BUSINESS MANAGEMENT 837
GLOBAL SOURCING
Winter 2009
Class Meeting Time:  T/Th, 3:30-5:18, GE 315

COURSE OUTLINE
TENTATIVE: Updated 12-2-2008

Professor:  John Gray    Office Hours:  Wednesdays, 2-3:30
Office:       612 Fisher Hall    (or by appointment)
Phone:       247-8021
FAX:      292-1272    E-mail       gray.402@osu.edu

COURSE DESCRIPTION

This course focuses on the management of services and/or products sourced from outside of the firm, with an international focus. We begin by looking at the “make-buy,” or outsourcing decision--this is this decision that fundamentally determines what is “sourced” from outside and what is produced/managed in-house. And, insights from this literature also help us greatly when deciding between different sourcing options. We then focus on the management of services or products that are sourced from other companies. We cover both traditional “purchasing” topics (i.e., supplier selection, contracts) and emerging areas such as external sourcing of R&D and social responsibility in sourcing. While examining sourcing, we discuss both general characteristics of sourcing relationships and the challenges inherent in international sourcing relationships.

At the end of the course, the student should be able to:
• strategically and analytically assess a “make-buy” decision in manufacturing or services, incorporating knowledge of the theoretical drivers of firm boundary decisions
• articulate the risks and benefits of “outsourcing” and “insourcing”
• understand fundamental approaches to supplier selection, negotiation, and contracts
• articulate key trade-offs in global sourcing (multi-source/single-source, “arms-length” vs. close relationship, etc.)
• articulate the unique trade-offs and challenges associated with sourcing innovation
• articulate, and be prepared to manage, the difficult ethical issues that can arise when sourcing globally.

We will learn by analyzing case situations of real companies facing strategic issues in sourcing. We will supplement case analysis with readings, class discussion and group presentations. In addition, we will have guest speakers.

To obtain the full benefit of the case approach, it is necessary that everyone come to class well prepared. “Well-prepared” means that you have thoroughly read the case and other assigned materials, have thoughtfully considered the issues raised by the case and the assignment questions, and have done whatever quantitative analysis is appropriate. And, through that analysis, you are prepared to propose a course of action. By participating actively in the discussions, you will sharpen your own insights, and those of your classmates.
REQUIRED COURSE MATERIALS

A course packet is required for the course. The packet can be purchased at UniPrint. The course packet includes most of the material required for the course. Some required readings are posted to Carmen.

Class Attendance

Occasionally, students have legitimate conflicts which prevent them from completely preparing a given case, or from attending class. If you are unable to fully prepare for class, please attend anyway and participate as best you can. But, please inform me of your situation before class, so that I will not ask you questions that you are not well enough prepared to discuss. If you must miss class, please turn in a short write-up that addresses the material for that day's class. In general, missing more than two classes is not acceptable.

Project Groups

A group project and presentation must be completed during the quarter. Teams of 2-4 will be set by our third class meeting, once the class roster is settled. Teams must work together from the beginning of the quarter in order to finish their project by the end of the quarter. Suggested topics will be discussed very early in the quarter, and groups will be expected to propose their topic early in the quarter (see syllabus).

Global sourcing is a broad topic, so many topics are acceptable. Groups are encouraged to use contacts from internships, jobs (prior, current, or future) and/or other networks to find meaningful projects that require analysis of real data from real companies facing global sourcing challenges. Additionally, I have enlisted some companies that have offered to support group projects.

The groups will need to produce deliverables for their group projects at three points during the semester (see syllabus below for timing and “Grading” below for % value of each submission).
(1) One-page summary of project, plus a timeline
(2) Midterm project presentations & written submission
(3) Final project presentation & written submission

Group Cases

Each group will turn in two case write-ups (5 pages maximum plus exhibits) from among the cases marked with **. Each of these cases will be 10% of the grade. In addition, each group must turn in one “mini-case” (3 pages maximum plus exhibits), worth 5% of the grade. Each group should indicate their preferences in rank order by the second class. I will post case assignments to Carmen shortly thereafter. Note that you may be “cold-called” whether you are writing up the case or not—it is expected that you are prepared to discuss all cases assigned to the class.
Class Contribution

You are expected to participate in the class discussion of cases and articles. Your class contribution grade will be based on:

(a) evidence of careful preparation of case and readings  
(b) clarity and conciseness of your recommendations  
(c) convincing quantitative and qualitative analysis to support your recommendations  
(d) engaging in discussions on Carmen related to course material

You may check with me periodically to find out about your contribution grade.

Exam

You will have one exam. The exam will cover outsourcing/“make-buy”, as well as the global sourcing topics covered up to that point. Everything covered in class and required readings is fair game for the exam. Details of the format of the exam will be discussed as the exam approaches.

Grading

Your grade will be based roughly on the following scheme:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project write-up(midterm)</td>
<td>5%</td>
</tr>
<tr>
<td>Project presentation &amp; write-up (final)</td>
<td>25%</td>
</tr>
<tr>
<td>Group case write-ups</td>
<td>25%</td>
</tr>
<tr>
<td>Class contribution</td>
<td>20%</td>
</tr>
<tr>
<td>Exam</td>
<td>25%</td>
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</tbody>
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Academic Misconduct: Material submitted for course grade credit must be your own work. Please be informed that both you and I must follow Faculty Rule 3335-5-54, which requires that “all instances of what he or she believes may be academic misconduct” be reported to the University Academic Misconduct Committee. Academic misconduct is a serious threat to the integrity and value of your diploma.

Disability Accommodation: If you need an accommodation based on the impact of a disability, arrange an appointment with me as soon as possible. I rely on the Office for Disability Services for assistance in verifying need and developing accommodation strategies. You should start the verification process as soon as possible.
SYLLABUS

Section 1: What to source and what to produce/manage internally?

1. 1/6 CLASS INTRODUCTION
   Introductions
   Review Syllabus/discuss group projects
   What is Global Sourcing? Why is it growing in importance?
   Characteristics of the Global Sourcing “hot spots”
   Assignment:

2. 1/8 FUNDAMENTALS OF THE “MAKE-BUY” DECISION
   (1) Group Assignment: Form project groups on your own (2-4 people); Case selections due
   (2) Required Readings:
   (3) Secondary Readings (skim--focus on different frameworks)
       Van Mieghem, Section 7.3 (pp. 246-249, in packet with class 5 readings)
       Chopra & Miendl, pp. 419-426 (in packet with class 5 readings)

3. 1/13 THE “MAKE-BUY” DECISION IN AN INTERNATIONAL SETTING: CASE Assignment:
   Case: Scotts Miracle-Gro: The Spreader Sourcing Decision** (Ivey Case #9B08M078, 2008) (in packet)

4. 1/15 QUALITY RISK IN OUTSOURCING
   Group Assignment: Prepare and submit 1-page abstract of proposed project plus one-page milestone schedule. Each group will be prepared to briefly discuss their project & schedule at the beginning of class.
   Assignment:
   (1) Required Readings: posted to Carmen
Section 2: Global Sourcing Fundamentals

5. **1/20 GLOBAL SOURCING: PRACTITIONER OVERVIEW**

**Guest Speaker:** Geoff Feagan, VP Procurement, Emerson Liebert

Assignment:
Submit two questions for guest speaker to me by noon on this day


6. **1/22 BASICS OF GLOBAL SOURCING** (includes overview of supplier selection, contracts, auctions, procurement process)

Required Readings:


7. **1/27 SOURCING TO LEARN/LEAN SOURCING**

**Guest Speaker:** Mark Ehrlich, Honda procurement

Submit two questions for guest speaker to me by noon on this day


8. **1/29 INTERNATIONAL BUYER-SUPPLIER RELATIONSHIPS**

(1) Case: Liz Claiborne & Ruentex** (to be handed out)


9. **2/3 SOURCING THROUGH INTERMEDIARIES—CASE**

(1) Case: Li &Fung 2006.** HBS Case #9-307-077. (in packet)

(2) Readings posted to Carmen

10. **2/5 SOURCING THROUGH INTERMEDIARIES—GUEST SPEAKER**

**Guest Speaker:** Gerry Cooper, Asia Tech Source

Submit two questions for guest speaker to me by noon on this day
11. 2/10  THE OUTSOURCING GAME—**EXTENDED CLASS** (6-10pm)

Required Readings:

Readings handed out and/or posted to Carmen (regarding the game)

12. 2/12  NO CLASS (due to extended class 2/10)

13. 2/17  SOURCING METHODS: Traditional & E-sourcing
**Case:** Procurement at Betapharm Corp.(A) HBS Case #9-105-030.** (in packet)

**Group Assignment:** Prepare and submit 2-4 page review of progress on project against previously submitted one-page milestone schedule. Review changes to project scope & timing.

14. 2/19  SUPPLIER SELECTION PROCESS

**Case:** Metalcraft Supplier Scorecard. HBS Case #9-102-047** (in packet)

15. 2/24  EXAM
Section 3: Topics in Global Sourcing

16. 2/26 SOURCING SOFTWARE & IT

   (1) **Mini-Case**: Offshoring at EDC. Ivey Case #905M02 (in packet)

   (2) Required Readings:


17. 3/3 SOURCING R&D / INNOVATION

   (1) **Mini-Case**: Feed R&D—or Farm it Out? HBR Reprint R0507X. (in packet)

   (2) Required Readings:


   popular press links posted to Carmen

18. 3/5 ETHICS/REPUTATION ISSUES IN GLOBAL SOURCING

   **Case**: IKEA: Indian Rugs and Child Labor(A)** HBS Case 9-906-414 (in packet)

   Required Readings (skim):

   Articles on recent similar issues at Nike, The Gap, Disney, etc. (links posted to Carmen); plus other articles posted to Carmen.

19. 3/10 IKEA wrap-up / GROUP PRESENTATIONS

20. 3/12 GROUP PRESENTATIONS

   **Group Assignment**: Final Group Project Reports Due (in class 3/12)

21. TBD GROUP PRESENTATIONS (during Finals week, if necessary)