



Guest of Honour

The Hon. Frank CHAN, JP, The Secretary for Transport & Housing

Ir. Dannies HO,

Mr. David LEE,

Professor Stephen NG,

Mr. Liming HE,

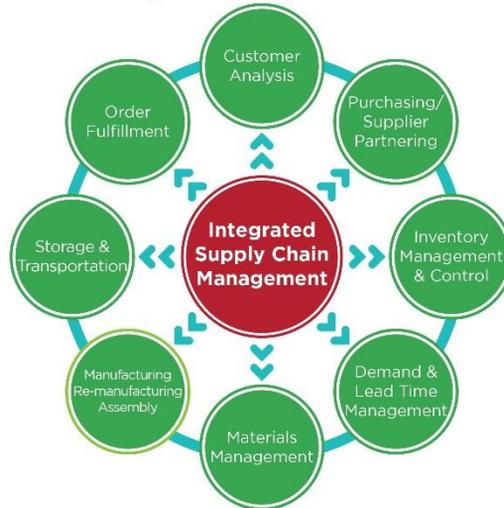
Ladies and Gentlemen,

Good morning! First of all, it's my honor to share the happiest of IPSHK's 45th anniversary. Congratulations on this special day of achieving a list of appreciations. Wishing a very happy anniversary and many wishes for future success!

主禮嘉賓，運輸及房屋局局長陳帆 JP，主席，女士們，先生們，

早上好！首先，本人十分榮幸在此分享IPSHK成立45週年誌慶。祝賀IPSHK在這一特別日子裡獲得廣大的肯定。祝願IPSHK未來再創高峰！

Supply Chain Integration



CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

What is Supply Chain Integration? 什麼是供應鏈整合？

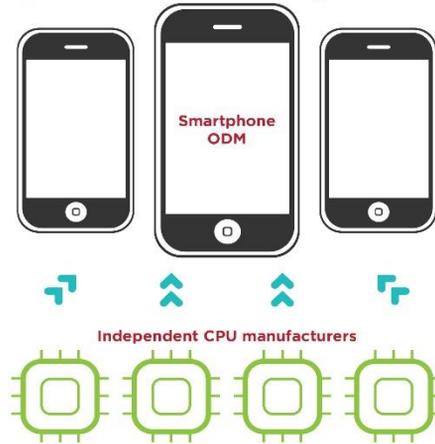
- To understand integrated supply chains, it's first important to grasp just what a supply chain is. A supply chain is a collection of suppliers required to create one specific product for a company. Each supplier is a “link” in the chain that adds time and monetary costs. Supply chain management is the collection of methodologies, theories, and practices that go towards keeping a supply chain running and improving its efficiency for the benefit of most, if not all of the links.
- 要了解整合供應鏈，首先要了解供應鏈是什麼。供應鏈是為公司創建一種特定產品時所需的供應商集合。每個供應商都是鏈中的“鏈接”，增加了時間和金錢成本。供應鏈管理是方法，理論和實踐的集合，旨在保持供應鏈的運行並提高其效率，以造福大多數（如果不是全部）鏈接。

- Supply chain integration is a large-scale business strategy that brings as many links of the chain as possible into a closer working relationship with each other. The goal is to improve response time, production time, and reduce costs and waste. Every link in the chain benefits. An integration may be done tightly through a merger with another firm in the supply chain, or loosely through sharing information and working more exclusively with particular suppliers and customers. In the latter case, the supply chain isn't truly "owned" by one company, but the various links operate almost as if one company to increase efficiency and benefit everyone through steady, reliable business.

- 供應鏈整合是一種大規模的業務戰略，它將無數的鏈條結果連接為彼此建立更緊密的工作關係。目標是縮短響應時間，縮短生產時間及降低成本和減廢。鏈中每個環節都將會受惠。每個整合可通過合併與另一家供應鏈公司進行緊密合作，或通過共享信息全權與特定的供應商和客戶合作。以後一種情況下，供應鏈並非真正由一家公司“擁有”，但各種環節經穩定，互信的業務運作下幾乎嚴如一家公司提高效率大家從而受惠。

Horizontal Integration

Purchase of Competing Companies in Same Industry



CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

Horizontal Integration vs. Vertical Integration 橫向整合與縱向整合之分別

- Horizontal integration involves any moves related to the same “level” of the chain as the organization making them. Integration could include merging with or purchasing firms that supply similar products, such as a central processing unit (CPU) manufacturer buying another in order to serve a larger swath of the CPU market. This type of relationship could help the firm gain many more customers, and give them greater control over the price and supply of CPUs.
- 橫向整合涉及組織制定相同“級別”的鏈條的任何活動。整合可以包括與提供類似產品的公司合併或購買，例如中央處理單元（CPU）製造商購買另一位製造商以便擴大其CPU市場服務。這種關係可以幫助公司獲得更多客戶，並讓他們更好地控制CPU的價格和供應。

Vertical Integration

Purchase of Companies at All Levels of Production



CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

- Vertical integration refers to any moves that include different levels of the chain. It could involve merging or buying out a link ahead of or before your organization, or possibly developing your own capabilities for handling the entire supply chain, front to back. For example, if the CPU manufacturer mentioned earlier also purchased a smartphone product development firm, they would control more levels of their supply chain - the major parts and the product. This type of acquisition could gain the firm greater control over their costs, net them a larger share of profits, and reduce waste and time spent in production.
- 縱向整合是指包含不同級別鏈的任何活動。它可能涉及在您的組織之前的合併或收購，或者蓋公司自行研發全面的供應鏈。例如，如前面提到的CPU製造商已購買了智能手機產品開發公司，他們將控制更多階段的供應鏈 - 如主要部件和產品。這類收購可以使公司更有效地控制其成本，使其獲得更大的利潤，並減少廢料和生產時間。

Who Invented Vertical Integration?

Since 1880s



Andrew Carnegie

Scottish-American industrialist
1835 - 1919

Carnegie led the expansion of the American steel industry in the late 19th century and is often identified as one of the richest people.

CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

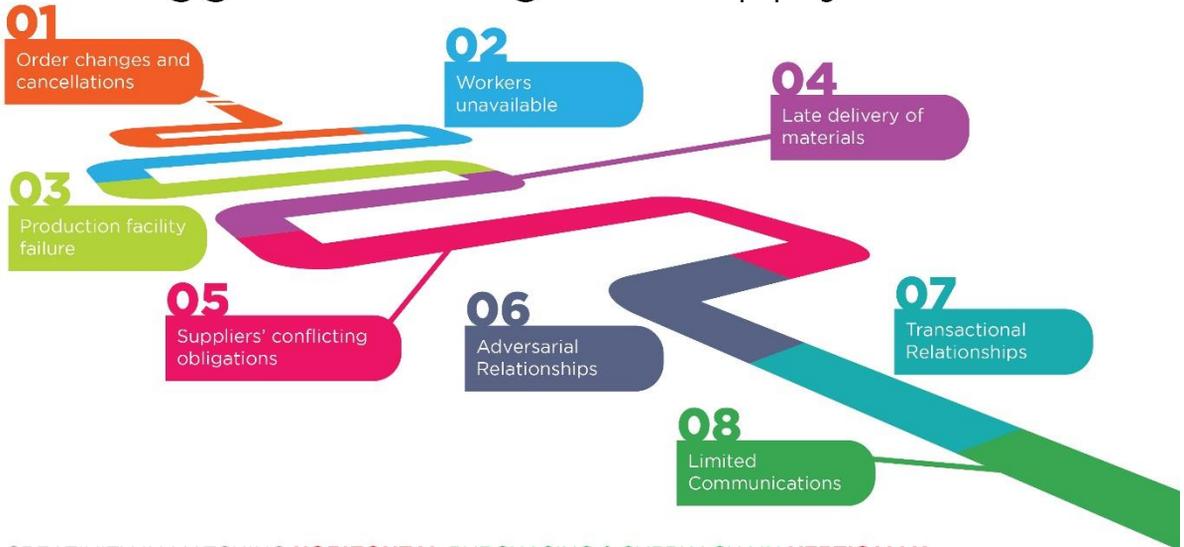
Who Invented Vertical Integration?

誰發明了縱向整合？

- The concept of vertical integration as it exists today came in the 1880s from Andrew Carnegie, contemporary of fellow tycoon John Rockefeller. With an early interest in steel, Carnegie expanded his operations by buying iron mines and railroad companies, effectively lowering his costs and increasing productivity across the board. This move helped Carnegie rise to a status that set many lasting institutions into place, and didn't trigger the same monopoly fears as Rockefeller's horizontal integration strategy of buying up all his competition. Being able to grow without antitrust suits is one of the major benefits of vertical integration over horizontal integration, but it does require significantly more investment.

- 現今實行的縱向整合概念來自19世紀80年代的安德魯·卡內基（Andrew Carnegie）。當代大亨約翰·洛克菲勒（John Rockefeller），早期由於對鋼材的興趣，卡內基通過收購鐵礦和鐵路公司擴大了業務，有效地降低了成本並提高了生產力。縱向整合幫助卡內基上升到一個地位，使許多持久的機構落實到位，並沒有引發與洛克菲勒購買他所有競爭對手的橫向整合策略相同的壟斷擔憂。能夠在沒有反托拉斯訴訟的情況下成長是縱向整合相對於橫向整合的主要優勢之一，但它確實需要更多的投資。

The biggest challenges in supply chains



The Biggest Challenges in Supply Chains 供應鏈中最大的挑戰

- Before bothering with the specifics of integration, it's important to understand what problems plague supply chains in the first place:
- **Order Changes and Cancellations:** This happens at the end of the supply chain, and sends reverberations throughout. The retailer is stuck with excess product, the wholesaler deals with fewer orders and backing up inventory, and every other supplier feels the waves. Plus, consumer whim dictates changes and cancellations, meaning there's little way to predict it, and every case could have different reasoning.

- 在深入了解整合的具體細節之前，首先要了解困擾供應鏈的問題是非常重要的：
- 訂單更改和取消：這發生在供應鏈的末尾，並在整個過程中發送反響。零售商堅持使用過剩的產品，批發商處理更少的訂單並備份庫存，而其他所有供應商都感受到了浪潮。此外，消費者突發奇想決定了變化和取消，這意味著沒有什麼方法可以預測它，並且每個案例都可以有不同的推理。
- **Workers Unavailable:** Companies provide quotes and production orders based on expected capacity, and when workers are ill or otherwise unexpectedly absent, that can dramatically affect a supplier's capability. This scenario is especially true in the age of automation, where fewer workers are required but each is responsible for overseeing the smooth production of many more units.
- **人手短缺：**公司根據預期的能力提供報價和生產訂單，當工人生病或倦勤時，將嚴重影響供應商的能力。這種情況在自動化時代尤其甚，需要的工人較少，但每個工作人員都有責任監督更多單位的順利生產。

- **Production Facility Failure:** Like with workers, unexpected mechanical or software problems with manufacturing plants can devastate a supply chain, especially if it is operating on just-in-time, Lean manufacturing methodologies.
- **Late Delivery of Materials:** This logistical problem can stem from a number of transportation issues, from as mundane as a traffic collision to as severe as genuine theft and piracy, depending on which regions the supply chain serves.
- 生產設施故障：與工人一樣，製造工廠出現意外的機械或軟件問題可能會破壞供應鏈，特別是如果它是按照精確的製造方法運行的話。
- 材料延遲交付：這種後勤問題可能源於一系列交通問題，從交通碰撞到普通盜竊和盜版等嚴重問題，取決於供應鏈所服務的區域。
- **Suppliers' Conflicting Obligations:** Independent suppliers all have one honest goal - make as much money as possible by taking on as many orders as possible. In non-integrated chains, this means they might have some tolerance for overlap between different customers' orders. Should one customer decide to increase production, another suddenly might be out of a production facility because the supplier overcommitted.
- 供應商的衝突義務：個別供應商都有一個誠實的目標 - 盡可能接受最多的訂單以賺取更多的錢。在非集成鏈中，這意味著它們可能要容忍不同客戶訂單之間的重疊。又如一個客戶決定增加產量，而另一個客戶的生產設施突然故障，供應商便要承擔過度使用的風險。

- **Adversarial Relationships:** Whether for the conflicting obligations cited above, or for simple reasons of maintaining secrecy and negotiation advantages, customers and suppliers may have a relationship that's more foe than friend. They don't share risks or benefits and lose out on potential gains from working more closely together.
- **對抗關係：**無論是針對上述相互衝突的義務，還是出於保密和談判優勢的簡單原因，客戶和供應商可能會有一種敵對的關係。因沒有建立更緊密地合作關係他們不會分擔風險或利益，並失去潛在收益。
- **Limited Communications:** Non-integrated supply chains may only talk to firms just one or two links away from them, whether up or down the chain. If they have a buying relationship with the link before them, focused on minimizing cost, and a selling relationship with the next link, focused on maximizing profit, they can't learn about bigger impending problems or greater opportunities further up or down the chain.
- **有限度的溝通：**非整合供應鏈可能只與公司有一至兩個渠道進行對話，不論是在向上還是向下。如果他們的連接是採購關係，專注最低成本，以及與下一個連接的是銷售關係，專注於高利潤，他們無法了解更大和即將發生的問題，或更多的發展機會。

How to **create** a **supply chain strategy?**

CREATIVITY IN MATCHING **HORIZONTAL PURCHASING & SUPPLY CHAIN VERTICALLY**

How to Create a Supply Chain Strategy 如何制定供應鏈戰略

- When deciding how to position your organization in the market, knowing which of the above challenges you face is a good first step. From there, use this framework to make some honest choices on what supply chain strategy you need to make to be competitive.
- 在決定您的組織如何在市場定位時，首先要了解將面對上述那一個挑戰。從那裡開始，使用這個框架製定哪些供應鏈策略就您的需要作出一些誠實的選擇才能具有競爭力。

How to create a supply chain strategy

1. Define the **strategy** and the **vision** of the role that supply chain management plays within the organization.

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- **Define the strategy and the vision of the role that supply chain management plays within the organization.**
- Is it a practice for reducing waste and speeding up delivery, for tightening relationships with partners, or for market dominance and increasing barriers to entry for new competitors? You should refer to every part of your strategy and methods for growth in this vision.
- **確定供應鏈管理在組織內發揮作用的戰略和願境。這戰略是否能減少浪費，加快交付，加強與合作夥伴的關係，支配市場地位以及增加新競爭者進入門檻的做法嗎？您應該思考這您的戰略的每個部分和增長方法以達成這個願境。**

How to create a supply chain strategy

2. Decide what your firm, and ultimately your supply chain, will compete on: **low cost** or **differentiation**.

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- **Decide what your firm, and ultimately your supply chain, will compete on:** low cost or differentiation.
- Low cost supply chains require cutting out middlemen, limiting transportation needs, and reducing specialization to save dollars at every stage. Differentiation may require special relationships with manufacturers who can respond to specific customer requests way down the supply chain promptly.
- 確定您的公司以及最終的供應鏈在哪些方面展開競爭：低成本或差異化。
- 低成本的供應鏈需要切斷中間商，限制運輸需求，減少專業化，以便在每個階段節省資金。差異化可能需要與製造商建立特殊關係，製造商可以迅速回應個別客戶在供應鏈中的特定請求。

3. Divide every supply chain activity into **insource** or **outsource**.

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- **Divide every supply chain activity into “insource” or “outsource.”**
- Determine what your firm does better than anyone else, and double down on all activities that fall under this facet. If your company creates value in something that others can't, insource it. Then, determine if you can reasonably invest in new core competencies, or if it will never be profitable or efficient, and partner up with outsourced suppliers accordingly.
- 將每個供應鏈活動劃分為“內包”或“外包”。
- 確定您的公司比其他任何人做得更好，並將所有屬於這方面的活動加倍。如果您的公司能創造的價值中是其他人無法比爾的，那麼就將其歸類入“內包”。然後，確定您是否可以合理地投資新的核心競爭力，或者如它永遠不會產生盈利或效率，即相應地與外包供應商合作。

How to create a supply chain strategy

4. Assess your supply chain architecture.



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- **Assess your supply chain architecture.**
- How is the chain “designed,” what are your logistics realities, how are information flows set up, and what is the timeline for cash flows? Without deliberate management, these different supply chain attributes may have formed a tangled web over time as your organization grew, born out of convenience or necessity. Each represents an area for improvement as you create your strategy.

- 評估您的供應鏈架構。
- 鏈子是如何“設計”的，您目前的物流是什麼？如何建立信息流？以及現金流的時間表是什麼？沒有經過深思熟慮的管理，隨著您的組織的發展，這些不同的供應鏈屬性可能會隨著時間的推移形成一個糾結的網絡，這是出於方便或必要。在創建策略時，每個項目均代表一個需要改進的領域。

5. Consider your organization's **current abilities** and **future plans** in product and service design.

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- **Consider your organization's current abilities and future plans in product and service design.**
- If you want to create more customized, made-to-order experiences, for example, investing in vertical integration may be worth it. If you want to be the go-to parts supplier for your industry, horizontal integration would be a strong choice. Make supply chain decisions that cause your organization to be more like the one it claims and aims to be for customers.
- 考慮您的組織當前的能力以及產品和服務設計的未來計劃。
- 例如，如果您想創建更多專有的，按訂單生產的體驗，那麼投資縱向整合可能是值得的。如果您想成為行業的首選零件供應商，橫向整合將是一個強有力的選擇。制定供應鏈決策，使您的組織更像其聲稱並旨在為客戶服務的組織。

How to create a supply chain strategy

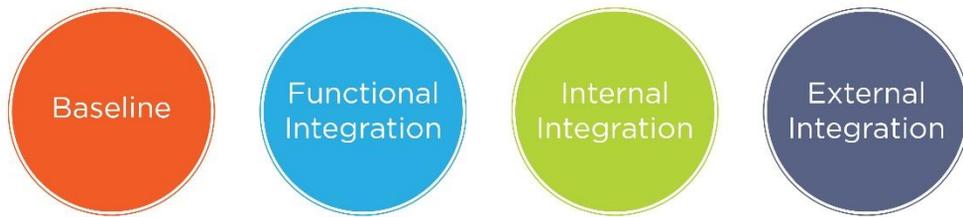
6. Determine the level of integration you **have**, the level you **want**, and the **tolerance** for each your organization has.

CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

Determine the level of integration you have, the level you want, and the tolerance for each your organization has.

確定您擁有的集成級別，所需的級別，以及組織中每個組件的容差。

How to create a supply chain strategy



CREATIVITY IN MATCHING HORIZONTAL PURCHASING & SUPPLY CHAIN VERTICALLY

- **Baseline:** This level of integration has siloed information as each department in one company works on issues separately.
- **Functional Integration:** Information and operations are shared throughout all departments in one company, working to increase efficiency.
- **Internal Integration:** All departments are connected in one IT structure, but each link in the chain is still functionally separate and working off their own motivations.
- **External Integration:** All companies in the supply chain are sharing information and operating nearly as one to fulfill customer needs, and increase efficiency and profits all around.
- **底線：**由於一家公司的每個部門分別處理問題，因此這種集成級別包含了個別信息。
- **功能整合：**信息和操作在一家公司的所有部門共享，致力於提高效率。
- **內部整合：**所有部門都連接在一個IT結構中，但供應鏈中的每個鏈接在功能上仍然是分開的，並且會根據自己的動機進行操作。
- **外部整合：**供應鏈中的所有公司都在共享信息，並且幾乎一體化運營以滿足客戶需求，並提高效率 and 利潤。

The Benefits of Supply Chain Integration



The Benefits of Supply Chain Integration

供應鏈整合的好處

- Just how does integration help companies overcome the challenges in their supply chains and meet the strategies they set forth? Supply chain integration benefits include:
- Better understanding of customers and better ability to serve them
- More cost effective and efficient, with increased ROI and profit margins
- Reduce wasted material and time, and redundancy in supplier function
- 集成如何幫助公司克服供應鏈中的挑戰並滿足他們提出的策略？供應鏈整合的好處包括：
- 加強了解客戶需要並提高服務能力
- 更具成本效益和效率，提高投資回報率和利潤率
- 減少浪費材料和時間，以及供應商功能的冗餘

- Less risk and enhanced competitiveness
- Keep up of demand and be more flexible to changing markets
- Better opportunity for investment when operating with collective power
- Get early warning for problems anywhere in supply chain due to information sharing

- 降低風險並提高競爭力
- 保持需求並更靈活地適應不斷變化的市場
- 在集體力量運作下獲得更好的投資機會
- 由於信息共享，供應鏈中任何地方出現問題將獲得即時預警

Vertical Intergration-Specific Benefits



Better quality control since all links are working in the same goal and products



Lower costs for end consumers with elimination of middlemen



Increased control of market share and raised barriers to entry for competitors



Eliminated reliance on competitors and suppliers with conflicts of interest

CREATIVITY IN MATCHING **HORIZONTAL PURCHASING & SUPPLY CHAIN VERTICALLY**

Vertical Integration-Specific Benefits 縱向整合特定的好處

- Better quality control since all links are working to the same goal and products
- Lower costs for end consumers with elimination of middlemen
- Increased control of market share and raised barriers to entry for competitors
- Eliminated reliance on competitors and suppliers with conflicts of interest

- 更好的質量控制，因為所有鏈接都在實現相同的目標和產品
- 消除中介人，降低最終消費者的成本
- 加強對市場份額的控制，增加競爭對手的准入門檻
- 消除對利益衝突的競爭對手和供應商的依賴

How to **integrate** **YOUR** supply chain?

CREATIVITY IN MATCHING **HORIZONTAL PURCHASING & SUPPLY CHAIN VERTICALLY**

How to Integrate Your Supply Chain 如何整合您的供應鏈

- With a strategy in hand and benefits to your company on the books, it's time to look at how to get everyone else on board. This includes people in your firm and organizations throughout the supply chain.
- Start by convincing all relevant parties in your organization that integration will benefit the firm. Use the benefits of integration from this article, and find data specific to your company that can support this.
- 通過戰略和書籍上的公司利益，現在是時候看看如何讓其他人參與其中。這包括貴公司整個供應鏈中的的人員和組織。
- 首先，說服您組織中所有相關方，集成將使公司受益。使用本文中的集成優勢，查找特定數據支持的公司理念。

- Reduce redundancy by carefully selecting partner suppliers with whom you want to tightly integrate information and logistics flows. Create an end-to-end plan that makes integration logical, touches as few hands as possible, and covers the variances in your production needs with the possibility of increasing as all companies grow.
- With your preferred suppliers selected, demonstrate to them that it's in their best interests to integrate with you and the others using compelling data on wasted time, warehousing costs, and more. The bottom line is it's important for suppliers, manufacturers, product developers, wholesalers, shippers, and retailers alike, so be sure to have sales projections as well.
- 通過仔細選擇您希望與之緊密集成信息和物流流程的合作夥伴供應商來減少冗餘。創建一個端到端的計劃，使整合符合邏輯，盡可能觸及少的人手，並涵蓋生產需求的差異，並隨著所有公司的發展而增加。
- 當您選擇合適的供應商後，向他們證明，您和其他人一起使用有關浪費時間，倉儲成本等的令人信服的數據進行整合符合他們的最佳利益。最重要的是它對供應商，製造商，產品開發商，批發商，托運人和零售商都很重要，所以一定要有銷售預測。

- In pitching the integration to partners, find ways to add value to all buyers and suppliers that will be in the final chain. Improve service levels through closer commitment with all parties.
- Once you have your partners on board, it's time to begin integrating functions and data. If you can all use the same logistics and supply chain management software, it will be ideal, but this depends on the chains desired level of integration:
 - 在合作夥伴推廣整合方面，找到為最終鏈中的所有買家和供應商增值的方法。通過與各方的更緊密的承諾來提高服務水平。
 - 一旦你的合作夥伴加入，就該開始集成功能和數據了。如果您都可以使用相同的物流和供應鏈管理軟件，那將是理想的，但這取決於鏈所需的集成級別：
- Extended Enterprise: At this level, information is shared throughout the chain's organizations, improving relationships, and blurring the boundaries to allow better outcomes for all involved.
- Virtual Integration: At this level, all partner organizations use the exact same information system and software, so you're not only sharing data, but it is also accessible to all relevant parties in the chain. Everyone can operate on the same data.
- 擴展企業：在此級別，信息在整個連鎖企業中共享，改善關係，清除界限，為所有相關人員提供更好的成果。
- 虛擬集成：在此級別，所有合作夥伴組織都使用完全相同的信息系統和軟件，因此您不僅可以共享數據，還可以在鏈中到訪所有相關方。每個人都可以使用相同的數據。

- **Super efficient Company:** At the highest level, not only are you sharing information, but so are all the processes. You behave like different departments at the same company, smoothly receiving orders, manufacturing products, and transporting them where they need to be. You might even appoint inter-organizational managers to oversee and coordinate specific transition points.
Implement Lean and Agile Supply Chain practices to make this feasible.
- With the supply chain fully integrated, all partner organizations can now have reliable order quantities, increased profits, gather intelligence via the supply chain, and be aware of what competitors are planning months ahead of time. From here on out, it is the job of all members to find ways to increase efficiency that mutually benefits everyone throughout the chain, helping each other grow and be stronger in their industry.
- **超高效公司：**在最高級別中，您不僅可共享信息，而且在所有流程也是。您表現得像同一家公司的不同部門，順利接收訂單，製造產品，如需要並可安排運送產品。您甚至可以指定組織內的經理來監督和協調特定的過渡點。實施精益和敏捷實踐以使其可行。
- 通過完全集成供應鏈，所有合作夥伴組織現在都可以獲得可靠的訂單數量，增加利潤，通過供應鏈收集情報，並了解競爭對手提前幾個月的計劃。從現在開始，所有成員的工作就是找到提高效率的方法，使整個供應鏈中的每個人都受益，幫助彼此成長並在行業中變得更強大。

ELEMENTS of effective supply chain INTEGRATION

CREATIVITY IN MATCHING HORIZONTAL PURCHASING & SUPPLY CHAIN VERTICALLY

Elements of Effective Supply Chain Integration

有效供應鏈整合的要素

- When supply chain integration is done correctly, companies can reap a multitude of rewards. Here are some key elements to keep in mind when discussing a move toward supply chain integration within your organization:
- Ten Key Elements of Effective Supply Chain Integration
- 當供應鏈整合正確完成後，公司可以獲得大量的回報。在討論組織內部供應鏈集成的過程時，請注意以下幾個關鍵要素：
- 有效供應鏈整合的十大要素
- 1. It puts the customer first, keeping the motive for every collective decision in perspective.
- 1. 它將客戶放在第一位，保持每個集體決策的動機。

- 2. It has the total commitment of upper management throughout the chain so that every small setback doesn't risk destroying the partnership.
- 2. 它在整個產業鏈中都經高層管理人員全部承諾，因此每次小挫折都不會有破壞合夥關係的風險。
- 3. The entire process should be within one database, so all partners have equal access to information, which encourages open communication.
- 3. 整個過程應該在一個數據庫中，因此所有合作夥伴都可以平等地獲取信息，從而鼓勵開放式溝通。
- 4. The integration doesn't just link Enterprise Resource Planning (ERP) and technology, but it also links mindsets and goals.
- 4. 集成不只是將企業資源規劃（ERP）與技術聯繫起來，而且還將思維模式和目標聯繫起來。
- 5. The purchasing department is at the center, and is the final authority on decisions in order to keep costs down and benefits mutual.
- 5. 採購部門處於中心位置，是決策的最終權威，以降低成本並互惠互利。

- 6. Segmented customers help to anticipate changing needs to determine the true requirements of the supply chain.
- 6. 細分客戶有助於預測不斷變化的需求，以確定供應鏈的真正需求。

- 7. Work is relocated to whoever performs them best to strengthen the chain.
- 7. 工作重新安置在最能發揮作用的人身上，以加強鏈條。

- 8. Activities are not performed more than once, so you eliminate redundancy in the chain.
- 8. 活動不會執行多次，因此您可以消除鏈中的冗餘。

- 9. Trading partners should agree on same metrics and rewards systems so that different organizations aren't working towards conflicting objectives.
- 9. 貿易夥伴應就相同的指標和獎勵制度達成一致，以便不同的組織不會努力實現相互衝突的目標。

- 10. Face-to-face contact is encouraged, as this allows for cultivating the best ideas and forming trust among the chain members.
- 10. 鼓勵面對面接觸，因為這可以培養最好的想法並在連鎖成員之間形成信任。

Vertical and Horizontal Integration - **KEY ISSUES TO CONSIDER**

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Vertical and Horizontal Integration - Key issues
to consider:

縱向和橫向整合 - 需要考慮的關鍵問題：

Key issues to consider

- **Similarities**
- **Differences**
- **Departmental Functions**
- **Stakeholder Management**

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- Similarities
- Vertically and horizontally integrated supply chains are usually complex and capital intensive to implement. Both are also similar in the sense that they are business models that are aimed at optimizing value chain processes and performance in order to achieve competitive advantage through economies of scale and scope. However, organizations need to consider several factors to ascertain the right strategy and whether it will be a profitable investment, including:
 - 1. Are there economies of scope to make it cheaper for the company to own or control subsidiaries involved in the supply and production of its inputs and outputs?
 - 2. Is there need to establish entry barrier in the industry or obtain monopoly power by controlling the value chain in order to have competitive advantage?
 - 3. Is it cheaper overall for the company to perform the role of suppliers and distributors than to conduct business with arm's length suppliers and distributors?

- 相似
- 實行縱向和橫向整合的供應鏈通常很複雜且需要資金密集。兩者相似之處在於它們是旨在優化價值鏈流程和業績的商業模式，以通過經濟規模和範圍實現競爭優勢。但是，組織需要考慮以下幾個因素來確定合適的戰略以及它是否是一項有利可圖的投資，包括：
 - 1. 是否存在經濟範籌使公司擁有或控制參與其投入和產出供應和生產的子公司的成本更低
 - 2. 是否需要通過控制價值鏈來建立行業准入門檻或獲得壟斷力量以獲得競爭優勢？
 - 3. 公司履行供應商和經銷商的角色比與公平交易的供應商和經銷商開展業務相比，總體上更便宜嗎？

- Differences
- Companies pursuing vertical integration may also pursue horizontal integration and in fact many do. However, the underlying principles and the operational implications of implementing both strategies have very clear differentiators.
- In a vertical integration, the company enters new industries to support the business model of its core industry, whereas in a horizontal integration, the company competes in a single industry but expands through mergers, acquisitions and strategic alliances/collaborations. Vertical integration is more closed/proprietary model compared to horizontal integration which is more open because of the involvement of partners and the need to cooperate/collaborate. The differences in the operational implications include:

- 差異
- 追求縱向整合的公司也可以追求橫向整合，事實上很多都是如此。但是，實施這兩種戰略的基本原則和運作影響具有非常明顯的區別。
- 在縱向整合中，公司進入新的行業以支持其核心行業的商業模式，而在橫向整合中，公司在單一行業中競爭，但通過合併，收購和戰略聯盟/合作進行擴展。與橫向整合相比，縱向整合更加緊密/專有模式，由於合作夥伴的參與以及合作/協作的需要，橫向整合更加開放。營運影響的差異包括：

Vertical integration

- Less control due to dependence on others cooperation.
- Benefits are from the success of everyone in the value chain
- Flexibility over maximum efficiency
- Lower capital requirements due to shared ownership.

Horizontal integration

- More control through ownership of the value-adding stages.
- The vertically integrated company reaps the higher benefit.
- Efficiency over flexibility
- Intensive capital required to create, produce, and distribute all components of the end product.

縱向整合

- 由於依賴他人合作而受到的控制較少
- 好處來自價值鏈中每個人的成功
- 靈活性超過最高效率
- 共享所有權導致資本要求降低

橫向整合

- 通過增值階段的所有權實現更多控制
- 縱向整合的公司獲得了更高的利益
- 效率高於靈活性
- 創建，生產和分發最終產品的所有組件所需的密集資本

- Departmental Functions
- One of the challenges faced by organization in managing their supply chain is that of integrating internal functions as well as the entire supply chain. Understanding the supply chain begins with understanding internal processes as this directly impacts performance. From a supply chain perspective, key internal processes include:
 - Purchasing, responsible for buying process inputs
 - Operations, responsible for the transformation of raw materials into final outputs
 - Logistics, responsible for the management of processes involved in the production and delivery of outputs to customers
- The key task in managing these functions is to ensure a process of interaction and collaboration in which purchasing, operations and logistics work together to achieve the mutual objectives of the supply chain.

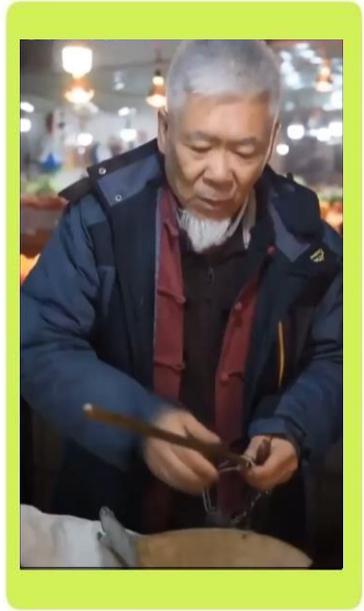
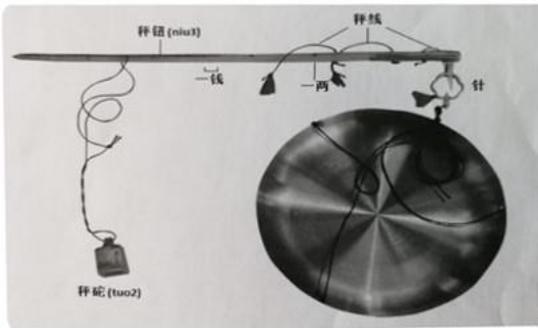
- 部門職能
- 組織在管理供應鏈方面面臨的挑戰之一是整合內部職能以及整個供應鏈。了解供應鏈始於了解內部流程，因為這會直接影響績效。從供應鏈的角度來看，關鍵的內部流程包括：
 - 採購，負責購買流程輸入
 - 營運，負責將原材料轉化為最終產量
 - 物流，負責管理生產和向客戶交付產品所涉及的流程
- 管理這些功能的關鍵任務是確保交互和協作的過程順暢，其中採購，營運和物流協同工作，以實現供應鏈的共同目標。

- Stakeholder Management
- In vertical integration, the proprietary nature of the investment creates a more closed/not very trusting approach in the interaction with partners as the organization will seek to protect its trade secrets/intellectual property. In horizontal integration however, companies adopt a more open and trusting approach with partners, as this is integral to the success of their business model (Hill and Jones, 2012). For example, Microsoft and Google have adopted a more open approach to working with partners in their values chain as the success is achieved collaboratively and through open source platforms. Apple on the other hand operates a proprietary model, which tightly protects its intellectual property through its vertically integrated supply chain (Pomfret & Soh, 2010).

- 利益相關者管理

- 在縱向整合中，投資的專有性質在與合作夥伴的互動中創造了一種更加封建/不太信任的方法，因為該組織將尋求保護其商業秘密/知識產權。然而，在橫向整合中，公司採用更加開放和信任的方式與合作夥伴合作，因為這是他們商業模式成功的必要條件（Hill和Jones，2012）。例如，微軟和谷歌採用了更加開放的方式與價值鏈中的合作夥伴合作，因為通過協作和開源平台實現了成功。另一方面，Apple營運著一種專有模式，通過其縱向整合的供應鏈緊密保護其知識產權（Pomfret & Soh，2010）。

CONCLUSION



CREATIVITY IN MATCHING **HORIZONTAL** PURCHASING & SUPPLY CHAIN **VERTICALLY**

- Conclusion
- The decision between vertical or horizontal integration will determine an organization's operating strategy and the supply chain dynamics in terms of how functional departments and stakeholders interact. The challenge is to analyze how new emerging technologies will impact their business models, how and why these technologies might change customer needs and customer groups in the future, and what kinds of new distinctive competencies will be needed to respond to these changes. In the end it is all about what is right for the organization in terms of its objectives, capabilities and customer value proposition and how that can be achieved efficiently and profitably.

- 總結
- 縱向或橫向整合之間的決策將取決於組織的營運戰略和供應鏈動態，以及職能部門和利益相關之間的互動方式。目前的挑戰是分析新興技術將如何影響其業務模式，以及未來這些技術如何能改變客戶需求和客戶群體，並尋求新的獨特能力來應對這些變化。最終要視乎那一個整合能配合組織的目標，能力和客戶價值主張和增取高效率和利潤。



THANK YOU

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Thank you very much!

謝謝各位！