

場次：台灣在區域經濟發展與競合中的角色 (第二場)

題目：Taiwan as an Asia Pacific Operation Center 2002

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## Taiwan's New Challenges

Taiwan is playing a very important role in some major industries; the country enjoys a 75% global market share in foundry service, and it leads the market in PC and laptop production, with a 55% world market share. As the leader in the IT market, Taiwan is actively shaping the industry and providing the know-how in terms of technology and intellectual properties to the rest of the world. Therefore, the significantly high global market share in the IT industry should be the chips with which Taiwan could move forward in global economy.

However, Taiwan faces some challenges:

1. Post-WTO entry Taiwan faces severe competition from around the world, not just from China: Rather seeing China as a threat, Taiwan should easily embrace China with extensive links due to language and cultural similarities. Regard China as the advantage point by leveraging Taiwan's IT industry in a global supply chain.
2. The marginal profit era has arrived, profits have shrunk: In the sixties, low production cost was the key to success, but now many companies shift the production center to places with relative cost advantage. Low cost is no longer the panacea to raise profit margin. Starting from the eighties and through the early nineties, the Japanese initiated the TQM (Total Quality Control) movement, including the JIT (Just In Time) techniques. Now a lot of companies are able to do the designing in the US, Taiwan, or any place in the world the company sees fit, and have the manufacturing done off shore. Thus, TQM is now hardly a competitive advantage. Nowadays, customers require real-time responses and personalized order fulfillment. Therefore, speed and visibility have become the critical factors across the supply chain.

## How Does Taiwan Respond?

There are various things Taiwan can do in the intense global competition.

### 1. *Leverage Taiwan's advantages in the semiconductor and PC industries*

Taiwan has done well in the completely vertical integration and horizontal specialization system in the semiconductor and PC industries, with ten years of accumulated experience and more than 1,000 successful manufacturers. Taiwan should apply that successful model all over the world. For example, Taiwan can establish manufacturing in third-world countries to lower the production cost and use the sum saved to create technology-based added-value.

### 2. *Be a gateway*

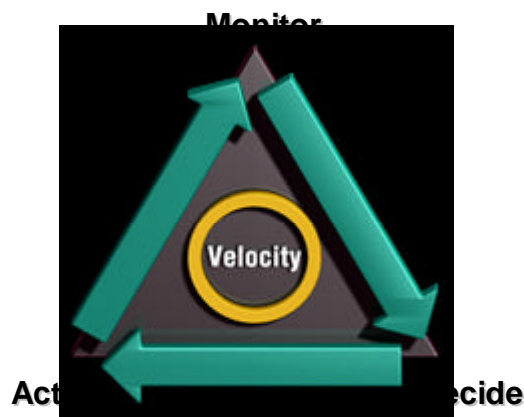
Taiwan has an advantage other countries are willing to give an arm and a leg for: Taiwan has great cultural and language similarities with mainland China and is close to it, a low production base. Taiwan could be the hub, or gateway, to the global market, including the US market and the European market. Taiwan could also be the gateway to the internal suppliers. Taiwan understands both the global market demands and the local supplier demands, and that makes Taiwan able to shape both demand and supply. That also enables Taiwan to build closer relationships with the rest of the world, and deploy a complete industry supply chain from development, production, to logistics.

## Business Challenges

As was mentioned, mere low cost is no longer a competitive edge. In order to meet the customers' various demands, businesses have to respond quickly to the market. This does not mean just conveying the warehouse contents to the customers, but really understanding where the demand is, what it is, and responding real time, not relying on EDI or fax, which gives you the customers' demand information once a week. In the end, we will be focusing on the bottom line profit- the return on assets (ROA), to see how effective you are in minimizing your cost and at the same time maximizing the use of your assets, both for yourself as well as your trading partners.

Exemplary companies optimize their supply chains to achieve profits. They provide visibility and linkage, not just in the enterprise, but also from raw materials to suppliers, logistics partners, to end customers. The visibility across the suppliers to the customers speeds up the process, makes participants understand clearly the situation of current demands and supplies, and therefore allows businesses to set the right price.

What businesses really need is real-time visibility across the entire enterprise and single front to the customers, suppliers and partners. The key principle in supply chain management is “The Triangle of Value Chain.” It demonstrates how businesses need to monitor constant changes in demand and supply; and help customers make important key decisions and execution in real time. When there is a continuous flow within the triangle, businesses pick up velocity, and businesses could reduce monthly planning cycles into daily planning cycles, etc.



A good example would be Dell Computers. Dell has no production cost advantage, no quality advantage, but Dell has great speed and visibility edge. That gives Dell the high velocity in the supply chain for a competitive edge to lead the PC industry.

Taiwan as a hub should be able to provide that kind of visibility to many organizations and industries. With that, and with the former strengths Taiwan has accumulated, Taiwan could deal with the intense global competition.