



**GLOBAL SOURCING IN THE SHOE RETAILING INDUSTRY IN THE WESTERN PROVINCE, SOUTH AFRICA: A CASE STUDY**

by

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## DECLARATION

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## ABSTRACT

In an effort to remain competitive and maintain stable sales level and profitability, companies across the world have turned to global sourcing. This was a result of analysing the benefits of globalisation and advancement in technology which enabled this sourcing strategy to become very popular in many industries across the world. This was no different with the shoe retail industry in Cape Town. Shoe retailers have become dependent on international trade as it is synonymous with low costs and affordable shoes. However, despite these benefits, global sourcing is well known for being difficult to implement. For an industry so dependent on international trade, it was imperative to investigate how well shoe retailers have adopted global sourcing.

This thesis aimed to investigate the implementation of global sourcing by shoe retailers in Cape Town, Western Province. Global sourcing is categorised into three main stages which include domestic sourcing, international procurement and global sourcing. These were the stages used to categorise the level of global sourcing adaptation by shoe retailers in the province. The challenges and improvements required were also examined and explored. A mixed-methods approach was implemented which involved adopting both quantitative and qualitative research. Eighty survey questionnaires were administered to retail buyers, logistics managers and executive management. This represented the quantitative research category, while twenty in-depth interviews represented the qualitative research phase which were conducted on global sourcing committee members in various shoe retail companies.

The research outcomes unveiled that most shoe retailers in Cape Town source domestically through middlemen, known as sourcing intermediaries. The reasons for this included a lack of finance to support the global sourcing activities; the strategy is less risky as compared to global sourcing which is risk prone; a lack of adequate information to effectively execute global sourcing; and some retailers are too small in terms of business activity to fully implement global sourcing. The remaining retailers were split between international procurement and global sourcing. Fluctuation in exchange rates, internal communication problems, bad weather, and communication problems with manufacturers or suppliers were identified as challenges that retailers face. Areas highlighted by retailers which require improvement included internal communication between departments, increase in financial support towards global sourcing and quality control of shoes before shipment to Africa. In conclusion, global sourcing has yet to be fully adopted by most retailers in Cape Town, and sourcing intermediaries, wholesalers or agents are currently imperative for the existence of the shoe industry as they provide services which retailers cannot execute on their own.

The researcher recommends a formulation of a model or matrix which simplifies the global sourcing implementation process particularly for shoe retailers who are financially

constrained and possess fewer resources. There is also a need to educate retailers further so that, when they finally adopt the strategy, they will be able to maintain and further develop the strategy depending on their situations.

Areas for further research include: evaluating the difference between corporate global sourcing and retail global sourcing; the role of skilled labour in the shoe retail global sourcing process; the influence of location to the popularity of globally sourced merchandise; the cost savings in retail global sourcing; and the perception of retail customers on globally sourced merchandise.

Keywords: global sourcing, international procurement, off-shore outsourcing, procurement.

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## **DEDICATION**

I dedicate this thesis to my parents, Dignity and Christina, who believed and supported me in the course of this project. You are my inspiration.

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## GLOSSARY

CBD	Central Business District
CH	Consolidating Hub
CW	Central Warehouse
DF	Degree of Freedom
DTI	Department of Trade and Industry
FCL	Full Container Load
GPS	Global Positioning System
GPT	Gauteng Provincial Treasury
LP	Loading port
LCL	Less than Container Load
ISO	International Sourcing Offices
MBNQA	Malcom Baldrige National Quality Award
PWC	PricewaterhouseCoopers
RFI	Request For Information
RW	Regional Warehouse
S <sub>i</sub>	Single Supplier
SPSS	Statistical Package for Social Sciences
UP	Unloading Port

## LIST OF DEFINITIONS

Domestic Sourcing	For the purpose of this research, domestic sourcing involves sourcing all merchandise within the company's country borders. It is the first stage of Trent and Monczka (2005) global sourcing evolution diagram where most, if not all, companies start when sourcing.
Global sourcing/ Offshore Outsourcing	The collaboration and coordination of procurement necessities across distant geographical location through the use of advanced technology and procurement processes.(Trent & Monczka, 1991:4)
Global supply chains	Involves the coordination of business functions and resources to execute production and ensure continuous on-time delivery efficiency (Cohen & Mallik, 1997:193)
Globalisation	Is the movement, of people, capital and goods amongst other factors to close proximity with one another (Crafts, 2003:323)
International procurement	This is a stage within Trent and Monczka (2005:25) global sourcing diagram which take place when a company or establishment expand their sourcing operations from domestic to international and normally requires advancement in technology, emphasis is on cost savings and worldwide sourcing operations are not coordinated.

## CHAPTER 1 INTRODUCTION AND BACKGROUND

*...in studies of retail firms, researchers generally assume that retail firms can adopt global sourcing and/or international procurement to improve their product assortment, increase customer satisfaction, and cut costs. Retailing is complex and differs from manufacturing in several aspects... hence retailers are likely to face challenges. Moreover, studies focused on the performance of international strategies in the retail sector are lacking.*

*(Jonsson & Tolstoy, 2013:56)*

### **1. 1. Introduction**

Industries across the world have resorted to globalisation in an effort to outperform their competition (Trent & Monczka, 2003:607). The one area which has captured the essence of the significance of globalisation is global sourcing. Intense competition and availability of advanced technology has propelled industries into exploiting this concept. (Zeng, 2003:1, Kotabe & Murray, 2004:7). Since the early 1990s, global sourcing has been the most influential strategy pursued by most companies all over the world (Trent & Monczka, 1991). Its ability to reduce costs and provide incentives to organisations that have successfully implemented the strategy has resulted in a huge 'rush' to implement the sourcing strategy by creating global trade relationships from Asia (Boston Consulting Group, 2007:1).

According to Cho and Kang (2001:542) industries across the world are facing stiff competition to satisfy their respective markets and customers. This has resulted in companies resorting to global sourcing which guarantees an estimated cost saving of 10-40% compared to local sourcing (Frear, 1992:2; Minahan, 1996:65), increase product quality through acquiring the necessary skilled labour force to produce the product on demand and technological contributions by suppliers (Trent & Monczka, 2003:608).

A survey done in the USA by the foundation for the Malcolm Baldrige National Quality Award (MBNQA) in 2000 revealed that 95% of Chief Executive Officers acknowledged that expanding their global capabilities was their greatest challenge, while 80% of the Chief Executive Officers recognised that reducing cost and improving the global supply chain were significantly difficult (Trent & Monczka, 2003:607). This shows that despite organisations identifying the significance of global procurement, they however face problems in employing the strategy.

The same can be mentioned about shoe retailers in Cape Town. Most retailers are sourcing from foreign markets for most of their merchandise, particularly the shoe industry in Cape Town, South Africa. They have recognised the benefits of international buying to their operations and they are currently focused on enjoying the benefits associated with the practice, particularly the long-term survival of their businesses. This has been evidenced by a

drastic increase of shoe imports in the province which resulted in the province reaching an all-time high of 22,912,257 pairs (Department of Trade and Industry, 2013).

Shoe-manufacturing companies are also testifying to the rapid change in sourcing behaviour of retailers where one owner explained that 90% of his previous competition has closed down due to competitive prices and quality produced by foreign markets (Barron, 2012). However, Trent and Monczka (2005:24) warn that despite the popularity of global sourcing and international procurement in organisations, the sourcing strategies are not easy to implement. The authors go on to point out that most organisations lack the understanding, willingness and capability to successfully implement global sourcing and/or international procurement.

With this in mind, it begs the question as to how well shoe retailers in Cape Town have fully adopted global sourcing. If not, where along the line are there? Trent and Monczka (2003:614) designed a flow diagram which describes the global sourcing development. This particular diagram was selected for this research mainly because Trent and Monckza pioneered the global sourcing evolution by noticing and documenting the changes in procurement trends. The diagram also made is easier to comprehend the characteristics between stages of evolution as well as simplify the categorisation process of the participants of this research.

In this diagram Trent and Monckza (1991,2003) explain the different characteristics of each level starting from domestic sourcing, international procurement and to global sourcing. These terms will also be hugely discussed as they are critical components of global sourcing to the extent that some authors use the three interchangeably. The three strategies will be equally discussed as they are significant stages of development for global sourcing, and will also help analyse and comprehend the situation with Cape Town shoe retailers as they all participate in at least one of them. The diagram was used to as a template to uncover the actual level of global sourcing development among shoe retailers in Cape Town by comparing characteristics on the ground and Trent and Monczka's diagram hence depicts the global sourcing behaviour conducted in the shoe retail industry. The diagram is further discussed in Chapter 2.

## **1.2. Background**

The South African retail sector has significantly improved in the past years, achieving a 3% growth-rate increase. The growth rate has been parallel to the rise in sales, which reached an increase of 29% on online sales alone and experts speculate that the sales will further escalate. This improvement was a result of progress in certain areas within the retail sector, particularly in the textile, clothing and footwear retail industries. This sector has enjoyed great



success, becoming the second largest contributor to the sector overall contribution, after general dealers (Gauteng Provisional Treasury, 2012:1).

The secret to the success of the textile, clothing and footwear industries is said to be its ability to adapt to moving times, particularly international procurement and global sourcing (DTI: 2013:1). According to the DTI (2013:1), the Western Cape Province has had a gradual increase in shoe imports for the past five years. This displays the frequency of international activity the province is partaking in along with the rest of the country.

Countries that have spearheaded the supply of shoes to the Western Province comprise mainly China, Brazil, Bangladesh, India, Portugal and Vietnam. These countries have one of the world's most affordable labour forces, which make it less costly to produce merchandise for resale. It would cost on average UD\$15.50 an hour to produce shoes in America while in China it's between a range of 40c to 70c an hour. Bangladesh is recorded as the cheapest in the world with an average of 25c an hour (Illori, 2004, 12). These stats showcase the fact that it is far easier to produce shoes in these abovementioned regions than domestically.

Due to intense competition within the retail shoe industry, most retail buyers have turned their attention to international procurement and global sourcing which have seen a 90% drop in local shoe manufacturers within the past years (Barron, 2012:1). According to local manufacturers, it is difficult to compete with Chinese imports because they cannot offer the same price advantages. This has been referred to as a "... pounding of the local manufacturers" by Comely (2012), hence showing the impact of global sourcing and international procurement on the shoe industry.

The major reason Far East countries have been successful in their campaign to achieve global dominance is their ability to offer affordable prices through cheap and skilled labour (Cho & Kang, 2001:542; Barron; 2012:1; Edgell, 2008:175; Farrar, 2013:1). According to Cooper (2004:38) an example of the difference between Far East countries and other countries is illustrated by comparing the labour wage in the United States of America and that of China; an American textile and footwear worker earns US\$15.50 an hour while in China a similar worker earns only 40c an hour on average.

This cost difference has been described as "unrealistic by any measure" by Rau (2012:1) who also points out the great difference in wage rates between South Africa and the above mentioned countries, and further explains that global sourcing is more appealing to retailers than domestic sourcing because of such reasons. However, local manufacturers point out that, despite the foreign shoes being affordable, they lack quality. They also point out local retailers as "greedy" by failing to prioritise local patriotism and quality rather than profit (Barron, 2012:1).

Barron (2012:1), however, does offer an argument regarding the perceived poor quality of imported shoes by highlighting that in the past two years import quality has steadily improved. Turra (2014:1) supports this and points out that China is working on improving the quality of its produce to ensure future domination in the shoe industry through advancement in technology. According to Barron (2012:1), 70% of most shoes and clothing sold in South African markets is from China; this appears to be a result of good prices and quality.

### **1.3. Problem statement**

This study sought to establish if shoe retailers in Cape Town have successfully adopted global sourcing as their primary sourcing strategy; the strategy is well documented as being very complex to adopt. Most shoe retail stores in Cape Town are heavily merchandised with foreign produced shoes evidencing international trade within the industry. However, authors have indicated that global sourcing is challenging to implement due to several reasons. These reasons include lack of knowledge, lack of resources, lack of vision, risk, social instability in the supplier country and economic instability in the sourcing country. This study seeks to shed light on whether shoe retailers have actually adopted global sourcing or whether they are working towards achieving it since global sourcing is categorised in an evolutionary process of three distinct stages, namely domestic sourcing, international procurement and global sourcing.

The section below states the research questions and objectives which platformed the basis of the whole dissertation.

#### **1.3.1. Research questions**

1. What is the current level of global sourcing by shoe retailers in Cape Town?
2. What are the reasons for being at this sourcing level?
3. What are the global sourcing challenges faced by shoe retailers in Cape Town?
4. Which areas require improvement for shoe retailers in Cape Town to achieve complete global sourcing?

#### **1.3.2. Research objectives**

The research objectives for this study encompassed the following:

1. To determine the current level of global sourcing shoe retailers are on.
2. To discuss reasons why shoe retailers are currently on this specific sourcing level.
3. To identify the challenges shoe retailers in Cape Town face to completely adopt global sourcing.

4. To highlight areas which need to be improved to ensure shoe retailers in Cape Town completely adopt global sourcing.

#### **1.4. Significance of research**

This study mainly serves the purpose of fulfilling the requirements of the researcher's master's degree in Retail Business Management at the Cape Peninsula University of Technology. This research will undergo examination to conclude whether the research is at a master's level and has managed to identify and solve a problem within the retail industry or add value to the body of knowledge within the industry.

The research study also provides a clear presentation of shoe retailers in Cape Town and their current status on global sourcing development. This information will assist retailers in improving their current sourcing strategy and inspire the growth of their sourcing strategies as well as their businesses at large. The challenges and remedies to employ global sourcing were explored. These aspects can influence retailers to adopt the sourcing strategy as a whole, and hence realise areas of weakness and strength.

As previously indicated, there is very little documented on global sourcing and very little concerning retailing and global sourcing. The research contributes to the existing body of knowledge by expanding the current sourcing strategies in the shoe retail industry. This will facilitate further research in the line of global sourcing within the retail spectrum which will further add depth in knowledge in the area of concern.

This research can also inspire development of sourcing strategies and implementation methods. After attaining the research objectives of this research, further consideration can be applied to formulating a matrix or model based on the information acquired in this research which will enable an easy adaptation of the global sourcing strategy. This will ensure growth in the retail shoe industry and customer satisfaction through product quality and advanced replenishment systems.

#### **1.5. Delimitation**

This research was focused on shoe retailers within specific areas in Cape Town. A census sampling method was employed since the sample size is small. The areas under focus included the Cape Town CBD, Woodstock, Salt River, Parow, Paarl, Kenilworth and Lansdowne. All shoe retailers within these specific areas were under investigation which provided a more conclusive explanation. These areas were selected because they are the foci of shoe retailers in Cape Town, according to shoe retailers and observation. This research incorporated all shoe retailers within the targeted areas which contributed to the

quality of information acquired. The areas are the focal point of the shoe industry and it was vital to highlight them to obtain information on retail global sourcing

### 1.6. Structure of dissertation

For a dissertation to be comprehensible there is need for systematic synchronisation. This is the case with this dissertation. Chapter 1 focuses on introducing the area of concern which was global sourcing and identifying the problem area as well as establishing the research questions and objectives. The problem area involved investigation, specifically whether shoe retailers have successfully adopted global sourcing. For this problem area to be effectively investigated there was need to use sub-questions which ensure that collectively the main question is answered.

Chapter 2, the literature review, provides a detailed explanation of global sourcing and significant areas within the realm of global trading. This provides a platform to understand some of the key aspects of global sourcing and enable an understanding of the terms and explanations provided within the course of this research.



**Figure 1.1: Structure of dissertation**

Chapter 3, which is the research methodology, describes the details to the methods and processes conducted in an effort to acquire the different forms of data utilised for this research. It includes the research strategies, tools and explanation considered to acquiring the information.

Chapter 4 involves the analysis process of the acquired data and transforms it into viable information which answers the research questions set in Chapter 1. Triangulation was adopted for this research; this involves the use of both qualitative and quantitative research types. The transformation process of the data includes interpreting the data using content

analysis and SPSS (Statistical Package for Social Sciences), which is explained further in the methodology section. The quantitative information processed is presented in graphs from SPSS while the qualitative information is presented in bullet-point form based on the content analysis method.

The final remarks and recommendation are situated in the final chapter of this document. It also includes areas for further research and personal reflections of the author.

## **CHAPTER 2**

### **LITERATURE REVIEW ON GLOBAL SOURCING**

*One area where companies can begin to capture the benefits of globalization is global sourcing.*

*Trent and Monczka (2003:607)*

#### **2.1. Introduction**

The previous chapter showcases a brief overview of the area under study by introducing and discussing global sourcing and shoe retailers in Cape Town, in particular retailers adopting global sourcing in their procurement operations as a means of fending off competition. The main objective of this research, however, was to identify at which stage of the global sourcing evolution the shoe retailers in Cape Town currently are. Other objectives of this research include identifying challenges faced by retailers in their efforts to apply global sourcing. The purpose of this chapter is to review the relevant literature and establish a theoretical foundation of the study. The chapter discusses different but related areas of the research, pointing out different authors' perspectives on global sourcing. The chapter also discusses the origin of global sourcing, the definition of global sourcing, decisions made in global sourcing, global sourcing trends, the advantages and disadvantages, the costing in global sourcing and risks in global sourcing. The first section discusses the origin of global sourcing, which is globalisation.

#### **2.2. Theoretical framework**

##### **2.2.1. Origin of global sourcing**

Global sourcing, also known as offshore outsourcing, is said to have been shaped by the realisation of the effectiveness of globalisation (Trent & Monczka, 2003:607). According to Al-Rodhan & Stoudmann (2006:3), globalisation is not easy to define as it is not one concept but a collaboration of factors which include economic integration, the transfer of policies across geographical borders, collection of knowledge, cultural stability and an establishment of the global markets free from socio-political control.

However, Al-Rodhan & Stoudmann (2006:2) summarise globalisation as "a process which encompasses the cause, course and consequences of transnational and transcultural integration of human and non-human activities". To simplify the definition of Al-Rodhan & Stoudmann (2006:2), Crafts (2003:323) point out that globalisation is the movement of people, capital and goods, amongst other factors, to close proximity with one another. Crafts (2003:323) go on to explain that the emergence of globalisation was brought forward by the desire of companies to reduce the cost of doing business. This definition indicates the elements that gave birth to global sourcing, which include dissolving geographical, economic

and political boundaries by the movement of commodities and people. According to Zeng (2003:367), globalisation thrives mainly because of the advancement in technology. He further argues by explicating that companies, people, capital and raw materials are easily connected through technology when the ordering, supplying and tracking of merchandise is coordinated via a computer. This then led to companies planning and purchasing from markets outside their geographical boundaries to cope with the intense pressure in their local markets. This was called international procurement; it is different to global sourcing because of a few very crucial differences. This is discussed later in the chapter.

### **2.2.2. Global sourcing**

Shelton (2005:318) acknowledges that the significance of offshore outsourcing to companies is rising rapidly due to rate of innovation companies are developing. With the aid of globalisation, offshore outsourcing is recognised as the solution to competition problems through the offering of quality and affordable products to the targeted markets (Zeng, 2003:785). Most successful companies develop their products in Europe and the United States of America – while the manufacturing procedure is done in Asia and Latin America – and sell worldwide (Burson, 1999:92). The ideology is to move a job or function from a high-cost location to a lower-cost location outside the home country's geographical boundaries (Shelton, 2005:318). Companies that successfully implement global sourcing do not only enjoy a drastic reduction in labour costs but also in material costs; this can attain a material-cost saving averaging from 15% to 30% as compared to firms that source from local or regional enterprises (Trent & Monczka, 2003:608).

Trent and Monczka (1991:4) define global sourcing as the collaboration and coordination of procurement necessities across “global business units, identifying common merchandise, supplier, technology and processes”. Schneid (2004:3) concurs with the definition and posits that global sourcing is an organised purchasing, marketing and strategic orientation of supply-chain management on a worldwide scale. Vasudeva (2011:58) has a similar perspective on the definition of Trent and Monczka (1991:4) and Schneid (2004:3); he describes global sourcing as “proactively integrating and coordinating common items and materials, processes, designs, technologies and suppliers across worldwide purchasing, engineering and operating locations”. Price Waterhouse Coopers (PWC) (2010:7) define global sourcing as instruments designed to better operational efficiencies for companies that source or/and trade within or beyond their geographical boundaries.

The above definitions highlight certain key areas that determine global sourcing. These include production and purchasing from foreign markets, advancement in technology, price economies and coordination of resources and information. These factors are the benchmarks for an effective global sourcing strategy. Trent and Monczka (2005:27) concur with the

evaluation and outline the following characteristics that ensure companies' excellence in global sourcing. They include:

- Executive commitment of global sourcing
- Rigorous and well-defined processes
- Availability of required resources
- Integration through information technology
- Supportive organisational design
- Structured approaches to communication
- Methodologies for measuring savings.

#### **2.2.2.1. Executive commitment of global sourcing**

In the definitions discussed earlier, global sourcing has been highlighted as a strategy that greatly benefits from a coordination of resources. According to Trent and Monczka (2005:27), this coordination of resources requires monitoring and support, and this can only be accomplished by top management. Top management, also known as executive management, is responsible for facilitating global sourcing, and ensuring that organisations fully employ and harvest the rewards of global sourcing.

Trent and Monczka (2005:27) point out that in other circumstances a global sourcing committee is initiated to ensure the effectiveness and efficiency of the strategy within the organisation. They go on to state that the committee normally includes a vice president of research, a vice president of supply-chain management, a vice president of sales and marketing and a vice president of information technology. These are all representatives of functional departments within an organisation, hence cementing the ideology of the significance of coordination of resources to global sourcing.

#### **2.2.2.2 Rigorous and well-defined process**

Trent and Monczka (2005:28) discovered that from all possible threats of global sourcing, the global sourcing process was identified as crucial to the success of the strategy. Structuring a well-defined global sourcing strategy greatly facilitates the success of global sourcing within any industry. It also helps to standardise and overcome differences in location, for instance social culture and law, personnel skills and business culture.

The authors also indicate that having a systematic global sourcing process accelerates learning, as participants become familiar with the well-defined process. Importantly, a well-defined global sourcing process simplifies documentation of the process and measuring, and facilitates an improvement of the sourcing process of the organisation.



### **2.2.2.3. Availability of required resources**

According to Trent and Monczka (2005:27), the availability of resources greatly determines the success or failure of the global sourcing strategy employed. These resources include time, budget, information and qualified participants as well as help from other personnel excluded from the global sourcing committee. The availability or absence of any of the mentioned resources can ruin or greatly facilitate the efficiency and overall effectiveness of the sourcing strategy to the company.

This, as a result, is of paramount importance to companies that are willing to indulge in global sourcing as this ensures that all necessary resources are available for use. This includes making a sound budget for the personnel and activities involved; compromising time for the procurement process, which is considered the most crucial factor to global sourcing success; the necessary information to ensure sound decision making and the easy execution of tasks; and qualified personnel who are knowledgeable of the different global sourcing activities.

### **2.2.2.4. Integration through information technology**

As highlighted earlier on the discussion of the meaning of global sourcing, technology has been indicated as the great facilitator of the operations of global sourcing. Trent and Monczka (2005:27) state that to have an effective global sourcing process there is a need to integrate information technology so that processes can be executed faster and smoother through coordinated activities amongst personnel.

However, Trent and Monczka (2005:27) also point out that this has been very difficult to materialise, as companies fear disclosure of their information to other companies. They fear the risk that the information they share can be used against them, leading to acquisition or unwanted mergers. Because of this reason, companies are reluctant to employ this trait and achieve complete global sourcing.

### **2.2.2.5 Supportive organisational design**

Trent and Monczka (2005:29) define organisational design as “the process of accessing and selecting the structure and formal system of communication, division of labour, coordination, control, authority and responsibility required to achieve organisational goals”. The authors continue by pointing out that a company that excels in global sourcing has a conducive organisational design which, from the definition, implies every activity within an organisation.

Trent and Monczka (2005:20) identify three organisational design features that include: formulating a formal executive committee which guides the company’s sourcing activities; the selection of an executive leader whose responsibility is to ensure positive global sourcing results; and utilising the selected committee to strategise sourcing operations. The personnel selected for the global sourcing committee are employees who have other duties to perform

besides that of global sourcing; hence the need for an executive leader selected for the group to create a system that reduces the risks of conflict between departments and ensure the effective and timely utilisation of personnel.

#### **2.2.2.6. Structure approaches to communication**

Trent and Monczka (2005:29) mention that communication between parties within a global sourcing strategy is difficult because of the distance separation. This problem is, however, curbed by scheduled weekly conference calls, regular strategy-review meetings and training sessions involving team members from each site.

#### **2.2.2.7. Methodology for measuring savings**

According to Trent and Monczka (2005:29), frustration is evidenced by most companies as they fail to determine how much saving global sourcing actually achieves. They further note that this is normally due to the negligence of finance departments to keep track and calculate how much global sourcing is assisting the company realise savings. This, as result, has built the perception that global sourcing is an unnecessary expense to most companies.

It is unfortunate that there is no prescribed formula to calculating global sourcing, despite other companies working on unit-cost savings which, however, is not equivalent to the total cost savings. Companies nevertheless calculate the impact of global sourcing savings on areas that capture the attention of executive leaders; for instance a return on assets.

#### **2.2.3. Difference between global sourcing and international procurement**

Since the emergence of global sourcing, firms and the public at large perceive global sourcing to be the same as international procurement. This perception is not far from the truth because the two are actually related, but somehow differ in specific areas and functions. The section below discusses the differences between global sourcing and international procurement, predominantly from Trent and Monczka (2003). The reason for this was they captured the main difference between the two stages which eclipsed every important aspect of the two terms.

This is affirmed by Trent and Monczka (1991:5) who point out that global sourcing is normally confused with international purchasing. The authors distinguish the two by outlining that international purchasing involves acquiring merchandise from suppliers outside the business's country of operation. Trent and Monczka (1991:5) describe global sourcing as a proactive integration of resources to execute the purchasing function on an international scale. The two activities both involve purchasing from markets beyond their geographical boundaries of trade, but the crucial difference is that global sourcing involves the coordinating of resources like processes and designs, and is strategic in nature, whereas

international purchasing is tactical in nature and only involves purchasing from foreign markets (Trent & Monczka, 1991:10).

Trent and Monczka (2003:30) further discuss differences between international purchasing and global sourcing. The authors identified that companies that practise global sourcing are normally larger in size compared to companies that practise international purchasing. These companies, according to Trent and Monczka (2003:30), compete mostly with multi-regional companies. When a company grows in size, its functional areas also expand and integrated global sourcing becomes the next logical step of the sourcing procedure (Trent & Monczka, 1991:4-6). However, this does not automatically exclude smaller businesses because, according to Trent and Monczka (2005:24), it is not certain that only larger organisations can fully employ global sourcing as it has not yet been researched, but theoretically they suggest that the process of global sourcing is easier for larger firms.

The second difference between global sourcing and international procurement, as highlighted by Trent and Monczka (2003:31), is that firms that practise global sourcing realise improvement in their operations through the full implementation of the strategy into their operations. On the other hand, firms that exercise international purchasing perceive that there is still much more to be done to fully implement global sourcing.

Performance improvement and cost-reduction opportunities are perceived to be more in global sourcing compared to firms that practise international procurement (Trent & Monczka, 2003:31). This is because companies that source globally have more opportunities, like economies of scale which is a result of purchasing in large quantities and installing procedures to simplify the procurement process.

Firms that source globally believe that global strategies are more important to a company's executive management compared to firms that source internationally (Trent & Monczka, 2003:31). This is also highlighted by Shelton (2005:318) and Trent and Monczka (2003:26); the authors acknowledge how executive management considers global-strategies development as a critical area within organisations.

Trent and Monczka (2003:32) explain that firms that practise global sourcing have more benefits compared to internationally-purchasing companies. They further argue that they provide the difference in advantages between firms that practise global sourcing and those that source internationally.

Firms that source globally depend heavily on flawless communication to support their efforts compared to firms that source internationally (Trent & Monczka, 2003:31). Zeng (2003:367; 2003:785) outlines that global sourcing thrives more if there is technological support

compared to international sourcing which does not depend heavily on technology advancement for success (Trent & Monczka, 2003:32).

Organisational support for global sourcing efforts is also a critical and noticeable difference between firms that source globally and those that practise international sourcing (Trent & Monczka, 2003:32).

According to Trent and Monczka (2003:32), companies that source globally occasionally conduct regular strategy reviews and coordination sessions with sourcing and functional managers. They further explain that carrying on review sessions influences sourcing efficiency through identifying and discussing areas where improvement is required and solutions to improve current situations. This is not normally the case, as international procurement focuses on a one-time transaction, which is economical for the purchase of the product and it does not construct a long-term relationship with the supply chain and stakeholders.

Another identifiable difference is that firms aiming for global sourcing make use of international sourcing offices (ISO). ISOs facilitate the identification of potential suppliers, obtain product samples, conduct supplier visits and manage technical and commercial concerns (Trent & Monczka, 2003:23). International procurement firms do not need ISOs because their aim is once-off transactions which require a minimum setup investment.

The section above offered a detailed insight into the major differences between global sourcing and international procurement noticed by the executive management of different companies. However, as mentioned earlier, global sourcing and international procurement are related and the next section will further discuss their relationship.

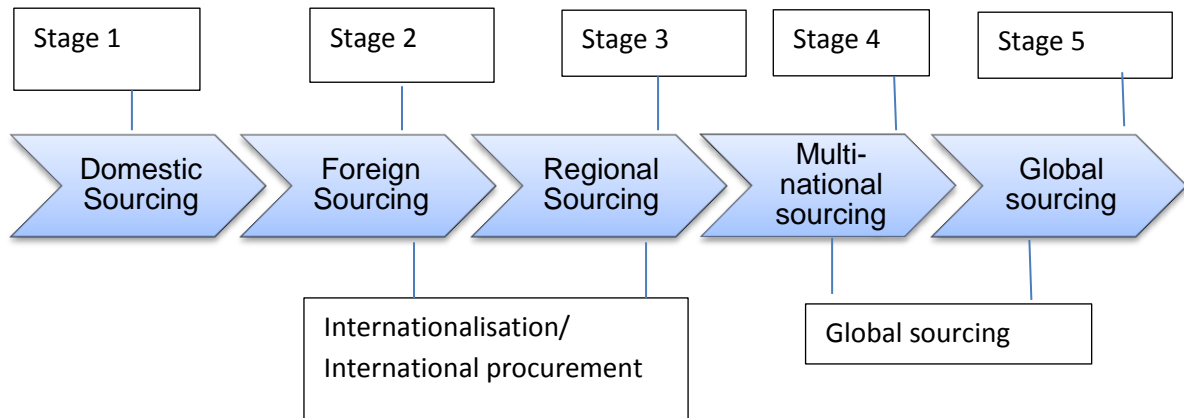
#### **2.2.4. Stages in the evolution of global sourcing**

Despite the differences mentioned above, global sourcing and international procurement are related areas not only because they are based on sourcing but they are part of one another. This section discusses the relationship between the two as well as other stages of global sourcing according to Monczka and Trent (1991). Monczka and Trent (1991) designed the diagram when they realised that global sourcing was an advanced stage of international procurement. Despite its seemingly complex stature, this section aims to simplify the whole aspect of global sourcing and its sub-stages by identifying the characteristics of the different stages of global sourcing.

Global sourcing comprises different stages depending on the resources, the willingness of management and the size of the company. Trent and Monczka (1991:4) create a development process and mention the different characteristics within the stages. Figure 2.1

highlights the stages in the evolution of global sourcing, which has its roots in the early 1990s when international procurement and global sourcing were relatively new.

Below is a structured diagram showcasing the buying evolution within companies, according to Trent and Monczka (2003:614). The diagram is recognised by Hong and Holweg (2005) as the commonly used explanation of global sourcing.



**Figure 2.1: Global sourcing evolution diagram**

**Source:** Trent and Monczka (2003:614)

According to Trent and Monczka (2003:613), a business goes through a development continuum of evolution. The authors further mention that most businesses start up from domestic sourcing and only internationalise when their businesses and operations expand. This point is supported by Rajagopal and Bernard (1993:4) who argue that sourcing evolves with the maturity of the business through a continuum and the significance of integrating resources within the organisation to ensure competitive efficiency. Trent and Monczka (2003:613) observe that there is a large number of companies at the early stages of development, specifically stages 1 and 2, which is the opposite of the last stages of development (stages 4 and 5) where companies are fewer. The authors postulate that, as the process matures, there are fewer and fewer firms that practise the upper levels of global sourcing. The reason for this decrease in number is that companies only reach the two stages when they have realised a worldwide sourcing position (Trent & Monczka, 2003:613).

Mohammad and Julien (2010:2) explain Trent and Monczka’s (2003:613) model as developing from sourcing locally to an international strategically coordinated sourcing strategy. The authors further point out that domestic sourcing involves acquiring merchandise locally, which is within the boundaries of the country. Stage 2 encompasses both local sourcing and outside-border sourcing.

Stage 3 is depicted by Mohammad and Julien (2010:2) as “worldwide buying as part of purchasing strategy”. Instead of international procurement being a supporting tool to complement local procurement, in this stage it is the main sourcing tool for the organisation. Global sourcing is encompassed by stages 4 and 5 where there is an integration of resources and strategies on a worldwide scale. The difference between the two stages is that stage 4 includes both regional and worldwide purchasing strategies while stage 5 is dedicated to worldwide purchasing only. Trent and Monczka (2003:616) point out that the most distinguishing factor between international procurement and global sourcing is the company’s perception of the benefits realised from worldwide sourcing efforts across 16 areas. These areas are depicted in Table 2.1 below as well as the results obtained from a study conducted to prove the benefits of global sourcing against international sourcing.

Note: These factors are arranged in descending order in respect to what was perceived by companies at the time as major influencing attributes to making a purchase.

**Table 2.1: World-wide sourcing benefits**

<b>Benefits</b>	<b>Overall sample average</b>	<b>Global sourcing average</b>	<b>International purchasing average</b>
Lower purchase price	5.40	5.98	5.04
Greater access to product technology	3.97	4.69	3.49
Improved supplier relations	3.92	4.61	3.46
Greater access to process technology	3.89	4.54	3.46
Greater appreciation of purchasing by internal customers	3.76	4.25	3.44
Higher user satisfaction with the purchasing process	3.65	4.10	3.36
Greater supplier responsiveness to buying unit needs	3.64	4.47	3.08
Higher material / component/ service quality	3.61	4.16	3.25
Greater standardisation or consistency of the service process	3.51	4.25	3.01
Improved information with suppliers	3.46	4.10	3.04
Better management of total supply chain inventory	3.38	3.90	3.04
Greater early supplier involvement during new product/ service/ development	3.23	3.86	2.80
Lower purchasing process transaction	3.17	3.67	2.87
Shorter ordering cycle time	3.10	3.67	2.76
Improved environmental compliance	2.73	3.24	2.39

**Source:** Trent and Monczka (2003:617)

Trent and Monczka (2003:618) reveal that companies in the third stage, and which are striving to reach level 4 and 5, must engage in coordinating resources to enhance the effectiveness of the global sourcing process. However, the author warns that a lack of knowledge of how to coordinate the resources to achieve global sourcing effectiveness is a challenge for most companies. The only way mentioned by Trent and Monczka (2003:618) is to grasp an understanding of the factors that are most critical to worldwide sourcing success.

Trent and Monczka (2003:618) identify the ten most and least important factors for worldwide sourcing success that are used by companies within ranges from stages 2 to 5. This data was captured through research and the literature review, and Table 2.2 depicts the information attained.

**Table 2.2: Highly rated and least rated factors considered in worldwide sourcing**

Highest rated	Lowest rated
Personnel with required knowledge, skills and abilities	External support (such as consultants)
Availability of required information	Decentralised procurement structure
Awareness of potential global suppliers	An executive steering committee to guide the process
Time for personnel to develop global strategies	Marketing support of the global sourcing process
Availability of suppliers with global capability	International purchasing support office
Ability to identify common requirement across buying units	Language similarity with global supplier
Suppliers who are interested in global contacts	Compatibility information system with supplier
Operations / Manufacturing support of the global sourcing process	Cultural compatibility with global supplier
Internal customers buying to global sourcing contact	Common part coding system across buying units
Direct site visits to suppliers	Plant level participation during global contact development

**Source:** Trent and Monczka (2003:619)

Trent and Monczka (2003:619) identify acquiring qualified personnel as the primary attribute of a company that sources globally. Giunipero (2000) acknowledges this fact and adds that there is need for personnel to bear cost analytics skills, to have an understanding of global markets, to possess the ability to negotiate and to develop global contacts.

Nevertheless Trent and Monczka (2003:619) warn that it is difficult to acquire personnel with the necessary attributes to perform global sourcing effectively because global sourcing is more complicated compared to domestic sourcing. The authors further explain that global sourcing requires collaboration with engineering personnel, but this has very little success because there are often trust issues which cloud the productivity of the collaboration as a result of the difference of set goals. The authors, however, suggest that the best way to acquire personnel with the appropriate skills and knowledge is to internally train personnel who will ensure the embedment of company policy and the requirement within personnel which enhances efficiency.



Trent and Monczka's (2003:620) table lists the availability of required information highly. The authors acknowledge the significance of information in global sourcing because for a global sourcing operation to be effective there is need to acquire all the required information to make effective evaluations within different situations. Some of the information considered vital to a global sourcing operation includes the availability of suppliers, reports on supplier capability and performance, the projected worldwide volumes, and the demand by commodity or category.

As mentioned earlier, the acquisition of information is paramount especially when considering potential suppliers in a global sourcing operation (Trent & Monczka, 2003:620). Failure to identify suppliers inevitably points to the failure of the overall business operation for company. Trent and Monczka (2003:620) observe that companies are investing heavily in information, particularly information that indicates global supplier availability in Asia and South America, such as Request For Information (RFI). The RFI is "a generic supplier questionnaire that asks about sales, production capacity, quality certification, familiarity with the buyer's business and major customers" (Trent & Monczka, 2003:620).

Table 2.3 depicts the listing of time for personnel to develop global sourcing strategies. According to Trent and Monczka (2003:620), time is the most limited resource for companies that source globally. The authors point out that despite time being inadequate, companies should provide time for personnel to develop strategies for global sourcing through team building and at the same time ensure that personnel who have other tasks to accomplish have the time to do so.

This section has discussed the stages in the evolution of global sourcing within companies and has indicated the critical and least critical areas in global sourcing. This information is pivotal for any business which is serious about effectively utilising global sourcing within their organisation. An area very important for global sourcing is global supply chains; this involves the procedures used to get the product from manufacturer to the retailers. This is discussed in the next section of this chapter.

### **2.2.5. Why global sourcing?**

After understanding what global sourcing is, the next logical question is to ask: why global sourcing? This section will discuss the reason why companies are investing so heavily in resources to ensure that they fully benefit from the advantages of using global sourcing.

Global sourcing can implicate a cost reduction of 15 to 30% compared to local sourcing (Cho, 2001:542). This, amongst many, is the main reason why companies have been swayed to the idea of implementing global sourcing. PWC (2010:5) concur and points out that global sourcing is a solution to competitiveness and survival in the modern business

world. This, amongst many, is the main reason companies are exploring the option of global sourcing compared to sourcing domestically. Platts (2010:320) agrees with this reasoning and is of the opinion that the likely destination for most companies that practise global sourcing is China and Vietnam. The reason why China is regarded as the most suitable location for global sourcing is the price advantage it offers its clients (Frear, 1992:2; Minahan, 1996:65; Mankino, 1999:42).

However, despite the opinion of Frear (1992:2), Minahan (1996:65) and Mankino (1999:42) who suggest that China is the most economic location to manufacture and acquire products, Platts (2010: 320) and Peterson (2000:29) are of the notion that China is not the cheapest place to acquire products because an average of 50% of the quoted prices are additional costs, while companies perceive additional costs to be only 25%, hence indicating that companies do not comprehensively measure costs for global sourcing.

Global sourcing is adopted by most companies because it improves their competitiveness. Companies that employ global sourcing are in a position to offer better products at affordable prices. Global sourcing also enhances a company's image as it attracts recognition from suppliers and the world of its existence and vision. Foreign markets offer better quality products and, in some cases, products which are scarce or difficult to acquire. Another factor which fuels buyers to acquire from foreign markets is the better delivery terms in which the suppliers offer competitive lead times (Frear, 1992:2).

According to PWC (2010:7), another reason why companies source globally is to access qualified personnel. There are products which can only be produced by skilled and trained personnel who are unavailable in local markets, so companies have no choice but to source products from foreign markets that have the skilled personnel. PWC (2010:8) go on to point out that global sourcing facilitates the fragmentation of interdependent business units by seeking strategic alignment.

#### **2.2.6. Advantages and disadvantages of global sourcing**

Jean (2008:266) illustrates advantages and disadvantages associated with implementing global sourcing. These advantages and disadvantages are depicted below.

**Table 2.3: Advantages and disadvantages of global sourcing**

<b>Advantages</b>	<b>Disadvantages</b>
Increased size of potential supply base	Have to deal with foreign institutions such as border law enforcement agencies
Lower production cost, especially for labour intensive production	Have to deal with foreign cultures which could affect communication
Increased technical experience, mostly for high technology production	Have to deal with foreign languages which could affect communication
More flexible to switch between supply sources	Need to pay import duties where applicable
Enjoy benefits of economies of scale	Increased transportation costs and supply chain uncertainty
Source of intermediate products closer to raw materials	Forward integration by foreigner suppliers, patent infractions possible
Raw materials only available from foreign sources	Quality problems
Focus on core competencies	Negative effects on employee commitments and legitimacy at home base
Reliance on independent suppliers, and decreased ability to keep abreast of emerging technical requirement	

**Source:** Jean (2008:266)

A common but vital benefit of global sourcing is its ability to reduce costs; this is amongst the main reasons global sourcing has been a major priority for most companies (Liu et al., 2008:436; Monczka & Morgan, 2000:86; Tsai et al., 2008:415). Contrary to the perception of Zeng and Army (2003:367), Christopher et al, (2011:70), and Trent and Monczka (1991:4) that global sourcing facilitates cost saving in firms, other authors suggest that there is a need for a balance between outsourcing and insourcing. Jean (2008:266) argues that if a firm outsources (global source) all of their activities this can lead to a deficiency in innovation, bargaining power and a loss of identity of the firm.

On the other hand, firms that insource all of their activities run the risk of failing to utilise the powerful incentives supplied by markets (Jean, 2008:266). As the company does more offshore outsourcing the highlighted disadvantages above become more and, inversely, if a firm insources all of its activities the advantages highlighted above become less (Jean, 2008:266).

According to Jean's (2008:266) table, global sourcing influences the advancement in technology through exposure. Trent and Monczka (2003:609), Monczka and Morgan (2000:86) and Fagan (1991: 23) all concur with Jean (2008: 266) and explain that newly discovered technology is used to explore new markets and enhance the company's ability to source globally.

Through global sourcing the quality of products also improves (Trent & Monczka, 2003:608; Humphreys et al., 1998:176) as firms enjoy diversity in options (Jean, 2008:266). According to Fagan (1991:23) the availability of a big supply base also makes it possible for sourcing firms to acquire scarce or rare material or products.

Despite the advantages mentioned above, global sourcing exposes users to vast challenges such as a decrease in earnings due to hidden costs (Fagan, 1991:23; Tsai et al., 2008:416). Other challenges include hyping transport costs and supply-chain risks due to the potential breakdown of modes of transportation (Jean, 2008: 266). This also leads to longer lead times which disrupt the company's plans and the firm's competitive strategy as well as customer expectations of the business (Fagan, 1991, Fitzgerald 2005:16).

According to Trent and Monczka (2005:25) and Jean (2008:266), global sourcing faces cultural difference challenges. These authors further point out that when different people with different backgrounds and cultures meet to trade this usually complicates the process of trade – especially if the trading parties have little information on each other's customs and cultures – and results in misunderstandings or even no trading at all.

Not only can cultural difference hinder sourcing operations but so can political instability (Liu et al., 2008:437; Fagan, 1991:23; Fitzgerald, 2005:17; and Manuj & Mentzer, 2008:133). Developing countries are commonly affected by political instability and to conduct global sourcing in such regions is very difficult.

Lui et al. (2008:435); Fagan (1991:24); and Trent & Monczka (2005:25) all agree that exchange-rate fluctuations are another limiting factor to global sourcing because they make the activities very unpredictable. The global sourcing budget is mostly affected by this challenge and it forces most companies to formulate pragmatic means to ensure minimal damage to budgets set. Budgets enable companies to know their cost savings through global sourcing but this is not possible if the budget is constantly disrupted. This also affects the expected trading costs of companies because they have to pay for any budget variances encountered (Fagan, 1991:21-24).

As mentioned earlier by Jean (2008:266), global sourcing involves an increase in rules and regulations that involve abiding by foreign and local laws on imports and trade. According to Trent and Monczka (2005:25), these rules and regulations involve acquiring and filling in the necessary paperwork both foreign and domestic; this is known to be very tedious and time-consuming in the event of the company performing the process itself.

### **2.2.7. Global sourcing supply chains**

Global supply chains facilitate the operation of global sourcing and it is paramount to discuss what and how global supply chains work. This section also discusses the functions of global supply chains and the logistics-network configurations used by various companies to ensure the on-time delivery of goods.

### **2.2.7.1. What are global supply chains?**

According to Cohen and Mallik (1997:193), a global supply chain involves the coordination of business functions and resources to execute production and ensure continuous on-time delivery efficiency. Rao and Young (1994:11) and Creazza et al. (2010:154) concur and explain that, despite global distribution being complex, it is a critical area within the global sourcing logistics operation. This operation is normally conducted by third parties such as freight forwarders, custom-house brokers, and ocean and air carriers which are able to offer bundled services for the movement of international freight (Rao & Young, 1994:11). However, Crum et al. (1992:37-39) point out that third parties face problems with the buying company because most buying firms are partnering with the carriers, hence eliminating them from the equation.

Global supply chains encounter challenges with logistics over different geographical areas because it is difficult to coordinate their activities across distant destinations as well as identify the suppliers for the sub-assemblies, components and materials (Chopra & Meindl, 2004:53). Furthermore, such coordination can only take place if a firm is able to influence the same value-adding services to other production areas across the world (Cohen & Mallik, 1997:194). Deficiencies in local infrastructure and facilities also affect the global supply chain by hindering the transportation process as well as communication between invested parties (Meixell & Gargeya, 2005:533).

However, global supply chains have advantages which include enjoying the benefits of economies of scale that make it easier to negotiate transportation costs which ultimately increase the profit margin (Cohen & Mallik, 1997:194). This point, however, is criticised by Meixell and Gargeya (2005:533) who demonstrate that the expansion of the logistics network will adversely increase transportation costs and increase lead times. They can also enjoy the benefits of diversities in different geographical regions, i.e. the technological development in terms of production and logistics operations, labour efficiency and effectiveness, and local tax rates (Cohen & Mallik, 1997:194, Meixell & Gargeya, 2005:533).

**Table 2.4: Classification of international logistics functions**

<b>Planning functions</b> Location selection Supplier selection Supplier contracting Scheduling	<b>Equipment functions</b> Selection Allocation Sequencing Positioning Inventory control Ordering Repair	<b>Terminal functions</b> Gate checks Location control	<b>Handling functions</b> Pick-up Consolidation Distribution Expediting Diversion Trans-loading
<b>Administrative functions</b> Order management Document preparation Custom clearance Invoicing Inventory management Performance evaluation Information services Communication	<b>Warehousing functions</b> Receiving Inventory control Re-shipment	<b>Pre/ post productions functions</b> Sequencing Assorting Packaging Postponement Marketing	<b>Transportation functions</b> Modal coordination Line-haul services Tracking and tracing

**Source:** Rao and Young (1994:13)

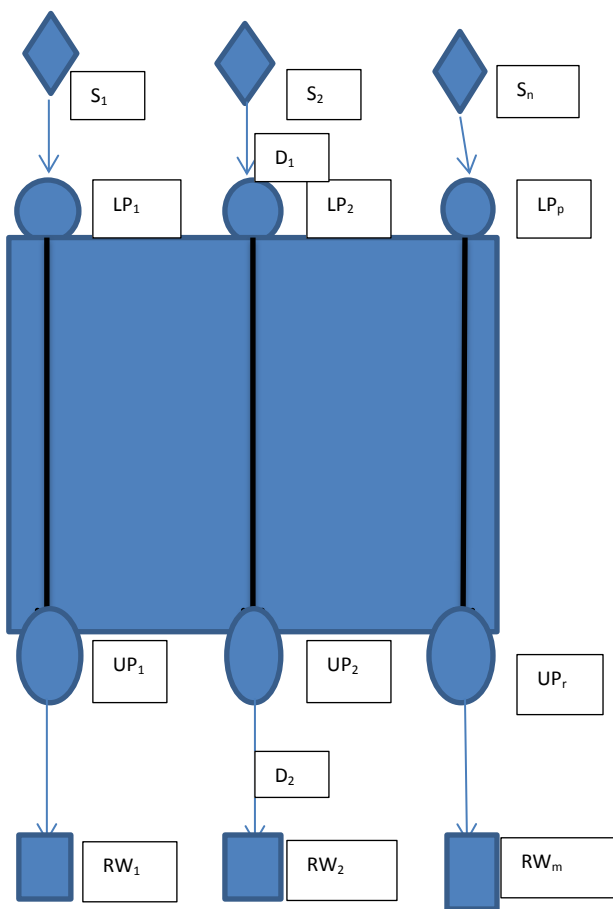
Global sourcing supply chains have major functions which facilitate the efficient transit of goods from the point of origin to the buyer. These functions include planning, administration, equipment related handling, production, warehousing, and transportation (Rao & Young, 1994:13). Table 4 above shows the sub-functions of the global supply chain.

#### **2.2.7.2. Global logistics network configurations**

According to Lovell et al. (2005:157), the product-sourcing firm or retailer makes use of a warehouse system where goods are purchased and sold through a network of regional warehouses in more than one area. Creazza et al. (2010:156) point out that the transportation of goods is done mainly in containers which are advantageous in the sense that they have low freight rates despite a long transit. This process is done through Ex Work Incotern, which enables the buying firm to visualise and control the entire transit process (Creazza et al., 2010:156).

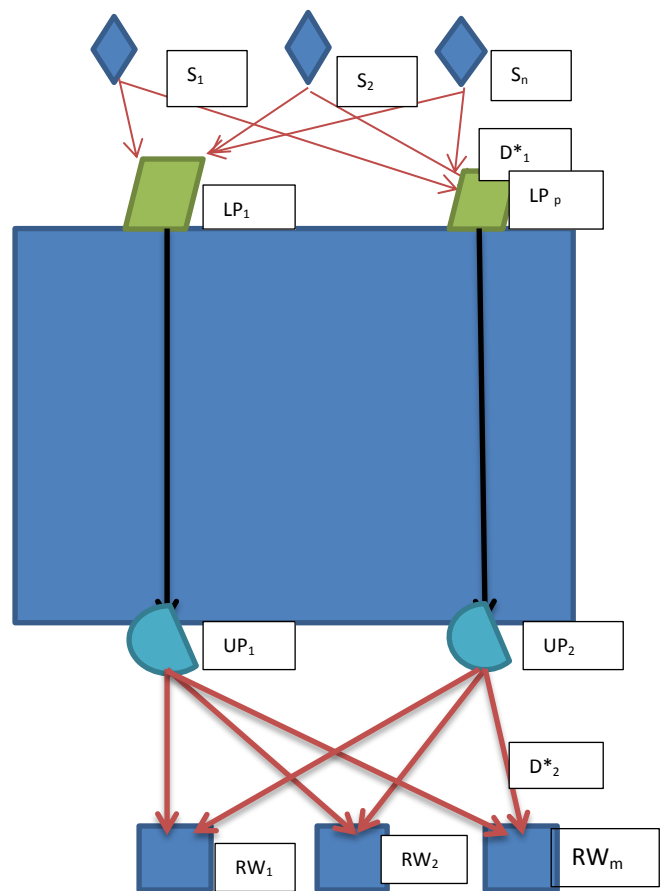
Zeng and Rossetti (2003:789) and Dallari et al. (2006: 529) identify two ways of utilising the container method which includes full container load (F.C.L) and less than container load (L.C.L). Cheong et al. (2007:52) concur and advocate the possibility of consolidating shipping loads which optimises the whole sourcing process through the use of either full container loads or loads less than full container loads. Creazza et al. (2010:156) explain further by highlighting that shipments from several suppliers are collected and consolidated from less than truck loads / less than container loads to full truck loads / full container loads.

Figures 2.2 to 2.6 demonstrates five different means of consolidation that can be used to ensure cost reductions which include direct shipment, one echelon with consolidation upstream, one echelon with consolidation downstream and two echelon logistics (Dallari et al., 2006:529, Simchi-Levi et al., 2003: 6-70). According to Creazza et al. (2010:156) and Dallari et al. (2006:529), these consolidation processes differ from one another in terms of cost structure, supply lead-times, risk of delay and operational complexity.



**Figure 2.2: Direct consolidation (LCL)**

**Source:** Creazza et al. (2010:157)

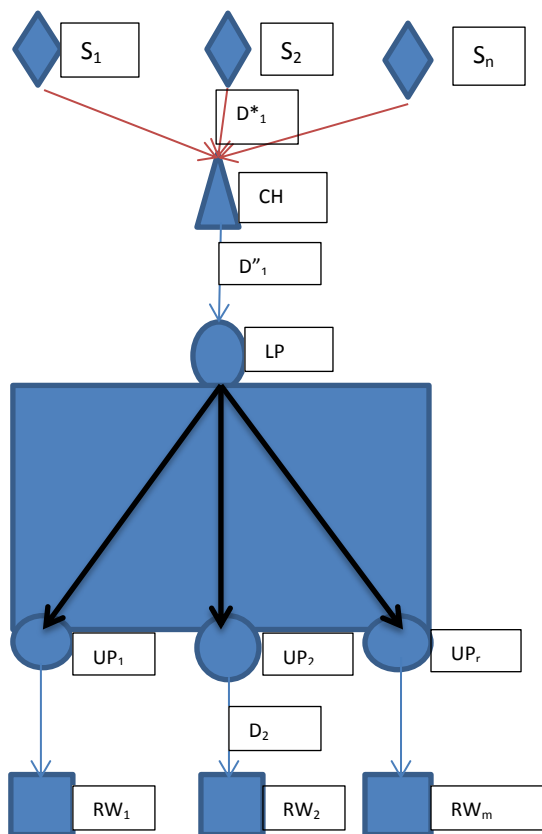


**Figure 2.3: Direct shipment with groupage**

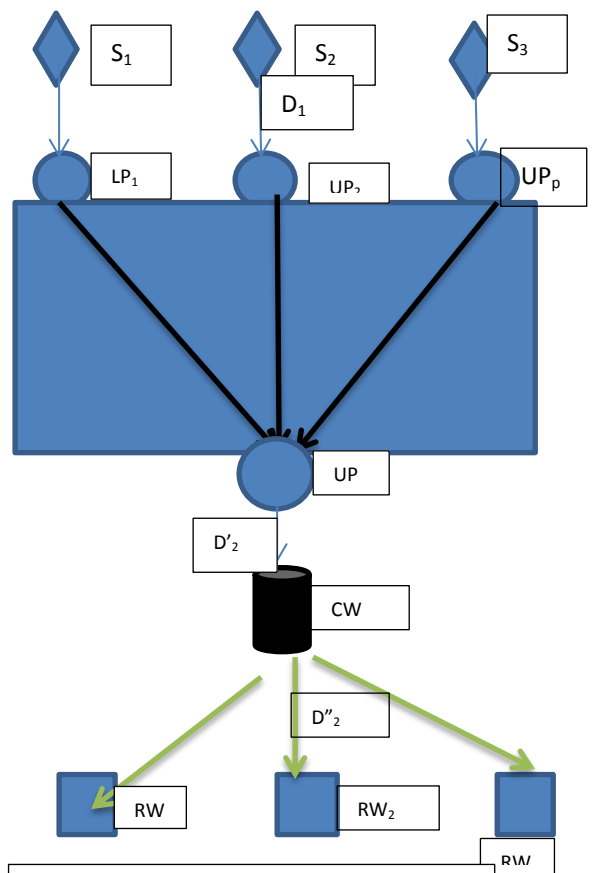
Figure 2.2 illustrates one of the five consolidation options which a buying company can utilise to achieve logistics effectiveness and efficiency. The diagrams above are based on an understanding of the logistics configuration of Creazza et al. (2010:156). They explain direct shipment as having a full container load, with the use of a single supplier (S<sub>i</sub>) based in the Far East, to a regional warehouse (RW<sub>j</sub>) located in Europe. With the use of first container haulage to the loading port (LP<sub>k</sub>), the merchandise is unloaded at an unloading port (UP<sub>h</sub>) through the use of an ocean shipping leg to the final destination (RW<sub>j</sub>).

Figure 2.3 depicts direct shipment with a groupage container (less than a container load) which involves non-containerised goods transported by road haulage to freight forwarders near the loading port (LP<sub>k</sub>) for container consolidation. After shipping, the goods are deconsolidated at an unloading port (UP<sub>h</sub>) where the now non-containerised goods are transported to one or more regional warehouses.





**Figure 2.4: Echelon with consolidation hub**

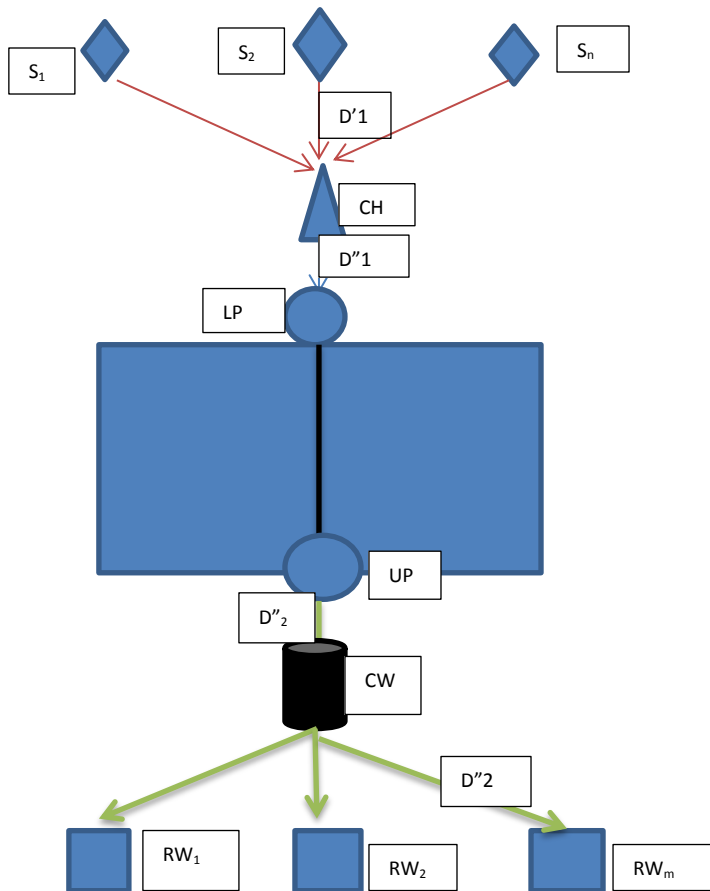


**Figure 2.5: Echelon with central warehouse**

**Source:** Creazza et al. (2010:157)

Figure 2.4 displays one echelon logistics network with a consolidation hub in the Far East. This scenario involves non-containerised goods shipped by road to the company's consolidation hub (CH) where goods are temporarily stored. The goods are then consolidated into full container loads and shipped from a unique loading port (LP) to the final destination  $RW_j$ .

Figure 2.5 is one echelon logistics network with a central warehouse (CW) in Europe. Goods are transported from all suppliers in full container loads to a unique (UP) which is closest to the CW. At the CW the goods are then deconsolidated and the non-containerised goods are hauled to the nearest regional warehouse  $RW_j$ .



**Figure 2.6: Two echelons with both CH and CW**

Key




The diagrams are constructed under the assumption that the final destination is in the United States of America and sourcing is done in the Far East.

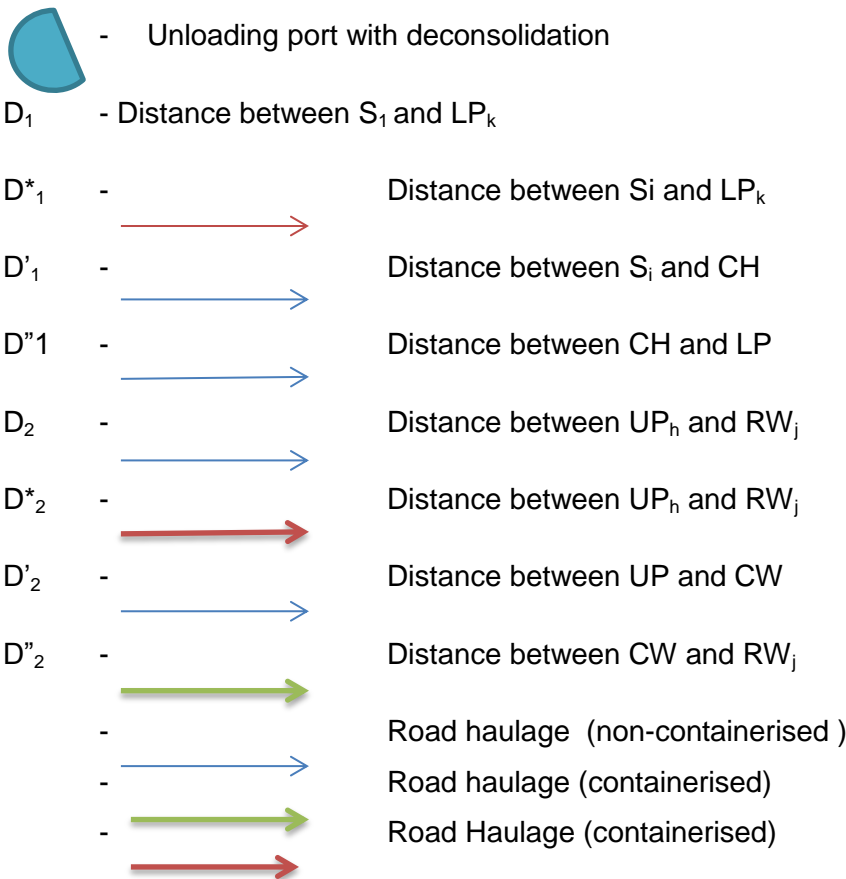
$S_i$  - Supplier/ plant in the Far East;  $i \in$

$LP_k$  - Loading port at Far East;  $k \in$

$UP_h$  - Unloading port in Europe,  $h \in$

$RW_j$  - Regional warehouse in Europe,  $j \in$

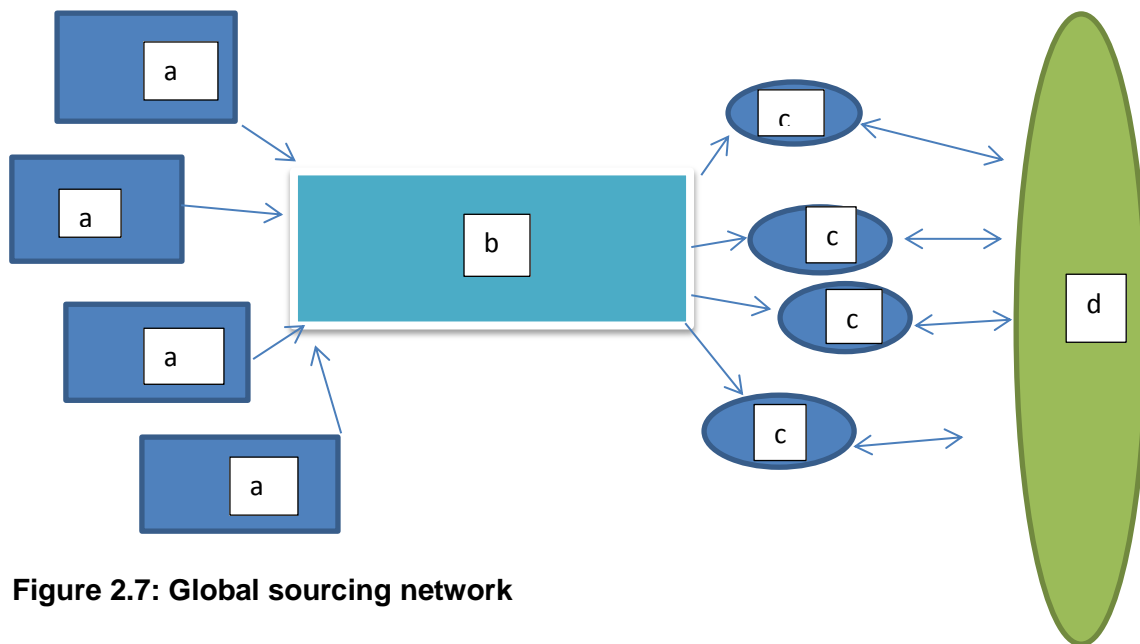
-  - Company's consolidation hub (CH)
-  - Company's central warehouse (CW)
-  - Loading port with consolidation



**Source:** Creazza et al. (2010:157)

Figure 2.6 keys out two echelons of logistical networks with both CH and CW. Non-containerised goods are transported from the suppliers to the CH at less than container load. The goods are then consolidated into full container loads and shipped from LP to UP closest to the CW. The shipment is then deconsolidated and the non-containerised goods are transported to one or more regional warehouses  $RW_j$ .

Guercini and Runfola (2004:3) identify retail firms as the centre of the global network configuration because retailers connect the worlds, namely the final consumer and the manufacturers. Guercini and Runfola (2004:3) demonstrate Figure 2.7 below to fully explain their view on global networks. Shoes are manufactured by suppliers across the world; they are shipped to a retailer who then dispenses them through different outlets to the final consumer, who later provides feedback on the level of satisfaction (Guercini & Runfola, 2004:3).



**Figure 2.7: Global sourcing network**

**KEY**

- a- Textile and clothing manufacturers
- b- Retailer
- c- P.S.
- d- Consumer

**Source:** Guercini and Runfola (2004:3)

**2.2.8. Supplier selection**

Supplier selection is pivotal to the overall success of a business because the ability to effectively select suitable suppliers greatly contributes to the performance of the firm (Hsu et al., 2006:213). Tracey and Tan (2001:175) and Kannan and Tan (2002:13) explain that firms consider cost, delivery, reliability and quality as major influences for selecting a supplier. Oke et al. (2009:145) insist that cost has been a major influence for most companies when sourcing from developing countries despite other factors also contributing to the final decision. Another factor mentioned includes good supplier relations because, according to Kumar et al. (2001:242); Sako and Helper (1998:388), and Salmi (2006:198), forging good supplier relations increases supply-chain efficiency, product quality and the reduction of costs. Kumar et al. (2001:242) also state that suppliers enjoy the benefits of market expansion through the perfection of production and logistics to the new client while the buyer enjoys timely deliveries and quality products.

However, according to Alguire et al. (1994:62) and Hsu et al. (2006:216), low labour costs and transportation costs are no longer the major viable sourcing factors considered by buying firms when selecting suppliers; other factors are considered as well. Ramingwong and Sanjeev (2007:101) point out that factors like cultural differences and political stability are equally as important as costs when selecting potential suppliers.

Oke et al. (2009:151-152) displays the different factors considered in different areas of the world and the consequences expected of sourcing from those particular corners of the world. Table 2.5 displays the information provided by Oke et al. (2009:151-152).

**Table 2.5: Factors considered when sourcing from developing countries**

Region of the World	Criteria used in locating and choosing suppliers in developing countries	Categorisation	Reasons for choice	Potential drawbacks or trade-offs
Eastern European and China.	Logistics costs for Eastern Europe suppliers; Labour costs.	Cost.	Competitiveness result of low costs; responsiveness; competitiveness.	Lack of sourcing experience. Poor work ethics. Delivery issues.
	Existence / Lack of trade barriers. Supplier nearness.	Physical proximity.	Responsiveness, competitiveness.	Organisational culture.
	Similarity in humour in sourcing from Estonia.	Cultural proximity	Low business transaction costs.	
	Referrals from own customers. Experience from working with other manufacturers, Relevant external certification. Competence and work ethics.	Quality and reliability.	Short learning curve and transaction costs; improved competitiveness. Low transaction costs.	Past experience not a good predictor of future performance.  High logistics costs for Chinese suppliers.
	Labour costs. Logistics costs, shipping, transportation, and customs.	Cost.	Competitiveness resulting from low labour costs.	Lack of sourcing experience.
	Need to supply own facility offshore.	Physical proximity.	Lower cost of supply responsiveness.	
	Historical delivery performance. Supply risk and quality risk assessment.	Quality and reliability.	Short learning curve and transaction costs, improved competitiveness.	Past experience not a good predictor of future performance.
Africa.	Labour costs.	Cost	Competitiveness resulting from low costs.	But total logistics costs may be higher due to bribery, customs delays.
	Availability of material, closeness to own locally/ regionally based plants for supply purposes.	Physical proximity.	Responsiveness need to patronise local firms.	Bad quality due to bad work ethic.
	Political situation.	Political factors.	Some developing countries are vulnerable to political instability which could lead to unreliable delivery, loss of competitiveness, higher transaction cost and vulnerable assets.	Political stability may turn to instability overnight.
	Quality of raw materials.	Quality and reliability.	High yield competitiveness.	Hardly a differentiator since supplier's quality tends to be the same within a given region.
Eastern Europe.	Material cost in Romania. Labour costs.	Cost.	Competitiveness resulting from low costs.	But high logistics costs in Romania, China 20 percent cheaper.
	Logistics costs.	Physical proximity.	Low cost of supply and competitiveness.	Lack of sourcing experience.
	Response time.	Reliability.	Responsiveness.	Quality may be an issue.

Taiwan.	Labour cost. Material cost.  Expertise – specialised products.	Cost.  Reliability.	Competitiveness, local suppliers not able to supply the products and compete on prices.	High logistics costs. Not patronising local firms may hurt brand image locally.
Bases in Mexico sourced from Eastern Europe and Asia.	Labour costs in Mexico Labour costs in Eastern Europe and Asia's closeness to US Markets	Cost.  Physical proximity.	Competitiveness resulting from low costs.	Lack of experience in sourcing. Higher logistics costs to source from Europe /Asia.
	Quality. Service and product reliability.	Reliability	Faced quality and service delivery challenges from US competitors.	Difficult to compare with US competitors on quality and delivery reliability.

**Source:** Oke et al. (2009:151-152)

Table 2.5 is based on a case study on different companies which were observed during their supplier selection process. The first column of the table identifies the region of the world the companies sourced from while the other columns highlights the criteria for selection of that particular region of the world, the main category of supplier selection, reasons for choice, and potential drawbacks and trade-offs expected respectively.

Eastern Europe and China's main attractive attributes include cost and cultural similarities indicated by the sharing of humour, physical proximity, reliability and quality. Due to the high levels of competition in the region, cost is low and close proximity ensures quicker responsiveness. Cultural similarities also enable buyers to negotiate better deals; hence cost savings. However, the region lacks sourcing experience and is known for practising bad business ethics.

The Far East and Eastern Europe were selected for cost, close proximity to the sourcing company as well as reliability and quality of merchandise. The region offers advantages in the form of shorter learning curves since they have already traded before. Costs are significantly reduced through quicker responsiveness due to close proximity and competition within the Far East and Eastern Europe labour forces. Concerns indicated for sourcing from this region include uncertainty of the future because in some instances the past does not reflect the future in the sense that despite the previous trading experience acquired, there is always the risk of encountering new unanticipated problems.

Africa was selected mainly because of low costs in production as well as the availability of the material required for production. The quality of the materials was also considered to be competitively high, which ensured quality merchandise. Nevertheless the region has some drawbacks which include increments in costs due to bribery expenditure. The political situation in Africa is also a concern as political stability can easily change overnight, and hence risk deliveries of the merchandise to the buying company.

The Taiwan region was selected mainly because of the affordability of labour and material used in production. The region also has skilled labour, especially for specialised merchandise which requires such. As a result to the high skilled labour concentrated in this region, sourcing companies enjoy greater dominance in terms of competitiveness through the cost-saving advantages enjoyed. The region has a drawback regularly associated with global sourcing. Global sourcing damages the local markets, and companies which source globally are viewed as anti-patriotic through their failure to promote local industries.

The labour costs and quality of merchandise produced in Mexico compelled the other companies to highlight Mexico as a sourcing region. Since the sourcing companies were based in America, Mexico was in close proximity. The low costs were realised through competition from suppliers within Mexico. However, concerns about the experience of sourcing from this region were raised as well as the complexity to compare quality with American competitors.

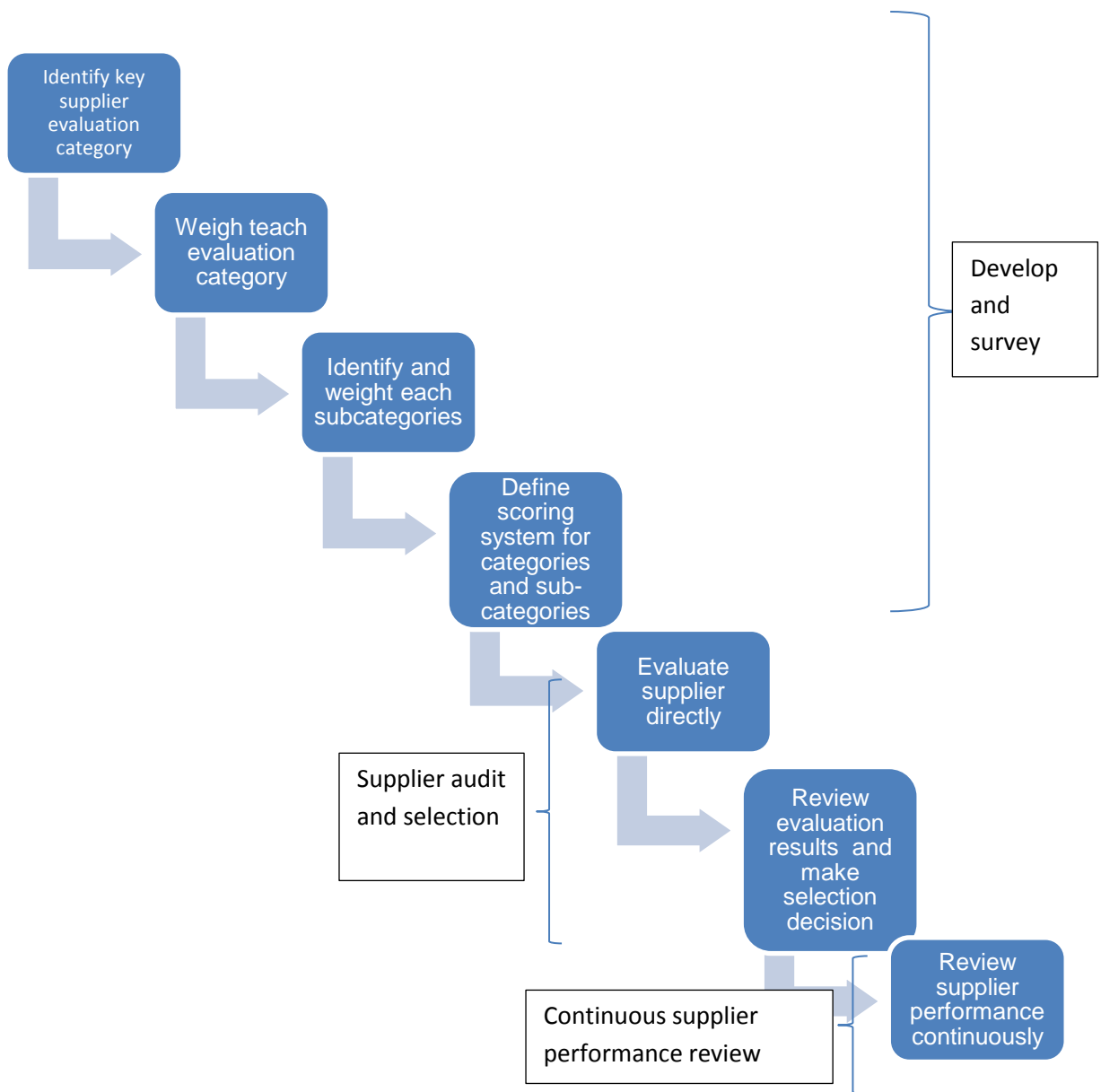
From the above case, cost, proximity, familiarity with culture, political stability, quality and reliability of delivery were the main factors considered when selecting regions of procurement. The table also demonstrates critical areas of reasoning applied for selecting a supplier when employing global sourcing.

Kumar et al. (2011:247) and Levary (2007:392) identify the following factors as significant when selecting suppliers and the factors include the supplier having the necessary technology to produce the required product, availability of skilled labour to produce the products, capability to produce quality products, expert support to maintain parts, capability to flexibly produce different volumes, flexibility to produce different products efficiently, reliability of supplier, availability of reliable transportation along routes of trade, low country risk which includes political, geographical and cultural stability and the risk of disruption of manufacturing companies.

Nevertheless it is interesting to note that Kumar et al. (2011:247) and Levary (2007:392) do not mention costs amongst their selection criteria. Alguire et al. (1994:62) note that working with developing countries just for labour costs was not a good enough reason but incorporating other benefits such as the availability of material and the quality of the products.

Kumar et al. (2011:246) explain that for a buying firm to execute a quality supplier selection process, there is a need for a structure to ensure effective selection procedures. Bello (2003:6) points out a supplier selection process (Figure 2.8) which is executed after identifying the priority areas, as mentioned by Kumar et al (2011:247) and Levary (2007:392).





**Figure 2.8: Supplier selection process**

**Source:** Bello (2003:7)

Bello (2003:7) illustrates a seven-step supplier selection process in which these stages are grouped into three. These stages include: develop and survey, where the buying firms identify the potential supplier; supplier audit and selection, which is where after careful evaluation a supplier is selected; and, finally, continuous supplier performance and review

where the selected suppliers are regularly scrutinised if they are still meeting the buying firm's needs and expectations (Bello, 2003:7).

### **2.2.9. Effects of global sourcing on leather in shoe industry**

Global sourcing has managed to change industries across the globe in different ways in terms of selecting where to buy from, and why to buy from those areas. This section discusses changes in economic and labour sectors which have been the driving force of the success of global sourcing. This section will also discuss how one of the largest producing countries in the world has drastically changed to sourcing from other parts of the world.

#### **2.2.9.1. Economic and labour shifts**

Global sourcing is a result of companies' desperation to stay competitive by lowering operational costs and improving product quality (Han et al., 2008:475); Zeng, 2003:367; Trent & Monczka, 2003:607). The continuous improvement in technological innovation and ways to use this innovation has accelerated the growth of global sourcing which has shown a significant rise of sales to US\$15-20 billion overnight (Dunn, 2003:1). The ability to lower labour costs, which comprise up to two thirds of production costs and selling costs, has been the major attraction for most companies (Cooper, 2004:38).

On average, an American textile worker costs US\$15.50 an hour, whilst in India it costs an average of 57 cents for the same person. In China a person with the same skills and responsibilities costs on average from 40 cents for mainland labour to 70 cents on the coast (Ilari, 2004:12). The lowest offshore outsourcing labour producer is Bangladesh, with an average of 26 cents per hour (Ostroff, 1997:32-33). These figures show just how persuasive global sourcing is to most companies because the differences in costs are extreme.

The reduction of labour costs inspires manufacturers to pass the advantage to the retailers who then offer affordable prices to the final consumer, hence higher sales and customer loyalty (Guercini & Runfola, 2004: 1). This, however, has an adverse effect on the manufacturers as they are now forced to sell more to meet the same figures they once enjoyed in the past (Cunnigham, 2003:44).

Offshore outsourcing has influenced companies in changing their operations by dispatching representatives or operatives across the world. These changes facilitate the coordination of different activities taking place around the world using advanced technology. For example, a cotton shirt which is sold in the United States at Nordstorm may have the cotton yarn sourced from India, the fabrics manufactured in Thailand and the cutting and making done in the United States of America (Tyagi, 2003:1).

### **2.2.9.2. Sourcing shifts**

According to Shelton (2005:321), global sourcing has influenced the USA to increase the amount of imports of clothing and textiles. The author points out that in dollar value the import of clothing and the textile industry drastically increased from 1994 to 2003. The table 2.6 showcases the different countries the USA imports from and the amount of US dollars paid for the products per year, as well as the percentage difference.

The countries are queued in order of amount of imports executed from that particular country.

**Table 2.6: Countries ranking in the US global sourcing textile and apparel in 2003 (data in US million\$)**

Country	'95	'96	'97	'98	'99	'00	'01	'02	'03	% of change from 1994 - 2003
China	4800	4889	6023	5900	6128	6527	6536	8744	11608	135
Mexico	3035	4229	5927	7452	8620	9692	8945	8619	7941	319
Hong Kong	4390	4030	4100	4622	4464	4706	4402	4032	3817	-13
India	1614	1736	2009	2287	2384	2740	2633	2992	3211	111
Canada	1650	1994	2401	2756	3053	3350	3162	3198	3117	137
South Korea	2267	2047	2287	2638	2887	3071	2930	2881	2567	9
Honduras	921	1222	1663	1878	2164	2364	2347	2443	2507	287
Vietnam	17	23	26	29	37	49	49	95	2484	83183
Indonesia	1336	1492	1872	1972	1958	2380	2552	2328	2375	103
Pakistan	964	101	1197	1427	1475	1834	1923	1982	2215	188
Taiwan	2775	2732	2812	2832	2708	2755	2475	2207	2185	-23
Italy	1463	1703	1846	1975	2001	2128	2062	2030	2182	72

**Source:** US Department of Commerce (2003)

The table above supports the notion expressed by Salmi (2006:197) and Overby and Servias (2005:71-73) that China is the primary distributor of textiles, and appeals to the USA. Due to the reasons mentioned earlier, such as low production costs and the advancement in technology, China is the highest exporter of textiles to the United States of America. China is then followed by Mexico which has similar characteristics to China of low labour costs and a close proximity to the host country (US Department of Commerce, 2003). According to the DTI (2013), South African firms may source from China as well, which points out the domination the Chinese market has in terms of global sourcing.

### **2.2.10. Global sourcing costing**

One of the benefits of global sourcing is its ability to reduce costs, and this section aims to discuss global sourcing costing. The different kinds of classification of global sourcing costs will also be discussed to enhance the understanding of global sourcing costs.

#### **2.2.10.1. Perception on low costs in global sourcing**

Global sourcing has managed to accumulate great attention because of its ability to reduce costs and improve product quality through capitalising on skilled and low-cost labour from developing countries like China (Salmi et al., 2006:197; Overby & Servias, 2005:72; Rexha & Miyamoto, 2000:28). However, Gilley & Rasheed (2000:764) and Platts & Song (2010:320) disagree and argue that global sourcing can be costly and may not be as great as it is perceived to be. This was eventually discovered to be true by a survey conducted by Platts & Song (2010:320) which uncovered that 50% of the quoted prices for goods from China were additional costs, while companies perceived that only 25% of the quoted prices were additional costs, hence leading to the conclusion that companies do not comprehensively measure the cost of global sourcing.

However, it is understood that global sourcing's systematic utilisation of cost measurement is rare in practice (Lindholm & Suomala, 2004). Trent & Monczka (2005:31) support this claim and point out that the exact cost reduction of global sourcing is impossible to quantify as companies have failed to find a means to capture this information. They explain that accounting departments are normally reluctant to do so because the process is considered very tedious and time consuming.

According to Trent and Monczka (2003:607), despite the arguable perception that companies do not realise the true costs of global sourcing they, however, suggest that the advancement in technology has reduced costs and improved communication and transportation, hence facilitating global sourcing.

Some authors are convinced that global sourcing lowers costs but there is a huge price to pay for it in the form of risk. According to Zeng and Rossetti (2004:786;792), global sourcing has low costs but it also has an adverse effect on risk, in terms of distance and coordination or personnel and process, which ultimately complicates the profit picture.

From the above discussion it is seen that authors have different thinking when it comes to whether global sourcing is truly able to reduce costs because most of them argue, as mentioned above, about the sacrifices they would be putting up or negligence to notice what would be happening on a broader perspective in terms of the cost of global sourcing. The bottom line, however, is that global sourcing is considered the very next logistical step in

sourcing, and companies are working towards fully understanding and implementing the strategy. The next section discusses the cost structure in global sourcing so as to unveil how companies classify global sourcing in their yearbooks.

### 2.2.10.2. Cost structures in global sourcing

The costs involved in offshore outsourcing can be classified in different ways and categories (Platts & Song, 2010:321). According to Smytka and Clemens (1993:42), the total costs can be divided into two categories, which are internal costs and external cost. The external costs comprise price, discount terms, ordering costs, transportation, supplier visits, tooling and technical support, while internal cost constitute of inventory costs, delivery expediting costs, line-down costs and non-conformance costs. Carr and Ittner (1992:7), however, grouped the costs in terms of their overall function, which resulted in three functions, namely: costs of purchasing, holding costs, costs of poor quality and delivery costs. Ellram (1993:3) divided the costs in terms of transactions and clarified the three costs as pre-transaction and post-transaction.

Table 2.7 depicts all the costs involved in sourcing from international markets, which are classified into two categories: set-up costs and ongoing costs.

**Table 2.7: Cost categorisation**

Cost	Detail of cost
1. Set-up costs	<ul style="list-style-type: none"> <li>2. Costs of collecting information to search for suppliers (e.g. participate in trade fairs, pay for agents).</li> <li>3. Cost of engineering time involved for transfer (e.g. gather information, modify the design due to different environment and IP concerns etc).</li> <li>4. Postage for sending technical data, samples etc.</li> <li>5. IP registration fee in host country.</li> <li>6. Payment for previous supplier for the design.</li> <li>7. Quality audit and validation costs.</li> <li>8. Staff's time costs for searching for, visiting and negotiating with supplier, preparing contracts, adding the supplier to internal IT system etc.</li> <li>9. Travel expenditure (transport, food and hotel).</li> <li>10. Cost of phone call, fax or video conference.</li> <li>11. Tooling costs.</li> <li>12. Invest in suppliers' IT systems.</li> <li>13. Cost of expanding warehouse.</li> <li>14. Personnel recruit and training</li> <li>15. Cost of removing redundant capacity and labour.</li> <li>16. Cost of sending employees to work overseas for a long term (e.g. costs of settlement, children's international school and insurance etc).</li> </ul>
2. Extended Price (ongoing)	<ul style="list-style-type: none"> <li>1. Price.</li> <li>2. Tax.</li> <li>3. Loss from payment terms changes.</li> <li>4. Loss from currency exchange-rate fluctuation.</li> </ul>
3. Administrative costs (ongoing)	<ul style="list-style-type: none"> <li>5. Extra of forecasting / ordering process.</li> <li>6. Extra cost of payment / billing process.</li> <li>7. Bank charges.</li> </ul>
4. Logistics costs (ongoing)	<ul style="list-style-type: none"> <li>8. Transportation by sea, by road or by train (including costs for transportation agents).</li> </ul>

	<p>9. Insurance.</p> <p>10. Expediting by air freight.</p> <p>11. Loss of sale due to late deliveries or longer lead times.</p> <p>12. Holding and administrative costs related to unexpected early delivery.</p> <p>13. Compared with before China sourcing, extra costs for receiving (e.g. handling the products into warehouse, disposal of the heavy packaging).</p> <p>14. Compared with before China sourcing, extra costs for inspecting the products (labour and equipment).</p>
5. Inventory costs (ongoing)	<p>15. Extra warehousing due to sourcing from China (rent, rate, light, heating, maintenance, insurance etc).</p> <p>16. Obsolescence.</p> <p>17. Capital cost of increasing inventory.</p>
6. Quality (ongoing)	<p>18. Rejection, returning and re-receiving.</p> <p>19. Rework.</p> <p>20. Cost of disposal or discarding of defective products.</p> <p>21. Loss from scrap, including labour costs and handling scraps.</p> <p>22. Loss from production line downtime.</p> <p>23. Costs of staff's time of analysing quality problem, rearranging schedule, asking for compensation.</p> <p>24. Costs of handling warranty and customer complaints.</p> <p>25. Loss of sales because of quality.</p>
7. Supplier management (ongoing)	<p>26. On- going travel expenditure (transport, food and hotel).</p> <p>27. Cost of engineering time for technical support.</p> <p>28. Costs of staff's time of performance review and, meeting and re-negotiation.</p> <p>29. Costs of phone calls, faxes, video conferences with suppliers.</p> <p>30. Costs resulting from culture and language differences (translators, gifts, social events, etc).</p> <p>31. Cost of litigation with the supplier.</p> <p>32. In case of buying other parts from the previous supplier, the loss because of the increasing prices of other parts supplied by this supplier due to the reduced order volume.</p>
8. Other costs related to global sourcing	<p>33. Cost of dealing with inferior infrastructure (e.g. road, power supply, Internet).</p> <p>34. Cost of dealing with special regulations or even corruption from local government.</p> <p>35. Cost for dealing with counterfeit products or IP infringement.</p>

**Source:** Platts and Song, 2010:322

Set-up costs are once-off costs responsible for establishing the foundation for the operations of the business, particularly identifying and selecting suppliers, and establishing a relationship with the suppliers. Ongoing costs, as the name suggests, involve costs that are re-occurring during the sourcing from international markets (Platts & Song, 2010:323)

Carr and Ittner (1992:42), Platts and Song (2010:321), Smytka and Clemens (1993:42) all agree that instead of companies using the quoted prices as price comparison tools, it is important to also acknowledge all the other costs involved including set-up costs and ongoing costs, also known as costs of ownership. Examples of these costs include freight, storage, insurance, scrap, warranties, rework, and lost sales due to late delivery. This is because in some instances these procedures, particularly the set-up costs, are very high but are not considered in the evaluation of the total costs involved for sourcing from international markets (Smytka & Clemens, 1993:42).

Maltz and Ellram (1999:48-60) point to another different classification of global sourcing costs which are compiled and developed by Zeng and Rossetti (2003:793). These costs are mostly logistics-related and they show the different areas within a supply chain where costs are incurred. Table 2.8 illustrates the costs associated with global sourcing logistics, according to Zeng and Rossetti (2003:793).

**Table 2.8: Cost classification**

<b>Logistics cost category</b>		<b>Brief description</b>
1. Transportation	Freight charge	Cost incurred during delivery using various transportation models.
	Consolidation	The fee for combining small shipments together into big shipment.
	Transfer fee	Cost incurred during the transfer of goods between different modes of transportation.
	Pick-up and delivery	Transportation occurred between shipper's warehouse and air, rail consolidator's terminal
2. Inventory holding	Pipe-line holding	Holding costs during the transfer
	Safety costs	Holding costs of safety stock
3. Administration	Order processing	Salaries for employees responsible for purchasing and order management.
	Communication	Telephone, fax, information related costs associated with international logistics.
	Overhead	Rent paid by international logistics group.
4. Customs	Customs clearance	Fee imposed by local customs to clear goods.
	Brokerage Fee	Charge levied by an agent acting on behalf of the shipper or the receiver depending on the delivery terms.
	Allocation fee	Per house bill.
5. Risk and damage	Damage / Loss / Delay	Percentage value of each item shipped that would be lost, damaged or delayed.
6. Handling and packaging	Terminal handling	Material handling charged by the transportation company.
	Material handling	Cost of labour and equipment used to move goods within the shipper's or receiver's warehouse.
	In / out handling	Material handling charge levied by freight forwarders for use of facilities.
	Disposal charge	Fee for taking away empty containers from the receiver's warehouse.
	Packaging/ supplies material	Cost of preparing goods for shipment.
	Storage	Rental fee of the warehouse space.

**Source:** Zeng and Rossetti (2003:793)

Zeng and Rossetti (2003:790) also identify other ways companies evaluate global sourcing costs since there is no particular rule of thumb for this global sourcing activity. They further explain that there are four categories which other companies use, comprising recurrence based, regression based, activity based and optimisation based. The authors identify recurrence-based costs as items of expenditure that constantly occur over a given period. Zoroya (1998:59) describes regression based methods as a means of identifying the influence of particular cost drivers by manipulating it with other factors. Van Damme and Van de Zon (1999:79) explain the activity-based method as a means used by management to



make global logistics decisions effective by analysing activities within their operations. According to Zeng and, Rossetti (2003:790) optimisation-based costs involve management efforts to optimise transportation costs in collaboration with purchasing and inventory decisions. The optimisation-based technique is, however, considered to have a great limitation on the effects of international trade (Zeng & Rossetti, 2003:790). Zeng and Rossetti (2003:795) also identify the use of percentages of various logistics costs to evaluate the effectiveness of sourcing alternatives and increase consciousness of the importance of global sourcing costs.

#### **2.2.11. Risk management in global sourcing**

Risk has been mentioned many times in various discussions in this chapter, so the researcher decided to dedicate this section to risk management in global sourcing. Great benefits normally have great risks involved and the same is true with global sourcing.

According to Zsidisin (2003:222), a global sourcing risk is “the probability of an incident associated with in-bound supplier failure or supply market occurring, in which its outcome results in the inability of the purchasing firm to meet the customer’s demand or cause threats to customer’s life and safety”. It is one of the major concerns companies face due to great distance through which the probability of damaging the cargo increases (Vedel & Ellegaard, 2013:509; Trent & Monczka, 2003:27). Nevertheless the business opportunities associated with global sourcing overturn this great risk linked with it because global sourcing provides great opportunities like cost saving and quality improvement within organisations (Chopra & Sodhi, 2004: 54; Howleg et al., 2011: 335).

With great distance comes a larger risk of the unknown, which is what most companies that source globally face within their sourcing operations. Juttner et al. (2003:198) acknowledge this point and add on by explaining that great distances pose high risk which can severely damage of the merchandise in transit. Vedel and Ellegaard (2013:509) understand that intermediaries are the most common tool used by companies that pursue global sourcing excellence to counter risk. The authors explain further by identifying the intermediaries as agents, trading houses and wholesalers, which improves information flow, physical flow and accounted for the responsibility for supply base inventory.

However, intermediaries have been highly criticised by supply chain managers questioning the presumed profit-eroding features, while some have argued that emphasis on supply chain transparency and operational integration leaves little opportunity for intermediaries (Vedel & Ellegaard, 2013:509). Despite the assumed flaws of intermediaries, Trent and Monczka (1991:5), (2003:23) identify intermediaries, particularly International Sourcing

Offices (ISO), as one of the major global sourcing strategies which represent the second step towards global sourcing mundaneness and performance increment.

Belevina and Girotra (2010) identify global sourcing intermediaries as parties that offer global sourcing services for purchasing companies but do not participate in any activity of the manufacturing function. According to Mallen (1976:4) and Ellis (2003:1686), intermediaries source as representatives of buying companies or inherit ownership of the merchandise to be traded. The authors go on to point out that after the intermediaries have inherited the ownership they then sell the merchandise to the companies that requested them, hence absorbing all the risk to the transaction.

#### **2.2.11.1. Types of global sourcing risks**

Manuj and Mentzer (2008:134) and Harland et al. (2003:52) identify different types of global sourcing risks which are structured according to the nature of the risk to the business and its environment. Manu and Mentzer (2008:134) identify the types of risk and they include disruption, price escalation, inventory and scheduling, technology access, quality and product complexity.

Zsidisin et al. (2004:398) explain that disruption in supply can be in the form of misrepresentation of the supplier's ability to deliver results, or moral hazard where the supplier does not inject enough effort and resources to deliver the product as promised. The author continues to explain that the disruption can also be in the form of any damage to the facility that produces the product, for example fire breaks out or the bankruptcy of the supplier. Price escalation is a major risk that most firms fear because it generally disrupts the planning and budgeting associated with the sourcing activity. According to Manuj and Mentzer (2009:139), an increase in the price of raw materials disrupts the costs of merchandise as the supplier passes on the increase to the purchasing firm. However, the authors mention that single sourcing can reduce the increment in price through a stable schedule of the purchasing company.

Manuj and Mentzer (2008:139) describe inventory and scheduling as the most risky because failure to acquire the correct product will immediately mean failure or loss for the buying company as it cannot acquire a refund for the purchase. The authors go on to explicate that scheduling is also very vital because failure to meet any set deadline may either mean failing to supply the actual demand or loss in confidence by the clientele. Technology, access, quality and product complexity all determine the decision of make or buy from the manufacturing firm (Manuj & Mentzer, 2008:139). According to the authors, the level of complexity in the production of the product has its own risk as any failure to produce quality products would significantly affect the sales of the business, which is why most companies outsource this production function so as to pass the risk to other companies.

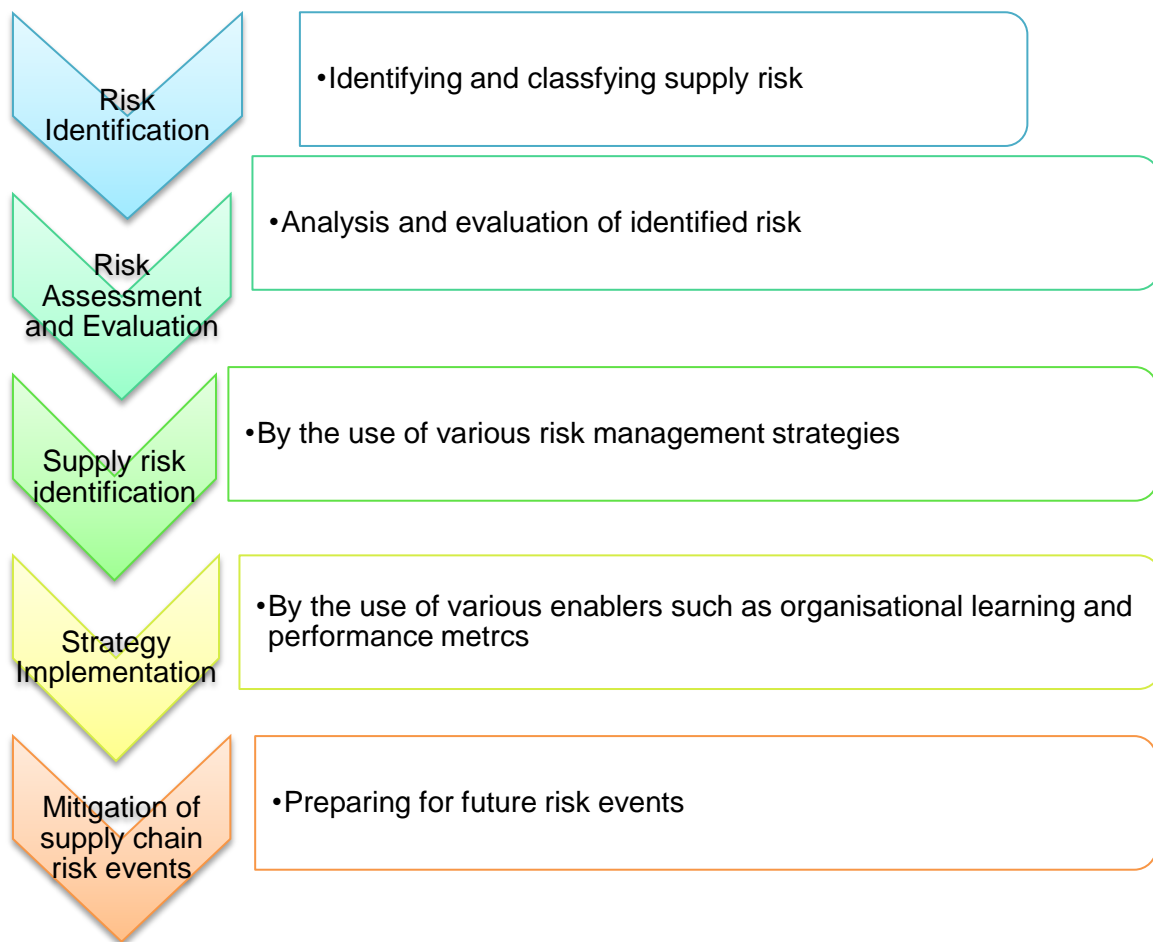
According to Ellegaard (2008:425) risk is an indication or reflection of loss so the author classified the typology of risk in alignment with the type of potential loss. Yates and Stone (1992: 3-8) identify six losses which global sourcing firms incur; these losses include financial, performance, physical, social, physiological and time. Ellegaard (2008:425) and Harland et al. (2003:52), however, argue that these losses were focused on displaying the significance of loss to individuals, with evidence of losses like social and physiological not directing strict attention to business-related losses like financial, performance and physical losses.

In the circumstance of the clothing and fashion industry, there are many risks associated in operating, particularly on a global scale. Cho and Kang (2001:546); Christopher et al. (2011:70); Masson et al. (2007:240); and Vedel and Ellegaard (2013:510) all identify low product quality, communication problems, lack of logistics performance and support, cultural difference, design copying, product development dependency on suppliers, unfavourable regulations and political interventions, opportunistic behaviour, and sustainability non-compliance as the most discussed global sourcing risks.

Manuj and Mentzer (2008:139) identify lack of knowledge on probable risk areas and their effect as the major global sourcing risk. The authors argue that companies may not have historical data to refer to, which then prevents them from comprehending the probability of distribution accurately. Ellegaard (2008:425), Harland et al. (2003:51-52) and Zsidisin (2003:217-218) describe uncertainty as the companies greatest weakness in terms of executing decisions based on different degrees of incomplete information regarding supply risk especially on a global scale. Vedel and Ellegaard (2013:511) propose that supply chain managers should conduct three major tasks to reduce global sourcing risks. These tasks include acquiring and gathering risk related information, managing the global supply risks and reducing the probability and effects of loss generating events in the supply chain.

#### **2.2.11.2. Managing global sourcing risk**

Manuj and Mentzer (2013:137) depict a five-stage diagram which they think can be used to manage global sourcing risk. Vedel and Ellegaard (2013:511) concur with the five-step process and further testify to the one depicted in Figure 2.9. The major difference between the two diagrams, which both mean precisely the same, is that Vedel and Ellegaard (2013:511) focus primarily on the global supply-chain risk and involve multiple options of executing risk.



**Figure 2.9: Five-step process for global supply chain risk management and mitigation**

**Source:** Vedel and Ellegaard (2013:511)

According to Vedel and Ellegaard (2008:511) the first steps focus on knowledge generation which involves analysing and evaluating the identified risk. Munaj and Mentzer (2008:137) agree and point out that after identifying the risk, it has to be defined or classified into supply, operation, demand and security risk. Manuj and Mentzer (2008:137) identify methods as to how a decision-making process would be executed, and it would be in the form of case studies, perception based and risk analysis.

Christopher et al. (2011:70) explain the types of risk mentioned above and point out that supply risk examples include supply disruption and unreliable supplier. Christopher et al. (2011:70) explain that operational risk is also referred to as process risk or control risk, which includes situations where a firm has inefficient supply teams. Manuj and Mentzer (2008:137) also identify security risk as another type of global supply chain risk which involves possibilities of the merchandise getting stolen or lost during transit. Security risk is only mentioned by Menuj and Mentzer (2008); the other authors did not include the risk amongst the threats but do include macro risk / policy risk / resource risk, according to Menuj and Mentzer (2008:137). Environmental risk is when interest rates fluctuate, quota restrictions,

unexpected resource requirements and high levels of carbon footprint occur during sourcing activity (Christopher et al., 2004).

Stages three and four are identified by Vedel and Ellegaard (2013:511) and Manuj and Mentzer (2008:137) as supply risk reduction areas which encompass strategies to reduce risk. These strategies are outlined by Manuj and Mentzer (2008:137); they consist of strategies like avoidance, postponement, speculation, hedging, control, sharing / transferring and security. These strategies are further discussed in Manuj and Mentzer's (2008:137) journal on global risk management. Stage four emphasises particularly on the implementation of the preferred strategy. Vedel and Ellegaard (2013:511) and Manuj and Mentzer (2008:137) suggest the use of enablers or catalysts for the implementation process including organisational learning, complexity management, information technology and performance metrics. The last stage of the five-step process is the mitigation of the supply chain risks which involves preparing for future risk events that may threaten or weaken the procurement operation of the business (Vedel & Ellegaard, 2013:511; Manuj & Mentzer, 2008:137).

Excluding these two frames, Christopher et al. (2011:67) and Vedel and Ellegaard (2013:511) suggest that there are other models which firms use to identify, realize and manage a supply chain risk. Christopher et al. (2011:67) go on to explain that some frames focus on processing and analysing the internal risk through structuring and organising the processes and procedures. On the other hand, Johnson (2001:106) points out that some frames are more concerned with essential risk reduction, which is a supply risk management function.

Spekman and Davis (2004:426) and Zsidisin (2003:14-6) suggest that global-sourcing risk can be controlled through improving inventory management, contracting to manage price fluctuations and using alternative suppliers. The authors, however, point out that these solutions are temporary and ineffective because they fail to address risks associated with the flow of material, information and cash.

### **2.2.11.3. Function of intermediaries in global sourcing risk management**

Intermediaries have been discussed in some areas of this chapter and they are paramount to the existence of some businesses. This section will discuss the different functions of the intermediaries in global sourcing risk.

Vedel and Ellegaard (2013:511) identify different functions of intermediaries to supply risk management and state that these functions differ according to the extent they reduce risk and effect. The authors manage to provide a table which encompasses possible risks associated with sourcing activities and describe the possible remedy to the risk and effect, which Table 2.9 showcases.

**Table 2.9: Sourcing intermediaries in supply chain risk management and examples of supply risk events and potential losses**

Supply risk event	Example of possible issues	Intermediaries of supply risk function
When buying company fails to establish its own set up in a promising global supply market.	Invested resources and poor delivery performance.	Creating new supply markets.
When a selected supplier fails to meet the agreed terms of supply.	Low quality products or poor delivery service.	Supplier search or selection.
When a buyer does not know the culture of global market location which leads to poor communication and coordination.	Low quality products or delivered products in the wrong design.	Mediating cultural difference.
When the buying company cannot secure enough supplies because of small order sizes poor status with suppliers and lacking resources for inventory.	Poor delivery performance.	Securing delivery.
When suppliers opportunistically hunt large orders/ customers and smaller customers get down prioritised for deliveries.	Poor delivery performance.	Supply / delivery consolidation.
When supplier opportunistically shirk on quality, materials, Corporate Social Responsibility (CSR).	Low quality products, lacking CSR compliance.	Continuous supplier monitoring / follow up
When supplier acts opportunistically or offer an assistance in solving operational/ logistical problems	Low quality products, poor delivery performance.	Supplier relationship management

**Source:** Vedel and Ellegaard (2013:512)

According to Vedel and Ellegaard (2013:512), global sourcing is a very beneficial strategy if executed well, but mostly the major downfall for most buying companies is to fail to curb risk. The authors point out that the emergence of intermediaries as a means to reduce risk, and loss of buying companies, has been considered as the most efficient solution to risk. Table 2.9 depicts the functions of intermediaries which include the strategies pointed out in the right column.

As outlined by the table, creating new supply markets is amongst the most vital duties of intermediaries in global supply chains (Casson, 1997; Ellis, 2003:1684). Ellis (2006:1170) understands that intermediaries have to enter and make preparations for setting up for the buying company where uncertainty is very high and specialised skills are a major requirement to establish a foothold. According to Casson (1997), information limitation is the major reason why most companies prefer to outsource through intermediaries who would absorb the risk and time to identify possible suppliers.

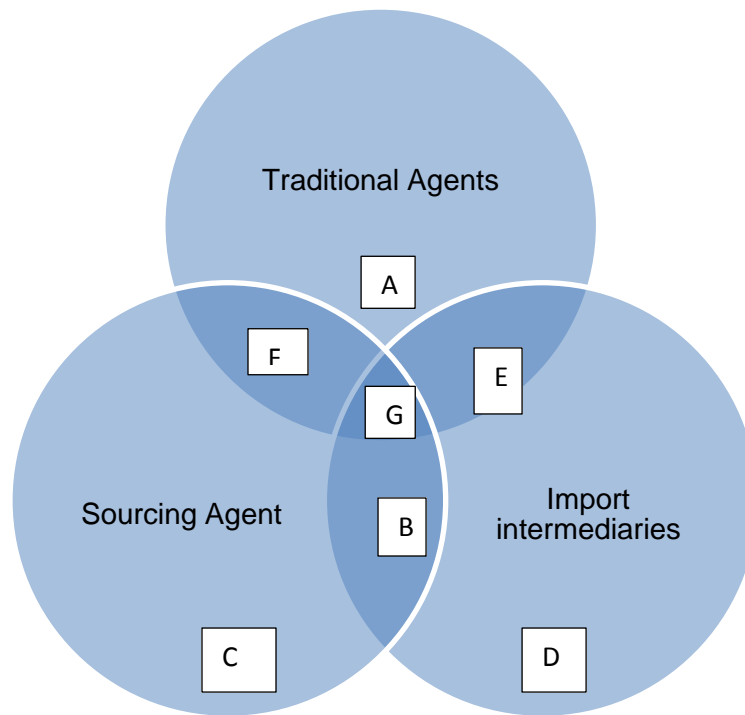
Casson (1997:152) points out another significance of knowledge in global sourcing risk and its ability to mediate cultural differences effectively. Intermediaries' duties involve enquiring and comprehending the procurement process. This also encompasses establishing communication with the relevant parties to understand the necessary requirements to conduct effective global sourcing chains (Vedel & Ellegaard, 2013:512). According to Vedel and Ellegaard (2013:514), buying countries, especially China, have evolved to accommodate and simplify the buying process in the country; hence there is no need for intermediaries. Despite this change, the authors acknowledge the necessity of intermediaries to bridge between the buying firms and the suppliers, especially with new buyers and suppliers meeting for the first time.

Risks associated with emulating supply with demand are also taken upon by intermediaries because buying firms fear failure to acquire less or too much compared to what the market needs, so the intermediaries investigate the appropriate quantities that suit the particular market (Casson, 1997:155). The author goes on to point out that intermediaries keep large quantities of stock to cover the buying firms of stock-outs and they absorb the risk by acquiring more than needed. However Vedel and Ellegaard (2013:514) disagree with this point and explain that most intermediaries no longer keep large quantities of stock, instead they are enforcing other measures to ensure delivery. The authors further explain that intermediaries use historic data to pre-book deliveries and by doing so they counter the risk of manufacturing capacity scarcity. Some intermediaries, on the other hand, own manufacturing facilities which guarantee them and the buying firms quality, good prices, enough quantity and quality products (Vedel & Ellegaard, 2013:514).

Buying firms also run the risk of incurring opportunistic behaviour on the part of the supplier since the buying firms are absent during the production and transit of the merchandise. This offers the supplier an opportunity to reduce quality or material which is used to produce the product to be manufactured (Casson, 1997:157). However, with the use of intermediaries they can oversee the production and ensure the integrity during the production and transit of the merchandise to the buying firms (Vedel & Ellegaard, 2013: 514).

#### **2.2.11.4. Types of intermediaries**

In reflection of the functions of intermediaries, Vedel and Ellegaard (2013:514) discovered three types of intermediaries used by firms that source globally. According to the authors, these types include the traditional agent, sourcing agent and import intermediaries. Figure 10 illustrates three circles and these circles represent the three types and their functions. The diagram also shows areas where two or more types share functions.



**Figure 2.10: Types of intermediaries**

**Source:** Vedel and Ellegaard (2013:514)

**Key**

- A- Traditional agents
- B- Functions shared by sourcing agent and import intermediaries
- C- Sourcing agent
- D- Import intermediaries
- E- Functions done by both Traditional agents and import intermediaries
- F- Functions done by both traditional agents and sourcing agents
- G- Represents functions done by all three types of intermediaries.

According to the diagram compiled by Vedel and Ellegaard (2013:514) area G represents functions shared by all three types of intermediaries; they include supplier search or selection, mediating cultural differences and supplier-relation management. These functions, according to the authors, are critical; hence the reason why they are included in all three types of intermediaries.

The traditional agents marked A represent agents with functions commonly used in the 1960s to the early 1990s, where an agent will mostly work in high-risk areas, particularly those experiencing political instability; hence the term traditional. The agents would focus on offering the client primary requirements; these are locating where a buying firm can realise



good value but do not incorporate other add-on services like delivery and quality control (Vedel & Ellegaard, 2013:514).

The services neglected by the traditional agents are inversely crucial for the success of sourcing intermediaries, which are represented in region C. According to Vedel and Ellegaard (2013:514), sourcing intermediaries have more resources available to them compared to traditional intermediaries and also in-depth knowledge of products, customers, processes and suppliers. This allows them to control quality, delivery and continuously follow up on suppliers (Vedel & Ellegaard, 2013: 514). Vedel and Ellegaard (2013:514) explain further and point out that the ability of source agents to monitor and control product and the process enables them to reduce operational risk for customers and handle more complicated orders, compared to traditional agents. Traditional agents and source agents share some functions marked on the diagram as region E which encompasses creating new supply markets.

The third type discovered was import intermediaries who, like the traditional agents, aim at establishing new markets; but the difference is the complexity and wide range of risk mitigating functions (Vedel & Ellegaard, 2013:514). Import intermediaries share the same function as traditional agents who include creating new markets marked as region F. Vedel and Ellegaard (2013:514) explain further that import intermediaries share the same function with sourcing agents, marked region B, which include supply and demand consolidation, quality control, securing delivery, continuous supply and follow up. While sourcing agents deal with finished products, import intermediaries facilitate the production of the merchandise. Region D encompasses the arranging and coordinating production and logistics of materials for the final product (Vedel & Ellegaard, 2013:514). Another function of import intermediaries according to Vedel and Ellegaard's (2013:514) diagram is the designing availability and support which reduce the design risk for customers.

Vedel and Ellegaard (2013:514) constructed a table which coordinates and displays the different relationships between certain functions and the intermediaries that utilise them. Below is Table 2.10 which provides a more detailed picture of the different relationships of different functions and intermediaries.

**Table 2.10: Supply risk functions of different intermediary types with indication to literature coverage**

<b>Functions described in literature</b>	<b>Traditional agents</b>	<b>Sourcing agents</b>	<b>Import Intermediaries</b>
Creating new supply markets	X		X
Supplier search selection	X	X	X
Production coordination			X
Supply / demand consolidation		X	X
Continuous supplier monitoring and follow up		X	X
Supplier relationship management	X	X	X
<b>Functions handled different compared to the literature</b>			
Mediating cultural difference	X	X	X
Securing delivery		X	X
<b>Functions rarely described in literature</b>			
Design availability and support			X
Operating high risk markets	X		
Quality control		X	X
Cost visibility		X	

**Source:** Vedel and Ellegaard (2013:518)

## **2.3. Empirical studies on global sourcing**

### **2.3.1. Introduction (General global trends)**

Global sourcing trends are forecasts of activities that stakeholders should look forward to in a specific area of concern. In this instance, the areas of concern include buyers focusing on cost, not value, improvement in global sourcing contracts, activities in Asia and around the world concerning global sourcing. These trends provide a historic view as to how buyers and their respective companies did business and how, due to the changes in the buying environment, they will improve in conducting their business.

Companies are focusing on transactions which offer best cost prices. Due to the economic slowdown, companies all over the world are focusing on obtaining a better cost price, and sacrifice long-term benefits like innovation and transformation, best-of-breed services and excellent skill sets. During the better instances, companies executed deals which were cost neutral, or even used benefit-enhanced services (Edgell, 2008:175).

Quality in global sourcing is steadily improving due to better communication between the parties involved. A decade ago there were clarity problems in contracts that caused low quality production in industries. Current trends depict maturity in contract negotiations where parties involved can re-negotiate the terms and ensure better quality production after a contract has been signed. The post-signature phase is extrapolated to improve quality and service delivery but with an effect of dispute because the expectations of customers continuously increase (Edgell, 2008:175).

### **2.3.2. Studies of Asia**

#### **2.3.2.1. Indian success**

India has managed to cement itself as a major offshore sourcing destination for both Business Process Outsourcing (BPO) and clothing and shoes. BPO is when a company hires a third party to perform the buying function for the company in another country, which in most cases will be where the company is based (Cognizant, 2012:3). Indian success has been a result of its educated workforce, foreign investment, friendly government policies, stable political climate and English-language proficiency. The country has managed to construct an impeccable high-value success reputation throughout twenty years of implementing global sourcing (Oshri, 2009:193).

India has managed to create alternatives to global mega-deals to best-of-breed services which, with combined favourable market trends, leave Indian vendors on a much more favourable position. Best of Breed Services are investments in activities that produce the

most optimal outcome by focusing only on quality products (Hillary, 2007: 117). However, given the unfortunate scenario of rising costs, cost squeezes can give other competing countries, like China, an opportunity to override Indian dominance (Edgell, 2008:177).

### **2.3.2..3.China**

According to Edgell (2008:177), China is steadily growing but without any major or dramatic difference to where it is now. This is supported by Oshri (2009:194) who points out that due to technological advances, the country is gradually increasing its market share of exported products. Despite facing turmoil on rising labour costs in the textile and leather industries, China invested heavily in research so as to discover how to reduce costs and counter competition from other nations, like Vietnam and Cambodia, who were adopting price-competitive manufacturing. The result was technologically oriented material that improved the quality of products and enhanced Chinese competition on the global scene. The government also initiated policies that ensured the approval of the labour force which was reluctant to re-settle elsewhere, by moving the industries inland to where the people lived. This as a result ensured an abundant labour force which forced the lowering of wages, hence maintaining China's price-competitive advantage (Farrar, 2013:1)

### **2.3.2.3. Japan**

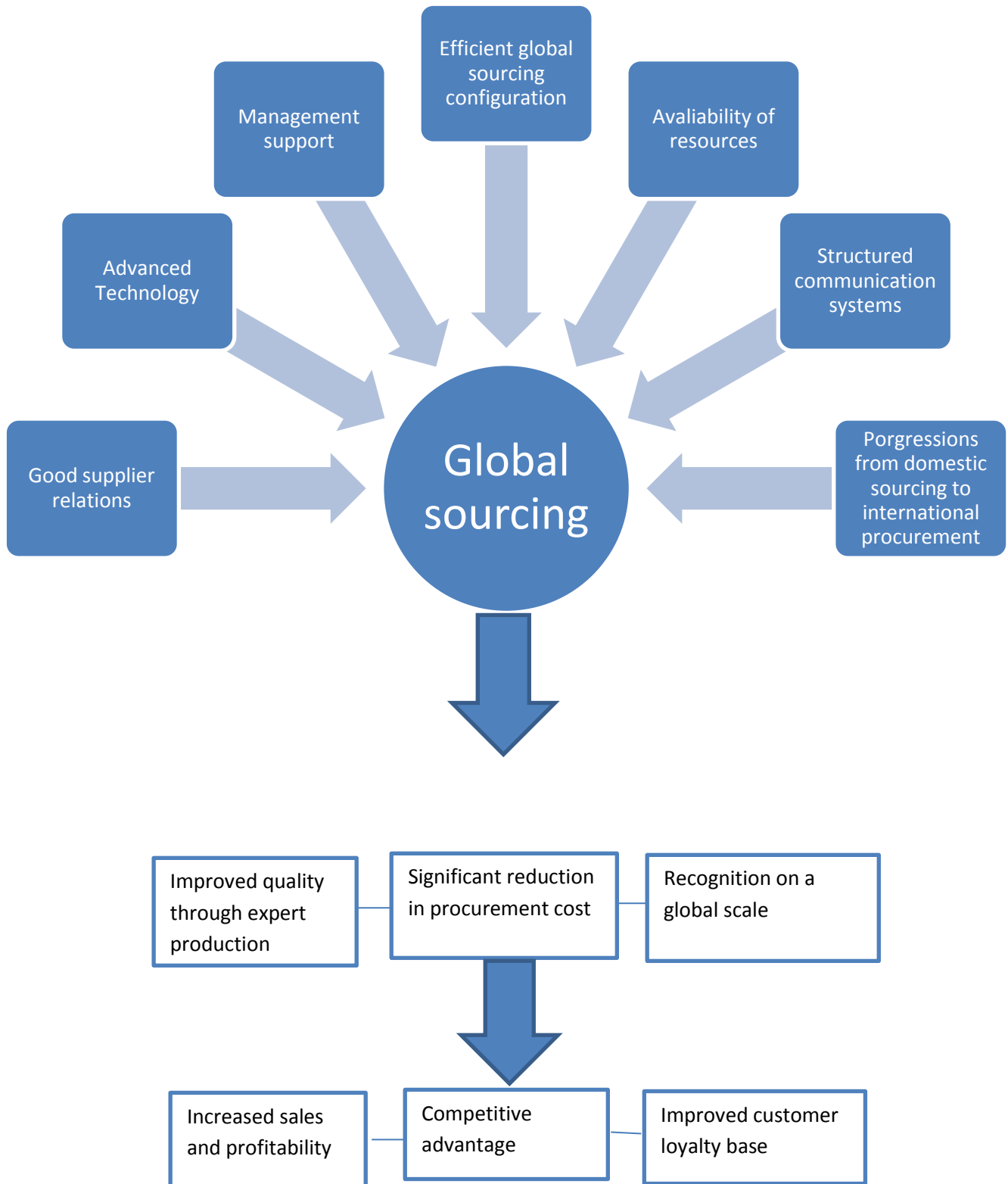
Edgell (2008:178) describes Japan as a costly venture to invest in, particularly for offshore outsourcing reasons. The author further explains that most companies normally take the cheap option of China, which has the resources to execute larger contract deals. Cultural taboos negatively influence the image of Japan as they complicate the sourcing processes. According to Kaiser (2010:1) there is also tension between Japan and China which is driving away potential contracts for Japan. Fortunately it has been noted by Edgell (2008:178) that the cultural taboos are slowly eroding, hence boosting the chances of Japan acquiring lucrative contracts.

### **2.3.3. Studies in Europe and USA**

Europe and the USA are increasingly depending on eastern countries for manufactured textile and leather products. South America has been highlighted as a suitable substitute to the eastern countries because it offers more or less the same quality as Japan and China, with a slight difference in costs. South America has a slightly more expensive labour force compared to Japan and China. Europe and the USA are increasing the ordering quantities so as to meet demands in their home countries. The two are Asia's main customers for manufactured products and it is extrapolated that the demand will only grow bigger (Oshri, 2009:195, Edgell, 2008:178).

## 2.4. Conceptual framework

The diagram below depicts a conceptual frame of global sourcing which includes influential factors to global sourcing.



**Fig 2.11. Conceptual framework**

## **2.5. Conclusion of the chapter**

There is a lot that has been documented on global sourcing and operations incorporated to ensure businesses employ effective systems. The chapter covered: the origin and definition of global sourcing as well as reasons why companies employ it within their operations; characteristics required for an effective global sourcing strategy; the difference between international procurement and global sourcing which leads to the discussion of global sourcing evolution; advantages and disadvantages of global sourcing were also discussed as well as global sourcing supply chains; effects of global sourcing on the leather and shoe industry; global sourcing costing; and global sourcing risk management. This information offers an opportunity to comprehend how the global sourcing processes work so that when analysing the findings they will be much easier to comprehend. There is also considerable reference to this chapter, particularly in the analysis and conclusion chapter. The information discussed here offered substance to the information gathered from the respondents. The next chapter discusses the processes and procedures endured to acquire the information.

## **CHAPTER 3 RESEARCH METHODOLOGY**

*Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying this research problem along with the logic behind it.*

*C.R. Kothari, 2004:8*

### **3.1. Introduction**

The previous chapter illustrated an in-depth review of global sourcing through discussing secondary information available on the topic, particularly areas in parallel with the research objectives. This chapter revisits the research objectives to remind and connect the appropriateness of the selected methods with the aims of the research. This is followed by the exposition of the research philosophy, strategy and approaches employed for the research. The chapter also comprises a comprehensive description of the data collection procedures that were used as well as an explanation of how the data was captured. The last section of this chapter will discuss ethics consideration, challenges and limitation of the study.

### **3.2. Research objectives revisited**

As highlighted in the first chapter, the research objectives of the study were:

1. To determine the current level of global sourcing shoe retailers are on
2. To discuss reasons why shoe retailers are currently on this specific sourcing level
3. To identify the challenges shoe retailers in Cape Town face to completely adopt global sourcing
4. To highlight areas which need to be improved to ensure shoe retailers in Cape Town completely adopt global sourcing.

### **3.3. Research frame**

Connaway and Powell (2010:1) accept that there is more than one definition of research, mainly because there are different types of research. They however summarise research as a systematic process where exhaustive investigations are conducted to unveil problems or solutions to the symptoms through collecting, an analysis and interpretation of data. Connaway and Powell (2010:1) point out two types of research namely basic and applied research. The authors further explain that basic research, also known as pure or scientific research, aims at obtaining new undiscovered information; however it is rarely used in real-life scenarios. This is supported by Vikary (2010:2) who suggests that scientific research's

main concern is making hypotheses and theories clearer and very less likely to be adopted into real-life settings. The second type of research is called applied research, which encompasses a variety of different techniques such as systems analysis and operations research (Connaway & Powell, 2010:2). In conclusion, the main difference between basic research and applied research is that applied research can be applied to practical instances while basic research less likely to be applied in such scenarios.

Kumar (2008:2) concurs with Connaway and Powell's (2010:1) definition and adds that research is an art of acquiring original knowledge and adding more to what has been discovered by other researchers for progress' sake. Bailey (1994:12) goes further and highlights the steps to conducting a research, namely:

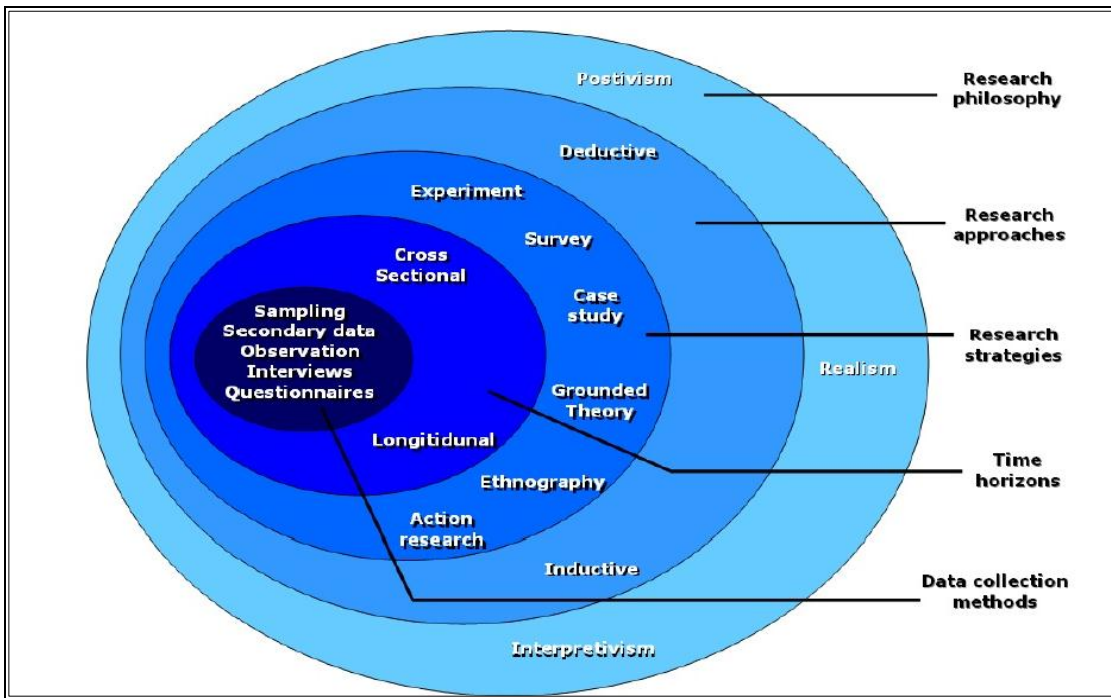
- Choosing a research and problem and starting a hypothesis
- Formulating a research design
- Gathering data
- Coding and analysing data
- Interpreting the results so as to test the hypothesis.

Applied research was employed for this research because it encompasses characteristics of the technique, particularly indulging in critical thinking to discover and meet the objectives of the research outlined above.

A research frame, also known as a research design, is defined by Beri (2008:51) as procedures, blueprints or plans to conduct a research which involves three categories, namely explanatory studies, descriptive research and casual research. According to Burns and Groove (2000:195) a research design is "a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the finding". Polit et al. (2001:167) point out that a research design is "the researcher's overall for answering the research question or testing the research hypothesis". The definition above suggests that a research design is a guide for the researcher to effectively conduct a research.

Saunders et al. (2012:58) concur with the definitions above and go on to explain more about research design, particularly different areas that comprise the whole aspect of it. These aspects were inserted into a research onion which depicts all areas that make up an effective research design. Below is Figure 3.1 which illustrates the Saunders et al. (2012:59) diagram of the research onion.





### 3. 1: Research Onion

**Source:** Saunders et al. (2000)

Like an onion, Saunders and Tosey (2012:59) illustrate a research design as one comprising layers that represent all areas of an effective research design. The first outer layer is the research philosophy which comprises positivism, realism and interpretivism. Realism philosophy is distinguished into two forms, namely direct realism and critical realism. The second layer encompasses the research approaches that can be used in a research design, namely either deductive or inductive. After the research approaches, there are the research strategies which include experiments, survey, case study, grounded research, ethnography and action research. Time horizons are also included in a research design and there are two kinds which are cross-sectional or longitudinal. Finally, at the core, there are the data collection methods which include sampling, observations, interviews and questionnaires.

This research employed Saunders and Tosey’s (2012:59) research onion in the research design. The table below showcases a summary of classification of the research design of this research.

**Table 3.1: Research design / frame**

<b>Layer</b>	<b>Thesis approach</b>
Research philosophy	Triangulation (Interpretivism and Positivism)
Research approach	Inductive and Deductive
Research strategies	Case study
Research Purpose	Explanatory
Time horizons	Cross sectional
Research methods	Interviews and questionnaires

**Source:** Own diagram

The first stage of the Saunders et al. (2000) onion layers is research philosophy. It is discussed below.

### **3.4. Research philosophy**

A research philosophy, also known as a research paradigm, guides one to conduct a research and assists in explaining the methods implemented, as well as facilitates the evaluation of the quality of research (Cohen et al., 2007:15). Kasi (2009:95) posits that research philosophy is “broad approaches to research”, and reflects the researcher’s understanding of the areas under investigation as well as the best means to acquire knowledge about the area under investigation. Saunders and Tosey (2012:58) suggest that a research philosophy or paradigm is the expression of the researcher’s understanding of the research question; this is shown through the philosophy he or she chooses to employ for a research which is influenced by his or her view of the world, in terms of the his or her assumption of human knowledge and previous experiences. In summary, the definitions of a research philosophy demonstrate that a research philosophy is a broad viewpoint and influences selecting a particular research philosophy which involve the understanding of the research question by the researcher.

#### **3.4.1. Interpretivism (Qualitative)**

According to Carson et al. (2005:5), the interpretivism (derived from the Greek word *hermeneuein*, meaning to interpret) paradigm involves understanding an area under investigation, the existence of multiple realities, participation of researcher in the process of understanding and the involvement of the context of the area under investigation. Interpretivism philosophy “assumes that reality as we know it is constructed inter-subjectively through the meanings and understandings developed socially and experientially” and that “we cannot separate ourselves from what we know” (Cohen & Cabtree, 2008:1). The authors further point out that there is a link between the researcher and the area under investigation such that the researcher’s view of himself or herself and the world is central to the comprehension of the researcher and the world around him or her.

Saunders and Tosey (2012:58) advocate that interpretivism philosophy is more concerned with getting a subjective insight into the area under study than law – like generalisation. The authors go on to explain that the philosophy looks into giving meaning to the social world through the researcher’s perspective. The definitions above encompass very important parameters of interpretivism philosophy which include having a subjective opinion, the influence of one’s self-experiences and understanding of the world around, and the implication to the research under study.

Given the research objectives mentioned in Section 4.2 in this chapter, the best method was the triangulation which encompassed both interpretivism and positivism. Hussey and Hussey (1997:54) identify attributes for interpretivism which comprise a research being qualitative in nature; data captured is plenteous and subjective, utilises a natural location and conducts in-depth investigation with small samples (Saunders and Tosey, 2012:58), which is exactly the parameters of this research.

The other part of the research, as mentioned, employed a positivism paradigm which covered the objective view of the research.

#### **3.4.2. Positivism (Quantitative)**

Wimmer and Dominick (2014:117) describe the positivism paradigm as “quantification, hypothesis and objective measures”. Murray and Chamberlain (1999:203) suggest that the positivism paradigm focuses mainly on obtaining an objective ‘truth’ through quantifiable means. According to Woodside (2010:47), the positivism paradigm is “objective, singular, and it exists apart from the researcher”. Saunders and Tosey (2012:59) concur and point out that the paradigm is normally referred to as the ‘scientific method’ as it involves structured and measureable data. The definitions highlight the primary aims of the positivism paradigm which are objectivity, quantifiable data and detachment of researcher to research. Thus, the research has to have a singular answer or result as well as the ability to be representable by numeric means, and no bias on the part of the researcher.

The paradigm was conceived in the 1800s as the primary and most reliable means of understanding the world around us (Tones & Green, 2005: 309). However, Wimmer and Dominick (2014:117) maintain that the perception has since changed over the years through the adoption by the natural sciences, which has led to the modification and constant use in social science as it is used both in qualitative and quantitative research.

According to Hesse-Biber (2011:8), the positivism paradigm is represented by the quantitative research approach where the belief in the positivism paradigm is the cornerstone of quantitative research. This is evidenced by Muijs’s (2011:1) definition of quantitative research where he describes it as “explaining phenomena by collecting numerical data that are analysed using mathematical based methods (in particular statistics)”. Traits like

objectivity and use of statistics to analyse data are some indicators as to the relationship between positivism and quantitative research approach.

The combination of the two paradigms has been regarded by purists of both philosophies as impossible as they represent extreme and opposite ends of the spectrum. According to Lin (1998:163) the two paradigms have been regarded as incompatible as both paradigms' objectives are different in nature. However he argues that, "...both in the end can comment about general principles or relationships, positivist does so by identifying general patterns, while interpretivist does so by showing how the general pattern looks in practise". The author further explains that despite the traditional view on these two paradigms, together they offer greater opportunity in terms of acquiring information and enhancing the comprehension of the areas under study.

In an effort to unveil the difference between the interpretivism and positivism, Decrop (2006:47) depicts a table (shown below) which explains the differences between the two paradigms.

**Table 3.2: Basic differences between the interpretivism and the positivism paradigm**

<b>Assumption</b>	<b>Positivism</b>	<b>Interpretivism</b>
Nature of reality	Objective, tangible and single.	Socially constructed, multiple.
Goal of research	Explanation and strong prediction.	Understanding, weak prediction.
Focus of interest	What is general, average and representative.	What is specific, unique and deviant.
Knowledge generated	Laws: absolute (time, and value free).	Meanings: relative (time context, culture, value-bound).
Subject-researcher relationship	Rigid separation.	Interactive, cooperative and participative.
Desire information	How many people think and do a specific thing, or have a specific problem?	What does some people think and do, what kind of problems are they confronted and how do they deal with it?
Research methodology	Hypothetical – deductive approach (experimental design).	Holistic – inductive approach (naturalistic inquiry)

**Source:** Decrop (2006:47)

### **3.4.3. Mixed approach (Triangulation)**

A mixed approach, also referred to as triangulation, is defined by Ary et al. (2010:559), and Saunders and Tosey (2012:58) as a combination of both qualitative and quantitative research methods where each approach contributes something to the research. Creswell and Piano-Clark (2011:4) concur and state that the mixed approach is a research "... in which the investigator collects, analyse data, integrates the findings, and draws interferences using both qualitative and quantitative approaches of methods in a single study or program of inquiry". Greene (2007:20) provides a definition which conceives the term differently when she points out that the mixed approach is an "... activity that invites us to participate in

dialogue about multiple ways of seeing and hearing, multiple ways of making sense of the world, and multiple standpoints on what is important to be valued and cherished”.

The definitions of the mixed method above illustrate that the mixed method approach encompasses an integration of qualitative and quantitative research methods which enhance the quality of the data through the use of various techniques. Different and multiple viewpoints are also established through the use of both techniques, with results obtained from the various tools and processes. Ary et al. (2010:559) also point out that this approach has become popular as it offers a better understanding of the research area rather than using one approach. ACET.inc (2012:2) agrees and adds on that the mixed methods provide a balance between objective and contextual data. However, the mixed method has drawbacks which researchers who adopt it face, namely time consumption, and it requires a high level of expertise to combine two approaches and requirement of resource and funding to conduct it on a large scale (Ary et al., 2010:559; Jupp, 2006:180).

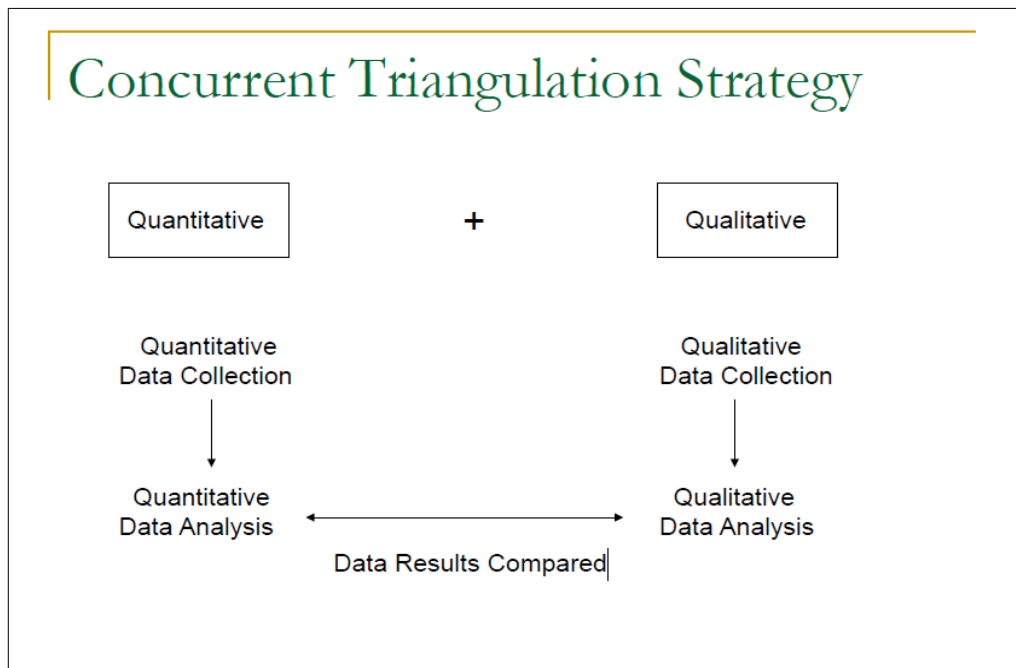
As mentioned earlier, this research employed the mixed-method approach which involves qualitative data in the form of reasons provided by shoe retailers as to why they employ the type of global sourcing strategy they currently employ, while quantitative data involves making use of questionnaires to construct relationships between variables and patterns. One particular area where quantitative methods were most important was distinguishing the scatter flow of retailers on the global sourcing evolution grid.

The other reasons for selecting a mixed-method approach include:

- The enhancement of comprehension of the area of study which is how far shoe retailers have progressed in terms of global sourcing development.
- Increases probability of accuracy through cross referencing with other methods of research. The data captured was confirmed with other methods of research which increased the probability of accuracy of the findings.
- Enhanced interpretability of findings through supplements from other findings of different methods.
- Reduced researcher’s bias through using more than one technique. As mentioned earlier by Saunders and Tosey (2012:58) using either qualitative or interpretivism alone enhances chances of bias as the researcher’s interpret the findings according to how he or she understands the world around him while using the positivism or quantitative methods alone runs the risk of lacking sustainability in terms of subjective reasoning required to add meaning to the quantified data.

Terrell (2012:267) best explains the mixed-method approach implemented in this study. The author explains the use of both qualitative and quantitative data collection methods and compares the finding to establish validity of the information.

Figure 3.2. Illustrates a concurrent triangulation which involves the use of both qualitative and quantitative methods. The data acquired from these methods are then compared, as mentioned above, to compliment the information, reduce weaknesses of both methods and validate the information.



**Figure 3.2. Concurrent Triangulation Strategy**

**Source:** Terrell (2012:267)

### 3.5. Research approach

According to Saunders et al. (2000:87) a research approach suggests whether the use of "... theory is explicit within the research design". It also shows what theory is suitable for the research argument or questions, which will assist in reaching the research objectives (Masson, 2002:179). By making use of a research approach, this enables the researcher to:

- Make more informed decisions on the research design;
- Support the researcher in the decision making process as to what will work and what not; and
- Adapt the research design to cater for constraints, for example, insufficient understanding of the topic to form a hypothesis (Saunders et al., 2000:89).

Saunders et al. (2000:90) and Orišek (2004:39) explain that the research approach comprises mainly two main approaches, namely inductive and deductive approaches. The authors further point out that a research approach is normally derived from the research philosophy employed. Orišek (2004:39) concurs and adds that the research strategies are also determined by the research approach, hence showing relationships between layers of the Saunders et al. (2000) research onion.

### **3.5.1. Inductive approach**

Monette et al. (2011: 35) describe the inductive research as means of transformation from observation to an assessment of the validity of the hypothesis. Sternberg (2009:499) concurs and defines the inductive approach as a "... process of reasoning from specific facts or observation to reach a likely conclusion to explain the facts". Inductive approach can be concluded as a nature of reasoning that involves an objective standpoint and focuses towards a generalised perspective, known as the bottom-up approach (Trochim, 2008).

The inductive approach is mostly used by researchers because it assists in comprehending variables in the environment and reduces uncertainty through predicting occurrences (Sternberg, 2009:514). However, Altinay and Paraskevas (2008:73) warn that the inductive approach is more effective with a small sample size which is difficult to generalise. The approach is also time-consuming as it requires lengthy data collection and analysis. There is also a great risk involved in using the approach because the patterns and theories might be irrelevant to the area of study. Fox (2011:429) also points out that inductive research is based on inference; hence it makes the results incompatible through the addition of new evidence which may prove otherwise. The author explains that one observation is adequate to provide doubt on evidence acquired through a series of observation, hence making the reasoning less favourable in research.

### **3.5.2. Deductive approach**

Trochim (2008) defines deductive reasoning as the top-down approach and points out that it functions from a generalised perspective to a more objective and specific problem. The author further explains that deductive reasoning goes through a process which comprises theory, hypothesis, observation and confirmation. According to Mayfield (2010:339), "in deductive reasoning, we infer, or lead away, from a general principle in order to apply that principle to a specific instance". Gardner (2009:103) observes that deductive reasoning involves a true premise; hence it has a true conclusion. The author further explains the argument transit from true as a group, to true individually. In general, the idea behind deductive reasoning is working from a broad vision or assumption to a specific and objective problem or idea.

Deductive reasoning is considered valuable by researchers because if the premise is acceptable then the conclusion is considered unquestionable (Mayfield, 2010). The author goes on to point out that deductive reasoning also rations resources through anticipation of future occurrences. However, some researchers prefer inductive reasoning in research and they feel that deductive cannot supplant inductive due to benefits associated in deductive reasoning, particularly the idea of comprehensive explanation of results (Eves, 1990:8-9).

Deductive reasoning works inversely with inductive reasoning because with inductive reasoning the movement is from having a distinct idea to a broader explanation, whereas

with deductive it's the other way around. According to Berg and Latin (2008:247), deductive reasoning makes use of quantitative methods of data collection while inductive uses qualitative methods. Table 3.3 illustrates other differences between deductive and inductive reasoning in research.

**Table 3.3: Difference between inductive and deductive reasoning in research**

<b>Deductive</b>	<b>Inductive</b>
Concepts usually associated with quantitative method	Concepts usually associated with qualitative method
<b>Types of reasoning</b>	
Objective	Subjective
Causation	Meaning
<b>Type of question</b>	
Pre- specified	Open ended
Outcome oriented	Process oriented
Types of analysis	
Numerical estimation	Narrative description
Statistical inference	Constant comparison

**Source:** Burney (2008:11)

Despite the differences in the two research approaches, Trochim (2008) and Wheeldon and Ahlberg (2012:7) suggest that the two methods can be used to compensate one another so that the research provides valid and accurate results. This reason facilitated the way the research approach was conducted for this research. This study required using both qualitative and quantitative research methods which automatically encompassed the use of both inductive and deductive reasoning.

Inductive reasoning was used analysing the qualitative data acquired on reasons for employing the level of global sourcing by shoe retailers. However, this was not enough; the research required numeric or quantitative analysis, where deductive reasoning was employed to establish deeper understanding on the areas of study. This information influenced the conclusion greatly and at the same time inspire some new questions for further research. As mentioned earlier by Eves (1990:8), making use of deductive reasoning alone is not always sufficient because it does not fully dissect the area under study particularly when new information is introduced hence requiring inductive reasoning to add meaning to the finding.

### **3.6. Research strategies**

Saunders et al. (2000:92) define a research strategy as a universal tool used to assist the researcher to answer research questions. Saunders and Tosey (2012:58) state that a research approach can make use of one or more strategies, or can be modified to suit a particular research. Experiments, surveys, archival research, case studies, ethnography, action research, grounded theories and narrative inquiries are different research strategies used in research (Saunders et al., 2000).



As mentioned earlier, this research adopted the case-study research strategy which according to Klenke (2008:381) is “a trans-paradigmatic and trans-disciplinary heuristic that involves the careful delineation of the phenomena for which the evidence is being collected”. A case study is defined as “is an intensive holistic description and analysis of a single instance, phenomena or social unit. Case studies are particularistic, descriptive, and heuristic and really heavily on inductive reasoning in handling multiple data sources” (Merriam, 1998:27). The definition articulates that a case study involves an in-depth description of a phenomenon which utilises either a single or multiple paradigms and methods to provide results. According to Saunders and Tosey (2012:59), case studies are mainly employed in interpretivism paradigms; however they are flexible to be employed by positivists as well or together.

Baxter and Jack (2008:545) note that for a case study to be one, it requires a unit of analysis also known as a case. Miles and Huberman (1994:25) identify a case as, “a phenomenon of some sort occurring in a bound context”. Baxter and Jack (2008:545) affirm that by knowing what the research will analyse, provides a reflection to what the unit of analysis should be; in the case of this research, the unit of analysis was global sourcing. This research was considered descriptive because it was aligned with Baxter and Jack’s (2008:548) definition which explains that it is employed to “describe a phenomenon in a real-life context in which it has occurred”.

Baxter and Jack (2008:549) and Yin (2003:40) concur on the design of a case study and explain that there are four main designs which comprise single cases (holistic), single case (embedded), multiple cases (holistic) and multiple cases (embedded). Yin (2003:39) points out that the primary difference between case study designs is between single and multiple case studies. The author suggests that modifications can be added on to the two skeletons depending on the research, cases and context.

This research adopted a single embedded case-study design which is a holistic case study (single case) with embedded units (sub-units) (Baxter & Jack, 2008:550). The decision to select the single embedded design was inspired by the Gestalt principle. The theory suggests that everyone is intertwined with one another; hence it is only possible to know ourselves after knowing the background of our affiliation to others (Farlex, 2014). To fully understand shoe retailers’ global sourcing, the researcher had to analyse the data of the forty retailers individually, then use the result to mould the solutions to the research questions, hence portraying the single embedded design.

Yin (2003:1) points out three major factors considered when selecting case studies as the primary research strategy. Firstly, a case study must be investigating along the questions how and why, which is particularly the case with this research as the research aims to unveil

where, in terms global sourcing development, shoe retailers are, the reasons for using that particular strategy and challenges they face to employ the sourcing strategy. Secondly, the researcher cannot manipulate the behaviour of those in the study. The research is in no position to manipulate the buyers, logistics managers and owners on how they procure their shoe merchandise. Thirdly, the research has to cover contextual conditions, which is what was implemented to acquire all necessary steps and process of global sourcing within shoe retail establishments (Yin, 2003:7).

Zaidah (2007:10) explains the advantages and disadvantages of using case studies in research. The advantages involve data acquired within the parameters of the use of a case study, which is where the phenomenon takes place. The author also recognises the ability of a case study to accommodate both qualitative and quantitative methods of research. This is also supported by Yin (1984:25) who cautions researchers not to confuse a case study and qualitative strategy as some case studies are quantitative in nature. According to Zaidah (2007:10), case studies also reflect the complexities of real-life situations as well as offer an in-depth description of the data of the real-life environment. Zaidah (2007:11) and Yin (1984:21) highlight the disadvantages of a case-study strategy as the vulnerability of the strategy to incompetence and bias by the researcher. Generalisation is unlikely in situations where a single case-study design is employed because there would be only one case (Yin, 1984:21). Zaidah (2007:11) notes that case studies are difficult to conduct and result in large quantities of documentation.

### **3.6.1. Sampling**

Since strategies are a focus on this section, it is only logical to discuss the sampling strategies implemented for study. According to Neelankavil (2007:240), sampling involves utilising a portion of the total population to conclude the whole population. This was the case with this study; a sample presentation of the total population was selected so that the outcome reflected the view of the entire population. The population in this case were shoe retailers within Cape Town. It is imperative to correctly identify the sample population because failure to do so results in inaccurate results (Neelankavil, 2007:240).

This research employed a census technique to sampling which involves encompassing every element of the population to provide results. The census technique is more suitable in circumstances where the sample size is small. This was the perfect technique for this research as the population was small and for the data to be accurate, required inclusion of every element within the area of focus. The main advantage of this technique is that it is very reliable since data from every element is considered during the evaluation, hence it provides a more accurate picture. However, its main drawbacks include the process being time-consuming and costly (Srivastava et al., 1989:191). The sample size of this research was forty shoe retail stores in Cape Town, Western Province.

### **3.7. Research purpose**

Blaikie (2010:70) affirms that a research purpose consists of explanatory, descriptive, exploratory and action methods of research. The research types differ according to the research objective and questions, paradigm and ultimately determine the data collection tools to be employed. Koh and Owen (2000:219) define descriptive research as a tool that acquires both qualitative and quantitative data that define a scenario at a specific moment in time. "Descriptive research attempts to describe characteristics of a sample and relationships between phenomena, situations, and events observed by the researcher" (Thyer, 2010:120). The definition highlights that descriptive, as the name suggests, involves describing a phenomena through adopting either qualitative or quantitative methods, or even both at once.

Exploratory research is research which focus on a new area of focus which has not yet been researched on. There is no particular manner expected to be employed in an exploratory research but all processes are executed in a thorough way (Jupp, 2006:110). Action research involves academics conducting a research with the aim to improve the area under study and mostly applies to improving management roles (Taylor et al., 2006:66). Explanatory research involves uncovering a specific area of interest through understanding how things happen and why they happen (Pedersen et al., 2007:297). This research is explanatory in nature as it uncovered which global sourcing strategy shoe retailers adopted and why they did so.

### **3.8. Time horizons**

According to Saunders and Tosey (2012:59), time horizon involves the time frame to conclude the research. The authors identify two main time horizons which are normally employed in research namely cross sectional and longitudinal. Longitudinal time horizon is when data is collected continuously over a long period of time so as to analyse the behaviour an area under study (Oriesek, 2004:42). Parasuraman et al. (2007:68) and Saunders and Tosey (2012:59) define cross sectional research as research that involves a once-off data collection period. The author further explains that cross sectional research can be adopted to collect data at different time periods. Cross sectional research was implemented for this research because the data collection process was for a specific moment in time. The data required for this research did not require constant collection for analysis, hence cross sectional being the most suitable research.

### **3.9. Research methods**

Research methods are ways which researchers utilise to collect first-hand data from respondents (Hucker, 2005:4). According to Saunders and Tosey (2012:59) there are different ways of conducting a research namely sampling, questionnaires, in-depth interviews, secondary data and observations. Thomas (2010:302) categorises the data-

collecting tools into characteristics of their nature; that is either qualitative or quantitative. The author points out that qualitative research employs the method of observation, in-depth interviews and questionnaires. Quantitative research data collection methods are identified as questionnaires, experiments and surveys. This, however, does not apply for this research as it encompasses both qualitative and quantitative data-collecting tools. The methods chosen to acquire the data for this research included sampling, in-depth interviews, questionnaires and document review.

### **3.9.1. In- depth Interviews**

Taylor and Bogdan (1998:77) define in-depth interviews, also known as unstructured interviews, as “repeated face to face encounters between the researcher and the informants directed towards understanding informant’s perspective on their lives, experiences, or situations as expressed in their own words”. Yanow and Schwartz-Shea (2014:169) discuss an in-depth interview by breaking each element of the term. The authors point out that an in-depth interview is a one-on-one discussion between the researcher and the respondent concerning the area of interest. The authors further point out that interviews are conducted as if conversing with friends but cautioned that there is need for navigation to ensure that the conversation stays on point, and this is referred to by Berg (1998:80) as the full-channel communication.

According to Barry (1999) there are three ways of conducting in-depth interviews in research and they include informal conversation interview, the general interview guide approach (commonly known as the guided approach) and the standardised open ended interviews. Informal conversation interview involves unstructured conversations with the respondent through discussion over areas of interest but without any form of sequence or order in asking questions (DeWalt & DeWalt, 2011:138). Standardised open-ended interviews are opposites of the informal interviews; they involve well-structured and carefully worded questions which are asked in the way they are arranged. Great care is given when constructing the interview guide as all areas discussed must be prepared prior the interviews. These are most suitable when the researcher is keen on ensuring limited bias through ensuring that all elements are done the same (Rubin & Babbie, 2010:105).

When reviewing the research objectives pointed out in the beginning of this chapter, it was observed that making use of the general interview guided approach was most suitable because it provided respondents with open and comfortable discussion platform which enabled them to freely express themselves and at the same time ensure that the conversation is aligned with the specific areas of interest.

As with most methods in research, in-depth interviews have advantages and disadvantages of employing them into research. Stacks (2011:174) argues that there are two main

advantages of in-depth interviews which include obtaining clarity on both the area under study and the person whose being interviewed hence acquiring more information through analysis of facial gestures and movement which provide information on their true feeling on the question asked. The author also points out that in-depth interviews allow interviewee introspection and allow the researcher to keep control of discussion areas.

In-depth interviews, however, have drawbacks; these drawbacks include high costs in conducting them as well requiring more time to effectively execute. Obtaining access to the interviewee is also a challenge as the target respondents are normally well confined by 'gatekeepers' whose job is to ensure that they experience minimum interference from outside. Preparations for a research are time-consuming and tedious as the researcher is required to be well informed about the interviewee as well as the area under study. Normally in-depth interviews are conducted on small sample groups which are difficult to generalise the data captured (Stacks, 2011:174).

Table 3.4 depicts Frechtling and Sharp's (1997:7) table of advantages and disadvantages of in-depth interviews.

**Table 3.4. Advantages and disadvantages of in-depth interviews**

<b>Advantages of in-depth interview</b>	<b>Disadvantages of in-depth interview</b>
Usually yields richest data, details and insights.	Expensive and time-consuming.
Permit face to face contact with respondents.	Need well-trained and qualified interviewers.
Afford the ability to experience the affective as well as the cognitive aspects of responses.	Interviewee may distort information through recall error, selective perception, desire to please interviewer.
Allow interviewer to explain or help clarify questions, increasing the likelihood of useful response.	Flexibility may result in inconsistencies across interviews.
Allow interviewer to be flexible in administering interview to particular individual or circumstance.	Volume of information too large, may be difficult to transcribe and reduce data.

**Source:** Frechtling and Sharp (1997:7)

As mentioned earlier, this research adopted the guided in-depth interview approach which involves having guiding questions to acquire as much related and accurate data as possible. The section of constructing an in-depth interview guide comes next.

### **3.9.1.1. In-depth interview guide**

According to Dresang et al. (2006:90) in-depth interview guides are similar to that of moderators because the main function of either to ensure that the researcher do not forget important questions. The authors further explain that the guide also outlines the probes meant to encourage the respondent to reveal more information. Jugenheimer et al. (2014:87) concur and note on that in-depth interviews aim at obtaining a deeper emotional content regarding the research from respondents.

The interview guide for this research contained a total of twelve questions which were asked over a thirty-minute period, which included probes aimed at answering the research questions and achieving the research objectives. These questions were answered by retail buyers, logistics managers or personnel and executive management. These are the same people who make the decisions to buy the shoes, conduct the supplier selection process and ensure the safe delivery of the retailers' shoes to the Western Cape.

The questions were designed to be conversation friendly, which is less of an interrogation and more of a social and comfortable exchange of words which enabled the respondents to expose more information. The format of the in-depth interview guide composed of a sequence of open-ended questions which were arranged in order of complexity. The in-depth interview had an introduction which provided an induction with the respondents so that they understood the purpose of the research. The first question was about the general description of how they acquire their shoes from their suppliers. This gave the respondents the opportunity to relax by asking them about processes they have done frequently. This allowed them to be more confident and enthusiastic about answering the questions that followed which included major areas of concern, which some are described in the first phases of this chapter. A copy of the interview guide is attached (please see Appendix A).

#### **3.9.1.2. Conducting the in-depth interview**

Before conducting any interview, a consent form was provided to the respondents so that they sign and agree to being recorded. All 20 participants provided their consent to record the interviews so that the researcher could have a reliable source of referral during analysis.

Through the use of the interview guide, a total of 20 in-depth interviews were conducted on buyers and logistics managers and/or executive management. According to Halloway and Wheeler (2010: 95) there are three ways of recording interviews which include tape recording during interview, note taking during interview and note taking after interview. Tape recording is considered the most reliable means of recording interviews because it captures every word used in the interview and reduce the risk of the researcher of forgetting some of the information provided in the interview. However there is need for the researcher to get permission from the respondents to conduct a taped interview. Also taped interviews run a risk of malfunctioning, which is considered as the most possible drawback of this technique so the researcher is advised to double check equipment before commencing with the interview. (Halloway & Wheeler, 2010:95).The researcher incorporated the tape-recording techniques because it was more efficient as highlighted above and easy to analyse the data with.

### **3.9.1.3. Analysis of qualitative data**

According to Cohen et al. (2007:460), a qualitative data analysis involves organising, accounting and explaining the data. Boeije (2010:76) defines qualitative analysis as "... segmenting of data into relevant categories and naming the categories with codes while simultaneously generating the categories from the data. In the reassembling phase the categories are related to one another to generate theoretical understanding of the social phenomenon under study in terms of the research question." The definitions highlight that there are two processes of analysing qualitative data and they include disassembling the data into categories, which is known as coding, and automatically establishing categories from the data. The second phase is drawing an understanding from the categorised or 'coded' groups, particularly the main information on the areas of interest.

Cohen et al. (2007:461) acknowledge that the process of collecting and analysing data is normally done simultaneously and it is imperative to define situations and identify patterns, themes and regularities. The process of analysing qualitative data can be done either manually or by the use of a computer software. The qualitative data, in this case the in-depth interviews was analysed manually using a techniques described above. This process is known as content analysis and the data was coded before extracting meaning from the information. This was done by identifying the recurring information and grouping them into sectors.

### **3.9.2. Questionnaires**

A questionnaire is an "... instrument used to obtain information from respondents" (Neelankavil, 2007:159; Wild & Diggins, 2009: 172). Bajpai (2011:6) acknowledge that a questionnaire involves a systematic compilation of questions so as to investigate a phenomenon through measurement. Miller and Yang (2008:244) concur and note that questionnaires do not only consist of questions but of statements relevant to the topic as well. This requires the respondent to select a preference from the answers provided which best suits him or her. The authors also point out that there are major benefits recognised from using questions from previous questionnaires because it provides the opportunity to compare previous and present data which better clarifies the area under study.

Questionnaires also include other benefits like affordability as compared to other data collecting techniques like interviews. This is normally the case with research focusing on larger geographical coverage, questionnaires make the data collection process cheaper and at the same time obtain the same results as interviews. Questionnaires are also quicker to administer through the use of tools like post and the Internet (Athanasidou et al., 2010:488). Cargan (2007:117) points out that questionnaires require less skill to administer and hence reduce the chances of researcher error. Miller and Brewer (2003:254) further point out that questionnaires offer respondent convenience as the respondents can complete it in their own

free time. The authors also point out that respondents are more willing to participate if their anonymity is preserved.

However, questionnaires have drawbacks in research, and they include the validity of the information provided by respondents because the information provided may not be correct due to how the respondent feels at that given time. There is also a low response rate when using questionnaires due to the inability of the respondents to answer all questions. This is because respondents sometimes fail to understand the questions while answering them and have no assistance, particularly when the researcher employs the pick-and-drop method of administering them (Cargan, 2007:117). Athanasiou et al. (2010:488) highlight that questionnaires run the risk of the respondents reading in advance, which affects the respondents' earlier questions.

The researcher adopted the pick-and-drop system of distributing the questionnaires to the respondents, which offered them the opportunity to complete the questionnaire in their own free time. This however had its challenges which included cost inefficiency as the researcher had to travel more often to collect the questionnaires, particularly in situations where respondents forgot to complete the questionnaires which forced the researcher to revisit the respondents again hence affecting the budgeted. Also in some stances it deprived respondents to get answers to questions they were not sure of during the process of them filling in the questionnaires because the researcher was not present. The researcher however tried to reduce effects of this but allowing respondents to refill new questionnaire after acquiring additional information to questions they were not sure of.

#### **3.9.2.1. Design of the questionnaire**

According to Gratton and Jones (2010:118), a well-formulated questionnaire has to align with the research questions and objectives. The author further points out three questions that are asked before every questionnaire design; they include:

- What information do I need to answer in my research question?
- What questions can I ask that will provide me with data that will, when analysed, give me information?
- How am I going to analyse the data that I get from such questions to give me the answer to my research question?

All these questions were adopted in the designing of the questionnaires for the research. Reviewing the research questions in chapter one and the objectives revisited in this chapter, the researcher managed to compile questions that answered all the outlined questions. This research's data is mainly qualitative, however, there was need to validate and cross check the findings through the questionnaire hence influencing the kind of questions which were asked and the type as well.



As with the interview guide, there was a cover page for every questionnaire distributed which explained who the researcher was, the purpose of the research, what was required from them and references to substantiate claims done by the researcher. The questionnaire was divided into three sections, namely company information, procurement process and decision making. These three sections acquired all the information needed to meet the objectives of the research.

A total of 80 questionnaires were distributed among buyer, logistics managers and executive management. The questionnaire comprised of synchronised closed-ended questions and Likert scale and ranking which mainly represented the global sourcing process, as well as the advantages and disadvantages they faced. These questions were compiled under one section and took about 25 minutes to answer. As a result, this action inspired more people to participate because the process was not time-consuming.

#### **3.9.2.1. a. Pilot testing**

According to Cotty (2004:12), pilot testing aims to refine the data-collecting tools through testing on a small portion of the respondents so as to identify errors and inconsistencies, particularly survey questionnaires before introducing them to the whole sample group, in this case the whole population. This assisted in reducing wastage of resources primarily time and material through using quality and well-tested equipment. The same was conducted during the execution of this research. After the design of the questionnaires, they were tested on a portion of the population (test group) so as to detect any left out errors or inconsistency to the desired results.

Before administering the pilot to the respondents, the questionnaire was first reviewed by the supervisor for this research. After completing the corrections, it was handed over to the university statistician to ensure that the data captured could be analysed as well as the qualitative research coordinator. This feedback ensured that the basics of a standard questionnaire were covered and any problems were minimised.

#### **3.9.2.2. Quantitative analysis**

Nnadi-Okolo (1990:151) defines data analysis as “applying statistical methods to description of data and / or the inference of data in order to draw valid conclusions and make reasonable decision on the basis of such analysis”. According to David and Sutton (2004:257), quantitative analysis involves the researcher understanding the captured data and formulating links between it. The key stages involved performing a quantitative data analysis which included:

- Data entry
- Univariate analysis, the examination of individual variances

- Bivariate analysis, the describing and exploring of relationships between two variables
- Multivariate analysis, the expansion of the analysis to three or more variable, and
- Statistical testing to enable judgement as to the generalizability of sample findings to the population (David & Sutton, 2004:257).

This research, however, employed a more computerised option known as the Statistical Package for Social Sciences (SPSS). This is a computer software package that manages variances collected from different questions and arrange these into sets for analytical purposes. Despite the SPSS cost, the software package is greatly acknowledged for its efficiency of quantitative data analysis through its management techniques and specialist features (David & Sutton, 2004:257). Description statistics analysis was also employed and the information was displayed in the form of percentages, means and frequencies.

### **3.10. Method of analysis**

#### **3.10.1 Statistical Program for Social Science**

The quantitative data from the survey questionnaires was analysed with a statistical computer program called (SPSS), Statistical Package for Social Sciences. SPSS is well known tool used for analysing statistical data because it can execute multiple commands simultaneously and is also fairly easy to use. Importantly, SPSS makes use of descriptive statistics which are terms used to amalgamate various statistical tools to systematically arrange data into meaningful information (Pietersen & Maree, 2007:183).

#### **3.10. 2 Data Entry**

SPSS comprises two viewpoints when opened which are classified as 'data view' and 'variable view'. Data view is described as the process whereby information is organized in rows and columns and each row in called a case which contains information pertaining to one participant (Antonius, 2003:3). Antonius (2003:12) further elucidates that prior to data entry into the system, the variables must be acquainted with the system so that it knows which type of variable is acceptable and this is done under variable view. The system accepts three main types of variables levels, namely nominal, ordinal, unknown and numerical scale. However, only two were used for this research, namely nominal and ordinal variables.

- **Nominal variables** are used to measure variables which are qualitative in nature. This involves variables like gender, linguistics and yes/no questions.
- **Ordinal variables.** As the name suggests, order, this variable level is used when working with variables which require systematic ranking or order. It applies to observations which conclude one variables being bigger or better than the other but without any distinction as to by how much. Examples include low, medium and high;

they mean different types of levels but they do not specify the difference between them.

After the coding of the variables, the data was captured into the system and descriptive statistics was applied to evaluate the data into meaningful information. The coding process is explained further in the next section.

### **3.11. Reliability of research**

Reliability of a research is concerned with the replicability and consistency of the findings (Thyer, 2010: 355). Schensul (1999:271) defines research reliability as, “the replicability of research results over time, different sites and populations, and with different researchers”. The definition points out to the recreation of the same results at a different environment and a different researcher. According to Wood and Kerr (2007) there are three ways of testing the reliability of a research which include a stability test, test of equivalence and test of internal consistency.

**Stability test:** this is when the same research instrument is re-used over the same sample population and produces the same results. Stability tests include two forms which are test/retests and repeated observation.

**Test of equivalence:** this test is most suitable when the research subject changes over time and is achieved by conducting similar tests at the same time to yield the same results.

**Test of internal consistency:** refers to the extent to which all parts of the measurement technique are measuring the same concept. This technique is, however, mostly suitable for researches that is highly quantitative.

This research study adopted the test of equivalence when the same tests were conducted on shoe retailers in Cape Town to ensure reliability. As mentioned earlier, this case study comprised 40 shoe retailers which were all administered the same data-collection instruments and processes so as to produce results, hence making the captured information reliable.

The adoption of both positivism and interpretivism paradigms into the research also signalled the reliability of the research because the findings were cross-referenced against both techniques. The outcomes to this exercise should limited variances and provided deeper comprehension of the areas under investigation.

The questionnaires were also piloted tested by experts at CPUT, including the supervisor of this research as well as methodology experts at the CPUT Post-Graduate Research Centre.

This was to ensure that the questionnaires and the in-depth interview guides were capable of producing reliable data.

Other means were also employed to avoid the respondents' bias, and they included communication with the respondents concerning their rights to participate or reject involvement into the research. The anonymity of the participants was also reserved and the information provided was kept confidential.

As mentioned earlier, the in-depth interviews were recorded hence minimising any chances of the omission of data. This as a result ensured that all the data captured was analysed and contributed to the results displayed.

### **3.12. Validity of research**

According to Bell (2005:117) the validity of a research is determined by whether it functions as it is supposed to. In the case of this research study, the author points out to the methodology of the research hence determining whether the findings are valid, through evaluating if the data answered the research question or meet the research goals. This is reinforced by the definition of Sapsford and Jupp (1996:1) who define the validity of the data, as information which "do measure and characterise what the authors claim, and that the interpretations do follow from them."

On a qualitative perspective, validity involves the accuracy of the description and interpretation of the gathered data. To ensure validity on this front, the researcher:

- Persevered for quality data by fully covering the area under study,
- Conducted feedback from respondents to ensure the validity of the research, and
- Employed comparison between case study units

Overall, the use of triangulation greatly improved the validity of the research findings as mentioned earlier as the research used different ways to acquire data. The triangulation process ensured that the data was relevant as well as in depth so as to guarantee thorough evaluation of the area under study.

### **3.13. Ethical considerations**

An ethical certificate was obtained earlier before the commencement of the research study to ensure that it aligned with the expectations of the CPUT board of ethics. Saunders et al. (2003:129) define research ethics as, "the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or are affected by it". Gratton and Jones (2010:121) concur and outline that ethical consideration covers all areas of conducting a research especially how the research design is conducted. Both Saunders et al. (2003:129)

and Gratton and Jones (2010:121) agree on the following areas which they think the researcher has to consider when conducting a research and they include:

- Voluntary / involuntary participation and informed consent
- Deception
- Confidentiality.

Saunders et al. (2003:12) consider more ethical critical areas and these areas include:

- Reaction of participants to the way you seek to collect data
- Effects of participants of the way which you see, analyse and report data, and
- Behaviour and objectivity of researcher.

All these areas will be explained in the following sub-sections below.

### **3.13.1. Voluntary / Involuntary participation and informed consent**

Prior to conducting the interviews and filling in the questionnaires the respondents were enlightened on their right of participation which involved a brief explanation on the cover of questionnaire and interview guide. The researcher also obtained signed consent forms from the participants for their approval to participate in the research. The respondents were also given the opportunity to consider participating in the research. The respondents were also informed about the right to decline to participate at any point during the research process.

### **3.13.2. Deception**

During the compilation of the whole research, the researcher pledged that he did not, in any way, deceive anyone into anything, directly or indirectly, concerning the research. The respondents and every participant were well informed and educated before and during the conduction of the research. The whole research process was conducted in an ethical manner which involved completing and following the processes prescribed by the university and followed principle of an academic.

The respondents were also assured that there would be no direct or indirect risk associated with participating in the study. No physical or psychological harm was expected from the research and also no harm to participants' job security was caused in the completion of this research. All clearance was strictly from management, hence giving the approval to employees (the participants) to be involved in the research.

### **3.13.3. Confidentiality and anonymity**

The study also maintained the confidentiality and anonymity of the participants of the research. According to Babbie (2012:65), concealing the identity of the participants of a research is imperative because it enables the respondents to discuss freely without any fear of judgement or punishment hence acquiring more relevant insightful data. This study was conducted on real businesses which operate in the public eye, hence the need to conceal their identities.

To ensure the confidentiality and anonymity of participants, the recording and questionnaires were numbered so that in the event of a breach of security or misplacement of files, the information would be encrypted for anyone to understand other than the researcher. The captured data was only viewed and examined by the researcher alone as per agreement with participants.

#### **3.13.4. Plagiarism**

Plagiarism is taking someone's work or ideas and presenting them as your own (Ezikiel, 2008:788). This study was conducted and written by the researcher and was in no way duplicated from another person. All the literature and structure used in this research was referenced and listed on the section of bibliography.

#### **3.13.5. Feedback**

The researcher also reassured the availability of the results of the study on the CPUT website and a personal feedback to each and every shoe retailer who has participated in the research.

#### **3.14. Chapter Summary**

This chapter was based on the Saunders et al. (2000) onion diagram which enhanced the comprehension and flow of procedures conducted by the researcher in preparation to the data collection process. The main areas covered included revisiting the research objectives, research frame, research philosophy, research approach, research strategy, research purpose, time horizons, research methods, reliability of research, validity of research and ethical consideration. All these areas were discussed in-depth as well as their relevance to this study. The next section is the data analysis, presentation and interpretation which highlights the data captured through graphical presentation.

## CHAPTER 4 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

*After all the data collection and analysis it is time to think about your data presentation and what does the data mean...*

*Dziekan et al., 2013:77*

### **4.1. Introduction**

The previous chapter outlined the different strategies, tools and techniques used to acquire data for this research based on research question type, applicability of technique to the research situation or environment, and previous case studies conducted by other authors. This chapter involves the presentation, analysis and interpretation of data captured into information which was used to answer the research questions outlined in chapter one. Data analysis is "... the process of computing various summaries and derived values from the given collection of data" (Mirkin, 2011:1).

Prior to data collection, respondents were informed about their rights to anonymity and withdrawal from the study at any point in time during the data collection process. They were also notified of their right to decline responding to questions they felt uncomfortable answering. The analysis phase of this chapter is divided into two sections namely, the quantitative analysis and the qualitative analysis. The quantitative analysis involved processing the data captured from survey questionnaires with SPSS version 23. For every question presented in the questionnaire, a diagram was presented to typically depict the segmentation of the results from the respondents. Brief explanations were also presented explaining the graphs and results so as to provide further understanding of the data. There were, however, some questions within the questionnaire which were qualitative in nature; the responses are presented in the qualitative section in the chapter.

The qualitative data was derived from the interview sessions conducted with respondents. This data was analysed making use of content analysis which involves arranging the data in patterns (coding) so that differences can be identified hence giving the results meaning (narratives). The information, either from quantitative or qualitative phases will be interpreted in the final segment of the chapter so as to answer the research questions pointed out below for recapping purposes.

#### **4.1.1. Research objectives revisited**

As highlighted in the introductory chapter of this dissertation, the research objectives were to:

1. Determine the current level of global sourcing shoe retailers are on;
2. Discuss reasons why shoe retailers currently on this specific sourcing level;

3. Identify the challenges shoe retailers in Cape Town face to completely adopt global sourcing;
4. Highlight areas which need to be improved to ensure shoe retailers in Cape Town completely adopt global sourcing.

The above mentioned research questions were investigated using different data collection tools, which were based on the nature of the information expected. The data is presented in the sequence of the research questions. It is presented in two formats which include the questionnaire and the interviews responses.

#### 4.1.2. Phase 1: Quantitative analysis

##### 4.1.2.1. Response rate

Babbie (2015: 264) identifies a response rate as a guide to the level of feedback a researcher attains in terms of answered survey questionnaires and interviews conducted. As mentioned earlier in the previous chapter, this research was based on 40 shoe retailers and within these establishments, questionnaires were distributed to at least one person per organization depending on size, complexity of sourcing operation and the level of cooperation of the respondents. From an expected eighty questionnaires, 62 were returned which were error free and fully completed. This resulted in a response rate of 77.5% which in relation to the research is a very acceptable rate of return. This is supported by Ray (2012:333) who points out that a response rate of 75% and above is considered to be “fortunate” rate of return because normally most researches get lower response rates.

##### 4.1.3. Classification of data

The data analysed was derived from questionnaires sent to buyers, logistics managers, quality managers, store managers and/or store owners. Questions were structured in such a way that they would be easy to code and follow up in case of mistakes, especially in a situation where large volumes were to be analysed.

Some questions within the questionnaire were closed-ended, meaning that respondents were offered prospective answers to the questions which they had to pick from based on the answer that best suited their preference. For every answer, a number was assigned which enabled easy entry of the data into SPSS. A typical example of a question within the questionnaire is depicted below in Table 4.1.

**Table 4.1: Sample structure of questionnaire**

Q9	Do you have other branches outside the country? <i>(Please tick the answer of your choice)</i>	
9.1	Yes	
9.2	No	



**Source:** Own Table

The above table is an example of the structure of questions within the distributed questionnaire. A sample of the whole questionnaire is provided in Appendix B.

The numbers in the margins represent the question number and the code for the answer. Instead of typing within SPSS yes or no, the researcher just had to place the number representing the answer then the computer package would compute the information into frequencies and percentages depending on the amount of respondents who selected either yes or no.

#### **4.1.4. The help**

The data analysis was conducted by the researcher but he was offered assistance by the Cape Peninsula University of Technology's statistician who offered additional information on how to effectively use SPSS and ensure that the data computed was correct using different SPSS functions. She also facilitated the presentation and exporting of data between computer packages which involved using the data accumulated from SPSS and creating graphs with in Microsoft Excel. This was done simply because Microsoft Excel has better graph presentation technology which enhances the visual of the material.

The results from the data collections are depicted below.

#### **4.2. Questionnaire based results**

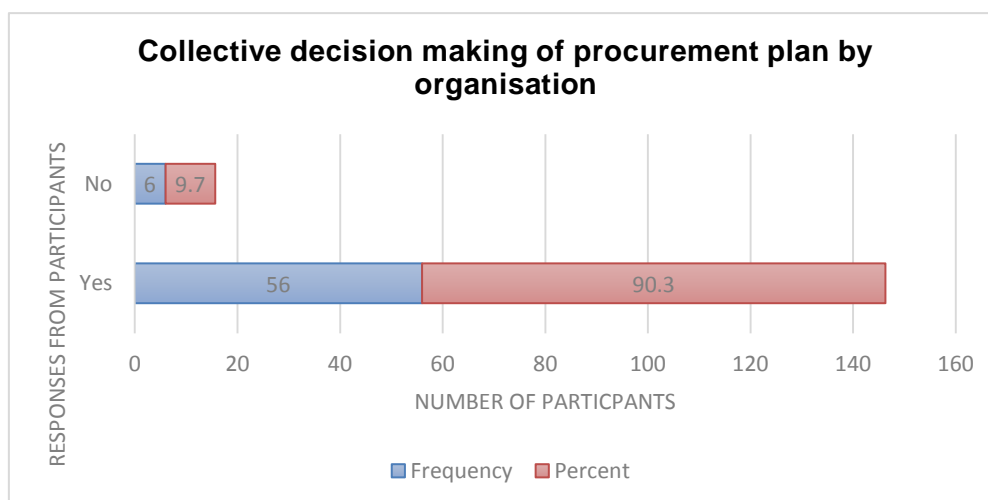
As mentioned earlier, the data presented in this section was derived from survey questionnaires distributed to different personnel within the buying, logistics and executive management function in shoe retail stores. The questionnaire had three subsections which included company information, procurement process and retail procurement decision-making process. These three sections were uniquely designed to acquire specific data which would aid in answering the research questions outlined in the beginning of this chapter.

#### 4.2.1. Results relating to the retailers' current level of global sourcing



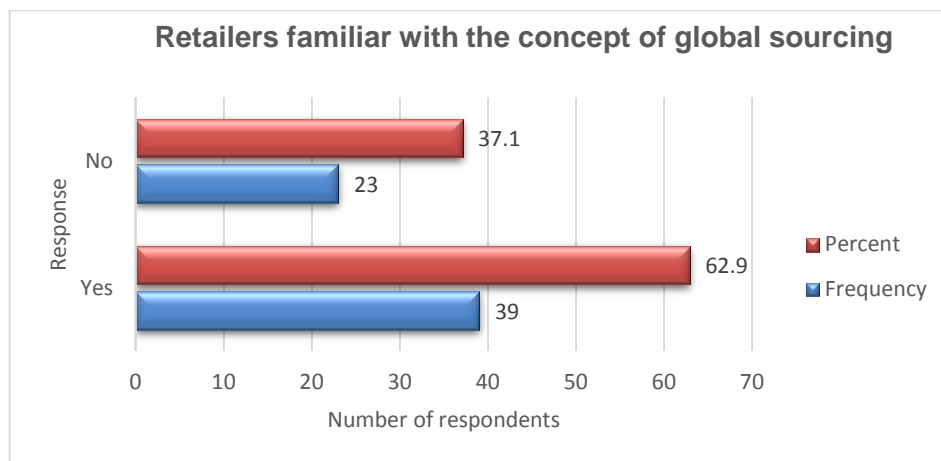
**Figure 4.1: Sourcing strategies adopted by retailers**

The primary objective of this research is to investigate which sourcing strategy shoe retailers employ for their procurement process. This questions aimed to specifically meet this research objective. The results indicated that 44% of respondents source domestically, while 27% highlighted that they employ international procurement and 29% practise global sourcing. This data concurs with the findings of Trent and Monczka (2005:26) who point out that most small to medium sized firms' most realistic reach is level three, which is international procurement. According to the analysis done in this chapter, the data has indicated to the fact that most shoe retailers are in fact small to medium; this is evidenced by the number of branches they operate, the number of employees they have and a limited use of foreign based warehouses, which reveal the level of business operation they conduct. As previously mentioned, the size of a business is difficult to distinguish; however, the abovementioned factors can be used to determine the size and level of operation of a business (Ishengoma, 2004: 97).



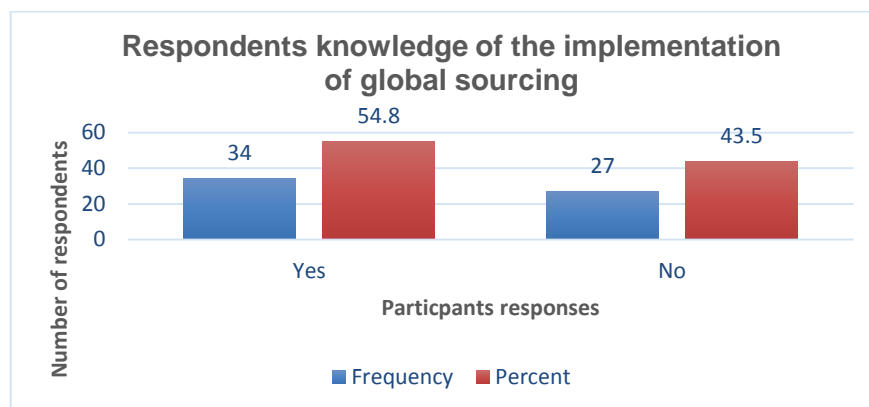
**Figure 4.2: Cumulative decision making by all departments**

According to Trent and Monczka's (2005: 26) evolutionary diagram, stages 4 and 5 mainly differ because in stage 5 there is coordination of buying units across the world as well as functional departments. This implies a collective decision making process with every department to ensure efficiency of the operation. This question aimed to reveal whether shoe retailers conduct coordinated decision making across departments. The results indicated that almost 90% of respondents selected yes to the statement of collectively making decisions with other departments, while 9.3% selected 'no'. These results support the characteristics explained by Trent & Monczka (2005:26) of cumulative decision making.



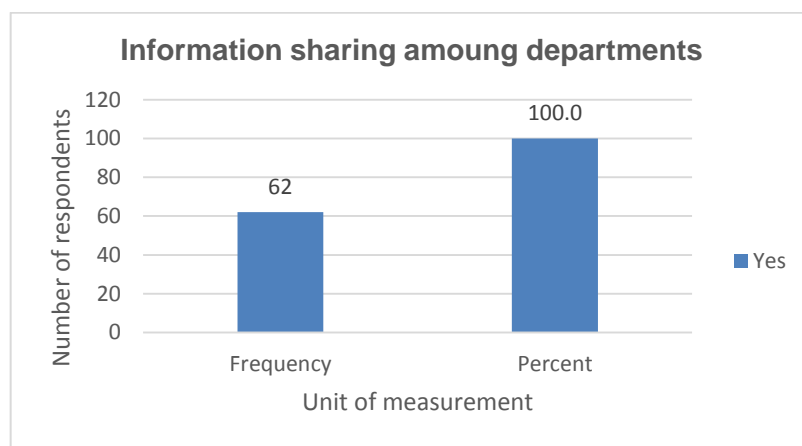
**Figure 4.3: Retailers familiar with global sourcing**

For retailers to implement global sourcing, they need to be aware of the sourcing strategy. This question aimed to establish if shoe retailers are appreciative of the term of global sourcing. The results indicated that 62.9% selected yes to being familiar with global sourcing and 37.1% pointing out otherwise (by selecting no). This data supports the findings of Trent and Monczka (2005:24) and Cho and Kang (2001:542) who acknowledge the popularity of global sourcing in businesses all over the world.



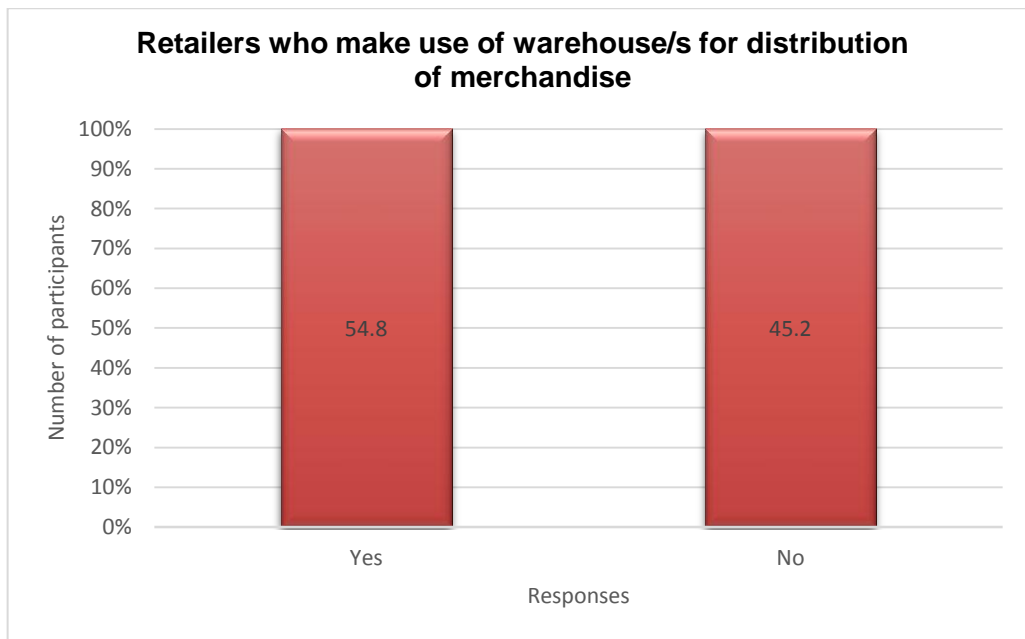
**Figure 4.4: Respondents knowledge of the implementation of global sourcing**

Knowing about the global sourcing and knowing its implementation are two different things. This question aimed to investigate whether shoe retailers are familiar with the implementation of global sourcing. Respondents were split in two, with 54.8% of them selecting yes to having knowledge of how to implementing global sourcing while 43.5% indicated no to the same statement. Trent and Monczka (2005:26) have established that most firms do not pursue higher level of global sourcing because they lack the ability to do so. Ability encompasses possessing the knowledge, amongst other factors, to employ global sourcing which most shoe retailers in this research have, therefore concluding that the data acquired disagree with the findings of Trent and Monczka (2005:26). However, other factors are yet to be put into consideration to acquire a conclusive result of the abilities of shoe retailers who participated in this study.



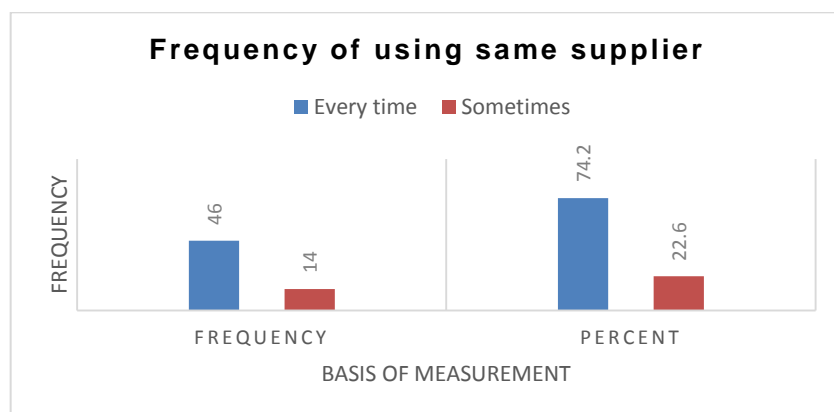
**Figure 4.5: Information sharing when executing global sourcing**

As with the question with the data depicted in Figure 4.15, information sharing is also considered by Trent and Monczka (2005) to be imperative to the success of the global sourcing operation. A characteristic of level 4 and 5 includes the coordination of sourcing operation across the world which implies sharing of information to create a coordinated sourcing structure. This question aimed to investigate if shoe retailers' departments shared information during or after the sourcing operation. The results concluded that all shoe retailers share information among functional departments. Whether sourcing domestically or otherwise, sharing of information ensures a coordinated and well-structured process which results in acquiring the right shoes, right time and at the right price. Trent and Monczka (2005:27) emphasize the need to share information through technology which improves the lead times of deliveries and smoother comprehension of the procurement process.



**Figure 4.6: Retailers making use of warehouses**

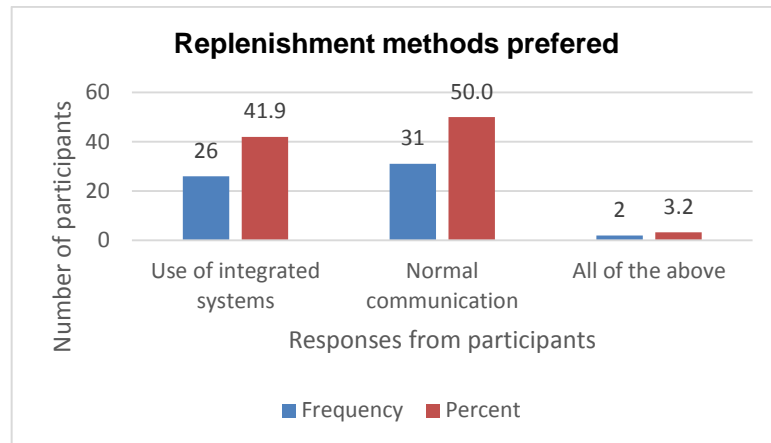
This question aimed to investigate how many shoe retailers make use of warehouse during their procurement process. The results indicated that most shoe retailers use warehouses with 54.8% indicating yes to the use of warehouse while 45.2% highlighted otherwise. This data indicates that most shoe retailers have organised stocking systems which mainly use warehouses to keep buffer merchandise in case of emergencies of stocks outs. As indicated by Lovell et al. (2005:157), warehouses are a major compound of global supply chains as they enable configuration of stock during the logistics process.



**Figure 4.7: Frequency of using same supplier**

The objective of the question was to determine the frequency of using the same supplier. This would establish the platform for the implementation of integrated replenishment systems. 74.2% indicated that they use the same supplier every time when replenishing their stocks, while 46% highlighted to using the same supplier sometimes.

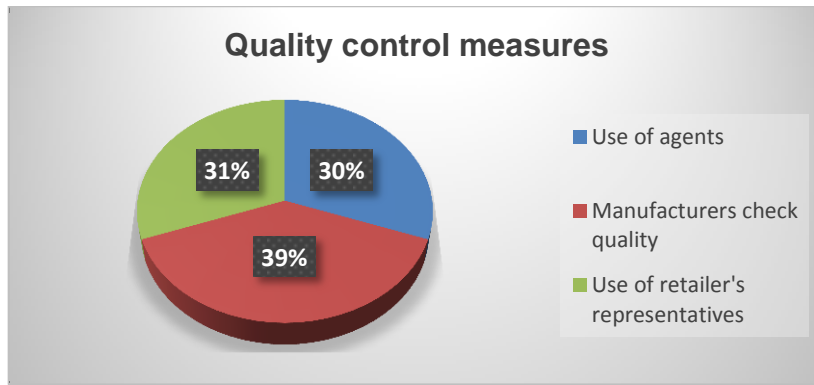
Global sourcing is based on integration and coordination of sourcing activities around the world (Trent & Monczka, 2005:25). This involves formulating a synchronised global supply chain which involves suppliers who deliver the merchandise when needed and in the right quantities (Rao & Young, 1994:11). By making use of fewer suppliers and maintaining that number, this ensures loyalty and creates a platform for a sustainable future through dependency on one another, particularly in an environment as risky as global supply chains (Chopra & Meindl, 2004:53). This data concurs with the above authors as this reflects their objective of creating a sustainable base with suppliers.



**Figure 4.8: Replenishment tools used by retailers**

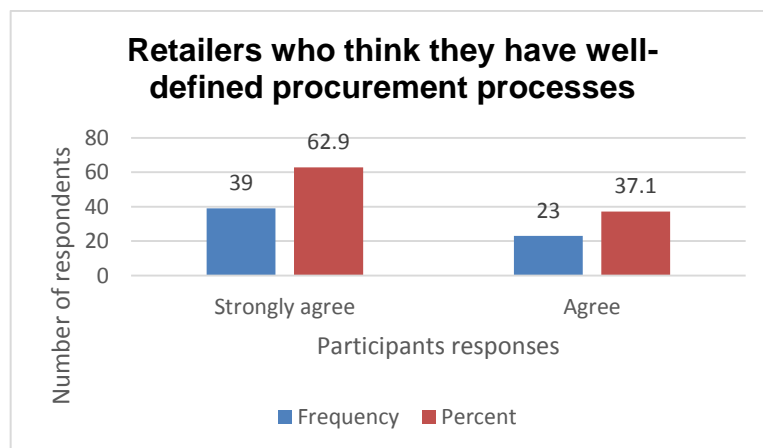
The question aimed to establish the communication means used by shoe retailers to replenish stock. Exactly half of the respondents indicated using normal communication, which is the use of emails, telephones and video conferences to replenish their stock. 41.9% indicated that they use integrated systems; this involves a transparent system which enables the suppliers to see the stock on hand and automatically prepare for deliveries in the event the levels are low. 3.2% highlighted that they use both.

This data supports the previous data on Figure 4.19 which depicts the level at which global sourcing shoe retailers are. According to Trent and Monczka (2005), the use of normal communication is a reflection of firms that are at level 2 and 3, which is international procurement. This also supports the procurement activities identified to be popular with respondents that include less focus on foreign warehouses, the amount of employees in stores, the store format employed and the number of warehouses.



**Figure 4.9: Quality control measures**

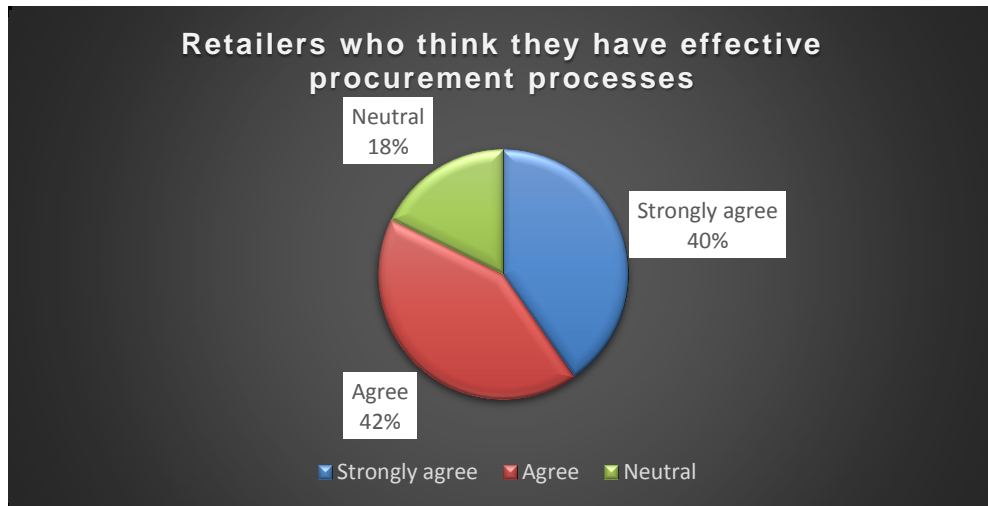
Since there is a great distance between a supplier and a retailer, quality control measures need to be precise and effective because failure to do so would be catastrophic, mostly for the retailer. This question aimed to investigate which control measures they employ to curb such problems. The respondents were almost evenly distributed in terms of the quality measures used within their respective organisations; hence Figure 4.25 above depicts 39% of the respondents opting for manufacturers to check the quality of the shoes before shipment, while 31% send representatives from their company to check quality before shipment, and 30% use agents. This data supports Vedel and Ellegaard's (2013:518) findings that most companies use sourcing agents, retailer representatives (import intermediaries) and manufacturers to check quality. However, in this case, special notice has to be given to the dependency on manufacturers by retailers. This supports the data in Fig 4.24 where retailers are identified as pursuing a relationship with suppliers, hence sharing some of the procurement functions like quality control.



**Fig 4.10: Retailers with well-defined procurement processes**

62.9% of the respondents selected strongly agree with the statement of having a well-defined procurement process. 37.1%, which is the rest of the respondents, agreed with the statement. This shows the level of attention given to the sourcing process. All participants

agree on having a well-defined procurement process which is amongst the characteristics of an effective global sourcing strategy. This data supports Trent and Monczka's (2005:26) findings on having a well-defined procurement process which can effectively meet the procurement objectives. A well-defined procurement process simplifies the learning process of other employees and stakeholders of the procurement process, particularly in the duties and responsibilities they are expected to execute, therefore achieving efficiency.



**Figure 4.11: Retailers who think they have effective procurement processes**

Respondents were asked as to their perception of the effectiveness of their procurement processes. 42% of the respondents indicated that they agreed with this statement; 40% strongly agreed and 18% were neutral.

Respondents highlighted confidence in their procurement processes, mainly their effectiveness. This data supports the findings of Trent and Monczka (2003) who acknowledge the need for effective procurement processes which ensure the realisation of benefits associated with global sourcing or any sourcing strategy, for that matter.

**Table 4.2: Cross tabulation between sourcing strategy and effective procurement process**

**Crosstab**

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Procurement process is effective	Strongly agree	5	6	14	25
	Agree	13	9	4	26
	Neutral	9	2	0	11
Total		27	17	18	62

**Chi-Square Tests**

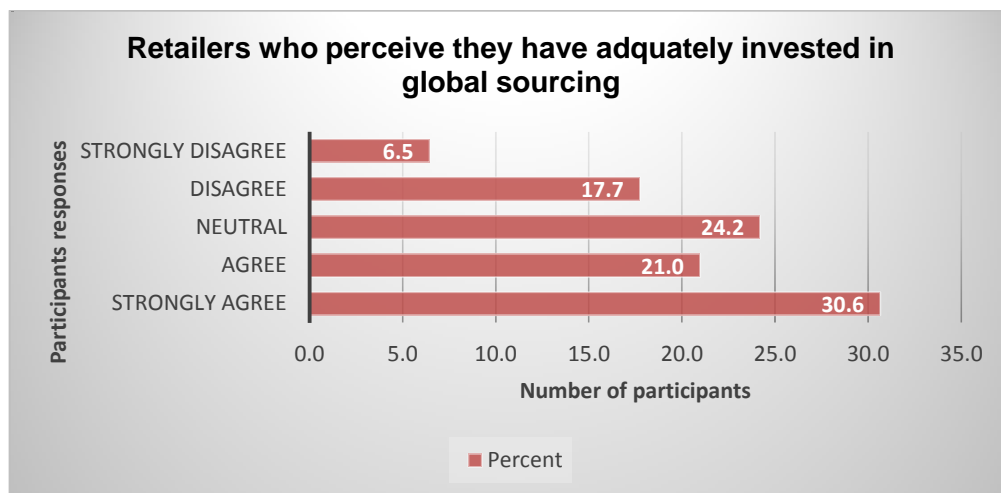


	Value	df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	19.195 <sup>a</sup>	4	.001	.001

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 3.02.

b. The standardized statistic is -4.130.

There is a significant relationship between an effective procurement process and a sourcing strategy ( $\chi^2 = 19.195$ ,  $df = 4$ , exact  $p$ -value  $< 0.005$ ). Eighteen respondents who employ global sourcing agree with having an effective procurement process. However, 9 respondents who source domestically are neutral, while there are no respondents who source globally. This data indicates that global sourcing inspires effective procurement processes, while domestic sourcing and international procurement do not reflect the same advantage. As indicated by Chopra and Meindl (2004:53), the longer the geographical distance between suppliers and retailers, the bigger the risk of longer lead times. This reflects the data captured on the cross tabulation which depicts more effective procurement processes for retailers that source globally because they perfect the sourcing process to curb such risks.



**Figure 4.12: Respondents perception to adequately investing in global sourcing**

The following are perceptions of investment in global sourcing by respondents:

- 30.6% strongly agree
- 21% agree
- 24.2% are neutral
- 17.7% disagree; and
- 6.5% strongly disagree.

More than half of the respondents acknowledge adequately investing in global sourcing. This data supports the Trent and Monczka (2005:26) statement on the need to possess a

sustainable budget for global sourcing, amongst other resources. The authors further explain the need for finance to be available before the sourcing operations commence.

**Table 4.3: Cross tabulation between sourcing strategy and level of investment in global sourcing**

**Crosstab**

Count

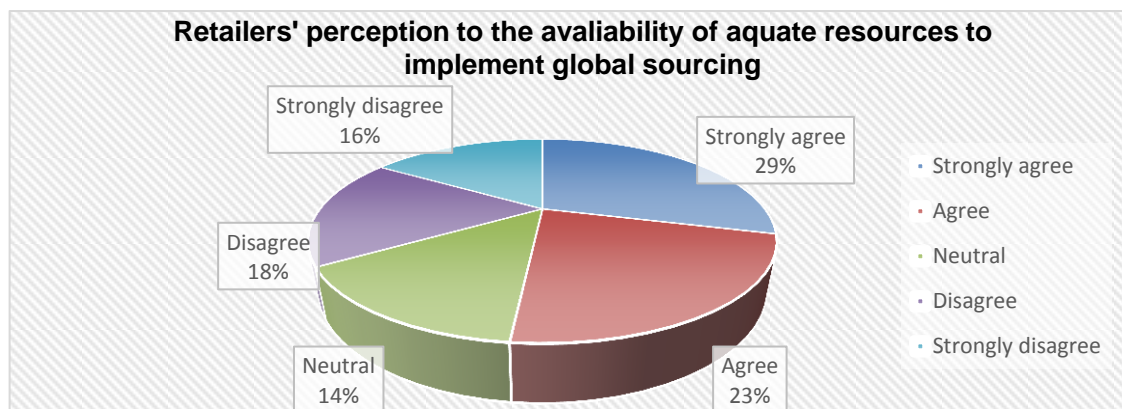
		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Investment in global sourcing	Strongly agree	1	6	12	19
	Agree	3	4	6	13
	Neutral	9	6	0	15
	Disagree	10	1	0	11
	Strongly disagree	4	0	0	4
Total		27	17	18	62

**Chi-Square Tests**

	Value	Df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	38.298 <sup>a</sup>	8	.000	.000

a. 10 cells (66.7%) have expected count less than 5. The minimum expected count is 1.10.  
 b. The standardized statistic is -5.644.

There is a strong relationship between level of investment and sourcing strategy ( $\chi^2 = 38.298$ ,  $df = 8$ ,  $p\text{-value} < 0.001$ ). Table 4.9 above highlights a total of 18 respondents who source globally and feel that their global sourcing operation is well funded. This indicates that global sourcing and international procurement require investment, which is what shoe retailers are doing to support their sourcing operations. This data also supports the information depicted in Figure 4.28 as well as Trent and Monczka's (2005:25) findings. Inversely, there are more people who are neutral and disagree about investment levels within their organisations, while their primary sourcing strategy is domestic sourcing.



**Figure 4.13: Respondents' perception to the availability of adequate resources to implement global sourcing**

This question aimed to establish if other resources, besides financial support, are available for global sourcing. 29% of the respondents strongly agree with the statement that their respective organisations have enough resources to support global sourcing, while 23% strongly agree, 14% are neutral, 18% disagree and 16% strongly disagree. There is almost an even distribution between respondents who feel that their organisations have enough resources to sustain global sourcing and those who disagree with the statement. This shows that shoe retailers require resources to employ global sourcing. This supports the data acquired by Trent and Monczka (2005:26) who stress the need for adequate resources, in the form of qualified personnel, information, time and outside assistance. It is imperative to note that almost 48% of respondents do not possess adequate resources for global sourcing; this paints a concerning picture of the overall implementation of sourcing strategy. This supports their claim that most small to medium enterprises may settle for international procurement as they lack the 'ability' to employ global sourcing.

**Table 4.4: Cross tabulation between sourcing strategy and availability of adequate resources for global sourcing**

**Crosstab**

**Count**

		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Availability of necessary resources to adopt global sourcing	Strongly agree	1	5	12	18
	Agree	1	7	6	14
	Neutral	6	3	0	9
	Disagree	9	2	0	11
	Strongly disagree	10	0	0	10
<b>Total</b>		<b>27</b>	<b>17</b>	<b>18</b>	<b>62</b>

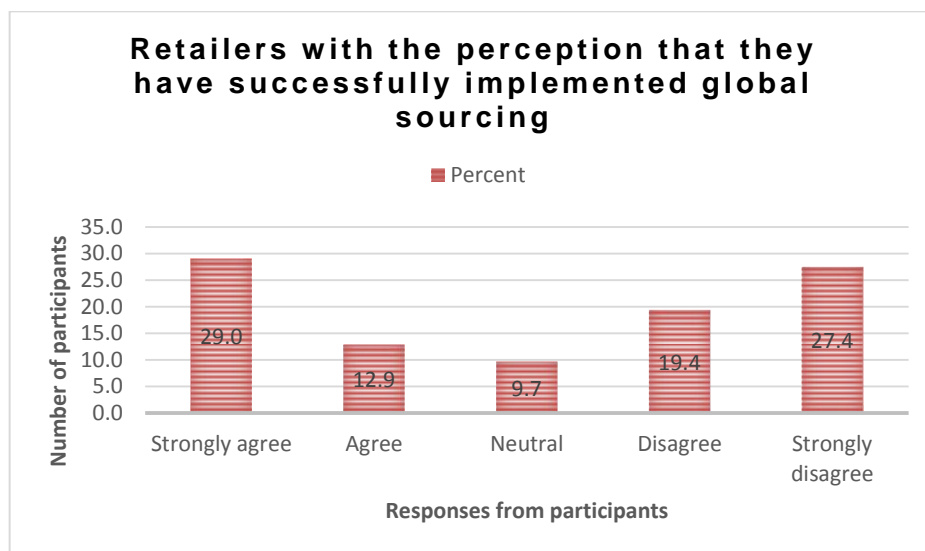
**Chi-Square Tests**

	Value	df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	46.565 <sup>a</sup>	8	.000	.000

a. 12 cells (80.0%) have expected count less than 5. The minimum expected count is 2.47.

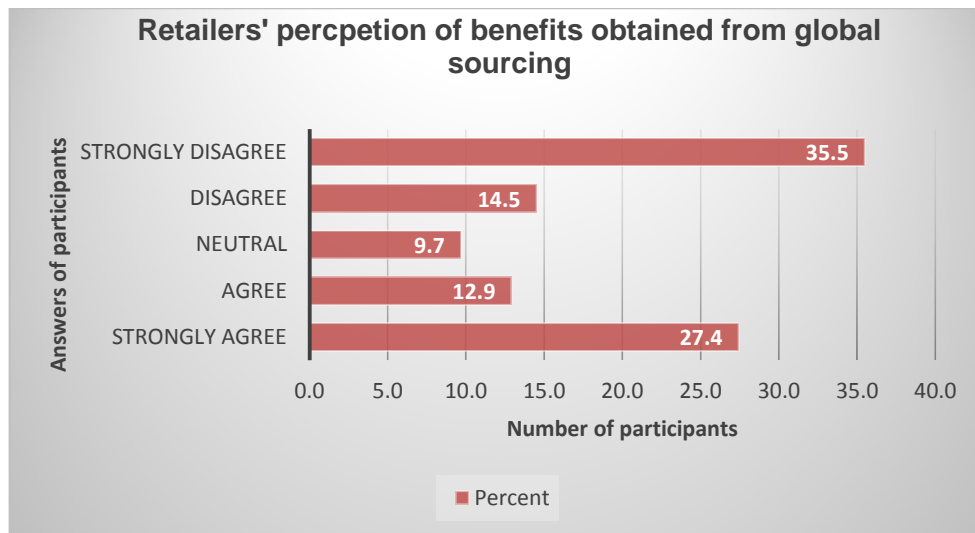
b. The standardized statistic is -6.062.

There is a significant relationship between adequate available resources and sourcing strategy ( $\chi^2 = 46.565$ ,  $df = 8$ ,  $p\text{-value} < 0.001$ ). There is an inverse relationship between domestic sourcing and global sourcing in the form of respondents' perception towards the availability of adequate resource for global sourcing. There were 18 respondents whose organisations agree with having enough resources, while 25 respondents were either neutral or disagreed with the statement. The data in this cross tabulation table above concurs with the findings of Trent and Monczka (2005) who identify the availability of resources as having an influence on the adoption of global sourcing. Most retailers that source globally have adequate resources for global sourcing, while the opposite was true. This points to the fact that global sourcing does not require much resources to make the procurement process efficient. This reflects why more emphasis on resources is given to global sourcing than domestic sourcing in Trent and Monczka's (2005) global sourcing characteristics.



**Figure 4.14: Successful implementation of global sourcing**

The question aims to establish the number of retailers that are currently satisfied with their global sourcing operations. The results indicate that most shoe retailers are not happy with their current global sourcing operations. 29% strongly agree with the statement of successfully implementing global sourcing, while 12.9% agree, 9.7% are neutral, 19.4% disagreed and 27.4% strongly disagreed. These results concur with Trent and Monczka's (2005) findings who affirm that most small to medium sized firms fail to fully adopt global sourcing because of either their willingness or their ability to do so. According to the data captured, most shoe retailers in this study fall within this category and hence it is likely why most shoe retailers fail to successfully employ global sourcing.



**Figure 4.15: Benefits of global sourcing**

This question aimed to establish whether shoe retailers enjoy the benefits of global sourcing. 35.5% of the participants strongly agreed with the statement of enjoying the benefits of global sourcing; 14.5% disagree, 9.7% were neutral, 12.9% disagreed and 27.4% strongly disagreed. These results indicate that global sourcing has major benefits despite a failure to successfully implement it. This is shown by the results obtained in Figure 4.32 where most shoe retailers indicated unsuccessfully implementing global sourcing, while in Figure 4.33 most shoe retailers indicated that they enjoy the benefits of global sourcing. This also indicates that all stages of global sourcing provide benefits to some businesses, depending on the business structure and expectations. This is supported by Trent and Monczka (2005:26) who, by way of explanation, write: “For others, particularly smaller and medium-sized companies with limited geographical reach and capabilities, Level 3 might be a more realistic option. Part of a company’s strategic planning process should include determining an appropriate sourcing level.”

**Table 4.5: Cross tabulation between sourcing strategy and use of warehouse**  
Crosstab

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Use of warehousing in distribution to store	Yes	3	14	17	34
	No	24	3	1	28
Total		27	17	18	62

**Chi-Square Tests**

	Value	df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	37.443 <sup>a</sup>	2	.000	.000

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.68.

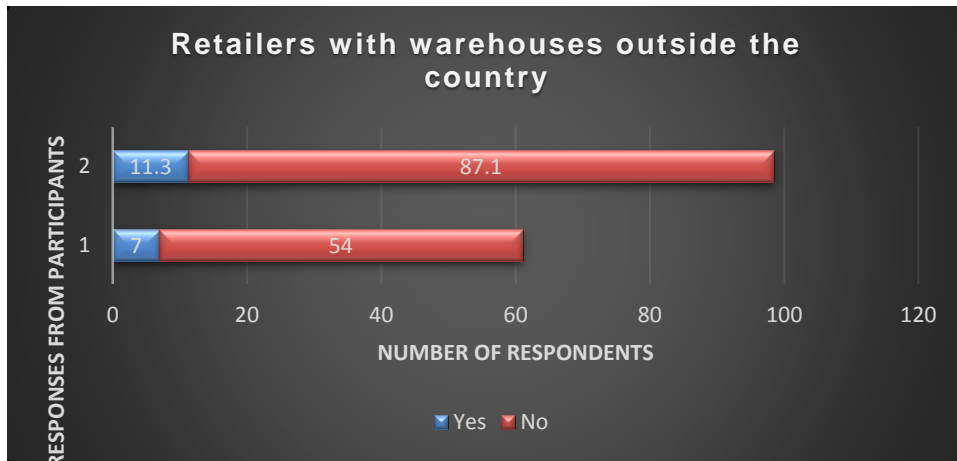
b. The standardised statistic is -5.710.

The cross tabulation table above depicts a significant relationship between warehouse usage and sourcing strategy ( $\chi^2 = 37.443$ ,  $df = 2$ ,  $p$  value  $< 0.001$ ). From the 34 participants who use warehouses, 17 source globally while 14 practise international procurement, and only 3 source domestically. Importantly, only one respondent indicated that they source globally but do not make use of warehouses while 24 respondents who do not use warehouses source domestically. This supports the explanation given in Figure 4.9 above, indicating that warehouses are very important to global sourcing participants.



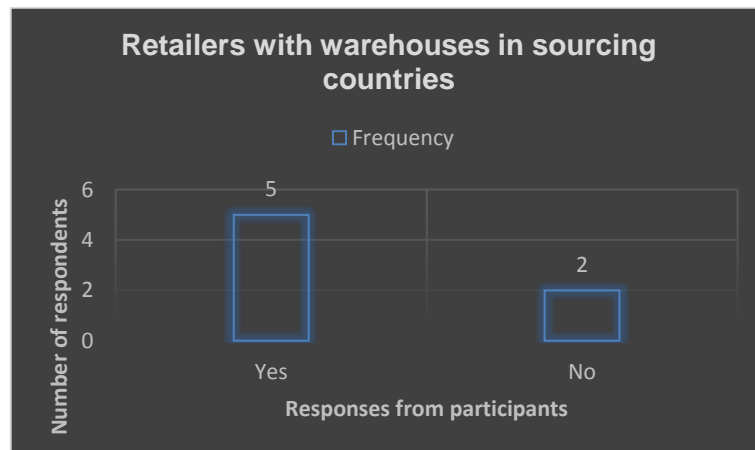
**Figure 4.16: Warehouse per store**

This question aimed to find out the exact number of warehouse or warehouses dedicated to one store or branch. This data would reflect the extent to which shoe retailers use warehouses. Most (41.9%) of the participants indicated that they use one warehouse per store, while a significant number (30.6%) and (25.8%) selected zero and 2 warehouses respectively. A very small number (1.6%) of the participants selected using 3 warehouses to support each store. Since most shoe retailers indicated that they have only one outlet, it is logical to have only one warehouse which is what the data is indicating. These warehouses are used to store merchandise which would last them a season, based on the data from the previous table, particularly those retailers that source globally while the shoes are sold in the stores.



**Figure 4.17: Retailers with warehouse outside the country**

According to Trent and Monczka (2005:25), global sourcing involves the integration of sourcing activities across geographical borders with the aim to acquire quality, reasonably priced merchandise. This question aimed to establish if shoe retailers actually had dispensed warehouses across the world which were integrated through advanced technology. The results indicated that respondents who do not have warehouses outside South Africa landslide respondents who have warehouses with a ratio of 7.7:1. This data indicates that most retailers have not yet fully achieved global sourcing since it is imperative to have outside the country warehouse which aid in the movement of stock to the final store. Evident in the network configurations of Creazza et al. (2010:157), outside country central warehouses are imperative for global sourcing operations as they make it possible to configure shipments into FCL.

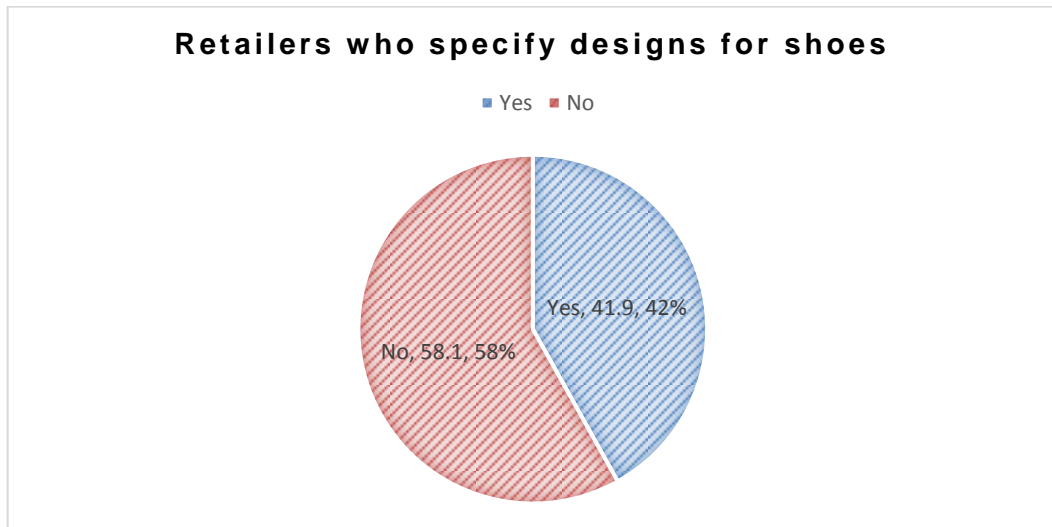


**Fig 4.18: Retailers with warehouses in sourcing countries**

As with the question with the depicted results on Figure 4.17, this question aimed to establish whether shoe retailers had warehouses in the sourcing country to improve the efficiency of the sourcing operation. However, the results from this question did not mean that those shoe retailers without warehouse in the sourcing country had inefficient processes but had other

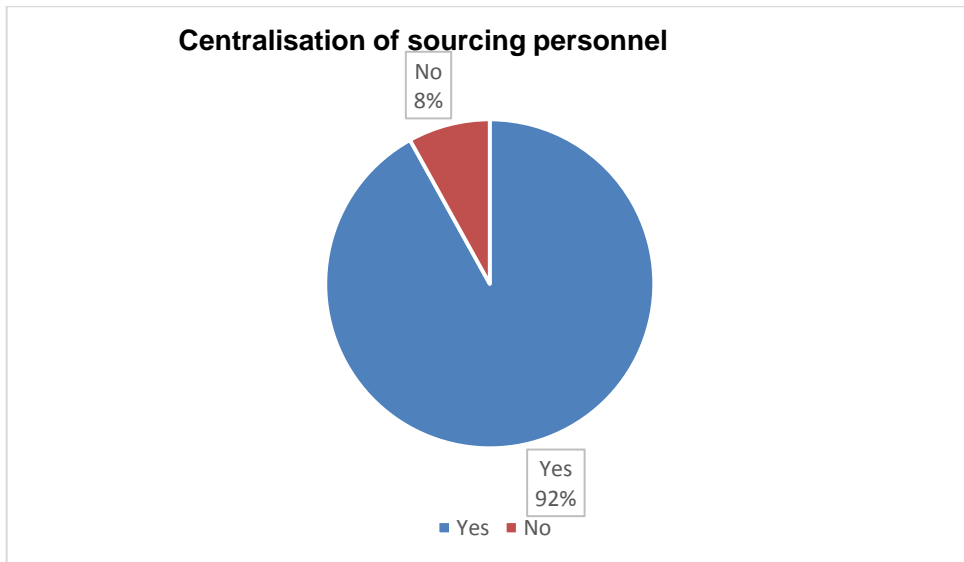


means to ensure efficiency of their sourcing operations. 5 of the 7 respondents selected yes to having warehouses in sourcing country while only 2 indicated having them elsewhere. This total number is generally low, however most of the respondents with warehouses outside the country have them in sourcing nation. According to the configuration networks by Creazza et al. (2010:157), there is need to have warehouses in sourcing nation or location in close proximity to the sourcing nation which is constantly reflected in all five of their diagrams.



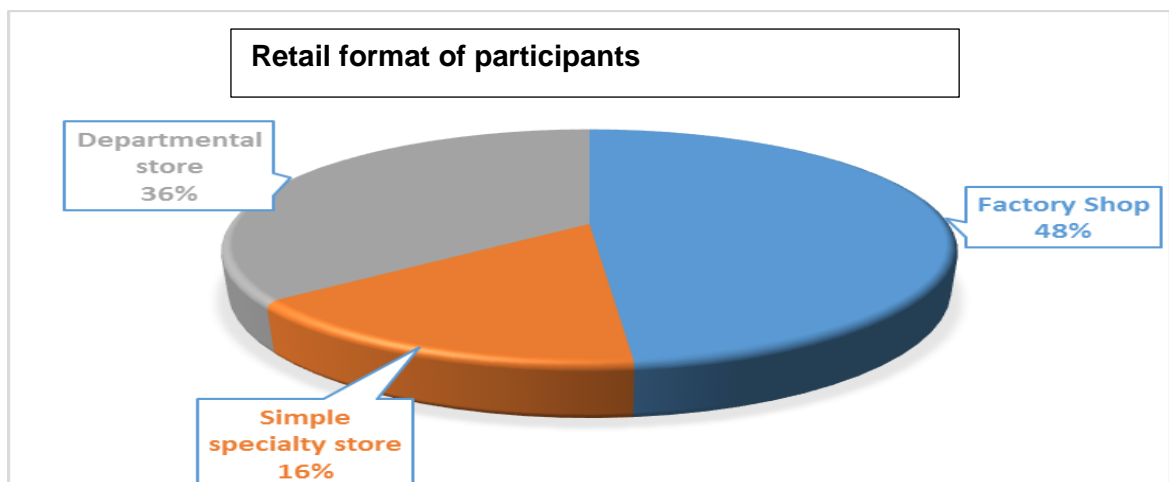
**Figure 4.19: Retailers who specify designs to manufactures**

According to Burson (1999:92), global sourcing involves manufacturing products at one location across the world and selling in another. This implies creating designs and commencing production elsewhere where there is affordable labour rates and resources. This question aimed to evaluate where shoe retailers design their own shoes or purchase already made shoes. The results indicated that almost 60% of respondents indicated that they do not design their shoes for themselves, they buy already made shoes. However 41.9% of retailers specify the designs they want from their manufacturers. These results indicate the use of intermediaries who create designs and then sell as wholesalers to shoe retailers either here in South Africa or abroad. According to Vedel and Ellegaard (2013:511), intermediaries curb the problems associated with global sourcing risk which smaller retailers or companies are incapable of encountering.



**Figure 4.20: Centralisation of global sourcing personnel**

For a procurement process to be successful it requires different people in different departments to team up so as to effectively execute the process. Companies create global sourcing committees which are directly responsible for the sourcing procedure from start to end. This committee has to meet regularly during the procurement process to ensure the effectiveness of the operation (Trent & Monczka, 2005:27). This information implies that this committee has to be established at one central location. The data aimed to establish whether shoe retailers have centralised procurement personnel. 92% of participants indicated yes to having all global sourcing personnel centralized while a small number of 8% indicated otherwise. This data points to a coordinated sourcing strategy as most of the personnel responsible for sourcing are situated at one place which is in line with Trent and Monczka's (2005:27) findings.



**Figure 4.21: Retail format of participating companies**

This question aimed to reflect who the shoe retailers participating in this research were by indicating their retail format for their retail businesses. From the retail companies that participated in this research 48% were factory shops, 36% were departmental stores while 16% were specialty stores. Most participants were factory shops which meant that they produced and sold their shoes hence indicating that they employed domestic sourcing while the other participants included department stores and simple specialty stores sourced elsewhere. The location of the respondents contributed to these results because in the Parow-Goodwood area, factory shops are many hence the result. Factory shops are stores which sell remaining stocks to customers at discount prices.

**Table 4.6. Cross tabulation of store type and type of sourcing strategy**  
Crosstab

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Retail format used by retailer	Factory shop	23	4	3	30
	Simple specialty store	4	2	4	10
	Departmental store	0	11	11	22
Total		27	17	18	62

	Value	Df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	31.117 <sup>a</sup>	4	.000	.000

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 2.74.

b. The standardised statistic is 4.938.

There is a significant relationship between store format and the type of sourcing strategy used by shoe retailers ( $\chi^2 = 31.117$ ,  $df = 4$ , exact  $p$ -value  $< 0.001$ ). The cross-tabulation table above shows that from the 30 retailers, 23 source domestically (76.6%). Since they have factories, they source domestically while simple specialty stores and department stores are more active in international procurement and domestic sourcing. This can be concluded that the store format contribute to the sourcing strategy used by shoe retailers.



**Figure 4.22: Duration of store existence**

Similar to the retail format, this question aimed to create an understanding of how long the respondents have been in the shoe retail business, therefore providing additional information on the retailers. Eleven percent of the respondents indicated that they have been open for 6 months or less; 3% highlighted that they have been operating for 7 months to a year; 7% have been open for 2-5 years; 29% for between 6-10 years; while 40% highlighted to be in business for 11 years and more. This data indicates that most shoe retailers have been in business for a long time.

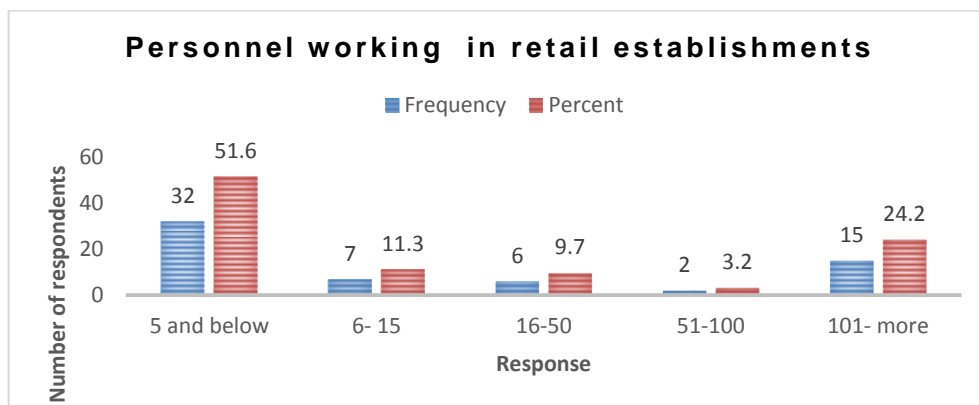
**Table 4.7. Cross tabulation between years in business and sourcing strategy**  
Crosstab

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Amount of time the store has been running	6 months	6	1	0	7
	7 months to 1 year	2	0	0	2
	1 year to 1 year 11 months	3	2	1	6
	2 years-5 years	3	0	1	4
	6 years-10 years	8	8	2	18
	11 years or more	5	6	14	25
Total		27	17	18	62
	Value	Df	p-value (2-sided)	Exact p-value (2-sided)	
Pearson Chi-Square	23.851 <sup>a</sup>	10	.008	.004	

a. 13 cells (72.2%) have expected count less than 5. The minimum expected count is .55.

b. The standardized statistic is 3.717.

The cross tabulation tables above depict a strong relationship between the number of years in operation and type of sourcing strategy ( $\chi^2 = 23.851$ ,  $df = 10$ , exact  $p$ -value  $< 0.005$ ). Retailers who have been operating for less than 5 years mostly source domestically, while the long-serving retailers practise international procurement and domestic sourcing. This may be because the new retailers have no adequate resources to effectively source internationally hence these results. This data supports the evolutionary diagram by Trent and Monczka (2005:25), which dictates that firms improve their sourcing strategies with time, particularly through acquiring additional experience and information of the industry as well as operational growth.



**Figure 4.23: Number of personnel working in the retail outlet**

This question aimed to investigate the number of employees shoe retailers use for their in-store business operations. 51.6% of the respondents identified having 5 employees or less, 11.3% had 6-15 employees and more, 9.7% had 16 to 50 employees, 3.2% acknowledged having 51 to 100 employees while 24.2% had 101 and more employees working for them. Almost half of the participants employ fewer employees while 24% use more employees hence indicating that most shoe retail stores do not use many employees within their retail establishments. According to Ishengoma (2004, 97), the size of a business is determined by many factors, amongst these is the number of employees the business has, and according to the data most shoe retailers are smaller, due to low employee recruitment.

**Table 4.8.: Cross tabulation between number of staff and sourcing strategy**  
Employee \* Sourcing strategy used Cross tabulation

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Employee	5 and below	27	4	1	32
	6- 15	0	5	2	7
	16-50	0	6	0	6
	51 or more	0	2	15	17
Total		27	17	18	62

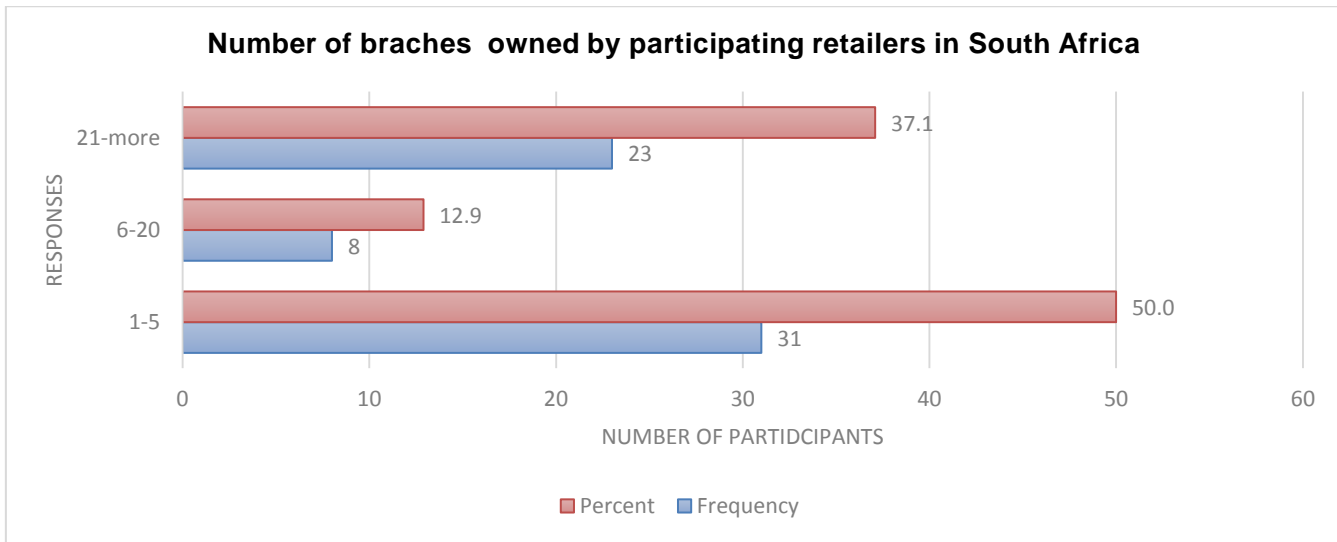
	Value	Df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	75.566 <sup>a</sup>	6	.000	.000
N of Valid Cases	62			

There is a significant relationship between the size of a company, represented here by the number of employees, and the sourcing strategy used by the companies ( $\chi^2 = 75.566$ , d.f. = 6, p-value < 0.001). The cross tabulation table above shows that 27 of the 32 (84.4%) companies who have only 5 or fewer employees are sourcing domestically, and none of the larger companies use with the same strategy. In fact, 15 of the 17 companies that have 51 or more employees (88.2%) use global sourcing. This indicates that the more employees a store has, the higher the chances of the store to practise either international procurement or global sourcing.



**Figure 4.24: Types of shoes offered by retail respondents**

The objective of this question was to investigate the type of shoe merchandise stocked by the shoe retailer who participated in this research. By distinguishing this, better understanding of the shoe retailers can be achieved. 76% of the respondents selected all the above which encompassed offering formal, sports, adult shoes. 16% of the respondents selected formal shoes which included offering both female and male formal shoes exclusively, 5% offered solely sports shoes while 3% offered adult casual shoes alone. Most respondents sell all kinds of shoes and this indicates the necessity to have diversity within the store. The modern consumer is well known for demanding variety, which is why shoe retailers are changing their stocking habits and offering more variety (Ray, 2010:374).



**Figure 4.25: Number of branches in South Africa owned by participating retailers**

This question aimed to acquire the insight on the number of branches shoe retailers have in South Africa. This data aided in establishing the level of business operation of the shoe retailers because, logically, the number of branches shoe retailers have, the bigger they are likely to be. Half of the respondents have 1 to 5 branches in the country while almost 13% had 6-20 branches and 37.1% had 21. This data indicates that most shoe retailers have fewer branches.

**Table 4.9. Cross Tabulation between number of stores and sourcing strategy**  
**Crosstab**

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Number of branches available	1-5	26	4	1	31
	6-20	1	6	1	8
	21-more	0	7	16	23
Total		27	17	18	62

**Chi-Square Tests**

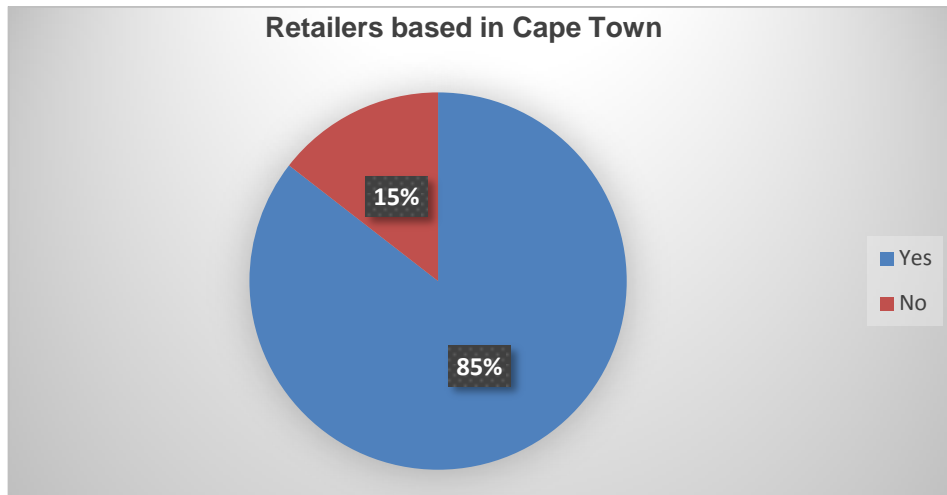
	Value	Df	p-value (2-sided)	Exact p-value (2-sided)	Exact p-value (1-sided)	Point Probability
Pearson Chi-Square	53.305 <sup>a</sup>	4	.000	.000	.001	

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 2.19.

b. The standardized statistic is 6.468.

There is a significant relationship between the number of branches and the sourcing strategy used by shoe retailers in Cape Town ( $\chi^2 = 53.305$ ,  $df = 4$ ,  $p\text{-value} < 0.001$ ). Shoe retailers with less branches mainly source domestically, evidenced by 26 of the 31 shoe retailers

practising domestic sourcing (83.87%). Of the 23 participants who have 21 or more branches, 16 indicated that they source globally, while 7 indicated international procurement and none sourced domestically. The opposite was true, with only 1 respondent indicating they source globally, 4 practised international procurement and 26 sourced domestically. This shows that the number of branches does indicate the sourcing strategy adopted by the retailers. The more branches a retailer has, the more chances of the retailer to source globally. This also signify the availability of resources by having more retail outlets; hence their ability to source globally.



**Figure 4.26: Retailers based in Cape Town Western Province**

This question aimed to reveal the locational distribution of head offices of participating shoe retailers. A significant number of shoe retailers are based in Cape Town and this is indicated by 85% of the respondents indicating yes to the statement of having their head offices in Cape Town while on 15% indicated otherwise. Most participants are based in Cape Town mainly because of the availability of the target market and their proximity to the ports.

**Table 4.10: Cross tabulation between location and sourcing strategy**

**Crosstab**

Count		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Headquarters placement	Yes	26	14	13	53
	No	1	3	5	9
Total		27	17	18	62

**Chi-Square Tests**

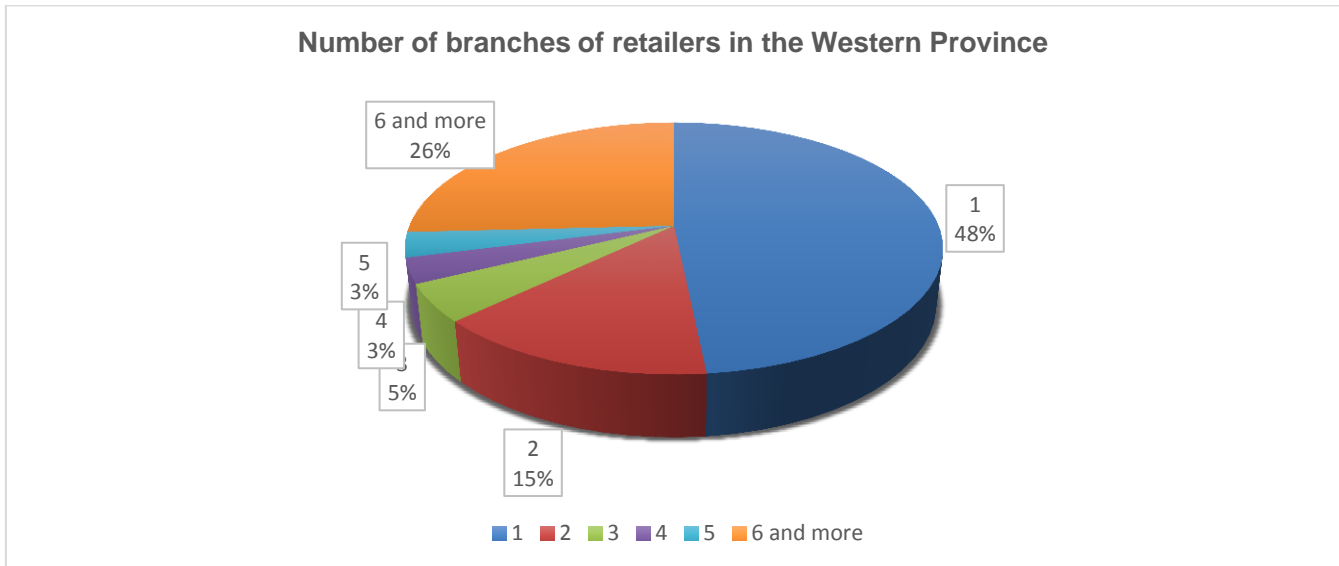
	Value	Df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	5.229 <sup>a</sup>	2	.073	.069

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 2.47.



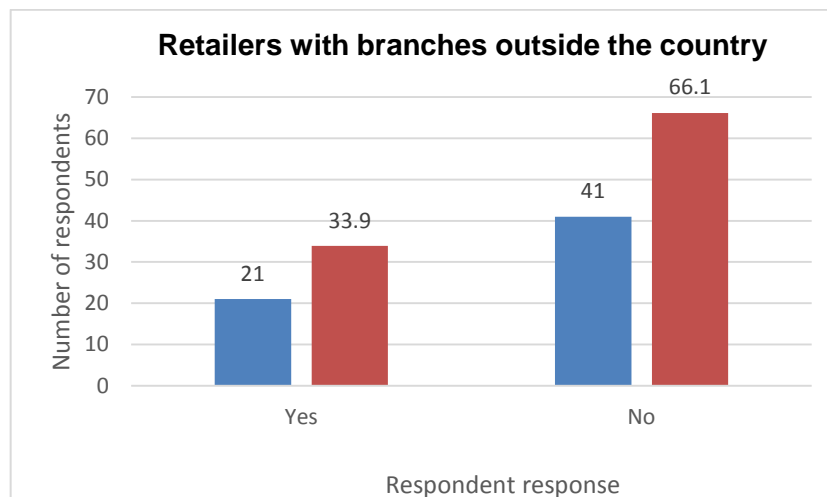
b. The standardised statistic is 2.260.

The above diagram depicts that there is no significant relationship between location and sourcing strategy ( $\chi^2 = 5.229$ , d.f.= 2, exact p value > 0.005). This indicates that most areas around South Africa are employing global sourcing despite their location. This affirms the level of popularity of the sourcing strategy which has been documented in the literature review.



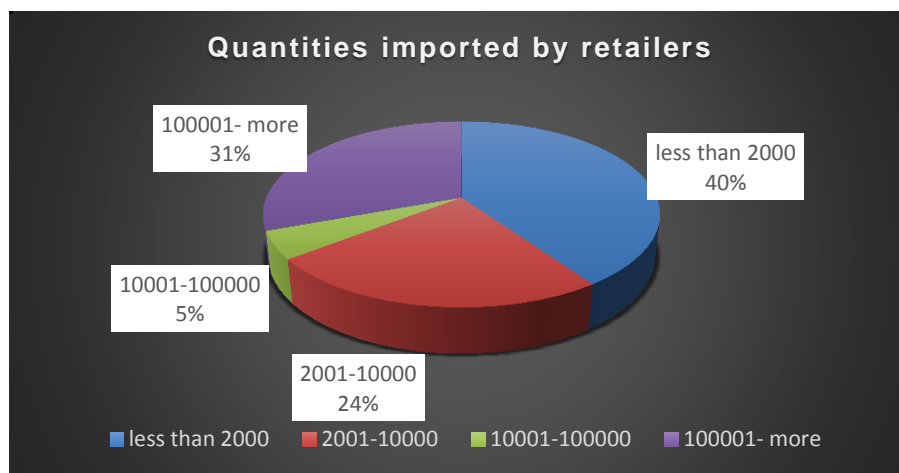
**Figure 4.27: Number of branches in the Western Province owned by participating retailers**

The aim of this question was to identify how many branches shoe retailers have in the Western Province. Almost half of the respondents have at least one branch in the Western Province; 15% has two branches; 5% has 3 branches; 3% has 4 branches; 3% has 5 branches; and 26% has 6 or more. This data indicates that most shoe retailers have at least one branch in the province.



**Figure 4.28: Retailers with branches outside the country**

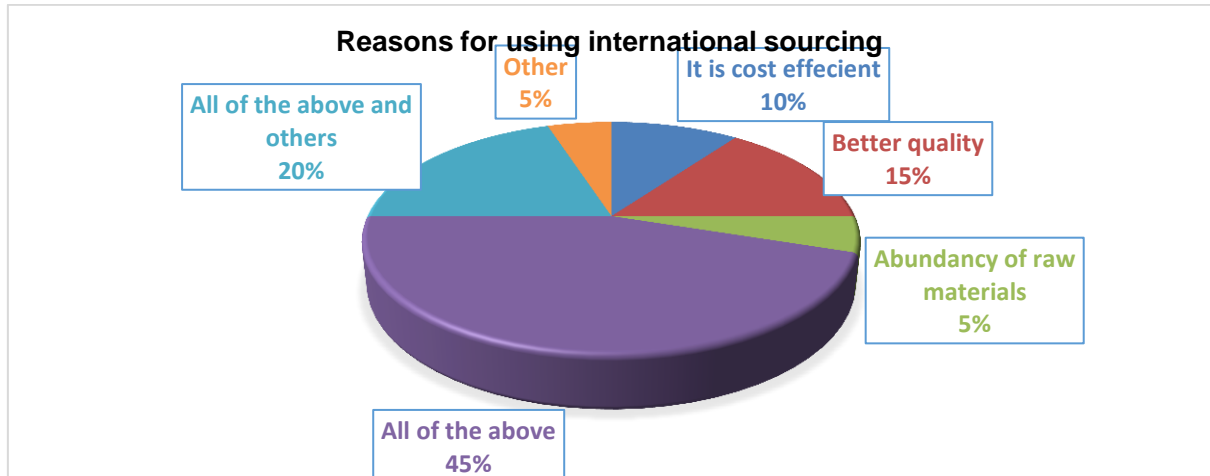
As with the other question, this question aimed to provide a clear reflection of the size of the operations of the retailers through investigating how many branches they have outside South Africa. About 66% of the respondents confirmed that they do not have branches outside South Africa while almost 34% had branches in other regions of the world. This data depicts the size of the businesses that participated in this research. Most of the respondents are based in South Africa and only operate here. They have not yet grown to the extent of expanding their business elsewhere in Africa which supports the previous data of size and store sourcing operation activity. This also indicate that the chances of these stores sourcing globally are low because by definition and not limited to, global sourcing is most effective to establishments that have multi-national operations around the world (Trent & Monczka, 2003).



**Figure 4.29: Quantities imported by retailers**

This question aimed to establish the import quantities of shoe retailers in the Western Province. The results indicated that 40% of retailers import less than 2000 pairs a year; 24% indicated to importing 2001 to 10,000 pairs per annum; 5% highlighted importing 10,001 to 100,000; and 31% indicated that they imported 100,001 and more. The results depicted provide an explanation of the great increase of shoe imports highlighted by DTL (2013) and discussed in the background. These import figures indicate the level of international activity most shoe retailers employ.

#### 4.2.2. Results relating to reasons for the retailers being at their current level of global sourcing



#### 4.30: Reasons for using international procurement

International procurement and global sourcing are popular mostly because of the benefits associated with employing either strategy. This question aimed to investigate why shoe retailers adopt international procurement. The results highlight that almost half (45%) of the respondents acknowledged all of the above as reasons for selecting international procurement as their sole sourcing strategy. 20% pointed out that all of the above and other reasons inclined them into using international procurement. 15% highlighted better quality as their primary reason, 10% indicated that the strategy is cost efficient while two groups with 5% each indicated, respectively, that an abundance of raw materials and other reasons were why they adopted international procurement. These results concur with the findings of Birou and Fawcett (1993:27) and Trent and Monczka (2005:25) who point out that international procurement has a number of benefits; they include improving a firm's competitiveness through flexibility, superior quality merchandise, cost saving through the use of affordable labour and other production material and innovation.

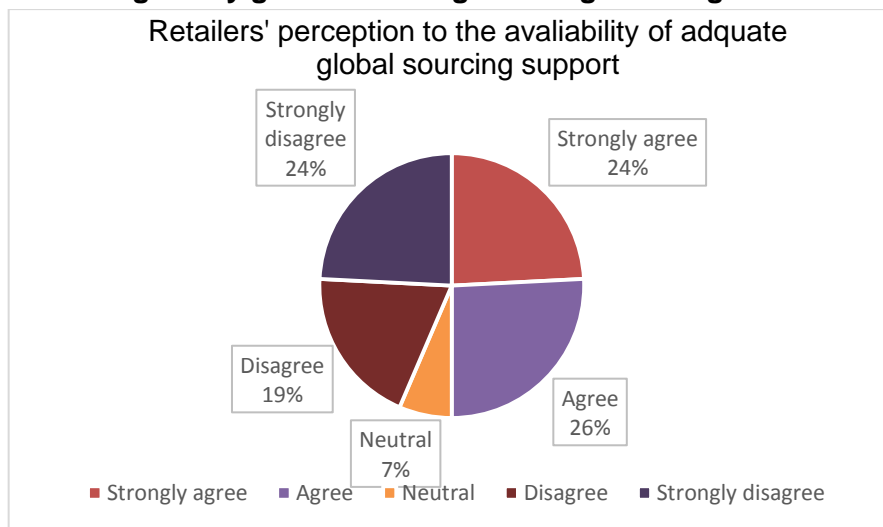


Figure 4.31: Reasons why retailers source globally

As mentioned in Figure 4.30, international procurement and global sourcing have many advantages if employed correctly. The question for this section aimed to investigate some of the advantages of using global sourcing. From the respondents who selected global sourcing as their primary and exclusive sourcing strategy, 11 of them highlighted all of the above as the main reasons for using the sourcing strategy. Three respondents indicated cost effectiveness, while 3 respondents mentioned better quality as a reason for employing global sourcing. One indicated ensuring long-term survival of the business as the major reason for adopting global sourcing.

These results support the findings of Cho and Kang (2001:544) who assert that global sourcing offers cost saving, quality merchandise, logistical consistency and improvement in the competitive stature of the company. It is important to note that the benefits outlined on international procurement are similar or almost identical to those of global sourcing; this is because they are related and one strategy is part of another, as explained by Trent and Monczka's (2005:25) diagram. However Trent and Monczka (2005: 26) point out that there are some very crucial differences in realised advantages of the two strategies. According to their findings, companies that source globally enjoyed a 32% increment in benefits compared to companies that employed international procurement. They further explain that some benefits can only be achieved with the implementation of "an integrated approach to its global strategies and practises".

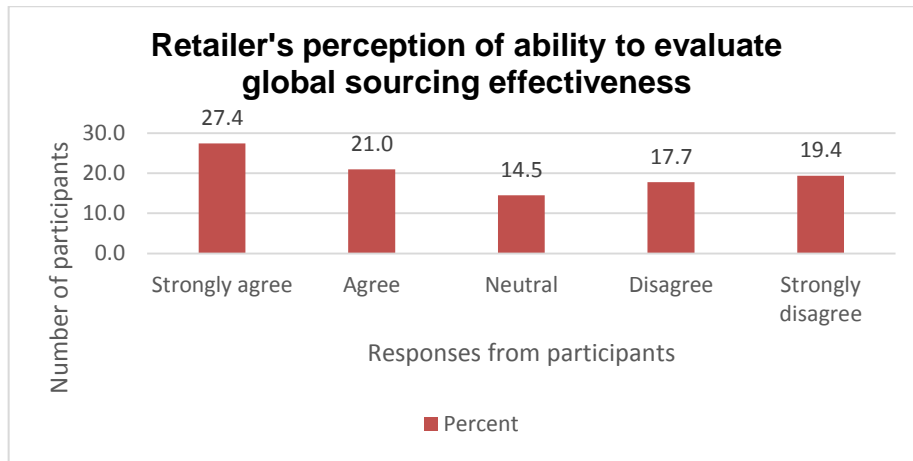
#### 4.2.3. Results relating to key global sourcing challenges facing retailers



**Figure 4.32: Perception of participants on the availability of support for global sourcing**

This question aimed to investigate the organisational support for global sourcing. This is in the form of possessing a procurement leader who is responsible for overseeing the sourcing process, as well as a team comprising all functional departmental leaders. Thirdly, the

support is also in the form of having personnel whose sole duty is to formulate strategies and analyse sourcing behaviour of the organisation and major competitors (Trent & Monczka, 2005:25). The results indicate that 24% of them strongly agreed with this statement of having adequate support for global sourcing; 26% agreed while 7% were neutral on the statement; 19% disagreed and 24% strongly disagreed. This data is in line with the findings of Trent and Monczka (2005). However, half of the other respondents are either not sure or they disagree, which is a very high percent. This perhaps may be because of the sourcing strategy shoe retailers identified to using, as well as the resources available at their disposal.



**Figure 4.33: Respondents' perception of clear means to evaluating global sourcing**

This has been a very popular topic in the global sourcing literature as there have been several arguments on quantifying the benefits of global sourcing. It is important to note that most shoe retailers comprised 27.4% of respondents who strongly agree to the statement of having clear means to evaluating global sourcing, while 21% agreed, 14.5% were neutral while 17.7% disagreed and 19.4% strongly disagreed. This data disagree with Trent and Monczka's (2005:31) findings who explain that evaluating global sourcing is very difficult as it is 'impossible' to quantify the cost savings companies enjoy, mainly because they fail to find the means to capture this information. This may be because, since mostly documented cases are of manufacturing companies, retailers may perhaps have found a way to capture this data.

**Table 4.11: Cross tabulation between clear means of evaluating global sourcing and sourcing strategy**

**Crosstab**

**Count**

		Sourcing strategy used			Total
		Domestic sourcing	International procurement	Global sourcing	
Clear means of evaluating the effectiveness of global sourcing	Strongly agree	0	5	12	17
	Agree	0	8	5	13
	Neutral	5	3	1	9
	Disagree	10	1	0	11
	Strongly disagree	12	0	0	12
<b>Total</b>		<b>27</b>	<b>17</b>	<b>18</b>	<b>62</b>

**Chi-Square Tests**

	Value	df	p-value (2-sided)	Exact p-value (2-sided)
Pearson Chi-Square	56.289 <sup>a</sup>	8	.000	.000

a. 12 cells (80.0%) have expected count less than 5. The minimum expected count is 2.47.

b. The standardized statistic is -6.519.

There is a significant relationship between a clear means of evaluating the effectiveness of global sourcing and a sourcing strategy ( $\chi^2 = 56.289$ ,  $df = 8$ ,  $p\text{-value} < 0.001$ ). The main reason for the result is that respondents who employ domestic sourcing do not need to realise the benefits of global sourcing since they do not employ the sourcing strategy. However, the opposite is true with those who practise international procurement and global sourcing

Other challenges highlighted from using global sourcing also include:

- Communication breakdown. Respondents indicated that they face communication challenges with executive management concerning some areas they feel require improvement.
- Identifying reliable and effective agents to organise the logistics of the merchandise.
- Acquiring reliable and stable suppliers.
- Efficient coordination of the whole global sourcing supply chain process. As indicated by Rao and Young (1994:11) and Creazza et al. (2010:154), the greater the distance during procurement the more complex the process is likely to be.
- Maintaining shorter lead times when replenishing stock.
- Cultural values, norms and culture which are necessary but considered as local traditions, for example working days during manufacturing to meet deadlines. According to Trent and Monczka (2005:25), and Jean (2008:266), cultural differences complicate the procurement processes as people from different areas of the world have different business practises which may not be compatible.

As outlined earlier, creating a coordinated sourcing strategy is paramount and it can significantly help shoe retailers curb some of the challenges they currently face. Knowledge about areas where a shoe retailers sources from is also important as it makes it easier to trade with the suppliers. The abovementioned challenges align with the ones outlined in the literature review, hence indicating these challenges as common occurrences during global sourcing.

### **4.2.3. Discussion and conclusion**

According to Cho and Kang (2001:543), most literature on global sourcing is based on manufacturing companies. This information does not completely reflect the retail perspective on global sourcing. This was partly the reason for this research: to shed light on the current global sourcing practises by retailers. The main findings of this research are uncovering the main sourcing strategy used by most shoe retailers, which was domestic sourcing.

Documented reports on import quantity by the DTL (2013) inspired curiosity as to whether shoe retailers employ global sourcing or not. The results have pointed out that most shoe retailers employ domestic sourcing as the primary sourcing strategy. According to the data, most shoe retailers have inadequate resources to employ global sourcing; this supports the concerns raised by Jonsson and Tolstoy (2014:57) and Trent and Monczka (2005: 26). The authors point out that despite the lack of adequate research on retail global sourcing, most retailers face resource challenges, while Trent and Monczka (2005:26) further explain that Levels 2 and 3 might be the most pragmatic aim.

However, this does not mean that shoe retailers are incapable of implementing global sourcing because favourable numbers of shoe retailers who have employed global sourcing were documented. As with international procurement as well, shoe retailers are expanding their business operations in search of better deals which can help sustain their businesses. This is evidenced by the preservation of the principles of international procurement and global sourcing, particularly the central use of warehouses to coordinate their global supply chains. According to the Creazza et al. (2010:157) configurations diagrams, central warehouses are imperative for the success of a global sourcing network as they simplify the configuration process.

Despite a major number of retailers failing to employ global sourcing, however, they enjoy the benefits of global sourcing. Most shoe retailers have identified cost saving, quality merchandise and an improvement in the competitive spectrum of business. This supports the findings of Trent and Monczka (2003:27), Cho and Kang (2001:544) and Trent and Monczka (2005:26) who all point out these advantages.

The data also indicates that the number of employees and the store format had a relationship with the sourcing strategy employed by the shoe retailers. Through cross tabulation, it was discovered that the more employees a shoe retailer has the more likely it is to employ either international procurement or global sourcing. Similar with a store format; it was revealed that factory stores are more prominent with retailers that source domestically while departmental stores and simple specialty stores were mostly preferred by shoe retailers that source internationally.



It has also been heavily documented that quantifying cost savings realised from global sourcing is impossible as most companies have failed to capture this information (Trent & Monczka, 2005:31). Shoe retailers have indicated that they have managed to capture this information and they know their cost savings, which they realise from global sourcing.

The data also reveals that most shoe retailers promote internal sharing of information, centralised decision making and personnel. This supports one of the critical characteristics of an efficient global sourcing operation. According to Trent and Monczka (2005:26), companies should have global sourcing support which involves a centralised committee responsible for the global sourcing process. The committee is headed by an executive who cements his vision in the policies and strategies adopted for global sourcing. This committee should include leaders of all functional departments within a company, thus influencing a sharing of information.

Most shoe retailers have created relationships with their suppliers to ensure shorter lead times. This has also influenced most shoe retailers to share some of the procurement functions with suppliers, like quality control, which facilitates cost savings through transportation reduction. This is supported by Kumar et al. (2001:242), Sako and Helper (1998:388), and Salmi (2006:198) who point out that forging good supplier relations increases supply chain efficiency, product quality and the reduction of costs.

### **4.3. Qualitative Analysis**

#### **4.3.1. Analysis process**

As mentioned earlier in the chapter, some questions within the survey questionnaire were qualitative in nature and they required a different system of analysis. In-depth interviews employed were of the same nature as those questions in the questionnaire. They aimed to explore a deeper meaning (how people think, feel and act) to the phenomenon which in this case is global sourcing of shoe retailers through offering explanations to the data acquired in the questionnaires or even giving a new perspective to certain areas.

The data was coded and themes were identified based on recurring data in the masses of texts. Below are the results of the qualitative analysis.

#### **4.3.2. Results to retailers current level of global sourcing**

##### **4.3.2.1. Significance of global sourcing**

According to respondents, many shoe retailers in Cape Town think global sourcing has become an integral part within their operations. They explained that a large majority of shoe retailers are sourcing from China or have agents who source from China, hence offering very

competitive prices. This decreases the opportunity of profit for shoe retailers who purchase from local manufacturers, hence making global sourcing a 'must' for any shoe retailer who wants to remain competitive.

Other retailers are going as far as creating office spaces in sourcing countries so that the efficiency of the procurement process can be enhanced. According to respondents, this reduces expenses and ensures better comprehension of the situation at the ground.

Some retailers are strengthening their relationships with their suppliers by incorporating upward integration which enables retailers to partner with their suppliers and offer them an exclusive supply of shoes. According to the respondents, this process also enhances the effectiveness of ERPs through the sharing of information which enables effective and efficient decision-making and shorter lead times.

#### **4.3.2.2. Influence of management on global sourcing of shoe retailers**

Most respondents highlighted that management plays an integral part in the success of global sourcing. Almost all retailers indicated that owners or executive management are directed or indirectly involved in the process because any failure or fault may mean, or lead to, the ultimate demise of the business. In most cases of disaster or errors occurring, there is a need for constant communication with management so that alternative means or solutions can be implemented with the management sanctioning the decision. This also supports the regression of global sourcing on shoe retailers. Management in most shoe retail outlets has highly prioritised the perfect execution of the strategy so as to enjoy maximum benefits.

#### **4.3.2.3. Financial commitment on global sourcing**

Most retailers that practise global sourcing heavily invest in the sourcing strategy because it ensures the business survives through its unique processes of acquiring merchandise from foreign markets and sustaining a healthy relationship with its suppliers through the use of advanced technology, such as ERPs. Ultimately retailers also mentioned that, despite global sourcing requiring a lot of funding to be successful, the benefits outweigh the costs incurred in structuring and sustaining the sourcing process.

Some retailers also mentioned that costs associated with global sourcing are normally once-off or long-term focused because, once the investment is done, the strategy becomes self-sustaining. This encourages most retailers to partake the implementation of the strategy as the long term benefits associated with it over weigh the short term obligations.

### **4.3.3. Results relating to reasons for the retailers being at their current level of global sourcing**

This question aimed to establish which sourcing strategy shoe retailers employ and discuss the reasons they chose those strategies. There were some respondents who indicated domestic sourcing and international sourcing as their preferred sourcing strategy rather than global sourcing, as supported by the quantitative data in the section above, and they offered reasons which follow:

- According to Trent and Monczka (2005:26), global sourcing is very demanding in terms of resources, particularly financial, time and personnel. These resources are very scarce in modern businesses; this makes it difficult for most firms to employ. The support and technicalities needed, such as constant visits to suppliers, and design expenses are very costly to retailers, hence the preference for domestic sourcing.
- The requirements for global sourcing are too extreme, particularly those imposed by the supplier who requires a 50% down-payment before commencement of production which some of the respondents cannot afford. In comparison to that, domestic sourcing allows respondents to purchase on credit and pay after 30 days despite them charging more than the suppliers in China. This data concurs with Jonsson and Tolstoy (2013:57) who assert that most retailers face challenges to acquire resources for global sourcing. This data also supports the quantitative information acquired above which depicts shoe retailers with limited resources, for instance limited warehouses, low employee numbers and import quantities.
- Another factor which is cost related is the inability of most shoe retailers to pay for design and sampling costs. Prior to production of a batch of a specific type of shoe, a sample has to be produced and, depending on the perfection of the sample to the design, more samples will have to be manufactured at the expense of the retailer. Since it has been established that most shoe retailers have limited resources, this complicates the sourcing process.
- Some retailers identified patriotism as a major reason why they prefer sourcing locally because they think it is important to support their local products rather than international products. They trust the local materials used and the quality of the shoes as compared to what is produced elsewhere. This data concurs with the findings of Baron (2012) who explains that the few retailers still sourcing locally believe that locally produced shoes are of better quality than imports; and this helps stabilise the economy by maintaining or improving the unemployment rate.
- The risk factor associated with purchasing from faraway countries constantly convinces retailers to source locally. There are fears of political instability or tragic disasters which can break the lines of logistics of goods in transit, hence causing stocks-outs. This data is also pointed out by Juttner et al. (2003:198) who explain that

great distances pose high risks which can severely damage the merchandise in transit.

- Some respondents also indicated that longer lead times also hinder their adoption of global sourcing, particularly in instances when they have low levels of stock. In such a case, it takes three months (including a month at sea) for the merchandise to arrive in South Africa from China, which is basically the whole trading season. The results of such a predicament include lost sales, damaged reputation and more expenses. In comparison, local suppliers can get the merchandise to the store in a few weeks, hence ensuring that the needs of the customers are constantly met as well as a reduction of expenses.
- Assortment of the merchandise is another concern; manufacturers in China, Brazil and Portugal produce large quantities of the same type of shoes which for a retail establishment is not preferable. Retailers would rather source locally or use agents who have enough resource to buy multiple assortments and then sell to the retailers. This point concurs with Vedel and Ellegaard (2013:509) who explain that intermediaries' main function is to reduce risk from buying firms and offer assortment, particularly to companies with limited resources.
- The process of global sourcing is prone to a lot of errors, according to the respondents, and some errors have significant effects on the success of the retailers. Error in communication can cause a small mistake which can ripple through the entire process, resulting in the business paying more than anticipated. This is mainly experienced during placing an order. As indicated by the quantitative data, most shoe retailers make use of normal means of replenishing stock, which is the use of video conferences, e-mails and telephones. Through the use of such mediums, errors are prone mainly during product specification or description. Such errors can cause a business to lose money in rectifying the mistake and in lost sales from the batch produced. This data concurs with Manuj and Mentzer (2008:139) who state that failure to acquire the correct product will immediately mean failure or loss for the buying company as they cannot acquire a refund for the purchase.
- Some respondents indicated lacking enough knowledge and manpower to fully execute the sourcing strategy despite being interested in the idea. This data concurs with Trent and Monczka (2005:26) and Jonsson and Tolstoy's (2014:57) findings where they explain that most smaller and medium-sized enterprises face challenges to adopt global sourcing because of a lack of resources, mainly finance, skilled personnel and the will to do so.

#### **4.3.4. Results relating to the key global sourcing challenges facing retailers**

##### **4.3.4.1. Global sourcing risk and challenges of shoe retailers**

Risks involved with adopting global sourcing include:

- Local currency fluctuation. Due to the change in exchange rates, this makes it challenging for shoe retailers to set and maintain budgets. Cho and Kang (2001:546), Christopher et al. (2011:70), Masson et al. (2007:240) and Vedel and Ellegaard (2013:510) all concur with this point and explain that currency fluctuation is a major risk experienced by most companies that employ global sourcing.
- Bad weather during transit. Bad weather restricts progress at the ports, which means that the lead times of the shoes will be extended, hence disrupting business operations at the store. Zsidisin et al. (2004:398) concurs with this point and describes that any disruption during transit is a global sourcing risk.
- Political instability in sourcing a country or region of the world. This causes the whole sourcing process to be difficult as movement within the country may be difficult due to the tension. According Liu et al. (2008:437), Fagan (1991:23), Fitzgerald (2005:17), and Manuj and Mentzer (2008:133), political instability often hinders global sourcing operations as it is impossible to conduct business in a politically unstable country. This can cause a business to lose money and, importantly, the safety of its employees.
- Change of logistical procedures or documentation in sourcing countries. These changes cause delays in shipments and, possibly, they can be pricey to execute. Jean (2008:266) and Trent and Monczka (2005:25) agree with these findings as they describe changes in regulations as a tedious and costly process.
- Environmental instability like earthquakes, tsunamis and volcanoes, would hinder any progress of production and transit of merchandise to South Africa.

##### **4.3.4.2. Global sourcing challenges faced by shoe retailers**

The risks outlined by the respondents are the same as outlined within the quantitative analysis of the findings. Below is a list of areas of concern for most retailers that practise global sourcing:

- Exchange-rate fluctuation
- Weather changes
- Political instability in sourcing countries
- Economic inconsistencies in sourcing country.
- Temporarily changing the sourcing country or region of the country where there is instability.
- Language barrier when trading.

- Identifying partners to work with during the process of global sourcing, for instance supplier selection and agent selection for different functions.
- Delays with shipments due to unfavourable weather conditions or machinery malfunction.
- Inconsistent quality of shoes delivered to warehouses.

Timing is considered very vital in situation of exchange-rate fluctuations and retailers normally execute transactions when the exchange rate is favourable. The risk identified in section 4.4.3.8 concurs with the findings highlighted in the qualitative section above. All the above mentioned challenges are also documented by Masson et al. (2007:240) and Vedel and Ellegaard (2013:510).

Communication is pivotal for any sourcing process, hence the need to rectify the language-barrier challenge. Most sourcing activities, if not all, depend on effective communication, which is why shoe retailers should find ways to ensure all personnel involved in the procurement process are well-informed about their duties and responsibilities. As for the weather, there is very little that can be done to change it; however adequate research is needed to ensure that a waterproof plan can be formulated to ensure that no delays can interfere with the goals set by the retailers.

#### **4.3.5. Results relating to key areas requiring improvement for retailers to reach the highest level of global sourcing**

Areas observed which may require improvement by shoe retailers include:

- The communication process between the retailers and suppliers need improvement. As indicated in the challenges section, most shoe retailers indicated that there is great risk during the replenishment process particularly using the mediums they currently use.
- Communication between sourcing committee members. This can improve the efficiency of the procurement process through strategic coordination of resources. As previously highlighted in this chapter, the importance of a coordinated sourcing strategy is imperative (Trent & Monczka, 2005:26). Shoe retailers need to ensure that everyone responsible for the sourcing process is well-informed about their duties and responsibilities. This can be achieved through constant meetings and discussions.
- Counter measures in situations of stock-outs. It has been mentioned in this section when retailers incur stock-outs caused by either disruption of merchandise logistics or unexpected demands of some merchandise. Countermeasures must be ready to curb these problems because failure to do so is detrimental to the operations of the business. According to Creazza et al. (2010:157) warehouses can assist in reducing

such problems as additional stocks can be stored in these locations awaiting such instances.

- Lead times need to be shorter so that planning teams get the opportunity to coordinate a strategy for the new merchandise for the new season. As indicated in the previous point, the delivery process needs to be perfected to ensure that the lead times are significantly reduced.
- Lead times from warehouses should be improved because any delays certainly affect progress at the store. As a result such scheduling proficiencies ensure that the retailers cement a strong reputation with the customers in terms of product availability and assortment.
- Some respondents indicated that there is need for recruitment of new agencies because the current agencies take too long to complete the documents required by customs, hence affecting the flow of business operations.
- Supplier selection. Some respondents highlighted that due to a poor supplier selection process, the quality of goods is highly compromised as well as the lead times.
- Replenishment tools. As indicated earlier in this section, the poor replenishment of tools risks the entire procurement process, hence requiring the need for more advanced equipment which improves clarity of orders.
- Upgrading of loading and off-loading equipment. The equipment used by some retailers to off-load containers is obsolete and broken down, hence the need for new machinery.
- The strategic execution of planning processes within the organisation to ensure the fluidity of the global sourcing process.
- Revision of trade agreements with suppliers, particularly the preliminary sampling process and FOBs. Respondents identified this as a problem. Since the sampling process is costly, agreements on these costs need to be revised, or new terms established which enable smaller retailers to source straight from the manufacturers.
- Establish future oriented strategies in quality control through cementing headquarters in sourcing countries.

This information indicates there is still room for improvement within the sourcing operations of shoe retailers. However, most of these improvements can easily be implemented into their shoe procurement processes. This also provides further information about the structure of sourcing processes that most shoe retailers employ to achieve their sourcing goals. The areas outlined above also require dedication from the people involved as this will require some extra effort to make sure that the sourcing objectives are met.

#### **4.5. Summary of key findings**

From the findings discussed above, the information can be summarised as following:

- Most shoe retailers employ domestic sourcing as their primary sourcing strategy, while international procurement and global sourcing are almost evenly distributed. The reason for this is mainly a lack of resources, particularly financial resources, to support their sourcing operations.
- The number of employees, the store format, the duration in business, the number of branches and warehouse use have a significant relationship with the sourcing strategy adopted by the shoe retailers. Based on the findings from cross tabulation these factors contribute to the type of sourcing strategy adopted by shoe retailers.
- Shoe retailers understand the significance of a coordinated sourcing strategy; however, this is yet to be improved, as indicated in some of the challenges identified in the analysis.
- Relationship building with suppliers is well acknowledged as retailers continuously strive to improve it through different means such as through an integrated replenishments system, quality control assistance by manufacturers and long-term contracts.
- Retailers are familiar with global sourcing and its benefits but they are reluctant to employ it as their primary sourcing strategy because of its high financial demands.
- Retailers who employ global sourcing source from Brazil, China, Portugal and India. The primary reason why they source from these countries is because of the cost of sales factor retailers benefit from when purchasing there.
- Global sourcing is very risky and challenge-prone but retailers have managed to structure counter-measures that ensure the risks and challenges have limited effect on the success of the sourcing strategy.
- Retailers who adopted the global sourcing strategy have a structured and well-defined procedure for executing it and it seems to be effective.
- Global sourcing has been recognised as the cornerstone of the modern-day success of shoe retailers in Cape Town due to its ability to offer retailers a competitive edge on the price and quality of shoes.
- Challenges documented on global sourcing are similar to those experienced by shoe retailers in Cape Town.
- There is a need for further education on global sourcing for the shoe retailers as they lack in-depth comprehension of the sourcing strategy.



- Retailers have devised ways to measure the effectiveness of global sourcing for their business operations.
- Most retailers make use of purchasing teams that include the retailer buyer, planner, logistics and accountants whose main function is to ensure the success of the buying process by sharing information and coordinating strategies simultaneously. It is also important to note that this group can vary depending on the organisational hierarchy and structure.
- Management plays a significant role in the global sourcing process despite some retailers preferring to reduce executive management's involvement to a minimum.
- Retailers have identified global sourcing as an integral part within their operations; however most retailers have identified multiple areas which require improvement, hence giving the impression that the processes are not yet perfect.
- Shoe retailers have some of the integral parts of an effective global sourcing operation which include, well-defined procurement processes, adequate global sourcing support from management and effective procurement processes. However, they seriously lack adequate resources to support global sourcing.

#### **4.6. Chapter Summary**

According to the data captured and analysed in this chapter, most shoe retailers in Cape Town are yet to employ global sourcing. This is mainly because most shoe retailers lack the necessary resources, which include finance, knowledge, time, logistical equipment and the will to adopt global sourcing. However, there is a considerable number of retailers that have adopted global sourcing and international procurement. Some retailers have gone as far as establishing offices in foreign lands to ensure the efficiency of their sourcing strategy. On the other hand, international procurement is popular with most retailers who by definition depend on both domestic sourcing and international procurement. These retailers, who prefer employing both international procurement and domestic sourcing, have given rise to intermediaries who offer benefits which enable shoe retailers to enjoy credit facilities and a broad merchandise assortment. Despite the difference between production and retail global sourcing, the challenges, risks and benefits realised are similar. The information acquired highlighted the challenges, risks and benefits documented by other authors. The concerns presented by Trent and Monczka (2005:26) and Jonsson and Tolstoy (2013:57) concerning the adoption of global sourcing by small and medium sized firms were discovered to be true because most shoe retailers who participated in this research fell under this category, and they currently face the challenges outlined by the abovementioned authors.

## **CHAPTER 5 CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

The previous chapter analysed, interpreted and presented data acquired using multiple data-collecting tools which were selected accordingly to the nature of the data. This information was used in this chapter to address the research questions and objectives highlighted in the first chapter and provide in-depth discussion on the findings in relation to the research questions: specifically, to gauge the level of global sourcing commitment retailers have adopted and provide reasoning as to why they selected the respective buying strategies. This information was also used to relate and compare to other studies conducted by other authors who commented on global sourcing and its characteristics so that deeper understanding of the strategy can be achieved. The challenges faced by retailers when committing to global sourcing are also explored as well as a recommendation; this information provides guidelines to the implementation process of sourcing strategies. The last section of this chapter will highlight areas of future study.

### **5.2. Research objectives revisited**

In order to enhance the comprehension of the findings, the research objectives needed to be reviewed. Below are the research questions outlined in the first chapter:

1. To determine the current level of global sourcing shoe retailers are on.
2. To discuss reasons why shoe retailers currently on this specific sourcing level.
3. To identify the challenges Cape Town shoe retailers face while implementing global sourcing.
4. To highlight areas which need to be improved to ensure shoe retailers in Cape Town completely adopt global sourcing.

As mentioned earlier in the Introduction, this chapter encompassed information from the previous chapters as well as other information acquired by buying authors.

### **5.3. Shoe retailers' current level of global sourcing**

As mentioned in the literature review, there are multiple levels which companies fall under on the global sourcing 'evolution' scale. This information was implemented as a template to classify shoe retailers according to their characteristics. Together with other evaluation

tactics, for instance understanding the shoe retailers' global sourcing network, an evaluation was conducted which depicted where shoe retailers are on global sourcing stages.

As depicted in the results in the previous chapter, almost half of the retailers who participated in this research practise domestic sourcing only. The reason for this was mainly the financial requirement and support needed to set up the global sourcing strategy. Some retailers who practise international procurement and domestic sourcing explained that using both strategies is highly strategic in situations of low stock-levels and stock-outs since it takes long lead times to acquire merchandise from overseas; therefore they rather purchase locally because of shorter lead times.

According to the information, the store format employed by shoe retailers contributes to the type of sourcing strategy used by shoe retailers. Most shoe retailers who participated in this research use a factory store format and, by definition, they are supplied by local shoe manufacturers. In such a situation there is very little international procurement or global sourcing employed by shoe retailers.

As with the store format, the number of employees a shoe retailer has determines the sourcing strategy as well. According to the information captured, shoe retailers with more employees employ global sourcing, while shoe retailers with fewer employees either employ domestic sourcing or international procurement. This perhaps reflects the level of business activity the shoe retail store experiences. According to Ishengoma (2004: 97), the number of employees a business has can be used to determine the size of the business; most shoe retail businesses in this research are small to medium sized. Such businesses have inadequate resources at their disposal to successfully employ global sourcing.

According to Trent and Monczka (2005:26), for a business to be successful in implementing global sourcing it needs to have experience and knowledge on the sourcing strategy and its activities, which is mostly acquired by operating in the industry for a long period of time. According to the information captured in Chapter 4, fewer shoe retailers have been in business for long which indicates a lack of experience in the sourcing strategy. This information indicates that most shoe retailers have inadequate resources to employ global sourcing.

It is important to note that most retailers source locally from suppliers who themselves source mostly from overseas, and who have the ability of meeting the requirement of sourcing from overseas. Retailers are mainly dependent on these agents because these suppliers offer flexibility in the form of credit allowance as well as returning of unsuccessful stock

Other participants indicated that they use international procurement and domestic sourcing. The emergence of intermediaries is making international procurement a lucrative prospect for most shoe retailers as they enjoy credit facilities and a broader merchandise assortment. Other activities offered by intermediaries include the funding of communication technology which enables efficient communication between suppliers and retailers. Intermediaries also conduct research on suppliers and the consumers so that they acquire as much information as possible to ensure that they procure the best product at the best possible price.

For retailers that highlighted global sourcing as their primary sourcing strategy, they exhibited the outlined characteristics by Trent and Monczka (2005:27). Executive commitment was present in the form of executive management global sourcing teams represented by different members of functional departments. This resulted in more precise decision making and ensured efficiency in the completion of set goals, particularly sourcing and logistics.

According to the information acquired in Chapter 4, there are retailers that implement global sourcing as their primary sourcing strategy. The information also points out that these shoe retailers are larger than those who employ international procurement and domestic sourcing based on the number of employees, financial ability, logistical equipment and knowledge on global sourcing they possess. These shoe retailers also appointed procurement committees identified by Trent and Monczka (2005:26) as imperative for a successful global sourcing operation. They also possessed well-defined procurement processes, another requirement for an effective global-sourcing operation. Importantly, shoe retailers indicated that they were able to evaluate the cost savings from global sourcing, which has been identified by Trent and Monczka (2003) as 'impossible' to conduct. However, these shoe retailers mostly fall under Level 4 because they lack the strategic structure to reach Level 5 which includes standardising global sourcing activities and supply chain management.

In conclusion, most of the shoe retailers who participated in this research are in Level 1, 2 and 3 of the global sourcing evolution, which is domestic sourcing only and domestic sourcing with international procurement. A few retailers are in Level 4 of the evolutionary scale which is global sourcing. According to Trent and Monczka (2005:26), firms in Level 4 possess "skilled labour, information systems, extensive coordination and communication mechanisms and an executive leadership that can clearly articulate a global sourcing vision". These are precisely the factors identified from the information acquired in the previous chapter. However, more is required from shoe retailers to reach Level 5 despite their current efforts. Most shoe retailers are at the preliminary stages of the evolution, and time will tell whether the sourcing strategy will be successful within the shoe retail industry in Cape Town.

### **5.3. Reasons for using strategies**

As indicated above, most shoe retailers in Cape Town employ domestic sourcing while a few adopt international procurement and global sourcing. This section provides reasons why shoe retailers have adopted these different strategies.

#### **5.3.1 Domestic sourcing**

As previously highlighted in Chapter 4, domestic sourcing is the most utilised sourcing strategy by shoe retailers in Cape Town. The main reason for this is that it requires less financial input to acquire the shoes, as compared to international procurement and global sourcing. Domestic sourcing allows retailers to pay what they can afford, which is significantly advantageous because they work within their limits, plus the local suppliers offer credit which is not the case with international procurement.

Domestic sourcing is also more flexible in terms of shortening the lead times for retailers because the suppliers take advantage of the large warehouses spaces they own and stock a variety of their customers' demands. In the event of low stocks and stock-outs, it is simply a matter of notifying the supplier and delivery will be executed almost immediately to their stores. Most retailers who employ international procurement are currently using domestic sourcing as well as a contingent plan for any inconveniences which might transpire and hinder delivery to South Africa.

Some retailers indicated that they purchase locally to support the local markets. These retailers believe that locally produced shoes are of higher quality compared to imports from China; this aids the sustenance of the South African economy. It is also a practice for social responsibility so that retailers give back to the communities that support them. However, the shoes purchased from these suppliers are mostly in low quantities because South African-produced shoes are more costly compared to imports.

As mentioned above, South African-produced shoes are costly but they are well known as being of a higher quality compared to Asian-produced shoes; this for some retailers has greatly influenced the choice of sourcing strategy. Despite the idea being debatable, some retailers are entirely convinced that Asian products are poorly produced and quickly wear off, as compared to locally produced shoes which are made from high-quality raw materials.

#### **5.3.2. International procurement**

The main benefit of sourcing internationally, that is cost savings, has significantly influenced the choice of the sourcing strategy implemented by some shoe retailers. These retailers argue that international procurement demands less financial injection as compared to global sourcing but still enjoys its benefits as well as those of domestic sourcing. These retailers have identified domestic sourcing as a contingent tool most beneficial in unexpected events of stocks-outs or delays.

International procurement also offers flexibility to retailers in terms of changing suppliers. Unlike global sourcing, retailers who employ international sourcing can change suppliers without compromising the structure of their sourcing strategy. With global sourcing, the process is more fixed and it involves long-term commitment from all parties to ensure the survival of the sourcing strategy.

International procurement also offers a competitive edge in the market since every shoe retailer is sourcing from overseas or procuring from a supplier that sources overseas. It is economically unviable for a retailer to sell shoes produced in South Africa because, compared to China, South African labour is significantly more expensive and hence increases the manufacturing overheads of the shoes, resulting in higher prices.

Since the 1990s, China and other Asian countries have mastered global sourcing, mainly from a supplier's perspective. They have amassed great experience and knowledge since the past two decades and are constantly improving their product offering to ensure a sustainable future. These manufacturers can produce any type of shoe to the customer's specifications, resulting in more retailers sourcing from them. South African retailers, particularly in the Western Province, are no different and Cape Town-based retailers are currently enjoying this benefit as well as a wide assortment of shoes, which offers customers more variety compared to locally sourced shoes.

Also most retailers that source internationally normally sell their shoes at wholesale prices to other retailers and customers, as evidenced by the use of factory store formats identified in the results. Since these retailers are slightly bigger than their counterparts, they have the resources to execute procurement from Asia.

### **5.3.3. Global sourcing**

Global sourcing has the least number of retailers employing it; the main reason for this is, as mentioned earlier, because it is capital-intensive. This sourcing strategy is mostly viable for retailers who are already big and have the resources to support it. As mentioned by Trent and Monczka (2003:615), global sourcing is an evolution; it occurs in stages where a company or retailer grows, and so does their sourcing strategy.

The main reason why some retailers choose to adopt global sourcing is simply because it provides efficiency and effectiveness to the procurement operations. It ensures that the best plan of action is implemented through constant communication with executive management (buying teams consisting of heads of functional departments within the organisation) through the use of advanced technology. It also offers the same service to suppliers which the firm constantly transacts with and ensures shorter lead times and a long-lasting relationship.

Global sourcing is an investment for the future; it enables shoe retailers to make deals which are future-oriented and enhance their competitive advantage. These deals include exclusive production of the shoes, logistics and payment forms which will aim to satisfy all parties. This also curbs any chances of stock-outs because better communication is established between the retailer and the supplier.

Retailers normally have more than one supplier, especially when the business is big enough to adopt an efficient global-sourcing process. Global sourcing networks connect the suppliers with the retailers to ensure coordination of activities, hence creating savings through logistics configurations. As explained earlier in the second chapter, global-sourcing configuration enables logistics managers or supply-chain managers to limit costs through a coordination of activities, particularly logistics-related activities. They break half-loads into full loads which as a result reduces the cost by limiting the movement of merchandise. This is because, since global sourcing involves multiple procurement activities around the world, the movement of goods needs to be cost effective. By breaking these smaller loads of merchandise into full loads, this reduces costs through reduced logistical movement and product handling.

According to retailers, global sourcing simplifies the planning process of the procurement operation through easier analytical packages which highlights all the activities between retailer and supplier. This also offers the retailer the opportunity to conduct its Strength, Weakness, Opportunity and Threats (SWOT) analysis which offers comprehensive understanding of their procurement operations.

Global sourcing is still not realised despite most retailers acknowledging it and its significance to their businesses. Some retailers are convinced that domestic sourcing is the best option for their businesses because it renders low risks and costs. This might be a result of a lack of knowledge about global sourcing because the benefits of global sourcing outweigh the risks involved, thereby indicating that it is a viable strategy for the future.

#### **5.4. Challenges of global sourcing**

Global sourcing involves more procurement operations compared to domestic sourcing and international procurement, and consequently challenges are prone to occur. This section will discuss in detail the challenges retailers who employ global sourcing face.

Efficient communication between functional departments has been highlighted as challenging for some retailers because some retailers have outlined the lack of effort put in by functional managers to ensure constant communication between functional heads which greatly hinders the progress of global sourcing. This normally results in a reconstruction of shoe designs or reproduction of samples because these designs and samples would have failed to meet the standards and expectations set by the global sourcing committee which ultimately

affects the schedule of the global sourcing process. Any delay within the global sourcing process means longer lead times; this tarnishes the reputation of the organisation to the customers, hence losing their trust and loyalty.

Some retailers have indicated their concern with global sourcing because it is a complex operation and involves the coordination of different activities to be successful which is considered challenging to execute. Despite this, global sourcing requires a lot of resources to ensure efficient coordination of procurement activities which come at a huge cost; this inspires scepticism with retailers considering the adoption of the sourcing strategy.

As indicated by Vedel and Ellegaard (2013:509) and Trent and Monczka (2003:27), the longer the distance between supplier and company, the higher the chances of breakages. Global sourcing involves the merchandise crossing continents to get the shoes from the suppliers to the retailers which is a significant distance where anything can happen. Having considered that some shoe retailers are smaller to medium sized, they cannot afford to take such risks. As a result shoe retailers end up using intermediaries or employ domestic sourcing.

Retailers have indicated that during transit weather problems occur and ships have to stall at bays until its deemed safe to proceed to the ports. This also results in delays in deliveries that can lead to stock-outs and disruption of schedules; these can negatively affect other activities on schedule as well.

Foreign currency exchange-rate fluctuations provide their own challenges for shoe retailers in Cape Town because they affect the procurement plans and budgets set. When the global-sourcing committees meet to discuss the procurement process, they take into account the prices and exchange rates at that current period in time. The exchange rates vary over time depending on the progress of the economy and the value of the local currency. There are instances where the budget variance is positive, that is when the locally currency value appreciates; this results in the retailers paying less to their suppliers while the opposite signals the retailers paying more, thereby ultimately disrupting the budget set by the retailers.

Business practices across the world differ depending on location and culture, and this is another challenge that retailers face when employing global sourcing. Sourcing involves communication and negotiating with the locals, and this is difficult to perform when both parties do not speak the same language. This normally leads to more costs in terms of re-design and production so as to rectify the errors caused by communication breakdowns.

As mentioned earlier, technology is vital to the success of global sourcing and retailers are currently facing this as a problem. Local retailers do not have enough technological



equipment to fully utilise the benefits of global sourcing. They are settling for traditional systems which ensure their success but does not guarantee sustainable long term success.

Regulations and documentation conducted to perform global sourcing also hinder the progress of global sourcing. The large amounts of paperwork required for shoes to be allowed into the country complicates the process of global sourcing. Foreign regulations also complicate the importing process for shoe retailers because in some instances the regulations change regularly, which complicates the buying process. This results in retailers taking longer to get the shipments into the country and on time.

Supplier selection and evaluation is of paramount importance in the process of global sourcing and the supply chain (Hartley & Chio, 1996). However, the process is complex and costly. This involves in-depth research which is expensive to conduct and requires time. The supplier selection process is even more difficult considering that shoe retailers have to conduct the search in foreign markets in which they have little expertise.

In conclusion to this section, most of the challenges highlighted concur with the findings of Cho and Kang (2001:546) and Jiang and Tian (2009:18). The authors have indicated that despite the benefits realised from global sourcing, there are major challenges faced by global sourcing companies. Despite Cho and Kang (2001:543) indicating the significance of distinguishing the difference between corporate global sourcing and retail-focused global sourcing, the challenges outlined are similar.

### **5.5. Areas which require improvement within global sourcing processes**

Retailers were asked to identify areas which they think require improvement within the global sourcing process and they indicated multiple areas. The following information includes the most recurring comments which retailers strongly feel require improvement.

The main area highlighted by most retailers which require improvement is the employment of skilled personnel in the global-sourcing function. Global sourcing is a complex process which requires the best personnel in respective areas to execute the procurement tasks. It is a process which requires prudent and pragmatic actions that can ensure the long-term success of the business. However skilled personnel in global sourcing are limited and costly to employ. This significantly draws back the progress of global sourcing especially for middle and smaller retailers.

Some retailers lack the actual knowhow to fully implement global sourcing. According to Trent and Monczka (2005:24), global sourcing is a complex process to adopt because organisations lack the 'willingness' to employ it. This has been evident because most shoe retailers who employ domestic sourcing and international procurement indicated that they are

comfortable with using their procurement strategies which they regard as suiting their business operations and resources.

Quality communication refers to constant meetings or video conferences which ensure effective transmission of information as well as offering opportunity for feedback. This has been highlighted by shoe retailers as a problem particularly during the procurement process. Shoe retailers need to address this problem which is greatly detrimental to the business.

Some retailers indicated that the global sourcing community has adopted and utilised advanced technology for replenishment, especially in Western countries. Retailers feel the need to upgrade the replenishment technology as well so as to evolve their global sourcing operations to Level 4 and 5 of the global sourcing scale. Also these systems simplify the transactions between retailers and suppliers and ensure long-lasting relationships with the suppliers.

## **5.6. Recommendations**

The recommendations presented in this section not only focus on retailers that employ global sourcing but also on domestic sourcing and international procurement. These recommendations can assist shoe retailers to expand their procurement processes and, importantly, their businesses.

### **5.6.1. Domestic sourcing**

Despite domestic sourcing seemingly providing more advantages to smaller retailers in terms of sourcing strategies than international procurement and global sourcing, this, however, deprives them of the opportunity to grow. This is because retailers operate within the margins provided by the local suppliers, which are far less than international sources. Sourcing internationally offers shoe retailers the provision of cost saving.

Pursuing global sourcing also facilitates the expansion of their businesses and operations which can enable them to target new markets and offer competitive benefits to their customers. This is difficult to achieve while implementing domestic sourcing.

### **5.6.2. International procurement**

International procurement is very popular with small to medium sized shoe retailers. However shoe retailers need to focus on global sourcing as their primary sourcing strategy because it ensures a long term survival of the business in terms of relation-building with other stakeholders particularly suppliers. This also creates a foundation for retail expansion into other foreign markets which will broaden the general vision of success.

For this to become a reality, there are some measures which retailers have to implement and they include large investment into sourcing strategies, more involvement of executive

management during the sourcing process, global sourcing support in the form of resources, technological advancement and importantly the knowledge to adopt, reach and maintain a productive level of global sourcing.

### **5.6.3. Global sourcing**

Retailers who have already reached the global sourcing level have to aim to maintain and further develop their global sourcing operation. Global sourcing constantly requires reviewing, hence Trent and Monczka (2005:27) point out the significance of constantly measuring and evaluating the benefits of the global sourcing process.

This can be achieved through knowledge enrichment in attaining excellence in global sourcing. Other methods which can accelerate the rate of knowledge absorption are to employ more skilled and experienced personnel in global sourcing. Training the current workforce also is a reasonable alternative so that employees get more knowledge on the sourcing. This inevitably comes at a price but the cost–benefit analysis will encourage retailers to proceed and invest in human resources.

### **5.7. Contribution of this research**

As earlier highlighted in Chapter 1, global sourcing has become a major sourcing strategy within any business industry. The sourcing strategy has become popular in the retail industry but there is little literature on retail global sourcing (Cho & Kang, 2001:542). This research realised a view of global sourcing from a retail perspective which adds depth in the available literature. This study has established the views and current status of global sourcing from a retail perspective, and provides informative findings about Cape Town shoe retailers' current sourcing situation. The most important aspect is that global sourcing does exist within a retail context and shoe retailers in Cape Town are aware of its existence and the possible benefits of employing global sourcing.

The reasons why retailers use their respective sourcing strategies were discussed and this offered an insight to retail global sourcing operations. Academics can now further investigate certain areas around retail global sourcing of shoe retailers based on this information.

This research also offered a platform for further research in global sourcing from a retail perspective, particularly for the Retail SETA. This, with the aid of other research, can help retailers in Cape Town improve their sourcing strategies. As result, this can help improve the economy and curb some of the problems currently faced, such as unemployment.

### **5.8. Researcher's personal reflection**

The researcher has acquired great insight into the retail shoe industry in terms of sourcing strategies. It has come to his attention how foreign influence has gripped the local shoe retail

industry and how dependent the local retailers are on Asian and South American shoe manufacturers.

Most shoe retailers are still sceptical about the idea of global sourcing despite benefiting from indirect global sourcing in the form of suppliers sourcing from the Asian markets. There is a great need to educate these retailers on global sourcing implementation, maintenance and importantly the benefits associated with it. At the moment most retailers fail to see the 'bigger picture' because they focus on the short-term benefits of sourcing locally, which are quite lucrative for that purpose, short term, but do not offer any opportunity to acquire international experience and knowledge.

Shoe retailers that employ international procurement are very close to global sourcing but as mentioned further education might be a necessity. From all the interviews conducted every retailer seemed comfortable with their sourcing strategy. There was little ambition for growth and expansion which is what global sourcing pushes firms to.

The challenges documented by authors concerning global sourcing are evident in the shoe retail industry, particularly retailers that source globally. This leads to the assumption that retail global sourcing has the same challenges as manufacturing global sourcing. The challenges faced by production companies while sourcing globally are similar to those faced by retail firms. Fortunately most retailers have countered most of the challenges faced with using the sourcing strategy.

## **5.9. Areas for further study**

There are a lot of opportunities for further research concerning global sourcing within the retail industry. Some of the areas have been covered within this thesis but more can be done to acquire additional information on retail global sourcing. However, the areas the researcher suggest that require imminent attention are as follows:

### **5.9.1. Comparison between global sourcing by corporate firms and retail outlets**

As highlighted by some authors, global sourcing implemented by retailers is significantly different to that implemented by corporate companies because of different reasons. Some similarities have been identified in this study; however a comparative study is necessary to establish the difference between the different business formats. Critical areas within a retail global sourcing firm need to be distinguished to further understand the gap between the two formats.

### **5.9.2. Qualified personnel**

The need for qualified and skilled personnel has been indicated in this thesis. There is however great need to go in-depth with the influence of skilled labour on retail global

sourcing success. This will identify the industry players the need to invest in personnel particularly in training and employing skilled global-sourcing personnel.

### **5.9.3. Location on global sourcing**

Retailers react to the needs and wants of their respective customers and this greatly influences what they buy for resale. This brings the question: does location influence the significance of global sourcing and international procurement to a retailer? This thesis is based in Cape Town but an argument can be made for a different town or city which could prefer locally made shoes rather than imports.

### **5.9.4. Cost savings**

Research has been conducted on cost savings and it has become an area of argument among scholars. However, there is need for that same research to be conducted within the retail spectrum and provide evidence as to whether global sourcing actually saves costs. This might give more reasons as to why some retailers in Cape Town are reluctant to employ global sourcing.

### **5.9.5. Customer's perception on quality and preference of foreign sourced shoes as compared to locally produced shoes**

There have been different views from retailers when it comes to the quality of Asian-produced shoes compared to South African-made shoes. Since customers are the final consumers of the shoes it is paramount to discuss their perception on shoe quality from these two extreme manufacturing worlds and possibly shed light on the needs of the customers.

### **5.10. Final remarks**

Despite local shoe retail industry dependence on foreign markets for sustainability, global sourcing is yet to become the primary sourcing strategy used by most shoe retailers in Cape Town. The reason for this is mainly because most retailers are not yet big enough to accommodate the requirement for a global sourcing structure. Their business operations dictate that they are not yet ready to employ global sourcing. However, it is encouraging to note that steps have been implemented to pursue the adoption of global sourcing. This is supported by shoe retailers who have employed both domestic sourcing and international procurement. The retailers are steadily moving towards the adaptation of global sourcing as it offers competitive advantages over competition. Shoe retailers have identified global sourcing as a continuum and, if properly managed, it can ensure a long-term stream of benefits.

Despite the current levels of technological use during procurement, it is necessary for shoe retailers to improve and further invest in their procurement processes. Technology is a major factor to successfully implement global sourcing, and failure to do so may result in more

expenses and reduced benefits of the sourcing strategy. The implementation of an advanced replenishment system can see most retailers who source globally increase their product quality, save costs and ensure shorter lead times.

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## Appendices

### Appendix A: Survey Questionnaire



22 June 2014

Dear Survey participant

#### **REQUEST FOR YOUR PARTICIPATION IN A QUESTIONNAIRE SURVEY**

I am conducting a master's level academic research in the Retail Business Management department at the Cape Peninsula University of Technology, South Africa. My research topic is "***Global sourcing of shoe retailers in Cape Town, Western Province: a case study***".

The study seeks to identify how well shoe retailers in Cape Town have adopted global sourcing within their operations and investigate the limitations they face in their effort to implement the strategy.

As a responsible party within the buying process, your input is greatly valued and will assist in answering the research questions and fulfilling the objectives of the study. I am indebted to you for your participation in this study. The questionnaire will take you approximately twenty **(20)** minutes of your time to complete. If there are any questions you prefer not to answer, please feel free to leave them out. Participation in this study is voluntary and you are free, at any time, to discontinue.

All the information you provide in this questionnaire will be kept confidential. Furthermore your identity will be kept anonymous in the thesis or any publication based on this research. There are no known anticipated risks to participation in this study. The data collected for this research will be kept for twenty years at a secure location.

If you have any queries concerning the letter or the questionnaire or require any additional information to assist you in reaching a decision about participating, please feel free to contact Dr. Virimai Mugobo (research supervisor) at (+27) 21 Or myself (researcher) at [shingie.paradza@gmail.com](mailto:shingie.paradza@gmail.com).

Thank you for you cooperation and time with this research

Yours faithfully

Dignity Paradza

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[paradzadignity@yahoo.com](mailto:paradzadignity@yahoo.com):

Project Leader: Dr. Virimai Mugobo- [mugobov@cput.ac.za](mailto:mugobov@cput.ac.za)



**Official Use:**

Date: \_\_\_\_\_

Survey Number: \_\_\_\_\_

**FACULTY OF BUSINESS**

**RETAIL BUSINESS MANAGEMENT DEPARTMENT**

Global sourcing of shoe retailers in Cape Town, Western Province: a case study

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*Please tick within the shaded margin area when selecting the answer of your choice*

**COMPANY INFORMATION**

Q1	Which type of retail format do you use to sell your shoes to your target market? ( <i>Please tick your choice</i> )	
1.1	Factory shop ( <i>Outlet close to factory or main warehouse</i> )	
1.2	Simple specialty store ( <i>Retail store outlet that specializes only on one type of shoe e.g. Cape Town Wedding shoe store</i> )	
1.3	Departmental store ( <i>e.g. Edgars, Woolworths</i> )	
1.4	Other	

Q2. If selected other, please identify which type of format you use

\_\_\_\_\_

Q3	How long has the retail store company been running? ( <i>Please tick your choice</i> )	
3.1	Six (6) months or less	
3.2	Seven months to a year	
3.3	One year one month to one year eleven months	
3.4	Two (2) – Five (5) years	
3.5	Six (6) – Ten (10) years	
3.6	Eleven (11) years and more	

Q4	How many employees do you have in your organization? ( <i>Please tick your choice</i> )	
4.1	Five (5) and below	
4.2	In the range of six (6) – fifteen (15)	



4.3	In the range of sixteen (16)- Fifty (50)	
4.4	Fifty one (51) to one hundred (100)	
4.5	One hundred and one (101) and more	

Q5	What type of shoes do you offer in your stores? <i>(Please tick the answer of your choice. Note that more than one answer is possible)</i>	
5.1	Formal shoes	
5.2	Sports shoes	
5.3	Children's shoes	
5.4	Adult casual	
5.5	All of the above	
5.6	Other	

Q6. If you selected other on the previous question, please state what type

\_\_\_\_\_

Q7	How many branches do you have in the country? <i>(Please tick the answer of your choice)</i>	
7.1.	One (1) to Five (5) braches	
7.2.	Six (6) to twenty (20) branches	
7.3.	Twenty – one and more branches	

Q8	How many branches do you have in the Western Cape? <i>(Please tick the answer of your choice)</i>	
8.1	One (1)	
8.2	Two (2)	
8.3	Three (3)	
8.4	Four (4)	
8.5	Five (5)	
8.6	More than 5	

Q9	Do you have other branches outside the country? <i>(Please tick the answer of your choice)</i>	
9.1	Yes	

9.2	No	
-----	----	--

Q10. If yes, please state where they are

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Q11	Do you use warehousing in distributing your shoes to your stores? <i>(Please tick the answer of your choice)</i>	
11.1	Yes	
11.2	No	

***If you selected no on question 11, please skip question 12, 13 and 14.***

Q12	How many warehouses do you use per store? <i>(Please tick the answer of your choice)</i>	
12.1	One (1)	
12.2	Two (2)	
12.3	Three (3)	
12.4	Four (4)	
12.5	Five (5)	
12.6	More than (5)	

Q13	Do you use have warehouses outside the country? <i>(Please tick the answer of your choice)</i>	
13.1	Yes	
13.2	No	

Q14	If yes, are they in the country you source from? <i>(Please tick the answer of your choice)</i>	
14.1	Yes	
14.2	No	

**DECISION MAKING**

Q15.	Is your retail company based in Cape Town? <i>(Please tick preferred answer)</i>	
15.1	Yes	
15.2	No	

Q16. If no, please specify where your company is based

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Q17. Who is responsible for the buying function in the organization? *(Please state position only)*

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Q18	Do you specify the designs of the shoes you want to your suppliers? <i>(Please tick the answer of your choice)</i>	
18.1	Yes	
18.2	No	

Q19. If yes, please identify who is responsible for that task *(Please state position only)*

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Q20. Who determines the quantity of the shoes procured? *(Please state position only)*

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Q21. Who is responsible for the logistics of the shoes to reach the stores? *(Please state position only)*

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<i>(Please tick your choice)</i>	<b>1 = Yes</b>	<b>2 = No</b>
Q22. Are all the people you mentioned above centralized at one area?		
Q23. Are other departments within the organization included in the planning and sourcing process of the shoes?		
Q24. Do you share information with other departments within your organization?		
Q25. Are you familiar with global sourcing?		
Q26. Are you familiar with how global sourcing is adopted?		

#### **PROCUREMENT OF THE COMPANY**

Q27.	How many shoes do you import annually? <i>(Please tick preferred answer)</i>	
27.1	Less than 2000 pairs	
27.2	2001- 10000 pairs	
27.3	10001- 100000 pairs	
27.4	100001 and more	

Q28.	Which of the following best describes your sourcing strategy? <i>(Please tick preferred answer)</i>	
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28.1	Domestic sourcing ( <i>This is whereby the retail establishments priorities on sourcing only from local shoe manufacturers in the country</i> )	
28.2	International procurement ( <i>This involves sourcing from local and international markets, normally on a once off purchase basis</i> )	
28.3	Global sourcing ( <i>This involves the integration of different functional department within a retail establishment to assist the buying department so as to ensure economic sourcing. This strictly involves sourcing from foreign markets and using integrated information technology with suppliers</i> )	

**If you selected number 28.1 for question 28, please answer question 29, if otherwise go on to question 30.**

Q29. Please explain the reason why you haven't considered employing global sourcing.

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If you answered question 29, please go to question 50.

Q30. If you selected number **28.2 and 28.3**, please state region and country your suppliers are based.

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	31.1. Every time	31.2. Sometimes	31.3. Never
Q31. How often do you use the same supplier? ( <i>Please tick your choice</i> ).			

Q32.	What are the reasons for adopting international procurement? ( <i>Please tick preferred answer</i> ) <b>This question is applicable only to personnel who chose answer 28.2 for question 28.</b>
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32.1	It is cost efficient	
32.2	Offers better quality	
32.3	Raw materials are abundant in foreign markets	
32.4	All of the above	
32.5	All of the above and Other	
32.6	Other	

Q33. If you chose 'Other' for question 32, please specify reason why.

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Q34.	What are the reasons for adopting global sourcing as your primary strategy for procurement? ( <i>Please tick preferred answer</i> ) <b><i>This question is only applicable to personnel who chose answer 28.3 for question 28.</i></b>	
34.1	It is cost efficient	
34.2	Offers better quality	
34.3	Raw materials are abundant in foreign markets	
34.4	Ensures the long term survival of the business through good relationships with suppliers	
34.5	Ensure timely delivery of goods because suppliers would see our stock levels and replenish in a timely fashion.	
34.6	All of the above	
34.7	All of the above and Other	
34.8	Other	

Q35. If you selected other, please state and explain your reason/s

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Q36.	How do you control the quality of the shoes bought by the retail company ( <i>Please tick preferred answer</i> )	
36.1	We use sourcing agents to check the cargo before departure	
36.2	We check the quality after the cargo has arrived in South Africa	

36.3	We send a representative from our company to oversee the proceedings	
36.4	Other	

Q37. If you selected other please state and explain the measures employed to ensure good quality

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Q38.	Select the tool that you use to inform the suppliers to replenish your stock or make an order( <i>Please tick preferred answer</i> )	
38.1	We use an integrated system that allows our supplies see our stock levels	
38.2	We use normal communication methods to place an order and re- order ( <i>e.g. emails, phones</i> )	
38.3	All of the above	
38.4	Other	

Q39. If you selected 'Other' for the previous question, please identify the type of communication instrument you use for replenishing.

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<i>Please tick the box that best represents your opinion</i>	1-Strongly Agree	2-Agree	3-Neutral	4 –Disagree	5- Strongly Disagree
Q40. Our procurement process is well defined					
Q41. Our procurement processes are effective					
Q42. The company has sufficiently invested in the strategy of global sourcing					
Q43. We have the necessary resources needed to fully employ international procurement and global sourcing					
Q44. The company has adequate support to facilitate global sourcing <i>e.g. effective communication systems, structure hierarchy, effective coordination</i> )					
Q45. The company has a clear way of analysing whether its enjoying the benefits of global sourcing					
Q46. In my opinion I think the retail shoe company has managed					

to fully implement global sourcing					
Q47. I think the business benefits from global sourcing					

Q48. Please state the risks you face while utilising the global sourcing strategy

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Q49. Please identify and explain the challenges you face by adopting global sourcing

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Q50. In your opinion, which areas do you think require attention within your sourcing operation?

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FIN

Thank you for participating  
 God bless you and your families

## Appendix B- In- depth Interview Guide



22 June 2014

Dear sir / Madam

**RE: GLOBAL SOURCING OF SHOE RETAILERS IN CAPE TOWN, WESTERN PROVINCE: A CASE STUDY**

This letter affirms that Dignity Paradza is a Master's student in Retail Business Management, Business Faculty at the Cape Peninsula University of Technology in Cape Town, South Africa, and he is conducting an academic research under my supervision. The research is under the topic" ***Global sourcing of shoe retailers in Cape Town, Western Province: A case study***".

All the information he request from you is for academic reasons and it shall assist him in answering his research questions and achieving the set goals. You have the right to request for a copy of the interview tape conducted between you and the researcher. I am grateful for your assistance.

If you have any queries or might like to ask questions to help you reach a decision to participate, please do not hesitate to contact Dr. V. Mugobo (Research Supervisor) via email at [mugobov@cput.ac.za](mailto:mugobov@cput.ac.za).

Yours faithfully

Dr. Virimai Mugobo

**SUPERVISOR**

Cape Peninsula University of Technology (CPUT)



### **IN-DEPTH INTERVIEW GUIDE**

1. Please describe your global sourcing process
2. How do you control the quality of the products when using global sourcing process?
3. How do you determine whether the global sourcing process is effective or not?
4. Who is responsible for the different global sourcing activities conducted during the sourcing operation?
5. In your opinion how important is global sourcing to this retail establishment?
6. How involved is top management in the implementation of global sourcing?
7. In your own opinion do you think the retail establishment invests enough in global sourcing in terms of finance, time and effort, human resource and technology?
8. What risk do you face when global sourcing?
9. How do you counter these risks?
10. What challenges do you encounter when global sourcing?
11. How do you curb these challenges?
12. Which area along the global sourcing process do you think requires improvement?

**Appendix C: Consent Letter**



**CONSENT FORM FOR PARTICIPATION IN RESEARCH**

I .....

hereby consent to participate as requested in the procedure for the research project on an the analysis of procurement processes for shoe retailers in Cape Town.

1. I have read the information provided to me as a participant.
2. Details of procedures and any risks involved in the participation of this research have been clearly explained in depth and to my satisfaction.
3. I am fully aware of the fact that I should retain a copy of the Information Sheet and Consent Form for future reference.
4. I **understand** that:
  - I may not directly benefit from taking part in this research.
  - I am free to withdraw from the project at any time and am free to decline to answer particular questions.
  - While the information gained in this study will be published as explained, I will not be identified, and individual information will remain confidential.
  - Whether I participate or not, or withdraw after participating, it will have no effect on my work within the organisation.
  - My decision to participate or withdraw at any given time will not prejudice any future relations with Cape Peninsula University of Technology.
5. I have had the opportunity to discuss taking part I this research with a family member, relatives and friends.

Participant's signature..... Date .....

I certify that I have explained the study to the volunteer and consider that he/ she understands what is involved and freely consents to participation.

Researcher's name.....

Researcher's signature.....Date.....

NB: Two signed copies should be obtained. The copy retained by the researcher may then be used for authorisation of items 6 and 7, as appropriate.

6. I, the participant whose signature appears below, have read the researcher's report and agree to the publication of my information as reported.

Participant's signature .....Date.....

## Appendix D: Permission Letter



14 August 2013

To Whom It May Concern.

This letter serves to official confirm that Dignity Paradza (Student number 209201231) is a Master's Degree student doing research project titled, "***Global sourcing in the shoe retail industry in Cape Town, Western Province: a case study***".

The purpose of this study is to evaluate whether shoe retail retailers in Cape Town have managed to adopted global sourcing despite concerns from various experts on the complexity to adopt the sourcing strategy. This study will also discuss reasons why shoe retailers use the sourcing strategies they do the challenges they face in implementing their sourcing strategies. Uncovering this phenomena can significantly shade light on the sourcing behaviour within the shoe industry and expose some limitation or strengths experienced by shoe retailers. We therefore request your organisation for a letter of support for this project. This letter of support from industry players/ companies is a key requirement for him to be allowed to continue with the study.

Thank you for your cooperation.

Yours faithfully

.....

Dr Virimai Mugobo

Research Supervisor

E- mail: [mugobov@cput.ac.za](mailto:mugobov@cput.ac.za)

Tel: 021 460 3030



## Appendix E: Ethic Certificate



P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 4603239 • Email: zouityf@cput.ac.za  
Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: <b>BUSINESS</b>
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At a meeting of the Research Ethics Committee on 18 September 2013, **Ethics Approval** was granted to PARADZA, Dignity (209201231) for research activities Related to the MTech/DTech: MTech: Retail Business Management at the Cape Peninsula University of Technology.

Title of dissertation/thesis:	Analysis of procurement process of shoe retailers in Cape Town  Supervisor: Dr V Mugobo
-------------------------------	---

**Comments:**

**Decision: APPROVED**

	<b>18 September 2013</b>
Signed: Chairperson: Research Ethics Committee	Date

Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2013FBREC130

## Appendix F: HDC 1.2.



June 2014

### HDC 1.2: Registration of Proposal for Dissertation / Thesis

<b>Student's surname</b>	Paradza	<b>Student no.</b>	209201231
<b>First names</b>	Dignity		
<b>Postal address:</b> Unit 7.6 CPUT Masimanyane CPUT Residence, 22 Sir Lowry Road Zonnebloem, Cape Town 7925, South Africa			
<b>Phone:</b>	<b>E-mails:</b> <a href="mailto:shingie.paradza@gmail.com">shingie.paradza@gmail.com</a>		
<b>Cell phone:</b> 0788245996	<a href="mailto:paradzadignity@yahoo.com">paradzadignity@yahoo.com</a>		
	<a href="mailto:shingie.paradza@hotmail.com">shingie.paradza@hotmail.com</a>		
<b>Gender</b> (circle which is applicable): <u>M</u> / F	<b>Ethnic group*</b> (underline which is applicable): <u>Black</u> / White / Coloured / Indian		
<b>Nationality:</b> Zimbabwean			
<b>Prior qualifications</b> (and field): BTech: Retail Business Management		<b>Status</b> (underline which is applicable): <u>full-time</u> / part-time	
<b>Confirmed title of dissertation/ thesis</b> (not in capitals): Global sourcing in the shoe retailing industry in Cape Town, Western Province: a case study			
<b>Indicate whether a 50% dissertation or 100% thesis</b> (underline which is applicable):		<u>50% dissertation</u>	<u>100% thesis</u>
<b>Faculty</b>	Business		
<b>Department</b>	Retail Business Management		
<b>Degree</b> (and field)	MTech: Retail Business Management		
<b>Supervisor</b>	Dr. Virimai Mugobo		
<b>Position</b>	Lecturer	<b>Qualifications</b> (and field):	DTech: Marketing
<b>Co-supervisor(s)</b>	N/A		
<b>Position</b>	N/A	<b>Qualifications</b> (and field):	N/A

*\*The university is required to record this information for national reporting purposes.*

<p><b>Summary</b> ( (Insert a summary of approximately 250 words)</p> <p>The advancement in modern technology, benefits of globalisation and intense competition have established global sourcing strategy as the one of the most important tools in modern day procurement, particularly in an industry as competitive as the shoe retailing industry. Despite this, global sourcing is well documented for its complexity to implement hence the need to investigate the procedures as to how shoe retailers have managed to adopt it in terms of procurement procedure, logistics formats and risks involved to get the shoes delivered to the stores.</p> <p>The study will evaluate the effectiveness of global procurement in the shoe retailing industry and identify the benefits and challenges being faced by retailers in the industry. An embedded single case study technique will be adopted to accommodate the twenty shoe retailers situated across Cape Town. The research will employ the triangulation method, which involves the use of both qualitative and quantitative methods of research, to ensure reliability of the data captured. The qualitative phase of the research will encompass the implementation of in-depth interviews, which will be conducted on retail buyers and logistics managers. Survey questionnaires will be administered using the drop and pick method to the same respondents, that is the buyers and logistics managers, so as to identify patterns and regularities of retailers buying behaviour.</p>
--

The data captured will be analysed by computer packages namely SPSS (Statistical package for Social Science) for the questionnaires and Atlas.ti. for the in-depth interviews. The study will conclude with a propagation of the findings, conclusion and recommendations.

<b>Key terms</b> (max. 10 words or phrases)	Globalisation, global sourcing, retail buying, international procurement
--	--

**Student undertaking:**

**I, the undersigned, certify that:**

- This project has not been submitted to any other educational institution for the purpose of a qualification.
- All subsidy-earning outputs (artefacts and publications) from my postgraduate studies will be regarded as the property of the Cape Peninsula University of Technology (CPUT) for subsidy purposes.
- Where intellectual property (IP) is developed under the supervision of the CPUT involving institutional or government expenditure, such IP will be subject to the IP Policy of CPUT and the National Act on Intellectual Property generated from Government funded research.
- I understand that the dissertation/ thesis is the copyright of CPUT and may not be published or reproduced in any form without the prior permission of the university.
- I understand that I am required to submit an article for publication based on my research results, with the CPUT affiliation clearly stated.
- I understand that plagiarism is wrong, and incurs severe penalties including possible suspension or expulsion, according to the university's Policy on Plagiarism.
- I shall list all assistance obtained, such as editorial, financial and statistical assistance, and assistance from other institutions or persons, clearly on the Acknowledgements page of the dissertation/ thesis.
- I have read and taken cognisance of the responsibilities of students and supervisors, as included in the Memorandum of Understanding (MoU) signed with the Faculty.
- I will follow the CPUT guidelines for writing dissertations/ theses.
- I have read and taken note of the guide to postgraduate studies published in the document "Postgraduate Studies @ CPUT" at <http://www.cput.ac.za/postgraduate-information>.
- I understand that all subsequent registrations are not automatic, but depend on the approval of my supervisor and are based on measurable progress.
- I understand that I may appeal, if my registration is not approved, through the appropriate CPUT appeals system.
- I understand that non-compliance with the MoU may result in disciplinary action that may culminate in de-registration.

**Ethics and data collection:**

Is ethics clearance required for this study?	<u>Yes</u>	No
Is data collection permission required for this study?	<u>Yes</u>	No

**If Yes, the student must:**

1. Obtain ethics approval for the research from the Faculty Ethics Committee.
2. ATTACH a STATEMENT of the approval.
3. Obtain data collection permission for the research from the relevant institution.
4. ATTACH a STATEMENT of the permission.

**If No, the student must:**

1. Obtain ethics clearance for the research from the Faculty Ethics Committee.
2. ATTACH a STATEMENT that ethics approval is not required.
3. Obtain data collection clearance for the research from the relevant institution.
4. ATTACH a STATEMENT that permission is not required.



Signed [Signature] ..... Date 17/06/2014  
 (Student)

Signed [Signature] ..... Date 17/06/2014  
 (Supervisor)

Signed [Signature] ..... Date 17/6/2014  
 (HoD)

**Faculty approval:**

Review Panel (please print names)	Qualifications (and field)
Roger Mason	Professor – Business Management
Jacobus Steyn	Professor – Tourism Management
Edward Dokora	Doctor - Marketing
<b>Recommendations</b>	
<b>Signed (Panel Chair)</b>	<b>Date</b>

*\* The Panel reviews the merit and viability of the research project proposed and so must be comprised of experts in the field to be researched, and at least one member of the FRC.*

Date on which proposal was presented in the Faculty:	
Date of FRC Minutes in which recorded:	

Signed ..... Date.....  
 (Chair: Faculty Research Committee)