New Challenges in Managing the Global Supply Chain

Ananth Iyer  GSCMI Director

Thanks to all the over 200 participants including industry visitors, company sponsors, visiting students, student volunteers from Krannert and the staff who all combined their efforts to present a thought provoking Spring 2009 GSCM conference on Friday, February 6 at Purdue University.

The focus of the conference was “Putting the pieces together” and it was an apt summary of the different approaches suggested by speakers to recover from the current economic travails faced by industry. Fresh ideas that stand out include an exhortation by Margaret Bishop, our keynote speaker and Krannert alum, to think of a global supply chain that might include nations not considered previously, such as Rwanda, Haiti and even Iraq. Her advice to “get out into the country with a backpack” and learn from the those in the field accompanied vivid imagery in her presentation, which fueled many thought provoking discussions among participants in the surrounding tables.

Abby Libby from Rolls Royce talked about her experiences with managing the Rolls Royce aerospace supply chain and lessons learned. Steve Blanco from Eaton Corporation talked about operations excellence at Eaton and their approaches to manage the supply chain.

Chuck Clowdis from IHS Global Insight provided his perspective on the economy and on logistics. Roger Stewart, as part of a discussion regarding managing risk within the enterprise, discussed work done by students in his class, and results of a survey with Laura and Matt (Krannert undergraduate students) and myself.

A presentation by Professor Emmanuel Kodzi discussed a joint study with myself, as well as his students from the University of Ghana. The study seeks to understand the distribution of malaria prevention drugs in Accra. Interesting insights from the study showed how the poor access doctors and medicine, the role of the pharmacist in recommending drugs and the pricing of drugs in the market. This effort is part of GSCM’s goal to cooperate with faculty worldwide and contribute to the efficiency of drug distribution in Africa.

If success of a conference is measured by the number of questions raised, then the Spring 2009 GSCM conference achieved its goal. Questions provide an opportunity for discussion and we thank the fifty or more industry managers who attended and stayed to chat with students through the end of the day long event.

So, as we continue to find ever more interesting ways to “put the pieces together”, we look forward to continued interactions with all of you. The current volatile business environment makes managing the global supply chain an ever increasing challenge. Please contact Mary Pilotté, Managing Director of the center or myself with suggestions, questions or opportunities to collaborate. Thank you.
Tumultuous changes in demand and supply, broad swings in exchange rates, and global government interventions; uncertainty in how to conduct, maintain and even grow business seems to be on the minds of every executive in nearly every sector. The Dauch Center for the Management of Manufacturing Enterprises, the Global Supply Chain Management Initiative and Purdue’s Center for International Business Education and Research (CIBER) hoped to help put the pieces together as conference participants came together to discuss the issues on “New Challenges in Managing the Global Supply Chain.”

Charles Clowdis
Managing Director of North America Markets
IHS Global Insight Commerce
Transportation Advisory Service
Summary By: Roman Kita MBA 2009

According to Mr. Clowdis, negative economic growth, reduced consumer spending and an unexpected spike in crude oil prices all contributed to a situation where transportation carriers are struggling to maintain their business.

Ocean and air freight sectors have experienced a drop in business, forcing the carriers to decrease their rates to encourage international trade.

Mr. Clowdis is convinced that customers are the key to the recovery. Once individuals are secured in their jobs, are granted access to credits to finance their major purchases and regain trust in government, the first steps will be taken in the right direction. In addition, the prices will need to stabilize, especially in the real estate market, so the customers are confident when deciding to make major purchases.

Once the recovery commences, the logistics sector will be one of the first to feel the impact. The materials will start moving again and inventory control will face closer scrutiny as cash will become an even more valued asset after the lessons learned during the current downturn.

Abby Lilly
Operational Purchasing Executive
Rolls-Royce
Summary By: Ryan McCombs MBA 2010

Ms. Abby A. Lilly, Operational Purchasing executive from Rolls-Royce Indianapolis spoke on the topic of “Challenging Times for Global Purchasing Organizations”. Ms. Lilly has served Rolls-Royce for 13 years in various capacities across the company.

According to Lilly, Rolls-Royce must constantly meet and exceed the regulations placed on their products and components by the FAA as well as the US government. Rolls-Royce cannot outsource many of their parts to companies in foreign countries due to issues of national security. Rolls-Royce believes that major changes need to be made in management and leadership styles, communications, and overall behavior to meet the challenges of their global supply chain.

Through partnerships with Centers such as the Dauch Center for the Management of Manufacturing Enterprises and the Global Supply Chain Management Initiative, Rolls-Royce hopes to help nurture the development of current undergraduate and graduate students to understand the difficulties associated with the changing economy.

Steve Blanco
Vice President of Operations Excellence
Electrical Group
Summary By: Mark Wolfred MBA 2010

Steve Blanco first highlighted the often assumed business notion that sourcing from the “best cost country” or the “lowest cost country” was the optimal choice. However, doing so caused Eaton to run into quality, communication, and defective inventory problems. To alleviate these problems, Eaton elected to select suppliers based on how well they aligned with Eaton’s business, product, and manufacturing strategy.

Blanco recommended further that the sourcing process should also consider the risks involved in the selected supplier, taking into account such items as natural disasters, economic uncertainty and energy costs. Eaton uses a hurdle rate to quantify their selection process. This method sets a target rate of return as required by the business.

To summarize, Mr. Blanco advocated taking all parts of your sourcing strategy into account when selecting a supplier. An effective sourcing decision considers both the costs and risks associated with the supplier. A global supply chain should take these issues into account, yet be flexible enough to change with the new challenges of tomorrow.
The conference theme was "New Challenges in Managing the Global Supply Chain - Putting the Pieces Together". As part of the conference on February 6, 2009, conference attendees had the privilege to hear from our keynote speaker Margaret L. Bishop an Independent Global Business Consultant talk about global supply chain challenges in 3rd world countries.

In 1985, Ms. Bishop earned her MSM in Management from Kraner, with a concentration in Marketing. After completing her MSM degree, Ms. Bishop worked in product management and marketing research with companies like Kimberly-Clark and Nielsen Marketing Research. After years in the corporate world, Ms. Bishop embarked on an International career, volunteering in the Peace Corp in Mali (West Africa), providing business consultation to a variety of business and entrepreneurs.

The experience and value gained through the Peace Corp allowed her to transfer her global knowledge by building supply chain initiatives in third world countries like Haiti, where she is currently consulting.

Some of the recommendations Margaret Bishop proposed were:
- Be Prepared--Do your homework
- Make New Friends--Build your network
- Plan--Have a contingency & multiple back-ups
- Implement--Harness technology; create solutions
- Recovery--Expect the unexpected

These suggestions lay a foundation for companies looking to expand their global supply chain. If you are one of these companies, Margaret Bishop said it best, "Rise to the challenge - fasten your seat belt and enjoy the ride!"

---

Research helps in putting the pieces together

The research section of the Spring Global Supply Chain Management conference focused around two speakers, Professor Emmanuel Kodzi and Roger Stewart.

Prof. Kodzi, a postdoctoral research fellow, spoke about the impact of supply chain constraints on getting combination therapies to patients suffering from malaria in developing nations. Prof. Kodzi described how many benefactors provide these drugs through philanthropic efforts with the expectation that they will get to those in need. However, due to supply chain constraints, such as a lack of infrastructure which leads to supply disruptions, the drugs often do not get to their intended recipients. The disruptions and the ensuing levels of inventory are adding costs such that the drugs are becoming unaffordable to customers who need them and have little, if any, disposable income. Prof. Kodzi further discussed how problematic it is that the majority of government subsidies for combination drug therapies go to the public sector while it is the private sector that is doing the drug distribution and therefore is in most need of the funding. The bottom line is that donors send drugs to the country but then their efforts are often thwarted since they enter the supply chain.

Prof. Kodzi was followed by Roger Stewart, adjunct professor in the finance department.

Mr. Stewart is a retired Vice President of the Treasury for Proctor & Gamble. Mr. Stewart spoke about the current financial crisis and how it is impacting not only the economy but also the way Risk Management is taught in the classroom.

Mr. Stewart pointed out that the current text book being used in the risk class only has 2 pages on Fannie Mae and Freddie Mac and 1 page on mortgage backed securities, both topics of great importance today. In order to facilitate more current knowledge, Mr. Stewart is having students do group presentations on matters of popular interest, such as asset backed securities, central banking systems, and credit ratings agencies.

Mr. Stewart also discussed how the current financial crisis is effecting companies financing their supply chains, mentioning a recent survey in which many of the respondents had altered their current receivables, payables, and decision making processes in response to slowed credit.

Following the two research presentations, a question and answer session was moderated by Professor Ananth Iyer. Attendee's of the conference were able to engage the speakers with questions relevant to their particular business needs and interests.
The 2009 GSCMI MBA case competition had another strong showing this year with 19 teams entering the competition, including some international teams.

The first round of the competition consisted of a blind PowerPoint presentation case solution, with the top six teams advancing to the second round, and invited to compete at the conference.

The first round was judged by a faculty panel who had the difficult job of narrowing the field down to the six finalists teams:

- Georgia Institute of Technology
- Michigan State University
- Northwestern University
- Purdue University
- The University of Michigan
- Vanderbilt University.

The case, ‘Managing the Global Supply Chain at COGMA’, involved helping COGMA, a century old Indiana automotive related manufacturer, develop a long term business strategy to succeed under global competition. The teams were specifically asked to investigate the risks and benefits involved in changing the company’s supply network and explore exporting opportunities.

For the second phase of the competition the competitors were provided with an update to the case at 5:00pm on Thursday February 5th and had until the following morning at 8:00 am to submit their revised strategies and presentations.

The teams then presented their analysis at the conference in a ten minute presentation followed by a five minute Q&A from the panel of industry judges. Battling the fact that a lot of the competitors forwent sleep in preparing their case, all the teams gave wonderful insight into the issues faced at COGMA.

The judges were very impressed with all the presentations, but in the end awarded the team from the Owen Graduate School of Management at Vanderbilt, first prize, followed by Purdue University, and Northwestern University took third place. The top three teams received a total of $8,000 in cash prizes thanks to our generous industry sponsors.

Thank you Event Sponsors!

Thank you Center Partners!

Visit www.gscmi.edu for more articles, photos and presentations form the Spring 2009 Conference

Mark your calendars now!!!
GSCMI Spring Conference
Feb. 12, 2010