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Value Creation by Doing Better  
Procurement  
*Case Study Research on Strategies for  
Hasee Computer Co. Ltd*

Authors: Xiangyun Xu & Yuan Cheng

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**Supervisor: Muhammad Abid**

**Examiner: Claes Åkerman**

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**Abstract**

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Jack Welch said: “if you are in the supply chain operation which does not have a competitive advantage, you are not simply on the competition.” British management scholar Christopher has a greater emphasis on the importance of the supply chain, he said: “The market is only the supply chain rather than enterprises, in the 21 century the enterprises and enterprises competition is not real competition, but the supply-chain and supply-chain competition.” Under the circumstances of aggressive competition in the business world, how to conduct procurement management from cost management, quality control and value creation strategy is the study focus of the thesis. Beginning with the study of how Hasee Computer Co, Ltd developed and become one of the most prosperous Manufacturing & Service Company in China in the past 10 years, and followed by further research of its purchasing function in the supply chain. We hope to be enlightened by Hasee’s management model while help Hasee to develop the purchasing process and strengthen competitive ability, too.

*Keywords:* Hasee’s supply chain; purchasing strategy; enlighten; value creation

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# 1. Introduction and scope

## 1.1 Background

Nowadays, under the condition of supply chain management and logistic, to conduct procurement management is as essential as other activities. We choose a case study company of Hasee Computer Co. Ltd to investigate its procurement management strategy, then, find out its strengths and weakness in order to create more value by providing suggestions and giving certain solutions.

Hasee is a young, energetic PC company formed in 1995. Their business includes design, manufacture, marketing, sell and support a range of computer systems and services. They are good at making customized products and price it very competitively. The goal is to offering people affordable PCs with high quality. Today, Hasee occupied 230.000sq meters of floor space for the headquarters in Shenzhen Province, PRC. There are more than 3,000 employees all around China and having big amount of sales offices and service centers in 50 cities. In the year of 2005, Hasee broke into the international market by starting business with Korea market, the monthly sales accounts for 20% of the company's total sales. Hasee also thinks highly of building close connection to component and suppliers, cooperation with them to have in-depth study of customers' needs. Their product line include: motherboard & graphics card, laptop computer, semi-rugged notebook, panel pc, 26" multimedia TVPC and desktop computer.

Based on having general knowledge about the case company, we do further research mainly in the areas of supplier management, purchasing strategy, cooperation relationship management, cost reduction etc. Comparisons with some international companies will be made in order to absorb their management tools and experiences, since it is a fast way to help Hasee to grow. We aim at understanding the importance of purchasing management and probing strategies of Hasee's procurement performance. Hopefully, this thesis would provide good references for it.

The map below shows the distribution of Hasee' products in the whole world:

## Distributors over the world



### 1.2 Purpose

Up to a point, analyze and present reflection on Hasee's procurement in order to find potential space to be improved, thus, create more value for its operation. The goal is to understand Hasee's development during the past years as well as bottleneck occurs to recently. Besides, important issues are discussed in the field of purchasing management; we also looked for appropriate strategic model to help analyze and make assumptions that fit for Hasee's situation.

The core issues we research entail: What is the current situation of Hasee's Procurement? What are the factors that influence the competitiveness of Hasee's Procurement? What should be done to improve the relationship with its suppliers?

## **2. Methodology**

### **2.1 Case study**

We choose Hasee Computer Co. Ltd as the case company to fulfill our research on the topic of purchasing strategy and value creation. Thus, this thesis is based on a single case study. A case study is an account of an activity, event or problem that contains a real or hypothetical situation and includes the complexities you would encounter in the workplace (Mort, Cross & Downey 2002). We choose this company because this one is a middle-sized enterprise, thus not big and not small for us to do specific research in a limited time. We need to lower the complexities of the case company and try to help them finding improvement areas and even providing them with constructive suggestions. When we interviewed different personnel from different sector of Hasee, we have had to stand on their view to think the circumstances and connect all the information they offered us in order to get ourselves in to the picture.

Case studies in business domain are generally centered on a problem and a case study analysis will require to:

- Identify the issues or problems within the case
- Identify and draw on particular theories to support your analysis
- Make recommendations or suggest some solutions to the problems.

### **2.2 Qualitative research**

Deep research is made by arranging many interviews with the managers and employees in the department of procurement, meanwhile, several operation models adopted by the case company will be compared to others in accordance with purchasing strategy. The research method is mainly divided into two kinds; they are qualitative and quantitative research. According to Bryman (1988): Quantitative research is typically taken to be exemplified by the social survey and by experimental investigations. Qualitative research tends to be associated with participant observation and unstructured, in-depth interviewing.

Primary sources are those from which the researcher can gain data by direct, detached observation or measurement of phenomena in the real world, undisturbed by any intermediary interpreter (Walliman, 2005). The paper commenced with a review of recent procurement status and trend both in the whole China and inside Hasee. Necessary interviews are taken place via Skype. Therefore, this thesis is using a typical qualitative research method. Thanks to the help and cooperation from Hasee, we got the chance to interview several personnel, they are: Zhao Wang from production sector; Bing Zhou from procurement department; Yan An from marketing department; Zhiyong Zhang from procurement, too. We held conversations for 4 times, and each of them is between 30~50 minutes. We collected some of Hasee's internal information and data from the conversations in order to make analysis.

## **2.2 Sources of secondary data**

Where data have been subjected to interpretation they are referred to as coming from secondary sources (Williman, 2005). Other important information is collected from published journals, books and internet site. In addition, some specific data for the study is obtained through documentations and inside news in Hasee. So we collect data both from primary source and secondary sources. The concepts and principles of procurement form a foundation the whole thesis and some of the aspects will be analyzed in detail.

## **2.3 Limitation**

Because Hasee is a Chinese company, one of the limitation is we are not able to work in there to gain more practical experience this time. Also, when analyze internal factors influence Hasee's purchasing competitiveness, we only describes limited aspects on the basis of information we could get. Besides, with consideration of business secret, we are not able to get detailed statistic data about Hasee's procurement and suppliers, so the paper is limited to performing quantitative analysis on multiple cases.

## **2.4 Validity**

To ensure the validity of this thesis, we collect all of the data carefully. The persons that we interviewed and connected in Hasee have worked there for more than two years. They would love to help us and provide us with their official data and statistics of the company. About the other secondary resources, they came from certified websites and famous published books, so the theoretic framework has no problems to support our thesis.

## **2.5 Reliability**

The principles and methods and purchasing management are selected from authoritative professors and scholars' published articles. We adopted Porter's Five-Factor Model of Market Profitability in order to make a comprehensive analysis for external factors that influence Hasee's purchasing competitiveness. It has been applied other many other industries and had good results, we concern the theory and model we used are definitely reliable and helpful.

# **3. Theoretical Framework**

## **3.1 The concept of purchasing**

Under the condition of market economy, purchasing is the process of gaining commodity through measuring and predicting its quality, prices, and delivery time and so on, thus, transfer monetary capital into goods. Purchasing can be divided into two broad categories, large and small purchases, based on seven characteristics of purchased product – volume, specificity, technological complexity, essentiality, fragility, variability, and economic value (Gonzalez-Benito, 2002; Croom, 2001). As we can see, purchasing is not simply equal to a buying behavior but a whole process from elected commodity transaction until the goods enter the warehouse to fulfill company's requirement. Main activities including: market research and forecast make plans, choose procurement methods and suppliers, define the date of delivery, the way of packing, sign contract, quality detection, cost control, enhance cooperation etc.

Meanwhile the procurement cost is a very important indicator; it shows if a company made a successful deal. The cost is divided into explicit cost which can be calculated directly and

hidden cost which is the opportunity cost during purchasing activities and it is influenced by different ways.

## **3.2 The importance of purchasing**

Nowadays, purchasing plays more and more important roles in modern enterprises, because whether or not the purchasing of components and raw materials is successful has huge influence on a company's competitiveness. Instead of its traditional ancillary role, purchasing today seeks to play a strategic role (Gadde and Snehota, 2000). Getting out of traditional view toward purchasing and to understand the management and strategy is significant factor to ensure an enterprise to be stronger and prosperous. A one percentage-point saving in purchasing costs can improve the margin on sales by half a point (Janda 2001).

### **3.2.1 The necessity of procurement**

Purchasing plays a strategic role in a firm's profitability and enhanced shareholder value (Janda 2001). To some enterprises, maybe they are not in charge of marketing directly, but they cannot avoid purchasing. Because we have the division of labor in society, no matter what type of enterprise, they cannot produce everything they need entirely by themselves. To support the operation process, it is essential to purchase different kinds of raw materials and equipments, so procurement is a part of necessary economic activity. Without procurement, there is no growth and improvement for a company.

### **3.2.2 The advantage of good purchasing**

World widely, a typical enterprise, the procurement cost takes about 60% of total costs, salary and welfare 20% and other management expenses takes 20%. On the other hand, a typical industrial enterprise in China, the procurement cost of different materials make up to 70% of the total sales cost. A study of leading European businesses also reveals that an effective purchasing strategy can add up to 4% of sales value or 30% to profitability (Tompson, 1996). According to the data from National Economic and Trade Committee in the year of 1999. If Chinese national middle-sized enterprises reduce its procurement cost of 2~3%, 500 billion RMB extra profits would be increased that equal to the entire profits they made in the year 1997.

After all, purchasing is both the first path in the logistic system and the first key link to control the products quality. The quality of outsourcing materials obviously affects the company's products. No matter how rich experience people have in the field of production management and how advanced technology they can manage, any failure occurred in procurement can lead to irreversible loss. Therefore, organization should think highly of the quality management in purchasing activities, choose preminent suppliers and make inspection plans. During procurement, the quality management extended to suppliers hence improves the quality of final products.

Agile, quick, quality and cost are four fundamental dimensions to ensure enterprises to succeed. In 1960s, cost is the main factor of enterprise's competitive, in 1970s transfer to quality and in 1980s changes to time. At present, market competition intensifies, many opportunities gone too soon, so every enterprise has high requirement on timing. Not only ask suppliers to delivery materials punctually but also shorten the date of delivery.

### **3.3 The importance of purchasing under the condition of supply chain**

The function of purchasing is a very important link between supplier and enterprise. Firms with high levels of purchasing also achieve high levels of business performance (Cousin and Spekman, 2003). Especially to manufacturing enterprise, the short-term goals of purchasing management are mainly focus on enhancing productivity, lowering inventory and turnover. The long-term goals are improving customers' satisfaction and increasing market share.

Whether a company could produce qualified products is largely depend upon the quality of purchased raw materials. Inferior raw materials will certainly lead to quality problems hence result in lots of rework and return of goods. Under the supply chain environment, these problems make the supply chain cannot running smoothly and overall profits deduced.

Procurement cost is the main portion of manufacturing cost which contains purchase cost, delivery cost, inventory cost etc. Too much procurement costs will largely lowering economic effectiveness, even reduce market competition capability. The emphasis on cost cutting enabled organizations to deploy purchasing and supply chain management activities to ensure their sustainable competitive advantage (Gadde and Snehota, 2000). For this reason, the company should take advanced purchasing method, rule the purchasing management and

integrate resources in the supply chain.

### **3.4 Procurement as a third profit source**

Famous management guru Peter F. Drucker thought that improve production process and reduce the consumption of raw materials is an enterprise first profit source; increase sales and profit margin is second profit source. To date, the competition is more and more aggressive while having limited technique these two aspects has too small space to gain extra profit (Song, 2005). The procurement's strategic position has be recognized in 1980s, before that time, purchasing activities are only considered as a way to replenish the stock, purchase only taken place when it is below the safety stock, but increased inventory cost, transportation cost etc. are not taken into account.

Nowadays, the status of procurement is widely recognized and regarded as enterprise's third profit source. Therefore, in order to keep advantage position in the competition and get excess profit, enterprises should explore the third profit source in the way of strengthen purchasing strategy and reduce procurement cost.

- **The method for controlling purchasing costs**

Reducing purchasing costs remains an ongoing concern for most organizations (Parikh & Joshi, 2005). Control the purchasing cost of an enterprise's business performance is essential. The decrease of purchasing cost not only reflects in the corporate cash outflow, but also directly reflected in the decline of production costs, profits while enhances the competitiveness of enterprises. Because of the material cost often have 50% ratio of the production cost, therefore, good control of material costs and continuously declining, is an important method enterprise continue to lower product costs and increase profits (Guo, 2009).

### **3.5 Establish a firm purchasing system.**

Purchasers need to use contract designs which give incentives to raise quality, as well as to increase activity and lower costs (John 2003). Purchasing involves a wide range of works and most of them are dealing issues with external units. So, if companies do not make strict purchasing roles and procedures, not only the work of the purchasing cannot be fulfilled, but

also give the chance for workers in the system to have some secret operations in the favor of their benefits. Improving the purchasing system should do following things:

Procurement is now deemed a core component of many organizations and considered to be of major strategic importance (Humphreys, 2001; Paulraj et al., 2006). Establish a strict purchasing system, not only to regulate the purchasing activities of within the enterprise, such as increase efficiency, to prevent passing the buck between departments, but also prevent purchasing workers from doing misconduct. Specify requirements as standards: client-professional-and management -quality standards (John, 2003). Purchasing system should provide the applications of material procurement, decide the rights and limitations of certifier make the flow map of purchasing process, also, and take the responsibilities of coordination and relationships between relevant departments. In addition use different method to manage offers and audit for different materials. For example, introduce the principle of acquiring suppliers' price list at the same time and do carefully comparisons & negotiations before making a final decision.

### **3.5.1 Establish the suppliers' database and form suppliers' enter barrier**

Purchasers need to use contract designs which give incentives to raise quality, as well as to increase activity and lower costs (John 2003). Official suppliers need to create a database which involves supplier number, contact details and address, payment conditions, delivery terms, delivery time, quality rating, bank account, etc. Each of the suppliers' information should be archived by stringent scrutiny. Company's purchasing must be carried out and elected from archived suppliers. The supplier file should be updated frequently or irregularly, and a special person should follow the whole work and manage it well. Although concerns for transaction cost minimization in such relationships are important, but strategic purchasing can also play an additional role in transaction value creation through fostering supply management capabilities (Zajac and Olsen, 1993).

It is now widely acknowledged that proactive value-focused rather than passive cost-focused procurement strategies are a means of achieving competitive advantage and integral to long-term organizational strategy (Leseure et al., 2004; Mehra and Inman, 2004; Noonan and

Wallace, 2004).The important suppliers must be approved by quality inspection, material, financial and other agencies before entering the business. Enterprises should specify strict examination process and index. Only those who meet or exceed the assessment criteria can be archived to the company's database.

### **3.5.2 Establish the price database and the price evaluation system**

Enterprise purchasing departments should establish a price database for all procurement of materials. Comparing every batch of material's price with the ones in the database, if they have obvious differences, it should be analyzed deeply to find the reason. If there is no special occasion, the purchasing price should not exceed the same materials' price that recorded in the database. Otherwise, people should make explanations in detail. For the price of the core materials, it is vital to establish a price evaluation system which composed by relevant departments. They need to collect information about the prices in order to analysis and evaluate the latest price level. Besides, updating the information monthly or depend on different cases.

### **3.5.3 Define standards for material and purchase prices**

The financial department is in charge of defining standard purchasing price for key components based on the variation of market and standard cost to produce it. In this way it motivates purchasing staff to making effort on comparing prices among many suppliers and argue for more profit. To the ones who did good job in this process, reward them with bonus, meanwhile, punish the ones who made big fail by degrading or in other ways

## **3.6 Several effective ways for procurement costs reduction.**

### **3.6.1 Centralized procurement----expand the advantages of large scale procurement**

Centralizing procurement volume to improve the bargaining power, hence reduce the purchasing cost per unit which is not an uncommon measure taken by enterprises. It is a basic purchasing strategy. Many Chinese enterprises have a centralized purchasing department or supply division, they plan and manage the materials for manufacturing together with other

components, to some extent, this decrease the differentials of goods and lateral workload while improve the quality of purchasing service. At the same time, the centralized purchasing method might make it inefficient for people from different division to communicate.

### **3.6.2 To seek alternative--- optimizing resource allocation**

When the quantity of goods that need to be purchased is hard to break through, the cost would be high to do purchasing from ordinary suppliers. But, if some specific purchasing components are commonly used in the same category, the company should consider searching alternatives from similar companies in the same field. In fact, manufacturing company can hardly match the quantity they had purchased to the ones should be taken into production. Mostly all kinds of raw materials or components could have a small number of surpluses, hence it is not uncommon to find alternative materials and purchase from similar manufacturing company. What you need urgently is possibly superfluous to others. Sometimes taking the idea instead of purchase from suppliers can save substantial costs.

### **3.6.3 Strategic alliances with suppliers---a global focus for the future.**

A long-term relationship with the supplier allows the purchaser to ride the supplier's learning-curve. All these can only amplify the effectiveness of the procurement function (Janda 2001). If manufacturers and suppliers can make strategic alliance, the relationship between them does not the simply purchasing, but a bond of mutually beneficial strategic cooperation partnership. The two sides in this transaction does not need to rush to recover the costs, but through long-term cross-easy to achieve a balance of rights and obligations. Having this partnership in the procurement process, the supplier will not intentionally stop producing or asking for higher prices if the purchased quantity is too small or being effected by any short-term market reasons. Not only because the price of production or demanding, but also play to find ways to save costs for long-term cooperation up to their obligations. The added-value of purchasing supports the generation of innovation through a network of actors (Senja & Mika, 2009).

### **3.6.4 Sunshine purchase**

The so-called sunshine purchase is running the commodity purchasing by following certain principle and rules. It can effectively avoid the purchaser staff from having corruption issues

inters of cost reduction. It has an open atmosphere that everyone is clearly in mind what should be done rightly and ensures the information is shared internally.

- Decision-making turn out to be more transparent.
- Public disclosure. Internal sources of procurement of goods are open.
- Monitoring the procedures. Difference departments will double check the purchasing plan, purchasing price, purchasing notes and the quality.
- Strict for reward and punishment. For the ones doing “black box operation” will be punished and warned seriously and provoke sunshine purchasing.

### **3.7 The definition of value creation**

In this case, value creation for Hasee means getting more profit and revenue through updating its management approaches and some specific changes in the area of procurement. The goal is to strengthen the company’s ability and optimizing its recourse allocations thus achieves high profitability and long-lasting growth. According to Encyclopedia of Business, Value creation is the primary aim of any business entity. Creating value for customers helps sell products and services, while creating value for shareholders, in the form of increases in stock price, insures the future availability of investment capital to fund operations.

### **3.8 Supportive model**

Poter’s Five-Factor Model of Market Profitability as the reference to analyze external factors that influence Hasee Procurement competitiveness. This model is suitable for industry profitability analysis, we think Hasee as a typical IT industry could be fit for using this model and get constructive results. Each factor plays a role in explaining why some industries are historically more profitable than others. An understanding of this structure can also suggest which key success factors are necessary to cope with the competitive forces (Aaker 2007). We adopt this model to analyze the function of procurement in Hasee’s supply chain, then to clarify the competitive edge and disadvantage and give corresponding solution.

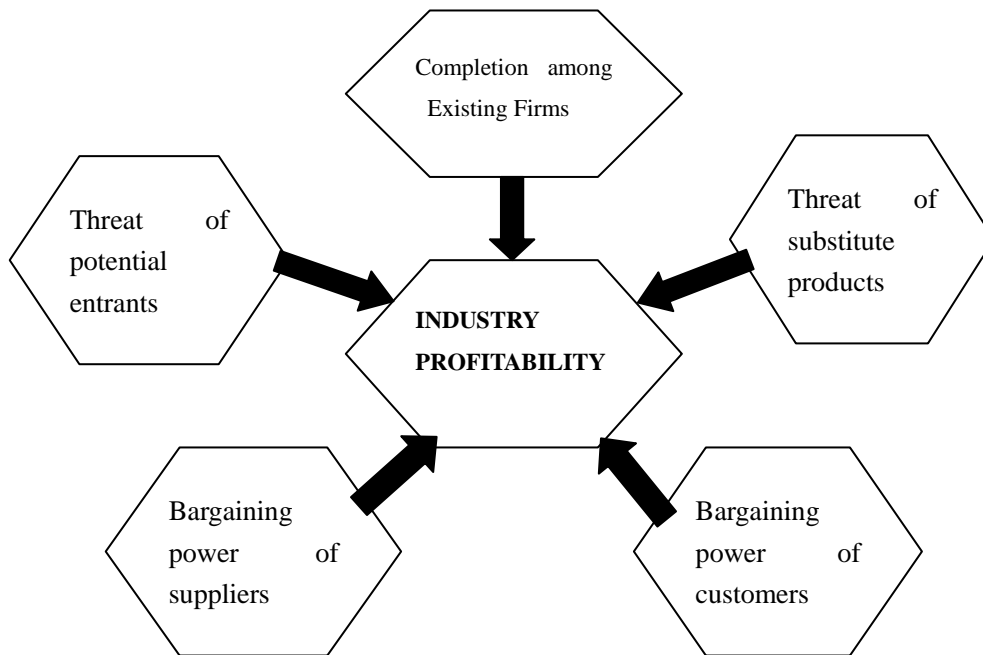


Figure 3.8 Porter's Five-Factor Model of Market Profitability

Source: The concept of five factors is due to Michael E. Porter.

## 4. The analysis of Hasee's supply chain and purchasing strategy

### 4.1 The current situation of Hasee's procurement

Behind the outstanding achievements in the year of 2010, the highest volume of procurement is up to 400 million, the department who took the big responsibility is Hasee Purchasing. In Hasee, the procurement targets are divided into 3 kinds, they are: products procurement (mainly the components of products that will be sold to final users, see PP); service and general procurement (including indirect materials, equipments, office supplies and advertisements etc. see S&GP); Logistics Procurement (choose logistic service provider to distribute everything Hasee had purchased, see LP). As can be seen from the pie chart in figure 4.1.1:

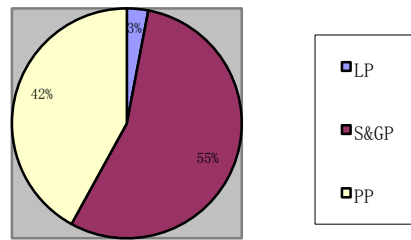


Figure 4.1.1 The volume of Hasee's procurement in 2010 sorted by different category

Meanwhile, if we look at it by regional differentiation, Hasee's procurement volume is by following (Figure 4.1.2):

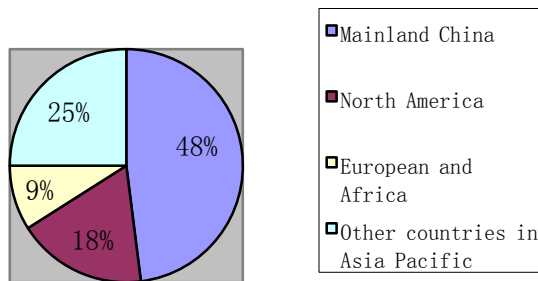


Figure 4.1.2 The volume of Hasee's procurement in 2010 sorted by different zones

The bar chart above shows clearly that mainland China is still the region for Hasee to pay most attention on. Besides, other countries in Asia Pacific obviously exceeded North America, European and Africa. Wage inflation is forcing China to import more goods from the rest of Asia—and outsource more low-end manufacturing (Chowdhury, 2011). Recently, many companies have outsourced their business to Southeast Asia, so did Hasee. Because the increasing businesses with other Asia Pacific countries, big amount of opportunities is in front of Hasee. But for a long time, Hasee is established for opening the market in mainland China, so its service capability and market reaction is not as fast as some international computer companies. In order to adapt to globalization, Hasee is making effort in several aspects:

- The result of globalization is producing globally, take the costs into account, the company increases invest continuously, transfer some core business to potentially profitable countries like Malaysia, Vietnam, Bangladesh and so on.
- According to global economic integration, Hasee realized it is important to distribute resources and excellent employees to every corner if they are in need, thus, to bring the

acute marketing sense into the company.

- Since Hasee is a young company, it only has short history to gain resources overseas, many of them are both hardware and software business from North America. After all, its own technique level improves; Hasee is going to build strong relationships with new partners and suppliers in China and Southeast Asia, helping them to improve the relative technique, operation process and management systems. Motivate them to compete in the world widely.
- More and more companies had realized, in order to strengthen and enhance the position in the trade, it is vital to devote itself to skilled areas. They are willing to outsource its disadvantaged business(CPU, memory bank, sounder etc.) to more skillful companies to deal with,. At this time, the only thing for Hasee to figure out is how to provide outsourcing for these companies.

Hasee had set the headquarter and procurement centre in Shenzhen, Guangdong Province, thereby easily to open the market in southwest China, it is an area full of opportunities and diversity. It is very close to neighbor countries and has interaction with them.



## 4.2 Challenges and opportunities in front of Hasee's Procurement

Global economy integration had become a leading force that can influence global economy; the enterprises' operation mode is having changes by root. A globalized organization will manage operation department and function departments through using global management mode and maintain well costs, skill and business environment. They make the organization to

have structure which is very horizontal and globalized. The enterprises' developing process is directed by operation strategies that based upon economy efficiency, specialization and openness.

Considering the facts about ensuring higher economy efficiency, globalized enterprises put many of these manufacturing sectors into China, India or Latin America; considering the technology needs specialization and professionalism, globalized enterprises transfer the high technology business such as R&D into developed areas; considering openness, globalized enterprises pay more attention to new and developing areas, for example, in 2009, Hasee held software researching conference in India.

International purchasing has increased in importance exponentially, as it has become a corporate competitive weapon to maintain or gain market share (Herbig & Hara, 1996). These series of changes bring challenges to Hasee's Procurement. According to specific problems at present, how to solve them in a right way? How to elect and face the appropriate suppliers? Should they electing and developing relationships with suppliers just in term of cutting costs? How to seize opportunities and use the economic developing tendency to help Hasee to realize new booming? In China, Hasee has more than 250 purchasing staffs, most of them working in different cities outside Shenzhen. Even it is a middle-small size company comparing to other international PC companies, Hasee has connection with more than 600 suppliers in Asia. The vice CEO Xiangyong Zhang regards Shenzhen as an entry point to progress other businesses, because the policy, personnel quality and close relation with surrounding areas will do good and fit Hasee properly to be prosperous.

The opportunities and challenges facing Hasee' Procurement, in fact, is the same for how Hasee Computer Co. Ltd should make its way under a varying business environment, and catch opportunities under the condition of global economy integration.

### **4.3 Analysis of competitiveness in Hasee's Procurement**

Through studying the development and business circumstances of Hasee Computer Co. Ltd, we have a holistic view of its operations and management. In order to help Hasee to survive and thrive in the IT market which face a more and more fierce competition, it is very essential for purchasing sector to obtain high quality resources and lower the costs continuously, hence

play an important role in its supply chain and keep Hasee's operation go smoothly. Therefore we should first find out the effect that Hasee's Procurement has on the supply chain, then use Porter's Five-Factor Model of Market Profitability in a view of strategic management to clarify Hasee's competitive advantage & disadvantages and corresponding measures to solve it. After that we will analyze the internal factors which have influence on the power of procurement, thus, define the competitive edge of Hasee's recourses, capability and core competence. Finally, we should get a general knowledge about the new features and operation mode in the procurement and supplier management.

### **4.3.1 The role of procurement in Hasee's supply chain**

Hasee Procurement as an independent sector of the company operates on the base of satisfying business trade in Guangdong Province. At the same time, it offers relevant services to other areas. The dynamic environment and the call for a developmental shift, have led to challenges for the procurement function within organizations (Zheng et al., 2007). So the procurement department ought to meet the requirements from internal and external logistics, especially for the materials in terms of production. The contribution to the whole supply chain can be indentified the two aspects: network aspects, and linear aspects.

The contribution to networking (see figure 4.3.1): the procurement department lies between suppliers and market demands. Suppliers act in the upstream that provide components and services to Hasee; market demands act in the down stream which including each units within Hasee are customers to Hasee Procurement Because procurement department contribute to a linkage function, it makes supply market and demanding market connecting to each other in an organic way and formed a integrated industrial chain.

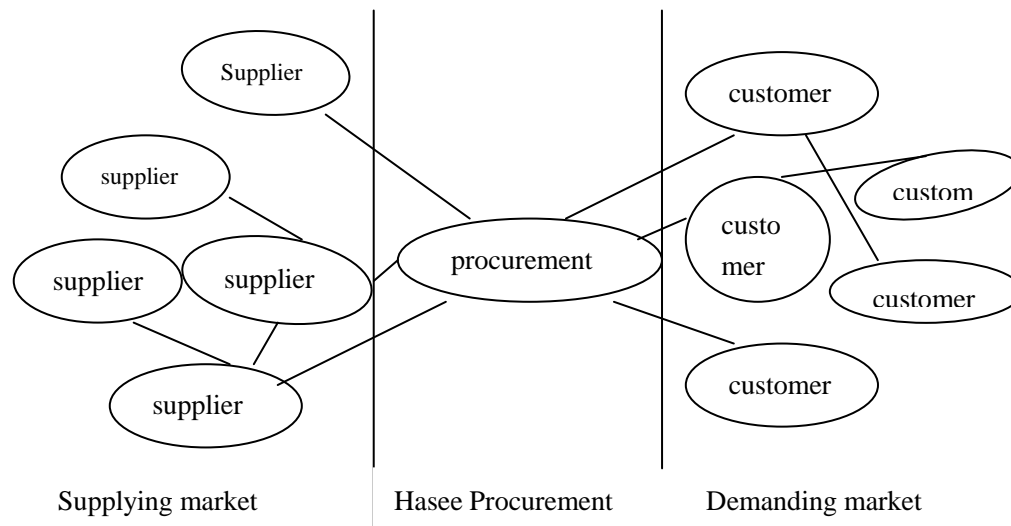


Figure 4.3.1 The linking function of Hasee Procurement

With the operation of procurement department, it influence not only on the company itself, but also on the economic benefit of the whole industrial chain. Purchasing plays a key liaison role between external suppliers and internal organizational customers in creating and delivering value to external customers (Novack and Simco, 1991). On one hand, procurement sector lies between up and down stream, it has much changeful market information to deal with, it is important to collect and summarize the demands data and transfer these data into different types by category before placing orders. On the other hand, procurement must face large amount of suppliers which make it important for Hasee to have very professional and skillful technique to distinguish and select qualified suppliers. They ought to make the most of purchasing in a way of large quantity and centralized purchasing, therefore lower the costs and ensure the market to have competitive products and services.

The contribution to linear information flow (see figure 4.3.2): by means of information flow through different levels. It works as the figure below:

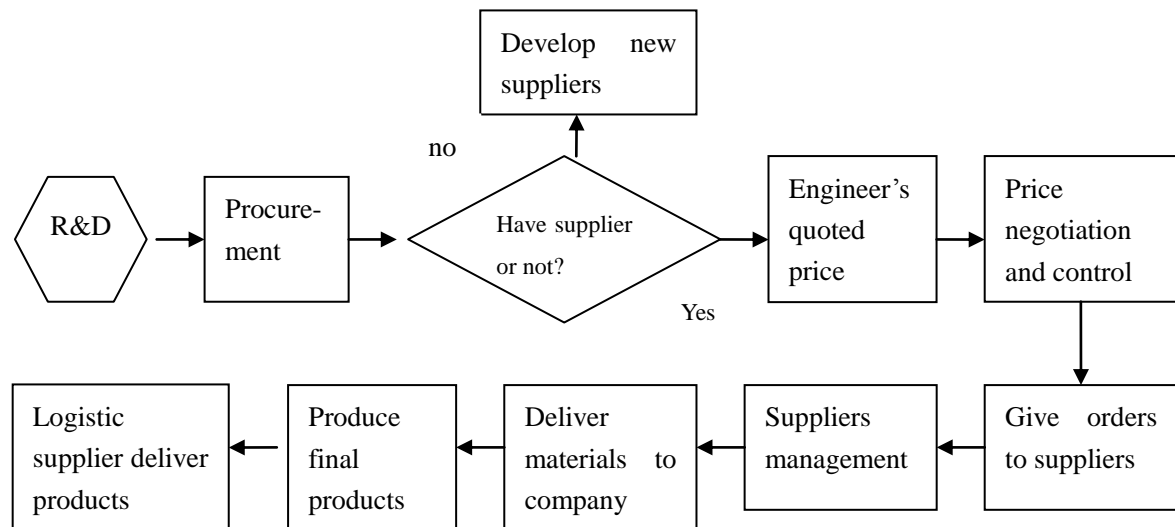


Figure 4.3.2 The flow map of the function in Hasee's Procurement

When R&D department send information about new products to procurement sector, they will judge if the new products can get relevant opponents from existing suppliers, if not, then develop new suppliers. If they have suppliers, cost engineer would estimate the production cost on the basis of the material quality and technology. After that, negotiation should be made in order to sign contract and send final orders. At that time, it is essential to supervise and manage the suppliers to make sure goods are delivered on requirements, thus guarantee finished products can be sent to end users on time.

From the flow map, we can see there are 11 steps that six of them has Procurement department to take part in. And we know supply chain is not only a link between suppliers and end customers for transferring information, materials, and capital, it also a value-adding chain.

This is a simple formula to express how value is added:

Added Value = Selling Cost - Purchasing Cost, suppose selling cost is fixed, the only method to increase added-value is to decrease purchasing cost. It is thus clear that the efficiency of procurement would not only guarantee the supply chain runs smoothly, meanwhile, it creates more value.

Different manufacture modes have different requirements to procurement activities. For example, Hasee export mother board & Graphics card to overseas and to mainland China. But these regions have different manufacturing modes.

- The orders from overseas are satisfied by Build to Order, which means when they

received and accepted customers' order, goods are manufactured by consuming stock materials. But the demand for lean production and uncertainty of customers' requirements exist, it is important to control the level of stock material while fulfill precipitate orders. This brings much pressure to the company that has been asked to reduce responding time and finally shorten the time for the whole supply chain.

- The orders from mainland China are satisfied by Build to Plan which means production are taken place by pre-established plans that on the basis of market forecasting and demand scheduling. In the process of planned production, suppliers are informed to prepare materials, but meanwhile, the accuracy of planning can make the suppliers' have too much materials or lack of materials. At this time, it is important for Hasee Procurement to urge supplier deliver materials in time, and also help suppliers to find out opportunities for consuming surplus materials thus reach the goal of win-win.

Enforcing the management to purchasing process has positive affect on coordinate each stage within supply chain, and lowering the operation cost at the same time. It can assist company itself and suppliers to gain competitive position on the market.

### **4.3.2 External factors that influence purchasing competitiveness**

The external elements that have impacts on Hasee Procurement entail overall environment, industrial environment and competitive environment. In this sector we will concentrate on analyze its industrial environment and competitive environment. Generally, the competition under the condition of industrial environment is determined by five aspects of competitive power: threat of potential entrants, threat of substitute products, bargaining power of suppliers, bargaining power of customers and competition among existing firms.

- *Threat of Potential Entrants:* Hasee keeps developing and preparing for innovative products and seeking for new market and provide products that cater for customers' needs. But when some new products appear in the market and being notices that it is profitable and attractive, potential entrants will attempt to break into the same market. Beyond all doubt, popularize differentiated products with fast pace is a key movement to grabbing market share and defeat entrants. However, the mission of creating differentiated products is not only the work for R&D department. Procurement

department as an important role in the supply chain should also have vision and perceptiveness, besides, entering the customers market to make accurate analysis and get to know technique trends is necessary. After that, cooperate with suppliers, to be provided with corresponding materials and ensure supply chain, operation process run in the right track.

- *Bargaining Power of Suppliers:* Generally speaking, the one who has a stronger position in the supply and demand market has the more powerful negotiate support, thus obtain an edge during the negotiation. Given the increasing emphasis on building and managing buyer–supplier relationships (or supply management) as the basis of sustainable competitive advantage (Dyer and Singh, 1998; Kale et al., 2000; Leenders et al., 2002), a systematic empirical investigation of the extent to which strategic purchasing contributes to the development of supply management capabilities is warranted (Chen et al, 2004). While Hasee is growing faster and bigger, its suppliers also never stop extending their business field, they would provide many products and services to Hasee’s opponents at the same time. Once suppliers find wider business opportunities than just cooperate with Hasee, they could in turn threaten Hasee’s position. As a result, for the same category of goods, Hasee Procurement should choose two to three suppliers, and give them orders with proportional quantity, so every supplier get specific business. Meanwhile, it is important to evaluate suppliers’ performance annually or once every half year in case of making some adjustment to proportional quantity that giving them. In this way, the suppliers are controlled properly and wars between Hasee and suppliers are prevented.
- *Bargaining Power of Customers:* Buyer should have powerful negotiation ability; the first things that attract suppliers are purchasing batch, quantity and continuity. Because of that, suppliers would willing to have long term cooperation with buyer, and make the most of profit together under specific manufacturing mode. So Hasee should always standardize the products which need to be purchased and assist suppliers to produce good components that fulfill the requirements, and then get advantage position in the negotiation.
- *Threat of Substitute Products:* In regard to Hasee’s Procurement, substitute means purchase the same materials from different suppliers. The more substitutes exist, the

better for Hasee to control the situation in the process of negotiation. On the contrary, too many substitutes will bring burden to the company and increase its management costs and management difficulties. So it is better to select two to three suppliers for same material and meanwhile develop new supply sources to prevent any unforeseen accidents.

- *Competition among Existing Firms:* The competition among existing firms is reflected on the competition in the industry where Hasee belong to. The fiercer competition in the market, the more urgent to let procurement department making low costs ever, thus enhance and maintain its capability to compete out there. In the year of 2010, Hasee's Procurement had saved a lot of purchasing costs on power supply and radiator which came up to 6% saved value than before. In 2011, it is required to save 8% purchasing cost on this that make Hasee to face a new challenge. If it has fierce competition between suppliers, of course it will have good impact on Hasee's Procurement.

From the analysis on external factors that influence purchasing competitiveness, we can see that in order to have an edge when negotiate with suppliers, it is important for Hasee on one hand to strengthen the purchasing power itself, adopt the method of centralized purchasing, and on the other hand, to prevent being controlled by suppliers.

### **4.3.3 Internal factors that influence purchasing competitiveness**

Political and economic developments in recent years are dramatically changing the commercial trading environment (Smith, 1999). Enterprise's competitive advantage is made up by its resources, capability and core competence (Ljungquist, 2008). Capability is achieved from affluent resources which can be divided into tangible and intangible resources. The work of procurement includes researching, consulting, negotiating and other services, so intangible resource is the primary form of resources in the procurement department. For example:

- Human resources. Automation, globalization and the integration of business processes have mutually reinforcing 'people effects' attention should be paid not only to the E-procurement environment, but also to the multi-functional and multicultural team environment it generates (Zheng et al., 2007). Recruit qualified people from colleges and society is the foundation for human resource can be used efficiently. To make these

people adapt to the requirements from Hasee is a long-term, continuous work. Let new employees get familiar with Hasee's procurement business in a limited time needs relevant department hold training program for them. It could be an introduction to company's history, Hasee's mission & vision and rules. Then give new employees systematic training such as the use of SAP (Systems Applications and Products in Data Processing) for purchasing module. At the same time, lectures are given each month for enriching employees' occupational skills like communication and negotiation. Knowing how other departments work except procurement is important, too. So multi-department training is very vital. Training and studying can develop one's ability, but job rotation can enrich employees' skill. Generally if one has been working on a position over a year, she or he can apply job rotation. A cost engineer might apply a position in commodity management for increase knowledge in that area. In this way, people are motivated to pursue new knowledge and utilize integrative competence in the daily work.

- Innovation resource: innovation is the source of power for enterprises' development. In order to inspire employees to think creatively, human resource department made specific forum to encourage people publish their achievement, and assess them every season. Then give reward to excellent ones. Since purchasing people have close contact with suppliers, they know both the production & service detail Hasee ask for and the characters of suppliers' production, technology and management, so they can give good advices and proposals to them about Hasee's requirements for innovation. In 2007, cost engineer redesigned the structure of polythene package depend on the facts of router's package situation. This change enhanced packing materials' protective function and lowered the total cost which saved 900 thousand purchasing cost.
- Reputation resource: Hasee have more than 10 years history in the IT industry, it long-term, stable purchasing demands made itself a good image to many suppliers. To some extent this image assist Hasee get high quality materials.

These three resources combine together could make the integrative capability for Hasee's Procurement and its effective operation.

- Core competence: Enterprise's core competence is formed by affluent resources and integrated capability. When organizational capabilities erode in value over time either

because of shifts in environmental conditions or organizational complacency, or both, they can become “core rigidities” and lead to competitive disadvantage (Leonard-Barton, 1995). Hasee has relative long-term purchasing experience on cardboard and machine’s procurement. Hasee accumulated rich experience in these areas and stimulate its suppliers to cooperate strategically. This is how core competence reflects on its business, with the core competence, Hasee’s Procurement could provide superior materials and service to production department and the whole company.

#### **4.4 History of Hasee Procurement’s mode**

Hasee is formed in 2001, the computers it produced were mainly distributed in different cities in China mainland, its low price strategy made it in an advantage position in seller’s market. The sale mode was to follow established plans Hasee made itself, the weakness is that they did not produce what the market really demand, the market only get what they made so at that time, the company’s procurement method is simple, while its function and status was not regarded as important. Gradually, the competition become more and more fierce, consumers had wide range of choices that most of them are famous international brand, seller’s market turned into buyer’s market. Facing this reality, Hasee changed its production mode to customized production and pay much attention to customers’ needs and wants which brought to procurement department big opportunity to develop.

Hasee’s procurement department which set up in 2001 was mainly in charge of purchasing some simple materials, such as office supplies, production equipment and so on. Paper purchasing application form is signed by responsible personnel then sent to procurement department. If there is no available supplier, they had have to look for one, then confirm and send orders, check incoming goods, do payment etc. As we can see, the work of procurement is limited by doing some communication for verify the quantity of goods, due date, payment and so on that far from electing material source, price negotiation or supplier management. Facing the increasingly consumer market overseas in South Korea and Thailand and other countries. Hasee realized some changes should be made. In 2005, Hasee started to produce export products, and made much effort on network techniques. The simple mode of MRP- II was updated to supply chain mode supported by ERP (Enterprise Resource Planning). Hasee

kept studying and learning from other big successful IT companies, finally in the year of 2006, the work of procurement department had been involved in supply source selection, price negotiation, supplier management and so on along with the improvement of organization structure, purchasing process and e-commerce. In the meantime, R&D and market department make close connection to each other, and even the formal order has not arrived, the relevant preliminary work like price negotiation and contract signing had basically been on the track. When received customers' order and requirements plan, the procurement of materials will be down quickly, thereby shorten the delivery time and form a good condition for holding market share.

#### **4.5 New process of Hasee's Procurement**

The traditional purchasing process is mainly in the area of transferring internal information flow, material flow and cash flow within supply chain (actually many company still adopt this process). That is to say, procurement department can only know the type of material, quantity and delivery time via MRP, then place an order, check & accept, payment etc. If the goods to be purchased are familiar to them, it will be no problems to follow this. But nowadays, new products come into market one generation after another, and consumers no longer satisfied with the products shown in the market. The development of customized products made traditional purchasing process to face a big challenge. In order to change the passive situation, Hasee recently revised its purchasing process and put strategic thought into the process. It looks as figure 4.5.1:

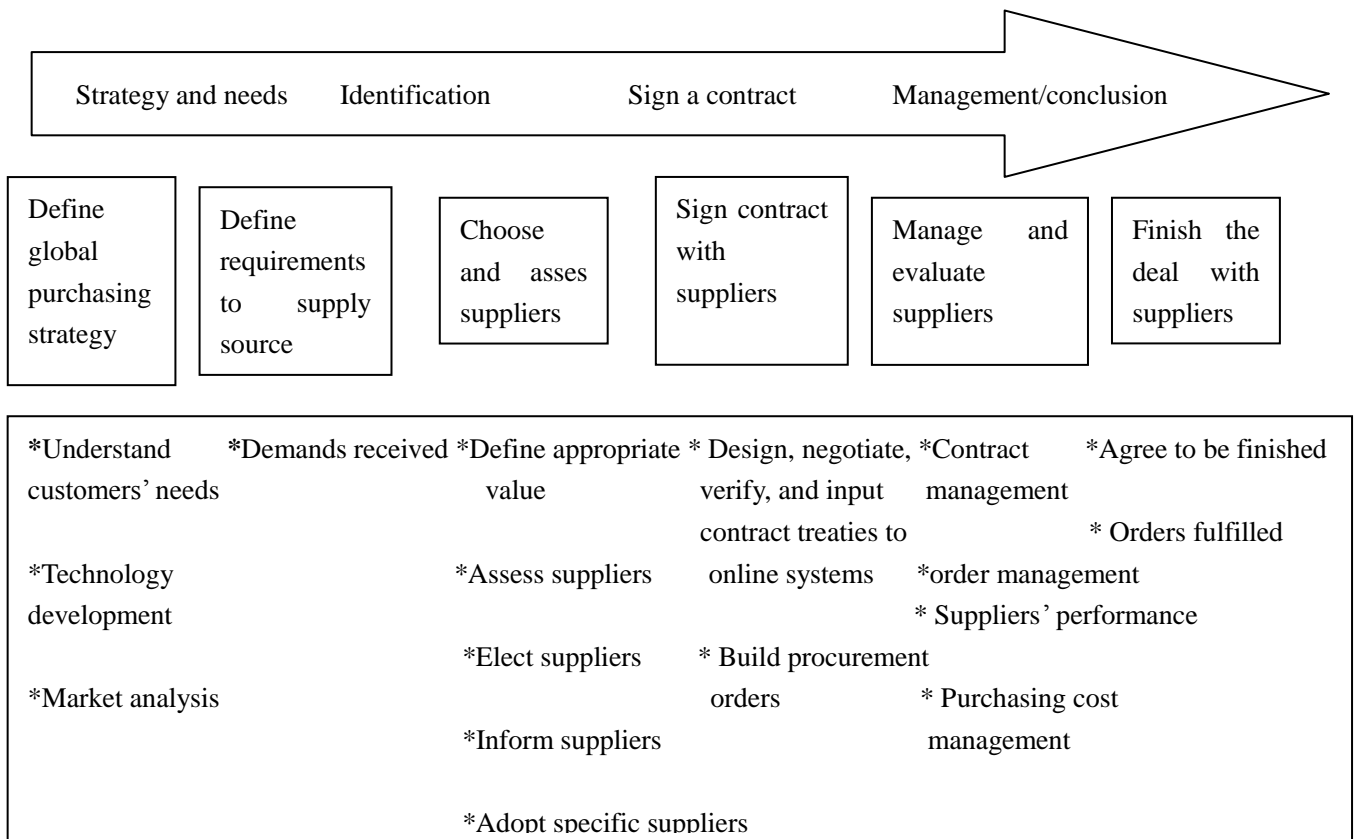


Figure 4.5.1 Hasee's revised purchasing processes

In this process of procurement, procurement department define the global purchasing strategy and it has sharper market sensation than before. And these changes made improvement for value creation.

Firstly, the personnel in procurement department pay attention to strengthen the connection with sale and marketing department, hence get to know customers' preference and if they have new requirements in time. On the base of that, the purchasing activates would be planned in the favor of customers' demands. On one hand, it can be noticed if the present products have any drawback; on the other hand, Hasee is able to provide superior raw materials and post services. Because a final product is made up of different components, if they can be closely adherence to customers' needs from the raw materials in the beginning, Hasee could be accepted by customers in the end.

Secondly, always concentrate on new technology and innovation is a key element to push the whole industry marching forward. The procurement department should not only keep an eye on its own company's status of development in the area of new technology and skills, but also pay close attention to the technology news in relevant industry worldwide. For example,

always be interested in the utilization of new materials, the enhanced working efficiency and quality made by new processing technique and so on.

Third, the manufacturing machines which are purchased are mainly made of metals like iron, copper, aluminum, zinc and so on. And the price movement of these metals will definitely influence the company's purchasing cost. Even different regions have different prices on them, it is import for global commodity management personnel to make decision on where to buy the machines from. .

Besides, once decide the goal for technology development and market occupation, procurement department should start immediately to have a check on existing supply source, it's including: do we have sufficient supply source, does it have any problems with existing supply sources, where should be improved to adapt new demands, if not, from which country or area to buy these recourse. In this way, purchasing personnel always have corresponding working objectives.

Evaluate, assess and elect proper suppliers is a crux in the whole purchasing process. After gathering information via interviews and analysis Hasee's procurement process, we describe the process into 7 stages:

- The primary selection of suppliers. It requires Hasee to clarify target suppliers' corporate strategy, scale of production, financial circumstances, address and so on. If this supplier also has business with Hasee's opponent, this supplier should provide specific working process to ensure the confidential information of Hasee not be revealed. When these matters get clarified, Hasee Procurement could define whether this supplier should be concerned as partner.
- Registration of suppliers' application. Once suppliers pass the primary selection, they should give a full application document to Hasee which including: the copy of business license, real estate registration certificate or renting contract of the working plant, certificate of tax payment and so on.
- Suppliers' examine and first trail. Based on Hasee's own examine standard, suppliers' application document will be checked as follow(Figure 4.5.2 ):

| <b>Item</b>                   | <b>Financial circumstances</b> | <b>Resource management</b> | <b>Manufacturing technology</b> | <b>Production management</b> | <b>Quality control</b> |
|-------------------------------|--------------------------------|----------------------------|---------------------------------|------------------------------|------------------------|
| <i>Raw material</i>           |                                | ●                          |                                 |                              | ●                      |
| <i>Semi-finished products</i> |                                | ●                          | ●                               | ●                            | ●                      |
| <i>Finished products</i>      |                                | ●                          | ●                               | ●                            | ●                      |
| <i>Other</i>                  | ● (full score 100)             | ●                          |                                 |                              | ●                      |
| <b>Category</b>               | <b>Management</b>              | <b>Management</b>          | <b>Production</b>               | <b>Production</b>            | <b>Quality</b>         |

Figure 4.5.2 Items to be checked (with black dot) for suppliers’ application document

Each item above has a full score of 100. And the average score of the items is the score of this category. Finally, the ones who get a score over 80 can pass the primary check. For example, the financial circumstances including supplier’s cash flow, debt, revenue etc. so it is belong to “other”; manufacturing technology is aiming at checking semi-finished products and finished products, that including the frequency of using new materials and equipment, the improvement of skill and efficiency etc. The proportion of the different category shown as below (Figure 4.5.3)

| <b>Category</b> | <b>Management</b> | <b>Production</b> | <b>Quality</b> |
|-----------------|-------------------|-------------------|----------------|
| <b>Scores</b>   | <b>30%</b>        | <b>30%</b>        | <b>40%</b>     |

Figure 4.5.3 The weight of different category in the suppliers’ application examine (data supported by Hasee)

- Sign the Statement of Work with suppliers. In this stage, suppliers and Hasee made a consensus together that suitable for any purchasing activities in the future, but it does not entail materials price and deliver date. This contract should be comprehensive, legal, reasonable and fair. It is a foundation for both parties’ long-term cooperation and desired results.
- According to some specific purchasing material, cost engineer will make estimation on the operation cost, then let commodity manager decide the procurement quantity and proportion for supplier when she get the data for total requirements. After that, purchasing personnel would negotiate the ultimate prices and sign product purchasing

contract.

- When the purchasing products contract is signed and take effect, related staffs would input suppliers' data into the online contract software. Build suppliers' information in SAP (Systems Applications and Products in Data Processing) on the basis of the contract. If there are many different suppliers provide same products, it should be ensured, they deliver the right proportion and quantity of goods.
- If there is unexpected needs for raw material, the SAP system would automatically send purchasing plan in the same proportion as before to each suppliers.

Managing and assessing suppliers is continuous, supervisory work which entail contract management, order management, suppliers performance and purchasing cost management, they make sure Hasee can get ideal products and services.

The reasons that Hasee end business with suppliers are: suppliers have low performance twice times; any behaviors harmful to Hasee' reputation and benefits; any natural disasters or wars occur that hinder the original plans etc. Based on these factors, Hasee would debate and negotiate with suppliers to agree on the termination. Besides, clear up some issues in former business such as if the payment is done. Finally, they are going to remove these suppliers in Hasee's SAP system.

## **5. Supplier relationship improvement for Hasee**

As globalization develops, it brings not only the changes for enterprises' management mode, but also for the resources to be allocated world widely. The difficulty and risks for operation increases, and the cooperation and business between different enterprises in the industry chain is becoming tighter and closer. In order to survive in today's competitive market and to respond to customer's demands companies have no choice but to offer high-quality products and services (Ordoobadi & Wang, 2011). For Hasee, making sustainable and long-lasting partnership between suppliers and making the most of resources during the process of design, production and even launch the market is a big impact on its costs, inventory and responding time. The key point to solve these problems is to have a good supplier relationship management system.

Hasee product and sale the terminal consumer goods with its own brand, such as server, personal pc and so on. But actually, most of the components in the end products are not produced by Hasee. For example, the CPU comes from Intel, computer cabinet comes from Fox Conn and stereo sounder comes from Pioneer etc. Hasee has its own factory and plant which mainly responsible for resembling and assessment of products. Obviously, the partnership and relationship with suppliers are very significant. To become a genuine decision-making tool for comprehensive supplier selection, a variety of existing supplier selection models must be integrated with knowledge sharing and collaboration in the decision-making process (Ordoobadi & Wang, 2011). On one hand, Hasee should urge suppliers to provide products & services totally meet Hasee's needs. On the other hand, it is important to prevent suppliers restrict Hasee by forming alliance on the interest of their benefits. In order to achieve the win-win cooperative principle, Hasee has had to manage its suppliers in several aspects.

## **5.1 Contract management**

Supply chain contracts lead to supply chain performance improvement, as they ensure that the decentralized supply chain's profits move closer to decentralized supply chain's profits (Tsay et al. 1999). A lot of work has been done on supply chain contracts and resulting mechanisms for supply chain performance improvement and coordination (Mathur & Shah, 2008). The meaning of a contract is to reflect the rights and responsibilities in business activities both to supply and demand parties. Because supplier might provide goods in different categories, so before Hasee make a deal with new suppliers, two kinds of contract should be signed: Statement of Work and Product Procurement Contract.

Statement of Work (SOW) is a framework for the deal, so every order should abide by contract strictly. It includes defining transactional condition, the way of orders' delivery and confirmation, whether to build inventory centre for suppliers, if yes, who undertake relevant responsibility. It also contains payment method, products repair method and other administration issues.

Product Procurement Contract (PPC) is more detailed illustration for each different category of products. It mainly entails the name of products, standard and size, package, logistics

payment and inspecting method.

Usually to the same kinds of materials, it needs long-term and continuous procurement activities. Every time the purchasing quantity and delivery date is shown on Purchase Order (PO) which have been defined in Statement of Work about how it should be sent and confirmed. So when implement a purchase order, there will be no other problems. These 3 elements that related to contract management combined together and implemented by Hasee's electronic procurement system. The work flow as below (Figure 5.1)

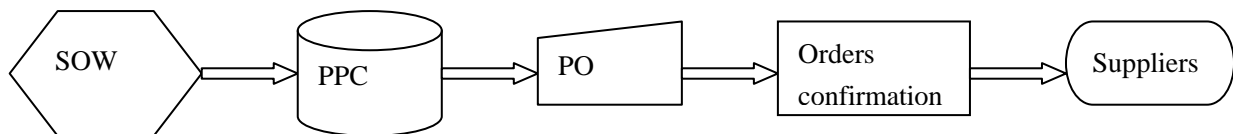


Figure 5.1. Flow map of contract management

Through this electronic contract management method, purchasing personnel could share the data with commodity manager and other departments in Hasee when a contract is signed. It also can be shared to Hasee's purchasing personnel in other regions in a short time, so they have no need to redesign and negotiate contract with suppliers, thus save more time.

## 5.2 Order management

Every time MRP get completed, production personnel will send confirmed purchasing orders to supplier, to manage these orders are the daily work of supplier relationship management. In the orders, there is not only one batch of materials, but always many batches of the same purchasing materials. Generally, Hasee would ask suppliers to produce and provide enough materials for the coming 2 weeks production, and from the third and tenth week, it can be basically estimated how much materials would be enough for the whole production plan.

When the purchasing orders are sent, suppliers will use their own MRP to respond supply department based on its raw material conditions. If their answer is yes, which can satisfy Hasee's requirement, then there won't be and supply problems. But if supplier has problems with raw material and cannot provide required goods, then Hasee Procurement should intervene and communicate with supplier, understand the root causes, and try to assist suppliers solve the problem. Meanwhile, if the supplier still cannot provide goods, Hasee Procurement should adjust its orders to other suppliers and get desired goods from other way.

Procurement engineers also involving in order management. Usually, when new product idea put into production line, there would be different kinds of problems. If just use email or phone call to discuss the problems, most of them cannot be solved in time. So procurement engineers start to be in suppliers' production plant, if some problems come up, they can cooperate with supplier's production, technique and quality department in order to make sure orders' get fulfilled smoothly. In the rush hours of Hasee's production, procurement engineers are often staying in supplier's workshop plant, too.

Suppliers will contact Hasee's logistic supplier who are defined in Product Procurement Contract when they finished producing and packaging. Since then, logistic suppliers should take responsibility in the later process. After that, Hasee procurement personnel can track the goods via logistic supplier's website and see clearly the circumstances of the goods on the way to Hasee, therefore do relevant arrangement and give a reply to Hasee's production department.

### **5.3 Supplier performance assessment**

As firms increasingly emphasize cooperative relationships with critical suppliers, executives of buyer firms are using supplier evaluations to ensure that their performance objectives are met (Prahinski & Benton, 2004). Through appropriate supplier performance assessment, Hasee can detect that among so many suppliers, who are trustful and worth cooperating, what change should make to the number of suppliers, what products' supplier source should be redeveloped. Hasee assess suppliers every half year. The contents are in four categories.

- To the level of administration. It is primarily concentrate on supplier's management systems, assessing their marketing management, supply chain management, human resource, financial conditions and so on. The situation of supplier's management system has direct influence on whether Hasee can make long-term partnership with them.
- To the level of products. It is mainly focus on assessing suppliers' work flow, product quality and total quality management. Judging if supplier's quality guarantee system fulfill relevant standard according to the products offered by them.
- To the level of service. It is mainly assessing whether supplier's due date is on the basis of requirement planning. Any delay or ahead of time is unacceptable and undesired. At

the same time, when anything go wrong, the speed to react and resolve is significant factors to assess, too.

- To the level of price. It is mainly assessing whether supplier's price have competitive edge, to define that, Hasee could build its price base, compare supplier's quoted price with the price base. Besides, Hasee could compare suppliers' quoted price within the same industry.

The personnel who take part in assess activities are lead by Hasee Procurement, marketing, logistics and other departments will coordinate to implement it together.

Through this supplier assessment, can Hasee find out weaknesses in their partnership and propose improving measures. Sometimes adjust the purchasing proportion to different supplier can have a stimulating impact. To specific suppliers who perform excellent should be rewarded in some way.

## **5.4 How to prevent being controlled by suppliers**

When an enterprise needs some kinds of important and scarce products, and worse, the products can only rely on one big supplier, such as the purchasing of Hasee's CPU is only imported from Intel. Under this condition, supplier stand on an advantage position, so purchasers can hardly gain reasonable price and service, except the suppliers have a strategic cooperate consideration. But most of the goods Hasee Procurement purchased is belong to labor intensive industry, so many competitors can enter that market which brought convenience for Hasee to prevent being controlled by suppliers. Meanwhile, Hasee Procurement can adopt other ways to realize effective prevention.

- Goods provided by multi-suppliers. For same products, choose two to three suppliers to join the purchasing activities. Meanwhile, use SAP software to set the proportion of quantity for different suppliers, to some extend, it promotes a benign competition between suppliers. In this way, products quality, costs control and service systems could be improved and give Hasee a good supplier source.
- Long-term procurement. Since the future production planning is decided for some products, it is better to sign a long-term purchasing intention. On behalf of its future benefits and partnership, suppliers are more willing to keep trying decrease the price. For

example, Hasee signed a 5 years purchasing intention with Pioneer Company for its computer sounder, from 2002 to 2008, Hasee saved successfully saved 900 thousand RMB.

- Sufficient research on products market. Hasee should have deep research in the products market; get to know suppliers' capability on innovation, technique and so on. When new competitions to supplier access the industry, they can be added to Hasee's list of supplier. This make existing suppliers feel the sense of crises, thus make them be stable and professional.

## 6. Conclusion

Hasee as a young, energetic and prosperous computer company in China is now being concerned by more and more people. We choose its procurement part to study on, because nowadays procurement plays a significant and central role in many enterprises. We believed it has much potential to create value if optimizing the working process, resources and facilitate a firm relationship with suppliers. This study contributes to understanding the impact of procurement under the condition of supply chain, particularly in small and medium-sized enterprises like Hasee.

- For such a long time, in the procurement process of many enterprises, procurement department only think about develop and assess suppliers when production requirements are sent to them,. This made the whole supply chain consumes long time, and decreased responding time. Hasee learned this principle from famous international companies (especially Lenovo and IBM) and started to put its strategic thoughts into the process of procurement work and supplier management.
- By understanding better on customers' needs and technology tendencies, make purchasing plan and prepare sufficient suppliers for production before being asked is important. Because of that, procurement department could assist marketing sector to lay a solid foundation for launching new products hence occupying the market.
- As the level of cooperation between enterprises is higher and higher, a company's relationship with its supplier turned to strategic partnership. From the daily work of

contract management, order management, supplier performance assessment etc, it helps company to keep good suppliers and get rid of unqualified ones.

- Meanwhile, in order to prevent being controlled by them, a company could build multi-suppliers relationship, use long-term procurement and so forth, therefore, maintain good profits and create more value.

This thesis is the analysis for Hasee Procurement base on quite large amount of information gathering and elaborated interviews. Still, we are limited by practical experience for working at Hasee, and lack of concrete statistics and numerical data to have more analysis. It should be an interesting direction and basis for our further studies.

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INTERNET:

Laurie Collier Hillstrom, Value Creation,

[www.referenceforbusiness.com/management/Tr-Z/Value-Creation](http://www.referenceforbusiness.com/management/Tr-Z/Value-Creation), Access 2011/5/10

Hasee's Homepage

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## Appendix-Interview questions

Interviewed people:

Zhao Wang, production manager, Hasee Computer Co. Ltd, interviewed 2011-04-27.during 45 minutes

Bing Zhou, procurement personnel, Hasee Computer Co. Ltd, interviewed 2011-05-04, during 1 hour

Yan An, marketing manager, Hasee Computer Co. Ltd, interviewed 2011-05-11, during 30 minutes

Zhiyong Zhang, procurement personnel, Hasee Computer Co. Ltd, interviewed 2011-05-11, during 50 minutes

- What product does Hasee manufacture?
- How many employees do you have?
- How much did you spend on procurement last year?
- What is included in your procurement/?
- Where do you mainly purchase components from?
- How many customers/suppliers do you have?
- Do you outsource any raw materials to another country?
- What is the most skillful area in Hasee?
- What is Hasee's most large target group for selling computers?
- Why did Hasee have its headquarter in Shenzhen not in the capital city?
- Where the most proportion of revenue comes from?
- Has globalization huge influence on Hasee's operation mode?
- How is your company organized?
- Dose Hasee Procurement has close connection to production department?
- Does Hasee Procurement have close connection to Marketing department?
- In what way do you satisfy the orders from overseas?
- In what way do you satisfy the orders from mainland China?
- Do you offer a lot of customized products?

- Could you describe your suppliers?
- How often do you evaluate your suppliers?
- Do you think highly of human resource?
- Do you pay attention to innovation?
- How often do you update your procurement mode?
- Describe Hasee Procurement's mode in the early years when it was formed
- Do you have collaborative relationship with your suppliers?
- How can you trust your customers?
- Does your customer trust you?
- Do you have high satisfactory rate?
- Who influence your competence?
- Describe how do you assess your suppliers?
- How often do you communicate with your suppliers?
- What could you learn from the cooperation with suppliers?
- Among many different departments, are you honest to each other?
- What is your main goal in the coming 5 years?