Case Notes

# Chapter 1: Introduction to Managing Global Operations and Supply Chains

# Multinational Companies and China: Investing for the Long Term

## Case Summary

*This case chronicles the journey through which China has emerged from being a mystery to a vibrant and growing base of customers and business partners for many multinational companies throughout the world.*

Case Analysis *This case illustrates how globalization has influenced the management of supply chains and their operations. In particular, the accelerated pace of global interaction between China and multinational companies throughout the world shows how an interconnected world is impacting supply chain and operations management on a global level. For example, multinational companies should recognize the attractiveness of partnering with China as being both a low-cost supplier as well as a growing customer base of increasing purchasing power.*

## Sample Answers to Case Questions

1. How do you respond to the view that China’s competitive advantage is based solely on a low-cost strategy that results from its workers’ low wages?

The view that China’s competitive advantage is based solely on a low-cost strategy that results from its workers’ low wages is outdated and one-sided, focusing on only the inbound areas of the supply chain. It ignores the fact that China is now becoming a huge attractive market of customers who are well-educated with disposable income. A strategy that considers both inbound and outbound areas of the supply chain is the correct response to pursue business opportunities in China.

2. Do you see dangers from over-reliance on China as a source for inbound supply chain. That is, what risks do international firms run if they depend heavily on China for their inbound supply chain?

An over-reliance on China as a source for inbound supply chain has many dangers. International firms run the risks of losing their autonomy in setting up independent business units in China as they must conform to the Chinese government’s mandate to form joint ventures with local Chinese companies. China also is not respecting intellectual property rights which could cost international firms the loss of proprietary information and key technological knowledge.