Using Innovative Information Technology Architecture for Entrepreneurial Success: The Case of “YCH” Logistics Company

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How can small businesses succeed in this age of large corporations, global competition, and the need for large investments in Information Technology? According to conventional wisdom, it should be pretty hard, if not impossible. Companies with visionary and ENTREPRENEURIAL leaders can do it by committing to provide the best possible services to the customers consistently. And do you do that without investing in IT in this information age? This case illustrates the success story of YCH since its inception in 1955 as a relatively unknown transport company to one of the most prominent companies in the ASEAN region today. YCH has accomplished this feat by innovatively using its resources and talents. One of these is the use of an innovative IT architecture for its various business operations. The case of YCH Logistics company demonstrates that small businesses can not only invest in IT, but they can use IT for competitive advantage. Furthermore, they achieved this by not buying a single mainframe or a mini computer.

YCH was one of the three proud winners of the prestigious 1992 National IT Awards by the National Computer Board of Singapore in recognition for their innovative application of IT to achieve business goals. This case provides a brief history of the company including the major turning points; and describes its business segments and the evolving role of IT to support and augment the business operations. It also describes the innovative and modular IT architecture adopted by its small, young and ambitious IT team.

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YCH was established as a small local passenger trucking company in Singapore in 1955 by Yap Chwee Hock — now 66 years old and chairman of the company. The company basically transported contract labor for the British forces in the post-World War II years. The first turning point came when the British forces withdrew in 1971. The choices considered at that time was whether to stick with passenger transportation business or change to cargo transportation. The first choice would require converting the existing fleet of trucks to be suitable for normal passenger transportation — since people had growing preference for riding in buses than in trucks. The second choice meant using the existing fleet of trucks. YCH decided on the second option to use its existing trucks to transport cargo.

The second turning point came in the late 1970s, when YCH shared in Singapore’s growth as a major container port and transshipment point. As a transporter, YCH had their trucks waiting for hours because there was poor coordination between the customer and the warehouse operator. That prompted the decision to move into warehousing in 1978 so as to have better control over warehousing operations and improve the efficiency of transportation.

In 1983, the company ventured into freight forwarding. This was YCH’s third turning point. Their customers were always canceling at the last minute when they could not get shipping; trucks will be loaded and ready to go, only to have them unloaded again. To overcome these problems, YCH acquired Regional Warehousing and Management Services. Thus, by the mid 1980s, the company started providing one-stop logistics service — container haulage, packing, crating, removals, shipping, insurance, warehousing, computerized inventory system, and computerized logistics management.

The fourth major turning point came in March 1990 when the company acquired 839,000 square feet of its own warehousing facilities called the YCH DistriPark in Tuas, a sprawling 7.8 hectare, $20 million collection of central distribution centers.

Prior to this, the company operated from rented warehouse premises — with 350,000 square feet of rented space from the Port of Singapore Authority. The provision of total logistics services combined with the YCH distripark have resulted in five major satisfied clients — Aiwa, DuPont, BHP, Maxwell MacMillan, and Becton Dickinson. YCH’s revenues grew from $8 million in 1988 to more than $37 million in 1992. YCH now employs more than 170 people, more than double the staff strength two years ago.

Business Strategy

YCH sees its key business mission as being a reliable and capable logistics partner to major business enterprises that have operations in the region. It seeks to forge strategic alliances with its multinational clients to become an integral part of their regional operations. As a total logistics partner, YCH provides transportation, warehousing, documentation, traffic, freight, and insurance arrangements for moving clients’ goods from Singapore to any part of the world. Diverse state-of-the-art IT applications are utilized for facilitating communications with clients, tracking of goods in automated warehouses, preparing and clearing of trade documentation, and forecasting warehouse and trucking capacity.

Robert Yap, Managing Director, explains YCH’s relationship with its clients:

Before we enter into a contract with a client, we would form a team to study the client’s business operations. We must understand the client’s business so well that we know what is in the best interests of the client. It is a relationship of trust. Our contracts are long-term contracts, which are typically five years or more. We share plans and information freely. For example, our clients keep us informed of their production schedules and any changes to plans. If we are considering a new client that may be competing in the industries of our existing business partners, we would discuss that with our partners and get their reaction to it. If they feel uncomfortable about our potential new client, we would not accept the new client. We have turned away a couple of new clients in the last two years because of potential conflict of interests with our existing partners. We are open about the whole thing. We want our partners to know that we are committed to them and that they can trust us. We also work hard to maintain our reliability and service levels. There are no compromises. We go all out to service our clients, even if we have to bear additional short-term costs.

Business Segments

Currently, YCH offers several services: logistics management and consultancy, transportation, international freight forwarding, bonded services and
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