

By Ben Graham

Global Sourcing Consultants

As you expand your operations internationally, it may be prudent to hire a third-party expert to achieve maximum efficiency.

After much research and careful consideration, your company has decided to source globally. Top management has given you, the chief supply management officer, the heavy responsibility of accomplishing this. While you embrace the challenge, many difficult decisions lie ahead that may accelerate, or stall, your career.

Should you go it alone? Or hire a consultant to help you identify, select and build the relationships you now need in other countries?

At Bell Incorporated, we had to make this decision in 2006, after deciding to source raw materials from China, Indonesia and also South Korea for our folding-carton packaging business. Answering the following questions helped us decide whether to go it alone or outsource the job, and may help your decision-making.

Three Key Questions

1) Do we have time to go it alone? The three basic steps needed to succeed can take longer than a year. Hiring an outside consultant can virtually

who are a good match for your business. There's research, initial contacts, evaluation and selection. You'll need someone who knows your industry and the culture in your target countries, has relationships in place and knows reputable suppliers that offer quality products or services that meet your specifications. Most companies don't have that expertise on staff, so a consultant can save a lot of time.

- *Trial (four to six months)* to identify the kinks before going full-scale. For a product-based company like Bell, transportation lead time, one of the biggest issues in international sourcing, comes into play. Huge rolls of paper, an obvious staple for paperboard packaging, may take six weeks in transit. If you are outsourcing a service, say, a call center, variables such as staffing may be even more complex. A consultant can project a realistic timeline, heading off unwelcome surprises.
- *Production (up to two months)*. Once you've placed the order, getting to full scale takes at least as much time as

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This decision impacts your business from staffing to supply chain strategy, and sends a message to your entire organization about how serious you are, how urgent the implementation will be and how well you've thought it all through. Clearly, it's a decision for senior leadership.

eliminate the first step, then smooth the rest of the way. That's a big plus for outsourcing, unless you're in no hurry. Here are the steps and factors to consider:

- *Identifying and selecting sources (two to four months)* to find international partners

it does in U.S. facilities — and there's the transportation lead time matter if you're sourcing product. An expert can find creative ways to help meet your requirements and deadlines, but only to a point. At Bell, we allow that six-week interval for every shipment. Whether we use consultants or not, we get rush orders in the United States as well.

2) How susceptible is the business to another region's culture, taxes, industry standards and regulations?

Understanding cultural nuances plays into every contact. Assign the job to someone at the bottom of that learning curve, and you'll be hoping not to offend. Even then, can that person extract maximum value from the relationships you're trying to build?

Just matching specifications across cultures can mean meeting or missing customer deadlines. In the United States, most paper comes from mills in large rolls. We didn't know the Asia standard is sheets, or that when we special-order rolls, they would be on a six-inch core. (The U.S. standard is 12 inches.) Regulations and taxes can be even more complicated. Someone who knows the pitfalls can eliminate headaches.

3) Is sourcing globally a major part of the business' future? Is this a long-term strategy for your business? What percentage of your volume do you plan to source

globally? If it's a majority of your products or services for the long term, it may make sense to assign the job to someone on staff.

Keep in mind that the job shouldn't get tossed to someone with many other responsibilities. This isn't part-time work, at least for the first year. Even then, the vagaries of international sourcing can periodically turn into an around-the-clock job.

What Worked For Bell

Large companies deal with consultants all the time, but for a mid-sized Midwestern manufacturing company like Bell, hiring a consultant is out-of-the-box. But nobody at Bell speaks Mandarin, and buying products or raw

materials from another country seemed daunting.

Plus, once we knew we wanted to source globally, we were anxious to get started, and our upfront analysis suggested hiring a consultant would be more cost-efficient for us, as well.

So that's what we did. With more experts emerging as it becomes more common to outsource this role, we were able to get solid referrals from customers and suppliers. The consultant we found knew paperboard packaging, had contacts in our target countries and knew how to navigate imports and tariffs, taxes, duties and customs. With the consultant's help we found good suppliers, and created baseline

pricing modules quickly.

More than a year later, with international relationships established and a better understanding of how to operate, we've turned over day-to-day maintenance to one of our senior buyers. But we've maintained a good relationship with the consultant, who we can call in a crisis or when it comes time to reassess relationships with international sources. We think we found the best of both worlds. For Bell, that is. Your business may be different. **ISM**

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Sourcing Globally: Go It Alone Or Hire A Consultant?

Consider going it alone if:

- You need to outsource the majority of your materials in Asia.
- It's a long-term strategy for your business.
- You're not in a hurry.

The downside: Finding someone to hire full-time who knows your industry and is also an expert on your target countries. Or, if you assign someone on staff to climb the learning curve, the upfront work of identifying sources, making contacts, and selecting and developing relationships will significantly extend your timeline.

The upside: You own the expertise and the relationships, and probably can expand your global outsourcing more easily to additional products, services, even countries.

Consider hiring a consultant if:

- You're testing the waters and haven't made a long-term commitment to global sourcing.
- Time is of the essence.
- You're sourcing just a portion of your materials or services.

The downside: Valuable knowledge and relationships do not become part of your company's repertoire. Potentially greater upfront costs.

The upside: A consultant can rapidly integrate this new aspect of your business. Then, you still have the option to let whoever worked closely with the consultant assume the job of maintaining the relationships internally. There's risk in the handoff, but the groundwork is laid.