

# Chapter 12

## International Supply Chain Case Study

**Thi Song Hanh Pham**  
Sheffield Hallam University, UK

**Fariba Darabi**  
Sheffield Hallam University, UK

**Natalie Victoria Wilmot**  
Sheffield Hallam University, UK

### ABSTRACT

*The chapter aims to explore how some successful global firms organize and manage their supply chain activities at a global level. Three interlink areas of international supply chains including global production, global sourcing, and global distribution within three separate case-studies; Samsung's global production, UK Airbus's global sourcing, and Tesco's global distribution are examined in the chapter. The overall results highlight the importance of a holistic approach to international supply chain management. Findings from Samsung's smart phone production network and Tesco's global distribution suggest that firms are able to be successful when they exploit specific opportunities wherever they are located in the world. Whilst Samsung have been successful with keeping in-house production, Airbus are doing well with outsourcing. The Airbus case highlights the importance of risk management in global supply chains. All three cases demonstrate examples of benefits and challenges posed by knowledge sharing with partners in the supply chain.*

### 1. INTRODUCTION

Globalization and the development of information and communication technology lead to an increasing influx of new players into every market. Companies continue to join the global playground, selling their products or services to, and purchasing their inputs from, the international market. Supply chain processes and functions are increasingly implemented by node companies from different countries. Material, information, and financial flows in a supply chain run through different geographical, cultural, and legal environments. Thus, supply chain management evolves into a new stage of global supply chain management.

DOI: 10.4018/978-1-4666-9639-6.ch012

Compared to traditional supply chain management, global supply chain management is much more complex because of the following reasons. Firstly, global supply chains cover a much wider area. Logistics is conducted over long distances by a variety of modes of transportation between different countries and regions, across oceans and continents. Secondly, global supply chains involve transnational transactions that involve different time zones, natural environments, and social and economic environments. Thirdly, global supply chains are implemented in different contexts, involving companies operating under different legal systems, cultures, customs and conventions, languages, management styles, technologies, and equipment.

These characteristics lead to a number of risks and challenges in managing a global supply chain. Therefore, to effectively manage a global supply chain, a firm may need to apply strategies and management methods which are different from those that it uses in managing a domestic supply chain. However, there is a lack of literature addressing the strategic issues in managing a firm's supply chain activities which are conducted on a global scope. The literature strand in the field of logistics and supply chain management focuses on how supply chain activities are planned, implemented, coordinated, and managed within a firm level but does not consider the locations where supply chain activities occur.

The literature strand in the field of international business addresses the issue of locations for expanding business activities internationally but does not deal with the issue of how business activities are systemically organized and coordinated within a firm operating globally. The literature strand in the field of inter-firm relationship management addresses the question of how transactions between different actors along the chain of activities in the production, processing and distribution of products are conducted and governed (Gereffi et al., 2005). None of these literature strands is adequate to answer the question of how a firm should manage its supply chain activities which are implemented globally.

The chapter aims to explore how some successful global firms organize and manage their supply chain activities at a global level by employing a case study research strategy. Case study research strategy is a relevant methodology for the research aiming at answering the question "how", especially when a researcher has little control over events, and when the focus is on a contemporary phenomenon within a real-life context (Yin, 2003).

Following Eisenhardt (1989), we began as close as possible to the ideal of no preconceived theories or hypotheses to test but determined the research question prior to the research commencing. We selected three firms operating globally from three different industries including electronics, aerospace, and retailing in order to explore how the firms use strategies and management methods to manage their global supply chain in three key areas of global production, global sourcing, and global distribution.

The electronics industry is one in which production is conducted at a global level. Electronics components and parts are produced in some countries and assembled in different countries into finished products. Samsung Electronics was selected to explore how the firm manages its global production network. Similarly, aerospace is an industry in which procurement and sourcing are conducted at a global scope. Airbus UK was chosen to explore how the firm manages its global sourcing network. Retailing is an industry in which distribution expands globally. Tesco was opted for in order to explore how the firm manages its global distribution network. Our three cases qualify for "extreme situations and polar types in which the process of interest is 'transparently observable'" (Eisenhardt, 1989, p. 537).

We collected data from both secondary and primary sources. For secondary data, we obtained news reported by worldwide known newspapers including *Business Insider*, *Bloomberg* and *Wall Street Journal*. For primary data, we archived the company's documents from their official websites and conducted semi-structured interviews with managers from the case firms. Regarding Samsung Electronics, our interview

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