

## **GSCM Leadership Talk Series #12 – Leading through Integration**

### **Theme discussion**

**Along with your extensive career in supply chain, which incident or event is the most unforgettable?**

Mr. Michael Tung, Managing Director of SF Supply Chain (Hong Kong) Limited, initially a financial controller, played a role in his company's challenging transition from a warehouse to a logistics business—a novel concept for the organization. The company hired a high-cost professional team from Australia to drive this transformation, but the 1997 Asian financial crisis forced the closure of the department, despite new large warehouses in Hong Kong. Later, a German customer expressed interest in their logistics proposal, leading to a deal closed in just two days. This success highlighted the potential of logistics, prompting the company to restart the transformation. Though Michael initially lacked logistics expertise, he embraced the fast-paced, dynamic nature of aviation and freight forwarding, turning difficulties into opportunities.

**What is the most unforgettable moment when you led your colleagues through a difficult time?**

The most unforgettable moment for Michael, as a leader in logistics, was navigating his team through the turbulent times of the SARS and COVID-19 pandemics, compounded by the 2019 Hong Kong social movement. Unlike other industries, logistics required on-site work, with no work-from-home option, and Michael was deeply grateful to his staff, some of whom didn't return home for extended periods to keep operations running. He faced the challenge of balancing employee safety with operational efficiency while transparently explaining these difficulties to customers to maintain their trust in the company and Hong Kong's logistics sector. The 2019 social movement demanded a flexible approach, with policies like early staff releases and schedule rearrangements based on news updates. Compared to tariff issues, it was harder to reassure customers and maintain their confidence, as any shift of their base or focus away from Hong Kong was difficult to reverse. This period of leading through adversity, ensuring both staff well-being and customer faith, stood out as Michael's most defining leadership moment.

### **Integrated Logistics Resilience under Supply Chain Disruptions**

Michael discussed the critical importance of resilience in third-party logistics (3PL) operations in Hong Kong, particularly in the face of supply chain disruptions like pandemics, travel restrictions, abnormal weather, and cyber threats. He emphasized that the COVID-19 pandemic exposed significant vulnerabilities in logistics, such as restricted staff access to airports and truck drivers being confined to their vehicles at borders, unable to disembark due to biological requirements. These

challenges disrupted cargo delivery and highlighted the need for resilience to become a standard business practice to ensure operational continuity.

He shared insights from his experience at DHL and SF Express, noting that resilience requires proactive preparation. He described how SF Express conducts mandatory cyber security drills, including government-led simulated attacks in July or August, where the timing and method are undisclosed, testing corporate readiness. Failure in these drills results in fines and demands detailed recovery plans. Additionally, the company employs internal surprise attacks by ethical hackers to train IT and operational staff, fostering a culture of vigilance around cyber risks, as even minor oversights—like leaving passwords visible—can compromise security.

Michael also highlighted global examples of 3PL systems being hacked, which caused significant financial losses and delays for customers, underscoring the stakes of inadequate preparation. He stressed the importance of training all staff with system access, as every device is a potential vulnerability. By integrating regular cyber drills and employee education, 3PL firms in Hong Kong aim to mitigate disruptions and maintain reliable cargo operations despite unpredictable challenges. Tung's discussion framed resilience as a critical response to both physical and digital threats in the logistics sector.

### **Robotic Technology in Supply Chain and Logistics Solutions**

Michael discussed the role of automation and AI in enhancing third-party logistics (3PL) operations in Hong Kong. He emphasized that while significant investments in automation, such as robotic arms and automated guided vehicles (AGVs), have been made in recent years to boost efficiency, their effectiveness depends heavily on meticulous operational planning. Without proper inventory management and replenishment strategies, automation fails to deliver its full potential. He highlighted that over the past two years, SF DHL has integrated AI to analyze inventory movements, enabling data-driven decisions that optimize automation use and improve cargo handling speed and reliability. He stressed that automation is costly, and without continuous operation and strategic human oversight, achieving a return on investment is challenging. Although the discussion referenced Scope 3 sustainability, implying reduced emissions through operational efficiency, specific environmental outcomes were not detailed. He underscored the necessity of combining human planning with AI analytics to ensure automation technologies are used effectively, avoiding inefficiencies like overstocking or delays. This approach positions Hong Kong's 3PL sector to maintain competitive service levels in high-volume logistics, particularly for e-commerce, by leveraging technology to enhance resilience and streamline operations.

### **Bridging the Grey Divide: Logistics, Innovation, and Inclusion in the Silver Economy of Hong Kong and the Greater Bay Area**

Michael highlighted the business potential in catering to Hong Kong's aging population, despite retailers' skepticism that the elderly prioritize saving for their grandchildren over spending. Tung noted that Hong Kong has around 800–900 small elderly homes and care centers facing logistical challenges due to high rental costs and limited storage. These facilities often receive bulk deliveries of consumables like nutrition and diapers, which are stored unsafely in fire exits or staircases due to space constraints, creating risks. To address this, SF DHL is engaging consultants to develop a centralized logistics hub to consolidate supplies from major vendors, such as feeding tubes and medical devices. Using AI and smart ordering systems, the hub would enable daily, small-batch deliveries via SF's extensive network, reducing storage issues and fire risks. This approach frees nurses from administrative tasks like ordering and inventory management, allowing more time for elderly care. Tung emphasized that this model enhances service quality without increasing costs. Additionally, SF DHL is exploring Japan's elderly care innovations, such as IoT and medical devices, to adapt for Hong Kong, aiming to improve seniors' quality of life. By streamlining logistics and integrating technology, Tung envisions a professional, efficient service model that supports elderly homes and aligns with the silver economy's growing demands in Hong Kong and the Greater Bay Area.

### **Scope 3 Sustainability in Supply Chain and Logistics Solutions**

Michael Tung from SF DHL Supply Chain discussed the role of automation and AI in enhancing third-party logistics (3PL) operations in Hong Kong, as part of the talk on "Robotic Technology and Scope 3 Sustainability in Supply Chain and Logistics Solutions." He emphasized that while significant investments in automation, such as robotic arms and automated guided vehicles (AGVs), have been made in recent years to boost efficiency, their effectiveness depends heavily on meticulous operational planning. Without proper inventory management and replenishment strategies, automation fails to deliver its full potential. Tung highlighted that over the past two years, SF DHL has integrated AI to analyze inventory movements, enabling data-driven decisions that optimize automation use and improve cargo handling speed and reliability. He stressed that automation is costly, and without continuous operation and strategic human oversight, achieving a return on investment is challenging. Although the discussion referenced Scope 3 sustainability, implying reduced emissions through operational efficiency, specific environmental outcomes were not detailed. Tung underscored the necessity of combining human planning with AI analytics to ensure automation technologies are used effectively, avoiding inefficiencies like overstocking or delays. This approach positions Hong Kong's 3PL sector to maintain competitive service levels in high-volume logistics, particularly for e-commerce, by leveraging technology to enhance resilience and streamline operations.

## **Q&A**

### **What tips or advice can you provide for graduating students to prepare for entering the industry, particularly regarding skills, profiles, and technology knowledge needed before applying for jobs after graduation?**

Michael emphasizes that while technical knowledge is valuable, a candidate's attitude and open-mindedness are paramount for success in the supply chain and logistics industry. Graduates should demonstrate adaptability and a willingness to step outside their comfort zones, as these qualities are often prioritized over technical skills. Regarding technology, he highlights the importance of understanding AI, as interviewers may inquire about it to assess awareness and perspective. AI should be seen as a tool to enhance competitiveness rather than a threat, enabling graduates to leverage it for career advancement. He encourages students to actively pursue diverse roles within companies, such as in logistics or supply chain departments, to gain varied experiences and adapt to the industry's evolving demands. This proactive approach to learning and embracing different responsibilities helps build a robust skill set and enhances employability. By cultivating an adaptable mindset and staying informed about technologies like AI, graduates can position themselves as competitive candidates in the dynamic supply chain and logistics field, ready to tackle industry challenges and contribute effectively to organizational goals.

### **How can SF Express stay competitive among other competitors?**

To stay competitive, SF Express prioritizes its customer-first philosophy, focusing on delivering exceptional service quality rather than solely chasing profits. While competitors may use lower prices to attract customers, SF Express differentiates itself by emphasizing reliability, efficiency, and value creation. Reducing costs through improved operational efficiency is crucial, but maintaining high service standards is equally important, as lower prices alone don't guarantee better service. By consistently doing things right—streamlining processes, investing in technology, and ensuring customer satisfaction, SF Express can build long-term loyalty and stand out in a price-driven market, creating lasting value for customers.

### **In the context of ongoing global disruptions, how can the company create a balance between cost efficiency and building supply chain resilience?**

Michael addresses the challenge of balancing cost efficiency with supply chain resilience amid escalating global disruptions by stressing the need for agility and proactive adaptation in the supply chain and logistics field. Drawing from a recent breakfast meeting with a former US Department of Defense chief of staff who recently joined JP Morgan, Michael highlights the expert's view that conflicts like those in Ukraine-Russia and Israel will persist without resolution, fueling a shift toward deglobalization. Under a potential Trump administration, expect bolder US policies to safeguard national interests, dismantling established global trade frameworks like those from the WTO to prioritize American benefits. This uncertainty

demands that companies treat change as the only constant, regularly reassessing strategies to support customers effectively. Rather than rigid planning, the focus should be on becoming more agile, working through disruptions on a day-to-day basis, and embedding flexibility into operations to mitigate risks while maintaining efficiency. By fostering this adaptive mindset, firms can navigate the evolving landscape, ensuring resilience without sacrificing cost controls.

**Which part of SF Express handle emergency situation like nature disaster due to global climate change?**

Operation Excellence is responsible for handling extreme weather situations. This involves making an emergency plan in advance and working with the airport and airlines.

**With SF Express's business thriving in Hong Kong, could its dominance risk creating a monopoly in the local logistics sector?**

Despite SF Express's success in Hong Kong, Michael thinks it is unlikely to result in a monopoly. Even the largest global logistics company holds less than 10% of the market share, indicating a highly competitive industry. SF Express is expanding internationally and adopting innovative technologies like stablecoins, which strengthens its position but does not dominate the market. The perception of a weak logistics sector in Hong Kong, driven by struggling retail, creates an illusion that diminishes the visibility of SF Express's achievements. However, this does not translate to monopolistic control, as the logistics landscape remains diverse and competitive.

**Words to Students**

- Take your chances when you are young, even if they are outside your comfort zone or not your first choice.
- Accept and adopt new knowledge by thinking independently, conducting your own research and digesting information to support your ideas.
- Hong Kong needs a diverse influx of new talent from both local and global sources to excel.