

Signs Your Global Logistics and Supply Chain Operations Need a Tune-Up

Problems can Show Up Quickly, especially if Approach is more Reactionary than Strategic

SCDigest Editorial Staff

The world has gone flat and global, and it is almost difficult to have a sourcing and market strategy today that does not involve globalization.

Still, stories are prevalent of companies that are not fully pleased with their global sourcing strategies and results.

Of course, global sourcing is not easy. As shown the in chart on page 2, cost and complexities rise along many dimensions when moving from domestic to global sourcing.

In talking with a number of experts on global sourcing over the past year, SCDigest has compiled a list of symptoms that may indicate your global sourcing strategy and execution needs a tune-up.

- Executives and managers cannot quickly identify the real strategy behind a global sourcing initiative, which feels more tactical and reactionary rather than strategic.
- Many of the nominal savings on a per unit basis from global sourcing are in reality lost when true overall logistics and supply chain costs are accurately considered.
- Decreases per unit costs come at the price of substantial increases in inventory, as inventory buffers and inventory obsolescence increase significantly as a result of the longer and more uncertain lead times.
- Expediting charges to get goods from overseas in

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- time to meet production and distribution requirements increase substantially.
- Company incurs consistent quality problems that result in re-work or the need to return product to offshore vendors.
- Sales opportunities are lost due to failure of offshore goods to arrive on time.
- Overhead costs associated with global sourcing operations and staff rise substantially, with no real benchmarks for comparison.
- A company consistently misses budgeted financials due to a mismatch between expected total landed costs and actual costs.
- Most global sourcing process and handle manually, with minimal technology support, and staff has an increasingly difficult time keeping up.
- A company cannot accurately reflect its true financial exposure due to hidden purchase commitments through international suppliers.

These are just a few of the signs that a company needs to re-assess its approach to global sourcing, and bring in some outside help as needed to get your company's act in gear.

Signs Your Global Logistics and Supply Chain Operations Need a Tune-Up (Con't)

Impact of Global Sourcing on Supply Chains		
Factor	Domestic Supply Chains	Global Supply Chains
Cycle time	Short	Long
Total landed cost	Clear	Ambiguous
Number of parties involved	Few	Many
Inventory risk	Low	High
Regulatory risk	Moderate	High
Intellectual property risk	Low	High
Overhead costs	Low to moderate	High
Information availability	Moderate to high	Low
Processes	Well defined	Less defined
Internal Company Expertise	Moderate to high expertise	Moderate to low
Security and risk	Low to moderate	Moderate to high

Source: Supply Chain Digest