outsourced to China (Industry Canada, 2007). Foreign subsidiaries of multinationals in China account for over a quarter of that country's industrial production and 58% of Chinese exports and provide jobs for over 10 million people (Sydor, 2006). However, offshoring production activities also benefits other Asian countries and growth is being observed in emerging countries in Central and South America as well as in Eastern Europe.

In Canada, this phenomenon certainly affects companies working in traditional sectors such as clothing (Gildan) and furniture (Shermag), but the same trend can be seen in hi-tech sectors such as aeronautics. In fact, Pratt& Whitney Canada has production activities in Poland and Bombardier Aerospace manufactures electrical harnesses and other components in Mexico and China.

There are numerous consequences of this globalization of supply sources (global sourcing). First, companies obviously enjoy the advantages associated with lower production costs, which unfortunately come with ever-increasing transportation costs and the need to maintain more inventories locally to ensure the continuity of their operations during the supply period, and this in turn generates increased warehousing and inventory holding costs. In some cases, more rapid transportation methods such as air transport are preferred, rather than the slower method of shipping by sea, but there again, this increases transportation costs significantly. According to Industry Canada (2007), the time frame for outsourcing products to China varies from a minimum of one to three months, to a maximum of three to six months.

There are other consequences of this phenomenon such as additional delays owing to port congestion and capacity problems experienced by foreign suppliers as their popularity increases. Other challenges are errors in the orders received and problems with the quality of the products delivered. Avoiding these risks often means increasing the level of inventory kept locally or setting up alternative supply sources, which increases complexity and operating costs.

The 1990s brought predictions that conventional distribution centres would disappear because of the increasing popularity of cross-docking centres. Today, the use of outsourcing to countries with low production costs makes it necessary to keep more inventories locally and the number of distribution centres is virtually exploding. In fact, investment in new distribution centres rose by 60% between 2001 and 2007 (Industry Canada, 2007). Examples of such centres are the new facilities of The Aldo Group, The Hockey Company, Alimentation Couche-Tard and Canadian Tire, and these are just the ones in Greater Montreal.

Again, according to Industry Canada (2007), barely 43% of Canadian companies that chose to outsource to countries with low production costs reported that they had successfully lowered the total delivered cost of their products as a result. To achieve this result, these companies adopted a number of best practices, presented in Table 4.