Quality performance in a global supply chain: finding out the weak link

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Much has been written on the intensive interconnection between supply chain management (SCM) and quality management (QM) with a particular focus on the systems-based view as the common thread between these two operation management topics. Absent in this debate has been any examination of the dynamics of SCM and QM practices and the resultant implications for the end customer in terms of product/service quality at a global level. In consequence, the nature and extent of their interconnection or interlinking and the resultant implications for the product/service quality has remained tangential. Using a qualitative study of two very large branded athletic and casual sports apparel and footwear manufacturers based in Asia with world-wide suppliers and distribution centres, this study aims to broaden the debate by arguing that partnering with suppliers of high QM capabilities in chains of relationships does not necessarily result in downstream benefits to both the manufacturer and end customers. We argue that both SCM and QM practices must advance from traditional firm-driven, fire fighting and product-focused mindsets to a more collaborative mode of inter-firm relations in that a much greater level of co-operation among both upstream and downstream chains is regarded as a key to competitive advantage.

Keywords: supply chain management; quality management; supply chain quality management; case study; Asia

1. Introduction

As organisations link quality management (QM) or total quality management (TQM) to supply chain management (SCM) and extend their vision beyond their own firms into the supply chain to manage quality, most current research has referred to such integration and co-ordination of the two concepts as supply chain quality management (SCQM) to highlight the paramount importance of quality to a supply chain’s long-term success (e.g. Ross 1997, Evan and Dean 2000, Robinson and Malhorta 2005, Foster 2008, Foster and Ogden 2008). This is particularly the case for those firms which operate globally, not least because, first, their competitive advantage position in one country is significantly affected by their position in other countries or vice versa, and more specifically and second, to compete on quality in the global market firms must ensure that their suppliers are on the leading edge in quality and regarded as high performers (see Chen et al. 2004, Yeung 2008).

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A close examination of most research linking QM to SCM suggests several clear shortcomings of their findings. These shortcomings can be divided into three key issues:

(i) the adopted research methodology,
(ii) the theoretical approach, and
(iii) the scope and context of the research.

Regarding the first issue, it has been rare to qualitatively investigate the dynamics of SCQM interventions. The dominant quantitative or survey-based methods, however, appear to be poorly suited to collect data from multiple perspectives of upstream and downstream supply chain partners. Concerning the second issue while, in the absence of lacuna in theoretical discussion, several authors have made an attempt to utilise organisational theories to offer provocative wisdom to SCM arena, they do not directly explore and analyse SCQM (e.g. Crook and Combs 2007, Holcomb and Hitt 2007, Ireland and Webb 2007, McCarter and Northcraft 2007, Miles and Snow 2007, Morgan et al. 2007, Rogers et al. 2007; see Ketchen and Hult 2007 for a full review). Instead, the key tendency of the authors appear to be the increased focus that is being placed upon, first, a synthesis of organisational theories and SCM in order to build a better understanding of why some supply chains excel while others remain highly dysfunctional, and second, how organisational theories can help differentiate between typical supply chains – i.e. those often forced to focus on delivering speed, cost, or a select set of their competitive priorities – and best value supply chains which seek to align all of their competitive priorities to meet the needs of customers within a target market. Relating to the third and final issue which is the focus of this paper, it seems likely that the primary focus of most of the existing research has so far been on the inter-relationships between the supply chain key partners within the boundaries of national context, thereby undermining the complexities involved in the global off-shoring practices. While traditionally business competition was viewed at the firm and national levels, it is not uncommon now to see global sources are integrated into firms’ core businesses; thereby firms have to gain advantage over competing supply chains. Clearly, such level of competition is in great need of much greater level of co-ordination among chains or networks of suppliers, distributors, producers, and customers (see Zhang et al. 2009). These issues point to SCQM which requires a system-based approach to performance improvement that leverages opportunities created by upstream and downstream linkages with suppliers and customers (Foster 2008, p. 461).

The present study takes the point offered by Li and Warfield (in their Call for Papers for this special issue on Quality Assurance in Global Supply Chains) that little is known about the dynamics of quality co-ordination and assurance in global supply chain or as they succinctly put it: ‘How to assure quality performance in a global supply chain.’ Our concern in this study is also consistent with the views of Foster (2008, p. 466) who raised a similar question of ‘How do we assure product and service quality in the supply chain?’ and Ketchen and Hult’s (2007, p. 573) argument that rather than competing ‘firm versus firm’, today’s organisations are battling ‘supply chain versus supply chain’. Such research and the resultant implications not only contribute to the ‘enhancement of quality co-ordination in global supply chain’, but also offer a unique platform on which appropriate strategies and measures to eliminate the root problem of product recall germinate. This study addresses these issues by adopting a qualitative methodology and attempts to collect data from two international large branded athletic/casual footwear and sports apparel manufacturers with different degree of supplier’s and distributor’s ownerships, and
production facilities in China, Vietnam, Indonesia and Malaysia and a global market in both developed (e.g. Europe, USA) and developing (e.g. Middle East, Arab Gulf Countries, Asia) economies.

The organisation of this paper is as follows. It begins with a brief review of literature pertinent to QM, SCM, and specifically the interface between the two concepts – i.e. SCQM. Then, it presents an overview of the adopted qualitative research method. Next, the research findings are presented and discussed. A final section reassesses the theoretical and practical implications of the research.

2. A review of the literature

2.1 Quality assurance and supply chain management: an overview

While both concepts of SCM and QM (or TQM) are not new, and each has its own precepts and underlying assumptions, most current research recognises the problem of supplier relationship or, more specifically, supplier quality. According to previous studies (see Crosby 1979, p. 73), some 40–50% in 1970s to 60–70% of the cost of goods sold at the beginning of the new millennium onwards consisted of purchased goods – an increase of 20% in the 30-year period 1970 to 2000. The implications of such evidence are two-fold. First, supplier quality (included in the totality of the concept of TQM) can substantially affect the overall cost of a product or service. Second, as large companies do not operate in a vacuum and are involved in global industries, the knock-on effects of the degree of supplier quality can jeopardise not only the firm’s revenues but also their long-term survival in the marketplace.

While a positive perception of a company’s product/service quality can lead to its long-term survival, a negative perception can result in an erosion of trust of all stakeholders, thereby damaging seriously the viability of the firm, not least because of immediate product recall. In Li et al.’s (2008) analysis of current research evidence on the product recall storm (e.g. the recall of Berko Electric Toe-Space Heathers made in the US; the recall of backpack blowers made in Japan; the recalls of toys and pet food produced in China – to name but a few), the problem would appear to be attributed to the issue of quality co-ordination in global SCM. It is at this point in the analysis of supplier quality that the role of SCQM becomes crucial. While the evidence on the root cause of the aforementioned examples of the product recall in the global market was sketchy, it seems plausible to expect that operations management scholars generally pursue a rational path in that the quality co-ordination in global supply chain is continuously improved. Such words are echoed by Li et al.’s (2008) comment that: ‘... rather than spending time deciding [whom to blame] or who to apologise to whom and crafting a large volume of media stories, every company and supply chain should be taking a hard look at making improvements to its quality assurance programme’.

2.2 Managing quality and supply chain: the interface

An examination of various models, frameworks and approaches pertinent to QM suggests that underpinning QM philosophy is the common theme of ‘customer focus’ through effective ‘customer-supplier chain’ (see Crosby 1979, Deming 1986, Sitkin et al. 1994, Hackman and Wageman 1995, Oakland 2003, Soltani et al. 2006, 2008). The QM strategy for achieving its normative outcomes of optimising quality for the end customer,
organisational learning, and co-operative firm–customer relationship is rooted in, and shaped by, several interlocked assumptions, inter alia, quality, people, organisation, and the role of senior management. Hence it could be suggested that customers, both internal and external, are the linking pins (Likert 1967) within the organisations and so they become the focus of organisations in terms of fulfilling and exceeding their needs and wants. The customer–supplier chain was the focus of Deming’s (1986) 14-points and, indeed, the raison d’etre of the whole quality philosophy (see Hill and Jones 2008).

In a similar manner, SCM has been in place and gained importance since the 1980s based upon the promise that there are dependencies between levels in channels from the point of origin (i.e. suppliers or manufacturers) to the point of consumption (i.e. consumers, customers or end users) (Oliver and Webber 1982, Lambert et al. 1998, Li 2007, Svensson 2007). For Mentzer et al. (2001), SCM is regarded as a management philosophy which consists of a set of managerial processes with the aim of improving the long-term performance of the individual companies and the supply chain as a whole. In a similar vein, Svensson (2002, p. 263) views SCM as a business philosophy that simultaneously should address the overall bi-directional dependencies of activities, actors, and resources on an operational, tactical, and strategic level, from the point of origin to the point of consumption in and between channels (see also Santos et al. 2008, Millet et al. 2009, Shen and Chou 2010). From a review of existing literature, it can be seen that SCM has been defined in different ways to encompass different kinds of dependencies in, between and across companies in channels from manufacturers/suppliers to customers/consumers. Despite the differences, the common denominator is that the SCM focus of today’s enterprise has arisen in response to several critical business requirements (Ross 1997, pp. ix–xi), namely:

(i) sustaining the collective momentum of various management paradigms such as just-in-time, business process re-engineering, and TQM which have required companies to turn outward to their channels of supply and distribution in search of untapped opportunities for cost and cycle time reduction and process agility (see Tan et al. 2008, Xu et al. 2008);

(ii) the realisation that closely integrated channels of suppliers and customers can provide today’s enterprise with unique sources of competitive competencies; and

(iii) enterprise re-engineering and operations streamlining (see Beheshti et al. 2007, Hsu and Wallace 2007, Zhang and Bhattacharyya 2007, D’Mello and Ananthnarayana 2010), thereby a need on the part of the enterprise to look seriously at their supply chain partners with a quality-driven customer focus.

In order to identify possible similarities and differences between QM (see Sitkin et al. 1994, Hackman and Wageman 1995, Evans and Dean 2000, Mehra et al. 2001, Soltani et al. 2005, 2008) and SCM (see Tan 2001, Hult 2004, Robinson and Malhorta 2005, Li 2007, Li et al. 2008) and elucidate their interface (see Cheng et al. 2005, Flynn and Flynn 2005, Ketchen and Hult 2007, Foster 2008, Li et al. 2008), Figure 1 presents the underlying assumptions of each concept and highlights the linking pin of the two fields.

A close examination of Figure 1 suggests that some general differences can be detected between the two concepts. While some scholars view QM to encompass both within and external operations that need to be taken into account to guarantee high quality services and products, SCM seems to be viewed as a more external operation which is largely aimed at upstream activities. Moreover, each of the two concepts has their own origins and
is built upon and evolved from various research disciplines. QM has its root in total quality control and covers both ‘hard’ and ‘soft’ practices. For most advocates of QM (e.g. Crosby 1979, Feigenbaum 1983, Ishikawa 1985, Deming 1986, Garvin 1988, Juran 1989, Waldman 1994), the concept can be characterised by customer orientation, culture of excellence, removal of performance barriers, teamwork, training, employee participation, management commitment, and customer–supplier chain. Like QM, SCM has also emerged from a wide range of disciplines; namely, physical distribution, transportation and network systems of materials, logistics and transportation, services, supply base integration and information (Croom et al. 2000, Tan 2001, Ross 2002, Robinson and Malhotra 2005, p. 318, Hou et al. 2007, Li 2007).

In contrast, there are more and clear similarities between QM and SCM, an indication of the possibility of their integration. Both concepts are under the domain of operations management functions; both, in the majority of instances, are complementary and closely interconnected; both emphasise the importance of system-based view to operations (Foster 2008); both can be regarded as a major means of attaining competitive advantage; the effectiveness of both concepts requires a high degree of co-ordination among all organisational levels and people and activities (see Li and Wang 2007) and more importantly, as both concepts emphasise or indeed start and end with the customer (Gattorna and Walters 1996, p. 12), it can be safely and strongly argued that fulfilling and meeting customer needs can be regarded as the interface between them.

As a result of trivial differences – largely of meaning and emphasis as opposed to substance – and vital commonality between the two concepts, some scholars have proposed the idea and therefore the value of integration of SCM and QM and merged them to form a new concept which they called ‘supply chain quality management’ (SCQM). Building upon the definition of SCQM by Ross (1997), Robinson and Malhorta (2005, p. 319) take a more process centric view to SCQM and define it as ‘the formal co-ordination and integration of business processes involving all partner organisations in the supply channel to measure, analyse, and continually improve products, services, and processes in order to create value and achieve satisfaction of intermediate and final customers in the marketplace’. A similar definition is adopted by Foster (2008, p. 461) in that SCQM is viewed ‘as a system-based approach to performance improvement that leverages opportunities created by upstream and downstream linkages with suppliers and customers’.

Figure 1. The interface between SCM and QM.
While the aforementioned definitions highlight the paramount importance and critical role of QM, assurance and control as a pre-requisite for improving the overall supply chain performance in the form of an effective buyer–supplier relationship, a close examination of empirical evidence pertinent to supplier–manufacturer–customer relations suggests that there are also potential for significant cost, losses not least because suppliers are more likely to engage in guileful self-interest seeking (Williamson 1975, Heide 1994, Brown et al. 2000, Morgan et al. 2007, p. 515). While the fear of opportunism by key players in supply chain partnership is not uncommon, it undoubtedly weakens the potential for enhanced manufacturer performance and dissatisfaction of the end user. At a deeper level, the vulnerability of the manufacturer or the maximisation of the supplier’s own economic goals is higher when the parties are involved in a multi-layered supply chain (Morgan et al. 2007, Li et al. 2008). In relation to such likelihood of opportunistic behaviour by suppliers, McCarter and Northcraft (2007) make a further interesting observation. They view supply chains as social dilemmas in that each actor must decide whether to pursue his/her own interest or the collectives’ interest.

3. Research method

Although under-utilised in QM and SCM research, qualitative research methods have recently been recommended by operations management scholars to complement frequent use of survey-based methodologies (Singhal et al. 2008). While empirical research, often in the form of survey-based methodologies, has emerged as the dominant paradigm in the field of operations, management, not least because of its applied nature (to quote Flynn, cited in Singhal et al. 2008, p. 346) ‘as we move into the future, many important issues relate to the global operations and SCM environment. It is important that we adapt our methods to a global context. Measures that were developed for use in a Western context may not be relevant in very different national cultures, both in terms of wording and in terms of the underlying constructs that they represent’. We therefore argue that the use of qualitative methods to explore issues of SCQM in the context of non-Western environment can uncover the dynamics of managing manufacturer–supplier relationships in terms of unethical and opportunistic behaviour, and the associated contextual factors underlying such misbehaviours. The adoption of qualitative and case-based approaches in this research is therefore a response to Singhal et al.’s (2008) recent call for multiple methods to explore SCQM practices in the context of non-Western economies.

Scholars exploring various aspects of organisation have also argued that qualitative methodology can result in generating, rather than collecting, data and can uncover significant insights into the attitudes of various parties as well as the full range of contextual issues underlying and influencing the research phenomenon (see Burgess 1984, Mason 1996, Easterby-Smith et al. 2003, Ogbonna and Harris 2005, p. 5). To probe beneath the surface of and provide a rich context for understanding the dynamics of supplier–manufacturer–customer partnerships and elucidating any weak link within the novel context of the research and encourage subjects to express their views at length, 148 in-depth interviews were conducted at two cases with a good cross-section of individuals or parties involved in supply chain partnerships. Based on the notion of a ‘systems-driven approach’ of both QM and SCM and the importance of global SCQM, all parties involved in upstream and downstream flow of raw materials, products and services – i.e. the triangle of supplier–manufacturer–customer – who were operating in different countries were
interviewed (see Bryman 1989). Intra-firm or manufacturing people provided a perspective on quality and supply chain policies; suppliers presented their views about the depth and breadth of manufacturer-supplier partnership; customers who formed the interface between QM and SCM presented a perspective from outside the supplier–manufacturer suite in terms of the real outcomes of their partnership. This in turn provided the opportunity for the researchers to identify any gap between the customers’ perceived product or service quality and the organisation’s rhetoric of SCQM, thereby elucidating the weak link in supply chain partnership.

Our approach to selection of research participants from intra-firm, upstream and downstream supply chain processes is consistent with the central concern of the qualitative research methods that ‘multiple perspectives’ must be systematically sought during the research inquiry (Strauss and Gorbin 1994, p. 280). In fact, the three types of key informants in our research form a triangle which represents a three-way partnership or triangular relationship involving upstream supply chain, firm/manufacturer, and downstream supply chain parties. To effectively compete in the global marketplace, it is therefore imperative for the three parties to form, as Dittmer (1981, p. 485) rightly put it, a ‘strategic triangle’. This triangular partnership implies that the success or satisfaction of each party in the global supply chain is significantly shaped by or contingent on, first, the nature of the partnership between the other two parties, and more importantly and second, the degree of end customer satisfaction. In the presence of ineffective operations or malfunction or opportunistic behaviour of only one party or more, the partnership would result in (to quote McCarter and Northcraft 2007) a ‘social dilemma’, in that each party would pursue his/her own interest and therefore the whole supply chain would remain ineffective. Tables 1 and 2 present some descriptive statistics on the peculiarities of cases and interviewees.

As our aim was to explore and analyse the dynamics of SCQM and whether partners involved in the supply chain partnership pursued their own self-interest and looked for business opportunities to their individual advantage (see McCarthy and Northcraft 2007, Morgan et al. 2007), thereby elucidating weak links in supply chain, we chose two large branded athletic and casual footwear and apparel sportswear manufacturers. They had production facilities in several Asian countries, namely, China, Vietnam, Malaysia, Taiwan and Indonesia. In addition to local and regional wholesalers, retailers and their privately-owned shops, the major clients for the two companies were Adidas, Puma, Reebok, Nike and Timberland with franchise stores in Asia, Middle East, Europe, Mexico and USA. Each of the two companies was an original equipment manufacturer (OEM) and an original design manufacturer (ODM). Both were in operation for over 20 years. The two cases were leading branded athletic and casual footwear and sportswear manufacturers in terms of growth in sales, dividends and rise in profit; they had well-established SCM in that strong partnerships with global brand customers were deemed essential; they had the largest number of employees; they had the largest market share in the branded wholesale athletic and casual footwear and apparel manufacturers; and finally they benefited from a very diversified global market across both developed and developing economies. Further analysis of the documentary evidence of the cases indicated that each case had different combinations of focal and ordinary suppliers with several owned and private distribution centres.

In respect of operations management techniques and modern management practices, the two cases had several other broad characteristics in common. In order to improve continuously and compete at national, regional, and global levels, each case adopted a
Table 1. Descriptive statistics on the cases.

<table>
<thead>
<tr>
<th></th>
<th>M-Case</th>
<th>H-Case</th>
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<tbody>
<tr>
<td>Number of years in operation</td>
<td>Late 1970s</td>
<td>Early 1980s</td>
</tr>
<tr>
<td>Organisation size across all</td>
<td>170,000</td>
<td>155,000</td>
</tr>
<tr>
<td>plants (number of employees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profile of the case study (production division)</td>
<td>One of the firm’s 160 production divisions; producing athletic and casual shoes, outdoor and indoor sports apparel</td>
<td>One of the firm’s 145 production divisions; producing athletic and casual shoes, outdoor and indoor sports apparel</td>
</tr>
<tr>
<td>Production and demand schedule of each plant/production division</td>
<td>The plant runs on a two-shift a day schedule</td>
<td>The plant runs on a three-shift within 24 hours; it also runs a two-shift a day for the purpose of maintenance</td>
</tr>
<tr>
<td>The combination of production processes</td>
<td>Mould setting, sole production, upper production and assembly</td>
<td>Mould setting, sole production, upper production, and assembly (for shoes); design, pattern, cutting, ... (for sportswear)</td>
</tr>
<tr>
<td>Number and nature of supplier-manufacturer partnership (upstream SC)</td>
<td>Two focal first-tier suppliers; four ordinary suppliers (suppliers of footwear raw materials, production tools and footwear components; privately owned)</td>
<td>Two focal first-tier suppliers; three ordinary suppliers (suppliers of footwear raw materials, production tools and footwear components; privately owned)</td>
</tr>
<tr>
<td>The degree of the firm’s ownership of focal suppliers (upstream SC)</td>
<td>No control over the focal suppliers; firm owns a limited portion of two of the ordinary suppliers</td>
<td>No control over the focal suppliers; firm owns a limited portion of one ordinary supplier</td>
</tr>
<tr>
<td>Logistics and distribution capability of the firm (downstream SC)</td>
<td>A combination of firm and privately owned distribution centres</td>
<td>A combination of firm and privately owned distribution centres</td>
</tr>
<tr>
<td>Types of customer (downstream SC)</td>
<td>Wholesalers, retailers, sales to individual ordinary customers through firm-owned shops; domestic, regional, international</td>
<td>Wholesalers, retailers, sales to individual ordinary customers through firm-owned shops; domestic, regional, international</td>
</tr>
<tr>
<td>Sales policy</td>
<td>Diversifying sales in different geographical markets; focus on very diversified customer groups (e.g. Asia, Middle East, USA, Mexico, ...)</td>
<td>Diversifying sales in different geographical markets; focus on very diversified customer groups (e.g. Asia, Middle East, USA, Mexico, ...)</td>
</tr>
<tr>
<td>Location of production division/ plant</td>
<td>Indonesia</td>
<td>China</td>
</tr>
<tr>
<td>Location of distribution centres</td>
<td>Malaysia, UAE, Vietnam, UK</td>
<td>China, UAE, Vietnam, UK</td>
</tr>
<tr>
<td>Location of focal suppliers</td>
<td>Malaysia and Vietnam</td>
<td>China and Vietnam</td>
</tr>
<tr>
<td>The primary concerns of company</td>
<td>Developing a thorough CSM and to assure quality through reliable (focal) suppliers, increasing market share and increasing the number of repeat customers</td>
<td>Partnership with both upstream and downstream businesses with a focus on innovation and quality at source – upstream businesses; increasing market share and enhancing customer loyalty</td>
</tr>
</tbody>
</table>
Of these, various TQM initiatives and ISO 9000 series registrations, six-sigma and business process reengineering (BPR) were seen to be very popular and applied extensively. In order to assist the company in the identification and steady elimination of waste and therefore improving the operations, each case applied different tools and techniques of lean manufacturing. The two cases also focused on teaming up with leading players in both upstream sports footwear and apparel material production and downstream logistic providers to shorten lead times for inbound materials and outbound products.

As Table 2 indicates, some 148 in-depth interviews were conducted across the two cases. The length of each interview varied between one to one and a half hours. All interviews were conducted face-to-face at the interviewee’s workplace during a 14-month period (mid-2006 to October 2007). As our research sites were China, Indonesia (location of the production facilities of the two cases), United Arab Emirates, China, and the UK (distribution centres of the two cases), interviews were conducted in Chinese, Bahasa Indonesia, Arabic and English, respectively. All interviews were tape-recorded, transcribed verbatim and the transcripts were translated from Chinese, Bahasa Indonesia and Arabic into English. All interviewees were asked open-ended questions to elaborate upon their experience with the SCM, QM, and SCQM practices. A summary of the interview guide is given in the Appendix. A team of six research assistants (two Indonesians, two Chinese and two Arabs) who were all native-speakers, fluent in English (plus the principal investigator) from both university and industry and familiar with the research culture and informal means of communication and, much more importantly, awareness of their own country code of behaviour facilitated quick access to the research sites, and enhanced interviewees’ readiness to speak openly. In order to enhance the validity of the information derived from the interviews (Cho and Trent 2006), the interview data were supplemented by some observations and examination of the related documents and archival information (e.g. details of supplier selection; supplier certification; supplier rating; quality control and inspection; supplier partnership; customer satisfaction survey; meetings with suppliers; supplier involvement in product design; internal report; storage and logistic facilities).

To breakdown the large amounts of textual materials of the interview transcripts, conceptualise and then re-arrange them in new ways, open (breaking down the data and identify first level concepts and categories), axial (denoting the way in which...
connections are made in new ways between categories and subcategories), and selective (identifying one or two core categories to which all other sub-categories relate) coding techniques based on the work of Strauss and Corbin (1994) were utilised. The main purpose of such coding techniques was not to develop any substantive theory, rather the primary aim was to present the findings thematically, based around the categories that were developed following the three coding techniques.

The coding of the data was done by the research assistants independently who had both sufficient knowledge and experience in qualitative data analysis. They were also asked to report any difficulties to the principal investigator. The final results were then checked by the principal investigators and any discrepancy and variability were subsequently identified. A joint meeting with the presence of the six coders was then held and any inconsistency was further discussed and subsequently resolved. Both the external and internal veracity examinations of the findings were also made by 10 *ex post* interviews with more experienced interviewees from each case (five interviews per case) and re-examining the coding with all research team. Similar procedures were also utilised by Ogbonna and Harris (2005).

4. Findings

4.1 A brief background on the two global cases

The two cases (referred to as M-Case and H-Case in this paper) were established in the late 1970s with the sole purpose of manufacturing branded athletic and casual footwear, footwear components, men’s and women’s sportswear and athletic apparel to serve local and regional markets in south Asia. After nearly a decade of successful operations, their businesses flourished to the point where M-Case became an original equipment manufacturer (OEM) and original design manufacturer (ODM) for not only local and regional brand names but also for major international brand name companies such as Reebok, Nike, Rockport and Adidas. In a similar vein, H-Case expanded its operations to further engage in the design, product development and manufacturing of athletic and casual footwear as well as sports apparel, thereby attracting reputable international brands such as Adidas, New Balance, Timberland, Express, Liz Claiborne, and Limited. As a result of partnerships with global brand customers in athletic sportswear market and the nearly 20% growth in the global market size of performance sportswear over the last four years, each of the two cases adopted a range of initiatives to develop their current capabilities and future viability. Further details on the cases are presented in Table 1.

4.2 The adoption of quality management and the resultant outcomes

In respect of M-Case, content analysis of the interviews and archival evidence from operations management function indicated that there was a heavy focus on internal processes during the first five years of the company’s operation; the company did not have a vice-president (VP) of quality who could represent the department on the board; at a more macro level, even the operations manager had a middle managerial role – as opposed to VP operations; the level of quality was measured internally with no involvement from the end customer; there was an explicit tendency to attribute poor quality to shop floor workers and good quality to senior management competencies. In one supervisor’s words: “We had a culture of blame. In fact the legacy of our traditional quality management
system was to blame workers for any wrong doing or faulty product and to praise managers for high quality products and services. The dominant product-oriented quality management resulted in a culture of fear, fear of making mistakes and therefore easy dismissal from the job.'

While, according to the interviewees at senior management level, the quality circle was an integral part of their quality management programme in the 1980s, it would be wrong to conclude from this that all the quality circle members were trained in quality management tools and techniques, met on a weekly basis, and had the basic skills of problem identification and solving. Instead, the reality of workplace was characterised by the old dehumanising concept of the division of labour in that bureaucratic control measures guided the workforce through the work processes and the expected economical outputs. For most of the interviewees the firm’s approach to quality management was indeed against the true precept of TQM not least because the firm had a bureaucratic structure, driven by division of labour and controlled through close monitoring of the workforce. Apart from the supervisors’ basic knowledge of quality management and partial use of a basic set of quality management tools, others had to rely on their supervisor and learning through trial-and-error.

With regard to H-Case, the analysis of archival evidence and 1980s internal reports and customer surveys all revealed a lack of a system-based approach and individual responsibility for quality. For one supervisor and several shop floor workers, the quality of the 1980s in their company had a meaning which was defined based on a mixed policy of reward and punishment as a means of driving and reducing good and poor quality respectively – an indication of the classical idiom ‘carrot or stick’. Supervisors were seen to be the main source of planning and implementing quality. To accomplish quality intended objectives and achieve uniformity, direct control and close monitoring of the workforce were deemed essential.

Detection of errors and post production inspection were central to quality management programmes and indeed were used to identify the poor performers, rather than (to quote Oakland 2003) ‘a process by which information or feedback is provided so as to keep all functions on track’. Quality was also seen to be the sole responsibility of quality unit in H-Case. For the first few years, quality in its true meaning was not seen to be considered as the preferred way of doing things across the whole organisation. As expected, most interviewees talked about a state of fear. As an organisational approach to quality was driven by exhortation and inspiration, the main focus of quality management was on short-term results. For example one production manager stated that: ‘Workers had no trust in management’s words. If they did, it was only a sign of fear and avoiding unpleasant consequences. Quality was communicated wrongly throughout the organisation. We devoted a lot of resources to provide a cheaper product and compete on cost and price in the name of quality.’

Interestingly, the adopted approach to quality management at the two cases served the companies well for more than a decade (late 1970s to early 1990s) not least because of the importance of competing on price and mass production as a means of competitive advantage in the manufacturing of branded athletic and casual footwear and sportswear. Labour productivity in both cases were reported to be high, an indication of oversupply of products. However, the dominant post-production quality approach and cost leadership strategy to maintain competitive advantage of both cases was heavily tested during the stressful economic downturn of the early 1990s.
In M-Case, the Minutes of a Board Meeting held in December 1992 indicated that with the help of a team of modern management initiatives consultants, the company then turned to what truly could be named ‘TQM’ in that intra-firm functions, suppliers of raw material to the firm and those who supplied firm’s products and services to the end users were included. The initial review of the consultants revealed several improvement related weaknesses, namely, a lack of appropriate infrastructure; a lack of both operational and strategic control mechanisms and measures; a lack of quality culture and poor understanding of the fact that quality was the responsibility of everyone from top to bottom.

Similarly, the problems of world-wide recession and the availability of cheap products of low quality in the market led the management of H-Case to re-visit their approach to quality rather than quantity through mass production. A review of an internal report published in February 1993 showed that the Executive Board agreed on the importance of organisation-wide quality and that a conscious attempt to embrace quality management was part of a wider organisational improvement across the firm known as ‘quality partnership’. The content of the package was then carefully documented and agreement was reached with external consultants in a series of working groups including suppliers, employees from each function, as well as wholesaler and retailer representatives. The main findings of the consultant-led review of the firm were that the firm’s approach to quality was mainly passive; inspection was central to quality management activities; employees at shop floor production lines had to follow the pre-determined rules and regulations in any aspect of their work; and more importantly, there was more a competition among the firm, suppliers and the distribution centres rather than co-operation, partnership, and collaboration.

Across both cases some middle and supervisory level managers expressed some reservations at the time of announcement in 1993 on such a comprehensive quality plan and anticipated the failure to reach agreement with the upstream and downstream supply networks actors. Even some senior managers found the plan very ambitious simply because it did require a very high level of flexibility on the part of internal and external processes and the people (see Tachizawa and Gimenez 2009). For example, a senior manager at M-Case commented that: ‘I knew that we would have a very difficult time. As we had a large organisation I even thought that we could not make this happen internally, let alone our external partners. It did need a huge investment in employee training. But we had to go ahead with the plan as we were about to operate globally. In particular, we had a combination of both suppliers and distribution centres in terms of ownerships.’ In a similar vein, a senior manager at H-Case explained that: ‘The plan was not actually a merely quality management plan. It meant to encompass and integrate quality management with the suppliers of raw material and our logistics department. In fact, the plan not only was a response to the economic downturn but also we were in business with some of our suppliers and distribution centres located in other countries. It took the consultants quite a while to figure out how to operationalise the contents of the Executive Board meetings.’

After nearly one year of consultant-led review of ‘what quality was’ and ‘what it should be’ in each of the two cases, management of M-Case centred their focus on an attempt to alter radically the traditional assumptions about the independent nature of supplier–manufacturer–customer partnerships. In M-Case, each of the three sides of the business relationship acted independently prior to 1992. While such independence could be partly attributed to the distant sourcing of raw materials, the firm also had several local
and regional suppliers. In respect of H-Case, the firm had to adjust its production to cope with upstream supply of raw material fluctuations or reduce production costs to keep up with the rising costs of distribution and winning orders (from both wholesalers and retailers). In both cases, all these upstream, downstream and intra-firm activities adversely impacted on product quality directly.

As a result of the recommendations made by the consultants, and inter-connection among intra- and inter-firm operations and the resultant implications for product/service quality, the central thrust of the new quality planning and its integration with upstream and downstream business activities hinged on a plan to introduce ‘quality-focused supply chains’. In both cases, this entailed fully integrative quality and supply chains processes so that operational excellence and customer satisfaction went beyond organisational boundaries to include both upstream and downstream supply networks processes, an indication of quality to be regarded as the linking pin in the supplier–manufacturer–customer triangular partnership.

In what follows, we present our findings on the firms’ new approach to quality management which entailed the triangular partnership of the three partners – i.e. supplier–manufacturer–customer – and factors which were either favourably or adversely influenced the long-term effectiveness or otherwise of quality management with regard to supply networks.

4.3 Factors influencing the degree of co-ordination between quality management and supply chains

4.3.1 Co-ordination between quality management and supply chains at M-CASE

The analysis of the interviews and other archival information showed that it was indeed the orders from several international sports apparel and athletic footwear customers (e.g. Adidas, Nike, Puma) which had made the firm one of the largest branded footwear businesses. Facing the 1990s economic downturn, and the firm’s traditional view towards quality management, and viewing supply networks as competitors and independent processes, delayed the firm’s plan to increase the capacity to capture the growth in the production volume generated by the three healthy and giant sports apparel manufacturers. In the words of one general manager: ‘We were left in a dilemma. We received orders from some international sports footwear and apparel companies and were about to put into place the necessary resources. Shortly after we faced the economic downturn, we knew that we had to take this opportunity and make most of such orders by the three prestigious companies. We knew that the recession would be over one day and tried our best to establish a long-term relationship with these customers. We then have a more comprehensive approach to internal quality to encompass the supplier quality either.’

At the rhetorical level it was remarkable to see the sincere, but forced, move of M-Case towards a more integrated quality management system entailing upstream and downstream supply chains. However, when it came to the action, the SCQM plan did appear to be rather ineffective. One explanation for this was that M-Case had a mixed strategy of supply chains ownership both at upstream and downstream levels. In respect of downstream, the degree of M-Case’s ownership was around 26% (firm’s own retail shops). Apart from some retail stores in Taiwan, China and Indonesia, the remaining 74% of distribution centres were privately owned. With regard to the upstream, M-Case seemed to
have no financial control over the focal suppliers. The implication of such lack of control for a quality assurance manager was that: ‘I really do not think that quality is always given the highest weight in supplier rating. What I can say is that the quality of raw material is good enough. There is always something behind the scene which benefits only a couple of people. I am not in a position to mention the reality of supplier selection and rating. You can find a range of opportunists throughout the whole supply networks.’ This in turn also supports the comments of a supplier manager who remarked: ‘We have recently bought several small distribution centres which used to be our customers’ customers. In this case everything starts and ends with us. This gives us a lot of control in terms of product quality and also bargaining power.’

In line with such evidence, the supplier’s sales were completely independent from the operations of M-Case. The implications of the latter for the management of M-Case were two-fold. First, the focal supplier contribution to both design and development of M-Case product was uncertain in that M-Case had to put into place some mechanisms to engage the supplier and further co-operation. Second, despite M-Case’s close monitoring of supplier selection criteria and supplier certification, it appeared that there was an ad hoc measurement system for various focal suppliers. For most interviewees at middle and supervisory management levels the second issue was indeed the key element which adversely impacted on the effectiveness of SCQM in M-Case. The picture of supplier–buyer relationship that emerged from SCQM of M-Case was rather vague and complex, and often at odds with assumptions that underpin the associated organisational theories for analysing SCQM (see Morgan et al. 2007). For example, the analysis of the interviewees’ responses revealed that there was a strong tendency on the part of the management of M-Case to establish a closer collaborative relationship with the focal suppliers; to support a more mutually beneficial economic outcome for all partners involved in a supplier–buyer relationship; to benefit from a more fruitful partnership in that resources (e.g. information) and any risk-associated costs can be shared and tolerated, thereby overall organisational performance can be improved. While these issues conform to, and indeed echo, the literature pertinent to relational exchange theory as well as agency theory, focal suppliers appeared to be not only less co-operative and participative but also less risk averse than the management of M-Case.

We found that instead of focusing on a more collaborative supplier–buyer relationship, there existed a very strong inter-firm co-operation among the two focal suppliers of M-Case. In contrast to relational exchange theory, such supplier–supplier partnership not only incurred a huge cost for M-Case but also adversely impacted on its ability to share resources and capabilities, thereby failing to benefit from mutually beneficial exchange and behavioural norms as a means of providing an efficient governance mechanism. Rather, the two suppliers established a very effective mutually beneficial exchange and behavioural norms in that they had the opportunity to develop control of a critical dependency for M-Case. To a large extent, the findings from M-Case partnership with the two focal suppliers would also tend to refute or be in contrast to transaction cost analysis and the underlying assumptions of network theory. Our analysis of the interviews with both managers of M-Case and their two focal suppliers showed that while M-Case management were more sincere and honest in their partnership with the two focal suppliers, they also had the impression that, as one senior manager succinctly put it: ‘We are business partners. The nature of our business like any other businesses has its own ups and downs. While we are uncertain about some aspects of our business and lack a proper knowledge of the entirety of supply networks, we never underestimate some of the characteristics of our suppliers.
and those involved in the downstream supply networks. For example, we are always pre-
occupied of their cunning and guile followed by the potential for significant costs.’

Similar quotations from suppliers also helped to explain the perceived nature of the
partnership from the management with M-Case’s point of view. When pressed for evidence
of such self-interest seeking on the part of suppliers in their relationship with the
manufacturer M-Case, one supplier manager stated that: ‘The kinds of raw material we
supply to our manufacturers are different. It is therefore very difficult for the
manufacturer to know this. We change our raw materials which are used for the same
purpose based on the end users. We own several wholesalers and also retailers in different
countries. Depending on the customer’s awareness of the product we supply different types
of raw materials for the same purpose but of different quality.’

As these quotations indicate, the nature of upstream supply networks or supplier–
manufacturer partnership can be characterised by, first, the great suppliers’ influence on
M-Case and therefore its product quality, and more importantly, and second, the inability
or even unwillingness of M-Case to change the rules of the game in favour of better
product quality through monitoring the behaviour of the focal supplier to reduce
information asymmetry and safeguard idiosyncratic investments in their relationships
(see Bergen et al. 1992, Wathne and Heide 2000).

The nature of the focal suppliers and M-Case partnership does not seem to be
uncommon in Southeast Asia and the Middle East markets, where different branded
products are sold but, of course, of different quality from the same branded products in
the developed world. Such phenomenon is theorised to be common in cases where both the
supplier and manufacturer are aware of the final destination markets and end users. Our
analysis of the data and customer surveys (conducted by both the wholesalers and
retailers) showed that many of the opportunism benefits obtained by the focal suppliers
were indeed a function of M-Case’s own opportunistic behaviour, thereby low quality
product for the end users in some, but not all, markets. Indeed, some supervisory level
managers from suppliers and manufacturer firms voiced a shared belief that the
manufacturer being dependent on the focal supplier and wholesaler/retailer being
dependent on the manufacturer would result in, first, increased motivation for opportu-
nistic behaviour for all parties involved; second, the possibility that such opportunistic
behaviour would become enshrined in the supplier-manufacturer-customer partnership;
third, more importantly, each party would most likely focus on short-term opportunism
benefits, contingent upon the type of market and customer, than the product quality.
Most interviewees from each of the three parties involved confirmed this point and its
adverse consequences for product quality. Indeed, a three-way consensus as well as goal
alignment with the major international brand names was seen as the major determinant for
the level of quality across different market segments.

Overall, the nature of partnership and collaboration among upstream and downstream
supply networks and its impact on product quality appears to have encouraged a type of
orientation to managing quality that relies heavily on a high level of individual self-interest
of each manager as well as the level of customer familiarity with the product. Given that
such opportunistic behaviour on the part of the supplier–buyer relationship is theorised
to disadvantage customers, it is perhaps not uncommon to find that similar franchised
outlets, which represent the world’s leading suppliers of athletic shoes and apparel, sell
similar products with different quality but at almost the same price. This is in particular
the case for Middle Eastern, Arab Gulf and most East Asian customers where, as most of
the wholesalers and retailers interviewees had a common view on, first, the product brand
rather than its quality was the major determinant of their purchase preference; second, there were numerous business-minded people with idle investment who were opting for franchising as a driving vehicle for their investment; third, there did not exist a reliable customer watchdog as a means of making customer’s voice heard; fourth, and more importantly, the willingness of the international franchisors to penetrate the Asian, Middle Eastern and Arab Gulf markets as the best risk aversion and economic goal maximisation strategy.

4.3.2 Co-ordination between quality management and supply chains at H-Case

Despite its static business environment during the early 1980s, it was only in 1987 when the company diverted its focus to supplying some of the leading global companies in sports footwear and apparel. According to the interviewees’ responses the long history and worldwide reputation of their new international customers were the major driving force behind their success, as this revolutionised their approach to quality and any other associated practices both within and external to the firm environment. This issue was well summed up by a senior manager when he remarked: ‘Until 1986 we were a big manufacturer and supplier of sports footwear and apparel. Our market target mainly focused on local and regional wholesalers and retailers. We also had a good market share. We then had a U-turn as we received a huge order from a world leading firm in sports footwear and apparel. We had a different image of their product quality. We knew that they were of very high standard and had reputation for superior quality. Such U-turn and sea-change were needed on our part to show off our potential and capabilities.’

As a means of grasping such an opportunity the company started with its quality department. However, such interest in revising quality-related policies did not appear to extend to quality as a means of preventing errors at the source. Instead, quality activities of H-Case were seen to be confined to a small unit comprising eight people with a primary focus on post-production inspection. The production and several supervisory level managers echoed the views of many in the company in highlighting the futility of their quality control system, in that most QM underlying assumptions were missing or undermined. The following comment from an engineer was typical of the feelings expressed: ‘The major focus of quality management system was less on product quality and more on who had made the errors or in which unit the errors took place. Upon identifying the problems we then focused on finding out the poor performer(s) and of course followed by strict disciplinary actions. The truth is that the quality system created a sense of fear in the company and among the personnel, in particular the shop floor workers who were vulnerable to any wrong doing.’

As the above quotation indicated, the quality management system in H-Case appeared to be in contrast to the reality of the relatively zero defects policy of its international customers whose competition strategy was mainly driven by quality or more specifically innovative and unique products. Therefore some managers were concerned that not only the current but also any further investment in quality management system could not afford to meet the basic requirements set by the leading international sports footwear and apparel customers. However, due to the increase in sales faster than expected, both locally and regionally, and the strong motive to serve the leading international customers, and more importantly, as one manager put it ‘because other companies across industry adopted new management practices such as TQM’, H-Case signed a contract with a famous local TQM consulting firm to take the lead and introduce a comprehensive TQM programme for
the company. Indeed until 1987, in the words of one marketing manager who was familiar with TQM gurus and their writings and attended several workshops during his earlier appointment with a car spare parts manufacturing company: ‘What we had in the name of quality management was in reality antithetical to TQM. But, due to having few competitors and a range of diverse customers across local and regional markets we enjoyed years of profitable business.’

As mentioned earlier, the 1990s recession also played havoc with the company’s profitable market and therefore the company started to suffer from a severe economic downturn. As a result of all this gloomy evidence, the company consultants began to plan and implement a quality management system primarily to fulfil the international customer’s requirements. Almost all managers, and two part-time consultants who worked for the company for several years, agreed that only a synthesis of modern quality management, in that quality had to be monitored both at the source and during its after-sale product consumption, could fulfil the high standards of the leading international customers. Such arguments have close affinity with the idea of SCQM in that supplier’s supplier and customer’s customer need to be the focal point of operations improvement initiatives.

In contrast to M-Case, which was rather under pressure from its suppliers, it was found that the two main focal suppliers were much dependent on H-Case operations and its viability. While this might imply that the level of supplier opportunism was low, several interviewees indicated that such dependency on the manufacturer resulted in a less advantageous partnership, and to a great extent damaged the long-term interest of the triangle relationship among supplier–manufacturer–customer. For Dwyer et al. (1987), one explanation for ineffective partnership which stemmed from the supplier’s dependency on the manufacturer was the supplier’s desire to maximise its business goals and that such strong desire would remain as the supplier’s priority when it could not easily replace the manufacturer (see Buchanan 1992, Kumar et al. 1995). Others take a similar view and assert that supplier’s dependency on the manufacturer will indeed reveal the level of its satisfaction and therefore shape its behaviour (see Benton and Maloni 2005, Morgan et al. 2007, p. 516). In this regard, a majority of managers at both supplier and manufacturer firms observed that there was a deliberate attempt from both sides, which subsequently influenced the level of quality across the end-to-end SCQM processes. For example, a procurement manager reflected on what was a common theme for the majority of interviewees: ‘It is not difficult for us to know whether our focal suppliers are honest with us in terms of the quality of raw materials, pricing etc. It did happen before and we simply shifted to other suppliers. My experience of such opportunistic behaviour on the part of suppliers is that it usually ends with more profit for us as they do not want to lose us. Instead they offer us low prices which in turn result in challenging other suppliers and a sort of price war as the suppliers are eager to be viewed by us as the cheapest suppliers. I cannot recall a single occasion in which we missed the opportunity of maximising our economical goals through reduced and discounted prices. But, this is not a quality approach as the end customer will be disadvantaged for such compromise of quality and cheap price.’

The difficulty to accept quality as the foundation of end-to-end supply chain processes and adapt to its underlying precepts explained in the above quotation was primarily attributed to two factors: first, the requirements set by most external downstream partners, i.e. both wholesalers and retailers, and second, the manufacturer’s own policy towards serving the external downstream partners. In other words, most of the manufacturers’
external downstream partners were operating in Asia and the Middle East in which consumers were concerned more about the brand they used for personal and social reasons. Such market segmentation comes at a price as it serves customers of a similar brand but clearly of lower quality. While products carry the same brand name as in other developed economies the quality is definitely lower. Interestingly, the analysis of interviewees’ responses suggests that the market segmentation strategy adopted by H-Case was also a priority for the two focal suppliers. Depending on what segment of sports footwear and apparel market the manufacturer wished to serve, the quality of raw material seemed to change accordingly. Given the link between market segmentation strategy and product quality, one marketing manager stated that: ‘Our firm has over 70 production lines operating in several countries and serving customers globally. While all these production facilities produce similar products they are divided based on the end users. For example, some of them only take orders for certain category of customers. But such approach adversely influences our product quality as the primary focus is on selling more of international brands to those who are not technically familiar with the product. I believe that quality gets worse when customers make no complaint.’

Overall, we found a very different scenario from that seen in M-Case. Although in M-Case the two focal suppliers, who used to be one-time rivals, were seen to collaborate with each other through adopting opportunistic and guileful behaviour, as well as violation of accepted rules, in the hope of maximising their mutual benefits, we found a very opposite scenario for H-Case. In this regard, H-Case was seen to take advantage of geographical proximity of the focal suppliers in a way that not only did the suppliers not perceive any opportunity to co-operate and benefit from each other, but also each supplier assumed and adopted an aggressive attitude and behaviour against the other through adjusting their pricing strategy and more importantly aligning their goals with those of H-Case (see Danese and Vinelli 2009). Furthermore, the nature of partnership and three-way relationship among supplier–manufacturer–customer were seen to be rather confusing, not least because of mixed market segmentation strategies adopted by H-Case. Although in line with economic cost theory this strategy maximised the economical goals of H-Case and revealed its opportunistic behaviour, it had a very different implication for product quality and thereby its diverse customers: it encouraged compromising quality with a cheaper price at the upstream supply chain and for some specific markets at the downstream supply chains, it resulted in maximisation of its own economic goals and, more interestingly, it brought about mutually beneficial exchange and behavioural norms for its partnership with the leading international customers. The latter issues, however, appear to be in contrast to agency theory in that the agent – i.e. supplier – rather than the principal – i.e. buyer – meant to be risk averse and more importantly the principal faced the problem of finding the most appropriate supplier.

5. Discussion and implications

While in the previous study of supply chain partnerships the focal supplier was regarded as the leading player in the triangular supplier–manufacturer–customer relationship, our results revealed that position in a supplier–manufacturer–customer relationship and rampant opportunism among the three parties involved could be ascertained by observing the nature of a singular or bilateral relation between two of the key players – as opposed to a strategic triangular relationship among the three parties. Based on our analysis of the
data and drawing upon the work of Dittmer (1981), Segal (1982) and Ross (1993) on strategic triangles, the nature of relationships among key players of supply chains in our two global cases can be depicted schematically in two alternative paths: amity (positive) versus enmity (negative).

The state of amity represented M-Case supply chain operations in that the rampant opportunism of the two focal suppliers was obvious. In a manner consistent with transaction cost theory, the opportunism of the two focal suppliers resulted in a very strong bipolar relationship between them as both suppliers were consistent in their approach towards M-Case through keeping a similar and equal distance from it. The opportunism behaviour of the focal suppliers of M-Case had also close affinity with the basic assumptions of network theory in that not only did the suppliers place a heavy focus on strengthening ties between themselves, but also on several occasions they tried to extend their collaboration to encompass and possess the downstream retailers of supply networks. The implications of such actions on the part of the two focal suppliers of M-Case, which also supported agency theory, were that not only did the suppliers remain immune to any risk but also they were certain that their self-interests and own economic goals would be guaranteed and maximised, accordingly. The bottom-line impact of alliances between the focal suppliers and the M-Case’s inability and fear of the focal suppliers’ counterproductive action and behaviour had a substantial direct negative effect on product quality and end user satisfaction (see Yang 2009). As we observed, the only thing that M-Case could do was minimise such adverse impact, an indication of its inability to eliminate it. Of course there was also clear evidence that M-Case was very keen on enhancing its co-operation and greater collaboration with the focal suppliers not least because of its business relationship with the leading international customers of athletic sports footwear and apparel. While such interest in strengthening ties with the focal suppliers did not deter focal suppliers opportunism behaviour (see Morgan et al. 2007), there was sufficient evidence to confirm that there was no collusion between supplier–manufacturer simply because the focal suppliers had awareness of the final customers, in a sense that the focal suppliers seemed to support the manufacturers against the possible complaint raised by the leading international brand companies, which in turn was more than offset by supplying poor quality material for other markets.

A comparison of our results with those of previous studies reveals two important issues. First, our findings are in sharp contrast to the underlying assumptions of agency theory, because the manufacturer’s support and eagerness to convince the focal suppliers to adhere to agreements (e.g. Bergen et al. 1992) could be of no value when more than one focal supplier exist, geographically located in different countries. Second, although our findings appear to confirm Kim and Hsieh’s (2003) study, in that the manufacturer dependency is significantly associated with focal supplier opportunism, they seem to be in contrast to the recent findings of Morgan et al.’s (2007) study which found insignificant relationship between supplier/manufacturer dependency and any related opportunism behaviour.

In contrast to the state of amity between the focal suppliers of M-Case, H-Case was seen to dominate the nature and extent of the relationship between the two focal suppliers through dictating a state of enmity between them. Under this condition, the relationship between the two focal suppliers could be characterised as follows: it was seen to be turbulent; it shifted from co-operation and partnership to enmity and deep rivalry; each focal supplier made every attempt to develop a positive relationship with H-Case to secure and favour its own position; each focal supplier was seen to pit H-Case against its
adversary and vice versa. In such a supplier–H-Case relationship, it was obvious that H-Case was indirectly collaborating with each of the two focal suppliers separately against the other supplier, an indication of H-Case’s intention to create collusion between the two focal suppliers. By analysing these findings through the lens of organisational theories several issues can be detected. While the majority of previous research refuted the supplier dependence on buyer in terms of the buyer’s punitive capacity and its impact on the focal supplier influence–opportunism relationship (e.g. Morgan et al. 2007, p. 523), our findings showed that H-Case monitoring mechanisms not only helped to deter opportunistic behaviour by its focal suppliers, but also its monitoring capabilities helped, first, to establish alliances with each of the two suppliers at a time in which they tended to oppose each other for H-Case’s sake and more importantly, and second, to behave opportunistically against the suppliers. Hence, in addition to the buyer’s ability to punish the supplier’s opportunistic behaviour, it is highly likely that the buyer itself can also adopt a pivotal role, in that it can pit the focal suppliers against each other and provide a ground for its own opportunistic behaviour (see Mao 2003).

Our study has strong implications and invaluable insights for practising managers. While establishing comprehensive monitoring capabilities to control product quality across the whole supply chain processes, to avoid or detect opportunistic behaviour and therefore protect product quality, poses a real challenge to the management of any organisation, other easier and less challenging options are still open to global organisations. It is argued that the ability of organisations to effectively deliver a quality product in the global marketplace is contingent upon appointing qualified global managers (Harbey and Richey 2001), who can benefit from personal ties with their partnering firms across supply networks, and who can develop trust and are keen on joint decision-making and information sharing (Adobor 2006, p. 473). Despite such advice and concerns raised by Li et al. (2008) in respect of assuring quality in global supply chain, our evidence revealed that the quality journey of global supply chain starts and ends with the management of the company who manufactures the product. Here, our argument is this: it is the manufacturer/buyer who chooses to lean towards a good or poor partner, and that it is the manufacturer/buyer who can make the upstream and downstream partners feel loyal, cooperative, and collaborative or disloyal, unco-operative and uncollaborative and exacerbate the rift among inter-firm partners, thereby pitting all parties against each other followed by engaging in guileful self-interest and seeking/opportunistic behaviour on the part of all partners involved in SCQM processes (see Williamson 1975, Brown et al. 2000).

6. Conclusions, limitations and future research

The synthesis of national and international economies and thus the emergence of a global market place have provided numerous opportunities, and a breeding ground, for organisational scholars to study the dynamics of managing business partnerships in such global supply and demand chains. In this respect, the present study aimed at shedding light on the nature of supplier–manufacturer–customer relationship and its implication for product quality. Focusing on two global manufacturing firms operating in high growth sports footwear and apparel sector with worldwide market, the evidence revealed several important conclusions.

Although this study is different from previous work through focusing on global context and collecting information from multiple perspectives engaged in managing SCQM
processes, one important limitation should be kept in mind: sample selection bias (Berk 1983). This may mean that the results are more context-specific and therefore a more comprehensive study of SCQM practices and the dynamics of supplier–manufacturer–customer relationship in other sectors with different operations and more diverse upstream and downstream peculiarities should form part of any future research (see Xu 2008).

Any follow-up research could also enrich the findings and generate a deeper understanding of assuring quality in the global supply chain only if it would include the international franchiser – i.e. in our case: Adidas, Nike, Puma and the like – to find out the similarities and discrepancies between their views with those found in this study – i.e. their franchisees. Although the focus of this paper was on quality performance in a global supply chain and attempted to discuss the findings through the lens of relevant organisational theories, there is a need on the part of operations management scholars to explore global SCQM practices through the lens of organisational theories, with the intention of building theories from case study research.

References


Appendix

A summary of interview guide

A. Sample’s profile
   - Companies (e.g. year of establishment, sector, size, ownership, market share, scope of operations, production divisions and locations).
   - Interviewees (e.g. position, age, work experience, tenure with company, education level, gender).

B. Adoption and implementation of operations improvement initiatives/QM
   - Rationale for implementing QM; drivers of QM; impediments to QM; organisational approach towards quality in the past and present; existence of a culture of quality; implications of QM for organisational performance as well as supplier’s and customer’s perceptions towards firm operations.

C. Managing supply chain and its wider impact on organisational performance and its customers
   - The importance of supply chain; scope of supply chain – i.e. managing inbound and outbound logistics; upstream partners; downstream partners; logistics and distribution capacity of the firm; supply chain ownership.

D. Supply chain quality management
   - Relationship between SCM and QM; appropriateness of the organisational infra-structure for both QM and SCM; supply sourcing and partnership; global sourcing; SCM evaluation; assuring the quality of supplies; the effectiveness of SCQM; the dynamics of SCQM programmes; the competency of managers with regard to maintaining quality through SC networks; the nature and degree of partnership among SCM and QM functions; the major barrier to the effectiveness of SCQM; the overall impact of SCQM practices on each party performance and so forth.