LOGISTICS AND SUPPLY CHAIN MANAGEMENT

UNIT 5

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MANAGING GLOBAL LOGISTICS AND GLOBAL SUPPLY CHAINS

Global logistics connects critical components of the supply chain from a product's point of origin to its point of consumption to ensure timely and efficient distribution of goods from producers to consumers. The global logistics industry facilitates this worldwide flow of goods. Global logistics is the process largely a science but also an art of managing the flow of goods through the supply chain, from the place where they are made to the place where they are consumed. It might involve shipping seeds and fertilizer to a grain farmer, sending harvested grain to a processing mill, trucking flour to an industrial bakery, sending containers full of loaves of bread to a distribution center, and then delivering them to restaurants. Global logistics involves the movement of goods by truck, train, ship, or plane as well as preparation, packaging and storage of goods in distribution centers and other logistics real estate facilities.

Kinds of companies operate in the global logistics industry

Global logistics requires close and intricate collaboration between a host of business partners. Shipping companies, airlines, railroads and trucking companies move goods. Global delivery services manage the movement of goods. Logistics real estate companies own and operate facilities that are essential nodes for transport, management and storage, while a host of service providers provide the software, security, labor and business intelligence that keep the global logistics system working. Prologis, a leading global logistics company, provides efficient logistics real estate solutions around the world. Prologis, the leading global logistics company, provides efficient logistics real estate solutions around the world.

Demand for the global logistics industry

Growth in global logistics is fueled by three fundamental trends: increasing consumption, rising e-commerce and ongoing reconfiguration of the supply chain to move goods more quickly and efficiently. The enduring strength of these trends across the world means is an indication that global logistics will continue to play an essential role in the world economy.

In commerce, **global supply-chain management** (GSCM) is defined as the distribution of goods and services throughout a trans-national companies' **global** network to maximize profit and minimize waste. Essentially, global supply chain management is the same as supply chain management, but it focuses on companies and organizations that are trans-national. Global supply-chain management has six main areas of concentration:

1. Logistics Management,
2. Competitor Orientation,
3. Customer Orientation,
4. Supply-Chain Coordination,
5. Supply Management,
6. Operations Management.

These six areas of concentration can be divided into four main areas: marketing, logistics, supply management, and operations management. Successful management of a global supply chain also requires complying with various international regulations set by a variety of non-governmental organizations (e.g. The United Nations). Global supply-chain management can be impacted by several factors who impose policies that regulate certain aspects of supply chains. Governmental and non-governmental organizations play a key role in the field as they create and enforce laws or regulations which companies must abide by. These regulatory policies often regulate social issues that pertain to the implementation and operation of a global supply chain (e.g. labour, environmental, etc.). These regulatory policies force companies to obey the regulations set in place which often impact a company's profit. Global logistics connects critical components of the supply chain from a product’s point of origin to its point of consumption to ensure timely and efficient distribution of goods from producers to consumers. The global logistics industry facilitates this worldwide flow of goods.

LOGISTICS IN A GLOBAL ECONOMY

Logistics also plays a key **role** in the **economy** in that it supports the movement and flow of many **economic** transactions. It is an **important** activity with regard to the facilitation of the sale of practically all goods and services. If goods do not arrive in the correct place or condition, no sale can be made. Logistics management plays a vital part in operating your supply chain. How smoothly your logistics work will make a huge impact on your supply chain as a whole. With the correct logistics management in place, you can save time and money and deliver superior customer service. Logistics management is extremely important if your business is to be successful. It involves careful control of the goods both leaving your business premises and entering them, thus keeping your company running smoothly as a whole. These are top reasons to help perfect logistics management.

Importance of logistics in global industry:

Generation of Demand

The demand of any product is improved significantly from increased mobility, unobstructed movement of products & services and access to better logistics infrastructure. This is because enhanced trade and logistics infrastructure create place, time and form utilities for the customers & users. Both customers and users can be serviced at any time and at any place. Thus, improved international logistics infrastructure helps in increasing the overall sales of the company's products.

Cost Reduction in Doing Business

Improved logistical infrastructure helps in keeping cost of business at the lower side as transportation of products from one place to another becomes almost uninterrupted due to better ports, railway network, roads and civil aviation infrastructure. For example, Due to better road connectivity in China, a truck can travel 1,300 km into this country in about 74 hours. And the same distance, which is equivalent to distance between Delhi-Kolkata, is covered in about 144 hours in India. This delay not only extends trade cycle, but the quality of certain goods get poor and fetches lower prices in markets.

Tapping Clients in the World

Improved global logistics services from top logistics companies and better transportation are important for the movement of goods and services from one region to another. This helps companies to have a tap on the customers in every nook and corner of the world. For example, Indian industry has many potential fields such as electronics, engineering, chip designing, auto components, etc. It can contribute to the world's markets only if the country has improved trade logistics infrastructure and networking systems; otherwise the business opportunities can be outpaced by the nation's rivals from other developed countries. Hence, any country needs to have quality logistics infrastructure to tap clients all over the world.

Ensuring Rapid Economic Growth

In the development process of any country, growth in the economy plays a vital role. This is possible from the expansion in trade & logistics infrastructure that create demand in economic system for products such as iron & steel, cement and manpower. For example, India has to make its logistical infrastructure better, which will not only grow its economy but also help its companies to accomplish a sustained superior performance in international markets through enhanced trade supply chain process.

Bridging Gap between Demand and Supply

This is one of the major challenges that any company faces in international markets at all levels from sourcing of raw materials to work in progress to distribution to customers. So, better transporting goods from one place to another and timely supply of products to meet the demand will fill the gap between demand and supply of a product. For example, China with main economic clusters on the east coast results to transporting commodities at far-away regions in the western and remote northern parts of the country.

Strategic Infrastructure for Global Integration

Trade logistic infrastructure and transportation play an important role in conditions that affect regional, national and international economic entities of companies in accessing global markets. For example, Nepali carpet exporters transport their goods towards the Nepal border by trucks that are unloaded for customs clearance at Birgunj in India. The products are again loaded on Indian trucks to move towards Kolkata by road transport. The shipment is then unloaded again for loading on ship and transhipped to Singapore.

Ensuring Critical Supplies on Time

An efficient logistics system in international trade operations helps companies in making timely supply of products to their international buyers. Due to complex functionality of logistic system and long distance involved between two countries, the problem of safety, care and timing of shipment often cause nightmares to suppliers, particularly in case of perishable & high value products and goods with expiry date restrictions. Such products include newspapers, flowers and marine products.

VIEWS OF GLOBAL LOGISTICS

Logistics play a crucial role in today's economy. Improved trade logistics infrastructure such as roads & highways, ports, railways, airports including dry ports, warehousing infrastructure and labs & testing facilities are necessary for sustainable and balanced economic development of all parts of the country. Logistics is the management of transporting goods from the point of origin to the point of consumption in order to meet customer's requirements. In short, logistics is all about transporting the right product, to the right customer, in the right condition & quantity and at the right place, at the right time and at the right cost. The success of any business or economy of the country in global markets is also depending on the importance of trade logistics solutions.

Provide top service

Good logistics management helps businesses deliver better service to their customers. Correct management of company's logistics should make strive to improve delivery times and offer better customer service to all those who buy the products. Dealing directly with customers gives an advantage over competitors, but only if it gives customers what they want. Customers ask for better service, and it's your job to deliver it. To meet customer demands you need to make sure you get your supplies or products on time and that you ship out products to your customers as quickly as possible.

Increase supply chain transparency

Greater visibility throughout your supply chain is one of the benefits of logistics management. You need to know what is happening at every stage of your supply chain, take a closer look at your logistics to help you understand how everything operates. You can take a look at historical data and analyse real-time events too, gaining insight into how things could be improved and how to prevent problems. You could make some significant savings by monitoring your supply chain, as well as delivering better service to your customers and any business partners.

Improve efficiency and reduce costs

Whether dealing with logistics in the UK or international freight logistics, it is possible to improve efficiency and reduce costs with good management. Better supply chain transparency makes it easier to spot where you might be going wrong, as well as the aspects that your company is doing right. Identify cost saving measures and keep expenses lower by keeping a close eye on how everything is managed. Gain more control over both domestic and international freight, whether it's ingoing or outgoing, for greater efficiency and bigger savings.

Greater revenue

Boost revenues by improving logistics management. If company provides a better service to customers, you can attract more business. Improve your brand's reputation by delivering on your promises, never having to turn a customer away or let them down. With greater productivity you can do more with your time, allowing your business to handle more orders than ever before. People want a quick and accurate service from a company that does what it says it will do.

GLOBAL OPERATING LEVELS OR THE RIGHT LOGISTICS COMPANIES

There are few reliable market research companies like **Export Genius** providing import export customs data. They provide information on shipments including importer & exporter, manufacturer, etc. They also provide information about international logistics companies that cater with quality transportation services. So, whenever you ship your product from one place to another, you must choose the right logistic company. Best logistics companies can also use global trade data to get new customers after knowing who is importing or exporting largely from which ports.

Global logistics is the process of delivering goods and shipments worldwide. which provide services of transportation of goods and shipments through heavy containers, cargos globally. Where managing the flow of goods through the supply chain, from the place where they are made to the place where they are delivered. There are mainly 3 types of logistics services :

1. Surface Logistics: - This is the medium to carry the luggage and goods through truck containers, railway cargos, jocky and outbound logistics etc.
2. Ocean Logistics: - In the ocean logistics deliver goods and shipments through the freight carrier ships and heavy cargo ships worldwide. This is the slower delivery medium.
3. Air Logistics: - Cargo is transported by air in specialized cargo aircraft and in the luggage compartments of passenger aircraft. This is the fastest mode for long-distance freight transport, but it is also the most expensive.

INTERLINKED GLOBAL ECONOMY

Global Interconnectedness refers to the ability to understand and function in an increasingly multicultural, international, yet interconnected environment. It fosters the development of individuals to become successful professionals, civic leaders, and informed citizens in a diverse national and **global** society.

Two nations have interlinked economies when one economy is affected by something that happens to the other. For example, one of the main staples of China's economy is the ability to create and export cheap goods to the US. Equally, the US requires China to create those goods so the US doesn't have to. If the US takes a hit, causing people to slow their purchasing Chinese products, this would negatively impact China's economy, because China would now be unable to profit from the goods they created. Thus, something that negatively impacts the US economy also indirectly impacts the Chinese economy, because these two economies are interlinked. Interlinked Economies occur internationally when one nation/economy's actions in their own market and in the global market impact another's economy or market. This impact can be positive or negative, depending on the situation. For example, if the United States government stopped drilling for oil in other countries and decided to use its own resources, that would not only impact the US and the nations from which is stops drilling, but could also impact economies of surrounding nations that have some form of involvement in that industry.

The growth in cross-border economic activities takes **five** principal forms:

(1) International trade;

(2) Foreign direct investment;

(3) Capital market flows;

(4) Migration (movement of labour)

(**5**) Diffusion of technology

THE GLOBAL SUPPLY CHAINS

A global supply chain is a dynamic worldwide network when a company purchases or uses goods or services from overseas. It involves people, information, processes and resources involved in the production, handling and distribution of materials and finished products or providing a service to the customer. Global supply chains are networks that can span across multiple continents and countries for the purpose of sourcing and supplying goods and services. Global supply chains involve the flow of information, processes and resources across the globe. Low-cost country sourcing is linked to global supply chains and refers to the procurement of products and services from countries with lower labour rates and reduced production costs than that of the home country.

The term “global supply chains” refers to the cross-border organization of the activities required to produce goods or services and bring them to consumers through inputs and various phases of development, production and delivery. This definition includes foreign direct investment (FDI) by multinational enterprises (MNEs) in wholly owned subsidiaries or in joint ventures in which the MNE has direct responsibility for the employment relationship. It also includes the increasingly predominant model of international sourcing where the engagement of lead firms is defined by the terms and conditions of contractual or sometimes tacit arrangements with their suppliers and subcontracted firms for specific goods, inputs and services.

Global supply chains have become a common way of organizing investment, production and trade in the global economy. In many countries, in particular in developing countries, they have created employment opportunities for economic and social development. There is also evidence, however, that the dynamics of production and employment relations within the global economy and in some supply chains can have negative implications for decent working conditions. Global supply chains are complex, diverse, fragmented, dynamic and evolving organizational structures. A broad range of terms exist to describe them, including global production networks and global value chains.

Global supply chain management involves planning how the entire supply chain will function as an integrated whole, with the aim of generating an optimum level of customer service while being as cost efficient as possible. Other aims include increasing the speed by which your product reaches your customers, as well as flexibility in dealing with customer transactions. It incorporates management processes that integrate the network of suppliers, manufacturers, warehouses and retail outlets so that the right type of goods are sourced, supplied, produced and shipped in the right quantities, to the right locations, at the right time and are received in sound condition. To achieve successful integration, flows of information (such as purchase orders, shipping notices, waybills and invoices), materials (including raw and finished products) and finances (payments and refunds) through the supply chain must be co-ordinated effectively.

Supply chain management touches all of an organization's functions. To be successful, it requires focused effort across the entire company and collaboration with all outside suppliers and service providers. This means that supply chain management must have a multi-dimensional approach, involving people, processes and technology.

People

People are key to supply chain management because they are the core of organizations. For successful supply chain management, the people involved must have the skills and knowledge to manage sourcing, manufacturing, storage and transportation of products. They must have a solid view of the company's strategic business vision and know how their role fits into the overall functioning of the supply chain.

Processes

The processes in supply chain management are the actions taken with the aim of satisfying customers. They include all functions involved in the supply chain: sourcing, distribution, transportation, warehousing, sales and customer service. They also include all actions performed by external companies that are part of the supply chain.

Technology

Technology is used in the supply chain to connect people and processes. However, people involved in the supply chain will not use technology unless they find it easy to adopt. Careful selection and implementation of the supply chain technologies a company uses is essential for supply chain success.

The benefits of global supply chain management

In the modern global marketplace, advances in communications and transportation technologies have led customers to expect a steady and regular supply of products in good condition at the lowest possible price, despite the long distances most products, commodities and foodstuffs are shipped. Companies must always be looking for ways to improve the functioning of their supply chains to ensure that their supply meets projected demands cost effectively.

If they do not produce sufficient product to meet demand, they will lose customers. If they produce too much product, they must pay for expensive warehousing of the excess inventory, which they might not be able to sell. If supplies are not sourced carefully and production is not monitored, companies might be faced with mass product recalls or returns. These can result in financial ruin for a company. The cost savings provided by supply chain management enhance additional cost-cutting manufacturing methods and strategies that many international companies have already instituted.

These strategies include the following:

- Just-in-time (JIT) manufacturing (reducing inventory levels, overall costs, product variability and production times, and also improving product quality)
- Lean manufacturing (producing goods using less manpower, raw materials, time and space)
- Total quality management (embedding awareness of quality in all operational strategies)

Global supply chain management has many benefits for a company. It enables business processes to be organized using international organizations that be reduced, companies can react rapidly to unforeseen market conditions, transport strategies can be improved, costs can be minimized and waste can be eliminated. You can get your product to market substantially more quickly. Small- and medium-sized businesses benefit as well. These smaller organizations, especially with niche technologies or specializations, can now sell to multinational organizations or to their suppliers. Many of these large firms have started outsourcing activities that were carried out internally in the past.

GLOBAL SUPPLY CHAIN BUSINESS PROCESSES

The global supply chain management processes has both strategic and operational elements-that is, a strategic element in which the firm establishes and strategically manages the process and an operational clement in which the firm executes the process. The strategic elements should be led by a management team comprised of representatives from multiple functions including marketing and sales, finance, production, purchasing, logistics, and research and development. This team is responsible for developing the procedures at the strategic level and seeing that they are implemented.

The eight key Global supply chain management processes:

Customer Relationship Management:

The CRM process provides the structure for how relationships with customers are developed and maintained. Through this process, management identifies key customers and customer groups to be targeted as part of the firm's business mission. The goal is to segment customers based on their value over time and to increase customer loyalty by providing customized products and services appropriate to the particular value proposition. Leaders in this process create cross-functional customer teams to tailor product and service agreements (PSA) that meet the needs of key accounts and customer segments and document how the two firms will engage in business. The PSAs specify levels of performance for the firm.

Customer Service Management:

The customer service management process represents the company's face to the customer. It is the key point of contact for administering the PSAs developed by customer teams during the customer relationship management process. Customer service provides the customer with real-time information on promised shipping dates and product availability through interfaces with such functional areas as manufacturing and logistics. The customer service process may also include assisting the customer with product applications.

Demand Management:

Demand management is the process that balances customer requirements with supply chain capabilities. With the right process in place, management can match supply with demand proactively and execute the plan with minimal disruptions. It is important to note that this process is not limited to forecasting. It also includes synchronizing supply and demand, increasing flexibility, and reducing variability. Demand management entails controlling all of those practices that increase demand variability, including end-of-quarter loading and terms of sale that encourage volume buys.

Order Fulfillment:

This supply chain process involves more than just filling orders. It also encompasses all activities necessary to define customer requirements, design a network, and enable a firm to meet customer requests while minimizing the total delivered cost. While much of the actual order fulfillment work will be performed by the logistics function, the process needs to be implemented cross-functionally and coordinated with key suppliers and customers. The objective is to develop a seamless system from the supplier to the firm, and then on to the various customer segments.

Manufacturing flow Management:

Manufacturing flow management includes all activities necessary to obtain, implement, and manage manufacturing flexibility in the supply chain and to move products through the plants. The ability to make a wide variety of products in a timely manner at the lowest possible cost is a reflection of this process. To achieve the desired manufacturing flexibility level, planning and execution must extend beyond the four walls of the manufacturer and out to the supply chain partners.

Supplier Relationship Management:

The SRM process provides the structure for how relationships with suppliers are developed and maintained. As the name suggests, this process is a mirror image of customer relationship management. And as is the case for CRM, it involves developing close relationships with a small subset of suppliers based on the value that these suppliers bring to the firm over time. Note that these are long-term relationships that provide win-win outcomes for both parties. For each key supplier, the firm should negotiate a product and service agreement that defines the terms of the relationship.

Product Development and Commercialization:

This supply chain management process provides the structure for working with customers and suppliers to develop products and bring them to market. Effective implementation of this process not only enables management to coordinate the efficient flow of new products across the supply chain but also helps other members of the supply chain to ramp up manufacturing, logistics, marketing, and other activities necessary to support product commercialization. A product development and commercialization process team would work with CRM process teams to identity customer needs, with the SRM process teams to select materials and suppliers

Returns Management:

Returns management is the process by which activities associated with returns, reverse logistics, "gate-keeping, and return avoidance are managed within the HRM and across key members of the supply chain. Avoidance, which is a key part or this process, involves finding ways to minimise the number of return requests. It can include ensuring that the product's quality and user friendliness are the highest attainable level before the product is sold and shipped. Avoidance could also entail changing promotional programs that load the pipeline when there is no realistic chance that the product shipped will be sold.

GLOBAL STRATEGY – GLOBAL PURCHASING – GLOBAL LOGISTICS

Global supply chain management has many benefits for a company. It enables business processes to be organized using international organizations that be reduced, companies can react rapidly to unforeseen market conditions, transport strategies can be improved, costs can be minimized and waste can be eliminated. **Global supply chain strategy** is best described as the process that your company creates that connects different companies producing, handling, and distributing specific goods or products on a global scale.

Strategy 1: Adopt a demand-driven planning and business operating model based on real-time demand insights and demand shaping. The right prediction and contingency planning tools will ensure a complete view and an effective response to risks such as suppliers going out of business, political upheaval, and natural calamities affecting manufacturing. Companies then can adjust pricing and promotions strategies to shape demand, move additional product quickly, drive revenue growth, or further expand margins for a high-demand product with limited market supply.

Strategy 2: Build an adaptive and agile supply chain with rapid planning and integrated execution. Once executives are able to better understand and shape demand and risk, they need to adapt their supply chains to changing market opportunities and events. Companies must deploy dynamic planning capabilities and continually fine-tune operations to ensure responsive agility to meet changing demand. The old model was to wait until the end of the month or quarter to shift production and supply based on shipments and sales. The new model calls for more continuous, dynamic supply chain adjustments to rapidly respond to market changes.

Strategy 3: Optimize product designs and product management for supply, manufacturing, and sustainability to accelerate profitable innovation. Innovation is crucial for being one step ahead of the competition. But innovation doesn't exist in a vacuum. To be successful, products must be manufactured at the right cost, place, and time. Decisions made in the early cycles of product development can make or break the product. Designs must be optimized for supply, manufacturability, and supply chain operations. All true costs to deliver must be accurately captured and analyzed to maintain balance across the end-to-end business.

Strategy 4: Align your supply chain with business goals by integrating sales and operations planning with corporate business planning. Although sales and operations planning processes provide coordination among sales, manufacturing, and distribution, there still are disconnects and gaps among finance, strategy, and operations in many companies. One way to bridge these gaps is with integrated business planning that involves people, process, and technology elements of the business. This process integrates financial strategic budgeting and forecasting systems with operations planning and allows smart trade-off decisions to be made for the business.

Strategy 5: Embed sustainability into supply chain operations. The triple bottom line of people, profit, and planet has never been more important than it is today. Studies show that companies striving for social and environmental sustainability achieve major competitive advantages, especially with regard to production efficiency, supplier management skills, and attractiveness to employees. Substantial opportunities exist for sustainability in supply chain operations.

Strategy 6: Ensure a reliable and predictable supply. Without reliable supply to customer-facing stakeholders to meet agreed-upon service levels, a manufacturer will tend to hold inventory buffers to ensure meeting customer service levels. This costs the business and, even worse, may mean the wrong products are at the wrong place at the wrong time, resulting in supply shortfalls. Working on continuous improvement and operational excellence strategies is a foundation for successful end-to-end supply chain operations.

CHANNELS IN GLOBAL LOGISTICS

Logistics Channel refers to a network that involves all the participants of supply chain engaged in functions like transportation, receiving, handling, warehousing, information sharing etc. An efficient logistic channel is pre-requisite for acquisition and retaining of customers as it helps companies to deliver their goods to their customers at right time in right condition. Increase in product variety has also led to need of improved logistic channel.

The various goals of logistics channel are as follows:

• Meeting customer service level

• Minimize cost

• Increased sales

• Building relationship for better logistics execution

Hence, for designing a logistics channel, customer needs are analyzed in order to fix channel objectives. The different kinds of constraints in setting up of channels are identified. Then, various alternatives of logistic channel are identified and evaluated. There are many third party logistics companies that provide complete solution related to logistics channel. They partner with the suppliers and help them meeting their objectives at least cost. Suppliers also evaluate their logistics partners at regular interval.

Three important channels involved in international logistics are the transaction channel, the distribution channel, and the documentation/communication channel.

1. The transaction channel involves buying, selling, and the collection of payment.
2. The distribution channel involves the physical movement of resources and products throughout the supply chain process, from acquisition to sale.
3. The documentation/communication channel involves the management of information regarding the resources and products such as inventory controls, commercial shipping documents, and contracts.

Supply chains around the world are being transformed. External pressures, technology trends and internal evolution are prompting companies to re-evaluate their network to determine how their future supply chain should be structured, both in terms of capacity and capabilities. A good first step is consider the broad ongoing trends that will impact the supply chain of the future. These can be grouped into four main categories:

- **Emerging technologies**: Drones, autonomous intelligence and robotic automation will eventually transform warehousing and transportation, which will create networks that may look and operate very differently from those of today.
- **Focus on supply chain visibility**: The Internet of Things, Big Data and data transparency will improve organizations' ability to gain visibility on the real-time status of their supply chain network, thus giving them the ability to not only rapidly respond to problems but more importantly, anticipate and prevent them more effectively.
- **Sharing economy**: On demand warehousing and on-demand logistics will allow organizations to be more flexible in how they operate their supply chain. Lower Capex and higher adaptability will likely be attractive for organizations that are in rapidly evolving industries.
- **Evolving customer channels**: There is an ongoing shift away from traditional retail to direct-to-consumer shipping. Consider that 40% of brands now sell directly to the consumer.

GLOBAL ALLIANCES

Strategic global alliance or partnership is solely depended on trust, faith relationship between simultaneous stages in Supply Chain. This increases ability and dependability of various stages involved in the supply chain. As strategic alliances can be between two or more organisations so each stage should be managed by welfare of the others' and should not change or use that stages for own advantage without consideration of the organisation involved. This alliance is kept formal in relationship between two or more organisation to achieve some beneficial goals through business by supply chain. Here organisations also work on their desired needs. Wal-Mart and P&G have been trying to build a strategic alliance that will help for better coordination and actions can be mutually beneficial.

Some of the Strategic alliance resources are:

- Products
- Distribution channels
- Manufacturing capability
- Project funding
- Capital equipment
- Knowledge
- Expertise or intellectual property

This global alliance is actually a collaboration of firms to work together to form a greater effect than before. There are some reasons which can improve the performance which are :

- Decision making is done by the consideration of other party.
- Easy coordination between the parties by their managers with the trust. This result in better operational implementation and scheme valuation.
- It will lead to redundancy due increase in supply chain productivity.

This ensures proper sharing of sales and production information, hence helping in coordinate production and distribution decisions.

Here operating global strategy is divided into three structures:

- Industrial
- Organizational
- Government

A typical strategic alliance formation consists of some steps which are:

- Strategy Development: development involves feasibility of alliance, objectives and goals, decisions, focus on critical issues, technology and people with their challenges and resources.
- Partner Assessment: In this assessment partner's strength, potential, developing managing styles, preparing criteria for partner selection and understanding their motives for joining alliances.
- Contract Negotiation: It is the development of realistic objectives among the group and forming the high calibre or developing synergy. Consideration on security of information, termination clauses, and penalties for poor performance is formulated.
- Alliance Operation: it is linking of budgets and resources to fulfil the strategic priorities, measuring the performance etc.
- Alliance Termination: It is the winding down of partnership due to failure or not meeting the clauses decided before.

Advantages of Strategic global Alliance

- Each partner can concentrate on different stages of the supply
- Developing competences and learning form the partners
- Suitability and protection of resources is maintained
- Developing low cost models hence financial benefit.

Types of strategic global alliances

- Joint venture: In this type of alliance two or more firms create legally independent company to develop competitive advantage
- Equity Strategic Alliance: There is sharing of different percentages of the company.
- Non-equity Strategic Alliance: It is alliance on a contractual- relationship to share the unique resources.
- Global Strategic Alliances: It is formed between a company and foreign company.

ISSUES AND CHALLENGES IN GLOBAL SUPPLY CHAIN MANAGEMENT

The modern supply chain must evolve to meet new demands and supply chain challenges, and supply chain managers need to plan ahead to keep everything flowing smoothly. A combination of consumer expectations, more routes to market, international complexities and other factors creates significant challenges throughout the supply chain network. With global supply chains, the level of uncertainty increases with each additional market that is involved.

1. Political actions in another country can have dramatic effects on the supply chain; natural disasters might have a major impact on shipping and transportation; and wars, labour strikes, or civil unrest can result in low productivity.
2. Increased costs throughout the supply chain: Profit margins are under pressure as costs creep up throughout the supply chain network. These costs come from many areas, and a lack of visibility and accountability for reducing them can result in rising operational expenses. Major contributors to increased costs include:
   - Rising price of fuel to transport goods by road, sea or air
   - Increasing commodity prices raising the cost of raw materials
   - Higher labour costs from suppliers and manufacturers
   - Complex international logistics leading to higher charges for storage, transfer and management of products
3. The supply chain can also be affected by shortages of raw materials or product components and transportation problems. Costs of raw products and components also tend to vary over time. Consumers have never had more choice, and every industry is facing disruption. Every touch point with an end user needs to be focused on providing excellent products and services. Quality and speed are becoming as important as pricing when it comes to purchasing goods:

   - Consumers want retail goods immediately and online goods within a few days.
   - Products must meet the quality requirements demanded by consumers.
   - Raw materials, goods and finished products must meet safety and other compliance regulations mandated by law, in all countries where they are available.
4. Global supply chain management also faces the challenge of variations in customer demand that occur seasonally and over longer time periods. Managing the production and transportation of goods over large distances to meet the peak period of demand can be very difficult.
5. Currency fluctuations: When dealing with suppliers or customers overseas, companies must plan for fluctuating charges and income from foreign exchange rate variations.

6. Maintaining intellectual property protection: A company might be able to have a product assembled overseas more cost effectively than assembling it domestically. Some countries have less stringent laws regulating protection of intellectual property.
7. Identifying and assuring the reliability of international business partners: With suppliers, distributors, customers and business partners located in many regional areas of the world, it can be difficult for companies to monitor the business practices and financial stability of all organizations in the supply chain.
8. Accessing finance and insurance: Financial transactions conducted internationally are always more complicated than domestic transactions. Companies must establish lines of credit with banks and work with other members of the supply chain to identify preferred methods of payment. Obtaining the correct insurance to protect foreign property and shipments is also essential.
9. Risk in the supply chain creates pressure: International complexity, environmental changes, economic pressures and trade disputes all put pressure on the supply chain. This pressure can easily turn into risks and issues that snowball throughout the network, causing significant problems:
   - Suppliers, manufacturers, logistics, clients and customers are spread across multiple countries, time zones and continents, requiring careful coordination and management.
   - Adding more steps to the supply chain creates exponential complexity for upstream and downstream partners.
   - Soiled data and a lack of visibility increases the difficulty of reporting, business intelligence and good decision-making.
   - Regulations, compliance and quality management demands strong agreements, contracts and controls with supply chain organizations.
   - Supply chain managers must develop contingencies and mitigating action plans to prioritize and eliminate risks and manage issues when they occur.
10. Compliance with international regulations and standards: Quality standards, import and export restrictions, safety and packing regulations and labelling regulations vary around the globe. For companies new to international trade, ensuring that materials provided by a foreign supplier will meet all domestic entry regulations can be a daunting undertaking.