2 Differences and impacts of global sourcing

Doing business abroad is totally different from doing business merely in one’s own country. Figure 3 gives an overview of things that can be influenced and affected when a company decides to go international. Culture, infrastructure, education, trade barriers, law, wages, and transportation are only some examples.

Figure 3: Differences of doing business abroad in comparison to a mere business at home

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D. Senft, *International Sourcing*, DOI 10.1007/978-3-658-02780-3\_2,
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Judging from the information one can gather from figure 3, it is obvious that companies are forced to face new challenges while doing business abroad, which then might influence their performance. In short, when doing business abroad, companies might have to change completely their way of working. The most crucial impacts of sourcing in low cost countries on a company’s performance are outlined in more detail in figure 4, based on Lockström’s research.

According to Lockström, 70% of the interviewed companies get a positive impact on total costs, compared to 10% of companies which name negative results. Lower material and labor costs are the major values which influence the amount of total costs in a positive way. However, an important finding is that also 15 to 16% name negative impacts with regard to these two factors. Labor costs should be kept especially in mind, since these are most often the main drivers for a company to go international. Positive impacts on quality, on capital investment costs, as well as on delivery reliability are pointed out by more than 30% of the surveyed companies. Only about 10% fewer respondents have a negative experience as far as the first two mentioned factors are concerned and only 4% less on delivery reliability. As expected, more companies have bad results with regard to order lead time, inventory costs, and transportation costs than companies with positive results.

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26 Lockström, M., 2007, p. 143