

Managing Cross Border Supplier Relationships in a Volatile Market: Case Studies of 2 Danish Firms in the Fashion Industry

Work-in-Progress Paper

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ABSTRACT

The volatility of fashion markets are characterized by short product life cycles, high demand unpredictability, the high impulse nature of fashion purchases and the uncertainty of forecasting demand. These challenges are accelerated by the great pressure for cost reduction due to globalization, greater demand for performance from customers; and a greater need to integrate and exploit supply base technologies and capabilities, which has evidently caused increased inter-firm cooperation in terms of domestic and offshore sourcing. This means that the substantial awareness of available knowledge, expertise and information on critical factors are key elements for greater performance of the firms global supply networks. Hence, the challenge is creating and developing long-lasting relationships, in which relationship are closely related to knowledge creation and learning.

This study focuses on the management rather than the antecedents of buyer-supplier relationships. The intention is to delve on the actors and interaction processes, focusing into the processes of learning and knowledge creation for effectively managing cross border supplier relationships, with particular reference to the 2 Danish firms in the fashion industry. It is the objective of this paper to develop a framework for analysing how and the extent to which knowledge and learning is created and managed in firms through networks involving global actors, seen through the lenses of knowledge creation, learning and network theory, which focus on the relational aspect of global-local interactions.

INTRODUCTION

The fashion industry is interesting and relevant to this endeavour as it is a huge global business that reflects and pushes cultural and social boundaries. The industry have for a long time been characterized by low entry barriers and fierce competition on quality, price, productivity and lead times. These challenges are accelerated by the great pressure for cost reduction due to globalization, greater demand for performance from customers; and a greater need to integrate and exploit supply base technologies and capabilities. The volatility of fashion markets are characterized by short product life cycles, high demand unpredictability, the high impulse nature of fashion purchases and the uncertainty of forecasting demand. Christopher and Peck (1997) identify three critical lead times as: *time to market* – how long it takes a company to translate a market opportunity into a product or service; *time to serve* – the time it takes to capture a customer order and deliver the goods or service to the satisfaction of the customer; and lastly, *time to react* – the time it takes to respond to demand volatility by turning on and off the production tap. The adoption of strategies such as quick response' supply chain management' and mass

customization to eliminate excess inventory, low quality, and long lead times and high-performance manufacturing systems that decrease work-in processes in the factory floor can be taken as new challenges for the firms in the fashion industry. Hence, the most important key for the success in the market places is to know the right target market and the right time to provide fashion goods for customers. In this context, a core capability is competence in managing global supply chains, which mainly depends on relationship management to generate substantial awareness of available knowledge, expertise and information on critical factors through supply networks involving global actors.

In order to improve performance of the firms global supply network, the challenge is creating and developing long-lasting relationships, in which relationship are closely related to knowledge creation and learning. This means that a firm must acquire new knowledge by entering into relationships with various actors in order to learn. Learning is both a product and process, it can be described as the ways firms build, supplement and organize knowledge and routines around their activities and within their cultures, and adopt, and develop organizational efficiency. It is a key factor in achieving capability and sustainability in a volatile market. Therefore this paper will delve on the actors and interaction processes, focusing into the processes of learning and knowledge creation for effectively managing cross border supplier relationships, with particular reference to the 2 Danish firms in the fashion industry.

The aim of the study is to examine the potential – and the actual processes of knowledge creation and inter-firm learning – the learning how and the learning why. Learning how involves the transfer and improvement of skills and routines and learning why leads to establishing and maintaining relationships. It is assumed that such knowledge will contribute to firms' ability to adapt and develop organizational efficiency in managing cross border relationships in a market characterized by high volatility; as it provides a particular context, opportunities and restraints to support the firms' market and relationship management capabilities. Furthermore, it is the objective of this paper to develop a theoretical framework for the empirical analysis of how and the extent to which knowledge and learning is created and managed in firms through networks involving global actors, which focus on the relational aspect of global-local interactions. The framework of analysis will rest on network, knowledge and learning theory. The concept of network is working as the underlying integrating perspective for combining global and local actors and processes, the various theoretical approaches and analytical levels.

THE FASHION INDUSTRY

The textile, apparel and footwear industries are what many consider to be elements of a fashion industry. Textiles in the shape of home furnishings, fabrics, curtains, various upholstery, and wall floor coverings are what many consider fashionable items, as indeed are clothing and footwear. However, the term fashion can cover much greater goods; nevertheless, much of the focus for this paper will remain with textile and apparel. The textiles and apparel industries are often referred to and treated as either one single industry or, conversely, as two separate industries – both of which are equally misleading. In fact textiles and apparel are two diverse, yet closely related, industries¹

The global fashion industry is characterised as a prototypical buyer driven commodity chain² because profits and control are concentrated in the functions of marketing, distribution and retailing. The notion “buyer-driven” expresses the idea that the buyer exercises control over the chain even in the absence of ownership. (Gereffi, 1994, 1999, and 2002 and see figure 7) The buyer's control includes the government of the chain in terms of specifying what to be produced by whom and in terms of monitoring the performance. Thus the buyers do not merely buy. (Humphrey, J. & Schmitz, H, 2000). Sources of profit are the combination of high-value research, design, sales, marketing and financial services which enables retailers, designers and marketers to act as strategic brokers in linking overseas factories and traders with evolving product niches in their main consumer markets (see Gibbon, 2000). Recent years have shown a tendency of retailers and manufacturer retailers to consolidate through mergers and acquisitions. The most important consequence of increased retailer concentration is the augment in global sourcing. The augment in global sourcing, in turn, causes the buyers to develop extensive global sourcing

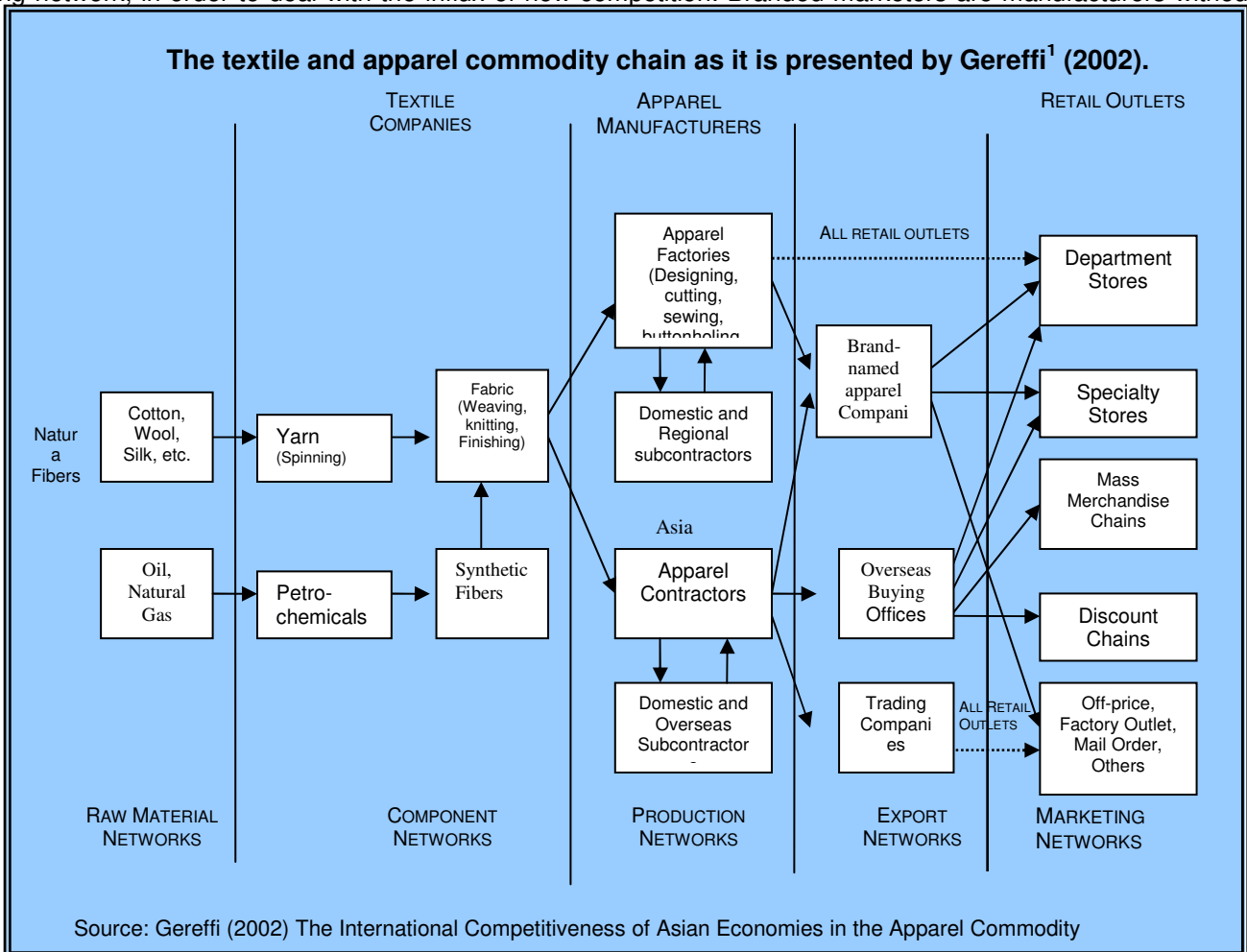
¹ The textile industry is composed of fibre, yarn, and some fabrics and findings manufacturers; converters that dye, print, and finish cloth; and wholesale representatives who may sell fabrics and findings to apparel producers. The apparel industry is made up of apparel manufacturers and contractors; garment wet processors; apparel wholesale representatives and direct importers selling garments to retailers; and apparel retailers such as department and specialty stores, chain stores, mass merchandisers and warehouse retailers (Brown, 2001).

² The global commodity chain concept is one of a number of approaches to inter-firm relations that draws on the simple idea that the design, production and marketing of products involves a chain of activities divided between different enterprises often located in different places. The distinction of the GCC approach is between buyer-driven and producer driven commodity chain.

capabilities. This developmental trend together with intensified global competition cause traditional boundaries between firms in the global sourcing network to blur as well as it causes the interests of the firms to realign. (Gereffi, 2002) At the same time, though, increased concentration of buyers also implies a concentration of power and control over the global commodity chain as the buyers come nearer to monopolistic positions which, in turn, may diminish the suppliers' bargaining power and, with it, the possibility of achieving beneficial sourcing agreements.

Following are the significant sourcing strategies and practices of leading buyer firms:

- Retailers began to compete directly with the apparel manufacturers and marketers when they developed private-label apparel in the 1980s.³ Apparel retailers include department stores, mass merchandisers, specialty stores, national chains, discount and off-price stores, outlets, and mail-order companies
- Branded marketers have adopted several strategic responses that will alter the content and scope of their global sourcing network, in order to deal with the influx of new competition: Branded marketers are manufacturers without



production factories. In essence, marketers now recognize that overseas contractors have the capability to manage all aspects of the production process, which restricts the competitive edge of marketers to design and brands" (Gereffi, 2002.p.8)

The changes in the industry have resulted in a functional restructuring where the earlier division between producers, wholesalers and retailers tend to disappear in the fashion trend-setting and high-value end of the market. Similar tendencies have been taken place in many other countries but it is worth noting that although the manufacturing functions have been moved, the Danish fashion industry characteristics and cooperation have been maintained and institutionally strengthened particularly on design and material technology aspects. Although larger functional integrated firms have appeared they are still relatively small and the Danish industry is not much influenced or integrated in large buyer driven chains dominated by global wholesalers or retailers. The industry is still dominated

³ Private label apparel is developed by or for a specific retailer, as opposed to branded apparel, which is developed by or for a specific retailer, as opposed to branded apparel, which is developed by a manufacturer and sold to many retailers under the trademarked brand name (Brown, 2001)

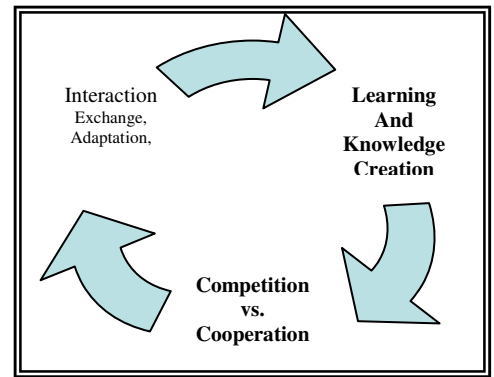
by national firms governing the chains. The Danish fashion industry is recognised as emerging from a traditional cluster with horizontal and vertical firm relations supported by an institutional framework. The cluster has a history that goes several hundred years back to the time when raw materials like wool were produced in the area. The geographical centre of the cluster has been located around the provincial towns of neighbouring Herning and Ikast in Jutland, where most of the firms are located together with supporting institutions like the headquarters of the textile and garment industry association and technology (DTB) and educational and training centres for the industry (TEKO). The Danish apparel manufacturers/retailers have an established network and close cooperation both horizontal in material and design development, and vertically particularly between garment firms using the materials of the textile producers (Erhvervsfremmestyrelsen 2000).

THEORETICAL POINT OF DEPARTURE FOR THE STUDY

It is widely acknowledged that through knowledge and learning, innovation capability and social capabilities of firm to adapt to change get improved. Since the beginning of the 1990s, a growing amount of literature within organisational studies, industrial economics and economic geography has started to focus on the role of knowledge in firm strategy and performance (Hamel and Prahalad, 1990, Nonaka and Takeuchi 1995; Cantwell & Dunning, 1991; Ghoshal and Bartlett, 1998). The reason for increased emphasis on knowledge and learning as a key resource and important process (Lundvall and Johnson, 1994) is mainly accounted to increased competition, rapid technological development and globalization. This resulted to an increased focused on less tangible dimensions of firm behaviour, such social abilities, routines and practices, organizational structure as factors for competitive advantages. Earlier research focus mainly on the unidirectional flow and little attention is given to the processes and two directional flows of learning and knowledge creation. It seems that most researches focuses mainly to the role of firm specific knowledge in competitive strategy, and it is just in recent years that the opportunities and barriers of knowledge creation and learning processes in cross border less formal but long-term supplier relationships have been examined. Clearly, the synchronisation of processes between customer and supplier firms and the accompanying scrutiny of supplier firms make rapid, intensive information exchange, which have strong implications for competence development, strategy and business growth of the firms. It is argued that firms' organizational learning now receives more external stimuli than it used to, and has become more intermittent, and occurs at an accelerated pace. Knowledge translation is not merely operational knowledge but frequently also conceptual knowledge. Thus, this study will tackle on issues of knowledge creation and learning in managing global supply networks which are characterized in a less formal cooperation but mutual and long lasting, seen through the lenses of knowledge creation learning and network theory.

The network theory is the focal analytical point of departure in analysing cross border supplier less formal but mutual and long lasting relationships. A network can be defined on the basis of two levels of interaction between its members (Yeung, 1994), namely; intra-firm and inter-firm networks. Intra-firm networks refer to relationships within a single firm. This may describe the ownership structure, the decision making process, the organizational form and communication between the various functions and levels in the firm. This dimension is important in relation to the openness of the firm and its ability to innovate and internalise the knowledge. While inter-firm networks refer to relationships between firm, which can take many forms along a continuum between the market and the hierarchy, in which all parts of a final product are produced and coordinated. Network theory emphasises the relational, social and institutional foundations of economic behaviour. Economic activities are consequently regarded as being embedded in networks of interpersonal relations, through which some actors are effectively able to reshape the strategy and activities of other actors in the network. The embeddedness perspective, the activities of specific actors is conceived as being moulded by the social relationships they participate in. As individual actors are part of and embedded in different networks at the level of the firm and the global level, the various geographical dimensions are regarded as being linked through this embeddedness. A business network can be defined as an integrated and coordinated set of ongoing economic and non-economic relations embedded within, among and outside business firms (Yeung, 1994). Ongoing means that transactions are usually repeated and instead of being coordinated by the market, economic activities are governed by relatively enduring relationships between actors. Embeddedness refers to the fact that action becomes evident in interaction with others. This study treat the network as a dominant organisational form as all actors are part of social network in carrying out economic activities, as workable analytical concept for integrating various perspective and as underlying mechanisms, of which the dynamics generate a specific results in terms of organisational change at the level of the firm.

The premise of this study is that firms' approach to less formalize but mutual, long lasting inter-firm relationships creates the "reality" of the interaction and with that, the potential for inter-firm learning and knowledge creation. This study focuses on the cross border supplier networks and embraces the interactions between firms, using interaction model as the primary framework in the research in order to situate learning processes and knowledge creation in inter-firm relationship. Network has to be seen as a process in which the 'structure' is not stable but continuously changing and adapting. It is as a consequence, the relational processes which have to be interpreted essentially as learning process. In this study learning processes refers to a value creating activity, which upgrades the firm's knowledge base. It is an enduring process that can be stimulated by internal efforts to absorb and upgrade externally derived, as well as internally created, knowledge assets. This study proposes that learning can be conceptualized as a knowledge sharing process and that knowledge base embraces the firm's technological assets of productive, organisational and managerial facilities as well as the knowledge to use, combine and develop these assets. Wherein learning can be conceptualized as a knowledge translation process, however, transferring knowledge in general has its well known challenges. For instance; knowledge developed and used in one cultural context is not easily transferred to another, even when the different contexts are within the same firm due to the complexity and tacitness of knowledge (Szulanski, 1996). The work of Soon-Gwon Choi and Kent Erikson in Håkansson and Johanson, 2001 highlighted the notion of "Knowledge Translation" from Knowledge transfer. They have adopted Latour's argument that the notion of transfer which implies that is moved from one place to another relatively intact has been ill-suited for business research instead he proposed to use the term translation. Translation implies that a phenomenon in one context is moulded into another context. Hence the "Knowledge Translation" terminology is adopted in this study.



Defining knowledge is not an easy task, as different scholars often use the concepts, such as technology, competence, capabilities, and capacity interchangeably at the level of both firm and society. Regarding the concept of firm-level knowledge, it can be understood as an asset of the firm and may appear in the production process both as input, in terms of competence or R&D investment, and an output, in terms of technological or organizational innovations (Lundvall, 1999). A common way to explain and define the concept of knowledge is to distinguish it from other resources. In a similar vein, Nonaka, Toyama & Byosièrè⁴ (2001) build on the view that organisations are entities that create knowledge continuously. Knowledge is dynamic because it is created in interactions between individuals within and across organisations. It is human, and its nature is active and subjectively conveyed by commitment and beliefs which are deeply rooted in individuals' value systems. Knowledge is essentially related to human action and emotion. (Nonaka, Toyama & Byosièrè, 2001)

Knowledge consists of two dimensions, the technical dimension, i.e. know-how, and the cognitive dimension, i.e. the individual's conception of reality. (Nonaka & Takeuchi, 1995) Changes in the cognitive dimension are the type of changes which cause fundamental changes in action, they may even redirect action, and which broadens and enriches individuals' conceptions of reality. Cognitive knowledge rests on individuals' abilities to observe, ask the right questions, and reflect. Structuring the concept of knowledge, two basic distinctions can be made. First, the distinction between tacit and explicit types of knowledge, "[t]acit knowledge is personal, context-specific, and therefore hard to formalise and communicate. Explicit or "codified" knowledge, on the other hand, refers to knowledge that is transmittable in formal, systematic language." (Nonaka & Takeuchi, 1995 in Rasmussen, 2000) Second is the distinction between individual and social levels of knowledge. Knowledge at the individual level is transferable as it moves with the individual. Knowledge at the social level is either publicly available or embedded in the firm's routines, norms and culture. (Rasmussen, 2000) The type of knowledge influences the learning processes since explicit types of knowledge are more easily transferable than tacit types. Tacit knowledge at the social level is embedded in the firm, and this type of knowledge is of special interest in the context of reaping competitive advantage, precisely because it is not available in the market. As for the sharing of explicit knowledge in cross border supplier relationships, explicit knowledge at the social level is most easily accessible in the market. Consequently, the sharing of explicit knowledge at the individual level provides highest importance in terms of development of competitive advantages. Explicit and tacit dimensions of knowledge are complementary, and both

⁴ Nonaka, Toyama & Byosièrè (2001) assume a dynamic view on learning in which they assert that organisations do not merely process information when they innovate. Rather, they create new information and reshape the environment through interactions with it. An organisation creates knowledge through action and interaction which reshapes the environment and the organisation itself. Organisations question and reconstruct existing perspectives, frameworks, or premises on a daily basis through a continuous process of knowledge creation.

are crucial to knowledge creation⁵. Explicit and tacit knowledge interact and interchange in the creative activities of human beings, and the understanding of “this reciprocal relationship is the key to understanding the knowledge-creation process.” (Nonaka, Toyama & Byosi re, 2001: 494-5) Obviously, knowledge is shared as an interaction between the sender and the receiver. (Rasmussen, 2000)

Knowledge creation is based on the firm's knowledge base. Learning is a creative activity of human beings, and the key is to understand the reciprocal relationship between tacit and explicit knowledge assets. These reciprocal relationships are socialisation, externalisation, combination, and internalisation which take place in a shared space. Socialisation is when tacit knowledge of one person becomes tacit knowledge of another person. Combination is when explicit knowledge is combined with other explicit knowledge. Externalisation is the articulation of tacit knowledge into explicit knowledge; and internalisation is the development of explicit knowledge into implicit knowledge. The knowledge created then becomes part of the firm's knowledge assets and the basis for a new cycle of knowledge creation. Knowledge is created by individuals through interactions. Interaction is the key to organisational knowledge creation, and all members of the organisation are important actors who should work together. (Nonaka, Toyama & Byosi re, 2001, p.496)

Thus, knowledge is created through the continuous interaction between tacit and explicit knowledge in reciprocal processes of socialisation, externalisation, combination, and internalisation. All four reciprocal processes must be carried through to complete the knowledge creation, and all four reciprocal processes can, in principle, take place in both internal and external interfaces. (Nonaka, Toyama & Byosi re, 2001) However, given the special features of cross border buyer-supplier relationships some of the processes are more likely to take place in this type of external interface than others. The foremost learning problem in this type of inter-firm linkage is the translation of various kinds of information and knowledge between legally and economically independent organisations. Such translation is seldom contractually regulated, and it involves relinquishing potentially valuable resources. (Lane, C., 2001) Therefore, impediments to openness and reciprocity must be overcome to make knowledge translation possible. Another problem is that the participating firms have some shared and some opposing goals. The hub firm is in many cases more powerful than the other participants, and it may impose its priorities on supplier firms. However, this use of power precludes the possibility of capturing implicit knowledge and inhibits conceptual learning. (Lane, C., 2001) Therefore, it is most likely that it is primarily explicit knowledge which is shared in inter-firm sourcing linkages, i.e. it is primarily the process of combination (explicit to explicit) which is shared in buyer-supplier linkages, and to a less extent, the process of internalisation (explicit to tacit). This latter process is primarily to be found in buyer-supplier relationships characterised by a high degree of quasi-internalised interaction. Given that the complete knowledge creation processes are not fulfilled in the external interface, firms must be attentive to accomplish the knowledge creation in the internal interfaces. The reciprocal processes of socialisation, externalisation, combination, and internalisation start at the individual level and expand throughout the organisation. Van den Bosch, Volberda, and de Boer (1999) suggest that such spreading happens through systems, coordination, and socialisation. (cf. pp. 146-147). The ability of a firm to learn and share knowledge with another firm in an external interface in one or more shared spaces, along with the ability to continue this knowledge creation in internal interfaces is how the firm can derive knowledge and learning in cross border supplier relationships.

THE STUDY

The main point of this study is to analyse how and the extent to which learning and knowledge is created and managed in firms through supply networks involving global actors. Knowledge is viewed as context-specific and relational, for which in essence related to human action. Therefore in order to learn from others, firms have to enter into relationships with various actors. The ability of firms to learn from this interaction depends on how such relationships are structured. By focusing on the concrete processes and actors in the structures of production, it becomes possible to analyze how firms can integrate knowledge creation and learning in global supply relationships in a volatile market; this is given that links or networks are established between supplier firms and buyer firm's actors involved. The argument is that the core capability for the new challenges the firms in the fashion industry is the competence in integrating knowledge creation and learning in managing cross border supplier relationships.

⁵ Excessive focus on explicit knowledge can easily lead to ‘paralysis by analysis’, whereas exaggerated valuation of tacit knowledge tends to foster overreliance on past successes. Without experiences, one has difficulty gaining understanding. And unless one goes beyond experiences, universality cannot be achieved. If one does not analytically reflect on experiences, the same things will be repeated over and over, with no increase in the quality of knowledge. ... In this way, tacit knowledge and explicit knowledge interact and interchange with each other in the creative activities of human beings. (Nonaka, Toyama & Byosi re, 2001: 494)

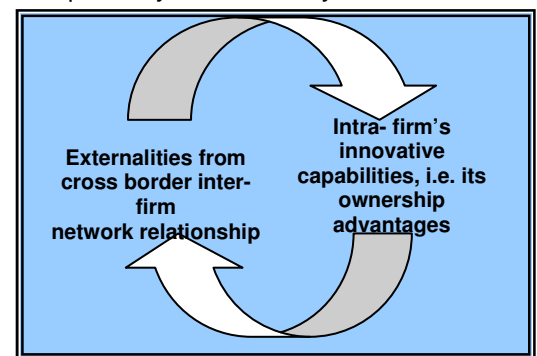
Hence, it is relationships management that is an important competence. In this sense, competencies can be understood as the emergent properties of social activity, but are not reducible or predictable from it. Thus, the network becomes the focal analytical point of departure in analysing cross border supplier relationships. As the network theory provided the “embeddedness” perspective as an overall understanding of outcomes on the basis of the concrete interaction between actors and the context of their interaction.

Hence, the intention of this study is to examine the actual processes of inter-firm learning– the learning how and the learning why. Learning how involves the transfer and improvement of skills and routines and learning why leads to establishing and maintaining relationships. It is assumed that such knowledge will contribute to firms’ ability to adapt and develop organizational efficiency in managing cross border relationships in a market characterized by high volatility; as it provides a particular context, opportunities and restraints to support the firms’ effort to integrate knowledge creation and learning in cross border supplier relationships. The overall aim of the proposed study is to obtain a better understanding on how firms can integrate knowledge creation and learning in cross border supplier relationships to adapt to changes and improve innovation and social capabilities seen through the lenses of network, knowledge and learning theory, which focus on relational aspect in cross border business interactions.

The empirical research is to delve and analyze the above questions will be carried out within structures of production in the fashion industry, focusing primarily on the business exchanges in the process of design and product development. The objective is to develop a framework to empirically operationalise a process of inter-firm learning and knowledge creation mechanism in the less formalized, but close and long-lasting, exchange relationships between supplier firms and buyer firms- business relationships- in business markets. The point of departure in the operationalisation of the analytical concepts is formulation of interview guide. The interview guide will serve as a framework for analysing the mechanism in inter-firm learning and knowledge creation, the exchange of products and the social context (adaptation).

This study presumed that the empirical research will show that a progressive interaction between intra-firm and inter-firm networks is the precondition for managing cross border supplier relationships in a volatile market. Wherein, the intra-firm network capabilities determine the firm’s ability to learn and create knowledge relationship competence to meet competitive pressure, cater to demand and to absorb and upgrade existing cooperative advantages. Consequently, the openness of the intra-firm network’s ability to innovate and internalise the knowledge are inter-dependent on the ability inter-firm network cooperative relationships are inter-dependent. In other words, there is a mutual influence between the firm’s innovative capabilities, and the externalities potentially deriving from the inter-firm network cooperative relationships. Therefore, firms’ capabilities and externalities from inter-firm interactions develop in self-reinforcing circles. The cross border inter-firm network relationships and the firms’ capabilities are closely interrelated, and that the self-reinforcing circles can be virtuous or vicious.

The argumentation behind the idea of self-reinforcing development circles is primarily influenced by the result of the pilot project, which shows that generally the case firms in the Danish fashion industry concentrate on core competencies and core operations, and outsource operations in which they do not have competitive advantage. Thus they establish complex competitive cross border supplier networks. If the member supplier firms fail to meet requirements, the case firms often prefer to induce learning and knowledge translation in order for the inter-firm networks to evolve. Thus, weak and not progressive interaction -weakens the firm’s ability to establish and continuously develop cross border inter-firm networks - which in turn weakens the probability for positive externalities to occur and vice versa. In sum, this study will examine the processes on how to accelerate the progressive interaction in the structures of production in managing cross border supplier relationship competence. In which the case firms should be able to use the learning opportunities provided by cross border inter-firm networks to enhance its competitive position and develop knowledge and learning in managing cross border supplier networks. Moreover, this study will be able to develop a framework to empirically operationalise a process of inter-firm learning and knowledge creation in a less formalized, but close and long-lasting, exchange relationships between supplier firms and buyer firms- business relationships- in business markets., sketching a inter-firm network relationship that can facilitate communication of opportunities and strategies to participating firms for relationship competence development.



Data collection

The empirical research will employ a case study design based on a small sample size with in-depth interviews, for which a qualitative study is suitable. The data collection will be extensive within the chosen area and will be both objective and subjective in nature

The case study may be defined as a method for studying a complex social phenomenon and is based on an in-depth understanding of this phenomenon. Thorough description and analysis of the phenomenon in its entirety and context. By "in-depth" understanding is meant that the researcher attempts to gain as broad and comprehensive an understanding of the case as possible. By "thorough description and analysis" is meant that the case is closely described, using various data sources combined with first-hand observations which is seen as the best way to appreciate multi-causal complex scenarios (Yin 2004). As this study will be based on words rather than numbers, wherein semi-structured interviews will be carried out with the intention of understanding (i) firms' approach to cooperative relationships, (ii) their interest in creating and managing relationships competence via inter-firm learning and knowledge translation (iii) the contexts in which they operate, (iv) the resources they have at their disposal and (v) how the effects of two directional learning and knowledge translation in process of design and product development. The main benefit of semi-structured interviews is the ability of the interviewer to increase the relevance of the interview by introducing related topics, explain details, and ask clarifying questions to interviewee while simultaneously allowing interviewees to identify topics they perceive as important (Launsø & Rieper 1997, p. 97). The researcher will develop a checklist to ensure that all topics, identified as relevant, are covered in the different interviews, and that people from the companies with divergent interests are interviewed. In addition to semi-structured interview, it will as well used participant interpretation, as it is helpful in circumstances where the researcher is attempting to understand reality as perceived by particular practitioners and where understanding requires an active engagement with the process under study. The researcher will therefore spend a significant period in field research. The researcher must however avoid going "native" through critical self-reflection, in-depth reading, and dialogue with academic colleagues who can point out "blind spots" in the researcher's understanding.

The empirical research will be explorative, and concentrated upon developing a practical and methodological frame for performing the study, while during the PhD-project the theoretical model will be adjusted as the field research progresses.

Companies which participated in the project as case studies have responded to three basic requirements:

1. The company must participate in inter-organizational cooperation
2. The company must be motivated to strengthening its competitive advantages
3. The company must believe in the idea of inter-organizational learning

The company must be willing to cooperate in the spirit of openness. i.e., the company must be motivated to participate in the field research, and it must show willingness to share knowledge and experiences, both failures and successes.

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