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# An Exploratory Study of Purchasing and Supply Management in Hong Kong Industries

**Antonio K.W. Lau, Institute of Supply Management Hong Kong,  
Hong Kong**

Susan To, Richard C.M. Yam, Department of Industrial Engineering &  
Engineering Management, City University of Hong Kong, Hong Kong,  
China



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# Introduction of PSM

- PSM is a source of competitive advantage
  - source the best business solutions from their supply chain partners,
  - achieve the innovation with/from suppliers
- Literature suggests that PSM may improve company performance by
  - enhancing the quality of management practices, supplier participation and selection (Lin et al., 2005),
  - e-procurement (Gunasekaran and Ngai, 2008), and
  - supplier development (Humphreys et al, 2004).
  - a lot more from JOM/IJOPM/IEEE EM



## Introduction of PSM

- However, there is little research on PSM education and training needs (Tassabehji and Moorhouse, 2008; Zheung et al., 2007; Faes et al., 2001; Humphreys et al., 1998).
  - PSM become one of competitive advantage of any organization
  - People is key resource for any company a(Maister, 1986)
- The PSM staff development should be a central theme for SCM institutes (Humphreys et al., 1998).



# Aim and Objectives

- **Aim:**
  - To identify the education and training needs of PSM professionals in Hong Kong.
- **Objectives**
  - to understand the current trends, skills and knowledge areas that call for human resource investment,
  - how organizations administer the training and development of PSM staff, and
  - the perceived effectiveness of the training programs.



# Methodology

- **Collaboration with ISMHK, IVE (Sha Tin) & CityU of HK**
- **Sampling**
  - ISMHK memberships and
  - MSc students at City University of Hong Kong
- **Measurements**
  - Purchasing Education and Training II (Giunipero and Handfield, 2004) with 2 pilot tests.
    - 1st pilot, the ISMHK chairperson and 18 committee members, each with over 10 years' managerial experience in PSM
    - 2nd pilot, 7 part-time MSc students working in the local supply chain-related industry were personally interviewed
- **Sample size**
  - 53 out of the 405 PSM practitioners responded, a response rate of 13.1%.



# Sample profile

	N	Percentage
<b>Respondent position</b>		
Senior management	3	5.7%
Functional management	10	18.9%
Supervisory	12	22.6%
Operational	23	43.4%
No response	5	9.4%
<b>PSM experience</b>		
1-2 years	24	45.3%
3-7 years	11	20.8%
8-12 years	9	17%
13 years or above	4	7.5%
No response	5	9.4%

Company size	N	Percentage
1-49	9	17%
50-249	3	5.7%
250-499	7	13.2%
500-999	5	9.4%
>1,000	25	47.2%
No response	4	7.6%
<b>Type of industry</b>		
Services (including trade-related, communication & media, and professional services)	15	28.3%
Manufacturing (electronics & electrical, toys & plastics, watches & clocks, food & beverage, textile & garment)	33	62.3%
Building and construction	1	1.9%
Others	4	7.5%



# Supply chain organization & status

	N	Percentage
<b>Types of PSM organization</b>		
Centralized/Decentralized (many annual purchase expenditures coordinated through joint activities of corporate office and operating units)	33	62.3%
Centralized (most annual purchase expenditures committed by corporate office)	13	24.5%
Decentralized (most annual purchase expenditures committed by operating units)	7	13.2%
<b>PSM training organization</b>		
Centralized/Decentralized	27	50.9%
Centralized	15	28.3%
Decentralized	9	17%
Not applicable	2	3.8%
<b>Minimum formal education level in PSM</b>		
Bachelor degree	30	56.6%
Higher diploma	10	18.9%
Associate degree (2 years)	8	15.1%
Master degree or above	4	7.5%
Not required	1	1.9%

<b>Minimum professional certifications in PSM</b>		
CPM/CPSM	4	7.5%
CIPS	5	9.4%
PSM-specific higher diploma	15	28.3%
Not required	29	54.7%
<b>Perceived status of PSM</b>		
What is the perceived status of the PSM function in your organization?*		
Average: 3.12 SD: 0.95		
Both career and rotational	27	50.9%
Career track within the function	20	37.7%
Rotational job assignment	3	5.7%
None of the above	3	5.7%



## Current PSM trends

<b>Top 10</b> (1 = strongly disagree; 3 = neutral; 5 = strongly agree)	<b>Mean (SD)</b>
<b>Pressure to reduce costs will increase</b>	<b>3.98 (0.92)</b>
<b>Purchasing performance will be more closely monitored</b>	<b>3.79 (0.74)</b>
<b>Strategic sourcing will increase in importance</b>	<b>3.77 (0.89)</b>
<b>Strategic cost management will increase</b>	<b>3.75 (0.83)</b>
<b>Supplier selection will focus on total cost analysis</b>	<b>3.72 (1.03)</b>
<b>Purchasers will be more concerned with the final customer's satisfaction.</b>	<b>3.72 (0.77)</b>
<b>There will be global pricing arrangements</b>	<b>3.68 (0.87)</b>
<b>Sharing of forecasting data with suppliers will increase</b>	<b>3.64 (0.88)</b>
<b>Global sourcing will increase</b>	<b>3.63 (1.07)</b>
<b>E-commerce applications will replace paper based system</b>	<b>3.62 (0.99)</b>



# Current PSM knowledge

<b>Top 10</b> (1 = not important; 3 = important; 5 = most important)	<b>Mean (SD)</b>
<b>Price/cost analysis</b>	<b>4.02 (0.77)</b>
<b>Competitive market analysis</b>	<b>3.83 (0.76)</b>
<b>Supplier relationship management</b>	<b>3.81 (0.79)</b>
<b>Analysis of suppliers</b>	<b>3.79 (0.69)</b>
<b>Supplier evaluation</b>	<b>3.75 (0.81)</b>
<b>Legal issues</b>	<b>3.74 (0.86)</b>
<b>Managing and Analyzing Inventory</b>	<b>3.72 (0.84)</b>
<b>Supply Chain Management</b>	<b>3.72 (0.87)</b>
<b>Safety issues</b>	<b>3.70 (0.82)</b>
<b>Supplier development</b>	<b>3.70 (0.85)</b>



## Current PSM skills

<b>Top 10</b> (1 = not important; 3 = important; 5 = most important)	<b>Mean (SD)</b>
<b>Negotiation</b>	<b>4.26 (0.76)</b>
<b>Interpersonal communication</b>	<b>4.00 (0.81)</b>
<b>Analytical</b>	<b>3.98 (0.80)</b>
<b>Ability to work in teams</b>	<b>3.94 (0.79)</b>
<b>Decision making and problem solving</b>	<b>3.92 (0.87)</b>
<b>Understanding general business conditions</b>	<b>3.89 (0.85)</b>
<b>Being organized/ time management</b>	<b>3.85 (0.82)</b>
<b>Personal learning/ self development</b>	<b>3.83 (0.87)</b>
<b>Managing internal customer</b>	<b>3.83 (0.70)</b>
<b>Ethics</b>	<b>3.81 (0.96)</b>



# PSM Training Programs, Methods

	N#	Percentage	Frequency of adoption*
<b>Training programs</b>			
Formal career development program	12	22.6%	
Formal training program	13	24.5%	
Needs assessment	20	37.7%	
<b>Training methods</b>		<b>Adopted</b>	
On the job/Informal	42	79.2%	3.76
Formal classroom/Instructor-led training	27	50.9%	2.96
Self-paced e-learning courses offered via intranet/internet/extranet	24	45.3%	2.46
Workbooks and manuals, self-paced	24	45.3%	1.91
Teleconferencing (facilitation via teleconferencing)	22	41.5%	2.73
Virtual classroom (facilitation via video conferencing)	20	37.7%	2.38
CD-ROM/DVD/Diskettes, self-paced	16	30.2%	2.15
Videotapes, self-paced	12	22.6%	2.71
Satellite/Broadcast TV	10	18.9%	1.75



# PSM Training Effectiveness

<b>Training effectiveness measurements</b>	<b>N#</b>	<b>Percentage</b>
Course evaluations with the course	24	45.3%
Performance evaluation (before training and after training)	20	37.7%
Needs assessment of knowledge (pre-test and post-test)	14	26.4%
Course evaluations after a time period (e.g. 3 months, 6 months, etc.)	9	17%



# Future studies

**1. Research on the effectiveness of PSM training and education and business performance**

- Seeking research partners

**2. Develop PSM training systems or competence models**

