



SOURCING KNOW-HOW



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Beyond the Factory Floor

What It Actually Takes to Verify a Korean Manufacturer
20 Years of Sourcing, Project Management, and Financial Due Diligence — In
One Playbook

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Part 1. Why a Factory Visit or Audit Sheet Isn't Enough

I've seen the same mistake repeated by overseas buyers new to sourcing from Korea: they rely almost entirely on paper — a brochure, a certificate, a polished quotation — before signing.

I learned the hard way, across automotive OEM projects and industrial equipment builds, that paper alone tells you very little about whether a factory can actually deliver.

Most buyer audits check the items on an audit sheet, and there are a lot of them. In theory, passing every item should bring defect rates close to zero. But in practice, defects still slip through, and the fallout ranges from a minor issue to a full line stoppage. I've seen the same in mining and industrial equipment: substituted material showing up as corrosion years later, undersized electrical capacity causing shorts, piping that leaks after installation. None of this can be prevented with certainty — but it can be significantly reduced.

Here's what I actually check before recommending a manufacturer — the things that don't usually show up on an audit sheet.

First, how the factory responds when something goes wrong. I ask for a documented root cause analysis and countermeasure plan, and a past case if one exists — not just how it was solved, but whether the fix was actually applied on the line, whether the same issue recurred afterward, and how effective it really was. If this alone checks out, I don't need to see much else — it proves the factory can identify a problem, fix it, and apply that fix where it matters. I also look closely at the reporting chain: how a problem escalates from the worker who first spots it, up through the manager, the quality or plant manager, and if needed, the CEO. Without a clear chain, problems surface late or get quietly buried.

Second, how they handle sub-suppliers. Disclosing sub-supplier use and running incoming inspection before parts hit the line is standard knowledge in the auto parts industry. What I check is whether that inspection happens every time, or only on paper. I've seen factories skip it when volume gets tight and push parts straight to the line.

Third, whether the factory has a quality system suited to its own industry, and can explain it clearly. In auto parts, the standard is an independent check at every handoff — raw material to machining, machining to assembly, assembly to packing — run by a quality department separate from production. My own washing-equipment projects worked differently by item. For large pumps and motors, I personally visited the manufacturer and audited actual capacity against spec at the finished-unit stage. Piping and electrical panels were independently inspected by a certified Korean body commissioned by the end client. The structural units received no formal audit at all — instead, I visited the supplier twice a week, checked the work against the drawings, and logged progress with photos and remarks. The



point isn't which system a factory uses — it's whether they have one suited to what they build, and can show it to you in writing. "That's not how we do it here," with no further explanation, is a red flag.

Fourth, response speed and execution once a problem actually hits. Lot-number traceability is already standard across the industry — most suppliers have it. What I look at isn't whether the system exists, but how fast it gets used once something goes wrong: does the factory draft a countermeasure without delay, trace the lot to identify exactly how much shipped quantity is affected, and get someone on the ground in person to resolve it?

All four of these come down to one principle: it's not about whether the paperwork or the system exists on paper. It's about checking the floor with your own eyes, logging progress against a timing schedule, flagging problems in a remarks column the moment they appear, resolving them on the spot, and judging — based on how serious the issue is — whether and how to inform the customer. That's how I've worked for 20 years.

Part 2. Financial Due Diligence — What Other Sourcing Agents Miss

A factory audit tells you whether a company can make your product right now. It doesn't tell you whether that company will still be standing a few months from now.

Years spent reviewing corporate tax filings on the financial consulting side changed how I look at suppliers. A single year's financial statement can look fine on its own. Look at three years of trends side by side, and a different picture often emerges.

If cash on hand drops sharply in a given year and then recovers the next, that can look like steady, stable growth from the outside — but it may actually signal a liquidity squeeze in between. If net margin or return on equity swings more widely across three years, revenue may be growing while the underlying earnings structure is actually becoming less stable.

Executive loans from the company work the same way. Even a small amount, if it shows up consistently or keeps growing year over year, means the owner's personal cash flow is continuously mixing with the company's — and that eventually accumulates as debt the company has to absorb. A one-time amount that clears the following year is a different story.

I also separate book profit from actual cash flow. Retained earnings can keep growing on paper while the underlying profit sits tied up in accounts receivable or inventory rather than cash. A company like this can be profitable on paper while lacking the cash to pay suppliers or



payroll — the kind of insolvency that happens despite a profitable income statement. A company that looks stable and profitable on the surface can look very different once you isolate cash liquidity.

There's much more that can be reviewed beyond this — accounts payable and debt composition, related-party transactions, capital movement history, among others. None of it shows up just by requesting more paperwork. It only becomes visible when you read it as a three-year trend.

You will never see any of this by walking the factory floor, however carefully. Reviewing three years of financial trends alongside the physical audit is what actually separates judging a supplier on quality and price from judging the whole picture.

Part 3. From Kickoff to Completion — What I Actually Check and Record

The moment people let their guard down most in any project is at kickoff — whether it's a small project or one worth a billion dollars. Once the contract is signed, everyone breathes easy and assumes the hard part is over. But an assumption nobody questioned at that moment tends to follow the project all the way to the end.

There's a second pattern, too. When a project first kicks off, executives, managers, and team members are all fully engaged. About three months in, that intensity fades, and people drift back to their regular work. The project is still running, but the attention on it isn't what it was. I consider this the most dangerous bottleneck in any project. Problems tend to grow quietly in exactly this window of reduced attention, then surface later than they should.

So I follow a set routine. Nothing complicated — simple and repetitive. What matters is whether that routine keeps running honestly, week after week, even after the initial intensity fades. That consistency is usually what separates a project that finishes on time from one that doesn't.

Before kickoff, question the drawings first. On a mining project in Kazakhstan, before finalizing our own design, I visited the actual installation site in person. That decision turned out to be critical — the reference drawings we'd been given didn't match the real site at all. Had we trusted those drawings and designed around them, the equipment wouldn't have fit during actual installation, and we would have faced significant claim costs and lost trust. It's never written into any contract, but catching this kind of problem before fabrication begins turns out to be the single most important part.



After kickoff, visit the site weekly. Every week, on a set day, I visit the manufacturing site in person, verify actual progress with my own eyes, document it with photos, and log anything unusual in the remarks column of the timing schedule. Standards can differ subtly even when countries reference the same international code — Korea, Australia, Kazakhstan — and workers on the floor tend to default to what they're used to out of habit. Only regular visits catch these small discrepancies before they become real ones. Not every deviation gets reported to the buyer — minor delays that don't affect the overall schedule get resolved on-site, while anything that could actually impact delivery gets flagged immediately. That judgment ultimately comes from experience.

Problems arrive without warning. On that same project, everything had gone smoothly — until, three days before the final audit, a supplier that had shown no warning signs ran into problems with piping and electrical work. We split into two teams and worked around the clock for three days, keeping both the client and the audit body continuously informed. We resolved both issues and passed the audit on schedule. Because the electrical panel is core to the system — a failure there stops everything — we didn't just fix the problem and move on. We sent an engineer on-site alongside the panel supplier's own engineer to support the installation directly and train the local team. That's normally a paid service billed separately; on this project, we covered the cost ourselves.

Once it's finished, packaging, shipment, and documentation still need attention. Even after passing the audit, there's still commercial ground to cover. After confirming photo evidence of procured items and final process completion, the interim payment comes in, and final assembly and packaging begin. Packaging planning starts about a month before shipment, working with the packaging and logistics companies, since containers need to be booked to match actual crate dimensions. On the day of packing, we photograph every container as it's loaded, then again after sealing, and only release for shipment once the customer has reviewed and confirmed those photos. The last step is the technical documentation package — final approved drawings, assembly instructions, operating manuals, and a troubleshooting guide, compiled and delivered to the customer.

What carried this project through wasn't avoiding problems — it was catching the drawing issue before fabrication started, being upfront with the customer instead of hiding the electrical panel failure, and absorbing the cost when protecting the outcome required it. Eight months later, that same client came back for a second project. This time, they contacted us directly, with no intermediary in between.

In the end, protecting any project comes down to two things: questioning the assumption nobody else questions at kickoff, and keeping the same routine running without fail even after the initial intensity fades. That is how you protect trust — your own, your company's, and your customer's.



Part 4. The Low-Price Trap — Why You Have to Look at Total Cost of Ownership

When a sourcing decision is made on price alone, the real cost of that decision doesn't show up until months later.

I saw this firsthand in a mining region. A wave of significantly cheaper washing equipment entered the market at one point. Looking only at upfront cost, it seemed like the reasonable choice. But within a year or two, the picture changed. In harsh environments like desert and mining sites, durability problems surfaced seriously, and most of that equipment ultimately had to be replaced. I was directly involved in that replacement project. Whatever price advantage existed at the start meant nothing against the cost of repurchasing, reinstalling, and the downtime in between.

I've seen the same pattern elsewhere. A government agency's existing fleet of low-cost buses kept suffering transmission failures in a sand-heavy environment, and the agency ended up considering a large-scale replacement with proven, more durable vehicles. What looked like the cheaper choice upfront came back as a far larger cost a few years later.

Both cases say the same thing: price is only the cost at the moment of purchase — not the cost of owning and operating that product over its full lifespan. That gap widens considerably in harsh environments like desert, mining, and offshore. If a cheaper product fails and needs replacing within a year or two, the real cost includes the repurchase, the reinstallation, and the downtime in between.

The same principle applies from the supplier's side. Once bidding narrows to three to five companies, the buyer issues a target price. Some suppliers submit well below that target — but realistically, that doesn't add up. That gap has to be made up somewhere, and it's usually made up by quietly outsourcing work or cutting inspection staff. The cost of that always comes back as a problem during mass production.

Pricing is finalized before a project starts, but room is left to negotiate additional costs for external factors like raw material price increases. I explain it to buyers this way: when a price starts out too low, that becomes the root cause of problems later in production.

So when I evaluate sourcing, I look at total cost of ownership, not the price tag. How long will this product actually hold up in the environment it's installed in? How fast can parts and repairs actually be sourced when something breaks? How much does maintenance cost



accumulate over time — cost that never showed up in the original quote? Comparing upfront price alone, the cheaper product always looks better. Looked at over the full ownership period, that conclusion often reverses.

Closing

The four parts of this document come down to two things.

First, a project is most vulnerable right at kickoff, and the real risk grows after the initial intensity fades. Questioning the assumption nobody else questions, and running the same routine without fail even after attention has moved on — that is the only way to protect a project through to the end.

Second, sourcing was never just about price. The quality on paper, the quote in front of you — that's only part of the picture. How long, and how honestly, a supplier can hold up over time — seeing that whole picture is what sourcing actually is.

What I learned across 20 years moving between automotive parts and industrial equipment sites comes down to these two things. Through KoreaLiaisonPM, I bring the same approach to overseas buyers evaluating projects with Korean manufacturers today.



If this was useful,
let's talk about your project.

Web korealiaisonpm.com

Email chshim39@hotmail.com