

# Global Competition with Global Competence

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## ABSTRACT

Making the decision to extend a supply chain into the international market can add value to a company's competitive advantage, particularly for global businesses with local manufacturing partners. This paper will address key elements to foster a successful Program Project Management using Critical Chain principles for source identification, adjustment and harmonization of the necessary knowledge and standards to balance the differences between cultures and technology, including in this discussion a Risk Management tool and the transition to a Global Quality approach to build and maintain strong relationships throughout a worldwide supply base.

## INTRODUCTION

Companies today are facing daily challenges related to the key factors that have driven global business success and supply chain performance. Published in 1998 the ground breaking report "*The Nation's CEOs Look to the Future*"<sup>(1)</sup> (Table A) surveyed more than 300 CEOs to identify the top five most important trends related to competitive advantage. The report's findings were telling and demonstrated that CEOs viewed global organizational structures as essential to achieving the corporate competence that will enable competitive advantage in the marketplace.

| MAJOR TREND                                                                                                         | SCORE |
|---------------------------------------------------------------------------------------------------------------------|-------|
| Globalization – becoming truly global companies                                                                     | 94%   |
| Improving knowledge management and the use of new information technology                                            | 88%   |
| Cost and cycle time reduction                                                                                       | 79%   |
| Improving supply chains globally                                                                                    | 78%   |
| Manufacturing at multiple locations in many countries                                                               | 76%   |
| Managing the use of more part-time, temporary and contract workers                                                  | 71%   |
| Developing new employee relationships based on performance and personal growth, not tenure and long-term commitment | 69%   |
| Improving human resources and the hiring, training, retention & motivation of the talent                            | 68%   |
| Improving execution of company strategic plans                                                                      | 68%   |
| Developing more appropriate strategic plans                                                                         | 64%   |
| Ongoing measurement/analysis of organizational processes                                                            | 60%   |
| Developing a consistent global corporate culture                                                                    | 56%   |
| Outsourcing of manufacturing                                                                                        | 55%   |
| Creating learning organizations                                                                                     | 52%   |
| Outsourcing of white collar services                                                                                | 41%   |
| Managing employee turnover                                                                                          | 41%   |
| Hiring the best talent in developing countries such as Russia, India, China                                         | 23%   |
| Giving more weight to long term goals and relatively less to quarterly earnings                                     | 19%   |
| Appointing CEOs and top managers who are not U.S. citizens                                                          | 9%    |

Table A – Major trends for U.S. companies – 1998 <sup>(1)</sup>

The top five trends ranked by importance were Globalization – becoming truly global companies (94%), Improving knowledge management and the use of new technologies (88%), Cost and cycle time reduction (79%), Improving supply chain globally (78%), and Manufacturing at multiple locations worldwide (76%). Looking back almost 10 years now, the report did not derive consensus among corporate CEOs about which competitors would emerge as the most serious challengers to the Fortune 500. The executives surveyed did however identify that most leading corporations were not fully prepared to take advantage of the identified trends changing the business environment. Only a small minority of the CEOs ranked the competencies of major US companies as "excellent" on the 19 trends identified. In fact, the majority of companies ranked "fair" or "poor". When analyzing leading concerns in the context of the top five trends by importance, the vast majority of respondents rated major Fortune 500 companies as either "fair" or "poor" (Table B).

| MAJOR CONCERNS                                                                                                      | POOR | FAIR | EXCELLENT |
|---------------------------------------------------------------------------------------------------------------------|------|------|-----------|
| Giving more weight to long term goals and relatively less to quarterly earnings                                     | 57%  | 34%  | 2%        |
| Developing a consistent global corporate culture                                                                    | 43%  | 44%  | 4%        |
| Creating learning organizations                                                                                     | 42%  | 44%  | 4%        |
| Developing new employee relationships based on performance and personal growth, not tenure and long-term commitment | 32%  | 53%  | 10%       |
| Hiring the best talent in developing countries such as Russia, India, China                                         | 31%  | 26%  | 3%        |
| Managing employee turnover                                                                                          | 30%  | 54%  | 4%        |
| Appointing CEOs and top managers who are not U.S. citizens                                                          | 30%  | 28%  | 4%        |
| Improving human resources and the hiring, training, retention & motivation of the talent companies will need        | 25%  | 61%  | 7%        |
| Improving supply chains globally                                                                                    | 18%  | 51%  | 16%       |
| Ongoing measurement/analysis of organizational processes                                                            | 18%  | 57%  | 15%       |
| Improving knowledge management and the use of new information technology                                            | 17%  | 55%  | 23%       |
| Outsourcing of white collar services                                                                                | 16%  | 51%  | 9%        |
| Managing the use of more part-time, temporary and contract workers                                                  | 15%  | 60%  | 14%       |
| Improving execution of company strategic plans                                                                      | 15%  | 65%  | 13%       |
| Developing more appropriate strategic plans                                                                         | 12%  | 66%  | 16%       |
| Outsourcing of manufacturing                                                                                        | 10%  | 54%  | 14%       |
| Globalization – becoming truly global companies                                                                     | 8%   | 70%  | 18%       |
| Manufacturing at multiple locations in many countries                                                               | 7%   | 59%  | 20%       |
| Cost and cycle time reduction                                                                                       | 6%   | 52%  | 31%       |

Table B – Major concerns for U.S. companies – 1998 <sup>(1)</sup>

With a better understanding of the trends, concerns and related competencies, the opportunities for improvement

are evident. The need to create a global corporate culture (43%) is clear. Doing so will minimize other weakness in outsourcing or off-shoring; lack of experience; deficient international management skills; and will improve cost-benefit justification. Global Supply Chain improvement requires additional know-how, and close to a three-to-one majority (72% to 26%) of CEOs identified execution as an area for improvement as opposed to strategy development.

The 2007 World Economic Forum<sup>(2)</sup> in Davos, Switzerland, highlighted the changing relationship between emerging and industrialized markets. Numerous speakers identified the shifts in economic power from a bipolar to a multi-polar market model, and predicted that North America and Europe would be sharing worldwide business with Brazil, Russia, India and China (or the BRIC nations), and that that by 2025, BRIC nations might be responsible for more than 40% of global output (Figure 1).

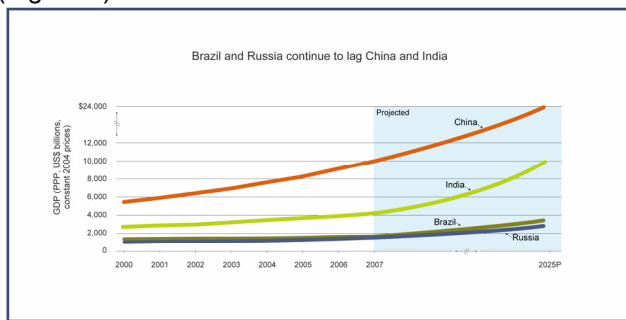


Figure 1– BRIC: Gross Domestic Product growth<sup>(3)</sup>

Global operational presence is no longer an option; it is a necessity for business success. However, before a company moves to an international supply base the business must have as a core competence the discipline to plan and execute and the enabling processes and information technology systems to support the new realities. Without these factors in place, significant obstacles emerge as cultural conflicts drive unexpected costs. Given these facts and an understanding that global competition does not only represent low cost economics and volume, but also includes innovation, corporate leaders need to recognize the importance of rapid response capabilities. Companies must transform to enable execution anywhere, anytime. Corporate managers will need to apply program project management concepts to support the move to a Global Supply Chain and the transition to more comprehensive Supplier Relationship Management in order to achieve and extend competitive advantage.

## GLOBAL COMPETITION

Global supply chains have existed since the expansion of European trade in the 16<sup>th</sup> and 17<sup>th</sup> centuries when the Portuguese and Spanish empires extended to all corners of the world. The significant difference today is in the customer-supplier relationship illustrated by these vastly contrasting perspectives:

- “You can have any color car you like, so long as it is black” – Henry Ford<sup>(4)</sup>
- “Build your own PC” – [www.dell.com](http://www.dell.com)<sup>(4)</sup>

The shift in the ability to offer market differentiating mass customization is possible because of the partnerships between companies in the supply chain and enabling technologies which together combine to deliver the fundamental element of success in the 21<sup>st</sup> century: *Speed*.

Supply chain challenges in the contemporary era can be illustrated by the following example: “...Ford started mass producing Model T's (all black) to now where "Have it Your Way" is the dominant philosophy. In order to meet the demands of consumers, manufacturers have to balance, cost, quality and delivery (better, faster, and cheaper). The only way to do this is to look globally and use global competition to meet the demands of the markets (better, faster, and cheaper). To do this you have to have tools to manage the risk and the unique situations global supply chain brings (ie - cultural differences, logistic complexities, manufacturing philosophy differences - in the USA automation is King, in China - manual labor (due to cost) usually wins out over automation...”

To understand the important practices necessary to increase the velocity of new product launches, this paper analyzes “Critical Chain Project Management<sup>(5)</sup>” and the “Risk Management” methodology by showing a successful implementation of tools at Vibracoustic, a division of Freudenberg-NOK.

## VIBRACOUSTIC GLOBAL NETWORKING

Vibracoustic recognizes that global means more than worldwide presence. With 5 regional development centers and 24 production facilities (Figure 2), Vibracoustic provides customers with noise, vibration and harshness products through a globally organized network of facilities based on standardized processes. Vibracoustic products and services are offered on a worldwide basis with the same demanding quality level. Flexible and efficient management of international projects is achieved for customers to deliver cost advantages across development, purchasing, and production.

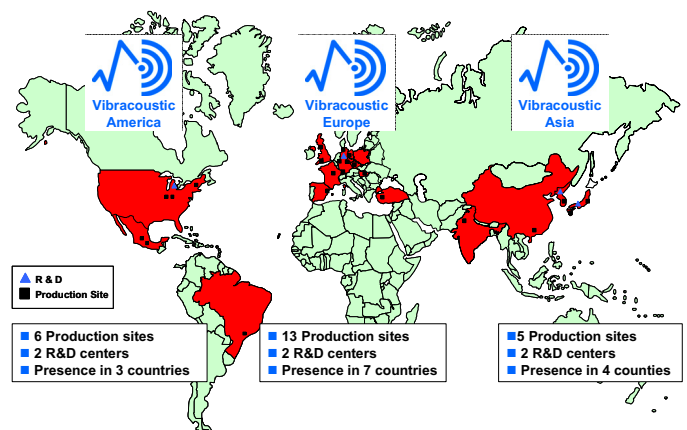


Figure 2 – VCI MAP: Global Network to provide products and services at the ideal location<sup>(6)</sup>