Global MBA
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Blobal Supply chains
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INDIVIDUAL ASSIGNMENTS

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INDIVIDUAL CASE ASSIGNMENT 1

ARAUCO (B)

How does the JV in Brazil affect Arauco's strategy?

1. How does the expansion in Brazil affect Arauco's corporate strategy?

The corporate´s strategy, which is where the company competition takes place (level and locations), requires two precisions: a) its business is forestry business -lato sensu- (pulp, wood-related items) and energy; and, b) geographically speaking, its business is done mainly in Chile, Argentina, Uruguay with an extended sales net throughout Latin America, USA, Europe (Holland) and Asia (Japan), that reaches many countries worldwide.

The expansion in Brazil will add up a new type of business to Arauco´s set of activities: paper production, and, at the same time, it will expand the geographical coverage of the business by integrating the forestry business in Brazil and the corresponding production capacity.

2. How does the expansion in Brazil affect Arauco's business strategy?

The question involved in defining Arauco´s strategy is how Arauco competes. In general terms, Arauco´s intensive capital investments aim at cost-efficiency. In the ongoing business its strategy is to increase capacity and to use high technology to preserve both: quality and cost efficiency. The same search for cost-efficiency determines the important investment to avoid high electricity costs. So, the expansion in Brazil will represent a broader access to raw materials, a proximity to one of the most important markets (in terms of the number of potential consumers of the paper production segment) worldwide and more economies of scale (therefore more power position).

3. How does the expansion in Brazil affect Arauco's supply chain strategy?

Arauco has total control over its supply chain. However, there are some areas in which the company has allowed the participation of independent contractors (mills-to-port transportation and most forest operations). So, the Brazilian new operation will no represent such an important change for the company because of the capabilities of the company...but it represents an important challenge, the promotion to a new ranking in terms of worldwide competition and the opportunity of an early start in the Brazilian market which may turn into an advantage.

4. Evaluate Arauco's strategic decision to expand its operations in Brazil through forward integration into paper production with a joint venture with the Finnish-Swedish company Stora Enso.

By coming to an agreement with Stora Enso, Arauco is ensuring sales and markets for some of its products. In some way, it becomes an important attempt for vertical integration. So, it is, indeed, a clever strategic decision.

5. Evaluate Stora Enso's strategic decision to enter into a joint venture with Arauco to buy a sawmill and to own plantation forests and a paper mill in Brazil.

Stora Enso may benefit a lot from its decision to enter into a joint venture with Arauco. Three important reasons for that: 1) despite the increasing demand, making such an important investment by its own may represent a lot of risk for Stora Enso. So, the more the risk may be distributed the better and that is exactly what the joint venture is about; 2) Arauco´s knowhow related to forestry business will make the process sustainable in the long run; 3) Stora Enso may reach horizontal expansion (by purchasing the new mills) and vertical integration, at the same time.

6. Would you consider this joint venture a win-win relationship?

It´s a clear example of a win-win relationship due to the fact that both companies may benefit a lot from the joint venture: 1) Arauco will implement a vertical integration, reach a new production segment with no major investment and will reach the top of the business; 2) Stora Enso will reach horizontal expansion and vertical integration at the same time and it will secure the supply of wood at good cost.

INDIVIDUAL CASE ASSIGNMENT 2

Major Takeaways

Give at least one major takeaway from each case.

CASE	MAJOR TAKEAWAYS
Crocs	**Bringing technology ideas from other industries in terms of supply chain management may be useful to create new paradigms. Outsourcing may make the Chain supply flexible and such characteristic allows to reach the three A´s (agility, adaptability and alignment). Flexible supply chain is a key questions in the current era. The economies of scale Crocs has built might be sustainable in the long run? That is the mighty question to ask.**
Starbucks	**Clever ideas may ensure an efficient supply chain management even without a complete vertical integration. Starbuck did it by putting together, through Cafe practices, all steps of the chain. So, Starbuck´s integration only reached the level of roasted coffee but all activities below came together, as a puzzle and as a result of the creativity. That ensured a sustainable supply chain by collaboration.**
Wal-Mart	**Even the most successful strategic supply chain management may have distortions. The lack of standardization in the type of facility looks like a distortion in terms of logistics. The need for vertical integration embodies a major challenge. Wal-Mart is a key consolidation example in the retail sector and that has implications in the supply chain management. That was the factor that was brilliantly noticed by Lou Pritchett and his proposal was a way to offset the said factor.**
Arauco	**Forward integration and horizontal expansion are concepts I never heard of but they represent the dilemma at stake.**
Scott's	**Cost-based decisions may be misleading. Other important factors are to be taken into account such as market share, company´s profitability share and so forth. Then, it might be a fashion to move toward China...but you had better to pay attention to reasons beyond the cost prior to the decision.**
Olam	**Some kinds of measures related to the strategic supply chain management may offset risks associated with major operations in African countries. Two-way supply chain, taking commodities from one to another so the truck never remained empty while on the road (¨no-empty-truck idea¨), is an extraordinary sign of a well-managed supply chain.**
HP	**Innovation strategy.**
ZARA	**Even the most successful chain supply management may be adapted to new times...especially when refers to short life cycle items. However, the problem with Zara is that its success does not allow to take a closer look at a quite revealing question: the problems with technological innovations may represent an obstacle in achieving even more important profits?**
Dell	**Dell discovered the virtual supply chain and well managed it. Competing in China demands a shift in the supply chain**

	management. Direct selling while coping with the China market for laptops becomes a challenge. Major supply chains request a backup plan and adaptability and agility are key when a crisis comes up.
XBOX	**Reactivity and adaptability are the key questions in this arena because the companies must be willing even to completely turnaround the strategies and processes in order to actually profit from past experiences. The size of the mistakes in this arena, due to intensive investments, may imply immense losses...and because of the success, sometimes those companies screw up and stay on the wrong path for a long time. So, responsiveness is not their strong capability and their scope usually gets deep into a sunk cost bias. Innovation has no possible stop.**
Toyota	**The business model of a certain company may differ from country to country as well as the corresponding supply chain. Then the corporate strategy may vary and that implies a shift in the architecture of the supply chain. As an example: Toyota´s vertical integration in Japan is quite different from the way that is currently doing business in USA. In fact, while vertically integrated, the dealer´s performance is much better, as it happens in Japan. Continuous improvement perspective applied to the management supply chain.**
Harrah's	**Marketing and CRM to select the customers and offer them what they expect: segmentation is important and fundamental, IT may be very helpful to reach business strategy's goals especially in traditional businesses and IT must be considered as a source of competitive advantage. It is important to keep the open-minded attitude: the transfer of systems made from American airlines (frequent flyer program) became a success.**
Zappo's	**Zappo´s integrated the supply chain virtually but inefficiently.... and, as it just happened with Clark´s, beautiful design of the item is not necessary. Permanent improvement in the supply chain becomes an obligation.**
Antamina	**Decisions related to supply chain management are not only linked to cost-based issues but to a new holistic view. So, the search for a sustainable supply chain should demand actions related to social responsibility, eco- friendly policies and relationships. That may ensure the profitability in the long-term and it becomes the best example of patience capitalism.**
Natura	**The link corporate strategy-business strategy-strategic management of supply chain becomes crucial for a social-network-based-direct sales companies, likes natura. Sustainability has become a key issue even for this type of companies 'supply chains.**
Elektra	**Ethics are as important as any other element when deciding the business model and the architecture of the supply chain. Elektra was distinguished by its creativity in pursuing the target market and taking advantage of the target market they already captured.**

IKEA	**Ikea has developed such an interesting supply chain with transparency: first they design, and then they have it outsourced (not vertically integrated) and back to the store despite the fact that most manufacturing countries are underdeveloped countries. Ikea is a story of an ongoing creativity. They adapted to the American market successfully.**
McDonald's	**Adaptability is crucial when pegging the supply chain to the changes of the market.**
UPS/HP	**It is possible to transfer technology from one industry to another.**
Polo/Luen Thai	**Constant evolution of the improvement of the supply chain.**

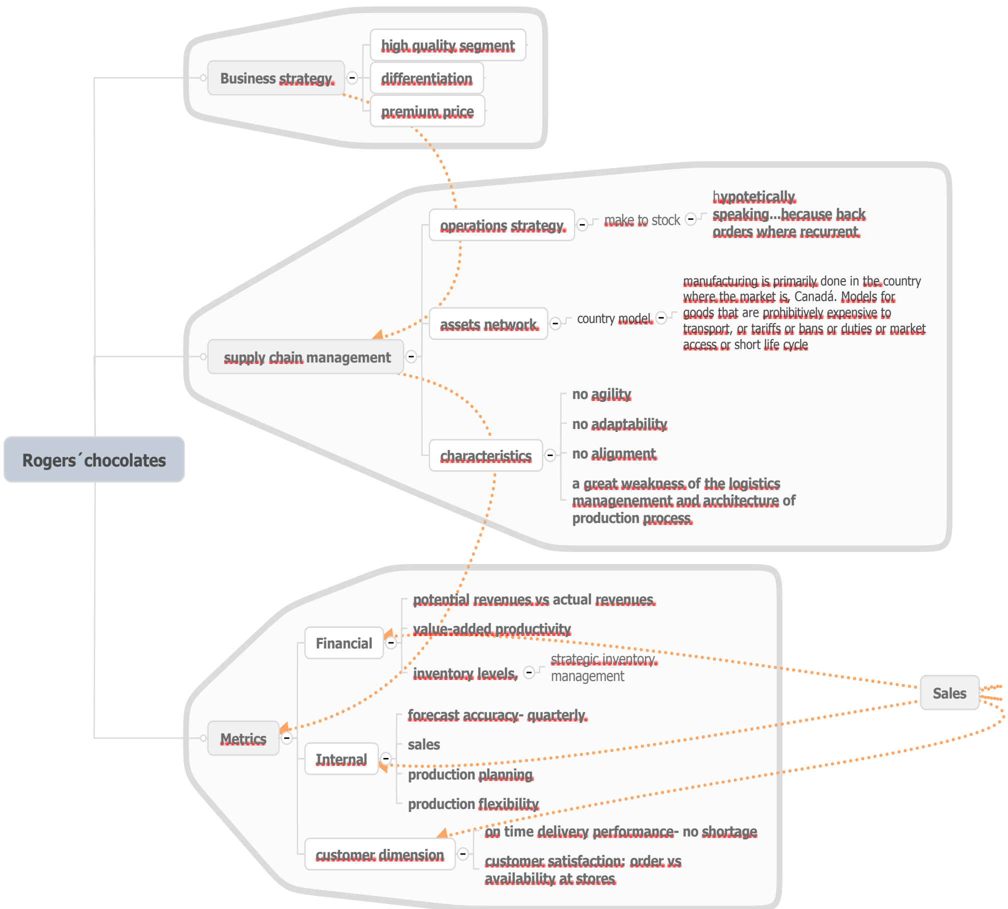
GLOBAL SUPPLY CHAINS

INDIVIDUAL FINAL EXAMINATION (NOT TEAM ASSIGNMENT)

ROGERS' CHOCOLATES (A)

1. The Rogers' Board wants the new CEO to develop a strategy to double or triple the size of the company within ten years. What performance metrics would you recommend that the CEO use to gauge how well the company is doing in achieving this growth objective and its strategic goals?

¨Size¨ is not a metric.... but a misleading linguistic expression with several meanings. It may refer to the amount of revenues, employees, stores, sales, etc. So, the first step is taking a quick look at the business strategy and the current supply chain management in order to end up with a corresponding metric parameter. Then,



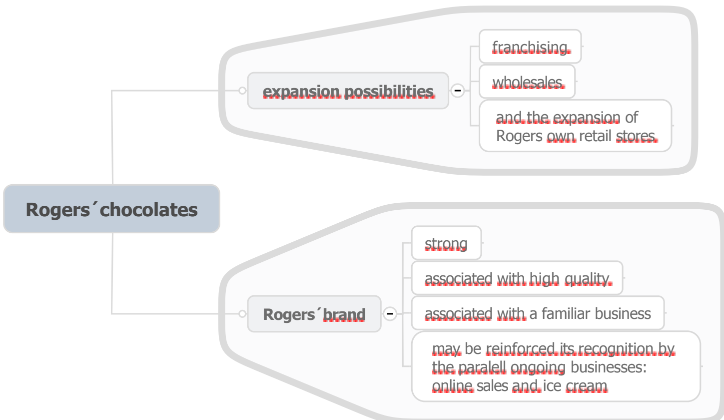
I just want to point out that a company that does not intend to forecast the demand is not capable of satisfying its market properly. And that is exactly the case of Rogers´ chocolate. On top of that, the current shortages indicate that there is a distortion among production and stock management (supply chain management). Rogers good financial health may hide a potential and cruel distortion: potential revenues may be even more important than actual ones. As we can see, Sales (level, amount) shall be the key indicator because is related to all the metrics required. The less sales, the more production problem or the less forecast accuracy, the less sales, less revenues, and so forth.

2. **What is your recommendation for a growth strategy for Rogers' Chocolates to double or triple the size of the company in ten years? Use only organic growth decision options.**

At first look, franchising may be the logical growing strategy but the current supply chain management may turn it into a disaster. So, what is more acceptable, so far, is to support the retail stores and to focus on their performance and, at the same time, to invest on parallel ongoing businesses while implementing new supply chain management. Once the chain supply management becomes a best value supply chain, it might be the proper time to switch to franchising.

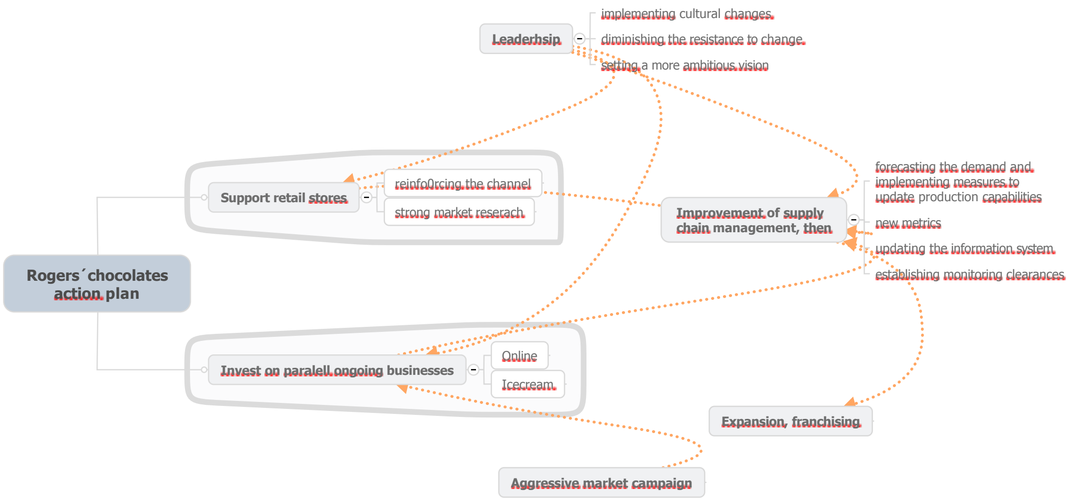
3. **Support your recommended growth strategy.**

Rogers´chocolates may be a treasure, in terms of market share and revenues. The problem is to choose the right growth strategy, having taken into account its current production capabilities. Then, the best expansion possibility imaginable becomes not feasible because of the supply chain management, which is the expansion of directly owned retail stores (even a mixture, as Starbucks, may be a success). However, Rogers still have market recognition of its quality, strong brand and the possibility of building up its capacity in the proper way.



4. **How would you implement your recommendation? As part of your action plan, address the issues in Rogers'production, marketing, accounting/finance/information systems, and leadership.**

The implementation of our recommendation demands leadership and it may be exercised throughout all activities. So, leadership should be the guidance in terms of implementing changes and coping with the resistance to change. The new vision of the company must be oriented by the need to adapt the company to modern times and assuming a new competition niche. At the same time, two important courses of action will be followed: support the retail stores and to invest on complimentary businesses while improving production capabilities, supply chain architecture and action basis (forecasting for instance).



5. What are your recommendations to improve Rogers' supply chain?

In the previous answer, I mentioned the main required actions to improve Rogers´supply chain: production expansion, strategic planning culture, new metric, information system updating process (a real integrated one) and follow-up procedures.

Rogers´needs to produce more, to reduce the time of set up, to forecast the demand accurately and try to reduce out-of-stock episodes. In few words, what is required is an end-to-end process architecture that may link every step of the supply chain and the adoption of a formal integrated system.

6. Would you recommend that the CEO fire any members of the management team?

When important measures are to be implemented and changes will affect the organizational culture no hesitation is critical. The strategy for the implementation may be drastic so....I would fire Wong and Bjorn. A new orientation is to be introduced: the supply chain direction should become a strategic supply chain management. And in order to implement those changes, new profiles are to lead. Wong has the expertise that is not required for the changes needed and Bjorn is an old-fashioned professional and when modernizing is a challenge those two do not have a real role to play. Finally, I would rethink the organizational chart and try a new distribution of functions and roles.