

## **Competition and the global supply chain**



**Executive summary**

Simply stated, increasing globalization has changed everything for mid-sized manufacturers. Gone are the days of the static five-year plan and merely staying on top of your closest rivals. Technology—most obviously, the Internet—has inspired and enabled the growth of global supply chains.

Your suppliers and competition could be across town or, just as easily, two continents away, so now is the time to rethink traditional business models. Emerging economies in China, India, Eastern Europe and Latin America are redefining the way that the manufacturing industry has done business for decades.

With the Internet's near-instant information flow, it doesn't matter whether your supply chain partner is next door or in another part of the world. Business transactions are so automated that they often run 24 hours a day, every day of the year. How you use the speed of the Internet can determine your success in the global marketplace.

As global business models challenge perceptions about what can be accomplished, innovative manufacturers track available technology and look for opportunities to use it in ways that nobody else has discovered. Most often these opportunities focus on speed, visibility or flexibility.

In business today, change is rapid and unrelenting. Ignore it—or try to simply figure it out as you go—and you could fall far behind. Now more than ever, anticipating what's next and knowing how to act on it is vital to business survival.

***Other countries' economies, regulations, cultures and transport costs mean more than ever to your business.***

**Global market conditions**

The level playing field, if it ever truly existed, has given way to a steeplechase. Few elements are unexpected or insurmountable, but even a series of smaller obstacles can take a once-strong contender out of the race.

- *Economies and currencies rise and fall as they always have, but are now more interconnected. A financial downturn in one part of the world is felt, almost immediately, around the globe.*
- *Regulatory standards and labor practices have long differed widely from country to country, creating significant disparity in the cost of doing business. Now, as products move more easily between borders, news and information about them travels at least as fast. Manufacturers' policies and actions can be seen worldwide, and customers use this information in their decision-making process.*
- *The cost of moving material and products grows as fuel and other transport costs continue to increase. Where centralized production used to be a given for taking advantage of economies-of-scale, multi-plant strategies are gaining popularity as manufacturers look to reduce operating costs and operate closer to their customers.*
- *With increased globalization comes cultural differentiation—not just manners and customs, but ways of tackling business issues and thinking of success. Your newest competitor's business model and marketing strategies might be totally foreign to you, no pun intended and no geography implied.*
- *Even within the same country, two manufacturers of similar products can operate on divergent competitive strategies, some of which simply had no bearing in decades past. If your company came into business with the traditional long-range plan of building through incremental achievement, how does it compete with a competitor who starts up with an exit strategy and assumes a best-in-class attitude from the beginning? Is that even possible?*

***Now you have to factor in time zones, lead times and international tracking methods.***

Your competitors probably share many of the same concerns that you do: tight operating margins, elusive customer loyalty, a market that demands faster product launches and improvements, planning and forecasting issues and core process inefficiencies. How well do you manage these global-market issues, compared to your competitors?

**The variables behind globalization**

Business still goes to those who deliver the best value, and manufacturers still strive to deliver the right product at the right place at the right time at the right price. The basic equations for success remain, but now you need to factor in variables that are accentuated with global supply chains. For example:

- *Lead times are extended with global supply chains because of the distance that products and materials must travel. Managing global operations and moving products around the world requires a major advance in processes, planning and logistics. The increased risk of damage and loss must be included in the planning process, which must be supported by sophisticated forecasting technology.*
- *With customers and suppliers around the globe, chances are that you cannot just pick up the phone and call them whenever you have an issue. Your reliance on collaborative technology increases as you develop processes that improve responsiveness across the supply chain.*
- *Developing products that serve multiple markets around the globe is a demanding process. It involves gathering and analyzing requirements from different parts of the world and creating a product strategy that meets the needs of each chosen market. You need a strong product life cycle management strategy with supporting technology to get to market fast.*
- *Keeping track of key products and materials as they make their way around the globe exacerbates the challenge of product tracking. Fortunately the barriers to implementing radio frequency identification (RFID) solutions along global supply chains are falling, and the technology has advanced in performance, quality and cost.*

***Do you understand the global application of speed, visibility and flexibility?***

Business issues such as lead times, collaboration, product development and tracking are standard in the manufacturing industry. New skills, information and technology help manage these issues effectively and turn them into a competitive advantage.

**Speed, visibility, flexibility**

In a world of perpetual change that demands speed, visibility and flexibility, tomorrow's winners are those who master these attributes today and use them to sustain profitability in the global marketplace.

- *The demand for speed is prevalent across the supply chain, and technology is a critical factor in moving information quickly. How are you using technology in your business? Are you, or your competitors, using it to create a competitive advantage in the marketplace or simply to automate processes and reduce costs?*
- *Do you have and provide visibility to know what's going on in your supply chain regardless of how far across the map it spreads, and the insight to understand it in the global context? Do you have a strong understanding of what your customers want? Many customers are demanding access to their supply chain and visibility to their orders on the suppliers' plant floor and in their inventory.*
- *The faster-paced and more far-flung the market—not just your piece of it—the more flexible you must be to meet whatever demand comes in, to respond by being prepared to change tactics when necessary, and to sustain an atmosphere that's open to necessary changes. Manufacturers are adopting new models that are based on flexibility: flexibility with customer needs, flexibility in production schedules and flexibility where change is not only managed, it's also encouraged.*

***Think for three: your company, your competitors and the marketplace.***

**Industry imperatives for consideration**

Manufacturers must consider several key business imperatives, and each should be considered from three perspectives: your company, your competitors and the marketplace. Each imperative might have a different relative importance to each group, so a deep understanding of the overall picture helps you determine what action to take, if any, and when to take it.

With each of the following imperatives, think about its importance within your company's plans and strategies: Next, envision your competitors' perspective. How important is the imperative to competitors, how likely are they to take action and what action might they take? Last, consider your customers in the marketplace. How do they view the imperative? Is it important that their suppliers embrace the imperative with strategies, processes and supporting technology?

- ***Global supply chains continue to expand and prevail.*** *Even manufacturers with traditionally local interests must be aware of industry trends around the world, especially those related to their suppliers, customers and competitors. Should I extend my global reach, and why?*
- ***New products and product enhancements will continue to be released at ever-increasing speeds.*** *Managing the product life cycle effectively is a necessity as well as an opportunity for creating a competitive advantage and for driving long-term profits. How much emphasis should I place on product development, product enhancements and product life cycle management?*
- ***Flexibility in culture, leadership and processes is critical for responding to change.*** *Customers always expect more, and the best plans are subject to the unexpected. How flexible should we be?*

- ***Cost pressures are ongoing, and managing costs is vital to sustaining success.*** *Where should we look for cost savings: within the enterprise or in the supply chain? How do we identify cost savings that will not have a negative impact on our customers?*
- ***Customer loyalty remains elusive and often goes to the lowest-cost, highest-value producer.*** *How should our value evolve over time so that we sustain success in the marketplace?*

Challenges? Or opportunities? It depends on your willingness and ability turn risk into reward, and to understand trends and issues that might be important to your customers and your competitors even if they aren't for you.

**How well do you know your own company?**

More than half of the supply chain executives surveyed this year by The Aberdeen Group view supply chain management in terms of profit center more than a cost of doing business, and cite it as a way to distinguish their company in terms of market strategy and customer service<sup>1</sup>.

Whether your organization is looking for new ways to make the most of its supply chain or is wondering how to start, you can count on IBM® to know global manufacturing and your part in it. We understand the business issues faced by both large and mid-sized enterprises and recognize that even where the issues are the same, solutions are slightly different. We know that mid-sized company owners have to think differently from large-scale operations, but are never far from the universal truth that change is inevitable and constant.

**Why IBM?**

IBM and our Business Partners deliver industry-specific, integrated solutions to manufacturers. Using our portfolio of application suites, software, proven standards-based technology and services capabilities, manufacturers can easily identify a short list of affordable solutions that fit their industry, business needs and size.

As a result, manufacturers can shorten the timeframe needed to drive an ROI from solutions that help them improve their performance in the marketplace.

***Do you see your supply chain as a profit center or budget drain?***

***You can count on IBM to understand your business needs.***

**For more information**

To learn more about global supply chains, contact your IBM marketing representative or IBM Business Partner, or visit:

[ibm.com/businesscenter/smb/us/en/industrialintro](http://ibm.com/businesscenter/smb/us/en/industrialintro)



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<sup>1</sup> The Aberdeen Group, *The Supply Chain Executive's Strategic Agenda 2008*