



The Case for a Global Supply Chain approach for the Enterprise

*By Ned Blinick, Vice President
Blinco Systems*

Scenario 1: A large global 2000 company (it really doesn't matter which industry) views itself primarily as a manufacturer. It has owned manufacturing facilities on several continents that produce most of the company's products. It views its competitive advantage as being able to streamline its manufacturing facilities. However, because of competitive pressures for lower prices and the need for flexibility it has started to outsource some of its products to 3rd party contractors. It distributes its products in over 30 markets around the globe.

Scenario 2: A large global 2000 company views itself as a marketer of branded consumer goods product. It contracts out almost all its products to contract manufacturers that are located around the globe. It sees its competitive advantage in its research and design. Its brand is distributed in over 50 countries around the globe through a combination of owned distribution centers and direct sales forces and 3rd party logistics providers and independent sales channels.

These company profiles represent two business paradigms. They have defined themselves in old world business models that will shape the way they execute their business strategies. The company in scenario 2 reflects a more contemporary view of the world. By decoupling itself from its manufacturing component it has opted for flexibility over control. The company in scenario 1 is more representative of an industrial age company that focuses on manufacturing as its competitive advantage and sees control of its manufacturing environment more important than flexibility over its business model.

The traditional ERP systems are more geared to the companies in scenario 1 than 2. However, when you are seen to be the only game in town you will still be the dominant player with the scenario 2 players.

There are many companies on the continuum from pure manufacturer to pure product/brand distributor. The companies in these 2 scenarios are simplistic in their nature. The reality is that there are no pure business models or best business models. What is important is that companies recognize that they play a role in the supply chain from the raw material to the end-consumer and managing their supply chains effectively and efficiently will provide real competitive advantage opportunities.

The Supply Chain Council definition of the supply chain applies to every company that exists, whether product or service centric. The SCC defines a company's supply chain as everything from its supplier's supplier to its customer's customer. Indeed the product supply chain is a series of these company links, with each company of the chain managing "stuff" from its suppliers to its customers.

ERP systems traditionally look at a company from within the four walls. ERP solutions are enterprise resource planning tools for each independent location with global accounting and financial capability,

localized distribution management, and some inventory control tools. ERP systems primary orientation is to most effectively support the physical, human and financial resources within the manufacturing facility.

Supply chain focused companies are designed to look at how product moves to the customer from the supply side most efficiently and effectively. Supply chain focused companies strive to manage the flow of product from their suppliers (raw material, semi-finished, or finished goods) through their facilities (manufacturing plants or distribution centers) to meet the demand requirements of their customers.

ERP solutions weren't developed and in my opinion still don't look at a company from a holistic supply chain perspective and therefore fail to deliver a comprehensive global supply chain approach for companies to manage their business. While the major ERP solutions have significantly enhanced their customer and supplier focused capabilities there fundamental orientation and design has always been from that of a manufacturer.

Globalization has fundamentally changed the way the world functions. With globalization and the outsourcing of much manufacturing and many services, global companies must take a global supply view to excel. Success will not be defined by how well a company controls the flow of product into and within its four walls. Success will be determined by how well a company designs its supply chain to "flex" to the ever-changing competitive environment in which it exists.

Obviously no two companies are exactly alike. They have differing leadership styles, physical structures, goals and objectives, and values. However, what they all have in common is the need to buy products and services from suppliers, add value to them, and sell them to customers. This has not changed over time. However, as the world becomes more "globalized" the way companies construct and manage their supply chains to support their unique buy/sell environments will determine their competitive position.

I can hear the pragmatists screaming – I know this will cost but what are the tangible benefits we will get from a global supply chain approach to our business? Show me the money! If I believe what you say, what do I need to do to get a solution that supports my current and future plans as we continue to go global?

I can hear the realists screaming – I have a major investment in my ERP solution (we are talking \$10's of millions) and getting rid of it is not an option. What are my options if I want to transform my company into a global supply chain capable organization while still protecting my investment in my ERP solution?

Over the next several articles I will lay out:

1. The value proposition that almost every company can achieve by managing their organization with a powerful global supply chain orientation and why global supply chain management complements the ERP investment and increase its value proposition
2. The secret ingredients needed to build great global supply chain excellence
3. The reason that global supply chains are different and much more complex than domestic supply chains
4. A blue print as to what is needed to achieve best-in-class global supply chain excellence

About The Author

Ned Blinick is Vice President of Blinco Systems Inc., a provider of global commerce and logistics management solutions.

About Blinco Systems Inc.

Blinco Systems Inc. (BSI) is a leading developer of 3rdwave enterprise solutions for organizations that source globally and manage non-asset based manufacturing operations.

From its inception, BSI has focused on enabling companies that source and manufacture globally to deliver orders that meet or exceed customer expectations.

BSI provides solutions that synchronize control over the entire supply chain – from your suppliers' suppliers to your customers' customers – through totally integrated execution, compliance, costing, visibility and financial tools.

Understanding that successful solutions cannot be cobbled together and maintained from the disparate point applications, BSI continues to focus on successfully developing, delivering and implementing fully-integrated solutions that allow its clients to totally manage their supply chain and focus on their core competencies.

To learn more about Blinco Systems, visit www.blinco.com.

About SupplyChainDigest

SupplyChainDigest™ is the industry's premier interactive knowledge source, providing timely, relevant, in-context information. Reaching tens of thousands of supply chain and logistics decision-makers each week, our flagship publications - *SupplyChainDigest* and *SupplyChainDigest – Logistics Edition*, and web site (www.scdigest.com) deliver news, opinions and information to help end users improve supply chain processes and find technology solutions.

For more information, contact SupplyChainDigest at:

937-885-3253

www.scdigest.com

email: info@scdigest.com