

Differences in Sourcing Between Hong Kong and Mainland China

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Obermeyer Ltd is a sportswear company located in Colorado. It currently outsources its labor and materials from two locations, Hong Kong and Mainland China. Wally Obermeyer, the vice president for Obermeyer Ltd, is aware that the two locations differ from each other in outsourcing in several ways. One way is how the workers differ in their functioning in the two locations. These differences equate to volume of productivity, cost of labor and, consequently, profit margin.

One main difference in labor between Hong Kong and Mainland China is the job responsibilities of the employees. Producing sportswear means that a considerable amount of tracing patterns, cutting from those patterns, and sewing takes place. Other skills are also involved. However, the Hong Kong employees are more skilled in this kind of work than are the employees at the Mainland China factory. Therefore, the Hong Kong factory produces faster than the Mainland China factory. In fact, the Hong Kong factory employees work twice as fast.

Partly because the Hong Kong factory workers produce much faster than do the Mainland China workers, they are paid a much higher salary. Hong Kong employees earn USD3.84 per hour compared to a much lower hourly rate of USD 0.16 in Mainland China. Although the hourly wage for Hong Kong employees is much higher than for Mainland China, because the Hong Kong employees work twice as fast, it takes fewer employees to produce an item than it does for the Mainland China employees. In addition to working faster, Hong Kong workers have statistically proven the ability to boost production speed even more so than their Mainland China counterparts, which contributes to Hong Kong's ability to fill the quotas for small orders (Hammond & Ramman, 1996). So, the higher pay rate for Hong Kong employees is appropriate.

Benefits of Group Forecasting

One way for a company to determine how well it is doing is through forecasting. Forecasting is examining the current health of the company by utilizing several tools to predict how it will continue doing in the near and distant future. These forecasting tools include reports and various graphs and charts that show where the company will be if certain trends or policies continue or if other plausible trends develop. The quality of information is extremely important in forecasting the company's future productivity and profits. It depends upon certain key employees' abilities to accurately report specific information statistically, for example. However, not only are statistics involved in access to production materials, cost of materials and production, and selling of products. It also involves what consumers want and may want in the future. It involves identifying trends. Forecasting helps a company to look at issues such as how to increase productivity while decreasing costs, identification of consumer trends, and company value for the various stockholders (Hammond & Ramman, 1996).

Choosing between China and Hong Kong

A couple of factors that Obermeyer needs to take into consideration in choosing between outsourcing from Hong Kong versus Mainland China are the efficiency of production and the quality of work. If, for instance, the laborers in Mainland China work much slower than the ones in Hong Kong, does that mean that the quality of their work is inferior? Or is there a possibility that because they work much slower, they take more time to provide quality work? One answer may lie in the fact that the Hong Kong factory is able to complete larger orders while also meeting the United States government trade restrictions (Hammond & Ramman, 1996). Being able to meet strict guidelines is an important indicator of quality. Overall, then, Hong Kong seems to be a more preferable site for outsourcing than does Mainland China.

Improving the Supply Chain

A major goal for Obermeyer is improving the company's supply chain. He should examine several approaches before deciding on the possible effectiveness of one over the others. For example, Obermeyer needs to call upon the expertise of his own people or hire an outside consulting firm to determine the kinds of skills and talents needed by personnel in supply chain management. Background knowledge and skills should include understanding of the Hong Kong and Mainland China cultures as they pertain to the socio-economic levels of the workers in those two locations. In addition, because the company is based in Colorado, Obermeyer should examine the base factory to determine its strengths and then capitalize on those strengths. Other production needs can then be assigned for outsourcing to Hong Kong, Mainland China, or both. In this manner, Obermeyer can focus on the company's current strengths, make certain that needed skills for management are in place, and develop a plan of action for increased factory productivity.

References

Hammond, J., & Ramman, A. (1996). *Sport Obermeyer, Ltd.* Boston, MA: Harvard Business School.