FROM OFFSHORE OUTSOURCING PROVIDER TO OWN BRAND MANUFACTURER: AN EXPLORATORY APPROACH TO THE PORTUGUESE FOOTWEAR INDUSTRY

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Author's Biographical Information

Paulo Jorge Coelho Gomes was born on the 30th of August, 1989, in Paredes (Portugal).

In 2011 he graduated in Languages and International Relations from the Faculty of Arts, University of Porto.

In the first half of the last academic year of his Bachelor's degree (2010/2011) he had the opportunity to study in the University of Nottingham (UK) under the Erasmus program.

In 2012 he applied for the Master's degree in International Economics and Management which he is currently attending and about to finish.

At the end of the first academic year of his Master's degree (2012) he started a six month internship as an international officer in the Cooperation Office with Portuguese-Speaking Countries and Latin America, University of Porto.

Apart of these higher educational courses he attended many others in order to broaden his horizons: digital marketing, project management, psychology of writing and Italian language. He also obtained a certificate of pedagogical skills trainer and qualitative analysis supported by NVivo software.

He participated in several volunteering activities, such as: sport and social services volunteering.

In 2013 he gained a grant (under the Comenius program) to work as a teacher's assistant in the high school Regina Margherita, located in Palermo, Sicily (Italy).

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Resumo

Embora a literatura existente sobre *offshoring* seja extensa, na perspectiva dos fornecedores sabe-se muito pouco sobre este processo. O principal objetivo deste estudo é explicar como é que os fornecedores *offshore outsourcing* se tornam fabricantes com marca própria, mesmo estando numa relação de subcontratação com os seus clientes.

Este trabalho foi conduzido através de um estudo exploratório baseado no *Systematic Combining*. Foi usada uma amostragem propositória para selecionar os participantes. Foram entrevistados sete fornecedores *offshoring* de calçado portugueses que criaram a sua própria marca durante a relação empresarial. No sentido de alcançar uma melhor compreensão, foram também entrevistados cinco fornecedores *offshoring* que partilhavam o mesmo macro ambiente, mas que não criaram marca própria. Os dados recolhidos foram analisados e codificados.

A partir da análise das entrevistas às empresas que criaram sua própria marca foram estabelecidas cinco categorias principais: relação de *offshore outsourcing*, capacidade de absorção, catalisadores, inibidores e gatilhos para a construção de marca. Esta última categoria recém-descoberta, não estava definida na literatura inicial e demonstra que existem momentos específicos que catapultam as empresas para a criação de uma marca própria e que sem eles o processo seria muito mais lento. Ao comparar estas empresas com aquelas que não criaram marca própria, encontrou-se novos inibidores (que indicam ser uma auto-avaliação negativa), fatores transversais e fatores de negação.

Foi possível concluir que as empresas são o reflexo dos seus gestores. Além disso, fatores como ambidextria e capacidade de absorção revelaram ser essenciais na construção de marca própria.

Este trabalho contribui para o desenvolvimento da teoria relativa ao processo de construção de marca dos fornecedores através do *offshore outsourcing*, incluindo os processos internos que conduzem os fornecedores na persecução deste modelo de negócio.

Palavras-chave: *offshore outsourcing*, *offshoring*, fornecedor, cliente, capacidade de absorção, marca própria

Abstract

Although the existent literature on offshoring is extensive, very little is known about this process from the perspective of the providers. The main aim of this research is to explain how offshore outsourcing providers shift to own brand manufacturers while still remain engaged in a business relationship with their clients.

This research was conducted by an exploratory approach based on Systematic Combining. A purposive sample was applied to select participants. Seven Portuguese offshoring footwear providers that have created their own brand during the entrepreneurial relationship were interviewed. In order to achieve a better understanding, five offshoring providers that shared the same macro-environment, where an own brand has not been created, were also interviewed. The collected data was analyzed and coded.

From the analysis of the interviews with companies that have created their own brand five core categories were settle on: offshore outsourcing relationship, absorptive capacity, catalysts, inhibitors and brand building triggers. This newly found last category, which was not defined in the initial literature, demonstrates specific moments that catapult firms to own brand manufacture and that without them the process would be much slower. When comparing these companies with those that have not created their own brand, it was found new inhibitors (which are implied to be a negative self-evaluation), as well as transversal factors and denial factors.

Comparing both types of companies it was possible to conclude that they are a reflection of their administrative body. Besides, reasons such as ambidexterity and absorptive capacity revealed to be essential in own brand building.

This paper adds value to the existing literature since it contributes to theory building, relating to the providers' own brand building process through offshore outsourcing, including the internal process mechanisms that lead the providers in the pursuit of this given business model.

Keywords: offshore outsourcing, offshoring, provider, client, absorptive capacity, own brand

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1. Introduction

Nowadays offshore production is one of the pillars of globalization due to the central role it plays in global supply chains that serve global markets (Hill, 2007). At the same time, the impact of globalization on cost reduction has led companies to adopt strategies in order to become more competitive. In fact, numerous enterprises focused on cost-cutting strategies, such as offshoring.

Nevertheless, others reasons such as assessing qualified workforce or improvement of organizational flexibility have been highlighted as key factors affecting the offshoring (Lewin and Peeters, 2006). Offshoring presents an evident tendency and is expected to lengthen in the future (Pfannenstein and Tsai, 2004).

Offshoring consists in the relocation of company's business to another country. Moreover, offshore outsourcing happens when tasks, processes or function are relocated to another country and provided by a third-party (Manning *et al*., 2008; Lahiri and Kedia, 2011).

Almeida and Moutinho (2013) state that through offshore outsourcing providers expect to be able to acquire new skills as companies become more competent working as suppliers. Furthermore, the authors believe that, when companies decide to start business as offshore outsourcing providers, this may be a way to enable the development of skills, allowing companies to be better prepared to compete globally.

Arruñada and Vásquez (2006) argue that providers can use the knowledge acquired throughout the relationship with their clients to benefit their own brand. Moreover, Burmann and Zeplin (2005) reiterate that firms should focus more on long-term brand building rather than fix their attention on short-term profits. This may motivate offshoring providers to build their own brand during the entrepreneurial relationship with their clients.

However, whereas maintaining relationships between a client and a provider has been extensively examined in the literature, very little is known about this process from the perspective of the providers (Manning *et al*., 2008; Lahiri *et al*., 2012). Besides, the topic of own brand building in contract manufacturers in the course of an offshore outsourcing relationship has grabbed little attention from business researchers (Chen, 2005), and therefore this issue has, comparatively, been discussed to a much lesser extent in existing literature (Liu *et al.*, 2008).

Therefore, with this research a better knowledge of the offshoring process from the perspective of the providers is achieved. In a word, its purpose is to understand how the providers manage the shift to own brand manufacturers in the course of the offshore outsourcing relationship.

Besides, this study contributes to the theory building since it provides an integrative analysis through the connections between knowledge transfer, absorptive capacity, ambidexterity, manager's values and cognitive bases and own brand building from the perspective of the providers so as to fill the main knowledge gaps in the existing literature on the offshore outsourcing process.

Besides, through the relation of these concepts is proposed a framework of analysis by a sample of Portuguese offshoring companies that started as offshoring providers and managed to create their own brand. In order to reach deeper insights the preceding sample was compared with a sample of offshoring providers that shared the same conditions where own brand has not been launched.

The lack of relevant theories on offshore outsourcing with specific focus on the providers influenced the methodology used in this study. After previously reviewing relevant literature, it was easier to reach a methodological approach for this research which, therefore, was conducted by an exploratory approach. The methodology was based on Systematic Combining. Systematic Combining aspires the generation of theory, rather than confirmation of existing one (Dubois and Gadde, 2002).

The Introduction is followed by a literature review on offshoring that analyzes the main points framed in the literature on the providers' side and other important concepts, such as absorptive capacity. After that, the next section addresses the methodological approach applied to this research. The research's findings are then presented. Finally, the main conclusions, as well as the proposed theoretical framework, and limitations of this study are disclosed and directions for future research are given.

2. Literature Review

It is important to make clear how the providers become own brand manufacturers during the offshore outsourcing relationship.

However, literature review starts by defining the concept of offshore outsourcing including the distinction between offshoring and outsourcing, since these terms usually overlap.

Then, attention was given to the relationship between client and provider in order to understand how the transfer of knowledge is processed from the client to the provider.

Also, it is addressed the enterprises' absorptive capacity in order to study their ability to identify external value knowledge that may be used in the creation of providers' own brand.

Finally, how providers can use the offshore outsourcing relationship to build their own brand and some factors that lead or hinder firms to pursue the own brand building are presented.

2.1. Offshore outsourcing – defining the concept

There are many reasons why companies relocate their production processes outside the enterprise (outsourcing) or in other countries (offshoring): to create value, cost reduction, to access new technologies and skills, and/or to become more competitive (Embleton and Wright, 1998; Ghodeswar and Vaidyanathan, 2008).

However, since outsourcing and offshoring are two concepts that often overlap, it is necessary to engage a brief distinction. Outsourcing happens when a particular business process is executed by a third party irrespective of its location, whereas offshoring refers to the relocation of a company's business processes to a foreign country regardless of whether that provider is external or affiliated with the company (Oslen, 2006).

While outsourcing refers to the relocations that are made within or between countries, offshoring refers exclusively to international activities (Manning *et al*., 2008).

According to Lewin and Peeters (2006, p. 221), offshoring is a process of "locating activity to a wholly owned company or independent service provider in another country".

When offshoring is performed externally and by a third-party provider it corresponds to an offshore outsourcing.

This is the concept that will be focused on during this research and according to Manning *et al.* (2011, p. 382) it "means the client companies choose to source functions and process supporting domestic and global operations from outside their home countries, using third-party service providers".

2.2. Offshore outsourcing relationship

From the point of view of Lahiri and Kedia (2011), it is important to understand the factors associated with clients and providers which lead to the establishment and/or maintenance of a relationship, whose foundation lies in offshore outsourcing.

Lahiri and Kedia (2011) show that institutional factors, such as lack of skills in the country of origin or the escalating costs of running business which prevent profit, lead to offshore outsourcing.

The authors also point out some organizational factors, such as access to sources of talent combined with reduced cost, are revealed to be the primary driver behind offshore outsourcing leading clients to develop new relationships of this kind.

On the providers' side, these organizational factors are related to development and improvement of their experience, which allows them to develop new and/or older skills whilst providing clients in different countries.

Similarly, Lahiri and Kedia (2011) also present institutional factors affecting the providers which encourage offshore outsourcing. Some of these factors are: quality and inexpensive human resources, institutional reforms in the host country that favor foreign investment and internalization, governmental policies in the suppliers' country which aim to increase competitiveness and encourage suppliers into investing in offshore outsourcing relationships.

Vivek *et al*. (2009) conclude that offshore outsourcing relationships initially start with the main purpose of control and/or reduce transaction costs. As time goes by, those relationships evolve, the offshoree (provider) shows its ability in terms of resources that, in turn, decrease or eliminate the focus on minimizing transaction costs.

In relationships developed in the long term, know-how and learning are crucial factors for making the difference as transactional contracts. At a transactional level, the client expects the provider's knowledge to be specialized in a particular process and to develop the necessary skills to employ strategic moves as predicted in the contract (Vivek *et al*., 2009).

On the other hand, providers aim at learning advanced knowledge from clients in order to enhance their abilities, particularly tacit knowledge since it is not possible to obtain it through the arm's-length market transaction (Nonaka, 1994).

Therefore, the cooperation established between a client and a provider can benefit both agents and, subsequently, offshore outsourcing is not conceived just as a way for clients to have access to cheap labor, but also as a method to providers achieve external and valuable knowledge (Chen, 2005; Jensen, 2009).

Clients may take some precautions related to knowledge transfer for fear of developing potential competitors (Li *et al.,* 2010). However, they should transfer necessary know-how for providers in order to qualify them as certified providers (Hobday, 1995; Chen, 2005; Li *et al*., 2010).

Furthermore, the processes are closely monitored and training programs may cover the necessary information for the member to conduct the process efficiently (Vivek *et al*., 2009).

To this end, it can be inferred that throughout these monitoring and training programs, the providers will have access to client's know-how, information and routines and, hence be able to develop their own skills.

In addition, by providing technological assistance, training programs and quality control systems, the client contributes to the enhancement of the provider's quality standards and awareness of the client's market increases.

However, all this learning and knowledge resulting from the relationship with the client combined with the credibility and references which result from the fact that the provider has already worked in the market should make it easy to the manufacturer to sell at the clients' market (Vivek *et al*., 2009).

Furthermore, for companies which offshore outsourcing does not only mean cutting costs, the experience and skills gained by working with partners over time can bring mutual benefits. During the entrepreneurial process, the actors become more interdependent (Vivek *et al*., 2009), relationships also become more flexible over time and "clients (offshorers) transfer informal ownership of the process to the provider (offshoree)" (Vivek *et al*., 2009, p. 28).

Furthermore, a greater absorptive capacity of the providers may lead them to higher levels of learning (Cohen and Levinthal, 1990), and when the providers assimilate and incorporate the tacit knowledge which is developed by clients, they can evolve in their capabilities and lower technological risks (Grant and Baden-Fuller, 1995; Liu *et al.,* 2008).

In conclusion, there is a set of informal ownership such as know-how, information, monitoring, capabilities, learning, knowledge, training programs and routines, which are transferred from the client to the provider.

Ergo, all these skills can be absorbed by the provider as a catalyst and opportunity to become more qualified and to create perhaps their own brand.

2.3. Firm's absorptive capacity

The collaboration with other institutions allows firms to develop their field of action and it can help them to develop new products. However, to successfully obtain new knowledge from other companies, firms must command their ability to find, access, exploit and incorporate external knowledge into the firm's own operations (Forfás, 2005).

This subject of learning has been extensively addressed and studied in the literature on absorptive capacity. This concept arose from the seminal articles of Cohen and Levinthal (1989; 1990), and literature about this topic has discussed different aspects of the firm's capacities and examined the factors determining an enterprise's ability to obtain new knowledge.

According to Cohen and Levinthal (1990) absorptive capacity relates to the ability of companies to identify the value of what is new, external information and thus assimilate and apply it for commercial purposes.

Furthermore, the authors argue that absorptive capacity plays the role of a link between a firm's intrinsic ability to bring forward newfound products and improve existing ones, and the outward base of knowledge and opportunities (Cohen and Levinthal, 1989).

Some researchers state that a company's absorptive capacity performs a distinguished link of partnership between different external bases of information and innovative developments (Tsai, 2001; Escribano *et al.*, 2009; Wang and Han, 2011).

Cohen and Levinthal (1990) defend that absorptive capacity depends on several factors, including the companies' different characteristics, individual skills of the employees, the structure and intrinsic organizational learning capabilities of companies and their prior knowledge which embodies basic skills, shared language and/or own R&D produces such as recent scientific or technological productive developments - learning by doing.

Dal Zotto (2003) also supports the premise of Cohen and Levinthal (1990) that the previous accumulation of knowledge will be important to better absorb external knowledge because it will contribute to the recognition of the value of new information, assimilate it and apply it for commercial purposes.

Moreover, companies with an advanced prior knowledge will be more capable of acquiring and using information from abroad. So, these abilities provided by prior knowledge are relevant to the understanding and the learning process and they compose what Cohen and Levinthal (1990) call a firm's "absorptive capacity".

From this perspective, absorptive capacity also depends on individual abilities and knowledge of the organizations employees and their absorptive capacity.

Further, studies evidence that when employees are endowed with training and acquire new skills, firms can evolve in their absorptive capacity. Indeed, a positive correlation between the workers' training and organizational performance has been shown by some authors (Delaney and Huselid, 1996; Koch and McGrath, 1996).

According to Lane and Lubatkin (1998, p. 473) “the ability of a firm to learn from another firm is jointly determined by the relative characteristics of the two firms".

The authors support that firm’s absorptive capacity depends on the specific knowledge that the partner offers, the similarity between the structure and organizational practices with the business partner and the familiarity that the firm has with the organizational problems of the partner.

In this way, if the company is familiar with the projects and problems of the partner it will be easier to commercially apply the new knowledge provided by the partner (Lane and Lubatkin, 1998).

Tripsas (1997) points out that the association between the firm’s investment in absorptive capacity and external communication to promote external knowledge allows firms to embody knowledge outside their boundaries. Networks may be developed to reach flexibility, capacity, to access resources, skills and information (Faulkner, 2003).

Furthermore, the network created through connections with the external firm’s business world would influence the ability to access information from exogenous resources and thus networks would also affect the firm’s absorptive capacity (Cohen and Levinthal, 1990; Lane and Lubatkin, 1998; Wu and Fan, 2008).

Therefore, networks also play a significant role in developing the firm’s absorptive capacity by conferring skills and processing competences that can promote acquisition, assimilation and exploitation of knowledge to build innovation (Lane and Lubatkin, 1998; Lane *et al*., 2001; Jansen *et al*., 2005; Lane *et al*., 2006).

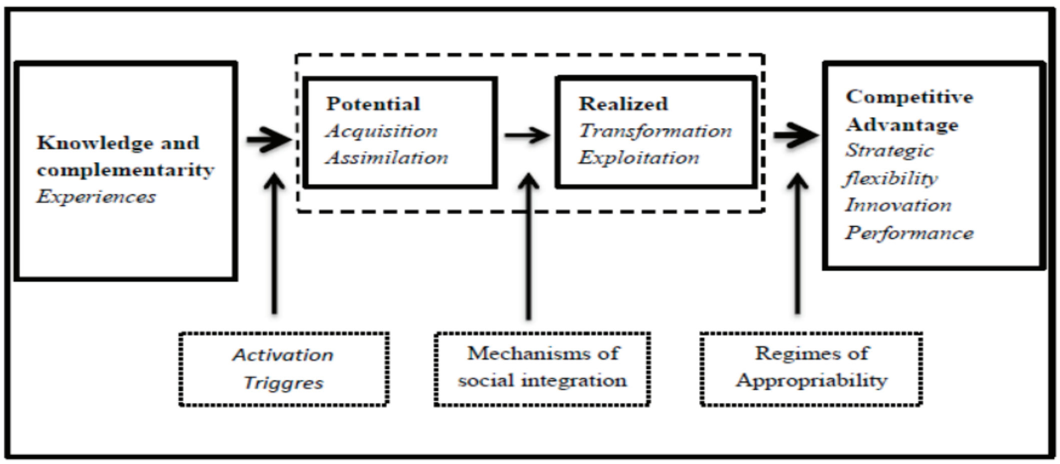
The absorptive capacity or learning is an extremely important factor regarding the companies’ performance and decisive for the firm’s views on knowledge ownership from different external sources, such as other companies.

Further, “organizations with higher levels of absorptive capacity will tend to be more proactive, exploiting opportunities present in the environment, independent of current performance” (Cohen and Levinthal, 1990, p. 137).

On the other hand, scholars (Ahuja and Lampert, 2001) argue that enterprises with a low level of absorptive capacity would probably not be able to interpret external knowledge correctly. In fact, it would be unlikely that those firms could identify the value of new information or ideas (Deeds, 2001). Besides, Escribano *et al.* (2009) state that firms which live in an empty world would not take advantage of absorptive capacity.

Cohen and Levinthal (1990) add that the absorptive capacity involves three processes, namely the acquisition, assimilation of information and finally the ability to exploit it. More recently, Zahra and George (2002) refined the concept of absorptive capacity (Figure 1) and classified the absorptive capacity into two types: potential absorptive capacity and realized absorptive capacity.

Figure 1. Absorptive capacity



Source: adapted from Zahra and George (2002, p. 192)

The potential absorptive capacity of a company consists in its receptiveness to the acquisition and assimilation of knowledge from outside which does not ensure its exploitation. Acquisition capability is related to the ability to recognize and acquire useful external knowledge for the well-functioning and development of the company. Whereas routines and processes that enable companies to evaluate, process, and understand knowledge coming from external sources concerns its assimilation capacity.

The realized absorptive capacity focuses on the transformation and exploitation of information and knowledge. Transformation capacity shows the ability to relate existing knowledge with previously acquired and assimilated, i.e., internalization and conversion. Exploitation capacity relies on routines that improve skills that the company already had or create skills based on new acquired knowledge, i.e., relates to the use and implementation.

In short, whereas potential absorptive capacity is related to the access of information and knowledge, realized absorptive capacity includes processing and incorporation of the gained knowledge in the company's own operations, i.e., realized absorptive capacity focuses on the performance of the firm.

The potential absorptive capacity develops according to the level of complementarity and diversity of external sources. These may be interactions with customers, with other companies, alliances, learning by doing, and can represent the successes and failures of the company over time.

Triggers of activation should be described as the events that lead companies to respond to stimuli both internal and external. A strong example of a trigger may be an internal organizational structure of the company itself which, in turn, leads to the development of a new strategy. External triggers consist of those events occurring at an industrial level in which the company operates and can relate to technological innovations or policy changes.

The gap between potential and realized absorptive capacity can be narrowed by drawing on the mechanisms of social integration and thereby increase efficiency. These mechanisms reduce the difficulty in sharing information, whether of nature structural, political or cognitive and increase the effectiveness of assimilation and transformation capabilities.

Furthermore, companies whose potential absorptive capacity is better developed present a greater strategic flexibility and ability to set or adjust their resources. Companies that are able to properly develop their realized absorptive capacity could achieve competitive advantages by resorting to innovation and product development (Zahra and George, 2002).

The authors state that the potential absorptive capacity does not automatically translate into a higher absorptive capacity and that a firm's good absorptive capacity does not translate into obtaining better innovation. Therefore, a large amount of absorbed knowledge does not mean that all of it is useful knowledge. Nevertheless, it is acknowledged that quantity is a condition for utility (Zahra and George, 2002).

2.4. From offshore outsourcing provider to own brand manufacturer

The established relationship of offshore outsourcing between a client and a provider can be triggered for some reasons, such as assess to qualified work power, search for low costs or competitive edge (Lewin and Peeters, 2006; Manning *et al*., 2008; Lahiri and Kedia, 2011).

Despite the increasing relevance of offshore outsourcing, there is still great incompleteness in existing literature. The topic has been examined by extant literature from the perspective of clients focalized in advanced technologies and widely known brands (Murray *et al*., 2005; Pyndt and Pedersen, 2006). Consequently, offshore outsourcing has been taken basically as means to reduce operational costs. Current literature on the perspective of foreign buyers renders a narrow approach and belittles the need for providers, as well as the potential of offshore outsourcing to help providers learning from specialized clients (Chen, 2005; Horng and Chen, 2008; Jensen, 2009).

However, there is a growing acknowledgment that cooperation between business partners should be examined in order to understand the acquisition of new and external knowledge from co-specialized partners (Khanna *et al*., 1998; Dyer and Nobeoka, 2000; Lane *et al*., 2001; Grant and Baden-Fuller, 2004; Li *et al*., 2010).

In order to develop innovative approaches, providers hope to improve their learning skills and acquire knowledge through offshore cooperation (Hult *et al*., 2003; Child and Rodrigues, 2005; Jensen, 2009). Learning is one of the main reasons leading the providers to engage in international cooperation (Hitt *et al*., 2005; Li, 2007; Li *et al*., 2010). In fact, Liu *et al*. (2008) argue that the transfer of know-how concerning product design and development from international clients is the central learning source for providers.

From the perspective of complementary resources, offshore cooperation can be rapidly applied as a strategy for external learning or knowledge transfer (Chen and Chen, 2002; Duanmu and Fai, 2007).

According to Grant's (1991) research on the resource-based theory of competitive advantage, the usual approach to the generation of resources has been on the shortage of firm resources and capabilities. The theorist believes that the firm has to determine whether to develop resources internally or obtain them outwardly.

Hence, in order to take the most of the union of resources and capabilities which belong to the company and to evolve a strategy leading to a competitive edge, it is essential for the enterprise to achieve complementary resources externally, and thus a firm must not be restrained to the exploitation of its own resources and capabilities (Teng *et al*., 1995).

Grant (1991) states that any absence of assets can be settled through purchases or strategic alliances. Therefore the providers can use the relationship with their clients as a way of complementing their resources and skills by helping to improve their strategy to make good use of their capabilities before the opportunity to have their own brand.

Vivek *et al*. (2009) argue that in the course of the offshore outsourcing relationship there is a transfer of informal ownership of the process, from the client to the provider. Hence, clients are a sort of source of knowledge and information where the provider may resort to in order to complement the development of its own business and thus to improve its performance until becoming an own brand manufacturer.

In the same line of thought, Arruñada and Vázquez (2006) argue that a contract manufacturer can use the knowledge acquired throughout the partnership with their clients to benefit its own brand. In fact, some providers have recently started to shift from contact manufacturing to own brand management (Horng and Chen, 2008).

Thus, all enterprises that want to succeed need to acquire external knowledge from their cooperative partners (Grant and Baden-Fuller, 2004; Rothaermel *et al*., 2006). Besides, all the transferred knowledge through offshore outsourcing can be strategically used by providers to learn and develop their inner skills (Chen, 2005; Duanmu and Fai, 2007). In addition, by collaborating continuously with clients the providers can learn lessons and grasp better practices from them (Hobday, 1995; Zollo and Winter, 2002).

Moreover, specific knowledge transferred through cooperation and learning from the buyer will allow the providers to expand and improve their own capacities (Horng and Chen, 2008) in the areas of product design and development. Pursuant to this directives, manufacturers will finally be able to work on the development of their own design and own brand products (Liu *et al*., 2008).

All transferred knowledge by the client to the provider can or cannot be absorbed by the latter. However, since external knowledge is frequently tacit and socially complex, some scholars (Zahra and Hayton, 2008) have also noticed the complexity of transforming new knowledge into new products.

External knowledge is not easily available to use and cannot be merely achieved in the market (Fritsch and Kauffeld-Monz, 2010).

Subsequently, much depends on the company's ability to recognize profitable modes of exploiting its skills and competences, and to absorb newfound knowledge (Zahra and Hayton, 2008).

Therefore, it is very important for the provider that wants to become its own brand manufacturer to evolve its absorptive capacity, since it allows companies to create and/or maintain their competitive edge (Wu and Fan, 2008).

A higher absorptive capacity and/or efforts to enlarge it can both encourage innovations within a firm, as well as its ability to effectively manage innovation (Cohen and Levinthal, 1990; Datta, 2011). Realized absorptive capacity transforms knowledge into products, services, and technologies (Jansen *et al*., 2005).

Further, through the combination of potential and realized absorptive capacity, firms improve their ability to innovate (Yli-Renko *et al*., 2001) and are able to create new things. For instance, firms may evolve their ability to build their own brand.

So providers should develop these two types of absorptive capacity in order to be able to reach their purpose, i.e., to create their own brand. The first one helps firms to acquire external knowledge and the second one is important for companies in order to take advantage and transform the knowledge obtained from external sources (Zahra and George, 2002).

Once again, it is emphasized that absorptive capacity is a fulcrum ongoing process and that the successful provider's task is to develop it.

Moreover, Dal Zotto (2003) defends that development of absorptive capacity is an attractive strategy since it allows manufacturers to recede costs and risks.

Nevertheless, the amount of knowledge absorbed and exploited does not determine its usefulness, even though it must be acknowledged as a major factor. Useful knowledge is necessary to generate power advantage (Zahra and George, 2002; Wu and Fan, 2008).

Therefore, in order to get the final goal (that is to build their own brand), providers should first absorb knowledge but that knowledge should be useful.

2.5. Own brand building: catalysts *versus* inhibitors

A key point of numerous enterprises is whether to create and internationalize their own brands or keep providing foreign brand owners and, thus still be international players (Wilson, 2012).

Liu *et al*. (2011) argue that own brand building is required for the contract manufacturer that has the goal and ability to follow its growth target. However, there are several companies that do not pursue that path. So, some factors that determine the adoption of own brand manufacturing should be point out on the one hand as catalysts and on the other hand as inhibitors.

Firstly, the financial crisis and its dissemination to the global economy influenced the demand for foreign markets, which in turn affected contract manufacturing. In order to escape from the pressure of international market fluctuation and follow the growing line, several firms may resort to own brand manufacturing with the view to take a part in the global competition (Haiyan, 2011). Hence, the crisis may be a great opportunity for providers to upgrade to own brand manufacturing and face it as a possible solution.

If an offshore outsourcing provider decides to move its strategy to own brand manufacture, the prior experience with its clients may contribute for the firm's success henceforward. Although, internal business operations stay the same, its strategy needs to be redesigned and debated (Lin, 2004).

Likewise many theorists (Arruñada and Vázquez 2006; Liu *et al*., 2008) argue that, as contract manufacturers have access to the clients' value resources, such as R&D and marketing, they will be able to develop their own capabilities which they may later use to create their own brand.

Besides, all knowledge, references and credibility gained along the relationship of offshore outsourcing might be catalyst factors which help the providers to supply the same markets as their client, but using their own brand since their awareness about the client's market has increased. Thus, when the providers start rising in the value chain due to manufacturing their own brand, they shift from being providers to being their clients' competitors (Horng and Chen, 2008).

Notwithstanding, firms need to develop their understanding about branding and to look at the own brand manufacture as more than just a cost and consider it as an investment. Moreover, Burmann and Zeplin (2005) reiterate that firms should focus more on long-term brand building rather than fix their attention on short-term profits since by commercializing their own brand products, providers can not only gain greater profit margins, but also altogether use their manufacturing abilities and acquire higher market information concerning product design and improvement (Blackett, 1991; Kotler, 1996; Lin, 2004; Liu *et al*., 2011).

Finally, governmental policies may foster enterprises to perform own brand manufacturing. The policies may support firms in improving internal innovative competences and afford activities to develop brands with own intellectual property, which stimulate the providers in moving from subcontracting to own brand manufacturing (Haiyan, 2011).

There will be, however, some obstacles when contract manufactures pursue growth, own brand building (Liu *et al*., 2008) which prevent manufacturers from creating their own brand and remain as providers.

Firstly, abundance of cheap labor and other assets in the domestic market, which are the reasons for international competitiveness, allow providers to achieve offshore outsourcing contracts. Secondly, when international demand is constant, firms would prefer to remain as contract manufacturers as to play it safe (Haiyan, 2011).

A risk of building a new brand occurs when there is a likely reliance on client for product improvement and advanced technologies which lead the manufacturer to lose its ability to create and maintain a product advantage (Chen and Chen, 2002; Lee and Kim, 2004; Li, 2007; Li *et al*., 2010).

Besides, Liu *et al*. (2007) stress that, numerous contract manufacturers' design and development ability required to build their own brand are greatly dependent on constant learning from their partners.

Furthermore, many contract manufactures are dependent on learning and knowledge transfer from their clients to enhance their own design and development competences. Thus, when clients restrict these sources of knowledge providers may have the design improvement and own-brand building competence for building constrained (Liu *et al*., 2008).

Besides, another inhibitor could be the contract established to moderate the entrepreneurial relationship. "When specific assets are transferred to the vendor, there is a high risk of 'hold-up'" (Barthélemy and Quélin, 2006, p. 1779). Thus, to avoid potential opportunism by the providers, clients may resort to many features of the contracts (such as: penalties, incentives and monitoring) to offset opportunism risks and relieve hazards (Barthélemy and Quélin, 2006) and to prevent the providers from using their ownership.

Furthermore, efforts to build a new brand could generate conflicts between the contract manufacturer and its buyer. When the provider chooses to have its own brand business, which may be quite similar to the client's product line, they are somehow going against the client's interests so that their customers may no longer pursue the collaboration with them and thus providers may ruin the relationship and spoil their clients' orders (Liu *et al*., 2008).

Moreover, a potential cannibalization may occur when the providers offer similar products to their clients. In Meredith and Maki's (2001) study the authors mention an article by Harvey and Kerin (1979) on the diagnosis and management of cannibalization where it suggests that the great similarity between product characteristics and the absence of perceivable differences in quality attributes by final customers might make the premium product vulnerable or cannibalize the sales in comparison to its cheaper brand substitute. For this reason, providers may suffer retaliation from their clients due to potential threat of competition and clients also could consider finishing the cooperation. This rupture of cooperation can be even more critical when the contract manufacturer provides a unique buyer what can rapidly inhibit providers by building their own brand in order to not lose their only client.

Besides, the providers may have their demand lessened because of cannibalization. They may be just cannibalizing the premium product and in case clients finish the cooperation providers will lose their clients' demand and remaining solely with their new brand demand. Therefore, to estimate the success of a product, firms need to measure not only how much new demand it begets but also to what amount this demand is result from other products, i.e. cannibalization (Van Heerde *et al*., 2010).

When disregarded, it will be expected too much success of the newly product. Although managers are conscious of the cannibalization process, they usually do not have clear how to specify quantity of risk that cannibalization may cause (Van Heerde *et al*., 2010). Hence, the providers need to evaluate the pros and cons of engaging in own brand building.

Another risk factor would lie on the additional costs (both financial and time) since the firm has to fulfill substantial investments to manage its own brand (Santos-Vijande, 2013). Although, products developed by the providers may be similar to their customers, they cannot avoid very high costs in order to create new competences (Liu *et al*, 2008).

Even when firms present leveraged competences that can avoid the cost of new knowledge creation, from their extant resource allocation (for example: their human and financial resources) as well as, communication sources, operational procedures and connection among departments will emerge other costs of coordination for a new strategy implementation (Liu *et al*., 2008).

Besides, as a general rule contract manufactures specialize in low-cost strategies based on their manufacturing skills (Liu *et al*., 2008). Hence, firms that engage in both types of activity, i.e., to manufacture for foreign brands and to be own brand manufactures, could take the risk of being "stuck in the middle" according to Porter's view (1988) since manufacturing for other clients/brands requires focus on low cost while being own brand manufacturer requires extra costs to allow differentiation from other brands (Wilson, 2012).

Horng and Chen (2008) stress that enterprises should move from efficiency to innovation. Likewise, own brand manufacturing requires functional abilities from production and coordination, and it also requires undertaking value-adding activities such as design, branding building and strong technological and marketing ability (Chyr *et al*., 2008; Haiyan, 2011).

Thus, as a result, companies need to obtain a range set of knowledge to engage in the transformation (Horng and Chen, 2008), which may constrain firms from pursuing own brand building.

Meanwhile, according to Arruñada and Vázquez (2006) those firms who engage in own brand manufacturing will find difficulties in improving their brand product to reach the client's quality, innovation and pricing, which may hinder firms from shifting to own brand manufacturing.

Arruñada and Vázquez (2006) also argue that when a clients' commercial viability product depends on proprietary technology and process they need their providers to know their business well. Thus, clients should assure the providers' competence, currency of knowledge and good faith.

Therefore, ethical issues concerning brand building may arise because when the customers transfer knowledge to the providers they trust their good faith. So, for this reason and due to ethical matters, the providers may not choose to create their own brand.

2.6. Conclusion

The concept of offshoring and outsourcing is often overlapped. Outsourcing means when a particular process of a company is carried out by a third party, regardless of its location, while offshoring occurs when a company relocates its business processes to a foreign country regardless of whether the provider is affiliated or external with the company.

More specifically, offshore outsourcing means relocating business processes to be provided by a third-party fixed in a foreign country.

Although the literature on offshoring is extensive, there is an absence of formal literature regarding the impacts of offshore outsourcing in the perspective of providers and how they become own brand manufacturers. Thus, this was considered the most relevant literature review for this research.

Through the relationship between those involved in offshore outsourcing, i.e., client and provider, it was demonstrated that there is a transfer of informal ownership from the client to the provider and the latter can learn from their client.

Absorptive capacity revealed to be a key feature for companies seeking to assimilate and employ all the knowledge acquired for commercial purposes. Notwithstanding, this capacity depends on some factors, such as prior knowledge, individual abilities of the employees or similarity between the structure and organizational practices with the partner.

Further, networks also play an important role for firms to achieve external knowledge. Absorptive capacity is divided into two types: potential and realized. Potential absorptive capacity is related to accessible knowledge and information and realized absorptive capacity concerns the ability to process and incorporate that knowledge.

After evolving their absorptive capacity, firms (providers) can use the offshore outsourcing relationship as a way of having access to external knowledge and improving their own skills that can be used in their own brand. Therefore, it can be inferred that clients are seen by the providers as a source of information and knowledge that providers can strategically apply to benefit their own brand building.

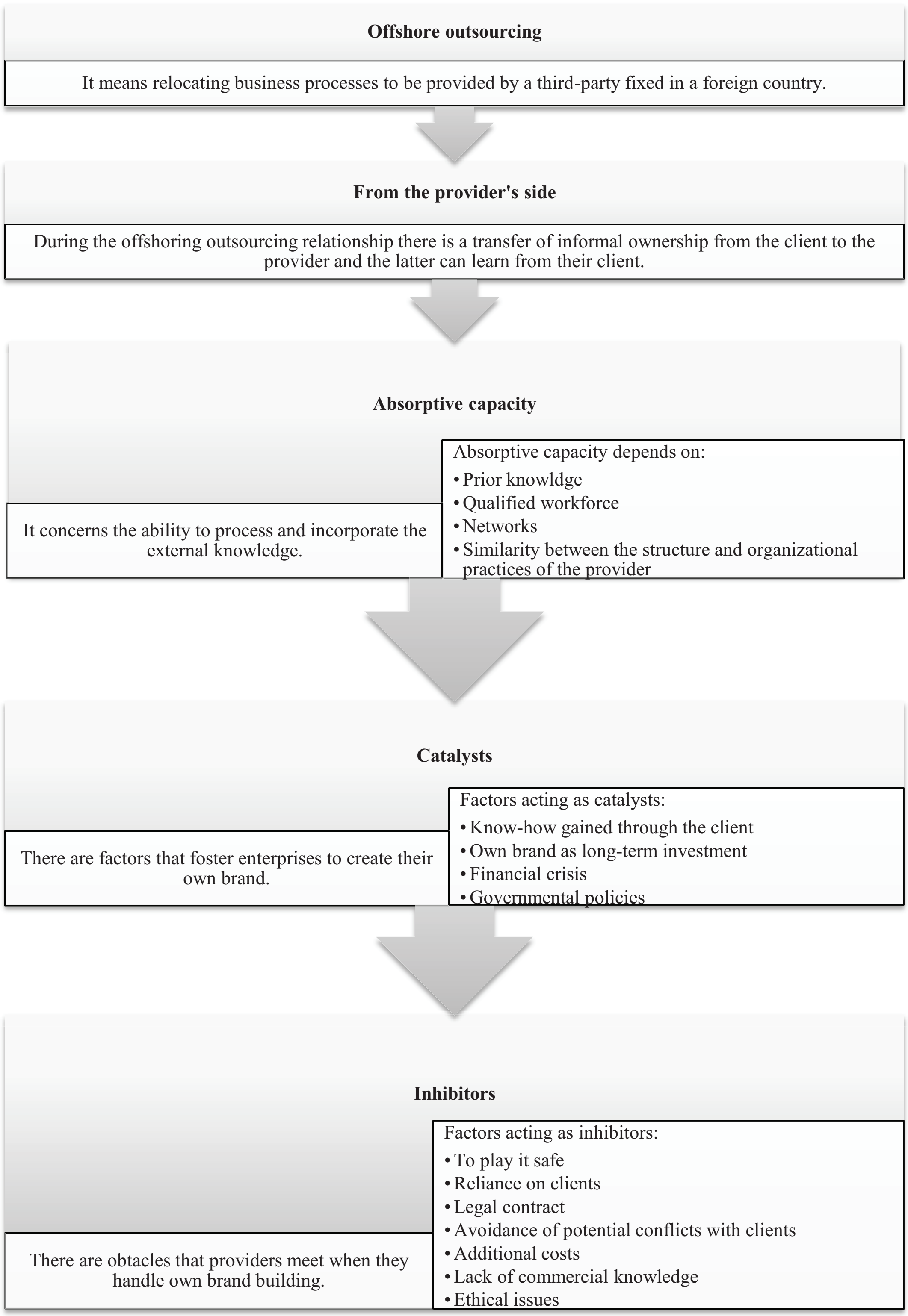
Finally, some companies have started to shift from contract manufacturing to own brand management. However, others choose not to follow that way.

Thus, whilst several aspects, which have arisen out of literature, might lead the providers to build their own brand (catalysts), such as: know-how gained through the client, own brand as long-term-investment, financial crisis and governmental policies, there are other factors that hinder firms from pursuing it (inhibitors), such as: to play it safe, reliance on clients, legal contact, avoidance of potential conflicts with clients, additional costs, lack of commercial knowledge or due to ethical procedures.

Following the gathered information, Figure 2 shows the main contributions of the literature which supported this study.

The lack of relevant literature influenced the methodology, and therefore, it led us to follow an exploratory approach based on Systematic Combining, which will be addressed in the subsequent section.

Figure 2. Main contributions from the literature review



Source: own elaboration

3. Methodological Considerations

According to Eisenhardt and Graebner (2007), the justification of the methodology depends on the nature of the studied question. So, the question proposed for investigation had greatly influenced the methodology.

Furthermore, the gap on the topic of offshore outsourcing from provider's point of view has also influenced the choice for an exploratory approach.

As literature on offshore outsourcing from the perspective of suppliers is scarce, and Eisenhardt and Graebner (2007, p. 26) state that in cases where "the existing research either does not address the research question at all, or does so in a way that is inadequate or likely to be untrue", it should be resorted to an approach based on theory building rather than theory testing.

There are practical motivations that stimulate the qualitative research applied to international management, since this area presents quite complex problems and issued to be addressed (Wright, 1995).

Further, Eisenhardt and Graebner (2007, p. 26) argue that the qualitative approach "offer insight into complex social processes that quantitative date cannot easily reveal."

Besides, it was set that firms need to develop absorptive capacity to reach the final goal, that is to create own brand, which can depend on many factors. Thus, the process presents itself to be a complex one, which lead us to adopt an exploratory approach based on qualitative data.

Furthermore, Wright (1995) argues that the international management is an area where there is a lack of theoretical understanding, and therefore, he suggests that this is one of the strongest reasons for researchers to resort to the qualitative method, since it is more prone to the creation of theories.

Quantitative methods commonly do not give deep answers about "why" and "how" questions (Clifton and Handy, 2003). Therefore, since the main aim of this study is to understand how providers become own brand manufactures, it resorted to a qualitative study in order to fill these knowledge gaps.

Moreover, qualitative research allows a greater flexibility and it also allows the researcher to take advantage of the wealth of data collected and, thus get more meaningful results (Wright, 1995).

A challenge for building theory method is sample selection. In this case our sample was a theoretical sample, since the goal is to construct a theory and not test one. That is why, according to Eisenhardt and Graebner (2007, p. 27) a theoretical sample is the most appropriated because it "(…) simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs".

In addition, multiple cases studies were used since they provide a vigorous base for theory building (Yin, 1994). Through multiple cases it is possible to make comparisons to clarify whether an emergent finding is simply idiosyncratic for only a single case or consistently replicated by several cases. Multiple cases also allow to elaborate a more robust theory because the propositions are more deeply based on empirical evidence (Eisenhardt, 1991).

However, even though the multiple cases scenario allows us to structure a stronger theory, theoretical sampling is more complicated because the choice is less based on uniqueness of a single case and more likely to result from the various characteristics of a set of cases (Yin, 1994).

Data collection was based on archival data on the news and interviews to companies that were used as samples for this study.

Interviews are a highly efficient way of collecting empirical rich data, especially when the issue presents an episodic and infrequent incident (Eisenhardt and Graebner, 2007).

When coping with the different senses of "qualitative research," it is necessary to demystify the confusion with the meaning of the term "grounded theory building".

Grounded Theory has a clear meaning which arises from the approach presented by Glaser and Strauss (1967) on the interpretation of meaning of the empirical data by social actors (Eisenhardt and Graebner, 2007).

Moreover, it is usually helpful to deal with the different senses of "grounded theory building" by avoiding the designation unless the Glaser and Strauss' approach (1967) is being used (Eisenhardt and Graebner, 2007). Therefore, this study was not supported directly by Grounded Theory.

The development of theory building requires three processes: joint collection, coding and analysis of data. According to Glaser and Strauss (1967), these processes should be performed together as much as possible. Moreover, they should mingle and be intertwine from the beginning to the end of the investigation.

However, before the joint collection, it was necessary to give meaning to the data, to have insight in understanding and, finally, to sort out the relevant material, showing theoretical sensitivity.

This theoretical sensitivity has been achieved through the previous review of literature, given that, according to Carpenter (1999) literature review is one way to gain theoretical sensitivity.

The data collection occurred while their examination and subsequently was realized the "coding" in order to find "core categories", with enough conceptual density and saturation to unchain the theoretical development (Douglas, 2003).

Initially, a purposive sampling (McCann and Clark, 2003) had to be done, i.e., a preliminary sampling using predetermined criteria to recruit participants and the setting.

After this initial data collection, the following sampling decisions about participants and the setting were based on emerging theory (McCann and Clark, 2003).

The sampling continued until no additional data was found, at least new and relevant data, in other words, until saturation was reached (Douglas, 2003; McCann and Clark, 2003).

Saturation happens when no new data appears relevant to particular categories and subcategories, categories show to be conceptually dense, and when all modifications in categories can be explained (McCann and Clark, 2003).

Besides, McCann and Clark (2003, p. 11) argue that “the quality of data is more important in theoretical saturation than the frequency with which it recurs”.

According to Glaser and Strauss (1967), core theoretical categories, i.e., those with the most explicative characteristics should be saturated as much as possible.

Moreover, “efforts to saturate less relevant categories should not be made at the cost of resources necessary for saturating the core categories” (Glaser and Strauss, 1967, p. 70).

As undertaking these procedures, this research were conducted by an approach called Systematic Combining (Dubois and Gadde, 2002).

Therefore, as said before, this research was not based on Ground Theory approach but through the Systematic Combining, which can be seen as a sophistication of the Grounded Theory.

This kind of approach is more profitable when the researcher’s goal is to find out new things. The main aim of this approach concerns to the production of new ideas and enhancement of theoretical models, rather than testing existing theory (Dubois and Gadde, 2002).

Through this approach, Dubois and Gadde (2002) state that the researcher can expand his understanding of both theory and empirical world by moving from literature, to the data and back to the field (but not necessarily in this sequence). Therefore, by going “back and forth”, the researcher can validate or refute their emergent conclusions.

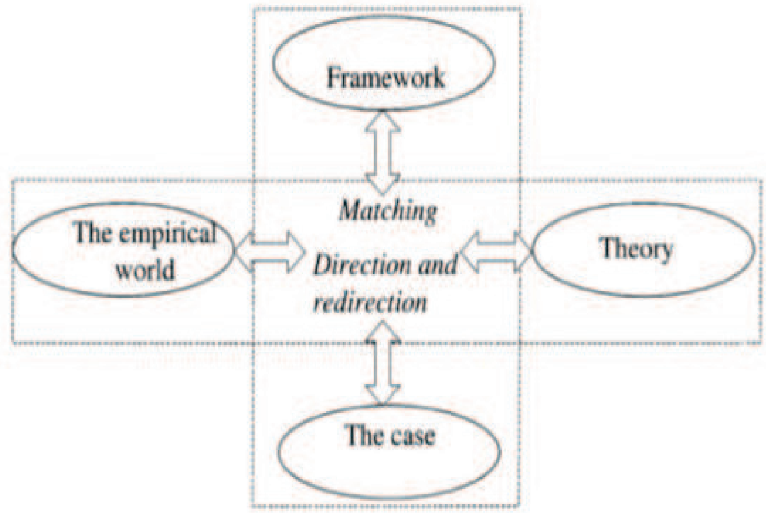
The preliminary framework developed over time was based not only on what is discovered through the empirical fieldwork but also through analysis and interpretation. Hence, the framework was composed of articulated “preconceptions” (Dubois and Gadde, 2002). This occurred because the theory cannot be disconnected from empirical observation and vice-versa.

Therefore, the evolving framework led the investigation to empirical data. Empirical observations could bring out the identification of unanticipated yet related issues that could be inquired through interviews or other ways of data collection.

This could be compelled to redirect the existing theoretical framework through spreading or modification of the theoretical model.

This process was what Dubois and Gadde (2002) refer as Systematic Combining and it is illustrated in Figure 3.

Figure 3. Systematic Combining



Source: Dubois and Gadde (2002, p. 555)

Systematic Combining can be described as a nonlinear process of combining efforts with the final purpose of matching theory and reality. Matching is one of the pillars of Systematic Combining and it means that the researcher goes back and forth between framework, data sources and analysis.

"Direction and redirection of the study is an important feature for achieving matching" (Dubois and Gadde, 2002, p. 556) and it is related to multiple sources. Once again it is highlighted the multiple sources or cases scenario, since, according to Yin (1994), any finding or conclusion is likely to be much accurate when based on many sources. Likewise, multiple sources can help the researcher to find unknown aspects and thus discover new characteristics of the research question.

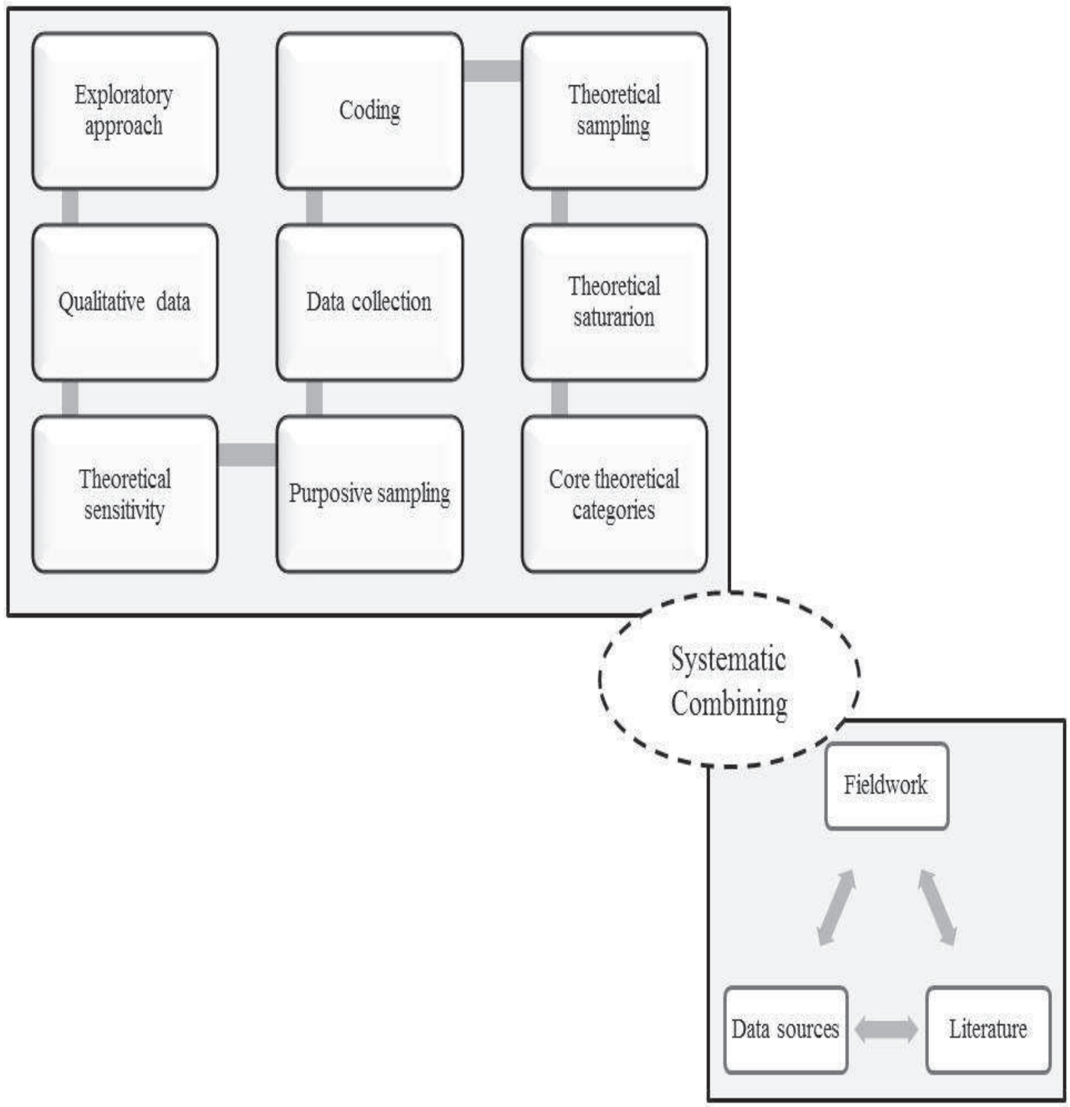
Therefore, the methodological approach (Figure 4) was conducted by an exploratory approach using qualitative data. Thanks to the literature review it will be possible to achieve the theoretical sensitivity.

Then, it was used a purposive sample to select the informants and engage the data collection. Afterwards, the coding was done.

However, theoretical sampling continued until theoretical saturation is reached, and so, it was easier to find the core theoretical categories.

The whole process was based on the Systematic Combining that presents a flexibility to move back and forth through literature, data sources and fieldwork.

Figure 4. Methodological approach



Source: own elaboration

3.1 Implementation of the research method

Initially, a purposive sampling was used to recruit participants who meet the criteria. In total, seven enterprises were interviewed (Table 1). This selection aimed to include firms of different sizes and ages.

All firms are still providing to international firms, but also producing their own brand, except one firm that ceased its offshore outsourcing activity and nowadays works solely for its own brand manufacture.

This sample falls on companies from the Portuguese footwear industry that began their activity as offshore outsourcing providers and created their own brand in the course of the relationship of offshore outsourcing.

Table 1. Characteristics of firms with own brand

Name	Year of establishment	Number of workers	Own brand name	Location
AMF, Lda *	1999	65	2work4	Guimarães
Amishoes Calçados, Lda	2002	100	Amigluv	Guimarães
Fábrica de Calçado Dura, Lda	1964	115	Exceed	Felgueiras
Fábrica de Calçado Sozé, SA	1976	160	Dkode	Felgueiras
Máximo Internacional – Importação e exportação, SA	1988	100	Nobrand	Felgueiras
S.O. & Marques, SA	1973	50	Reve de flo	Oliveira de Azeméis
Zarco – Fábrica de Calçado, Lda	1942	103	Carlos Santos	São João da Madeira

* Ceased offshoring activity

While data was being collected and analyzed, it was necessary to interview more companies in order to grasp theoretical saturation and to provide deeper insights and understanding.

Nevertheless, at this time, the interviews were conducted with companies in the same sector and that shared the same macro-environment having not launched their own brand during the contract period (Table 2), so both types of firms were possible to compare.

Table 2. Characteristics of firms without own brand

Name	Year of establishment	Number of workers	Location
Brasa - Fábrica de Calçado, Lda	1988	56	Felgueiras
Cruzatendência – Indústria de Calçado Unipessoal, Lda	2009	70	Felgueiras
Fábrica de Calçado - Pinto & Soares, SA	1980	180	Lousada
Rubro de Fantasia – Calçado Unipessoal, Lda	2011	25	Felgueiras
Viago Shoes - Indústria de Calçado, Lda	2005	35	Felgueiras

It was resorted to only one sector and origin, i.e., Portuguese footwear companies, in order to not create noise and to reach uniformity.

Besides, by analyzing a single sector, it was possible to compare companies, within the same conditions, that have created their own brand with those that have not created it during the business partnership. In this way, richer results were achieved.

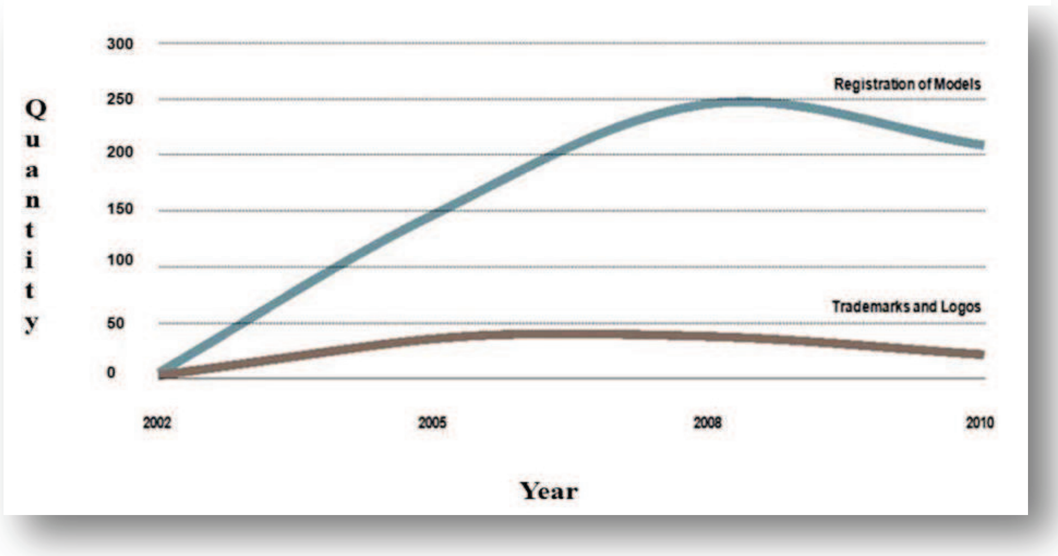
According to the statistical study produced by the Portuguese Footwear, Components, Leather Goods Manufacturers' Association – APICCAPS (2012), Portugal is among the main European producers of footwear and is also in the midst of the top 10 footwear exporters for each rank of footwear except rubber & plastic and textile. Portugal accounts for 23% of the global leather footwear exports.

The Portuguese footwear industry is located in the north of the country and is structured in two broad geographical clusters: on the one hand we find the municipalities of Felgueiras and Guimarães and on the other hand the municipalities of Santa Maria da Feira, São João da Madeira and Oliveira de Azeméis.

In 2011, Portugal produced about 61 million pairs of shoes and its footwear exports increased by 21% in value. Its main trading partners are France, Germany, Spain, the Netherlands and the UK, both by value and by quantity.

Portuguese companies that, in the past, manufactured largely for other enterprises are manufacturing for their own brands. In the World Footwear Yearbook published by APICCAPS (2011), it is showed that between the period of 2002 and 2010 the resorting to trademarks and logos by firms become more intense up until 2008, when it then lessen, even though it is still at higher level than at the beginning of the decade (Figure 5).

Figure 5. Registration requests



Source: APICCAPS (2011, p. 29)

In the last decade, the Portuguese footwear industry has developed a strategy based on innovation, seeking to assert itself in international markets and market segments with higher added value through the ability to create fashion and not, as formerly, by their producing capabilities (APICCAPS, 2011).

This strategy requires a greater investment in creation ability, design and human resources, and the constant renewal of the product range is one of their driving forces of competitiveness. However, many Portuguese companies have been showing desire to go further by using their creative ability at product level to assert their identity through the creation of their own brands (APICCAPS, 2011).

Therefore, it is necessary to underline that the footwear industry has particular inborn characteristics and singularities in its business environment that make it perfectly suitable for this study. Besides, the selection lies in the footwear industry because it would probably afford a valuable insight about this sector.

Data was collected through face-to-face interviews with the managers of each enterprise. However, it was not possible to reach the firms' manager sometimes, so that the interviews included informants from all organizational levels, such as: top management and mid-management, and from different departments, such as: administration, international trade, marketing and finance and accounting (see attachment 7.2). After twelve interviews, theoretical saturation was reached, i.e., no new or relevant information emerged.

The choice by semi-structured interviews as a preferred form of data collection is based on the objectives and research question. According to Rubin and Rubin (1995) this type of interview is particularly useful when it is aimed to decipher complicated relationships that evolve slowly, when it is necessary to develop a deep knowledge of the phenomena, yielding richer data for the development of theories.

Moreover, the use of semi-structured interviews reduces the risk of bias in the informants' responses since it does not convey possible alternatives to them. Thus, it was not inserted any noise in the communication, what allows us to achieve emerging categories easier. This meets with Fontana and Frey (1994) when they argue that a more formal structure (or a priori categorization) limits the field of investigation.

A literature review was used to loosely frame the research and to build an interview protocol which directed the conversation in such a way as to warrant that the essential questions were addressed.

Interviews were aimed to understand firm's trajectory and context. Since the main aim is to expand theory, the interviews included were open-ended questions and the informants had the opportunity to freely express their experiences, thoughts and interpretations about the topic in their own words.

However, it was not followed the predetermined sequence of questions sometimes and in some meetings not all questions were made. In some cases, when the informants were asked to answer a certain question it resulted in the answer to all questions predicted.

The interview protocol was composed of questions related to the issue in context. In the first round, the interview protocol (attachment 7.3) was built with the view to understand what contributed to the company's own brand creation while still providing offshore outsourcing activities to foreign clients. In the second round (attachment 7.4), the interview protocol was composed of questions in order to address the main reasons for companies to not create their own brand.

The interview protocol was evolutionary since the insights of each discussion resulting from an interview were taken into account to the next interview, and so on. Interviews were audio-recorded and transcribed. A special website[1] was created where all transcripts can be found.

Furthermore, alternative sources were used, such as a newspaper article. Each interview's transcript and newspaper article was analyzed and coded by using QSR International's NVivo 10 qualitative data analysis software.

3.2. Conclusion

This section defined which methodology was used in this research and how it was applied. Systematic Combining was selected since this kind of approach is more advantageous when the researcher's aim is to bring forward new concepts.

Furthermore, the main aim of this research is to create new ideas and enhance theoretical models and not testing existing theories. Moreover, by using Systematic Combining it was possible going "back and forth" with literature, data and field, which allowed us to better validate or refute emerging understanding (Dubois and Gadde, 2002).

We may conclude that the methodological choice applied in this research was widely influenced by the nature of literature review. In fact, literature itself influenced the way the tackled topic was led.

Our sample falls on the companies in the Portuguese footwear industry since they revealed to have the characteristics required to this study and thus they are suitable for our framework. We only resorted to this sector and origin in order to not create noise and to reach uniformity.

Besides, by using a single sector it was possible to compare companies that have created their own brand with those that have not created. Interviews were made to companies that began their activity as offshore outsourcing providers and created their own brand in the course of the relationship of offshore outsourcing.

[1] http://paulointernationalre.wix.com/paulogomes

In order to achieve a better understanding, companies into the same sector and sharing the same macro-environment that have not launched their own brand during the contract period were also interviewed.

4. Research Findings

This section presents this study's findings. Particularly, it is demonstrated the results that rose from data collection and coding.

Data was drawn from the Portuguese footwear industry. During the coding it was given particular attention to new data that has not been referenced in the literature review in order to bring forward new insights and thus to contribute to broaden the theory.

In this study only offshore outsourcing providers were considered. Nevertheless, the findings are divided into two rounds where each one includes a different sample of firms in order to reach theoretical saturation.

In the first round, firms that initiated their activity as offshore outsourcing providers and then managed to build their own brand were included. In the second round, there can be found firms that are offshore outsourcing providers and do not have their own brand.

The findings achieved with this investigation helped to build the proposed framework, which was completed and strengthened with the literature review.

4.1 First round

Nvivo software allowed us to classify data into nodes that correspond to categories. From the literature review four categories were developed (such as: offshore outsourcing relationship, absorptive capacity, catalysts and inhibitors) (Table 3).

Table 3. Categories and subcategories identified in the literature

Categories	Subcategories	Reference
Offshore outsourcing relationship	Know-how	Chen (2005), Li *et al*. (2010)
	Learning	Vivek *et al*. (2009)
	Knowledge	Vivek *et al*. (2009), Chen (2005), Li *et al*. (2010)
	Training	Vivek *et al*. (2009)
	Information	Vivek *et al*. (2009), Chen (2005), Li *et al*. (2010)

Absorptive Capacity	Prior knowledge	Cohen and Levinthal (1990)
	Qualified workforce	Zahra and Hayton (2008)
	Similarity between the structure and organizational practices of the provider	Lane and Lubatkin (1998)
	Networks	Lane and Lubatkin (1998), Lane *et al*. (2001), Jansen *et al*. (2005), Lane *et al*. (2006)
Catalysts	Know-how gained through the client	Arruñada and Vázquez (2006), Liu *et al*. (2008)
	Own brand as long term-investment	Burmann and Zeplin (2005)
	Financial crisis	Haiyan (2011)
	Governmental policies	Haiyan (2011)
Inhibitors	Additional costs	Santos-Vijande (2013)
	Lack of commercial knowledge	Haiyan (2011)
	Avoidance of potential conflicts	Liu *et al*. (2008)
	Legal contract	Barthélemy and Quélin (2006)
	To play it safe	Haiyan (2011)
	Reliance on clients	Chen and Chen (2002); Lee and Kim (2004); Li (2007), Li *et al*. (2010)
	Ethical issues	Arruñada and Vásquez (2006)

Source: own elaboration

During the coding, particular attention was given to new data which had not been previously identified in the literature.

After the coding to the first seven interviews, a new category emerged (brand building triggers) and thus, in total, five core categories were settle on: offshore outsourcing relationship, absorptive capacity, catalysts, inhibitors and brand building triggers.

The first category (offshore outsourcing relationship) refers to what was transferred from clients to the providers during the offshore outsourcing relationship.

The category absorptive capacity is related to the providers' ability to absorb all that was transferred by the clients. Thus, this category aims to evidence which factors were essential to firms in order to absorb the external knowledge.

Whereas, the category catalysts refers to the factors that fostered firms moving from offshore outsourcing to own brand manufacture, the category inhibitors integrate the factors that led these firms to face them as threatening when they decided to build their own brand.

Although, firms pointed out some factors as inhibitors, whereby could hinder firms from dedicating to own brand building, they strived against these factors and built their own brand.

Finally, the category brand building triggers shows that there were some factors that came from outside the firm's scope and accelerated firms' own brand building process.

A number of subcategories that descend from the main categories were found. Likewise, in this instance, seven subcategories (such as: to hold great decision-power, clients' volatility, own bran as major client, business expansion, globalization, firm's generational transition, and crisis in the sector) which had not yet been referred to in the literature, were found.

It is necessary to emphasize the new category and subcategories that have emerged from the analysis of firms that have created their own brand and those that have already been described in the literature review. Therefore, Table 4 shows their meaning in order to provide a better vision of these new insights. However, a list containing a description of all categories and subcategories can be found in attachment 7.5.

Table 4. Meaning of the newfound category and subcategories: firms with own brand

Category	Meaning
Brand building triggers	This category shows that there are specific moments during the firms' life that catapult them to own brand manufacture. These triggers come outside the firms' scope and influence their general environment. Even though firms had all conditions and catalysts to operate as own brand manufactures, without these triggers the process would be much lengthy. So these triggers precipitate the leap into the own brand building. From this category emerged two new subcategories.

Category	Subcategory	Meaning
Catalysts	To hold a greater decision-making power	With own brand the providers are less dependent on the clients' rules and they could get benefits that only the own brand can offer. Thus, to hold a greater decision-making power revealed to be a factor that influenced firms' decision to pursue their own brand business model.
	Clients' volatility	The providers argued that it is very difficult to foresee the clients' intentions and foretell the moment when they will decide to no longer work with them in order to work with others. So, to escape from this volatility the providers decided to move to own brand manufacture.
	Business expansion	After providing for many years, the providers feel that they should expand their business because they are aware that working as providers is very reductive, and they mentioned the model of own brand as a good way to reach that expansion.
	Globalization	Globalization appeared as a motivation for firms to create their own brand since this phenomenon incites firms to internationalize and compete fiercely and globally.
Brand building triggers	Firm's generational transition	Many firms are composed by the owner's relatives, namely descendants who usually have a different vision and desire a different path. In some cases, when this new generation takes the charge, they put into practice a new business model: own brand manufacture.
	Crisis in the sector	Firms somehow anticipated that they would not go further just by working as contract manufacturers, and that led them to take a risk in their own brand manufacture.

Source: own elaboration

The analysis process engaged in coding the data and searching for features or phenomena that constituted a demonstration of how providers turn into own brand manufactures. The coding brought an expansion of the list reported in the literature.

The new category and subcategories that emerged from this first coding and which were not referenced in the literature review are in highlighted cells in Table 5.

Nvivo also allowed us to measure the incidence of each subcategory by analyzing which were more or less referred (Table 5).

All information about the coding in the case of firms that have created their own brand is presented in the attachment 7.6.

Table 5. Coding resulting from the first round of interviews: firms with own brand

Categories	Offshore outsourcing relationship	Absorptive capacity	Catalysts	Inhibitors	Brand building triggers	
Subcategories	Know-how	Qualified workforce	Know-how gained through the client	Addtional costs	Firm’s generational transition	+ *Referred*
	Learning	Prior knowledge	To hold a greater decision-making power	Lack of commercial knowledge	Crisis in the sector	
	Knowledge	Networks	Own brand as long-term investment	Avoidance of potential conflicts with clients		
	Training	Similarity between the structure and organizational practices of the provider	Clients’ volatility	To play it safe		
	Information		Financial crisis			
			Own brand as major client			
			Business expansion			
			Globalization			- *Referred*

Source: own elaboration

These are important insights because they broaden awareness of the existence of new and important factors which lead firms to move from subcontracting to own brand manufacture and such findings were not previously stressed in the literature.

The process was greatly dynamic, since we had to constantly go back and forth to verify the previously identified evidence against the emerging insights.

Thus, it was verified that some subcategories which were identified in the literature were not referred by the informants during the interviews or in some cases firms admitted they were not significant in their own brand building process.

The factors in question are: governmental policies (inside the category catalysts), reliance on clients, legal contract and ethical issues (inside the category inhibitors). A distinction between subcategories that were not referred and subcategories that were referred as insignificant by the informants are presented in Table 6.

Table 6. Subcategories which were not referred or were referred as insignificant: firms with own brand

Category	Subcategory	Result obtained from the informants
Catalysts	Governmental Policies	Referred as insignificant
Inhibitors	Reliance on clients	Referred as insignificant
	Legal contract	Not referred
	Ethical issues	Not referred

Source: own elaboration

4.2 Second round

In order to reach deeper insights, the preceding sample was compared with a sample of offshoring providers that shared the same macro-environment where own brand has not been created.

In this case, we tried to understand from the informants what the major factors that hinder the firms in developing their own brand are.

The meaning of the new emerged results of this analysis, which were not referenced in the literature, is shown in Table 7.

Table 7.Meaning of the newfound subcategories: firms without own brand

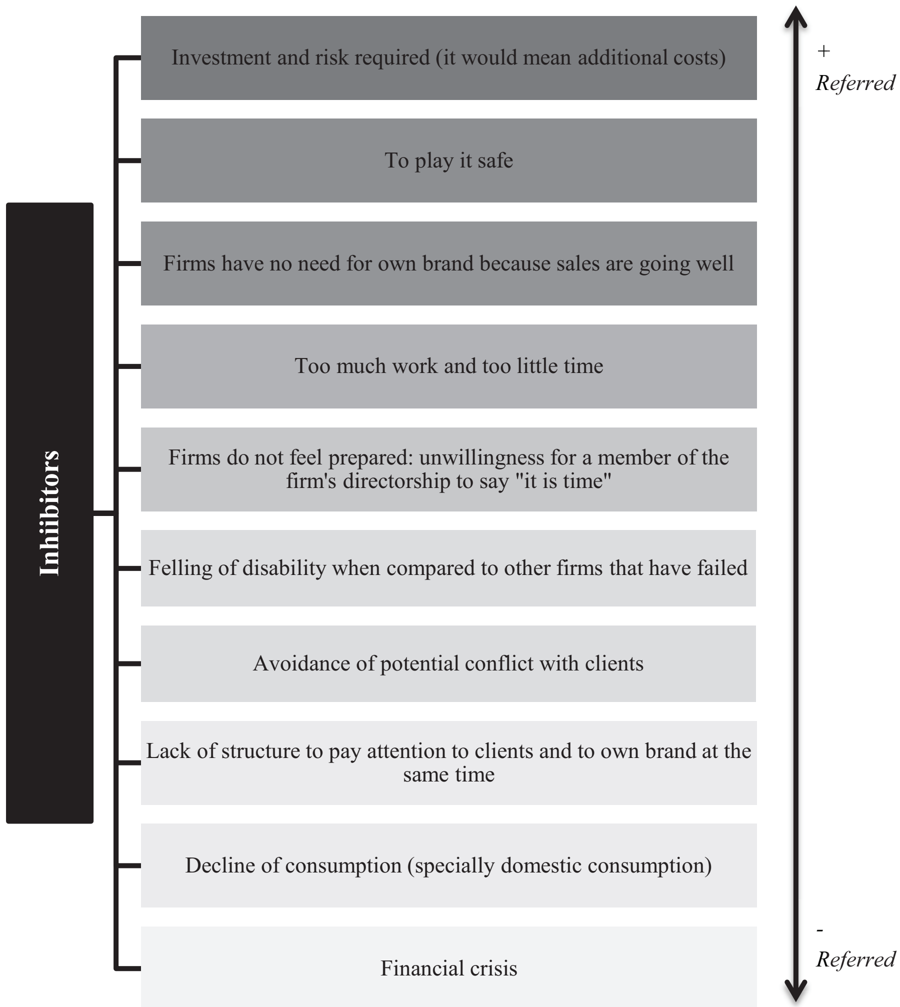
Category	Subcategory	Meaning
Inhibitors	Firms have no need for own brand	Since firm's sales with their current clients are going well and they are in a good business period, this is evidenced by them as a motivation to no have need for own brand.
	Too much work and too little time	Firms argued to be too busy providing all their clients, so that they do not have time to do anything else. Therefore, overwork does not allow them time to think about the possibility of own brand model.
	Firms do not feel prepared	A part of a lack of commercial knowledge firms state that there is unwillingness for a member of the firm's directorship to say "it is time". Thus, it is demonstrated the absence of brand building triggers which constitutes in itself an inhibitor.
	Feeling of disability when compared to other firms that have failed	Firms are also very attentive to the course of their competitors and when they verify the existence of some cases of failure in to create their own brand. This develops a sense of fear and a feeling of disability in the other companies that ponder over it.
	Lack of structure to pay attention to clients and to own brand at the same time	Firms argue that they do not have the structure to do simultaneous tasks when that involves to pay attention to clients and to own brand at the same time. Thus own brand would mean disregarding the clients.
	Decline of consumption	Some companies have as a main reason for not creating their own brand the lack of demand. They argue that consumption (especially domestic) has fallen drastically and this is an undoubtedly big risk for them because there is not enough market.
	Financial Crisis	Contrary to what is argued in the literature, these companies face the financial crisis as a threat that act as an inhibitor against the possibility of creating their own brand.

Source: own elaboration

It was empirically estimated the incidence of each inhibitor, based on the number of coding references by the informants (grey shade of boxes in Figure 6: dark grey means more referred and light grey means less referred).

All information about the coding in the case of firms that have not created their own brand is presented in the attachment 7.7.

Figure 6. Coding resulting from interviews to firms without own brand



Source: own elaboration

It was also necessary in this round to frequently go back and forth to verify the previously identified evidence in the literature against the emerging insights.

Similarly to the first round, during the coding of the second round it was verified that some subcategories which were identified in the literature were not referenced by the informants or were referred as insignificant motivation to not create their own brand. A list summarizing all these factors is reported in Table 8.

Table 8. Subcategories which were not referred or referred as insignificant: firms without own brand

Category	Subcategory	Result obtained from the informants
Inhibitors	Reliance on clients	Referred as insignificant
	Legal contract	Not referred
	Ethical issues	Not referred

Source: own elaboration

From the analysis of the interviews with companies that have not created their own brand, common inhibiting categories were found between companies that have created their own brand, such as: avoidance of potential conflicts with clients, fear of uncertainty and thus finding it more convenient to play it safe rather than compete with large established brands. Finally, the investment and risk required to build a new brand that would mean additional costs and is worsened by the lack of funding.

Other inhibitors that were referred to by the firms, namely: too much work and too little time, financial crisis, decline of consumption (specially domestic consumption), and no need for own brand because sales are going well, may be considered denial factors, since the companies that have created their own brand also mentioned having gone through the same circumstances. However, these were not pinpointed as preponderant reasons to not move towards the own brand model.

Therefore, these denial factors are revealed to be a defense mechanism or adjustment to justify the lack of capacity or abilities. This leads us to another reason given by the companies, as the vast majority considered themselves not yet prepared. Also, the absence of the brand building triggers is confirmed since these companies admitted an unwillingness for a member of the firm's directorship to say "it is time". Thus, the lack of brand building triggers constitutes in itself an inhibitor.

However, two new subcategories of the category inhibitors that had not been mentioned in the literature review were found.

Firstly, firms argue that they do not have the structure to pay attention to clients and to own brand at the same time and thus own brand would mean disregarding the clients, which are their only and largest source of income.

Secondly, during their course, footwear companies, which are embedded in regional clusters, are also very attentive to the course of their competitors. When they verify the existence of some firms who failed to create their own brand this develops a sense of fear and a feeling of disability in other companies that ponder over it. Hence, these elements constitute a negative self-evaluation on the part of the companies themselves for not creating their own brand.

A list of all categories and subcategories which were identified by the interviewees can be found in attachment 7.8.

4.3 Conclusion

During the coding it was given particular attention to new data which had not been previously identified in the literature. From the first round of interviews to firms that have created their own brand, a new category emerged (brand building triggers). Thus, it was settled five core categories at total (offshore outsourcing relationship, absorptive capacity, catalysts, inhibitors and brand building triggers), which result from coding to the literature and empirical evidence.

It was also found a number of subcategories which derive from the core categories. Equally in this case, several subcategories which had not yet been stressed in the literature were found. A summary of all categories and subcategories containing a description and reference is presented in attachment 7.5.

Therefore, the results convey that companies that recognized the valuable knowledge transferred by their clients could learn and incorporate the external knowledge, and thus they demonstrated a developed absorptive capacity. This absorptive capacity proved to be essential to firms in order to use it for commercial purposes, as argued by Cohen and Levinthal (1989; 1990).

Then, before the acquired knowledge and the driving factors (catalysts), companies found the propitious conditions to develop their own brand despite of having many factors acting as obstacles (inhibitors).

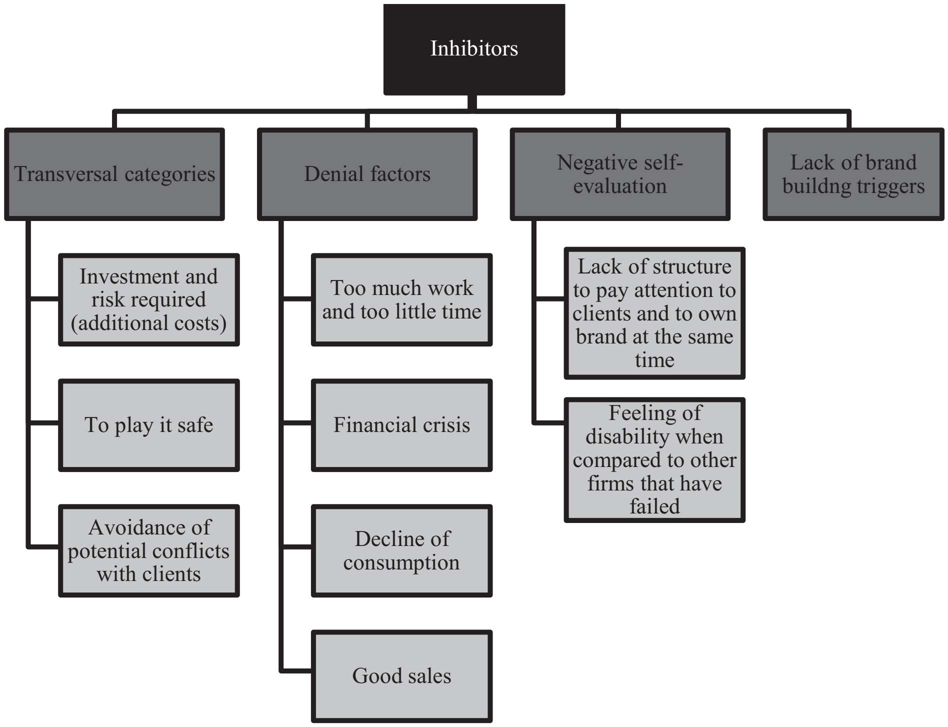
Finally, thanks to the brand building triggers some companies saw their own brand building process accelerated.

From the second round of interviews to firms without an own brand, it was discovered that some inhibitors are transversal from companies that have created their own brand to those that have not created it.

Other factors were revealed to be a negation since they are a mechanism to justify their lack of skills to move from provider to own brand building.

Finally, this analysis brought forward new insights about which factors hinder firms in building their own brand since through the analysis, two newfound subcategories emerged which were not previously drawn in the literature and that are implied to be a negative self-evaluation. The branching inhibitors found in this analysis are presented in Figure 7.

Figure 7. Branching inhibitors of firms without own brand



Source: own elaboration

Further, the results from both rounds display that a financial crisis is a double-edged issue because it can be seen as a catalyst on one hand and as an inhibitor on the other. Since environmental changes are usually uncertain, firms tend to face them as threatening and thereby they would play conservatively (Wan and Yiu, 2009).

Besides, many firms hesitate to change their course (Pablo *et al*., 1996) because they find the breadth and greatness of these changes unprecedented and incomprehensible (Meyer *et al*., 1990).

Also in the case of firms from the second round, financial crisis lead firms to retract when confronted with the own brand building process. However, many authors argue that rather than facing crisis as something dangerous or harmful, firms should take it as an opportunity (Haveman, 1992; Meyer, 1982). In fact, those firms (in the first sample), to which the financial crisis operated as catalyst, reaped the opportunity and performed more aggressively in order to build their own brand.

This result leads us to the Upper Echelons Perspective (Hambrick and Mason, 1984), in which organizations are seen as a reflection of their leaders and, therefore, in the same circumstances they may have completely different performances and attitudes.

The authors also argue that the organizational outcomes are largely affected by the reflections of values and cognitive bases of organizations' managers rather than a mechanical matter for economic optimization.

According to Hambrick and Mason's (1984) paper where they mention March and Simon (1958) to state that each decision maker expresses his or her own set of "givens" to an administrative situation.

"These givens express the decision maker's cognitive base:

1. knowledge or assumptions about future events,

2. knowledge of alternatives, and

3. knowledge of consequences attached to alternatives" (Hambrick and Mason, 1984, p. 195).

They also express his or her values which fuse with the manager's potential perception of the circumstance. In this case, values are considered as something that can influence both, perceptions and strategic choice since the decision maker can discard a feasible choice on the basis of values.

The authors' primary emphasis lies on observable managerial characteristics as signals of the givens that an actor employs in an administrative situation. One of those characteristics is related to age.

The relation between managers' age and organizational characteristics has not been subject of many studies, however existing literature shows clear evidence that managerial youth appears to be associated with corporate growth (Hambrick and Mason, 1984).

The possible reasons for reluctant attitudes of older executives are that they may be less skilled to understand new ideas or grasp new behaviors. Older managerial actors have been associated with smaller ability to assimilate information in taking decisions and with little confidence. So, from this it appears the image of young businessmen looking for the novel, risky, and tempting (Hambrick and Mason, 1984).

Thus, once again through this perspective it can be explained another situation. It concerns the fact that when the new members of the firm's directorship, personified by the transitional generation, take the lead, firms show a daring desire for new paths. In this particular study, it was demonstrated that with the new young comers the own brand building process ran more quickly.

Another possible explanation that distinguishes these two types of companies analyzed here is the firms' ambidexterity. Entrepreneurs have to develop ambidextrous leadership capability to handle the fragile balance of stability and change what shows ability to simultaneously balance distinct operations in trade-off circumstances (Raisch *et al*., 2009).

Raisch *et al*. (2009) argue that recent studies portray ambidextrous organizations able to simultaneously exploit existing abilities and explore new opportunities.

March's (1991) landmark article has often been mentioned as the catalyst for the ambidexterity concept. The theorist matched short-term, instant learning to exploitation whereas exploration is related to long-term, deep learning. Exploitation is when the providers carry out local searches to find out solutions in the sphere of their own abilities.

According to the author's (1991, p. 71) article, exploration is called for "variation, risk taking, experimentation, play, flexibility, discovery, innovation". For instance, quality can be an example of exploitation of learning from the client, while learning about creativity may be an example of exploration (Horng and Chen, 2008). Conclusions in literature show that when clients and providers preserve a close relationship, this may turn into a long-term learning one beyond present business (Subramani and Venkatraman, 2003).

Therefore, firms from the first round evidenced to practice an ambidextrous strategy, efficiently exploiting existing competences, for example, their industrial abilities inside the footwear sector and effectively exploring new opportunities, such as the own brand business model. And firms from the second round which declare lack of structure to pay attention to clients and to own brand at the same time also disclosed a lack of organizational ambidexterity.

Finally, a last conclusion can be drawn about the results of these two types of firms and it refers to their absorptive capacity. This study has already demonstrated that absorptive capacity was essential to firms that have created their own brand. Therefore, the reason why firms of the second round do not feel prepared to create their own brand can be related to inefficiency on the absorptive capacity.

Zahra and George (2002) highlight that absorptive capacity is composed of potential absorptive capacity (that involves acquisition and assimilation abilities) and realized absorptive capacity (which is translated in transformation and exploitation abilities).

The authors point out that it is not possible to exploit knowledge when it was not previously acquired. Likewise, firms can acquire and assimilate knowledge but not be able to transform and exploit it. Thus, a high potential does not automatically denote better performance. On the other hand, realized absorptive capacity implies transforming and exploiting the assimilated knowledge through its incorporation into the firm's own operations.

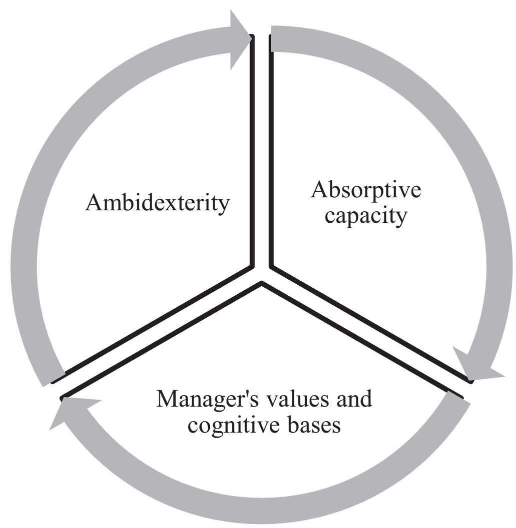
It looks important the theoretical distinction between potential absorptive capacity and realized absorptive capacity (also done in the literature review), since it allows their singular contributions to be evaluated to a firm's competitive advantage (Zahra and George, 2002).

By the aid of this distinction, the authors believe that it is clearer why some enterprises are more virtuous than others in using absorptive capacity. Besides, it displays that certain companies are inefficient in leveraging their potential absorptive capacity and thus cannot enhance their performance.

Hence, inefficient absorptive capacity is demonstrated as another explanation why firms from the second round are not able to create their own brand, and whereby it might explain their denial factors that suggest being a mechanism of defense to justify their lack of abilities. However, this study does not present sufficient data to discover which one (potential absorptive capacity or realized absorptive capacity) is in shortage. Therefore, this could be a new topic for future research.

In conclusion, regarding the own brand building process it can be said that it depends on manager's values and cognitive bases. Further, factors like ambidexterity and absorptive capacity also play an important role (Figure 8).

Figure 8. Important factors in own brand building process



Source: Own brand

5. Conclusions, Limitations and Future Research Directions

The main aim of this study was to fill the knowledge gap in the literature regarding the effects of offshore outsourcing in the perspective of the providers since existing literature is very scarce in expounding the strategy of offshore outsourcing cooperation from the providers' side in terms of learning (Simonin, 2004; Chen, 2005).

Thus, given the absence of relevant literature it was applied an exploratory research based on Systematic Combining. This kind of approach is more advantageous when the researcher's goal is to bring forward new concepts.

In addition, by using Systematic Combining the process was greatly iterative since it was possible going "back and forth" with literature, data and field, which allowed us to better validate or refute emerging understanding (Dubois and Gadde, 2002).

A purposive sampling was used to recruit participants who meet the criteria. This selection aimed to include firms from different sizes and ages. Initially, seven companies were interviewed. These firms have created their own brand during the relationship of offshore outsourcing. In order to grasp theoretical saturation and to provide deeper insights, five companies into the same sector and sharing the same macro-environment that haven't launched their own brand during the contract period were also interviewed.

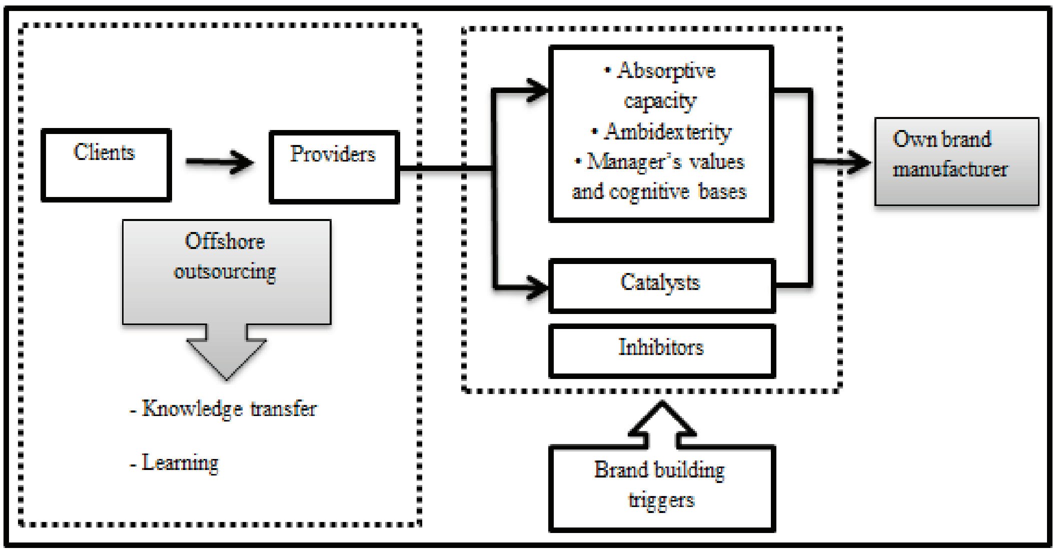
By resorting to a single sector it was possible to compare these two types of companies. Besides, it allowed us to not create noise and to achieve richer insights. The data collected was analyzed and coded.

Hence, there was an attempt to analyze the providers' situation and bring forward new contributions and insights to the literature for a successful exploration of the footwear industry from Portugal.

Thus, with this study the researcher contributes to the footwear industry by developing a theoretical framework of analysis (Figure 9) that integrates the distinct contributions of relevant literature as well as this study's research findings.

This framework reveals that during an offshore outsourcing relationship there is transfer of knowledge from the clients to their providers, who then may learn and use it in their own brand. However, firms need to evolve their absorptive capacity in order to apply all acquired knowledge and create their own brand products.

Figure 9. Providers' own brand building process



Source: own elaboration

A key question of many firms is whether to pursue their own brand building or be international players and keep providing their foreign clients.

Thus, from the analysis of the interviews with companies that have created their own brand, it was demonstrated that there are several factors that act as catalysts and foster the creation of a firm's own brand, for instance: know-how gained through the client, to hold a greater decision-making power, own brand as long-term investment, clients' volatility, financial crisis, own brand as major client, business expansion, and globalization.

On the other hand, there are inhibitors that could hinder firms from doing it. Examples of such inhibitors are: additional costs, lack of commercial knowledge, avoidance of potential conflicts with clients, and to play it safe.

In addition, this study identified specific moments during a firm's life which trigger own brand manufacture, such as when the owners' descendant, who has different aspirations, takes the lead or the crisis in the footwear industry. These triggers come outside the firm's scope influencing their general environment and precipitating the leap into the own brand building. Moreover, without them the process would be much lengthier.

From the analysis of the interviews with companies that have not created their own brand, it was discovered that some inhibitors are common to companies that have created their own brand, such as: investment and risk required, what would mean additional costs, to play it safe, and avoidance of potential conflict with clients.

Other factors were revealed to be a defense mechanism to justify their lack of skills to shift to own brand manufacturing, for example: too much work and too little time, financial crisis, decline of consumption and good sales, since the companies that have created their own brand who also have gone through the same circumstances did not pinpointed these factors as supreme inhibitors.

From this analysis newfound inhibitors emerged which were not previously drawn in the literature and that are implied to be a negative self-evaluation, for instance: lack of structure to pay attention to clients and to own brand at the same time, and felling of disability when compared to other firms that have failed.

These firms also demonstrated the absence of the brand building triggers since these companies admitted an unwillingness for a member of the firm's directorship to say "it is time". Thus, the lack of brand building triggers revealed to be itself an inhibitor.

Finally, by analyzing and comparing the two types of companies was possible to conclude that companies are a reflection of their administrative body and, therefore, managers' values and cognitive bases influenced firms' decisions in building their own brand.

In addition, companies in the first round revealed to have an ambidexterity and efficient absorptive capacity that firms from the second round did not have.

However, through the collected data it was not possible to discern whether firms suffer an absence of potential absorptive capacity or realized absorptive capacity. It would be interesting if further studies could address where the deficiency exactly lies.

The generic limitation of small sample subsists here. However, the strategy for case choice aimed to address this limitation. Moreover, the results of qualitative research cannot be generalized to a population (Baxter and Jack, 2008; Yin, 2009) and they do not present much scope and potential as a quantitative research but it allows us to have access to subtleties (Rosen, 1991) which enrich the theoretical field and strengthen the theory.

Some further research may be unlocked by studying different offshoring providers in Portugal among other industries, such as the traditional industries. The process could be reprised by conducting an exploratory approach in order to bring forward new results.

In the course of this study, it has been noticed that most firms began by selling their own brand products across borders. Therefore, a new avenue for future research is the study of that action's influence on the firms' internationalization process.

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7. Attachments

7.1 EuroMed's acceptance letter

92 ACCEPTANCE LETTER Paper Submission - Paulo Gomes 92
Euromed Research Business Institute [emrbi@unic.ac.cy]

Enviado: quinta-feira, 16 de Maio de 2013 14:04
Para: Paulo Jorge Coelho Gomes
Cc: Raquel Meneses

Dear Paulo Gomes,

Congratulations! Your paper entitled: "*FROM OFFSHORE OUTSOURCING PROVIDER TO OWN BRAND MANUFACTURER*"*, has* been accepted for presentation to the 6th Conference of the EuroMed Academy of Business that will be held in Estoril, Lisbon, Portugal, 23rd-24th, September 2013.

Your paper has been through a double blind review process and the feedback of the two reviewers can be found in the attachment. You are kindly requested to amend your paper taking into consideration 1. the two reviews and 2. the attached author guidelines for papers, and return it back to me by July 15th. Please note that authors whose English is not their first language should check grammar and spelling very carefully. Professional proofreading is highly recommended for these cases.

All registered accepted papers will be published in the Book of Proceedings (with an ISBN number) which is approved for inclusion in the Conference Proceedings Citation Index — an integrated index within Web of Science. This distinction is given only to the most significant papers, in terms of academic excellence, conferences-conventions worldwide.
A selection of the best conference papers (presented in alphabetic order) will also be considered for publication in the following journals, most of which are internationally ranked or/and ISI approved:

1. EuroMed Journal of Business - EMRBI's official Journal
2. Annals of Public and Cooperative Economics
3. Global Business and Economics Review
4. Global Economic Observer
5. International Journal of Computational Economics and Econometrics
6. International Journal of Emerging Markets
7. International Journal of Financial Markets and Derivatives
8. International Journal of Online Marketing
9. International Journal of Organizational Analysis
10. International Journal of Technology Marketing
11. International Journal of Wine Business Research
12. Journal for Global Business Advancement
13. Journal for International Business and Entrepreneurship Development
14. Journal of Critical Studies in Business and Society
15. Journal of Customer Behaviour

16. Journal of Promotion Management
17. Journal of Transnational Management
18. Journal of Research in Marketing and Entrepreneurship
19. Managing Service Quality
20. MegaByte
21. Social Business
22. The Marketing Review
23. Transnational Marketing Journal
24. World Review of Entrepreneurship, Management & Sustainable Development

Conference registration

You can now promptly proceed with the conference registration to benefit from the reduced early bird registration fee (by 25th of July 2013). Please find attached the conference registration form that also includes special registration fees for additional authors (in case your co-authors would like to join us at the conference).

Please note that the early bird registration fee is applicable to those who settle their registration fee by the 25th of July 2013 and not to those who only complete and return the registration form.

General information, hotel accommodation and travelling

General information for the conference as well as information regarding hotel accommodation and travelling can be found on our conference website at http://6theuromed2013.webnode.pt/

For any further clarifications, please do not hesitate to contact me.

Looking forward to welcoming you to Estoril, Portugal.

Yours sincerely

Yiola Michael
EMAB Coordinator
Email: emrbi@unic.ac.cy
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7.2 Interviews' description

Firm's name	Interviewed	Position	Location	Interview date	Interview duration
AMF, Lda	Albano Fernandes	CEO	Guimarães	13/03/2013	48min 16sec
Amishoes Calçados, Lda	Miguel Teixeira	Managing partner	Guimarães	26/02/2013	26min 22sec
Fábrica de Calçado Dura, Lda	Agostinho Marques	Marketing manager	Felgueiras	07/03/2013	32min 23sec
Fábrica de Calçado Sozé, SA	Vasco Sampaio	CEO	Felgueiras	25/02/2013	52min13sec
Máximo Internacional – Importação e exportação, SA	Manuela Mendonça	CEO	Felgueiras	25/02/2013	37min 00sec
S.O. & Marques, SA	Rui Santos	CEO	Oliveira de Azeméis	18/03/2013	16min 06sec
Zarco – Fábrica de Calçado, Lda	Ana Santos	International trade	São João da Madeira	18/03/2013	22min 16sec
Brasa - Fábrica de Calçado, Lda	Ângela Silva	Finance and accounting	Felgueiras	14/05/2013	21min 30sec
Cruzatendência – Indústria de Calçado Unipessoal, Lda	Elsa Carvalhais	Administrative assistant	Felgueiras	29/04/2013	17min 37sec
Fábrica de Calçado - Pinto & Soares, SA	Daniel Pinto	Managing partner	Lousada	09/05/2013	19min 13sec
Rubro de Fantasia – Calçado Unipessoal, Lda	Paulo Teles	Administrative assistant	Felgueiras	14/05/2013	21min 20sec
Viago Shoes - Indústria de Calçado, Lda	Neusa Martins	International trade	Felgueiras	06/05/2013	10min 06sec

7.3 Interview protocol (applied to firms that have created their own brand)

Company's information

- Name
- Location
- Date of establishment
- Number of employees

Interviewee identification

- Name
- Position

Interview guide

Starting Time:

[Before starting the interview it was asked if the company has its own brand in order to determine its eligibility]

1) Could you make a summary of the company's history?
2) Did the offshoring partnership start on your own initiative or the client's or was it a referral?
3) How long has the partnership been lasting?
4) What did/does the company gain with the relationship?

Did the client transfer [√]:	
Knowledge?	
Know-how?	
Training?	
Orientation?	
Learning?	

5) How did/do you transfer all external knowledge into the company's own process?

To incorporate all external knowledge contributed [√]:	
Prior knowledge?	
Qualified work force?	
Similarity between the structure and organizational practices of the provider?	
Networks?	

6) What's your own brand's name?

7) When did you create it?

8) What were the motivations to do it?

Catalysts [√]:	
Know-how gained through the client?	
Financial crisis?	
Own brand faced as a long-term investment?	
Governmental policies?	

9) Which factors did you feel as inhibitors when you decided to create your own brand?

Inhibitors [√]:	
Reliance on clients' knowledge?	
Avoidance of potential conflicts with clients?	
Lack of commercial knowledge?	
Additional costs?	
Ethical procedures?	
To play it safe?	
Legal contract?	

Ending time:

7.4 Interview protocol (applied to firms that have not created their own brand)

Company's information

• Name

• Location

• Date of establishment

• Number of employees

Interviewee identification

• Name

• Position

Interview guide

Starting Time:

[Before starting the interview it was asked if the company has not its own brand in order to determine its eligibility]

1) Could you make a summary of the company's history?
2) Did the offshoring partnership start on your own initiative or the client's or was it a referral?
3) How long has the partnership been lasting?
4) What did/does the company gain with the relationship?
5) What are the main reasons to not create your own brand? Which factors do you feel as inhibitors in creating your own brand?

Inhibitors [√]:	
Reliance on clients' knowledge?	
Avoidance of potential conflicts with clients?	
Lack of commercial knowledge?	
Additional costs?	
Ethical procedures?	
To play it safe?	

Legal contract?	

Ending time:

7.5 List of all categories and subcategories with descriptions

		Description	Reference
Category	Offshore outsourcing relationship	It shows what clients transferred to providers during their relationship and, thus, what the providers gained with that relationship.	
		Providers aim at learning advanced knowledge from clients in order to enhance their abilities, particularly tacit knowledge since it is not possible to obtain it through the arm's-length market transaction.	Nonaka (1994)
Subcategories	Know-how Learning Knowledge Training Information	Clients should transfer necessary know-how for providers in order to qualify them as certified providers.	Chen (2005); Li *et al*.(2010)
		The processes are closely monitored and training programs may cover the necessary information for the members to conduct the process efficiently.	Vivek et al. (2009)
		During the entrepreneurial process, the actors become more interdependent relationships also become more flexible over time and "clients (offshorers) transfer informal ownership of the process to the provider (offshoree)".	Vivek *et a*l. (2009, p. 28)

Category	Absorptive capacity	To successfully obtain new knowledge from other companies, firms must command their ability to find, learn, exploit and incorporate external knowledge in the firm's own operations.	Forfás (2005)
		Absorptive capacity plays the role of a link between a firm's intrinsic ability to bring forward newfound products and improve existing ones.	Cohen and Levinthal, (1989)
		All transferred knowledge through offshore outsourcing can be strategically used by providers to learn and develop their inner skills.	Chen (2005)
		Much depends on the company's ability to recognize profitable modes of exploiting its skills and absorb newfound knowledge.	Zahra and Hayton, (2008)
Subcategories	Qualified workforce	Absorptive capacity also depends on individual abilities and knowledge of the organizations employees and their absorptive capacity. Furthermore, studies evidence that when employees are endowed with training and acquire new skills, firms can evolve in their absorptive capacity.	Cohen and Levinthal (1990)
	Prior knowledge	Companies with advanced prior knowledge, which embodies basic skills, shared language and/or own R&D produces, will be more capable of acquiring and using information from abroad because it will contribute to the recognition of the value of new information, assimilate it and apply it for commercial purposes.	Cohen and Levinthal (1990)
	Networks	Networks also play a significant role in developing the firm's absorptive capacity by conferring skills and processing competences that can promote acquisition,	Lane and Lubatkin, (1998); Lane

		assimilation and exploitation of knowledge to build innovation.	*et al.* (2001); Jansen *et al*. (2005); Lane *et al.* (2006)
	Similarity between the structure and organizational practices of the provider	"The ability of a firm to learn from another firm is jointly determined by the relative characteristics of the two firms".	Lane and Lubatkin (1998, p. 473)

Category	Catalysts	It concerns the factors which foster companies to moving from contact manufacturing to own brand manufacture. Own brand building is required for the contract manufacturers that have the goal and ability to follow their growth target.	Liu *et al*. (2011)
Subcategories	Know-how gained through the client	As contract manufacturers have access to the clients' value resources, such as R&D and marketing, they will be able to develop their own capabilities which they may later use to create their own brand.	Arruñada and Vázquez (2006); Liu *et al.* (2008)
	To hold a greater decision-making power	With own brand the providers are less dependent on the clients' rules and they could get benefits that only the own brand can offer.	Author's insight
	Own brand as long-term investment	Firms should focus more on long-term brand building rather than fix their attention on short-term profits.	Burmann and Zeplin (2005)
	Clients' volatility	The providers argued that it is very difficult to foresee the clients' intentions and foretell the moment when they will decide to no longer work with them in order to work with others. So, to escape from this volatility the providers decide to move to own brand manufacturing.	Author's insight
	Financial crisis	The financial crisis and its dissemination to the global economy influenced the demand for foreign markets, which in turn affected contract manufacturing. In order to escape from the pressure of international market fluctuation and follow the growing line, several firms may resort to own brand manufacturing in order to take a part in the global competition	Haiyan (2011)
	Own brand as major client	It may be concluded that this factor is somehow related to others, namely, to have a greater decision-making power and avoid the clients' volatility, because when the own brand constitutes the firm's major client, the providers will have more control of their own business and, subsequently, they will not have to rely on clients' approval so often.	Author's insight
	Business expansion	After providing for many years, the providers feel that they should expand their business because they are aware that working as providers is very reductive, and they mentioned the model of own brand as a good way to reach that	Author's insight

		expansion.	
	Governmental policies	The policies may support firms in improving internal innovative competences and afford activities to develop brands with own intellectual property, which stimulate the providers in moving from subcontracting to own brand manufacturing.	Haiyan (2011)
	Globalization	Globalization appeared as a motivation for firms to create their own brand since this phenomenon incites firms to internationalize and compete fiercely and globally.	Author's insight

Category	Inhibitors	Factors that act as inhibitors to own brand model. There are some obstacles when contract manufactures pursue growth, own brand building which prevent manufacturers from creating their own brand and remain as providers.	Liu *et al*. (2008)
Subcategories	Additional costs	A risk factor would lie on the additional costs (both financial and time) since the firm has to fulfill substantial investments to manage its own brand.	Santos-Vijande (2013).
	Lack of commercial knowledge	Own brand manufacturing requires the undertaking of value-adding activities such as design, branding building and strong technological and marketing ability. Firms possess the industrial know-how, but they do not have the commercial knowledge on the level of branding, marketing and design to create and maintain a brand.	Haiyan (2011)
	Avoidance of potential conflicts with clients	When the providers choose to have their own brand business they are somehow going against the clients' interests so that their customers may no longer pursue the collaboration with them and thus providers may ruin the relationship and spoil their clients' orders.	Liu *et al*. (2008)
	Legal contract	In order to avoid potential opportunism by the providers, clients may resort to many features of the contracts (such as: penalties, incentives and monitoring) to offset opportunism risks and relieve hazards.	Barthélemy and Quélin (2006)
	To play it safe	When international demand is constant, firms would prefer to remain as contract manufacturers so as to play it safe.	Haiyan (2011)
	Reliance on clients	A risk of building a new brand occurs when there is a likely reliance on the client for product improvement and advanced technologies which lead the manufacturer to lose its ability to create and maintain a product advantage.	Chen and Chen (2002); Lee and Kim (2004); Li (2007); Li *et al.* (2010)
	Ethical issues	When the clients' commercial viability product depends on proprietary technology and processes, they need their providers to know their business well. Thus, clients should assure the providers' competence, currency of knowledge and good faith.	Arruñada and Vásquez (2006)
	Firms have no need for own	Since firm's sales with their current clients are going well and they are in a good business period, this is evidenced by	Author's insight

	brand	them as a motivation to no have need for own brand.	
	Too much work and too little time	Firms argued to be too busy providing all their clients, so that they do not have time to do anything else. Therefore, overwork does not allow them time to think about the possibility of own brand model.	Author's insight
	Lack of structure to pay attention to clients and to own brand at the same time	In addition to not having the commercial knowledge firms also argue that they do not have the structure to pay attention to clients and to own brand at the same time and thus own brand would mean disregarding the clients, which are their only and largest source of income. (Negative self-evaluation).	Author's insight
	Felling of disability when compared to other firms that have failed	Firms are also very attentive to the course of their competitors and when they verify the existence of some cases of failure in to create their own brand. This develops a sense of fear and a feeling of disability in the other companies that ponder over it. (Negative self-evaluation).	Author's insight
	Firms do not feel prepared	Firms state that a part of a lack of commercial knowledge there is unwillingness for a member of the firm's directorship to say "it is time". Thus, it is demonstrated the absence of brand building triggers which constitutes in itself an inhibitor.	Author's insight
	Decline of consumption	Some companies have as a main reason for not creating their own brand the lack of demand. They argue that consumption (especially domestic) has fallen drastically and this is an undoubtedly big risk for them because there is not enough market.	Author's insight
	Financial crisis	Contrary to what is argued in the literature, these companies face the financial crisis as a threat that act as an inhibitor against the possibility of creating their own brand.	Author's insight

Category	Brand building triggers	It shows that there are specific moments during the firms' journey that catapult them to own brand manufacture. These triggers are come outside the firms' scope and influence their general environment. Without these triggers the leap into the own brand model would be much slower.	Author's insight
	Firm's generational transition	Many firms are composed by the owner's relatives, namely descendants who usually have a different vision and desire a different path. Ehen this new generation takes the charge, they put into practice a new business model: own brand manufacture.	Author's insight
	Crisis in the sector	Firms somehow anticipated that they would not go further just by working as contract manufacturers, and that led them to take a risk in their own brand manufacture.	Author's insight

Source: own elaboration

7.6 Coding analysis from firms that have created their own brand

7.6.1 Sources compared by number of nodes coding

	Sources	Number of coding references	Number of nodes coding
Interviews	AMF, Lda	37	12
	Amishoes Calçados, Lda	55	21
	Fábrica de Calçado Dura, Lda	93	22
	Fábrica de Calçado Sozé, SA	127	23
	Máximo Internacional – Importação e exportação, SA	45	17
	S.O. & Marques, SA	34	18
	Zarco – Fábrica de Calçado, Lda	66	22
Eletronic newspaper article	"Felgueiras: Empresários de calçado satisfeitos com o volume das exportações" *in* Marão Online*	4	2

* available at: http://www.maraoonline.com/MARAO/MARAO_online/D6659DA0-B753-4C46-AEF7-445B10C71DC9.html, accessed 14 March 2013

Source: exported from NVivo qualitative data analysis software

7.6.2 Number of coding references and items coded

Nodes	Sub-Nodes	Number of coding references	Number of items coded
Offshore outsourcing relationship	Information	3	3
	Training	5	3
	Knowledge	10	6
	Learning	14	6

	Know-how	27	7
Absorptive capacity	Similarity between the structure and organizational practices of the provider	7	5
	Networks	8	7
	Prior knowledge	16	7
	Qualified workforce	17	7
Catalysts	Globalization	4	2
	Business expansion	6	4
	Own brand as firm's major client	6	4
	Financial crisis	9	6
	Clients' volatility	10	6
	Own brand as long-term investment	10	7
	To hold a greater decision-making power	17	5
	Know-how gained through the client	19	7
Inhibitors	To play it safe	5	3
	Avoidance of potential conflicts with clients	12	5
	Lack of commercial knowledge	14	6
	Additional costs	14	7
Brand building triggers	Crisis in the sector	4	2
	Firm's generational transition	5	2

Source: exported from NVivo qualitative data analysis software

7.6.3 Nodes compared by number of items coded

Source: exported from Nvivo qualitative data analysis software

7.7 Coding analysis from firms that have not created their own brand

7.7.1 Sources compared by number of nodes coding

	Sources	Number of coding references	Number of nodes coding
Interviews	Brasa - Fábrica de Calçado, Lda	28	10
	Cruzatendência – Indústria de Calçado Unipessoal, Lda	18	8
	Fábrica de Calçado - Pinto & Soares, SA	28	10
	Rubro de Fantasia – Calçado Unipessoal, Lda	16	7
	Viago Shoes - Indústria de Calçado, Lda	26	9

Source: exported from NVivo qualitative data analysis software

7.7.2 Number of coding references and items coded

Nodes	Number of coding references	Number of items coded
Financial crisis	2	2
Decline of consumption	3	2
Lack of structure to pay attention to clients and to own brand ate the same time	3	3
Avoidance of potential conflicts with clients	4	4
Felling of disability when compared to other firms that have failed	4	2
Firms do not feel prepared: unwillingness of the firm’s directorship to say it is time	5	4
Too much work and too little time	6	2
Firms have no need for own brand	7	3
To play it safe	8	3
Investment and risk required	12	5

Source: exported from NVivo qualitative data analysis software

7.7.3 Nodes compared by number of items coded

Source: exported from NVivo qualitative data analysis software

7.8 List of all categories and subcategories identified by the interviewees

Category	Subcategory	Support from the interviews
Offshore outsourcing relationship	Know-how	"I would say that the know-how we have acquired in the other business model (outsourcing) was crucial to respond to the market needs." (Vasco Sampaio – Sozé Group)
	Learning	"We always learn from the clients. Mainly because they give us many tips on trends." (Ana Santos - Zarco)
	Knowledge	"After a while we get a very vast and extended knowledge." (Miguel Teixeira - Amishoes)
	Training	"Usually companies that outsource have their own technicians who come to train us on how they think things should be done." (Albano Fernandes - AMF)
	Information	"Clients also give us information on what kind of products will meet the market. Of course for our brand that was very good information." (Miguel Teixeira - Amishoes)
Absorptive capacity	Qualified workforce	"Exactly. We think [that qualified work force] would be essential." (Agostinho Marques - Dura)
	Prior knowledge	"There is a whole background that is being worked on and that is essential." (Albano Fernandes - AMF)
	Networks	"I believe it [network helped to achieve new knowledge]." (Agostinho Marques - Dura)
	Similarity between the structure and organizational practices of the provider	"The production process is similar and we had to adapt a lot of them in our production processes." (Albano Fernandes - AMF)
Catalysts	Know-how gained through the client	"We have to thank to customers who gave us some very broad knowledge that nowadays can be used on our own brand." (Miguel Teixeira - Amishoes)
	To hold a greater decision-making power	"Without our brand we did not have the soul power to pursue this business model at least with the desire that we have today." (Vasco Sampaio – Sozé Group)
	Own brand as long-term investment	"This is a process that takes a long time, but it was a way to react to the situation at the time and assure the future." (Manuela Mendonça - Máximo Internacional)

	Clients' volatility	"We began to realize that situation would not continue for very long and the orders would be smaller, would vary, customers would disappear, then we thought we should focus on our own brand." (Manuela Mendonça – Máximo Internacional)
	Financial crisis	"It can be seen as an opportunity." (Agostinho Marques - Dura)
	Own brand as major client	"Our brand is the company's largest customer (…) and the one that does not abandon us." (Vasco Sampaio – Sozé Group)
	Business expansion	"Dura understood that despite these three solids markets we needed to have another arm. We wanted a fourth strand." (Agostinho Marques - Dura)
	Globalization	"It has a lot to do with the phenomenon of globalization" (Vasco Sampaio – Sozé Group)

Inhibitors	**Firms with own brand**	Additional costs	"This is a business strategy that carries out huge costs." (Manuela Mendonça - Máximo Internacional)
		Lack of commercial knowledge	"Nowadays sales margins are so small that they do not give chances to invest in those aspects [marketing, design…]." (Rui Santos - S.O. & Marques)
		Avoidance of potential conflicts with clients	"It is logical that when we have a partner and we bring to the market a similar product of my client, we are competing with each other."(Miguel Teixeira - Amishoes)
		To play it safe	"It is more convenient to work for others than having our own brand." (Vasco Sampaio – Sozé Group)
	Firms without own brand	Investment and risk required	"Besides taking a long time, it is a big investment and we may be waiting for what may never come." (Ângela Silva – Brasa)
		To play it safe	"[Offshoring] is less expensive. It is more convenient because we're here, in our corner… clients say what they want and that's it." (Paulo Teles – Rubro de Fantasia)
		Firms have no need for own brand	"We have no need for an own brand. At this time, the footwear sector is in a good phase. I think we are having a good moment." (Elsa Carvalhais – Cruzatendência)
		Too much work and too little time	"I believe that it is necessary to develop an own brand when we have less work." (Elsa Carvalhais – Cruzatendência)
		Firms do not feel prepared	"Also it is a matter of time, when one of us, with availability, say 'it is time'." (Ângela Silva – Brasa)
		Felling of disability when compared to other firms that have failed	"If larger companies are not being recognized, what would they say about ours? The comparison with other companies helps us to understand whether we should establish a brand or not." (Neusa Martins – Viago Shoes)
		Avoidance of potential conflicts with clients	"In fact, by creating our own brand ... it would be similar to what we manufacture for our clients and that could come into collision with them." (Ângela Silva – Brasa)

		Lack of structure to pay attention to clients and to own brand at the same time	“Imagine that we had to help develop a collection for 20 customers, and we had to do ours too. The level of staff, employees, the demand would be very high. And now we have to track customers (…) and all energies are set in that sense.” (Daniel Pinto – Pinto & Soares)
		Decline of consumption	“[Own brand] is without a doubt a big risk. There is not enough market. Consumption has been dropping too much. Mainly due to lack of demand.” (Daniel Pinto – Pinto & Soares)
		Financial crisis	“At the moment, things are even more complicated due to the crisis.” (Neusa Martins – Viago Shoes)

Brand building triggers	Firm’s generational transition	“The 2nd generation personified in me (…) joined with the new brand and there was indeed some generational entropy, not only between father and son but also with a few trustworthy partners from the 1st generation who did not understand very well what was expected by a generation that would come. So it was a critical time and a decisive decade” (Vasco Sampaio – Sozé Group)
	Crisis in the sector	"To escape the crisis that has developed in the sector and the economy in general we found some alternative business models (…) such as the own brand model” (Vasco Sampaio *in* Jornal do Marão)

Source: own elaboration