



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

## **Social Capital**

**integrative and coordinative Mechanism of Global Sourcing Activities**

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## Abstract

In an environment of globalized markets and changing rules of competition companies need to be proactive in the management of their sourcing plans on global basis. Successful execution of global sourcing requires achieving integration and coordination of spatially dispersed production units as well as attaining global level interface among manufacturing, R&D and marketing functions. Social capital - or individuals' relationships and the assets embedded in those relationships - can be seen as informal mechanism achieving integrative objectives in global settings. Thus, the purpose of the study is to explore and elucidate how social capital can be utilized as a coordinative and integrative mechanism of global sourcing activities. Findings indicate that social capital plays a key role in that respect by providing effective network configuration with boundary spanners being vital elements; further, by providing trustful relationships enabling collaborative action; last, by providing the basis for shared among the parties' cognitive paradigm. Overall, social capital can be considered effective tool used to reconcile differences resulting from specialization and capitalize on the existent diversity, thus, achieving the ultimate objective of globally sourcing organizations.

**Keywords:** global sourcing, integration and coordination, social capital, boundary spanners, trust, shared culture, shared values, common goal

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## List of Abbreviations

<b>HR</b>	Human Resource
<b>CoC</b>	Code of Conduct
<b>CSR</b>	Corporate Social Responsibility
<b>MNC</b>	Multinational Corporation
<b>R&amp;D</b>	Research and Development
<b>VP</b>	Vice President

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# 1. Introduction

*Put in a perspective through the background information disclosed herein, the research problem elucidation is the major objective of the opening chapter. More specifically, the authors elaborate on the main research question as well as the purpose of the study that will guide the reader throughout the thesis. Further, possible delimitations of the study are briefly outlined.*

## **1.1 Background**

In today's globalized world, companies increasingly face strong demands to successfully perform in a new and challenging business reality. As markets for products and services move to gain prevalence on a global level, so does competition that becomes more and more intense (Petersen, Frayer & Scannel, 2000). The harsh rivalry among companies implies constantly rising levels of consumer expectations (Petersen et al., 2000) driving firms towards a never-ending search for new competitive advantages (Trent & Monczka, 2003). Finding new ways to compete proves to be quite challenging having in mind factors like shortened product life cycle and innovation lead times, strive towards steady cost reductions, yet, simultaneously ever increasing quality levels as well as demands for flexible and fast delivery (Kotabe & Murray, 2004; Petersen et al., 2000; Trent & Monczka, 2003).

In this environment of globalized markets and changing rules of international competition companies need to be proactive in the management of their sourcing plans on a global basis that would enable them to take advantage of emerging technological and commercial possibilities (Hartmann, Trautmann & Jahns, 2008; Kotabe & Murray, 2004). Thus, it is not surprising that being major players on the global market scene, MNCs nowadays consider how to source globally as one of the most critical competences they need to possess (Gelderman & Semeijn, 2006; Kotabe & Murray, 2004).

When it comes to terminology it should be noted that there is no single way of referring to global sourcing. Literature witnesses the emergence of a wide range of terms addressing various aspects of the phenomenon. Some authors use the term global purchasing; others refer to it as international purchasing, import sourcing and offshore sourcing (Motwani & Ahuja, 2000; Quintens, Pauwels & Matthyssens, 2006). In order to shed light on the phenomenon's idiosyncrasies of a particular interest herein, Trent and Monczka's (2003; 2008) view of what global sourcing involves is used. The authors postulate that global sourcing is the final and most advanced stage of a sourcing efforts continuum that starts with largely domestic purchasing to move on to international and finally reach global sourcing;





global sourcing implies that the established supplier relationships, worldwide buying sites and/or site locations are a subject of vertical as well as horizontal integration.

Vertical integration implies that the sourcing practice is allied with corporate philosophy and global sourcing is an essential strategic tool rather than tactical (Cavusgil, Yaprak & Yeohs, 1993; Trent and Monczka, 2003). Integration and coordination of “*common items and materials, processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operating locations*” on the other hand represents the horizontal aspect (Trent and Monczka, 2003; 2008). In other words, global sourcing necessitates integration and coordination among well-configured production units (i.e. cross-locational) and a global level interface among manufacturing, R&D and marketing functions (i.e. cross-functional integration and coordination) (Kotabe & Helsen, 2009, p. 290; Trent and Monczka, 2003; 2008). Achieving that objective allows a company to exploit both its own and its suppliers’ competitive advantages as well as to largely capitalize on the comparative locational advantages of various countries (Kotabe & Helsen, 2009, p. 290; Kotabe & Murray; 1990; 2004).

## **1.2 Problem Definition**

Companies pursuing the implementation of global sourcing strategy encounter a range of complexities (Kotabe & Helsen, 2009, p. 290). Firms face the decoupling of a network of remotely located suppliers oftentimes responsible for an “*intricate set of activities*” (Levy, 2005). Further, functional units’ geographical dispersion additionally complicates global sourcing implementation (Kotabe, 1998). As desirable as it might be for companies to achieve an efficient configuration of activities to be able to capitalize on various competitive and comparative advantages (Kotabe & Helsen, 2009, p. 290; Kotabe & Murray; 1990; 2004) factors such as spatial distance and environmental differences become major obstacles to successful global sourcing integration and coordination (Tsai, Huang & Ma, 2009; Kotabe & Helsen, 2009, p. 290).

Existing literature outlines various integration mechanisms including formalization-based, information-based and people-based mechanisms (cf. Gupta & Govindarajan, 2000; Hartmann et al., 2008; Kim, Park & Prescott, 2003). Research and business practice have provided a strong evidence that formal structures of control and coordination have somewhat limited capacity achieving integrative objectives, thus, emphasizing the idea that informal approaches can become vital means in that respect (Kostova & Roth, 2003). While Kim et al.



(2003) remind us that MNCs rarely employ only one integrative mechanism, people-based mechanisms prove to be among the most effective integration tools in relation to the three major company functions, namely, R&D, manufacturing, and marketing. In the context of global sourcing, Hartmann et al. (2008) note that companies executing the practice rely on people-based mechanisms rather than formalization mechanisms.

Being a manifest of informal integrative mechanisms, social capital- reflected in individuals' relationships and assets rooted in those relationships (Tsai & Ghoshal, 1998)- can be critically important for the success of MNCs because of its potential to support cooperation across geographic and cultural borders (Taylor, 2007; Tsai et al., 2009). Kostova and Roth (2003) note that social capital theory provides fruitful research direction for examining issues of integration and coordination in the context of the MNC. In that respect, the authors propose that future research should employ more concrete and insightful research settings with respect to global companies. Thus, in the light of the present discussion it becomes especially enticing to discover the role of social capital in global sourcing integration and coordination. Therefore, the following question is posed:

*How can social capital be utilized as an integrative and coordinative mechanism of global sourcing?*

### **1.3 Research Purpose**

The purpose of the present study is to explore and elucidate how social capital, or individuals' relationships and the intangible benefits embedded within those relationships, can be utilized as an integrative and coordinative mechanism of global sourcing activities. By fulfilling that objective, the authors of the study aim at taking initial steps towards theorizing and at the same time seeking contribution as regards the above mentioned research avenue proposed by Kostova and Roth (2003) calling for uncovering new insights in relation to the role of social capital as an integrative tool in global settings.

### **1.4 Research Scope**

Taking into consideration the purpose of the study, it is necessary to note that the current study aims at uncovering the previously mentioned research question both within the legal boundaries of globally sourcing organizations as well as incorporating key suppliers that represent vital elements of the companies' primary value chain activities. Yet, issues in relation to second- and third-tier suppliers are outside the scope of the present research.



## ***1.5 Delimitations***

Several limitations of the study deserve attention. First, the present research is based on a sample of Swedish MNCs, therefore, the results obtained can be somewhat influenced by the specific national and business culture environment in which the companies are embedded. Issues of relationships establishment, trust building as well as development of common corporate culture, values and goals further discussed in the thesis may be viewed differently by companies operating in different organizational and cultural milieus. As a result, researchers conducting similar study, yet investigating multinationals in countries other than Sweden may arrive to somewhat different insights.

Second, the current study takes a headquarter perspective on the aspects related to integration and coordination of global sourcing activities. The issues of interest presented in the thesis might be viewed differently by geographically distant units serving the company. Incorporation of the distant units' (e.g. suppliers') viewpoint on the sourcing operations, could allow researching the topic from a different angle.

The outlined delimitations should not be viewed as affecting the credibility of the study. They should rather be recognized as different perspectives to approach the problem of interest. Moreover, they can serve as a platform for future research that can further enrich the understanding of the global sourcing integration and coordination phenomenon.

## ***1.6 Thesis Disposition***

While the introductory chapter aims at providing a frame for the study's major objectives the remainder of the present thesis is organized as follows: chapter 2 draws on theories related to MNCs' coordination and integration efforts as well as social capital. The major theoretical tenets are then synthesized, thus, a conceptual model of social capital as an integrative and coordinative mechanism in global sourcing is derived. Chapter 3 discloses the methodology of the study extensively elaborating on the specific approaches undertaken in this respect. Next, chapter 4 represents the empirical evidence obtained from the field interviews performed. In the following chapter 5 the authors confront the derived conceptual model with the field empirical evidence to arrive at analytical insights as well as draw conclusions further presented in the closing chapter 6.



## 2. Theoretical Framework

*The chapter represents the theoretical ground of the present research. The section elaborates on global level integration and coordination efforts more specifically outlining challenges in cross- locational and cross- functional work. Further, theory of social capital in global settings is presented. The chapter closes by outlining the major theoretical tenets on which the study relies leading to the elaboration of a conceptual model.*

### **2.1 Integration and Coordination**

Globally performed business operations are characterized by a high level of complexity. This notion is evidenced in Ghoshal and Bartlett's (1990) discussion in relation to the nature of the MNC. The authors conceptualize the MNC as a differentiated interorganizational network where company units are physically dispersed in largely differentiated environmental settings; further, units substantially differ from each other due to the various roles they perform within the organization (Ghoshal & Bartlett 1990). The differentiated interorganizational network as such poses both opportunities as well as constraints to MNCs' operations. On the one hand, specialization and differentiation is highly desirable for the globally operating company as that lies in its strategic thrust (Holtbrügge, 2005). MNCs deliberately choose to locate their value chain activities in those countries that represent the best conditions benefiting from economic, cultural and geographic diversity (Kogut, 1985). The possibility of combination and exchange of varied resources is what leads to value creation (Ghoshal & Bartlett, 1990). On the other hand, units' differences may pose constraints to units contributing to the prosperity of the MNC as a whole (Ghoshal & Bartlett, 1990). Thus, integration and coordination within such a differentiated set of units is a challenging task (Holtbrügge, 2005).

Martinez and Jarillo (1989, 1991) treat the terms of integration and coordination in a largely interchangeable manner where “...coordination is defined as the process of integrating activities that remain dispersed...”. Hauptman and Hirji (1999) more specifically note that integration in globally operating organizations is achieved when negative attitudes stemming from differentiation and specialization are overcome to give place to constructive conflict resolution instead. Coordination, on the other hand, occurs when the timely sequencing, scheduling and synchronization of oftentimes interdependent activities performed by different team members and other relevant parties are ensured (Hauptman & Hirji, 1999; Van de Ven, Delbecq & Koenig, 1976). Once coordination is in place, execution of various tasks and work projects can be successfully completed (Hauptman & Hirji, 1999).



Shifting the focus towards the context of global sourcing, integrative and coordinative efforts concern the disparate production units as well as the interface among companies' functional groups (Kotabe & Helsen, 2009, p. 290). As previously noted, benefits from diversity in global settings are essential, yet, a number of challenges arising from differences should also be noted.

### ***2.1.1 Cross- Locational Challenges***

Cross-locational integration and coordination can be hindered by a number of factors. Cultural distance among individuals can be seen as one of the major obstacles in this respect. The larger the cultural distance, the more challenging it can be to find common grounds of cooperation among individuals (Zolin, Hinds, Fruchter & Levitt, 2004). Further, actions undertaken by one party can be easily misinterpreted by the other party that has a different cultural background (Zolin et al., 2004), thus, has a different perception of various tasks execution and ways of behavior (Harris, Moran & Moran, 2004).

Language can also be seen as a challenge for global companies pursuing integration (Charles & Marschan-Pekkari, 2002). Horizontal relations are expected to facilitate coordination among units of the MNC, thus, bring together persons from different parts of the organization in a collaborative endeavor (Galbraith, 1973, p. 54). Yet communication can be hindered by the absence of common language. Even in cases when common language is present problems are still plausible due to misinterpretation on the behalf of one or both of the participants (Charles & Marschan-Pekkari, 2002). Oftentimes this can be ascribed to the different cultural background of the interacting parties (Zolin et al., 2004).

In addition to cultural distance physical distance can also turn into an obstacle to cross-border collaborative work. Being placed far away from other members of the organizations, individuals may have either limited or no possibility to have face-to-face interactions (Hinds & Kiesler, 2002, p.59). Distant team members may experience communication gaps leading to misunderstandings, confusion and conflicts hindering collaboration and synergy efforts (Stahl & Björkman, 2006, p. 351).

### ***2.1.2 Cross-Functional Challenges***

Integration and coordination of cross-functional work is also far from being straightforward (Ellinger, 2000). Taking a firm level perspective and looking at intradepartmental or functional relations (i.e. R&D, marketing and manufacturing), it is important to note that they are often characterized by existence of conflicts rather than collaborative work (Ellinger,



2000; Gannon & Newman, 2002, p.113). Gannon and Newman (2002, pp.113-114) note that their respective major strategic thrusts vary considerably. While the R&D function is predominantly engaged in utilizing and perfecting its technical capabilities to find novel solutions, marketing's primary objective may be to be first to market, thus, aiming at shortening the development process. The interest of manufacturing lies somewhere in between the two functions with its aim to have a complete but at the same time efficient production technology.

Looking at the individual level, cross-functional collaboration implies that a number of specialists are brought together to jointly make vital decisions (Bishop, 1999). Zolin et al. (2004) argue that strong mutual accountability together with differences in specialization implies high degree of interdependence. Yet, since those individuals belong to different professional milieus and have dissimilar educational backgrounds establishment of controversial professional objectives can arise. In addition to establishing different priorities, individuals belonging to different functions of the organization may be unaware of the each others' views, beliefs and ways of resolving problems (Jassawalla & Sashittal, 1999; Zolin et al., 2004). Nevertheless, they still have to rely on each other due to high task interconnectedness (Zolin et al., 2004).

Further, the intricate nature of MNCs' global operations implies geographical dispersion of cross-functional work (Hauptman & Hirji, 1999). Therefore, physical and cultural distance with all the pertaining to them complexities earlier discussed can be seen as additional factors creating challenges to integration and coordination in cross-functional collaboration (ibid).

## **2.2 Social Capital**

Researchers vary in their views in relation to the content of the social capital construct (cf. Adler & Kwon, 2002; Kostova & Roth, 2003; Leana & Van Buren, 1999). The present study employs a definition of social capital presented by Stahl and Björkman (2006, p.477). In particular, the authors are interested in the role of social capital in global context, thus, they provide the following definition being a synthesis of previous research: "*social capital is the intangible resource of structural connections, interpersonal interactions and cognitive understanding that enables a firm to (a) capitalize on diversity (b) reconcile differences*". Social capital is rooted in the web of relationships among individuals and groups both within the boundaries of the organization as well as outside the organization (Langnick-Hall & Langnick-Hall, 2003).



The somewhat novel definition of social capital provided by Stahl and Björkman (2006, p.477) is based on and incorporates three major dimensions pertaining to the construct, namely, structural, relational and cognitive dimensions; those also being often brought up in social capital organizational literature (Adler & Kwon, 2002; Kostova & Roth, 2003; Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998;). As discussed by Nahapiet and Ghoshal (1998), the structural dimension of social capital refers to the overall patterns of connection between actors with some major facets being the overall network configuration, presence or absence of relationships, pattern of linkages in terms of measures such as density, intensity, and hierarchy. The relational dimension of social capital refers to the type of personal relationships people develop through interaction and incorporates assets that are rooted in these relationships (Tsai & Ghoshal, 1998). Last, the cognitive dimension of social capital reflects the existence of shared paradigm among individuals that facilitates a common understanding of collective goals (Tsai & Ghoshal, 1998).

### **2.2.1 Structural Social Capital**

As previously mentioned, the major attribute of structural social capital reflects the configuration of the social network (Nahapiet & Ghoshal, 1998; Taylor, 2007). By providing well-configured networks of relationships spanning key sub-networks, structural social capital can greatly enable access to essential knowledge (Taylor, 2007); further, linkages can reinforce workflow interdependencies and draw knowledge to relevant sites and various relevant participants (Stahl & Björkman, 2006, p.480; Taylor, 2007).

Network configuration implies that members can be positioned either on the network core or periphery while all of the participants are important elements for the functioning of the system (Rhodes, Lok, Hung & Fang, 2008). In the context of globally dispersed units, attention is specifically attributed to the so-called boundary spanners that are “*managers...crossing geographical and cultural boundaries (to) successfully develop social capital in multiple cultural settings*” (Taylor, 2007). Boundary spanners can be seen as individuals occupying core positions in a social network effectively used to build relationships among participants engaged in various work processes (Stahl & Björkman 2006, p.484), thus, “bridging” the various individuals and groups that would otherwise remain scattered (Au & Fukuda, 2002; Bogenrieder & Nooteboom, 2004; Taylor, 2007).

As discussed by Taylor (2007), boundary spanners can be individuals of various backgrounds and levels of the organization that not only provide contact among individuals and units but



also possess important firm-specific knowledge and capabilities that make cross-border work strategically important. Structural social capital depends on boundary spanners' ability to be able to form bonds in those different cultural and working environments. The environment is, after all, what determines whom one can establish a relationship with, the type of relationship that might exist and how a relationship is nurtured.

Ideally, as discussed by Au and Fukuda (2002), boundary spanners should be able of adapting to groups and communities of diverse cultural backgrounds; also being capable of connecting with internal agents. As noted by Bogenrieder and Nooteboom (2004) in their discussion of social networks, boundary spanners should be capable of breaking into existing communities of practice herein defined as “...a group of people who have common tasks, interact and share knowledge with each other either formally or informally” (Sparrow, Brewster & Harris, 2004, p.97). The task of a boundary spanning individual is to insure that a foreign group does not perceive him as one posing a threat in passing sensitive information from inside to outsiders (Bogenrieder & Nooteboom, 2004). That issue can be especially relevant in the context of cross- border integration efforts. Understanding cross-cultural interactions as to be able to reconcile differences, awareness of how business and specific job responsibilities are handled in a foreign country can be very beneficial (Bennett, Aston & Colquhoun, 2000; Janssens, 1995).

Adaptation to the foreign environment on the one hand is deemed desirable so that the international assignee (herein seen as boundary spanner) is capable of performing his job responsibilities as expected as well as being able to feel comfortable in the new settings (Sparrow et al., 2004, p. 148; Janssens, 1995). As this facilitates employee's development of valuable insights in relation to the local market it does not necessarily imply that in the long-run he will be willing to be engaged in global coordination efforts (Gregersen & Black, 1992). International assignees might become “too immersed” into the host operations or experience the so-called “*go native*” incidence implying the development of strong identification with the country's culture, language, values and business practices (ibid). This may become a major concern for companies since in such cases international assignees might loose existing strong connections with the home environment (Edström & Galbraith, 1977; Gregersen & Black, 1992; Tung, 1984).

Integration and coordination demand individuals that can be characterized as “dual citizens”, in other words, those that have double allegiance to both home and host operations (Van





Oudenhoven, Van der Zee & Van Kooten, 2001), thus, emphasizing their role as *boundary spanners*. Yet, the dual role of the boundary spanners puts them under the scrutiny of various stakeholders (e.g. home, host) and requires them to meet those stakeholders' expectations oftentimes being quite divergent (Au and Fukuda, 2002).

### **2.2.2 Relational Social Capital**

Relational capital, being an integral part of social capital reflects the type of personal relationships developed by individuals during the course of their interactions (Taylor, 2007). The central point of the relational dimension of social capital is the role of direct connections among the actors with the emphasis being placed on the “*relational, as opposed to structural outcomes of interactions*” (Inkpen & Tsang, 2005). While the structural dimension encompasses the creation of relationships via social interaction, the relational dimension is predominantly associated with assets which are embedded in these relationships (Tsai & Ghoshal, 1998).

One of the most valuable assets in that respect is trust which can be looked upon as the main constituent of relational capital (Hitt, Lee & Yucel, 2002; Stahl & Björkman, 2006, p.480; Taylor, 2007). Relational social capital builds employees' willingness to share valuable information and knowledge with their geographically and culturally distant colleagues (Taylor, 2007). Trust and strong interpersonal ties help establishing rich flows of tacit knowledge allowing employees to benefit from the experience of their counterparts (Stahl & Björkman 2006, p. 480). Having relational capital in place, employees may be more inclined to accept short-term trade-offs to facilitate achievement of overall organizational goals instead (Taylor, 2007).

#### **2.2.2.1 The Notion of Trust**

Trust can be defined as the state of mind associated with willingness to accept vulnerability based on positive expectations regarding the other party's intentions or performance, regardless of the possibility to control or monitor that party (Zolin, et al., 2004). Vangen and Huxham (2003) argue that ability to form expectations is deemed to be a necessary condition for trust development. Trust can emerge if certain expectations are not only formed but also fulfilled.

According to Vangen and Huxham (2003), if parties have not experienced any interactions in the past, they might form “*future-based trust*”. This type of trust can be reinforced by formal agreements made when parties are at the initial stage of their collaboration. Being an



impersonal substitute to trust, legal measures, however, may appear to have limited effectiveness (Mayer, Davis & Schoorman, 1995). As suggested by Vangen and Huxham (2003) if have a history of interactions, trust, or more specifically “*relational trust*” can be formed as a result of the “*repeated game*”. Last, trust can also be developed based on a potential partner’s good reputation on the market. Trust in such cases can emerge even if the parties have not been involved in previous cooperation. This type of trust is referred to as “*calculus-based*”.

Mayer et al. (1995) argue that formation of trust is directly linked to the trustor’s inclination to trust the other party as well as his opinion as regards the level of trustworthiness of the trustee. Propensity to trust other parties is a within-individual characteristic that usually influences the extent to which one party will trust another before obtaining credible objective data. Trustworthiness of the trustee depends upon his competence to perform particular activity, his willingness to help the trustor apart from profit considerations as well as his devotion to the principles followed by the trustor. However, Zolin, et al. (2004) state that even if the trustor does not perceive the other party as trustworthy he can still choose to cooperate due to high potential reward. Reward is, therefore, an important factor that can largely facilitate trust formation. Notably, perceived reward can increase if individuals representing different occupational fields cooperate and achieving final result is possible only if all of them are involved.

According to Mayer, et al. (1995), risk is another essential determinant of trust. To be able to get involved in trusting action a party has to take a certain degree of risk. The trustor needs to evaluate the risk by assessing the possibility of positive as well as negative outcomes. Having formed certain perception of the level of risk, the trustor is suggested to compare it with the level of trust. If the former appears to be higher, the trustor is not expected to get involved into the relationships. Likewise, if the level of trust is higher than the perceived risk the trustor will be more inclined towards building relationships. Finally, in order to sustain and strengthen trust after collaboration has been initiated, parties should perceive that their expectations towards each other have been met (Zolin, et al., 2004).

### **2.2.3 Cognitive Social Capital**

Building social capital is possible with the inclusion of the last but not less important element – cognitive capital. While relational capital, with trust being its central element, provides the motivation to interact, cognitive capital creates the understanding of what has to be shared



during the interactions (Morris, Shell & Wright, 2005; Stahl & Björkman 2006, p. 439). Cognitive social capital lays the foundations for translating ideas as well as know-how across different cultures and locations (Stahl & Björkman 2006, p. 480). Moreover, cognitive capital has the ability to strengthen organizational coordination and enhance employees “*absorptive capacity*”, thus, facilitating knowledge sharing across disparate organizational units (Taylor, 2007). The fundamental role of cognitive capital lies within its ability to “*predispose people toward mutually beneficial collective action*” (Grootaert & Bastelaer 2002, p.19).

There is no agreement upon which elements cognitive capital consists of. Taylor (2007) argues that cognitive capital incorporates such elements as shared goals and values. Shared values as stated by Nohria and Ghoshal (1994) reflect low levels of interests and preferences divergence among members of a group. Moreover, shared values indicate a sense of interdependence among individuals. Shared goals, on the other hand, reflect the extent to which individuals in the network have common understanding of tasks and outcomes as well as means of achieving them (Inkpen & Tsang 2005). Goal alignment may bond even a loosely coupled system and endorse the integration of the whole organization (Tsai & Ghoshal, 1998).

Inkpen and Tsang (2005) state that cognitive social capital has two main constituents, namely, shared goals and shared culture. The authors further argue that goal congruence creates the platform for understanding how to interact with each other and, thus, helps to avoid misunderstandings in communication as well as stimulates exchange of ideas and resources. Shared culture reflects the degree to which relationships are regulated by norms of behavior. Having in mind the context of the study, it becomes reasonable to talk about corporate culture. Just as there is no harmonized vision regarding the constituents of cognitive capital, there is no single definition of corporate culture. Kilmann, Saxton and Serpa (1985, cited in Meek, 1988 p. 457) define corporate culture as “*shared philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit organizations together*”. Davis (1985, cited in Meek, 1988, p.457) states that corporate culture is reflected in shared beliefs and values that shape “*the meaning of an institution for its members*” providing individuals with rules of conduct. However, what remains clear is that culture can be considered a major source of organizational identity (Schein 2009, p.16).

Being subtle methods of coordination and integration, common culture, values and goals, as suggested by Welch and Welch (1997), can help to create a sense of belongingness and build



an environment where individuals act in accordance with the company's interests. Yet, it might not be possible and at the same time reasonable to aim at establishing the same level of strong commitment to corporate culture and values among all members of the organization.

#### **2.2.4 Structural, Relational and Cognitive Social Capital Interrelatedness**

Tsai and Ghoshal (1998) propose that the three dimensions of the social capital construct are interrelated. The authors discuss that the structural dimension may stimulate the building of trust—a manifest of the relational dimension. The reasoning behind this notion is that trusting relationships evolve from the existence of social interaction.

Linking the relational and cognitive dimensions of the social capital construct, Tsai and Ghoshal (1998) emphasize that building common goals, values and shared vision leads to the establishment of trusting relationships. Existence of common values and goals helps to achieve harmony of interests, thus, limiting the possibility for opportunistic behavior. A relationship based on congruent orientation predisposes working towards common ends as well as diminishes the pursuit of self-interest demonstrated by the parties.

Last, the existence of social links and interaction (structural social capital) plays a vital role in both shaping a common set of goals and values as well as sharing of those goals and values among the members of an organization (Tsai & Ghoshal, 1998). Kostova and Roth (2003) argue about the ability of boundary spanners to exert influence upon the perceptions and attitudes of individuals while creating vital linkages. Put differently boundary spanners are able to facilitate the creation of cognitive capital by dispersing the attitudes and beliefs of non-boundary spanning employees.

### **2.3 Conceptual Model**

The objective of this section is to provide the reader with a synthesized view of the major theoretical tenets prior to data collection. The synthesized view termed also as a conceptual model is later on confronted with the empirical evidence obtained to lead to analytical elaborations.

Globally sourcing organizations can be associated with Ghoshal and Bartlett's (1990) conceptualization of the MNC as a differentiated interorganizational network where units are physically dispersed in considerably differentiated environmental settings; further, units substantially differ from each other due to the various roles they perform. The central premise of global sourcing is that integration and coordination of “*common items and materials*,

*processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operational locations*” have to be attained (Trent and Monczka, 2003; 2008). Hence, global sourcing implies integration and coordination among well-configured production units and a global level interface among manufacturing, R&D and marketing functions (Kotabe & Helsen, 2009, p. 290).

Achieving integration and coordination allows globally sourcing companies to exploit both its own and its suppliers’ competitive advantages as well as to largely capitalize on the comparative locational advantages of various countries (Kotabe & Helsen, 2009, p. 290; Kotabe & Murray; 1990; 2004). Effective coordination gives the benefit of achieving timely sequencing, scheduling and synchronization of interdependent activities performed by different team members and other relevant parties (Hauptman & Hirji, 1999; Van de Ven et al., 1976). Attaining integration gives the advantage of cooperation and productive conflict resolution through the mitigation of negative attitudes and behaviors stemming from differentiation and specialization (Hauptman & Hirji, 1999).

Integration and coordination of global sourcing activities across locations and functions is, however, far from being straightforward. Cultural distance among individuals can be looked upon as one of the major obstacles in this respect. Zolin et al. (2004) suggests the larger the cultural distance, the more difficult it can be to find common grounds of cooperation among individuals. Communication can be hindered by the absence of common language; even if present, challenges are still plausible due to misinterpretation on the behalf of one or both of the participants (Charles & Marschan-Pekkari, 2002). Further, Hinds and Kiesler (2002, p.59) remind us that when placed far away from each other individuals may have either limited or no possibility to have face-to-face interactions. Physical distance can, therefore, create yet another obstacle to cross-border collaborative work.

Finally, issues may arise due to the fact that intradepartmental or functional relations inevitably encompass collaboration of individuals coming from different professional milieus as well as having dissimilar educational backgrounds (Ellinger, 2000; Jassawalla & Sashittal, 1999; Zolin et al., 2004). In this respect, establishment of controversial objectives and unawareness of the each others’ views, beliefs and ways of resolving problems represent substantial ground for conflicts emergence rather than collaborative work taking place (ibid).

Aiming at the benefits arising from integration and coordination of global sourcing activities mitigation of the above mentioned challenges becomes essentially important. Being a



manifest of informal integrative and coordinative mechanisms social capital may be seen as an effective tool for achieving this goal. In the context of globally executed business practices social capital can be seen as “...*the intangible resource of structural connections, interpersonal interactions and cognitive understanding that enables a firm to (a) capitalize on diversity (b) reconcile differences*” (Stahl & Björkman 2006, p.477). Social capital is embedded in the relationships among individuals and groups both within the boundaries as well as outside the organization (Langnick-Hall & Langnick-Hall, 2003).

The contribution of social capital towards the achievement of integration and coordination of globally dispersed units can be threefold. First, by providing well-organized networks of relationships “bridging” key sub-networks structural social capital can greatly facilitate efficient knowledge flows and coordination (Nahapiet & Ghoshal, 1998; Taylor, 2007). Links formed by the structural dimension of social capital enable access to essential knowledge (Taylor, 2007); further, linkages can reinforce workflow interdependencies and draw knowledge to relevant sites and various relevant participants (Stahl & Björkman, 2006, p.480; Taylor, 2007).

A major role in that respect is played by the so-called boundary spanners occupying core positions in a social network and “bridging” the various individuals and groups that would otherwise remain scattered (Au & Fukuda, 2002; Bogenrieder & Nooteboom, 2004; Stahl & Björkman 2006, p.484 Taylor, 2007). The ability to link geographically and culturally dispersed units makes boundary spanners one of the essential elements for achieving integration and coordination of global sourcing activities. In the given settings they should be able to understand worldwide supply markets, negotiate and develop global contracts; further, possess analytical skills to think holistically beyond the purpose of the site or the region, be able to collaborate across functional boundaries and work effectively in various cultures and environments (Monczka, Handfield, Guinipero & Patterson, 2009, p. 19, p.350; Trent & Monczka, 2003; 2005).

Second, by facilitating the establishment of strong trustful relationships (Stahl & Björkman 2006, p. 480), social capital ensures employees’ willingness to share valuable information and knowledge with their geographically and culturally distant colleagues (Taylor, 2007). Rich flows of tacit knowledge allow employees to benefit from the experience of their counterparts (Stahl & Björkman 2006, p. 480). Having trustful relationships, employees may be more willing to accept short-term trade-offs to facilitate achievement of overall



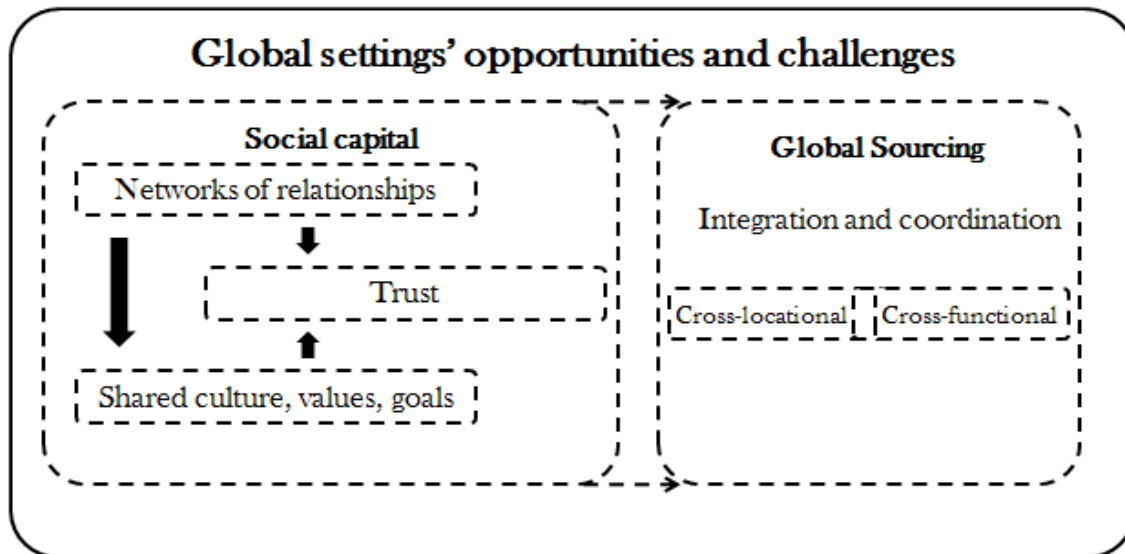
organizational goals instead (Taylor, 2007). Global sourcing involves cross-functional cooperation (Trent & Monczka, 2003) thus, individuals having different professional backgrounds are being brought together; they are not being able to substitute for each other and therefore can only trust that their colleagues will fulfill their responsibilities in a proper way (Sheppard & Sherman, 1998; Zolin, et al., 2004).

Third, social capital with its common culture, values and goals lays the foundation for translating ideas as well as know-how across different cultures and locations (Stahl & Björkman 2006, p. 480) In that respect, common culture, values and goals strengthen organizational coordination and enhance employees “*absorptive capacity*” (Taylor, 2007) as well as “*predispose people toward mutually beneficial collective action*” (Grootaert & Bastelaer 2002, p.19).

Establishing networks of relationships involving social interaction is a prerequisite for trust among participants (Tsai & Ghoshal, 1998). Further, the establishment of shared culture, values and common goals also facilitates trust in the network of relationships. Last, the existence of social links and interaction plays a vital role in both shaping a common set of goals and values as well as sharing of those goals and values among the members of an organization (Tsai & Ghoshal, 1998).

The above disclosed synthesized major theoretical tenets are visualized in Figure 1 below.

**Figure 1 . Integration and Coordination of Global Sourcing by Means of Social Capital**



**Source:** Authors' own elaboration

The right block represents global sourcing with its two major objectives, namely cross-

locational and cross-functional integration and coordination partly overlapping due to the interrelated nature of those two constituents (cross-locational integration and coordination refer to production units that also are part of cross-functional work; on the other hand, cross-functional additionally involves the cross-locational element of coordination and integration). As previously denoted, given the global settings in which such integration and coordination should be attained, a range of challenges stemming from the dispersed organizational units' differences arise (see Fig. 1). Yet, achieving integration and coordination presents highly desirable opportunities for companies to capitalize on diversity of competitive as well as comparative advantages. People holding the globally sourcing organization together through the “*intangible resource of structural connections, interpersonal interactions and cognitive understanding*” is suggested to function as a mechanism as to reconcile differences to allow benefits from heterogeneity (see left block in Fig. 1).





### 3. Methodology

*The objective of this chapter is to describe the methodological approaches employed in the present research as well as to provide the reasoning behind the choices made by the authors. The chapter covers discussion in relation to choice of literature, research approach as well as design, data collection and analysis techniques as well as credibility of the research.*

#### **3.1 Choice of Literature**

As a starting point of building the theoretical ground of the present research the authors turned to literature discussing integration and coordination of MNCs' global activities. This provided an understanding of plausible benefits and challenges that companies may face on the way towards integrating and coordinating their globally dispersed units. Issues of cross-locational as well as cross-functional integration were specifically brought up as to address the two major integrative and coordinative objectives of global sourcing.

Next, taking into consideration the study's intentions to explore the role of social capital in achieving integrative and coordinative objectives, the authors of the study turned to examine the array of social capital literature elaborations. The researchers chose to focus on social capital in global context as that was a fundamental prerequisite having in mind the purpose of the research. The three main theoretical constituents of social capital became the three major building blocks of that respective section in the study's theoretical framework. Further, extensive theoretical review was performed as to embrace issues pertaining to the three dimensions of social capital.

The built theoretical framework provided the basis for deriving a conceptual model presented at the end of Chapter 2. The derived conceptual model was later on confronted with empirical findings as to arrive at analytical insights.

#### **3.2 Research Approach**

The main purpose of the present research is to explore how social capital can be utilized as an integrative and coordinative mechanism in global sourcing. To the best of the authors' knowledge, research in this direction has not been done implying that the present study examines a new interest which goes in line with Babbie's (2007, p. 92) suggestion that such an investigation is considered exploratory in nature.

In new fields of investigation where little work has been done and little is known about the nature of the phenomenon, qualitative inquiry is an appropriate research approach strategy



(Merriam & associates, 2002, p. 5; Patton, 1990, p.131; Strauss & Corbin, 1990, p.11;). Employing a qualitative approach to stay open and prepared to recognize unexpected developments is deemed largely beneficial in such situations (Stake, 2010, p. 15). Patton (1985, p.1) underlines that qualitative research can be seen as “*an effort to understand situations in their uniqueness as part of a particular context...to understand the nature of the setting- what it means for participants to be in that setting...*”. Gaining deep insight into what the phenomenon of global sourcing activities integration and coordination means for those involved underlies the major premise of the present study. In an attempt to create such an in-depth understanding of a phenomenon and its meaning Merriam and associates (2002, p.5) denote that qualitative researchers take steps towards theory building.

### **3.3 Research Design**

#### **3.3.1 Case Study**

Case study approach is especially applicable empirical inquiry when researchers investigate a contemporary phenomenon embedded within its real-life context (Yin, 2009, p.8). In that respect, the integration and coordination of global sourcing activities contextualized in particular organizational and managerial settings provides the idiosyncrasies for a case study research design. Merriam’s (1998, p.27) definition of case study as being an “*an intensive, holistic description and analysis of a single instance, phenomenon, or social unit*” largely underlines the feature of entirety and in-depth case elucidation.

Yin (2009, p.18) further denotes that case study as an empirical enquiry applies to situations when the boundaries between the phenomenon and its context are not clearly discernable, yet, they are highly pertinent when studying the phenomenon. Additionally, they are hard to understand a priori (cf. Yin, 2003, p.13). Overall, looking at the phenomenon of global sourcing integration and coordination it is not only deeply immersed in its context but also the boundaries between the phenomenon and its overall organizational and managerial settings are hard to distinguish and to know of in advance. Thus, the authors of the present study feel confident with the choice of a research tactic. Last, as discussed by Yin (2009, p. 13, 27) case study research strategy is deemed appropriate given that the main assertion of the present study is based on a how question (denoted by How can social capital be utilized as an integrative and coordinative mechanism of global sourcing?)



### **3.3.1.1 Multiple Case Study**

The present research employs a multiple case study approach that implies an extension of the case study design (Bryman & Bell, 2007, p. 64; Merriam, 1998, p.40). Multiple case study design was deemed highly desirable for the present research for a number of reasons. First, as discussed by Bryman and Bell (2007, p. 64), employing several rather than one case study is largely undertaken with the purpose of considering what is unique and what is common across the cases, thus, the results obtained from each case can be contrasted to each other. A cross-case comparison where the cases are perceived as interpretive (a term introduced by Merriam, 1998, p. 38) provided rich, thick description of social capital as an integrative mechanism in global sourcing; further, contrasting the cases evoked analytical reflection and impelled theorizing of how social capital is utilized as such mechanism. Second, multiple case study design was considered highly desirable by the authors since evidence and interpretations derived from multiple cases is deemed more compelling, thus, the overall study is considered more robust (Merriam , 1998, p.40; Yin 2009, p. 53).

### **3.3.1.2 Case Selection**

The process of case selection for the present study started with identifying specific criteria for selection of the most appropriate companies providing the basis for the investigation. Patton (1990, p.176) refers to that as criterion sampling and argues that such an approach facilitates the selection of information-rich cases. Considering the nature of the present study the following criteria were established. The companies chosen needed to be multinational having considerably dispersed sourcing operations. Further, their sourcing operations had to be of strategic importance, thus, being an essential part of the companies' primary value chain activities.

Further, suitable combination of individual cases that meet the above mentioned criteria was considered. The premise of achieving maximum heterogeneity served as basis for choosing the right set of individual cases. The authors of the study, therefore, employed what Merriam & associates (2002, p. 29) call maximum variation sampling. The logic behind this strategy lies within the diversity in the nature of the selected entities. Any common patterns found within considerable variation sample have particular value for a research Patton (1990, p. 172) since the greater the variation across the cases, the more compelling the interpretation is likely to be (Merriam, 1998, p.40). Case variation was achieved by selecting companies that operate in different industries. Industry diversity was ensured to the best possible extent.



Having developed a clear understanding of what the most suitable companies for the current study are, the authors further employed a more pragmatic approach. Convenience sampling as described by Patton (1990, p. 180) has been used at the final stage of case selection. Such factors as geographic proximity and accessibility influenced the selection of the final sample of 5 companies matching the defined criteria (see Table 1 for more details; due to confidentiality issues one of the companies' names is not disclosed) It is worth noting that two of the companies do belong to the same industry. Nevertheless, the researchers felt confident including both of them due to the dissimilar nature of their operations – one being garment retailer while the other offering textile and non–textile home accessories.

The above described combination of case selection tactics all pertaining to purposeful sampling (Patton, 1990. p 169) ensured that highly relevant case companies became a source of primary data for the present study. Case selection was terminated once an optimal level of data saturation was achieved.

**Table 1. Case Companies**

<b>Company Name</b>	<b>Industry</b>
Mölnlycke Health Care AB	Health care
Hermtex AB	Textiles
Nilson Group AB	Footwear
Hygiene Company X	Hygiene products
Gina Tricot AB	Textiles

### **3.4 Data Collection**

#### **3.4.1 Primary Data**

Primary data collected by the researchers served as foundation of the study's analysis. It was obtained by means of conducting interviews with company representatives involved in sourcing operations. In the context of the present study, interviewing was chosen as the most appropriate means of data collection; it involves personal interaction and, therefore, gives the possibility to ask additional questions in order to clarify what is implied by respondent as well as elucidate the meaning of the question posed by the interviewer. Therefore, it permits obtaining of accurate and in-depth information which is vital considering the exploratory nature of the study as well as the complexity of the research area.



### ***3.4.1.1 Choosing the Respondents***

The initial intention of the researchers was to interview managers whose responsibilities within the company were directly related to the sourcing operations. In this respect, two main criteria were applied in order to choose the right individuals for the interviews. First of all, interviewees were required to have a holistic picture of the sourcing operations of the company; in other words having major roles and occupying key positions in relation to sourcing operations. Second, they should have worked with the company for a considerable amount of time and be aware of the developments in global sourcing operations.

When conducting interviews with some of the managers responsible for sourcing operations it became apparent that HR managers were also knowledgeable of some of the issues related to the research topic and were able to provide valuable insights. Therefore, HR managers of several companies were interviewed as well. Certain criteria for this category of interviewees were also developed: they were needed to have a holistic picture of the HR activities in the company and be aware of HR practices influencing global sourcing operations in particular.

### ***3.4.1.2 Developing Interview Guide***

To serve the purpose of the primary data collection an interview guide was developed. Patton (1990, p. 283) argues that interview guide aids in ensuring that identical information is obtained from different individuals by covering the same material. Moreover, it helps to ensure that the usually limited time that interviewees have at their disposal is efficiently used. Further, it gives the possibility to systematize the interviewing process by sorting out less relevant issues and focusing only on the most germane and important ones.

Since there has been general clarity regarding the identification of the key issues of research interest it was possible to construct a relatively detailed interview guide (see Appendix 1). The guide contains open-ended questions so as to avoid a situation of interviewees' preconceived ideas being imposed on the respondents. The interview guide consists of an introductory section requesting information as regards the interviewee's background, followed by questions regarding the organization of company's sourcing activities and the challenges associated with them. Next, more specific questions in relation to the structural, relational and cognitive dimensions of social capital are included. While the initial interview guide (see Appendix 1) was used when interviewing managers whose responsibilities were directly related to sourcing operations, several questions were omitted when interviewing HR managers since the researchers had already received explanation from sourcing and



purchasing managers in relation to them (see Appendix 2). As in the case of the first category of respondents, HR managers were interviewed in the same systematized manner while there has been room for additional questions. Overall, 8 interviews with companies' representatives were conducted (see Table 2).

**Table 2. Illustration of Data Collection- Interviews**

<b>Company Name</b>	<b>Location</b>	<b>Number of Interviews</b>	<b>Interviewee/s Position</b>	<b>Interview Type</b>
Mölnlycke Health Care AB	Gothenburg, Sweden	2	Sourcing Director, Wound Care	Face-to-face
			HR Director, Wound Care	Face-to-face
Hemtex AB	Borås, Sweden	2	Purchasing Developer	Face-to-face
			Head of HR Department	Telephone
Nilson Group AB	Varberg, Sweden	2	Manager Purchasing Development	Face-to-face
			Purchasing Manager, Din Sko	Face-to-face
Hygiene Company X	Gothenburg, Sweden	1	VP Sourcing, Hygiene Products	Face-to-face
Gina Tricot AB	Borås, Sweden	1	Area Manager	Face-to-face

### **3.4.1.3 Interviewing process**

Distinctive feature of interviewing for the present research is that it incorporates elements of a standardized open-ended interview and a general interview guide approach as named by Patton (1990, p. 288-289). The reason behind such a combination lies within the premise of deriving the benefits from both approaches while compensating for the drawbacks of each (i.e. on the one hand, absence of flexibility that limits naturalness and relevance of questions and on the other - excessive flexibility leading to different responses and reduced comparability).

As it is postulated in the standardized open-ended interview approach each group of respondents was asked the same questions which allowed decreasing the possibility of what is called the bias rooted in conducting different interviews for different people. Standardization of the interviews made it possible to obtain systematic data. In line with the interview guide approach the sequence of questions was changing from interview to interview depending upon the received answers. Moreover, there was a room for newly emerged questions related to the matters that were stated in the developed questionnaire.

Such combination of approaches allowed to achieve flexibility and somewhat situational character of the interviews but at the same time did not put the systematic nature of data collection under question.

Duration of the interviews varied from 45 minutes to 1 hour and 10 minutes depending on the time required to cover all the main issues in each particular interview. Most of the interviews took the form of face-to-face interactions and were performed at the companies' headquarter offices. Nonetheless, due to practical reasons one of the interviews was conducted over the telephone. As suggested by Yin (2009, p. 72), in all the interrogation the authors of the present study put their efforts into accessing the perspective of the interviewees rather than tried to enforce their own perception emerging during the development of theoretical grounds of the research.

Since the interviewees gave their permission to use voice recording device higher accuracy of data collection was ensured. Shortly after conducting each of the interviews, the rich data was transcribed. In addition, notes and remarks were taken in the course of the interview in order to strictly follow what has already been covered by the interviewees. After data transcription, a number of additional questions to several of the interviewees emerged. Follow-up e-mails were sent to the respondents regarding clarification of the arisen issues of interest.

### ***3.4.2 Secondary Data***

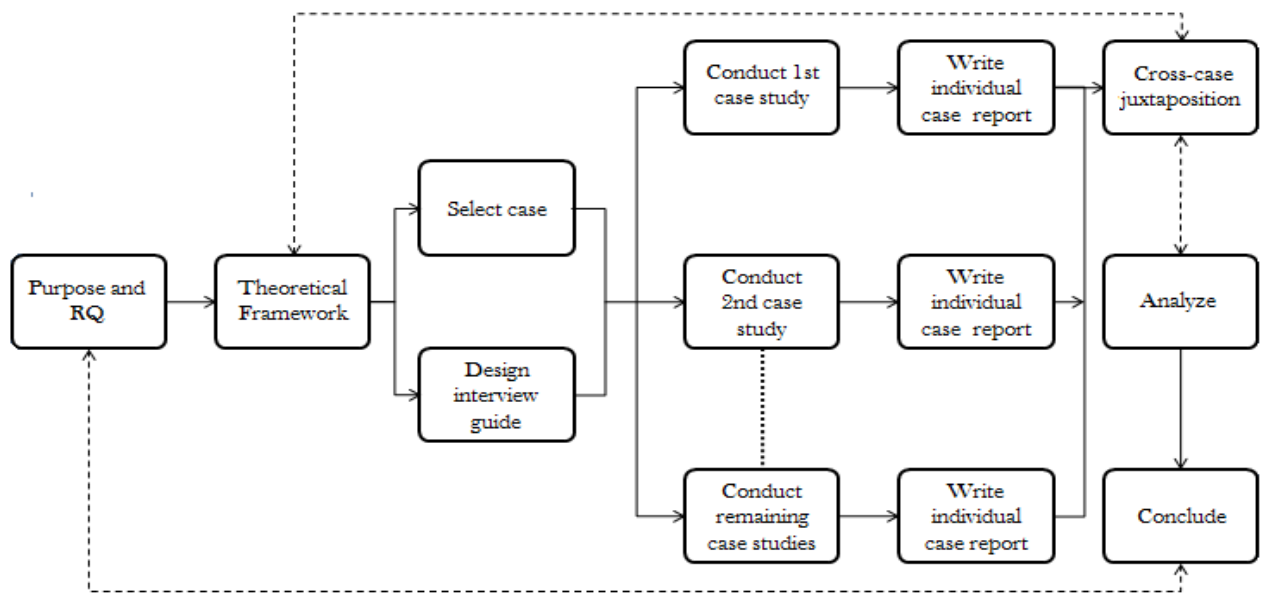
Secondary data obtained from the official company websites as well as printed materials served as supplements to the interviews. Information provided at the companies' websites helped to gain general insights into their activities before conducting the interviews and, therefore, assisted in being "equipped" prior to data collection. Leaflets and brochures provided by the respondents in the course of the interview further contributed to the development of a holistic understanding of the companies' background and current activities.

### ***3.4.3 Data Analysis***

Taking into consideration once again the purpose of the present study as well as its overall design, the authors aim at initiating steps towards theorizing which becomes the major objective of the data analysis. The logic of systematically initiated steps all taking the researchers one step further towards theorizing is depicted in Figure 2.



**Figure 2. Study and Analysis Process**



**Source:** Authors' elaboration based on Yin (2009, p. 57)

As mentioned by Eisenhardt (1989), in situations of theory building from case studies, formulation of a leading research question is deemed highly desirable. *A priori* identification of constructs (i. e. theoretical framework in Fig. 2) is considered valuable in some respects as it provides guidance in the process of theory emergence, yet, also being open is necessary to avoid inducing preconceived perspectives (Eisenhardt, 1989). Continuous juxtaposition of case reports with the aim of synthesizing the data as well as iterative interplay between the data and the *a priori* identified constructs all that with a theorizing orientation (denoted by the dashed two-way oriented line between cross-case juxtaposition and theoretical framework) formed the analysis. Conclusions corresponding to the purpose of the study were drawn.

### **3.4.4 Credibility of the Research**

To ensure credibility and reliability of the study, the authors of the present research adopted several key instruments. As advised by Merriam and associates (2002, p. 25), to address the issue of internal validity, namely how congruent one's results with reality are, a triangulation tactic of data collection and analysis was employed. Multiple sources of information are deemed highly desirable (Yin, 2009, p.114), therefore, as regards primary data collection, the authors of the study obtained more than one respondent in those cases where it was possible. Sources of secondary data were also diverse including internal company materials as well as external company publications. Multiple sources of information allowed the authors to



develop as Yin (2009, p. 115) name it “*converging lines of inquiry*” where the researchers were engaged in a constant interplay between triangulation and confirmation to derive realistic facts and occurrences.

Once the data analysis process was initiated, the authors of the present study frequently engaged in peer discussions involving knowledgeable colleagues that were capable of providing insights on the emerging findings. Further, as recommended by Merriam and associates (2002, p. 26) as well as to address certain ethical issues, member checks were performed. Company participants were provided with the empirical findings and their interpretation to comment on validity. Peer discussions and feedback obtained from company participants confirmed consistency between the data collected and the interpretations derived.

Finally, qualitative based research having a rather small sample size has been associated with the concern of impossibility of generalizing (Patton, 1990, p.486). Yet, cases involving inquiry of this type and their applicability are not to be required to achieve generalization; instead they are associated with the possibility for the findings’ application to other similar situations (Merriam & associates, 2002, p. 28). In this respect, Patton (1990, p. 489) promotes a thinking of “*context-bound extrapolations*” rather than generalizations that called for a rich, thick description provided by the authors of the present research as to disclose in detail the study’s idiosyncrasies. In addition, selecting diverse cases (i.e. achieving maximum variation sampling) further strengthened the external validity of the study (Merriam & associates, 2002, p.29).



## 4. Empirical Evidence

*The primary objective of the present chapter is to disclose the empirical data obtained mainly from primary sources of evidence. The section starts with providing the reader with a short description of the companies pertaining to the thesis sample. Further, the empirical evidence in a cross-case juxtaposition manner is thoroughly presented following the logic of the previously outlined major theoretical tenets of the research.*

### 4.1 Company Presentation

#### **Mölnlycke Health Care AB**

Mölnlycke Health Care is one of the world's leading producers of single-use surgical and wound care products and services offered to customers that operate within professional health care sector (Mölnlycke Health Care, 2010). The company started to operate independently in 1998 and was acquired by investor in 2007. It is headquartered in Gothenburg, Sweden, and employs around 6 200 people in twenty- five offices located in Europe, Middle-East, North America and Asia Pacific (Mölnlycke Health Care, 2010). The company's sourcing activities are characterized by the existence of production units portfolio including company-owned manufacturing facilities, raw material suppliers as well as finished goods contract manufacturers (Sourcing Director Wound Care, Mölnlycke Health Care). The company's own plants are located in Belgium, UK, Malaysia, Thailand, the Czech Republic, France and Finland (Mölnlycke Health Care, 2010). The sourcing director at Mölnlycke Health Care shared that while contract manufactures are mainly in Asia, most of the raw material suppliers are located in Europe and US. Mölnlycke's supplier base is quite extensive: wound care cooperates with 150 suppliers while the surgical division accounts for even larger amount.

#### **Hemtex AB**

Hemtex is a leading producer of textile and non-textile home accessories in the Nordic region (Hemtex, 2008; Hemtex, 2010). The company was established in 1973 with its head office located in Borås, Sweden. Hemtex operates around 200 stores in Sweden, Denmark, Norway, Finland and Estonia with overall around 550 employees. Hemtex has four main product areas, namely bedroom, bathroom, window as well as eat and socialize (Hemtex, 2008; Hemtex, 2010). The purchasing developer at Hemtex shared that the company does not own any manufacturing facilities; instead it works with around 145 independent suppliers of finished products from countries like Bangladesh, China and India and others. Suppliers'



activities are coordinated by purchasing offices located in China and Bangladesh.

### ***Nilson Group AB***

Nilson Group AB is one of the leading Nordic footwear retailers established in 1955. The Group owns a range of retail outlets including DinSko, Nilson, Skopunkten and Jerns (Nilson Group, 2010). The company's headquarter office is located in Varberg, Sweden. The Group currently employs around 1, 300 people. Nilson Group has around 270 stores in Sweden, Norway, Finland and Denmark. All of the company's production is performed by independent manufacturers most of them located in China and Vietnam (Manager Purchasing Development, Nilson Group). A small amount of production is outsourced to European suppliers. Overall the company is cooperating with approximately 100 suppliers. Nilson Group has established two production offices in China and in Vietnam (ibid).

### ***Hygiene Company X***

Hygiene Company X headquartered in Stockholm, Sweden was founded in 1929. It is a leading developer and producer of personal care products, tissues etc. with four main business divisions (VP Sourcing, Hygiene Company X). The products are sold in more than 100 countries. Hygiene Company X has experienced considerable growth over the past decade and still continues to expand its operations. The company has around 50,000 employees. Hygiene Company X owns around 360 manufacturing facilities but also cooperates with numerous independent suppliers. Each of the four business areas has its own production base with suppliers being located all over the world (VP Sourcing, Hygiene Company X).

### ***Gina Tricot AB***

Gina Tricot is a fast growing garment retailer company established in 1997 (Area Manager, Gina Tricot). Its headquarter office is situated in Borås, Sweden; the company currently employs around 2000 people. Gina Tricot's products are sold on the Swedish, Finnish, Danish and Norwegian markets (Area Manager, Gina Tricot). The company's business concept is to offer fashionable clothes at affordable price levels (Gina Tricot, 2010). The company does not have its own manufacturing facilities. Production of the finished goods is executed by hundreds of independent suppliers in Asia and Europe (Area Manager, Gina Tricot).



### ***Concluding Remarks***

As can be seen from the above description, the sample companies used as sources of empirical evidence differ from one another in a range of aspects. Some companies have existed for a considerable period of time while others have been recently established. Further, the companies differ in their size indicated by the number of employees and scope of operations. More importantly, the chosen MNCs belong to different industries (with the exception of two that still denote considerable dissimilarities) where demands for the organization and functioning of the sourcing operations are considerably different. Yet, key commonalities along with the differences across the globally sourcing companies could also be identified.

## ***4.2 Challenges of Performing Dispersed Sourcing Operations***

### ***4.2.1 Cross-Locational Challenges***

All of the respondents informed about certain challenges that their respective company faces when operating with dispersed sourcing locations<sup>1</sup>. First, cultural differences were referred to. In this respect, when talking about distant suppliers, respondents mentioned different ways of doing business. *“It’s easier to cooperate with European suppliers because we have similar way of doing business”* – shared one manager<sup>2</sup>. Additional good illustration of that challenge emerged from the words of another manager with the problem of *“We question a lot of things. And they [suppliers in China] are not used to questioning and they don’t want to say that they don’t understand, because then they loose face”*. Dissimilar way of solving problems was often mentioned as well.

Most of the respondents informed about the occurrence of misunderstandings. For instance, one of the managers stated: *“English is not our native language. I imply one thing and they [suppliers] interpret it in another way”*. Another one informed that achieving supplier understanding is very important, but still challenging because common understanding is hard to control for. One response, however, stands out: one of the managers argued that the closest relationships were developed with Asian suppliers since they tend to show less signs of pragmatism and suspicion as compared to European and American ones. Stability of personal relationship establishment seemed to be highly valued by the Asian suppliers.

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<sup>1</sup> The terms sourcing locations and production units/facilities are used interchangeably.

<sup>2</sup> Due to issues of confidentiality, respondents are occasionally not cited directly.



Geographical distance was seen by the majority of the respondents as a notable challenge. Head of HR department at Hemtex expressed an opinion that distance creates additional constraints: "... *it is very different to be with someone in the same building and to work with someone on the other side of the Earth*". The respondent from Hygiene Company X noted that distance poses a problem of communication frequency.

#### **4.2.2 Cross-Functional Challenges**

Cross-functional work is also obstructed by a number of factors. One of the major challenges mentioned by respondents was the difference of professional objectives and backgrounds. Mölnlycke's sourcing director for instance shared that while his target was to achieve cost reduction, the target of the R&D department was to find new interesting products, which implied internal competition for resources and intense discussions. Gina Tricot's respondent noted that while designers' target is to come up with sophisticated design, the buying department is commercially oriented which implies high concern as regards price levels.

Further, differences in cultural background were seen as another challenge. One manager responded: "*We have international cross-functional teams and we have a lot of tough discussions*". Discussions often concerned different approaches towards the work process. Respondents from the companies with less diversity viewed this issue as being somewhat less important, but still notable.

Last, given the global scope of the companies' activities, geographical distance was reported to be another obstacle. When reflecting upon the relationships between production office in China and design department in Sweden, one of the respondents from Nilson Group pointed out: "... *it is of course difficult because they are located at two different sides of the world*". When discussing the issue of distance one manager shared that in certain occasions distance can be translated into time pressure that can have negative effect: "*It's very tight all the time, if something goes wrong people start to get stressed and may be start blaming each other for that*". Another one elaborated in a similar direction pointing that lack of planning might be detrimental when members need to execute activities for which time and distance matter.

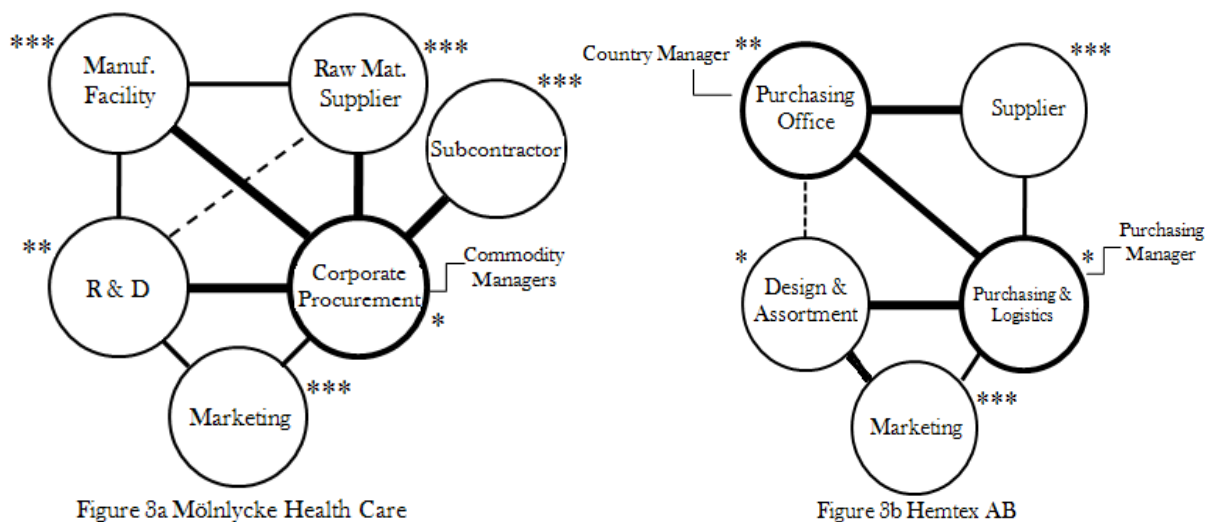
Last, one of the managers expressed an opinion that challenges come from the fact that functional members have different understanding of the way relationships are built: R&D representatives would prefer to have more personal relationships while sourcing people feel the necessity to have more pragmatic commercial ones.

### 4.3 Network Configuration

All the company respondents used as sources of empirical evidence could provide an overview of their sourcing operations in terms of cross-locational as well as cross-functional activities. A visual representation of the data obtained in relation to the organization of those activities, their location as well as the types of relationships existing among them is provided by Figure 3 below.

In the case of Mölnlycke (see Fig. 3a), vital interface occurs in the corporate procurement-R&D- manufacturing triad (Sourcing Director, Mölnlycke). Hemtex, Nilson, Hygiene Company X as well as Gina Tricot follow similar pattern of important linkages; yet, being characterized by the specificities of the industries they belong to (as denoted by the variations illustrated by Fig. 3b, 3c, 3d and 3e). While Mölnlycke indicates lower intensity linkages between R&D-marketing as well as corporate procurement -marketing (Sourcing Director, Mölnlycke), Hemtex, Nilson and Hygiene Company X noted that marketing plays an important role in cross-functional work with especially strong relationship between marketing and the respective design functions (Purchasing Developer, Hemtex; Manager Purchasing Development, Nilson; VP Sourcing, Hygiene Company X). Finally, the area manager at Gina Tricot shared that high intensity interactions in the design-buying-marketing triad is a key success factor for the company (see Fig. 3e).

**Figure 3. Network Configuration**



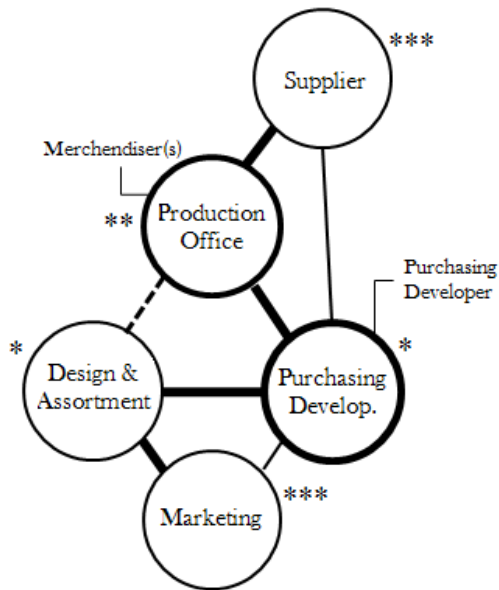


Figure 3c Nilson Group AB

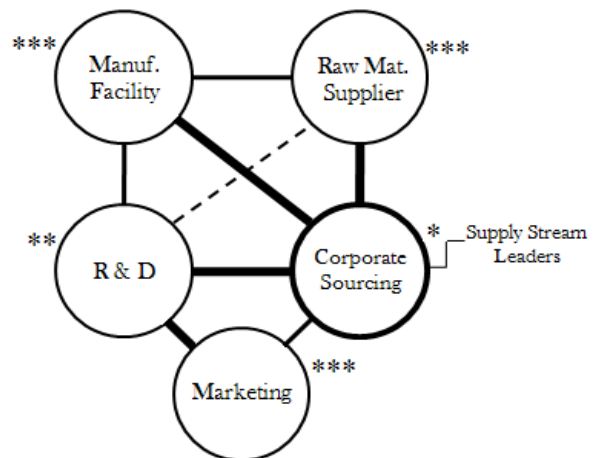


Figure 3d Hygiene Company X

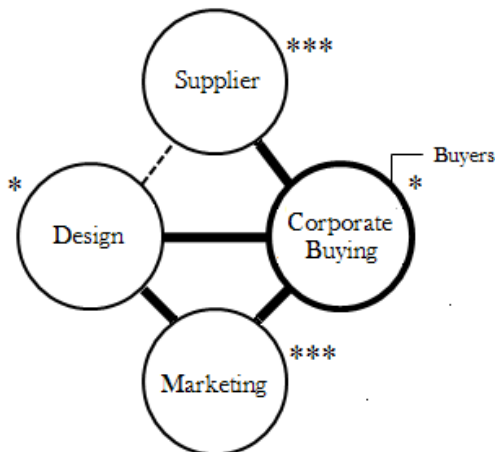


Figure 3e Gina Tricot AB

- High intensity of interactions
- Lower intensity of interactions
- - - Indirect relationship
- \* Single country
- \*\* Several countries
- \*\*\* Numerous countries

Looking at the manufacturing functions of the companies, Mölnlycke’s sourcing director shared that strategically important suppliers are equally powerful and in certain cases more powerful than the company itself. In that respect, Hemtex and Nilson pointed out the dominant role of their respective companies over suppliers (Purchasing Developer, Hemtex; Manager Purchasing Development, Nilson). Representative of Hygiene Company X as well as Gina Tricot noted that the relative power of their respective companies vis-à-vis suppliers vary across the different partners they have. All companies’ representatives shared that long-term supplier relationships are of vital importance.

#### 4.3.1 Core Network Members

All company representatives indicated certain individuals serving as linkages among production facilities (whether owned or not) as well as connecting the production facilities

with other functional groups (i.e. R&D, marketing). The identified individuals hold various job titles and differ in many aspects which is not surprising having in mind the different industries their respective companies belong to. Yet, it should be noted that they usually pertain to the sourcing/procurement/purchasing department in their respective companies. They are required to possess a wide array of professional as well as interpersonal skills as to manage their major responsibilities. The following detailed description was deemed necessary as to shed light on common patterns across the cases, still allowing for the diversity of the data speaking for itself.

In the case of Mölnlycke, linkages among production facilities (whether owned or not) as well as connecting manufacturing as a whole with the other functions of the company (i.e. R&D, marketing) is ensured by the so-called commodity managers (see Fig. 3a). They belong to corporate procurement each of them responsible for a particular key material/group of materials (see Fig. 3a). According to Mölnlycke's sourcing director, commodity managers work in cross-border environment frequently visiting suppliers as well as the companies' own manufacturing facilities where communication skills and cultural differences awareness is important. Further, the respondent shared that "*good negotiation skills...commercial experience and very often engineering background*" is required boiling down to the fact that in addition to dealing with suppliers commodity managers should "*be able to work in cross-functional teams*". Those individuals should be capable of "*manag[ing] the expectations*" of suppliers, R&D and manufacturing which can be "*quite tough*". The same issue was brought up by Mölnlycke's HR director, adding that "*sub-optimization*" of the commodity managers should be avoided as that might cause conflicts among the different parties. Further, the company's sourcing director shares that position descriptions for those individuals are "*much more human related*" than in the past.

In the case of Hemtex, the individuals responsible for the linkages with production facilities (in that case independent suppliers) and functional groups include the company's purchasing manager (partly also her subordinates) as well as country managers that belong to the purchasing offices located in Asia (see Fig. 3b). The purchasing manager at Hemtex is responsible for the operations of the company's purchasing offices as well as for managing the supplier portfolio including issues of sourcing (new developments like new products, new suppliers etc.) as well as CSR. The everyday responsibilities of the purchasing manager include supervising the flow of inquiries coming from design and assortment, managing issues of price, quality and lead time (Purchasing Developer, Hemtex; HR Manager, Hemtex). The





purchasing manager frequently visits the suppliers as well as the purchasing offices. Overall, purchasing and logistics representatives are *“the spiders in the net...creating linkages between suppliers and other functions”* (Purchasing Developer, Hemtex).

Next, country managers occupying leadership roles at the purchasing offices of Hemtex have also been indicated as key linking individuals. Like the purchasing manager, country managers are responsible for CSR and quality issues, frequently visiting suppliers providing training and other assistance as well as frequently visiting the head office in Sweden (Purchasing Developer, Hemtex; HR Manager, Hemtex).

Looking at Nilson, linking individuals identified include the company’s manager purchasing development as well as merchandisers operating at the company’s Asian production offices (see Fig. 3c). Manager purchasing development is the one that most often visits suppliers (after merchandisers) to *“...get everything to work...quality control, CoC issues, risk management issues, business issues with suppliers, issues with new development of routines, everything...managing the supplier base ”* (Manager Purchasing Development, Nilson). She is the person that should ensure common understanding among the suppliers on one side together with production offices and the head office on the other. Merchandisers have the responsibilities of quality control, evaluating and recommending suppliers and at the same time being a link between the design in Sweden and the suppliers.

In the case of Hygiene Company X, the so-called supply stream leaders (see Fig. 3d) are responsible for the above mentioned linkages. Each supply stream leader is in charge of a category of raw materials *“creating a supply stream strategy”*. In that respect, the supply stream leader should possess both *“socializing and structural abilities”* (knowledgeable and skillful in terms of negotiations, choosing the right suppliers, locations, performing market analysis etc.). Supply stream leaders are the ones that have *“...ownership of the relationship with the supplier...”* (VP Sourcing, Hygiene Company X).

Supply stream leaders are responsible not only for the commercial but also for the technical issues in relation to the materials. Those individuals serve as a link between suppliers and manufacturing but also are responsible for managing the so-called *“supply stream team”* (comprised of production, R&D, logistics and often marketing specialists). Visits at the suppliers’ sites are frequently performed by the supply stream leaders and often by the whole supply stream team. Last, the VP sourcing shared that supply stream leaders should *“align”* the interests of various parties (e.g. engineers are eager to have project with a certain supplier

that the supply stream leader has chosen to phase out due to cost reasons) sometimes making tough decisions and compromises.

Last, Gina Tricot's representative shared that individuals who create linkages with production units (independent suppliers in the case) and also linking them with the other functions of the company are the so-called buyers (or area managers) that belong to the buying department (see Fig. 3e). Each buyer (area manager) is responsible for a particular set of products. This individual is managing the respective products' supplier base. A buyer manages connections with suppliers "*creating personal relationships with them*", thus, aiming at keeping them "*close to the company*" despite cultural and distance issues. On everyday basis buyers are working with negotiations, quality, quantity issues (i.e. order placing), sending design samples communicating with suppliers and very frequently visiting them. Further, buyers are often engaged in joint-problem solving with suppliers. Last, buyers are required to closely work with marketing and especially design specialists.

#### ***4.4 Importance of Trust***

All of the respondents were asked to critically reflect upon the issues of trust in relationships with production units as well as among employees from the different functional groups whose responsibilities are in some way or another related to the global sourcing activities. When reflecting upon trust issues in relations with suppliers, respondents provided a wide array of advantages associated with its development. First of all, majority of the interviewees claimed that it is not possible to completely rely on legal agreements since they do not provide protection from all complications. "*You can have legal agreements but in the end it's just about trust*" shared the purchasing developer at Hemtex.

Second, looking at the issue of trust from a supplier perspective, some of the respondents pointed out that if their companies were not perceived as trustworthy suppliers could stop the cooperation. One respondent referred to "*guanxi*" implying that their Chinese suppliers value trust in relationships sometimes even higher than official documents. Trust was found to be positively related to joint problem-solving. One of the respondents informed that the company helps its suppliers in case they are not able to provide suitable price levels (e.g. helping them to find suitable sub-suppliers) and suppliers in their turn agree to store products at their warehouses in case there is no current demand; yet, the order, as promised by the company, will be repeated.



Finally, efficiency was reported to be an important outcome of building trust with suppliers. When trusting their suppliers, companies did not feel the necessity to control all of their operations, which allowed saving time and resources. Notably, while some respondents put somewhat stronger emphasis on the importance of company's trust in their suppliers, others pointed out that both company and suppliers should have trust in each other.

While stressing on the high importance of trust, all of the respondents stated that the companies execute control over suppliers throughout the whole cooperation. Supplier evaluation takes place as well, being present at the inception of the partnership. For example, respondent from Hygiene Company X noted that the company is built on trust but there is also a *"frame of control"*. His colleague at Mölnlycke informed that the company has supplier evaluation process which is *"quite thorough"*. One of the respondents stated that their company has a distinct approach when new suppliers' selection takes place: *"We don't go to unexplored markets...when we enter China or Bangladesh or India, the other companies have been there for years... we follow that path... we know that they [suppliers] are suitable for us"*.

Trust was found to be important factor in cross-functional work as well. For instance, manager purchasing development at Nilson Group stated: *"If you have trust you don't need to double-check everything. It saves you time and time is money"*. The response of her colleague from Hemtex went in line with this statement: *"If we don't trust each other, we will not manage to have the products on time in stores"*. The majority of the respondents stated that existence of trust in the relationships with their colleagues helped to facilitate discussions. Several answers indicated that presence of trust helped to make right decisions.

Moreover, some respondents acknowledged that without trust possibility to operate could be put into question. For instance, respondent from Mölnlycke acknowledged that if employees at the R&D department did not have trust in their colleagues from sourcing department it would not be possible to continue operations. It is worth noting that issues of trust were not equally essential in all types of cross-functional relationships. Some respondents argued that while trust between sourcing/ purchasing department and R&D had a paramount importance, trust in relations with marketing was somewhat less significant.

Certain frames of control exist in cross-functional work as well. Some of the respondents mentioned that agreements are being made between the members of cross-functional management teams as to build expectations regarding each member's performance.



#### ***4.5 Importance of Shared Corporate Culture, Values and Common Goals***

Sharing corporate culture, goals and values with suppliers appeared to be important for all the companies in focus. The respondents associate that with CoC and other social responsibility issues which suppliers have to comply with and agree to implement. Core corporate values are depicted in the principles and expectations communicated through companies' CoC.

Yet, an interesting issue arises here as to the extent that a company might require its suppliers' sharing of corporate culture and goals. As mentioned by the area manager at Gina Tricot, the company does not require its suppliers to share everything, however, it is of a paramount importance that they understand the company's culture, goals and values. According to Mölnlycke's sourcing director, it cannot be expected that suppliers agree upon everything that is important in the corporate culture. The issue of acceptance discussed by all the companies' respondent was associated with the relative importance of the parties vis-à-vis one another as well as the type of relationship. In that respect, Mölnlycke's sourcing director mentioned that while it is important to treat suppliers with respect no matter how "big" they are, the "bigger" suppliers cannot be expected to accept all your beliefs. If a company tries to impose all its goals and beliefs, trust between the parties can be jeopardized (Sourcing Director, Mölnlycke; Manager Purchasing Development, Nilson). Being an important customer, though, is a reason to "do everything as much as possible...also share ...values" because at the end it is the supplier that gains from that (Purchasing Developer, Hemtex).

Several respondents informed that existence of the shared corporate culture, values and goals (at least to some extent) assures that suppliers know the way in which companies operate. In this respect, area manager from Gina Tricot stated that one of the core company values is being fast in responding towards changes in market demands. Thus, when meetings with suppliers take place there is no need to "... point out things; they [suppliers] know us. We make changes regarding the order placing, colors, etc. and they are prepared for this". Further, respondents shared that being aware of the companies' goals and complying with them, enabled trust between the parties to be established.

In relation to company-owned units being part of the manufacturing network (i.e. manufacturing facilities, purchasing and production offices) sharing of the corporate culture, values and goals was found to be of critical importance (HR Director, Sourcing Director, Mölnlycke; Purchasing Developer, Hemtex; Manager Purchasing Development, Nilson).

All companies' respondents acknowledged that it is crucially important that employees from different functional groups share the corporate culture, values and have common goals. The respondents pointed out similar reasons of why this issue is of a great significance. Illustration is provided by a statement made by the purchasing developer at Hemtex, namely, that when employees *"have common values and goals it is much easier for people to know what they need to do...and how to contribute"*. Success according to the HR manager of the same company is rooted in team work where people aim at the same goal and think in a similar way. Having *"...divergent goals is like running in different directions"*, thus, the achievement of short-and long-term plans is easily jeopardized, shared interviewees from Nilson. Most of the respondents expressed an opinion that having similar goals was good in the sense that it helped employees to understand each other better when interacting.

All of the respondents mentioned the vital role of top management in the establishment of shared culture, values and goals among members belonging to the various functional groups. This is the level where corporate culture, common ways of behavior and shared goals should be nurtured most. Those beliefs and attitudes are later on cascaded down the hierarchy through the utilization of tools such as direct communication, workshops etc.

#### ***4.6 Additional Insights***

Three of the respondents shared that close communication with suppliers (also dispersed manufacturing facilities) often in the form of face-to-face interactions is of importance if awareness/sharing of culture, values and goals are to be present (VP Sourcing, Hygiene Company X; HR Manager, Mölnlycke; Purchasing Developer, Hemtex). The manager purchasing development at Nilson further elaborates that close collaboration ensures the *"soft"* side of the relationship, namely trust.

The majority of the respondents argued that communication and collaboration efforts are usually ascribed to the previously identified core network individuals. A good illustration is provided by the example of Mölnlycke's commodity managers that are not only involved in discussions with suppliers at the early stage of the collaboration but also maintain the relationship in a long-term perspective. They are the ones that *"walk the talk"* meaning that they bring the belief in the company's values to the supplier and through actions and other means communicate that to them (HR Manager, Mölnlycke; Sourcing Director, Mölnlycke). In the case of Nilson, merchandisers, manager purchasing development as well as especially assigned couches work towards trust building and achieving desired company results.



Further, all respondents shared that frequent face-to-face interactions facilitating collaboration among functional members contribute to the establishment of trustful relationships, building of shared corporate culture, values and establishment of common goals. In that respect, the key linking individuals again appear as important actors strengthening constructive discussions and decision-making.

Interesting additional insight emerged from the majority of the respondents sharing that trust especially concerning cross-border (thus cross-cultural) business relations is based on the “*stability of the relationship*” as specifically expressed in the words of the area manager at Gina Tricot. The respondents shared that keeping the same people maintaining the relationship (e.g. from the company’s side as well as from a supplier’s/manufacturing facility’s side) leads to benefits for both parties.

Last, the majority of the respondents mentioned that in a long-term perspective, continuous work and pursuit of shared goals foster trust in the relationships among the parties and lays the foundation for even stronger cooperation.

#### **4.7 Companies’ Efforts**

All company respondents shared that holding the complex organization of sourcing activities together, building of trust as well as sharing the corporate culture, values and establishing common goals among participants depend on a number of factors. When discussing the establishment of trust and the pursuit of common goals with suppliers, some of the companies mentioned training at the suppliers’ sites as a tool for achieving these objectives. The respondents shared that understanding the situation at the factory and providing assistance in the form of educational sessions contributed to suppliers’ enhanced cooperative efforts (Manager Purchasing Development, Nilson; HR Manager, Mölnlycke; Sourcing Director, Mölnlycke; Purchasing Developer, Hemtex).

Next, during the discussions held respondents provided additional insights concerning factors contributing to the establishment of trust and shared culture, values and goals among members belonging to the various functional groups. All company representatives mentioned team building activities both formal and informal to have positive results in cross-functional work. Some of those team building activities take the form of workshops serving as discussion forums where various work related issues including issues of culture and distance but also new ideas are brought up. The workshops usually involve various functional members, individuals from all hierarchy levels and oftentimes supplier representatives. The



employment of various materials for communicating corporate culture and values were also mentioned by the majority of the respondents. Finally, all company representatives shared that follow-up tools assessing individual attitudes as well as team evaluation are used. Such tools include people performance reviews (assessment of people's performance against the core values), various employment surveys, questionnaires etc.

Finally, when discussing the complex organization of sourcing activities, the building of trustful relationships among participants as well as sharing the corporate culture, values and goals company representatives often referred to the role of the key linking individuals. In relation to them, company representatives noted that previous experience from similar job responsibilities as well as learning in real life situations is a key to achieving the above mentioned objectives. Often was mentioned that the companies need to attract appropriate for that role individuals drawing from their existing labor pool or attracting individuals from other multinational corporations. Further, once attracted and at place several of the companies mentioned the role of an appropriate bonus system as to avoid the previously discussed issue of "*sub-optimization*" (as termed by the HR manager, Mölnlycke) experienced by the linking individuals.



## 5. Analysis

*The present chapter discloses the analytical elaborations of the thesis where the authors confront the empirical evidence obtained against the derived conceptual model to arrive at insights as regards the role of social capital as an integrative and coordinative mechanism of global sourcing. The chapter closes by providing a synthesized view of all major findings in a revisited and extended conceptual model.*

### **5.1 Global Sourcing Integration and Coordination: Opportunities and Challenges**

Largely in line with the discussion of the MNC's major strategic thrust provided by Kogut (1985) and Holtbrügge (2005) as well as confirming the idea of the ultimate objective of global sourcing operations (Kotabe and Murray 1990; 2004), the companies being used as sources of primary data make choices in relation to their production operations as to attain benefits from their own competitive advantages, those of the production units as well as largely capitalize on the comparative advantages presented by the various locations. Differentiation and specialization arising from such configuration is a prerequisite for achieving competitive edge justifying the choice of those companies to engage in highly complex cross-border sourcing operations.

Yet, as already implied deriving benefits from dispersed sourcing requires rather complex operations to be managed. Gaining the advantages from differentiation and specialization requires the integration and coordination of dispersed sourcing locations- a task characterized by a number of challenges. In line with Zolin et al. (2004) as well as Harris et al. (2004), the empirical evidence signifies that oftentimes cultural differences lead to a lack of common understanding or synchronized behavior, thus, obscuring cooperation with production units. Absence of common native language in lateral communication efforts can also be a negative factor in the globally sourcing endeavor providing ground for misinterpretations- a finding largely supporting the notion of Charles and Marschan-Pekkari (2002).

As culture can be generally seen as a challenge in cross-border production units' integration and coordination the idea of Zolin et al. (2004) that the larger the cultural distance the more challenging to find ways of collaboration might not be necessarily true. In certain occasions large cultural distance might make individuals beware of the different principles on which a relationship is built; that serving as a stimulus for the parties to establish strong cooperative relationship from inception.





The issue of physical distance being an additional obstacle to integration and coordination of dispersed sourcing locations was also found significant since communication frequency is hindered which goes in line with Hinds and Kiesler (2002, p.59) as well as Stahl and Björkman (2006, p. 351) who claim that lack of direct communication can threaten collaborative and synergetic efforts.

Cross-functional integration and coordination in global sourcing also faces a number of challenges. As the primary data indicates, members belong to various functions where largely differentiated work environment and daily practices dominate; further, where specific behavior is the norm. Such sub-groups within the organization can be associated with what Sparrow et al. (2004, p.97) call *communities of practice*. Cross-functional collaborative action, however, requires that specialists originating from those various communities of practice are able to participate in common work processes as well as joint problem-solving contributing with unique knowledge and capabilities. Yet, the primary data signifies that collaborative objectives can oftentimes be hindered by the existence of largely convergent professional goals among functional members as well as different perspectives of what product performance implies – a finding consistent with the ideas of Gannon and Newman (2002, pp.113-114) in the context of cross-functional work.

The primary data also signified that in certain occasions cross-functional work requires input from individuals being spatially dispersed as well as having various cultural backgrounds. In this respect, the pursuit of cross-functional integration and coordination shares similar obstacles as those arising in cross-locational work. In addition to concerns arising in relation to cultural differences (closely resembling those of cross-locational work), cross-functional work can be obscured by physical distance bringing time considerations into play. Lack of proximity raises demands on timely and well-planned execution of concurrent or partly overlapping tasks performed by various functional members. Failure to execute concurrent tasks, thus, deliver results in a timely manner can lead to various negative effects ranging from conflicts within the teams to effects as severe as inability to meet market demands.

## ***5.2 The Role of an Effective Network Configuration***

As the previous section emphasizes, globally sourcing companies face the complexity of integrating and coordinating a set of remote sourcing locations as well as linking those to other functional groups in a well-ordered network of tasks execution. In that respect, effective linkage configuration needs to be in place as to ensure the structural means for collaboration



among all contributing to the global sourcing undertaking parties.

As the empirical evidence signifies, linkages characterized by various density and intensity of interactions (measures of the network configuration introduced by Nahapiet and Ghoshal, 1998) occur among all units that in one way or another provide input for global sourcing execution. Well-ordered network configuration is a necessity to ascertain that dispersed sub-networks of activity (such as R&D, marketing, purchasing offices, suppliers, manufacturing facilities etc.) are actually linked, thus, essential knowledge and information flows among the parties are enabled. Such knowledge and information bringing in commercial as well as technical expertise serves as an input for sourcing tasks execution. Providing the structural means for knowledge flows, an effective network configuration presents the possibility for the highly interdependent work of global sourcing implementation to take place. This finding is largely in line with what Stahl and Björkman (2006, p.480) as well as (Taylor, 2007) share in relation to structural social capital.

Important to be noted is the fact that it is not beneficial to establish equally dense and intense relationships among all parties involved as demonstrated by the data collected. Density and intensity of the linkages are largely specified by industry idiosyncrasies (e.g. in some industries marketing expertise is less important for global sourcing decisions than in others) as well as company-specific management choices.

Last, how the network configuration looks and how the oftentimes intricate connections are shaped depends on parties' time orientation as regards the relationship maintenance especially when considering suppliers. Long-term relationships predispose parties to establish stably configured networks with linkages between the parties not frequently changing over time.

### **5.2.1 The Role of Boundary Spanners**

The previous section outlines the importance of a well-configured network of relationships at place holding all relevant parties together as to contribute to successful global sourcing execution. As the empirical evidence signifies certain network parties and more specifically actors, experience higher intensity of interactions with other relevant counterparts as well as more dense connectivity - that emphasizing their *core* position in the network as termed by Rhodes et al. (2008). For globally sourcing organizations such individuals are attributed the complex role to serve as "*spiders in the net*" (as termed by Purchasing Developer, Hemtex) creating linkages among various dispersed, yet, significant participants. Having that in mind,



it seems therefore natural to recognize that globally sourcing organizations rely on what Taylor (2007) as well as Stahl and Björkman (2006, p.484) call *boundary spanners*. Boundary spanners possessing strong industry- as well as firm-specific capabilities and experience along with strong interpersonal intelligence perform multifaceted tasks as to bring the global sourcing endeavor to success.

As emphasized by the empirical evidence, boundary spanning individuals are the ones most often visiting the dispersed production facilities, thus, working in cross-border multicultural environment in an endeavor to “bridge” these units that would otherwise remain scattered (this finding being largely in line with Au & Fukuda, 2002; Bogenrieder & Nooteboom, 2004; Taylor, 2007). Further, boundary spanning individuals are ascribed the uneasy role to make global level interface among the various functional groups possible. Having in mind the above mentioned assertions, those actors possess various capabilities, one of the most important ones being “*structural*” thinking (as vividly expressed in the words of VP sourcing, Hygiene Company X). That finding largely supports Trent and Monczka’s (2003; 2005) remark that key actors in the global sourcing activities are able to think *holistically* beyond the purpose of the site or the region, further, both in commercial as well as technical terms. That enables them to draw knowledge and information from and to relevant participants making dispersed concurrent interrelated tasks execution possible.

Yet, to perform the above described complex task, boundary spanners rely not only on strong professional capabilities. Interpersonal intelligence is what also comes into play to allow those actors to establish “...*a personal relationship*...” and maintain the “...*ownership of the relationship with the supplier*...” as well as nurture relationships with cross-functional members (Area Manager, Gina Tricot; VP Sourcing, Hygiene Company X). That goes largely in line with Taylor’s (2007) discussion that boundary spanners establish bonds with various actors despite cultural and physical distance obstacles; further despite the fact that those actors might belong to their own communities of practice.

Interestingly, establishing bonds with various relevant participants should not be in conflict with the fact that boundary spanners have to simultaneously occupy the role of what Au and Fukuda (2002) call *dual citizens*. Dual citizenship as signified by the empirical evidence implies that boundary spanning individuals should manage the expectations of and ensure common understanding among various disparate in terms of culture, distance and occupation stakeholders, both home and host country parties, including production units, R&D,



marketing seeking to align their various and oftentimes converging interests. Boundary spanners are individuals that ideally should be able to pursue the overall interests of the company, thus, avoiding “*sub-optimization*” (as termed by HR Director, Mölnlycke) and, again, thinking holistically to seek advantages for the overall organization’s sake.

Last, as indicated by the empirical evidence globally sourcing organizations utilize a number of individuals serving as boundary spanners. Most of them are to be found on top- and middle-level management. Some of those serve as boundary spanners to a greater extent as indicated by the set of their responsibilities, significant number of relationships with various parties, as well as direct communication channels with key actors. Other boundary-spanning individuals serving as such to a lesser extent as well as having different responsibilities as indicated by the primary data (with a vivid example provided by country managers at Hemtex as well as merchandisers at Nilson) are still valuable assets for the firm contributing in the endeavor to keep the organization together and making global sourcing possible.

### **5.3 The Role of Trust**

As previously discussed, effective linkage configuration can be seen as the structural means laying the grounds for collaborative work. The assets created within the available structural frame are what further strengthen the collaboration among the key parties contributing to global sourcing operations execution. Trust, being one of such assets comes as a great benefit in balancing the differences of the remote sourcing locations as well as facilitating the cooperation among purchasing, manufacturing, R&D and marketing. Trust existing within the networks of relationships in focus is dynamic and multifaceted. This finding is consistent with Taylor’s (2007) postulation that relational capital is built gradually in the course of interactions, as well as Vangen and Huxham’s (2003) findings revealing that trust can take different forms.

When looking at the relationships between the companies and their remote suppliers it becomes evident that trust among these parties is being built stepwise. At the onset of their interactions it is reasonable to talk about *calculus-based* trust, as named by Vangen and Huxham (2003). Prior to engaging into official collaboration all of the companies investigated for the purpose of the study performed supplier evaluation. Moreover, some of them sought cooperation only with those suppliers that managed to establish good reputation on the respective market. When no previous interactions have taken place, trust can be based on such rational considerations and can be seen as necessary in providing a certain guarantee



that major disturbances in the joint work will not occur. Further, at the early stage of official collaboration parties developed what Vangen and Huxham (2003) call *future-based* trust based on legal agreements. This additionally facilitated parties' confidence in each other. It is worth noting that legal measures were not perceived as being a substitute for trust.

After cooperation is initiated parties gradually develop the understanding of what to expect from each other. Experience gained as a result of continuous interactions leads to the establishment of what Vangen and Huxham (2003) call relational trust occurring as a result of the "*repeated game*". Empirical data indicated that companies reaching this point in relationships with suppliers experienced a range of benefits. Geographical distance between sourcing locations and the company makes it more difficult to execute control over suppliers. Existence of trust, however, decreases the necessity of supplier supervision that would otherwise require additional time and resources. This can be highly important in the light of the fact that time to market plays a vital role in the success of the companies facing strong competitive pressures.

Further, presence of trust in these relationships is found to serve as a facilitating factor for joint problem-solving. A picturesque example in this respect is the way one of the case companies manages to adjust to the changing demands for its products. The company can store its products at suppliers' warehouses until the point when demand rises again. And suppliers in their turn are ready to help since they trust that the order will be eventually placed. The same example helps to illustrate another finding in relation to the benefits arising from trustful relationships – namely, willingness of the parties to take short-term trade-offs. Although incurring costs in the short-run suppliers are still willing to provide their support since future placement of the order can create long-term benefits.

Overall, gradual development of trustful relationships between the company and its numerous remote suppliers, reflected in dynamic change of the nature of trust (i.e. *calculus – future-based –relational*), is associated with increasing cooperation between the parties and, thus, benefits achieved as a result of this cooperation.

The empirical evidence indicates that mutual trust is not important in all kinds of supplier-company relationships. In the cases where supplier dependence upon the company is higher than that of company's upon the supplier, it is more vital for the company to have trust in their suppliers, rather than the opposite. Being less dependant the company is free to change supplier if the latter is perceived to be untrustworthy. If the suppliers and the company are



equally dependant upon each other it is reasonable to talk about the importance of mutual trust. Additionally, the empirical data indicates that given the same dependency between the suppliers and the company importance of trust may still vary. Importance of trust for suppliers varies due to cultural differences. For instance, Chinese suppliers tend to value trust higher than American or European ones, which is associated with the notion of “guanxi” present in the Chinese culture.

Just as it is in the relationships with suppliers, trust rooted within the networks of relationships between the relevant departments and functions of the globally sourcing organizations is developed continuously. By working together on regular basis, employees gain knowledge about the performance of their colleagues. Being certain as regards the level of each other’s competence, employees are more inclined to trust that their colleagues will deliver the results expected. Referring again to Vangen and Huxham (2003) *relational* trust was gradually formed in these relationships. In some cases agreements were made between the individuals from different departments and functional groups, thus denoting the existence of *calculus-based* trust as well.

Trust in cross-functional relationships is discovered to be positively related to efficiency of the operations. Having developed trust among each other, employees from different departments and functional groups do not need to verify the credibility of the information or actions of their colleagues. “*If we don’t trust each other, we will not manage to have the products on time in stores*” – this statement of one of the respondents provides an illustration of such positive relationship. The data collected allows another important conclusion to be made, namely that trust in cross-functional relationships gives motivation to share knowledge and information. When having discussions within cross-functional groups, employees are more willing to share with their colleagues if their relationships are trustful. Such openness leads to more fruitful discussions and as a result facilitates decision making process. More prompt decision making in its turn makes it possible to deliver results in a timely fashion.

Trust does not play equally important role in all cross-functional relationships. As discussed earlier, industry idiosyncrasies as well as management style determine density and strength of such relationships. Presence of trust is more crucial in strong relationships characterized by high intensity of interactions as compared to indirect relationships or the ones with lower interaction intensity. In contrast with company-supplier relationships, where mutual character of trust does not always appear to be of paramount importance, success of cross-functional



collaboration relies upon the presence of mutual trust.

#### ***5.4 The Role of Shared Corporate Culture, Values and Common Goals***

As argued in the previous section, trust created within cross-locational as well as cross-functional networks of relationships facilitates cooperation between various parties in one way or another involved into the execution of global sourcing activities. Equally important role in this respect is played by the other assets rooted within these networks, namely shared values, goal and corporate culture.

In the company-supplier relationships, suppliers have to understand rather than share the corporate culture, goals and values. As indicated by the empirical findings, companies source from numerous dispersed locations and their suppliers belong to different national and business cultures. In line with ideas of Welch and Welch (1997) such diversity makes it less possible and at the same time not reasonable to insure that suppliers have internalized corporate culture, values and goals. Ensuring the understanding rather than striving to inculcate all these attributes of organizational identity facilitates the cooperation in company-supplier relationships. Considering the example of Mölnlycke, inculcation of all company's beliefs with the purpose of establishing better cooperation with "big", influential and independent suppliers can lead to the opposite – deterioration of this cooperation as reflected in lowering levels of suppliers' trust in the company. On the other hand, given that units supplying necessary materials or products being a part of manufacturing network (i.e. manufacturing facilities, purchasing and production offices) are owned by the company, they are required to share, not only understand company's culture, goals and values.

Understanding of corporate culture and values is deemed to be vital since it ensures supplier ability to cooperate. Bright illustration in this respect can be found in the response of one of the companies whose core values lie within the premise of being fast and flexible. Being aware of this, company's suppliers are prepared for the changes that might occur in order placing, and therefore able to operate in the manner that supports company's overall objectives. Supplier's goals are becoming aligned with those of the company, which further facilitates the understanding of the parties regarding the ways in which cooperation can take place. This finding resembles the ideas of Tsai and Ghoshal (1998) who argue that goal congruence creates a platform for understanding of how to interact with each other.

While distant suppliers are generally required to understand corporate culture, goals and values, employees representing different functional groups and divisions in one way or



another involved in enabling global sourcing activities should not merely understand but also internalize those attributes of corporate identity. The benefits of such internalization are multiple. First, employees sharing corporate culture, goals and values have a clear understanding of their respective role in the organization as well as the importance of their input into the achievement of overall organizational objectives. A vivid illustration is found in the words of the purchasing developer at Hemtex stating that”... *it is much easier for people to know what they need to do...and how to contribute...*” if they share common values and goals.

Further, sharing corporate culture, goals and values helps to enhance similar (however not the same) way of thinking among employees with different professional and even cultural backgrounds. This aids in minimizing or avoiding misunderstandings stemming from the fact that things implied by one employee are understood in the different way by another. Moreover, goal congruence among the employees representing different occupational milieus and sometimes even diverse cultures allows gaining an understanding of the way they have to interact with each other, this finding resembling the ideas of Tsai and Ghoshal (1998). Goal divergence, on the contrary, renders it impossible to carry out short- and long- term plans. This notion can be illustrated by the words of HR Manager at Hemtex reflecting upon cross-functional work: “[having]...*divergent goals is like running in different directions*”.

It the light of the finding that corporate culture, common ways of behavior, shared goals and values should be nurtured most at the level of top management it becomes apparent to argue that it is not particularly important that all employees pertaining to the different levels of organizational hierarchy recognize and equally adhere to the organizational identity.

### ***5.5 Social Capital Dynamics***

The previous sections provided a thorough view of social capital’s role when performing global sourcing operations. While the discussion revolved around the three major social capital constituents looking at them separately, the current section elaborates on those three aspects interrelatedness- an idea introduced by Tsai and Ghoshal (1998) as well as Kostova and Roth (2003). In other words, social capital being present in global sourcing is found to be further shaped by the dynamic interconnectedness among structural, relational and cognitive social capital. Such dynamic linkages largely reinforcing social capital creation strengthen its role as an integrative and coordinative mechanism of global sourcing activities.

Starting with the structural dimension of social capital, importance is given to the stability of





the network configuration. As demonstrated by the primary data, network members occupying their positions for an extended period of time leading to stability of the relationships is highly valued in cross-border multicultural as well as cross-functional collaboration. Stability of the network configuration is a prerequisite for building trustful relationships among various parties engaged in the global sourcing endeavor- a finding being close to the idea of Tsai and Ghoshal (1998) as regards structural and relational interconnectedness.

Further, as the primary data signifies close communication and intensive interactions both with remote production units as well as among functional members is what ensures the “soft” side of the relationships, namely trust. In that respect, boundary spanners being a core element of the structural social capital constituent are ascribed key roles. Frequent visits to the production units on collaborative basis increase the probability that boundary spanning individuals can establish strong trustful bonds with their respective representatives- a finding largely in line with the notion of Tsai and Ghoshal (1998) that trust arises from social interaction. Further, a boundary spanning individual being a manifest of the structural social frame is attributed the role of conveying corporate culture and values as well as achieving goal alignment among various members of the organization; that being close to the ideas of Tsai and Ghoshal (1998) as well as Kostova and Roth (2003) in that same respect.

Overall, structural social capital with its network configuration and density of relationships as well as intensity of interactions provides the basis for building stable relationships which in turn enhance trust and shared cognitive understanding embedded in these relationships. The assets rooted in these relationships, in their turn lead to mitigation of the differences among parties giving place to constructive cooperation.

Looking at the cognitive dimension of social capital, the primary data indicates that sharing of corporate culture, values and goals is also one of the determinants for cooperative behavior in cross-locational as well as cross-functional work. That in its turn leads to growing trust in the relationships among various participating in the global sourcing endeavor parties- a finding being in line with Tsai and Ghoshal (1998). Although it can be generally stated that those two dimensions are positively related, in certain occasions a reverse relationship is observed. This is especially applicable in cases when in the pursuit of global sourcing objectives companies impose corporate goals and beliefs on suppliers, thus, require strong compliance. In such cases trust between the parties can be jeopardized indicating that the



sharing of corporate culture, values and beliefs gives positive outcomes if used to a reasonable extent and in a reasonable manner.

## **5.6 Costs**

As the primary data demonstrates, social capital used as integrative and coordinative mechanism of global sourcing activities is not an occurrence that can be completely ascribed to the natural process of human interactions within the organization. As important as it might be to acknowledge the fact that the creation of social capital largely depends on processes taking place on an individual level, the role of the company as a whole is what provides the frame to all these processes being deliberately stimulated. Thus, social capital in the globally sourcing organization is not a free-given asset but comes at the expense of companies' efforts and cost. To elaborate on that issue, supplementary theories had to be brought up as to illuminate the meaning of these additional insights that emerged from data collection.

Globally sourcing companies oftentimes incur costs in their quest towards building social capital with remote production units. As the primary data demonstrates, one such example is the implementation of training programs usually considered one of many techniques for supplier development (Krause, Handfield & Tyler, 2007; Rhodes, Warren & Carter, 2006, p.158). Supplier training programs require commitment of financial resources and personnel as well as in certain occasions sharing of sensitive information (Rhodes et al., 2006, p.158). In a long-term perspective supplier development efforts such as training lead to the establishment of trustful relationships with the organization strengthening supplier integration and coordination (Mishra & Patel, 2010).

Further, fostering social capital among organizational members especially those belonging to various functional groups is claimed to be achieved through investing in tools such as team building. Team building can take various forms depending on the main objective pursued (Salas, Rozell, Mullen & Driskell, 1999). Salas et al. (1999) discuss team building models including goal-setting, interpersonal relations, problem solving and role clarification team building engagements. All those forms in one way or another enhance mutual supportiveness, goal congruence and trust among the members involved.

Next, achieving organizational members' acceptance and sharing of corporate culture, values and goals, namely enhancing cognitive capital creation, requires globally sourcing companies' investment of time and resources in various media and campaigns aiming to achieve those objectives. Welch and Welch (2006) share the belief that using such tools for



enhancing the internalization of the corporate value system, yet employed to a reasonable extent, is a mechanism to achieve integrative and coordinative objectives. Follow-ups, as signified by the data gathered, are also employed as to provide measurements of organizational members' compliance with the corporate culture and goals as well providing insight into the types of relationships existing among the various parties.

Finally, companies employing social capital to integrate and coordinate their sourcing activities incur costs as to ensure that the right boundary-spanning individuals are at place. Considering the fact that boundary spanners should be able to execute a range of complex tasks, companies need to recruit highly-skilled and experienced individuals. Companies choose to recruit both internally and externally, where the latter is oftentimes associated with drawing talent from common, shared by various MNCs global labor pool implying competition for highly-skilled employees (Farndale, Scullion & Sparrow, 2010; Tarique & Schuler, 2009).

Further, once being at place, boundary spanning individuals are required to accommodate the oftentimes conflicting demands of various stakeholders; an issue usually associated with role ambiguity and job disillusionment (Crawford & Nonis, 1996). In that respect, companies need to invest in certain tools as to avoid such negative effects. Clear performance guidelines or KPIs (key performance indicators) or in other words aspects measuring *“performance that are most critical for the current and future success of the organization”* should be at place as to encourage appropriate action (Crawford & Nonis, 1996; Parmenter, 2010, pp.4, 6). Of course establishing adequate performance indicators is challenging having in mind the very nature of boundary spanning individuals' job responsibilities (Crawford & Nonis, 1996). Establishing such, however, evokes not only appropriate behavior but also oftentimes strengthens motivation and job satisfaction as well as gives solid ground for adequate reward system to be introduced (Crawford & Nonis, 1996). All these elements become crucially important as to avoid boundary spanning employees' turnover (Crawford & Nonis, 1996), thus, also achieving stability of the network configuration to successfully keep social capital assets thriving in the organization.

Overall, as already mentioned social capital is not a free-given asset. As it comes at the expense of companies' resources, it is important to note that investing in social capital should be performed to a reasonable extent since as discussed in previous sections it is not equally important that all parties that in one way or another contribute to the global sourcing

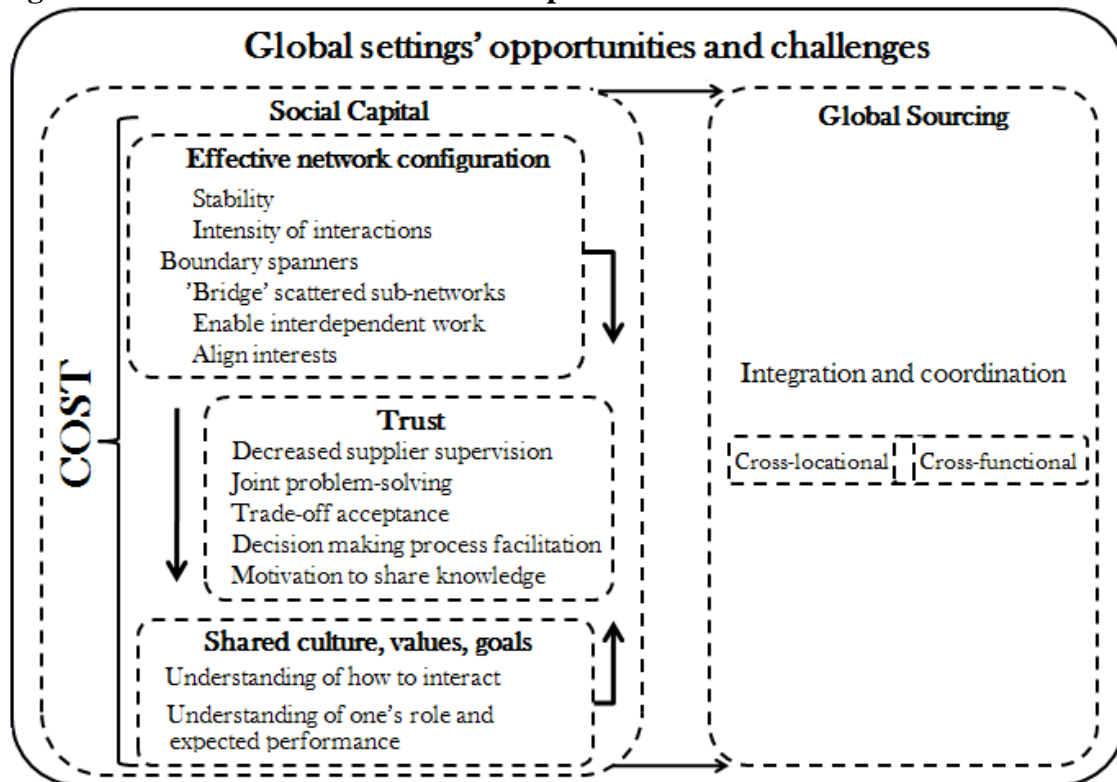


endeavor are a subject of equally trustful relationships, are “true” followers of the corporate values and goals and are a subject of specially tailored tools for performance and career maintenance.

### 5.7 Revisited and Extended Conceptual Model

After confronting the initial conceptual model with the empirical findings obtained, analytical elaborations emerged outlining how social capital with its three main constituents can be utilized as to contribute to integration and coordination of global sourcing activities. The present section aims at arriving at a synthesized view of the major findings disclosing them in a revisited and simultaneously extended conceptual model visualized in Figure 4 below.

**Figure 4. Revisited and Extended Conceptual Model**



**Source:** Authors' own elaboration

When looking upon the global sourcing phenomenon it becomes evident that companies engage in complex sourcing activities as to take advantage of various opportunities stemming from dispersed specialized operations (denoted by *global settings' opportunities* in Fig. 4). Yet, challenges arising from large differences across dispersed units are also inevitable making integration and coordination of sourcing activities difficult (denoted by *global settings' challenges* in Fig. 4). Challenges to integration and coordination of sourcing locations can be ascribed to cultural differences, as well as physical distance posing burden in

effective communication. Cross-functional integration and coordination share similar obstacles in terms of cultural differences as well as physical distance; here, distance posing time constraints. Cross-functional integration and coordination is further obstructed by individuals' convergent professional goals and views arising from work embedded in sub-networks or communities of practice.

Social capital can be seen as a mechanism for integrating and coordinating global sourcing activities. In structural terms, well-ordered effectively functioning unit network configuration ensures the frame for knowledge and information flows among relevant participants (see Fig. 4, *effective network configuration*). Well-configured linkages, therefore, are a prerequisite for synchronizing interdependent activities- a manifest of successful coordination. Further, globally sourcing organizations aim at ensuring stability of the network configuration as well as high intensity of interactions in the structural frame- both needed preconditions laying the ground for assets like trust and shared cognitive understanding to be formed; those in their turn significantly strengthening integration and coordination.

Being situated at the network core, boundary spanning individuals are vital elements of the structural configuration. By ensuring their presence, globally sourcing organizations are able to "bridge" the otherwise scattered sub-networks of activity; further, boundary spanning individuals having holistic perception of the global sourcing activities draw knowledge and information from and to relevant parties making dispersed concurrent and interrelated tasks completion possible. Therefore, coordination of activities takes place. Further, boundary spanners establish bonds with various actors whose contribution in one way or another is highly valued for the global sourcing endeavor, thus, "shrinking" cultural and physical distance to make integration possible. Occupying core positions implies that boundary spanners need to align various stakeholders' interests, thus, mitigating not only negative effects arising from cultural and physical distance but also balancing divergent goals to establish collaborative grounds.

Being a manifest of relational capital, trust rooted in the networks of relationships further facilitates integration and coordination of the complex global sourcing activities (see Fig. 4, *trust*). When it comes to cross-locational work, presence of trust between the company and its suppliers gives certain guarantees that major disturbances in the jointly performed work can be avoided. Trust further aids in facilitating work efficiency through decreased necessity of supplier supervision, thus, ensuring better coordination of dispersed supplier units. Moreover,



trust fosters joint problem-solving and increases willingness of the parties to accept short-term trade-offs bringing them together in a cooperative endeavor, therefore, strengthening integration.

Trust present in the relationships formed among members representing various functional groups ensures sharing of information and knowledge they possess as well as decreases the necessity of verifying the credibility of the information or actions undertaken. Willingness to share leads to more fruitful discussions that facilitate decision making process, thus, accelerating delivery of results. Trust facilitates coordination of cross-functional work as reflected in successful timely execution of tasks and enables integration through stimulating knowledge flows, constructive discussions and conflict resolution. It is noteworthy that trust is developed step-wise and therefore all the benefits arising from it and facilitating coordination and integration of geographically dispersed and functionally diverse units are gradually realized.

Common culture, goals and values forming the basis of cognitive capital, have also been found to facilitate coordination and integration of global sourcing activities (see Fig. 4, *shared culture, values, goals*). Taking into consideration companies' relationships with remote suppliers, existence of supplier understanding of the company's culture, goals and values ensures that the latter ones are prepared to cooperate with the company so that all the tasks are fulfilled in a proper and in a timely manner. In the cases when supplying units are owned by the company it is more reasonable to talk about sharing, rather than mere understanding. Integration is, therefore, achieved through supplier understanding (or sharing - in case of manufacturing facilities owned by the company) of the key work principles and coordination is enabled through successful completion of the tasks performed by them.

Sharing of the corporate culture, goals and values is even more apparent when it comes to the main organizational functions in one way or another contributing to global sourcing execution. Provided that attributes of organizational identity are shared by employees representing different functional divisions (and especially top-management and the boundary spanning individuals) better coordination and integration are possible. Sharing of common goals, values and corporate culture provides the understanding of how to interact with each other and avoid or minimize misunderstandings. It also stimulates conformity of beliefs and leads to further strengthening of trust in this way uniting professionally different and geographically dispersed employees and thus enabling successful integration. Sharing the



attributes of corporate identity ensures clear understanding of one's responsibilities and required input into the common work, thus, providing good grounds for successful completion of various tasks and projects – a measure of effective coordination.

Finally, it should be noted that social capital in the globally sourcing organization is not a free-given asset but comes at the expense of companies' efforts and cost (see Fig. 4, *cost*). Cost appeared as an additional insight extending the initial model and denoting that globally sourcing companies invest in supplier development programs, media aiming at achieving higher level of conformity with organizational values and goals, team building activities. Further, certain costs were associated with managing boundary spanners in terms of attracting of such employees, evaluating their performance and motivating them through the establishment of an adequate reward system.



## 6. Conclusion

*The following chapter provides final remarks regarding the findings of the study and outlines research contributions as well as directions for future research within the area.*

### **6.1 Concluding Remarks**

The purpose of the present study was to explore and elucidate how social capital can be utilized as an integrative and coordinative mechanism of global sourcing activities. Social capital with its three major manifestations has been proven to be an effective tool in this respect. It can be utilized as an integrative and coordinative mechanism of global sourcing by providing well-configured networks of relationships as well as assets rooted in those relationships, such as trust, shared corporate culture, values and goals. Not all of the constructs employed in the initial theoretical framework found place in the findings while some new developments emerged; this denoting that the first steps towards theorizing were made as initially anticipated.

Structural social capital reflected in a well-organized network configuration serving as a frame for knowledge and information flows is a vital precondition for synchronizing interdependent activities; those activities signifying achieved coordinative objectives in the globally sourcing organization. Stability of the network configuration coupled with high intensity of interactions lays the foundation for the development of trust as well as shared cognitive paradigm that can further strengthen integration and coordination. Boundary spanners being core network individuals are an important part of the structural frame “bridging” the otherwise scattered sub-networks of activity, establishing bonds with various actors and balancing their interests, thus, “shrinking” cultural and physical distance- all that making integration and coordination possible.

Relational capital, with trust being its key element, further enables integration and coordination of complex global sourcing activities. Existence of trust in relationships with suppliers facilitates work efficiency through decreased necessity of supplier supervision, thus, allowing better coordination of dispersed supplier units. Further, trust enables joint problem-solving between the company and its suppliers and ensures willingness of the parties to accept trade-offs bringing them in a cooperative endeavor and strengthening integration. Being present in networks of relationships among different functional units of the globally sourcing organization, trust facilitates coordination through enabling timely execution of tasks and enhances integration of these units through stimulating knowledge flows,





constructive discussions and conflict resolution.

Cognitive social capital represented by shared corporate culture, goals and values has been found to facilitate coordination and integration of global sourcing activities in a number of ways. It enables integration of dispersed sourcing units through providing supplier understanding (or sharing if manufacturing facilities are owned by the company) of the key work principles pursued by the company. Coordination is facilitated through successful completion of the tasks performed by suppliers. Shared corporate culture, goals and values unite professionally different and geographically dispersed employees representing different functional units of the company, thus, enabling successful integration. Sharing the attributes of corporate identity facilitates understanding of one's duties and required inputs into the common work. That, in its turn, lays solid grounds for successful completion of different tasks and projects, therefore, supporting effective coordination.

The current study by no means attempts to present social capital as the only mechanism for global sourcing integration and coordination. Yet, the authors found solid basis to contend that social capital has a strong prospective to reconcile differences arising from dispersion and specialization allowing for capitalization on diversity in the globally sourcing organization to take place. It should be noted, however, that social capital is not a free-given asset which calls for its rational utilization.

## ***6.2 Study Contributions and Suggestions for Future Research***

The findings outlined allow the researchers to make conclusions in relation to the academic as well as managerial contributions of the present study. First, by exploring how social capital can be utilized as an integrative and coordinative mechanism of global sourcing activities, the authors provide valuable insights in the research direction proposed by Kostova and Roth (2003) who suggest that future and more concrete theoretical developments are needed incorporating social capital as an integrative mechanism in global business settings.

Second, to the best of the authors' knowledge the phenomenon of integration and coordination of global sourcing activities through informal mechanisms is a relatively unexplored research area. Therefore, by performing a study in this field the authors contribute to a better understanding of the nature of the practice and shed light on the fact that management should be aware of the presence of significant intangible assets holding the complex global sourcing activities together. Further, managers should be aware that companies usually invest in providing the environment where social capital is created and



nurtured; yet, social capital should be thoughtfully employed and maintained as to avoid excessive investments in its development, thus, diminishing the overall positive outcomes arising from it in the pursuit of integrative and coordinative objectives.

Future research directions are also uncovered. Researchers interested in the area of investigation can address in more details the additionally emerged insight signifying that employing social capital as integrative and coordinative mechanism of global sourcing activities is not a free-given benefit but comes at the expense of companies' efforts and costs. The costs identified in the present study by no means represent an exhaustive list in this respect, therefore, future research is proposed to arrive at a systematic view of such costs and investigate their specific influence on social capital development. Especially enticing in undertaking such research avenue can be to explore costs associated with boundary spanning individuals such as performance measurement and career management. Future research can focus on developing specific key performance indicators for boundary spanners providing valuable insights as regards their complex tasks execution and what the assessment frame provided by globally sourcing organizations is in that respect.



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# Appendix I

## Introductory questions

1. As a starting point, could you give us some information in relation to your position in the company and your responsibilities?
2. Can you describe how your sourcing operations are organized?
  - a. How many manufacturing facilities (suppliers) do you have? Where are they located?
  - b. Do you have purchasing offices? If so, how many, and where are they located? (Are they connected?)
  - c. How are suppliers (manufacturing facilities) related to each other? Who is responsible for these relationships? Where is this person (people) located?
  - d. How are the suppliers (manufacturing facilities) related to other functions such as R &D, marketing (purchasing)? Who are the people responsible for the inter connections? Where are they located?
  - e. What are the challenges of performing dispersed sourcing operations? What are the challenges associated with dispersed manufacturing units (suppliers)? What are the challenges associated with collaboration across functional units?

## Structural social capital related questions

1. Do you rely on individuals that create linkages between suppliers (manufacturing) and other functional divisions (Marketing, R&D)?
2. What are the roles and responsibilities of those employees?

## Relational social capital related questions

1. How important it is to establish trust with suppliers (manufacturing)? Why is it important?
2. How do you insure that there is trust in relations with suppliers?



3. How important it is to establish trust among the people from different functional groups (R &D, marketing, purchasing)? Why is it important?
4. How do you insure that there is trust among employees from different functional groups? (Purchasing, R &D, marketing, (manufacturing)?

### **Cognitive social capital related questions**

1. How important is to insure that suppliers share the corporate culture, goals and values? Why is it important?
2. To what extent do suppliers share the corporate culture, goals and values?
3. How do you insure that suppliers share the corporate culture, goals and values?
4. How important is to insure that employees from different functional groups share the corporate culture and have common goals and values?
5. To what extent do employees from different functional groups share the corporate culture and have common goals and values?
6. How do you insure employees from different functional groups share the corporate culture, goals and values?



# Appendix 2

## **Introductory questions**

1. As a starting point, could you give us some information in relation to your position in the company and your responsibilities?

## **Structural social capital related questions**

3. Do you rely on individuals that create linkages between suppliers (manufacturing) and other functional divisions (Marketing, R&D)?
4. What are the roles and responsibilities of those employees?

## **Relational social capital related questions**

5. How important it is to establish trust with suppliers (manufacturing)? Why is it important?
6. How do you insure that there is trust in relations with suppliers?
7. How important it is to establish trust among the people from different functional groups (R &D, marketing, purchasing)? Why is it important?
8. How do you insure that there is trust among employees from different functional groups? (Purchasing, R &D, marketing, (manufacturing)?

## **Cognitive social capital related questions**

2. How important is to insure that suppliers share the corporate culture, goals and values? Why is it important?
3. To what extent do suppliers share the corporate culture, goals and values?
4. How do you insure that suppliers share the corporate culture, goals and values?
5. How important is to insure that employees from different functional groups share the corporate culture and have common goals and values?
6. To what extent do employees from different functional groups share the corporate culture and have common goals and values?
7. How do you insure employees from different functional groups share the corporate culture, goals and values?