



Manufacturing Summit

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Globalization / Offshoring

Globalization: What does it mean?

(in the context of **Business and Industry**)



Previous situation :
Demand in a country met by
Sourcing within the country



Globalization

(in the context of **Business and Industry**)

- **DEMAND**

The products and services needed/used by a country, society, it's companies and citizens.

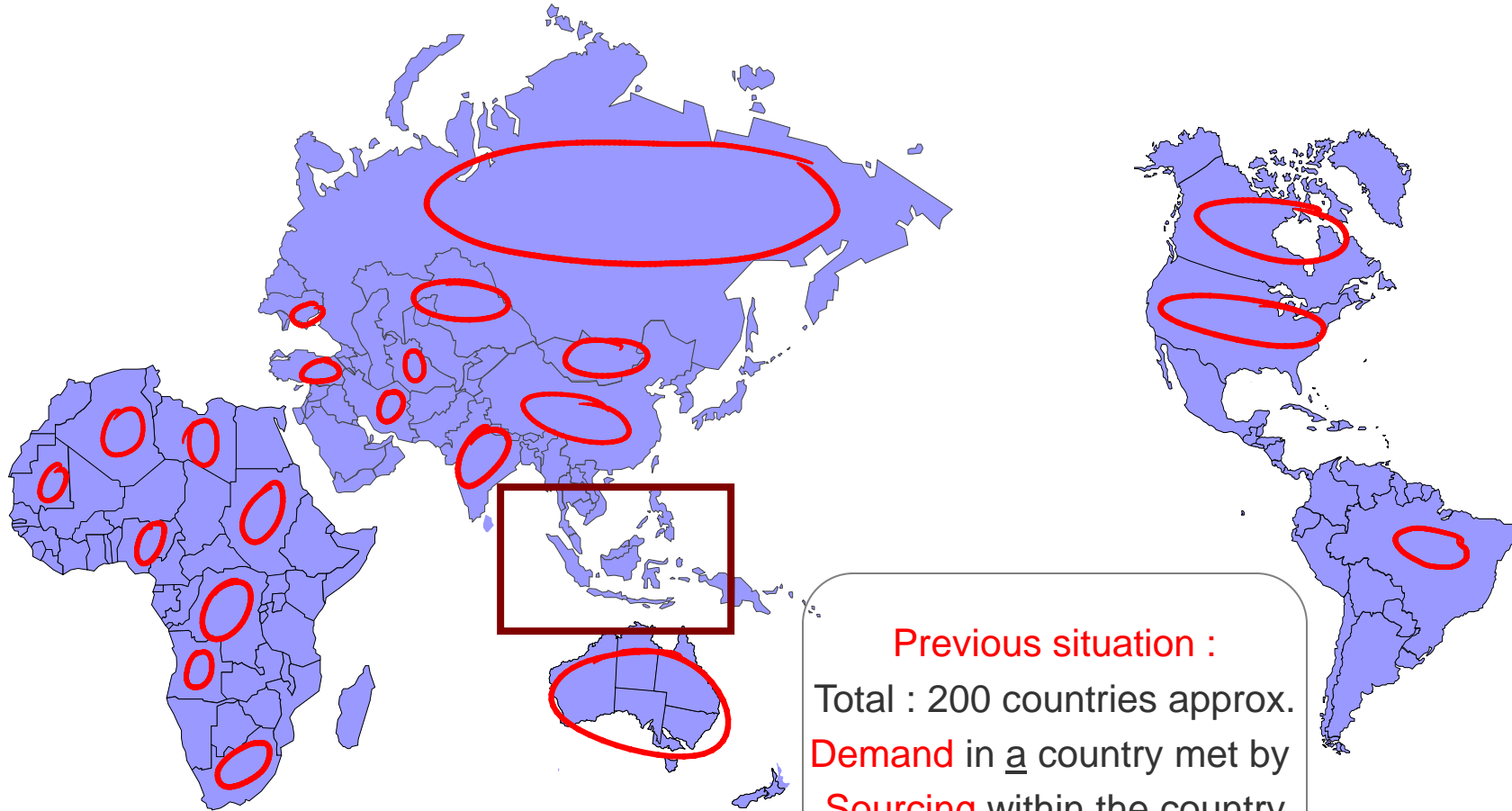
(The focus is on Manufacturing and Services.)

- **SOURCING**

The place/country of origin of the products and services referred to in the Demand statement.

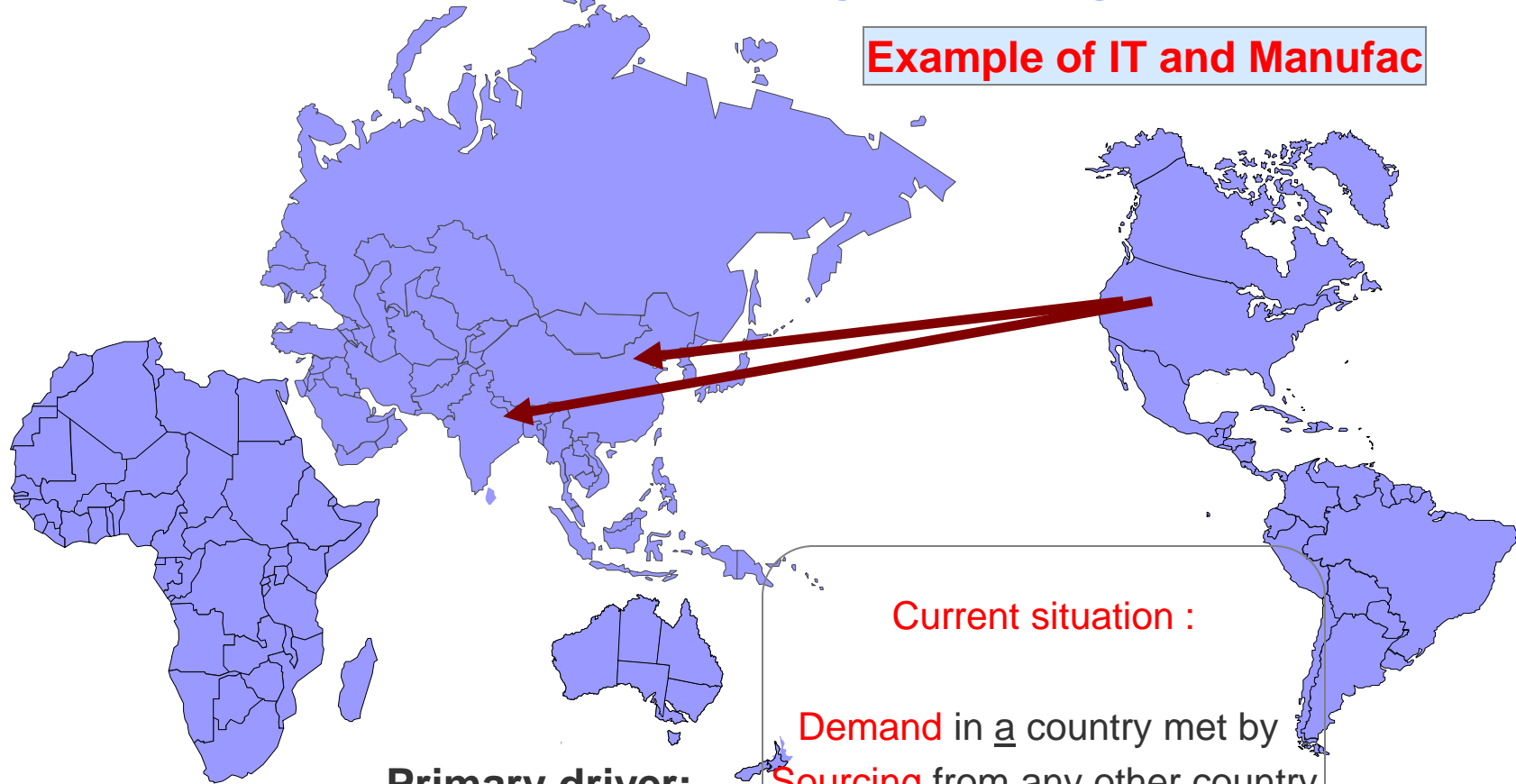
Globalization: What does it mean?

(in the context of **Business and Industry**)



Globalization: What does it mean?

(In the context of Outsourcing / Offshoring)



Example of IT and Manufac

Current situation :

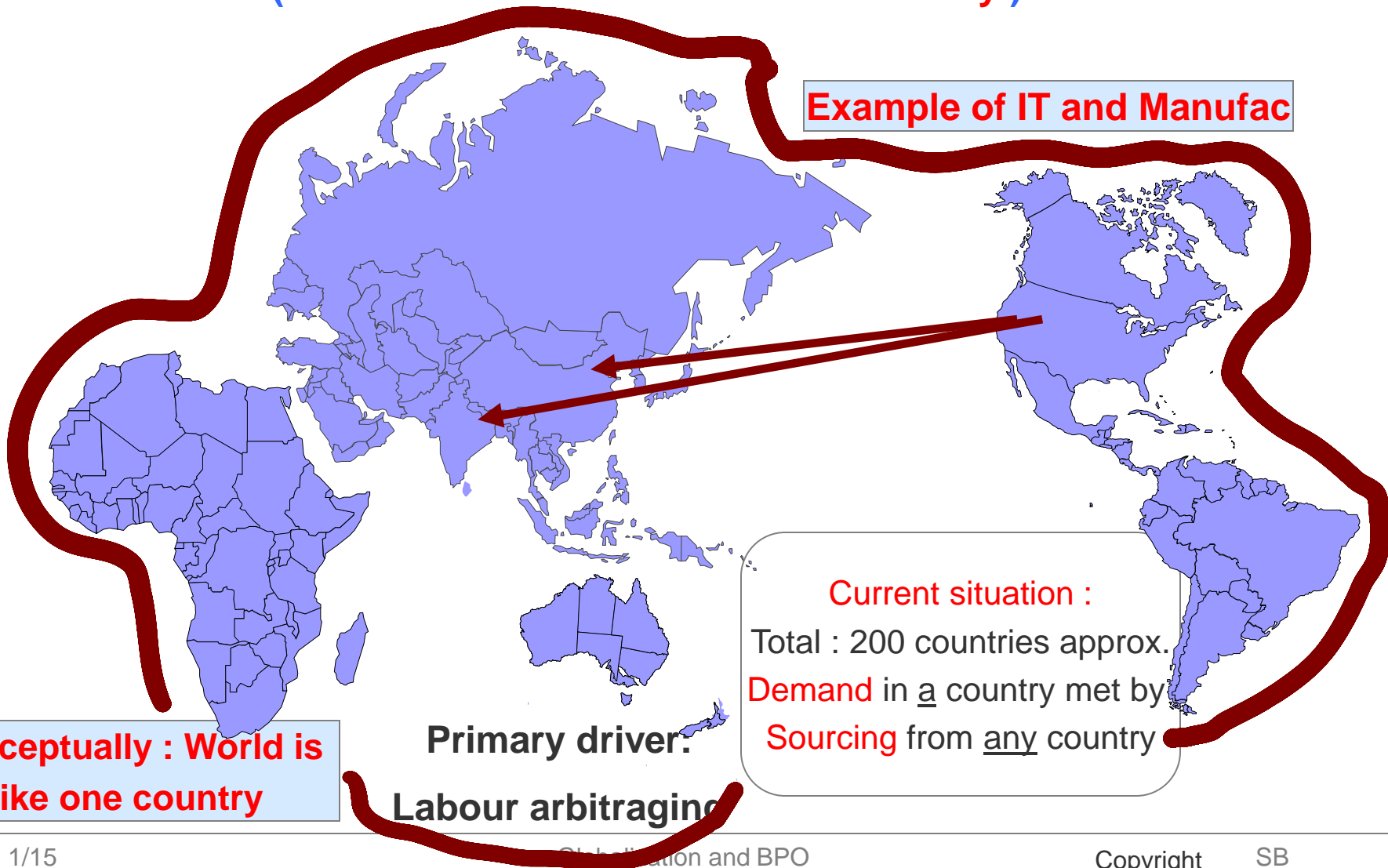
Demand in a country met by **Sourcing** from any other country

Primary driver:

Labour cost arbitraging

Globalization: What does it mean?

(in the context of **Business and Industry**)





Globalization: The newest business innovation

Enablers of Globalization

Impetus Factors

❖ Political

- WTO Championing
- Bi-lateral agreements
- Regional groupings
e.g. EU, ASEAN
- End of the Cold War
- Falling Trade Barriers
- Easing country borders

❖ Technology

- Computer Technology
 - Power, cost reductions
- Network Technology
 - Bandwidth: cost, availability, reliability
 - Telephony – quality, cost
- Rise of the Internet

❖ Financial

- Labour cost arbitraging
- Skills availability

❖ Logistics

- Instantaneous, 2 or 3 days to anywhere

Processes: Standardized and Commoditized



Globalization: Enabling Factors

❖ Others

- Spread of English
- Familiarity - TV exposure, cultural convergence
- Ease and lower cost of travel
- Time difference advantages, 24 hour operations
- Growth of Foreign Direct Investment (FDI)
- Large population pools e.g. India/China
- IP protection improving

Outsourcing benefits – Executive snapshot

CEO

- Core business focus
- Competitive advantage
- Hit window of opportunity
- e-business enablement
- Financial profile improvement
- Speed and flexibility in business restructuring
- Shareholder confidence and increased brand value

CFO

- Fixed costs to variable costs (capital)
- Predictable costs
- Controlled operational expenses
- Investment redirection
- Capital infusion/avoidance
- Better return on net assets
- Benchmarking

CIO

- Technology optimization
- Operational efficiencies
- Skills/ready talent pool
- Quicker access to new technologies
- Delivery assurance
- Disaster recovery
- Infrastructure to support e-business
- Better governance of IT through contractual accountability

Focus on Business Results & Shareholder Value



What is Strategic Outsourcing?

(in the digital context)


- ❖ **Strategic Outsourcing (SO)** is the utilization of world class skills, technology and resources to consult, develop and deploy business processes and associated IT solutions under a multiyear contractual relationship. SO thereby affords customers:
 - Increased competitive advantage in their industry
 - Improved cost-to-benefit value relationship in their business
 - Ability to focus on core competencies
- ❖ Asset transfer (equipment and/or employees) may or may not be included

Outsourcing is...

❖ **A strategic relationship**

❖ **A management tool**

❖ **The partial or total delegation of work to an external service provider, domestic or foreign**



Globalization and Business Process Outsourcing

Globalization: Analysis

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PESTLE ANALYSIS

POLITICAL

- * UN, WTO
- * EU, ASEAN

- * Lately more bi-lateral
- * More opening up of countries
- * More Outsourcing, politics
- * Growth of positive sentiments
- * More familiarity – less tensions
- * More interdependence,
less chance of war

ECONOMIC

- * World-wide sourcing
- * World-wide markets
- * Lower tariffs
- * World-wide lowest cost
- * More world trade
- * Jobs increase/decrease
- * Rising standard of living
- * Rise of MNC's
- * Growth of Foreign Direct
Investment
- * Falling trade barriers (?)



PESTLE ANALYSIS

SOCIAL

- * Music
- * Clothes
- * Festivals
- * Language
- * Common culture--+ve,-ve
- * Multi-culturism
- * Spread of education globally

TECHNICAL

- * Spread of latest tech
- * Robotics, AI, Digitalization
- * Productivity increase
- * Quality improvement
- * Skills availability
- * Increased worldwide manufacturing possibilities
- * Worldwide supply chains growth
- * Loss of expertise and skills



PESTLE ANALYSIS

LEGAL

- * Better laws (?)
- * More transparency
- * Trading made simpler
- * Incompatible laws
- * Multi-country complications

ENVIRONMENTAL

- * Increased awareness
- * More pollution
- * More dependence
and vulnerability
- * Collaborative mitigation
- * Knowledge sharing



Effects of Globalization

Positives

- Lower prices
- More product choice
- More job opportunity
- Increased global trade
- Rising living standards
- Worldwide products available locally
- Less chance of war

Negatives

- * Increased competition
- * Shorter product life-cycle
- * Job loss from offshoring
- * More complexity
- * Falling wages & benefits
- * Loss of culture and uniqueness
- * More inter-dependence



Effects of Globalization

Economic factors

Social & Cultural
factors

Political and Legal
factors

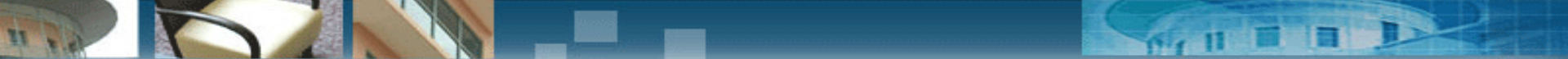
Technology drivers

Resulting in:

- rise of MNC's
- global supply chains
- global partnerships
- FDI flows
- rising middle class
- rising aspirations
- common language
- new markets

Net result:

**more inter-dependence, more complexity,
cultural sameness, world coming to a
common norm, less chance of wars**



The end