



OPIM 899 Global Supply Chain Management in China

March 3-9, 2019

Instructors: Marshall Fisher & Edwin Keh

- The course outline for 2017, the last time the course was taught, is below. The 2019 course will be similar with a few small changes, including some updates to companies visited and readings.
- Starting event: dinner 6:30 PM, Sunday, March 3, 2019, Shanghai
- Ending time and location: 1pm, Saturday, March 9, 2017, Hong Kong.
- Pre-trip sessions of 6 hours total duration will be held in February at times to be announced. We usually schedule these sessions in 6-9pm time slots so as not to conflict with regularly scheduled courses.
- We may also schedule some optional visits in February to U.S. operations of companies we are visiting in China,
- 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. The course is one credit unit.
- 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. The 2017 fee was \$1,850 and \$2,500 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 a 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 courses**, if available. An e-mail address for submitting this will be provided.



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.
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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.

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. **China's Mobile Economy: Opportunities in the Largest and Fastest Information Consumption Boom** by Winston Ma (December 27, 2016)
2. **China's Next Strategic Advantage: From Imitation to Innovation** by George S. Yip and Bruce McKern, MIT Press (April 8, 2016)
3. **The Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun** by Erwan Rambourg, Wiley Finance (October 13, 2014)

4. **The End of Cheap China, Revised and Updated: Economic and Cultural Trends That Will Disrupt the World** by Shaun Rein (June 30, 2014)
5. **Age of Ambition: Chasing Fortune, Truth, and Faith in the New China** by Evan Osnos (May 5, 2015)
6. **China in Ten Words** by Yu Hua (Author), Allan H. Barr (Translator) (August 21, 2012)
7. **CHINA'S CHOICE: CAPTURING THE \$5 TRILLION PRODUCTIVITY OPPORTUNITY** McKinsey Global Institute, (June 2016) (available on course website)
8. **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)
9. **Chocolate Fortunes: The Battle for the Hearts, Minds, and Wallets of China's Consumers** by Lawrence L. Allen (Oct 1, 2009)
10. **Oracle Bones: A Journey Through Time in China** by Peter Hessler, 2006
11. **Country Driving: A Journey Through China from Farm to Factory** by Peter Hessler, 9 February 2010
12. **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
13. **China Shakes the World: A Titan's Rise and Troubled Future -- and the Challenge for America**, by James Kynge
14. **Factory Girls: From Village to City in a Changing China**, by Leslie T. Chang
15. **Luxury China: Market Opportunities and Potential**, by Michel Chevalier and Pierre Xiao Lu
16. **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
17. **Walmart in China** (Cornell Studies in Security Affairs) by Anita Chan (Nov 17, 2011)
Relevant to course visit and Edwin's previous work experience
18. **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.

19. **When China Rules the World:** The End of the Western World and the Birth of a New Global Order, by Martin Jacques
20. **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
21. **The Challenge of Labour in China:** Strikes and the Changing Labour Regime in Global Factories (China Policy Series) Very Pricy
22. **The Shipping Point:** The Rise of China and the Future of Retail Supply Chain Management. By Peter J. Levesque
23. **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
24. **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)
25. **On China,** by Henry Kissinger
26. **The Party: The Secret World of China's Communist Rulers** by Richard McGregor (Jun 8, 2010)
27. **American Wheels, Chinese Roads:** The Story of General Motors in China by Michael Dunne (Jul 26, 2011)
28. **Doing Business In China: How to Profit in the World's Fastest Growing Market** by Ted Plafker (Jul 21, 2008)
29. **As China Goes, So Goes the World:** How Chinese Consumers Are Transforming Everything by Karl Gerth (Oct 25, 2011)
30. **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)
31. **Why China Will Never Rule the World:** Travels in the Two Chinas by Troy Parfitt (Sep 15, 2011)
32. **One Billion Customers:** Lessons from the Front Lines of Doing Business in China by James McGregor (Sep 4, 2007)
33. **The China Price:** The True Cost of Chinese Competitive Advantage by Alexandra Harney (Mar 27, 2008)

34. **Tide Players:** The Movers and Shakers of a Rising China by Jianying Zha (Mar 29, 2011)
- reviews various key players in business and government
35. **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)
36. **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)
37. **China Today, China Tomorrow:** Domestic Politics, Economy, and Society by Joseph Fewsmith, Edward A. Cunningham, Sebastian Heilmann and Jamie Horsley (Aug 16, 2010)
38. **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.
39. **China's Emerging Middle Class:** Beyond Economic Transformation by Cheng Li (Nov 12, 2010) Core driving force behind today's China growth
40. **KFC in China:** Secret Recipe for Success by Warren K. Liu (Sep 26, 2008)
41. **Operation China:** From Strategy to Execution by Jimmy Hexter and Jonathan Woetzel (Dec 18, 2007)
42. **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: February 20 & 21, 6-9PM, at Wharton.

These sessions are required unless you have an approved conflict e.g. another academic obligation. We will also have a call in number for remote participation. The sessions will be recorded and all slides placed on the course website, for students who have a conflict.

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

Draft Schedule

OID899 Global Supply Chain Management in China - 2017 Partial Schedule
 (Companies shown are confirmed. Invitations pending with 2 other companies not shown on the schedule)

Tuesday	20-Feb	6-9pm	course intro, Huntsman Hall
Wednesday	21-Feb	6-9pm	course intro, Huntsman Hall
Friday	3-Feb	10am-2 pm	Optional visit to Michael Kors, NYC
Friday	Feb Friday TBD	10am-2 pm	Optional visit to David's Bridal
Sunday	5-Mar	6:30	Kick off dinner
SHANGHAI			
			Company visits
Monday	6-Mar	Group 1	Yum Brands
SHANGHAI		Group 2	Shangahi GM
		Group 3	Lutron
Tuesday	7-Mar	Group 1	Luen Thai Retail
SHANGHAI		Group 2	Innovent
Wednesday	8-Mar	Group 1	New Peak
SHANGHAI to SHENZHEN		Group 2	New Peak
		Group 3	New Peak
Thursday	9-Mar	Group 1	Luen Thai
SHENZHEN		Group 2	Wingreat Ltd - Supplier to David's Bridal and Urban Outfitters
		Group 3	Crystal Group
Friday	10-Mar		
SHENZHEN & HONG KONG		Group 1	Michael Kors; S. Ocean; Magtag
HONG KONG		Group 2	Li & Fung, and Macy's
DOUMEN		Group 3	Flextronics
Friday	10-Mar		Dinner at China Club
Saturday	11-Mar	10am - 1pm	Discuss Friday visits & wrap up
HONG KONG			