The world is flat.” Thomas Friedman’s claim has received worldwide recognition and response. His book with the same title was a best-seller for several years and is a must-read for executives. In this flattened world, firms are presented unprecedented opportunities to access and utilize resources, physical and human, from any location in the globe. At the same time, the market place has become increasingly international, and the emerging economies offer tremendous growth opportunities for products and services. Friedman’s book illustrates numerous firms which grasped such opportunities successfully. To do so, these firms have applied innovative structures and processes, as well as new technologies. The question is, how can other firms learn from them? What are the main challenges of building and running global operations? Are there general principles and guidelines?

This course explores these issues through case discussions, supplemented by theoretical background readings and real-life experience from industry practitioners. We aim to understand how a firm can establish its ability to match demand in international markets with its global supply infrastructure and productive capacity to gain competitive advantage. We illustrate that, to build their supply infrastructures, firms have to consider a variety of factors in determining the locations and capacities of their productive facilities, including proximity to cheaper inputs and specialized labor. Furthermore, in terms of creating and managing their demand channels, firms may also have to locate their facilities closer to their major markets, and build strategic alliances to acquire technological and competitive knowledge. Topics include:

1) Drivers of globalization and industry dynamics
2) Strategic frameworks for international operations expansion and global supply network design
3) Global partner and supplier selection and development
4) Supplier relationships and supply contract management
5) Coordination and governance of cross-national and cross-cultural operations
6) Sustainable global supply chain design
Course Materials

1. Course packet including cases and some key readings. [Required]


A copy of each of the above items is on reserve at the Ford Library.

Discussion Board

The class discussion board will be used for a number of different purposes, and you should read and participate in electronic discussions regularly. First, the discussion board is a good forum for any additional follow-up class. Second, I may initiate discussions that deal with topics related to the course, but which we don’t have time to explore fully in class—you should feel free to initiate such discussions as well. This is a great way (in addition to in-class discussions) to share your relevant work experiences with your classmates. Third, I will use the discussion board as a vehicle for making general announcements. Finally, the discussion board is an appropriate forum for you to ask general, clarifying questions on cases and class logistics. If you have a question regarding an assignment, you should use email instead of the discussion board. There is a single discussion board for the class.

Course Website

The class website [http://faculty.fuqua.duke.edu/~jssong/operatns475/](http://faculty.fuqua.duke.edu/~jssong/operatns475/) will contain the slides used in class, additional handouts, and links to news articles.

Grading

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class attendance and participation</td>
<td>20%</td>
</tr>
<tr>
<td>Individual assignment</td>
<td>30%</td>
</tr>
<tr>
<td>Group case presentations</td>
<td>25%</td>
</tr>
<tr>
<td>Group project and presentation</td>
<td>25%</td>
</tr>
</tbody>
</table>

Class preparation and participation

Active participation of students is vital for this subject, since class discussion is the primary means to explore the ideas and concepts in the lecture and reading materials. Each student is
expected to read the materials assigned before each class; these materials typically include either concept papers and/or interesting press articles, coupled with a case reading for each session. Good class participation may be of many forms, includes raising interesting and relevant questions, sharing personal insights and experiences, offering constructive (and polite) criticism or alternative points of view to the ideas and opinions aired in class or in the reading materials. You can also contribute to the shared learning experience by offering pointers to additional articles or resources that add to the collective knowledge and learning of the class.

Please note the following:

i) Insight or value-added, divided by air time, serves as a measure of contribution to class discussions.

ii) Since class discussion forms such a central part of the learning process, attendance and participation in class is required (part of the grading).

iii) While in class, you are expected to be considerate and sensitive to the opinion of others in the classroom.

iv) As a courtesy to the speakers, please refrain from using your laptop during class for non-class purposes (such as email, off-topic web surfing). The sound on your laptop and cell phone should be turned off during class sessions. We request that you pay particular attention to such common courtesies during guest speaker presentations.

v) Name tags are always required in each class.

While there could be many other ways to have meaningful participation, the following are some of the evaluation criteria that may be used:

• Is the comment accurate, reflecting case facts?
• Does the comment add to our understanding of the problem situation?
• Is the comment timely and linked to the comments of others?
• Does the comment move the discussion along by giving a new perspective?
• Does the comment reflect a concern for maintaining a constructive and comfortable classroom atmosphere?
• Is the comment clear and concise?

Individual assignments

Individual assignments consist of 4 parts:

• Analysis of Question 5 in Renault Case, due Session 4 5%
• Analysis of Question 3 in Mattel Case, due Session 6 5%
• Module-A Assignment, due Session 8 10%
• Module-B Assignment, due Session 10 10%

The module assignments will contain short essay questions and/or mini cases to require you to apply the key learning points from the particular module.
Group case reports and presentations

You are expected to write 2 case reports. For each of these cases, you are expected to lead the discussion of the case in class. These reports should be done in groups of 3-5 members. I will ask you to submit a list of the cases you wish to present with a rank by the beginning of the second class. To make sure we will have one team to present in every class (except for the guest lectures), I will assign the cases to each team based on your choice and the need to balance. You can find some brief descriptions of the case background and discussion questions in the syllabus. You are encouraged to go beyond the questions as driven by the decision scenario which the case presents. The report should be 3-5 pages long (font size 11, double space, excluding title page and exhibits). The case reports that you choose to turn in, are due anytime before the session when the case is to be discussed. The idea behind offering you a choice in terms of cases you wish to analyze is so that you can tailor your work during the course, based on your own background or interests in a given business area or sector.

For the lead discussion, the group is expected to give a Power Point presentation of 3-5 slides including

1) The case background -- problems and issues need to be addressed;
2) Alternatives to address these issues;
3) Evaluation of the alternatives, e.g., pros and cons;
4) Recommendations and conclusions based on the evaluation above.

The rest of the class can then provide a critique to the lead group’s analysis. Points of discussion may include

1) Did they identify the right the problems and issues? Is there list complete?
2) Is their list of alternatives appropriate and complete?
3) Do you agree with their analysis and recommendations? Why or why not?

Group Project

You are required to select a company and critique its current operations using the concepts from the course. The first part of the project should give a broad overview of the key issues related to international operations facing that company. It should answer questions such as:

1) What are the products/services of the company? What are its value adding processes and competitive advantages? In what respect is this industry/company international? Are suppliers or upstream facilities located abroad? Are manufacturing or service facilities located in several countries? Is the product or service delivered to customers located abroad?


3) What are the main challenges related to this internationalization? Long lead times? Logistics and distribution cost and complexity? Building relations with foreign suppliers and customers? Managing uncertainty due to exchange rate risk, political instability, or other causes? Coordinating geographically dispersed facilities?
Exchange of best practice between regions? Meeting local content regulations? Transfer of knowledge into less developed regions? Location of facilities?

The second part of the project will focus on a specific problem, preferably one suggested by the company itself, and your analysis and recommendations on that problem. Analyses based on quantitative data are strongly preferred over purely anecdotal analyses, so it is important to select a company sponsor from which you will be able to obtain real data.

For example, suppose you chose a hi-tech firm which had decided to manufacture in East Europe for cost reasons and for which the key issues were short product life cycles and long product development and manufacturing lead times. The report should then answer questions as: How large is the cost differential from manufacturing abroad? What is the company doing to reduce time-to-market? How are they reducing manufacturing and shipping lead time? What tools or concept or methodologies have they used? What results have they achieved? How are they affected by the recent economic and currency turmoil in the region?

You should also briefly step back and ask: “What can we learn from this problem?” Where else should the approach be used (in other companies or other industries)? What obstacle might you face? How would you overcome these?

A one-page project proposal is due in Session 5. A project report of about 15 pages (font size 12, double spaced, excluding exhibits) should be submitted in the last session, Session 12. This session will be devoted for project presentations. Each group will hand in a 1-page summary of their project in Session 11, to stimulate class discussion in Session 12.

**Honor Code**

The Fuqua School Honor Code will be strictly enforced in this class. It is each student’s responsibility to understand and abide by the Honor Code as it applies to each class activity.

In regard to the **individual assignments**, all work is to be done on an **individual** basis. You may not discuss or exchange information regarding questions or answers with others either inside or outside of this class.

For the **case write-ups**, all work is to be done by **individual teams**—team members may not discuss or exchange information regarding the case analysis with members of other teams.

In regard to **preparation for class discussion** involving readings, exercises or cases which you are not required to write up, you may discuss the material with other members of the class.

You may not reference notes from, or exchange information with, students from previous years (in any of Fuqua's MBA programs). You also may not access solutions, analyses, etc. of cases that you are assigned to write up or that will be discussed in class.

Failure to adhere to any of these requirements constitutes a violation of the Honor Code. If there is any question as to whether an activity is or is not permissible (in this class) under the Honor Code, consult the professor prior to undertaking the activity.
# Course Schedule Summary (Tentative)

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Case</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Module A: Global Operations Strategy</td>
</tr>
<tr>
<td>1</td>
<td>Fri. 1/16</td>
<td><em>The World Is Flat</em></td>
<td>Introduction Course administration</td>
</tr>
<tr>
<td>2</td>
<td>Wed, 1/21</td>
<td>Solutia, Acrilan Division</td>
<td>Global forces of change &amp; industry dynamics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Li &amp; Fung Chinese Supply</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chain Clusters</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Fri, 1/23</td>
<td>The Plant Location Puzzle</td>
<td>Global expansion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wal-Mart in China</td>
<td>Foreign market entry</td>
</tr>
<tr>
<td>4</td>
<td>Tue, 1/27</td>
<td>Renault</td>
<td>International taxes &amp; regulations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><em>Individual Assignment 1 due</em></td>
</tr>
<tr>
<td>5</td>
<td>Fri, 1/30</td>
<td>Parker’s Biscuits, Inc.</td>
<td>Partners &amp; suppliers selection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BP</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Module B: Global Operations Execution</td>
</tr>
<tr>
<td>6</td>
<td>Tue, 2/3</td>
<td>Mattel, Inc</td>
<td>Developing global supply networks Risk hedging</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><em>Individual Assignment 2 due</em></td>
</tr>
<tr>
<td>7</td>
<td>Fri, 2/6</td>
<td><em>Guest Lecture:</em> Dell:</td>
<td>Global sales fulfillment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global Sales Fulfillment</td>
<td>Talent &amp; IT development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pacific Dunlop: Beijing</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Tue, 2/10</td>
<td><em>Guest Lecture:</em> Kuehne and</td>
<td>Global logistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nagel, Asian Pacific</td>
<td><em>Individual Assignment 3 due</em></td>
</tr>
<tr>
<td>9</td>
<td>Fri, 2/13</td>
<td>Siemens (A)</td>
<td>Managing global R&amp;D networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Boeing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Module C: Future Challenges and Opportunities</td>
</tr>
<tr>
<td>10</td>
<td>Tue, 2/17</td>
<td>Starbucks Microsoft Xbox</td>
<td>Supplier development Sustainable supply chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><em>Individual Assignment 4 due</em></td>
</tr>
<tr>
<td>11</td>
<td>Fri, 2/20</td>
<td><em>Guest Lecture:</em> Flextronics</td>
<td>Contract manufacturing Global supply chain services</td>
</tr>
<tr>
<td>12</td>
<td>Tue, 2/24</td>
<td>Project Presentations</td>
<td>Course Summary</td>
</tr>
</tbody>
</table>
Session Details

Session 1, Friday, January 16

Introduction and Course Administration

Read

Discussion Questions:

1. What are the main driving forces of globalization? What are the implications of these forces to operations management?

2. Use your own words to give a brief definition and an example of each of the following concepts:
   - Work flow software
   - Outsourcing
   - Offshoring
   - Supply-chaining
   - Insourcing
   - Informin
Have you been involved with any of these in your previous work experiences?
Session 2, Wednesday, January 21

Global Forces of Change and Industry Dynamics

Read


Case: Solutia, Acrilan Division & the Asian Crisis

Solutia's Acrilan (Acrylic Fiber) Division has historically sold about a third of its fiber into the sweater/single knit market. Over the years, this market has eroded steadily as Asian finished goods imports have taken share away from the U.S. based producers. The U.S. sweater producers have not been able to remain cost competitive versus the Asian companies. The U.S. yarn producers are selling less yarn to their U.S. customers as a result, and are facing high cost structures as well. The current Asian crisis is just accelerating some of these trends. Brad Lopez, director of the Acrilan Division had to make a decision. What were the actions Solutia could take in facilitating a proactive approach to solving the dwindling market share of U.S. sweater producers? Or, was it fine for Solutia to proceed with drastic downsizing alternatives in this business and shut down one third of their production capacity.

Discussion Questions:

1. What is your assessment of the future of the U.S. acrylic sweater market? What trends in the market might be important for Solutia's problem?

2. What are the international trade issues you would like to better understand in coming up with an answer to Solutia's problem? How are you going to include such considerations in your analysis and recommendation?

3. How do you like the proposed Nustart like alternative for the acrylic cut & sew business? What are the advantages and disadvantages of this alternative? If you were going to implement such an option how were you going to proceed in doing it? Be specific using options outlined in the case.

4. What do you think of Crystal Kobe's acrylic sweater supply chain approach? Can Solutia replicate such a strategy? How can they implement it? Be specific in terms of steps to take. What are the advantages and disadvantages of such an alternative for Solutia?

6. What is your opinion on the long-term viability of acrylic sweater sourcing from Mexico? How about sourcing from the Caribbean Basin? Provide arguments to support your opinion.

7. Would it make sense for Solutia to progressively downsize its production capacity? Why or why not? Explain your answer.

**Article: Li & Fung**

Li & Fung is one of the largest trading companies specializing in sourcing low-cost, labor-intensive consumer goods from suppliers throughout east Asia. Its main work is to connect Asian factories with US and European retailers and manufacturers who have their own designs for merchandise and need them turned into physical products.

**Discussion Questions:**

1. How does Li & Fung create value for its customers and suppliers? How do international differences in labor costs play into this value?

2. How does Li & Fung manage the complexity of dealing with so many suppliers, customers, products, and countries?

3. What is dispersed manufacturing?

4. What do you expect to be the most difficult managerial tasks involved in managing dispersed manufacturing?

5. Who would be a good customer for companies like Li & Fung? For example, would Gap, Benetton, Levi’s, L’Oreal, Acer (a producer of PCs in Taiwan) or Nike be good customers? Why? How about other companies like Dell, Ford, Mattel or Zara? Why?
Session 3, Friday, January 23

Global Expansion & Foreign Market Entry

Read

Case: The Plant Location Puzzle

The Eldora Company (EDC) is a leading U.S. bicycle maker. They have been extremely successful but their current market is approaching saturation. They want to explore options for the future, specifically, expansion in foreign markets. What is the next move? Should they go to China? With what products and what operations expansion strategy?

Discussion Questions:

1. Should EDC proceed with the Asian market opportunity?

2. If they are going to proceed with the Asian opportunity, where should they locate and why?

3. Which part of their business (marketing, production, design/engineering) should be located at their new location?

4. Describe an implementation plan over the next few years to successfully exploit the Asian growth opportunity.

Article: The Great Wal-Mart of China

Discussion Questions:

1. What is Wal-Mart’s China expansion strategy? What is the related operations strategy?

2. What foreign market entry methods did Wal-Mart use in the Chinese market? Do they make sense to you? Why or why not? What are the operations/supply-chain elements?
Session 4, Tuesday, January 27

Tax Factors and Global Site Selection

Read
2. Cost Analysis, Chapter 18, *World Class Supply Management*

Case: Renault’s Logan Car: Managing Custom Duties for a Global Product

Operations network design is about where to locate your supply sources and manufacturing and distribution operations, as well as the development of such operations, i.e., who should be supplying whom. With the emergence of global supply and manufacturing sources and the global market, such a design will increasingly have to span multiple regions. In the design, we have to capture the quantitative impacts of such factors like fixed and variable costs of production or distribution facilities, inventory, freight, and other logistics costs. The global network requires explicit treatment of taxes, customs and duties. This case illustrates the complexities of such design decisions, and the approaches one needs to take.

Discussion Questions:
1. What are the complexities involved in factoring out the effect of customs and duties in designing the supply network of Logan (i.e., where to build the CKS parts and CBU, and what markets to serve from what sites)? Should Renault build all CKDs in Romania, or should they source CKDs locally?

2. In general, what are the quantifiable and non-quantifiable factors that one should consider in designing a supply network?

3. For Logan, what new opportunities were created by Romania entering the European Union in 2007?

4. One of the benefits of Renault’s alliance with Nissan was supposedly the potential created by Renault using more of Nissan’s parts in their products. What are the factors that you would consider in determining whether a Nissan part should be designed into the Logan?

5. *(Individual Assignment; due beginning of class)*
   The emergence of the South Africa market offers an opportunity for Renault to build CBUs in South Africa.
   a. Based on the data from the case, as well as your best assumptions, compare the freight, customs and inventory costs for the three alternatives: (i) shipping CKDs from Romania and building CBUs in South Africa to serve the South African market; (ii) building CBUs in Romania for the South African market; and (iii) shipping CKDs from Romania to Morocco and building CBUs in Morocco to serve the South African market.
   b. What are the pros and cons of building CBUs of Logans in South Africa?
Session 5, Friday, January 30

Partner and Supplier Selection

Read
1. *World Class Supply Management*
   Chapter 15, Sourcing
   Chapter 19, Types of Compensation
   Chapter 20, Negotiation

Case: Parker’s Biscuits Inc: Venturing into China

Carol Wittenberg’s first major task as president of the Asia/Pacific business for Parker’s Biscuits is to set up a joint venture to manufacture and sell the company’s signature line of biscuits in China. The team that Wittenberg has put together to find a joint venture partner has narrowed the choice down to two quite different Chinese enterprises. One possible partner is a large state-owned enterprise, with broader product lines, offering a better estimated financial payback on the investment. The other, a smaller collective enterprise, appears to be much more open to Parker’s manufacturing management methods. Either choice will represent the company’s largest single investment in a joint venture to date.

Discussion Questions:
1. As Carol Wittenberg, what factors would you consider to be most important in choosing between joint venture partners? With which partner would you recommend they form a joint venture?
2. Is there anything you can learn from Parker’s competitor’s experiences in China or from Parker’s own history in Asia that would help you make this decision?
3. What operations-related capabilities will Parker’s need to develop to be successful in China? What capabilities, if any, have they developed so far?
4. What choices will Parker’s management have to make regarding building their network of operations in China over time? What choices should they make now? How would their choices affect the relative attractiveness of the two partners?

Best Practice:

IT Outsourcing: British Petroleum’s Competitive Approach

Discussion Questions:
1. Describe the BP’s IT outsourcing supplier selection process.
2. What are the pros and cons of the BP’s approach? Are there situations such an approach may not work?
Session 6, Tuesday, February 3

Developing Global Supply Networks
Risk Management in Global Operations

Read

Case: Mattel, Inc: Vendor Operations in Asia

Like the high technology industry, toys suffer from many supply chain challenges, including short product life cycles, rapid product turnovers, and seasonal demand. Coupled with long supply lines and ongoing political turmoil in Asia, toy makers face an unusually complex set of risks. Managers in many businesses can learn valuable lessons in managing uncertainty from toy makers.

Set during the Asian financial crisis, the case describes a facility location decision for Hot Wheels and Match Box cars. Besides the international location decision, the case illustrates:
   a) How toys makers manage demand uncertainty.
   b) Mattel’s outsourcing strategy in Asia.
   c) A novel approach for managing product rollover.

Discussion Questions:

1. Discuss Mattel’s rolling mix strategy from three perspectives: manufacturing, overall supply chain, marketing/retailer.

2. Assess Mattel’s outsourcing strategy. Should die-cast cars be a core product?

3. (Individual Assignment; due beginning of class)
   Discuss the impact of exchange rates on labor costs. What is the true labor cost assuming labor productivity (hours per 1,000 cars) is: China – 60 hours, Indonesia – 90 hours, Thailand – 50 hours, Malaysia – 30 hours.

4. Given that productivity in Mexico is roughly equivalent to Thailand (50 hours per 1000 cars), why not consider Mexico as a possible location to build a new die cast car plant?

5. What should Mattel do to satisfy its capacity needs?
Session 7, Friday, February 6

Managing Operations in Developing Countries

Read


Guest Lecture

Mr. David Ornelas, Dell Computer

Case: Pacific-Dunlop (A): Beijing

This case describes the predicament of an overworked Western plant manager in a Chinese joint venture. The fourth in a line of such managers, he must deal with the combined problems of an inability to delegate, different customs and practices, and difficulties in information technology and plant control.

Discussion Questions:

1. What is your evaluation of Pacific Dunlop’s entry strategy into China? Why did Pacific-Dunlop go to China? How well does it fit with their competitive context?

2. What were the most serious operating problems that Pacific Dunlop encountered, and why did they occur?

3. Why is Steve Lilley finding his job so difficult? What would you do if you were in his situation? What should his priorities be?

4. How would you advise Pacific-Dunlop to proceed with its China strategy? What should David Lau be doing about the challenges of managing the Chinese plants in his network?
Session 8, Tuesday, February 10

Global Logistics

Read
  Kuehne & Nagel in the Asia Pacific, Center for Asian Business Case, The University of Hong Kong, HKU-048, 01/01/99

Guest Lecture
  Dr. J. Rod Franklin, P.E. - Sgi ML-P, Vice President, Product Development, Kuehne&Nagel Management AG, Kuehne&Nagel House

Case: Kuehne & Nagel in the Asia Pacific
Session 9, Friday, February 13

Managing Global R&D Networks

Read
1. Building Effective R&D Capabilities Abroad, HBR, March 1997

Case: Siemens AG: Global Development Strategy (A)

This case describes how Siemens, the German electrical engineering giant, has developed and manages global R&D in its large Information and Communications Networks (ICN) division. In 1994, Siemens opened its Bangalore (India) center, which has now grown into one of its largest regional development centers outside Germany. With Bangalore asking for increased resource independence and managerial autonomy, senior management has to decide how the activities in India fit into its global development strategy. This tension is played out in a large software project led by Bangalore developers, in which an increase in project autonomy also results in serious technical problems for Siemens in the quality-driven telecommunications equipment industry.

The case allows us to explore: 1) the development of R&D strategies, 2) the management of complex development projects with globally dispersed teams, and 3) the organizational and cultural challenges, particularly in conditions of technical uncertainty.

Discussion Questions:

1. How would you characterize Siemens’ global development strategy? Why does it have regional development centers (RDCs) around the world?

2. What are the differences between RDCs in India, Germany and the U.S.? How are these issues managed and resolved?

3. What has gone wrong with the ADMOSS and NetManager projects? Please consider the Bangalore and Munich perspectives.

4. Decision point: How should senior management respond to the NetManager project crisis? a) Let Bangalore solve it; b) Move all decision-making to Europe; or c) Move the entire project to Europe.

Guest Speaker:
Mr. Suri Gurumurthi, FSB, Ph.D. Candidate

Case: Boeing: Global Product Development Network
Session 10, Tuesday, February 17

Sustainable Supply Chain Design
Supplier Development

Read

1. *World Class Supply Management*:
   - Chapter 21, Relationship and Contract Management
   - Chapter 22, Supplier Development
   - Chapter 23, Ethical and Professional Standards
   - Chapter 28, Epilogue: Implementing World Class Supply Chain Management

Case: Starbucks Corporation: Building a Sustainable Supply Chain

To meet the need of a fast growing company, Starbucks has started an initiative to ensure sustainable supply of high quality coffee beans. The initiative, called C.A.F.E. Practices, aims at helping farmers and its supply based to have transparency in economic returns (to ensure that the farmers have a fair income from the supply chain); environmentally sound processes used in the farms; and social programs implemented to improve the health and living condition of the villages and towns where the farms are based. Such social re-engineering efforts to create sustainable supply chains could be risky and costly, but it is the vision of the company to be socially responsible while maintaining its profits and returns to shareholders. In this session, we will have Mr. Dub Hay, Senior VP of Coffee and Worldwide Procurement, Starbucks Corporation, to be our guest speaker in addition to our case discussion.

Discussion Questions:

1. How are the incentives of the stakeholders in the coffee supply chain aligned through the C.A.F.E. program?

2. What are the risks to the farmers, the exporters and distributors, and Starbucks associated with this program?

3. What information systems, technologies, or processes would you recommend in order that the program can be scaled to a larger set of farmers in countries which are not easily accessible and with limited infrastructure support?

Guest Speaker:
Mr. Suri Gurumurthi, FSB, Ph.D. Candidate

Case: Microsoft Xbox Supply Chain
Session 11, Friday, February 20

Contract Manufacturing and Supply Chain Services
Supplier Relationship
Course Summary

Read
1. *World Class Supply Management*
   - Chapter 14, Outsourcing: To Make or To Buy
   - Chapter 5, Buyer-Supplier Relationship
   - Chapter 10, New Product Development
   - Chapter 11, Specifications and Standardization
2. *The Coming Commoditization of Processes*, HBR, June 2005

Guest Lecture
Mr. Joseph Fuller, CPIM, Director Supply Chain Development, Flextronics

Case: Flextronics International, Ltd.

This case describes Flextronics' evolution from providing outsourced manufacturing services for original equipment manufacturers (OEMs) in the electronics industry to developing entire unbranded products for purchase by OEMs. In 2001, Flextronics began a development program that yielded several unbranded cell phones that -- even by the admission of several OEMs -- delivered performance comparable to that of branded products at a significantly lower cost. Nonetheless, as of early 2003, no major OEM had yet agreed to purchase any of these phones from Flextronics. As chairman and CEO of Flextronics, Michael Marks must decide how aggressively to pursue full product development.

Discussion Questions:

1. What factors account for the dramatic growth of the electronics manufacturing services (EMS) industry during the 1990s? How would you rate Flextronics’ performance during this period?

2. Does the economic or strategic rationale for the outsourcing of electronics manufacturing differ from that for the outsourcing of design? If so, what is different?

3. Do you believe that moving into the ODM market is a good idea for Flextronics? If yes, explain your rationale and decide whether you would grant an exclusive relationship for Phone 4. If not, what alternate strategy would you recommend?

Session 12, Tuesday, February 24

Project Presentations