

Abstract

GARG, ASHWAJEET. Assessing the value of agent certification in global sourcing: An exploratory study in apparel sourcing. (Under the direction of Dr. Michelle R. Jones)

The purpose of this research has been to explore the role of agent certification in the process of global sourcing. While some research has been done in the area of exporter-intermediary relationship, little has been done to study the importance of buyer-agent relationship and how the process of agent certification could strengthen that relationship. Global sourcing has played a vital role in the existence of textile and apparel industries across the world. With the increased advancement of developing countries and the numerous advantages that these countries possess, developed countries, such as the United States and countries in the European sub-continent, rely heavily on global sourcing to remain competitive in the global marketplace. Due to numerous barriers to global sourcing such as language barriers and inability to check sources, companies have found it useful to source through agents. These agents act as the facilitators between the sources and the buyers. With the advent of Internet and e-commerce, online sourcing has come into picture. Although the transparency in terms of sources and buyers on the web and their processes has increased and organizations are thinking of certifying sources, the role of agents' still exists. A total of 30 agents and apparel-manufacturing buyers were interviewed to assess the feasibility and role of agent certification in the global sourcing process. While the specific items to be certified were not confirmed, both types of subjects agreed that agent certification would assist in the transactions in the buyer-agent relationship. It was found that small and medium-sized buyers would find agent certification more useful than large-sized buyers because of small-size buyers' limited resources and potential to find trusted agents.

Assessing the value of agent certification in global sourcing: An exploratory study in apparel sourcing

by

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Biography

Ashwajeet Garg was born on October 18, 1978 in Indore, India. His father, Dr. Shankarlal Garg, has been a scholar all his life. Dr. Shankarlal Garg is a professor of chemistry at the government science college in Indore, India. His mother, Dr. Jyoti Garg is an artist and a professor of environmental chemistry. His mother has been making wooden sculptures and abstract paintings for the last ten years. His brother, Raagjeet Garg is a student of commerce at one of the finest colleges in Mumbai, India.

The first twenty years of Ashwajeet's life were spent in Indore, where he attended the public school in Indore, graduating from SSSVV in 1996. As a boy, Ashwajeet showed an inclination toward things mechanical. He developed interest in idea starters and management ideas when he was in school. He completed his undergraduate studies from SVITS in Textile Engineering from Indore. After completing his undergraduate studies, he was looking for some value addition to his analytical skills and consequently, he went for the Master of Science (M.S.) program in Textile Management & Technology program at North Carolina State University.

At NC State University, he developed interest in global sourcing and he worked as a research assistant under Dr. Michelle Jones, a professor of finance, marketing and merchandising. Ashwajeet completed his minor in computer science and specialized in databases. At present, Ashwajeet is interested in learning and getting on-job training experience in the sourcing and marketing areas of the textile industry.

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Chapter One

Introduction

Global sourcing has played a vital role in the existence of textile and apparel industries across the world. With the increased advancement of developing countries, developed countries, such as the United States and several countries in the European Union, rely heavily on global sourcing to remain competitive in the textile marketplace. The opportunity to improve competitiveness, when using global sourcing, depends on the location, products purchased, competitive nature of the supply markets for those products, and strategies employed to reduce total costs (Cho-Che, 1997). In addition, the speed at which this information can be obtained and the reliability of the sources are critical for the advancement and sustainability of a global sourcing unit within a firm.

Global sourcing is defined as the activities and processes involved in procuring raw materials, components or finished products from suppliers outside the buying firm's country (Birou & Fawcett, 1993; Jeannet & Hennessey, 1995). Purchasing managers everywhere share the same goals: quality and value for the best price.

Typically, global sourcing managers seek out premier suppliers worldwide on the basis of price, quality, technology and delivery reliability, these activities become time consuming and can be a laborious undertaking for any organization. There are numerous barriers (e.g. cultural differences, language barriers, long complex logistics) to sourcing. However, the use of the Internet in sourcing removed some of those (e.g. finding sources, tracking of material, online catalogs) and may accelerate the trend of eliminating barriers by raising the accessibility of foreign suppliers (Monczka & Trent, 1991).

Almost all buyers follow the code specified by the United States Department of Labor, which is responsible for overseeing, making sure that they follow proper norms and are compliant to various regulations specified by world organizations. An example is the World Responsible Apparel Production (WRAP), which is a non-profit organization aimed at promoting and certifying lawful, humane and ethical manufacturing throughout the world (WRAP, On-line, 2000). Major apparel buyers in the U.S., like JCPenney and Walmart, attempt to identify reputable companies that are committed to compliance with legal requirements relevant to the conduct of their business (JCPenney, On-Line, 2001). Production processes and services of some of these same WRAP approved suppliers are again certified by organizations like the International Standards Organization (ISO) which was established in 1906 (ISO, On-line, 2002). However, these certifications have not had a great impact on the way sourcing is carried out. It is just that now buyers ask agents to get goods from sources that are complaint to these standards. (Smith and Lovejoy, Personal Communication, June 2001). The only missing link in the process of global sourcing is the certification of agents that will attest to the agents' enhanced credibility for improved sourcing. A certification like this will bring more reliability and meaning to the other production related certification processes and provides a measurable system for buyers who use export agents in global sourcing transactions.

Global sourcing has always relied upon trust and contacts within a network of suppliers and this is where the role of an agent gains significance (Smith, Personal Communication, February 2001). Export agents and brokers play a major role in settling deals between a supplier and a buyer. With new sources coming up frequently and the removal of trade quotas in year 2005, buyers will have a wide choice of sources and

suppliers. In this case, if an agent is certified for its services and work, it would prove to be a boon for the supplier and at the same time, the agent would fill the gap in today's information exchanges for sourcing on the web.

The main focus of this research is to examine the relevance of agent certification within the global sourcing system. Specifically, this research explores how the process of certification might affect the buyer-agent relationship and its potential to enhance the importance of agents in the global sourcing process for U.S. apparel manufacturers and buyers.

Chapter Two

Review of Literature

Sourcing-related factors are dynamic in nature and therefore it is difficult to study and capture their changing patterns, and many researchers have a concern that the current pattern of sourcing cannot be explained by traditional international trade theories (Cho, 1990; Kotable, 1992; Swamidass, 1993). This section gives an overview of global sourcing research; the latest advances in global sourcing technologies, such as e-commerce, and how the agents facilitate sourcing.

Traditional theories suggest that cost is the prime motivator or determinant of global sourcing strategies. Besides cost, there are many complications in the sourcing process that are derived from regions, people and the local industries. This is where agents become important because they help in building trust between the sources and the buyers. In a study on buyer-seller relationships (Leonidou, 1998; Leonidou & Kaleka, 1998), people strongly agreed that trust (honesty/trustworthiness) is the most important factor in a buyer-seller relationship. Both trust and relationship management are important parts of the global sourcing process (Smith, Personal Communication, 2001). Due to growing e-commerce and reduced visibility between sources and buyers, agents act as a catalyst for bringing the two parties closer to a global community, one currently marked by a fragmented sourcing system limited to regions.

Agents are also using the latest tools and advances in technology to facilitate sourcing. In spite of this, the role of agents would gain greater importance when some level of certification criteria is developed.

Global Sourcing and Barriers to Global Sourcing

A study (Cho-Che, 1997) shows that the type and the level of benefits and challenges a firm perceived from global sourcing are significantly different in terms of several managerial/demographic characteristics. The researcher classified sourcing into two groups, direct and indirect, depending on whether sourcing functions are performed by external agents or internal business units. Many U.S. firms adopt different approaches for performing these tasks. Some firms rely on external agents (domestic or foreign that are experts in procurement), while others set up company-owned business units in the host countries to procure demanded products. Firms may also differ in their involvement in the manufacturing processes with some firms having closer relationships with their suppliers and some more closely involved in giving technological assistance, training, product development and quality control. In the latter option of direct sourcing, there is integration of purchasing and merchandising activities in the firm. This integration is very difficult to achieve.

There are a variety of reasons because of which the integrated channel structure of sourcing is not feasible or desirable. Direct sourcing cannot take place because of limited firm resources or commitment, the presence of legal barriers, strong competition, highly dispersed markets, less differentiated products, low trading volumes and asset specificity (Karunaratna & Johnson, 1994). Other reasons include limited availability of alternative foreign channel intermediary (Klein, Frazier & Roth, 1990) and limited exporter experience (Johanson & Vahlne 1977). Consequently, intermediaries or agents are preferred, ones who have strong local market knowledge and good marketing services.

Cost reduction, good quality, easy availability of raw materials and state of the art technology are some of the major benefits that global sourcing can bring (Birou & Fawcett, 1993; Monczka & Trent, 1991). Since the apparel industry is highly labor intensive and the fact that labor costs are very high in the developed countries, countries like U.S. prefer to secure products manufactured in developing countries where the labor costs are very low. Thus, savings can be made in the wages that constitute a major expense in all apparel manufacturing.

Thomas and Hult (2002) conducted a study on cultural competitiveness in global sourcing, which suggests that sustainable competitive advantage (SCA) has a positive effect on the cycle time of the global sourcing process and the organization's overall business performance. After meeting sourcing directors of multinational firms, they found SCA to be a function of entrepreneurship, innovativeness, and learning in a company.

Purchasing is a process where a complete review of the supply chain needs to be done followed by the determination of top suppliers and then utilizing strategies to reduce the cost of the purchasing process (Mentzer, 2001). Thus, global sourcing involves procurement of raw material or finished products from places around the globe where it is most economically feasible. Well known barriers to global sourcing include identifying sources, language barriers, time differences, quality problems, inflexible quantity requirements, long lead times, shipping costs, complex logistic, currency exchange risks, political instability and import duties (Kohn, 1993). These factors all sum up to the difficulties in the navigation of trade requirements. In firms, global sourcing is carried out

through a sourcing team that is responsible for navigating the trade requirements (Smith, Personal Communication, 2000). The sourcing team has the job of making the right contacts for getting the right product at minimum cost in the given time frame. They also have to see that suppliers they are dealing with are trustworthy and comply with all the necessary standards. This involves a lot of risk and makes the whole process of sourcing very tedious and long.

A study by Murray and Kotabe (1995) analyzed the strategic and financial performance implications of global sourcing strategy. The study also investigated the relationship between sourcing strategy and market performance. A questionnaire was used to gather data on product market performance, sourcing strategy and the sourcing-related variables. The researchers suggest that product innovation, process innovation, and asset specificity were significant moderator variables for financial performance.

In addition to the cultural aspects of global sourcing, Thomas & Hult, 2002 integrate thought on entrepreneurship, innovation, and organizational learning and examines a framework of sustainable competitive advantage as it pertains to global sourcing. For the survey, a sample (200) of corporate sourcing (buying) directors of multinational corporations was selected from the membership of the National Association of Purchasing Management. Entrepreneurship, innovativeness, and learning were found to function as first-order indicators of the second-order construct of sustainable competitive advantage, which in turn has a positive effect on cycle time of the global sourcing process and the organization's overall business performance.

Apparel trade and the different trade agreements like the North American Free Trade Agreement have had a great impact on sourcing strategies in individual firms (Levaux, 2000). Sourcing strategies have changed constantly with individual firm and nations wanting to satisfy their local interests. A number of laws and regulations have helped U.S. apparel firms get free from the import quotas and duties on garments produced in neighboring countries. While more and more U.S. apparel will be made in the Western Hemisphere in the coming years, production in Asia is expected to grow dramatically with China entering the World Trade Organization and WTO members phase out quotas in 2005 (Levaux, 2000).

Global relationships have become an important component to international trade and the task of managing these relationships between distributors, suppliers and buyers is important. In order to achieve these relationships, solid channel partner relationships and good communication should be established (Todd, 2001). It is seen (Serel, Dala and Moskowitz, 2001) that by committing to long-term supply contracts, buyers seek to lower their purchasing costs and have products delivered without interruption and suppliers are less pressured to find new customers and can afford to charge a price lower than the prevailing spot market price.

Caddick and Dale (1987) studied the complexities of buying from less developed countries (LDCs), which result from unpredictable inflation rates and exchange rates as well as the problems associated with high levels of government intervention. Although there are advantages of reduced cost, there are disadvantages too. The researchers stated that the disadvantages include lower levels of quality, compliance issues, extension of

supply lines and delivery risk. Min and Galle (1991) also suggested some complexities of global sourcing, such as complex documentation requirements, trade regulations, quotas, duty structures, unique ethical standards and complex distribution systems.

In order to handle some of the aforementioned problems in global sourcing, Carter and Narasimhan (1990) suggested the need for three different skills in sourcing professionals: cross-functional support, integration with manufacturing, and appropriate organizational structure to support global sourcing strategies. Agents can cater to the skills and needs like knowledge of foreign customs, development of foreign logistics and international purchasing. Global procurement of services is another area that has been receiving an increasing amount of managerial attention in recent years, and service firms have begun sourcing service activities from abroad. This is very similar to manufacturing firms that source components and finished goods (Murray & Kotabe, 1999).

Role of Relationship Management

In cases of international procurement, cooperation among the channel members is required for effective supply chain management (Ellram & Cooper, 1990). Relationships with suppliers and intermediaries are critical components of sourcing. Partnerships and relationships are not based on a contract, but trust between people. Relationship management involves structuring relationships that enable the firm to meet strategic objectives and manage risk; understand the implications of culture in managing relationships with suppliers; understand and manage geographic, social and cultural asymmetry; and meet legal requirements in multiple countries (Nix, 2001). Environmental uncertainty, associated with greater differences in cultural environment in

the foreign country, is correlated with a choice to use independent distributors (Anderson & Coughlan, 1987).

Successful firms after realizing that the effective use of global sourcing contributes to their market performance, use a higher level of strategic alliance-based global sourcing for major components by cooperating with their suppliers (Murray, 2001). Companies are realizing the importance of and relationships between several factors that drive the effectiveness of global sourcing strategies (Petersen, Frayer, Scannell, 2000). Good relationships are often developed when long-term supply contracts are established. By doing this, buyers seek to lower their purchasing costs and have products delivered without interruption. On the supplier side, suppliers and agents are less pressured to find new customers, and can afford to charge a price lower than the prevailing spot market price (Serel, Dada & Moskowitz, 2001). Thus, both suppliers and buyers benefit from good relationships and long-term contracts.

In a study (Karunaratna & Johnson, 1997) on maintaining export intermediary relationships, it was found that after forming a trading relationship, an exporter can better coordinate the relationship by not forcing or compelling monitoring of the exporter, and reduce the potential of opportunistic behavior and achieve a relationship that performs to the satisfaction to both parties. The increased monitoring would help in maintaining a state of common goal satisfaction between the parties. There are a lot of cases when direct channel structure for sourcing cannot be established. Termination of these relationships with intermediaries can result in reduced market coverage and export effectiveness (Bello, Urban, & Verhage, 1991).

Latest advances in global sourcing

Technologies, such as sourcing simulation, logistics and vendor selection software, have been developed to address the increasing complexities of the global sourcing process. With the advent of e-commerce, e-procurement has evolved and will have a major impact on sourcing carried out by textile companies. Online purchasing guides like www.threadeXchange.com (“Thread,” On-line, 2001) and www.fashiondex.com (“Fashion,” On-line, 2001) are resources that provide sourcing agents with detailed product information, specifications and line item ordering information. This information is presented in a way that allows purchasers to make vendor and product comparisons quickly.

Electronic procurement (e-procurement) involves securing products through the web, and is contrasted with e-commerce, which is a broader term used to define transactional activities enabled by the web (Ecommerce, 2001). Sourcing methods would not change much with companies implementing e-procurement. The basis of sourcing will continue to remain the same where buyers buy from established agents and sources and where long term and good relations form the basis of all transactions. But e-procurement would definitely give a new dimension to sourcing. The Internet is expected to accelerate the trend of global sourcing by raising both visibility and accessibility of foreign suppliers and by reducing friction of communications across vast physical spaces.

Software Solutions:

According to Porter (2000), for transactions that require a long time before a purchase decision can be made, companies will use intelligent software to locate

suppliers on the Web, execute bidding and to negotiate and finalize basic deals. The software, however, will not be able to manage the relationship variables, such as trust and reliability, which serve as important elements in sourcing. Market intelligence tools will deliver huge value if they help procurement managers decide when and from whom to buy at the most competitive pricing. E-SPS (On-line, www.ngcsoftware.com) and XeBusiness are some of the major leaders in providing software solutions for sourcing.

Software like FabConnect that aim to ease the sourcing process is an enterprise software application that automates and manages the procurement process for custom manufactured mechanical parts and assemblies (Fabconnect, 2001). It provides a variety of web-enabled functions, such as work in process tracking, production routing, specification sheet downloads, problem identification and collaboration, packing and shipping data exchange. Electronic sourcing solutions can replace the traditional paper-based, time consuming processes of identifying and evaluating suppliers to help enterprises in the supply chain area. (Harreld, 2001)

The sourcing simulator (“National,” 1998; Russell, Carrere, Little & Reese, 2001; Sourcing Simulator, 2001), developed by Drs. King and Hunter at NC State University) is another software that can help a retail buyer quickly and easily analyze sourcing decisions. A retailer can compare the overall financial results of sourcing apparel made in the United States under a quick response or vendor-managed inventory program with the costs of traditional sources. The same software can simulate the arrival of customers to a retail store over a given season and their selection of garments, recording sales or, if stock is out, an alternative choice based on a model of consumer behavior. The buyer

using this model can do multiple side-by-side runs to see the effect of scenario changes, such as different vendors, replenishment strategies, or markdown schedules.

Even in the realms of supplier development and relationships, Porter (2000) sees encroachment by e-procurement tools. Relationships with major suppliers will remain important, but they would use new methods of communication-for example virtual meetings and virtual plant tours-especially as broadband becomes more prevalent (Nolan, 1999).

Beyond supplier selection and negotiating, much greater automation in areas of compliance will be seen. Tracking the performance of sources is an important issue. E-commerce will allow people to see and manage suppliers across vast geographical spaces. Some information exchanges on the web (e.g. Fabconnect, Texyard) provide online sourcing solutions that offer a non-biased environment where buyers and sellers can come together, via the Internet, to do business. The only thing lacking here is the trust that will ease the process of sourcing. Just being listed on an exchange or directory does not guarantee that the agent can be trusted. Also, there are issues of certification and compliance that are not necessarily satisfied. The internet may accelerate this trend of sourcing by raising the accessibility of foreign suppliers, but according to the information given by the industry people, just being visible is not enough (Watson, Personal communication, April 2000). The buyers do not want to take any risk. The visibility of the sources and agents would not fill the gap of lack of relationship and trust, as agents listed on websites may not be certified. Currently, no thorough screening mechanism exists for selecting and listing agents on the websites. Additionally, there is no mention of the criteria used for listing those agents of these websites.

e-procurement: Procurement the Electronic Way:

Websites like www.Atimag.com and www.Fasturn.com provide e-procurement facilities to buyers. These sites also promise to have facilities that will enable virtual tours of sources, thereby helping buyers select sources. Fewer than one-third of Fortune 500 companies are ordering strategic goods from online suppliers, and many have no idea how well their electronic procurement systems have performed, according to a new study on the use of e-procurement among top corporations (Kruger, 2000). Additionally, companies are only beginning to quantify the benefit of their e-procurement solutions. It is still early to determine the true benefit of these systems.

Companies will have to choose a solution that is designed to automate core purchasing activities specific to the industry. As the sophistication of e-procurement technology increases, purchasing/sourcing transactions become more complex. Buyers would need qualified people to understand the complexities of the technology along with the changing relationship with the suppliers. Companies investing in e-procurement systems should make certain that their chosen vendor has a proven customer service record and can guarantee supplier access (Kruger, 2000).

The certification process would be an incentive for the agents to come together so that their presence does not fade away with the growing e-procurement. The importance of agents can be felt if they are represented and supported by a certifying authority like the World Responsible Apparel Production (WRAP).

International Business Intermediaries

An exploratory study (Hallen, 1982) done on international purchasing in Sweden reveals that international purchasing requires not only market knowledge and an ability to handle foreign cultural patterns, but also an understanding of the special transaction problems in international trade. The latter ability refers to knowledge of trade techniques, such as, customs and non-tariff obstacles to trade, currency problems, and other aspects of international payments (e.g. quota systems, international chartering). The data were collected within a framework of a joint research project involving researchers from Sweden, Britain, France, West Germany, and Italy, who studied the relations between buying and selling firms in five West European countries. Relationships between 35 suppliers and five Swedish firms were studied and then, constituted the basis for this research. The researcher identified three areas of competence in international business: a) market knowledge in terms of suppliers that can satisfy firm's needs and the awareness of the supply markets in the different supplier countries, b) cultural awareness that is the general understanding of business practices, social habits and languages, and c) trade techniques, which includes currency problems, customs and non-tariff obstacles to trade and other aspects of international payments and quota systems.

According to Hallen (1982), it is necessary to become aware of the supply markets in the different supplier countries and also the possibilities within these markets. This kind of ability is acquired primarily through experience of such active purchasing. General experience in purchasing is therefore one of the basis for buying from domestic suppliers, as well as from abroad. When the firm is buying from abroad, however, other kinds of problems are added to those that affect domestic purchasing.

Hallen (1982) reported that an agent's competency in bridging the cultural gap between buyers and sellers determines basically how a relation with a foreign supplier will be handled. Competence is developed by means of personal experience and if the buyer in a company does not have the experience, a middleman or agent can help the buyer by acting as a representative of the company and then, the experience of the agent can be utilized for the buyer's benefit. However, this individual's competency can be favored differently in different company environments (Hallen, 1982).

A mastery of foreign languages is one of the components of the buyers' ability to handle foreign cultures. Other aspects of cultural awareness are knowledge of the business practices and social habits of the foreign country. The linguistic competence, which the agents possess, is of great importance for the said active market orientation of purchasing. Results of a study by Bello and Lohtia (1995) indicate that technological complexity and the need for extensive training of human resources (asset specificity) leads to the use of agents for procurement operations.

It is not economically feasible for a buyer to gain the complete set of skills and advantages that an agent possesses. Some larger companies may establish their own purchasing offices abroad with the task of monitoring the market and keeping contact with suppliers and also looking at the processes to see that they are compliant to the international standards. However, it is not possible for most of the small and middle scale industries to invest money in setting up offices abroad or hiring people to do multiple jobs like monitoring the production and movement of products, searching sources, doing quality checks, doing market research. Instead of hiring people to do these different jobs

and understanding things about a country, it may be advantageous for firms to deploy agents.

The U.S. apparel industry is a \$200 billion industry and sourcing is a major part of all the major U.S. Industries (Rudie, 2001). Most of the apparel sourcing is done from the Caribbean Basin, China, Hong Kong, South Korea and Mexico. U.S. firms have shown a strong interest in transferring missing pieces of the North American apparel supply chain to Mexico (Gereffi, 2000; Gereffi & Bair 1998). As each type of organizational buyer in the apparel supply chain has become more actively involved in offshore sourcing, the competition between retailers, marketers, and manufacturers has intensified, leading to a blurring of the traditional boundaries between these firms and a realignment of interests within the chain (Gereffi, 1999). Apparel is the top merchandise category for most consumer goods retailers. The business of importing product is tricky, filled with uncertainties like calculating the true cost of products, changing customs and regulatory laws, and determining accurate lead and in-transit times. It is critical that importers have state-of-the-art software tools to provide this information, enabling them to make informed sourcing and logistics decisions (Borthayer & Kaufman, 2000).

Retailers, branded manufacturers and major marketers are responsible for the major apparel import in the U.S. market (Gereffi, 2001). U.S. apparel makers will continue to outsource more and more of their manufacturing work from overseas sources (Levaux, 2000). The 1983 Caribbean Basin Initiative and Program 807A of 1986 gave U.S. manufacturers the quota-free status for garments made of U.S. materials. And then the North American Free Trade Agreement granted U.S. apparel firms freedom from both import quotas and duties on clothes made in Mexico and Canada starting in 1999. While

more and more U.S. apparel will be made in the Western Hemisphere over the next few years, production in Asia is expected to grow dramatically after China enters the World Trade Organization and WTO members phase out quotas in 2005 (Levaux, 2000). Perhaps even more important will be management of the supply chain of goods sensitive to quick changes in inventory and fashion swings. Many factors are encouraging this trend, such as a growing number of bilateral trade agreements. Other factors include the cheaper and easier ability to order, re-order, and track product over the Internet, as well as increasing trade liberalization in many countries around the world-this despite the failure at the WTO meetings in Seattle to complete a worldwide consensus on reductions in trade barriers. Trade liberalization includes reduced quotas, cheaper duty rates, more uniform customs inspection, and more efficient customs review, and the adoption and acceptance of more uniform standards, such as ISO 9000 (Levaux, 2000).

Agents

Agents are people who facilitate global sourcing by serving as links between buyers and suppliers and providing distinct services to both. These middlemen are also called as export intermediaries and connect organizations that otherwise would not have been connected (Peng & York, 2001). The term “Agent” is used interchangeably with export intermediary because of the common functions of relationship and channel flow that the two share. Agents are traders who have become entrepreneurs by providing services and connecting domestic manufacturers and foreign buyers (Oviatt & McDougall, 1994). Most small-scale firms do not have the resources to meet the challenges associated with exporting, and even large-scale firms may be unwilling to

commit to newer, nonessential markets. In such circumstances, agents emerge as indirect distribution channels connecting suppliers to buyers.

Frieswick (2000) says that companies are advised to take extreme caution when setting up engagements with new, less-established outsourcing players. The biggest drawback of these deals is trust. A firm's ability to draw benefits from foreign supply markets is largely dependent upon its capacity to use its innate experience of international business. Thus, firms, who do not have much experience in international business, think of using agents. In order to source goods from countries, companies often send their industry people to the sources to examine the conditions, the production capabilities, working environment and suppliers, and would require expending a large amount of company resources for sending a qualified team for each order at different sources. Often the people sent are not familiar with foreign countries, their business systems and their languages. Thus, it becomes a very complicated process for finding foreign sources, inspecting them and overall trusting them for all the transactions. Since most orders placed are in bulk quantities, buyers cannot afford to take big risks. Therefore, companies may rely on agents and decide not to go through the hassles of examining the sources.

Large manufacturers possess the necessary resources to deal with a wide range of exporting activities in-house and therefore they can chose the option of direct sourcing (Peng & York, 1998). However, most small and medium-sized enterprises (SMEs) do not enough resources and get intimidated by foreign trade due to lack of knowledge regarding foreign markets and the perceived risk and uncertainty surrounding international sales (Ilinitch & Peng, 1994). With more perfect information flowing in markets, buyers will need people who can decipher, analyze and manage this information effectively. Buyers

will need experts on procuring and these people would be able to use the latest technology and the software to their advantage. Thus, agents can use this to their advantage if they can use provide these functions to the buyers.

The U.S. apparel companies are very competitive in design, procurement, marketing and distribution (Kilduff & Priestland, 2001). Rosson and Ford (1982) suggested that there is an important link between the performance level achieved and the very nature of the relationship that exists between the manufacturer and the overseas distributor or agent. Rosson and Ford (1982) identified and defined three variables: a) Stake -What a party stands to lose if the relationship is terminated, b) Experience - Knowledge based upon past and current corporate and personal observations and contacts and c) Uncertainty - The extent to which businesses process and outcomes are unpredictable. As a result of their study, a conceptual model of manufacturer-overseas distributor relations and export performance was formed where the participant variables, explained above, affected the performance and the relationship of the supplier and the overseas distributor. A certification process should help in reducing uncertainty in the whole process of sourcing, and add value to an agent's experience.

For U.S. apparel imports, Mexico and the nations of the Caribbean Basin continue to dominate, but an increasing level of market share is going to the ASEAN and South Asian regions. Growth in the volume of U.S. imports from India remained relatively steady at 6.15 percent for the year ending July 2001 versus 4.29 percent for the year 2000. However, growth in the value of India's exports dropped off significantly, growing only 2.34 percent for the year ending July 2001 versus 17.09 percent for the year 2000 (DesMarteau & Haisley, 2001).

Agent Certification

Studies on foreign intermediaries or agents (Karunaratna & Johnson, 1997) suggest that managers of firms involved in procurement operations should seek to form a channel contractual relationship with an intermediary only after extensive screening of as many potential intermediaries as possible. Such a decision could be expensive and would depend on the exporter's capabilities, resources and commitment to the market. An extensive screening and selection of intermediaries is essential because of problems related to communication and quality of products arises between buyers and agents. An assessment of agents' capabilities is required before doing business with agents.

Websites like www.textilesolutions.com, www.textrade.com and www.fashiondes.com have links to regional sources and agents for textiles. TextileSolutions.com offers web-based software that handles aspects of textile trading between buyers and sellers. An annual fee of \$3000 gives the seller access to a trading platform that can be used to create a fabric library to display product offerings. Textrade.com with 5,400 members in more than 50 countries and offices and agents in 12 countries offers industry information from various sources and provides a platform for trading textiles (Rudie, 2001). Fashionindex.com is a comprehensive site for finding suppliers, buyers and agents and offers this service for free. However, export agents are not certified for the kind of work they do before being listed on these web sites. Thus, the existence of these websites does not make the process of selecting an agent easy for the buyers. Also, the sites are mostly regional and do not include an exhaustive list of all potential sources. Therefore, there is a need of an e-commerce model for all the textile industries engaged in sourcing activities, where agents can be certified and listed. In a

study done on sourcing by Kohn (1993), results suggested that to ensure standardization and supplier reliability, purchasing organization must establish guidelines for acceptable quality. Thus, for agent certification, agents should fulfill some basic conditions and requirements, and then certification and rating can be given on the basis of work they have done in their past and their general operations/business activities.

Certification has traditionally focused on products and processes (e.g., ISO 9000). The focus now is on the certification of the companies for different compliance issues (e.g., WRAP). This study focuses on certification of agents, the ones who fill the gap between a buyer and a supplier by establishing strong relations with both (buyer and supplier), facilitating the whole process of sourcing and making sure that interests of both are satisfied. A criterion should be developed for business activities and all agents that fit in the criterion would be certified. The criterion, however, should be very flexible and would depend on the type of experience in different sectors of textile industry, kinds of service provided, track record page of successful shipments. There are few organizations that certify suppliers for their clients. Bureau Veritas for example, has gained worldwide recognition from many government authorities for performing certification and inspection services. Bureau Veritas can manage a wide range of functions viz. quality management and quality control, safety management, environmental management on behalf of any company interested in testing these functions depending on their needs and priorities (Watson, Personal Communication, 2001).

SGS (Société Générale de Surveillance) is another organization that certifies products and services for individual buyers. It provides verification and monitoring services for international trade in agricultural, mineral, petroleum and consumer products

as well as certification and services to governments and international institutions (SGS, On-line, 2001).

The Internet has helped agents who are scattered around the globe to come on a common platform, but still their importance can only be felt if that common platform works as a governing authority and brings standardization for the agents in the global sourcing process. This will come in effect when global certification standards are developed and when every agent will have to go through the same screening/examination phase in order to get that certification.

Conceptual Framework

The study by Peng and York (2001) looks at the determinants of export intermediary performance and suggests that export intermediaries' performance depends on their skills and resources at hand that help minimize their clients' transaction and agency costs. This research focused on middlemen located in the exporting country, those who help exporters find customers or make sales for them. Thus, the Peng and York study provides the basis for the research on agent certification and thus, was selected as the conceptual framework. The remainder of this chapter addresses how these theories could link to the concept of agents and agent certification.

Export intermediaries work as an important link between the buyers and sellers that otherwise would not have been connected. Exporting is a complicated process and often organizations find it useful to engage different export intermediaries that include customs brokers, freight forwarders and trading companies. Three theories viz.

Transaction Cost, Agency and Resource Based theory were used as the framework for their study.

Transaction Cost Theory:

This theory, according to Peng and York (2001), suggests that organizations govern their exporting policies/relationships based on the ability to minimize transaction costs (e.g. negotiation costs, governance costs, ex post costs associated with mal adaptation and haggling). Therefore, export intermediaries are selected based on their ability to assist in minimizing transaction costs. Williamson (1985, 1988) originally established this theory, which states that export-related costs are comprised of search costs, negotiation costs and monitoring/enforcement costs. High search costs have prevented exporters from expanding internationally and finding the best markets and this is where export intermediaries can help by providing knowledge about foreign markets, experience with export processes, and familiarity with international marketing strategies.

It is very difficult to monitor production and supplier activities, since buyers are not established in the supplier country. Agents take this responsibility of buyers and reduce the cost of monitoring. Buyers are also saved from the expenses involved in hiring a team of professionals and sending them to the supplier country for negotiations and monitoring. Thus negotiations costs are saved because agents represent them and take part in all active negotiations with suppliers.

Agency Theory:

Jensen and Meckling (1976), defined agency relationship as a contract under which one or more persons engage an agent to perform some service on their behalf

which involves delegating some decision making authority to the agent. Agency costs comprise of the monitoring expenditures by the agent, bonding expenditures by the agent and the residual costs that is a result of some divergence between the agent's decisions and those decisions, which would maximize the welfare of the agent. This theory suggests that agent-exporter conflict arises when agents want to extract a maximum fee for their services and at the same time exporters want to maximize their export performance by using agents. Exporters may reduce this problem by using monitoring systems that will prevent agents maximize their profits at the expense of buyers interests (Jensen & Meckling, 1976).

A challenge for intermediaries is how to ensure exporters that the costs of using intermediary services are lower than these costs that exporters would have incurred via direct export. Since many of the activities of agents are not directly verifiable, a key strategy is to use observable actions (e.g. the number of times they visit the factories and do quality check) to signal to exporters that they are honest and trustworthy (Morrisey, Personal Communication, 2002).

Resource-Based Theory:

This theory suggests that a firm's competitive advantage is a function of its valuable, rare and inimitable resources. Most of these resources and the skills acquired over years are intangible and help in minimizing the search and negotiation costs associated with export transactions. Barney (1991) introduced this theory by developing a model of the interrelationship between a firm's resources and the ability to sustain a competitive advantage. According to Barney, a firm's resources allow the firm to

implement strategies for improving efficiency and effectiveness and include assets, processes, and attributes. The ability to sustain a competitive advantage would depend on indicators like rareness, imitability, and substitutability. Since most of the companies cannot afford to gain this competitive edge, agents who can have the same skills are used.

Peng and York Study: Behind Intermediary Performance in Export Trade

Subjects for the study by Peng and York (2001) on the determinants of export intermediary performance consisted of trading companies from export yellow pages directory, published by the U.S. Department of Commerce. A random selection was made to select one-third of these firms out of a total of 3,138. The dependent variables were profitability, sales and strategy or strategic dimension of performance, and the independent variables were knowledge, negotiation skills, and experience in foreign cultures and specialization. Firm size and age were the control variables and they were controlled by total export sales and the year of founding.

Four hypotheses were tested and the results were: a) The greater the export intermediary's knowledge of foreign markets and export processes, the stronger its performance, b) The better the intermediary's ability to handle export negotiations, the stronger its performance, c) The better the intermediary's ability to take title to goods, the stronger its performance, and d) The greater the intermediary's involvement with commodity products, the stronger its performance.

The researchers reported that intermediaries' resources, such as export knowledge and financial abilities, appear to be key factors behind export intermediary success because these resources enable exporters to reduce some of their burdens of doing trade with another country and make the whole process of procuring products easier and faster.

At the same time, intermediaries without substantial export experience and financial strength could face a severe disadvantage. They might not win an edge over other intermediaries who would get selected for the same orders and expertise for having better strength and financial strength. Exporters and policymakers may benefit from the findings by knowing what determines the performance of export intermediaries. The study (Peng & York, 2001) has integrated the three theories and has shown how the resource-based view provides an important solution to a transaction cost and agency theory problem. Also, it was found that intermediaries' performance not only depends on their ability to provide knowledge-based search and negotiation services more efficiently, but also depends on the outcome and/or behavioral-based signals they send to exporters.

Finally, Peng and York (2001) concluded that in international trade, export intermediaries have played an entrepreneurial role behind the internationalization process of many exporters. Intermediaries have continuously maintained their edge in global trade by transforming themselves. Search and negotiation costs of intermediaries are hard to verify. Knowing more about whether and how they can do this in the new era will not only enhance the integration of major theories, but also provide a firmer basis for today's knowledge about the intriguing phenomenon of intermediation in export trade.

Summary:

Improved sales and financial performance are major objectives of a global sourcing strategy. Companies often send their employees to different sources to examine the working conditions, the production capabilities and supplier base. This process involves spending large amounts of money and taking risks. For smaller companies,

finding a variety of sources on their own and going through the whole process of global sourcing often is not feasible. Therefore, agents are used, those who are experts in their domain. Agents know their sources and local people well, which enable them to go through the complex processes of global sourcing more efficiently. As reported by different agents, Trust is one of the most important parts of sourcing and buyers trust the agents for providing good service and value addition. With the advancements in sourcing and the use of new technological tools, some of the barriers of sourcing would be removed, but agents will still play a vital role in the whole process of global sourcing. Moreover, these tools will help agents ease their work and improve efficiency.

Certification of agents would help standardize some of the services offered by agents. In the sourcing world where more emphasis is given on standards and compliance on the supplier side, the missing link becomes the certification of agents. Buyers and suppliers would find it easier to work with certified agents on the web, those who have already gone through the necessary screening and examination. This process will also help in strengthening the agent organization by helping them come at a common platform rather than being scattered throughout the globe. The proposed “Agent Certification” model aims to eliminate some of the hassles that an industry has to go through in order to find good and reliable sources.

Chapter Three

Methodology

Introduction

Agents work as intermediaries between suppliers and buyers and provide valuable services to both, thereby establishing relationships with buyers and suppliers. Agents also take responsibilities of transactions and other complexities in the process of global sourcing. The goal of this research is to explore the role of agent certification in the buyer-agent relationship. It is proposed that agent certification will bring more credibility to agents and will ease the process of global sourcing, by providing standardization to some of the activities of agents. This chapter provides information on the study's research question, objectives, theoretical background and data analysis.

Research Question

How will the “Agent Certification” improve the buyer-agent relationship in the global sourcing process and facilitate global sourcing?

Research Objectives

1. To determine the importance of agents in the global sourcing process.
2. To determine if certification of agents would strengthen the buyer-agent relationship.
3. To determine if buyers would prefer certified agents over non-certified agents.
4. Develop an instrument for a quantitative study on agent certification.

Justification

The process of certification would address the verification of search and negotiation costs of agents, as identified by the Peng and York (2001) study. Certification should make the agent transactions more transparent, and this would eliminate some of the latent costs and reduce the costs involved in searching qualified agents. These reductions would be a consequence of the screening process that agents would go through when agents show their paperwork and details of transactions to the certifying authority. Certification would help in bringing standardization in the practices and protocols followed by the agents.

Certification would ensure that agents have adequate knowledge in terms of the market dynamics, sources and different issues related to world trade. Their level of knowledge will carry more meaning once it has been tested. The screening process of certification will look at the negotiation capabilities of the agent and the experience of an agent in the past transactions. Thus, the value of an agent in terms of facilitating sourcing in terms of negotiation and other intangible skills would improve by certification.

Overall, certification should enhance the value of an agent and a certified agent would be preferred against a non-certified agent. A buyer would find it easier to work with a certified agent because of the assurance that this certification should give. A lot of things like investing money in searching agents, screening them, taking risks would be eliminated because it would be taken care of by the certification authority. An additional benefit would be to the small buyers. The small buyers would not get intimidated with the idea of international business because they would not have to go through the hassles of searching qualified agents.

This research is an extension of the study done by Peng and York (2001), and it investigates the potential and impact of certification on the three main functions of agents (reduction in costs, removal of major barriers, facilitation of global sourcing). This research is also aimed to see how some of the processes that are related to agent's work could be standardized.

Research Design

No empirical research has been done on the certification of export agents. Therefore, the nature of this study was exploratory; no hypothetical testing was done. The potential of agent certification was investigated using a case study method. Exploratory case studies are used when the available literature or existing knowledge base is poor, that is, when there is some uncertainty about a major aspect of a "real" study (Yin, 1994). Due to their flexible and adaptive nature, case studies can be used for different research designs, especially when the topics explored are new (Winegardner, n.d.). In a case study method, Researchers develop knowledge by collecting primarily verbal data through the intensive study of specific instances of a phenomenon, the cases, and subjecting these data to analytic induction (Gall, 1966). Merriam (1988) originally described case study as an intensive, holistic description and analysis of a single instance, phenomenon, or social unit. Case study was desirable in this exploratory study (Eisenhardt, 1989) because it incorporated personal interviews with agents from India and buyers from top apparel manufacturers in the U.S. The analysis for the potential and feasibility of agent certification is discussed in a later chapter. In order to explore the continued importance of agents and certification, it was necessary that views be obtained from both buyers and agents. Due to the limited resources and time, it was not possible to

have a large population for survey and the most suitable method for getting data was personal and telephone interviews. Since the topic of agent certification was new, it was hoped to gain some good insight from buyers and agents by having a open-ended questions in the survey questionnaire. This way the questions did not have very specific answers and it was more comfortable for the interviewer and the interviewee to understand the bigger picture of agent certification.

Sampling

Data were gathered by a survey method with telephone guide to the interviews and a list of questions was developed from the review of literature to guide the interview. Sampling was non-probabilistic in nature (“Non-probabilistic”, On-line, 2002), and two types of sampling were deployed for the subjects the subjects studied under this study. For agents, convenience sampling was used. The selection of Indian agents from the population of agents was based on easy availability and accessibility. Although the data gathered by this technique might not give an idea about how representative the information collected about the sample is to the population as a whole, the information still provides good insights and can be used to make recommendations for agent certification (Convenience Sampling, On-line, 2002). For buyers, purposive sampling was deployed. It involved handpicking the companies to be included so that they appeared to be representative of the population (apparel manufacturer buyers).

Respondents

The survey respondents comprised of two populations. The first population group comprised of agents, who were individuals with expertise in sourcing operations in India. With the given time and resources available, it was appropriate to concentrate on agents

from one country (India). A phone survey was conducted to obtain appointments with the proprietors of 15 agencies, selected from the "Apparel Export Promotion Council" Buyers Directory of India ("Apparel", 2001). These subjects were interviewed for 10–15 minutes and data were recorded in terms of suggestions and demographics of the individual agency. The agents selected to be interviewed were experienced in apparel sourcing for the U.S. and the European firms.

For the buyers, the subjects were individuals with knowledge in sourcing operations. A phone survey was conducted with key people of 15 leading apparel manufacturers that were involved in global sourcing operations. The top apparel manufacturers were selected from the Fortune 500 list of companies for year 2002 (Fortune, 2002). The remaining apparel manufacturers were selected from the ReferenceUSA database (available through the NC State University) under the classification of apparel manufacturers (under SIC codes 2329, 2331 and 2361), with average sales of more than one billion dollars per year. Due to lack of response from this section and in order to complete the sample size to fifteen, four buyers that had annual sales of less than a billion dollars per year also were selected. Buyers were asked to provide the names and the titles in charge of the sourcing operations and a 15-20 minute telephone interview was conducted.

Instrument

For developing the survey questions, a number of steps were taken: a) careful study was done to use relevant variables from the Peng and York (2001) research, b) discussion with experts on sourcing (Smith, Personal Communication, 2001) was done, c) views on questions were taken and reviewed by faculty, expert on global marketing and

international business (Kilduff, Personal Communication, 2001). A survey questionnaire was developed with similar questions for buyers and agents. The questionnaire comprised of all open-ended questions (Appendix A and Appendix B). Telephone interviews were conducted for buyers. Personal interviews (in-person) were conducted for agents.

Variables

The variables that were used in this exploratory study were knowledge (respondent's export experience, overseas contacts), transaction costs (Peng & York, 2001), credibility/importance, trust (Leonidou, 1998; Frieswick, 2000), sourcing facilitation and standardization. Demographic variables were also gathered (sales per year, title/position in the firm, responsibilities, number of years of experience, group operations, major customers in U.S. and Europe). Firm size, sales per year and number of years of experience variables were derived from the Peng & York (2001) study. Title and customer variables were derived from the Cho-Che (1997) study.

Assumptions

1. Certification can be developed for agents.
2. The use of agents by buyers and sellers will continue.
3. Global sourcing will continue after 2005.

Operational Definitions:

Agent (1): A person authorized to carry on business transactions on behalf of the buyer. An agent acts as a representative in a foreign market who attempts to sell the customer's good or service through his or her network, on a commission basis. Agents in this case,

perform the duty of buying products from other countries on the behalf of buyers in U.S. (For a better business, On-line, 2002).

Agent (2): An agent can be an individual or a firm that brings together buyers and sellers for a fee but does not take part in actual sales transactions (Export-E, On-line, 2002).

Source: A manufacturer/producer that supplies certain commodity or information (Webster, On-line, 2002).

Buyer: A body that does not find it feasible to manufacture products and therefore, procures it from another manufacturer and in doing so, it acquires possession, ownership, or rights to the use or services of by payment especially of money (Webster, On-line, 2002).

Exporting: The process of sending or carrying goods or from one country to another. (“Washington,” On-line, 2002).

Importing: The act of bringing goods from a foreign country into another country for sale (“Washington,” On-line, 2002).

Sourcing: The act of procuring raw materials and finished goods from a source rather than manufacturing it, by determining supply requirement, finding sources to fulfill those needs, selecting suppliers to provide the services, negotiating the purchase agreements and managing supplier performance (Isource glossary, On-line, 2002).

Global Sourcing: The act of procuring raw materials and finished goods from another country for maximizing materials productivity by crossing geographic borders and using

suppliers focusing on the actual product or service need, independent of location (Mckinsey Glossary, On-line, 2002).

Certification: The written declaration or authorization (usually an official documentation from a governing body) given to a company to guarantee their products or processes that acts as a seal of credibility (NASA, On-line, 2002).

Agent Certification: A term given to the proposed standardization in the activities (such as general management, relationship management, negotiation etc.) of agents, where an agent would be certified by a leading non-profit textile organization (like AAFA), thereby making the process of agent selection easier and more fruitful (NASA, On-line, 2002).

Credibility: A statistical measure of the degree to which past results make good forecasts of future results. It is the measure of the “capacity for belief” for an agent (Insurance, On-line, 2002).

Trust: It is defined as the assured reliance that an agent has on the ability and the truth of an agent (Webster, On-line, 2002).

Facilitation: The term given to the process of making things easier (elimination of risks, increase in confidence and reduction in damage costs.) for the buyer when they source products through agents (Facilitation plan, On-line, 2002).

Services: A performance product, which is a product but it not a tangible good and which involves mostly the provision of assistance, advice or other help to the customer (“Washington,” On-line, 2002).

Limitations

The agents and buyers were from specific geographical domain and countries (agents from India and buyers from the U.S.); the results are not necessarily true for the whole population. The sample size was small. Subjects were reluctant to divulge information regarding their sourcing process and contacts. Therefore, the full scope of the issue may not have been exposed.

Chapter Four

Data Analysis And Results

With the continued liberalization of trade barriers, international trade is expected to increase. Developed countries are expected to exploit the opportunities of sourcing products from less developed countries, which would provide countries, such as the U.S., an advantage in terms of cost, labor and quality. In this situation, agents would continue to play a major role in sourcing because the increased information flow and market data availability to buyers, does not offer information on the reliability of these sources. Thus, the credibility of agents could be increased with agent certification, which would also improve the process of agent selection for buyers. In this chapter, data obtained from agents and buyers are analyzed.

Demographics For Agents

After interviewing 15 leading agents from India, important findings and conclusions about Agent Certification have been made. Most of the agents interviewed were working as merchandisers or managing directors of their firms (See Figure 1). Their job comprised of sampling, supplier selection, production inspection, administration and negotiations involved on the supplier and the buyer side.

Most of their buyer customers were in the Europe (60 %) and U.S. (40 %) (See Figure 2). The average number of years for which they have been involved in sourcing operations was seven (See Figure 3). Figure 4 shows that the customers in U.S. comprised of both apparel manufacturers and retailers. The average amount of sourcing business that these agents handled during an year was 14.3 million U.S. dollars. Figure 5 shows the distribution of annual sales for different agents.

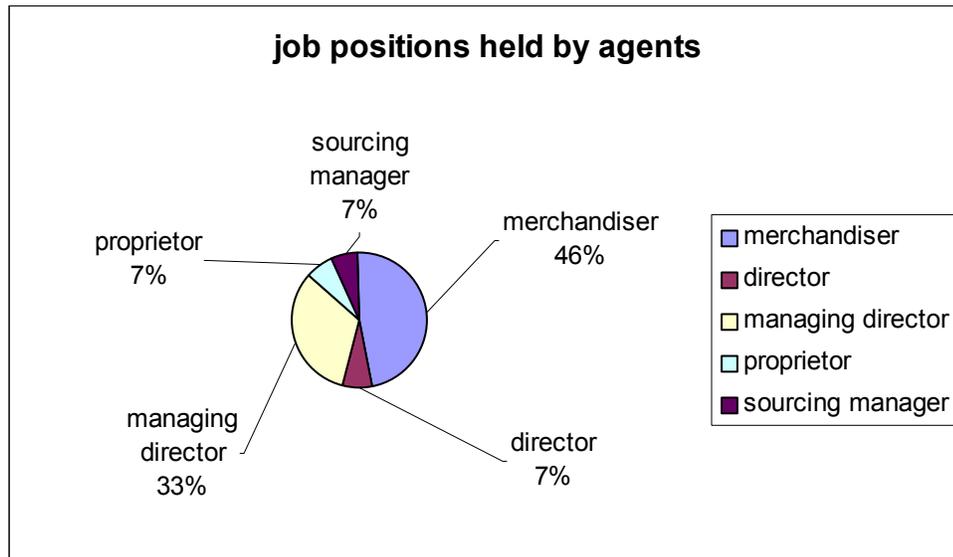


Figure 1. Different job positions held by agents

The subjects identified some major problems in linking sources to buyers. Trust, reliability, perceived value of risk and assurance of getting quality product in time were told to be some of the major problems in the sourcing process and the service that these agents provide becomes an important part of the whole process.

Almost 85 percent of agents agreed that e-commerce and the improved visibility of sources would not lower their importance as potential people to find good sources; Buyers would still come to them because of the service they provide.

Depending on the type of orders handled and the proximity of the suppliers, agents would have offices in different locations of the country. Most of the agents (73 %) would not operate in a group. Agents were not sure whether they need a global presence in today's e-driven community. Only 25 % of respondents were assertive in saying that

this is a requirement. As far as the need of agent community is concerned, 75 % of agents interviewed were represented in some agent organization.

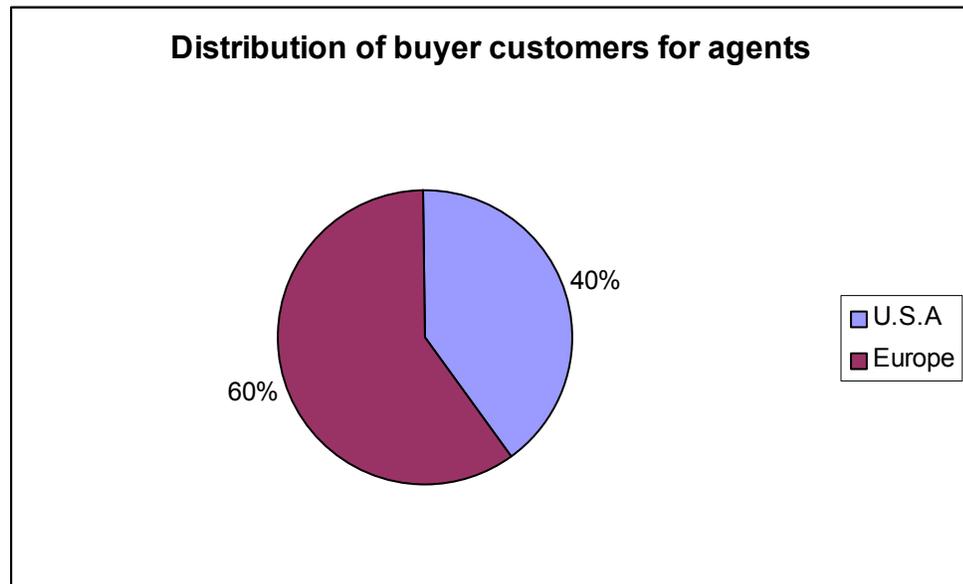


Figure 2. Distribution of buyers in U.S and Europe

Eighty-three percent of agents interviewed agreed that agent certification would bring more credibility to them. Some agents also believed that agent certification would be more important to “new agents” who are not established. It was also mentioned that the certifying authority should be credible and that the importance of agent certification is very much dependent on as to who is certifying them. When agents were asked about possible options of certifying authority, then it was stated that organizations like American Apparel Footwear Association (AAFA) or Worldwide Responsible Apparel Production (WRAP) would be a good choice.

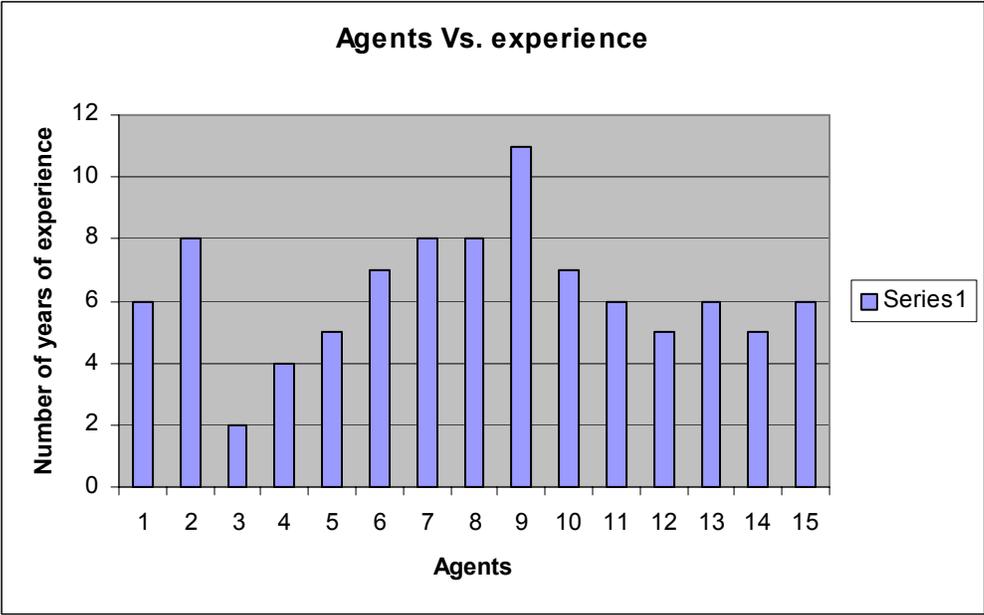


Figure 3. Years of experience

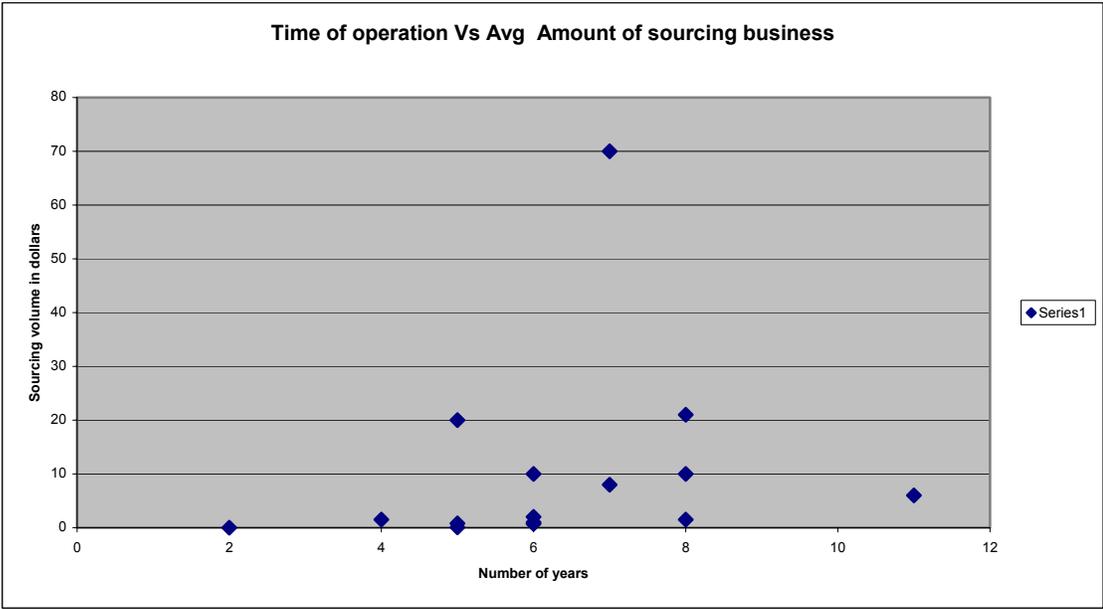


Figure 4. Number of years of experience of agents Vs. their business volume in dollars

Some of the agent's activities that agents thought were certifiable were general functions of agents like the services offered, previous experience and pricing methods. It was also mentioned that standards for the working and management in the offices like ISO 9002 could be used. Thus, some of the agents activities that can be certified would be office related (e.g. systems compliance, the organizational culture). Quality of service, timely delivery of goods and efficiency in terms of order fulfillment were some other indicators used for developing the criterion for agent certification.

Discussion on Questionnaire and Results

Questions one through seven (See Appendix A) aimed to get demographic information about agents. Questions eight through ten were used to understand the challenges in global sourcing, experienced by agents. Questions 11 through 13 were asked to get inputs for the importance of agent certification.

It was not possible to get a detailed profile for agents because of the limited information they provided about their agencies. Also, not much information is shared on-line. The only information that they shared was the sales volume and the customers in U.S. and Europe. Since customer information is sensitive that identifying information about their customers not be disclosed.

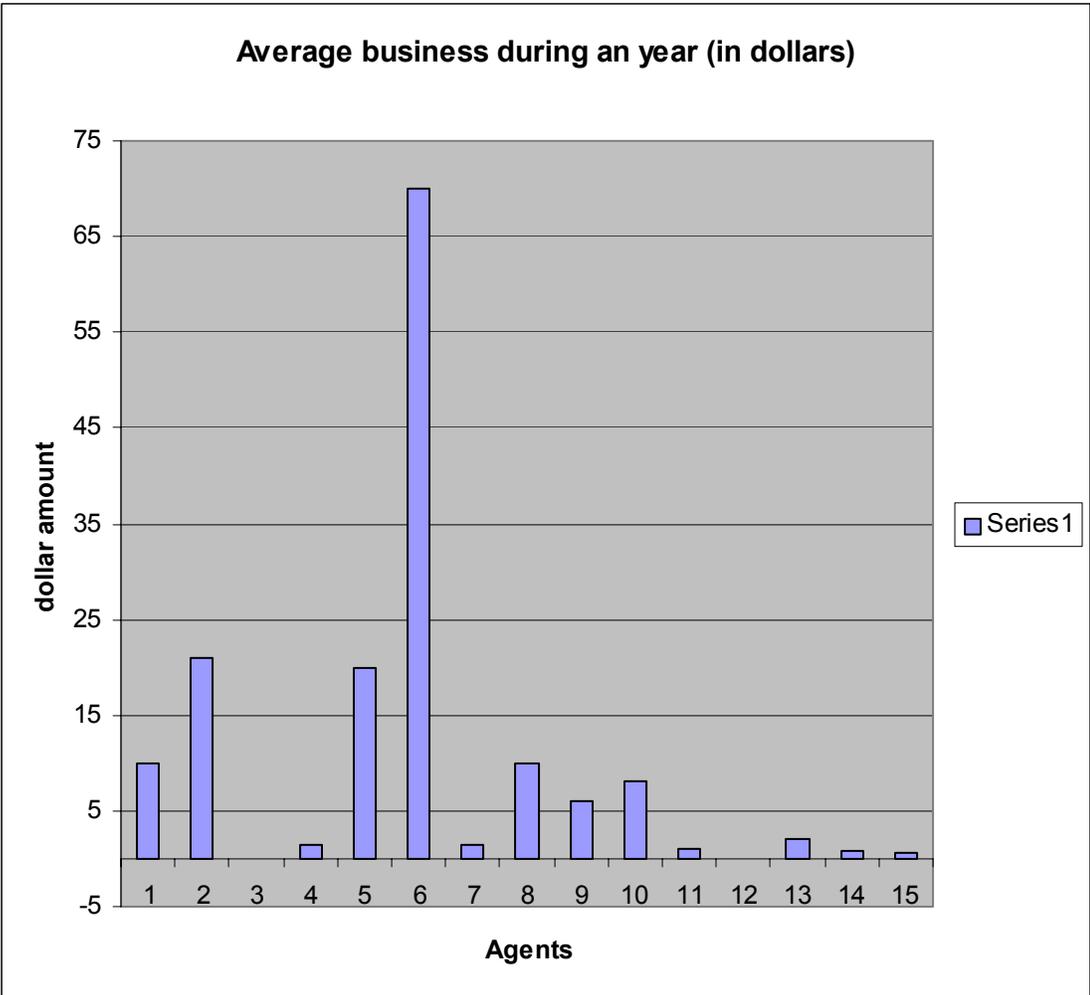


Figure 5. Distribution of average business done during an year by different agents.

Buyers Profile

Buyer 1: is a leading marketer of apparel and consumer soft goods. With over 25,000 associates worldwide, the Company services the needs of more than 16,000 retailers. With annual sales of more than 1 billion dollars per year, they specialize in women’s apparel

Buyer 2: owns one of the world's largest outerwear brands and the leading seller of skiwear in the United States. It employs more than 1,000 people around the world and distributes and sells products in more than 30 countries and to over 10,000 retailers. Their average annual sales are around \$200 million dollars.

Buyer 3: designs, engineers and markets premium quality footwear, apparel and accessories under different brands and had a consolidated revenue of more than one billion dollars in year 2000. The main products that are sourced in this firm are bottom knits and wovens.

Buyer 4: is an international apparel company specializing in activewear, casualwear and athletic uniforms and has more than 15,000 employees worldwide. It is one of the largest suppliers of athletic team uniforms in the U.S. The company has annual sales of over \$1 billion dollars and the particular division that specializes in athletic wear has annual sales of over \$27 million dollars.

Buyer 5: are leaders in apparel and footwear products and have annual sales of over \$1 billion dollars. It is a contract apparel manufacturer for major brand name designers in the U.S.

Buyer 6: offers extensive list of quality products and services, besides apparel. They also market recognition products made by other companies.

Buyer 7: are an international manufacturer and wholesale marketer of branded and private label apparel for men, women and children. With manufacturing and sourcing operations in over 40 countries around the globe and annual sales of around 800 million dollars, they make private label and designer clothing.

Buyer 8: is a world leader in apparel and footwear. With annual sales of around two billion dollars, the company sells its products to over 17000 retail accounts in the U.S. and to approximately 140 countries around the world.

Buyer 9: are leaders in brand apparel and have annual sales of two billion dollars. They are involved in multi divisional marketing, merchandising and manufacturing of apparel.

Buyer 10: is a leading international specialty retailer offering clothing, personal care products and accessories for men, women and children under differ brands. They operate more than 4000 stores in U.S. and employ 165,000 people worldwide. Annual sales reported were four billion dollars. They source fabric and trims.

Buyer 11: is a leading provider of identity uniform programs in U.S. With sales of more than 2.2 billion dollars, they source knit shirts, woven fabrics, baseball caps, gowns and a variety of other consumer products.

Buyer 12: is involved in merchandising and marketing of branded apparel with annual sales of 10 million (for the specific division). Their annual sales as a whole group are around 700 million dollars.

Buyer 13: is a privately held manufacturer of casual, athletic and fashion hosiery products. Most of the products are manufactured domestically.

Buyer 14: is one of the world's largest apparel companies with very popular brand names worldwide. With annual sales of more than 2 billion dollars per year, they are leaders in providing quality jeans wear, intimate apparel, knitwear and specialty apparel.

Buyer 15: owns one of the largest apparel brands in the world. The 20 billion dollar global company besides marketing apparel is involved with other high-quality, brand-name products for consumers.

Buyers View on Agent Certification

Buyers were selected from companies with a turnover of more than one billion dollars per year from the Fortune 500-company list (Fortune, On-line, 2002). Due to lack of response and few companies that would not participate in a survey, additional companies were selected from the ReferenceUSA database.

For the survey, 15 buyers from major apparel manufacturers were interviewed. The respondents comprised of Vice Presidents of strategic sourcing, Directors of sourcing, sourcing managers and sourcing specialists of major apparel manufacturers in U.S. Thirty three percent of respondents came from the top 10 apparel manufacturers in the Fortune 500 list.

Seventy five percent of the respondents use agents for their sourcing needs and they agreed that agents have been helpful in satisfying their specific needs (See Figure 6). Agents have been able to represent them in countries where it was not feasible for the companies themselves, to operate. The type of products that were sourced included women's apparel, intimate apparel, men's tailor clothing, aprons and casual apparel.

It was also found out that e-commerce has not changed much, the sourcing methods of buyers. Only 25 % of respondents responded by saying that the importance of agents might have been reduced. Mike Porter, of Russell Corporation, says that the path in the search of suppliers has been paved and up-to-date information is available on the web. Two respondents stated that agents might disappear in years to come. However, the

majority of respondents agreed that agents are still important and that they would continue to play a major role for their companies.

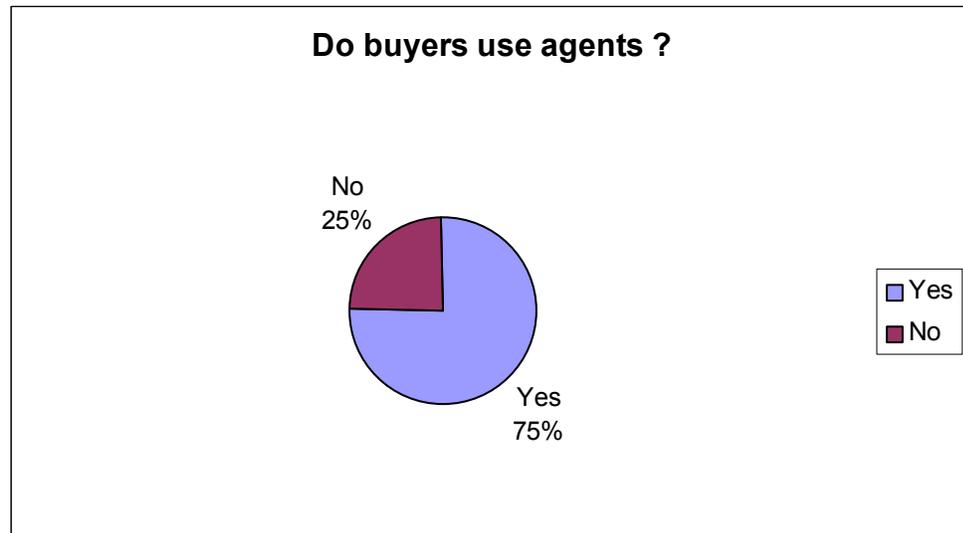


Figure 6. Use of agents in global sourcing operations.

The respondents differed on reported problems, while doing business with agents. Often, wrong recommendations are made from agents. There are problems associated with quality and misinterpretation of customer requirements. Respondents indicated that it is difficult to know the best price for products and buyers do not know if agents are quoting a good price are not. Agents can miss critical elements while communicating with buyers and agents might withhold some important information related to factories and suppliers. Sometimes, buyers are very doubtful and they keep wondering if agents are according to their rules or for their benefit. Respondents think that agents might not give them the attention they desire, because agents have other customers, and they take commission from suppliers, as well.

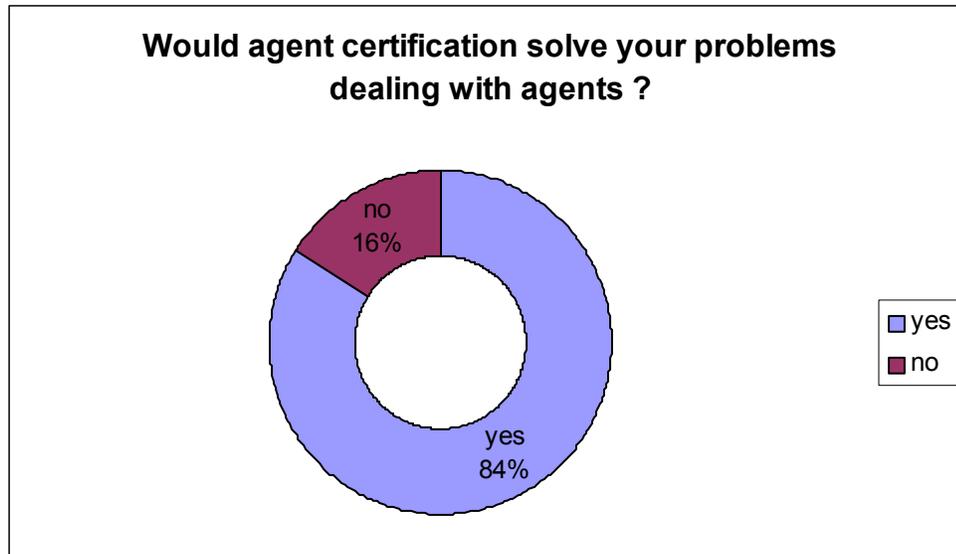


Figure 7. Effect of agent certification on buyer-agent conflicts and problems.

Thirteen percent of respondents replied by saying that they have highly automated distribution centers and because of that they have faced packaging problems. When agents fail to cater to the needs and requirements of product, problems can arise at the distribution centers. Eighty-four percent of buyers (See Figure 7) agreed that agent certification could solve some of their problems that they face while dealing with agents and 83 % of buyers (See Figure 8) believed that credibility of agents would possibly improve after certification.

Various opinions were given on the activities of agents that could be certified. A measure of these activities could be used in developing the criterion for the certification process. When the respondents were asked about the activities of agents that can be certified, 47% of respondents had no idea or could not answer. Other respondents stated that quality insurance, experience in product development and design, frequency of

factory visits and their process of quality check could be certified. Opinions were also given on the importance of agent's ability to understand labor laws, years of experience, relationship to plant factories and negotiation skills.

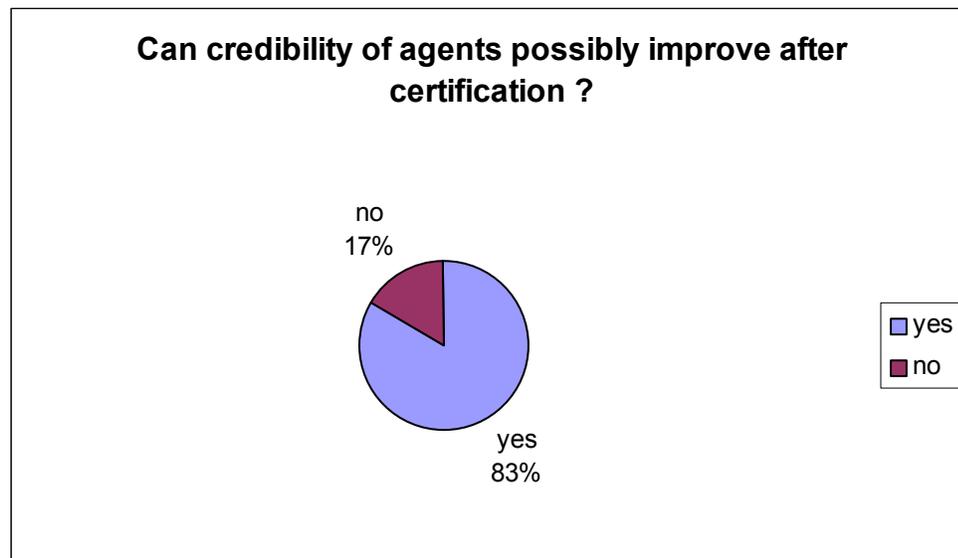


Figure 8. Certification and credibility of agents

Supplier countries, for the subjects included Korea, Taiwan, Indonesia, Sri Lanka, India, Turkey, China, Philippines, Taiwan, Brazil, Thailand, El-Salvador, Japan, Peru, Greece, Guatemala, Malaysia, Mexico and Caribbean countries. Primary reasons of importing from these countries were good price and quality. Other advantages were good product development and access to state of the art technology in these countries.

Research Objective # 1: Importance of agents

After interviewing buyers, it was found that 75 % of buyers use agents and it was mentioned that agents would continue to play an important role in helping buyers find

reliable suppliers and provide services. They would continue to help buyers in sourcing products from overseas.

It was stated that agents are very useful when buyers have to source specific and small quantity of products from different countries and sources and this makes sense because the manufacturer would not invest in the research that goes into procuring these products, particularly, when the import volume is small. Thus, agents have been very useful in procuring various specialized products in different countries. Agents have regional expertise and they provide exceptional services and these are the primary reasons for using agents. Respondents who do not use agents stated that deploying agents added a layer of cost and that companies have savvy people who are experts on sourcing issues and with the help of leading edge market information and research, sourcing has become easier than it ever was. Also, suppliers have English-speaking merchandisers, which have removed major communication barriers.

Research Objective # 2: Effect on certification on the buyer-agent relationship

Eighty four percent of respondents interviewed agreed that agent certification might or definitely solve some of the above problems involved in sourcing products through agents. Ninety two percent of respondents believe that agent certification would enhance or possibly improve the credibility of agents. The remaining respondents did not use agents and were the ones who think that agents would disappear in 8 to 10 years to come. As far as buyer-agent relationship is concerned, buyers and agents build that relationship after working together for a considerable period of time. Certification would definitely increase the credibility of agents and manufacturers have their own way of certifying agents before manufacturers do business with agents. But that is not enough.

Buyer-agent relationship is a function of time, building rapport, trust and good communication that develop over a period of time.

Seventy five percent of agents agreed that agent certification would enhance their credibility. Fifty three percent of agents stated that agent certification would or might improve their relations with the buyers. The Managing Director of one of the firms stated that “certification would become important if buyers want it”.

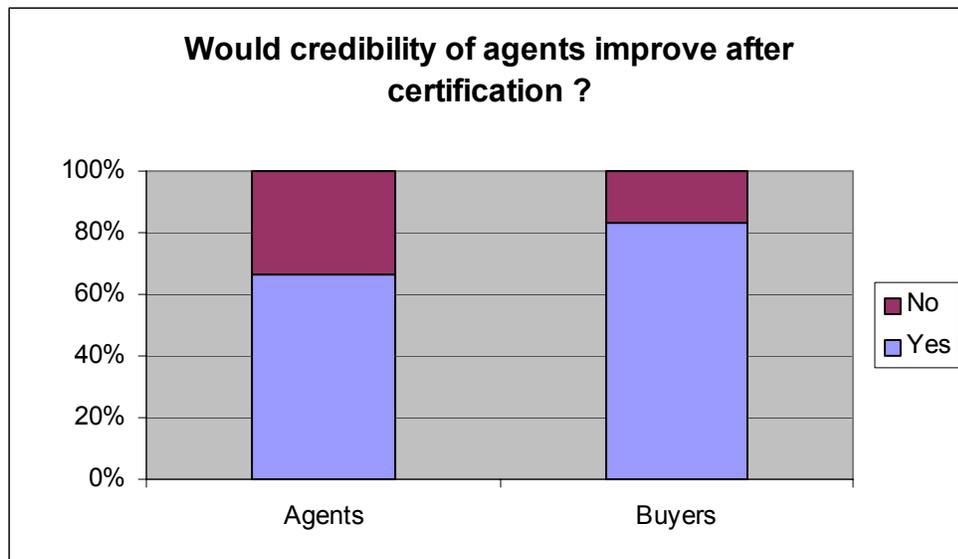


Figure 9. Views of agents and buyers on agent certification

Research Objective # 3: Would certified agents be preferred over non-certified agents?

Preference in the selection of certified agents over non-certified agents was confirmed, however, buyers mentioned that at the same time their decision on selection of agents would depend on many other things besides certification. Sixty eight percent of agents and 83 % of buyers interviewed, agreed that credibility of agents would increase

after certification (See Figure 9). Agent certification can work as a guide, but based on the subjects, agent certification would not govern their decision of selecting certified or non-certified agents. This finding supports the literature reported on buyer-seller relationships (Ellram & Cooper, 1990). Buyers have their own way of certifying agents and they establish long-term relationships with agents after preliminary inspection and certification. They would not leave their agents and start doing business with a new certified agent, no matter, who or which agency certifies these agents.

Research Objective # 4: Instrument for Quantitative study for further Study.

A qualitative research was needed because there was some uncertainty about the idea of agent certification, and according to Yin (1994) after the uncertainty has been investigated and resolved, the exploratory phase is complete and the real study should be undertaken. An empirical study would serve this purpose. Where the current study identified if agent certification is important, an instrument with scales could identify to what extent certification was useful. Before a certifying authority like ISO or WRAP makes a decision, a quantitative study in this area would be very helpful. A detailed survey (Appendix C and D) can be used for further study that would help researchers in doing an empirical study and analysis for the validity of agent certification. A questionnaire has been developed comprising of close-ended and open-ended questions, and new variables have been introduced.

Demographics and Knowledge:

Questions 1, 2, and 5 are open-ended questions that ask respondents about the general demographics of the company. To obtain information about sourcing volume, the

dollar value of business through sourcing is asked in question three of part one of the questionnaire.

Transaction Costs

To examine the importance of transaction costs and how these costs could vary with use of agents, close-ended questions (2, 3 & 4) are asked in Part Two of the questionnaire.

Trust

Close-ended questions 1, 5, 6, 9, 10 and 11 in section two (Appendix C) and questions 1, 2, 3 and 4 in section two (Appendix D), aim at assessing the importance of trust and relationship that operates between a buyer and an agent and how the relationship can be enhanced with certification.

Importance/Credibility of agents:

This would help in assessing if agents are still important in today's global sourcing scene. The idea of agent certification is based on the fact that agents are important in the global sourcing process and would continue to be so. Open-ended questions 4, 6 and 9 of part one (Appendix C) and questions 7 and 9 of part one (Appendix D) address the importance of agents.

Standardization

Standardization in terms of activities and practices of agents can be one of the incentives for certification. Question 7 of part one (Appendix C) and questions 5, 6, 8 and 9 of part one (Appendix D) aim at assessing the increase in standardization as a result of certification.

Global sourcing facilitation

Close-ended questions 7 and 8 in part two (Appendix C) and questions 5,6 and 7 in part two (Appendix D), talk about if the process of global sourcing can be facilitated by agent certification.

Chapter Five

Research Findings and Conclusions

Summary of Research

Global sourcing or the trend of procuring products internationally is going to increase with the reduction of trade barriers. Sourcing of this scale is not only limited to large multinational organizations but also to small and medium size organizations that would continue to look at the numerous advantages and exploit opportunities available internationally. Depending upon the governance and financial assets (Cho-Che, 1997), a company may decide to open their own offices in other countries or decide to use agents. In most of the cases (Coltrain, Personal Communication, 2002) companies, would instead, continue to use agents due to lack of familiarity with the foreign country and business practices. Also, agents remove these hassles and take the responsibility of providing the right product at right time. This saves buyers money and they do not have to invest in hiring people for such operations. However, agent selection is risky and takes time.

The first part of this study relates to introduction to global sourcing, the need of global sourcing and the recent developments in global sourcing. Agents and their role in global sourcing is also introduced in this part. The second part of the research looks at establishing the conceptual framework for agent certification. Since many functions of export intermediaries, particularly the relation dynamics are similar to those of agents, so studies on export intermediaries were chosen as the conceptual framework. The third part of the research looks at data collection and obtaining views from agents and buyers. The

data analysis that follows the data collection establishes the importance of agents and agent certification in today's global scenario.

Researchers and experts on global business issues have talked about certification for the manufacturing and business processes (e.g. ISO 9000) and certification for the compliance issues (e.g. WRAP) but there has been no significant research done in the field of agent certification. Since agents control a significant amount of business on part of buyers, it is very important to keep uniform standards during the whole process of global sourcing for a client. There have been issues of transparency (Peng & York, 2001) and opportunism associated with agents (Jensen & Meckling, 1976) and certifying agents can address these issues and make agent transactions more transparent and accountable. Certifying agents would make the process of selecting agents easier and it would bring more meaning to the buyer-agent relationship. The research on agent certification was exploratory in nature, since it was one of the first efforts in this direction

Discussion

Relationship of the research findings to the conceptual framework

A good number of buyers and agents (75%) agreed that agents minimize transaction costs and this supports what Peng and York (2001) studied about transaction cost theory and selection of agents based on the ability to minimize transaction costs. Buyers agreed that agents have been useful in reducing costs and doing business in areas, which were not explored by the buyers.

One of the reasons for which buyers have used agents is that they could make maximum profits by not having to invest in sending people and do the monitoring of

suppliers. Agents would have more than one customer and buyers would worry because of the same reason and feel that their needs might be neglected. Both agents and buyers agreed to the fact that some of the activities of agents such as the services they provide and the number of years of good work experience may be certified and agent certification would reduce the agent-buyer conflict of interest (Jenson & Meckling, 1976) and facilitate global sourcing.

Agents would provide service and would get a commission based on the value addition in terms of services, they provide. Agents have good connections and resources (resource-based theory) and consequently, they are selected to do business for the buyers. However, many intangible resources of these agents are not visible. They can be tested and marketed by the seal of certification. Sixty-eight percent of agents and 82% of buyers interviewed, agreed that credibility of agents would increase after certification. It was also asserted that the credibility of certifying authority would be very important in determining the importance of the certification.

Most of the apparel manufacturers have their own way of certifying agents. Before doing business with agents, buyers would see that the agents fit in their criteria for quality and other requirements. Buyers would certify agents after doing business with them for a considerable amount of time and after some screening and inspection. There is a lack of standardization in the way agents conduct their business and this is quite understandable. Since agents represent different countries and culture, business practices are often different and some standardization in this area would certainly be useful, both for buyers and suppliers.

Certifying Authority

It was stated that for the certification to become important, the certifying agency should be very credible. When buyers and agents were given the option of a nonprofit organization like the American Apparel and Footwear Association (AAFA, On-line, 2002) or Worldwide Responsible Apparel Production (WRAP, On-line, 2000), they did not oppose or showed resistance to this option. WRAP is a globally supported factory certification program that requires manufacturers to comply with universally accepted WRAP Production Principles assuring safe and healthy workplace conditions, and respect for workers' rights (WRAP, 2000). These manufacturing standards for lawful, humane and ethical manufacturing are more important to manufacturers than what they are to agents. Since agents are responsible for finding reliable sources and have become responsible for locating ethical manufacturing plants, WRAP should extend and modify their principles so that the rules might fit agents. However, there were assertive comments from agents that International Standards Organization (ISO) would be more acceptable. This is because ISO 9000 standards are more commonly known in Asia (India in this specific case), and since they also apply to textile manufacturing and processes, it would be an ideal choice. ISO 9002 standards are used for the certification of services and since 9 out of 15 agents mentioned that services, quality check and working processes are important things that can be certified, it appears that ISO could fulfill the needs of certification in this area.

The universal principles of ISO apply to all industries but there are special needs of the textile industry. The textile industry has begun to realize the importance of

responsible business practices and ensure that the apparel is produced under lawful, humane and ethical conditions. Since WRAP principles for apparel has reached out to

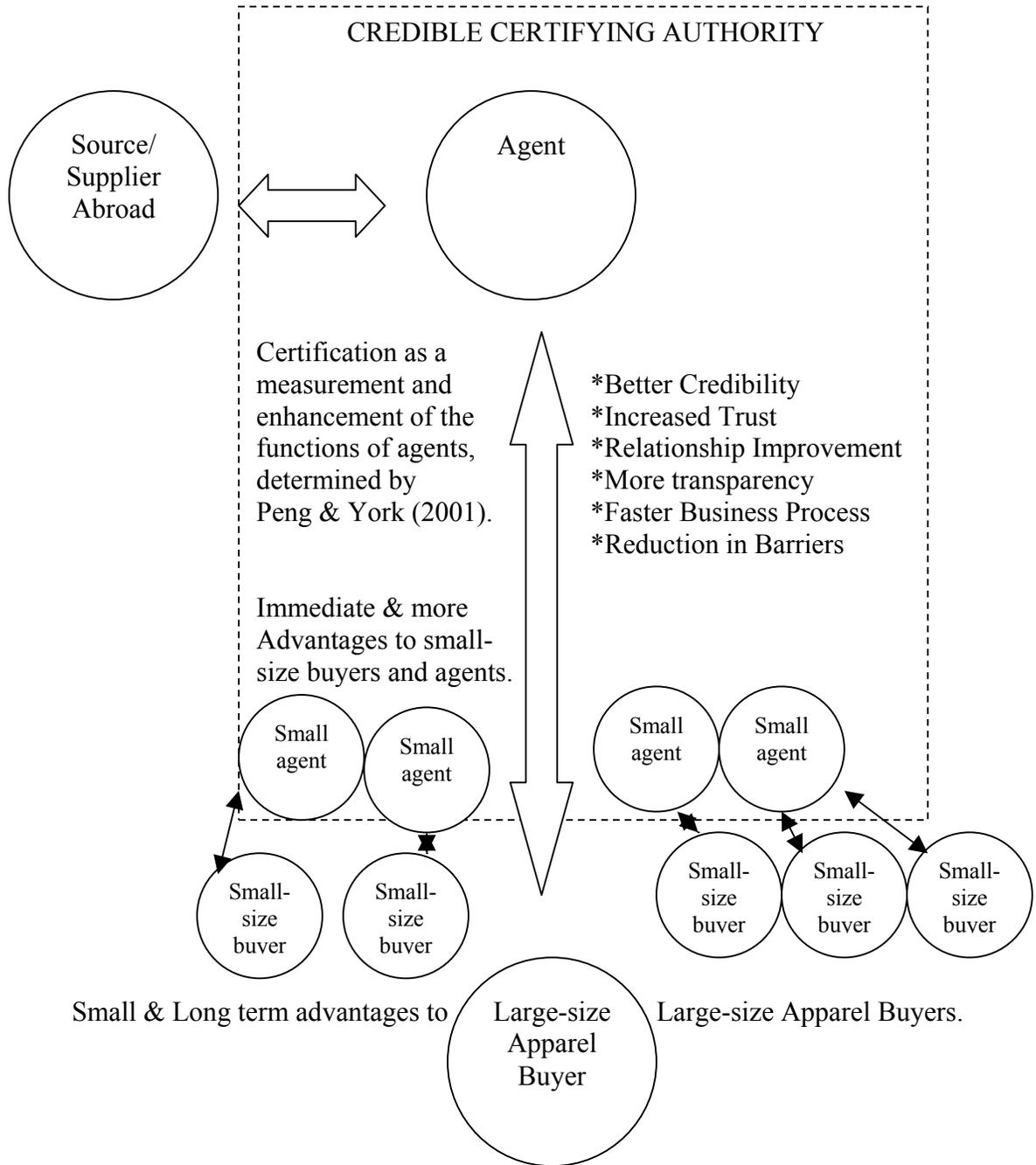


Figure 10. Conceptual Model

many areas outside the apparel manufacturing community like retailers, development agencies and public interest organizations, they should be extended to export agents and their agencies. WRAP and ISO could come together and form a team that would cater to the specific standards needed for the lawful and humane functioning of agents and their agencies.

The conceptual model (See Figure 10) serves to describe how the relationship among different elements in global sourcing would be affected. Certification would enhance the credibility of agents and certified agents would be preferred over non-certified agents. Overall, certification would remove some barriers and improve the relationship between a buyer and an agent. However, small-size buyers and small agents would be the most benefited. They would have good and instant relationships and this is shown by the close proximity of the circles of small-size buyers and small agents in Figure 10. Large-scale buyers would not be affected much with agent certification and this is shown with the greater distance between Large-size buyer and an agent.

Conclusions

Global sourcing would grow in times to come. This would be a direct result of removal of trade barriers in year 2005, improvements in logistics and advancements in e-commerce and technology. Often, buyers and manufacturers in U.S. and Europe source products from multiple sources and locations. When companies do not have enough resources and expertise to explore potential sources and products in supplier country, they have to rely on agents. Agents help these companies find potential sources, provide services and help in product development. Since agents are experts in finding the best

products with desired quality and specifications in their regions, it is feasible for buyers to use them. Buyers would not have to invest in setting up offices and research for those products. After interviewing agents from India and buyers from U.S. apparel manufacturers, it is seen that agents would continue to be an important part of the sourcing process.

It is also seen that down the road, due to advancements in technology, up-to-date information would be available and some of the barriers to global sourcing would be removed. In times to come and flow of perfect information in market, for large apparel manufacturers, agents might lose some importance. However, for small and medium sized manufacturers and importers, agents would continue to play an important part in the sourcing process. Also, down the line, agents would continue to be important to some specific needs of large-scale manufacturers. Large-size apparel manufacturers, while importing small quantities of specialized and new products, would continue to use agents because they would source several products from several different countries and it would not be possible for them to integrate the buying activities of every country to their firm. Agent certification would hold a lot of importance to smaller companies that do not have the resources and the expertise to go for their own certification. The credibility of these agents would improve upon certification and this would make the selection of agents easier for small companies. The same thing would hold true for agents who are not established and are looking to increase their chances of getting business from apparel manufacturers in developed countries.

Limitations and Suggestions for the Further Study

This work is not without limitations. Little research has been done on agents, research on export intermediaries was used as a basis of conceptual framework. It was assumed that agents (buying agents) and export intermediaries have similar functions.

Due to lack of resources and time, no empirical study was done. The data that was collected was not sufficient to support or reject a hypothesis. The sample of this study consisted of apparel manufacturers who imported apparel only. It did not include mega-retailers such as Wal-Mart, Sears or JCPenney, which import a number of products other than apparel. The buyers that were chosen represented major apparel companies in U.S. Small apparel companies having annual sales of less than \$500 million were not chosen. After interviewing sourcing experts from different companies, it was felt that agents might be more important to small companies than what they were to big companies. Therefore, for further study, smaller companies should be included in the survey.

Feedback from agents cannot be generalized for the entire global agent population, this is because agents were interviewed from a specific geographical location and country (India). For further examination care should be taken to see that agents are selected from different parts of the globe so that they represent the true global agent community.

For further study, imperfect measurement should be taken care of. Since all the questions were open-ended, it was difficult to do data analysis from the answers that were given; some companies would not participate in open-ended surveys. Respondents did

not like to share their information about the countries and agents that they have used to source products. Therefore, it was very difficult to study and predict patterns for the various variables in the buyer-agent relationship and sourcing problems.

A criterion should be developed that would cater to needs of standardization and certification of agents. A number of different views were obtained about the things that should go in for the criterion development. Further study in this field should look at the development of the criterion and before any recommendations are made, the criterion should be tested and verified by leading organizations in certification and apparel research.

Since global sourcing is a very complex topic and there are many factors affecting the sourcing process in a company, it was difficult to address all the trade laws and issues affecting the apparel industry. A continuous research on how trade is affecting the sourcing strategies of apparel manufacturers in U.S. and Europe would be needed for further study in this area.

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Appendices

Appendix A

Questionnaire for Agents

The following questions are asked for information about sourcing and your firm. This and other information you provide will not be used beyond this study under any circumstances.

1. Please indicate your position and job description (e.g. commissioned agents-domestic/foreign distributors, brokers, or importers etc.)
2. Please mention the average amount of sourcing business (in dollars) you handle during an year.
3. Since how long have you been in business?
4. What are your job responsibilities?
5. Name some of your major customers/buyers?
6. Do you operate in a group?
7. Do you feel the need of an agent community? Do you feel the need of a global presence in today's e-driven community.
8. What are some of the major problems you face while linking buyers to sources ?

9. Is there a need of a platform where it would be easier to find buyers. Are your needs satisfied by the information portals present on the web?

10. Will e-commerce and the improved visibility of sources lower your importance as potential people to find good sources? Please elaborate.

11. Will agent certification bring more credibility to you? How?

12. Will agent certification improve your relations with the buyer?

13. What are some of the agent's activities that can be certified?

Appendix B

Questionnaire for Apparel Buyers

The following questions are asked for information about sourcing and your firm. This and other information you provide will not be used beyond this study under any circumstances.

1. Please specify the title of your position in your firm (e.g., president, sourcing manager, head of general merchandiser, etc.) and mention some of your job responsibilities.
2. How long have you been working in this position?
3. Approximately, what was the total amount of business (in dollar amount) you, as the company did through sourcing during the last fiscal year?
4. Do you deploy import agents for sourcing? If no, why? If yes, why?
5. Please specify the type of products you source from these agents?
6. Has e-commerce and improved visibility of sources changed your sourcing methods? How? Has it also reduced the importance of agents as potential people to find sources? Please elaborate.
7. What are some of the major problems you face, while sourcing through agents?
8. Is there a lack of standardization in the way agents do their business? If so, what areas/part? How could this be improved?

9. Is there a need of a service/mechanism that would make it easier for an import agent to search for buyers?

10. Would “Agent Certification” address the problems you face, while dealing with agents?

(Agent Certification: A term given to the proposed standardization in the activities (such as general management, relationship management, negotiation etc.) of agents, where an agent would be certified by a leading non-profit textile organization (like AAFA), thereby making the process of agent selection easier and more fruitful).

11. Would credibility of an agent increase after certification?

12. Would you prefer certified agents to non-certified agents? Could it make your work of selecting agents easier?

13. What are some of the agent’s activities that can be certified?

14. Do you feel the need of agent’s global presence in today’s e-driven community?

15. Please list some of the major agents and countries, you have sourced from in the past? Any advantages?

Appendix C

Questionnaire for buyers (for future study)

The following questions are asked for information about sourcing and your firm. This and other information you provide will not be used beyond this study under any circumstances.

Part One

1. Please specify the title of your position in your firm (e.g., president, sourcing manager, head of general merchandiser, etc.)
2. How long have you been working as a buyer?
3. Approximately, what was the total amount of business (in dollar amount) you, as the company did through sourcing during the last fiscal year?
4. Do you deploy import agents for sourcing? If no, why? If yes, why?
5. Please specify the type of products you source from these agents?
6. What are some of the major problems you face, while sourcing through agents?
7. Is there a lack of standardization in the way agents do their business? If so, what areas/part? How could this be improved?

8. Is there a need of a service/mechanism that would make it easier for an import agent to search for buyers?

9. Do you feel the need of an agent community (organization/group)?

10. Would “Agent Certification” address the problems you face, while dealing with agents?

(Agent Certification: A term given to the proposed standardization in the activities (such as general management, relationship management, negotiation etc.) of agents, where an agent would be certified by a leading non-profit textile organization (like AAFA), thereby making the process of agent selection easier and more fruitful).

11. Would credibility of an agent increase after certification?

12. What are some of the agent’s activities that can be certified?

13. Do you feel the need of agent’s global presence in today’s e-driven community?

14. Please list some of the major agents and countries, you have sourced from in the past?

Part Two

Please specify the extent to which you agree to the following statements with respect to the agents you deal with, for sourcing.

1. Buyer-agent relationship is an important part of the sourcing process.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

2. Agents reduce costs associated with finding products and suppliers.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

3. Agents lower costs involved in settling the transactions between a buyer and a seller.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

4. Agents lower monitoring/enforcement costs (costs involved in monitoring and inspecting the processes and products of manufacturers)

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

5. Overall, agents make the whole process of finding trusted sources easier.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

6. “Agent Certification” will enhance the buyer-agent relationship.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

7. The certification process will bring more meaning to what agents do and overall, ease the process of global sourcing.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

8. Certification will make the process of selecting agents easier than what it is now.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

9. Certification will help increase the trust that operates between a buyer and an agent.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

10. With certification, agents' business activities would become more transparent (increased visibility and communication of agents' activities to buyers).

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

11. With higher transparency and increased credibility through certification, agents would be more responsible and their overall performance will improve.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

Please feel free to give comments on anything that I have missed or anything that you feel is important to this study:

Appendix D

Questionnaire for Agents (for future study)

The following questions are asked for information about sourcing and your firm. This and other information you provide will not be used beyond this study under any circumstances.

Part One

1. Please indicate your position and job description (e.g. commissioned agents-domestic/foreign distributors, brokers, or importers etc.)
2. How long you have been working as an agent?
3. Approximately, what was the total amount (in dollars) of business you did from sourcing for buyer during the last fiscal year?
4. What are some of the major problems you face while linking buyers to sources?
5. Is there a lack of standardization in the way agents do their business? How could this be improved?
6. Is there a need of a platform where it would be easier to find buyers? Are your needs satisfied by the information portals present on the web?
7. Will e-commerce and the improved visibility of sources lower your importance as potential people to find good sources? Please elaborate.

8. Do you operate in a group?

9. Do you feel the need of an agent community? Do you feel the need of a global presence in today's e-driven community?

10. Will agent certification bring more credibility to you? How?

(Agent Certification: A term given to the proposed standardization in the activities of agents, where an agent would be certified by a leading non-profit textile organization (like AAFA), thereby making the process of agent selection easier and more fruitful.)

11. Would agent certification address the problems you face, while dealing with the buyer?

12. What are some of the agent's activities that can be certified?

13. What kind of products do you deal with in sourcing?

14. Please list some of the major U.S. /European companies you have worked in the past.

Part Two

Please specify the extent to which you agree to the following statements:

1. Buyer-agent relationship is an important part of the sourcing process.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

2. Overall, agents make the whole process of finding trusted sources easier.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

3. “Agent Certification” will enhance the buyer-agent relationship.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

4. Certification will help in increasing the trust that operates between a buyer and an agent.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

5. Certification will make the process of selecting agents easier than what it is now.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

6. The certification process will bring more meaning to what agents do and overall, ease the process of global sourcing.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

7. Certification will make the process of selecting agents easier than what it is now.

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

Please feel free to give comments on anything that I have missed or anything that you feel is important to this study: