



The Critical Success Factors of Sourcing Production for Small and Medium-sized Clothing Firms in Hong Kong

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ABSTRACT

The main purpose of this paper is to identify the critical success factors (CSFs) of sourcing production, and to study the impacts of production sourcing strategies, buyer supplier relationships and firm-related characteristics on the level of satisfaction with sourcing performance. Using a multiple case methodology to study ten firms and a two-phase data collection approach, in-depth interviews and mail questionnaires, we found that the industrial sector is the only firm-related characteristic that has an influence on sourcing performance satisfaction. Also, the firms that have adopted insourcing were more satisfied with their sourcing performance than those that adopted outsourcing. Based on the level of satisfaction with a firm's sourcing performance, we identified three main CSFs for production sourcing: (1) to build relationships with production provider personnel at all levels, (2) to develop a comprehensive communication plan with production providers; and (3) to choose the production providers carefully.

Keywords: Small and medium-sized enterprises (SMEs); production sourcing strategy; critical success factors (CSFs); performance satisfaction; buyer-supplier relationship

Introduction

In the clothing industry, no simple formula can predict winners and losers from a particular environment. Rather than trying to guess the winners and losers, it is important to identify the critical success factors (CSFs) that determine performance satisfaction [1].

The Hong Kong clothing industry consists of a large number of small and medium-sized manufacturing and trading firms. In 2001, there were approximately 290,000 small and medium enterprises (SMEs) in Hong Kong; over 98% of the companies that were engaged in the manufacturing and servicing sectors were SMEs [2]. According

to the Hong Kong Government, SMEs in Hong Kong are defined as manufacturing firms that employ fewer than 100 people and non-manufacturing firms that employ fewer than 50 persons. The existence of these firms has contributed significantly to the industry's development and prosperity in the last four decades. The textiles, clothing and footwear industries generated domestic exports of HK\$65 billion, which represented 67% of total domestic exports in 2002 [3]. In dollar terms, Hong Kong is the second largest exporter of textiles and clothing in the world [4].

Hong Kong has been widely recognized for its role as a global sourcing centre for textile

and clothing products [5]. Adopting proper production sourcing strategy has been regarded as a strategic approach by which firms can maintain their comparative and competitive advantages [6-9]. Sourcing cost-effective production is not only confined to large firms. A large number of SMEs also actively pursue this strategy [9]. Management must make the most of the strengths of production sourcing, which can provide competitive advantages for companies. In the long term, the success of a clothing firm requires that its competitive advantage be sustainable. The concentration of resources and effort upon the CSFs are very important for sustaining the competitive advantage of firms. Rochart [10] defined CSF as “the limited number of areas which produce satisfactory results, thereby ensuring successful competitive performance for the organization”. He indicated that identifying CSFs is a useful approach for understanding management information requirements because it can focus a firm’s attention on areas in which “things must go right”. This approach also helps future corporate strategic planning; in subsequent, controllable actions can be taken by the management in order to enhance the potential for success.

More recently, research has explored CSFs in the areas of material requirements planning (MRP) [11] and total quality management (TQM) [12]. However, CSFs relating to production sourcing in the clothing industry have not yet been researched. Hence, it is the aim of this paper to focus on this area.

Objectives of the research

The ultimate purpose of this paper is to identify the critical success factors (CSFs) for Hong Kong clothing firms in sourcing production. The specific objectives of this study are as follows:

1) To review the literature on the characteristics of SMEs, production sourcing strategies and buyer-supplier relationship

2) To study the impact of various production sourcing strategies and buyer-supplier relationships on the level of sourcing performance satisfaction

3) To investigate the impact of the firm-related characteristics of SMEs on the level of sourcing performance satisfaction

4) To identify the CSFs of production sourcing for small and medium-sized clothing firms in Hong Kong

Literature review

The major objective of this literature review is to examine previous studies on the general characteristics of SMEs, different types of production sourcing strategies and buyer-supplier relationships, and hence to formulate a research framework for this study.

General characteristics of SMEs. Several studies have shown that SMEs are very different from large enterprises [9]. SMEs enjoy the advantages of greater flexibility and higher levels of efficiency. They can be very innovative, yet need not be bound by a complicated organisational structure. However, SMEs are severely constrained by their lack of funds and physical human resources. Because of their size, they may have less power in their dealings with large organizations. Compared with large firms, SMEs are less able to undertake research and development, benefit less from economies of scale, have insufficient production capacity, and have limited resources for supporting selling and marketing. Storey [13] postulates that the characteristics of a firm (such as firm age, location, size, market and sector) and the adoption of corporate strategy are the key factors regarding the growth of small firms. Therefore, this study focuses in particular on how these two categories of characteristics influence the level of sourcing performance satisfaction of companies.

Sourcing strategy. Traditionally, ‘sourcing’ refers to the philosophy of selecting vendors in a manner that makes them an integral part of the buying firm for a particular component or part of a product [14]. These

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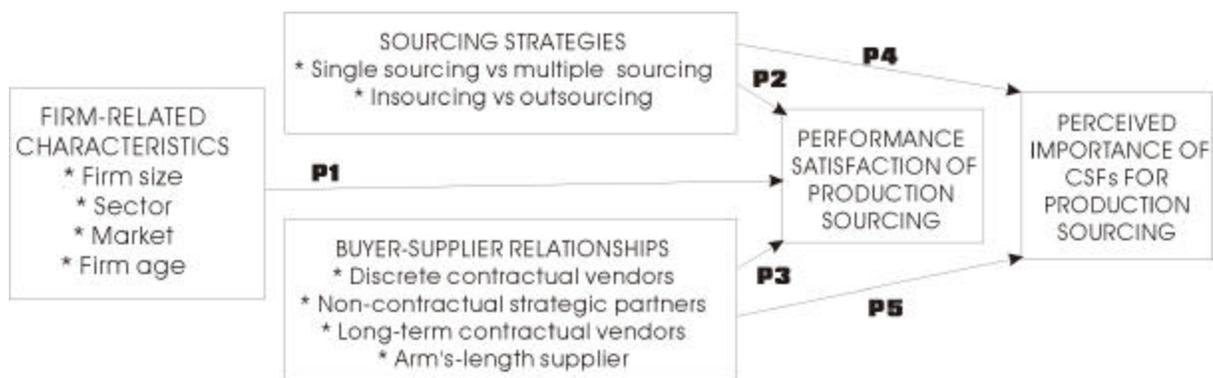
decisions should be incorporated into the operating strategies of buying firms to support or even improve competitive advantages. The characteristics of production sourcing strategies that are specified in this study are based on the decision to insource or outsource and the number of suppliers. Insourcing simply means that the enterprise performs the function internally [15]. Outsourcing refers to a strategic perspective on external resources; it is an abbreviation of “outside resource using” [16]. Outside means creating value by transferring the responsibility of a specific business function from an employee group to a non-employee group [17]. Single sourcing involves the idea of reducing the number of suppliers with which a firm does business, and hence the buyers source from a sole source [18]. Multiple sourcing refers to a company that has business relationships with a number of suppliers. Each supplier responds to the demands and specifications of a particular quotation from the buying company [8].

Buyer-supplier relationship. The buyer-supplier relationship has been recognized as a type of strategy and a powerful tactic for strengthening a firm’s sourcing activities [6,

18]. The literature review identifies four types of buyer-supplier relationships in terms of different lengths of contractual and/or non-contractual agreements. Long-term contractual vendor relationships involve the selection of, and continuous involvement with, suppliers through long-term contracts, in which exceptional performance or unique technological expertise is expected. Non-contractual strategic partnerships work on a long-term but not contractual basis. Discrete contractual vendor relationships are short-term contractual relationships with no long-term commitment between buyer and supplier. Arm’s-length supplier relationships involve a one-off relationship on a non-contractual basis, again with no long-term commitment between both parties.

Framework for identifying the CSFs for production sourcing. To identify the CSFs of production sourcing for small and medium-sized clothing firms in Hong Kong, and to investigate the impact of the firm-related characteristics of SMEs, production sourcing strategies and the buyer-supplier relationships on the level of sourcing performance satisfaction, a research framework was developed (see Figure I).

Figure I: A Model for Identifying the CSFs for Production Sourcing



Based on the literature review, firm-related characteristics of SMEs, sourcing strategies and buyer-supplier relationships were identified. The variables of performance satisfaction and CSFs for production sourcing are based on in-depth interviews

within small and medium-sized clothing firms in Hong Kong. In developing this research study, five propositions (P1, P2, P3, P4 and P5) have been formulated to express the interrelationships amongst the key variables.

- P1: The firm-related characteristics of SMEs have an impact on the level of satisfaction with sourcing performance.
- P2: The sourcing strategies adopted have an impact on the level of satisfaction with sourcing performance.
- P3: The buyer-supplier relationships adopted have an impact on the level of satisfaction with sourcing performance.
- P4: The production sourcing strategies adopted have an impact on the perceived importance of CSFs for production sourcing.
- P5: The buyer-supplier relationships adopted have an impact on the perceived importance of CSFs for production sourcing.

Methodology

A multiple-case methodology was adopted for this study. This methodology is seen as an exploratory device for using more than a single case in the same study [19]. Exploratory study is concerned with discovering the general nature of the problem and the variables that relate to the research. It is characterized by a high degree of flexibility, convenience or judgment samples, small-scale surveys, cases analyses, and subjective evaluation of the results. A two-phase approach was, therefore, used to collect relevant information for this study. First, in-depth interviews were carried out with ten SMEs to study their firm-related characteristics, to investigate the sourcing strategies and buyer-supplier relationships that they had adopted, to identify the indicators of sourcing performance satisfaction, and to find out the CSFs for production sourcing. Second, a mail questionnaire was sent to the same group of firms to evaluate the importance of each identified CSF and the level of performance satisfaction for production sourcing.

With a focus on clothing firms in Hong Kong, the companies selected for study were required to fulfil the criteria for SMEs as described above. According to Yin [19], six to ten cases can provide compelling support for the initial set of propositions. Similarly, Perry [20] suggested that the number of

cases to be examined in an exploratory study should be a minimum of two to four and a maximum of ten to fifteen. Therefore, five manufacturing and five trading firms in Hong Kong were selected for this study.

Findings

Phase I - Personal interview. A total of ten representatives, one from each of the selected small and medium-sized trading and manufacturing firms, were interviewed. All the companies were local-owned, with sizes ranging from 3 to 93 employees (see Table I). Six of the companies have been established for more than 10 years, while the other four have been established for less than 10 years. Four companies have focused 100% on western markets, such as the US, the UK or Europe. One company has concentrated 100% on the local market, while the other five companies have developed their markets both in western countries and in China, Asia or Hong Kong. Three companies undertake single insourcing and seven multiple outsourcing. For those who adopted outsourcing, four companies have selected non-contractual strategic partnerships, and three have adopted discrete contractual vendor relationships. However, none of them preferred the long-term contractual vendor or the arm's-length supplier relationship.

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Table I: Background of the Small and Medium-sized Trading and Manufacturing Firms

Firm	Firm-related characteristics of SMEs				No. of factories						Sourcing strategy	Buyer-supplier relationship			
	Sector	Firm size (employee)	Market (%)	Firm age (year)	Domestic production			Offshore production				D C V	L C V	N S P	A L S
					F	J	C	F	J	C					
M1	M	25	50W, 30CA, 20HK	15	1	/	/	1	/	/	Single, Insourcing	/	/	/	/
M2	M	40	100W	18	1	/	/	1	/	/	Single, Insourcing	/	/	/	/
M3	M	93	100HK	9	1	/	/	/	/	3	Multiple, Outsourcing	/	/	A	/
M4	M	60	99W, 1CA	4	1	/	/	1	/	/	Single, Insourcing	/	/	/	/
M5	M	28	30W, 40CA, 30HK	15	/	/	3	1	/	/	Multiple, Outsourcing	A	/	/	/
T1	T	23	95W, 5CA	10	/	/	/	2	/	1	Multiple, Outsourcing	/	/	A	/
T2	T	4	100W	11	/	/	/	/	1	10	Multiple, Outsourcing	A	/	/	/
T3	T	18	100W	8	/	/	/	1	/	2	Multiple, Outsourcing	/	/	A	/
T4	T	3	100W	13	/	/	/	/	/	4	Multiple, Outsourcing	/	/	A	/
T5	T	16	95W, 4CA, 1HK	8	/	/	/	/	2	3	Multiple, Outsourcing	A	/	/	/

REMARKS:

- 1) Sector: M=Manufacturing firm, T=Trading firm;
- 2) Market: W=Western, CA=China and Asia, HK=Hong Kong
- 3) Ownership: F=Fully owned, J=Joint venture, C=Contract
- 4) Buyer-supplier relationship: DCV=Discrete contractual vendor relationship, LCV=Long-term contractual vendor relationship, NSP=Non-contractual strategic partnership, ALS=Arm's length supplier relationship
- 5) A=adopted

During the in-depth interviews, the interviewees were also asked to list the indicators for measuring performance satisfaction and the CSFs for sourcing

production. Subsequently, seven performance indicators and eleven CSFs for production sourcing were obtained (see Tables II and III).

Table II: Indicators for Performance Satisfaction with Production Sourcing

The variables for performance satisfaction of production sourcing	No. of firms*		
	M	T	Total
1. Profitability	3	1	4
2. On-time delivery	1	0	1
3. Control of costs	3	1	4
4. Increase competitiveness	2	0	2
5. Better quality	0	2	2
6. Access to worldwide technology	0	1	1
7. Improved relationship with customers	1	0	1

Remarks: (1) *=no. of firms that regard the variable as most important; (2) M=Manufacturing firms; T=Trading firms

Table III: CSFs for production sourcing

CSFs for production sourcing	No. of firms*		
	M	T	Total
1. Top management's commitment to pursue production sourcing.	1	1	2
2. Select and train right personnel to plan and implement sourcing programme.	1	0	1
3. Establish comprehensive logistics competency	1	0	1
4. Thorough analysis of the environment of host countries.	1	0	1
5. Choose your production providers carefully.	1	0	1
6. Build trust and openness with your production providers.	1	0	1
7. Build relationships with personnel at all levels of your production providers	0	2	2
8. Develop a comprehensive communication plan with your production providers.	2	1	3
9. Share risks and opportunities with your production providers.	1	1	2
10. Sustain long-term relationships with your production providers.	1	0	1
11. Adaptability and flexibility to environmental changes in global business.	1	0	1

Remarks: (1) *=no. of firms that regard the factors are critical; (2) M=Manufacturing firms; T=Trading firms

Phase II - Mail questionnaire. Following the analysis of the in-depth interviews and review of literature, a questionnaire was designed to measure the level of performance satisfaction and evaluate the importance of the CSFs for production sourcing. The questionnaire was sent by post to the ten companies previously interviewed. The level of performance satisfaction and the importance of each success factor relating to production sourcing were measured on a five-point Likert scale (from 1=extremely satisfied/critical to 5=not at all satisfied/critical).

Examination of P1. Proposition 1 considers whether the firm-related characteristics of SMEs have an impact on the level of satisfaction with sourcing performance. The results show that the firm-related characteristics of SMEs have an impact on the level of satisfaction towards sourcing performance, was not entirely confirmed. The firm-related characteristics of SMEs such as firm size, firm age, and market involved were all insignificant to the satisfaction of sourcing performance. Only the factor of industrial sector was revealed to have an influence (see Table IV).

Table IV: Satisfaction Scores for Production Sourcing Performance

Firm	M1	M2	M3	T1	T2	M4	M5	T3	T4	T5
Satisfaction level	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10
Adopted sourcing strategy	S & In	S & In	M & Out	M & Out	M & Out	S & In	M & Out	M & Out	M & Out	M & Out
Adopted buyer-supplier relationship	/	/	NSP	NSP	DCV	/	DCV	NSP	NSP	DCV
Satisfaction score	1.375	2.4	2.5	2.5	2.5	2.6	2.6	2.9	3	3.3
Remarks:	<ul style="list-style-type: none"> ■ Sector: M=Manufacturing firm, T=Trading firm ■ Sourcing strategy: S=Single sourcing, M=Multiple sourcing; In=Insourcing, Out =Outsourcing ■ Buyer-supplier relationship: DCV=Discrete contractual vendor relationship, LCV=Long-term contractual vendor ■ Satisfaction score of production sourcing is obtained by calculating the average score of the seven performance indicators. ■ Satisfaction score: 1= extremely satisfied to 5= not at all satisfied 									

Table IV shows the results of the level of performance satisfaction regarding production sourcing by calculating the average score of the seven performance indicators given by each firm. This score reflects the companies' composite feeling of

satisfaction on certain issues, such as profitability, on-time delivery, control of costs, increased competitiveness, better quality, access to worldwide technology, and improved relationships with customers. Firm M1, with the satisfaction score of

1.375 (S1), was said to be the most satisfied firm, while firm T5, with score of 3.3 (S10), the least satisfied firm.

The results in this study show that the level of satisfaction is not related to the firm size, market involved, or firm age of the companies. The largest company (93 employees) and the smallest company (3 employees) ranked 3 and 9 respectively, while the companies with 25 and 16 employees scored the highest (ranked 1st) and lowest (ranked 10th) level of satisfaction respectively (see table I and IV). The companies that focus 100% on western markets ranked 2nd, 5th, 8th and 9th; the companies that concentrated 100% on local markets ranked 3rd. Companies that disseminated their markets in different countries ranked 1st, 4th, 6th, 7th and 10th. The companies of oldest (18 years) and youngest (4 years) in terms of year of establishment ranked 2nd and 6th respectively, whereas the most and least satisfied companies have 15 and 8 years of age respectively.

Nonetheless, the factor of industrial sector was revealed to have an influence (see Table IV). The results show that the most satisfied firms were all manufacturing firms (ranked 1st and 2nd). This is probably because the manufacturers have their own establishments and close affiliates locally, which allows them to retain some control over production, so that on-time delivery is more easily achieved and the quality more closely controlled. Furthermore, because manufacturers have their own factories, they do not need to share their profits and benefits with their affiliates; therefore, costs and profits can be easily controlled.

Examination of P2. Proposition 2 considers whether the adoption of sourcing strategy has an impact on the level of performance satisfaction. The results show that the companies adopted single sourcing and insourcing strategies were more satisfied with their performance than those adopted multiple sourcing and outsourcing strategies (see Table IV). Proposition 2 was, therefore, confirmed. In contrast to the majority of opinions in the academic literature

emphasize the benefits of outsourcing [6-8, 14, 17], this study reveals that the adoption of production outsourcing strategy does not achieve the highest level of satisfaction with performance. Instead, an insourcing strategy could lead to higher satisfaction levels. An explanation of this may be due to improper implementation of the outsourcing strategies. According to the study of Elmuti and Kathawala [7], about 31% of organisations reported that their outsourcing programmes had failed. The main complaints are either that the wrong sourcing strategies have been used, or that the buyer-supplier relationships have been ill-defined [21]. Moreover, exploring the satisfaction of sourcing has to be learnt from experience. The reasons leading to dissatisfaction with outsourcing practice are still unclear and therefore require further investigation.

Examination of P3. Proposition 3 considers whether the adoption of buyer-supplier relationship has an impact on the level of satisfaction with sourcing performance. The results indicate that buyer-supplier relationships adopted indeed had an impact on the level of satisfaction towards sourcing performance. The results show that companies (M3 and T1) that adopted non-contractual strategic partnerships were more satisfied with their performance (ranked 3^d and 4th) when compared with companies (T5) who selected discrete contractual vendor relationships (ranked 10th). Partnership relationships allow SMEs to overcome problems relating to their size by linking up with a resourceful player(s). Hence, if these strategies are correctly implemented, small and medium-sized clothing firms in Hong Kong can become highly effective.

Critical success factors (CSFs) and level of satisfaction. Prior to the examinations of P4 and P5, the importance of each CSF as perceived by the firms was investigated. The level of importance of each CSF was calculated according to the level of the firms' performance satisfaction for production sourcing, which ranged from S1 (most satisfied) to S10 (least satisfied). The

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firms with the highest score for performance satisfaction for production sourcing could provide a reference for the importance of each successful factor. Hence, the higher the satisfaction the company has, the heavier the weighing of the significance for the calculation of the CSF score will be. The following formula represented the weight of score by firms' performance satisfaction on

production sourcing, ie., S1 scored 10, which is W_1 ; S2 scored 9, which is W_2 ... and so on. To evaluate the total score of each critical success factor, we assume $S_i = 1$ means firm believes that CSF is critical, while $S_i = 0$ not critical at all.

$$\text{Total score of each CSF by the degree of satisfaction} = \frac{\sum_{i=1}^{10} (S_i \cdot W_i)}{\sum_{i=1}^{10} W_i}$$

Where: W_i = weight of satisfaction score obtained by the company with satisfaction ranking i
 S_i = importance of the CSF (1=critical; 0=not critical) perceived by company with satisfaction ranking i
 i = Variable representing the satisfaction ranking of the companies

Table V: Scores for CSFs by the Degree of Satisfaction

Firm	M1	M2	M3	T1	T2	M4	M5	T3	T4	T5	Total score
Satisfaction level	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	
Weight of satisfaction score (W_i)	10	9	8	7	6	5	4	3	2	1	55
1. Top management's commitment to pursue production sourcing.	0	1	1	1	0	0	0	0	1	0	18/55
2. Select and train right personnel to plan and implement sourcing programme.	1	0	0	1	0	1	1	1	1	0	31/55
3. Establish comprehensive logistics competency	1	1	0	1	0	1	0	1	1	0	36/55
4. Thorough analysis of the environment of host countries.	1	0	0	1	0	1	0	0	1	0	24/55
5. Choose your production providers carefully.	1	0	1	1	0	1	1	1	1	1	40/55
6. Build trust and openness with your production providers.	0	0	0	1	0	0	1	0	1	0	13/55
7. Build relationships with personnel at all levels of your production providers.	1	1	1	1	0	1	1	1	1	1	49/55
8. Develop a comprehensive communication plan with your production providers.	1	0	1	1	1	1	1	0	1	1	43/55
9. Share risks and opportunities with your production providers.	0	0	1	1	0	0	0	0	0	0	15/55
10. Sustain long-term relationships with your production providers.	1	1	0	1	1	0	0	0	1	1	35/55
11. Adaptability and flexibility to environmental changes in global business.	1	0	1	1	0	1	0	1	1	0	35/55
<p>REMARKS: Total score of each CSF by the degree of satisfaction = $\frac{\sum_{i=1}^{10} (S_i \cdot W_i)}{\sum_{i=1}^{10} W_i}$</p>											

As shown in Table V, the three most important success factors were related to the

development of the relationship between buyer and supplier: (1) building the

relationship with personnel at all levels (49/55); (2) developing a comprehensive communication plan with production providers (43/55); (3) choosing the production providers carefully (40/55). Amongst these three factors, nine out of ten companies found that establishing relationships with production providers personnel at all levels was the most critical success factor for production sourcing.

Examination of P4 and P5. The results show that the production sourcing strategies and

buyer-supplier relationships adopted had an impact on the perceived importance of CSFs for production sourcing were confirmed. The results indicate that the perceived importance of the CSFs for production sourcing may change according to different sourcing strategies used and the buyer-supplier relationships adopted. The scores for CSFs by sourcing strategies and buyer-supplier relationships were summarized in Table VI.

Table VI: Scores for CSFs by Sourcing Strategy

CSFs	Insource (n=3)	Outsource		Total scores (n=10)
		Non-contractual strategic partnerships (n=4)	Discrete contractual vendor relationships (n=3)	
1. Top management's commitment to pursue production sourcing.	1/3	2/4	0/3	3/10
2. Select and train right personnel to plan and implement sourcing programme.	2/3	3/4	1/3	6/10
3. Establish comprehensive logistics competency	3/3	3/4	0/3	6/10
4. Thorough analysis of the environment of host countries.	2/3	2/4	0/3	4/10
5. Choose your production providers carefully.	2/3	4/4	2/3	8/10
6. Build trust and openness with your production providers.	0/3	2/4	1/3	3/10
7. Build relationships with personnel at all levels of your production providers.	3/3	4/4	2/3	9/10
8. Develop a comprehensive communication plan with your production providers.	2/3	3/4	3/3	8/10
9. Share risks and opportunities with your production providers.	0/3	2/4	0/3	2/10
10. Sustain long-term relationships with your production providers.	2/3	2/4	2/3	6/10
11. Adaptability and flexibility to environmental changes in global business.	2/3	4/4	0/3	6/10

REMARKS: Total score of each CSF by sourcing strategy is the sum of the number of firms which adopted either insource, outsource with non-contractual strategic partnerships or outsource with discrete contractual vendor relationships.

Table VI shows the widely perceived CSFs by firms using insourcing strategy are building relationships with production provider personnel at all levels (3/3) and establishing comprehensive logistics competency (3/3). Insourced firms are expected to use internal resources of the business to develop long-term establishments for production activities. If relationships with personnel at all levels regarding production activities are not

properly established, then the efficiency of its in-house production activities would also be affected. Furthermore, insourced firms are required to arrange logistics of production activities internally by themselves, so establishing a comprehensive logistics competency is very important as perceived by these firms.

Choosing the right production provider (4/4), building relationships with personnel

at all levels (4/4) and being adaptability and flexibility to environmental change (4/4) are crucial for firms who have adopted outsourcing strategy with strategic partner relationships. Once a strategic partner has been selected, a long-term relationship is expected. It is therefore important to build relationships with personnel at all levels of the production provider. Indeed, the concept of strategic partner relationship involves a joint product development relationship with share development costs and intellectual property; both parties are therefore required to be adaptable and flexible to changes under this relationship.

Developing a comprehensive communication plan with production providers (3/3) is the only CSF highlighted by firms who have adopted outsourcing strategy with discrete contractual vendor relationships. This is because they are expecting a short-term relationship with their production providers. The only concern they have is delivering goods to the right place, at the right time, of the right quality and quantity, and without any errors. This requires a good communication system. Other factors concerning long-term development, such as building relationships with production provider personnel at all levels, may not be very critical to them.

In reference to the perceived importance of CSFs in conjunction with the adoption of sourcing strategies and buyer-supplier relationships, three most critical success factors of production sourcing perceived by the small and medium-sized clothing trading and manufacturing firms in Hong Kong were identified, as follows: (1) to build relationships with personnel at all levels of the production providers (9/10); (2) to choose production providers carefully (8/10); and (3) to develop a comprehensive communication plan with production providers (8/10). All these are related to the development of a cooperative relationship between buyer and supplier.

Conclusions

The critical success factors for production sourcing are important because they represent necessary conditions for sourcing success. Overall, among all responding firms, the three most critical success factors of production sourcing perceived by the small and medium-sized clothing trading and manufacturing firms in Hong Kong were identified: (1) to build relationships with production provider personnel at all levels; (2) to choose production providers carefully; and (3) to develop a comprehensive communication plan with production providers. All these are related to the development of a cooperative relationship between buyer and supplier. The management of SMEs should therefore pay attention on the development of a collaborative buyer-supplier relationship. Once a supplier has been selected carefully, a long-term relationship should establish with supplier personnel at all levels. SMEs should have a structure in place that fosters frequent communication between buyers and suppliers. Two parties should determine the type of information that is useful and establish formal and informal channels for exchanging it.

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Based on the results of this study, it can be concluded that the adoptions of buyer-supplier relationships and production sourcing strategies may have an impact on the perceived importance of CSFs. However, the firms in this study have adopted only non-contractual strategic partnership and discrete contractual vendor relationship; long-term contractual vendor relationship and arm's-length supplier relationship have not been adopted by any firms. Thus, relationships between CSFs and these two buyer-supplier relationships could not be explored further. It is important to investigate whether these two buyer-supplier relationships could be adopted by small and medium-sized clothing firms in Hong Kong and whether the adoption of these relationships may have an impact on CSFs for production sourcing. Further research in these areas is, therefore, required.

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