



PD14

International Business

Standards

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Unit purpose and aim

The aim of this option unit is to provide candidates with the knowledge required to plan, implement and manage the global flow of materials from their source to the end user within the overall framework of an organisation's business strategy. The unit deals with the complex issues of the identification and management of risk inherent in an international supply chain and how government trade policies/promotion and inter-governmental regulation impact on international business practice. The key issues involved in developing a global logistics strategy and delivering the competence necessary to implement and manage a global logistics operation will be also be addressed. A key element will be the contribution to successful fulfilment of the broader commercial and financial issues associated with international commerce and trade.

Elements

- PD14-1 The International Business Environment
- PD14-2 Developing a Global Logistics Strategy
- PD14-3 Global Logistics Operations and Facilities
- PD14-4 International Commerce

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Element PD14-1

The International Business Environment

Learning Outcomes

The learner will:

1.1. Understand the core components of global flow management in the context of an organisation's international business strategy.

1.2. Understand the various governmental/inter-governmental/non-governmental organisations, regulatory bodies and international conventions that impact on international supply chain management.

1.3. Understand the factors that contribute to a successful global logistics strategy.

1.4. Know the risks inherent in international commerce.

Assessment Criteria

The learner can:

1.1.1. Evaluate the impact of external influences on an organisation's international business strategy.

1.2.1. Relate the role of the various organisations and conventions to the management of an international supply chain.

1.3.1. Determine the service factors and operational issues that must be considered when establishing a global supply chain strategy.

1.4.1. Develop strategies for the management of operational and financial risk in the context of an international supply chain.

Indicative Content

Core components of global flow management

Strategic Trade theory and the Role of International Business. Forces for globalisation: competitive situation; impact of technology; the market place; the legal framework. Controlling Supply Chain flows: designing the product; setting service objectives; use of information systems; physical flows; control systems. Global integration: strategic impact; impact on management; effects on organisational structures; geographic integration; functional integration; supply chain integration.

Governmental/inter-governmental/non-governmental organisations, regulatory bodies and international conventions

International bodies: GATT; WTO; International Chamber of Commerce; FITA. Intergovernmental organisations: EU; NAFTA. Governmental Organisations: HM Customs and Excise; DTI. NGOs: SITPRO; UK Chamber of Commerce. International Conventions: UNDROIT.

Factors in global logistics strategy

Competitive frameworks. Financial strategy. Network requirements linked to service, quality cost and time.

Risks

Financial: managing exchange rate exposure; managing economic exposure. Operational risk: plan for interruption, logistics network interruptions, customer-driven problems. Supply chain inhibitors: supply and demand conflict; communications; functional barriers; trust; forecast accuracy.

Element PD14-2

Developing a Global Logistics Strategy

Learning Outcomes

The learner will:

2.1. Understand the key steps in the process of international logistics network design and facility location.

2.2. Know the various channel options for global sourcing and distribution and their respective effects on the supply chain.

2.3. Know the requirements for an information system for supporting a global logistics network.

2.4. Understand the main cost sources and service level measures associated with global logistics, commerce and trade.

2.5. Understand the main service level measures associated with international business.

Assessment Criteria

The learner can:

2.1.1. Outline the logistics network design process and prepare contingency plans for network interruptions.

2.2.1. Harmonise the respective aims and objectives of the international supply chain partners and translate them into a logistical plan.

2.3.1. Outline a suitable information system for supporting and managing an international supply chain.

2.4.1. Identify and use costing information to manage and control an international supply chain.

2.5.1. Identify and use service level measures to manage and control an international supply chain.

Indicative Content

Network design and facility location	Strategic fit and scope. Infrastructure requirements. Trade-offs between numbers, locations types and responsiveness. Distribution requirements planning. Support requirements.
Channel options	Market Potential/Entry strategies: geographic diversification; exporting; licensing; joint ventures. Direct Ownership.
Information systems	Strategic role of information systems: supply chain planning; information. Supply chain role: selling; order/ transaction processing; customer order fulfilment; manufacturing flow; procurement; product development. Financial and Accounting Control: management accounting; cost control; budgets; performance management.
Cost sources	Controllable elements: customer service; inventory; packaging; transportation; warehouse and storage. Uncontrollable elements: economic; competition; technology; geography; social and cultural; political and legal. Strategies for Global logistics: rapid product introduction; market focus; agile supply chains; expanded services; innovative channels.
Service level measures	Cost to Serve by channel.

Element PD14-3

Global Logistics Operations and Facilities

Learning Outcomes

The learner will:

- 3.1. Know the scope and characteristics of the different international transport modes and facilities.
- 3.2. Know the relevant legal and contractual considerations and controls associated with international logistics, commerce and trade.
- 3.3. Understand the factors that contribute to the successful administration and control of a global supply chain.

Assessment Criteria

The learner can:

- 3.1.1. Design the tactics to implement an international logistics chain strategy.
- 3.2.1. Identify the relevant regulations and controls for an international supply chain and design a plan of compliance.
- 3.3.1. Plan a monitoring and control strategy for an international supply chain.

Indicative Content

International transport modes and facilities	Land, sea, air alternatives and variations; intermodal, multi-modal. Associated facilities and requirements. Equipment Types. Use of own managed v outsourced: 3PL; 4PL.
Legal and contractual considerations	Relevant regulations. Laws of contract: express terms; implied terms; innominate terms; consumer contracts. Incoterms. Impact of E-Business on International Business. Customs and Excise requirements. Documentation; airway bills; certificate of origin; commercial invoice; ocean bill of lading; packing lists; shipper's export declaration; export licences.
Administration and control factors	Internal organisation: setting up an import and shipping office. Contracting out: export companies; international freight forwarders; Non-Vessel Operating Common Carrier. Supply Chain metrics. Product safety.

Element PD14-4

International Commerce

Learning Outcomes

The learner will:

4.1. Know the types of trade and terms of payment commonly in use for international commerce, and their implications.

4.2. Know the types of insurance cover employed in international commerce to minimise financial and operational loss.

4.3. Understand the process of organising a financial transaction exchange to cost advantage and to minimise risk.

4.4. Understand the process of costing and the costing structures for pricing the elements of an international transaction, and their impact on product pricing.

Assessment Criteria

The learner can:

4.1.1. Identify and prepare relevant commercial documentation for an international commercial transaction.

4.2.1. Assess the risk in an international transaction and apply suitable contracts and cover to mitigate it.

4.3.1. Implement a financial exchange at minimum cost and risk.

4.4.1. Assess the costs of a commercial transaction and relate them to product pricing.

Indicative Content

Types of trade and payment terms	Trade terms/Incoterms. Payment terms. Sources of export credit. Electronic commerce: UN-Edifact standards; internet-based projects; data protection; data security.
Insurance cover	Principles. Types of cover: open; annual; the London market. Insured values.
Financial transactions	Price determination. Payment method. Bank finance: factoring; forfeiting. Guarantees and bonds, letters of credit. Foreign exchange. Managing economic and exchange rate exposure. Raising credit; credit Insurance.
Costing and costing structures	Price Determination. Total Distribution Costs. Cost-to-serve by channel.