The Global Supply Chain (GSC) and the Strategic Value Chain (SVC) Eco-Systems

PRESENTATION PART 3

Global Optimisation of the principal Global Supply chains of NZ

To restructure and realign the Global Supply Chain Assets and operations of the Key shippers, Gateway Ports , Dry Ports, Freight & Inland Hubs of New Zealand

To be read in conjunction with Part 1, 2A & 2B

PART 3 of 4

THE GLOBAL SUPPLY CHAIN (GSC)
Versus the
STRATEGIC VALUE CHAIN (SVC)

MANAGING CONFLICTS & STRATEGIC ALLIANCES AT THE INTERFACE

A topline presentation for C-SUITE Managers

By
Allan Rodrigues
Managing Director & Senior Management Consultant

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Allan Rodrigues – Profile

Allan Rodrigues retired honourably from the Indian Navy in 1994 after serving 21 years. He is the Sword of Honour of his course and winner of the Lentaigne Medal at the Defence Services Staff College in Wellington India. During his Naval Career he has commanded IN Ships Nipat, Himgiri, and Subhadra. He has also been the 'Commander Work-up and Sea Training' of the Western Fleet and the Second in Command (XO) and Chief Instructor of the Naval Academy INS Mandovi. He was cleared for promotion to Captain but chose to join industry. He migrated to New Zealand in 1995.

In New Zealand, Allan has been a senior manager and C-SUITE 'board level' senior Management Consultant. He specialises in aligning strategy, finance, operations, decision engineering and performance management. Over the last 30 years Allan has been the lead management consultant for several major multi-million dollar projects over a range of industry sectors including the development and analytics for the reform of the sea and inland port & freight hub sector, the alignment of key supply chain hubs and assets across New Zealand to increase supply velocity, value based projects for the TV satellite and broadcasting sector, major electricity utilities, kiwifruit and agronomy, a review of the captive insurance sector, a benchmarking project for a major Australian Bank and technology start-ups under risk. He has designed a 4th generation Balanced Scorecard and an IT Portfolio Management Financial Model. Amongst the major projects he has undertaken is a 'Real Options' valuation of a major section of the national electricity grid in New Zealand, a valuation of the worldwide marketplace for the satellite 'occasional-use' time sensitive carriage of news and sports, strategic alliances and several strategic planning and valuation projects under risk and uncertainty.

Allan's qualifications include an MSc (Defence Studies) University of Madras (Lentaigne Medal) and an MBA (Elective Finance) from Henley Management College and Business School, Oxford on Thames, Oxfordshire U.K. He is a noted industry based adjunct professor who has been invited to both lecture (and guest lecture) at the master's degree level at universities in New Zealand and Australia over a period of twenty years from 2001 to 2021. He has conducted advanced logistics and supply chain governance advisories for senior operations/supply chain managers of the major NZ companies and defence services on behalf of the Centre for Supply Chain Excellence (CSCE) at the University of Auckland. He is currently the MD of The Business Binnacle Ltd (www.thebusinessbinnacle.co.nz) a management consulting practice. He is currently semi-retired from full-on consulting work.

Acknowledgements

The project was current during the timeline it was compiled and remains so for the most part. Whilst the data in some cases may be outdated, the underlying analytical methodology is current in many cases. Nevertheless, these methodologies need to be periodically peer-reviewed.

Many of the tools used have been obtained and adapted from peer-reviewed sources. The work of Professor(s) Simchi-Levi, (Wharton) on the 'global optimisation' of the GSCs, Theo Notteboom (Maritime Institute, Univ of Antwerp) and Jean Paul Rodrigue(Texas A & M) on port reform and the port eco-systems, Michael Porter (Harvard) on Value Chains and competitive advantage, Kaplan & Norton on strategy mapping and the balanced score card, G. Bennett Stewart, on Economic Value Added (EVA) , Ashwath Damodaran on valuations under risk and uncertainty, Dixit and Pindyck on 'Investments under uncertainty', Kulatilaka & Abrams on 'Real Options' feature across all four presentations. The work of Yves Doz & Gary Hamel on Strategic Alliances, Kenichi Ohmae, Simon Benninga (Wharton) on Finance and Strategy, all master strategists in their own right feature in the detail in presentations 2 to 4.

The author has also used his own work on the nexus of the value chain and supply chains, the de-aggregation of value chains and the 4G Balanced Score Card to inform this project. All models that have been used or adapted have been referenced. They feature at various places in the presentations.

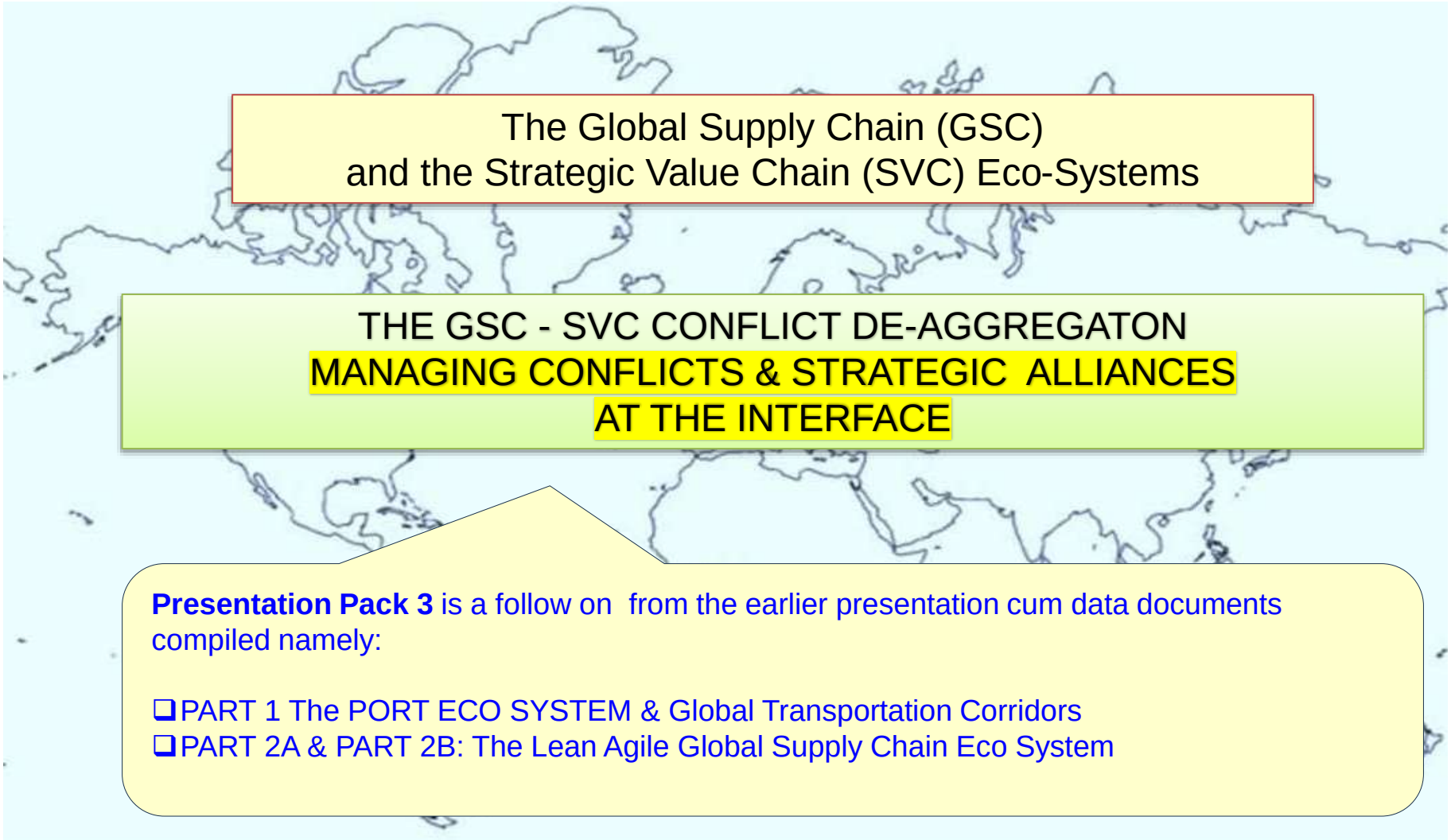
The Author thanks the many senior managers past and present on the C-suite of many of New Zealand's large Sea Ports, Inland Ports, Dry ports and Freight hubs and the principal shippers of the main New Zealand export companies for sharing their practical and hands-on experience in operating and managing some of the most complex global supply chains in the world. Many of the models developed by the doyens of the Global Supply Chains in academia were adapted for this project using the hands-on knowledge of these practitioners in the marketplace.

Abbreviations

ABBREVIATIONS AND TERMINOLOGY.		
Log design	DFA	DESIGN FOR ASSEMBLY
Log design	DFL	DESIGN FOR LOGISTICS
Log design	DFM	DESIGN FOR MANUFACTURING
Log Innovation	I	INCREMENTAL INNOVATION
Log Innovation	R	RADICAL INNOVATION
Log Operations	CM	CONTRACT MANUFACTURER
Log types	DIFOT	DELIVER-IN FULL-ON TIME
Log Operations	MANUF	MANUFACTURING
Log Operations	OBM	ORIGINAL BRAND MANUFACTURER
Log Operations	ODM	ORIGINAL DESIGN MANUFACTURER
Log Operations	OEM	ORIGINAL EQUIPMENT MANUFACTURER
Log Operations	VAR	VALUE ADDED RESELLER
Log Operations	VMI	VENDOR MANAGED INVENTORY
Log Strategy	GSC	GLOBAL SUPPLY CHAINS
Log Strategy	LSC	LOCAL SUPPLY CHAIN
Log Strategy	SVC	STRATEGIC VALUE CHAIN

ABBREVIATIONS AND TERMINOLOGY.		
Log Trade off	CS	CUSTOMER SERVICE
Log Trade off	ERU	EFFICIENT, RESOURCE UTILIZATION
Log Trade off	QoS	QUALITY OF SERVICE
Log Trade off	VOB	VOICE OF THE BUSINESS
Log Trade off	VOC	VOICE OF THE CUSTOMER
Log types	1 PL	FIRST PARTY LOGISTICS
Log types	2 PL	SECOND PARTY LOGISTICS
Log types	3 PL	THIRD BODY LOGISTICS
Log types	4 PL	FOURTH PARTY LOGISTICS
Log types	CRL	CONTINUOUS REPLACEMENT LOGISTICS
Log types	RRL	RAPID REPLACEMENT LOGISTICS
Port Eco Systems	CT	CONTAINER OR BOX
Port Eco Systems	PES	PES PORT ECO SYSTEM
Port Eco Systems	VAFS	VALUE ADDED FACILITIES
Port Eco Systems	VALS	VALUE ADDED LOGISTICS

PRESENTATION PART 3



The Global Supply Chain (GSC) and the Strategic Value Chain (SVC) Eco-Systems

THE GSC - SVC CONFLICT DE-AGGREGATON
MANAGING CONFLICTS & STRATEGIC ALLIANCES AT THE INTERFACE

Presentation Pack 3 is a follow on from the earlier presentation cum data documents compiled namely:

- ❑ PART 1 The PORT ECO SYSTEM & Global Transportation Corridors
- ❑ PART 2A & PART 2B: The Lean Agile Global Supply Chain Eco System

Presentation 3 of 4
The Global Transportation Corridors

Repeat Slide

Opening Comment.

Note. The presentations may seem a bit crowded and dense. They are designed to be so.

The original project papers including the reports and presentations continue to be commercially sensitive and have been redacted. Rather than rewrite a formal report compiling the various methodologies and findings and for the sake of convenience in dissemination, the original presentation slides created for various forums have been repurposed, but with explanatory notes included for the benefit of lay readers and non-supply chain specialists. The author has designed the presentations to be a full document and to be readable 'as-is' in pdf without added notes.

This series of four presentation packs have been compiled pro-bono to demonstrate the broad ideation funnel used by some of the global supply/value chains of the world, as a way of educating/training senior managers on the current work being done at the coal face of many of the modern supply and value chains of the world.

The author advises caution with their use. There is a need for peer review and constant updating. Many globalisation strategies have come under fire post 2016 and the pandemic. Nevertheless, the 'Global Optimisation' innovation developed by the many doyens in the field, are just as easily used locally in a single country, or geography ,as well as internationally.

The Lean- Agile Global (or Local) Supply Chains (GSCs & LSCs) & their impact on the Global Transportation Corridors

These FOUR presentations capture the Architecture and Construct of the LEAN AGILE GSCs in tandem with the efficient management of Sea Ports or Inland Ports or Freight Hubs on the GLOBAL TRANSPORTATION CORRIDORS .Whilst they do delve into the asset management and operations processes of Sea and Inland Ports, the focus in this section is on the GSCs and their sea-land transportation rhythm and cadence

All four knowledge packs are densely packed as presentation cum data documents laid out in ways that combine the knowledge, data and findings from several investigative reports and presentations written and delivered over a long arc of several years by the author, with inputs from the port and supply chain analysts on the team. The nexus between the GSCs of the world and the Sea/Inland ports on the transportation corridors that interlink the global supply chains going outward or inward to and from New Zealand, and the conflict with the Strategic Value Chains of the individual GSC members have been drawn out by the author in some detail for the first time.

All four presentations cum data- documents answer the question

" What do Lean-agile **Global (or Local) Supply and Strategic Value Chains** need from the various nodes and hubs on the world's transportation corridors, so that they can manage the conflict between cost efficiency on the one hand and high agility (or High Fulfilment) on the other?"

Their conflict on their Strategic value chains and their Strategic Alliances are addressed in this presentation as PART 3 of 4 in the series

THE BUSINESS BINNACLE
FINDING YOUR TRUE NORTH

The Lean Agile Model for the GSCs manages the conflict between being low cost upstream near the manufacturer/producer and providing high fulfillment (agility) downstream near the customer.

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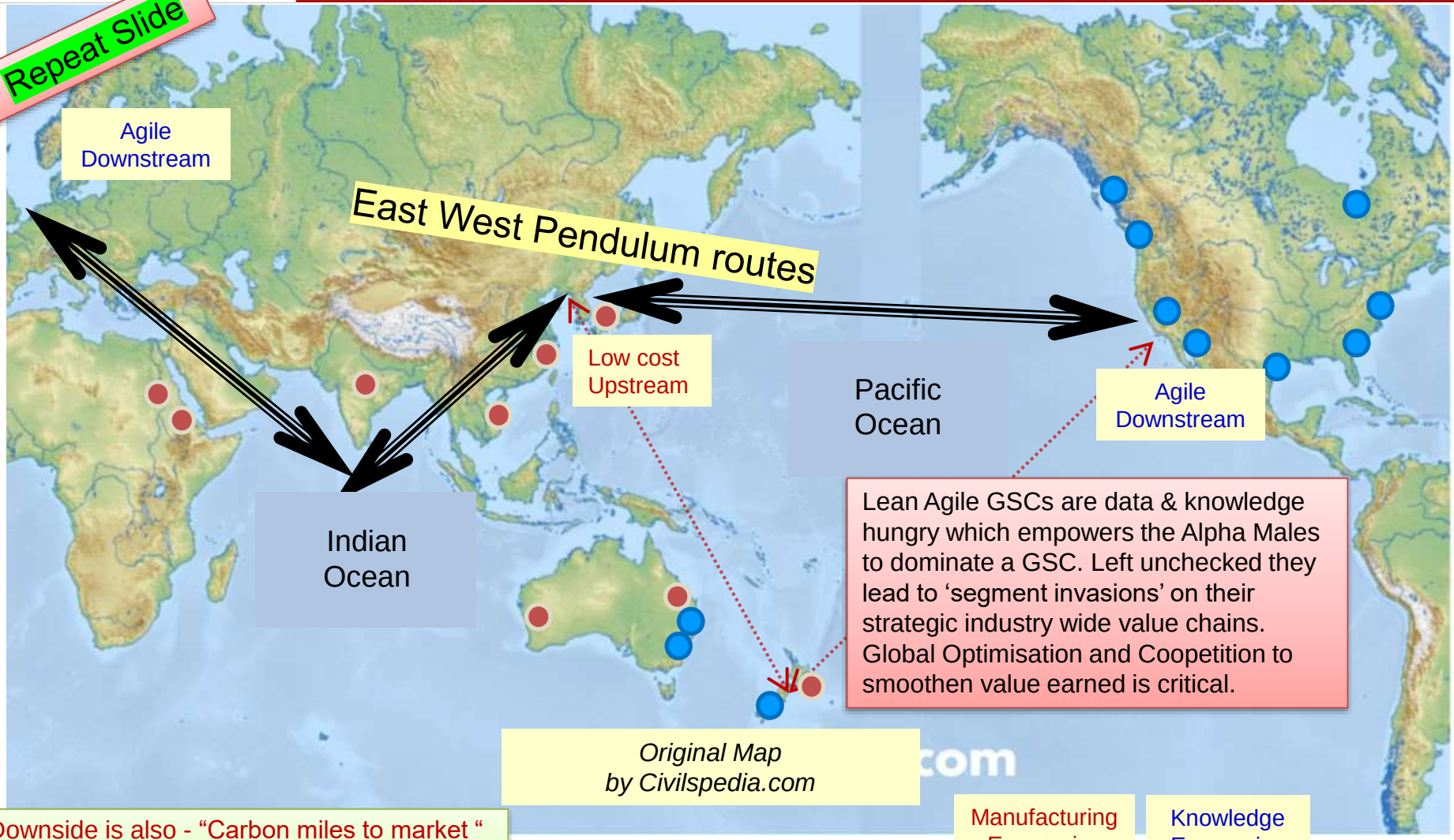
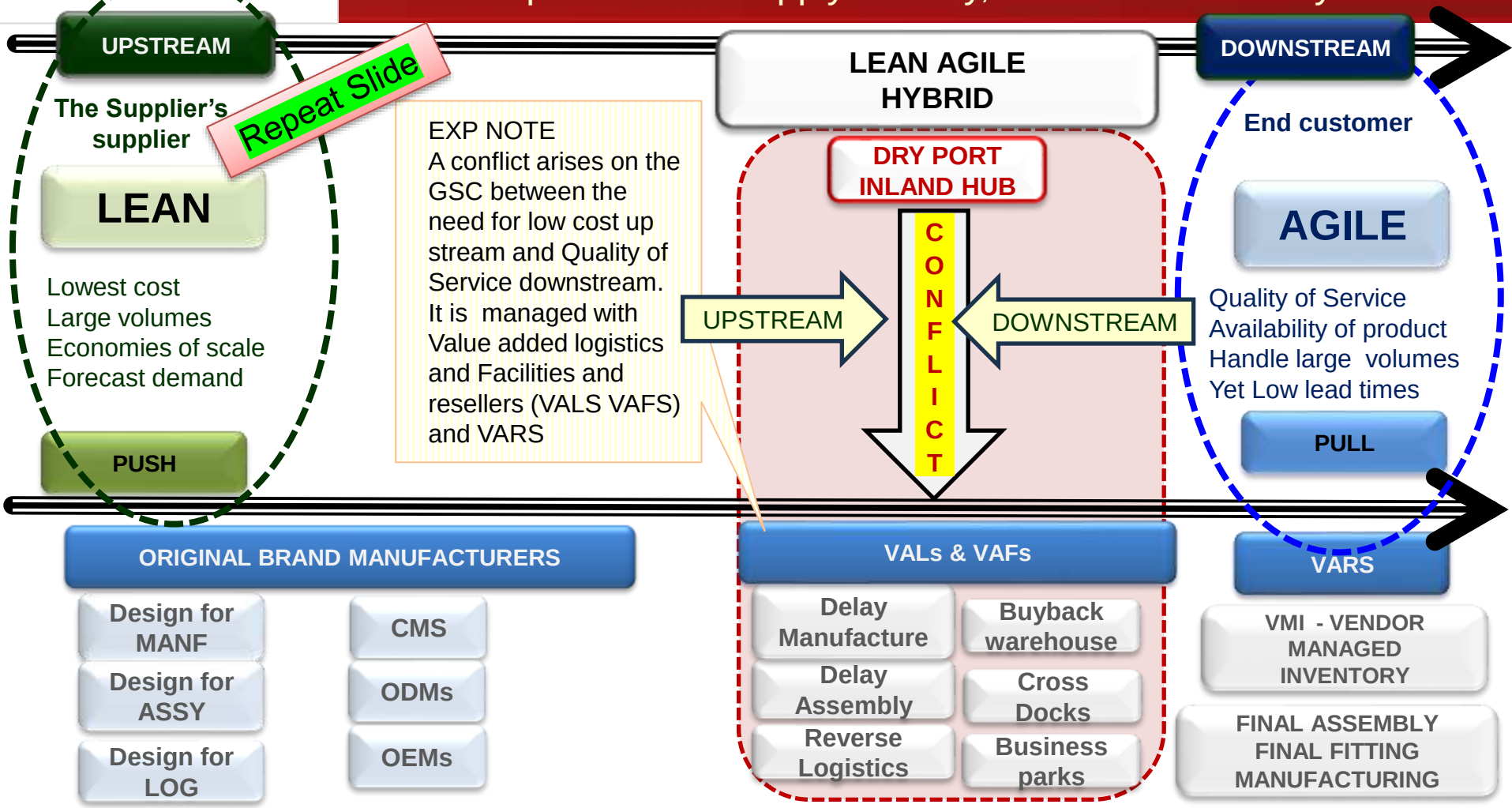


Downside is also - "Carbon miles to market "
Transportation contributes
89% of carbon emission

Lean Agile Hybrid Global Supply Chains (GSCs)

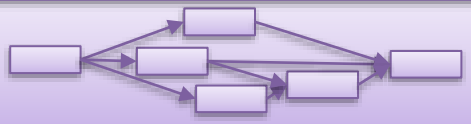
Global optimisation- Supply velocity, demand uncertainty conflict



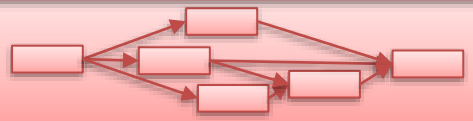
THE GSCs will HUB at those Port Eco Systems and Inland Port/Freight hub eco-systems that will give them the best VALS and VAFs conveniently connected and located

The Lean-Agile GSCs co-operate at four levels
They also create asymmetries between supply partners

Flow between GSC Entities
(networked silos)

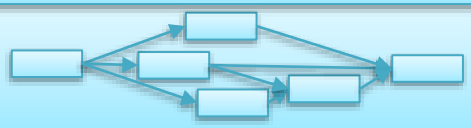


Flow between Operations
(all processes in the silo)



Flow between Processes
(within the silo)

Flow between Resources
(shared between silos)



Value added Networks

Value added Processes

Value added Facilities

Adapted from Slack, Brandon-Jones & Johnston (2022)

The Lean Agile – GSC construct is driven by

- ❑ Shared Capacity
- ❑ Seamless processes
- ❑ Synergies in Operations
- ❑ Shared expectation of gain based on risk versus return at each node of the supply chain

It is vital that supply partners understand both the synergies and risks of sharing information and knowledge. There is a constant nexus between the Supply Chain and the Value Chain of the firm. If left unaddressed it defeats the GSC "CO-OPETITION" construct of both Cooperating & Competing.

It leads to segment invasions on a Strategic Industry Wide Value Chain or
The STRATEGIC VALUE CHAIN (SVC) battlefield

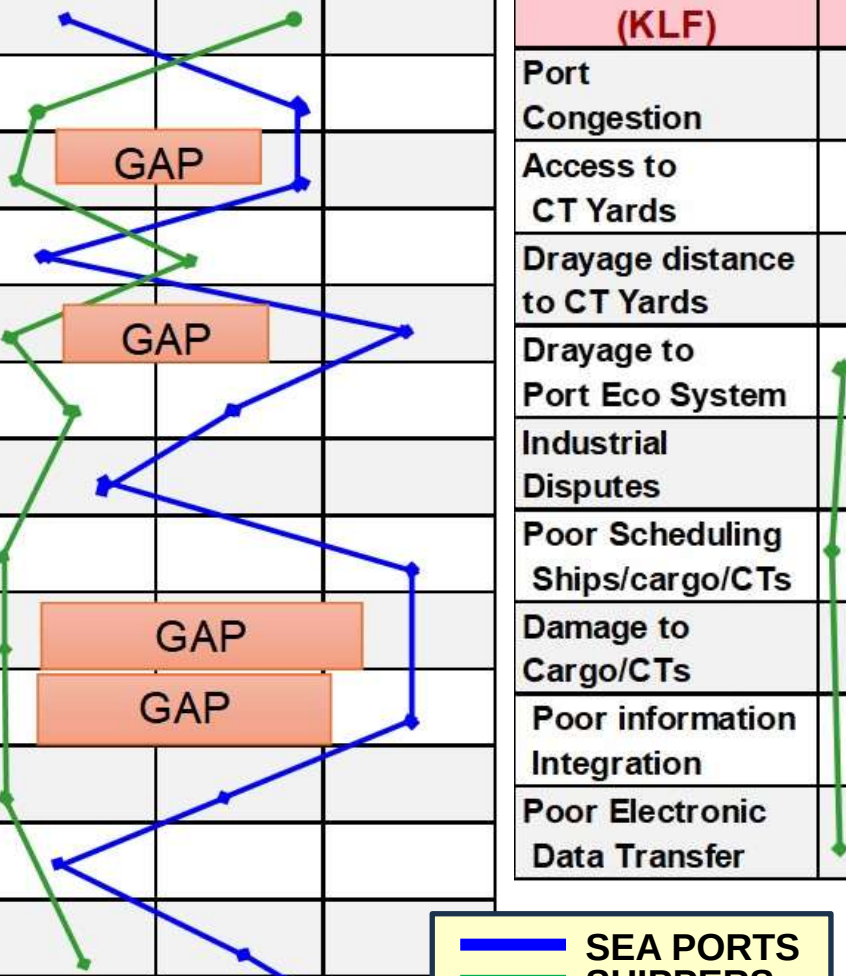
1. **The Value Chain**
   Primary & Support Activities
2. **The Strategic Signature**
   Key Success/Limiting Factors
3. **The Strategic Value Chain**
   Value Margin Silos

THE BUSINESS BINNACLE
FINDING YOUR TRUE NORTH

The Strategic Signature of Sea Ports and Shippers in the Hinterland
The Gaps show their different Value Propositions

KEY SUCCESS FACTORS (KSF)	HIGH VP	MED VP	LOW VP
Strategic Size Location			
Maritime Connectivity			
Access To Hinterland			
Modern berthing Infrastructure			
Port Capacity (Flexibility)			
Ship Service Frequency			
Port Efficiency Speed / Reliability			
Port Eco-System (VALs/ VAFs)			
Quick response (Risk Pooling)			
Marginal /Dynamic Pricing			
Data - Knowledge Integration			
Reputation QoS /damage			
Labour Relations Efficiency			
Access To Finance Resources			

KEY LIMITING FACTORS (KLF)	HIGH VP	MED VP	LOW VP
Port Congestion			
Access to CT Yards			
Drayage distance to CT Yards			
Drayage to Port Eco System			
Industrial Disputes			
Poor Scheduling Ships/cargo/CTs			
Damage to Cargo/CTs			
Poor information Integration			
Poor Electronic Data Transfer			



SEA PORTS
SHIPPERS

Adapted by Allan Rodrigues from Value Innovation Graphs Strategic Curves by Kim & Mauborgne 1992, 2015: 2017)

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The GSC morphs from logistics to the conveyance of ‘resources’ & ‘value-adds’ on a ‘Strategic Value Chain’ (SVC)

King Kong (universal pictures 2005)

- At the Macro level the Global Supply Chain begins to morph from the logistics of moving a product to the conveyance of added value services along with the activities knowledge and expertise that adds value at each silo on the Supply chain.
- The GSC facilitates the movement of resources that are driven by value activities on a strategic value chain, where different entities add both resources, knowledge expertise and value to the product service being conveyed.
- The Strategic Value Chain captures this interface between supply partners, one of whom is always the partner with a dominant competitive advantage in the market
- Left unaddressed the Supply Chain becomes a subset of the Strategic Value Chain unless value along the supply chain is globally optimised.

Somewhere on the supply chain for resources is usually an **alpha male** who dominates it and often will not easily listen to reason
It becomes vital to understand not just the Value Chain of the individual firm but the supply industry’s “Strategic Value Chain’ which can create a battlefield of hostile takeovers and invasions between supply partners

THE KEY TO SUCCESS IS
- MANAGING THE COOPETITION INTERFACE
- GLOBAL OPTIMISATION
- MANAGING THE GSC – SVC INTERFACE

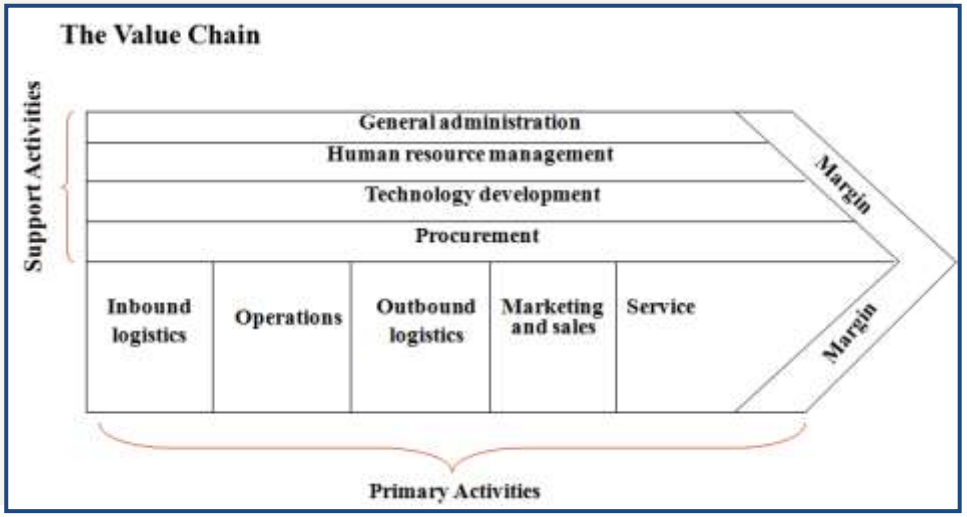
Begin with Porter's original 'Value Chain' (1985: 2021)
The 'Primary' and 'Support' Activities that create value

- Michael Porter (1985) introduced the concept of the value chain as a 'system' driven by 'subsystems', each with its own inputs, transformation processes and outputs, with 'marketing' and 'customer support' as additional value drivers. The VC has since matured into several avatars.

- Porter identified these as relationships and linkages that determined 'the sources of sustained competitive advantage' that created the value & wealth of the firm.

- Porters VC is an activity-based view of the firm. It includes value-added services like marketing, admin & customer service, technology, human resources that add value to the physical transformation of the core operations of the firm.

- The Value Chain captures what happens at the value boundaries between the supplier of the firm (Inbound logistics) lying upstream, the Core Operations of the firm and the value lying downstream nearer distribution and retail. Each have their own value-added activities.



Source: *Competitive Advantage*: *Creating and Sustaining Superior Performance by Michael E. Porter.* Copyright © 1998 by Michael E. Porter.

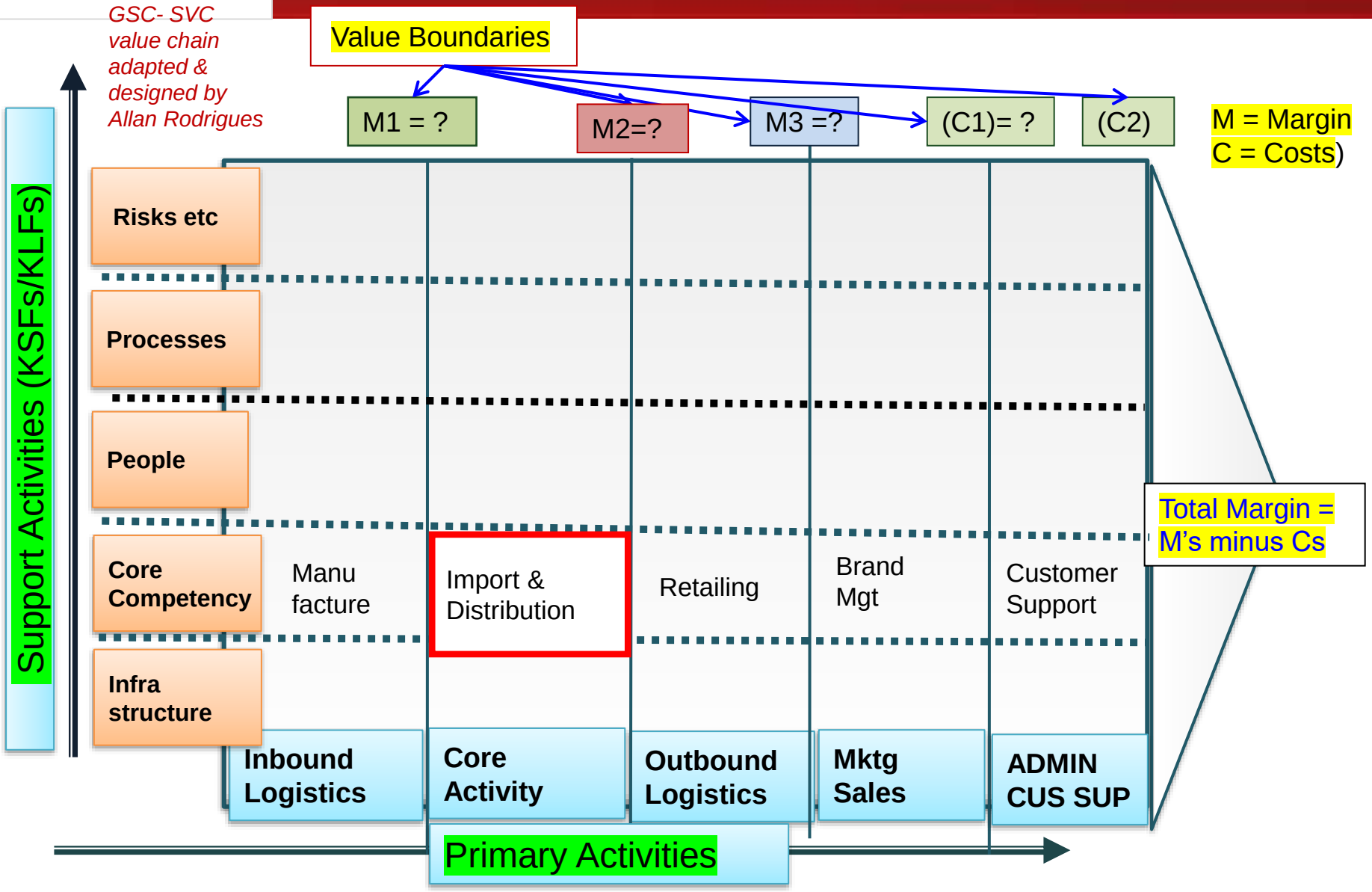
- The modern 'strategic value chain' recognises that value positioning begins with the birth of the product with the supplier's supplier and finishes with the distributor's distributor, often many times removed, all the way to the death and disposal of a product/service.

- The modern avatar of the value chain recognises the conflict between the value chain and supply chain boundaries of the firm. Supply chains require information, and the seamless sharing of capacity, fixed/mobile asset and processes to be effective.

- Conversely the sharing of information and knowledge across the supply chain boundaries empowers the strategic value chain of the supply partners upstream or downstream who in turn embark on segment invasions and even hostile take overs to capture the sources of most value on the industry wide value chain.

Managing the Alpha Males on the GSC requires finesse
Ergo Understanding the Value Silos in which each entity creates value

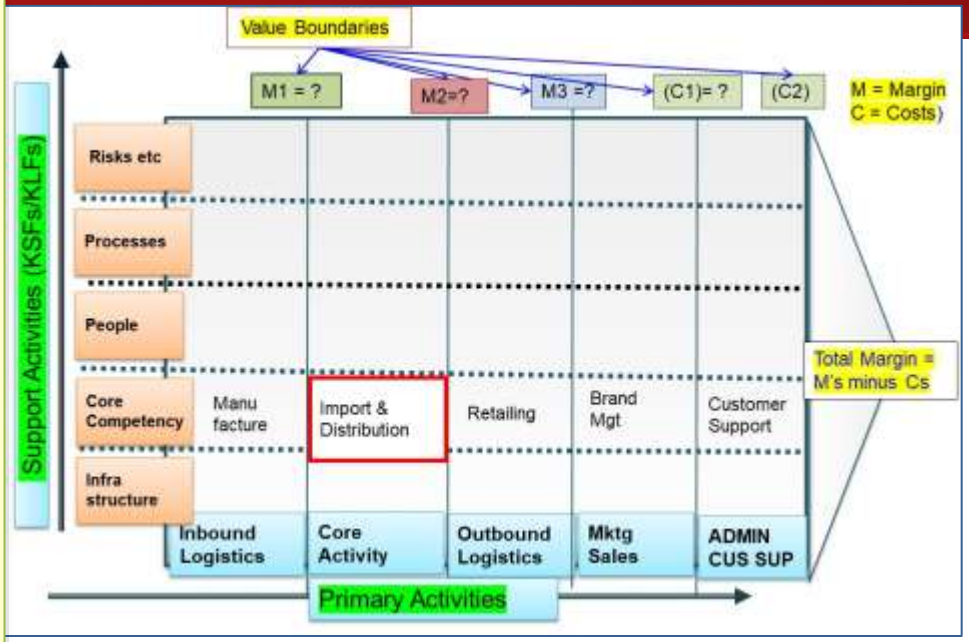
GSC- SVC value chain adapted & designed by Allan Rodrigues



The value chain silos on a GSC

- Porter's value chain opened the door to networked or industry wide "Strategic Value Chains". This adaptation plots profit mark-ups at each silo and value boundary.
- SVCs map value combinations of Key Success Factors (KSFs) and/or Key Limiting Factors (KLFs) impacting on the value of each firm at the silo boundaries. KSFs/KLFs change with changes in products, services the macro environment .. .
- In this version each firm places itself at the centre of the SVC and maps primary and support activities from the birth of a product/service to its final death/disposal **from its own point of view.** There are shared value activities amongst the GSC –SVC partners which are a risk, as somewhere on the SVC is an Alpha Male who must be managed.
- The value boundaries depict the Profit Mark ups at each silo shown as M1, M2, M3. There are shared costs C1 and C2 that must be met. The customer pays for the total cost of the product + the sum of the Markups + the shared costs. of each silo from the birth of the product upstream, to its delivery to the customer, or disposal, as the case may be .
- There are strategic and non-strategic activities in each silo. **The GSC-SVC battlefield usually takes place when one partner earns a Profit Mark-Up that is perceived to be not commensurate to the value add/risk of that activity,**

This perception sets the stage for segment invasions to capture the activity in the silo of another player usually by an Alpha Male seeking dominance in its industry environ.



- GSCs by design require data and knowledge to be shared if they are to be lean upstream and agile downstream. Conversely it is this sharing of critical knowledge that itself creates the invasion of a silo by another partner or entity.
- Worse still are segment invasions that come from other unconnected industries that completely disrupt a marketplace as most industry players are conditioned to fight for competitive advantage in their own industry.
- **Globalisation opens the door to Parallel Segment invasions from other industries. This is the GSC-SVC battlefield of the 21st century.**

FOUR examples of the GSC-SVC Battlefield

Adapted by Allan Rodrigues amalgamating the work of Porter (1985:2022) Simchi-Levi (2012:2022) & Cachon 2023 et al.

Suppliers Upstream Want high Volume to reduce Manuf costs

PUSH STRATEGY

PULL STRATEGY

Retailers Downstream Want low inventory To reduce unsold stock

There is low uncertainty in sourcing bulk material
The focus is on cost and resource utilisation
Demand aggregation is at the component level

Push-Pull Boundary

There is high uncertainty in demand
The focus is on high service level (QoS)
& Flexible response to ramp up fulfillment

The Examples used demonstrate the GSC – SVC battlefield in four sectors.
THERE ARE SEGMENT INVASIONS BETWEEN DISPARATE COMPANIES
CROSSING INDUSTRY BOUNDARIES TO INVADE UNCONNECTED INDUSTRIES

Case 1
A petrol Company providing fuel to motorists Segment invasions on the GSC

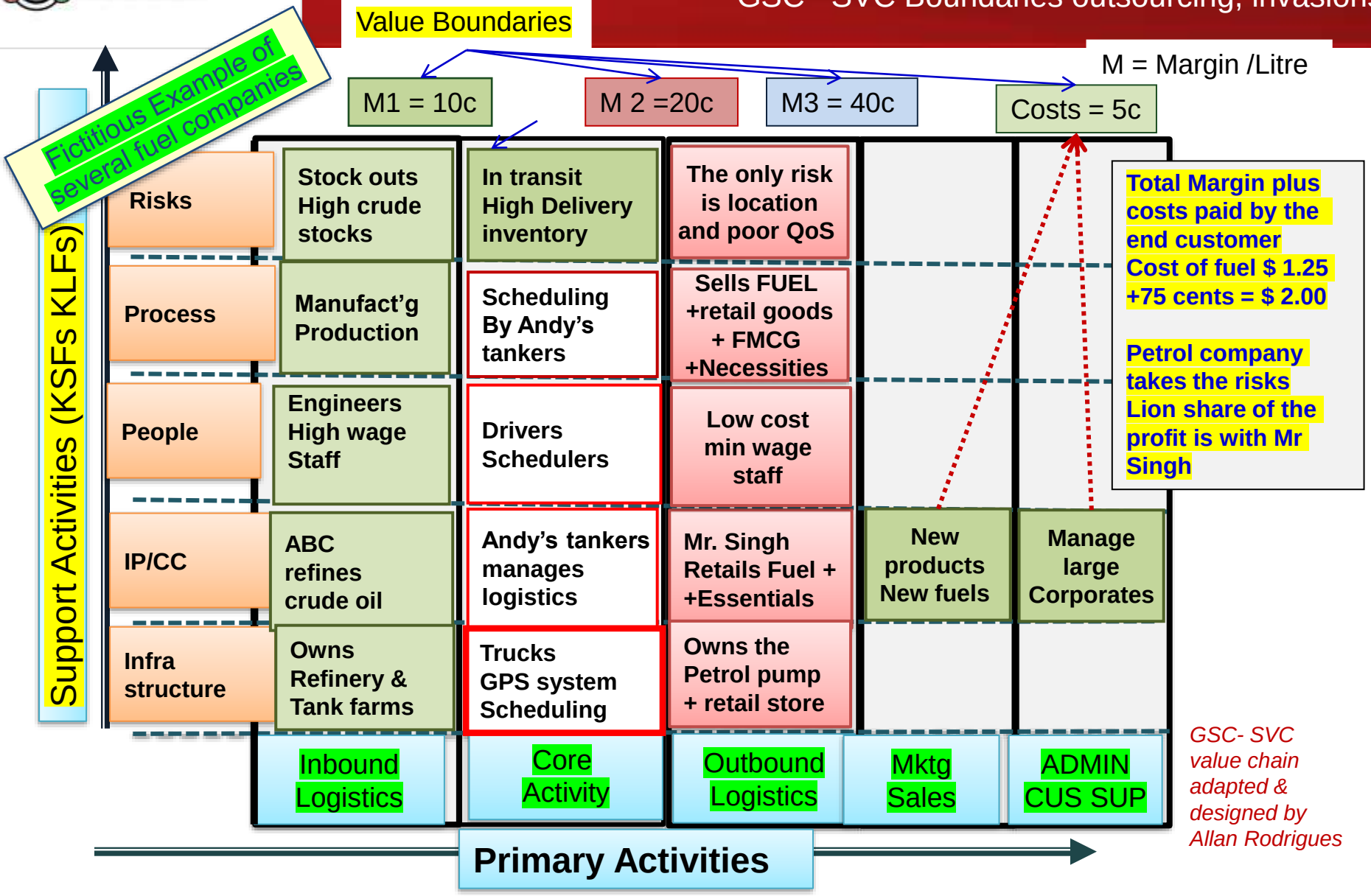
Case 2
The wine Industry for mature wines and new Varietals

How Alpha Males downstream on the GSC hijack the industry

Case 3
The Global transportation industry the SVC battlefield between the Shippers in the Hinterland, the shippers and the and the Gateway Sea Ports and Satellite/Dry ports and freight hubs

Case 4
The Global Insurance Market place as "Captive Insurance" Providers disrupt the insurance GSC-SVC battle fields

Pre-invasion Petroleum Industry Petroleum Industry Power conflicts on the GSC –SVC Boundaries outsourcing, invasions



GSC- SVC value chain adapted & designed by Allan Rodrigues

The GSC-SVC battlefield

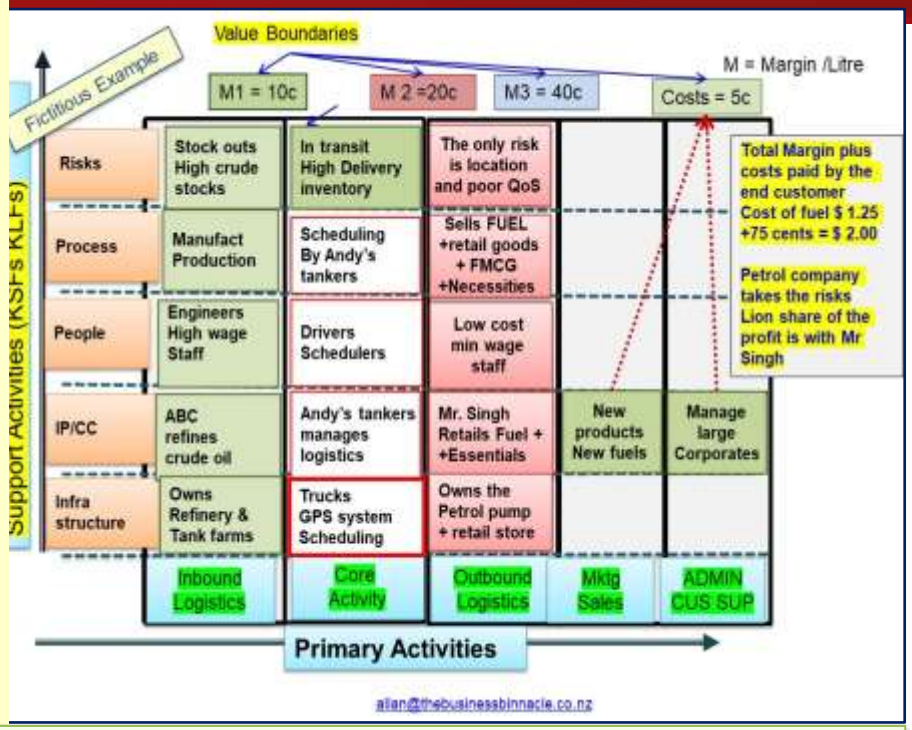
original design adapted by Allan Rodrigues from Porter's Value Chain

- ABC Fuels a fictitious company in the petroleum industry demonstrates the SVC battlefield. The supply chain begins with extraction/transport on a GSC and ending with a customer at a fuel pump. The base fuel cost = $ 1.25+ABC's margin is 20c/Litre

- ABC occupies the high-risk silo of buying crude, refining it to spec. It then owns the entire inventory of fuel. It outsources fuel transportation to **ANDY's tankers** who manages the demand schedules transportation, delivers fuel to the pump owner **MR SINGH**. ANDY charges a 20c profit margin for this service.

- MR SINGH owns the pump. He pays for and then sells the fuel for a margin of $ 20c. He also retails a variety of supermarket necessities at high margin and makes another 20c = (20+20)= 40c. His only risk is to pick a good location & provide a high QoS

- ABC owns all the risk including marketing & branding costs, main inventory + inventory in transit costs, delivery risks, scheduling delays, managing the large corporates who buy their fuel from Mr Singh's pump.



- ABC FUEL cannot allow the primary business to be hijacked downstream by the retailer who takes none of the risks, incurs none of the costs for marketing or customer service, but still pockets the highest profit by launching a lucrative retail business on the back of the core product fuel. The highest margin with lowest risk is earned by someone else downstream. This is not sustainable.

- It leads to a vertical segment invasion between the supply chain partners. ABC Fuel as the largest entity invades the transportation and retail silos of the GSC/SVC segment. They brand the operation as ABC Fuel end to end. ABC then outsource the transports (trucks) to ANDY but retains the scheduling so that ABC can control the delay risks. ABC owns the Petrol Pump and leases it back to Mr Singh. They share the profits with him. ABC claws back margins from the transport and retail silos. Coincidentally ABC outsources the sourcing of crude, refining and stowage at the Tank Farms to Shell or one of the major oil companies as non-critical activities.

- Each GSC – SVC could have equally big players. The Petrol Companies are not the only big companies. The trucking conglomerates and even the retailers might be massive national retail chains. The GSC –SVC battles then become a fight for the soul of the industry.

Post-invasion Petroleum Industry Power conflicts on the GSC –SVC Boundaries outsourcing, invasions

Value Boundaries

Fictitious Example

M = Margin /Litre

M1 = 10c | M 2 =20c | M3 = 40c | Costs = 5c

Support Activities (KSFs KLFs)

Risks	Stock outs High crude stocks	In transit High Delivery inventory	The only risk is location and poor QoS		
Process	Manufact Production	Scheduling Taken over by ABC fuel	Sells FUEL +retail goods + FMCG +Necessities		
People	Engineers High wage\ Staff	Drivers Outsourced to Andy's tankers	Mr. Singh is now Part Owner Operator		
IP/CC	ABC outsources Refining of crude oil	ABC outsource Trucking to Andy (but retains Oversigh	Mr. Singh Retails Fuel + +Essentials	New products New fuels	Manage corporates
Infra structure	ABC outsources tank farms	Trucks -ANDY GPS+ Tech Taken over ABC	ABC owns pump & leases it to Mr. Singh		
	Inbound Logistics	Core Activity	Outbound Logistics	Mktg Sales	ADMIN CUS SUP

Primary Activities

Total Margin plus costs paid by the end customer
Cost of fuel $ 1.25 +75 cents = $ 2.00

Petrol company takes the risks
Lion share of the profit is with Mr Singh

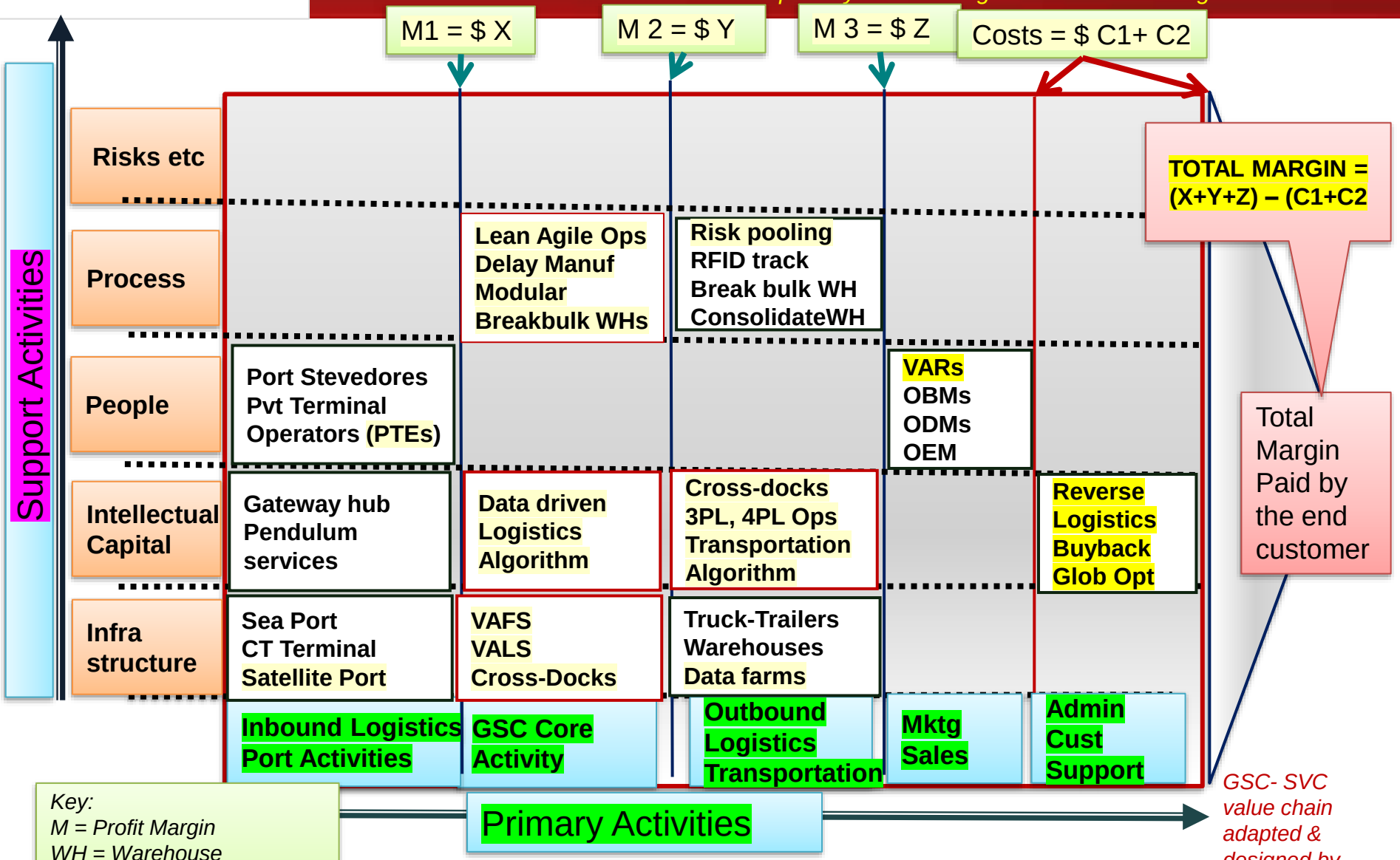
GSC- SVC value chain adapted & designed by Allan Rodrigues

THE BUSINESS BINNACLE
FINDING YOUR TRUE NORTH

Value Boundaries
M1, M2, M3,C1 C2

Some Typical Strategic Value Chain (SVC)
Key activities by Hinterland Logistics-Shippers

adapted by Allan Rodrigues from Porters original Value chain



Key:
M = Profit Margin
WH = Warehouse
VALS Value added Logistics
VAFs = Value added facilities

GSC- SVC value chain adapted & designed by Allan Rodrigues

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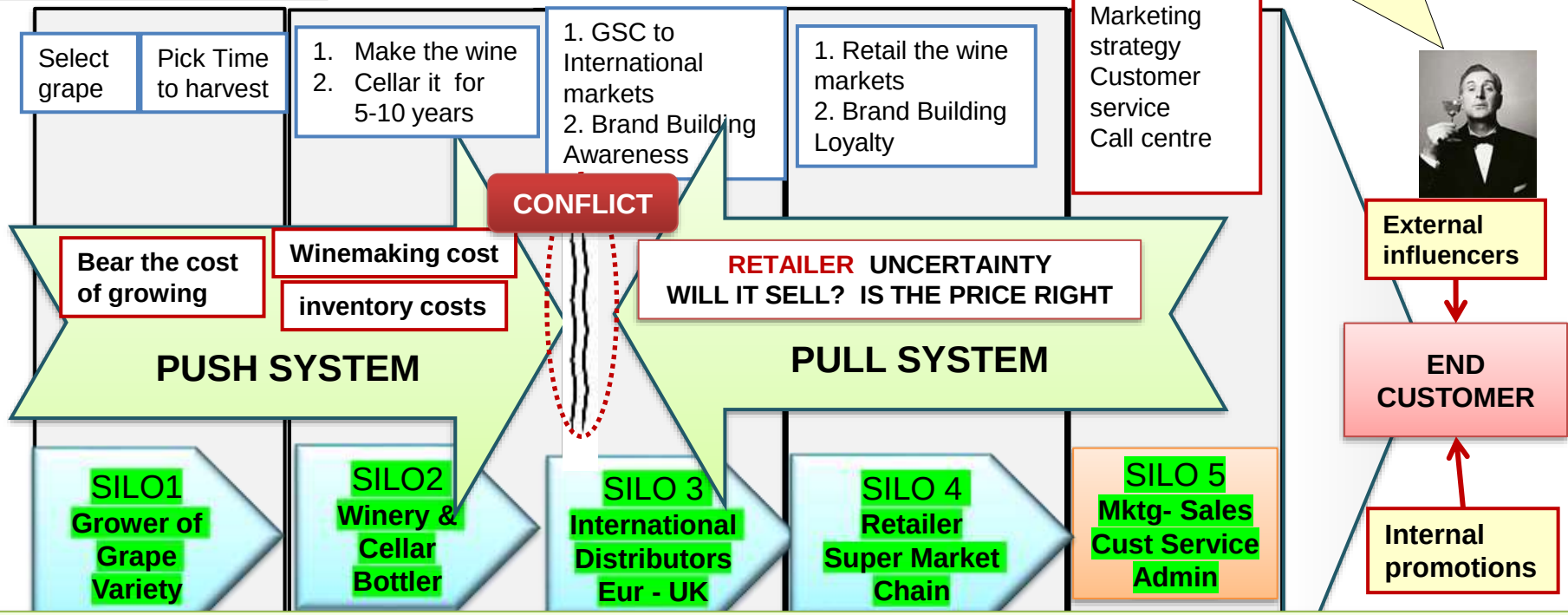
The GSC – SVC for a fine wine
a great vintage created lovingly over years
GSC- SVC designed by Allan Rodrigues



- A fine wine with an international reputation fights on its brand. If standards are maintained, then the industry wide SVC of the wine maker is protected e.g. St Emillion Grand Cru Bordeaux. They make the investment in growing, making and cellaring the wine (PUSH System). There is no retailer uncertainty as the wine will sell if the external influencers and the price points are on side.

- Conversely a new wine from a NZ vineyard trying to enter international markets does not have the luxury of a great brand or external influencers until it has made a name. If it is a bad wine no matter. If it is a really good wine, then its positioning is up for grabs. The Alpha Males on the GSC will invade the segment and either seek to take over the silo making the most profit, either at the vineyard or at the cellar gate, and then bring the influencers on side. This is the Strategic Value Chain battlefield of the Industry.

- There is another more intriguing possibility. A large player downstream could disrupt the wine segment completely. This happens if a new wine region becomes popular for producing really good varietals. E.g. Hawkes Bay or Marlborough Region for Sauvignon Blanc or Pinot Gris white wines from New Zealand. (See next slide for how this happens)

Alpha Males use the spice-girls approach on the GSC-SVC

"What do you want ..do you really, really, want.." (A to F)

C " I have a major supermarket chain across the UK. I can't be bothered waiting for you to brand & build loyalty with wine drinkers. My customers like New Zealand white wines. So, find me what they want at the price point they want and make sure it has a pretty label and catchy name and I'll sell them all … and yes … I'll find my own influencers I don't need to market them they are loyal customers in any case … thanks .. Get on with it .."

B CUSTOMER VOICE "I want a wine that is a Sav Blanc or a Pinot Gris, from New Zealand. It must have a fruity flavour, good reputation pretty label, Nice catchy name, affordable about $ 15 - $ 20 and really great for a bit of a giggle with my friends

Kong Universal Studios

SILO1 **Grower of Grape Variety**

SILO2 **Winery & Cellar Bottler**

SILO 3 **International Distributors Eur - UK**

SILO 4 **Giant Retailer Major Chain Super Markets**

SILO 5 **Mktg- Sales Cust Service Admin**

A Giant Supermarket Retail Chain(Alpha Male) is unhappy that the profits by the winemakers are higher than its own on the GSC. It hijacks the GSC for fine wines. Finds out what its loyal customers really want and drives the selection process and the price point to gain volume economies .

D The Alpha Male orders the distributors to source the wine specs they want for their customers

E The winery now disregards its traditional vineyards and looks for grape varietals that meet the specs or it goes its own route

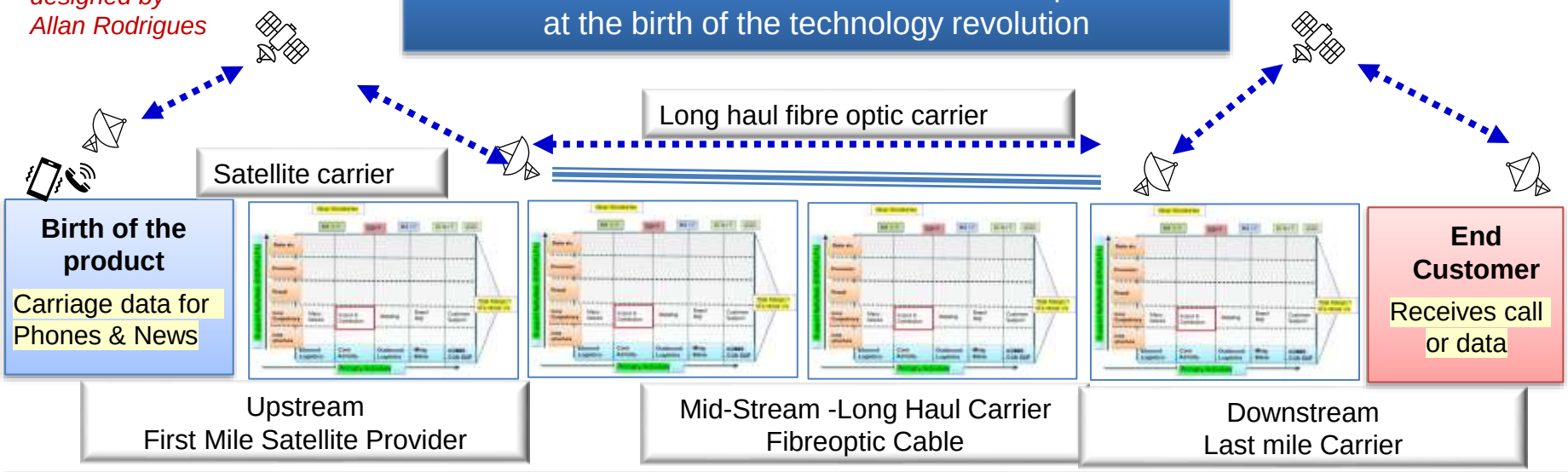
F The vineyards now have a Hobsons Choice. Outsource grape varietals to meet the specs of the Alpha Male or find their own distribution and/or compete for shelf space in the supermarkets.

GSC- SVC designed by Allan Rodrigues

An invasion will come from outside the industry attracted to any competitive advantage that creates super profits.

GSC- SVC designed by Allan Rodrigues

The Global telecommunications marketplace at the birth of the technology revolution



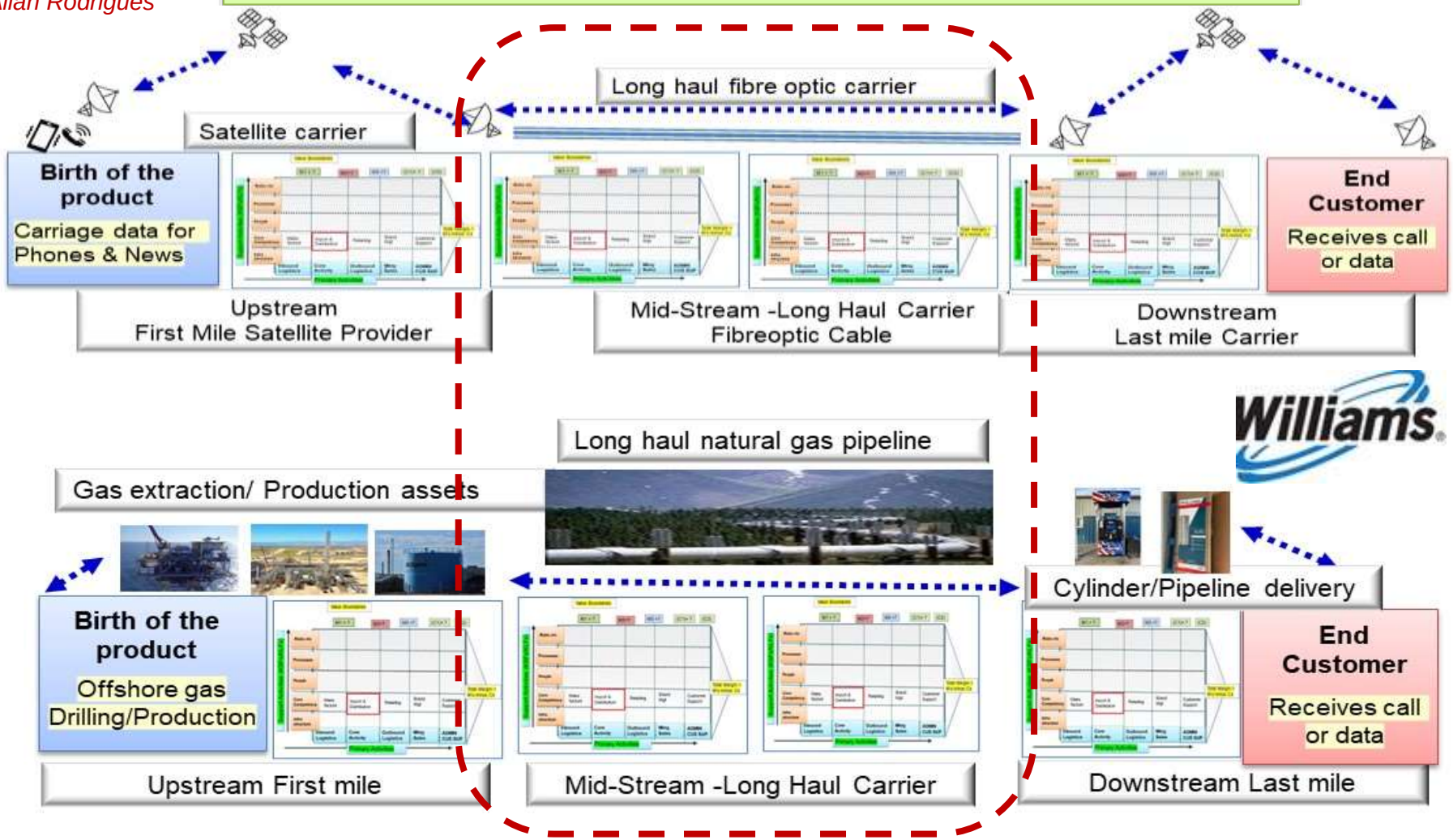
- At the birth of the technology driven global marketplace the giant telcos had a vice like monopoly on phone and data connectivity. They owned the satellites for the long-haul carriage of voice and data. Prices for long distance calling was astronomical.
- The introduction of fibre optic cable increased their monopoly as laying long distance fibre-optic cable underground was an expensive and labour-intensive process. The telcos owned the long-haul routes and only outsourced the shorter ‘first mile’ and ‘last mile’ connectivity to wholly owned subsidiaries or to small entities unable to challenge their control over the industry.
- Globalisation and the and the opening of the telecommunications marketplace to reduce the monopoly of these global telecommunications giants had no effect, as the barriers to entry in the industry were astronomical, due to the high cost of launching satellites or for laying long distance fibre optic cable.
- In the end the monopoly of the Telcos was destroyed by the most unlikely source. The Williams Group who had the largest gas pipeline connectivity across continental America and Canada. (See next slide)

And sometimes you don't see a pirate until it is too late

Disney pictures

GSC- SVC designed by Allan Rodrigues

The Williams Gas Company Invades the Long-Haul Carriage segment by blowing Fibre Optic cable through its disused pipelines across America



THE BUSINESS BINNACLE
FINDING YOUR TRUE NORTH

Williams Group a gas company invaded the SVC of the Telecommunications sector by changing their business model

Why do we exist?

Core Business

1985 → 2014

The GSC & SVC are a subset of a mind set

What business are we in
Who is the customer
What is important to us

What business should we be in?
Who should be our customer?
What should be important to us

- Our core business is the transportation and **delivery of natural gas** to both business & retail customers
- We **seek to own the energy market share** of business & retail customers

- Our core business is the transportation and delivery **of all pipeline services** to business & retail customers
- We seek to own the access all gas and communications services to our customers.
- We **seek own the access to our customers** premises

By 2022 Williams Comm grew aggressively amassing massive debt building a 50,000-KM fibre optic network connecting 125 cities globally creating so much overcapacity that it sunk prices and resulted in bankruptcy especially after the pandemic. They emerged from bankruptcy in Apr 2022. .

GSC- SVC designed by Allan Rodrigues

allan@thebusinessbinnacle.co.nz

Traditional Fire and General Insurance GSC – SVC
Sharing information and risks on the GSC

RISK

E

RETROCESS (RC) is a Global Reinsurer who accepts and redistributes major catastrophic risks, Earthquakes etc

D

RE accepts the risk and distributes it across a region. For major risks like earthquakes, flooding, fires it shifts the risk to a Eury bigger **RETROCESSIONNAIRE**

C

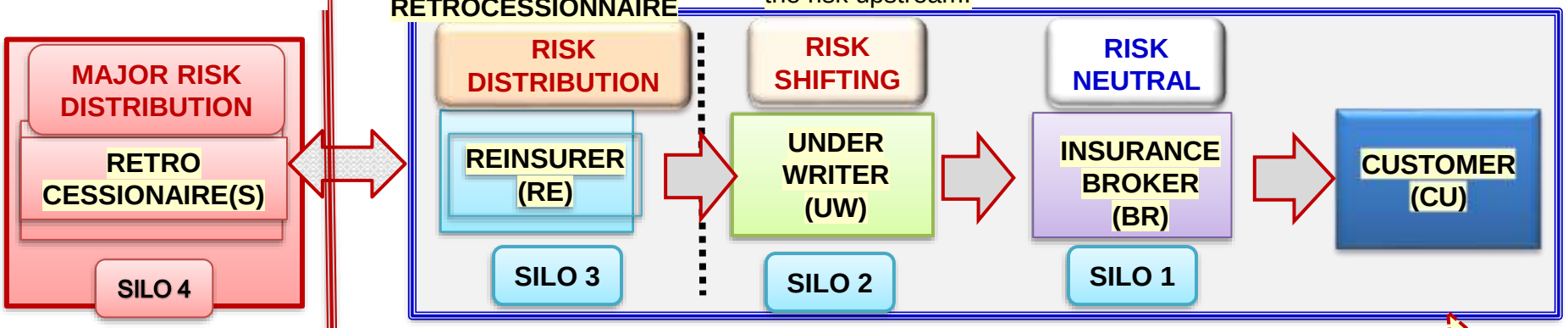
UW designs the insurance products that suit a region. The UW is the expert in a regional market keeps no risk. Passes the risk upstream.

B

BR finds the Insurance product that best suits and passes the risk up. BR services the CUS Claims etc

A

CUS asks for insurance For an asset - Agrees to pay a small excess CUS shifts asset risk to the insurer through the broker



usually charges a separate premium e.g. Earthquake LEVY, or Flooding LEVY etc.

THE RE takes the rest of the premium less commissions for distributing the risk

Underwriter charges a commission **(15% to 40%)**

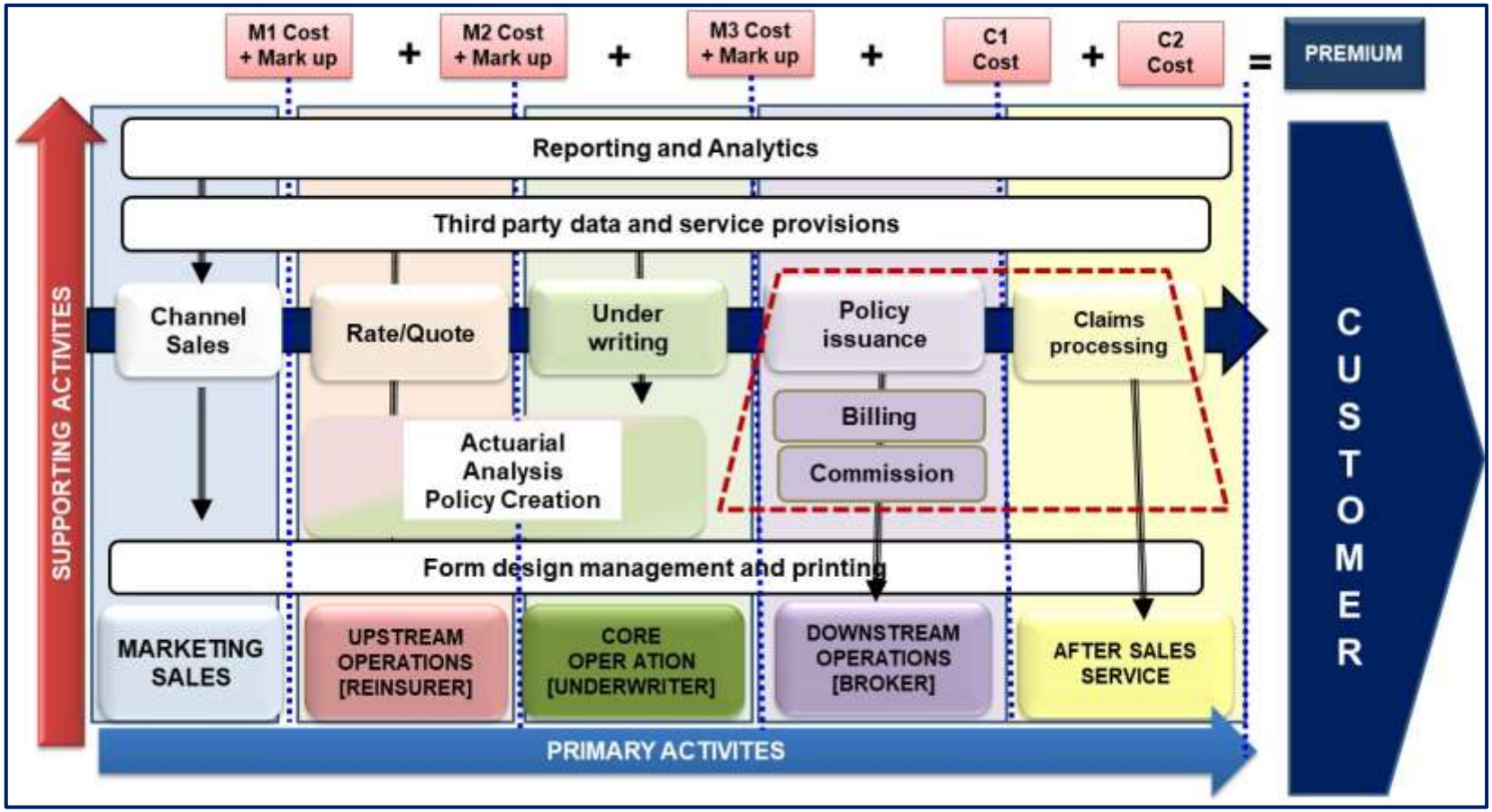
BR charges a commission of **(15% to 20%) of the premium**

END CUST Pays 100% of the premium

GSC- SVC value chain adapted & designed by Allan Rodrigues

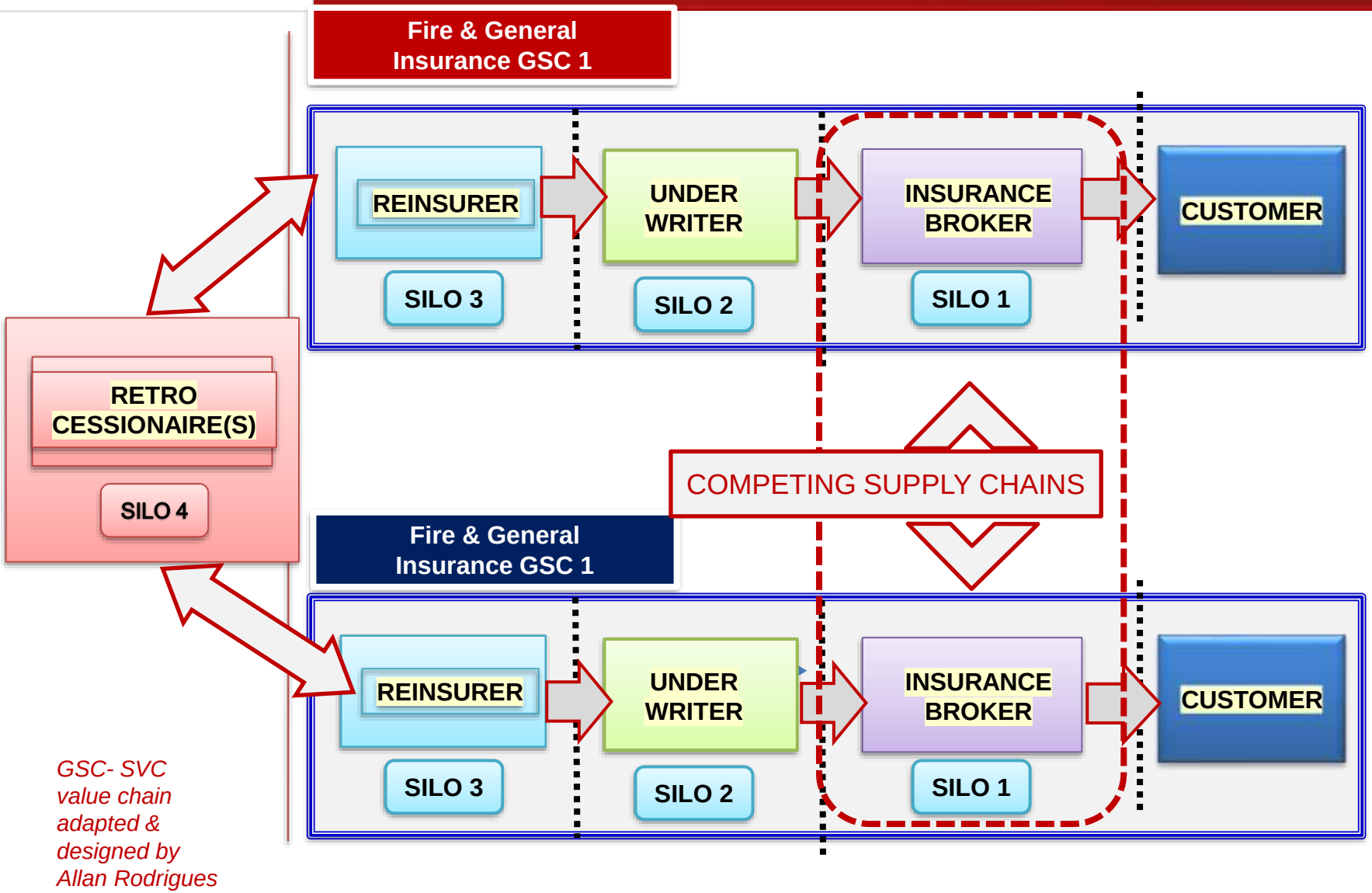
SHARE OF PREMIUM

Fire & General Insurance Industry
The Traditional Industry Value Chain



Original adaptation of Porters Value Chain by Allan Rodrigues, 2017. (The value Chain Approach to the Captive Industry)

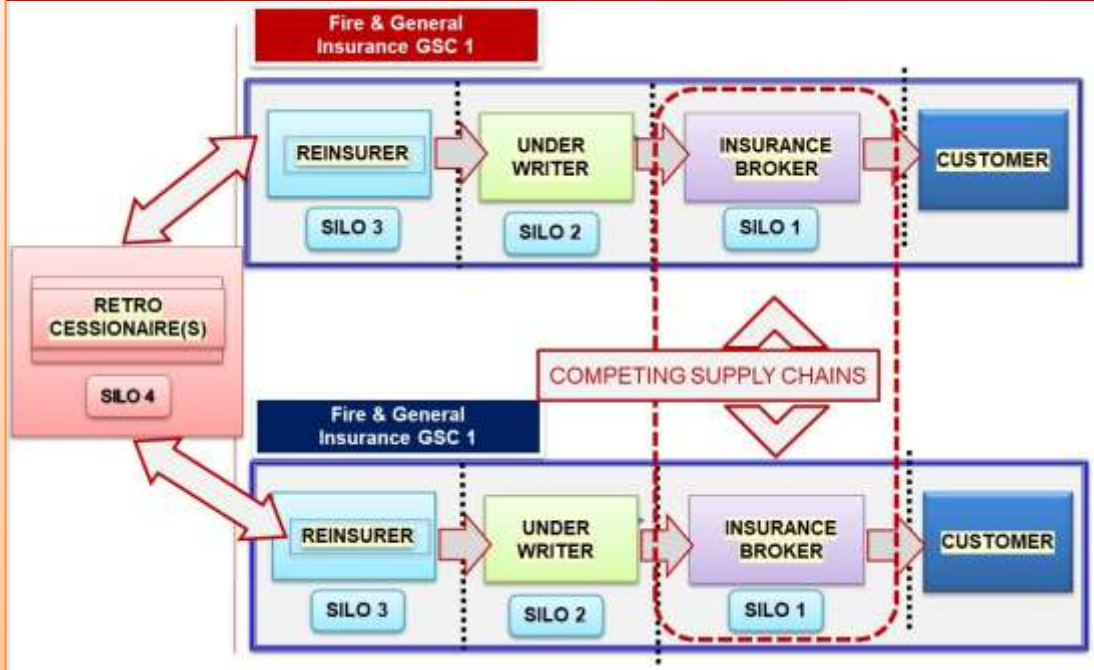
The traditional insurance operations viewpoint
"Competing Global Supply Chains" The GSC - SVC conflict



GSC- SVC value chain adapted & designed by Allan Rodrigues

The F & G Insurance GSC - SVC conflict
Segment invasion by the Underwriter / Reinsurer

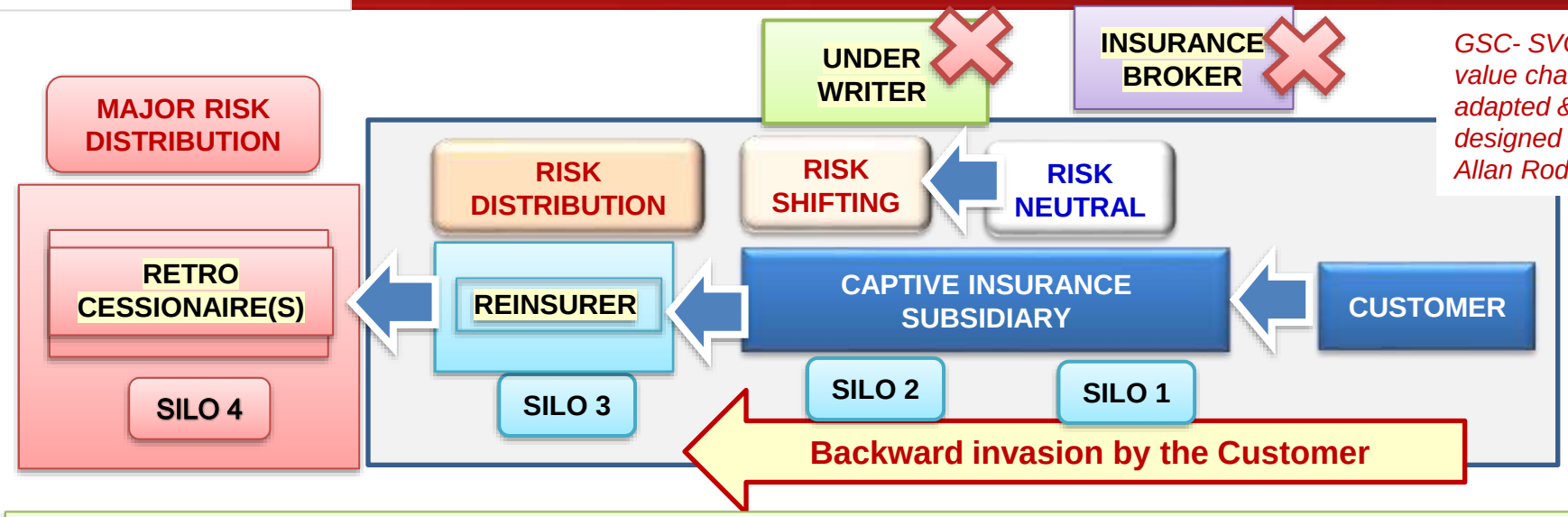
- The Underwriter typically designs a product for a country or region. Its selling point is its local expertise. It has a stable of reinsurers that it uses.
- Independent brokers (IBRs) represent a threat to the supply chain of the Underwriter for a typical insurance product. IBRs tend to shop around for the product that suits the client on other supply chains.
- Likewise, the Reinsurers/Retros may design insurance products that they may then ask the Underwriters to 'Front' for them. The UW may rebrand these products and ;launch them as one of their own.
- An independent broker or a customer might choose to stay with the product or leave. The reverse also is true. The product might be a good one, but if claims are serviced poorly by the broker of even the UW, the customer may leave.



GSC- SVC value chain adapted & designed by Allan Rodrigues

- The Underwriter (UW) therefore invades the segment boundary and silo of the insurance broker and rebrands it as the Underwriters own brokerage. This ensures that the customers are locked in with their supply chains, as the brokers are all 'in house' employees of the UW. (AIG, AON etc are all UW firms with their brokerages).
- Conversely the Reinsurers if they are unhappy with the loss ratios, or in the manner in which a product is fronted by the UW, might well invade the segment of the UW and then outsource non-essential or non-critical activities to other smaller entities, This is the segment invasion on the Strategic Value Chain empowered by information sharing on the Global Supply Chain.
- An extreme example is when the customer decides to enter the GSC –SVC and launch its own CAPTIVE INSURANCE COMPANY.

Enter the Dragon
The Customer launches a Captive Insurance Company



GSC- SVC value chain adapted & designed by Allan Rodrigues

- In cases where the customer has major assets that run into millions/billions of dollars the premiums can be very large. A typical market behemoth could arguably pay $ 20 m in insurance Premiums. If the claims are not commensurate with the premiums paid, they invade the GSC-SVC segment and become their own insurers to become **CAPTIVE INSURANCE COMPANIES**

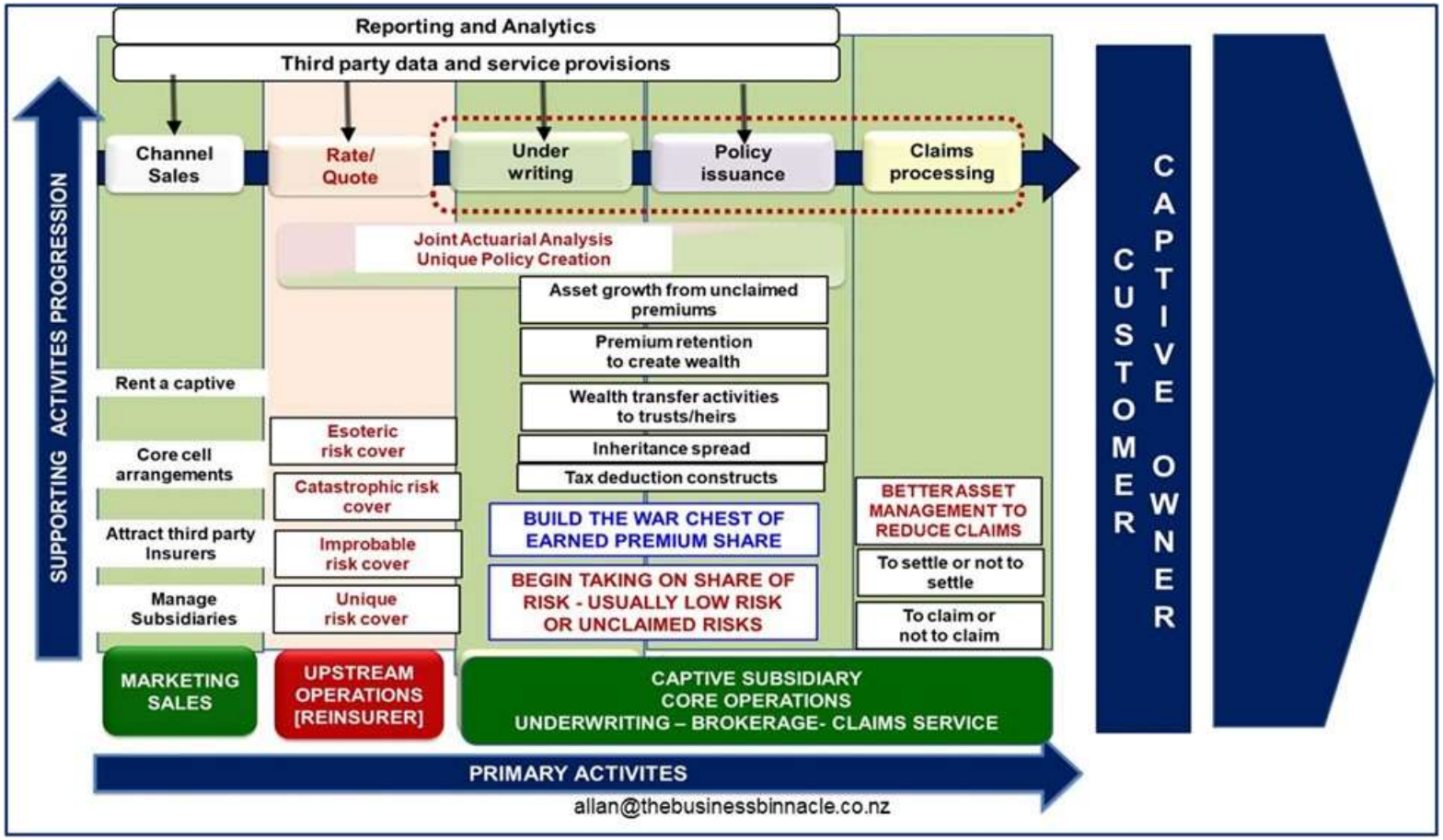
- Major asset owners then deal directly with the Re-insurer or Retro, shift the risk directly to them and retain the commissions that they would have paid to the Underwriter and Broker. Instead, they INSOURCE their services by hiring brokers/underwriters.

- A captive company then builds a war chest from its retained commissions (usually around 30% - 40%) year upon year. Over time they can take some of the minor risks themselves which reduces their premiums drastically. There are numerous advantages that accrue provided they are disciplined, manage their loss ratios well and do not claim unnecessarily.

- The Captive becomes a value-added subsidiary. Successful Alpha males could typically then launch their own Insurance company in competition with the local Underwriters to reinsure the assets of all their supply chain partners by locking them in.

- **THIS IS A TYPICAL CASE OF SEGMENT INVASION FROM OUTSIDE THE INSURANCE INDUSTRY**.

The Customer Owned Captive Insurance Subsidiary
The Strategic Value Chain (SVC)



Original adaptation of Porters Value Chain by Allan Rodrigues, 2017. (The value Chain Approach to the Captive Industry)

The strategic decision to insource or outsource

Adapted from the original by Slack et al (2013:2022)

Out-source the Activity

No

No

D

Can we make significant improvements

yes

No

C

Is our performance superior to the rest of the market

yes

No

B

Is our knowledge special to us

yes

A

Is the activity strategic

yes

In-source the Activity

The insourcing/outsourcing examples of the Petrol companies fighting with their brands but outsourcing the buying and refining off crude oil to another company, or the outsourcing of grape growing to the vineyards are all examples of how non-strategic activities are outsourced on an SVC.

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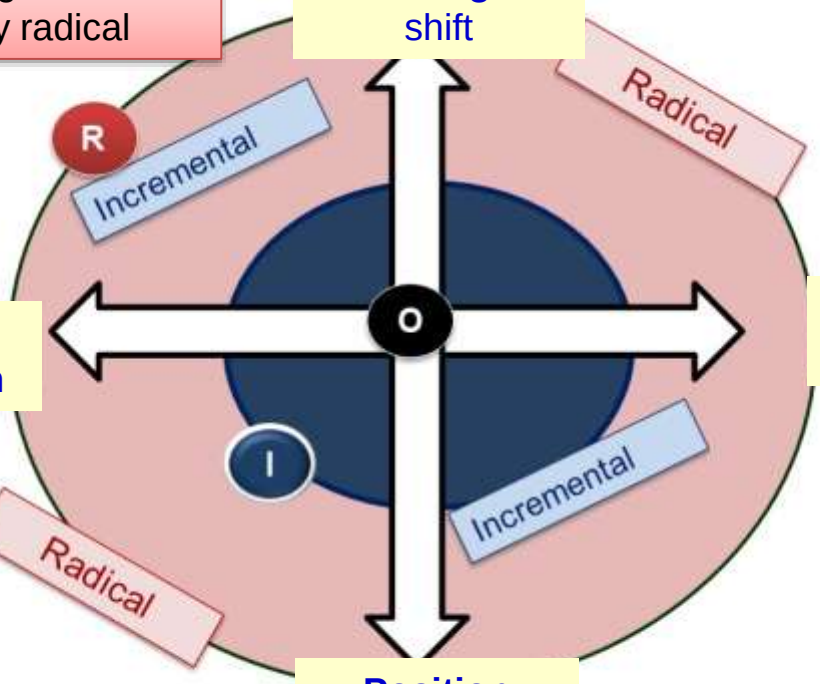
Conversely the insourcing of strategic activities that lie in the silos of other supply chain partners like Scheduling of transportation to avoid risks or delays or the insourcing of Underwriters and Brokers in the Captive Insurance Value Chain demonstrates the need for insourcing critical activities on an SVC.

Innovation is either ‘Radical’ ‘R’ or ‘Incremental’ (I)
It has four dimensions (4Ps of innovation)

RADICAL INNOVATION Creates a disruptive change in the status quo. It creates dominance and provides super profit , value or wealth that can impact on the dynamics of a marketplace and change an industry.
INCREMENTAL INNOVATION is an improvement in efficiency or effectiveness to create value and increase earnings/value. Incremental innovation usually improves the product/service but rarely disrupts the status quo

A Paradigm Shift is usually radical

Paradigm shift



A radical change in Process Efficiency

Process Innovation

An incremental improvement In process efficiency

A new product or service that has never been seen before \

Product/service Innovation

An incrementally better designed product or service from the ones currently operating

Position Innovation

A radical change in Positioning of a company Product or service

An incrementally improved Positioning of a company or product or service

Adapted from Tidd & Besant (2020)

Adapted by Allan Rodrigues from Tidd & Besant (2020)

Innovation drives the SVC
It can be Radical or Incremental

Williams Gas company fired fibre optic cables on their long-distance gas lines to provide telecommunications and gas to change the Telecom industry

Paradigm shift

OTH Microsoft Windows was radical but now provides incremental improvements in its Windows Operating Systems

Greater Ormond Paediatric surgeons used the FERRARI FORMULA 1 racing pit processes to improve infant mortality in surgery

1st Gen iPhone smart phone changed the market

Process Innovation

XP > Vista > w10 W12

Cross docking Radical service method for GSC efficiency

Fiji water

Bausch & Lomb's radical position shift from Ray Bans to laser surgery lenses

Tata Nano produced a radical positioning in price to open up the low-end market for cars

Tata Nano

Position Innovation

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Competitive Advantage in the Global Market Place
The historical Antecedent by Porter (1985:2008) & todays customer

- Michael Porter was the first to determine how successful firms compete to create sustainable competitive advantage as a source of above average profitability and wealth. He described three competitive advantages: namely
- (a) COST, (b) DIFFERENTIATION & (C) FOCUS.

- In COST LEADERSHIP a firm would position itself as the lowest cost producer in its marketplace using volume economies of scale and scope to offer the lowest price and command market share with a large customer base

- DIFFERENTIATION strategies required the firm to be unique in its industry, in ways that were valued by its customers. The logic was that Product Innovation leadership and unique features would attract premium prices.

- FOCUS. The firm focused on a narrow segment in an industry to tailor its products or services to specifically meet those needs. A firm could be cost or differentiated focused on a specific need of that segment.

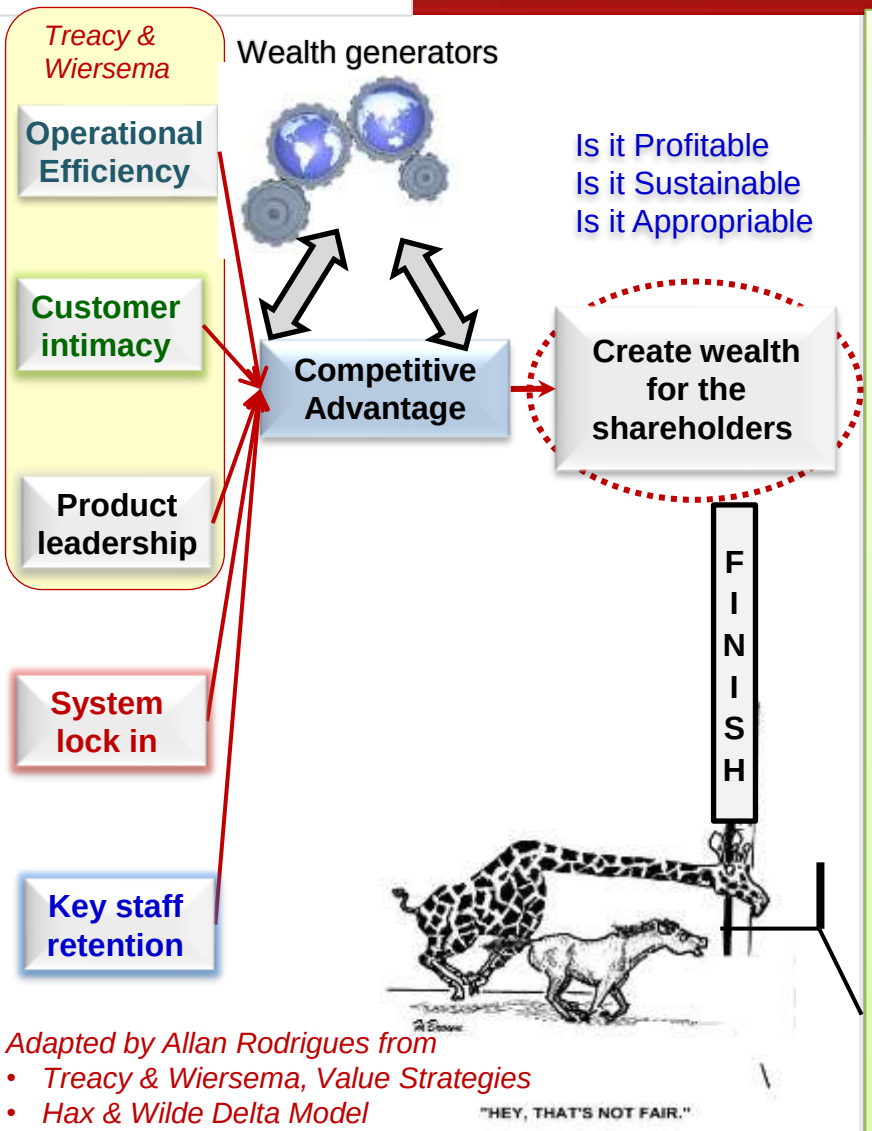
Competitive Scope	← Competitive Advantage →	
	Lower Cost	**Uniqueness**
Broad target	**COST LEADERSHIP**	**DIFFERENTIATION LEADERSHIP**
Narrow target	**COST FOCUS**	**DIFFERENTIATION FOCUS**

The customer today

Sorry I want it all
I'll have the best quality and the lowest price as well
FIGURE IT OUT

Adapted from Porter, M.E (1985:2004) ., "Competitive Advantage". The Free Press. New York.

The traditional route to competitive advantage (CA) has since morphed into a number of key drivers

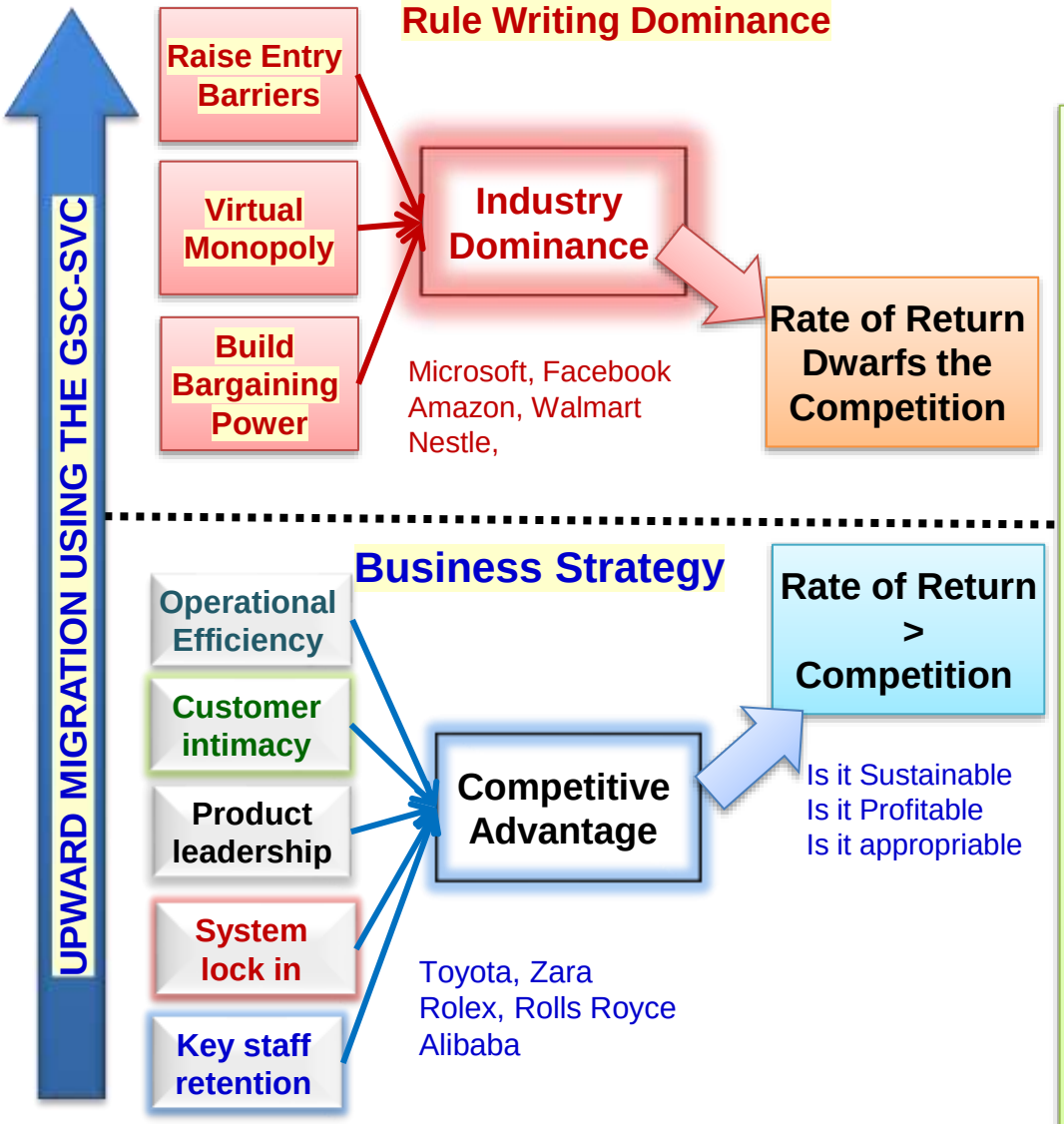


Adapted by Allan Rodrigues from

- *Treacy & Wiersema, Value Strategies*
- *Hax & Wilde Delta Model*
- *Steve Jobs (various fora)*

- There are more recent avatars of competitive advantage used extensively in the market. Local descriptions prevail, but since CA is always linked to creation of wealth, there is tendency to subsume them into five recognizable interactive silos.
- **OPS EFFICIENCY**. Rather than lowest cost, Treacy and Wiersema identified a 'horses for courses' customer driven approach of cost based on customer need. Lean-Agile GSCs take this further to provide the 'DIFOT' highest quality of service, efficiency (agility) at the lowest cost.
- **CUSTOMER INTIMACY**. To drive value from intimately understanding the needs of the customer.
- **PRODUCT LEADERSHIP**. Broad ideation funnels to develop RADICAL & INCREMENTAL INNOVATION. Product leaders change the marketplace. The GSC-SVC interface takes this further towards dominance of a macro environment.
- **SYSTEM LOCK IN (SLI)** . To lock in customers in ways that ensure that they stay with the firm by increasing the barriers to exit. **SLI** works best when the customer voluntarily stays put with the firm. Typical SLI examples include Gillette low-cost razors but a high cost of blades, or Adobe, Microsoft 365 Netflix using subscriptions rather than one-off sales.
- **KEY STAFF RETENTION. CA** does not work if they are not supported by a talented work force able to manage continuous change at the coalface of business

From competitive advantage to dominance
Rewriting the rules of competition in the 21st century



Adapted by Allan Rodrigues from the original by Robert M Grant (2020)

- The convergence marketplace of technology and AI driven business converts information into knowledge instantaneously, making it possible for market entities to avoid competition altogether.
- The current model strives for dominance. Rather than using the traditional route to competitive advantage market behemoths use knowledge at the GSC-SVC interface to invade the value boundaries of their own and other industry SVCs where synergies can be obtained.
- The current grand strategy of the dominant Alpha is to raise the barriers to entry to any new entrant, force legacy competitors to exit the business or become value added resellers (VARs).
- The ability to bring to bear unlimited resources through the LEAN AGILE GSC allows these Alpha Males to overwhelm the competition.
- They create virtual monopolies, build gigantic bargaining power to rewrite the rules for competition in their favour

At the start the GSCs and SVCs are a subset of special knowledge eco systems across the globe These specialist attributes create value on the Strategic Value Chain

The spatial advantages of labour

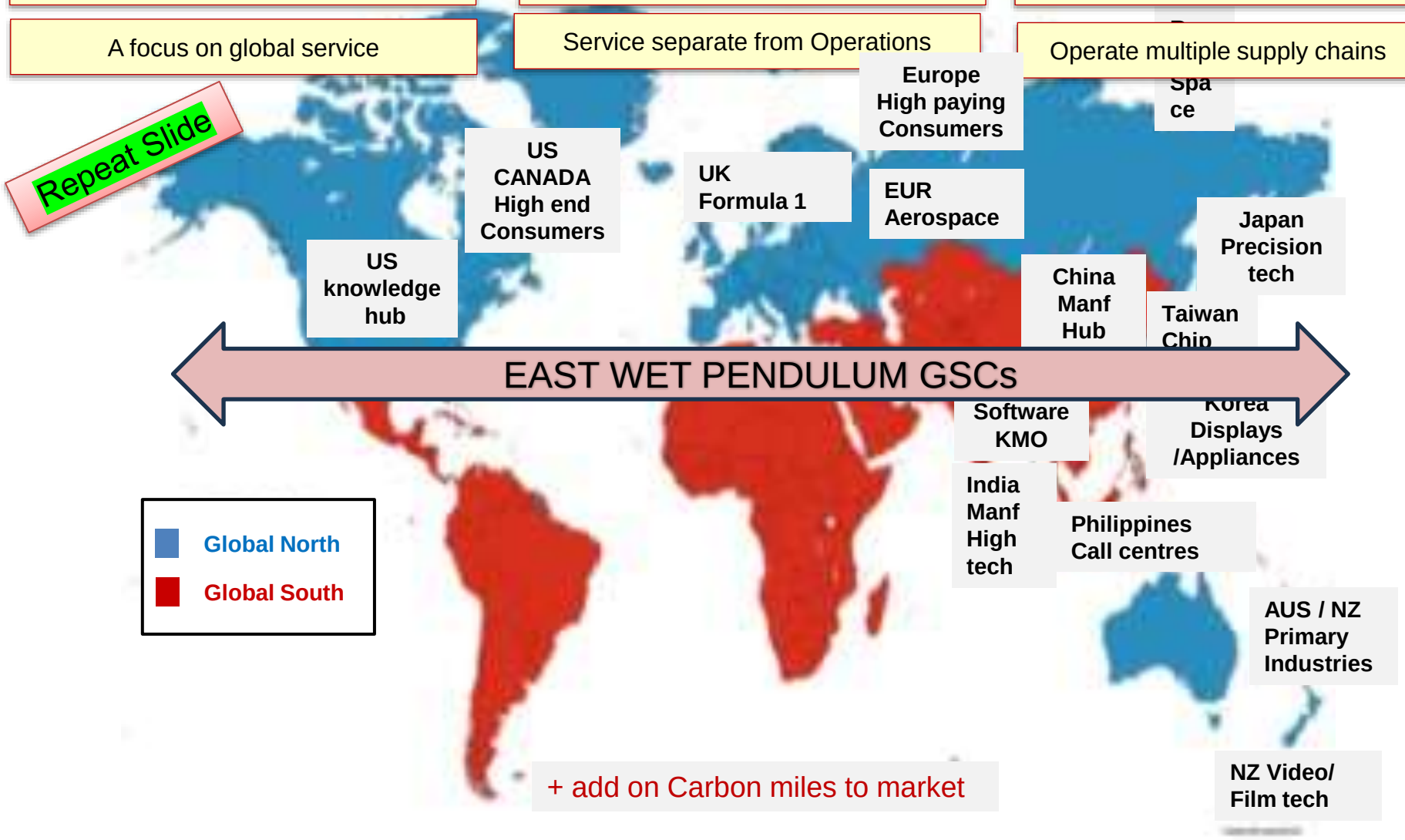
A Trend towards networking

Alliances on the chain

A focus on global service

Service separate from Operations

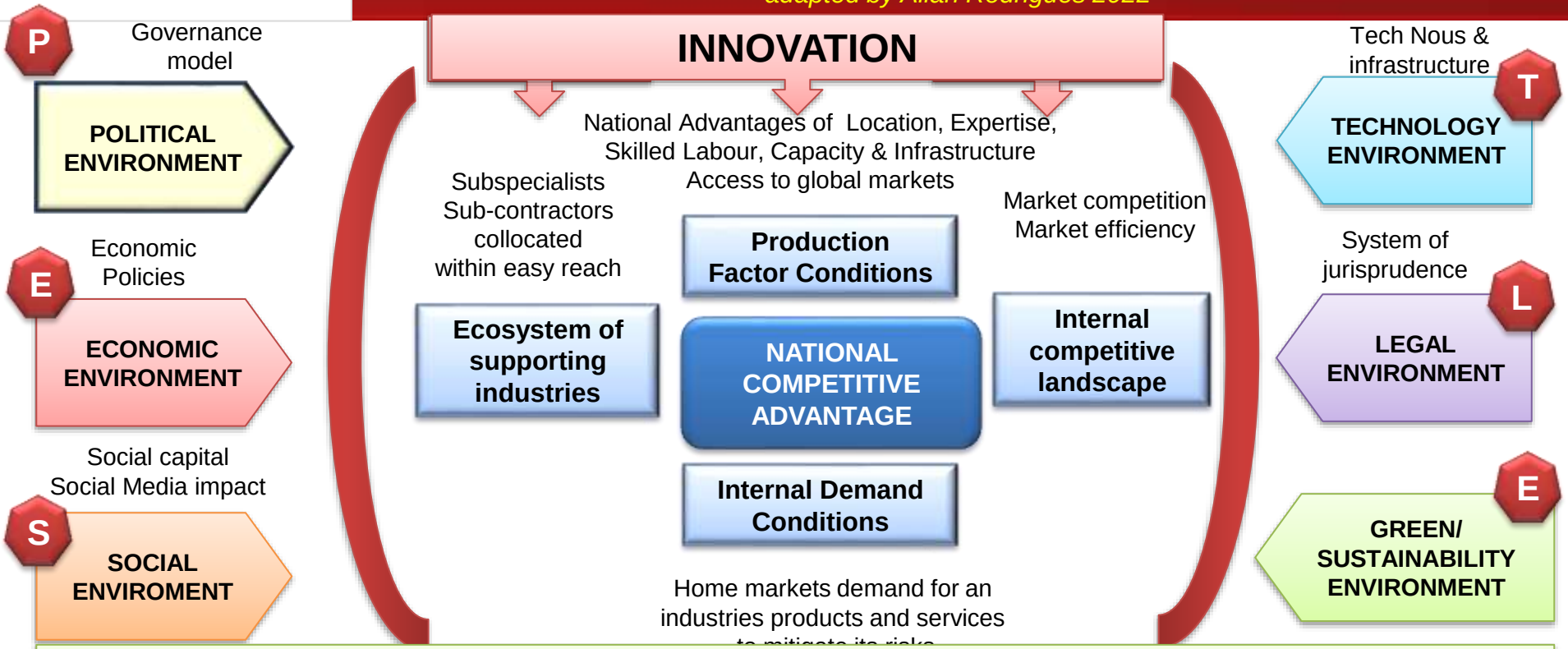
Operate multiple supply chains



+ add on Carbon miles to market

Porter's original competitive advantage of nations adapted to Competitive Positioning in the 21st century

adapted by Allan Rodrigues 2022



- Countries do not have competitive advantage. It is innovation that drives competitiveness. Incremental innovation makes industry efficient. But it is Radical Innovation that shapes industries and rewrites the rules that make a nation great. '
- Porter's mantra must accordingly be read in conjunction with the PESTLE analysis of the macro-environment of the nation and its sources competitive advantage that might range from Location, Expertise, Culture, Morale and Governance. But in the end, it is the competitiveness of its businesses that drive the economic lever that creates dominance.

.

- The PESTLE directly impacts on the RADICAL and INCREMENTAL innovation that drive Production Factor conditions, the eco-system of its supporting industries, its internal competitive landscape and the need for a large home market that mitigates the risk of building capacity to export to the world

The ‘Five C’ analysis for assessing strategic alliances

adapted by Allan Rodrigues from the original 4Cs by Brouthers, Brouthers & Wilkinsons 1995

- **COMPARATIVE SIZE**. Does not mean both partners must be of equal size. Size is in context of the specialist services they offer. A small player fits well into an alliance if it has a sizeable presence in its market, or area of expertise
- **COMPATIBLE GOALS**. The goals of the partners must be compatible with the strategic direction of their own organisations and with each other. This is one of the main reasons why alliances fail.
- **COMPLEMENTARY SKIILLS.** Alliances based on the size of the contribution by each partner (monetary, assets or other value adds) is not enough. Alliances work best when each partner makes a real contribution of its experience, core competencies, access to markets, customers, capabilities and key assets. TRUST DRIVES THE ALLIANCE
- **COMMENSURATE LEVELS OF RISKS** must be borne by each partner based on the size of the reward. Risks must be shared for the alliance to work. If not one partner might hold back or delay or hold back actions to preserve its assets and let the other take the risk.
- **COOPERATIVE CULTURE**.. Poor chemistry, abrasive interactions between partners based on relative size can be avoided and even managed. Incompatibility however cannot be overcome. Partner firms should concentrate on why they make compatible bed fellows instead. This is the challenge that each party must address.

https://www.thebusinessbinnacle.co.nz/services/strategic-alliances/

Problems with partnering
Painter's stages of development

FORMING

Assemble talent
Structure the alliance
Allocate responsibility
Decide skill boundary
Set up communicatio

STORMING

Frank discussions
Conflict resolution
Culture differences
Working relationships

NORMING

Standardise procedures
Develop new culture
Joint responsibility
Performance measure

PERFORMING

High performance
Meeting milestones
High morale

EXIT POLICY

Decide the exit policy at Norming on how value, costs, liabilities, assets customer access are to be shared or distributed.

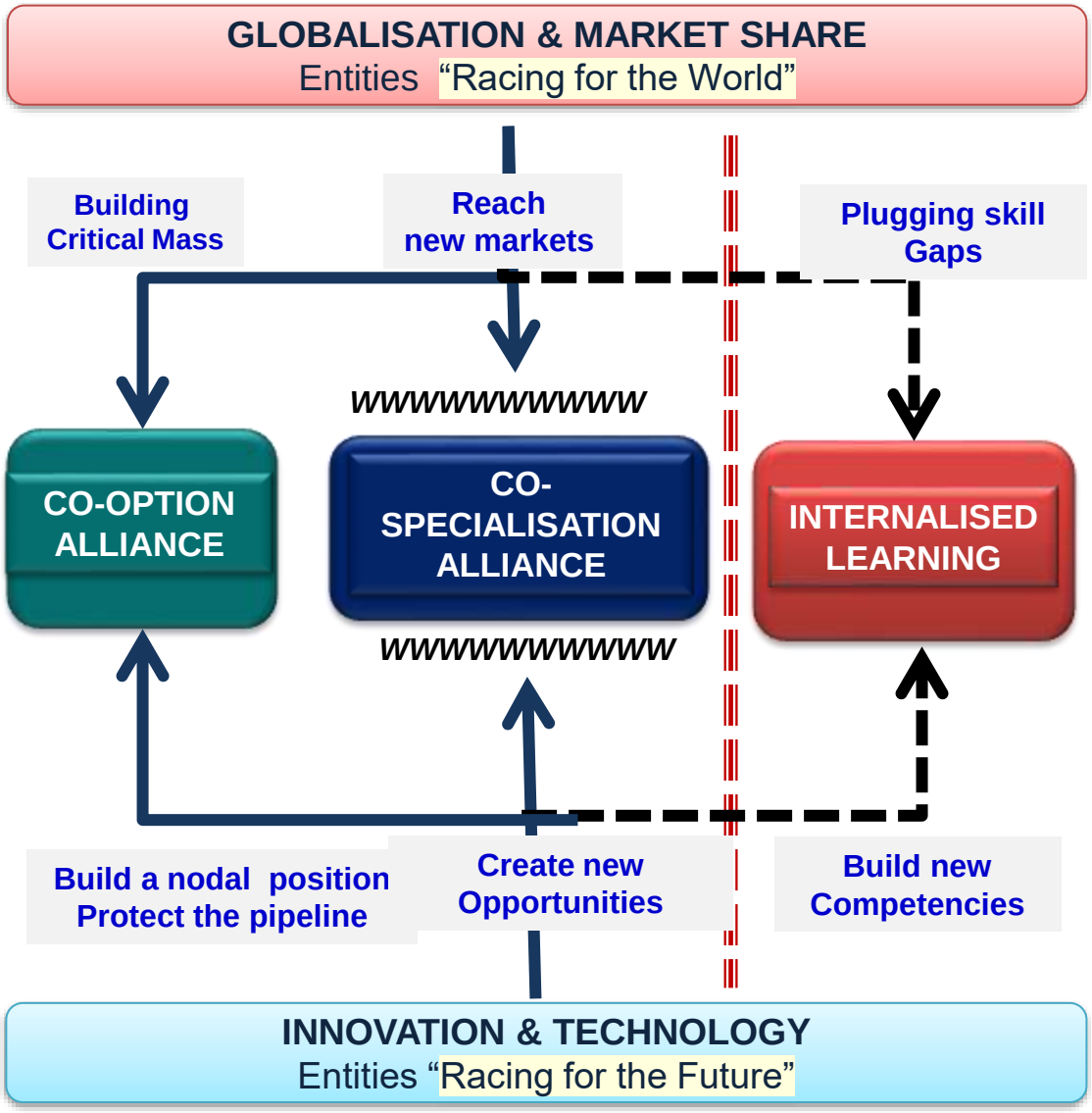
REFORMING/ TERMINATION

Reforming again
Set new norms
Terminating
Exit policy

Adapted by Allan Rodrigues from Painter et al (1997: 2024).

The Alliance Advantage 'Co-opetiton' Versus 'Competition'

adapted by Allan Rodrigues 2020 from the original model by from the Doz & Hamel 1998



Doz & Hamel's 1998 in their seminal work built the alliance advantage model that has morphed into several adaptations since. The logic of the model is that an alliance consists of :

- ❑ **ENTITIES RACING FOR THE WORLD** or market share and dominance, and:
- ❑ **ENTITIES RACING FOR THE FUTURE** driven by innovation and invention.

They meet at three interfaces each with their own motivations to build or gain something

- ❑ **CO-OPTION** alliances where one entity develops a standalone product but needs market or global access
- ❑ **CO-SPECIALISATION** alliances where both entities need to join their respective core-competencies to jointly produce a product/service that they could not do alone
- ❑ **INTERNALISED LEARNING** where one party seeks to build new innovative competencies and the other tries to plug a skill gap. This creates a 'hidden learning agenda"

The Alliance Advantage 'Co-opetiton' Versus 'Competition'

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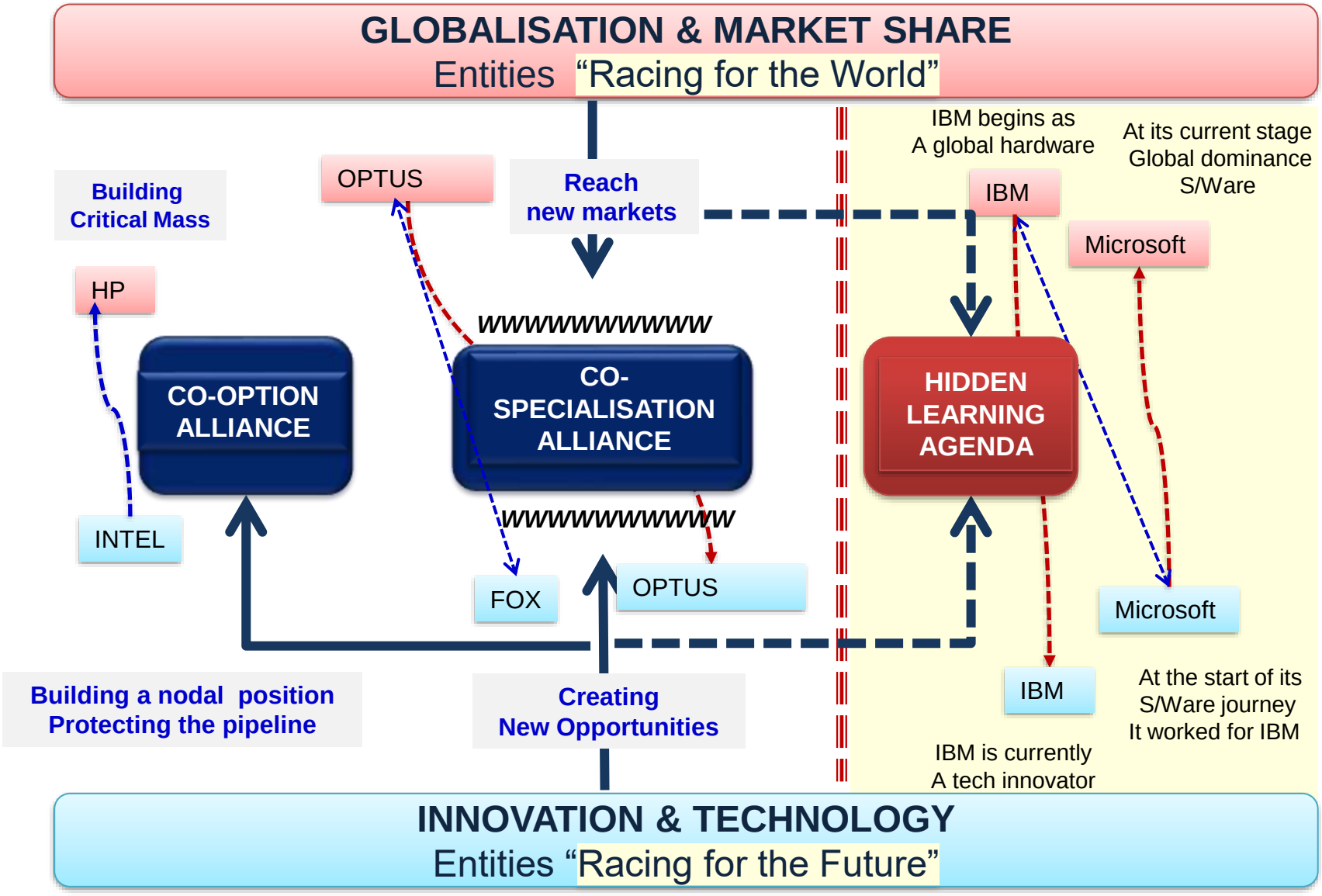
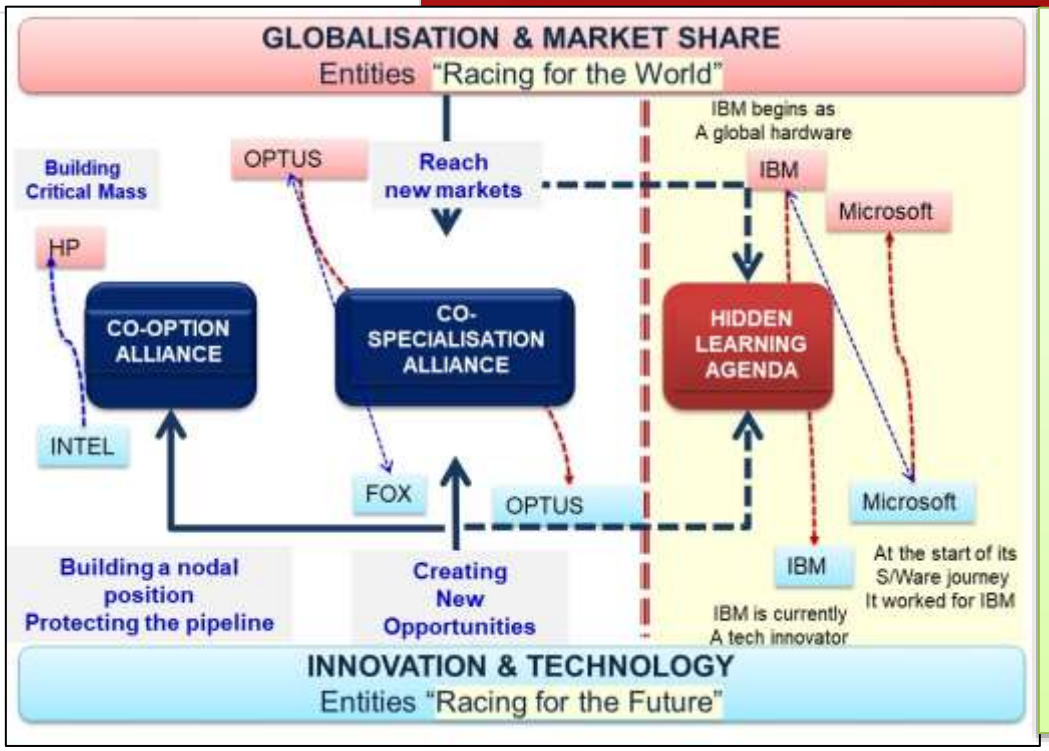


Strategic Alliance – Advantages, Pitfalls & the Hidden Agenda

adapted by Allan Rodrigues 2020 from the original model by from the Doz & Hamel 1998



COOPTION ALLIANCE are easier to manage. The global player acquires a product for a price e.g. HP or Dell buys an Intel chip and uses it on its a PC/Laptop. The Global entity has the market reach that the innovator needs.

The Intel has to protect itself, or it will be replaced by a competitor. It uses investment in research and development to build upgrades making it difficult to be replaced easily.

CO_SPECIALISATION ALLIANCES are difficult. Each partner has a skill that must be combined with the skills of the other partner. The difficulty is that the staff at the coalface are loyal to their own organisation and chain of command. The key is to make them loyal to the alliance.

Examples are Optus provides satellite carriage for News and Sports and Fox (SKY) DTH provides the last mile to the home.

- There is a HIDDEN LEARNING AGENDA as learning is internalised especially with CO-SPEC alliances. Each party learns the others business over time and seeks to replace the other.

- In CO-OPT alliances the Global entity looks for another player that is better/cheaper. To protect itself the innovator must invest in R & D and knowledge to be ahead of the knowledge curve or die or be replaced.

.

- In CO-SPEC alliances segment invasions are common. OPTUS SATCOM .a long-haul telco provider entered the last mile of the DTH business in direct competition with FOX(SKY). . Likewise, Microsoft which was an innovative software provider to IBM with a global reach but became a Global Behemoth itself. IBM then became an innovative hardware provider racing for the future to support the needs of the software industry. A reversal of roles.

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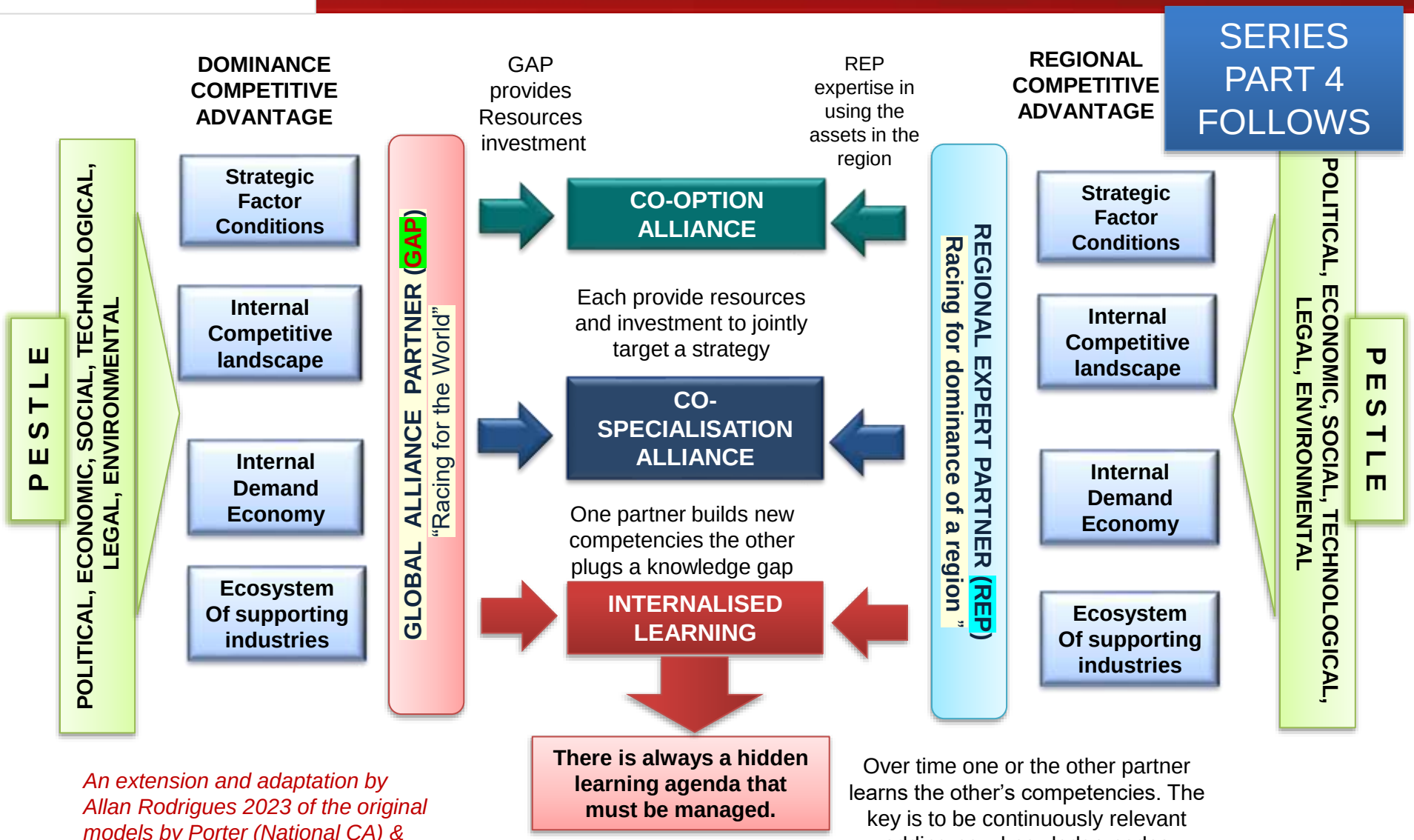
- **COMPLEMENTARY SKIILLS.** Alliances based on the size of the contribution by each partner (monetary, assets or other value adds) is not enough. Alliances work best when each partner makes a real contribution of its experience, core competencies, access to markets, customers, capabilities and key assets. TRUST DRIVES THE ALLIANCE
- **COMMENSURATE LEVELS OF RISKS** must be borne by each partner based on the size of the reward. Risks must be shared for the alliance to work. If not one partner might hold back or delay or hold back actions to preserve its assets and let the other take the risk.
- **COOPERATIVE CULTURE**.. Poor chemistry, abrasive interactions between partners based on relative size can be avoided and even managed. Incompatibility however cannot be overcome. Partner firms should concentrate on why they make compatible bed fellows instead. This is the challenge that each party must address.

https://www.thebusinessbinnacle.co.nz/services/strategic-alliances/

National Level Competitive Advantage & Alliance Advantage Model
The resource driven view towards the theaterisation of commerce



An extension and adaptation by Allan Rodrigues 2023 of the original models by Porter (National CA) & Doz and Hamel (Alliance Advantage

Over time one or the other partner learns the other's competencies. The key is to be continuously relevant adding new knowledge nodes

PART 4 – FOLLOWS

Global Optimisation of the principal Global Supply chains of NZ

To restructure and realign the Global Supply Chain Assets and operations
of the Key shippers, Gateway Ports , Dry Ports, Freight & Inland Hubs
of New Zealand

- DETERMINING THE RHYTHM AND CADENCE OF THE GSCs -SVCs
- MANAGING THE TYRANNY OF TIME AND DISTANCE
- TRANSPORTING RESOURCES ON TIME, IN FULL, WHEN NEEDED
- MANAGING CONGESTION AND CAPACITY INVESTMENT UPGRADES
- MANAGING STRATEGIC ALLIANCES AND SCORECARDING FOR PERFORMANCE

A topline presentation for C-SUITE Managers

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