

# Shanghai good partners foodstuffs co

[Business](#), [Company](#)



## 1. Introduction

Shanghai Good Partners Foodstuffs Co., Ltd was established in 1992, with a total investment of 1.6 million US dollars. It is solely owned by a Taiwanese businessman, Mr. Yew, who is also the Chief Executive Officer of the company.

The company was established at a crucial time in China's recent history. While China and Taiwan were still at loggerheads with each other over political issues, bilateral trades have thrived. China, especially its Eastern and Southern coastal regions, have enjoyed tremendous economic growth ever since the country's economic reform in the early 1980s. Direct Foreign Investment into China has steadily increased over the years. It was obvious that the main initial incentive that has attracted many foreign investors was the cheap labour cost offered by China. However, with a population over the size of 1.6 billion and ever increasing in its purchasing power, China has been acknowledged as a potentially huge market that many foreign companies want to have a share of.

Direct Foreign Investment in China in the food sector is represented by Multinational Companies such as Coca Cola and Nestle. Most of the small and medium-sized food companies that have entered China have come from Taiwan. Taiwanese companies enjoy the same tax incentives offered by Chinese government to foreign investors. Moreover, because Taiwan and China share the same cultural background and language, many Taiwanese businessmen find it easier to do business in mainland China than elsewhere.

Good Partner Foodstuffs Co., Ltd is headquartered in Shanghai, the commercial hub of China. In the year 2000, two other factories in Nantong and Xian were built and started operating, as a result of the company's objective to reach some of the less developed markets in inland China. The manufacturing plant in Shanghai is located in Ming Hang Industrial Park, one of the first of such industrial parks that have established in China. The site of the plant is a previous warehouse of Shanghai Pepsi Co., Ltd, occupying about 13, 000 m<sup>2</sup> of land. When the company rented the site in 1992, it has undertaken a substantive project to modify the layout of the plant to suit its own needs.

The main products manufactured by Good Partner Foodstuffs Co., Ltd are Soft flour cake and Pollock fish slice. As both are traditional Taiwanese snacks, the direct translation of their names into English may not best capture their nature.

## 2. The organization of the company

As the Chief Executive Officer Mr. Yew has to coordinate company activities both in Shanghai and the other two cities, he is on business trip for most time of the year. Mr. Yew has thus delegated full managerial authority to Mr. Deng, the General Manager.

The General Manager, Mr. Deng has worked in the food industry for very long, and has extensive connections with suppliers and distributors in Shanghai and neighboring provinces. Prior to joining Good Partners in 1993, he was the General Manager of a Sino-US joint-ventured confectionary

company and was very well known in his circle. Mr. Yew has never been involved in food-related business before he came to mainland China and was faced with lots of problems when the company first started up. He was impressed by Mr. Deng's rich experience and has invited him to take charge of the company in 1993 with very good remuneration packages. The Advisor to General Manager and the other managers in charge of production, purchasing and facility management are all long-time friends or old colleagues of Mr. Deng and have all joined the company at Mr. Deng's referrals.

As can be seen from Figure 1, the organizational structure of Good Partner is relatively flat. The authority is centralized into the hands of Mr. Deng who exerts full control and makes all important decisions in the company, with the exception of obtaining capital and investment which are controlled by the CEO. The whole management team of Shanghai Good Partners works in a compact building comprising of 5 large offices and one conference room sited only 200 meters away from the actual manufacturing plant.

As a result of this and Mr. Deng's close relationship with some of his subordinates, the level of formalization and degree of bureaucracy within the company is low. After all, Good Partner is a small company. A manager's telephone discussion with a supplier or customer can be heard throughout the office and information gets around quickly. Mr. Deng, like all Chinese managers, prefers personal interaction to the use of memos or any other kinds of paperwork.

It seems that the company does not have a very clear mission statement. And there are no clearly written job descriptions for each staff. Rather, the company is operating in a way as to respond to various kinds of changes as the situation arises. Thus, non-routine problems often arise and the manager concerned is often unsure whether it is his responsibility to get the problem solved. So, important issues are always referred to Mr. Deng in a timely manner and Mr. Deng makes decisions quickly.

Mr. Deng's personal friendship with his subordinates has not deterred him from exerting full control within the company. Should a staff had made an individual decision that he himself disagreed with, Mr. Deng is always quick to let his anger known. As a result, during my stay in the company, I have not observed or heard anything such as interdepartmental bargaining, that is usually very common in a large organization. Mr. Deng decision is final, and all departments have to accept and implement that decision. This might have led to feeling of demotivation and dissatisfaction among some of the staffs as they are left out of the crucial decision-making process in which they should have a say.

The rest of the management teams include the managers in charge of Quality Assurance, Human Resource and Accounting. The nephew of the CEO, also known as Mr. Yew, takes the position of Plant Manager. His role is to update the CEO on important issues and give advice to Mr. Deng while the CEO is away.

The department of Sales and Marketing has its own separate office in downtown Shanghai and is under the direct control of the CEO. It deals

primarily with current and potential sales representatives and distributors from all of China.

## 2. Human Resource

Full time employees only make up less than 10% of the total working staffs in Shanghai Good Partners. They include the various managers, accountants, food technologists and a few lorry drivers who are responsible for delivering goods to customers within Shanghai. The rest is accounted for by the several hundred hourly-waged general laborers.

Although the demand for Soft flour cake and Pollock fish slice is not seasonal in a strict sense, the number and size of orders that come in do vary quite a bit depending on the time of the year. In Shanghai Good Partners, the degree of production automation is not very high and the packaging stage of the production is almost entirely done manually. Thus there is a constant need for an abundant supply of workers, especially when the schedule gets busy.

China is well known for its millions of flowing migrant workers. Large cities such as Shanghai are often favored destinations for these workers because jobs here are abundant and better paid. Shanghai Good Partners employs around 300 female workers for the packaging of the food products at any time of the year. Figure 2 shows the picture taken in the packaging room of the plant.

Fig. 2 Packaging stage of the food products.

As the Ming Hang Industrial Park is quite concentrated with job-seeking workers, recruitment often occurs by walk-ins of the workers or by friends' referrals. There is usually a short training course for the newly recruited workers. As workers involved in packaging are not exposed to any major hazards, training for them often centers on issues of personal hygiene. However, as packaging by hand for extended period is very physically demanding, many of the female recruits have found the work very hard. And I was told that after a few days of starting the job, many recruits' hands become red and swollen, as a result of constant handling of the packaging material. The company has not considered any way to help workers to get through this stage and those workers who cannot endure it are advised to leave. Although in my view this is also a form of work related hazard, it seems that nothing has been done at this stage.

For other male workers that have to work near machines and hot surfaces that has temperature in excess of 100° C, general safety induction programs are often conducted to caution them against these hazards. However, in the plant I have seen many workers without gloves or any other protection equipments. Also, the floor is often wet and slippery and it seems that these hazards have not caught anyone's attention. There have been many horrible accidents in food manufacturing plants reported in the Chinese media in which workers were badly injured or killed by hot solutions and equipments. I have expressed my concerns to some of the friendly first-line production supervisors but they told me that foolproof prevention could only be achieved if the top management was committed to it.

Good Partners has developed its own set of reward systems to motivate its staffs. Many of the managerial staffs have worked in Good Partners since its establishment and they are regarded as an asset to the company.

Remunerations for these staffs are very generous, including extra bonuses at the end of the year when the business is performing well.

For the part time hourly-waged workers, wages could be as low as 60 cents per hour in New Zealand dollar. However, what encouraged me were these workers' good spirits and the fact that they seem to be happy with simply having the jobs. Pay-rise for these workers are not an issue at all in Good Partners since there is no problem at all in getting new recruits in the Industrial Park. What the company has failed to realize is that although the packaging and production phase only involves a minimum level of skill, loss of adept workers could also incur high costs for the company. For instance, it usually takes 2 to 3 months for a female recruit to become adept in packaging the Soft Flour Cake. Recruits who leave the company just after they start to become familiarized with the procedure will result in lower productivity in the company.

In the third week since I have joined the company, the night-shift first-line production supervisor has resigned. He has worked in Good Partner for six years and his resignation was approved promptly by the Human Resource Manager the day after he sent in the letter. He told me he felt that his contribution to the company was not appreciated. He has not received a pay-rise for two years and his salary is low compared to the people in the same position in other food manufacturing companies.



I have had heard talks in the office about replacing him with a newly recruited food technologist who is currently working in the Department of Quality Control.

Personally, I consider such a replacement an awful waste of the university education of the food technologist because the main job of the supervisor is only to oversee the workers.

#### 4. Production

At the time when I entered the company, Good Partners have received a large number of orders and was operating 3 shifts a day. Apart from manufacturing products under the brand of Good Partners, the company is also the subcontractor of a number of other food companies as well as some supermarkets in Shanghai.

The planning of production is primarily done with the aid of Excel spreadsheet. The quantity and specification of products requested from customers are often received in a few weeks' advance. Available quantities on inventory of raw materials and packaging materials are then collected and if they are inadequate, the manager in charge of purchasing always makes phone calls to suppliers for more to be delivered. And the exact quantity and specification of products to be made is always determined in a few days' advance. The schedule is then sent to the first-line production supervisors, so on the day of the production the right raw materials will be taken out of stock and adequate number of workers will be available.

The production process is constantly monitored. At the end of the day, raw materials used are checked and products are counted. The efficiency of production is measured in a number of different ways. For Soft flour cake, it is expressed as the number of cakes produced with respect to 5 kg of flour used. And for the Pollock fish slice, it is measured as the weight of product in terms of 1 kg of fish paste used. This summarized information is what the production manager looks for when he starts work every morning, and he keeps a record of them so performance of daily production can be reviewed and checked against the past.

An interesting phenomenon I have observed is that over 60% of the products made during my stay are packaged under brands other than Good Partners. Good Partners operates under a Just-in-time inventory system, i. e. it produces only sufficient amount according to the size of order, not based on forecast of demands. Products are usually stored in the warehouse for a minimum period of time before they are delivered to customers, usually within 72 hours.

I was allowed to enter the manufacturing site without restriction, provided that I was accompanied by a staff and properly attired. However, I was kindly refused when I asked for the exact formulae of all the products. Although the Soft Flour Cake and Pollock fish slice have been in the market for quite a while, the company does not want to disclose any sensitive information for various reasons. Fortunately I was allowed to observe the actual production and take notes.