



LAPPEENRANTA-LAHTI UNIVERSITY OF TECHNOLOGY LUT
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Master's Thesis

**THE ROLE OF OUTSOURCING IN FOOTWEAR MANUFACTURING
INDUSTRY**

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ABSTRACT

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The purposes of this study are to illustrate the nature of outsourcing in footwear manufacturing industry, and the central concentration of outsourcing will be role of outsourcing in making strategic decision. Footwear manufacturing industry provides interesting points regarding outsourcing, especially benefits and risks of outsourcing, outsourcing process, and motive outsourcing. The theoretical contribution of this study provides knowledge foundation of outsourcing in footwear manufacturing and illustrates roles of outsourcing in making strategic decision via analyzing factors of Transaction Cost Economics.

The qualitative research methodology is applied in this research. The conceptual framework is created by integrating previous outsourcing theories of core competencies, factors of outsourcing decision and strategic outsourcing. The conceptual framework is applied to assist collecting empirical data, analysis and establishing the theoretical conclusion. The empirical section includes a multiple case-study consisting two cases operating in footwear manufacturing industry.

As the result of this research, outsourcing of this study is guided by practical data from specific companies operating in footwear manufacturing industry. Outsourcing keeps an important role in making strategic decision of high managerial levels in various perspectives. Hence, role of outsourcing will become a good foundation for companies in creating strategic decision. Evaluation step in outsourcing process is identified is important phase during performing outsourcing strategies.

This study provides valuable information for high top managers to realize the role of outsourcing in making strategic decision whether entrepreneurs should outsource or not. The analysis shows that companies must have insight understanding about the importance of evaluation step in outsourcing process as well as benefits and risk of outsourcing.

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1. Introduction

Nowadays, outsourcing is used to increase the performance of entire enterprises. Most companies use outsourcing to replace their non-core functions. Kakabadse and Kakabadse (2000) discussed that outsourcing was indicated in academic studies and practice in 1990s. Normally, company will outsource non-core competency including maintaining service, transportation service (Quinn & Hilmer, 1994). However, it does not mean that outsourcing activities are not as important as than firm's performance (Holcomb & Hitt, 2007; Lacity et al., 2011). As a matter of facts, outsourcing supports enterprises in saving resources and time to better perform their core competencies as well as reduce lack of expertise in scope where companies want to outsource. In the 21st century, companies not only outsource non-core activities, but also, they outsource business processes, actual manufacturing from external providers (Kakabadse & Kakabadse, 2005).

Before making strategic decision regarding outsourcing, top management of companies need to know the reasons why they have to outsource as well as consider the benefits and risks of outsourcing. This is because, the top target of outsourcing is to support company identify exactly the balance between benefits and risks of outsourcing in the company. In general, outsourcing strategies are motivated by core-competencies or make-or-buy decision. Therefore, the expense efficiency and manufacturing reorganization became two the most essential motivations for performing outsourcing strategies. After identifying non-core activities to outsourcing, it is vital that organization should use frameworks of researchers to know how to outsource by applying theoretical outsourcing processes in real cases. Besides, organizations should consider factors of outsourcing decision which encourages enterprises to develop key elements to lead to success.

The role of outsourcing directly affects companies' decision to outsource or not in their strategic decision in competitive market. This research discussed that the decision of outsourcing is researched in several fields in academy and practice. The thesis concentrates on using various theories such as transaction cost economy, outsourcing process, etc. to describe the important role of outsourcing in the footwear manufacturing industry. In

addition, the main objective of this study is also to support company in strategic decision-making when they outsource their activities from external providers.

This research discusses the important aspects relating to outsourcing in the footwear manufacturing industry. In footwear manufacturing, they not only outsource services such as logistics, IT, etc. they also even outsource manufacturing as strategic activity. Hence, this industry can provide interesting aspects for outsourcing.

1.1. Research objectives and research questions

There are many studies indicating benefits as well as functions of outsourcing, so this study will analyze in-depth outsourcing to show the role of outsourcing in detail and also explain the reasons why outsourcing will directly affect making strategic decision of company. In addition, this study also analyzes outsourcing in the footwear manufacturing industry as well as use empirical case companies which are quite famous company and operating in footwear industry in Vietnam. This study provides good practical experience and motivation for small or medium size companies operating in the footwear industry. Literature review uses some relevant theories of outsourcing to show a reality that outsourcing issues have been always changed to catch up with revolution of business. The target of review is to visualize outsourcing in the manufacturing management situation, the pros and cons of outsourcing, and outsourcing processes. The analysis of this literature review shows the main improvement of the initiative study.

The target of this study aims to illustrate the role of outsourcing in footwear manufacturing industry. Salla Niskanen (2013) believed that the role of outsourcing will be the most important factor affecting to company in making decision. Therefore, the purpose of this research is to establish factors of outsourcing such as outsourcing process, benefits and risks of outsourcing, etc.

The main research question is:

What is the role of outsourcing in making strategic decision in footwear manufacturing industry?

In order to answer this question, there are two sub-questions including:

What kinds of benefits and risks of outsourcing in developing strategic management?

How to enhance and mitigate these benefits and risks of outsourcing?

The benefits and risks of outsourcing will be two elements to decide that company should outsource or not. Mitigating risks and enhancing benefits for outsourcing keep the important role to increase the importance of outsourcing in making strategic decision. In addition, the factors of outsourcing decision will affect to role of outsourcing under business perspectives. Besides, outsourcing processes will describe the difficult level of outsourcing when companies consider about make-or-buy decision.

1.2. Conceptual framework

The conceptual framework is applied to explain the path of research as well as make a strong foundation for theoretical constructs. The general targets of this framework to make the result of research more accurate and meaningful in research filed to ensure generalizability. In detail, this conceptual framework is to figure out the impact of Transaction Cost Economics including Benefits and risks of outsourcing, outsourcing process, motive outsourcing on outsourcing decision. These factors will affect directly to high top managers whether they should use outsourcing strategies or not because these elements are considered as the nature of outsourcing. And then, it can be based on the influence above to find out the effect of outsourcing decision on role of outsourcing in footwear manufacturing industry. It can be explained that before making outsourcing decision, firms have to prepare several things in various perspectives. From then, role of outsourcing will be established. Finally, after figuring out the impact between factors in

conceptual framework, it can give conclusion that factors of TCE will affect to role of outsourcing in footwear manufacturing industry. From the figure 1, it can be seen that this thesis use TCE as foundation to describe and analyze the role of outsourcing in making strategic decision in footwear manufacturing industry.

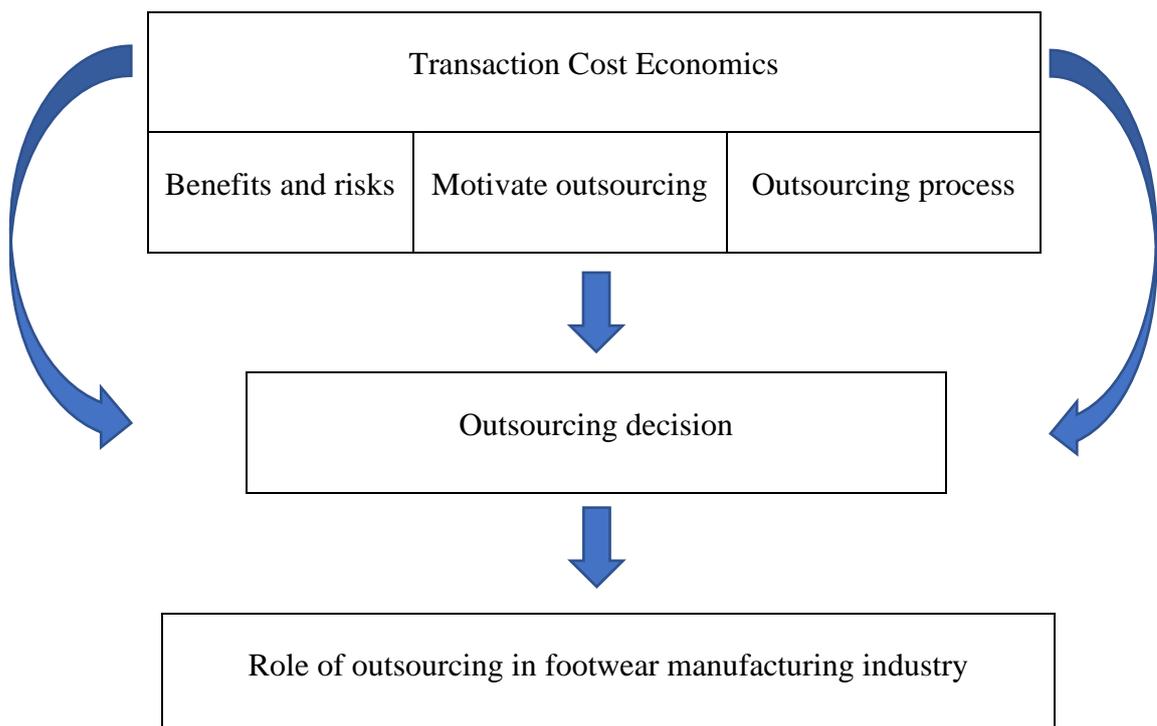


Figure 1: Conceptual framework

1.3. Key concepts

Outsourcing concept

Outsourcing has origin from American terminology, it means that companies can get resources from the outsides. This terminology usually uses in economy. Instead of using internal resources, enterprises tend to use external sources to help them perform their non-core activities (Troacă & Bodislav, 2012).

Outsourcing process

Outsourcing is often evaluated as a process with multiple phases. Normally, the process includes three or four steps. In the first step, enterprises must identify the hidden target of outsourcing. In the next stage, the information transition needs to be planned as well controlled carefully. In the final step, it is vital that outsourcing process must be assessed (Lever, 1997).

Motivate outsourcing

Motivate outsourcing plays an important role in explaining the reason why organization should outsource their activities. In addition, Hätönen (2008) believed that the motivation of outsourcing is an essential factor effecting directly to making strategic decision of company. Hence, this factor can support company have right view about segments where companies want to outsource.

1.4. Limitations

Although outsourcing has been considered as a well-known topic in academic review and there exist various outsourcing approaches, this literature review has mainly mentioned about benefits and risks of outsourcing as well as factors effecting to outsourcing decision in the theoretical way. Outsourcing is affected by different factors in practice which doesn't indicate in this paper. Besides, each industry and company will have various perspectives about outsourcing process. Therefore, outsourcing process of this study is explained and analyzed in different aspects relating to in footwear manufacturing industry.

The other limitation of this study is data from case company. The data resources come from four companies operating in the footwear manufacturing industry. Although case companies which are used in this thesis is very famous and large company in Vietnam, it is very hard to describe all roles of outsourcing in general. The result will quietly depend on information as well as subjective aspects of case companies. In addition, the possibilities to approach resources information of case company is very difficult because it is a part of

competitive advantages of company. The author of this research should use network relationship to get data from interviewing people in various levels who are working in this company.

1.5. Research methodology & data collection plan

Qualitative research methodology is applied in this study to collect and analyze the data from case study in the footwear manufacturing industry. The data collected from this methodology can reflect the world and phenomena in a visible way. In addition, qualitative method provides deeply analysis for specific issues as well as figure out the way to understand complicated phenomena (Yin, 2003). The case study includes footwear manufacturing industry and empirical data collecting via interview managers of case study in various levels. The main target of this method is to increase the understanding about issues beyond research. In addition, this methodology has more subjectivists to phenomenon researched. Researchers have favor to use qualitative method because the result of this method can provide some unexpected facts, and the subject of this methodology is selected not as a random variable.

This thesis includes two parts which are theoretical and empirical part. In the literature review, the framework of this study is established based on previous theories of outsourcing. In the empirical part, case company is used to describe the role of outsourcing. The main goals of case study are to assess and motivate framework in theoretical part. Using case company is a fit research methodology when the objective of research is a progress or series of phenomena (Yin, 2003). Because the definition of outsourcing is very wide, this study just focuses on footwear manufacturing industry as well as progress affecting to making strategic decision of company.

The empirical data of this method was collected via interview. Based on information and theories relating to outsourcing in contemporary market, the author of this study will establish questionnaire to interview companies operating in this field. The interview method can be performed by meeting directly or through phone call and email. The interviewed company was selected by the well-know of company in Vietnam. Almost

questionnaire was asked through phone call. The aim of phone call is to collect exactly the feedbacks of respondents. The interview was conducted with some people working at high position in company with the same questions. Last but not least, all interview will be performed in English - Vietnamese.

1.6. Structure of thesis

The first chapter introduce generally about outsourcing in contemporary economy today. Furthermore, it also shortly tale about research question as well as main concept. It has function to generalize the nature of outsourcing issue in manufacturing industry.

The second chapter will supply an overview on available theory and previous research about outsourcing and literatures relating to outsourcing. The third one will provide theories regarding Transaction Cost Economics (TCE) and core competencies.

The fourth chapter of this research is to provide to reader about research methodology. To be more detailed, reader can receive that author will use which method to collect and analyze data. In addition, it also illustrates the case companies which are used in this thesis to perform comparison between theory part and empirical part.

The fifth chapter will provide general view about outsourcing in manufacturing in Vietnam. Besides, this chapter also illustrates the result after applying literature of second chapter and third one into case company. Finally, chapter six summarizes conclusion and answer the research question in theoretical way with scientific and managerial implications, assessment of validity and reliability as well as the limitation of this research.

2. Outsourcing

Outsourcing is basically a broad concept. However, the definition would be more complicated in reality. In this analysis, it is important to define suitable methods for various problems in the context of outsourcing. That's because the right approaches are a valuable tool that lets the organization create suitable and clear premises to direct the study during research work such as outsourcing categories, outsourcing motivations, and outsourcing frameworks.

Outsourcing is considered an essential tool for changing business world (Greaver, 1999). Nowadays, there are many outsourcing definitions in different business scopes from various researchers. These definitions will provide a general view of outsourcing in manufacturing as well as its benefits to manufactures.

Barrett and Baldry (2003) defined that outsourcing is a process transferring the internal activities to external suppliers for them to perform based on a contract. Similarly, outsourcing is explained as transferring of activities operated internally to outsourced firms by Jonathan Webb (2017).

Lee et al. (2007) defined that entrepreneurs have possibilities to concentrate on their core competencies, reduce operation cost and get access to global business by using outsourcing strategy. King (2007) considered outsourcing as a process of transferring knowledge, it means that enterprises in outsourcing can be easier to share as well as learn information from each other's.

By outsourcing non-core activities, enterprises can concentrate on strategically essential fields such as the requirements of market as well as their forte. Regarding to Quinn and Hilmer (1994), they believe that enterprises focusing on only using internal resources rather than external resources have fewer opportunities for innovation and a greater tendency to fail in developing new products with more features. Furthermore, they believed that the knowledge of a determined activity will be more important than

knowledge of the end product. The outsources with highly skilled partners who can create more added value as well as lower cost for products

There are many previous researches debating the necessary foundation and importance of outsourcing in the control strategy. For instance, the study about competition and advantage of outsourcing in business process of Click and Duening (2005) mentioned in which are steps in business outsourcing progress which are evaluation, management and analysis. On the other hand, there also exists some researches mentioning outsourcing as an element of business process management, manufacturing and operation management, such as: Murphy (2004) researched on the program of outsourcing, and the system of business process management of Chang (2006).

There are two different elements of outsourcing, including strategic outsourcing and tactical outsourcing (Mahmoodzadeh et al., 2009).

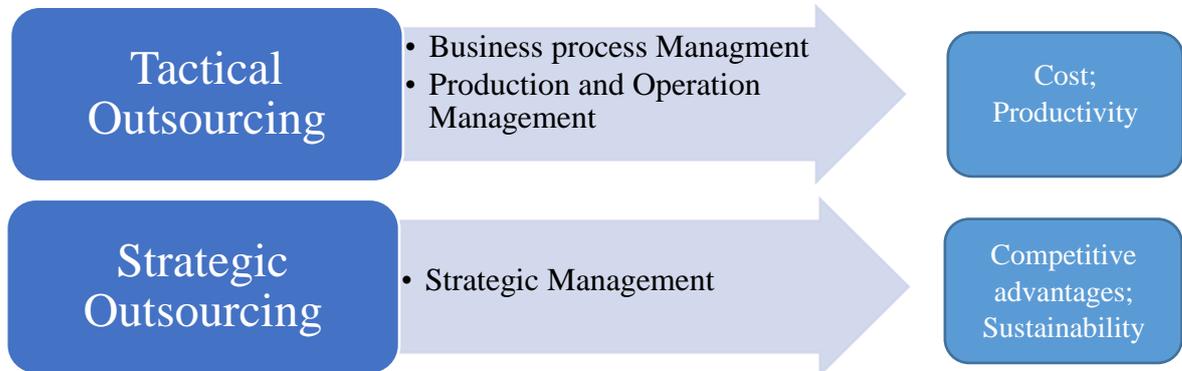


Figure 2. Two different kinds of outsourcing (Source: Mahmoodzadeh et al., 2009)

The figure above indicates that there are two different targets which two kinds of outsourcing aim to. Based on perspective of strategic management, strategic outsourcing is used for general improvement of competitive advantages and organizations' sustainability in long - term. Meanwhile, in the aspect of manufacturing and operation management, tactical outsourcing is used for seeking cost and cycle time reduction in short - term.

Although there are many similar outsourcing's functions, it depends on business goals to identify the best effective function for company.

The above figure shows that there are two separate goals at which two forms of outsourcing are targeted. Strategic outsourcing is used for general enhancement of competitive advantages and long-term survival of companies based on the strategic management perspective. Meanwhile, tactical outsourcing is used in the production and process management field to find out cost and cycle time reductions short-term. While there are several similar functions of outsourcing, it depends on aims of business to determine the best effective function for company.

The goal of demonstrating two various elements of outsourcing as above is to define the concept of outsourcing in the manufacturing and operational management situation. In other word, these paragraphs help reader have insight understanding about degree of outsourcing issues.

Regarding to Jane (2015), tactical outsourcing occurs when a business outsources its activities to reach a single objective and the transaction stands on its own merit. Tactical outsourcing refers to selecting a company to perform detailed development functions of enterprise. It is very useful when enterprise has short-term demand for developers having high professional skill in a detailed technology that companies do not regularly use. Through tactical outsourcing, company have abilities to receive return faster as well as lower overhead expenses than using resources internally.

Regarding to Greaver (1999), he claimed that outsourcing initiatives are considered as strategies when it participates in the long-term strategies of company. The strategic outsourcing can get higher level when it is equipped problem-solving features. It is vital that strategic outsourcing need to have question relating to outsourcing of company, its vision, core competencies, transaction cost, competitive advantages in current as well as future (Greaver 1999).

Ansoff (1965) who is one of the fathers of outsourcing literature indicated that the most important question of strategic operation of company is what company should to produce internally and what they should buy from external suppliers. Early, researchers accepted that the core competencies need to stay in-house, and minor activities should be outsourced in order to maintain as well as enhance core activities (Prahalad and Hamel, 1990; Quinn and Hilmer, 1994; Lonsdale 1999). Hence, the definition of enterprises regarding organizational strategy plays an important role in making decision.

According to Quinn and Hilmer (1994), there is an evolution of outsourcing from outsourcing tradition to outsourcing strategy. Outsourcing is defined as traditional when enterprise outsources minor or non-critical processes. While strategic outsourcing occurs when company outsources special processes as well as activities gain competitive value (Quinn & Hilmer, 1994). After that, Quinn and Hilmer (1994) used features of strategic outsourcing to determine strategic core of company as well as important activities which can support firm to achieve strategic goals (Quinn 1999; Kakabadse & Kakabadse 2000).

Gilley and Rasheed (2000) claimed that outsourcing is not only a purchasing activity, but also contain the fundamental opportunities of company to accept or reject the internal activities of enterprise. It can be seen that outsourcing is a strategic decision of company at high level.

3. Transaction Cost Economics (TCE) and core competencies

Coase (1937) is one of the classic economists in 1930s. He explained that resources are distributed following the price mechanism. This distribution depends on outside condition of company, direct manufacturing as well as price fluctuation. The main question of TCE is whether a transaction is conducted effectively in internal company or external. The decision of manufacturing in-house or purchasing from outside resources must be based on cost condition. Meanwhile, manufacturing in-house can occur high production cost or purchasing from external resources occurs high transaction cost.

From 1970s to 1980s, Williamson (1979) expanded TCE of Coase. He explained TCE as a boundary of company in strategic and economic aspects. TCE depends on many observations. First, contracts and its enforcement are not chargeless. Second, it doesn't have enough contracts for all contingencies. Third, partners in market chain can get opportunities when they can be given chance. In addition, he believed that the nature of asset will affect directly to outsourcing propensity as well as relate to opportunistic behavior. Meanwhile, factors relating difficulties and contract expenses are uncertain. The uncertainty can lead two companies involving in a market-based transaction should renegotiate the conditions in their contract. Therefore, if the nature of outsourcing requires frequent interactions between partners, the expense of interaction will tend to increase.

3.1. Core competencies

Regarding to Arnold (2000), he considered goods and service as core-competencies need to be produced internally. Core competencies could not be outsourced by external providers. This is because, core competencies are activities creating long-term competitive advantages for organization. Core competencies includes three factors. First, the nature of core competencies keeps a vital role in the customer aspect. Secondly, core competencies must be sustainable. Besides, it is essential that resources and know-how are kept becoming unique. Company should protect their core competencies to avoid imitation from their competitors. Thirdly, in order to become core competencies, these resources should be used in multiple aims.

On the other way, Ellram and Billington (2001) listed that core competencies have some characteristics. Core competencies are considered as a unique source of company in the value chain. It can be said that core competencies are areas where organization can control and conduct important activities to create more value for customers than the others. These values are very important for customer in the long-term. The amount of core competencies in one company is often limited, normally they will one or two core competencies.

3.2. Factors of outsourcing decision

The factors of outsourcing decision allow company have ability to evaluate functions of company about outsourcing possibility and support organizations to choose the appropriate suppliers. Harland et al. (2005) indicated that the most outstanding risks of outsourcing decision is capacities of organization to identify which activities should be outsourced or not. Regarding to Fill and Visser (2000), it is impossible to evaluate outsourcing decision alone via cost and strategy. It is vital that organization need to understand deeply about its internal and external environment. There are many contextual elements representing for internal and external enterprise conditions.

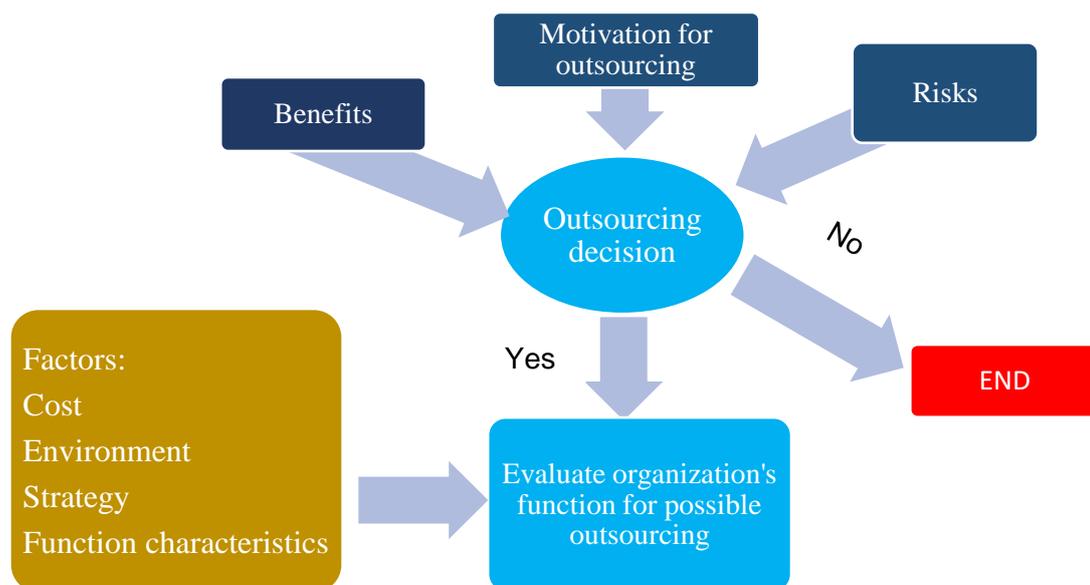


Figure 3: Outsourcing Decision Framework (Source: Kremic et al., 2006)

Kremic et al. (2006) represented typical factors for outsourcing decision. In addition, the figure shows that factors of outsourcing decision are established to describe the evaluation on organization's function for outsourcing strategy if company can be through consider outsourcing steps. The risks and benefits of outsourcing participate in consideration for outsourcing motivation. All consideration will identify whether company should outsource or not.

3.2.1. Strategic factors

According to Kremic et al. (2006), strategic elements affecting to outsourcing strategic decision are core activities, standard and flexibility. It is very hard to identify what core competencies. Quinn (1999) identified that "core" is activities which uses service or system relating to intellectual. These activities are performed by company better than the other organization. Therefore, functions having non-core competencies will be outsourced much more than functions having more core activities (Kremic et al., 2006). However, Kakadbase & Kakadabse (2000) believed that it is an academic argument to figure out as well as identify core and noncore activities of entrepreneur. For them, outsourcing decision is motivated by formal and informal relationship between buyers and suppliers as well as the terms in outsourcing contract.

Regarding to Weimer and Seuring (2008), they claimed that quality control plays an important role in management and control the external vendors in operation process. When company have a good position about quality in their industry, quality problems become more and more important for them. That is the reason why company have to consider carefully about outsourcing their activities because it can be harmful the quality of their product. Therefore, quality is a suitable element affecting to outsourcing decision in both negative and positive way (Kremic et al., 2006).

Flexibility is the final factors in strategic elements. Flexibility includes activities relating to operational, resources and demand flexibility. The same as quality factor, flexibility is considered as an appropriate element affecting directly to outsourcing decision in in negative and positive way (Kremic et al., 2006). Besides, Kakadabse & Kakadabse (2005)

and Lacity et al. (2011) believed that outsourcing is a strategic cost that allows company have enough time and resources to focus on their core competencies as well as create flexible abilities by using external suppliers and resources.

3.2.2. Environmental analysis

According to Fill and Visser (2000), internal and external environment keep an important role in supporting entrepreneur should perform outsourcing strategies or not. The level of uncertainty is one of the elements relating to environment which impacts on outsourcing decision (Kremic et al., 2006). The level of uncertainty can be described in various ways. It is very hard to evaluate accurately the requirements or expenses relating to of outsourcing, if outsourcing environment is not certain. In result, suppliers feel very difficult to identify the expense or price for their performances. Therefore, Kremia et al. (2006) suggested that the greater uncertainty, the harder to determine requirements as well as expectation from outsourcing performance.

Regarding to Greenberg et ad. (2008), uncertainty can lead to problems including communication, various cultures as well as different laws. However, Handley & Benton (2012) based on the degree of uncertainty to describe relationships relating to cooperative issues. The uncertainty can happen when market appears specialized company to motivate the competition between firms. Therefore, in order to survive in this market, companies need to increase the collaboration as well as establish outsourcing strategies.

3.2.3. Cost

Harland et al. (2005) and Kremic et al. (2006) believed that the outsourcing decision based on cost saving factor. Normally, when activities of company are outsourced because of cost reasons, top managers believe that the expenses for production in-house are more expensive than using external resources and services (Kremic et al., 2006). Similarly, it is supposed that outsourced activities will be cheaper than purchasing product from vendors.

Although increasing number of providers and agreements can lead to grow up additional overhead cost, the expected benefits depend on organization's economic scale. Economic scale occurs when enterprises tend to concentrate on using larger-scale experts for activities which cannot be produced in house. Regarding to Fill & Visser (2000), when company requires their product with high standard as well as high degree of customization, the manufacturing cost is impossible to be reduced easily. Besides, a supplier network can help company reduce the demand of company in the vertical integration as well as support enterprise can approach economic scale (Kakabadse & Kakabadse, 2000). Therefore, Harland et al. (2005) believed that economic scale can be gained via utilizing large range of services which are provided by appropriated specialist.

3.2.4. Function Characteristics

Regarding to Dekkers (2002) and Kremic et al. (2006), function characteristics is one of main functions to support company to outsource easier. Function characteristics include asset specificity and complexity and the structure of a function.

According to Grover & Malthora (2003) and Greenberg et al. (2008), specific asset is the main factor to create transaction cost. This is because, this kind of asset is very costly to deploy as well as replace. In addition, the specific assets can occur when this company's asset are highly productivity and connect to core production process. Specific asset also includes investments in facilities, human resources, equipment associating to manufacturing of product or service (Grover & Malthora, 2003).

Franceschini et al. (2003) described that complexity is a difficulty in monitoring as well as identifying contracts term in outsourcing process. If company decided to change their external suppliers, complexity will occur when they negotiate about terms in their contract (Logan 2000; Holcomb & Hitt, 2007). It is vital that buyers and suppliers should know clear about terms in their contract. Regarding to Kremic et al. (2006), the functions of complexity can make identifying the requirements as well as terms in contract become more difficult. In addition, in order to understand these functions, it requires suppliers need to have a huge investment.

Besides, the complexity of service can lead to exist switching cost for outsourcing enterprise. Regarding to Barthélemy and Quelin (2006), they believed that switching cost can be increased for external providers through outsourcing near-core competencies. However, if company doesn't use strategic outsourcing, they must invest in specific assets (Holcomb & Hitt, 2007). Therefore, company need to consider careful between investment cost in specific assets and switching cost before making decision in outsourcing.

For Kremic et al. (2006), the complex functions are less likely to make decision for outsourcing, so the simple functions have high opportunities to be outsourced. In addition, the nature of outsourcing is to perform minor activities or supportive activities. Therefore, McIvor (2003) suggested that the structure of functions affect directly to outsourcing decision. The functions which are more structured have high possibility for outsourcing, this is because it is easy to conduct, and it does not require complex instruction for producing.

3.3. Strategic outsourcing

3.3.1. Outsourcing process (Prescriptive models of outsourcing)

Outsourcing is a progress including several core activities and non-core activities. Hätönen (2008) suggested that decision-making keeps an important role in explaining the outsourcing process. Furthermore, Lacity (2012) argued that the outsourcing process would start from the initial evaluation to the final performance assessment. Nonetheless, outsourcing is clarified at a narrower level in this analysis relating to outsourcing activities.

Click and Duening (2005) showed that there are five phases of the outsourcing process that begins with the analysis of outsourcing opportunities stage to develop these processes step. By contrast, Momme (2002) suggested that the outsourcing process framework also includes five different phases.

- Competence analysis:

- Strategic analysis
- SWOT analysis
- Core/non-core competence mapping
- Assessment and approval
 - Defining critical assessment criteria
 - Supplier assessment
- Contract negotiation
- Project execution and transfer
 - Establishing basis for supplier integration
 - Defining workflow interfaces
 - Adapting organization to supplier performance
- Managing relationship
 - Establishing communication, information and monitoring systems

The outsourcing process of Momme (2002) aims to connect operational and tactical outsourcing in strategic making decision by identifying core competencies of enterprise.

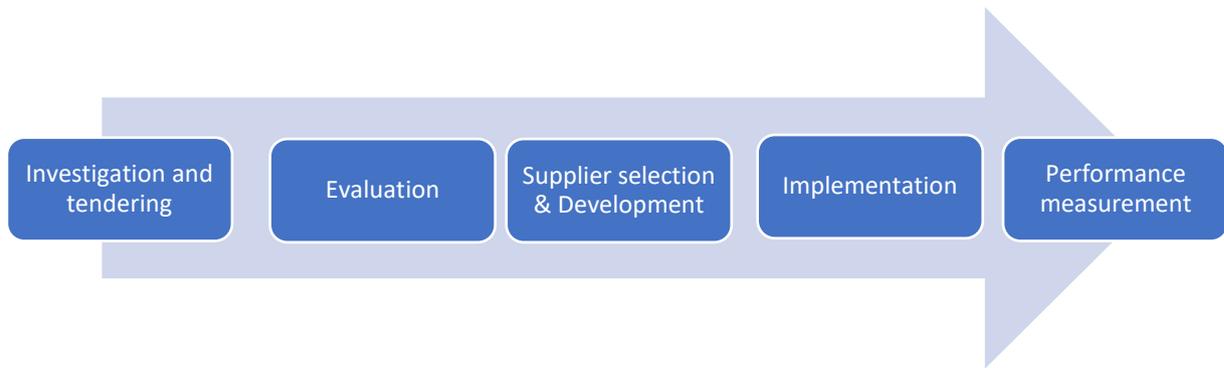


Figure 4: Outsourcing process model. (Source: Momme, 2002)

Regarding to Zeng (2003), he described that outsourcing process exists five phases. The first step is investigation in which company should determine the minor and core activities as well as analyze risks and benefits in it. The next one is the evaluation where company establishes condition assessment to determine the list of fitting vendors. In this phase, outsourcing strategies are established, and cost models are completed. In the third step, the final vendors are selected, and term of negotiation is done. The fourth phase is implementation. The final step is performance measurement. In this step, all supplier's performances are under control, and continuous improvements are assessed.

Lonsdale (1999), Van (2005), Kremic et al. (2006) are researchers focusing on the overall outsourcing process and risks as well as hidden cost .However, according to Hätönen & Eriksson (2009) these models fail in describing the outsourcing decision, the importance of evaluation as well as planning for outsourcing process. In order to make the best outsourcing decision in strategic decision, companies need to have understood about possible options, advantages and disadvantages as well as the appropriation of each agreement to response business target (Sanders et al., 2007). In addition, Leavy (2004) also illustrated that emphasizing insufficient on evaluation stage will lead to many outcomes regarding incorrect evaluating outsourcing abilities as well as determining irrelevant outsourcing objects in making decision. In reality, Lacity (2012) believed that incorrect organization's competencies estimation and wrong selecting outsourcing target are main reason lead to failures of outsourcing. Besides, Momme (2002) highly concentrated on

assessment phase in developing outsourcing process framework. Hence, it is vital that company should focus on analyzing evaluation phase and appropriate operation.

Therefore, through evaluation stage in outsourcing progress, entrepreneur can have enough knowledge to evaluate their own abilities and flexibilities in outsourcing process. In addition, organizations should define the core activities and related steps, based on the outsourcing process theory of and Momme (2002). Accordingly, the evaluation phase is the main center of the research, and it is associated with two separate tasks particularly researching manufacturing inside and outside resource analysis. The analyses of review are established basic on related outsourcing hypothesis in the manufacturing and operational management situation.

3.3.2. Motive outsourcing

Fundamentally, outsourcing motives can explain the reason why company needs to outsource. Hätönen (2008) pointed that outsourcing motives have a significant impact on making decision for the aim of company and location in outsourcing process. Hence, it is essential to precisely understand the reasons for outsourcing because it supports the organization have correct analysis about its segments.

Every company may have specific outsourcing motivations, depending on every area of industry. It can be seen that motivations for outsourcing are known and categorized into two main financial and operational factors. To be more precise, Quélin and Duhamel (2003) concentrated on Europe's large manufacturing firms and indicated that the main aim of outsourcing motives was to have low operating costs and concentrate on core competences rather than minor processes. In other words, outsourcing is the best method in supporting businesses achieve successful manufacturing output and efficient allocation of labor. Outsourcing allows companies optimize performance with minimum cost, and then transform firm's fixed cost to variable cost. On the other hand, outsourcing helps company create several flexibilities in distribution their labor into core activities. Hence, it can be found that the motives of outsourcing have origin from operational and financial benefits.

There are three key factors for outsourcing focused on operational and financial benefits like: knowledge of quality, cost savings and delivery time. Some researchers strongly believed that quality, expense and time become the top concerns during manufacturing development period. In addition, Momme (2002) illustrated that the key requirements for evaluating outsourcing manufacturing system are normal, cost, and delivery time.

Regarding to Lakhal et al. (2006), quality awareness is a fundamental factor in maintaining customer relationships as well as increasing competitive advantages. Throughout manufacturing outsourcing, Momme (2002) proposed that quality awareness is used as the basic criterion for managing each phase in outsourcing process. To be more specific, standard consciousness can be mirrored abilities of company to adapt all customer expectations and demands. Therefore, it can be said that standard awareness has significant effect on each department operating in manufacturing.

Hätönen (2008) concerned that in most situations, the key goal of outsourcing is to achieve cost savings. Based on the nature of each personality of company and its outsourcing frameworks, they'll have an acceptable cost management strategy. There are several firms wasting its internal resources and labor forces on sub manufacturing activities as well as minor process. Therefore, it is important that organizations use outsourcing strategy for decreasing cost as well as have sufficient resources and labor for core activities. Hätönen (2008) explained this argument that outsourcing emphasizes on demands to support businesses focus on core competencies to help them achieve flexibility through internal restructure, motivate projects, approach to flexible workforces.

Bowersox (2013) defined that delivery time is consumption time from when customer need orders to products delivered. Regarding to several studies, early and late distribution is unacceptable due to rising cost inventory and seasonal personality of products. If delivery is not in time, customers will have negative feedback which can lead to the cancelation of whole contacts. Additionally, the time of delivery depends heavily on production planning of entrepreneurs. In relation to outsourcing in the issue of delivery time, outsourcing is the best tool for firms to reduce the risks relating to delivery time by using a third party to perform minor activities. This point is also supported by Quélin and Duhamel (2003),

outsourcing in the field of production relates quietly to production enhancement including decreasing time to market.

In conclusion, outsourcing is a method for meeting consumer demand, reducing business expenses, and decreasing the risks of issues regarding delivery time. In the context of operation and manufacturing management, the explanation of concepts behind outsourcing problems has origin from firm's perspectives. Moreover, this interpretation also applies to these hypotheses to further analyzes for future studies.

3.3.3. Benefits and risks of outsourcing

The benefits of outsourcing create opportunities for firms to realize the importance of outsourcing in organization. There are several detailed profits and benefits of outsourcing for company including focusing on core competences or cost reduction.

Leavy (2004) suggested that outsourcing is a temporary option for business. However, the key benefits of outsourcing will support firms reshape its boundaries so it allows organizations can develop without growing its scale. To be more specific, if a firm want to use outsourcing for a particular progress, there will be a strong probability that the company will be able to expand its size without any additional investment. Furthermore, outsourcing also assists other function of business in two ways. For the first way, it suggests company outsource all business functions. It means that third parties can supply better performance for organization like: logistic, manufacturing or IT. For the next one, it recommends that firm should outsource minor components to assist for main progress such as: knowledge sourcing. In addition, outsourcing also reduces pressure in operation management pressure as well as have opportunities to enhance the overall business performance. Therefore, based on the benefits of outsourcing above Leavy (2004) claimed that outsourcing is very potential when entrepreneurs are seeking for an organization's long-term goal. In addition, businesses may not be able to keep up with product development opportunities without the use of outsourcing (Quinn and Hilmer, 1994).

The most significant benefits of outsourcing are the emphasis on core competencies, cost savings, expertise, performance enhancement and versatility. First, there are several hypotheses that businesses should use third parties to conduct minor activities, so firms have sufficient resources to concentrate on core activities to maximize competitive advantages (Fan LL, 2006; Lacity, 1998). Second, outsourcing is one of the factors which helps to reduce costs for companies. To be more specific, there exist several minor activities requiring skilled employees and a costly machine. So, instead of hiring a professional employee or purchasing new equipment, the company can use outsourcing strategy to do non-core activities that help companies save a lot of time and resources to train workers and purchase machinery. Third, outsourcing provides a good opportunity for firms approach new technologies and highly skilled employees (McIvor, 2005). In this chance, company can contact capabilities and innovations of suppl (Axelrod, 2004). Fourthly, outsourcing is considered as method to improve the performance of company. This is because outsourcing can provide large-scale service that can help firms save a lot of human. Fifth, the main reason for the company to use outsourcing is flexibility. Outsourcing may reflect company's level of flexibility with changing business environment.

Although there are many outsourcing advantages proven, it is important that the business needs to take care of the risks from outsourcing strategies. According to Mahmoodzadeh et al. (2009), every outsourcing choice for a detailed business process always has some potential risks. Understanding and identifying risks of outsourcing can help companies avoid several common mistakes to achieve higher performances.

Risks of outsourcing are described differently from theory to reality. In practice, outsourcing risks not only occur from supplier, but only may appear from external and internal organization environment or from firm's core competences. Hence, it can be seen that the possibility of outsourcing can be identified from several factors. Furthermore, according to Gilley & Rasheed (2000), the most obvious outsourcing risks are: dependence on vendors, unrealized, ignore hidden expense, lack of technical opportunities for producing products and innovations, personality threats, ineligible suppliers,

communication and management issues, and intellectual gap between providers and organization.

According to Gulzhanat Tayauova (2012), outsourcing has several significant drawbacks, such as: control loss with outsourced activities, security and confidentiality risks, routine problems, hidden costs, and redistribution employees. First, loss of control with outsourced activities originates from external source management which expect necessary skills between human skills and process management. Secondly, there always exist security and confidentiality terms in outsourced contract, but it is very difficult to execute as well as audit these terms. Third, when company perform their outsourcing strategy, they always expect better performance such as quality than its internal worker. However, Gulzhanat Tayauova (2012) also believed that providing insufficient quality often occur in outsourcing period. Therefore, firm can lose their position in the market (Anderson, 2001). Fourth, although all costs will be indicated in detailed terms of the contract, some additional costs are always appeared during the outsourcing period. It is very difficult to determine unpredictable cost occurring in outsourcing period. Fifth, the main purpose of outsourcing is to decrease staffs in minor department or restructure human resource from non-core department. After performing outsourcing strategies, it is possible that the original team can move to outsourced party from outsourcing one (Bragg, 2006). Regarding to Eyles (1989), this action can create a significant change as well as lead to termination of several core management employees of company.

In conclusion, considering the nature of outsourcing benefits and risks is an essential factor to help firms to make an efficiency outsourcing decision.

3.4. Summary

Outsourcing is becoming increasingly a popular term in contemporary business phenomenon. Beside outstanding advantages of outsourcing in manufacturing, the outsourcing decision in any manufacturing progress relates simultaneously to risks and consequences. This chapter was originally conducted based on the demand of outsourcing.

The results of this chapter are very valuable in supporting organization to make right outsourcing decision.

It can be seen from the previous section, quality awareness, cost reduction, delivery time are outsourcing objectives that inspire organization to be concerned about outsourcing and influence on making decision regarding outsourcing. Nonetheless, outsourcing motives can help companies avoid problems of misunderstanding when approving outsourcing. Outsourcing motives take control of a wide field including expectation of organization for outsourcing. Besides, there are some businesses do not want to outsource because they are able to perform within the existing organization. However, there exist several companies desire to apply outsourcing strategy, since they realize that they gain valuable profits in various perspectives. Therefore, outsourcing drivers are determined by various principles from inside to outside entrepreneur.

Furthermore, outsourcing in manufacturing allows companies release the affected resources in minor processes such as staff, equipment, and inventory to concentrate on core activities. Thus, outsourced production in the current economic environment is an acceptable decision for an organization. In addition, this paper proved that manufacturing outsourcing has a significant effect on organization's financial and operational outcome. This chapter also discusses general information about influenced specific areas and the approaches to each influenced area in the organizational and financial situation. As a consequence, outsourcing in production has a positive impact on corporate financial and operational performance.

Besides outsourcing advantages, companies need to consider the outsourcing risks before making decisions. Because, if outsourcing decision is not relevant, the firm must face with serious risks. The risks of outsourcing will make companies lose their competitive advantages in the global market as well as raise operating costs. Therefore, it is important that firms carefully consider before outsourcing any progress.

This analysis of the literature is a general knowledge to help companies determine advantages and disadvantages of outsourced manufacturing to have an appropriate internal

and external resources distribution. Instead of using the power on suppliers, businesses need to change their aspects. They must consider about dependence on the abilities of the supplier when using an outsourcing strategy that can support firms achieve necessary standard and accuracy delivery time. However, as a result, entrepreneurs be able to face two vital issues relating to losing their control and receiving risks. On the other hand, firms can lose their core competencies as well as their business process or activities in production. Furthermore, the re – identifying available firm edges is another aspect of outstanding definition. This dimension is very necessary to demonstrate because it allows firms to have a deeper concern that it is possible to distinguish outsourcing from alternative purchasing strategy such as relocation of production.

4. Methodology

The main objective of this chapter is to illustrate method to perform this study. The methodology and framework of this thesis are generally indicated in the introduction chapter, but it is presented in detail in this chapter. First, qualitative research method is applied to establish and justify data. Secondly, empirical part is used as a case study. Finally, the data of empirical part is collected and analyzed.

4.1. Qualitative research

In the positioning, data through qualitative methods have more effective than positivistic research traditions (Nordhaven, 2004). Although qualitative research can gather understanding of researchers in several fields. It is still hard to define research strategies and main concept about requirement of qualitative method.

Qualitative research is the best way to alternative for quantitative method. The qualitative research not only has interpretation function in its nature, but it also provides a naturalistic approach which can create a relationship between theory and the collected empirical data (Duboi & Gadde, 2002). In qualitative research, study can use data as empirical material to research phenomena in natural environment and attempt to understand as well as approach various issues through different perspectives. Regarding to Flick (2007), through qualitative research method, researchers have opportunities to approach various aspects of participants in everyday practice knowledge which relates to research topic. Hence, the global phenomena will be reflected in transparent way via this method. The main target of qualitative research is to provide insight understanding about connection between given issues. Saunders et al. (2009) suggested that qualitative data is a good tool for performing data collection technique and the process of data analysis. In addition, data in qualitative research is not presented in numerical data. Therefore, Saunders et al. (2009) believed that data of qualitative research can be words, pictures or video. Yin (2003) indicated about case study that an empirical inquiry is as an investigation about contemporary issues within in reality, particularly it happens when there is no transparency as well as no evidence between phenomenon and situation. It can be said that the objective of case study is to

illustrate the real-world issue instead of concentrating on developing theoretical models. Hence, the research phenomenon is resolved to provide much more description than prescription and the research problem is normally a” how do?” (Perry, 1998).

4.2. Case study

This research is performed by researching case studies from a particular industry. When the purpose of research is to explain a complex issue in detail, case studies will become the best fit method for research. Case studies usually are used in qualitative research. This is because it provides abilities to illustrate realistic information from aspect of participants (Yin, 2003). It allows reader can understand research subject in practical situation.

Stake (1995) suggested that there are three various case studies including intrinsic, instrumental and collective case. Regarding to intrinsic case study, it happens when the case is central of research concentration and extremely interesting as well as unique. This kind of case is very fit with qualitative way in which the objective of research is unique (Yin, 2003) and difference from another as well as enables to show same thing in various ways. Salla Niskanen (2013) suggested that instrumental case study is used when case study is considered as a tool to help researchers understand phenomenon investigated. For collective case study, it is an extension of instrumental case; however, it analyzes in lager area about investigated phenomenon. Collective case includes multiple case and its nature allows cases have opportunities to perform parallelism research and coordination research (Stake, 1995).

This study is performed by using collective case methodology to supply more data and information to identify the role of outsourcing in the footwear manufacturing industry. In this thesis, data will be collected from two sides including buying companies and supplying ones, so the results from data will bring more value and more objective. Therefore, this study can exactly provide the role of outsourcing from particular businesses operating in footwear industry. Hence, it can be said that phenomenon keep a vital role in this study, it also consists both theoretical information as well as industrial context operating around it.

4.3. Case study selection

Normally, outsourcing research focus on manufacturing, so footwear industry is one of the typical fields to be selected to become the case environment for researching. There exist several reasons why for that. First, this industry requires several stages of basic production such stitching upper, assembling upper and outsole, distrusting final product, etc. Therefore, almost activities relating manufacturing, it is very suitable for nature of outsourcing. Second, because the variety and diversity of demands and products are very large, this field supplies an interesting environment for researching outsourcing. Finally, in order to produce a product in this industry, it requires amount of facilities and spaces, it is very hard for company to spend a lot time and money to build their own factory. Therefore, this specification become one of the most interesting elements and provide motivation for researching outsourcing.

In this case study, the research subject is quite small, normally one or two targets will be selected in this thesis. Yin (2003) suggested that in multiple case every situation will serve a particular objective in general aim of the research. In addition, the conceptual framework will play a role in guiding the case selection, in which the primary model will be foundation for condition of the selection.

Originally, there is only one company to be contacted. It means that data will be collected from buying company perspectives. However, Yin (2003) defined that the benefits of analyzing two cases can achieve sustainability instead of using only one single case. Using two cases allows to compare between cases, and it can give insight understanding for conclusion. Therefore, this research decided to interview four cases from various perspectives. Two cases come from buying aspect and the others come from supplying one. This action will provide the role outsourcing from different aspects. From that, the conclusion about outsourcing will be more powerful.

4.4. Interviews

The empirical data was collected through directly interviews by skype calling. Regarding to Yin (2003), he suggested that interview allows interviewee captures the meaning of the responses. The theme-interview also provides the flexibility and diversity for context of interview, which is very suitable for style of qualitative research method. The additional information of company can be found in the websites or commercial news.

Because the objective of qualitative method does not take care too much about generalizing the result of statistics (Yin, 2003), so the main matter is not in a number of interviews. In this case, the concentration is standard and quality of content what interviewee can receive. For this research, four interviews were performed: two interviews for buying company, two interviews for supplying company.

Company	Position	Industry	Group
A	CEO and production directly (answer together)	Footwear	Buying company
B	Production manager	Footwear	Buying company
C	Production manager	Footwear	Supplying company
D	Supply chain manager	Footwear	Supplying company

Table 1: List of respondents

Yin (2003) believed that key responses who provide essential information play a vital role in the success of case study, the role of participant is recognized as an informant rather than a respondent. Hence, the interviewee selection is very important as well as need to be considered carefully. The choosing interviewee was referred by previous researches relating to outsourcing phenomenon, in which includes strategic as well operational approach regarding to outsourcing. Therefore, the top managers were selected to become the best candidates for interviewing to serve for objective of this research. They are responsible for making decision in strategic and operational aspects of organization. They have enough knowledge and understand about the operation of their company to provide the overall picture about outsourcing activities in their firm. The top-level managers having several experiences in several years were interviewed from case company.

One of the best functions of theme interview is open question. The open question encourages interviewee share their knowledge when the interview comes to close ending. Some of the interview were performed in English language and some of interview were conducted in Vietnamese. All answers from Vietnamese question were translated in English in empirical part of this research. During interview, researcher noted to make sure that all themes will be indicated in the speech as well as carefully record all content of interviews. Each interview is analyzed as a personal study by using previous theories which were indicated before in the theoretical part. After that, all case analysis will be combined. The combined analysis aims to illustrate the relationship between theory and data as well as figure out the difference and similarities between theoretical part and empirical part.

The table below illustrate the themes for interview question, each case company which comes from buying and supplying company is interviewed based on each theme to have general view about role of outsourcing in footwear manufacturing industry in practice.

Themes	Content
Outsourcing	- Identifying core activities
	- Reasons why company perform outsourcing
	- Responsibilities
Outsourcing process	- Evaluation process
	- Phases in outsourcing strategy
Benefits and Risks	- Benefits of outsourcing
	- Risks of outsourcing
Motivation	- Motive outsourcing
	- Functions/process/tasks/ companies never outsource
	- Target and unsatisfied things.

Table 2: Themes of interview questions.

4.5. Data collection

Regarding to Laura (2014), data collection is one of the most essential stages and keeps an important role in research projects. In order to answer issues relating to research questions, data collection will engage in establishing and recording data from various resources in

systematic method. Wendy (2012) suggested that the process of data collection have to be systematic to guarantee information collected is correct.

There are two kinds of data collection method consisting primary data and secondary data. Elsesser and Lever (2011) defined primary data collection that researchers will perform their research by involving in gathering research data by themselves. There exists different way to collect primary data such as interview or observation. Regarding to secondary data, researchers will use data which is already available or collected by another researchers as well as organizations. Data of secondary data can be a report of company about their operation in their business or article of a researcher regarding a specific field (Alan, 2015).

In this thesis, the main approach used was primary data collection. Data is gathered by interviewing CEOs of specific companies operating in footwear manufacturing industry. Besides, the content of interview is selected carefully to make fit with the main objective of thesis. In addition, this research also uses several articles about contemporary phenomenon of outsourcing to analyze. By using reliable data, this research can ensure that it can provide accurate outcome and conclusion about research project.

4.6. Data analysis

Normally, data analysis consists organizing and preparing for data collected, reading material in couple time, coding and developing characterization as well as analyzing base on codes. The result of finding will be presented in the tables and figures (Creswell, 2009).

In this study, the collected data is analyzed by using method of qualitative content. Generally, content analysis creates an investigation about data collected for new pattern. The data is identified based on range of data in systematic way. Besides, data also is gathered through a coding system (Silverman, 2014). Regarding to Creswell (2009), coding data is a tool to support researchers organize their research material to become chunks of data which is gathered under various classifications with codes. Normally, coding classification are usually developed through reading material. After that, systematic coding will begin (Patton, 2002)

The document data collecting from internet source is used to prepare for analyzing by using files in computer and combining information. Then, data is also read in several times to have insight understanding about data. During reading, part of data is coded following themes and classifications. In reality, it means that whenever part of data relates to a particular category, data is marked with a corresponding tag. After that, all data coded including tags is organized together under corresponding classifications. Data of each category explained depend on previous literature and the researchers who own individual evaluation. Finally, the interpretations performed from the data are envisioned by building tables located around the classifications of data.

5. Outsourcing in the Vietnamese footwear manufacturing

Vietnam is one of the best places for outsourcing with competitive advantages such as cost, risks and operational conditions (Jeffrey, 2014). Vietnam took advantage the increasing labor cost of China to make Vietnam become the first decision for global investors about outsourcing. Vietnam government established policies to promote this nation become the interesting outsourcing destination. In addition, one and haft million people which are under 30 years old participate into labor market each year. The government also concentrates on education to improve quality and skills of Vietnamese labor market in higher level. Therefore, it can be said that although Vietnam is not cheapest outsourcing place when compare with the other nations for example China or Indian, Vietnam is still very competitive in the international market by promoting their product quality.

Vietnam is one of the leading countries in the world for supplying footwear at competitive prices (Jeffrey, 2014). Besides, Vietnam has gained global recognition as an important supplier for footwear product with competitive prices. Buying companies will have the opportunity to gain a lot of competitive advantage from the supply of Vietnam's production.

The country has become one of the largest footwear suppliers. Because the local industry has been successful in producing orders with increasing numbers from major brands in the world. As a result, Vietnam has become the fifth largest shoes exporter and sandals in the world. Vietnam is on a large list of guests in the world including Nike, adidas, Puma and Reebok

In addition, the making-shoe industry also benefits from a highly qualified workforce and training ability as well as the ability to easily switch production from one type of footwear to another. Almost the final products are delivered to the EU and US regions. Asia and South America are second in Vietnam's list of footwear exports. The standards in the footwear industry are strictly adhered, for example, ISO 9001: 2000 (Globalsources, 2010). The casual shoes are the leading product line, accounting for about one third of exports from this country. Sport shoes are the second largest in footwear segment. Most

Vietnamese footwear manufacturers are small or medium-sized enterprises owned by private entrepreneurs. There is a small number of foreign enterprises investing in Vietnam. Most companies operating in footwear manufacturing industry have been working for at least two decades, with some companies exist for more than half a century. Most firms have a full-time workforce with roughly 1,500 workers Globalsources (2010). In addition, there exists some companies having several thousand workers. Regarding to Globalsources (2010), Ho Chi Minh City and the provinces including Dong Nai and Binh Duong keep an important role in footwear production in Vietnam. Other major suppliers come from Khanh Hoa and Vinh Long provinces, Hanoi and Hai Duong cities, and urban area in Hai Duong.

This chapter is dependent on interviews which have done in four firms in Vietnam. All organizations operate in footwear manufacturing industry. Company A and B are buying companies, company C and D come from provider ones. The purpose of interviewing buying and supplying firms is to have general of outsourcing in footwear industry from two sides. Questions in interview base on the theoretical chapter of this study. The questions are included four themes: outsourcing, outsourcing process, benefits and risks of outsourcing in footwear manufacturing industry, motivation. The analyses are compared with the answer of each respondent and relevant theories.

The chapter is divided into five subchapters: outsourcing, outsourcing process, benefits and risks, motivation and results. The companies' responses are provided at the start of each subchapter. All answers come directly from the respondents. The analysis will be performed at the conclusion of each subchapter.

5.1. Outsourcing

Company A (Buying company)

The core competency of this company is inspection regarding product quality and production process for their customer in footwear manufacturing industry. Their target is to meet draconian requirements of customers. In order to ensure quality as well as have right manufacturing process, they target to factories in Vietnam's market which is in the top list

of their supplier portfolio although their company is located in Vietnam. In addition, the knowledge of employees, especially solid foundation in outsourcing process, audit management is considered as an important core competence in this company. Because, CEO of company said that understanding of employee about shoe techniques is one of the main factors to help company create competitive advantages compare with their competitors.

The main activities outsourced of this company are shoes manufacturing. They always continuously find new supplying company in production industry to help them expand their operation as well as improve the standard of product. In addition, they also use intermediate company to help them resolve the issues relating to supplying raw material which is used to produce shoes. This intermediate company have functions to provide any material requirements of company A. The outsourcing manufacturing and material supplier are performed continuously. This action is conducted because company always want to meet the changing of customer demand and end-customer including price, quality, productivity and schedule. In order to approve the decision about outsourcing strategy, development manager and production manager will discuss together to be responsible as well as make decision for outsourcing strategy.

Company B (Buying company)

As same as company A, the core of company B exists in marketing strategy and in product development especially in innovative design and the company is located in Spain. Two factors above are main sources to create competitive advantages for company B. Besides, these factors make them become unique and not easy to imitate to create the value and benefits in order to satisfy the customer requirements in competitive market today. Basically, they used quite much their internal and external resources and capabilities for product design and marketing, so they must outsource manufacturing by using productions and factories in Vietnam's market. In order to manage outsourcing manufacturing, they outsourced one more activity which is quality control to ensure that the production standard is in the best condition.

In addition, the other reason why they have to outsource is that they want to gain price advantages as well as high quality production from manufacturing experts in Vietnam. Furthermore, the production manager said that they use outsourcing strategies as a tool to create a diversity network, reliable eyes in Vietnam's market as well build long-term relationship for their company. The person who is responsible for outsourcing decision is CEO of company.

Company C (Supplying company)

Core competencies of this company include manufacturing and outsourcing activities for many brand names in footwear industry in Vietnam. Regarding to the answers of participants in the interview, they often receive outsourcing orders from domestic and global market. As the same point of the company A, the person who is responsible for making decision for outsourcing strategies is CEO of company. In order to meet the large quantity of customer, company sometimes outsource their minor activities such as stitching upper, painting outsole, 3D printing, etc. The interviewee said that this action support them meet that deadline of their clients.

Company D (Supplying company)

Manufacturing shoes and handbags for export is core competency of company D. This firm is located in Vietnam and often receives outsourcing contracts and manufacturing ones from big brand names in many developing countries such as Russia, France, America, Brazil, etc. There are quite many top managers getting involved in responsibilities for outsourcing strategy decision. The most prominent examples are planning director, CEO, R&D director, production director. Company often organizes meeting for top managers above to discuss about the feasibility of outsourcing orders annually. They also provided that planning department keeps a key role in transaction of receiving outsourcing contract. Because this department has responsibilities to collect information and evaluation of products what they are going to produce for their clients. In addition, as same as company C, they also outsource some minor activities which are component using for manufacturing

complete shoes. Besides, the purpose of this action is to help them meet the large quantity and deadline of customer requirements.

Analysis

The interview indicates various perspectives about core competencies and outsourcing strategies between the supplying companies in Vietnam and the buying ones in the other nations. The content of this theme will be summarized in table 3.

Subjects	Core-competencies	who is responsible?	Outsourcing activities	Outsourcing reason
Buying Company A	Inspection the product quality and production process. The knowledge of employees.	Development manager and production manager	Manufacturing and supplying material.	Price, quality, productivity and schedule
Buying Company B	Marketing strategy and innovative design.	CEO	Manufacturing	Price advantage, high quality production, building strong network
Supplying Company C	Manufacturing and outsourcing activities.	CEO	Manufacturing components (Sub-contract)	Meet quantity, quality, deadline of customer.
Supplying Company D	Manufacturing shoes and handbags	Planning director, CEO, R&D director, production director.	Manufacturing components (Sub-contract)	Meet quantity, quality, deadline of customer.

Table 3: Summary outsourcing theme of each company.

As can be seen that the table 3 illustrates the different core-competencies of each company in the interview list. Each firm will have various competencies based on their kinds of operations and field. However, all companies applied correct definition of outsourcing

which is clearly indicated in the theoretical part. It means that they just outsource non-core activities which are not strategically important and do not contain any core resources and capabilities for company. Besides, they also organize their core activities in house which can provide value for their customer.

Furthermore, from the answers of the participants, it can be found that all companies have insight understanding about the nature of Transaction Cost Economics (TCE). This is because they have abilities to determine exactly the transaction cost deriving from using free market to compare with cost of hierarchy to identify explicitly what kinds of activities they have to outsourcing. Therefore, it can be seen that TCE is responsible for decision of make or buy of company as the definition of TCE in supply management.

As the result of the interview, it can be said that each supplying company will have different outsourcing strategies. For example, the company A which is located in Vietnam used nearshoring strategy, while company B which is located in Spain applied offshoring in their outsourcing strategies. Therefore, it can be concluded that geographic location is one of the main factors in the making outsourcing strategy of company as well as enable to answer partly for research question.

Regarding to the factors indicating people who have responsibility for outsourcing strategies, the decision is approved by top managers in all interviewed companies. Instead of using decentralization strategy, firms used centralization strategy in their supply strategy. Therefore, outsourcing is considered as the most important strategy in the company because it is decided by top levels in company. In addition, the planning director participates in decision of the company D. In the theoretical way as well as practical way, the planning director keeps a vital position in operation chain of company. However, in this situation, this department not only creates manufacturing plan for the company, but also forecasts manufacturing capabilities of the company to contribute to the decision of the company whether firms should receive outsourcing orders or not.

Two buying companies and two supplying ones used manufacturing as outsourcing activity. However, it is quite different from the company A in buying aspects. They not

only outsource production, but also outsource supplying material by using intermediate suppliers. In the supply perspective, this company have good supply strategies. They used purchasing-consortium/horizontal collaboration to help them reduce the number of the suppliers in their supply base as well as reduce transaction in purchasing activities. Therefore, this action can indirectly become the benefits of outsourcing that can support company to reduce the number of vendors in supply base and have less transaction.

In addition, although the core competency of the supplying company is manufacturing, they still self-outsource some minor-production activities to help them finish minor-components to produce end-product. This action illustrates that there always exists sub-contracts between the buying firms and supplying ones. It also shows that the sub-contract is very essential in outsourcing strategies during procurement period. Therefore, it requires an agreement between two companies to allow parties of supplying organization to involve in the network of the buying company. It can be concluded that sub-contract is one of the vital elements to influence in making outsourcing decision. Hence, sub-contract can answer for research question that procurement for outsourcing activities keep a vital role to require top managers to consider carefully before making a strategic decision such as outsourcing strategy.

From the buyer aspect, price, quality, productivity, schedule and long-term relationships are main reasons to make these companies to outsource their manufacturing in Vietnam market. These reasons of the buying companies link to the factors of outsourcing decision in theoretical part. However, the reasons of supplying firms are quite different from the buying companies. The suppliers used outsourcing strategies to meet the customer demands. In order to provide enough quantity for customer orders with good quality and on time, it is vital that they have to outsource some minor steps to focus on enhancing their core activities in footwear manufacturing. Hence, although the purposes of each company for outsourcing strategy are different, the common target is to satisfy the end-customer in the supply chain. Furthermore, the reasons for outsourcing are good answers for minor research question which is the benefits of outsourcing.

5.2. Outsourcing process

Company A (Buying company)

This company have complex supplier evaluation process. CEO of company illustrated necessary criteria to assess their suppliers:

- Size of suppliers
- Capacity of sample room and production
- What brand names they are producing for
- Current supplier position in footwear manufacturing market
- Customers of supplier
- What kinds of shoes they are manufacturing?
- Abilities to expand their operation
- Region and location
- Production standard
- Finance capabilities
- Long-term collaboration

Production manager said that these conditions above will help them have right evaluation about their suppliers when they conduct outsourcing strategies. This action not only

provides detailed information of suppliers, but also helps company orient exactly capabilities of their vendors. From that, they have foundation for delivering orders which is suitable for capacity and capabilities of supplier. If the supplier has low supplying abilities and impossibly conduct complicated products, the company will provide orders with small quantity and simple products, and vice versa.

The CEO and production managers supplied quite detailed about outsourcing process in footwear manufacturing. There are 6 steps in outsourcing process of the company A:

1. Evaluating current suppliers/factories for next season
2. Sourcing more supplier/factories/new material to meet customer requirement about new collection
3. Performing development for new collection
4. Producing sale sample
5. Inspecting bulk production: checking full size, checking risk assessment, checking testing material of chemical/physical.
6. Final evaluation before packing.

Company B (Buying company)

This company evaluated their suppliers more easily than company A. They assessed their suppliers based on delivery dates, quality and personal relationship. Technical & production manager said that their company is expert in producing fashionable shoes, so they really concentrate on delivery dates. Because of the nature of fashionable shoes, it is easily outdated. Therefore, they require all of their suppliers to comply their deadline

requirements. From that, they can provide right product for their customers to catch up with the fashionable trend.

In addition, they highly appreciate the features of the suppliers during working period. They depend on working attitude of vendors to make decision if they will keep working with them or not. In the outsourcing process, they have quite simple process. The manager indicated that they check and analyze the possibilities of their partners for manufacturing outsourcing orders. Then, company participates and support their parties during outsourcing period to get the best result by good collaboration.

Company C (Supplying company)

In the supplying aspects, the standards which they use to evaluate their customers is quite different from perspectives of the buying company. They based on the quantity of order, price of product, kinds of sample and quality to assess product. Manufacturing director indicated that quantity and kinds of sample are important factors affecting to outsourcing decision. It is because if order with large quantity but too much kinds of sample, it will force company to use a lot of resources, such as labors, material and facilities to produce customer orders and vice versa. In addition, the interviewee also said that they could not produce the product with unreasonable price. The director explained that the core competency of company is manufacturing outsourcing activities, so price of product affects directly to main revenue as well as profit of organization.

In order to perform outsourcing order, company C should often experience developing period after evaluating their clients. The sample needs to be conducted many times in prototype time. Technical department is responsible for development progress. The manufacturing manager said that after finishing sample, he and his team will have a meeting with technical team and CEO of company to evaluate the feasibility of product. They consider carefully to identify whether it is possible to produce this product in mass production. After evaluating, costing material department estimate the amount of material consumption of each product unit. Based on material consumption, development director will send cost breakdown for customer. If the client accepts with this price, they will send

order with large quantity for the company C to produce goods. Based on the quality of order, the company C will make plan for manufacturing about labor as well as purchasing material in order to meet the deadline of their customer.

Company D (Supplying company)

The evaluation standard of the company D is quite more complicated than company C's. They not only concentrate on price and quantity of order, but also based on payment methods, market segments of their customers, position of customer in global footwear market as well as feasibility of outsourcing order. Supply management director provided that evaluating as well as identifying market segment and brand name reputation keep an important role in establishing long-term collaboration between company and customers. This action supports the company D to have an insight understanding about their customer to make a right decision. In addition, with these two standards, company can see potential value which they can gain in the future if they really do the collaboration with their customer. Furthermore, company can base on the reputation of their customers to expand their networks and increase the reputation value of itself in footwear manufacturing industry.

In order to conduct orders coming from outsourcing activities, the company D must establish a process of technological improvement before being put into production after completing evaluation process. In this period, everything in this process is still theoretical. Because it is established by long-term practical experience of experts in footwear manufacturing. These experts will estimate and calculate important steps to produce a specific product. After that, in the mass production period it is necessary that the technology improvement will be modified by technology development process. This action once again supports company to perform outsourcing order in fastest way, but it still ensures the quality of product. Products that company produce will meet commitments regarding quality of company D with their customers.

Analysis

In this part, the interview mainly focuses on outsourcing process. To be more detailed, it claims how to evaluate suppliers and customers as well as outsourcing performance process of supplying and buying companies. The content of this theme will be illustrated in table 4.

Subjects	Evaluation	Outsourcing process
Buying Company A	Size of suppliers, brand name, quantity, quality, location and capabilities	Evaluating suppliers, sourcing new material, performing proto sample, auditing quality
Buying Company B	Delivery time, quality and long-term collaboration, supply networks of supplying company.	Checking and analyzing the capabilities as well as possibilities of supplying firms, and then join with third company during outsourcing process
Supplying Company C	Quantity of order, price per unit and number of samples	Evaluating clients, conducting proto sample, discussing about sample feasibility, performing Cost Break Down for customer, receiving and producing official order
Supplying Company D	Price, quantity of order, payment method, market segment of customer, feasibility of order.	Assessing customer, establishing technological improvement, modifying technology improvement in mass production.

Table 4: Summary outsourcing process theme of each company

The table 4 shows various perspectives regarding evaluation standards of each company as well as between supplying firms and buying organizations. Regarding to theory of Kremic et al. (2006), it can be seen that almost criteria of evaluation from practical interviewing buying companies are in factors affecting directly strategic decision-making if company should perform their activities in-house or not. According to Weimer and Seuring (2008), quality control directly affects to reputation of companies so both company A and B used quality criteria to evaluate their suppliers. It can be said that the theory of Kremic et al. (2006) is not only theoretical, but also is applied strongly in several companies in footwear industry.

Furthermore, buying companies also used environmental factor in evaluating their suppliers. This is because these companies always concentrate on long-term collaboration between companies. So, they positively participated with suppliers to perform their outsourcing orders in outsourcing process period. Therefore, buying firms often consider about environmental condition of their partners to make stable relationship. In addition, function characteristics factors are also used by buying companies. From the result of interview, they have considered carefully about specific assets including facilities and human resources to make decision whether they should outsource or not.

From the buying perspectives, it can be said that elements from Kremic et al. theory (2006) such as strategic factors, environmental factors, function characteristics factors are used by these companies in practice to evaluate their suppliers before making strategic decision. However, buying companies also used additional factors to assess their supplying ones such as scales, networks, reputation and location of suppliers, delivery time. This is because, the contemporary market is very complex, so it requires buying companies prepare as well as research more factors to assess supplying companies instead of using previous theories. These factors which are analyzed above will decide supplier selection of buying companies.

From the supplying company perspectives, these companies evaluated their partners by cost for each unit. This is because, the core competency of these companies is manufacturing as well as performing outsourcing orders, so it can be seen that the main

profit of supplying companies have origin from outsourcing activities of buying ones. Therefore, price for each product becomes the top standard for assessing their customers. Besides, cost also plays an important role for buying companies in comparing expense between manufacturing in-house and using external resources to make right strategic decision. Once again, one more factor of Kremic et al. (2006) affect directly to making strategic decision process of companies in footwear manufacturing industry.

Beside cost, these companies also concentrated on quantity of order and number of samples. These two elements are always combined by supplying companies to evaluate the feasibility of outsourcing orders. If quantity of order is too little, revenue could not compensate for overhead expenses as well as fix cost of supplying companies. Besides, if the number of samples is too much and not suitable for quantity of orders, it will take a lot of resources of companies including tangible and intangible expenses. To be more detailed, development teams must research and deploy more technology process for manufacturing as well as purchasing team have to purchase many kinds of material.

If the quantity of orders is less than the number of samples, material serving for manufacturing have to be various as well as receive goodwill with low level. The unbalance between these two above factors will lead product cost higher than normal. That will affect directly to finance of supplying companies. Once again, out of theory of Kremic et al. (2006) supplying companies combined quantity of order and the number of samples to become important and indispensable factor in evaluating buying companies process. Because this new factor has a connection with finance of company, so it has an important impact on top managers in making strategic decision in finance aspect.

Furthermore, market segment is also used by company D to evaluate customers. Analyzing market segment allows supplying companies have an understanding in detail about potential abilities as well as opportunities in long-term collaboration with buying companies. In addition, market segment has many abilities to describe supply network of a company. Looking into market segment, supplying companies are able to see cohesion between the links in the supply chain of customer. From the result of analyzing market

segment, providing firms will have general view about their customer as well as make decision to perform outsourcing orders of buying companies or not.

Besides, payment method which is one of components in function characteristics of Kremic et al. (2006) is also indicated by supplying companies to assess their clients. Payment method plays an important role in long-term collaboration between companies. This method illustrates the transparency of buying organizations to establish a strong foundation for long-term relationship between supplying firms and buying ones. Therefore, it can be seen that payment method partly affects to make strategic decision of company in supplying aspects. Although it is very hard to distinguish these two standards which are market segment and payment method with the other factors of Kremic et al. (2006), the consequences coming these two standards are almost as same as theories indicated.

From the result of analysis above, all factors as well as evaluation standards which are recognized from two sides have significant impact on making strategic decision of both sides of company. Therefore, it can be said that these factors are essential information to answer for research question.

Except data about evaluation, table 4 also refers outsourcing process. It can be seen that all both sides from supplying and buying companies used evaluation phase as same as theory of Leavy (2014) and Momme (2002), they have concentrated on assessment step. Therefore, evaluation phase keeps an important role in outsourcing process in practice. Besides, there exists differences in the next steps between supplying and buying firms. This is because it based on the nature of company, so every company will have various outsourcing process. However, it is quite similar in content of footwear manufacturing industry.

Regarding to outsourcing process of company A, each step is very important as well as has vision. They handle search material step before making proto sample, because this step can support company create more opportunities to find out new suppliers in supplying raw material as well as understand nature of new material whether it is suitable for mass production or not. This step also helps buying companies expand their supply network and

have insight view about cost of goods sold. As the result, buying companies have chance to increase their power in negotiation. In making proto sample period, buying company A participate with supplying companies. This stage keeps an indispensable role in footwear manufacturing industry. This is because, making sample will help companies have chance to detect various difficulties and mistakes of product when it is produced in large quantity. From that, buying companies will have suitable solution by replacing material or modifying technology process to create a perfect product for mass production.

After supplying companies finish their outsourcing orders, buying companies will perform auditing quality product. From the data of production manager of company A, 30% of quantity of order will be picked randomly to evaluate quality of product. He said that this step is very important because it ensures the quality output for buying firms. In addition, if this step does not exist, there are a lot of bad result such as: trust and reputation of company will be affected a lot. That leads to reduce revenue as well as lost competitive advantages of company in rival market. Hence, from the analysis above it can be seen that each step-in outsourcing process will affect to company in many fields. Therefore, it can be concluded that role of outsourcing is very important because it affects to operation of company indirectly and directly.

According to company B, after checking and analyzing the possibilities of suppliers they collaborate with supplying organizations to perform their outsourcing orders. They participate into some steps of supplying companies to create the best quality for their product. In addition, the joining with suppliers allows buying entrepreneurs have chances to realize that their designs (core-competencies) are suitable for production or not. Hence, this action can help buying companies make right decision about outsourcing. Furthermore, the participation is always a good condition for buying firms to approach new manufacturing technology as well as build long-term relationship with their suppliers. From that, they can enhance their knowledge as well as understanding in footwear industry to create more value for company. It be said that this action creates many benefits for buying companies in many fields.

Instead of searching new material after checking customer, company C makes various meeting to evaluate the feasibility of product when it is produced in large quantity. According to manager production, relating departments such as production, development, planning department and CEO will join in this meeting. Based on practical experience and knowledge, departments will give evaluations regarding product feasibility. This meeting is very vital, because it supports company mitigate errors of product, save time and cost of material production. From that, company have chances to reduce waste in many sides as well as increase operational efficiency by decreasing errors of product through meeting. It can be said that establishing meeting in outsourcing process has significant impact on operation of company.

Next, costing material department combines with development department to make CBD (Cost Break Down) to send to customer. The content of CBD includes cost of material, labor cost, direct and indirect production cost, etc. Costing material department plays indispensable role in this step. This is because, the value and profit of company mainly come from this department. Manager production of company C said that this department has responsibility to send material consumption of each unit to customers by quotation file. However, they will modify as well as optimize the consumption of material in the most efficient way for practical manufacturing. Therefore, this department keeps an important role in creating revenue and profit for supplying companies.

Then, after accepting product price in CBD, supplying companies will receive official orders. Based on analysis above, the outsourcing process of supplying firms directly influence on revenue and profit of company. Furthermore, this analysis can answer for research question, because outsourcing process has function to create motivation for companies especially supplying companies before making strategic decision.

Regarding to company D, they established technological improvement process after evaluating their customers. This process describes the phases in manufacturing in detail such as cutting, stitching, assembling and packing stage. However, this period is theoretical, so the technology improvement process will be modified in mass production. Technology process will create synchronization and mitigate errors of product. This is

because, workers have to comply these technical steps. Therefore, technology process will ensure the quality of products in footwear manufacturing industry. This is one of important elements affecting on making decision that buying company should outsourcing or not.

5.3. Benefits and risks

Company A (Buying company)

Regarding to CEO of company, outsourcing supports them to build and expand their supply network in Vietnam market. It means that through outsourcing, company has more chances to approach new suppliers as well as increase the number of suppliers in portfolio of company. CEO pointed that based on outsourcing strategies, supply network of company becomes more variety and diversity, which lead to a good place in competitive market. Furthermore, he said that thanks to outsourcing, they have more time to concentrate on their core-competencies to maintain the value of competitive advantages and reduce cost including variable and fix cost. In addition, company A has opportunities to build long-term relationship with supplier through activities in outsourcing period. Besides, outsourcing also support company ensures job performance as well as improve product quality through strong human resources and advanced technology of supplying companies.

Beside benefits of outsourcing strategy, manager production of company also indicated about potential risk during performing outsourcing action such as:

- Sourcing wrong suppliers/factories where have low quality or could not meet requirement of customer.
- Poor quality of material.
- Poor quality of final product.

- Delay in production because of missing the deadline of shipment.
- Security
- Creating new competitors.

Company B (Buying company):

The production manager of company claimed that outsourcing not only brings short-term benefits, but also creates several values for future. To be more detailed, outsourcing supports company to save money regarding labor and facilities as well as establish a long-term collaboration with suppliers. Thanks to low labor and material cost, company can reduce price of product to create new competitive advantages. In addition, manager also pointed that outsourcing creates opportunities for company to approach new technology in footwear field as well as enhance service abilities, and capabilities to response the rapid change of market.

The benefits that outsourcing brings to businesses are not small. However, before using this service, it is vital that companies should consider carefully about risks of outsourcing strategies. Because there are many possible risks occurring during outsourcing period.

- Loss of core competencies
- Security
- Wrong evaluation
- Unclearity
- Increasing price of product.

- Policy of nation where produces products.

Company C (Supplying company)

According to production manager, he believed that outsourcing keeps a vital role in assisting company reach new products as well as take fashionable trends of world. Excepting approaching new technology, company has chances to learn about working and management method from various customers in different countries through outsourcing. In addition, he also strongly pointed that outsourcing is as a potential function to support company establish long-term relationship with their customer to create more value through long-term collaboration.

Furthermore, risk is one of dispensable elements in business, especially in outsourcing process. Based on statue of company operation, production manager indicated some essential risks often occurring in outsourcing period.

- High requirement level: quality, deadline, etc.
- Material
- Environment

Company D (Supplying company)

From the results of interview, supply chain manager said that there are many benefits from outsourcing from supplying perspectives. First, outsourcing creates main profit and revenue for company. Besides, outsourcing also makes opportunities for supplying companies to enhance qualification of staffs in footwear manufacturing. Based on product of outsourcing, supplying firms can improve their value and position in footwear market. Furthermore, manager also claimed that company can establish long-term collaboration with customers in B2B market today through outsourcing strategies. Outsourcing is also a

means for supplying companies to approach advanced science and new technology from developed countries. Last but not least, through outsourcing strategies, supplying companies have possibilities to make their distribution channels become variety and diversity.

Regarding to supplying manager, there exist risks during performing outsourcing orders:

- Security: core-competencies, customer information.
- Contract
- Wrong partners
- High quality requirement
- Environment

Analysis

In this part, the content of interview mainly emphasizes on outsourcing process. It claims about benefits, risks of outsourcing in both aspects and processes what supplying companies never receive. The content of this theme will be summarized in table 5.

Subjects	Benefits	Risks
Buying Company A	Building and expanding supply network, maintaining competitive advantages, reducing cost, building long-term relationship, ensuring job performance, improving quality products.	Sourcing wrong suppliers/factories, poor quality of material, poor quality of final product, delay in production, security, creating new competitors
Buying Company B	Saving money, establishing a long-term collaboration, approaching new technology, enhancing service abilities, capabilities to response the market, reducing price of product	Loss of core competencies, security, wrong evaluation, unclarity, increasing price of product, policy.
Supplying Company C	Knowledge according new product and fashionable trend, learning treasures methods, establishing long-term relationship	High requirement level, material, environment.
Supplying Company D	Creating profit and revenue, enhancing qualification, improving value and position of company, creating lifelong relationship, approaching new technology, make new distribution channel.	Security, contract, wrong partner, high quality requirement, environment

Table 5: Summary Benefits and Risks theme of each company

The result of interview showed that there are many theories applied in practice. For example, Leavy (2004) said that outsourcing plays an essential role for company when they are looking for a long-term target. From the table 5, it can be seen that both buying

companies and supplying ones have the same benefits. To be more specific, companies used outsourcing to build stable relationship with their partners. They realized importance of collaboration, because this is the best way to help companies create several values when comparing with the other ways. It also proved that companies in the interview list used win-win in their business. In addition, when companies use outsourcing strategies, they accidentally participate in B2B market, so in order to survive in this market they need to choose right partners to collaborate. Besides, both buying and supplying companies want to build lifelong relationship instead of short-term. This is because, they believed that the value in long-term is much more than value which is made in short-term. Long-term collaboration not only supports procurement become smoothly, but also supports companies save several money such as communication fee, transportation cost, etc. because, if there is no long-term collaboration, companies have to train their staffs as well as reorganize and redistribute their employees to fit with their new partners.

Furthermore, although short-term partners emphasize on completing project with small-scale as efficient as possible, they lack the overall views about main and long-term targets of business. Besides, without lifelong relationship, there is no motivation for partners, so it will limit the long-term development. The long-term development not only supports companies and their partners maximize long-tail ROI, but also assist as well as provide resources for each other. It can be seen that stable relationship brings many strategic benefits for companies. From the analysis above, establishing long-term collaboration bring lifelong value for both buying and supplying entrepreneurs. Hence, high top managers of companies have to consider carefully before making decision because the benefits from collaboration of outsourcing will help companies gain many treasure values for both buying and supplying entrepreneurs.

Regarding to buying aspects, buying companies used outsourcing as a strategy to reduce cost. As the theories indicating in literature review, cost efficiency is one of the most benefits of outsourcing because it allows these companies produce their product at low cost with high quality level. This is because, there is a difference regarding labor cost between developed nations and developing countries. Hence, buying companies can use labor with low price in developing country with high professional skills. Because companies do not

need to hire high-skilled workers, so outsourcing strategies also cut cost and resource in training and recruitment.

In addition, outsourcing supports buying entrepreneurs reduce capital requirement for human management. In details, they do not have to waste their resource and money to manage manufacturing workers such as wage, insurance, individual tax, etc. Besides, when firms have full-time employees, it is very hard to fire them. However, through outsourcing strategies, buying companies have chance to reduce workplace for their employees and workers. This action allows companies increase margins and reduce fixed management costs. Almost minor tasks will be handled by third parties, so buying entrepreneurs have chance to save amount of capital investment. From beneficial cost of outsourcing, companies can reduce price of product and use their money to invest in core competencies instead of investing in minor activities to enhance as well as gain more competitive advantages in footwear market.

Regarding to company A, outsourcing improves performance of company. This benefit is the same as what Leavy (2004) indicated in theory part. To be more detailed, almost supplying companies are experts in outsourcing manufacturing. They have already professional training systems for their employees as well as high-tech researching department to give the best solution for customers. Thanks to experts and modern infrastructure of supplying companies, buying firms have chance to improve their products as well as enhance the performance of business. Besides, outsourcing allows buying firms concentrate on managing strategic staffs as well as have sufficient time to reorganize the framework of business to get the best performance. In addition, based on outsourcing strategy, buying companies can work in different zone, so these companies can be sure that when they close their office, staff locating in the other size still work. It means that when office of buying companies close, their tasks can still be done. Therefore, buying firms can enhance their service abilities. As can be seen that outsourcing is a strategic decision affecting directly in operation performance for company.

Outsourcing is a tool to assist buying companies to build as well as expand supply network. Through outsourcing process, these companies have chance to approach new

suppliers that already exist in sub-contract of main outsourcing suppliers. That supports buying firms plus more suppliers as well as establish new relationship in footwear manufacturing industry. In addition, expanding supply network also increases supply abilities of company. From that, buying firms have sufficient confident and capabilities to response high requirements of market today. From benefits above, high administrators need to consider carefully before making strategic outsourcing decision.

Supply chain manager of buying organization B had accurate view like the theory of McIvor (2003) that outsourcing encourages buying companies approach new technologies. This is because the products of footwear field are very various, abundant and always change follow the demand of market. Hence, this field requires companies have to update continuously new technology to serve for manufacturing. Through outsourcing process, buying firms have more opportunities to learn and approach technology as well as knowledge from supplying companies during. It can be seen that in order to reach the target above, buying companies have to have right selection about their partners or supplying ones. Therefore, top managers of buying companies need to evaluate as well as inspect carefully about their suppliers before making strategic decision.

According to supplying aspects, outsourcing strategies also bring several benefits for supplying organizations. Supplying companies will have chance to enhance their knowledge about new product and fashionable trend of the world. Regarding to production manager of company C, products of footwear field are very various especially, fashionable shoes. The fashion trend of shoes changes constantly, so he strong pointed that outsourcing creates good condition for supplying firms to catch up with new trend of world through partners. Furthermore, they can learn about working experience and management experience from buying companies having origin from developed countries. From then, these companies have enough knowledge and understanding to re-evaluate as well as reorganize the structure of company to enhance business efficiency in the best way.

Performing outsourcing orders is main activities of supplying companies, so this action brings main revenue and profit for firm. In the supplying companies' aspects, outsourcing plays an important role in deciding the existence of entrepreneurs. This is because, almost

core-competencies of supplying firms in footwear manufacturing are producing shoes for brand names in over the world. Therefore, almost profit of supplying companies come from outsourcing. Furthermore, outsourcing creates opportunities for supplying firms to enhance their qualification of their staffs and workers. It can be explained that abilities and skills of worker will be improved through each outsourcing order. From then, these companies will have more professional as well as high-skilled workers in their company. It means that products from these companies will be more and more quality. Improving quality will support supplying companies enhance and maintain their core-competencies to redefine their position in the competitive outsourcing manufacturing market.

Furthermore, supplying companies also realized that outsourcing could help them approach new technology as same as the perspectives of buying companies. Through outsourcing, supplying firms also have chance to access new technology of buying organizations coming from developed countries. From this result, companies can increase their performance and competitive advantages of company.

Finally, outsourcing accidentally create new distribution channel for supplying companies. To be more detailed, through performing outsourcing, the customers of supplying companies will become a retailer for them. By that, when supplying firms make the contract with new customers, it means that they have created new retailers for companies. From analysis above, it can be seen that the outsourcing has strong impact on efficiency of supplying company operation. Therefore, they have to investigate careful about benefits of outsourcing before making outsourcing decision.

Beside benefits from outsourcing activities, there always exist risks as Gulzhanat Tayauova (2012) indicated in theoretical part. These risks are available in both aspects. However, from result of interview as can be seen that the risks what buying companies have to face are more than risks of supplying companies.

Both selecting wrong partner and security risks exist in supplying and buying companies. For sourcing wrong partner, it leads to intangible and tangible waste for both buying and supplying firms. Tangible waste means that company will spend several costs for

reorganizing their employees and modifying infrastructure to fit with their partner during outsourcing period. If company selects wrong partner, company will establish everything at beginning point. Regarding to intangible waste, companies will lose their competitive advantages as well as treasure information. In addition, companies will spend quite much time to start searching and evaluating new partners from beginning.

For security risk, this risk often occurs during performing outsourcing strategy. If there are no boundaries between partners, the important information of company will be taken by their partners. To be more detailed, buying companies can take technological improvement process of supplying companies. Supplying firms lose some technological information regarding outsole mold, product, pattern, etc. Besides, buying companies will lose essential designs about new products. Two risks above have significant impact on performance of both supplying and buying firms. Therefore, as can be seen that these risks affect the making strategic decision company if they should use outsourcing strategy or not.

Regarding to buying perspectives, they can receive risks regarding poor quality of material. Although buying companies always indicate material quality for product, outsourcing partners often try to find the material with reasonable price to decrease variable cost. This action could not ensure 100% the quality of product. As the result, product life will decrease significantly. That will decrease competitive position of company in footwear market.

In addition, buying firms sometimes face to poor quality of final product. It means that the final inspection has low quality that lead to final products have poor standard. The final inspection is one of the most important steps in outsourcing process. This is because, this action decides whether products are enough quality to send to customer or not. Therefore, if quality audit has low level, final products have low quality. That strongly affects the reputation of buying firm as well as reduces position of company in global footwear market.

Furthermore, delay in production is final risk which CEO of company A has claimed. Because of the characteristics of the footwear industry, footwear is a fashion product and it

automatically becomes obsolete if it cannot keep up with the world's fashion trends. Therefore, if supplying firms cannot produce on time, the products will be obsolete compared with the global trend. As a result, the company's revenue will be reduced as well as increasing the company's inventory costs. In addition, the late production will make buying companies have no chance to participate in fashion events held annually. As a result, buying companies lose the opportunity to advertise new products for international customers. The delay in production of supplying companies affect significantly on buying companies in many fields.

Besides, the outsourcing strategies of buying firms accidentally create new competitors. This is because, instead of outsourcing minor activities, buying companies outsource core activities. From then, supplying firms will copy as well as research core activities of buying ones through outsourcing period. After completing outsourcing order, supplying companies will take core-competencies of buying ones to become new competitor to compete with buying companies in footwear market. It can be seen that, outsourcing not only create new competitors for buying firms, but also it makes buying ones lose their competencies. Therefore, high-level manager of buying companies have to think carefully before selecting minor activities to outsource.

Furthermore, unclarity is one of risks which buying companies have to face during outsourcing period. If necessary information about outsourcing strategies is not supplied enough or there exist the hidden information from supplying companies, it can lead to risks in collaboration between companies because buying firms will think that their partners are not reliable as well as suitable for long-term relationship . Although, outsourcing can assist buying organizations to reduce price of product, it also can increase product cost. This is because, if buying companies do not have right calculation about cost problem whether manufacturing in-house will be cheaper then outsourcing, it is possible that the price of product will be increased after using external resources. It can be seen that outsourcing is also a double-edge sword, so buying entrepreneurs need to calculate cautiously about cost between manufacturing in-house and outsourcing.

Furthermore, policy is also risk of buying companies when they use outsourcing strategy. The national policy of the supplying firms may change in annual, and these policies will significantly affect the buying companies in various aspects. For example, tax policies, wages of workers, working hours will affect the price of products. Besides, trade barriers will restrict the movement of goods from the country of supplying companies to end-customers. It can be seen that outsourcing risks not only come from suppliers, but also have origin from external factors.

According to supplying aspects, high requirement level is one of risks of company in performing outsourcing order. This is because, if in the manufacturing process, the requirements regarding modifying to improve the quality of the product exceed the capabilities and technology of company, it is difficult for supplying firms to meet customer requirements. As the result, supplying companies may be underestimated by customers, which will affect the reputation of the company, reduce the position of company in the eyes of buying companies as well as reduce the chance of long-term cooperation between the two parties.

Besides, supplying entrepreneurs can face to material risks. Because shoes are fashionable products, so the materials to produce them must be also fashionable. Hence, supplying companies is forced to use new supplies, which means the previous materials will no longer be used. In addition, there will be some cases that supplying companies cannot find suppliers to supply for manufacturing or Minimum Order Quantity (MOQ) from the supplier is too large, which makes the company unable to buy. That will affect to delivery time for customer as well as lead to unnecessary waste.

Furthermore, environment is also one of the leading risks in performing outsourcing process of footwear industry. Because the chemicals used in the footwear industry are not only harmful to the health of workers but also to the ecological environment. If the companies do not take any solution to limit its impact on environment and workers, this risk will affect the existence of the business. In addition, if mass production still operates continuously, the raw materials for production will become increasingly exhausted as well as create a crisis of resources.

Besides the environmental risks, there exist risks of contract between supplying and buying firms. If the terms of the processing contract are not tight, the supplying companies will lose their customers as well as product information. For example, if the contract does not indicate about the ownership of outsole mold, then it is likely that the customers will take this mold for competitors to perform their activities. This will cause the supplier companies to lose customers and its competitive advantage. So, leaders need to pay close attention to the terms of the contract.

In conclusion, it can be seen that all analysis above illustrated benefits as well as risks during performing outsourcing strategies in footwear manufacturing industry from both supplying perspectives and buying ones. Analysis not only provide necessary information, but also give answers in detail and clarity about sub-research question of thesis. In addition, this analysis partly draws a general picture about role of outsourcing in footwear manufacturing industry. From that, there is enough information to answer research question that outsourcing have strong impact on making strategic decision of buying and supplying companies.

5.4. Motivation

Company A (Buying company)

CEO of company said that they used outsourcing to use experts of supplying companies to improve their business operation. Besides, they desire to figure out cheap labor cost, but it doesn't reduce quality of product through outsourcing strategies. The CEO also claimed that the most important reason to motivate this company outsource their minor activities is that they have enough resource to emphasize on their core-competencies to create more competitive advantages to maintain as well as develop his company.

Furthermore, CEO and production manager also give some functions as well as processes which companies never outsource particularly:

- Process of control for sample

- Process of control for production
- Process to control doing final inspection before shipment

He also explained that these functions above are core-competencies of company. That is the reason why company could not outsource these processes.

Company B (Buying company)

Regarding to production manager of this company, the motivation encourages his company perform outsourcing strategy is that this buying company believe that their partner has professional knowledge regarding footwear industry. In addition, he also strongly pointed that experts of their partners know exactly how to manage and control matters occurring in local place as well as always give buying company B the best solution in footwear manufacturing. However, all decisions of their partners about product must be shared with his company before taking action.

Different from company A, company B never outsource design function. The production manager explained that their designers know exactly the best feeling of EU and USA market. Besides, their design teams hold the top important point to forecast the fashion trends of market. Importantly, manager strongly pointed that design is core-competencies of company, so if they outsource this function, they will lose their competitive advantages in footwear market.

Company C (Supplying company)

With the answer for the question what activities and function as well as process that company never receive, Company C will not get outsourcing orders if customer requires them produce fake products or brand whose origin is not clear. In addition, products which affect directly on nation or violate the law will be not produced by company C. Last but not least, it is very difficult if company makes products requiring high technology, so they

tend to reject orders which is not suitable for technology of company to eliminate risks regarding quality.

Manager production said that small orders and the same types of shoe, but export to many countries is the matter which company often deeply concern when they receive outsourcing orders from their customers. He also claimed that this matter makes production process become more complicated because workers have to use various packing material for each nation where products are exported to.

Furthermore, the manager also indicated about targets of company in outsourcing manufacturing. They set the specific goals to meet customer satisfactions:

- Enhancing quality of product
- Ensuring right date in delivery.

Company D (Supplying company)

There are some activities, functions and process that company never get. Regarding to production manager, he strongly pointed that they never perform technological improvement and the process of technology deployment as an outsourcing order.

Although outsourcing can bring many beneficial economies, there exists some problems make them unsatisfied when they perform outsourcing order for their customer. The first problem is that they are not positive in product design. They have to follow everything designs of customer about product. The second one is that they are negative about price of product and distribution market. The manager said that because there are several competitors in footwear manufacturing market, so they must follow the price of customer. Finally, this company is not positive in preparing material and technology. Because until finishing development period, purchasing team will know exactly products which are selected for mass production. From that, they will make order for material suppliers to buy raw material.

In order to improve outsourcing quality as well maintain their competitive advantages, they have some important targets particularly:

- The best time for delivery
- The best quality of product
- The best price for customer.
- Improving quality controlling process

Analysis

Outsourcing motivation is indicated in this part. All the content of interview regarding this theme is summarized in the table 6.

Subjects	Motivation	Unsatisfied during performing outsourcing orders	Not implemented
Buying Company A	Improving business operation, cheaper labor cost, opportunities for focusing on core competencies		Process of control for sample, process of control for production, Process of control for final inspection.
Buying Company B	Knowledge and solution regarding footwear industry.		Design.
Supplying Company C	Enhancing quality of product, ensuring right date for shipping	Small order and exporting to several nations.	Negative in product design, price of product and distribution market, not positive in material and technology
Supplying Company D	Best time for delivery, best price for clients, the best quality of product, improving controlling process	Negative in product design, price of product and distribution market, not positive in material and technology	Technological improvement, process of technology deployment

Table 6: Summary the outsourcing motivation theme of each firm

The table above illustrated outsourcing motivation in both sides as well as processes what buying and supplying entrepreneurs never outsource and receive. There are differences of outsourcing motivation between firms. It can be seen that basing on the nature of company, each firm will have different outsourcing motive as what theoretical part has indicated.

Regarding to buying aspects, they believed that using outsourcing strategy can help them improve their business operation. Because, instead of using internal resources for unnecessary functions, they can buy external resources to perform these functions. From that, the business of companies has opportunities to operate in smooth. In addition, buying companies applied theory of Quélin and Duhamel (2003), Momme (2002) and Hätönen (2008) in efficiency that outsourcing manufacturing is to help buying firms reduce labor cost. They identified that using human resources from developing countries can assist them resolve the math regarding cost. It can be explained that labor cost of developing countries such Vietnam, Philippine, India, China, etc. are cheap as well as reasonable.

In addition, by using outsourcing, buying companies have enough time and resources to emphasize on their core-competencies to make more value for company. Therefore, it can be found that these buying companies have used rightly the nature of outsourcing as what literature review illustrated. Besides, buying firms also thought that through outsourcing, they can use professional knowledge as well as collect treasure experience and essential solution from experts of supplying entrepreneurs. This is also a good way for buying firms if they have plan to pervade into new market because they can get solution as well experience supplying firms locating in this market.

There are some functions which buying firms never outsource. Actually, they never outsource important processes including process of control for sample, process of control for production, process of control for final inspection and design function. Regarding to process of control sample, the process is to eliminate risks for product in mass production period. In addition, these buying firms also want to ensure quality of sample before showing products for customers in fairs and exhibitions. If the quality of sample is good, buying firms will have chance to receive large order from their potential customers.

According to process for production, it can be said that these buying firms never outsource this process because they would like to ensure by themselves that almost products have no errors. In addition, if they outsource this activity, they will receive underestimation from their partners which are supplying firms. Process for production also creates chance for buying firms to enhance their knowledge as well as abilities to resolve problems regarding

footwear manufacturing. The next one is process of control for final inspection. This action will ensure quality output for buying companies. If the quality of product could not be ensured, the reputation and position of company will be reduced in the customer eyes.

Finally, it is design function. In footwear industry, design is important function to make buying companies become different with competitors. It can be said that design function is core-competency of almost buying companies in footwear industry. Therefore, in reality these companies never outsource this function. In addition, from the result of interview, three processes about controlling and design are core-competencies of buying companies. These companies made decision that they never outsource these activities. It can be proven that theories about the nature of outsourcing that entrepreneurs should outsource minor activities and emphasize on core-competencies to remain competitive advantages of company are used in practice.

Regarding to supplying aspects, they set targets to create motivation in performing outsourcing orders of their customers. They target to enhance the quality of product to ensure the business operation of customer get better. Besides, enhancing quality can help supplying companies get more outsourcing orders as well as build the good position in the customer's eyes. As indicating in previous part, delay in shipping is one of the serious problems during outsourcing. Therefore, these supplying firms set this target to reduce risks for their customer to have chance to establish the long-term relationship with their clients. Besides, they constantly improve their supply chain to have the best price with high quality for their customers. This action not only helps company get benefits regarding cost reduction of outsourcing strategy, but also has ability to create competitive advantages for buying companies. In addition, improving price and quality are also best way to support supplying companies enhance and remain their competitive advantages in footwear manufacturing industry. Furthermore, they also target to improve the controlling process. This target is to reduce as well as eliminate risks during manufacturing process. From then, it will limit the incurred cost for both supplying and buying firms in outsourcing process. It can be pointed that all targets above are not only improve the performance for both sides' companies, but also are good motivations for supplying firms in serving outsourcing process.

However, there exist some problems making supplying companies unsatisfied during performing outsourcing orders. Firstly, it is orders which are exported to many nations with small quantity. It is very hard for purchasing department to find suppliers providing raw material with small quantity. Besides, material demands for small orders will be bought with high price because there exist some kinds of material which are produced following to default quantity. Therefore, in order to have material for manufacturing, companies must buy material quantity follow the requirement of suppliers although they could not use all these materials. Exporting to several nations will make supplying companies face to many problems in production period. Because, every country has different policies, so supplying companies have to find suitable material as well as comply standard of these nations. Therefore, export to many countries will make outsourcing process become more complicated.

In addition, supplying companies from interview are not satisfied when they are more passive than their buying companies. They are passive in some perspectives including price, design, distribution market, material, and technology. Regarding price aspect, almost supplying firms in footwear manufacturing have to wait the acceptance about price from customer. For design, because supplying companies in this field are responsible for manufacturing basing on the design of customer, so it is easy to realize that supplying firms have to follow the design of their customers. For distribution, buying companies are organization to decide place where their product will be distributed, so supplying companies are often negative in this case. The next one is material and technology, in order to meet customer demands, supplying firms often accept material as well as technology from customers to ensure quality as the requirement of customers, so the best way to satisfy customer is compliance all demands of customer. From that, it can be seen that these supplying firms is quite dependence on their customers.

There are some activities which supplying companies never receive. Firstly, they never get technological improvement and technology deployment process as an outsourcing order. This is because, these processes above are core-competencies of company. Therefore, if they perform these processes for their customer, it means that buying companies will know

core-competencies of supplying firms. Probably, buying companies will become new competitor instead of customer of supplying companies.

Secondly, they never produce products which is fake or no brand name. If supplying companies produce these products, they will lose trust of buying firms. Because, customers will believe that supplying companies can copy their products to produce fake product. In addition, supplying firms also realize that this action will affect to the reputation of company. Therefore, there are many reasons why they do not produce these products. In addition, they also do not produce illegal products. Because, it strongly affects to the survive of supplying companies.

Finally, these companies never receive products which are not fit with technology of company. Because, it requires companies invest more in technology to produce products of customer. However, it is not sure whether companies can gain back money of investment from outsourcing order or not. Therefore, producing products out of technology will increase risk level for supplying firms.

5.5. Result

Theme 1: Outsourcing

Outsourcing is a tool to motivate companies to evaluate themselves. Because, before outsourcing, companies must know exactly the core-competencies of company to identify accurately which activities should produce in-house or using external resources. Besides, outsourcing is not only used by buying companies, but also utilized by supplying companies. Both two sides have insight understanding that outsourcing can help them perform minor activities to have more time and resources to emphasize on core-competencies. It can be seen that theories about nature of outsourcing are applied widely in practice. In addition, depending on the graphical location of each buying company, they will have specific decision about outsourcing strategies. Therefore, this will affect to making decision process of company.

From the analysis, it can be said that almost strategic decisions regarding outsourcing are made by high top managers including CEO, production manager, supply chain manager, etc. In order to give right decision about outsourcing, managerial level need to have several important meetings to discuss about outsourcing in various fields. This is also a good evidence to see the important role of outsourcing in encouraging high top leaders to give strategic decision.

Furthermore, using outsourcing of supplying companies motivate the existence of sub-contracts between buying and supplying entrepreneurs. This action brings a lot of benefits for buying companies, but also with many risks. Therefore, managers of buying and supplying companies need to consider carefully about agreement in contract as well as procurement for outsourcing activities. Because these two factors will have impact on making decision about outsourcing strategy.

Them 2: Outsourcing process

Almost theories about evaluation are applied in interviewed companies. However, excepting criteria of Kremic et al. (2006) such as strategic factor, environmental factor and functions characteristic factor, not only buying companies, but also supplying firms also created various standards depending on nature of each firm to have accurate result about assessing partners. It can be seen that the criteria in theories are not enough for these companies to assess parties in footwear manufacturing. Therefore, it is necessary that supplying and buying companies should combine theoretical standards and realistic criteria to have exact information about evaluating parties. These standards have strong impact on making strategic decision of both sides company.

By comparing between theories and practical analysis above, it can be found that almost theories only addressed the evaluation criteria in buying perspective. Perhaps, there is no theory clearly address the aspect of companies providing outsourcing manufacturing service in assessing their partners. Therefore, the analysis above can partly contribute new evaluating factors for supplying companies during assessing partners process.

Regarding to outsourcing process, depending on the nature as well as features of each companies they will have various phases in their process. However, all interviewed companies including supplying and buying firms used evaluation step become the first stage in outsourcing period. This is once again to point the importance of evaluation when companies would like to use outsourcing strategies. Besides, after assessing, there exist some differences regarding stages in outsourcing process between theory and in practice. Phases of interviewed companies have high practical value as well as specialized characteristics about footwear manufacturing industry. For example, both supplying and buying firms used developing proto sample steps.

Furthermore, through result of analysis, it can be realized that the participation of buying firms with their partners created opportunities for companies to approach new technology, enhance competitive advantages as well as establish the long-term relationship between companies. In addition, analysis also provides some essential information in supplying aspects that creating meeting for high managerial levels will allow companies evaluate the feasibility of product as well as eliminate the risks occurring in manufacturing. Moreover, it can be found that costing material and industrial engineer are indispensable department in footwear manufacturing industry. Due to the fact that these department keep an important role in supporting company resolve cost problem as well as limit the risks during manufacturing.

It can be found that outsourcing process and standards in evaluation influence directly and indirectly on making strategic decision. This outsourcing process theme partly shows the function of outsourcing as same as the theory of Mahmoodzadeh et al. (2009) that outsourcing has two kinds of element including tactical outsourcing and strategic outsourcing. From the analysis above, outsourcing process and evaluation phase support both supplying companies and buying ones decrease cost and increase productivity, ensure as well as create the sustainability regarding company's competitive advantages.

Them 3: Benefits and risks

After analyzing, it can be found that outsourcing manufacturing created many important benefits in various fields for both buying and supplying organizations. These companies have used outsourcing strategies as an intangible bridge to approach as well as build stable relationship with partners. This is also one of reasons encouraging these companies to use and perform outsourcing strategies. This is because, all companies realized that long-term collaboration would create a lot of practical value for companies from the partner rather than the other ways. In addition, thanks to reducing cost, these companies can create more competitive advantages regarding prices as well as improve supply chain network in global footwear market.

From interviewing buying and supplying companies, it can be said that the products in footwear industry are variety and diversity, so these companies have to use outsourcing to meet technology demand of market. Therefore, both supplying and buying companies applied outsourcing manufacturing as a tool to resolve matter about lacking technology as well as approaching new fashionable trend of world. Besides, outsourcing not only brings many benefits about cost, but also supports buying companies resolve high pressure regarding management. From that, these companies have enough to concentrate on core competencies to maintain as well as remain competitive advantages of companies in footwear manufacturing industry.

Thanks to practical analysis, it can be seen that the theoretical benefits is almost as same as realistic advantages which outsourcings bring for footwear manufacturing. However, there still exist some benefits that theories didn't mention. To be more specific, outsourcing not only supports companies resolve cost problem or resources, but it is also considered as marketing strategies of supplying firms. Due to the fact that through producing product for buying companies, supplying ones can show their performance for future customers as well as redefine their position of company in manufacturing market. In addition, supplying interviewed companies have used outsourcing to create distribution channels. Because, via outsourcing supplying firms can use buying ones as retailers to help them sell products.

Therefore, it can be seen that outsourcing in footwear manufacturing can create a lot of value in practice rather than in the theory.

Besides the benefits, risks are always available in outsourcing process. The analysis illustrated that these risks exist as well as have significant impact on performance of both sides including buying and supplying firms. Due to the fact that, these risks are main reasons to make these companies lose their competitive advantages. Moreover, it can be found that late in production risk always occur in performing outsourcing orders of supplying companies; and, this risk brings several bad results for buying and supplying entrepreneurs. Besides, analysis supported these companies to realize that trust plays a vital role in building long-term relationship to create sustainable value. From the result of analysis, it can be found that outsourcing risks have origin from various aspect including internal and external factors. Internal factors come from problems of buying and supplying firms. Regarding to external elements, it can be policy, environment, etc. And, these external factors are always potential risks in outsourcing strategies in footwear manufacturing industry. From the analysis, it can be seen that almost risks of supplying and buying firms in footwear manufacturing industry often occur at the beginning and the ending point of outsourcing process. Therefore, it can be said that although theoretical part less indicated regarding outsourcing risks, based on the results of analysis there still exists extra risk in practice in footwear industry.

Them 4: Outsourcing motive

It can see that the reasons for companies to conduct outsourcing based on the benefits that outsourcing can bring. Especially, buying companies used outsourcing in accordance with the nature of outsourcing, which the researchers have mentioned many times that outsourcing is to minimize the resources for minor activities to focus on core competencies. In addition, buying companies tend to use outsourcing to minimize their production costs. The low labor costs of developing countries will encourage buying entrepreneurs in developed countries to perform outsourcing manufacturing strategies. Besides, buying companies also aspire to use experts of supplying firms to help them solve footwear industry issues.

From the analysis, it can be seen that both sides understand correctly about outsourcing. Because all core activities are retained by buying companies to avoid losing their competitive advantage. Besides, the supplier companies also do not accept outsourcing orders relating to the core competencies of the company. Because when doing these activities, buying companies can have abilities to steal these cores from them. Therefore, it can be concluded that core competencies of companies including both aspects will be hold in house.

The supplier companies always set goals to improve manufacturing performance as well as minimize risks in the production process for itself and buying companies. It can be seen that these supplier's goals have inadvertently become intangible motivation for buying companies in outsourcing manufacturing. Besides, there also exists some reasons why the supply organizations are not satisfied with processing. Because these reasons affect the supplying companies in many ways. Passivity is one of the leading reasons having a strong impact on the providing firms such as making these companies lose the advantages as well as the abilities to control risks in the outsourcing process.

Outsourcing	Outsourcing process	Benefits and risks	Motivation outsourcing
Each company have various core competencies depending on its operation	Criteria to evaluate partners in footwear field. Companies created new criteria to evaluate their partners in footwear industry	Outsourcing manufacturing created many important benefits in various fields for both buying and supplying organizations	Reasons encourage companies perform outsourcing strategies.
Managerial levels are responsible for outsourcing decision	Understanding the detailed phases in outsourcing process in footwear manufacturing industry.	These benefits and risks are also good motivation for companies to perform outsourcing strategies	Functions and processes that buying firms outsource as well as provider companies
Motivating some activities existing between parties.		Theories are not enough to describe the benefits and risks of outsourcing in footwear industry	Targets as well as dissatisfaction of supplying firms during performing outsourcing order.

Table 7: Summary the findings from analysis.

6. Conclusion

6.1. Answer research question

The purpose of this study is to answer the research question which is:

“What is the role of outsourcing in making strategic decision in footwear manufacturing industry?”

From the analysis, it can be seen that outsourcing plays an important role in making strategic decisions. To be more detailed, roles include motivation and identification, consideration and making pressure, connection.

Regarding to motivation and identification, outsourcing has a vital role in motivating managerial levels to identify the core activities of the company. Because if the company is unable to identify its own core activity, making decision about outsourcing is very risky for entrepreneurs. Besides, outsourcing also creates conditions for company to evaluate partners. It is because if company makes the wrong selecting partners, then making decisions relating to outsourcing will bring great risks. In other words, the company will waste a large amount of time as well as resources for searching new partners and reorganizing their framework. Therefore, it can be seen that outsourcing has motivated high-top leaders to make accurate identification about core activities of firm as well as evaluation criteria about selecting right partners before making strategic decision in footwear manufacturing.

According to consideration and making pressure, the risks of outsourcing will cause high top managers to remind whether they should make a decision about outsourcing or not. Because when they perform outsourcing strategies, it means that the company will tend to establish long-term collaboration. In order to do that, managerial levels have to make decisions about restructuring in many aspects such as human resources, marketing, finance, etc. as well as consider cost between manufacturing in-house and using external resources. Hence, it can be said that outsourcing has making pressure on senior managers in making

internal decisions whether they should perform outsourcing strategies or not. It can be concluded that these roles of outsourcing such as motivation, consideration, identification and making pressure cannot survive independently. They have to be interdependent and support together. The combination between these roles contribute to improve as well as enhance the roles of outsourcing in footwear manufacturing industry at higher level.

Furthermore, outsourcing is intangible bridge to connect companies. From the result of analysis, this is the most important role of outsourcing in footwear manufacturing industry. It can be said that if companies want to make a new relationship or improve the collaboration between parties, they can use outsourcing to do that. It is because, via outsourcing companies have more opportunities to establish long-term relationship with partners. Therefore, this role will affect to making decision of company in building collaboration.

Regarding to the first sub-question:

“What kinds of benefits and risks of outsourcing in developing strategic management?”

There are many kinds of benefits which outsourcing can make for entrepreneurs in footwear manufacturing industry. It can be said that the main benefit of outsourcing is cost efficiency. As mentioned in the analysis and finding section, outsourcing helps the companies save costs in many perspectives of operation including machine, equipment, facilities, etc. Since then, the companies have chances to minimize capital investment to have money for investing in strategic projects. Besides cost benefits, outsourcing also brings many managerial benefits. It can be explained that outsourcing created conditions for buying firms to have enough time and resources to concentrate on managing employees to improve the performance of the company. In addition, supplying companies can improve the skills of their employees through producing outsourcing orders. Finally, it can be said that outsourcing is the best method for both buying and supplying firms to build long-term cooperation. Because, through outsourcing companies will have a lot of opportunities to expand their supply network as well as strengthen their distribution channels.

Furthermore, there also exist potential risks from outsourcing strategies. The first is risks about assessment, the wrong evaluating strategic partners will lead to serious losses in various aspects. Companies will spend a lot of time and money for finding and re-evaluating partners from the beginning as well as these risks also make entrepreneurs delay their strategic operations of the company. Besides, outsourcing also creates the risks regarding losing control. Because when performing outsourcing, entrepreneurs have possibilities to lose the operation control. In long term, it's likely that the companies do not have a deep understanding about strategic projects of firm. This is very dangerous for the company because these risks can destroy strategies of entrepreneurs.

Thirdly, there are risks about security. Because, it is possible that outsourcing can make companies lose core-competencies as well as valuable resources including technology, people, intelligence, etc. Besides, these risks also create new competitors for both buying and supplying firms. Next, there are risks according contract, partners can take advantage loopholes in contract to increase costs or make some difficulties in collaboration. This will affect the company's finance as well as disrupt the cash flow of the business. Finally, there are risks about production. Both buying and providing firms have to face with bad result from this kind of risk. These risks not only reduce quality of product due to technical errors or material, but also delay the lead-time.

Regarding to the second sub-question:

“How to enhance and mitigate these benefits and risks of outsourcing?”

In order to enhance the benefits of outsourcing, building strong relationships is one of the most practical ways for both buying and supplying companies to enhance the benefits of outsourcing. This is because, when long-term relationships are established, partners in network can share difficulties with each other. More specifically, companies will have chance to discuss incidental expenses as well as share those costs with each other. In addition, companies can use the experts of partners to improve the professional qualifications of their employees. Because partners know that if the performance value of network members increases, value of the entire network will grow up. Therefore, partners

are always ready to support each other when the members in parties need help. Furthermore, companies should invest in planning and costing material department. With high-modern facilities as well as sufficient database, this department can give accurate predictions about market demand as well as calculate exactly the material demand for manufacturing. From that, the company can set up detailed production plans as well as have time for preparing raw material. This strategy also helps the company minimize many costs, especially expenses such as material suppliers, material consumption. In addition, this solution also reduces risks about late in production and lacking material.

Besides, there are some useful solutions to mitigate risks from outsourcing strategy. Regarding risks about wrong selecting partners, companies should take the time to develop selection criteria in detail. Managerial level should have an insight understanding about short-term and long-term goals as well as create a wide network to have multiple options for evaluation. In addition, companies need to have a clear development plan and follow standard processes to narrow down partners. Besides, if the company does not currently have need to build new relationships, entrepreneur should prepare solutions for the future direction of the company as well as roadmap of products. Because, this action can help company reduce the abilities of selecting process when the demand increases.

Furthermore, there are some ideas to reduce risks about loss of control. Before transferring tasks for providing firms, buying companies need to create a management plan which describes in detail about operation methods of partners in network. This plan may include contents such as: timelines for meetings, how and when the providers report the progress as well as update the status, identifying the core staff to contact on both sides, etc. In order to mitigate risks regarding security, both sides companies should create trust between parties to motivate long-term sustainable collaboration. This action restricts companies steal important information from each other. Besides, companies can establish an effective data management model to limit information which are leaked outside the supply network. In the outsourcing contract, both sides companies should discuss in detail about security issues. This action can support entrepreneurs reduce the risks of creating the new competitors as well as losing core-competencies.

6.2. Managerial implications

This research provides in detail about role outsourcing in making strategic decision. Footwear manufacturing industry has various features. Therefore, high top managers have to face with practical problems relating to making decision whether outsource or not. The comprehensive assessment of the company's operations and the characteristics of the footwear industry not only reduces the pressure for decision making but also establish an understanding foundation of the risks as well as benefits that outsourcing can bring to the business. Besides, this research indicated that both supplying and buying companies must have understanding about internal and external environment of footwear manufacturing to make right strategic decision.

Selecting wrong suppliers were identified as one of important elements leading to increase cost as well as reduce competitive position of company in footwear market. In order to get successful operation, it is vital that both side companies should establish rigorous and systematic evaluation provisions. These criteria will give accurate result about evaluating the partners of companies.

This research provided useful and important information about outsourcing in footwear manufacturing industry. Besides, the study also clarifies the role of outsourcing in the footwear industry in various respects, which affect directly to making strategic decision of company. The most important finding of this study is that service providers are the leading factor affecting the outsourcing decision. Hence, evaluating partner keep an important role in outsourcing decision.

6.3. Assessment of validity and reliability

Potential differences in this study may occur in other studies. The standard of both qualitative and empirical study is generally checked by using validity and reliability definitions.

Reliability is the "repetitiveness" of the test findings, which implies that the study's operations can be replicated with the same outcomes (Yin, 2003; Silverman, 2004). According to Yin (2003), the goal is to reduce the potential errors and prejudices in the analysis and to ensure that the researcher can arrive at the same results and findings by pursuing the same procedures which were defined by the earlier researcher. Science precision may be improved by through description and recording of the current testing cycle (Yin, 2003). The reliability is ensured for this research by recording the study process and procedures in detail so that the process can be easily followed and repeated. The theoretical framework is foundation for serving empirical study. The framework was the result of integrating the findings of many prior investigations to make it more accurate. The reliability of this study's analytical evidence is improved by direct quotes from the interviews.

Another qualitative measure of the study is validity. In general, validity refers to the question whether the study is carried out with the correct indicator for selecting the research questions (Yin, 2003). The definition of validity can be divided into internal and external validity in simple terms, but internal validity is more suitable for the explanatory studies, for example to describe causalities under certain conditions. Internal validity in case studies is generally correlated with the principle of triangulation, which refers to the collection of data from several individuals and environments using various ways (Yin, 2003). In this research, multiple knowledge sources have been used in this analysis when the theoretical structure and empirical studies were developed to provide exact results and conclusions.

External validity involves the extent of the specific case study to which the research results can be extended (Yin, 2003). Yin (2003) also suggested that the generalization problem is the greatest issue in a single case study and the problem is smaller in multiple case studies. He also believed that theoretical generalization is more relevant in case study sense. The generalization of analytics is more related to the generalization of developed theoretical models as well as studied principles than to individual theoretical findings. However, regarding to Stake (1995), it is possible to generalize technically using case study techniques, but the key aim for using case study approach is to obtain relevant and detailed

knowledge from the real research phenomena. The purpose of this research is to explain the essence of outsourcing in making strategic decision in footwear industry comparing the previous outsourcing literature with the industrial factors related to the manufacturing industry.

6.4. Limitation and further study

Although this study has been completed, there exist some limitation. For example, the sample size is quite small and only obtained from interviews with 4 companies operating in Vietnam footwear market. Hence, the result of research partly represents for role of outsourcing in Vietnam footwear manufacturing. Therefore, in order to improve validity of analytical results, researcher should increase sample size as well as number of people interviewed to have more general view about research issue. This action also provides more convinced evidence about the role of outsourcing in making strategic decision. Besides, evaluating data of interviewed companies has subjective trends of writer. This will reduce the accuracy of the analysis results. Unfortunately, this problem is inherent in this method.

Furthermore, this research just used qualitative method and empirical case, so the accuracy of result will be lower than combining with quantitative way. By integrating with quantitative method, it will increase the precision of research result by verifying the outcome of qualitative with statistics of quantitative methods. From that, the reader will easily be persuaded by the rigorous and reliable arguments from the research paper.

There are some new research topics when this study has done. It can be seen that from managerial perspective, future researchers can use this study to research about the flow of information between partners in footwear manufacturing industry. Besides, from marketing perspective, this research will provide the basic knowledge for investigating the duality of a relationship between outsourcing providers and customers. This will support managers have a general view about the value of building a long-term relationship before making a strategic decision. In addition, this study is also a foundation for researching standards about evaluating partners in various aspects of the footwear industry. From that, it is

possible to create official standards regarding evaluating partners for high-top managers in footwear industry.

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APPENDIX

Themes	Buying company	Supplying company
Outsourcing	<ol style="list-style-type: none"> 1. What is your core activity of your company? 2. What kinds of activities do you often outsource? <ol style="list-style-type: none"> a. Why do you outsource? b. Who will be responsible for outsourcing decision? 	<ol style="list-style-type: none"> 1. What are core activities of your company? 2. What kinds of outsourced activities do you receive? <ol style="list-style-type: none"> a. Who will be responsible for making decision in receiving outsourcing order?
Outsourcing process	<ol style="list-style-type: none"> 3. How do you evaluate your suppliers ? 4. How do you outsource your activities? 	<ol style="list-style-type: none"> 3. How do you evaluate your customer? 4. How do you perform outsourcing orders?
Benefits and Risks	<ol style="list-style-type: none"> 5. What kinds of benefits you can gain via outsourcing? 6. What kind of risks do you face during performing your outsourcing strategy? 	<ol style="list-style-type: none"> 5. What kinds of benefits and risks do you face and achieve via outsourcing? 6. What kinds of process and function do you never receive to perform outsourcing?
Motivation	<ol style="list-style-type: none"> 7. What is your motivation for outsourcing? 8. Which functions/process/tasks/ you would never outsource? Why? 	<ol style="list-style-type: none"> 7. What problems make you unsatisfied when receiving outsourcing? 8. What is your target of your company about outsourcing?