OUTSOURCING SUPPLY CHAIN ACTIVITIES BY TURKISH MANUFACTURING COMPANIES.

Exploring the phenomenon of "Competing through supply chains". Is it true that it is not the companies that compete but supply chains?

MBA

DISSERTATION

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CHAPTER 1: INTRODUCTION

In today's rapidly changing economic atmosphere, almost every single firm realised that globalisation has made the world smaller and even more competitive. In this perspective, change that happens in one place quickly makes an impact on another. In line with this, customers are also affected from these changes: they are now looking for products that can respond well to their specific needs. Just as customers, firms are also affected from these changes and they are now seeking the way that they can secure their costs, quality, technology and other competitive advantages as a strategy to survive in the globally competitive environment (Goh and Pinaikul, 1998).

In today's faced paced and highly competitive markets, it is crucial for companies to comply with those changes and perform accordingly. This is quintessential for the success of the businesses. Globalization making even harder the companies to be successful because with the globalization companies now have to compete with international competitors added to national competitors.

With the affect of globalization traditional competition is also changing. Increasing amount of scholars believe that individual businesses are now competing as supply chains instead of competing as isolated entities. Companies are now paying more attention on their network relationship and starting to compete through their supply chains. And they are also trying to coordinate their supply chains more efficiently with better collaboration in their supply network in order to response consumer demand more quickly (Mason et al., 2002). In other words, companies are now creating the competitive advantage by carrying out their supply chain activities more efficiently than the competitors.

As a consequence of this metamorphosis, supply chain management has become an area which has gathered huge attention from both industries and scholars. A supply chain can generally be viewed as network which covers: raw material acquiring, producing intermediate goods from raw materials, manufacturing and packaging final products using intermediate goods and delivering the finished products to end customer via distribution channels. A supply chain comprises of consumers, producers, suppliers, distributors and retailers, all of the connected with the backward flow of information and forward flow of material. Clearly integrating all

these processes and flows with the appropriate strategy are the responsibilities of supply chain managements (Huang and Uppal, 2002).

Also outsourcing some of the supply chain activities and deciding which activities to outsource are some of the other challenges which supply chain managements might face. Since it is not efficient to perform every stage of the supply chain in house, companies must consider outsourcing as a tool to achieve greater efficiency.

This study will include 6 more chapters, as follows. In the next chapter relevant literature will be reviewed, including; supply chain, supply chain management and outsourcing. Chapter 3 will be illustrating the current situation in Turkey and demonstrating the structure of Turkish manufacturing industry. In chapter 4 research methodology will be conducted according to my research. Chapter 5 will demonstrate the findings from relevant interview and analysis of those finding will be covered under chapter 6. Lastly my conclusions about the research will be given in chapter 7.

1.1. Aim of the Research;

Main aim of this research is to explore the phenomenon of competing through supply chains. And searching the actuality of the statement; "it is no more the companies that compete but supply chains."

1.2. Author's Involvement in the Research;

There are couple of reasons which explain my involvement in the title of "outsourcing supply chain activities by manufacturing firms: competing through supply chain." Firstly I had conducted an assignment on this subject on my previous study. Secondly as a Turkish citizen I am aware of the role of manufacturing industry in Turkish economy. And lastly growing attention on supply chain management and outsourcing has tempted me to do my dissertation on this subject.

1.3. Research Objectives;

- Determine the importance of supply chain management for Turkish manufacturing companies which are trying to create competitive advantage.
- Determine the ways of creating efficient supply chain management.
- Determine to importance of outsourcing as a tool to create efficient supply chain.
- Determine the risks which have been involved with supply chain and outsourcing.

1.4. Research Questions;

- What is the current situation in Turkey?
- What kind of precautions do Turkish manufacturing companies may take in order to achieve successful supply chain management.
- How to compete with globalization? Importance of supply chain management.
- How outsourcing is implemented by the manufacturing companies?

CHAPTER 2: LITERATURE REVIEW

In this chapter I will try to clarify those difficulties which involves in supply chain. First I will try to define supply chain management with using appropriate and up to date literature. Then I will try to emphasize the importance of supply chain management and creating an efficient supply chain management for gaining competitive advantage. Then the role of logistic departments in efficient supply chain management will be illustrated as one of the most important role player in supply chain. After that supply chain risks will be illustrated and as a last part of this chapter I will point out outsourcing as a tool to achieve efficient supply chain management.

2.1. Concept of Supply Chain;

There are several definitions of supply chain in the literature. Christopher (1992) describes the supply chain as a set of organisational connections in which there are upwards and downwards associations aiming to create value for the final customers in terms of products or services. The author states that during the process of this value creation, various procedures, practices and occupations take place to reach the intended objective.

According to Rodriguez-Diaz and Espino-Rodriduez (2006) the supply chain can be defined as

"The combination of all the activities associated with the flow, transformation and distribution of goods necessary for the firm to achieve its objectives. It involves not only the traditional difficulty of designing and defining supply chain management but also finding suitable partnership that fully meet the requirements of the whole distribution network."

Supply chain can be defined as a chain reaction starts with raw material to producing and selling the final product to end-customer and then recycling it. Reaction starts with the demand of end customer. Then continues with appropriate purchasing and production processes. When final product has been produced, it's then shipped to end-customer via distribution channels. It may also involves warehouses and retailers (Harrison and van Hoek, 2008).

2.2. Concept of Supply Chain Management;

Before trying to establish a meaningful definition for the term "supply chain management", it would be useful to shed some light over the relationship that exist between a firm and its end-customers and between two firms that do not necessarily operate at the same level or rather stages in the production process. Slack and Lewis (2002, p.181) points out that

"All businesses are both customers for some other businesses products and services, and suppliers of products and services to their own customers. No operations therefore, or part of an operations, can be seen as existing in isolation". All business enterprises operate in a complex network where they absorb the characteristics of both customers and suppliers.

Slack and Lewis (2002) consider that the firms absorb the characteristics of both - customers to some and suppliers to other, a supply network is an inter-connection of organisation which relate to each other through upstream and downstream linkage between the different processes and activities that produce value in the form of products and services to the end-customer. Slack and Lewis (2002, p.181) narrows down this relationship as "after all, at the heart of the supply network concept is the idea of buyer-supplier relationships, and buyer-supplier relationships have always been at the heart of all relationships".

According to Ballou (2004), supply chain management deals with the logistics connections within a company's functions such as production, logistics and marketing as well as connections between different entities which are in the chain of supply and value creation.

In addition to Ballou's above definition, many scholars brought descriptions of supply chain management. Muckstadt et al. (2001) make a comprehensible description and state that supply chain management is a network of companies which attempt to plan and devise market as well as to produce and dispense goods and services to the ultimate customers

Harrison and van Hoek (2008, p.7) used the definition of supply chain management in their book as follows:

"Planning and controlling all of the business processes – from end-customer to raw material suppliers – that link together partners in a supply chain in order to serve the needs of the end-customer."

On the other hand Russell and Taylor (2003, p.269) defines SCM as "managing the flow of information through the supply chain in order to attain the level of synchronization that will make it more responsive to customer needs while lowering costs."

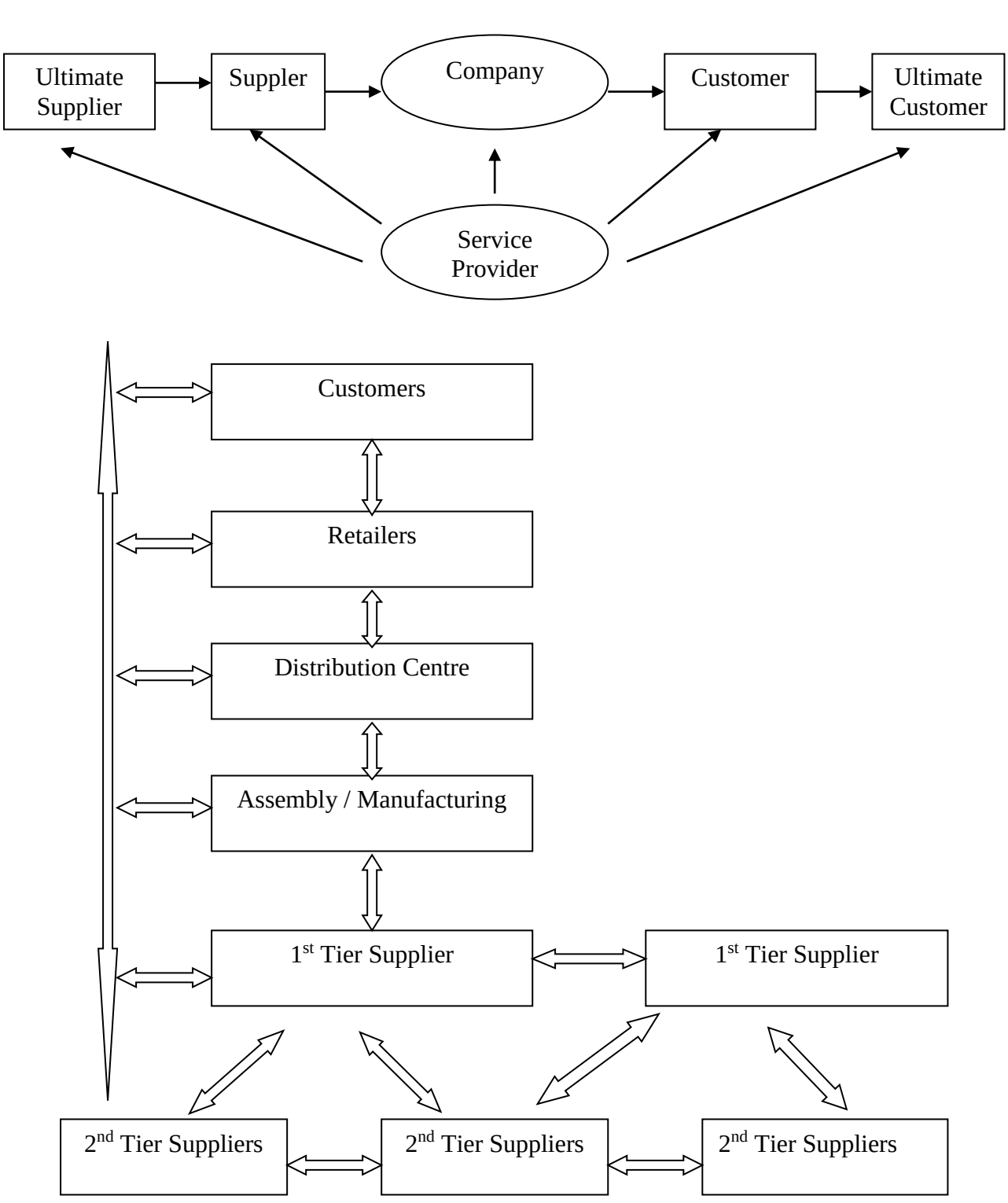
In the light of the above definitions, it can be suggested that the supply chain include all processes which is related to the streamlining and alterations of products from its initial phase which is the raw material phase to the ultimate phase which is the consumption of the finished goods in addition to the information systems required (Ballou, 2004). It is discussed by scholars that supply chain management intends to maintain equilibrium amongst contradictory processes such as manufacture, delivery, promotion, and retailing due to the fact that supply chain management is considered as a particular body of marketing network that intends to fulfil the expectations of the customers (Lambert, 1992).

From the definition and the argument put forth to support the relationships, we can see that an efficient management structure is needed to facilitate a smooth "transfer of information" between the business entities. Or else presence of inaccurate information can lead to unwanted delays in production.

2.2.1. Importance of Supply Chain Management;

Before trying to emphasize the importance of supply chain management, it is crucial to demonstrate how a supply chain works. As we can understand from the definitions, supply chain management is about managing whole supply chain network.

Next page shows a detailed supply chain network.



Source: Handfield and Nichols (1999)

Figure 1: *Supply chain network.*

The supply chain can be seen in this diagram as a number of processes that extend across organisational boundaries. The role of supply chain management is to manage and coordinate this whole network and make sure it works smoothly. Krajewski and Ritzman (2002, p.311) point out importance of this role as;

"Supply chain management is one of the most important, strategic aspects of operations management because it encompasses so many related functions, whom to buy materials from, how to transport goods and services, and how to distribute them in the most cost-effective, timely manner constitutes much of an organizations strategic planning."

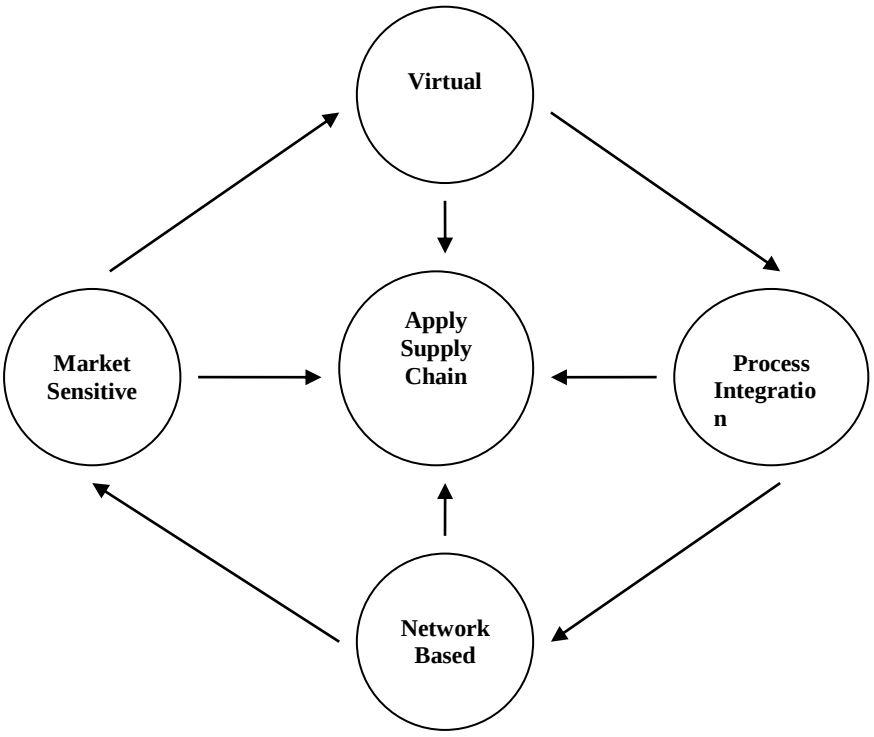
Why supply chain management is extremely important? Why firms are paying more interest on managing the supply chain? According to Lummus and Vokurka (1999) "In part, the answer lies in the fact that few companies continue to be vertically integrated." 'Vertical integration is "The process in which several steps in the production and/or distribution of a product or service are controlled by a single company or entity, in order to increase that company's or entity's power in the marketplace" (Investor Words 2008).'

Instead of owning their own source of supply, firms have become more specialized and started to look for suppliers who can provide quality materials with low cost. In order to optimize overall performance, it becomes critical for companies to manage the entire supply network. These organizations have understand that any time a company deals with another company that performs the next stage of the supply chain, both are stand for other's and whole supply chain's benefit and success. Second reason partially arises from increasing competition on both national and international area. At the present time customers can chose from too many different source of supply to satisfy their demand thus making the product ready on the shelves for customer whenever they want through distribution channels at minimum cost is quintessential. Third reason for increasing emphasis to supply chain is; companies nowadays realized that improving only one part of function or department doesn't always improve the performance of the company. Hence companies must improve whole supply chain performance with efficient supply chain management to create tangible performance (Lummus and Vokurka, 1999).

2.2.1.1. Creating an Efficient Supply Chain Management;

In order to create efficient supply chain management, companies must consider various types of practises. In this study I will focus on agility, integration and collaboration in the supply chain.

Improving supply chain agility is quintessential way for creating efficient supply chain. Mason et al. (2002) use Veeramani and Joshi (1997)'s definition for agility as; 'ability to respond quickly and effectively to satisfy customers.' Agile supply chain is able to read and respond demand of end customer quickly hence it is customer responsive. Rather than most organizations agile supply chains are demand driven not forecast driven. Just because most organizations cannot read and respond customer demands, they have to rely on their past sales or shipments to forecast future demands. To be able to create agile supply chain, all partners in the supply chain network must act accordingly in collaboration to satisfy demands of end customer. And whole supply chain network must be viewed as a system business processes because stand alone processes could cause problems in terms of material and information flow. Last characteristic of agile supply chain is; agile supply chains must be information based rather than inventory based (Harrison and van Hoek, 2008).



Source: Harrison and van Hoek (2008)

Figure 2: An integrated model for enabling the agile supply chain.

According to Mason et al (2002) “manufacturing agility has become a defining characteristic of competition in industry today.” While maintaining strict quality and cost standards, companies also must quickly identify, design, manufacture and deliver products that satisfy customer demands. With an agile supply chain companies can adapt with market variations in a more efficient way, they can reduce inventory, they can respond customer demands quicker and they can integrate their supply chain easier. Firms must create strong relationships with their supplier and customers quicker and adapt their supply chains effectively to be competitive from an agility stand point. In order to companies to become agile, their relationships with their supply chain are also must be agile.

According to Harrison and van Hoek (2008, p.235) “Integration in the context of the supply chain is concerned with coordination: establishing the rules of the road whereby material and information flows work in practice.”

There are two types of integration

1. Internal integration (function to function).
2. External (inter-company) integration.
3. Electronic integration.

While internal integration deals with integrating organizations’ internal supply chain functions such as marketing and logistic, external integration focuses on integrating different partners of the supply chain network. Electronic integration on the other hand deals with achieving visibility throughout the supply chain using technologies such as electronic data interchange or Internet (Harrison and van Hoek, 2008).

According to Spekman et al. (2002) integration in supply chain can create various benefits such as; cost reduction, quality improvement development of different processes.

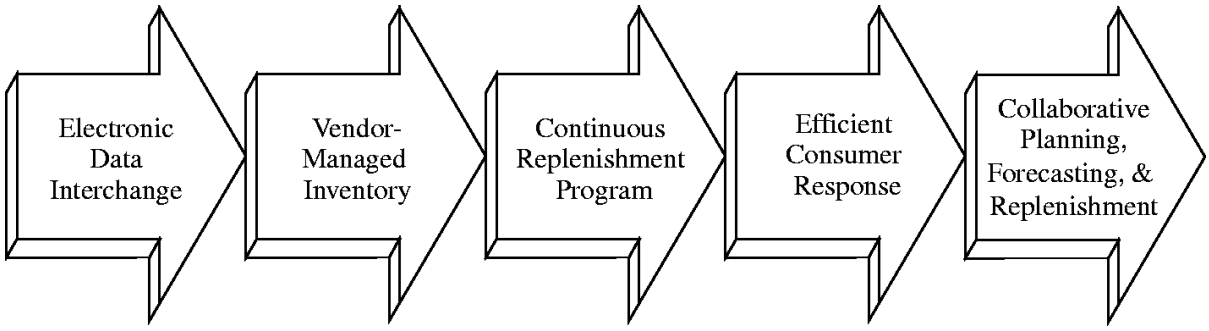
Attaran and Attaran (2007) state that “Building efficient supply chains have always been a major area of focus for enterprise architects. Collaborative supply chain management practices are firmly establishing themselves as the way forward for successful and sustainable business operations.”

Myhr and Spekman (2005) suggest that; in supply chain relationship both trust and electronically mediated exchange play vital role on improving collaboration. Trust improves collaboration between partners because if all partners of a supply chain trust each other and expect that other partners are able to perform necessary

tasks, they can easily collaborate. Trust is not just good for better collaboration, it is quintessential. Especially for customized products. Electronically mediated exchange on the other hand supports all supply chain members with fast and reliable information using technologies such as, internet, e-mails and electronic data interchange (EDI) systems. Electronically mediated exchange quickly improves collaboration with giving up to date information to all supply chain members on operational level. Unlike trust, electronically mediated exchange is more helpful when it comes to standardized products.

According to Attaran and Attaran (2007) customer expectations are rapidly rising hence companies must make right products ready on the shelves at the right time. Supply chains' performance significantly depends on collaborative planning. Thus companies who are willing to create efficient supply chain management embracing collaborative practices. There are five forms of collaborative processes and electronic-transactional information sharing which turned buyers and sellers to collaborators. These forms;

1. Electronic Data Interchange (EDI)
2. Vendor-Managed Inventory (VMI)
3. Continuous Replenishment Program (CRP)
4. Efficient Consumer Response (ECR)
5. Collaborative Planning, Forecasting & Replenishment (CPFR)



Source: Industry directions and synca systems

Figure 2: *Evolution of supply chain solutions*

As we can see from 'figure 2' supply chain solutions has evolved from left to right. Early usage of these supply chain solutions focused on the transaction automation such as invoices, material releases, product inquiries, purchase orders,

with ‘Electronic Data Interchange’ (EDI) technologies. EDI has been used to transmit information electronically. In order to use EDI, companies had to be engaged to customary server/client technology (Attaran and Attaran, 2007).

‘Vendor-Managed Inventory’ (VMI) is possibly most greatly known and one of the most greatly discussed system for encouraging information sharing and collaboration between trading partners. VMI promises lover inventory monitoring and ordering cost together with higher service level and product availability thus also offers competitive advantage (Sari, 2007). On the other hand there are also some challenges that might exist with VMI which crates failures. Sari (2007) defines these challenges as;

“Sharing of outdated or inaccurate sales and inventory data due in part to a lack of adequate information technology as well as a lack of mutual trust; and Inaccurate demand forecast owing to the fact that under VMI, retailers are excluded from the demand forecasting process.”

‘Continuous Replenishment Program’ (CRP) on the other hand built up on and passes beyond VMI and unveils demand from retailers’ stores. The inventory policy built from past demand data, established upon the sales forecast and no more solely established upon the inventory levels variations at the consumers’ main stock holding facility (Pramatari, 2007).

According to Aastrup et al. (2008) main reason for designing ‘Efficient Customer Response’ (ECR) was improving competitiveness in grocery supply chains. It offers great benefits such as lower total inventory and costs, it creates more value for customers regarding choice and product quality, it improves retailer-supplier relationships, it creates efficiency in developing new products which are customer driven and it improves product delivery flow.

With enabling technology ECR would work more smoothly. One of the most important one is Radio Frequency Identification (RFID) technology. Harrison and van Hoek (2008, p.244) defines RFID as “a product tracking technology that will soon become nearly universally applied.” RFID helps companies to solve inventory and logistic problems. Its benefits are not limited with the companies’ internal operations. Its actual and greatest benefit is; it can increase material and information flows throughout the whole supply chain. With RFID whole supply chain partners can clearly track materials from raw material to finished goods and it also increase the

accuracy and quality of information shared between supply chain members (Spekman and Sweeney, 2006)

Lastly 'Collaborative Planning, Forecasting & Replenishment' (CPFR) is more detailed method of all (Cassivi, 2006). It is the last level of the supply chains collaboration's evolution. CPFR brings Vendor Managed Inventory one step forward. It hasn't got as much gaps in its practice as older supply chain initiatives. With just having a collaborative relationship with just one vendor, CPFR allow a buyer to increase performance while other models such as ECR require participations of many buyers and sellers before any benefits realized. CPFR, with having the customer and supplier participate in the forecast offers accuracy of the forecast of order, sales or demand can be improved (Attaran and Attaran, 2007).

2.2.1.1.1. Role of Logistic Departments in Efficient Supply Chain Management;

Harrison and van Hoek (2008) states that, "logistic can be seen as part of the overall supply chain challenge. While the terms logistic and supply chain management are often used interchangeably, logistic is actually a subset of supply chain management."

It can be stated that logistics is a fraction of a more complex network of processes which is called a supply chain. It is suggested that in a supply chain there are several individual companies which include providers, producers, distributors and merchants aiming collectively to obtain raw materials, manufacturing products with these raw materials and delivering them to retailers (Beamon, 1996).

The principle objective of logistics is to fulfil customers' requirements and expectations regarding supply in a network of marketing. Svensson (2002) suggests that in order to achieve this objective, logistics carry out various processes including obtaining raw materials and necessary elements from the providers, storage, and management of inventory as well as substance treatment.

Logistics can be regarded as a broadening of the management of material allotment and refer mostly to the organisation of the production flow including substances and information down to the ultimate users by means of a distribution channel. Slack et al. (1999) state that, logistic management deals with the physical delivery of initial reserves as well as eventual products. Determined by the characteristics of the corporation and the industry, logistics take place in the

companies in some varying measures. Logistics involves all the stages of a production flow starting from the choice on a good or service to be delivered to the organisation of reserves, the manufacturing practices, warehousing of the ultimate products and distribution to the final consumer as well as providing after sales service (Chapman et al., 2002).

If logistic management can control cost and increase service differentiation, logistic activities can create great competitive advantages for supply chains. With this matchless ability of logistic activities, companies can decrease their costs and increase their value over the market (Goh and Pinaikul, 1998).

Reviewing the existing studies, it is observed that logistics can be performed in various methods, which can be summarised as either incorporating the logistics competence as a whole within the company or contributing the logistics competence to some other companies, making conventions and engagements with other companies to share logistics functions (Ballou, 2004).

Several companies have acknowledged the significance of establishing collaborations with other companies to share logistics functions in order to achieve strategic and transactional advantages. Some of these advantages are summarised as follows (Ballou, 2004):

- Lowered costs as well as decreased requirements for principal
- Retrieve technology and supervision expertise
- Superior customer service
- Competitive advantage by means of improved access to the market
- Superior access to information for organization and scheduling
- Diminished risk and ambiguity.

2.3. Supply Chain Risks;

Spekman and Davis (2004) define risk on a general stage as “the probability of variance in an expected outcome.” Meaning if a company desires to create a certain outcome in a certain situation and fails to do so, the difference between expected and obtained outcome will be dealt with risk. Since difference in expected outcome will create unwanted affects over the company, risk is always seen as a negative consequence.

Delays on delivery timing, fire in a very important warehouse, strike by workers of a strategically important process. Supply chain risks used to be defined as such incidents. That simple approach doesn't apply anymore (Barry, 2004).

Spekman and Davis (2004) illustrate six different dimensions of supply chain related risks. Three of those risks inherent in supply chain flows which are material flow, information flow and money flow. Other dimensions are: risks associated with security, risks associated with opportunistic behaviour and risks associated with corporate social responsibility.

Spekman and Davis (2004) use Zsidisin et al. (2000)'s list of supply risks in order to illustrate risk related to material flow. In that list supply chain risks are categorized under 5 main topics. Those are;

- Supplier capacity constraints: it arises when a supplier cannot meet their requirement at the correct time.
- Quality: it arises when a manufactured product cannot meet the quality standards of the company.
- Changes in product design and production processes.
- An inability to reduce costs.
- Unanticipated delays and supply disruption: it arises when a natural disaster occurs.

Risks associated with information flows and money flows are also related with the risks associated with materials flows. Every mistake that has been related to information flows or money flows will create a problem in materials flow. Shortage of visibility and transparency of the information shared in the supply chain, incorrectly transmitted orders, and lack of accurate and timely information sharing with partners will affect the supply chain's performance in a negative way while missing the payment deadlines, unstable pricing and currency fluctuations etc. will also create unwanted problems for supply chain managements (Spekman and Davis, 2004).

While the risks associated with security deal with non bona-fide access to company's information systems, the risks associated with opportunistic behaviour deal with possibility of a supply chain partner who only desire to improve its self interest rather than being a team member. And lastly the risks associated with corporate social responsibility deal with reputation of a company which can be

negatively affected by its supply chain partners' illegal activity (Spekman and Davis, 2004).

2.4. Outsourcing;

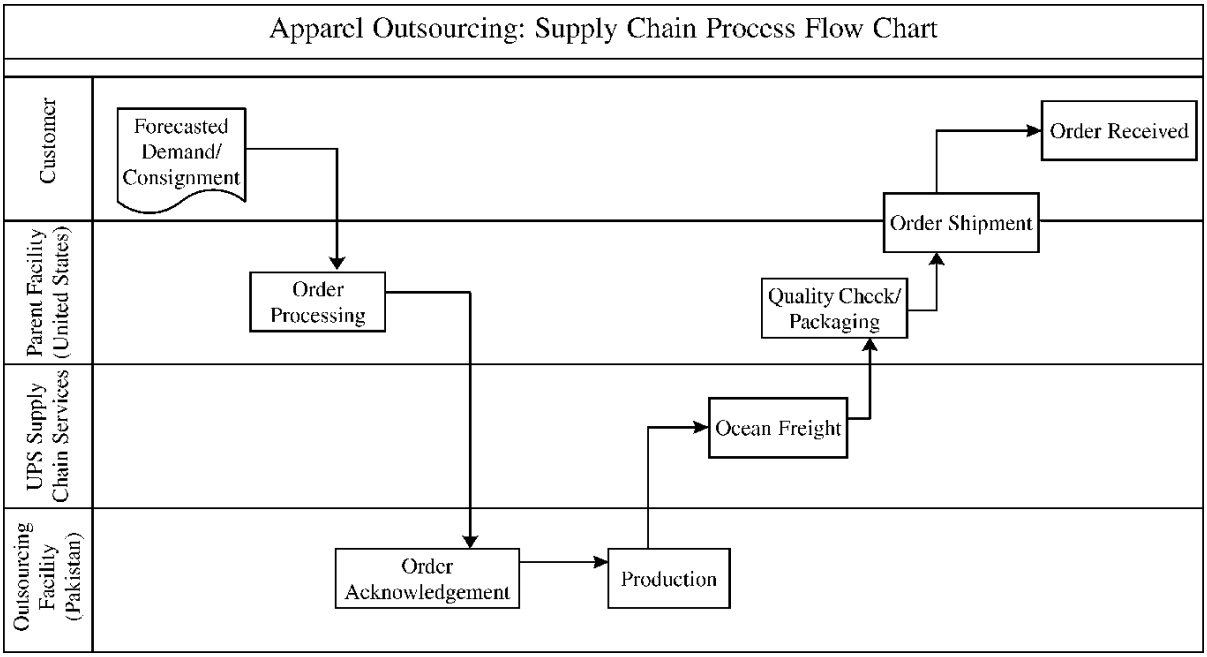
Embleton and Wright (1998) use outsourcing definition of Neale (1995) as the assignment of the devising, administration and processing of particular functions to a separate and impartial entity. According to Reilly and Tamkin (1996), outsourcing is regarded as the bestowal of the administration of a service or carrying out of a post which used to be handled within the company to an independent company. The authors note that this contracted third party company performs the task or delivers the service on behalf of the outsourcing company.

Similarly, Embleton and Wright (1998) identify outsourcing and they state that outsourcing is a company's choice to acquire certain products, parts of products or services form various other companies in order to take advantage of the know-how, practical habits, inspiration and resourcefulness of providers that were not formerly employed. By doing so, companies discover fresh techniques to ensure the effective distribution of raw materials, products, constituent products or services (Embleton and Wright, 1998).

Heizer and Render (2006) defines outsourcing as a part of ongoing trend of improving efficiency which transfers some part of the firm's internal activities to outside companies who are specialized on that specific activity. Hence focal company can focus on its primary activities which create competitive advantage.

It can be concluded from the above definitions that outsourcing deals with acquiring products or services from sources that are independent from the company.

Rodriguez-Diaz and Espino-Rodriduez (2006) suggest that, it is inadequate for companies to perform every stage of companies' necessary activities since there are outside companies who are specialized on specific activities. Companies, who built strong relationship and become partners with their suppliers through outsourcing, can create competitive advantage on satisfying end customers' demands.



Source: Kumar and Arbi (2008)

Figure 4: *Apparel outsourcing supply chain process flow chart*

'Figure 4' shows an apparel firm's supply chain process flow chart. As we can see from the chart, supply chain flow starts with consumer's demand. After the forecasted demand was evaluated by focal company, order processing is being made and sent to outsourcing facility which is a contract manufacturer. The outsourcing facility then acknowledges the order and manufactures the products that have been desired. The manufactured products are sent back to focal company for quality check and packaging by using third party logistic service. And in the end focal company make the shipments of finished products to end customer.

Focal company outsource manufacturing and part of the logistic activity by using contract manufacturer and third party logistic company and focus on its primary activities such as, demand forecasting, order processing, packaging and quality checking.

On this stage companies are mostly facing with the difficulty of deciding how and in what degree to outsource. Aron and Singh (2005) suggest that all or nothing is not appropriate manner for outsourcing. Companies need to illustrate their primary and secondary activities and outsource secondary activities while focusing on primary ones. Thus companies can make use of outsourcing instead of submerging into it (Kumar and Arbi, 2008).

2.4.1. Outsourcing Theories;

Strategy deals with various aspects that a company is connected with. Along with the rest of the aspects, it manages the range and capacity of a company's functions and reserve requirements in order to carry out these functions (Johnson, 1987). In the light of this definition, it can be clearly stated that outsourcing decision has a strategic feature since it decides on the allocation percentage of the goods and services to be internally produced or provided from third parties. Outsourcing decision should be made after a thorough contemplation due to its strategic characteristics and the outcomes it produces. Therefore, companies initially need to determine their primary and secondary activities (Reilly and Tamkin, 1996). According to Reilly and Tamkin (1996), a secondary activity bears the following features:

- The job does not require high skills or expertise
- The job undertaken is centred internally
- The responsibilities are limited and clearly defined
- The partition of the activities from other activities does not create complications
- There is no difficulty in accessing to supplies

After identifying the characteristics of secondary activities of a company, it is necessary to examine the stages of the decision making process of the company managers. According to Reilly and Tamkin (1996), the business model theory suggests managers to take on the following actions prior to making a decision on whether outsourcing should be applied or not:

- Examine the situation and the circumstances
- Evaluate the alternatives
- Measure the comparative cost of each alternative
- Decide on the solution which is less costly for the organisation.

2.4.1.1. Transaction Cost Economics;

One of the most important theories about outsourcing is Williamson's transactions cost economics theory. Williamson (1975) states that the main reason for companies to chose outsourcing is their intention to economize on transaction costs.

Dickman and Tyson (2005) identify three different category of transaction costs: payroll costs, production/service costs per unit and the costs which are related with quality and performance monitoring.

According to the transaction cost theory, the aspects of an operation settle on the governance configuration. If organizational hierarchies take places on governance structure, it creates bureaucratic inefficiencies which also leads companies to outsourcing (Dickman and Tyson, 2005).

Williamson (1975) suggests that investment exclusiveness indicates a considerable amount of investment which is specific to an operation. What determine the extent of investment exclusiveness are the tailor-made equipments or substances which are employed between the retailers and providers in the transaction. The markets handle the transaction provided that the investment exclusiveness is moderate and operations take place comparatively often. This handling of the transactions by the markets indicates that there are separate temporary deals and negotiation associations between substantially independent retailers and providers which aim to enable cost-efficient transmission of property rights (Ring and Van de Ven, 1992).

Establishing the confines between these two edges constitutes the major concern for the decision regarding whether to source internally or externally and which companies to choose for outsourcing. According to Williamson (1975) this decision should be based upon the amount of related cost reduction and the significance of investment exclusiveness. Consequently, in case outsourcing brings cost-diminishing advantages high enough to reduce overall costs compared to making high investments and producing the goods and services within the company, then it should go for outsourcing (Mclvor, 2005).

2.4.1.2. Resource Base View;

The alternative approach used to determine the borders of a company is the resource-based view (RBV). According to this approach, resources within the company are the main assets which provide strategic superiority and profit-raising and value, rarity, inimitability and to be irreplaceable are the characteristic of resources which improves companies' competitive advantage. These resources are very important for the companies hence they must be managed accordingly (Sillince, 2006).

As an extension to the resource-based view, Teece et al. (1997) bring forward the dynamic capabilities approach. In this approach, the scholars figure out the scope of the specific capabilities of companies which can be employed to gain competitive advantage. Furthermore, they illustrate the ways to create, organize and keep optimum arrangements of the company capabilities and resources (Mclvor, 2005).

Reve (1990) defines strategy and he states that it is the organisation of a company's specific resources and its positioning in circumstances which are transforming continuously in order to achieve highest accomplishments. The author suggests that companies encompass distinctive reserves which are regarded as the core competences and skills, which need to be managed in such a manner to react and adapt to the continuously changing and transforming circumstances in order to overcome new situations. According to the author, the resources of a company which are specific to that company constitute the fundamentals of its strategy as they are the key elements to reach the strategic goals (Mclvor, 2005).

The approach of key capabilities and the association of the term with outsourcing have its foundations in the resource-based view. Key capabilities, or core competences, which are suggested to be the major elements that determine the strategic accomplishments and competitive edges of a company, are significant in the revision of outsourcing. In the fundamentals of the core competences approach lie the acquiring, establishing and improving of particular capabilities, which also suggest whether particular activities should be performed using resources from within or outside the company. Functions that are not crucial to the accomplishment of the company and do not have intense involvement for the strategic and competitive advantages are regarded as non-core activities. In this context, a company should concentrate on and put its effort on its core activities to gain strategic and competitive advantages and leave the non-core activities for outsourcing (Mclvor, 2005).

It can be concluded that functions that the organisation has superiority in terms of creating competitive advantage are considered as strategic and therefore these functions should be managed and improved within the company. The activities that are not crucial to the development of the company's competitive advantage should be outsourced. Another benefit of this analysis is that, the inspection of core competences enables the company to discover which areas can be improved in order to gain competitive advantage (McIvor, 2005).

Addition to these theories Behara et al. (1995) state some further aspects which should to be taken into consideration in the stage of outsourcing. These aspects are;

- The effect of outsourcing on the competitive edge of the company;
- The determination of the functions which should be outsourced;
- The number of providers to be contracted;
- The capability of returning to internal transactions if it becomes necessary;
- The dependability of the providers;
- The service and production excellence of the providers;
- Being interconnected with the providers and making assessments of their functioning;
- The suppleness of the products or services which are delivered by the providers;
- Offering the most update technology and proficiency.

2.4.2. Advantages of Outsourcing;

The business environment is changing continuously. Therefore if companies try to adjust to the new circumstances and obtain competitive advantages, they should determine the functions that it can outsource for a more cost-effective and successful production of goods and services. This is because the ever-changing nature of the business environment inhibits companies from handling all the functions within the company (Lankford and Parsa, 1999).

According to Lankford and Parsa (1999), outsourcing can provide both transactional and strategic benefits for companies. The authors suggest that strategic benefits have long-standing impacts on the companies' achievements whereas transactional benefits help companies to avoid temporary difficulties.

Outsourcing provides several benefits for companies, among which the most significant one is the reduction of costs of production and service. McIvor (2005) explains this as the customer's benefiting from cost advantages due to taking advantage of the economies of scale, know-how and location-wise positioning of the providers. These advantages rise from the fact that the providers' carry out the necessary investments and improvements and share out the related costs to customers, which as a consequence reduces the cost of production per customer.

Another benefit of outsourcing can be suggested as the improved performance of the main companies related to the outsourcing of certain activities to third parties. Because, by doing so companies can focus on carrying out major activities that generate strategic advantages for the company. Furthermore, along with the cost reduction advantages, outsourcing provides advantages for improved service quality (McIvor, 2005).

Furthermore outsourcing improves performance of the main companies related to the outsourcing of certain activities to third parties. Because, by doing so companies can focus on carrying out major activities that generate strategic advantages for the company and can create expertise on these major activities (McIvor, 2005).

Moreover, the providing companies can specialise on certain activities, provide more resources such as training of the staff and technological investments in the development of these functions as well as acquiring more experience, which as a result provides a more cost-effective production. In line with this, these companies can offer higher wages and employ specialists (Quinn, 1999).

Anon (1995) declares that outsourcing offers companies benefits of suppleness, dependability, assessment and re-construction of the existing corporate practices, improvement of competences and time savings as well as the above mentioned advantages.

2.4.3. Risks of Outsourcing;

It can be stated that outsourcing has significant advantages for companies. However, at the same time this practice involves some risks. According to McIvor (2005), while the most important driver of outsourcing is cost-reduction purposes, it is also the most significant risk involved. The author explains the situation and he states that while companies choose outsourcing to reduce their costs of production, they might not always reach this objective; the cost reduction might be insufficient, in some cases no cost-reduction can be achieved or even costs can increase. Although a major number of companies choose to outsource for cost reduction purposes, they cannot always accomplish this goal due to the reasons that they might not anticipate long-term costs precisely or that they might not manage the outsourcing process successfully.

McIvor (2005) also suggest that companies undertake significant risks when they decide on outsourcing certain functions which they used to carry out in-house. These risks involve the company to become dependent to a certain provider in terms of cost, excellence or collapse of the provider.

Another disadvantage that outsourcing may bring about is that companies may lose some crucial expertise and the probability of prospective improvements to be made. Regarding this fact, companies should sustain their capability for innovations in their major functions with the purpose of adjusting to new circumstances and exploiting new prospects in the market (McIvor, 2005).

Embleton and Wright (1998), point out the risks related to difficulty of bringing the processes that has handed over to outsider back to company. Once a process has outsourced it is very costly to bring it back in house.

There also some risks related to human aspect. If a company decides to outsource a certain process instead of performing it in house, it is also means that the company must dismiss some of its workers. This affect company's other workers and lower their morale which creates staff degradation (Embleton and Wright, 1998).

CHAPTER 3: MANUFACTURING FIRMS IN TURKEY

As a model country of my study, it is quintessential to illustrate Turkey's current strategic position and general structure of Turkish manufacturing firms.

3.1. Overview of Turkey;

According to The World Bank, "Turkey is an upper&nash; middle income country, a member of the OECD, a regional power, a bridge between East and West, and a country which successfully recovered from a deep economic crisis in 2001." Turkey's location between Europe and Asia, bordering the Black sea, Mediterranean and Aegean makes it strategically important for all over the world. It is one of the world's dynamic emerging-market economies with 59.5 percent of its GDP coming from services, 29.5 percent from industry and 11 percent from agriculture (The World Bank, 2008).

	2006*
Population, total (millions)	72.98
Population growth (annual %)	1.25
Life expectancy at birth, female (years)	74.00
Life expectancy at birth, male (years)	69.10
GDP (current US$) (billions)	402.71
GDP growth (annual %)	6.10
GNI, Atlas method (current US$) (billions)	393.90
Inflation, consumer prices (annual %)	10.51
Foreign direct investment, net inflows (% of GDP)	4.98
Unemployment, total (% of total labour force)	..
Time required to start a business (days)	6.00
Internet users (per 100 people)	16.83

Source: The World Bank (2008)

Figure 5: * World Bank data for Turkey from 2006

Despite continuing major role of state in basic industry such as communication, banking and transport, Turkey's private sector rapidly growing and

getting stronger in recent years. Textile is Turkey's largest industrial sector and it covers approximately 30 percent of Turkey's industrial employment. Other major industrial sectors of Turkey are; automotive, food processing and electronics (Central Intelligence Agency, 2008).

Turkey's significant role in different areas has been noticed with globalization and with its population average being very young, Turkey is very fortunate regarding human resources. Turkey is recently trying to improve its exports and total output with the transfer of know-how and research & development. Hence foreign direct investment inflow can be increased for sustaining regional equilibrium (Izmir Chamber of Commerce, 2008).

3.2. Manufacturing Firms;

Technological progresses, globalization and its result drastic international competition have created an absolutely new business condition for the manufacturing firms. Manufacturing firms respond to this drastic competition with the implementation of lean production and they have created grand productivity advantages. In order to make productivity better, waste has expelled from various local operations. Unfortunately those kinds of huge productivity development don't apply any more. In place companies now are trying to decrease inefficiencies which have been created by unforeseeable consumer demands, defective supplier performances and unreliable business conditions (Koh et al., 2007).

In Turkey, after "industry based growth" has become main target in 1963, importance of manufacturing industry has increased drastically. Economic crises in 1999 and 2000 have caused serious contraction in Turkish industry. After first quarter of 2002 Turkish economy has started to show signs of recovery. Manufacturing industry has gotten stronger since then in terms of capacity utilization and better production level due to sustained export performance and recovery in domestic demand. Turkish manufacturing industry mainly relies on private sector which covers more than 80 percent of production and around 95 percent of gross fixed investment. Turkish manufacturing industry's sectors has extremely diversified structure. Textile and food sectors have got the biggest share in the industry with followed by automotive, petroleum products and iron-steel sectors. Small and medium sized enterprises (SME's) have important share in the industrial structure. In manufacturing

industry, 99 percent in total numbers of companies, 56 percent in total employment and 24 percent in value added covered by SME's (Sector profiles of Turkish industry, 2004).

VALUE ADDED *(Billion USD)*

	1990	1995	2000	2002	Annual Increase (%)(1990-2002)
INDUSTRY	38.5	44.7	46.5	46.5	1.6
Mining and Quarrying	2.4	2.2	2.3	1.9	-1.8
Manufacturing	33.1	38.3	38.3	37.1	0.9
Energy	3	4.2	6	7.5	8.1
GDP	150.7	169.8	199.7	183.4	1.6
Share of industry	*26*	*26*	*23*	*25*	

(*) In current prices

Source: Sector profiles of Turkish industry (2004)

Figure 6: Turkish industry between 1990-2002 (value added)

As we can see from "figure 6" manufacturing industry covers 80 percent of total value added of Turkish industry and 20 percent of GDP in 2002. For detailed data of different sectors in Turkish industry see "appendix 2".

3.2.1. Supply Chain Management by Manufacturing Firms;

Manufacturing firms have to carry out supply chain practices and related strategies in order to create competitive advantage. Because quality and cost of products purchased directly affect the quality and cost of products produced and sold. Hence supply chain practices such as obtaining the raw material, supplier selection and lean production together with just in time supply are crucially important for manufacturing firms' supply chain management (Koh et al., 2007).

According to Huang and Uppal (2002) there are three types of manufacturing supply chains. Those are;

- Lean supply chain
- Agile supply chain
- Hybrid supply chain

Lean supply chain focuses on the removal of waste or non-value stops throughout the supply chain with employing successive development processes. It accomplishes flexibility and cost reduction with economic production of small quantities. The lean supply chain maintains efficiency in internal manufacturing, better profits and flexibility however stays short in terms of customer requirement and its external responsiveness. The agile supply chain on the other hand focuses on answering unforeseeable market alterations and taking advantage of them. Main goals of an agile supply chains are creating flexible lead time and maintaining faster deliver. Lastly the hybrid supply chain focuses on the products which its demand very precisely can be forecasted. The hybrid supply chain delays production differentiation till last assembly and improves ability of mass customization by doing so (Huang and Uppal, 2002).

Turkish manufacturing industry mainly focuses on the supply chain strategy which considers the cost factor as primary decision making criteria. Both relationships with suppliers and customers continue regarding to this strategy and this is extremely normal since raw material costs in total manufacturing costs are quite considerable. Quality creates more qualified orders, but price stays as main reason for getting more orders (Koh et al., 2007).

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction;

The aim of this study is to explore the phenomenon of competing through supply chains. And searching the actuality of the statement; "it is no longer the companies that compete but supply chains." With the globalization and the innovations in the economies, supply chain management obtain greater attention in order to create competitive advantage. During my post graduate study in School of Technology and Management (STM), I had to conduct a research about the supply chains and the statement; "it is no longer the companies that compete but supply chains" as an assignment of Operation and Technology Management lecture. After that small research I also had felt great involvement on supply chain management and decided to write my dissertation on outsourcing supply chain activities. Because I am a citizen of The Republic of Turkey, I have also decided to make my research on Turkish manufacturing companies, since manufacturing industry creates almost 20 percent of Turkey's total value added GDP.

In this chapter I will try to illustrate the methods and strategies that I used in order to conduct my research successfully. It consists of 5 main sections as follows; research approach, research strategy, research design, types of data and data collection methods.

4.2. Research Approach;

According to Saunders et al. (2007) theory has significant importance in the research projects. Scholars believe that, deductive or inductive research approaches can be defined as the other names of research approach. In a deductive approach theory and hypothesis are developed and a research strategy is designed to test the hypothesis. In the inductive approach data should be collected initially and then theory should be developed as a result of the data analysis.

In other words in a deductive approach, strategy designed, a theory and hypothesis are already suggested. On the other hand, in an inductive approach, firstly data are collected and then, from the analysis of those data, hypothesis and a theory proposed (Saunders et al. 2007).

Above definitions makes it clear that the suitable approach for my dissertation is inductive approach since I haven't suggested any theory or hypothesis initially.

4.3. Research Strategy

It has primarily been found that there are many differences between quantitative and qualitative research strategy on methodological issues. These two methods help researchers base their projects on appropriate strategy. In this dissertation, using right approach enabled to see importance of supply chain and its evaluation.

According to Bryman and Bell (2007), quantitative research consists of quantification in the process of gathering and analysing of the data that:

- needs a deductive approach which will link theory and research
- has incorporated standards of natural scientific model and practises
- exemplifies a outlook of social reality as an external objective reality

Qualitative data lay stress on the words rather than numbers in the process of gathering and analysing the data. Qualitative data highlights inductive approach which links theory and research. On the contrary, practises and standard of natural scientific data have been rejected.

In the light of above research strategy information, qualitative research has been used in this dissertation.

4.4. Research Design;

Research design plays a crucial role in order to create a framework for the collection and analysis of data. According to Bryman and Bell (2007) at the stage of decision regarding the research process a choice of research design has intensive reflection.

On the subject of research design many authors have different views. As Saunders et al. (2007) points out six designs that can be undertaken going into research process such as survey, action research, experiment, case study, grounded theory and ethnography. On the other hand Bryman and Bell (2007), emphasize five primary research designs which are including cross-sectional, comparative, case

study, experimental and longitudinal. Thereby, considering aims and objectives of this study and importance of research questions and research objectives, survey is found the appropriate design to accomplish this study.

4.4.1. Survey;

Baker (2002, p.97) cites from Aaker and Day (1983) as; "The survey is probably the best known and most widely use technique for primary data collection, not only in marketing, in the social science in general."

Also Bryman and Bell (2007, p.56) state that;

"Survey research comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire or by structure interview on more than one case and at single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables which are then examined to detect patterns of association"

4.5. Types of Data;

Two types of data were employed in order to conduct this study. They are primary data and secondary data.

4.5.1 Primary Data

Primary data are defined by Collis and Hussey (2005) as original data which is gathered at source. In this study, semi-structured interview was followed in order to collect primary data. In this dissertation semi-structured interview has been conducted as primary data.

4.5.2 Secondary Data

Collis and Hussey (2005) state that, "Secondary data can be defined as the data already published such as, books, documents and films". Saunders et al. (2007) agrees with Collis that secondary data which includes quantitative and qualitative data can be utilized for many functions.

In this dissertation secondary data mainly collected from, journal articles, internet, non-parliamentary government publications and internet. Those sources were used to categorize research questions and back up the aim of the study. I have preferred to use these data because to support my investigation and it was easy to access, quick to obtain, and relatively inexpensive

4.6. Data Collection Methods;

According to Saunders et al. (2007), primary data can be collected by three methods which are; interviews, observation and questionnaires. In this dissertation semi-structured interview method was followed in order to collect data regarding to outsourcing supply chain activities by Turkish manufacturing firms. Semi-structured interview method has been employed in order to be more flexible and gather most possible data from the interviewee in a relatively short time.

4.6.1. Semi-structured Interview;

As for definition of semi-structured interview: it is seen a determined discussion between two or more people. Although there are differences arise from interview to interview semi structured interviews obtain list of subjects and questions (Bryman and Bell 2007). According to Saunders et al. (2007) project may need additional questions in order to discover research question within particular organizations.

In this dissertation, semi-structured interview was conducted with a Turkish manufacturing company's production director in order to obtain his perception of supply chain management and how they are creating competitive advantage over the market via their supply chains. Semi-structured interview method has been conducted in order to facilitate data collection in relatively short time.

CHAPTER 5: FINDINGS

As stated earlier, aim of this dissertation is to explore the phenomenon of "competing through supply chains". In order to fulfil this aim, primary data was collected in which the interview technique was used. In the preparation of interview questions, open questions were used because this type of questions gave the responded freedom in replying the questions. And face to face interview method was employed in order to create better communication between interviewer and interviewee.

Interview could be performed with only one interviewee due to difficulty of finding Turkish manufacturing company who are willing to assist this research in a relatively short time.

5.1. Interview;

Interview has been performed with Mr. Jack Gilian from Armondi Ltd. Armondi Ltd. is a Turkish apparel manufacturing company which has been established 20 years ago by Turkish businessman Cafer Mahiroglu. Armondi has its manufacturing operations in 5 different factories which two of them are located in Turkey and three of them are located in Romania. Armondi employs more than 3000 people in their factories and does business in Britain worth about 29 billion pounds annually. Armondi is supplying women clothing to almost every high street clothing company in United Kingdom. Some of their suppliers are: Arcadia group (Evans, Wallis, Dorothy Perkins and Top Shop), Mark & Spencer, River Island, Next, Matalan and Bhs. With the high demand capacity of those suppliers, Armondi manufactures 5 million piece apparel products annually.

Jack Gilian is 34 for years old and has been working for Armondi for 10 months as "production director." He explains his main duty in the company as ensuring production department's smooth flow.

Jack Gilian also explains generally what Armondi do as: producing the designs for their customers with their own labels and deliver those products to them.
Jack Gilian was asked the question, "How do you create competitive advantage over highly competitive British market? What do you think are the main reasons for your customers to choose you?" He states that, our design, price and response time to

customers are the main reason for our customers to choose us. He also states that, even though design and price are very important, they can easily imitated by our competitor. But combining these two factor with managing the supply chain successfully through successful production department, bringing together all your different suppliers to make sure they are ready when they are needed and managing the finished products efficiently and delivering them to customers on time are the factors we put together to create competitive advantage. He believes that it's about being flexible, it's about reacting quickly, it's about anticipation of potential problems and it's about motivating the people who work with you to work harder and faster. Thus putting all these together they are able to make their supply chain smoother. He states that only with effective supply chain management large companies can remove the obstacles which was created by their bulky nature.

Next, Jack was asked the question, "How do you provide information flow between you and your customers/suppliers? Are there any specific systems that you been using? If so can you give brief information about them? What are the advantages of those systems?" He stated that they are simply using mostly electronic mails, sometimes fax and sometimes messenger. Then he laid stress on having clear order trail between them and their customers/suppliers and explained: if everybody is aware of your expectations of them and the expectation of what they have to deliver, they are more likely to perform those tasks. He also emphasizes the importance of collaboration in supply chain stating: to do our job properly, everybody else have to do their job properly. He then points out the importance of accurate information flow in order to create collaborative supply network stating: if you give accurate information you will get accurate performance and easiest way to transfer accurate information is making it written down. Lastly he added that they are also able to access their customers own internal computer systems called "extranet" and they enter information onto those systems which is then visible for them to see.

After that, Jack was asked the question, "How do you provide material flow between you and your customers/suppliers?" He stated that they are mostly using their own tracks but also using third party logistic services. He categorizes the material flow into two stages. First stage is the flow of raw material from their suppliers to them and second stage is the flow of finished goods from them to their customers. While they tend to use third party logistic services such as UPS and DHL for the first stage, they mostly use their own tracks for the second stage.

Then, Jack was asked the question, "Do you outsource any activity in your supply chain? If so which processes and why? How do you make the decision of which activities will be outsourced?" He stated that they are outsourcing many things in terms of components, information technology support and they are also outsourcing some part of the transport activity. In order to explain how they make the decision of which activity to outsource, Jack points out the importance of evaluating the company's core and non-core activities. He states that, in business you have to evaluate which activities are more profitable to perform. However depending solely profitability is not enough. Companies also have to take efficiency into account. He explains this as: activity of transportation is labour intensive and relative profitability from that intensive labour is very small. As part of our core business there is no benefit to keep some part of the transportation in house. According to Jack what they will earn will not cover the effort that they spent for performing it themselves. He also believes specialization and adds: we outsource information technology support because we are not computer specialist.

Lastly, Jack was asked the question, "What are the risks that you been facing through supply chain process? He pointed out the rising petrol prices as a recent problem that affects every company. He also stated that political unrest and increasing demand from growing economies which restricts the availability of raw materials and flexibility of transportation routes because they are becoming overloaded. He also lays stress on recession in the market economies which causes the decrease on demand. Jack argues that, if end customers demand less, then our customers will give less order to us. When we get less order than usual, we will also order fewer components from our suppliers. This will even take some of our small suppliers out of business which will also affect us in a different way. We won't have the availability of too many different suppliers when we needed. Thus our flexibility will be reduced. When the subject comes to the risks that could be caused by suppliers, he states that, sometimes our suppliers cannot meet their requirements. We manage this risk by having many different suppliers for the same components. If one cannot meet their requirements it is our job to quickly provide the same components from different supplier. Key is here to trade with all your suppliers in some degree and spread your exposure to those suppliers. He states that if all of your eggs in one basket, you will face with a huge problem when the basket breaks.

Before interview ends Jack was also asked, “Can we say that as Armondi you are competing through your supply chain?” And he answered without hesitation: absolutely yes, we are. But it is not because our supply chain is exclusive. It is about how we handle and manage our supply chain. Because we are aggressive with our suppliers in extracting the best performance from them and also we are proactive in building relationships with every part of our supply chain to get the most possible support from them in helping our business to be successful. That is how we compete in the market place.

CHAPTER 6: ANALYSIS OF THE FINDINDGS

Even tough number of the evaluated company wasn't satisfactory; the structure of the evaluated company was very suitable for my research. Firstly apparel industry has a very important role in Turkish economy. According to Kumar and Arbi (2008), apparel industry covers 10 percent of the GDP, 22.6 percent manufacturing throughput and 21 percent of manufacturing sector's employment in Turkey. Hence having an idea of how an apparel manufacturer's supply chain works is very useful to understand rest of the industry.

Secondly, Armondi is based on London. Thus I had the opportunity of performing face to face interview. Lastly and most importantly my findings are supporting my literature review.

As we can clearly see from the interview Armondi Ltd. is an apparel manufacturer which serves most of the high street clothing giants as a contract manufacturer. This makes Armondi an outsourcing company itself. We can also see Armondi as a very important part of a huge supply chain. From their customers' point of view, they are a manufacturing specialist. And it can be easily concluded that those companies who supply apparel products from Armondi, choose Armondi because it is most likely easier, cheaper and hassle free rather than manufacturing those goods in house. Since quality is one of the Armondi's priorities as stated by Mr. Jack Gilian, their customers can focus on their core competencies instead of worrying about this time consuming process. Mr. Jack Gilian also stated that they are also making their own outsourcing decision according to same criteria as their customers choose them. And both Armondi and their customers supporting the literature with considering both costs and efficiency as scholars stated in transaction costs economics and resource base view.

My findings from interview also support the importance of integration and collaboration in order to create efficient and successful supply chain management. Mr. Jack Gilian stated the key factor of their supply chain's success as being proactive in building relationships with every part of their supply chain members to get the most possible support from them in helping their business to be successful. Mr. Jack Gilian also stated the importance of accurate information flow via electronically mediated exchange in order to create collaboration between supply chain partners. Those

strategies of Armondi are very similar to those I try to point out in section: “2.1.1. Creating an efficient supply chain management”

Moreover the risks that Armondi facing through their supply chain processes are all inherit in supply chain flows which are material, information and money as Spekman and Davis (2004) stated.

Mr. Jack Gilian also laid stress on importance of their internal supply chain and stated that they are creating competitive advantage over the market with their dynamic and agile supply chain. Thus we can conclude that they are competing through their supply chain.

As I already stated couple of times, aim of this dissertation is to explore the phenomenon of competing through supply chain and searching the actuality of the trendy statement: at the present time, it is not the companies that compete but supply chains. After reviewing relative literature in order the point out the importance of supply chain management to create competitive advantage, I have also supported the literature review with the collection of primary data. It can be sad that both literature review and my findings are supporting the statement: it is not the companies that compete but supply chains. Even though adequate number of literature has been reviewed, lack of efficient number of interviewed company stop me from making generalization on this subject.

As a summary, in the lights of literature review and findings it is possible to believe that there is a growing attention on supply chain and supply chain management practices in order to create competitive advantage.

CHAPTER 7: CONCLUSIONS

Supply chain management has shown significant development over last decade. Nowadays supply chains are very fast comparing the previous ones. However it also keeps growing. Probably in 5 years time, today's supply chains will be considered as very slow and costly.

With the globalization, companies gains advantages such as; opportunity to expand their businesses to worldwide and opportunity to access different markets. But those advantages available for every company, thus it also increases the competition that companies face. For instance, with the globalization, Turkish manufacturing companies gains the opportunity of accessing to cheaper components from various countries and also market their manufactured goods to various countries. On the other hand, they may also have to compete with the companies from various countries. In this competitive environment all companies have the possibility of reaching the necessary components at the minimum possible price. Creating competitive advantage through price strategies don't apply any more.

Hence, companies who are aiming to create competitive advantage, paying more attention on supply chain management. Obtaining collaboration between supply chain partners via trust and electronically mediated exchange, tracking the flow of the process through supply chain with appropriate systems, outsourcing non core activities and specializing on core activities are the key factors for to create efficient supply chain and gain competitive advantage.

Outsourcing may help the organisation accomplish the strategic objectives by problem solving approach with more sophisticated expertise. This helps the organisations to improve their performance and increase their efficiency. Also with outsourcing, organisational mass can be reduced and they can have the ability to adapt the competitive forces. In fact, outsourcing has growing importance today for organisations of all sizes. Most companies choose outsourcing to compress the costs down after using all the available instruments of operational improvements; many companies are now deciding for outsourcing even before taking into account such options. Recognising this outsourcing became one of the most important strategic decisions in supply chain management.

If we look the situation from manufacturing point of view, respond time to customers' orders gains extra importance. As I stated above, price strategy doesn't apply any more and reducing quality will cause companies to lose their customers. Hence manufacturing companies have the only chance to create competitive advantage left which is respond time. Since all manufacturing companies in the market could provide the same price and quality standards, companies who decrease their respond time will be the winner. Therefore manufacturing companies who aim to create competitive advantage need to pay more attention on their supply chain's management, obtain accurate information flow between their customers and suppliers, focus on their core competencies such as manufacturing and outsource the non core activities such as transport.

Turkish manufacturing companies already have the advantage of Turkey's strategic location as being a bridge between Asia and Europe. This makes Turkey very close to both market and components. Therefore, if Turkish manufacturers can also create agile, integrated and successful supply chains along with being open minded to innovations, they can go one more step further than their international, low labour competitions such as manufacturers from China, India, Pakistan or Bangladesh.

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REFLECTIVE JOURNAL

I have firstly met with the concept of supply chain management during my post graduate study. In Operations and Technology Management (OTM) lecture, I have obligated to make an assignment on the subject of supply chain management. I was asked to critically analyse the statement; "it is no longer the companies that compete but supply chains." While I conducted the assignment, my interest on the subject has arisen drastically and I have decided to write my dissertation on the same subject.

When I first mention this topic to my tutor; Dr. Hosein Piranfar, he seemed very doubtful about it. According to him, even though many scholars were talking about the statement, there wasn't any tangible proof about it. In other words, it was a phenomenon. Therefore I have decided to search whether that statement correct or not.

Hereby, I have started to gather secondary data from; books, web sites and most of all journal articles according to my tutor's advise.

Previously I thought that it could be easy to write a dissertation on this subject since I had already conducted an assignment on the same subject. But in practice, creating a structure for a dissertation was more difficult than I could ever imagine. Hence, I couldn't progress much at the beginning but later I realised that, more I read from different authors and see their different points of view, more and deeper I learned about the subject and started to progress faster.

Initially, I was planning to make only literature analysis as my tutor advised since time was relatively short for to conduct a survey and it was hard to find Turkish manufacturing companies who are wiling to help me on my research. Time wasn't enough for me to go back to Turkey and conduct a survey there. But when my very good friend and housemate "Fatma Basaran" told me that she could arrange a meeting for me with the production director of the company she works for, I couldn't say no. The company was very suitable for my research since it was a Turkish apparel manufacturer based in London.

After I have performed the interview with Mr. Jack Gilian, I have realized that my findings were very suitable for my research since all the findings were supporting the literature that I have previously reviewed.

I have personally benefited from this research a lot. By writing this dissertation, I have gained various skills from, how to write Harvard style referencing properly to how to conduct an interview. It was definitely a great experience for me. But most importantly, I can say that I have learned the concept of outsourcing the supply chain activities vastly. Thus I believe that it will be very useful for me in building my career all the way through.

APPENDIXIES

APPENDIX 1:
INTERVIEW QUESTIONS

1. Could you please give brief information about yourself?

2. Could you please give brief information about your company and your position in the company?

3. How do you create competitive advantage over highly competitive British market? What do you think are the main reasons for your customers to choose you?

4. How do you provide information flow between you and your customers/suppliers? Are there any specific systems that you been using? If so can you give brief information about them? What are the advantages of those systems?

5. How do you provide material flow between you and your customers/suppliers?

6. Do you outsource any activity in your supply chain? If so which processes and why? How do you make the decision of which activities will be outsourced?

7. What are the risks that you been facing through supply chain process?

8. Can we say that you are competing through your supply chain?

APPENDIX 2

Detailed structure of Turkish industry
Source: Sector profiles of Turkish industry (2004)

(Million USD at 1998 Prices)

2002	Production	Share (%)	Export	Share (%)	Import	Share (%)
INDUSTRY 139.754			**37,832**		**50,521**	
A. MINING 2.058			**414**		**4,535**	
B. MANUFACTURING 128.923		**100.0**	**37,399**	**100.0**	**45,854**	**100.0**
CONSUMPTION GOODS	**62,875**	**48.8**	**16,160**	**43.2**	**5,835**	**12.7**
Food Products	25,526	19.8	1,806	4.8	1,631	3.6
Beverages	2,207	1.7	57	0.2	22	0.0
Tobacco Products	5,072	3.9	111	0.3	60	0.1
Textiles	16,680	12.9	6,272	16.8	3,080	6.7
Wearing apparel	11,049	8.6	7,664	20.5	618	1.3
Leather and leather products	2,341	1.8	249	0.7	423	0.9
INTERMEDIARY GOODS	**41,995**	**32.6**	**8,918**	**23.8**	**18,429**	**40.2**
Wood and cork products	4,115	39481.0	155	0.4	193	0.4
Paper and paper products	1,197	0.9	316	0.8	1,269	2.8
Printing and publishing	882	0.7	35	0.1	268	0.6
Coke and petroleum products	8,587	6.7	291	0.8	1,473	3.2
Chemicals	9,426	7.3	1,751	4.7	8,931	19.5
Fertilizers	580	0.4	32	0.1	497	1.1
Rubber and plastic products	3,461	2.7	1,282	3.4	1,249	2.7
Glass products	1,096	0.9	509	1.4	257	0.6
Cement products	1,715	1.3	386	1.0	9	0.0
Ceramic, refractory, non-metalic minerals	3,327	2.6	850	2.3	397	0.9
Iron and steel	6,262	4.9	2,877	7.7	2,689	5.9
Nonferrous metals	1,347	1.0	433	1.2	1,199	2.6
INVESTMENT GOODS	**24,054**	**18.7**	**12,322**	**32.9**	**21,590**	**47.1**
Fabricated metal products	4,053	3.1	1,035	2.8	993	2.2
Machinery	5,788	4.5	2,665	7.1	7,379	16.1
Agricultural machinery	244	0.2	79	0.2	50	0.1
Computing machinery	196	0.2	39	0.1	969	2.1
Electrical machinery	1,471	1.1	980	2.6	2,154	4.7
Motor vehicles	6,082	4.7	3,686	9.9	2,931	6.4
Shipbuilding	295	0.2	240	0.6	740	1.6
Railway vehicles	162	0.1	15	0.0	141	0.3
Aircraft	317	0.2	197	0.5	514	1.1
Other industries	5,385	4.2	3,386	9.1	5,718	12.5
C. ELECTRICTY, GAS and WATER	**8,773**		**113**		**1,222**	