Contents

Preface by Cesare Romiti	х
Foreword by Giovanni Atti	xii
Introduction	xviii
1 International Sourcing: Literature Introduction International sourcing (IS): some explanations of this expression IS determining factors IS inhibiting factors IS types and development paths	1 1 3 5 9 16
2 China: the Geo-economic Scenario Introduction Historical facts The macro-economic scenario Direct investments Other economic parameters Current transformations and related problems Conclusions	33 33 37 43 47 50 55
3 The Research Introduction Objectives and methodology The sample The choice of Chinese area	58 58 59 60 64
4 Types of Sourcing in China: a Classification Introduction Imposed sourcing Intermediated sourcing Direct sourcing Examples	72 72 73 74 77 82
5 IS Strategy and Planning in China Introduction Type selection: a model The creation of a purchasing channel in China The creation of an IPO (International Purchasing Office)	87 87 88 94 106

6 Aspects and Critical Issues of IS in China	112 112			
Introduction				
Intermediation				
Organisational decentralization				
Relationships logic and negotiation				
Technology transfer and intellectual property rights	122			
7 Foreign Investments: Modalities and Legislative Constraints	128			
Introduction	128			
Historical trend of the investments from foreign countries	129			
The main investment sources				
Constraints to the creation of joint ventures and wholly foreign-owned enterprise	141			
Further investment forms	142			
	146			
8 Transport Infrastructures	146			
Introduction Transport evolution	146			
Transport evolution	147			
Rail transport	149			
Air transport	153			
Road transport Ship transport	155			
	161			
9 Conclusions	101			
Case Studies	165			
Black & Decker	100			
The worldwide reconfiguration of manufacturing and the Global				
Purchasing Asia unit	178			
Campagnolo Commercio	1/0			
From seller to product developer: the 'Chinese factory' gives rise				
to a new business idea	190			
Danieli Group	190			
'Imposed' sourcing in a strategic sector	200			
Trudi	200			
From West to East: the migration of manufacturing	215			
Zenasia	213			
The outsourcing of logistics services for SMEs				
Bibliography	229			
Index	237			

Lists of Tables and Figures

List of Figures

1.1	The Rugman model (in Rajagopal and Chadwick, 1995)	4
1.2	The four steps of the Monczka and Trent model (1991)	16
1.3	The Swamidass model (1993)	23
1.4	The Houczka and Giunipero model (1990)	24
1.5	The steps of the Carmel and Agarwal model (2002)	25
1.6	A classification of global sourcing strategies	
	(Chadwick and Rajagopal, 1997)	27
1.7	Analytical model for global sourcing organization	
	(Arnol, 1999)	29
2.1	China's foreign trade performance between 1992 and 2003	39
2.2	Effects of the 'open door' economic policy on the Chinese	
	market incidence in the internal trade context	40
2.3	The shares of China's ten major trade partners in 2003	42
2.4	The trend of wheat and cotton prices in the second half	
	of 2003	54
2.5	Price trend of carbon coke	55
3.1	Geographical location of the Chinese suppliers of the	
	sample	63
5.1	Context variables and types of sourcing	91
5.2	Sourcing types for small companies (low volumes)	92
5.3	The steps for the creation of a purchasing channel in China	94
5.4	Phases for the creation of an IPO	107
6.1	Interaction model between guanxi and reputation	120
7.1	Trend of foreign investments in the period 1997–2004	129
7.2	Main steps for the formation of a joint venture	132
7.3	Trend of the investment equivalent value in the period	
	1997–2003: EJV vs WFOE	140
8.1	Evolution of the rail network (1978–2003)	148
8.2	Rail transport loads (1952–2003)	149
8.3	Distribution of the rail network in the territory	150
8.4	Long-term projects for the development of the rail network	151
8.5	Air transport loads (1952–2003)	151
8.6	Evolution of the road network (1952–2003)	153
8.7	Distribution of the road network in China	154
8.8	Road transport loads (1952-2003)	155
8.9	Chinese ports	156
8.10	Freight traffic with ship transport	159

viii List of Tables and Figures

8.11	Commodity composition of carbon transport	160
CS1.1	Market outlets for the Black&Decker factory in Perugia	166
CS1.2	Location of Black&Decker production plants in 2003	167
CS1.3	Location of GPA offices in China	169
CS1.4	Activities of GPA	171
CS1.5	First Piece Control Report: approval of sample report used	
	by Black&Decker Perugia	172
CS1.6	Process of appraisal of sample	173
CS1.7	Inspection report schematization	174
CS1.8	Guidelines of the China Sourcing project 2002	176
CS2.1	Evolution of the organizational structure of ineraction	
002.1	between suppliers and customers of CC	181
CS2.2	The purchasing markets of CC	182
CS2.3	The main purchasing areas of CC and the location of	
C02.0	Chinese office	183
CS2.4	Activity planning for the development of the	
002.1	autumn-winter collections	184
CS3.1	Organizational chart of Danieli's purchasing office in China	195
CS3.2	Supply control in China	197
CS4.1	Trudi: corporate chart	201
CS4.2	Location of the main suppliers in China	202
CS4.3	Trudi: path of international growth	204
CS4.4	Sevi: path of international growth	205
CS4.5	The main steps of soft toy production	206
CS4.6	Virgilio in the Trudi organization chart	211
CS4.7	Organizational structure of Virgilio	211
CS5.1	ZenAsia's organizational chart	217
CS5.1	Geographical localization of the Chinese office	217
	Tables	
LIST O	Idules	
1.1	IS determinants in a sample of Italian companies	8
1.2	Importance of domestic supplier's selection criteria vs	
1.2	that of foreign suppliers in a sample of Italian companies	10
1.3	Logistics complexity of the continental areas	11
1.4	Cultural differences between Italy and the other countries	12
1.5	Classification of the critical factors of the negotiations	13
1.6	Critical factors for negotiation	15
1.7	Monczka and Trent classification	20
2.1	Annual growth rate of Chinese GDP	38
2.2	List of the countries that performed the major trade	
ے.بے	exchanges in 2003	38
2.3	China's foreign trade performance between 1993 and 2003	39
2.4	China's ten major trade partners in 2003	4

2.5	Chinese imports: main supplying countries (1998–2004)	43
2.6	Commodity composition of China's imports from the	
	world	44
2.7	China's exports 1998–2003: main target countries	45
2.8	Commodity composition of China's exports to the world	46
2.9	Main forms of investment in China 2001–03	47
2.10	Main investors in China	48
2.11	The Chinese general retail price ratio	49
3.1	The sample: industry and Asian markets	61
3.2	Average valuation of the suppliers' selection criteria	
	in China	66
3.3	Main communication problems with the Chinese suppliers	70
4.1	A classification of sourcing strategies	80
4.2	Wang's classification	82
5.1	The activities carried out by the IPO and the 'critical'	
	needs satisfied by it	109
6.1	Main requirements, costs, and critical issues linked to	
	the creation of an IPO in China	116
7.1	Classification of the main investors in China – billion USD	130
7.2	Proportion between total investment and registered capital	135
7.3	Time limit to deposit the capital according to the amount	
	of registered capital	136
7.4	Allocated rights and granted rights - main characteristics	137
7.5	Reasons for a more and more widespread use of WFOEs	141
8.1	Goods handled by the main airports	152
8.2	Goods transport in the main Chinese ports	159
CS3.1	Supply chain in China: performance of and responsibility	
	for activities	193
CS4.1	Levels of quality control	207
CS4.2	Criteria used by Trudi for the selection of Asian suppliers	209
CS4.3	Visits to suppliers	214