

Chapter 1

New Strategy and Thinking in Global Business System: Creating Value Through Supply Chain Management

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ABSTRACT

Because of the necessity of adopting the product and service to the rapidly changing needs of current customers, specialization in each supply chain has become more important. The companies from the same supply chain benefited from the collaboration in order to gain competitive advantage. This chapter first of all explains the current changes in business environment and define the new global business system and summarizes the common strategies to survive in this environment from related literature. It proposes a model of a smart supply chain management including agile organizations and mutual goal achievement of the firms and the members of the same supply chain at the end of the chapter. The aim of this chapter is providing a road map to today's and future organizations to be more competitive. It is believed that the chapter will be helpful for both professionals and academicians who have interest in strategy building process and creating competitive advantage.

INTRODUCTION

Creating a better world requires teamwork, partnerships, and collaboration, as we need an entire army of companies to work together to build a better world within the next few decades. This means corporations must embrace the benefits of cooperating with one another.

Simon Mainwaring (n.d.)

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Globalization has been accelerated since 1980s. After then, the competition between giant multinational companies (MNCs) mostly from developed countries and local companies from different countries reshaped the way of doing business. First of all, understanding of environmental conditions gained importance more, since MNCs were dealing in different environments and the environment was changing rapidly for the local ones as well. Secondly, both sides needed competitive strategies and new managerial applications in order to survive in the long run. In other way, they focused on understanding and developing their value chain, thus they were aiming to develop a defensible position with the help of the very famous cost leadership and differentiation strategies developed by Porter in 1980. Porter was explaining the value and value chain with the following words “the value a company creates is measured by the amount that buyers are willing to pay for a product or service. A business is profitable if the value it creates exceeds the cost of performing the value activities. To gain competitive advantage over its rivals, a company must either perform these activities at a lower cost or perform them in a way that leads to differentiation and a premium price” (Porter and Miller, 1985, 150).

Later on, Porter and Millar (1985) pointed out the importance of value systems and combined value chains of suppliers, who provide inputs (such as raw materials, components, and purchased services) to the company’s value chain. They also underline that “the linkages not only connect value activities inside a company but also create interdependencies between its value chain and those of its suppliers and channels. A company can create competitive advantage by optimizing or coordinating these links to the outside.”

Nowadays, at the beginning of 21st century, many things have changed in creating value for the companies with the help of disruptive technology. We have still MNCs and local companies, but they are no more experiencing conventional competition, thus we have new concepts in business literature like “born global companies”, “agile organizations” and “virtual organizations” etc. In this new era, companies searching for gaining extra value by developing their supply chain not only their value chain. Akyuz et al. (2014), emphasized the importance of collaboration, coordination and agility in supply chains, since they suggest that today’s competition is no longer between companies, it is between supply chains. In other ways, companies trying to be more competitive by vertical alliances.

The objectives of this chapter can be summarized as follows; to define the dynamics of the new global business system and explain the new trends to survival of the companies from related literature such as agility and downsizing. The most important contribution is the proposal of a model of a smart supply chain management which can be seen at the end of the chapter. This proposal provides a road map to today’s and future organizations to respond customer needs with the most appropriate and quick way.

A New Era: Dynamics of The New Global Business System

Business Life and world trade have some milestones during the history of the humankind. The mercantilist movement which affected the way of trade between nations is accepted as the first milestone. After that nations favored at least one way of international trade and they thought that international trade will be the key of national development. They started to produce more than they can consume in their home country and in order to overcome shortages of resource, this movement led to colonialism. The second milestone was industrial revolution, which took place from 18th to 19th centuries, which marked a shift to powered, special purpose machinery, factories and mass production. The third milestone was at the beginning of 20th century, the first in the history, the business life experienced scientific managerial applications with the efforts of Frederick Taylor. At that time, there were not too much competitors in the

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