

Li and fung case study

Education



Li & Fung is an export trading company from Southern China that was founded back in 1906 by Fung Pak-Liu and his partner Li To-Ming. Li & Fung grew from a traditional export trading company to global supply chain management company it is today. After the passing of Liu, To-Ming decided to sell his shares. After both graduating from Harvard, Fung's sons, Victor and William took over the company in 1974 and moved it to Hong Kong. The Fung brothers were both highly intelligent individuals.

They used new ideas and innovation to turn the company into a more professionally managed firm that went public in 1992 (MacFarlan, 2005). Li & Fung manages the global supply chain for high volume and time sensitive consumer goods for large companies such as Bed, Bath & Beyond, Avon, The Limited and Warner Brothers (MacFarlan, 2005). The company operates in 40 economies and employs over 20, 000 people worldwide (MacFarlan, 2005). I think part of the success of the company was that the brothers worked so well together.

They each had their own strengths. While Victor was more of the strategic thinker and thought long-term, William focused on the operations and making money. As the CEO of the Group's e-commerce stated a combination of both thought leadership and execution, with the unique relationship between Victor and William cementing the entire organization. Although the company was spread out with different offices around the world they provided a centralized IT, financial and administrative support out of their Hong Kong office.

However they had a decentralized corporate structure so that they were easily able to keep up with the up and coming fashions because as we know the styles are constantly changing. Li & Fung also had a very competitive compensation package and had bonuses that were based on profits which was different than other companies that had more restrictions. Along with the internet revolution, Victor and William were fast to understand and adapt to the changes brought on by new technology. By 2000 the company wanted to extend its supply chain via the Internet.

Prior to this the only thing that was done was through an internal Intranet. This did expedite the orders but only with the manufacturing plants since they were able to track their orders. It also helped increase the speed of the orders because they did not need to send someone a sample to inspect via regular mail. They were now able to view the item online and approve it. Two years later they launched extranet sites so they were linked to their key customers and were personalized to meet the customer's needs.

This helped streamline all communications since their customers were able to track the progress of their orders. The only issue was all of the software development was outsourced and was not handled by Li & Fung's employees. Management was aware of the success the extranets were having and finally started to consider looking at their online options. When looking at their options they wanted to make sure that they were doing it from within the company and not outsourcing. Michael Hsieh, president of LF International Inc. had met with John Suh, CEO of Castling Group which was an Internet start-up company.

Suh was someone that Li & Fung needed in order to successfully start up their online side of the business. The confusing part with this is it was going against what Li & Fung had said about not outsourcing and keeping it within the company. They wound up working with the Castling Group and bringing them on board as part of their management team. John Suh stepped down as CEO of Castling and became CEO of lifung. com (MacFarlan, 2005). All in all they hired about 20% of Castling Group employees so it was not as bad as it first seemed.

The good thing with hiring this outside company is the experience that they bring to the table. Since it was a new team they focused on team building to build the trust within the team especially with how fast they needed this project to move. This helped the employees work well together to get this project done. I feel that what helped them move along was the trust they had with the companies they were already dealing with because they had proved to them that they were more than capable and also focused on value and loyalty.

The company put their customers first. They still believed in the old-economy know how. Another thing that made them stand above some of the others is when Li & Fung started to focus on the small and medium-sized enterprises (SMEs). This was decided after they did some market research. These smaller companies want the same options as the larger companies when ordering their products. Lifung. com allowed the smaller companies to at least get some options for customization unlike other online companies.

Usually the smaller companies are not able to compete because they do not have the options to customize their product as much. By lifung. com being flexible and innovative it allowed them to reach even more businesses. In addition to focusing on SMEs, Li & Fung should focus on acquiring or merging with competing firms. The company should try to get into markets in developing countries such as India. It would also be beneficial for the company to try to break through into new products that are complementary to clothing such as footwear.

Overall, the company been successful with its online company. They made the customization options easy for the customers. The customers were able to complete their orders twenty-four hours a day and seven days a week. We all know how important it is for customers to have the flexibility and easy access to the internet as well as the ability to have access to orders at their convenience. Throughout its growth, the company stayed focused on the understanding of information systems and technology which enabled them to stay ahead of their competition.