



OID899 Global Supply Chain Management in China

Course Information and Assignments

March 5-11, 2017

Locations: Shanghai, Shenzhen & Hong Kong, China

Dates: dinner 6:30 PM March 5, 2017, Shanghai to 1pm, March 11, 2017, Hong Kong.

Pretrip sessions: February 20 & 21, 6-9pm, at Wharton

Credit: 1 Credit Unit, and course must be taken for a grade, no Pass/Fail option

Course Instructors

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Important notes

- Since the learning in this course depends on active student participation, the course must be taken for a grade i.e. no pass/fail option.
- All students are required to pay the course fee, which covers hotels Sunday – Saturday in the 3 cities of the course, the internal flight from Shanghai to Honk Kong and most meals. In 2016 the fee was \$1,800 and \$2,450 for double and single, occupancy respectively, and we expect the fee this year will be a little higher, due to inflation.
- Students interested in taking this course are invited to submit an short statement of up to one page stating why you want to take this course, how you expect to use what you

learn in your future career, what relevant operations courses you have taken or will take, and **your grades in those course**, if available.

Course overview

This course will focus on operations strategy for supply chains that begin or end in China. Some issues to be considered include the following.

From the perspective of Chinese companies

1. Labor unrest e.g. at Foxconn, Honda, etc. leading to doubling of wages at Foxconn and generally rising wages. Wages along East coast now 30% higher than inland.
 - a. Move manufacturing offshore or inland, or increase productivity in existing costal areas
 - b. Evolve the economy from one based on labor arbitrage to one based on innovation, technology and higher value add activities
2. Implications of social unrest e.g. suicides at Foxconn, strikes, killings in kindergartens. What are the causes? Inadequate mental health care, income inequality, corruption?
3. Desire to raise consumption rate and grow the domestic economy
 - a. Challenge for exporting firms to develop a distribution system to supply the internal economy.
4. Sustainability and environmental impact

From the perspective of non Chinese companies

5. Sourcing
 - a. What to do as wages and costs rise and capacity is diverted to supplying the internal economy
6. Supplying the Chinese market
 - a. Why are top US brands laggard's in China?
 - b. From 'Made in China' to 'Made for China.' How much should Western brands customize to China. Nike (which kept almost everything the same) vs. KFC (all we brought form the U.S. was the picture of the Colonial.)

We will explore these issues through the lens of companies within China, both Western and Chinese companies, who face them. The companies are chosen to illustrate a mix of approaches to the same industry. For example, in retailing, we'll compare a western stores retailer (Walmart), a Chinese stores retailer (Daphne) and a Chinese internet retailer (Yihaodian).

About half the time will be spend visiting companies in China and the other half discussing issues and findings from those visits. On a typical day we will divide into 3 or 4 groups and each group will visit a different company, touring their operations and discussing issues with senior executives of the company. We return to the hotel in the afternoon and each team will prepare a presentation for the other students to describe what you saw and to teach your fellow students the lessons you learned from the visit. These presentations and discussions will continue over dinner.

Each visit will be lead by a team of 3 or 4 students, and each of you will be a part of one of these leadership teams. Prior to leaving for China we will solicit your preferences for the companies we are visiting, and use these to assign you to company visits and a leadership team.

Reading

News sites – scan at least one of these in the few months prior to the trip

- <http://www.chinadaily.com.cn/>
- <http://english.caing.com/>
- Xinhua net <http://english.news.cn/>
- South China Morning Post (Hong Kong newspaper that is quite different from China Daily)
- <http://www.scmp.com/portal/site/SCMP/>

Required Books – read before the February 16 session

The One Hour China Book: Two Peking University Professors Explain All of China Business in Six Short Stories Paperback, by Jeffrey Towson and Jonathan Woetzel, January 12, 2014

Poorly Made in China: An Insider's Account of the Tactics Behind China's Production Game, by Paul Midler
Interesting and different angle on Chinese made products. Book won multiple awards.

Recommended books – read at least three of these, you will be asked to write a report on one of them

1. **Does the 21st Century Belong to China?:** The Munk Debate on China (The Munk Debates) by Henry Kissinger, Niall Ferguson, David Daokui Li and Fareed Zakaria (Nov 22, 2011)
2. **Chocolate Fortunes:** The Battle for the Hearts, Minds, and Wallets of China's Consumers by Lawrence L. Allen (Oct 1, 2009)
3. **Oracle Bones:** A Journey Through Time in China by Peter Hessler, 2006
4. **Country Driving:** A Journey Through China from Farm to Factory by Peter Hessler, 9 February 2010
5. **42 Rules for Sourcing and Manufacturing in China:** A practical handbook for doing business in China, special economic zones, factory tours and manufacturing quality by Rosemary Coates and Laura Lowell (Oct 21, 2009)
The book captures the essence of sourcing and manufacturing in China and is a pragmatic approach that every businessperson headed to China must read

6. **China Shakes the World: A Titan's Rise and Troubled Future -- and the Challenge for America**, by James Kynge
7. **Factory Girls: From Village to City in a Changing China**, by Leslie T. Chang
8. **Luxury China: Market Opportunities and Potential**, by Michel Chevalier and Pierre Xiao Lu
9. **Sustaining China's Economic Growth After the Global Financial Crisis**
A close look of China latest policy and economy background. Can help students to set a general understanding of China latest economy background
10. **Walmart in China** (Cornell Studies in Security Affairs) by Anita Chan (Nov 17, 2011)
Relevant to course visit and Edwin's previous work experience
11. **On Equal Terms: Redefining China's Relationship with America and the West** by Mingxun Zheng, with forward by Thomas S. Robertson (Nov 15, 2011)
Exploring China's state-capitalist economic model and the unique qualities and ideals of Chinese culture that can make difficult for Westerners to understand its approach to business interactions. Mingxun Zheng aka Paul Chen, graduated from Wharton in the 1960's. Paul will be meeting with us Friday night over dinner.
12. **When China Rules the World: The End of the Western World and the Birth of a New Global Order**, by Martin Jacques
13. **Competing in a Flat World: Building Enterprises for a Borderless World**, By Victor K. Fung , William K. Fung ,Yoram (Jerry) Wind, Wharton School Publishing, 2007
14. **The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories** (China Policy Series) Very Pricy
15. **The Shipping Point: The Rise of China and the Future of Retail Supply Chain Management**. By Peter J. Levesque
16. **Safeguarding the supply Chain: exploring adulteration in China and how to avoid it.**(Inside China): An article from: Nutraceuticals World by Jeff Crowther (Jun 3, 2009) – HTML
17. **The Role of Guanxi in Buyer-Seller Relationships in China: A Survey of Vegetable Supply Chains in Jiangsu Province** (International Chains and Network Series) by Hualiang Lu (Jun 30, 2007)
18. **On China**, by Henry Kissinger
19. **The Party: The Secret World of China's Communist Rulers** by Richard McGregor (Jun 8, 2010)
20. **American Wheels, Chinese Roads: The Story of General Motors in China** by Michael Dunne (Jul 26, 2011)

21. **Doing Business In China: How to Profit in the World's Fastest Growing Market** by Ted Plafker (Jul 21, 2008)
22. **As China Goes, So Goes the World:** How Chinese Consumers Are Transforming Everything by Karl Gerth (Oct 25, 2011)
23. **The Travels of a T-Shirt in the Global Economy:** An Economist Examines the Markets, Power, and Politics of World Trade by Pietra Rivoli (March 2005)
24. **Why China Will Never Rule the World:** Travels in the Two Chinas by Troy Parfitt (Sep 15, 2011)
25. **One Billion Customers:** Lessons from the Front Lines of Doing Business in China by James McGregor (Sep 4, 2007)
26. **The China Price:** The True Cost of Chinese Competitive Advantage by Alexandra Harney (Mar 27, 2008)
27. **Tide Players:** The Movers and Shakers of a Rising China by Jianying Zha (Mar 29, 2011) - reviews various key players in business and government
28. **Getting China and India Right:** Strategies for Leveraging the World's Fastest Growing Economies for Global Advantage by Anil K. Gupta and Haiyan Wang (Feb 17, 2009)
29. **What the U.S. Can Learn from China:** An Open-Minded Guide to Treating Our Greatest Competitor as Our Greatest Teacher by Ann Lee and Ian Bremmer (Jan 9, 2012)
30. **China Today, China Tomorrow:** Domestic Politics, Economy, and Society by Joseph Fewsmith, Edward A. Cunningham, Sebastian Heilmann and Jamie Horsley (Aug 16, 2010)
31. **Brand New China:** Advertising, Media, and Commercial Culture by Jing Wang (Apr 10, 2010) - will china develop brands? Good overview on China's challenge in establishing modern brand image.
32. **China's Emerging Middle Class:** Beyond Economic Transformation by Cheng Li (Nov 12, 2010) Core driving force behind today's China growth
33. **KFC in China:** Secret Recipe for Success by Warren K. Liu (Sep 26, 2008)
34. **Operation China:** From Strategy to Execution by Jimmy Hexter and Jonathan Woetzel (Dec 18, 2007)
35. **China Entrepreneur:** Voices of Experience from 40 Business Pioneers by Juan Antonio Fernandez and Laurie Underwood (Feb 3, 2009) Extraordinary look into business giants who defined Today's China story

Grading and assignments

Grades are based one-third each on (1) class participation (2) three short write-ups and (3) a course paper.

Class Participation

This grade is based on your construction participation in all of the discussions and particularly on your role in leading one of the company visits.

Short write-ups

The short write-ups are a 2-3 page report on the book you read from the recommended list, **due by midnight March 20** and two 2-3 page write ups on 2 of your company visits, other than the company for which you were a visit leader, **due by midnight March 20**.

Course paper

Papers may be done in team of up to 3 students and this is encouraged as it enhances learning. A paper for a single student should be approximately 10 pages of text plus exhibits and references, and proportionately longer for groups.

The course paper is **due by midnight April 20** and can deal with a specific company and how they have designed and managed their supply chain, compare two or more companies or delve more deeply into any issue within the realm of the course. The paper should be about **3,000 words of text** and some exhibits. Please include word count when you submit your paper. Papers can be done in teams of 2 or 3 students, although the length guidelines would be proportionately greater for team papers, **4,500 and 6,000 words of text** respectively for 2 and 3 person teams.

Course schedule

Pre-trip sessions, 6 hours in February at Wharton, at times to be determined, but probably 6-9pm.

These pre trip meetings will discuss the following topics.

1. Introductions and brief overview of the course concept
2. Visit schedule and description of companies we're visiting
3. Your responsibilities
 - a. Sign up for company preferences
 - b. Visit process and responsibilities
 - c. End of day briefing to each other on what you saw
4. Grading
5. Doing business in China
 - a. How did we get here? History of US in China
 - b. Opening up of China & normalization 70's
 - c. SEZ and the beginnings of trade, setbacks 80's
 - d. The roaring 90's

- e. The tipping points
 - f. Why China?
 - g. Competitive advantages
 - h. Where do we go from here
6. Assessing factories
 - a. What to look for in a factory (decision making framework)
 - b. Context of manufacturing (upstream, logistics, resources—water and power, HR)
 - c. Government Relationships—how does that differ from the West
 - d. Who else do you do business with matters
 - e. Trade financing
 - f. The real HR challenges (succession planning, middle management, blue collar)
 7. Culture and Society
 - a. Guangxie
 - b. GR/PR
 - c. China vs. India
 8. New business models and opportunities
 - a. On line and multi-platform
 - b. Branding and retailing
 - c. China strategy
 - d. Luxury
 - e. Yihaodian – why they are successful
 - f. Dealing with labor and currency increases
 9. What should we learn from this experience
 - a. What’s different about this class
 - b. How to get the most out of the class
 10. Logistics and business etiquette
 - a. What did we learn last time round
 - b. We move as fast as the slowest guy
 - c. Introduction and lovely parting gifts
 - d. Nuts & bolts --- when do we get started, jet lag, exchange rates, travel arrangements...
 - e. Introductions to the various companies
 - f. Paper writing, presentation, and participation
 11. Discussion of readings

2016 Schedule. In 2017, kickoff dinner will be 5 March in Shanghai and last session will be March 11 in Hong Kong. We will visit the same cities at the same times and mostly the same companies.

Friday	19-Feb	10am-2 pm	Optional visit to Michael Kors, NYC	
Sunday	6-Mar	6:30	Kick off dinner	
SHANGHAI				
			Company visits	Group activities
Monday	7-Mar	Group 1	Daphne Shoes	5 - 9PM presentations, & dinner
SHANGHAI		Group 2	Yum Brands	
		Group 3	Shangahi GM	
		Group 4	Innovent	
	Tuesday	8-Mar	Group 1	Bao Steel
SHANGHAI		Group 2	Lutron	
		Group 3	Goodbaby	
Wednesday	9-Mar	Group 1	New Peak	PM flight to Shenzhen dinner on flight
SHANGHAI to SHENZHEN		Group 2	New Peak	
		Group 3	New Peak	
Thursday	10-Mar	Group 1	Luen Thai	4 - 9PM presentations, & dinner
SHENZHEN		Group 2	David's Bridal – Wingreat Ltd	
		Group 3	One Plus (cell phones)	
		Group 4	BYD (Build Your Dreams) Auto	
Friday	11-Mar			7pm dinner @ China Club
SHENZHEN & HONG KONG	HONG KONG	Group 1	Michael Kors S. Ocean Magtag	
		Group 2	Li & Fung	
DOUMEN		Group 3	Flextronics	
Friday	11-Mar			Dinner at China Club
Saturday	12-Mar	10am - 1pm	Discuss Friday visits & wrap up	
HONG KONG				