

Competing in the flat world: the Li & Fung Experience

Delivered by

Dr. Victor K. Fung

as

Chairman of the International Chamber of Commerce

&

Chairman of Li & Fung Group

At the

Sun Yun-Hsuan Management Forum

on

30 July 2008

Good afternoon, ladies and gentlemen. It is a great honor to speak on the occasion of the Sun Yun-Hsuan Management Forum. Today, I would like to address this topic as a member of the private sector and to give my own business point of view.

I. The new global manufacturing paradigm – decomposition of supply chains and dispersed manufacturing

In the old days, when we talked about manufacturing a product, the idea that immediately sprang to mind was that everything should be done “in-house” – in one factory, under one roof and in one country – before it was exported and sold in another country.

But times have changed and manufacturing a product carries a completely different meaning today. Products are no longer produced in one factory and under one roof. Production is becoming increasingly spread across different countries and globalized.

Under this new global manufacturing paradigm, companies are no longer geographically restricted but are expanding their production in more cost-effective locations and developing businesses in new markets. Their supply chains have become more complex because of their quest to expand product depth and customer base. Competition is no longer solely based on products or services. Participants of the supply chain now form a new kind of team. Competition is no longer between companies but between supply chains.

Today, if we get an order for 10,000 shirts, what shall we do? We must first consider the best place to source the yarn required for making those shirts. Having analyzed what is available in the world, we may decide that Korea is the best place to produce that particular type of yarn. We will then identify a factory in Korea to produce the yarn for us. Next, where should we do the weaving and dyeing part? It depends on the client's need, the timing, the capacity and the technology requirements. Let us say, we decide that Taiwan is the best place. So we ship the yarn from Korea to, say, two factories in Taiwan to do the dyeing and weaving because we have a tight deadline to meet. After the fabric is produced, the next thing is to identify the best place to produce the shirts – where to do the CMT, the cut, make and trim – the final stage of putting the shirt together. For labor capacity and skill reasons, we may want to do it in Thailand. To save time, we may use three different factories in Thailand.

The whole production process is thus carried out in such a dispersed manufacturing manner. In the end, the final products that arrive on the retailer's shelf should look like the same as if they all come from one single factory, but in fact we have done it in six factories in three different countries. What makes that all possible is of course the development of information technology and also logistics, which allows us to dissect the entire manufacturing process into different components at different stages. At each stage we will consider the best place to produce the component we need. The end-product, therefore, becomes

a truly globalized one. The modern global production system is essential to economic efficiency and consumer welfare. It benefits consumers by improving efficiency and reducing cost. Thanks to the modern global production system, consumers get higher quality, greater variety, and lower prices than they would get otherwise because it is possible to draw from the entire world as a production base.

Another trend that we could not ignore is the empowered end-consumers and increasing expectation. Empowered end-consumers now expect the mass customization and instantaneous response of the Internet. This has placed pressure on manufacturers and retailers. More businesses are becoming time-sensitive, not only in fashion but in areas such as food and high technology. Clothing retailers are now working with six or seven seasons a year instead of just two or three. This has made fashion retailing a more dangerous game with high markdown risks. This has increased the value of fast and flexible supply chains that can be reconfigured up to the last minute, reducing markdowns by responding to the changing tastes of end consumers.

Rising expectations are not limited to costs, quality and variety. Customers also are interested in where their products are produced and how, with increased concern about the whole area of ethical sourcing, including use of child labor and other human rights and environmental issues. Businesses are under greater scrutiny for issues such as human rights and sustainable development.

II. Look out! The World is Flattening Out!

These changes have not only affected manufacturing. Any organization that has a supply chain (including services) or value chain of any kind (in other words, every organization) has experienced transformations from the forces that are flattening the world.

Thomas Friedman's Ten Flatteners

1. End of Cold War and rise of personal computer
2. Internet (Netscape IPO)
3. Work flow software
4. Open sourcing
5. Outsourcing
6. Offshoring
7. Supply chaining
8. Insourcing (UPS, FedEx and Modern Logistics)
9. In-forming (Google, Yahoo! and MSN Web Search)
10. Digital and Wireless (The Steroids)

The flat world has far-reaching implications for organizational objectives, strategies and structures. Companies have faced new competitors and new business models. Playing fields have been fundamentally reshaped. These changes have had ripple effects across every organization, leading to changes in corporate governance, business and revenue models, structure and strategies. These forces have transformed businesses in existing industries as seen in retail with Wal-Mart and Costco or travel by Travelocity and Priceline. These forces also have resulted in the emergence of new companies such as Google, eBay and Amazon. These drivers have led to consolidation, price pressures and the emergence of new retail formats. The changes have also encouraged the development of advances in supply chain management such just-in-time manufacturing, modularization and customization.

III. What do these changes mean for the strategies for successfully competing in this world?

This new world demands new strategies and organizational approaches. Here I would like to share our Li & Fung experience in addressing and managing

them. If you will, allow me to give you some background of our company first. The Li & Fung Group is a Hong Kong-based multinational with three distinct core businesses: export trading, distribution and retailing. Founded in Guangzhou in 1906, Li & Fung Group today has an annual turnover of over US\$14 billion, operations in over 40 countries and regions, and over 23,000 employees worldwide.

The export trading business is operated by Li & Fung Limited and contributes the majority of the group's revenues. Through a network of 80 sourcing offices around the world, Li & Fung sources high-volume, time-sensitive consumer goods – such as garments, fashion accessories, furnishings, gifts, handicrafts, home products, promotional merchandises, toys, sporting goods, and travel goods – on behalf of customers worldwide. Li & Fung provides its customers with the convenience of a one-stop shop with a value-added package starting from product design and development, through raw material and factory sourcing, production planning and management, quality assurance and export documentation, to shipping consolidation. And, instead of owning production facilities, Li & Fung manages over 10,000 quality-conscious, cost-effective producers who deliver on short deadlines for its customers.

The IDS Group operates a distribution network covering nine ASEAN countries as well as Greater China. It distributes fast-moving consumer and healthcare products on behalf of 300 multinational principals. IDS specializes in logistics, marketing and manufacturing, where are integrated to create optimized supply chains for its principals.

The final business of the group is retailing. We operates two specialty chain stores in the ASEAN region and Greater China; namely, Circle K Convenience Stores and Toys 'R' Us. We also have apparel chain stores in the Asian region.

And now, I would like to talk about our Li & Fung experience in successfully competing in this flat world

1. Take a holistic view

In the round world, countries, companies and individuals often focused on optimizing their own small part of the world. Now, the world is connected and the flat world provides a direct line of sight from one side to another. With the benefit of instantaneous communications, the butterfly's wings flapping in Asia truly can result in a typhoon on the other side of the world. The goal in this world is not merely to optimize locally, but to optimize across an ever-broader part of the value chain. For example, in manufacturing, a factory might reduce its internal costs by not paying overtime. This saves costs and boosts profits, but could lead to even larger costs for a retailer who then faces stockouts because of the slower delivery. By looking at the bigger picture, the members of the supply chain could optimize the entire chain rather than their own small piece of it. This systemic view should also embrace all the networks the firm participates in and balance the needs of its many stakeholders, as well as help to bridge traditional disciplinary silos within the organization. The flat world creates opportunities for taking a more holistic view of value.

2. Organize around the customer

In a world without a clear center, the organization needs to be organized around the needs of the customers. In this age, companies can be designed to realize Peter Drucker's observation that the organization exists to serve the customer. The old model saw the organization as existing to deliver something *to* the customer. The customer was at the end of the supply chain with hands outstretched. The new model sees the organization as working with the customer, placing the customer at the center, serving the customer. This is a fundamentally

different design, in which the company, in a certain sense, becomes second to the customer but still retains its own separate identity. This kind of blurring of the lines is only possible through thick connections of information technology, communications and other systems that can weave together the customer and company. Li & Fung, for example, devotes dedicated divisions to specific customers (retailers contracting for manufacturing), and the employees essentially work for a customer and Li & Fung at the same time. Consistent with current thinking about customer-centric organizations, one can even expect further development toward sub-organizations by key customers or customer segments. This is critical as the end consumers become more empowered and are looking for customization and a unique experience. Information technology can be used to track metrics centered on customers to keep the system aligned with customer interests. In this way, we could see the “fragmentation” of organizations that parallels the fragmentation of consumer markets.

3. Manage the suppliers

The real challenge facing Li & Fung is not finding the supplier or manufacturer, but managing suppliers and manufacturers and the flow of parts and materials along the production chain. With consumer tastes changing rapidly and markets increasingly segmented into smaller niches, a broader spectrum of products is becoming more and more time-sensitive. Delivery cycles must be shortened in order to meet the ever-changing consumer demand. In spite of these challenges, Li & Fung has been successful in managing customers’ production chain cost-effectively with shorter lead-time and fast response. To achieve these, we have to be quick, flexible and effective in mobilizing and managing our suppliers.

First, we have deep, up-to-date knowledge about the capability of each supplier and manufacturer, and we balance the job allocation among our portfolio of suppliers and manufacturers according to their respective strengths. For example, certain apparel cutters are good at handling coarse wool but they may not be

equipped with the best knowledge or machinery for ensuring the same quality and the same volume of throughputs for finer forms of wool like angora or cashmere. It is this kind of intimate knowledge of suppliers, and our ability to coordinate and influence them that put us in a position where we can stitch together a network of suppliers to satisfy orders from anywhere in the world.

Second, in order to ensure product quality and fulfillment of customers' requirements, we have to closely monitor every stage of the production process. But this does not mean that we take total control at the factory level. If we have to scrutinize every little step from dyeing the yarn to stitching the garment, we would require more than doubling our existing workforce. We do not specify in great details how factories should complete their jobs. Instead, we focus on specifying the end-product and production milestones to ensure that the final result can meet customers' requirements. For example, we would instruct the Taiwanese dyer regarding the specifications for the final product to be delivered, including its color and quality and the date on which the fabric must be shipped to the cutter in, say, Bangladesh. We do not influence the way each supplier or manufacturer accomplishes his job. Our role is to become the 'orchestrator' in the entire production process, making sure that each milestone is achieved and that the final product meets quality standards and is delivered on time to customers.

Third, Li & Fung shares responsibilities with suppliers. There were circumstances in the past where Li & Fung would reach out to the suppliers to help them solve sourcing and manufacturing problems. For instance, during the Asian financial crisis in 1997, many factories could not obtain credit to buy the needed raw materials, and sourcing agents would simply pass the buck back to their customers. The negative impact on the customers was that they simply could not access these production markets unless they financed the purchase of the raw materials themselves. Depending on the particular supplier, Li & Fung would step in to help finance the production of the order, extending such help mostly to its best and loyal customers and the most capable factories.

In other cases where a manufacturer has relatively limited purchasing clout with its suppliers, Li & Fung would leverage its supplier network to secure materials for that manufacturer at a better price and faster delivery date than would be possible if the manufacturer were left to depend on his own resources.

Fourth, for each supplier, we take 30-70% of his production capacity over the long run. We try not to go beyond 70% because we do not want our partners to become too dependent on us. We believe our partners can grow their capabilities and absorb new techniques by working with other customers as well. We try not to go below 30% because we want to ensure our bargaining power and obtain priority attention from the partner.

Fifth, we provide economic incentives and ensure revenues for suppliers. An important example is the opportunity for our suppliers to improve their performance and technology standards. Each of our product teams has established detailed and measurable benchmarks for suppliers, and our staff will closely monitor the performance level and the quality of products produced. The product teams will provide suppliers with in-depth feedback with regard to their performance, strengths and weaknesses. The suppliers can work with the product teams to improve their shortcomings and both parties will work toward bridging any performance gaps. This kind of mutual collaboration has created a powerful platform for continuous performance improvement.

4. Orchestrate the network

As vertically integrated organizations have been replaced by networks, and these networks have become more broadly dispersed, the need for hierarchical management skills has given way to the need for capabilities in network orchestration. Running a vertically integrated firm meant controlling internal systems, but now the hierarchies are flattened. Li & Fung's network of more than

10,000 manufacturers can be drawn together in different configurations to address specific customer orders, respond to economic or political shocks or to take advantage of capabilities in different parts of the world. This orchestration is critical for all firms in a world of increasingly open innovation, as companies such as Procter & Gamble are looking outside their own R&D departments for new products. These networks for product development often involve customers in the design, manufacturing and marketing of the firm's products and services.

By drawing together many small players, the orchestrator is leveling the playing field and democratizing the network. For small customers, the company aggregates buying power and knowledge. For small suppliers, this community aggregates demand, leveling the playing field and offering knowledge of corporate social responsibility and manufacturing.

In a nutshell, Li & Fung is a nodal company that provides intellectual and technical leadership and incentives that hold all the suppliers and manufacturers in the network. We manage information flow in the entire network, as well as relationships with customers and suppliers, to achieve reduction in cycle time, cost and risk. This supplier and manufacturer infrastructure matches a wide variety of customers to create a virtual supply chain.

5. Create thick connections

A networked world is not held together by rigid control processes, which are slow to change. Instead, the glue that holds together these fluid networks is information flowing through thick connections across the entire value chain – from factory floor to end consumer. These connections allow diffused networks to act like a single organization.

Li & Fung is a company that does not own a stitch when it comes to making garments. It owns no factories, no sewing machines, and so on. We call ourselves an “information company”, relying on a far-flung network of suppliers to do the work. While there is generally little secret as to the actual manufacturing of most consumer products at Li & Fung, we pride ourselves on our ability to leverage information technology to facilitate the entire fulfillment process, that is, from order to delivery.

Li & Fung has established a sophisticated, hybrid Internet-based system to communicate with its customers. The system allows customers to browse products and place orders online. Back in 1997 when Li & Fung was solely run by phone and fax, an order of say 60,000 polo shirts, would take no less than four months to deliver due to numerous back-and forth readjustments. Now, until the fabric is dyed, the customer can change the colour online; until it is cut, the customer can change the size and design online; and until the material is woven, the customer cancel the order online. With faster communication and greater transparency of the supply chain, Li & Fung is able to minimize mistakes and better fulfill customers’ needs and adjustments.

Li & Fung is also fully alert to the need to improve the transparency of the supply chain. Take our traditional supply chain for a garment as an example. Without knowing the shipment dates, the parts supplier will not be able to secure sufficient supplies, and without knowing what the final product looks like and the complete picture of the customer’s order, the supplier cannot offer the best choice and make any cross-selling for the order. Communication gaps are likely to impede the flow of products along the supply chain, causing delays in delivery.

This does not mean that with this new technology, every step in the supply chain will become mechanical. We still retain and depend on human expertise at every crucial point in the supply chain, such as the designing of products, and the choice and allocation of a big order to different factories to get the job done

quickly. These things cannot be left to the computer and must require human judgment and experience. For these reasons, the Internet is unlikely to take control of the whole supply chain, nor can it orchestrate the supply chain. Rather it should be looked upon as an enabler to help us make the supply chain more effective and foster our communication with participants. Our view on information technology is always 'business drives IT' and not vice versa, which means that we have to be very clear on what we want to achieve with technology.

6. Think big, act small

In a flat world, the organization needs to be large enough to capitalize on the opportunities of global scale but small enough to respond flexibly to rapid shifts in customer demands. This requires an organizational structure that balances entrepreneurship and being close to the customer with economies of scale and scope. Li & Fung cultivates a set of "Little John Waynes" who run its business units. They are given substantial autonomy in operating their enterprises while benefiting from the infrastructure and support of the larger organization. Indeed, our approach is: *Think like a big company, act like a small one.*

The "little John Waynes" in each division runs the division like he/she would for his/her own company. Li & Fung supports the division leaders in every aspect that they need to run their own business unit. We provide each division with the financial resources and the administrative support of a big corporation, but apart from that, we also give them a great deal of autonomy in meeting the needs of their customers. We have been nurturing entrepreneurial behavior in the divisions so that division staff can be creative in meeting customer needs and attracting new customers.

We believe that only by maintaining small divisions can we grow rapidly without becoming bureaucratic. As the market continues to change, our organization can adjust immediately.

At the same time, the organization structure of Li & Fung gives employees and customers a large company's support. We centralize and manage tight financial control and operating procedures. We have set up an operation support group (OSG) to serve as the back-office hub. OSG is the nucleus of Li & Fung, which administers three functions: information technology, finance and human resources.

OSG takes care of all the back-end needs so that business units can focus on their core competencies. We regard OSG not as a cost-based back-office exercise, but rather as a flexible operation and a competitive tool designed to address today's challenges effectively. In order to compete with global players,

Big companies tend to become bureaucratic whereas small companies can focus on specialized jobs. Li & Fung has married the strengths of being both small and big at the same time: small and customer-centric business units can respond to customer needs fairly fast, and at the back-end, they enjoy the privilege of being supported by the company's rich and powerful resources.

7. Balance stability and renewal

In a fluid world, the key challenge is offering enough stability so managers can act effectively, and move in the same direction, with enough flexibility so that they can respond to changing conditions. To achieve this balance, Li & Fung uses three-year fixed plans to bind together a set of relatively independent enterprises, keeping them focused on achieving corporate stretch goals. In contrast to rolling plans, three years provides enough stability so that managers have time to develop and execute plans against these goals. The managers and employees know that there will be no major organizational changes in this three-year period (and also their base salary will remain the same). But they also know that they have to deliver on the goals by the end of the period and their compensation will

be based upon their success. This is in contrast to five-year rolling plans that look at a longer period but create a moving target that sometimes makes it hard for managers to respond effectively and measure the results. While not every company will find the three-year plan is the best fit for their businesses, organizations need to find effective approaches to planning that balance stability and renewal. This often means thinking outside the dictates of conventional quarterly reporting and rolling three to five year plans.

8. Capture the “Soft \$3”

Li & Fung builds up a new concept of value added and think about supply chain management as “tackling the soft \$3” in the cost structure. Let’s say a typical consumer product leaves the factory at price of \$1, and it ends up on the retail shelves at \$4. Nowadays, it is very hard to even squeeze the cost of production down 10 cents or 20 cents per product. Instead of lowering the cost of production, Li & Fung looks at the cost that is spread throughout the supply chain, e.g. product design, procurement, logistics, wholesale and information collection, so as to gain more margins from the soft \$3 in the cost structure.

Among the ways to capture these soft dollars are (1) boosting efficiency; (2) improving coordination to reduce markdowns; (3) creatively rethinking the chain and; (4) taking on more of the chain.

(1) Boosting efficiency

One way to capture the soft dollars is to simply make the extended supply chain work more efficiently. For example, standard-sized shipping containers were one of the best things to happen to modern logistics. The careful utilization of containers meant that shipments could be combined, lowering shipping costs and reducing overall logistics costs. The widespread use of containers in shipping led

to modularization, more uniformity and better utilization of shipping capacity, resulting in big reductions in transportation costs.

This is just one of many ways that the supply chain has been streamlined and made more efficient. Another way in which time and money have been shaved off the process of moving products across borders involves electronic Customs clearance when the product is en route.

Flawless execution also helps reduce costs of errors in the chain. Mistakes along the supply chain can be very costly for everyone involved. If a factory marks the bar codes on its cartons incorrectly, it can cost thousands of dollars because the wrong product is shipped to the wrong place. This adds to shipping costs and also means that retailers will not have the goods when they need them. The risks and costs of these mistakes are huge. Operations across the supply chain need to be flawless, and a key source of value is making these operations better, faster, and cheaper.

(2) Improving coordination: Minimizing markdowns

Markdowns are a flaw in the manufacturing process. They mean that no matter how efficiently and effectively a product has been delivered through the supply chain, it has lost value for one reason: It was not the right product at the right place at the right time at the right price. Supply chain management is especially important in the apparel industry because the demand and price of a garment product are largely time-dependent. The suppliers and process steps for an apparel supply chain vary from season to season, from style to style, and even within the same style for the same season. The price of a garment starts declining as soon as the season begins, making the margins increasingly smaller.

In some cases, the cost of markdowns might exceed the entire cost of manufacturing. If the right product can be delivered more quickly to the shelves,

this markdown can be reduced. This is why it is essential to achieve as fast a turnaround time as possible from order to delivery. By addressing markdowns through more flexible supply chains, network orchestrators recognize one of the greatest opportunities for creating value and capturing soft dollars. These improvements can come from providing more transparency throughout the chain and allow more accurate forecasting of consumer preference and market demand. This more open process, in turn, can reduce cycle time by facilitating more timely decisions on postponement or speeding up manufacturing processes in response to market conditions.

(3) Creatively rethinking the supply chain

Value can also be created by improving product design and development on the front end of the supply chain or by creatively rethinking other stages of the chain. For example, Apple also creatively rethought the entire supply chain in music and entertainment with the introduction of the iPod and iTunes store to sell online music. Content might be seen as a concern outside the purview of an equipment and software company, but Apple recognized that it needed to take a broader view. This allowed it to create and capture more value by placing itself at the center of a network designed to deliver customized entertainment to individuals. More value lay in organizing and orchestrating these soft dollars than in manufacturing what otherwise might have been a generic digital music player, like many others on the market. The key was to look beyond the narrowly defined business to create value by focusing on the broader ecosystem.

(4) Taking on more of the chain

In addition to improving the chain, companies can capture more of the soft dollars by taking on more of the chain. Li & Fung, for example, has extended its reach in the supply chain by establishing a significant onshore presence in the US. Through a series of strategic acquisitions and licensing arrangements, the

company has added a full range of wholesale services that include product design, development, merchandising, marketing, logistics, distribution, and a full complement of customer service located in its major market.

By adding these front-end capabilities and leveraging historic strengths in managing the sourcing of products around the world, the U.S operation is able to operate at higher margins than the core business, while mitigating the risks by its involvement throughout the supply chain. This model has enabled the company to build a wholesale business with sales in excess of US\$1 billion in a relatively short period of time and expand the company's customer base in the U.S. It has effectively captured a much greater share of the soft three dollars.

9. Capital-light/leveraged growth business model

Today, Li & Fung buys from around 10,000 suppliers and manufacturers in some 40 regions that possess specialized product and manufacturing capabilities. However, it owns none of the facilities involved in processing the raw materials into finished products, nor does it own any of the equipment that transform the semi-finished or finished products through the stages of production. Li & Fung would need to invest huge sums of money if it had to acquire the 10,000 production facilities and numerous trucks and warehouses for logistics purpose. We figure that this is not a viable growth strategy for Li & Fung. Instead, we pursue a capital-light strategy whereby we leverage the assets of other companies and mobilize them to reach our growth initiatives. In other words, we act as the knowledge broker, utilizing our knowledge in sourcing to develop deep relationships with suppliers and manufacturers specializing in different stages of the production process, and leveraging their expertise to carry out the production of goods.

The role of Li & Fung, therefore, is to manage the entire process and facilitate the collaboration of different parties. By tapping into partners' assets, rather than

owning them, we can reduce the risks associated with the burden of asset ownership, and achieve substantial increases not only in sales but also in profitability. This capital-light strategy also allows us to enter a market more quickly, and be more responsive to potential market shifts and technological changes.

Li & Fung's capital-light strategy may be adaptable for many Asian companies, particularly for those pursuing global strategies. In Asia, currency fluctuations can dramatically alter the value of assets, and much of the debt market is denominated in US Dollars, which can cause significant swings in local currency interest payments. Thus, holding too many assets in the balance sheet would pose considerable threats to companies. McKinsey has completed a study on the top-performing companies in Asia in 2001, and found that to produce \$1 of sales, these companies needed only \$1 of assets, compared with \$4 for an average Asian company.

With its capital-light strategy, Li & Fung continues to deliver a return on equity of more than 20%. The company also maintains minimal financial leverage, with almost no debt on its balance sheet. Employee productivity is also high. With 10,000 employees worldwide, the Li & Fung Trading Group generated over US\$12 billion revenue in 2007, more than \$1 million in sales per employee.

IV. Conclusion: We should Think, Act and Organize in a Flat way

A flat world challenges our views of our supply chains and our organizations. New relationships inside and outside these flat organizations challenge the very meaning of the corporation itself. No company can afford to see itself as a solitary player. Every organization is part of a network and recognizing this creates the opportunity to better architect and orchestrate this network.

Ultimately this means successful organizations in the flat world need to be flatter themselves. They need to reshape themselves with the same drivers that have made the world flat. As customers become more empowered and technology more fluid, these organizations need to become more customer centric. As organizations becomes networked, companies need to build capabilities in network orchestration. As the line of sight becomes broader in a flat world, organizations need to take a broader, more holistic view of their own value chains. As value communities are more loosely linked, organizations need to create the right architecture to ensure that they meet the goals of their stakeholders. As the world changes quickly, organizations need the right balance between stability and flexibility to react effectively without becoming hyper-reactive. As organizations need build scale to compete globally, they also need to be designed to think and act entrepreneurial.

The world is becoming flatter. This is an unavoidable trend, although there will clearly be bumps along the road and these are often a source of opportunity. As the world reshapes itself, we have to reshape our own thinking. We need new mental models to understand the opportunities and threats of this new environment and to act effectively in it. We need new ways of thinking, designing and propelling our organizations for a new world.

As a company that has been close to the forces flattening the world, Li & Fung has been working hard in addressing these new ways of thinking and managing. Here I hope the Li & Fung experience, as well as those of other pioneers in this area, can offer valuable insights to other managers concerned with competing in a flat world, and help them to change their thinking, organizations and strategies to meet this flat world. Thank you!