

Study on global supply chain highlights reversal of outsourcing

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Relocation of manufacturing and product sourcing to emerging economies is no longer the gold standard for global businesses, according to a study from the Global Supply Chain Institute in UT's Haslam College of Business.

The rush to Asia in the past decade promised major cost reduction, but financial gains for many corporations have been short-lived. The study delves into the downsides of outsourcing by putting the complexity and risk of the global environment into context. Evidence from the research, compiled in *Global Supply Chains*, the fourth installment in the *Game-Changing Trends in Supply Chain* series from [supply chain](#) faculty, suggests a more localized supply chain for many products may soon be making a comeback.

"Countless factors can harm performance when supply chains are stretched across the globe," said Ted Stank, UT Bruce Chair of Excellence and one of the co-authors of the study. "The most successful companies evaluate the local variables before jumping into a [global supply chain](#) and design a dynamic network less vulnerable to the pitfalls of modern globalization."

The report uses a framework of key national characteristics that appeared in *Global Supply Chains: Evaluating Regions on an EPIC Framework*, a book Stank co-authored with three other faculty from UT and ESSEC Business School in Paris. Ten companies, with industries ranging from materials refining to health care, were interviewed for the

study. Real-world examples of their experiences are presented to demonstrate best practices in [global supply](#) chain network development.

BT, one of the world's leading providers of communication solutions and services, sponsored the study. One of BT's offerings is BT Trace, a portfolio of solutions that access and manage information and assets at different points throughout the supply chain. This practice promotes visibility between different areas of a corporation's business, helping them more thoroughly evaluate indicators of risk within their supply chains.

"Visibility is the most pivotal and elusive element of a successful global supply chain network," said Keith Sherry, general manager of supply chain for BT Global Services. "Our clients need reliable communication and an understanding of big data to make their businesses work."

Streamlined global supply chains are still efficient for companies with complex technology and low logistical costs. However, supply chain network design must change and adapt as the world changes. The report highlights communication and visibility across the entire supply chain as a consistent element in successful businesses.

The research suggests that supply chains throughout the world will eventually break into a series of "pods," where regional procurement and manufacturing will supply the demand centers of the area with a significant percentage of its production needs.

More information: A copy of the study is available online: utk.edu/go/ie

Provided by University of Tennessee at Knoxville

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