Creating Virtual, Flexible Links in Tomorrow's Global Value Chains (preview)

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Creating Virtual, Flexible Links in Tomorrow's Global Value Chains

By Craig Hartman, and Robert Dean

In years gone by, factories were often considered fixed monoliths of production —not growing, not flexible, and not changing within their fixed walls. Tomorrow’s markets, however, demand that factories must become more responsive to ever-changing customer needs. They will no longer be standalone entities receiving, producing, and sending raw materials and finished products, but virtual, flexible links in an extended enterprise value chain.

For the factory of the future, greater harmonization of functions and resiliency of operations, supported by more sophisticated collaboration within the enterprise and throughout the value chain, from suppliers to customers, will become increasingly critical for production and operational success.

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Manufacturers may also need to rethink their global offshoring strategies. Factories in the U.S., for example, are expected to come under increasing strain as more production shifts closer to home in coming years. Driven by political, environmental, economic, and supply chain risks, many companies that serve the U.S. market are expected in the near future to move their sources of supply from Asia to the Americas, including Latin America, Canada, and the U.S.

According to Gartner’s Top Predictions for IT Organizations and Users, 2012 and Beyond: Control Slips Away, 20% of Asia-sourced finished goods and assemblies consumed in the U.S. will shift to the Americas by 2015. Except in cases where there is a unique manufacturing process or product intellectual property, most products are candidates to be relocated, Gartner says.