

Supply Chain Management: Li & Fung Case Study

Analyzing the relationship between the international supply chain and the seven principles of supply chain management introduced by Li & Fung, it can be stated that the principles are mainly concerned with optimizing suppliers' share. The focus on the customers as one of the factors (Czinkota, Ronkainen and Moffett 468) is delivered through breaking and dissecting the value chain in order to bring the price and delivery time for the customers (Magretta 104). In that regard, based on the depiction of the international supply chain (Czinkota, Ronkainen and Moffett), it is possible to state that the suppliers' share contained such elements as transportation, storage, where the principles promoted by Li & Fung focused on breaking each section down regarding several different suppliers, which is called dispersed manufacturing (ibid.). Dispersed manufacturing and its management can be considered one of the breakthroughs of Li & Fung; the success of this strategy was based on the seven principles advocated by the company. For example, outsourcing non-core activities implied that the sections distributed globally were operated in a way that allowed controlling the quality of manufacturing while "information technology dependent operation optimization" made sure that those sections and activities were controlled and coordinated.

Regarding the most important components of management of relations between the customers and the suppliers, one may see that Li & Fung's key success factors can be found in increasing "the efficiency of its internal operations and managerial processes that span across the small, customer-oriented units within the company" (Martinsons 574). In that regard, time and costs are two factors, controlling and improving which can be considered the priority of supply chain management. Thus, the factors of success in international supply chain management

and the strategies derived from them are concerned with “who”, i.e. global suppliers, and “how”, i.e. through dispersed manufacturing, as well as with the focus on customers and leveraging the Internet. Correspondingly, each of these components are being continuously improved through shortening production lead time, lowering sourcing, ware housing, and transportation costs (Czinkota, Ronkainen and Moffett 468).

Another factor that should be considered influential in the case of Li & Fung in particular and international supply chain management in general is knowledge management. It follows from the scheme of an international supply chain provided in the textbook that the interaction between various parts and activities of the supply chain is mainly based on effective information exchange, a factor which was outlined in building a triple-A (Agile, Adaptable, and Aligned) supply chain (Lee 105). Obtaining the information about the best available suppliers and providing it to the customers and other partners can be seen as one of the key success factors in international supply chain management. In addition, it is possible to state that leveraging the Internet and information technologies was largely driven by the desire to increase effectiveness and reduce response time when exchanging information between all the parties involved.

Another success factor that can be outlined in the case of Li & Fung is control. Time and costs are both good indicators of focus on customer; nevertheless, the quality of a product is a crucial factor as well. Accordingly, dispersing the value chain and outsourcing non-core activities makes it difficult to control all the aspects existing within the supply chain. Li & Fung focused on maintaining control over the front and back end operations (Power 258).

The Li & Fung case is very useful for those who are interested in supply chain management. It shows what a large range of factors managers should consider in order to make the supply chain effective.

Works Cited

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