The Functions of Sourcing Intermediaries in Global Supply Risk Management – Findings from the Clothing Industry

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Research problem

RQ: How do buying companies use intermediaries to manage supply risks?
SI supply risk management – in the literature

Supply risk:
The probability of loss and the significance of that loss – which is generated by up-stream events in the supply chain (Mitchell, 1995; Zsidisin, 2003a)

Supply risk management:
- Reduce probability
- Reduce effect (significance)
- Generate information

Functions:
- 1) creating new supply markets
- 2) supplier search and selection
- 3) supplier relationship management
- 4) cultural mediation
- 5) volume consolidation
- 6) holding inventories
- 7) organizing CMT production
- 8) continuous supplier monitoring and follow-up

(Balderston, 1958; Belevina and Girotra, 2010; Bucklin, 1965; Casson, 1997; Ellis, 2003; 2006; Fung, Chen and Yip, 2007; Fung and Chen, 2010; Magretta, 1998; Mallen, 1976; Masson et al., 2007; Popp, 2000)
Methodology

A. **The clothing industry as empirical context**
   - Extreme case, significant in our region

B. **Respondents**
   Positioned in different parts of the supply chain, long experience

C. **Snow-balling**

D. **Coding**
   1. Supply risk and intermediaries’ functions in supply risk intermediation
   2. Functions across respondents’ experience
   3. Categorization of different types of sourcing intermediaries according to functions performed
### Findings

#### Core IM functions in mediating supply risks observed in the data
- New supply markets
- Supplier search and selection
- Supplier relationship management
- Supply/demand consolidation
- Organizing CMT production
- Supplier monitoring and follow-up

### Functions with different proportions
- Capacity does not equal inventory holding - a matter of securing production capacity (hedging – investment)
- Mediating cultural distance – novel / high risk supply markets – resilience against political risks

### Functions not mentioned in studies included in literature review
- Quality control
- Design support / availability
- Visibility / open calculations
Categorization of sourcing intermediaries

Core function performed by all three categories
- Supplier search/selection
- Mediating cultural distance
- Supplier relationship management

High Risk markets
- Trad. agent
- Sourc. agent
- Import Interm.
- CMT / Design

Open calculations
- Supply/demand consolidation
- Quality control
- Securing capacity
- Cont. supplier monitoring, follow-up

Creating new supply markets