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**Strategies in Outsourcing Relations:  
Firm Cases from Vietnam**

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**Abstract**

What is the strategic scope for the supplier firm? In the outsourcing and global value chain literatures we lack a perspective of the strategic scope of the supplier firm. There is limited knowledge on the strategies followed by the recipient firm in the outsourcing relation. Why do they engage in outsourcing relations and how do they see the perspective for their business of being a supplier partner? Are they passive recipients focused only on the assigned outsourcing tasks or do they engage actively in learning and developing their resources and competencies, and involve themselves in marketing and sale activities?

To explain the strategies, this paper explores how the generic firm theories can contribute to understand firm strategic behaviour. Being explorative in nature the paper draws empirically on three firm cases from different industries in Vietnam. The development in Vietnam's export industries is highly dependent on offshoring/outsourcing relations. Furthermore, the country hosts a large FDI sector with companies outsourcing to domestic firms.

## **Introduction**

Transnational corporations are increasingly using the offshoring/outsourcing option to develop the competitive position of their firm (Hansen, Schaumburg-Müller and Pottenger, 2007). But what is the strategic scope for the supplier firm? In the outsourcing and global value chain literatures we lack a perspective of the strategic scope of the supplier firm. The literature on outsourcing has paid much attention to the strategies transnational corporations follow when they consider offshoring and outsourcing of activities to suppliers in developing and emerging economies (Doh 2005; Sako 2005). Much less is known about the strategies followed by the recipient firm in the outsourcing relation. Why do they engage in outsourcing relations and how do they see the perspective for their business of being supplier partner? Are they passive recipients focused only on the assigned outsourcing tasks or do they engage actively in learning and developing their resources, and involve themselves in the marketing and sales of their outsourcing competencies?

In the global value chain (GVC) literature, the relations in the chain are mostly seen from the lead firm perspective. The lead firm is the decisive actor in how the governance of the chain is organised (Gereffi et al., 2005). When we look at the outsourcing relations from the supplier's point of view, his business perspective is not confined to the relations with a single outsourcer or lead firm. His strategic perspective will most often include several client firms located in different markets where he is selling under various modes and offering different kind of products and services. The question is however, *what is the scope for the supplier firm to pursue its own strategy and develop competitive advantages?*

The strategic challenge for the supplier firms is that even if they offer rather simple or low tech tasks in highly competitive areas they have to develop their competitive positions not to be wiped out by the intense and highly dynamic competition. They are

not technological innovative firms but latecomers, and with that outset they have to develop and bundle their resources and find new opportunities to survive and grow.

To explain the strategies, this paper explores how generic firm theories; the transaction costs theory, the resource based view of the firm and the agency theory can contribute to understand firm strategic behaviour. The transaction cost theory is assumed to be particularly relevant in relation to the assets specific investments for the partner firm to engage in the individual outsourcing relation. The resource based perspective will be helpful to identify which kind of capabilities firms have to be attractive partners in outsourcing relations and to understand what the core competencies of the firm are. The agency theory helps us to understand the possibilities of the agent in the principal-agent relations.

Being explorative in nature, the paper draws empirically on three supplier firm cases from different industries in Vietnam based on interviews with firm managers and other materials from the firms. Business development in Vietnam is highly vibrant and major export industries are based on offshoring/outsourcing relations. Furthermore, the country hosts a large FDI sector with companies outsourcing to domestic firms. Domestic firms offer tasks both in manufacturing and service industries. The three firm cases are selected from different industries, and used to explore and discuss their strategies in a theoretical framework leading to the proposal of a set of propositions.

In both the global value chain perspective and in the offshoring/outsourcing relations we tend to see the recipient local supplier firm in emerging and developing economies as a rather reactive organisation dependent on its relation to the lead firm or the outsourcer with limited scope and space for formulating independent growth strategies.

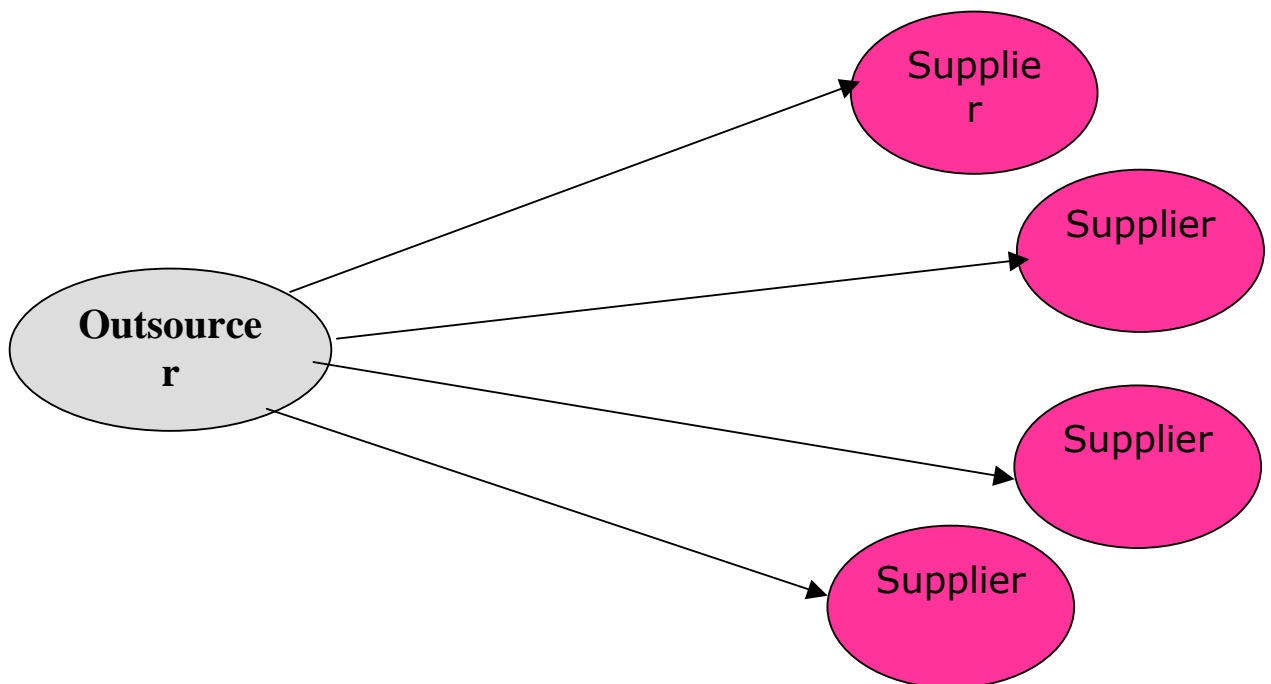
The outsourcing phenomenon can be divided into types; one is the vertical disintegration of the production processes where the various parts of the value added activities are allocated to different locations and actors, and the other is the outsourcing of corporate functions that takes place when the corporation unbundled these functions and source

them from suppliers (Sako, 2005). In this paper we are looking at cases looking at both types; one offshoring/outsourcing of IT business support services, and two of cases where the supplier firms are participating in the vertical disintegration and outsourcing of manufacturing activities.

### **The supplier perspective**

As mentioned above, in the theoretical approaches to outsourcing, the firm strategic considerations and behaviour have primarily been seen from the outsourcing/offshoring firm's point of view, and how the client firm through its outsourcing of tasks builds up the relations to one or more supplier firms. The view on the relations is through the lenses of the outsourcer.

*Figure 1: The dyadic outsourcing relations*



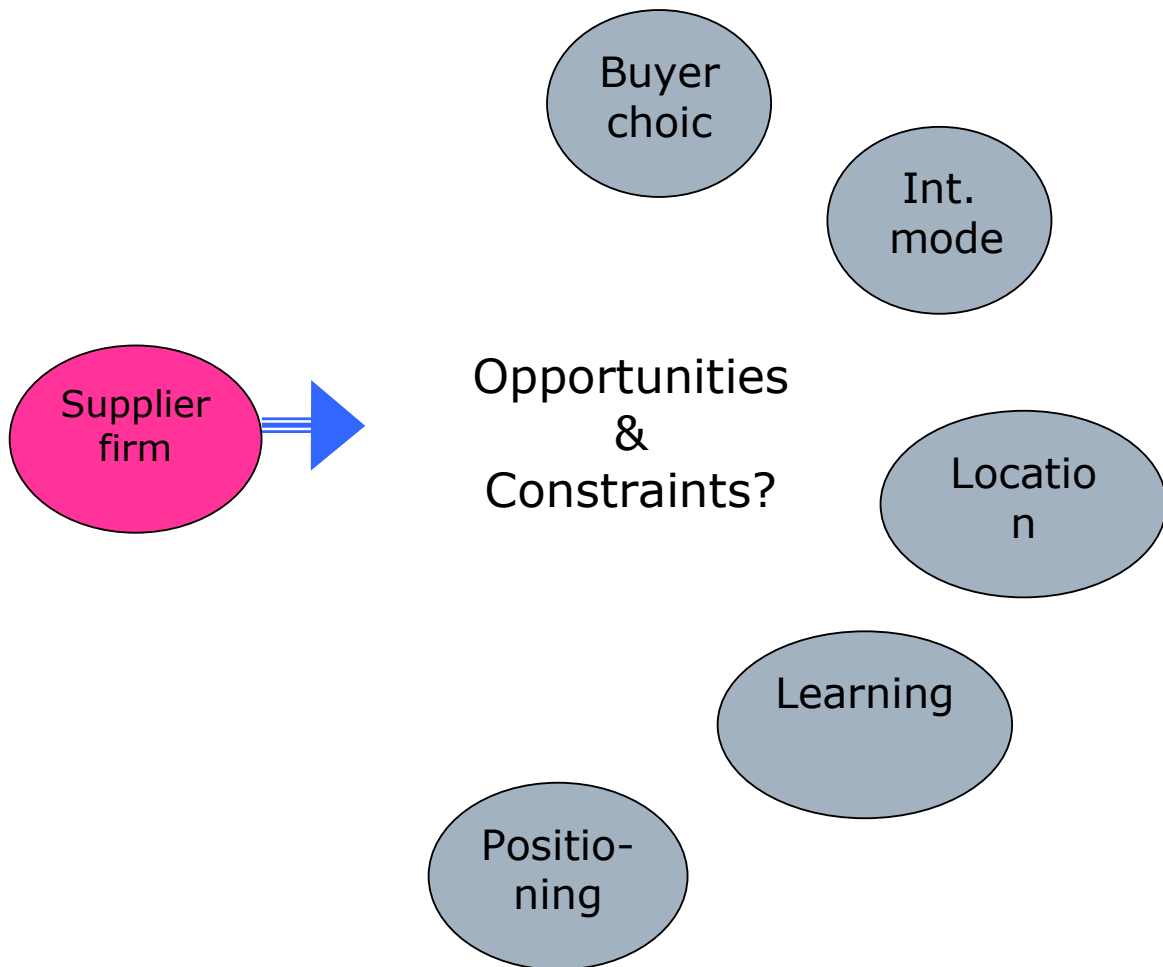
This is the dyadic view dominating the study of outsourcing relations. From this approach we can tell how the supplier firm integrates and react to the specific relations with a client

concerning the outsourcing tasks given by the outsourcing company. The major strategic choice in this relation is whether the outsourcer wants to outsource tasks to another firm or it wants to maintain the activities within the company. Particularly the GVC literature stresses how suppliers are increasingly coordinated and governed by their links to the global buyers being lead firms in the chains (Gereffi 1999; Schmitz 2006). It is the lead firm that decides the governance mode of the chain, and it is through the relations to the lead firm that the supplier builds up its capabilities and upgrades. It can thereby possibly advance further from a position as OEM (original equipment manufacturer). In general the GVC literature is not that optimistic about the advancement of OEM suppliers but see them locked in “low-end” production (Chiu and Wong, 2002). There is in the GVC literature a somewhat gloomy perspective on the possibilities for the development of the supplier firm. This is somewhat contrary to the latecomer firm perspective where it is shown how supplier firms in advanced industries like electronics have successfully captured the technology from their buyers and developed into own design (ODM) and own brand (OBM) manufacturers and thereby demonstrated how competitive disadvantages with respect to innovation and other entry barriers can be overcome by other advantages such as imitation and fast followership pursued through strategic management (Hobday, 1995; Mathew 2002; 2006).

If the supplier firm is not a fully dependent appendix and locked-in with an outsourcer firm it will have a number of strategic options to consider. Normally we think about the supplier firm as a smaller firm entity, but there are now obviously industries in which the supplier firms have grown large, for example the knowledge intensive Indian IT firm Syslon or the East Asian garment supplier companies like Malaysian Ramatex and Hong Kong based Esquel that are now themselves full fledged MNCs. They may now be much larger firms than their outsourcing clients.

If we want to study the supplier firm’s strategic options and scope we have to shift the lenses and look at the situation and possibilities of the supplier to formulate its strategy and choose among alternatives.

*Figure 2: Supplier firm opportunities and constraints*



To help us elaborate on the strategic scope for the supplier firm it may be useful to discuss the outsourcing relations of the supplier in a firm theoretical perspective (Kuada, 2007; Sako, 2005). Two entrances in the literature can give inspiration. One, is the literature on firm strategies in developing countries and emerging markets (Meyer and Peng 2005; Wright et al., 2005). Here the view is on the strategies of what is called incumbent and entrepreneurial firm but although aspects of the development of competitive advantages and internationalization are included there is no direct focus on their role as suppliers. The other body of literature relates to the above mentioned GVC

approach (Gereffi et al., 2005). Both approaches are relying on firm generic theories that include transaction cost theory, the resource based view of the firm and agency theories.

*Firm theory perspectives on outsourcing suppliers*

From a *transaction costs* perspective we can look at the factors that influence the supplier to go into the outsourcing relations. First of all, the outsourcing relation is a contractual governance mechanism alternative to operating on market terms. To operate on market terms will impose requirements on the supplier including product standardisation, marketing activities and firm resources. For the supplier going into an outsourcing relation rises first of all certain investment considerations relating to asset specificity and frequency of transactions. To what degree does the outsourcer require the supplier to invest in specific tangible and intangible assets, for example setting up production lines for the outsourcer's products and acquire specific skills and knowledge? Even for simple outsourcing in consumer industries like garment and footwear, the tasks specified for the final product can require investments in specific skills and equipment. Besides the production processes, the transaction and communication with the customer can require specific investments by the supplier. The importance of asset specificity for the suppliers relates closely to the question of transaction frequency. The supplier will with high asset specificity in the operation of the task try to repeat the transaction with the outsourcer or be looking for more outsourcing customers demanding the same type of task. This may raise the risk of opportunistic behaviour by the supplier. Fundamentally, the supplier firm is faced with some degree of uncertainty and bounded rationality by having limited access to market information and knowledge. If he has sufficient product and market information and knowledge he might have a more obvious choice of operating on market terms requiring fewer transaction costs than contracts with an outsourcer demanding continuous reporting, monitoring and documentation from the supplier.

In the *resource based view* of the firm it is clear that suppliers located in developing economies have to possess some resources that create value for the outsourcer and contribute to make competitive outputs. The resources with a supplier that motivates the outsourcer will most often contain an element of low labour cost efficiency. The GVC

approach has low cost labour efficiency as the key factor in the outsourcing lead firm's search for suppliers. However, if the supplier should not lose his position in the labour cost squeeze, additional competences such as speed and flexibility are main drivers in industries like garment and footwear production (Schmitz 2006). Even if this is not necessarily the case any longer, particularly when offshoring to countries rich in high-skill human resources such as India and China, efficient low cost labour is certainly not a resource that alone continues to make a supplier attractive to the outsourcing firms as it does not constitute a unique and inimitable resource. With the competition among developing country firms to become suppliers, the firm has besides its low cost efficiency to possess additional resources and features that in the traditional jargon of the resource based view are valuable, rare, inimitable and non-substitutable (the VRIN attributes) (Barney, 1991). To be outstanding, the supplier needs human resources, both when the outsourcing tasks are fairly simple and technically more sophisticated. Meyer and Peng argue that for new emerging market firms, the single most important competitive driver lies with the resourcefulness of the founding entrepreneur (Meyer and Peng, 2005:609). But in addition to low costs and entrepreneurial resources we must expect other complementary resources such as possession of special physical production equipment and inputs; access to special knowledge and information; geographic location; and organizational assets to be important and used to make distinct value-creating propositions by the supplier in outsourcing relations.

To sustain competitive advantages, the firm needs to be able to bundle and develop its various resources resulting in distinctive processes, organizational forms and strategic routines. These are drivers, which a supplier firm has to create, i.e. integrate and reconfigure available resources of competitive advantage (Teece et al. 1997; Eisenhardt and Martin 2000). They are termed dynamic capabilities and refer to the capacity of the firm to renew competences in a changing business environment. By "capabilities" is meant the role of strategic management to appropriately adapt, integrate and reconfigure internal and external organizational skills, resources, and functional to match the changes in the business environment (Teece et al. 1997:515). As for other firms, the importance of the supplier's ability to bundle his resources may relate to the path dependency of the

supplier firm, the idiosyncratic nature of the outsourcing relations and the dynamics of the markets in which the supplier is operating. In the turbulent global environment of sourcing we must expect the successful supplier to be able continuously to develop and bundle his resources maintaining his dynamic capabilities. For a supplier engaged in outsourcing relations, the dynamic capabilities relate directly to the key determinants of the governance mode typology within the GVC approach that include complexity of transactions, ability to codify the transactions and the capabilities of the supplier (Gereffi et al., 2005). There is a link between these determinants and the supplier's need to develop and sustain firm competitive advantage in the dynamic capabilities approach. Furthermore, we can expect that for firms to be selected as suppliers, their outsourcing clients will not only look at the unique and idiosyncratic processes they can offer but also at how the supplier has performed including his path-dependent development (Teece et al., 1997). For newly established developing country firms that want to position themselves as suppliers to international buyers, they may have a limited bundle of initial resources, and are therefore faced with the challenge to break their competitive disadvantages. But this can precisely be the reason why they are going into the outsourcing relations where the supplier firm through establishment of linkages, resource leverage, and learning can enforce its bundle of resources and combine these capabilities in a new way (Mathew, 2002).

*Agency theory* can be applied to the outsourcing relations with the outsourcer as the principal and the supplier as the agent. The theory raises the relevant questions of adverse selection by the principal and moral hazard by the agent (Eisenhardt 1989). The principal-agent relation is also a key element in the GVC literature when it explains the development in the governance structure where the lead firm is faced with the risk of supplier failure. Such risks can diminish over time when the competence of the supplier increases, and the lead firm therefore can loosen its enforcement and monitoring activities (Schmitz 2006).

However, it can be argued that the same questions can be raised seen from the agent's point of view when the supplier engages in a relation with the wrong outsourcing partner

having no complementary resources or business visions, and likewise the supplier firm can also face moral hazard when the outsourcing client is not living up to his contractual commitments. However, the supplier certainly needs to show that he has the right bundle of resources and capabilities to be selected as a supplier, and will be able to deliver according to agreed conditions. The supplier certainly faces the risk that the outsourcer will behave opportunistic and not deliver his contributions according to the contractual agreement. In most cases, but certainly not always, the supplier as the agent will have less power to sanction such behaviour by the outsourcing principal.

When the outsourced task is a more or less standardised good or service in for example the furniture and garment industries, suppliers may be tempted to sell their products or production capacity to other buyers offering better conditions. This can be extremely harmful for outsourcing firms selling seasonal goods with a very small window open for seasonal marketing and sale.

For both the principal and the agent it is therefore important to build trust that can minimise risk, and the supplier firm can certainly make a number of initiatives that show commitment and can benefit both parties by for example streamlining his production lines, offering additional features and coordinate just-in-time flows with the outsourcer.

### **Supplier firm strategic choices**

The scope for independent strategy by the supplier firm can be further inspired by both the traditional internationalisation and the global strategy literatures, and the global production chain literature. The supplier firms' strategic activities relate mostly to the export sale of outsourced goods and services. However, the outsourcing can also be on-shore outsourcing from domestic and foreign firms located in the country. This of course involves investment considerations by the supplier even including foreign direct investments. From a global strategy perspective, the components of ambition, positioning, business system (key capability areas in the value chain) and organisation are all relevant for a supplier firm (Lasserre, 2007); however, not necessarily in a global sense but as a foundation for making strategic choices for serving customers in different

markets. The relations by the supplier to the outsourcer are as indicated above embedded in a value chain configuration where the possibilities to manoeuvre within these relations are associated with the complexity of the transactions, the ability to codify transactions and the capabilities of the supplier (Gereffi et al., 2005). In this perspective a strategic question is whether to upgrade to capture new upstream or downstream higher value added activities, or focus on increasing the efficiency in core production activities as pictured by Mudambi's smiley value creation figure (Mudambi 2007). Fundamentally, however, the supplier firm - as well as the outsourcing firm - stands with the choice whether to integrate in an outsourcing relationship or to serve customers via arm-length market relations - or choose a combined option either simultaneously or sequential (Ha, Petersen, Schaumburg-Müller, Forthcoming). The success of sequential upgrading strategies by Asian supplier firms is manifest in the latecomer and catching up firm literature (Hobday 1995; Mathew 2002; 2006). Mathew stresses the advantage of the latecomer firms of being able to tap into existing advanced technologies rather than having to replicate previous technologies, and thereby move from imitation to innovation (Mathew 2006:313-314). Lately, it has been argued that Chinese firms have been able to rise to a dominating global competitive position by combining innovation and cost leader strategies in what Zeng and Williamson term "cost innovation" where cost throughout the value chain activities are cut (Zeng and Williamson 2007).

Based on an identification of their available resources, the key strategic choices the supplier firms have to make, include the following decisions:

1. On which markets to operate (products/geographical), number and type of customers to serve.
2. Positioning of products and services (low cost, differentiation or niche strategies)
3. Operational mode - selling on market terms or in contractual supplier relations - or both
4. Investments in the relationship (active/passive search for clients; generic/specific assets; tangible/intangible resources)
5. Learning from and developing the relationships

6. Dynamic adaptation, integration and reconfiguration of internal and external resources to develop capabilities that can match changes in the business environment

### **Local supplier firm strategies – three firm cases from Vietnam**

The empirical investigations of the theoretical discussions and strategic choices developed above are based on three supplier firm case studies from Vietnam where data were collected through the author's interviews with the managers and firm materials. The supplier firms are selected from different industries furniture; motorcycles and IT-services. These industries are all characterised by rapid market developments and changes at the same time as the overall business environment in Vietnam has become highly competitive and with major changes in the institutional business context.

The three cases consist of:

- RunSystem – an IT company:
- Tan Hoa – a producer of motorbike components
- Duc Nhan – a furniture company

#### *Case 1: RunSystem Corporation*

The company is newly established in 2005 by two Vietnamese computer engineers as owners and managers. It delivers IT services and has about 50 employees, mainly computer engineers. The two founders of the company started the business after having been to Japan on a scholarship to get their education. During their stay in Japan they had to learn Japanese, and they were at traineeships at Japanese IT firms where they developed ties with these companies. Based on these connections they developed the business idea of RunSystem to perform IT offshoring/outsourcing tasks for Japanese clients. Besides the cost advantage their company would fulfil the necessary condition for doing outsourcing jobs for Japanese clients: to be able to communicate in Japanese. The outsourcing IT tasks include the coding, testing and development of interactive web-sides for companies in e.g. the hotels and the real-estate industries.

Back in Hanoi they established their firm RunSystem to serve clients only from Japan. Japanese clients have outsourced tasks to suppliers in China but have also realised that the IT supplier firms in China have grown very large and are now preoccupied by serving their domestic market. Vietnamese IT suppliers with the right capabilities are therefore attractive for Japanese companies. The outsourced tasks are mainly based on the clients specifications and they require close communication with the supplier. This means that the employed engineers in the firm should be able to communicate in Japanese. The tasks are performed on a project basis with teams at both sides. RunSystem therefore has to invest in the language training and if necessary sending new employees to Japan for training sometimes with client firms and stays there for six months. This requires high asset specific human resource investments, which however make it possible to enter this niche market with very high entry barriers. Although the investment is high, the special Japanese proficiency acquired by the IT engineers also makes them less likely to leave RunSystem as alternative occupations rewarding the language proficiency are limited. The organic growth of the firm is therefore relatively slow but the relation with individual clients is often of a long-term nature. Since the capacity of the company is relatively small, the clients they work for are relatively small Japanese companies.

In 2007 RunSystem sets up an office in Tokyo staffed with four people to do marketing and get new clients. Three staff members will maintain close contact to the clients and final customers of the ongoing projects. The Japanese clients are very demanding and go into small details. Therefore close and continued communication is important at the same time as the company learns from the interaction with their various clients in Japan. The company has got a new client from South Korea, however, the task are to assist the Korean firm with a project for a Japanese customer. In the longer run RunSystem will like to utilise the learning from the Japanese relations and get new customers where the communication can be done in English; “If we can do it for Japanese clients, we can serve any customer”.

The firm had a modest profit already after its first year of operation and it was growing after its second year. The profit is the only source for expansion and is ploughed back

into investments. Capital from banks is not a source, which the manager think can be mobilised: “Go to the bank is difficult in Vietnam”. The managers are looking for a large Japanese client that could invest in research, but they are not looking for a foreign investor.

*Case 2: Tan Hoa*

Tan Hoa is a producer of components to motor-bicycles. Anybody visiting Vietnam recently can be in no doubt that the market for motorbikes and parts to motorbikes is huge and expanding. Several global brand manufacturers have established assembly plants in Vietnam. In addition there are also some partially illegal imports from China and the market for components and spare parts is therefore booming. The owner manager of Tan Hoa has decided to focus on the high quality components for the assembly plants located in Vietnam after 1990. The company was established in 1985 as a family enterprise registered as a cooperative producing spare parts for bicycles. In 2000 the cooperative was dissolved and the new private firm established now producing spare parts for the new foreign assembly plants for motorbikes.

Tan Hoa has invested in high tech imported machinery and equipment to be able to produce high quality components in the higher price range, and 90% of the productions goes to the foreign assembly producers. Only the remaining part goes for the large competitive and low cost spare part market spread all over the country and served by Tan Hoa's own distribution network.

The foreign assembly producers will specify the technical details and designs of the standard components to Tan Hoa, which with several assembly companies as customers work in a modular type of governance relations with the outsourcing firms. Tan Hoa has invested in machine tools, moulding and quality testing equipment making it possible to change quickly between different customized product features. As the diversified part products have various applications, Tan Hoa's products are now also going into other industrial sectors as inputs and are being sold on market terms.

A new opportunity for the company came when a domestic entrepreneur started manufacturing motorbikes. The new producer had to develop his own type of motorbike, and was therefore interested to link up with experienced component suppliers in the country. The domestic producer was not in a position to provide detailed technical component specifications and designs but was on the other hand interested in providing his new bike with distinctive features. Tan Hoa therefore started its own development and design of new components for the domestic producer giving the development tasks to one of the firms experienced engineers and establishing a new R&D department.

To serve the diversified and demanding group of customers Tan Hoa has established a strong and experienced management team trained at universities in Vietnam and the US. It has educated engineers and skilled workers with a total number of now 500 employees. The company is ISO 9001 certified and apply Japanese management methods.

### *Case 3. Duc Nhan Furniture Company*

Location and raw material have been a key factor for the strategic development of Duc Nhan Furniture Company. The founder owner established in 1995 his first factory up-country close to the border to Laos where there at that time was easy access to source hard-wood raw materials. As export increased he located a new larger factory close to an export container harbour where a large furniture cluster developed in the 1990s. At this location Duc Nhan has specialised in outdoor wood-furniture production in outsourcing relations with mainly European retailing and trading companies. As other companies in the cluster, its export developed fast, and from its long term relationships with outsourcing clients, the firm developed capabilities to offer own design furniture series, which it has been marketing at trade fairs and on its company homepage.

Changing export trade policies in neighbouring countries and increasing consumer interests in sustainable sourcing of raw materials made it much harder for Duc Nhan to source the needed hard-wood for out-door furniture, and thereby to expand its business further. The owner therefore decided to invest in new production facilities making it possible to also produce indoor wood-furniture. Taking up production of indoor furniture

was also a reaction to changes in the market situation where a new trade US trade policy initiative imposed a duty penalty on China's furniture export. As a result US buyers went to Vietnam for sourcing. For Duc Nhan it meant a significant turn in its operations. While continuing the production of outdoor furniture at the old locations, the investment in a new factory was located in the southern part of Vietnam outside Ho Chi Minh City in another furniture cluster specialising in in-door furniture. Here there was easy access to the new type of raw-materials needed for in-door furniture, and the location was also close to container harbour facilities. However, adding indoor furniture to its product assortment also meant identifying new customers now primarily from markets in the US, but also in Australia and Japan. The main marketing activities for Duc Nhan to get new customers have been participation in international trade fairs and the exposing its products and designs at the company web-side. Duc Nhan today employs 1,500 people and is operating with a double strategy both as an OEM supplier and as an own design manufacturer (ODM).

### **Discussion**

None of the case firms are linked to a single or even a few outsourcing clients but they are all actively developing and diversifying their products, market reach and portfolio of clients. The three supplier firms have been able to invest in developing their business in a dynamic way, and at least two of them have done so without support by outside institutional finance but mainly relying on their own accumulated surplus. More importantly, they have invested in material and immaterial assets to serve specific client demands being able to diversify and enter new business opportunities in spite of high entry and transaction costs.

In reaction to developments and changes in their external environments, the suppliers have been able to in a learning process to combine their capabilities and resources in new ways to exploit new business opportunities. This is done proactively applying various marketing tools and different transaction modes.

In a principal-agent perspective, the supplier firms have combined the establishment of close and long term relationships to outsourcing clients, and at the same time been able to use the learning from these relations to develop their competencies and products to serve new outsourcing clients and other customers. At the same time as trust have been build in long term relationships with outsourcers as the principal, linkages to new customers are developed and alternative transaction modes used.

### **Concluding propositions**

First of all we will conclude that the scope for the supplier firm to pursue its own business strategy can not be understood through the individual dyadic outsourcing relation and the content of the single outsourced task. The study of the individual relations provides knowledge of the content and possible upgrading potential in the relations and how they are governed by a lead firm. But to understand the scope seen from the supplier's point of view we need to look into the full spectrum of options available to him where he combine his resources to exploit new opportunities. Therefore it is proposed:

*(1) The strategic scope of the supplier firm in outsourcing relations cannot bestudied by the study of individual relations and tasks but needs to include an understanding of the firm's overall business opportunities, capabilities and management.*

In the outsourcing relations it is often the outsourcer that is considered to be the active part seeking out and selecting the supplier. However, that does not mean that the supplier firm is inactive in positioning his firm and its products at different markets and to various customer groups. We propose:

*(2) In the strategic choices the supplier firm makes to position itself to outsourcing clients, it actively combines information and knowledge about product and geographical markets and client segments.*

The dyadic view on outsourcing relations tends to narrow the scope of the supplier firm's development of capabilities to the individual tasks. However, the supplier is faced with a broader range of considerations to develop its material and immaterial resources and

invest not only to upgrade but also to switch products, industry belonging and market position. We therefore propose:

*(3) Supplier firm's investment strategies and development of capabilities should be seen in an entrepreneurial diversification perspective and not by looking at existing task based relations.*

The three cases we have analysed in this paper and used as a background to formulate the above propositions are all located in Vietnam, which for the past couple of decades have experienced a comparatively high economic growth and export performance only surpassed by China's development. This is partly a result of institutional reforms in the business sector making the environment more conducive for supplier firms in Vietnam. The case firms we have been looking at have therefore been embedded in an environment that has supported them in developing their business as suppliers in outsourcing business relations. Also international relations and changes in international economic institutions have helped suppliers in Vietnam to exploit international business opportunities. No doubt, the external conditions have helped to expose the wealth of strategic opportunities for the Vietnamese case firms. However, we believe that even under less favourable external conditions, the strategies of supplier firms can be studied from the same generic perspective suggested in this paper by looking from the supplier's point of view, at the full set of options open for the firm to develop its resources and capabilities.

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