Localisation within the global supply chain: Evidence from the sporting goods industry

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Topics: Global Operations and Strategic Sourcing, Operations Strategy, Sustainability in Operations and Logistics

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Purpose:
The prevalence of operating within a global network of suppliers and customers has become so embedded within operations management research that is the accepted approach to operating. Even new, small organisations are able to tap into global networks of suppliers to source not only low cost generic components but complex, highly specialised finished goods (Mangan et al. 2010). This has created a whole field of research looking at factors affecting how global supply chains can be designed to enable focal firms (even small ones) to be able to compete in terms of price and functionality on a global stage. However, this perspective had tended to focus upon the global supply chain from the perspective of the focal firm, and how the global supply chain has allowed them to compete. The work has unfortunately paid far less attention to those within the supply chain, or not until they start creating problems for the focal firm (Frankental 2004). In such situations, a lack of attention, combined with unscrupulous activities can lead to significant reputational risk (BBC 2014).

This raises the need to reframe perspectives on global supply chains in terms of their sustainability, however, in their review of sustainable supply chains, Seuring and Müller (2008) overlooked the role of local manufacturing completely. Interestingly, broader research suggests there are significant gains to be made from focusing developments at a local level (Baines 2014, Lee et al. 1993), in terms of local employment and performance improvements, respectively. To address this oversight in the literature, the following paper provides an assessment of selected literature focusing on localisation within a global supply chain context. This will be used to identify key topics of relevance to guide analysis of case evidence from a range of companies operating within a global market.

Design/methodology/approach:
The research takes a theory building, qualitative approach (Meredith 1998), with the case data taking the form of a single, embedded case of cricket base manufacturing (Yin 2009). Due to the interconnectedness of all the firms within the sample, it is being viewed as a single embedded case of the whole supply chain. To explore the relevance of localisation practices to the global supply chain, evidence has been collected from 4 UK based manufacturers and 3 India based manufacturers. The data will be analysed against a framework of localisation built from a review of literature discussing issues of the global supply chain while also covering issues of localisation.

Findings:
The literature identified a range of key topics related to the benefits supply chains can realise through the localisation of aspects of their supply chains. The cricket bat supply
chain provided a unique context in which to explore these issues, with production, marketing and distribution taking place in multiple locales. Findings show that the localisation of manufacturing, wherever that may be to, provides an important source of employment that can support the maintenance and development of traditional craft skills. These craft skills then allow firms to realise value, create a position of power and excerpt control within the global supply chain when competing against other cricket manufacturers. For the UK manufacturers, manufacturers were significantly smaller, employing less that 10 people compared in India where firms employed up to 300 people. A particularly unique element of the cricket bat supply chain was the raw material of the majority of the bats (English Willow). This meant that some of the cost benefits associated with manufacturing in India were offset by the need to transport material from the UK to India, and for some of the product, to transport it back to the UK to be sold.

Relevance/contribution:
The research identifies an unusual global supply chain that can provide considerable insight to those firms operating within it, issues associated with sustainability and operations strategy. The firms involved in the research can see how specific choices they have made allow them to offer their customers something unique, compare to those companies that do not manufacturer their own cricket bats. While aspects of bats took place in multiple locations, how these were marketed to customers played a key role in how companies competed. Those firms in England were able to emphasise their closeness and responsiveness to customer requirements, in comparison to companies purchasing predesigned products from India manufacturers, even if they were made from English Willow. While all firms operated within effectively the same market, selling products for very similar retail prices, defined their value proposition to customers in different ways. Whether it was the brand, the product design or the craft skills that were used to manufacturer a bat the companies were marketing, different types of customers’ valued different bats. This highlights that while the supply chain was global, the specific location and form of keys parts of the manufacturing process could determine the authenticity of the end product.

References:


