



## Global Supply Chains Tools Guidance Notes

The document outlines the CIPS Global Supply Chains Tools created to help you make the right sourcing decisions for your organisation.



This knowledge paper is supportive of Procurement professionals operating at operational level of the CIPS Global Standard



CIPS members can record one CPD hour



## CIPS Global Supply Chains Tools Guidance Notes

Global supply chains are networks that can span across multiple continents and countries for the purpose of sourcing and supplying goods and services. Global supply chains involve the flow of information, processes and resources across the globe.

Low cost country sourcing is linked to global supply chains and refers to the procurement of products and services from countries with lower labour rates and reduced production costs than that of the home country.

In the [technological age](#) in which we live sourcing products and services internationally is now easier than ever before. Global supply chains give procurement the opportunity to take advantage of the strengths and innovation of other countries to keep business both current and competitive. Global supply chains involve the management of different cultures, religions and time zones as well as ethical good practice, different currencies, extended lead times and import and export requirements. Whilst engaging in global supply chains offers benefits the [level of risk](#) is often high and needs close management and mitigation processes in place.

Low cost country sourcing gives further opportunities for procurement to obtain reduced costs, innovation and higher levels of expertise. When engaging in low cost country sourcing the procurement organisation can contribute positively towards an economy that may not be as affluent as their own by increasing job opportunities, providing training and enhancing working conditions.

The appreciation that low cost country sourcing comes with risks that must be managed closely to avoid the occurrence of reputational damage through poor quality and unacceptable ethical conduct, is a key factor when engaging with this style of procurement.

You can also access further CIPS global supply chains [guidance here](#).

This document will cover the following tools which CIPS members can [download here](#).

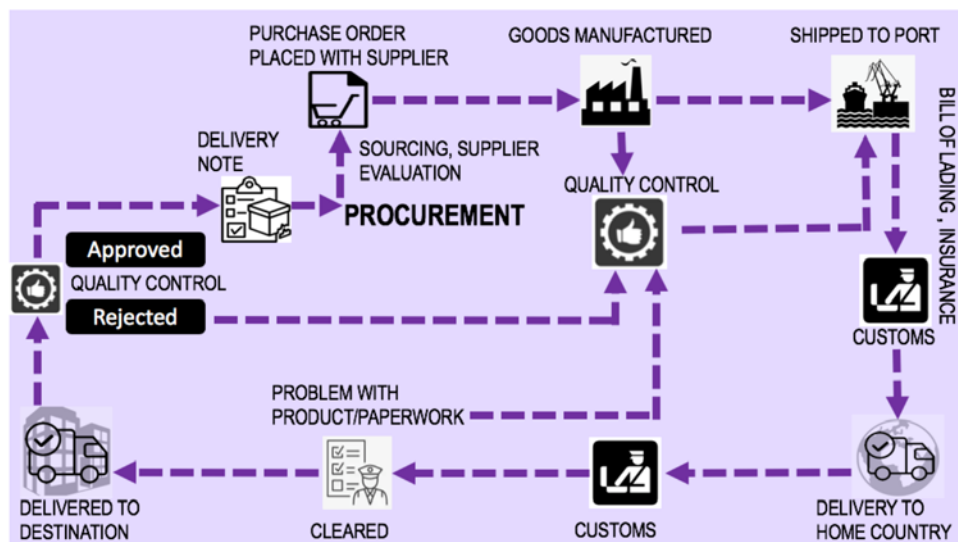
### Tools

- Global supply chains
- Evolution of low cost country sourcing
- Advantages and disadvantages scales of low cost country sourcing
- Global supply chain suitability
- Transparency
- Price vs cost
- Elements of global supply

## 1. Global supply chains

This model is an overview of how global supply chains work and shows the flow of products from having completed supplier appraisal and evaluation and the placing of the order to the delivery to site. The model shows how the products will leave the manufacturer and be sent to a port (or airport) to start their journey to a different country. When being involved in procuring goods from overseas it is important to have agreed the INCO terms which will be used within the contract to ensure that all parties are aware of their contractual obligations. This should have been covered within the contract development process.

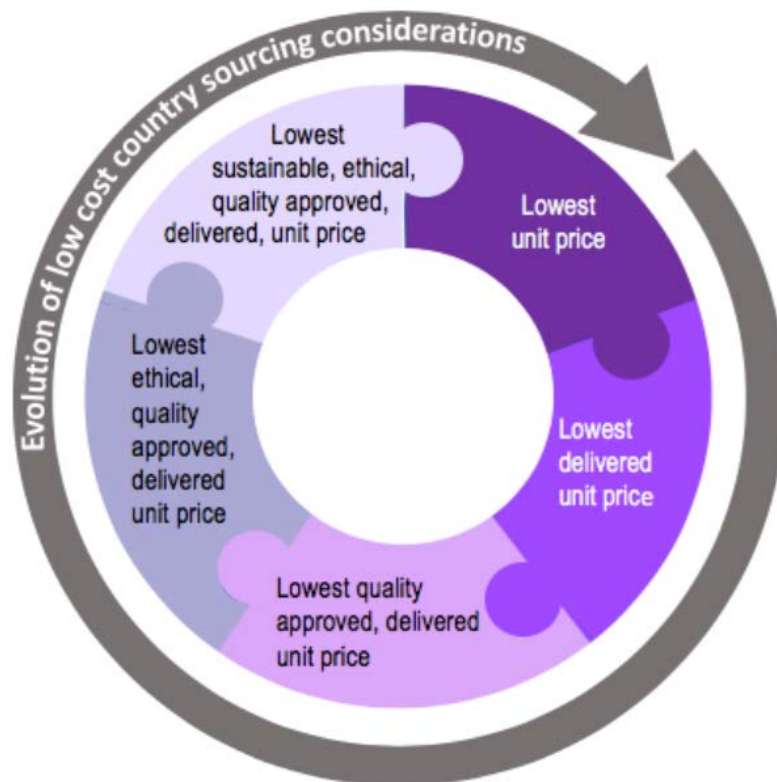
The model shows how, if the quality (specification) of the product is not as required, the goods can be returned to the manufacturer for correction or to be replaced. Quality Management is very important within global supply chains.



(Source: Jarvis-Grove, 2020)

## 2. Evolution of low cost country sourcing

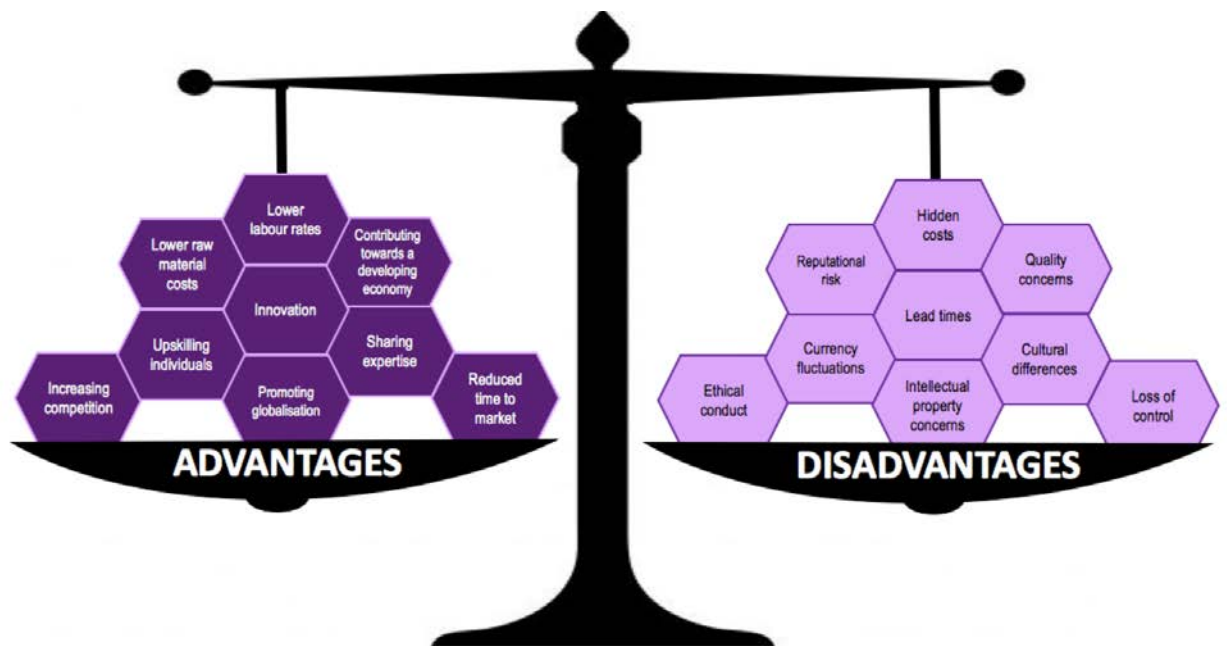
This model demonstrates how the concept of low cost country sourcing has changed over the decades. Initially the main focus was on achieving a low price, then the carriage and customers' aspect was considered. The next evolutionary phase was that of ensuring acceptable quality. More recently sustainable and ethical procurement have been considerations. The process of low cost country sourcing has now evolved to take all aspects of the procurement process and supply chain into account before making a decision on whether this strategy is the right option for a business.



(Source: Jarvis-Grove, 2020)

### 3. Advantages and disadvantages scales of low cost country sourcing

This model details the risks and benefits that need to be evaluated and weighed up prior to making any final sourcing decision. The use of the scales demonstrates how the advantages and the disadvantages can be unbalanced. Ideally the scales should tip towards the advantages to show that there are more positive aspects than negative concerns when making the decision.



(Source: Jarvis-Grove, 2020)

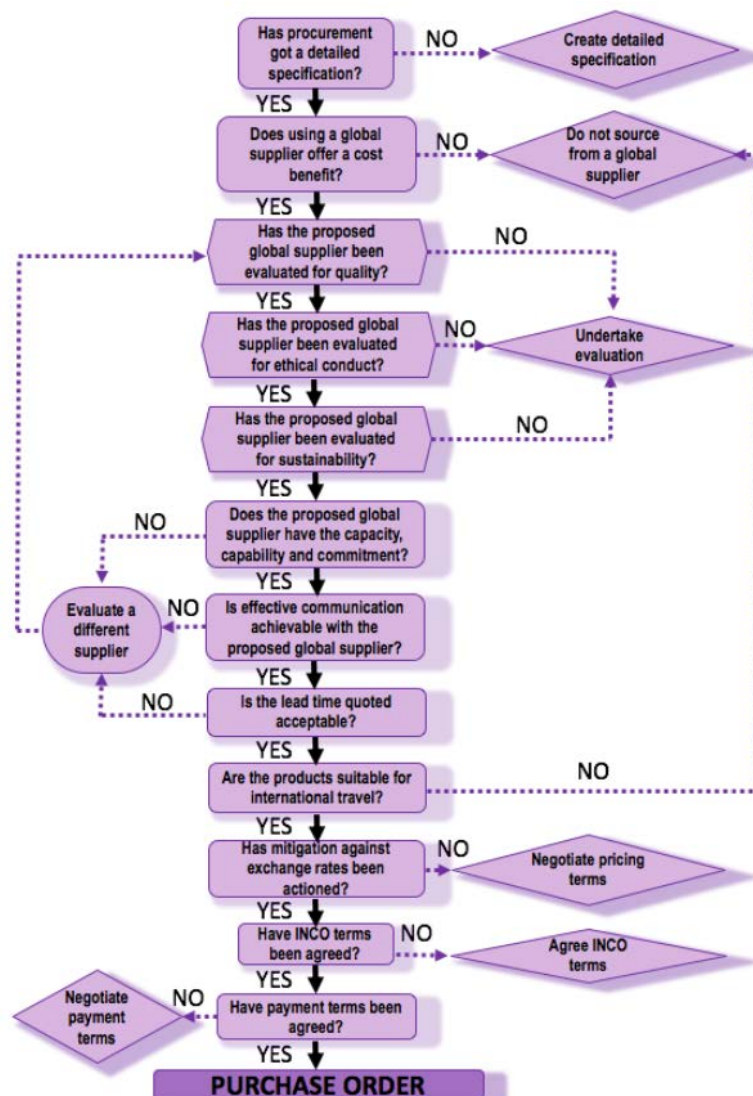
## 4. Global supply chain suitability

This template has been designed to help procurement professionals make a decision as to whether entering into a global supply chain or sourcing from another country is the right option.

By using the flow chart procurement workers can establish if they have conducted their process correctly and comprehensively to mitigate against as much risk as is possible.

The model references specifications, challenges thinking as to whether the global suppliers is a cost effective option as well as covering quality management, supplier evaluation sustainability, communication and INCO terms.

If all the stages of the flow diagram present a “yes”, then the model shows this strategy is correct for the product or service in question and a purchase order can be placed.



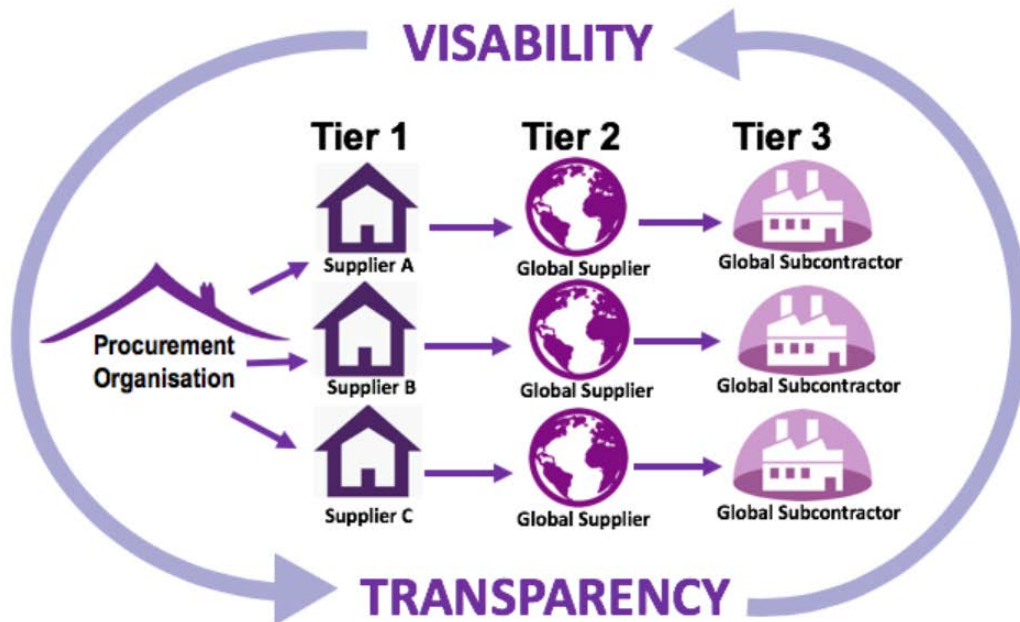
(Source: Jarvis-Grove, 2020)

## 5. Transparency

Visibility and transparency in any supply chain are important aspects and this is never more so than in a global supply chain.

This model shows how visibility and transparency need to be present throughout all tiers of the global supply chain, from tier 1, which could be a supplier in the procurement professional's home country, to tier 2 where the supply may be overseas and tier 3 where the overseas supplier may have subcontracted some of their requirement out to another organisation.

Practicing ethical and sustainable procurement, conducting regular audits and promoting good communication skills help to ensure that transparency and visibility are always present in global supply chains.



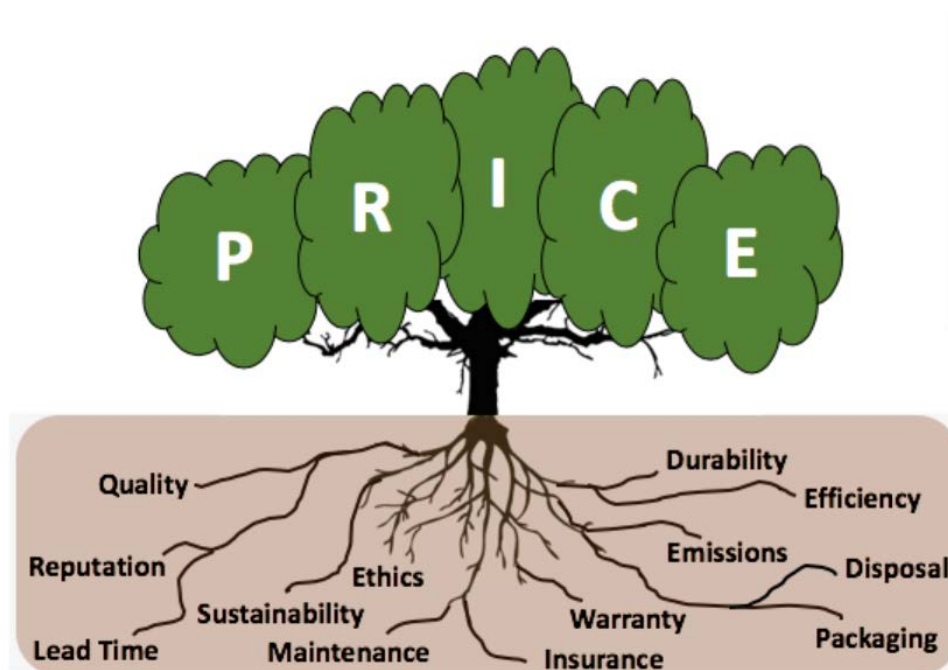
(Source: Jarvis-Grove, 2020)

## 6. Price vs cost

The price vs cost tree demonstrates how, as consumer, the main aspect that is used as a deciding factor when making a purchase is price. However, as procurement professionals many other elements, which are shown in the roots of the tree diagram, need to be considered.

What goes on “under the ground” affects what can be seen.

Costs such as quality, disposal and ethical practices, should be evaluated when making any decisions on suppliers’ quotations or bids.



(Source: Jarvis-Grove, 2020)



## 7. Elements of global supply

This model shows at a glance all the elements that should be considered when engaging with global suppliers. The globe in the centre demonstrates that the factors surrounding it relate to international procurement.

Supplier evaluation and appraisal includes many more aspects when working with global supply chains and areas such as ethics, sustainability, quality, communication and technology require in depth analysis prior to any decision being made to enter into a contractual agreement with a global supplier.



(Source: Jarvis-Grove, 2020)

You can also access further global supply chains [guidance here](#).

CIPS members can download the tools covered [here](#).

