

Lecture 1. The impact of globalization on logistics activities.

The goal of lecture is to consider the essence of globalization and its impact on logistics activities.

The main objective of lecture:

1. The term of “globalization”
2. Pros and Cons of Global Supply Chain
3. Five Benefits of a Globalized Supply Chain
4. Five Negatives of a Globalized Supply Chain

1. The term “globalization” refers to the free movement of goods, services, and people across the world. In regards to supply chain management, globalization refers to the process in which a business operates on an international scale.

Globalization trade offers companies the opportunity to reach new customers in new markets, which dramatically upsets how manufacturers need to operate to be successful. Exposure to new markets means exposure to greater competition and greater risk – but also greater reward.

2. If you’re a logistics manager or business owner, you may be wondering whether the impacts globalization has on your supply chain will be beneficial or simply make it harder for you to operate.

The truth is that there are pros and cons to globalization and it may, or may significantly affect your supply chain. It all depends on the nature of your business and how you manage your supply chain.

3. The onset of globalization means supply chain management is more complex and business critical than ever before. As supply chain managers or business owners, the logistics falls on you to know how globalization can benefit your operation.

1) Reach new customers in new markets around the world – Globalization simplifies communication between business owners, vendors, and customers and therefore makes it easier to reach new markets and stay connected with customers no matter where they are in the globe.

2) Expand sourcing opportunities – Globalization makes it possible for businesses to increase production by securing a diverse selection of workers, raw material, and products from regions of the world that were previously out of reach. This can result in significant labor costs.

3) Offer a larger selection of goods and services – Global sourcing opportunities mean an increase in the range of products and services that you can provide for your customer.

4) Grow and expand the scope of their business – Globalization makes communication near effortless, which make it easier for markets to expand and diversify, thus providing more opportunities for businesses owners to capitalize.

5) Save money and increase profits – more options to source from and to capitalize on means more chances to save on spending and a greater chance of profit.

4. The benefits of a globalized supply chain are numerous but it also presents a new set of challenges to your network and managing your supply chain. To take advantage of the benefits of globalization, you need to know the negatives and how to respond to them.

1) Greater complexity – Global supply chains have global problems. As companies globalize they must scale up all aspects of their business, especially their supply chain.

2) Increased supply chain risk – When your materials, factories, and customers are spread around the globe that means your business is entirely at the mercy of global events, like natural disasters, port and border closures and changes to the geo-political landscape, or more recently, an event like the covid 19 pandemic. Another example is when factories in China close for several weeks for the Chinese New Year, which can result in supply chain disruption.

3) Increased competition – You can bet that if your company broke into a new market that there are several companies just like yours with the have access to the exact same supplies, products, manufacturing, and customers as you. The global economy requires supply chains to be as lean and efficient as possible.

4) Greater data collection challenges – When different aspects of your supply chain are scattered around the globe, the process data collection and oversight grows in complexity and becomes more difficult.

5) More legal issues – Operating across borders means operating in countries with different legal systems, which can get complicated and expensive very quickly.

Questions for self-control:

1. What is globalization?
2. How will globalization affect on supply chain?
3. Call the five benefits of a globalized supply chain.
4. Call the five negatives of a globalized supply chain.

Literature:

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Internet resources:

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