

Li and fung critical essay



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BUSTER**

What has been the historic strength and strategy for Li and Fung? Since Li and Fung was founded in 1906, the company has more than 100 years of history and it is the main historic strength of Li and Fung. It accumulated lots of information and experience, which other competitors couldn't have owned without such a strong historic background. Li and Fung is a publicly traded family company. Speed, Solidarity, authenticity, trust, and control are the benefits to running a family business.

For example, in a family business, people can think something in the morning and begin working on it in the afternoon; after all, the family is a natural team. Trust is essential in all business and family businesses get a high level of trust among family members. In the early 1970s, Fung brothers who were both educated at Harvard Business School returned from the United States. Fung brothers' returned heralded Li and Fung's transition from a family-owned business to a professionally managed firm, with a planning and budgeting system in place for the first time.

As more source of supply emerged in the rapidly industrializing Asian economies, Li and Fung expanded its regional network of offices throughout the Asia-Pacific region and this can be contributed to the fact that Li and Fung was Hong Kong based. By 2000, Li and Fung became a \$2 billion global export trading company sourcing and managing the global supply chain for high-volume, time-sensitive consumer goods. 69% of Li and Fung's sales were in the United States and 27% in Europe.

With 48 offices in 32 countries, the company provided value-added services across the entire supply chain in a so-called "borderless" manufacturing environment. Therefore, Li and Fung clients benefited in

several ways: supply-chain customization could shorten order fulfillment from three months to five weeks, and this faster turnaround allowed clients to reduce inventory costs. Moreover, in its role as a middleman, Li and Fung reduced matching and credit risks, and also offered quality assurance to its customers.

Furthermore, with a global sourcing network and economies of scales. Li and Fung could offer lower cost and more flexible sourcing than its competitors. Li and Fung even started offering clients virtual manufacturing, or product design services. Li and Fung was entrepreneurial, allowing senior managers to run 90 small, worldwide management teams as separate and individual companies. These dedicated teams of product specialists focused on the needs of specific customers and were grouped under a Li and Fung corporate umbrella that provided centralized IT, financial and administrative support from Hong Kong. This decentralized corporate structure allowed for adaptability and rapid reaction to seasonal shifts. In Li and Fung, performance-based promotion and compensation were cardinal principles. Each Li and Fung's top executives negotiated individual compensation packages. Li and Fung bonuses were based on profits without ceiling.