



The Critical Success Factors of Sourcing Production for Small and Medium-sized Clothing Firms in Hong Kong

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ABSTRACT

The main purpose of this paper is to identify the critical success factors (CSFs) of sourcing production, and to study the impacts of production sourcing strategies, buyer supplier relationships and firm-related characteristics on the level of satisfaction with sourcing performance. Using a multiple case methodology to study ten firms and a two-phase data collection approach, in-depth interviews and mail questionnaires, we found that the industrial sector is the only firm-related characteristic that has an influence on sourcing performance satisfaction. Also, the firms that have adopted insourcing were more satisfied with their sourcing performance than those that adopted outsourcing. Based on the level of satisfaction with a firm's sourcing performance, we identified three main CSFs for production sourcing: (1) to build relationships with production provider personnel at all levels, (2) to develop a comprehensive communication plan with production providers; and (3) to choose the production providers carefully.

Keywords: Small and medium-sized enterprises (SMEs); production sourcing strategy; critical success factors (CSFs); performance satisfaction; buyer-supplier relationship

Introduction

In the clothing industry, no simple formula can predict winners and losers from a particular environment. Rather than trying to guess the winners and losers, it is important to identify the critical success factors (CSFs) that determine performance satisfaction [1].

The Hong Kong clothing industry consists of a large number of small and medium-sized manufacturing and trading firms. In 2001, there were approximately 290,000 small and medium enterprises (SMEs) in Hong Kong; over 98% of the companies that were engaged in the manufacturing and servicing sectors were SMEs [2]. According

to the Hong Kong Government, SMEs in Hong Kong are defined as manufacturing firms that employ fewer than 100 people and non-manufacturing firms that employ fewer than 50 persons. The existence of these firms has contributed significantly to the industry's development and prosperity in the last four decades. The textiles, clothing and footwear industries generated domestic exports of HK\$65 billion, which represented 67% of total domestic exports in 2002 [3]. In dollar terms, Hong Kong is the second largest exporter of textiles and clothing in the world [4].

Hong Kong has been widely recognized for its role as a global sourcing centre for textile