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SCM powered by new trends around the world

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Copenhagen Supply Chain Summit

9 November 2011

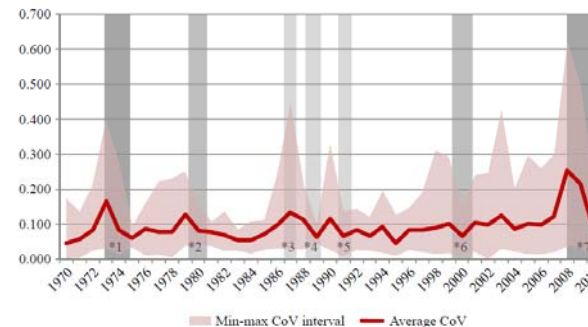
Agenda

- The economic and geopolitical environment
- The trends:
 - Centralization
 - Collaboration
 - Changes in "supply chain geography"
- Managerial dilemmas created by these trends
- Conclusions
- Literature; suggested readings

The economic and geopolitical environment

- Financial and economic crisis since 2008
- Volatile supply markets in energy and other raw materials

Supply Chain Volatility
Index 1970-2010
Christopher and Holweg,
2011



Notes: *1. Arab Oil Embargo; 2. Iranian Revolution; 3. Saudi Arabia abandons swing producer role; 4. Black Monday; 5. Invasion of Kuwait; 6. Asian Economic Crisis; 7. Global Financial Crisis. All data up until October 2010 is included in the index. For updated versions please go to: www.innovation.jbs.cam.ac.uk; *list of constituents: EUR/GBP (WMR&DS) exchange rate; USD/GBP (WMR&DS) exchange rate; Crude Oil-Brent FOB US/BBL; Gold Bullion LBM US/troy ounce; LME-Copper, grade A three month E/M; UK clearing banks base rate -middle rate; VIX from 1986; Baltic Dry Index 1985; yearly average coefficients
Sources: Datastream; EIA (for crude oil data); Chicago Board Options Exchange (for VIX data)

- Climate changes and the growth of the world's population

Centralization

- The hunt for *economies of scale that* has been going on since the new wave of globalization took off in the 90'es is still out there
- Centralized organizational entities in production, procurement and distribution

Collaboration

- Intensified integration of supply chain operations
- Intensified focus on core competencies; standardization of processes; increased outsourcing (of management of the supply chain?)
- Corporate Social Responsibility for the *whole* supply chain
- Co-creation of value added

Changes in "supply chain geography"

- Sufficient buying power in regions to establish economies of scale for supply of regional markets
- Volatility in factor prices and economic instability – necessity of *Structural Flexibility*
- Sustainability; reduction of global transport
- Reduction of supply chain risk

Managerial dilemmas created by these trends

- ***Centralization – Decentralization?***
 - Companies and supply chains becoming “machines”; too rigid?
 - Increased complexity
 - Loss of local knowledge and relationship value?
- ***Collaboration – Competition?***
 - When, where and with whom?
 - Inefficiencies?
- ***Changes in “supply chain geography”: From globalization to regionalization?***
 - Cost of *structural flexibility*?

Conclusions

- Understand the factors that create new trends
- If you follow the trends, be aware that this will most likely create a new set of dilemmas (hopefully easier to handle than the former)
- Look at what the others do but understand how they compare to you: Comparable industry? Comparable size and scope? Comparable position in the supply chain?

Literature; suggested readings



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