SUCCESS FACTORS IN A FORMING STRATEGIC POSITIONING OF MANUFACTURING OPERATIONS WITHIN GLOBAL SUPPLY CHAINS

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ABSTRACT
Managing supply chains effectively has become a critical element in enhancing company profitability and has been identified as the new frontier of competitive advantage. An important element of effective supply chain management is the strategic positioning of the company. The strategic positioning process is concerned with the choice of production-centred activities a company carries out internally and those provided externally. Strategic positioning within manufacturing supply chains however is a relatively recent research topic with apparently few articles currently available that explicitly address associated issues directly. Moreover there is no previous research working strategic positioning of manufacturing operations in global context. Therefore the purpose of this paper is to explore strategic positioning within global supply chains. It describes an exploratory analysis which is aimed at gaining insight into the success factor to form a strategic positioning within global supply chains.

KEYWORDS
Strategic Positioning, Manufacturing, Global Supply Chain

1. Introduction
It is widely accepted that customers are increasingly sophisticated in their demand for differentiated and better quality products (Piachaud, 2002). At the same time, the complexity of products and technologies is increasing (Momme & Hvölby, 2002). Hence, managing supply chains effectively has become a critical element in enhancing company profitability and has been identified as the new frontier of competitive advantage (Quinn, 1999; Tayles and Drury, 2001; and Sen et al., 2004). An important element of effective supply chain management is the strategic positioning of the company. The strategic positioning process is concerned with the choice of production-centred activities a company carries out internally and those provided externally (Baines et al., 2005).
Strategic positioning within manufacturing supply chains however is a relatively recent research topic with apparently few articles currently available that explicitly address associated issues directly. In 2005, Baines et al. (2005) developed a process to guide manufacturers through the strategic positioning decision. However, this methodology has no concern in global supply chain issue and focuses mainly into single product family. Moreover there is little research work comprehensively address outsourcing, integration, and strategic alignment in global supply chain design (Meixell and Gargeya, 2005). As no previous work on strategic positioning in global supply chains, the purpose of this paper is to explore how a company make its strategic positioning decision successfully. This paper is based on three in-depth cases drawn from the cross industry sector manufacturing companies to get insight the factors that impact to successful strategic positioning in global supply chains. Therefore, the research described in this paper has set out to explore strategic positioning in practice and bring together with theory.

2. Literature Review
This section provides a definition and illustration of the concept of strategic positioning and explores the emergence of this concept.

2.1 Strategic Positioning Definition and Illustration
The term strategic position has appeared in many academic publications since the 1970s, though mainly in marketing areas (Vrontis and Sharp, 2003; Kalafatis et al., 2000). There are however only a small number of papers that consider this concept within the scope of manufacturing operations. Hill (1993) was amongst the first group of researchers who defined strategic positioning in manufacturing supply chains. He defined
Proceedings of the 2nd International Conference on Operations and Supply Chain Management, May 18-20, 2007, Novotel Bangkok on Siam Square, Bangkok, Thailand

"position" as a key strategic decision for manufacturers, associated with the company’s internal span of process, the degree and direction of vertical integration alternatives and its links and relationships with suppliers, distributors and customers. More recently, Baines et al. (2005) build on this earlier work to define ‘position’ as a statement of where a company sits within its supply chain network and define ‘strategic positioning’ as a process concerned with choosing those production-centred activities that an organisation should carry out internally, and those that should be external and under the ownership and control of suppliers, partners, distributors and even customers. These are the definitions of strategic position and positioning used in this article.

The concept of strategic positioning looks beyond traditional concepts, such as Make-versus-Buy and Outsourcing, by considering the interactions between manufacturing operations and the wider supply chain networks associated with the organisation. Baines et al. (2005) consider there to be four sets of interactions, namely; the upstream boundary with suppliers, the downstream boundary with customers, the infrastructure boundary, and the product range boundary. At each of these interfaces a company has choices, the outcomes of which will modify the strategic position. These choices are summarised in Table 1.

Table 1: Strategic Position Interfaces (Adapted from: Baines et al., 2005)

<table>
<thead>
<tr>
<th>Principal Supply Chain Interfaces</th>
<th>Suppliers</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should we buy more?</td>
<td>Should we do more?</td>
<td></td>
</tr>
<tr>
<td>Should we buy less?</td>
<td>Should we do less for them?</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Product Range</td>
<td></td>
</tr>
<tr>
<td>Should we buy in our capabilities?</td>
<td>Should we expand our product range?</td>
<td></td>
</tr>
<tr>
<td>Should we own our own capabilities?</td>
<td>Should we focus our product range?</td>
<td></td>
</tr>
</tbody>
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To illustrate the strategic positioning concept, consider for example the strategic positioning decisions of an aerospace manufacturer. Such a manufacturer generally has to make many decisions that impact upon its position in supply chain networks. These may include a) moving downstream of the supply chain to invest in airframe servicing and maintenance, b) moving upstream of its supply chain into component manufacture and material supply, c) expanding the product range to move into larger products, or d) divesting in infrastructural activities such as payroll, security or refectories. All these decisions impact on the company’s strategic position, and hence on competitive space and performance. Therefore, it is important for a company to carefully manage strategic positioning by making careful decisions about the adoption of alternative manufacturing and supply chain activities.

2.2 Strategic Positioning within Global Supply Chains

There are few research works on strategic supply chain positioning taking a holistic view of all the four interfaces. Among these, Johansen and Riis (2005) proposed a framework for the strategic positioning of tomorrow’s industrial company. Baines et al. (2005) developed an integrated strategic positioning process that guides manufacturers through the strategic positioning decision. Lim et al. (2006) investigated and evaluated a suitable strategic positioning methodology for SMEs in Singapore.

Global supply chain design is the other area that was reviewed. It associates strategic positioning within global supply chains to determine the supply chain infrastructure. Global supply chain design has been studied by many researchers in several aspects. For example, some of researchers use mathematical models for decision in global supply chain (a multi-phase mathematical programming approach for supply chain design - Talluri and Baker, 2002; input-output models for global supply chain analysis – Albino and et al., 2002; decision support model in global supply chain - Narasimhan and Mahapatra, 2004; dynamics of global supply chain - Nagurney and Matsypura, 2005; product selection - Lamothe and et al., 2006; product supply chain - Wang and Shu, 2006). Some researchers document strategies and tools for global supply chain design (clockspeed-based strategy for supply chain design – Fine, 2002; a checklist of factors for international supply chain companies - Prasad and Sounderpandian, 2003; decision support models for the design of global supply chains – Meixell and Gargeya, 2005; a taxonomy for selecting global supply chain strategies – Christopher et al., 2006; a supply network configuration on international supply chain development – Srai and Gregory, 2006). However, there is no work developed for strategic positioning in global supply chain perspective. The challenge therefore remains to explore strategic positioning in practice in order to derive a guideline to develop a successful strategic positioning within global supply chains.

3. Research Methodology

As no earlier work on strategic positioning with global operations existed, they are a highly unstructured problem which can be dealt with an exploratory research design using case studies (Yin, 2003). The case study method
was selected for its relevance in answering how and why questions, and for its usefulness in theory building (Eisenhardt, 1989). The study is exploratory, thus the case study methodology (Yin, 2003) is to be conducted to generate in-depth knowledge of the research problem. The purpose is to find out how the corporation should manage the strategic position of global operations, within the enterprise of its business.

The research was carried out in three steps. The first step is case study design. This stage defines what kind of a company should be selected in the study. The three manufacturing companies were taken as the basis for the analysis. They are all one of a leading company in their industries and have experienced in strategic positioning within global supply chains either investing or divesting their supply chain infrastructures to abroad. In order to gain several experiences in strategic positioning decision, each chosen company has different positioning strategy for example vertical integration, offshoring, outsourcing, and horizontal integration. Each case was analysed from the same viewpoint and summarised in the same format.

The second step is case study data collection. The historical developments of the case study companies were assessed to help understand how and why these companies came to succeed, and to comprehend how and why the corporation manage the strategic position of global operations, within the enterprise of its business. Basic data on the company was collected using publicly available data (web sites, electronics databases, company reports, etc.) and by conducting semi-structured in-person with high management level person of each company studied.

Finally, the results from case study were analysed to propose key findings. Because of restrictive disclosure regulations we are not allowed to provide the names of the analysed companies. In the following section, the companies will be named Case A – C and described in their positioning details.

4. Case Study Organization

The cases are now described. Each case presentation contains brief background information about the company and a short summary of their strategic positioning decisions.

4.1 Case A

Case A is a leading supplier to the most advanced industries including semiconductor, flat panel display, chemical, scientific instrumentation. It has a unique position as a fully integrated supplier to the global semiconductor. It has expanded its business through both internal growth and external acquisition. It acquired several businesses with the aim of complementing and enhancing the product range offered to semiconductor and other customers. After successfully broadening of its range of products and services, it continues to improve its market position and embark on a restructuring programme to achieve cost savings. Among initiatives to reduce production costs it has moved some manufacturing to the Czech Republic, Korea and Brazil.

Case A has set up a new production plant in South Korea recently. The primary drivers of this project were cost reduction and the move of customer base to Asia. The strong reason of the new positioning was to have a faster response in terms of lead time and customer requirements to Asian customers. The company did business case analysis which included overall project information and financial analysis. The company used project metrics which are mixture of shop floor operations and in office operations to measure South Korea capability and compare these to UK operations and set a target plan.

One of the success factor in the new positioning was the company understand clearly what it wants in the business. It selected a site that it had already had facility, South Korea. The company defined the project in the early stage what it wanted to produce in abroad so it could create business model and business case.

4.2 Case B

Case B is a vertically integrated agribusiness supplying fresh fruit globally. The company is involved in production, packing, exporting, importing and sales to retailers. The group is South African based with sales offices and packing houses in UK, Canada and recently in Belgium. The perishable and fast moving consumer goods (FMCG) nature of the product makes efficient operations and key to the company’s growth and success. The company’s operations are complex because of the diversity of product range, geographical spread of production estates and different supermarket’s ‘route-to-market’. At any one time over 100 different supply chains can be running parallel to one another.

Case B positions itself by own source of products and packing houses close to farmers and outsource further down operations in supply chain in order to get less business risk. With own brands, the company can ship products to wherever customers are. However, it also moved forward to customer interface by setting up sale offices in Canada and UK which replace distributors’ works. Recently, the company has established a new sale office in Belgium and outsource a packing house to local provider. The drivers to set up a new facility are the
European market size and relationship with European supermarkets. They did feasibility study internally, contacted to customers, understood the cost change and proposed to the decision board. The business environment is dynamic. Now, they are considering the labour cost in Europe and Canada which is much higher than South Africa. To keep low cost as much as possible, packing at source is one choice that the company may keep focusing more, however, flexibility to change packaging is a reason that make the company to do packing close to customers.

### 4.3 Case C

Case C is the world’s leading supplier of fabricated precious metals to the jewellery industry in the US, UK, France and Spain. Demand for finished jewellery products is influenced to a large extent by both consumer confidence and consumer preferences. Consumer confidence has been depressed for few years and this trend is exacerbated by the shift in customers’ discretionary spend away from jewellery products and more towards consumer electronic products. Case C decided its new position by launching restructuring programs such as closing two manufacturing sites in France and consolidating seven sales offices to three and reorganising to focus on gold products in the UK and silver products in Spain. The main drivers for this restructuring were profitability and industrial dynamic change. These actions have allowed the European businesses to make the most efficient use of their resources by maximising the use of capacity in order to address the fast-moving jewellery industry in that region.

Case C faced the difficulties of union supportive and the investment on stock during the closing French operations. However, the restructuring program went well because of the clear understanding of industry, the understanding of people involved in the project and the good supply chain analysis. In order to improve the operations after restructuring, the company measures return of investment, operating profits, cash flow, customer satisfaction, delivery performance, customer feedback, employee satisfaction and other issues with union.

### 5. Analysis of Key Findings

The success factors that brought all companies in the case studies to succeed in their positioning decision process are given the details below.

**A project team.** Case B explained the delay of its project in setting up a new site in Belgium because there was no team in the beginning working on the project, similarly, Case A mentioned the confidentiality of relocation project affecting to employee morale made the project went slowly in the beginning stage. In contrast, Case C addressed the restructuring program went successfully because of its project team which understood what company wanted from restructuring program. Therefore, appointing a working team for a project plays an important role for a decision success.

**Clarity of the project in the early stage.** Most companies were successful in a new competitive design because they were clear what they want from the new position. Case A mentioned that one of its success factors is defining the project in the early stage. It understood its current position, supply chain, customers, and etc therefore it could move forward to next step of decision quickly. Positioning success requires the establishment and execution of clearly defined aims, and to achieve these aims, well-defined procedures must be clearly communicated within organisation and other involved participants.

**Considering holistic view of global supply chain.** There is evidence shown that cases didn’t concern only one side of supply chain interface but it also concerned supply chain in holistic view as well as the effects to other elements in global supply chain which include source of raw material, suppliers, customers, or even end customers. They made sure that customers are happy and agree with the new change. New strategic positioning forms new supply chains which will affect to whole supply chain system. With understanding the whole supply chain, the company can decide where would like to sit in. In case B, the company did not give concern for only its customers but it also focused to add more value to end customer which the company can plan to move forward to deal directly with its customers or move backward to reduce business risk.

**Awareness of time requirements for strategic positioning.** Experience shows that process of developing a positioning takes time. Forming a strategic positioning may require in-depth supply chain design, negotiations to trading partners or customers to agree on major points. To have a successful positioning, a company must beware time consuming for changing its position.

**Cost is not a total concern.** Strategic positioning decision should not be made primarily on which option is a little bit cheaper or a little bit faster to market. Rather, supply chain design needs to be recognised as a strategic activity that can determine the fates of companies and industries – and of profits and power (Fine, 2000). It is clearly in Case A. At first, the company considered China as the destination for relocation but after consideration other aspects in moving to China. The company didn’t select the cheapest cost option by moving to China but the company gave more concern on other factors which would affect to the business such as intellectual property...
6. Conclusions

In this paper, we explore some success factors in strategic positioning of manufacturing operations within global supply chains. The study found that most of the cases did not use any structured methodology for making the strategic positioning decision. In addition, due to the complexity of the decision, the decision process usually takes time, and several unexpected inferences also cause delay in the process. However, with the establishment of aims and objectives in the process and clarity in the early stage, they could shorten the process time. The evidence also shows that a project team with clear understanding of the company’s business could lead to a successful strategic positioning. They also gave importance to taking a holistic view of the supply chain for its positioning so as to have a wider view of business and avoid sub-optimisation in global supply chains. Additionally, financial factor or cost which seems to be a major concern in every case but it is not a final solution for a successful decision process. This research contributes knowledge in strategic positioning for practitioners to consider and beware success factors in making decision. To expand insights beyond this limited exploratory study, a survey could be conducted covering more industrial sectors and countries.

References