a one to one contact.

World-class is a wide term extending over a vast spectrum of correlated developments, which together define a comprehensive change in the prevailing environment of hyper-competition.¹ They are:

- At the marketing level, customer satisfaction, and integration of product and services, characterizing a world-class supply chain.
- At the organizational level, world-class supply chain is defined by the integration of new productive capabilities out of available resources. It refers

¹ Essentials of SCM by Deshmukh & Mohanty, p.282

to the physical facilities and knowledge base irrespective of the location within one group or cooperating companies.

- At the individual (people) level, the development and emergence of a flexible, skilled and knowledgeable workforce as the ultimate differentiators.
- At the management level, world-class supply chain is governed by a philosophy of leadership, empowerment, motivation and productive performance (White, 1994).

The world-class manufacturing model is summed up by Schonberger's agenda that included:²

- Design & organization.
- Operations.
- Human resources development.
- Quality and problem solving.
- Accounting and control.
- Capacity.
- Marketing.

The Cranfield Competitive Manufacturing Model (New, 1987) has identified the performance characteristics of manufacturing systems through seven fundamental objectives for step change, they are:

- Reduction of inventory by 50% or even more.
- Reduction in manufacturing lead-time by 50% or more.
- Introduction of new products at 2 to 3 times the rates.
- 50% of the current design/development lead-time.
- Reduction in costs by 30% or more.
- Reduction in support labor by 50% or more.
- Improve quality to parts per million.

With this as a backdrop let us now see the strategies for World-Class Supply Chain Management (WCSCM).

7.2 STRATEGIES FOR WCSCM

WCSCM is a result of the developments of the world-class manufacturing model and is to be capable of operating profitably in a competitive environment to the factors of uncertainty and unpredictability. The companies that are able to respond to the structural and functional changes in this changing market place can emerge profitable in the long run. WCSCM is a process that is value centric, and therefore all the processes like development, sourcing, movement, production and distribution of products and services are centered on value generating paradigm. It is an ongoing process from buying a product to buying a solution on a long-term basis.

WCSCM can be conceptualized under three basic dimensions:³

- **Enrichment of Customers:** Represents varying degrees of collaboration and interaction in defining products, services and concepts.

² Schonberger, 1990 as also in Deshmukh & Mohanty in Essentials of SCM p 282

³ WCSCM Chapter 17, in Essentials of SCM by Deshmukh & Mohanty, 2004, p 283

- **Recognition of Company by the Customers:** Quality speaks, and reduction in fixed price to shared risks and recognition.
- **A Linkage between Suppliers, Company and Customers:** Represents linked networks of workstations, shared databases, tools and facilities.

In order to meet the challenges of globalization, economies that are liberal will require restructuring their operating policies and a complete reformulation of the systems to eliminate wastes and create a value base. Value for money is becoming a strategic necessity in this competitive world, i.e. high quality at reasonable prices at the appropriate time. But, for the manufacturer the realities like increase in costs of labor and energy continue to pressurize them. They have to realize this aspect and identify what and how to do it, by servicing the existing customers, dealings with suppliers, opening new channels for newer customers, reduction in costs and adding to value added services.

7.2.1 What is WCSCM?

Before getting on with the various components of WCSCM, we must understand the working definition of this term. It has to be understood that every company aims to make profits, which further results growth. World-class denotes to be able to sustain oneself, in this competitive market and at the same time make profits in the long run. For profit, a company got to sell its product at a cost higher than its costs, and at the same time offer its product through the supply chain at the competitive market place with a value for money. In actuality, world-class denotes being able to provide the better value than the competition without going broke.

7.2.2 Features of World –Class Companies

The world-class companies as compared to non-world-class companies are featured by a set of different characteristics as under:

Management Level: The various tasks performed by them are:

- **Visionary:** Has a set of managers who are continuously improving performance through leadership, coaching, vision, and motivation. They work towards eliminating of wastes and create competitiveness. The top management in such circumstances performs the role of a visionary force and the middle management involve in coaching and training the subordinates. The supervisory staff executes the role of facilitator and supporter of the employees in eliminating waste.
- **Policy Making:** These companies use benchmarking methodologies to seek and evaluate the best policies and practices for setting agendas to tide over the old traditions and new set of thinking, to strive towards previously unreachable goals (Senge, 1990).
- **Long-term Strategies:** They generally have a long-term strategic plan, defining the corporate activities, objectives, goals, and operational plans to add value to company's products and services. The Tata Group is one such living example.
- **Human Resource Development:** They generally involve their employees and their staff through extensive training programs for providing them the skills and knowledge base to achieve these policies and goals. It is a proven fact that if the employees are treated equally and with respect, is provided meaningful jobs and is involved intimately in decision-making and problem solving the company will develop, because it satisfies personal goals and

company objectives. Tata group is once again one such example of human resource development. The Sahara Group has of late started to show results.

- **Holistic Approach:** The management policies and practices are so tuned that it provides a holistic approach, which helps in integrating the objectives and activities of different functional areas. These developments of common corporate goals are necessary for competing successfully. Providing leadership by the top management in an eventuality can obviate losses in certain circumstances.
- **Measurement and Rewards:** It is recognized that what gets measured and rewarded gets done (Deshmukh & Mohanty 2004). Simple performance related policies are used towards human resource improvement, team efforts and selected key variables necessary for adding value to its product, thereby avoiding short term dictates, evolving from financial controls and dictated standards.

Quality Control: They can further be divided as under:

- **Customer Focus:** These companies establish relationship and linkage with university systems, promoting research and educational activities for long-term competitive advantage. All these activities are aimed at customer focus and service.
- **Customer Oriented Products:** These companies aim at customer driven strategies for product development and marketing, organizing customer contact, and intellectual commitment for product concepts, performance and specifications. One has to continuously determine the customer requirements and expectations. Hearing the 'voice of the customer' is the key issue. It's customer definition of value that counts for a faster and flexible supply chain.
- **Cross-functional Teams for Product Design:** These companies use design, manufacturing, marketing & distribution for responding and communicating the needs of the customer throughout the organization, and integrate the cross-functional teams for a better quality product in a faster time frame. Team approach to product development and improvement has allowed many companies to achieve 4 to 6 fold improvements in product reliability, 70-90% reductions in warranty costs, 40-50% reduction in workmanship and 20-40% reductions in product costs. It is a key for becoming world-class manufacturers and the top management can influence this aspect more than anyone else, since It is more of cultural changes than technological.
- **Quality Improvement:** There is no compromise in quality as far as such companies are concerned. The quality improvement department continuously serves as a support and coordinate functions for quality improvements and excellence all through the organization.
- **Process Control:** These companies, control the products based on statistics and encourage decision making at operating level using local data sources on key variables for comparisons against customer needs.
- **Innovation:** These companies are innovators, who constantly experiment to improve existing products and processes, and develop new ones (Deshmukh & Mohanty 2004). Lesser variability and greater capability.
- **Partnership:** Vendor partnership provides a win-win situation as regards quality improvement and new product development efforts. These companies seek outwardly for such partnership like relationship, since suppliers are important to success and crucial too.

Integrated Operations/Production: They are further sub-divided as under:

- **Cellular Manufacturing:** The main focus is in standardizing and simplifying their manufacturing operations and related instructions, thereby, reducing complexity, and facilitating the effective use of continuous-flow processing concepts for reducing lead-times, process inventories and materials handling. Continuous flow processing, often implemented through cellular manufacturing, provides quantum leaps. Improvements in manufacturing lead-time from 10-12 weeks, to one to three days are common along with corresponding reductions in work-in-process levels from weeks to days. These companies use multi-disciplined and multi-level work teams to standardize and simplify changeover procedures, thus reducing equipment downtime during job changeovers and allowing production in smaller lot sizes, a key requirement for flexible production.
- **Demand-based Processing:** These companies believe that by adopting an enlarged view of manufacturing operations even at the cost of allowing machines to sit idle can provide gains in plant efficiency and quality; whereas, pushing the machines to their optimum usage can yield poor quality products and longer manufacturing lead-time, over and above wear and tear of the machines.
- **Standardization:** World-class companies rely on high technology and automation more as complementary tools than as part of the manufacturing strategy, with focus on standardization, simplifying and proving the integrity of the manufacturing process before automating. Automation before standardization creates non-solving problems. It focuses on flexible changes and decisions and avoids making expensive changes and inflexible decisions. Shankar says, principal of USA (understand, simplify and automate) is extensively applied by these companies, in their organization.
- **TPM (Total Productive Maintenance):** In these organizations preventive and predictive maintenance are given importance, based on worker involvement so as to minimize occurrence of machine downtime.

Technological Advances.

- **Communication Systems:** These companies recognize the importance of effective communication skills and strive to establish and maintain simple procedures so as to provide timely and accurate information flow throughout the manufacturing enterprise (Chatterjee 2000). Information is the basic survival of any organization, both directional and feedback oriented. It is the management's responsibility to provide effective, simple and appropriate information to the workforce for better results.
- **Information Technology (IT):** It can be utilized in a big way to the competitive advantage of an organization. Data mining and warehousing and ERP are the technological solutions available today. The main purpose being shortening the lead-time and remove non-value added activities.
- **Human & Technology Interface:** These companies recognize and acknowledge the interface and importance of humanity and technology. It is the responsible of the top management to do so across the organization. The required resources are so deployed so as to make the interface more and more active. At every stage of technology deployment, the human issues are dealt in a serious manner. All these don't happen automatically, but with the interference of the management's leadership, and application of the policies to strive better to eliminate waste and creating better value for the customer, the end user.

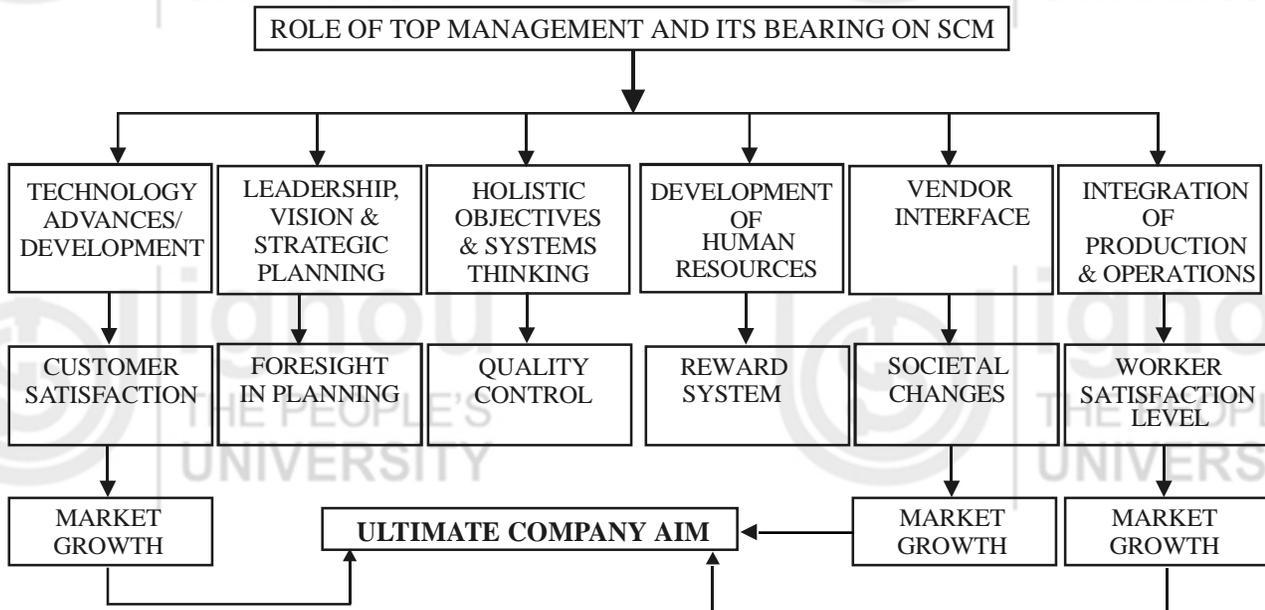


Fig 7.1.: A Model for Supply Chain Excellence

Activity 1

Identify the role of management in integration of SCM and its positive implication on the organization through a case study you have encountered.

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7.3 GLOBALIZATION

WCSCM is responsible for those actions and values responsible for continuous up gradation and improvement of the development, design & management process of a firm’s supply system. The main objective is to, improve the profitability, survival and mere existence of both the supplier and the customer. A world-class supply manager is not departmentally or internally focused, but concentrates in continuously improving the system with an ultimate goal of upgrading the competitive capability of the firm and it’s supply chain.

Senior management must always recognize supply management’s critical nature and support the required transformation, to see the firm grow to a world-class status. It is indeed necessary in that case to appoint a Chief Supply Officer at the organizational level equated in stature and responsibility like the marketing, engineering and operations. The transformation has to be planned very carefully and executed well with the commitment of the top management and their involvement.⁴

7.3.1 Organizing for Global Markets

Before going global you got to answer the set of six questions, which needs to be addressed as a candidate of global sourcing:⁵

⁴ WSCSM, chapter 1 by Burt, Dobler & Starling, pp. 6-7.
⁵ Raul Casillas, “Foreign Sourcing: Is it for you?” Pacific purchaser, November-December 1988, p.9
⁶ (Burt & Dobler in WSCSM Tata Mc Graw-Hill pp. 361-369.)

- Does it qualify as high-volume in your industry?
- Does it have a long life (two to three years)?
- Does it lend itself to repetitive manufacturing or assembly?
- Is demand for the product fairly stable?
- Are specifications and drawings clear & well defined?
- Is technology not available domestically at a competitive price and quality?

If the answer to all the six questions is yes, then the supply manager may want to evaluate the support network within his/her firm, asking the following questions:

- Does sufficient engineering support exist to efficiently facilitate engineering change orders (ECOs) when they occur?
- Will the buyer be able to allow sufficient time to phase out existing “in the pipeline” inventory?
- Will the supply managers firm take the responsibility for providing the necessary education and training for those that will have to interact with and support foreign suppliers?
- Is the firm ready to make a financial commitment for expensive trips to the supplier?
- Is the management willing to change the approach, in some cases even policy matters of how business and related transactions are conducted?
- Is the buyer aware of the environment?

If the answer is positive to both sets of these questions, global sourcing is possible.⁶

Activity 2

Visualize the impact of globalization and its effect on Indian companies and how they could effectively gear up to the international order?

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7.3.2 Stages to Global SCM

Most of the firms today are replacing the term international sourcing by a broader philosophy of “global supply management”.⁷

The three stages of world class wide sourcing is as follows, as suggested by Joseph Carter:⁸

- **Stage One: International Purchasing** : Organizations focus on leveraging volumes, minimizing prices, and managing inventory costs. These areas are the characteristics of an organization first entering the global purchasing arena.

⁶ Burt & Dobler in WCSM by Tata Mc Graw-Hill pp. 369-370 (7th edition)

⁷ Robert M. Monczka & Robert J. Trent, Global Sourcing: A development Approach” International Journal of purchasing and materials Management, Spring 1991, p. 3 (Burt & Dobler in WCSM by Tata Mc Graw-Hill pp. 365-366)

⁸ Joseph R Carter, PhD, “The Global Evolution” Purchasing today, July 1997, p. 33 (Burt & Dobler in WCSM by Tata Mc Graw-Hill p. 365)

- **Stage Two: Global Sourcing** : Organizations focused on global opportunities will put more emphasis on supplier capability, supporting production strategies, and servicing customer markets. Of those that have sourced offshore for some time, most are at this stage.
- **Stage Three: Global Supply Management** : Organizations optimize supply networks through effective logistics and capacity management. These organizations have effectively minimized risks in offshore sourcing and have sourced worldwide for technology leadership.

(As enumerated by Burt, Dobler & Starling in their book *World Class Supply Management*)

Let us now take a look at the reasons for doing *global sourcing*.

It requires additional efforts as compared to regional/domestic sourcing; but natural, but yields greater profits in the bargain. The biggest criticality or complexity of purchasing goods from foreign countries is the wide variability available in the open market. The difference comes in quality, services and the dependability factor. Quality could be very high in the products of a particular country and unacceptably low or inferior in another. With this in the backdrop let us now see the reasons for purchasing the goods and services from international sources.⁹

- **Superior Quality** : A key reason to global supply management is to obtain the required level of quality. Although this is losing its significance, yet the managers worldwide are still looking at international sourcing for the critical quality requirements.
- **Better Timed** : Another good reason for global tendering is to meet the schedule requirements. Lead-time between orders and delivery is lesser as compared to domestic sourcing and more reliable too. This aspect has in fact improved considerably over the years and so has the capability of the suppliers in meeting the growing requirements. Once the initial hiccups are stabled many international sources have proved more dependable than those closer home, specifically in meeting the time schedule.
- **Lower Cost** : There are a lot of add on expenditures that are involved during international sourcing compared to domestic ones. Communications, transportations, duties and investigation of potential supplier's add to these expenses, however, cost of material being cheaper compensates these expenses. Yet, it's very seldom that a company's total cost of material through global sourcing could be lowered.
- **Advanced Technology** : Globally this is more advanced as compared to domestic products and materials. Advantage will always be of the manufacturer who can identify the right source of the technologically superior material in order to maintain a monopoly in business. An entrepreneur who fails to identify this will lose out on the product competition too soon.
- **Larger Supply Base** : International sourcing increases the number of possible suppliers resulting in a choice among many. Competitiveness will enhance the chances for the firm to get the best deal keeping in mind reliability and low cost options. Broadening the supply base doesn't increase the quantity of suppliers but increases the options of finding better suppliers, so as to enable the purchaser firm to reduce the number of contracted suppliers and pursue collaborative or alliance relationship at the appropriate time.

⁹ "World Class Supply Management," Burt, Dobler & Starling Tata Mc Graw-Hill pp. 366-367, 7th edition.

Larger Customer Base : Global sourcing can create opportunities to sell in countries where the buyer's suppliers are based. With minimal trade restrictions sales opportunities could arise just out of interaction itself. Yet, some countries have arrangements like barter, offsets or counter trade, wherein there are tremendous trade restrictions. Here the international suppliers/non-domestic suppliers are required to procure materials in the buying country as part of sales transactions. This kind of tying makes both marketing and supply management far more challenging than when pure money transactions are involved. Such an arrangement of competing and selling in many countries makes it a necessity to enter into some kind of agreement to purchase items from that particular country, Fig 7.2 (a).

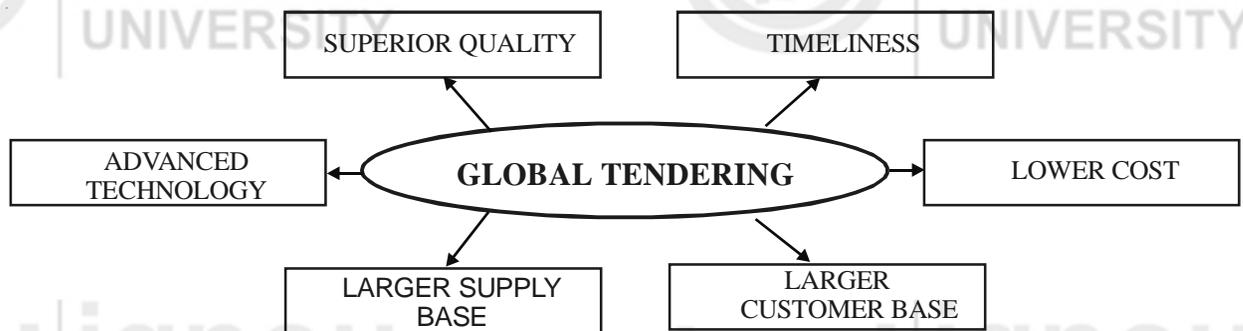


Fig 7.2(a): Global Tendering

There are however certain criticalities in going global too, it's not so easy as it seems and one has to keep this at the backdrop before setting out, fig 7.2.2(b).

- **Cultural Aspects :** These are mostly in relation to beliefs and superstitions that are generally prevailing in Asian and African countries. These are real issues and shouldn't be ignored.¹⁰ These are generally due to the versatile regions available across the globe; every region has its belief and faith that revolve around their day-to-day dealings.
- **Longer Timeframe :** Longer lead-time in shipping of material and services from international sourcing creates a major problem. Generally through sea, which are prone to storm damage. Hence, there is a requirement to tap the aerial route; a much costlier option although.
- **Inventory Increase :** There could be an increase in inventory in such conditions, and this can never be determined. Therefore to obviate such criticalities inventory-carrying cost must be added to purchase price, the freight costs, and administrative cost to determine the actual cost of buying from global resources.¹¹
- **Inferior Quality :** As mentioned earlier, global sourcing is generally resorted to due to high level of quality control, however, there are chances that there is a risk of production outside the control of the domestic firm, resulting in "off-spec" incoming material. Like for example, the United States is the only major non-metric country in a metric world, which frequently leads to manufacturing tolerance problems for buyers of US products and vice versa.¹²
- **Labor Problems :** This is a growing problems world over, mainly in the third world countries. This would entail stringent measures to be adopted by these countries to improve the labor laws to tide over this menace.

¹⁰ Chapter Strategic Sourcing: WCSM by Burt & Dobler Tata Mc Graw-Hill, pp. 368-369.

¹¹ 'Additional Inventory' paragraph 3 of Potential Problems, WCSM, and p. 368.

¹² "Lower Quality", paragraph 4 of Potential Problems, WCSM, p. 368.

Cost Factor : There are a considerable amount of add on costs due to the communication factor, translators cost, and distances involved. These increase the cost of doing business. Moreover, inadequate logistical support complicates communication and product distribution in the long run.

- **High Opacity :** Bankers, investors and supply managers involved in global activities have been aware that the risk of conducting business varies from country to country. Recently, a risk factor called the “opacity index” has been developed to address the risk costs associated with conducting business in a specific country.¹³ It addresses the following areas:

- Corruption at bureaucratic levels.
- Contract & property right laws.
- Economic policies.
- Accounting standards.
- Business regulations.

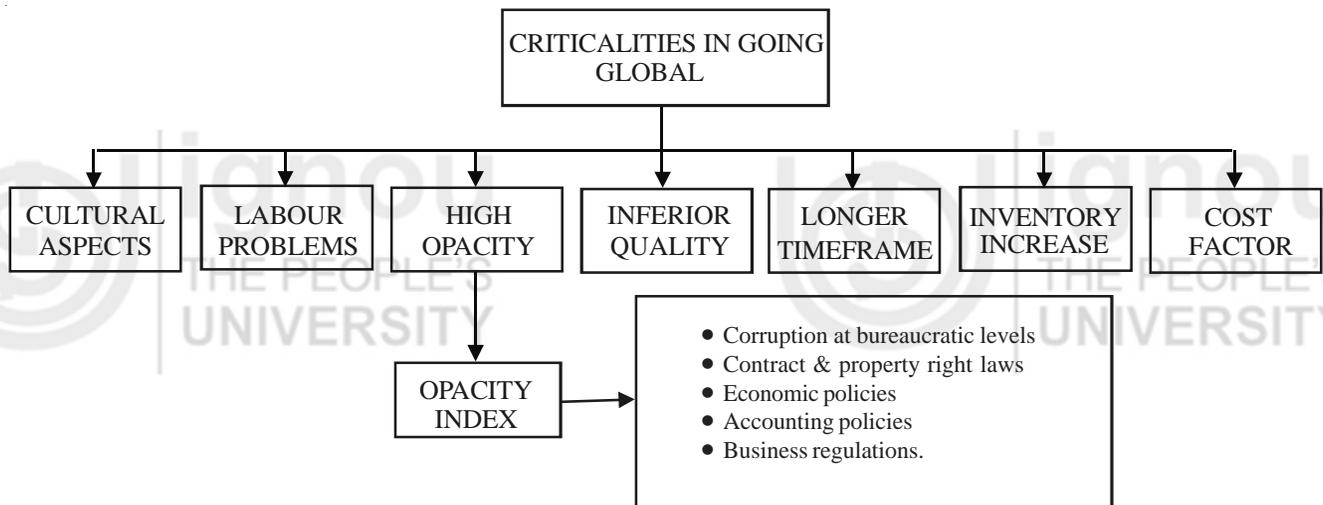


Fig 7.2.2 (b): Criticalities in going Global

China for example has a higher opacity in comparison to USA. US have fewer hurdles of types mentioned above and very less corruption.

7.3.3 Supply Channels

After having decided to go global the next step is to infer the supply channels that are to be used. Direct procurement is the easiest and lowest cost option to procure goods globally. It entails dealing with all the associates in procurement by the buying firm along with the facilities. However, limited resources in supply management may make direct procurement infeasible more often than not. Therefore, intermediaries will play a key role in streamlining the efforts of procurement through international sources, in fact, the simplest way to procure globally.¹⁴

Though sourcing through the intermediaries is costly option, yet, in most of the cases it avoids many unforeseen problems. The supply manager venturing into global sourcing is advised to solicit the advice of the contemporaries from the local supply management association. Certain, typical intermediaries are as mentioned below:¹⁵

¹³ “The Opacity Index: Launching a new measure of the effects of opacity on the cost and availability of capital in countries World-wide (Executive Summary)”, Price Waterhouse Coopers, London, January 2001, pp. 1-3. <http://www.opacityindex.com/>. Burt, Dobler & Starling in WCSM, Tata Mc Graw-Hill, p. 369.

¹⁴ ‘Supply Channels’ Strategic sourcing in WCSM by Burt, p. 370.

¹⁵ N. A. DiOrio, “International Procurement”, Guide to Purchasing 1987, p. 7, & Strategic Sourcing WCSM, 10^{TMH}, pp. 370-371.

- **Import Merchants:** They buy the goods for their own account and sell through their own outlets. They including all intermediary activities carry out all the risks of clearing.
- **Commission Houses:** They generally act for exports abroad, like selling in USA & receiving commission ex foreign exporters. Bills are generally never billed to them, though they handle all clearing of shipping and customs.
- **Agents:** These are representatives or firm that carry out the selling. They handle all the clearing and handling of material but hold no financial responsibility of the principal. They receive their commission from the seller and hence their primary interest is the exporter.
- **Brokers:** Just like the marriage brokers, they mediate between the buyer & the seller from different nations. They receive the commission from both the buyer & the seller, but are not involved in clearance/shipment of the material. They often do act as special purchasing agent against commission, for pre-designated material. They don't have any fiscal responsibility of the seller, just like the import brokers.
- **Trading Companies:** These are large companies that generally perform all functions like the agents/groups listed above. They have an added advantage over the others and are listed in directories and trade publications.
- **Subsidiaries:** They are established by MNCs in countries where a physical presence is required to improve competitive capability and/or meet host government restrictions. Akin to most of the publishing houses that carry out reprint of the popular titles worldwide from established publishing house and also act as their subsidiary in India. Hitachi America is also such an example that was created primarily to look after the interest of North American market. Subsidiaries can increase sales and lower employment costs by the principal of sons of the soil concept. They slowly develop the host managers over a period of time and train them according to their requirements. Most of the MNCs in India are following this principle, like Citibank, HSBC and Alcatel. These subsidiaries offer to set prices in the local currency and deliver material to buyers with all duties paid. However, at times they could block flow of technical information since they are remote from manufacturing and marketing decision.

The above are the intermediaries for global trade and an organization interested in going global should perforce follow the proper channel, lest you fall prey to the upheavals of the host country. Various offices like the IPO (international procurement offices) are set worldwide to tide over these intricacies. These offices facilitate business transactions and interactions in the foreign country and surrounding areas.

7.4 INTERNATIONAL LOGISTICS

'Logistics management includes the design and administration of systems to control the flow of material, work in progress and finished inventory to support business unit strategy', (Krishnaveni Muthiah 2003). Logistics is a strategic resource and its importance has to be understood by one and all (the functional members in the supply chain). But, in order to achieve this strategic influence, a good amount of competency has to be achieved and a well-defined logistical mission and objective has to be committed to, by everyone in the firm, especially by the top management.

As brought out earlier in unit 4, international logistics can be well comprehended with this figure, the triangle that is formed in the supply chain management (SCM), fig 7.3 (a).

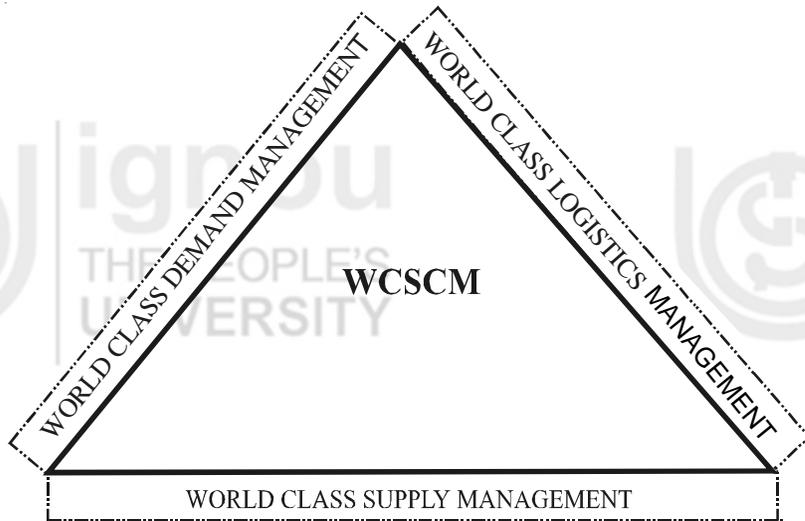


Fig. 7.3 (a) World class supply chain management

The Three Critical Components of WCSCM are:

- World class Supply management
- World class Demand management
- World class Logistics management

As discussed earlier, the logistics professionals play a vital role in shaping the success of WCSCM as regards management of transportation, storage and warehousing is concerned. We sometimes do tend to ignore the role of logistics, but the supply and demand chain cannot be met without the integrated and close-knit support of the logistics.

International Logistics management deals with receiving, handling, movement, storage and delivery of material, services and finished product in a WCSCM system, at a global level. Logistics is required both at the beginning and at the end of it, Fig7.3 (b).

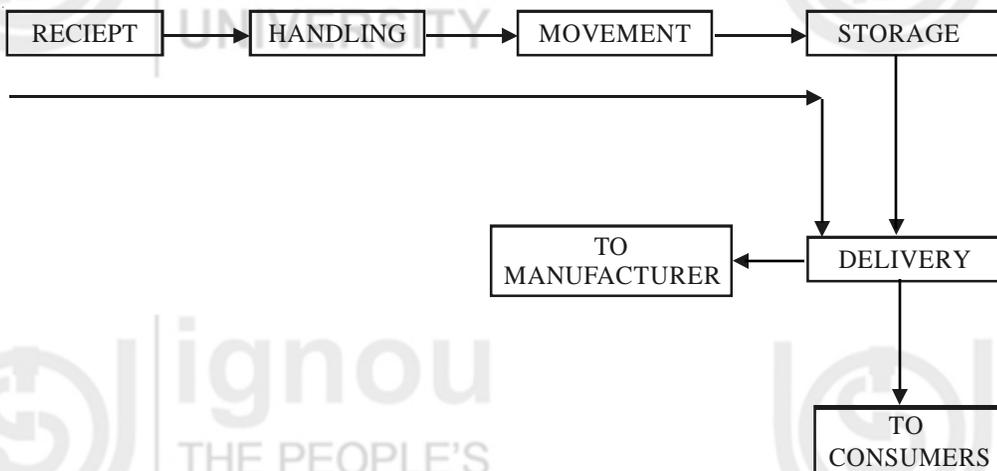


Fig. 7.3(b): International Logistics management

As Coyle puts it, “logistics is the part of supply chain process that plans, implements and controls the efficient, effective flow & storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming to consumer requirements”. Logistics include the following role, Fig 7.3 (c).

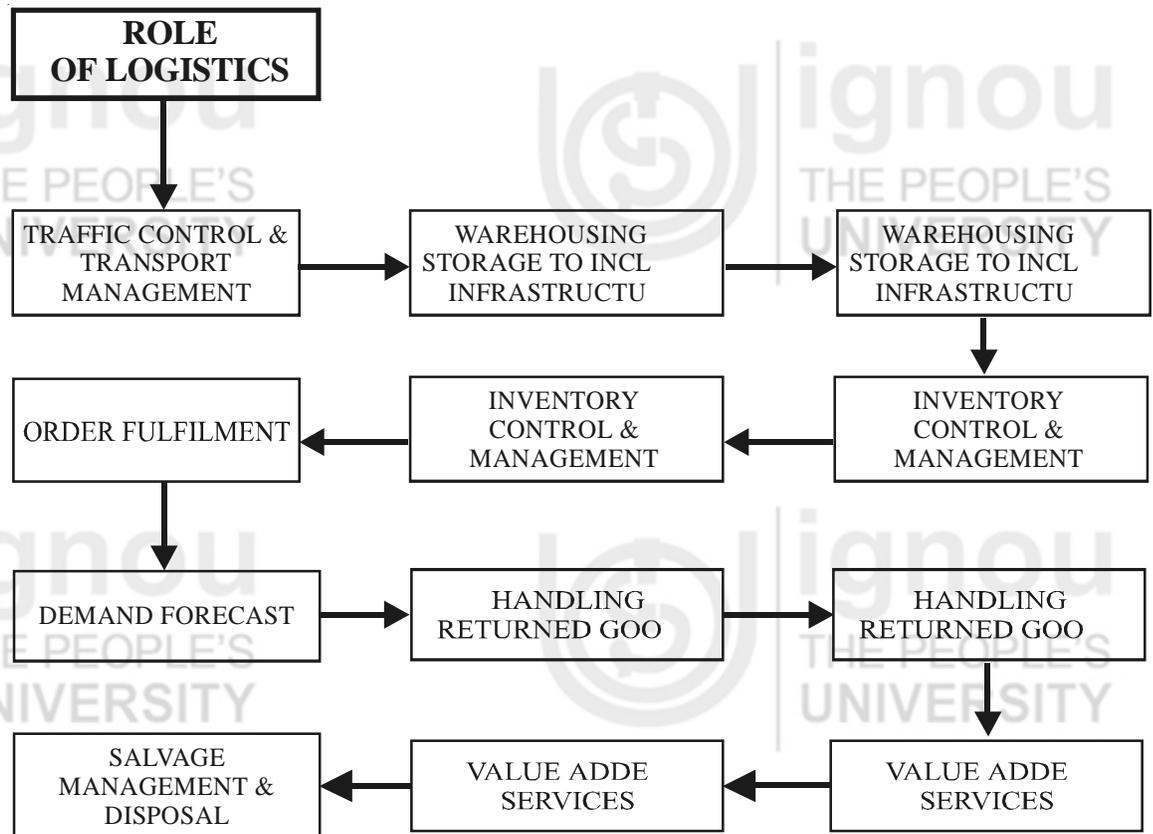


Fig. 7.3 (C): Role of Logistics

An effective SCM system will never be possible without the integration of logistics, since logistics is the foundation of SCM discipline and is responsible for its activities. Needless to mention here is that the transportation cost is the heaviest in the entire chain, and even more than product selling prices. Therefore, in order to maximize customer satisfaction and meeting firm's goal it is mandatory to ensure that effective storage facilities for goods and services are in place.

7.4.1 Integrating Logistics

Logistics planning has to be integrated with material and capacity planning in order to achieve maximum and optimum level of satisfaction. The needs and requirements of our customers is variable and never a constant factor. Therefore, in order to serve them better and be profitable you got to tailor your logistics and ensure it to be more dynamic with passing time. The emphasis should be on reduction of cycle time and elimination of waste in order to increase customer satisfaction. You have to understand that movement of goods, warehousing of materials and delivery is time consuming and at times requires precision synchronization at all levels i.e. from supplier to manufacturer and from manufacturer to consumer (unit 4). But things at the international level are much complicated. The coordination aspects required are tremendous and detailed planning is required before execution of the logistics movement.

7.4.2 World Class Logistics Management (WCLM)

The third side of WCSCM triangle, is the WCLM include the following:

- **Value-added Activity:** WCLM ‘tailors’ products to the consumers/customers needs and requirements. Logistics characteristics for each type of customer are incorporated into each product’s specifications. Product testing prior to delivery, packaging for unique storage related to the type of product being shipped, specialized marking and labels, and tracking of products through the supply chain are some of the events involved in WCLM. These are the value added activities that take place and are enhanced as per the customer requirements.
- **Real Time Trace Ability of Materials and Product:** WCLM organizations employ paperless inventory status and movement in real time, through out the supply chain.
- **Enhanced Logistics Competency:** Logistic competencies of the supply chain members are continuously being gauged by survey and related activities. Effort is on to reduce waste and continuous improvement in all spheres. Focus is generally ‘outward’ towards extended enterprise.
- **Collaborative Cross-functional Teams:** (as discussed earlier in same unit): They involve both the customers and the suppliers and integrate their respective functions under one head. Actually, more often than not the changing pace of market and technological advances mandate the requirement of a team based effort and a collaborative approach to logistics planning and execution.

Each of the functional areas in SCM is important to each other and together they serve an important role in achieving WCSCM. The professionals in logistics, finance, marketing, accounting, engineering, IT, and other functional areas are never geared adequately both in skills and know how to manage the interrelationship based on which the successful supply chains are built. The integration of these functional areas is what separates the excellent from the lesser ones.

It is quite unfortunate that supply management and logistics don’t collaborate the way it should in many companies, and hence, effort should be there to collaborate these functional areas and integrate them to perform better. This would not only gather efficiency but at the same time will eliminate wastes in a big way.

7.5 SUMMARY

Moving towards a global market requires detailed planning, foresight, flexibility and integration. In order to achieve excellence and a competitive advantage in the global market the companies have to continuously modify their strategies in order to remain embedded in the international markets since, the competition level is much more. Foundation of a company will also play a leading role in establishing itself globally. A well-conceived and accepted strategic plan is to be evolved which has to be far-sighted and look after the long-term aspects of the company, and not be myopic in nature.

A sound strategic plan, however, makes the ultimate difference in the amount of gains achieved in quality, quantity, productivity, cost reduction and manufacturing flexibility, the key components of value, which determine competitive advantage and profitability. Actually, establishing the strategic plan is the first step towards achieving excellence.

More often, a firm's approach to global supply management progresses from a reactive mode to a proactive one. Therefore, in order to remain in this competitive world the supply management professionals must have the following ability:

- *Develop a strategic point of view with relation to global supply management*
- *Deal with continuous changing scenario*
- *Dealing with diversity in culture*
- *Work with and within distributed organizational structures*
- *Work with others as team members and leaders*
- *Communication aspects.*

Keeping the above in mind we can conclude by saying that this will not only help us to become successful supply chain professionals but also help us in becoming better human beings in this far reached professional and busy environment.

7.6 SELF ASSESSMENT QUESTIONS

- 1) Explain in brief international SCM.
- 2) How can you organize your company for global markets? Give relevant examples to elucidate your point.
- 3) Explain the interfacing between logistics and functional members of the supply chain, with examples.
- 4) Logistics is a strategic resource; discuss the same in the global context.
- 5) Explain global sourcing and its advantages and disadvantages. How can you arrive at the best course of action for global sourcing?
- 6) Explain world-class management model in respect to SCM.

7.7 REFERENCES AND SUGGESTED FURTHER READINGS

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