1.0 Globalization and Business

Under globalization, the following trend has been identified:

1) Rising living standards

(Create business for auditing / corporate governance for decision making / compliance and social reporting jobs of safety/ healthy standards, Corporate Social Responsibility (CSR), Social Environmental esponsibility (SER), Environmental Social GovernancRe (ESG)…etc.)

2) Cultural awareness and "Responsibility to Protect" (R2P)

(Creating demand for education and knowledge of human rights, forced labor, supply chain working conditions, intellectual property protection…etc.)

R2P - http://www.responsibilitytoprotect.org

1.0 Globalization and Business

3) Impacts of economic meltdown (2008) (leading to re-structuring business model to save costs, manpower, materials, and methods of doing things in an organization, for example, lean management, integration and technological development, e.g SAP)

4) Outsourcing or international sourcing/ "International Purchasing Office" (IPO)

(Creating new business operations model to reduce total operations cost with outsourced activities, e.g. IT, customer services and quality vendors)

1.0 Globalization and Business

Under globalization, the following trend has been identified:

5) Global production processes / components of semi-finished or finished products

(new business for joint partnership & collaboration for impacts)

6) Transformation of industries

12th 5 Yr Plan, China-

http://www.apcoworldwide.com/content/pdfs/chinas_12th_five-year_plan.pdf

Environmental Protection –

http://www.chinaenvironmentallaw.com/2009/03/04/chinas-environmental-protection-12th-five-year-plan/

(innovative materials in textile industry – green, quality, fashion, upgrading technology in bio-chemistry industry, infrastructural development in telecommunication industry, new forms of energy   etc.)

Globalization and Business

Characteristics-

Respond to

Demand/ Customers/ Market -

Quality/ Cost/ Delivery/ Flexible (QCDF)

1.1 Globalization & Responsiveness

1) Customization and standardization (design own products/ services for uniqueness/unify operations flow to save costs

2) Values creation via tailor-made services and flexibility in price setting

3) Process re-engineering to save costs/ processes for new business/ business integration/ vertical and horizontal business / green implementation

1.1 Globalization and Responsiveness

4) Cross-functional team for innovations in products and services with professional development (horizontal and vertical expansion/ diversity with professionalism)

1.1 Globalization & Responsiveness

1) Customization and standardization

Shift from mass production to deliver tailor-made products/ services to customers for uniqueness

Production process needs to allow flexibility, built-in service and design elements

Production is driven by customer demand (pull by demand, instead of push by supply)

1.1 Globalization & Responsiveness

1) Customization and standardization

Plan for Change –

- moving targets – learning & adjusting along with changing demand & requirements/

- changing taste from customers/

- unpredictable needs driven by business environment, market, technology

1.1 Globalization & Responsiveness

1) Customization and standardization

   Plan for Change –

   - Build a system-of-systems (e.g. digital wallet)

     (a complex system of simple transactions)

   - Hold up intention to buy

     (wait till obtaining sufficient product/ pricing/ market..e
     information for decision)

   - Break linkage of sub-components

     (enable each component to change without

      impacting on others, e.g. IKEA)

(Linthicum 2010)

1.1 Globalization & Responsiveness

1) Customization and standardization

   Plan for Change –

   - Adopt architectural approach
     (create holistic approach with logical
        components, e.g. lego-typed products)

   - Break dependencies of using "Cells"
     (Modular Integration Process in Production)

   (Linthicum 2010)

1.1 Globalization & Responsiveness

1) Customization and standardization

Mass Customization

"..facilitate planning for change in that a given integration becomes more of an assembly process that a custom development effort so it can be completed quickly in response to new or changed requirements."

(Linthicum 2010:152)

1.1 Globalization & Responsiveness

2) Values creation and cost management

Shift from competing against price (red ocean strategy) to value (blue ocean strategy) delivered to stakeholders in the business model (customers, suppliers, government, unions, competitors, shareholders…etc.)

Values perceived by customers, instead of producers or buyers in the chain

1.1 Globalization & Responsiveness

Values can be derived from the followings for delivering confidence to customers :

2.1) transparency of corporate governance for decision making and effective leadership and cross-functional team

2.2) global sourcing and e-sourcing for better and cheaper materials

2.3) accurate and timely data for traceability and reliability

2.4) stable and innovative product performance

2.5) consistent service delivery with competence

1.1 Globalization & Responsiveness

Quality can be built in products/ services for values :

1) Data Quantity (big data) / Quality (reliance & accuracy)

"a broad umbrella term used to describe the accuracy, completeness, consistency, conformity, and timeliness of a particular piece or set of data."

2) Integration Quality

"the quality of the software services, workflows, processes, transformations, and other logic that control the movement and integration of data."

(Linthicum, 2010:182/183)

1.1 Globalization & Responsiveness
Cost Management

- On-going review to measure achievement of project benefits

- Determine cost structure

(fixed and variable costs/ direct and indirect costs/ internal and external costs/ capital and operational costs/ one-time and on-going costs)

(Linthicum, 2010:207, 223, 229)

1.1 Globalization & Responsiveness
Cost Management

- Conduct various kinds of analysis

 (cost effectiveness/ avoided costs/ work value analysis/ cost of quality analysis/ option value analysis/ analysis of technical importance/ alignment of business objectives/ analysis of level-of-service improvements/ research & development)

 (Linthicum, 2010:207, 223, 229)

1.1 Globalization & Responsiveness

Cost Management

- Cost Effectiveness

  benefits outweigh costs

- Avoided Costs

  compare the cost of proposed one with those of the current one that be avoided

- Work Value Analysis

  analyze work patterns throughout organization

- Cost of Quality Analysis

  savings gained from reducing cost of QA

- Option Value Analysis

  future opportunities

1.1 Globalization & Responsiveness
Cost Management

- Analysis of Technical Importance

    infrastructure investment

- Alignment of Business Objectives

    investment on IT/ strategy for objectives

- Analysis of Level-of-service Improvements
    Benefits to quantity, quality, delivery of services

- Research & Development

    investment on outcomes of projects

1.1 Globalization & Responsiveness

Cost Management

- Periodic benchmark best practice on operational cost efficiency

- Invest on automation

(Linthicum, 2010:207, 223, 229)

1.1 Globalization & Responsiveness

3) Process re-engineering and green implementation

Shift from focusing on logistics and process integration to embedding green elements into the purchasing green and organic materials, low carbon footprint transportation, saving energy in the warehouse, packaging with recycled materials, environmental-friendly shop-design

1.1 Globalization & Responsiveness

3) Process re-engineering and green implementation

complying global green standards, product specifications (CAS/ TAP green label in Taiwan), ISO 50001 Energy Management System, 14001…

Video :

ISO 14001

http://www.youtube.com/watch?v=KUxbyQUGSnU&feature=related

ISO 14001

http://www.youtube.com/watch?v=6MwMRrhpyrg&feature=related

ISO 50001

http://www.youtube.com/watch?v=1xfCvHLFAfE&feature=related

ISO 22739 : 2020 and Blockchain

https://www.iso.org/standard/73771.html

https://www.itu.int/en/ITU-T/Workshops-and-Seminars/2023/0220/Documents/Julien%20Bringer.pdf

P & G

http://www.youtube.com/watch?v=-g4pMTi_6TE&feature=related

1.1 Globalization & Responsiveness

3) Process re-engineering and green implementation

complying global green standards, product specifications (CAS/ TAP green label in Taiwan), ISO 50001 Energy Management System, 14001…

Video :

Green SCM

http://www.youtube.com/watch?v=wDxZ7JHdm40&feature=related

Food Safety, Taiwan

http://www.youtube.com/watch?v=kWDv5NaOLJ4

http://www.youtube.com/watch?v=-kf-9w6Gqz8&feature=related

1.1 Globalization & Responsiveness

4) Cross-functional team and specialist in subject area (horizontal with vertical expansion/ broad-base with deepness)

Shift from focusing on a particular area in the chain to develop a holistic picture of sourcing, of costing, of networking, of managing risks from different areas…etc.

1.1 Globalization & Responsiveness

4) Cross-functional team and specialist in subject area (horizontal with vertical expansion/ broad-base with deepness)

Management Skills for the Future –

T-shaped skills

(cross-functional skills with in-depth expertise

(Christopher, 2011:221)

1.1 Globalization & Responsiveness

4) Cross-functional team and specialist in subject area Management Skills for the Future –

- market understanding
- management of complexity and change
- information systems and IT expertise
- ability to define, measure, manage service required by market

(Christopher, 2011:221)

1.1 Globalization & Responsiveness

4) Cross-functional team and specialist in subject area Management Skills for the Future –

  - understanding cost-to-serve and time-based performance indicators
  - specific functional excellence with cross-functional understanding/ team work capabilities
  - relationship management and win-win orientation

(Christopher, 2011:221)

1.1 Globalization & Responsiveness

5) Flexible mindset and rigid system

Shift from system monitoring to dynamics follow-up along with changes in the external global environment

e.g. tax an customs government regulations, supplier selection, supplier-buyer relationship and performance, cross-cultural issues…etc.

Globalization

Outsourcing and
International Purchasing

For

Diversity / Quality/ Cost Control

2.0 Outsourcing and International Purchasing

- Low Cost Countries

- International Purchasing Office (IPO)

- Product Risks

3.0 Low Cost Purchasing

Purchasing outside the First World Domain

"characterized by mature institutions, political stability, legal protection, sophisicated production capabilities, and prosperity   (Trent & Roberts, 2010)

Emerging Sourcing - Low labor Cost
 e.g. China & India
        Eastern European countries
 e.g. Russia
        Latin American countries
 e.g. Mexico & Brazil
        S. E. Asian countries
 e.g. Vietnam

3.0 Low Cost Purchasing

Low-cost Sourcing

For certain / narrow range of commodities or products that may not be in emerging countries

e.g. Bangladesh and Honduras (LCCs) for textile items

Strategy for Purchasing :
- Buy among LCCs/ emerging countries/ third world or developing countries
- Seek for countries with potentials
- Plan for risk management
  for example:
- risks from natural disaster,
- risks affecting human lives ,
- e.g. tainted toys, paint, pharmaceuticals and dairy products

3.1 Low Cost Purchasing

Concerns under Low Cost Countries (LCCs) :

1) Supplier

   (quality, reliability, flexibility, responsiveness, trust, language proficiency, cultural accommodation ..etc.)

2) Government and regional issues

   (tariffs and taxes, policy, intervenion)

3) Currency Stability

   (increase value of a currency, decrease the competitive power of exporting country)

3.1 Low Cost Purchasing

Concerns under Low Cost Countries :

4) Time Management and Forecast Control
   Lead time control / infrastructure reliability
5) Responsibility and Mindset
   Protection of human rights, intellectual property, working conditions, forced labor…etc.
6) Unexpected challenges
   e.g. natural disasters

3.2 Low Cost Purchasing and Controls

1) Supplier

2) Government

3) Currency

1) Product Sample

- from outputs, instead of process, from delivery products, instead of sample lots

2) Update regulations

Familiar customs regulations

maintain guanxi with officials

3) Hedging and readiness of "Plan B"

3.2 Low Cost Purchasing and Controls

4) Time

4) Using 3rd or 4th party with control and inspecting

5) Mindset

5) On-going education and exposure

Mechanism to protect

6) Challenges

6) On-going and cross-sectional supplier sourcing and evaluation

strategy

3.3 Low Cost Purchasing and Product Risks

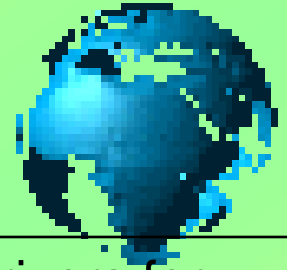What are the risks that you've heard and source of data for risks prevention and business opportunities?

1) Pet food

2) Seafood

3) Diary products

4) Children products
   (toy trains, paint (Mattel & Fisher-Price), mugs (Starbucks)

5) Healthcare products
   (toothpaste – FDA requirements, drug products -Baxter

Managing Performance
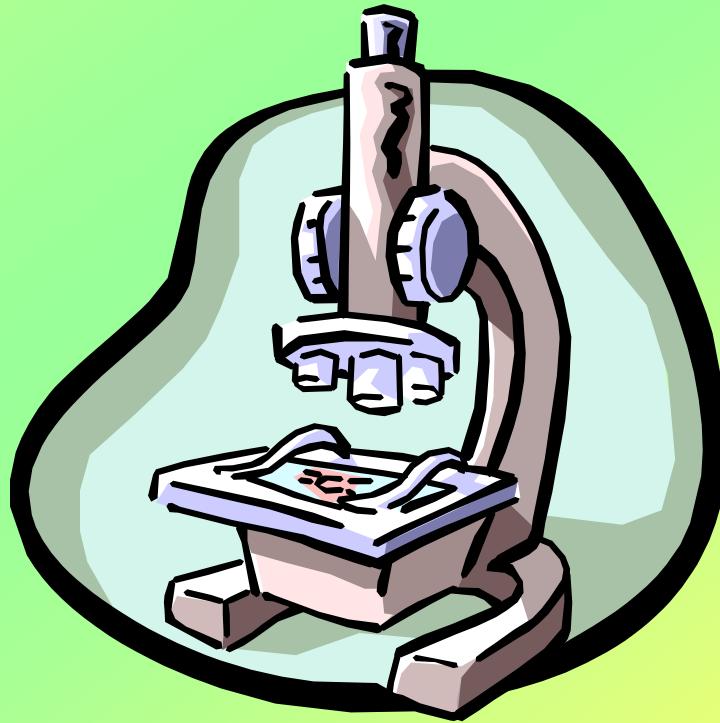
4. SCM Performance Indicators- Balanced Scorecard

Goals	Strategy	Measurement of Performance	Drivers for Performance
Corporate and marketing goals	Guanxi with partners, incl. 3PL and 4PL	Better service quality Closer customer relationship e.g. order fulfillment / customer retention	Innovative Leadership with strategic partnership
	Transportation arrangement	Faster delivery e.g. end-to-end delivery	
		Lower total landing cost e.g. cost to save	

4. Total Quality Purchasing (TQPur) – 1

Scope of purchasing	Position of purchasing	Purchasing Performance Measures	Focus on
Clerical function	Low	Number of orders, backlog, purchasing administration, lead time, authorisation, procedures, etc.	efficiency
Commercial function	Report to management	Saving, cost-reduction, negotiation, contracting, single/sole sources, etc.	efficiency
Strategic business function	Integrated in strategic planning	Supplier development, make vs. buy studies, integration with R&D, value analysis, purchasing engineering, etc.	effectiveness

4. Total Quality Purchasing (TQPur) – 2
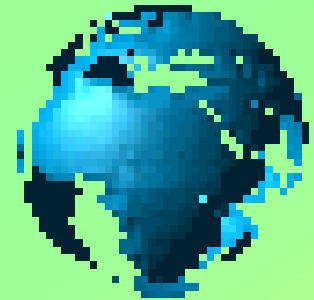
Purchasing Effectiveness

◆ Purchasing Price / Cost Dimension

-- costs / prices   -- competition
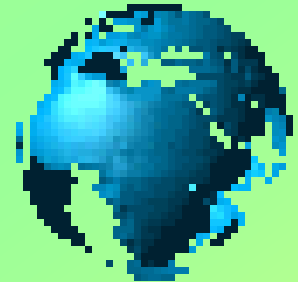
-- co-ordination   -- transportation .....

◆ Purchasing Quality Dimension

-- specifications   -- rejects / returns

-- rework   -- production stops .....

◆ Purchasing Logistics Dimension

-- lead times   -- order-quantity

-- inventories   -- vendor-performance

-- deliveries (late, on time, early)...

4. Total Quality Purchasing (TQPur) – 3

Purchasing Efficiency

◆ Purchasing Organisation Dimension

-- workload / orders / quotations

-- procedures

-- information system

-- management

-- expertise .....

4. Tutorial Exercise

How can you apply the Total Quality related data into purchasing approach ?

Form a team of 3 and discuss.

Then present for 5 minutes.

ThankYou !