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FINNISH BUYERS' PERCEPTIONS OF INDIAN TEXTILE AND CLOTHING SUPPLIERS

Country of origin in focus

Master´s Thesis
in International Business

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1 INTRODCUCTION

1.1 Background to the study

International textile and clothing (T&C) trade has gone through significant changes over the last two decades. Regulatory changes in the 1990s and 2000s have liberalized textile trade on a global scale (see e.g. Chandrasekhar 2003; WTO 2012), which has led to the rise of India and China as the world's largest textile goods producers and an increase in the level of exports from these countries to developed ones. Due to the extensive amount of literature that has already been written on the regulatory changes in the 1990s and 2000s, this thesis will concentrate on another factor that can have a significant effect on export and import levels, namely customer perceptions of the product and seller.

Customer perceptions are one factor that can affect purchasing decision-making. Purchase decisions and supplier selection can have significant strategic implications for an organization (Hsu, Kannan, Leong & Tan 2006, 216). Not only can a purchase represent large sums of money for both buyer and seller, but the focus on supply chain management has led to an emphasis on building a mutually beneficial, long-term relationship between the buyer and seller (see e.g. Su, Dyer & Gargeya 2009, 83; Ho, Xu & Dey 2010, 16).

At the same time, cost reduction and global competition pressures have led to increased outsourcing and purchasing in low-cost locations such as India, also within the T&C industry (Teng & Jaramillo 2006, 506). With the radical decrease of restrictions of international T&C trade, companies in low cost locations are now able to export their products to developed countries like Finland without quota restrictions. Previous research has found that supplier selection practices can vary based on the sourcing location; in other words, a company may consider different supplier characteristics important when sourcing from emerging and developed economies (Saghafi & Puig 1997, 331; Güdüm & Kavas 1996, 18-9). Buyers may also have different perceptions of suppliers in emerging and developed economies based on their country of origin (COO) (see e.g. Ahmed & d'Astous 1995, 41-3).

In an environment where cost reduction pressures are high, choosing the right supplier is crucial long-term business prospects and profitability, and organizational buyers are naturally very interested in how they can select the right supplier for their needs. In turn suppliers are interested in knowing how their customers make purchasing decisions in order to effectively sell and market to them. Suppliers in emerging countries will be especially interested in knowing whether their country of origin affects customers' perceptions of them. This Master's thesis will examine these issues

specifically from the point of view of textile and clothing trade between Finland and India.

1.2 Global textile and clothing trade

Until the end of 2004, global T&C trade was controlled by the Multifibre Arrangement (MFA). It was created in 1974 with the purpose enabling the T&C industry in developed countries to adjust to competition from the emerging economies. In practice, this was done through restriction on the amount of exports emerging economies could sell to developed countries. (Chandrasekhar 2003.) The MFA was integrated into the WTO Agreement on Textiles and Clothing in 1994. The aim of this move was to liberalize global T&C trade and gradually reduce restrictions and quotas. All restrictions related to the MFA expired on January 1st, 2005. (WTO 2012.)

However, other restrictions (tariff and non-tariff barriers) remained in place even after 2005 in many cases. (WTO 2012.) For example, Chinese T&C imports to the EU were restricted until 2007 by a bilateral treaty, which restricted growth rates and set quantitative restrictions on certain categories of T&C products. (European Commission 2005.) After the liberalization of global T&C trade in 2005, T&C exports from China to Western countries grew by 100%. To stem this surge of goods, the EU imposed restrictions on Chinese imports, leaving 75 million pieces of garment stuck in European ports. (BBC 2005). Restrictions were lifted again in 2007 (EurActiv 2007). These restrictions were removed completely in 2009 (European Commission 2012a). However, tariff and non-tariff trade barriers remain in place in some cases for exports originating from the EU to emerging economies (European Commission 2012c).

Today, China and India are the world's largest T&C producers (WTO 2011, 56). In total, India's T&C industry is valued at 55 billion USD (Indian Ministry of Textiles 2011c, 45), with exports in 2010 reaching over 18 billion Euros (24 billion USD at the December 2010 exchange rate) (WTO Statistics database 2012)., China, on the other hand, is the largest source of T&C imports to the EU, holding a 39% market share within the region, followed by Turkey (14%) and India (7.7%). (European Commission 2012c.) In comparison, the Finnish T&C industry is small and heavily import-oriented. In 2010, exports were valued at 474 million Euros and imports at 1.67 billion Euros (Finnish Customs 2010). Finatex, the Federation of Finnish Textile and Clothing Industries, has approximately 140 members (Finatex 2012). Additionally, Finland has numerous retailers and other companies that purchase and sell T&C products.

Despite the small size of the Finnish T&C industry, Finnish T&C companies have a clear interest towards India. Imports from India are increasing at a slightly faster pace than the industry's imports overall, and research into India both as a sourcing country

and a market have been done in Finland in recent years. Finatex has recently completed a South Asia market research project, which evaluated business opportunities for Finnish T&C companies in India, Bangladesh, Nepal and Sri Lanka. A publication about India from a Finnish T&C buyer's perspective (Särkkä 2006) was also written in 2006. Despite this interest in India and India's position as one of the leading T&C producers globally, Indian T&C products accounted for just 4.46 % of textile imports and 3.89% of clothing imports to Finland in 2010 (Uljas-database 2012). However, taking into account to India's low position in Finland's overall import statistics (see Appendix 1), India accounts for a surprisingly large share of T&C imports. This shows that the T&C industry has an important role in trade relations between Finland and India. Nevertheless, there is a lack of academic research into the T&C trade between Finland and India, and the aim of this thesis will be to fill a part of this gap.

1.2.1 The Indian textile and clothing industry

India is the world's second largest T&C goods producer after China if comparing individual countries to each other. If the EU27 are grouped together, India is the world's third largest T&C producer. (WTO 2011, 56.) The Indian T&C industry is large in terms of its absolute value, even though it contributes only about four per cent of India's GDP. The industry is valued at 55 billion USD, and 64% of its production is to meet domestic demand. It employs 35 million people. (Indian Ministry of Textiles 2011c, 45). The total value of its exports in 2010 was over 18 billion Euros (24 billion USD at the December 2010 exchange rate) (WTO Statistics database 2012). The industry is heavily reliant on cotton and cotton products. The T&C industry in India is heavily concentrated in certain geographical areas. Examples of these include Coimbatore, which produces large amounts of cotton and cotton products, and Tiruppur, which produces 60-70% of tricot products for export (Särkkä 2006, 38).

Figure 1 Map of India showing Tiruppur and Coimbatore (Adapted from a map from Reddy, Rao, Shekar & Gillespie 1992)

Before 2004, the T&C industry was heavily regulated in India, not only by the MFA and Agreement on Textiles and Clothing, but also by the Indian government. Policies have encouraged cotton processing in India, decreasing raw cotton prices and having a negative effect on cotton production. Policies have also aimed and preserving small-scale industry and employment levels at the expense of lower productivity. High import barriers and domestic taxes have discouraged exports and production of synthetic fibers, increasing India's reliance on cotton. (Elbehri, Hertel & Martin 2003, 343.)

Since 1991, the Indian government has undertaken a series of export-led growth and liberalization programs, but export quotas on cotton, restrictions on firm size, labor utilization and importation of production materials continued to be imposed for a long time after 1991. Regulation is focused on cotton processing, while the production sector is relatively liberalized and efficient. Regulation of the cotton processing industry has depressed raw cotton prices, raised the costs of cotton processing and reduced competitiveness in the clothing industry, even though this is the segment with the greatest job creation potential. (Elbehri et al. 2003, 344-345.)

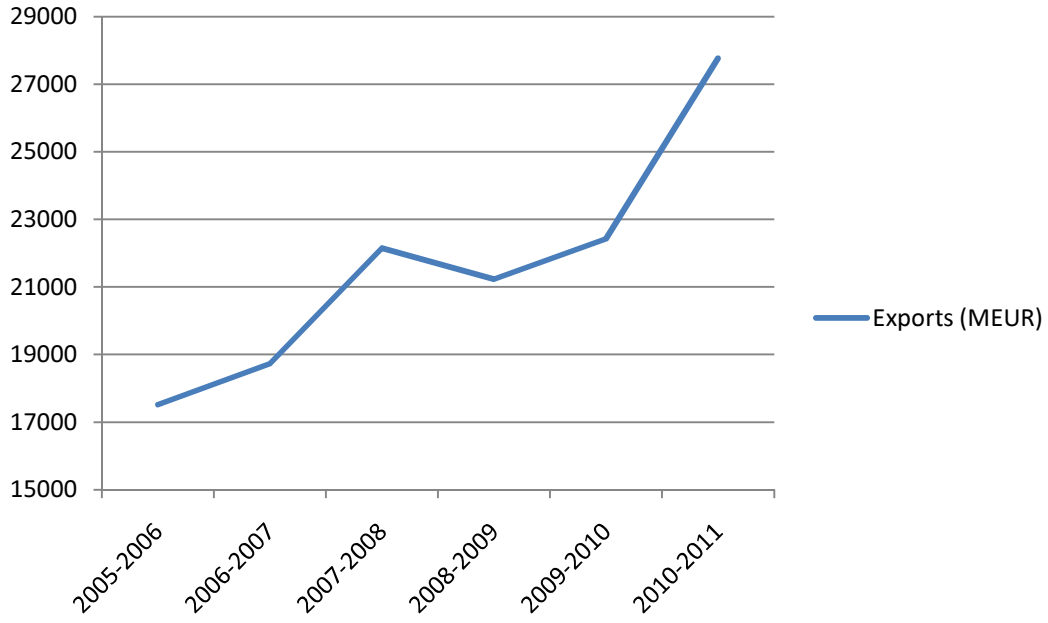

Figure 2 Indian T&C exports in 2005-2010 (Source: Indian Ministry of Textiles 2008, 2011)

International export quotas for the Indian T&C industry, enforced according to the Agreement on Textiles and Clothing, were abolished at the end of 2004, after which exports grew significantly, by 60.14% between 2004 and 2010 (Indian Ministry of Textiles 2011c, 45-46). In the period 2009-2010, exports were valued at 22.42 billion USD, nearly 12 % of the country's total exports (Indian Ministry of Textiles 2011c, 45-47) and growth was at an impressive 40% (WTO 2011, 56). In 2010-2011, Indian T&C exports to Finland were valued at 49.15 million Euros (66.64 million USD in the November 2011 exchange rate). This means that Finland accounted for 0.24% of Indian T&C exports. In comparison, the largest export destination within the EU, the United Kingdom, accounted for 1.32 billion Euros (1.79 billion USD) and 6.45% respectively. (Indian Ministry of Textiles 2011b.) The largest export destination, in exports measured until November 2011, was the United States, with textile exports valued at 3.64 billion

Euros (4.94 billion USD), accounting for 17.79 % of Indian T&C exports (Indian Ministry of Textiles 2011a) (see Appendix 2).

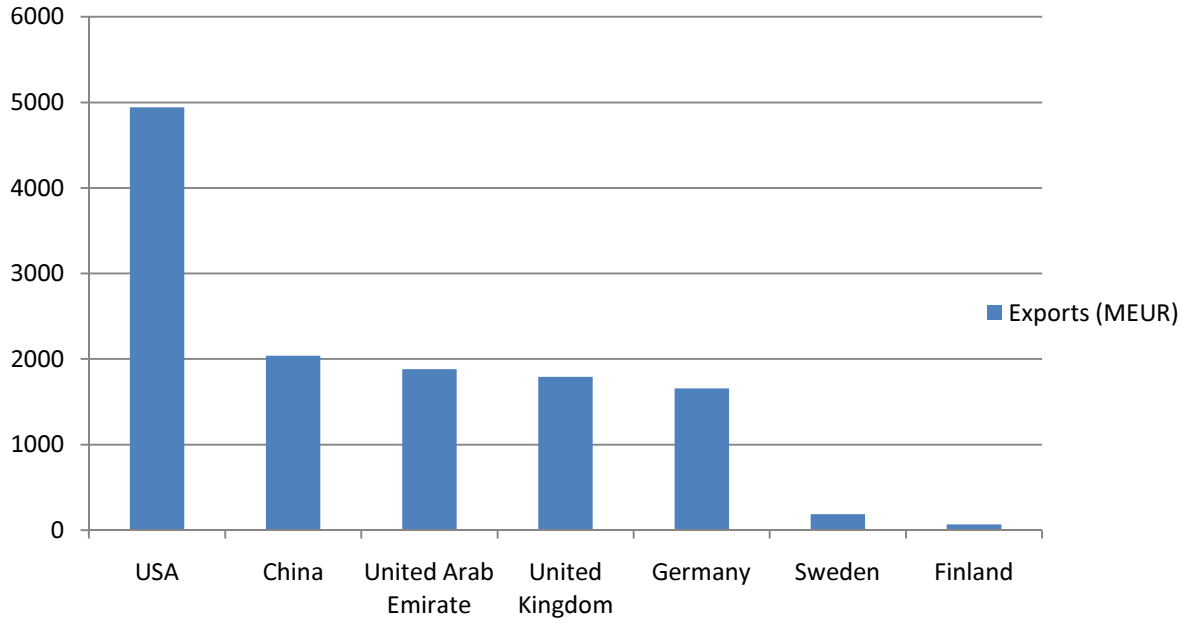

Figure 3 Indians T&C exports in 2010-2011 (Source: Indian Ministry of Textiles 2011a-c)

However, this is not to say that the industry has not faced challenges. In 2007-2008 exports suffered due to the appreciation of the Indian rupee in comparison to the US dollar, and in 2008-2009 exports actually decreased. (Indian Ministry of Textiles 2011c, 45-47). The T&C industry has experienced a significant growth spurt since 2009 but continues to be adversely affected also by increasing raw material costs and the global financial crisis (Indian Ministry of Textiles 2011c, 47). Poor infrastructure is also a problem in some areas like Tiruppur, causing logistical problems (Särkkä 2006, 39).

Additionally, with today's increased awareness and practice of corporate social responsibility (CSR) and corporate citizenship, ethical issues in business are a very important consideration for companies. Low-cost emerging economies like India are often the subject of scrutiny when it comes to ethical production and employment practices. Although laws to protect workers and the environment exist in India, they are not always followed. India has been in the news quite recently due to the illegal use of child labor in factories producing goods for Western clothing and apparel companies (see e.g. Hopkins 2008). Additionally, some T&C producers in Tamil Nadu (the state in which Tirupur and Coimbatore are located) and other regions flout regulations on water pollution and the use of seasonal labor, partly due to inadequate monitoring on the part of regional and national governments (Särkkä 2006, 43, 60-1).

1.2.2 The Finnish textile and clothing industry

In 2011, the Finnish T&C industry exported 564 million Euros and imported 2.14 billion Euros worth of goods (Finnish Customs 2013). The approximately 140 member companies of The Finnish Textiles and Clothing Industries association employ just over 5790 people (Finatex 2011, 5). The vast majority of companies (84%) are small and employ less than 50 people and there are only 3 companies that employ over 250 workers (Finatex 2010, 27.) The industry is very much concentrated in South-Eastern Finland in terms of both the number of employees and number of establishments (Finatex 2011, 41). In terms of both personnel and turnover, the Finnish T&C industry is very small both on an EU and a global level. In the EU, the industry is largest in Italy, followed by Poland and Romania (Finatex 2010, 13). Nevertheless, the Finnish T&C industry is very much import-oriented and despite its small size, it thus holds some market potential for foreign T&C suppliers.

As can be seen in Figure 4, different clothing goods are by far the most important for the industry in terms of both imports and exports, followed by furnishing textiles and woven and knitted fabrics. Production volumes have experienced a noticeable dip since 2008 for both textiles and clothing. In fact, clothing production volumes have been going down during the new millennium (Finatex 2011, 10). Meanwhile, production efficiency has gone up and the number of workers employed by the industry has gone down since 2008 (Finatex 2010, 5). Likewise, the value of both imports and exports experienced a dip in 2008, but started increasing again in 2010 (Finatex 2011, 20). Clearly, the global financial crisis has had some effect on Finnish T&C trade.

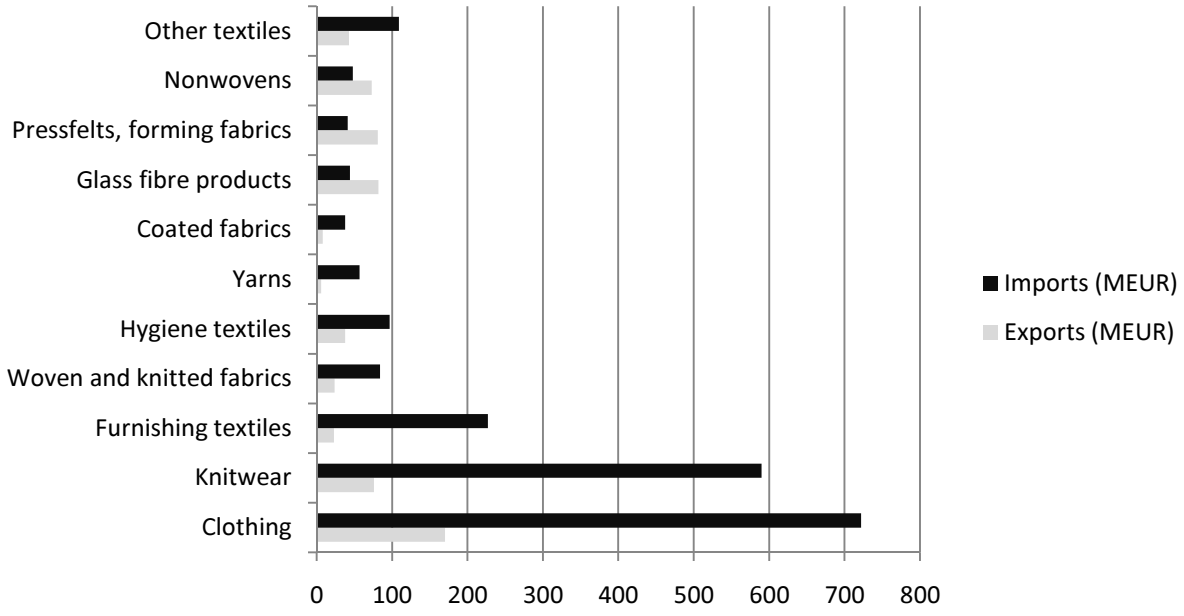

Figure 4 Value of imports and exports of the Finnish textiles and clothing industry (Finatex 2011, 21)

Total T&C exports in 2011 amounted to 564 million Euros, with the most important destination country being Russia, which received over 121 million Euros worth of T&C goods from Finland. Total T&C imports in 2011 amounted to 2.14 billion Euros, with the most important sources of imported goods being China with a total import value of approximately 690 million Euros. In comparison, the total value of imports from India was about 94 million Euros. (Finnish Customs 2013.) Please see Appendix 1 for detailed figures on Finnish T&C imports and exports. India does not rank very high when examining the total value of imports to Finland either: it was the 19th largest import source in 2011, with Russia, Germany and Sweden forming the top 3. (Finnish Customs, 2013.) When compared to this, India's ranking among T&C imports is actually quite high.

Figure 5 shows the development of T&C imports and exports since 2000. The liberalization of the global T&C market does not seem to have had any major impact on total Finnish T&C imports and exports. There are no jumps in the amount of imports and exports in 2005, when complete liberalization took effect. In fact, the only line that exhibits a growth trend until 2008 is clothing imports. In 2008, the effects of the global financial crisis are evident as all T&C imports and export experience a dip. Starting in 2010, however, recovery is evident and especially clothing imports have experienced a significant growth in terms of value. The average growth rate of clothing imports in 2010-2011 was 13.37%, while textile imports grew at an average rate of 11.97%. Interestingly, liberalization effects can be seen in raw material prices, which started going up in 2005 for all three product categories (cotton, polyester and raw cotton).

They too have dipped since 2008, but are still at a higher level than in 2001. (Finatex 2011, 15.)

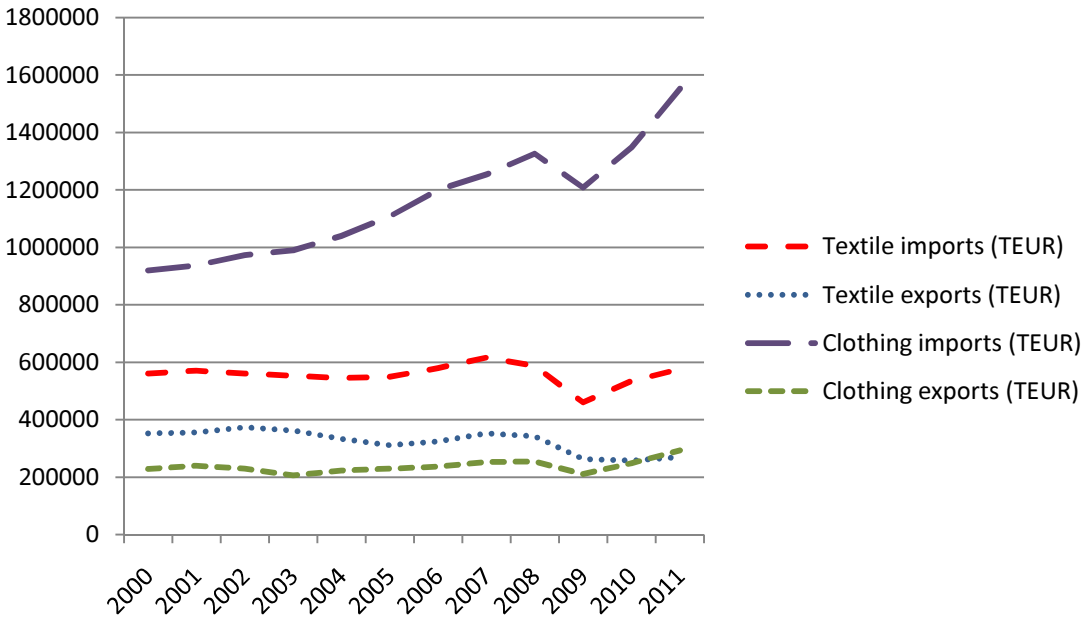

Figure 5 Finnish T&C imports and exports per year (Finnish Customs 2013)

A similar trend can be observed when looking at the development of imports from India (Figure 6). There has been more growth when compared to overall imports, and there is a noticeable increase in growth in 2004. One reason for this could be the aforementioned liberalization of T&C trade. Again, after a slight dip in 2008, both textile and clothing imports have begun growing again, with clothing imports experiencing a significant increase in value in 2011. The growth rate that year was an impressive 30%. In fact, the value of imports in 2011 was over double that in 2000. The growth rate for textile imports in the same year was 6.73%.

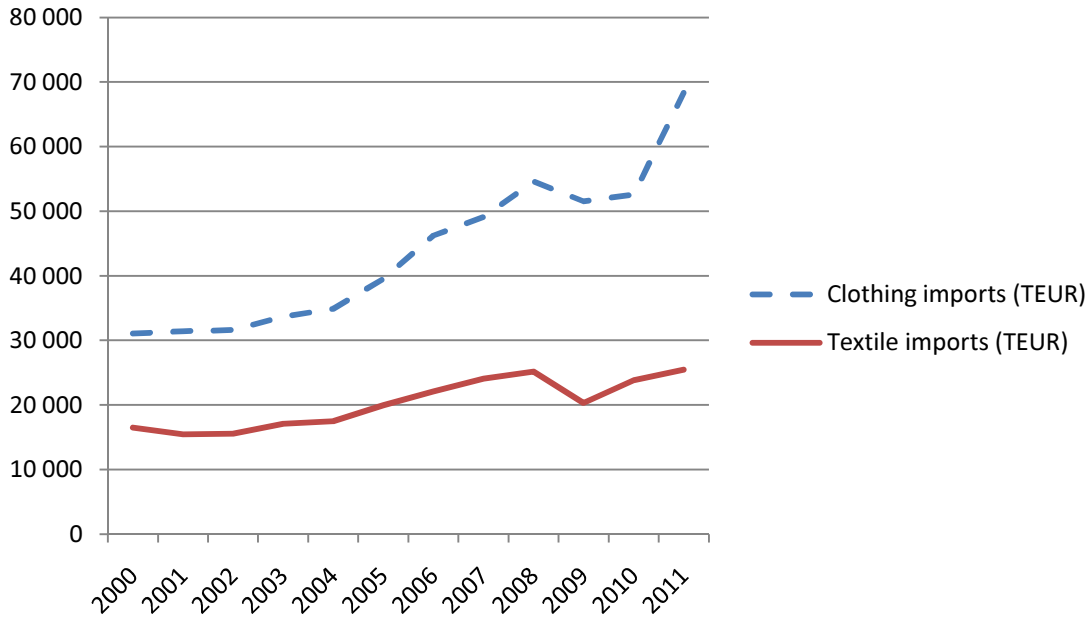

Figure 6 T&C imports from India per year (Finnish Customs 2013)

Clothing imports from India are thus currently growing at a faster rate than overall clothing imports, whereas textile imports from India are growing slower than overall textile imports. Since the value of the Finnish import market in clothing is well over double that of the textile import market, clothing could be a more lucrative product for Indian T&C companies to export to Finland. On the other hand, the low growth rate of textile imports could indicate untapped market and growth potential.

1.3 Problem setting

There are several indicators showing that there is clear interest towards India within the Finnish T&C industry. India's relatively high position in Finland's T&C import statistics, compared to low India's position in overall import statistics (see Appendix 1), shows that the T&C industry has an important role in trade relations between Finland and India. Clothing imports from India are growing especially quickly compared to clothing imports in general. The Finnish T&C industry has in recent years also done market research and published books on buying in India.[1] However, there is a lack of

[1] Finpro (the national trade, internationalization and investment development organization in Finland) and Sisu-Base Oy have conducted market research into the T&C industry in South Asia. A book, "Clothesbuyer's India" (Vaateostajan Intia, Susanna Särkkä) examining India as a sourcing location for clothes from a Finnish buyer's perspective has also been published in 2006.

academic research examining India as a sourcing location from the perspective of the Finnish T&C industry.

The main aim of this thesis is to explore *what perception Finnish T&C industry buyers hold of India and Indian suppliers.* The following subquestions will be used to further elaborate the topic:

- What are the most important supplier selection criteria that affect buyers' purchasing decisions?
- How does the country of origin effect affect buyers' perceptions of Indian T&C products and suppliers?
- What experiences do buyers have of India and Indian suppliers, and how do these experiences affect their perceptions?

These questions will be examined from the points of view of the "traditional" sector of the T&C industry, i.e. clothing and non-industrial textiles as these products represent the vast majority of the Finnish T&C import market (see Figure 4). Industrial T&C products, for example glass fiber products, will be excluded. Due to the specialized nature of industrial products, supplier selection practices and perceptions are likely to differ significantly from clothing and non-industrial products. This thesis will use a mixed methods research approach. First, a questionnaire will be used to evaluate Finnish T&C buyers' supplier selection practices and views of Indian suppliers. In-depth interviews with select respondents will then be used to gain a better understanding of the motivations the companies' supplier selection practices as well as their experiences of Indian suppliers.

The contribution of this thesis will be two-fold. Firstly, the author will provide a complementary view to Finatex's market research in South Asia; it gave Finnish companies more information about doing business in South Asia, whereas this thesis will provide Indian companies with more information about Finland as a market. It will thus to provide insight into the perceptions of Finnish T&C buyers for Indian companies. Understanding customers' perceptions, in turn, can help plan and target marketing activities and entry strategies appropriately. Secondly, this thesis will be an addition to the existing literature on the supplier selection practices and the country of origin effect. So far, Finnish companies have received relatively little attention in this area of academic research, and thus this thesis will aim to contribute new information in this regard.

This thesis has already introduced the background to this study. Global textile trade and the Finnish and Indian textiles industries have also been analyzed. In this chapter we will still define the key terms related to the research topic. Chapter 2 will examine existing research into supplier selection and the country of origin effect. Chapter 3 will outline the research methods used in this thesis and chapter 4 will provide an analysis of the research results. Based on these results, conclusions about Finnish T&C buyers'

supplier selection practices and perceptions of Indian suppliers will be drawn in chapter 5.

1.4 Key concepts

This section will briefly define and explain the key terms that will be used in this thesis. Firstly, there are several terms that have been used to refer to different groups of countries with varying levels of economic and political development. These include the first/third world, developed/developing country, emerging economy, newly industrialized country etc. It must be recognized that there is no established definition for most of these terms, including perhaps the most often used developed-developing country dichotomy (UN Statistics Division 2012). Generally speaking, the term emerging economy has been deemed preferable to third world or developing country due to its more positive note (The Economist 2008). Further distinctions could be made with terms like newly industrialized country or rapidly developing economies, but these distinctions are not relevant from the points of view of this thesis. Therefore, for simplicity's sake, the term *emerging economy* will be used to refer to all countries not generally classified as *developed economies* similar to most of Western Europe, the United States and Japan.

Secondly, it must be noted that as this thesis is concentrated in *B2B (business-to-business)* supplier selection, the term *buyer* will be used to refer to people involved in the purchasing process in organizations. Where appropriate, the term *consumer* will be used to refer to B2C (business-to-consumer) customers. The terms *supplier* and *seller* will be used synonymously, referring to the company selling the product to the customer. In the context of this thesis, the selling company is usually also the manufacturer of the product. The term *supplier selection*, in turn, will be used to refer to "the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers" (Wind and Webster 1972, 6).

Finally, the country of origin effect and its related concepts are key terms for this thesis and should therefore be clearly defined. The term *country of origin* (COO) is used to refer to the "home country" of a product or supplier (see e.g. Chetty, Dzever & Quester 1999, 188). *Country of origin effect*, in turn, will be used to refer to the effect that COO can have on buyer perceptions and behavior (see e.g. Kraft & Chung 1992, 61; Ahmed et al. 1994, 323).

2 SUPPLIER SELECTION IN B2B MARKETS

2.1 The supplier selection process

In some of the earlier literature on developing an organizational purchasing process, Wind and Webster (1972, 6) define organizational buyer behavior "as the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers". They envision a model of purchase decision making where the purchase decision is affected by marketing stimuli, environmental constraints, organizational constraints and buying center factors. However, at this time the purchasing function itself was considered to be an administrative task as opposed to a strategic one. Traditionally, purchasing was concerned with the inflow of goods into an organization. It is with the emergence of supply chain management in the 1980s and 1990s that purchasing came to be seen as a strategic function encompassing the movement and transformation of goods throughout the entire organization. (Cousins, Lamming, Lawson & Squire 2008, 11-12.)

The supply chain refers to the chain of business entities, and the flows of material and information that connect them, required to get deliver a product or service from the manufacturer to the end-user (Samaranayake 2005, 48). In other words, the supply chain starts with raw materials, transforms them into an end-product and delivers said products to the end-user (Janvier-James 2012, 194-5). Supply chain management (SCM) in turn is the coordination and management of these entities and flows (Samaranayake 2005, 48). In the modern view of SCM, This thesis will focus on one specific sub-process of supply chain management, namely procurement. Specifically, this thesis will examine how customers evaluate potential suppliers and which supplier characteristics are most important in the supplier selection process.

The aim of a large part of current supplier selection literature is to help companies make better purchase decisions more efficiently through the use of supplier selection and evaluation models (see e.g. Teng & Jaramillo 2006; Barbarosoglu & Yazgac 1997; De Boer, Labro & Morlacchi 2001). Supplier selection models models can enhance the effectiveness and efficiency of decision-making; in addition to eliminating redundancy from the decision-making process, increasing transparency and enabling more efficient data storage and computation, they help buyers model decision-making situations better and evaluate the right criteria or problems (De Boer et al. 2001, 75-6).

There are numerous different supplier selection approaches, including mathematical modeling, fuzzy set theory and case based reasoning, and an even larger number of different models (see e.g. Weber et al. 1991; De Boer et al. 2001; Ho et al. 2010). The

models take into account varying numbers of supplier selection criteria. Some models evaluate objectively, based on scores given to criteria (see e.g. Garfamy 2006), while others also take into account internal and external environmental constraints (see e.g. Hou & Su 2007) and different decision makers or human factors (see e.g. Chan 2003). The latter models are more in line with Wind and Webster's vision of purchase decision making. The review of each of these approaches is beyond the scope of this thesis. Instead, this chapter will briefly outline two very different views of the overall supplier selection decision making process: the linear, systematic approach (see e.g. Chen 2011) and the "muddling through" approach (See e.g. Makkonen, Olkkonen & Halinen 2012). After this, the most important supplier selection criteria identified in the supplier selection literature will be examined.

A recent example of a systematic, relatively simple model of supplier selection decision making is depicted in Figure 7 (Chen 2011, 1655). The tasks that are the focus of this thesis are highlighted in grey. This model will be used in this thesis as it represents a common linear supplier selection model and has been found to be applicable to the T&C industry in previous research. A few other models will be used for comparison purposes. Different linear weighting models are the most popular supplier selection models due to their relative simplicity. Chen's model is an example of an integrated data envelopment analysis (DEA) model. DEA models have been the most popular supplier selection model approach since the year 2000 due to its robustness. DEA evaluates supplier efficiency based on the ratio of their produced outputs and required inputs. (Ho et al. 2010, 21-2.)

In general, the typical phases of a supplier selection process are problem definition, formulation of criteria, qualification of suitable suppliers and final selection of suppliers (De Boer et al. 2001, 79). In Chen's model, the supplier selection process is divided into three phases: requirement and strategy analysis, supplier evaluation and assessment of supplier performance (Chen 2011, 1654). These phases are similar to those identified by other others; for example, Chan (2003, 3569-70) envisions a self-repeating supplier selection process that is divided into standard setting, evaluation of expected performance and further evaluation. On the other hand, other models take a more limited approach, concentrating on the supplier evaluation phase of the purchase decision making process (see e.g. Teng & Jaramillo 2006; Barbarosoglu & Yazgak 1997).

In Chen's model, the first phase (requirement and strategy analysis) starts with competitive strategy identification. It is important for companies to first identify their corporate and product-specific strategy so that they are able to choose and prioritize their supplier selection criteria, which is the second task in phase one. (Chen 2011, 1655-6.) For example, for a company in the T&C industry, those criteria could be delivery, flexibility, cost, quality and reliability (Teng & Jaramillo 2006, 509). Chan

instead uses customer types and responses as the base for choosing and prioritizing criteria: based on the dominant customer types in a market, companies can choose suppliers that provide the types of value that the customers seek (Chan 2003, 3566). As another point of comparison, in Teng and Jaramillo's model (2006, 509) the criteria are fixed, based on the assumption that most companies in the same industry will emphasize similar criteria.

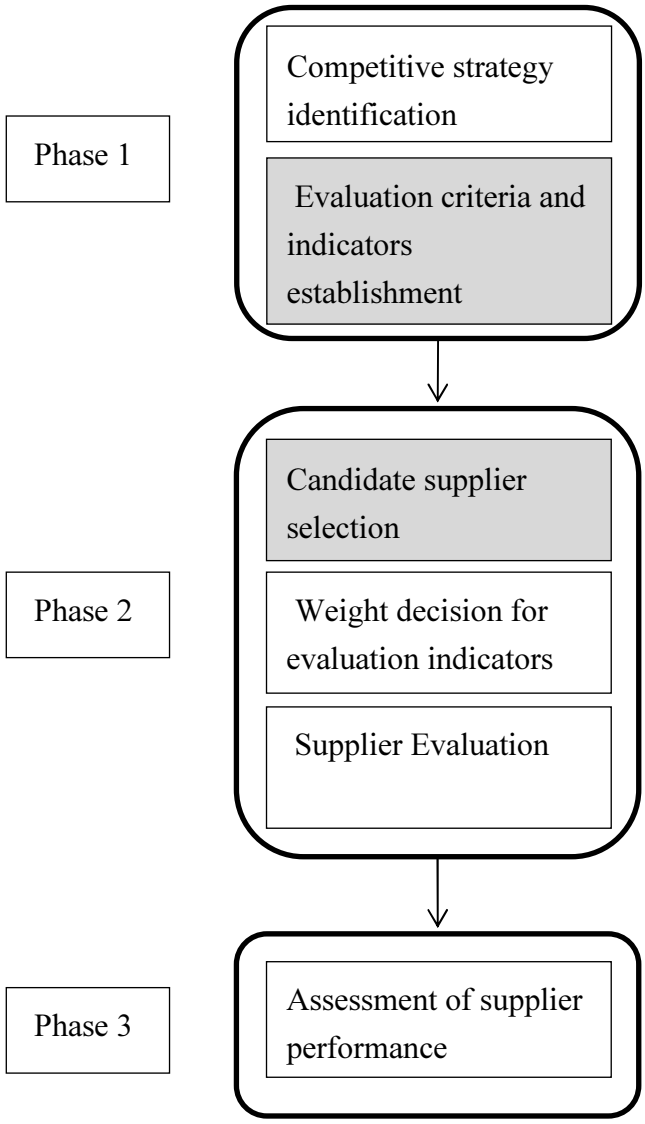

Figure 7 Supplier selection and evaluation process for supply chain (Chen 2011, 1655)

Once company strategies and the appropriate supplier selection criteria have been chosen, phase two (supplier evaluation) starts with choosing candidates suppliers (Chen 2011, 1657). Weights are then assigned for the chosen supplier selection criteria (Chen 2011, 1659). Again, these tasks are mirrored widely in supplier selection literature (see e.g. Chan 2003, 3571; Barbarosoglu & Yazgak 1997, 19-20). For example, if a company pursues a low-cost strategy, price will be a crucial supplier selection criteria

for them and is thus assigned a high weight in the evaluation process. Once all the suppliers have been given weighted scores on the chosen criteria, their total score is evaluated and compared to those of other candidate suppliers (Chen 2011, 1660). Finally, in phase three, once a supplier has been chosen their performance is assessed (Chen 2011, 1661). Other models, for example the one by Chan (2003, 3570), also provide a feedback loop, which enables the use of performance evaluation in further supplier selections.

However, supplier selection models are usually simplifications of reality and thus rarely represent the true, complex situation where buyers have to make purchase decisions. Another approach taken in response to this is based on the perspective that organizational decision making is a task of "muddling through"; it recognized that real-life situations are too complex for systematic and linear models to fully represent. This approach involves taking incremental steps in the decision making process, with "a realistic view of an attainable level of rational decision making in complex situations". (Makkonen et al. 2012, 773.)

Makkonen et al.'s approach is based on Lindblom's (see e.g. 1959) concept of muddling through and Lindblom and Hirschman's (1962)[2] (Makkonen et al. 2012, 773) concept of disjointed incrementalism, which are based on the idea that real-life organizational decision making is rarely a linear process. Disjointed incrementalism was suggested as a replacement term for muddling through to avoid emphasizing irrationality, instead focusing on the rationality of taking small, incremental steps in decision making (Makkonen et al. 2012, 773). These ideas have been applied to business research in various contexts, for example SME growth (Javalgi, Todd, Johnston & Granot 2012) and business strategy (Kaitatzi-Whitlock 1994), but Makkonen et al. are some of the first to apply it to organizational buying.

As opposed to the linear models outlines above, Makkonen et al.'s (2012, 774-5) model of the muddling through approach to organizational purchasing behavior envisions a purchasing process where decision making is not divided into clear phases: instead, structural and situational elements affect the purchasing process through buyer perceptions in incremental steps in the decision making process. They create the environment where individual boundedly rational actors must make decisions. These actors do not make decisions in a purely linear fashion, but are capable of improvisation. (Makkonen et al. 2012, 774-775.) This in contrast to linear models, which assume that buyers' decisions are based on objective factors and do not take into account potential subjective factors. Potential sources of such subjective sources of

[2] Hirschman A.O. & Lindblom C.E. (1962) Economic development, research and development, policy making: some converging views. *Behavioral Science*, Vol. 7 No.2, 211–22.

bounded rationality are the incomplete information possessed by individual decision makers and conflicting objectives of multiples decision makers (Bendor 1995, 820).

2.2 Supplier selection criteria

A significant amount of research has been done on the criteria that organizational buyers use to select suppliers and make purchase decisions (see e.g. Dickson 1966[3]; Webster, Current & Benton 1991; Verma & Pullman 1998; Bowman, Farley & Schmittlein 2000; Sen, Basligil, Sen, Baracli 2008). The range of possible issues to examine is very wide, and it includes brand image, quality perception, price, customer satisfaction and country of origin, among many others. This thesis will not delve into brand related issues because the level of imports in Finland of Indian T&C products is so low that any of the supplier companies are unlikely to have a very brand image or presence there. The main issues affecting decision making that will be examined are customer perceptions of products and sellers, both of which directly relate to the supplier selection process.

2.2.1 Supplier selection criteria in general

Consumers and organizational buyers evaluate products and suppliers based on intrinsic and extrinsic cues. For products, intrinsic cues are related to their actual physical characteristics, while extrinsic cues are the intangible aspects of the product (Ahmed & d'Astous 2008, 95-96; Bilkey & Nes 1982, 89). Extrinsic cues do not directly affect the functionality of the product, but they can nevertheless affect customer perceptions and judgments (Cordell 1992, 253). Suppliers, on the other hand, are evaluated based on the characteristics of the product they sell, the supplier's intrinsic characteristics like production and quality assurance processes and geographical location, as well as the supplier's extrinsic characteristics like the political situation of the country where they are located (see e.g. Oke, Maltz & Christiansen 2009; Saghafi & Puig 1997; Choi and Hartley 1996). Supplier selection criteria can also be categorized into qualitative and quantitative criteria. Quantitative criteria include those that can be measured numerically, such as cost. Qualitative criteria, on the other hand, could include customer

[3] Dickson, G.W. (1966) An analysis of vendor selection systems and decisions. Journal of Purchasing Vol. 2 No. 1, 5-17

service and other supplier characteristics that cannot easily be measured with a numerical, objective scale. (see e.g. Sen et al. 2008, 1826.)

Some of the most often cited supplier selection criteria on those introduced by Dickson (1966)[2], who identified 23 supplier selection criteria like quality, price, delivery, performance history and warranties (see e.g. Webster, Current & Benton 1991, 2-4; Sen et al. 2008, 1827). These criteria are still commonly used in current supplier selection literature: quality, delivery and price are the three most commonly used criteria used in supplier selection models in the 2000s (Ho et al. 2010, 21). However, new criteria have also been taken into consideration. Sen et al. (2010, 1828-9) identify as many as 49 supplier selection criteria. These include, but are not limited to, supplier reliability, customer orientation, commercial competence, delivery performance (Bowman et al. 2000, 674-6), information availability and exchange risk (Ghymn & Jacobs 1993, 213). Corporate social responsibility (CSR) related items, such as labor relations and environmental friendliness (Sen et al. 2010, 1828-9; Lee, Le, Genovese & Koh 2012, 47) are also increasingly important today in supplier selection.

When looking at the rankings of product characteristics that affect buyers' purchase decisions, it is difficult to make a ranking that would apply in all situations (due to the different needs of different companies and industries). Different products have different demand characteristics which must be taken into account when formulating a sourcing strategy. Therefore, also the importance of supplier selection criteria vary for different products. (See e.g. Christopher, Peck, & Towill 2006, 286; Jin & Farr 2010, 41-2.) Functional goods require an efficient and cost-effective process, and therefore supplier selection characteristics that would be important for these goods include total cost. On the other hand, innovative product compete based on market-responsiveness, and therefore quick delivery and flexibility are emphasized. (Christopher et al 2006, 278.)

However, some generalizations on the importance of criteria still apply in most situations. From the point of view of supply chain management, reliability, speed of delivery and cost are the most important factors to consider when evaluating a supply chain partner (Janvier-James 2012, 196). Research on which characteristics are considered most important by organizational buyers supports this claim. Price is considered very important by organizational buyers, but it is not always the most important criteria (Kauffman 1994, 32, 34; Jin & Farr 2010, 41-2), being overshadowed by quality (Verma & Pullman 1998, 746; Weber, Current & Benton 1991, 12; Jin & Farr 2010, 41-2). The final top-3 supplier selection criteria is delivery (Weber et al. 1991, 12). In the T&C industry, competitive price and lead time have been found to be the two most important supplier selection criteria (Jin & Farr 2010, 41-2). However, interestingly organizational buyers do not always prioritize quality in practice, even though they recognize it as being most important. Instead, they choose suppliers based more on cost and on-time delivery (Verma & Pullman 1998, 746).

These results have been confirmed to apply also to Finnish companies specifically: for example, Kaynak and Eronen (2004, 23) found that Finnish importers consider product quality, price competitiveness, on-time delivery and good buyer-seller communication to be the most important supplier selection criteria.

2.2.2 Supplier selection in the textile industry

For T&C companies, the importance of supplier selection is highlighted due to the rapid pace of change within the industry; the products are constantly changing and competition is significant. It is therefore not surprising that supplier selection is positively associated with gaining competitive advantage over competitors (Su et al. 2009, 92) for T&C companies. Supplier selection models that take a systematic, linear approach to the supplier selection process, exemplified in Chen's (2011) supplier selection and evaluation process explained previously, can be very useful in evaluating which criteria are important when choosing suppliers. Supplier selection has been studied within the T&C industry also by other authors (see e.g. Teng & Jaramillo 2006; Jin & Farr 2010; Cho & Kang 2012). These studies give a good picture of what issues are truly relevant in successful supplier selection in the T&C industry, and therefore what issues companies are most likely to take into account in the supplier selection or organizational buying process.

Although some previous research has suggested that supplier selection criteria may vary per product (see e.g. Christopher et al 2006, 278), significant differences have not been found for different T&C apparel products; functional and innovative apparel prioritize lead time and cost differently, but otherwise differences are small (Jin & Farr 2010, 38-9, 41). Nevertheless, it can be expected that supplier selection criteria for different industries could vary significantly, and therefore it is reasonable to examine studies related to sourcing within the T&C industry in particular. Examining supplier selection models developed for or tested with the T&C industry specifically can help in understanding which supplier selection criteria are important for T&C buyers and which factors may affect their perceptions of suppliers. Additional research into supplier selection in the T&C industry can help confirm the applicability of such models. It must also be noted that research into the perceived benefits and drawbacks of global sourcing for T&C companies indicates that some differences may exist within the T&C industry. Although firm size has not been found to be significant in this regards, management commitment to global sourcing (Jin & Farr 2010, 41-2) and import volumes (Cho & Kang 2001, 558) have.

Teng and Jaramillo's (2006) supplier selection model has been developed specifically for the T&C industry's needs. The model has several decision-making

levels, each of which is divided into clusters of supplier selection criteria. The first hierarchy level is the supplier performance level, which then divides into five clusters: delivery, flexibility, cost, quality and reliability. Jin and Farr (2010, 38) use similar clusters in their study, grouping items into cost, lead time, quality/technology and sourcing country related clusters. Virtually all the factors included in Teng and Jaramillo's model can be considered as important evaluation criteria for global sourcing in the T&C industry (Cho & Kang 2001, 550-1). Of these, cost and lead time have been found to be the two most important supplier selection criteria for the T&C industry. (Jin & Farr 2010, 41-2.)

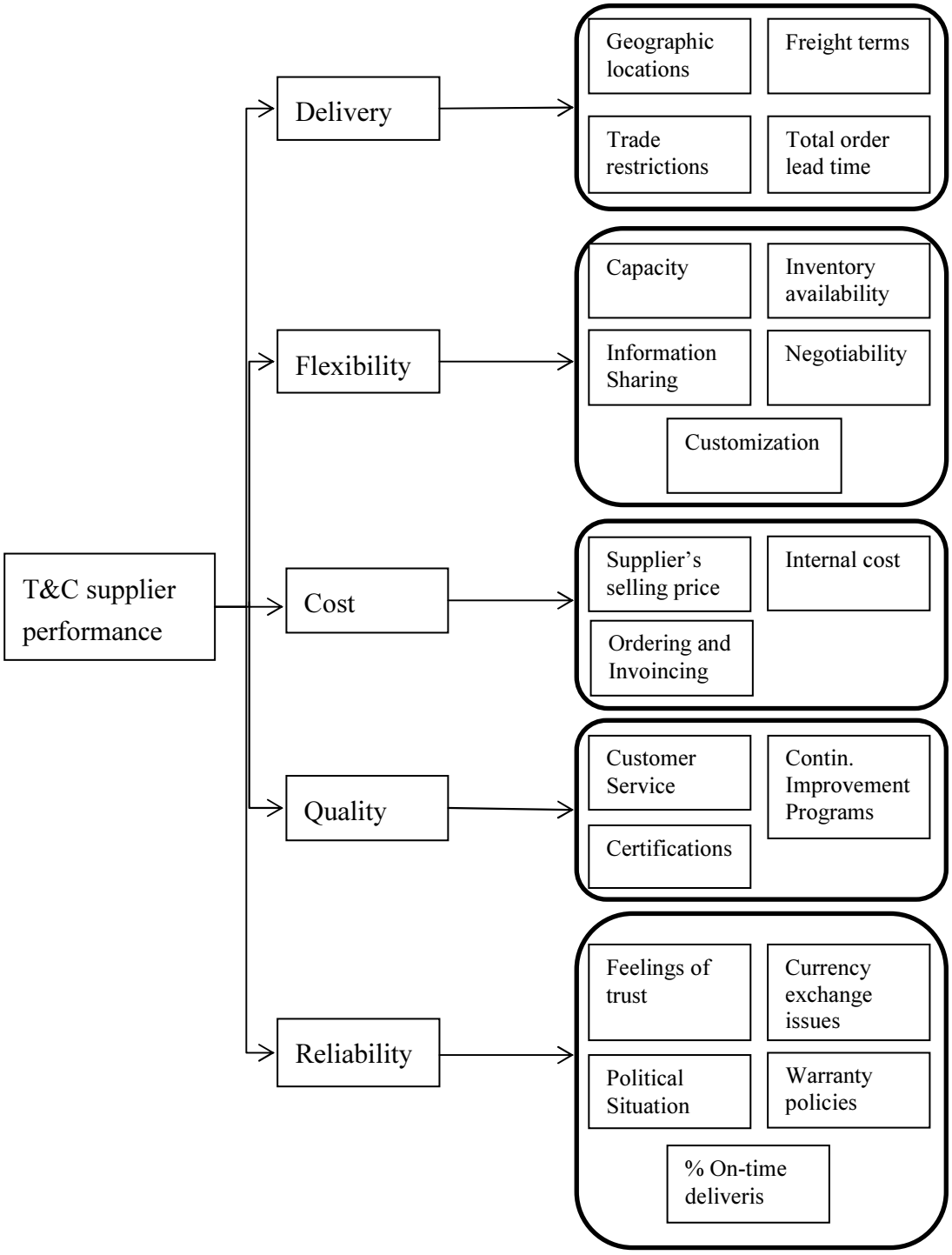

Figure 8 Hierarchical supplier evaluation model for the textiles and clothing industry (Teng & Jaramillo 2006, 509).

Each cluster is then further divided into factors. All factors for each cluster are shown in Figure 8 and all are rated on a scale of one to four (Teng & Jaramillo 2006, 509). Suppliers are evaluated on their total score. The delivery cluster is especially important for T&C companies due to the lean retailing pressures, requiring quick response to consumers' demands, put on them in recent years (Jin & Farr 2010, 42). It includes four

factors, two of which (lead time and geographical distance) are also included in Jin and Farr's (2010) study.

Geographic location is the physical distance between customer and supplier, while freight terms to the supplier's level of responsibility over the delivery process. Trade restrictions are tariffs and customs procedures imposed on the delivery at both dispatch and receiving locations. Although international trade regulation within the T&C industry has been liberalized significantly in recent years, customs procedures associated with cross-border trade can vary significantly for different countries. Finally, lead time refers to the time between the customer making an order and receiving the products. (Teng & Jaramillo 2006, 508-9.) Long lead times are typical especially in cross-border trade when the geographical distance between countries is large (Cho & Kand 2001, 547). Delivery issues in cross-border trade are generally perceived to be less problematic by T&C companies with smaller import volumes (Cho & Kand 2001, 558).

The flexibility cluster in turn includes five factors and is evaluated on a supplier's ability to respond to unexpected customer demands. The first factor, capacity, refers to the amount of information a buyer can obtain from the supplier, while inventory availability is measured according to the amount of time that suppliers can cover orders with safety stock. Information sharing is evaluated based on the level of information sharing between buyer and seller, and negotiability refers to the level of mutual trust between these parties in negotiation situations. Finally, customization is a supplier's ability to customize orders to the needs of individual customers. (Teng & Jaramillo 2006, 510-1.)

Cost has traditionally been the most important supplier selection criteria in cross-border trade (Cho & Kang 2001, 545) and a strength for India (Carter et al. 2008, 236-7). The cost cluster consists of the overall costs of doing business with a supplier. The selling price is the price of the product itself, while internal cost is the total cost of a purchase. Ordering and invoicing refers to the ease of placing an order. (Teng & Jaramillo 2006, 511-2.) Another very important cluster is quality, which consists of four factors. Continuous improvement is evaluated based on a supplier's ability to improve their performance over time, while certifications refer to the official certifications that a supplier may have (e.g. ISO 9000). Customer service is evaluated based on a supplier's effectiveness at responding to requests and complaints. (Teng & Jaramillo 2006, 513-4.) In cross-border trade, it is generally perceived better by companies with larger import volumes (Cho & Kang 2001, 558). The last factor, percentage of on-time deliveries, is self-explanatory (Teng & Jaramillo 2006, 513-4). Of these cost and quality related factors, product price and quality control processes are also considered by Jin and Farr (2010, 39). Curiously, Teng and Jaramillo have not included visual appeal or fashion as

one of the supplier selection criteria in their model. Keeping up with current fashion is, after all, very important in the T&C industry.

The final cluster, reliability, has been found to be a strength for India in previous research (Carter et al. 2008, 236-7) and includes four factors. The level of trust is determined based on on-going buyer-seller relationships and a supplier's reputation within the industry. A country's political situation is evaluated based on the likelihood, as perceived by the buyer, of political instability causing disruptions to delivery and production of goods. The currency exchange situation can have a significant impact on total order cost, and is scored according to the favorability of the exchange rate. Finally, warranty policies refers to the level of responsibility that a supplier accepts when problems arise with products or shipments. (Teng & Jaramillo 2006, 515-6.) Although Jin & Farr (2010, 39) do not have a flexibility or reliability cluster in their study, they consider several of the items listed under these clusters, such as customer service and currency exchange rates, in evaluating the perceived benefits and drawbacks of global sourcing.

The model by Teng & Jaramillo is by no means the only one that can be applied to the T&C industry. A significant amount of research has been done to develop general supplier selection models (see e.g. De Boer et al. 2001; Ho et al. 2010). One which has been deemed to be valid within the T&C industry through research is the structured methodology for supplier selection and evaluation developed by Chen (2011), which has been explained in detail in Section 2.1. Criteria identified by Chen (2011, 1662) as especially important for the textiles industry are quality, product differentiation, delivery time and cost, supporting Teng and Jaramillo's model.

2.2.3 Supplier selection from emerging economies

It is worth noting that the criteria used in the supplier selection process can vary according to the country that supplier is based in (see e.g. Saghafi & Puig 1997, 329-30; Oke et al. 2009, 145-6). This phenomenon is closely related to the concept of the country-or-origin effect. The primary driver of sourcing from emerging economies, or even when sourcing globally, has traditionally been cost (see e.g. Oke et al. 2009, 145-6; 157; Cho & Kang 2001, 542). However, as sourcing from emerging economies has become more and more common, it has become apparent that other factors also need to be taken into account. (Oke et al. 2009, 145-6; 157.)

There are a number of supplier selection criteria that need to be taken into account when sourcing globally. These include, but are not limited to, exchange rates, foreign regulations (see e.g. Motwani, Youssef, Kathawala & Futch 1999, 159; Jin & Farr 2010, 59), political environment and language issues (see e.g. Jin & Farr 2010, 59). There is

also a stream of supplier selection literature that has focused on sourcing from emerging economies specifically. For example, Oke et al. (2009, 156-7) found that the most commonly used criteria in supplier selection decisions when sourcing from emerging economies were cost, cultural and physical proximity, political factors, reliability and quality. Of these, cost was most important regardless of the product type (manufacturing, services or components). The first four criteria were used to select the geographical location for sourcing, whereas reliability and quality were used to select the specific supplier within that location.

Other authors have identified very similar characteristics. Carter, A. Maltz, Yan & E. Maltz (2008, 231) used criteria related to cost (labor and transportation), culture (work ethic), reliability, political stability, flexibility, bureaucracy (border clearance time and corruption) and overall location attractiveness to rate different geographical areas as sourcing locations. Other factors which should be considered specifically for suppliers from emerging economies include previous experience of the supplier, available communication lines and the costs of inspection (Motwani et al. 1999, 159).

Although these criteria are also important when sourcing from developed countries or even domestically, the importance of some is highlighted in the emerging economy context. Firstly, cost is important when sourcing from emerging economies because it is often the main driving force behind going outside of one's immediate geographical and cultural area (Oke et al. 2009, 158). Cost can be incurred through defective products, inspections and employee travel among numerous other factors (Motwani et al. 1999, 159). Physical proximity can be used to help lower shipping costs and delivery times, while cultural proximity makes doing business with the supplier easier, reducing transaction costs (Oke et al. 2009, 158).

Cultural proximity can be especially important for customers who do not have much experience in international sourcing (Cho & Kang 2001, 558). It can be measured through indicators of cultural similarity, such as Hofstede's dimensions of culture (Bowman et al. 2000, 670), or through factors like language differences (Jin & Farr 2010, 39) and ease of communication (Motwani et al. 1999, 159). The scores of Finland and India along Hofstede's dimensions of culture can be seen in Figure 9. Finland scores low in power distance, masculinity and long-term orientation, high on individualism and mid-range in uncertainty avoidance (Geert Hofstede, 2012a). This means the Finland is a feminine yet individualistic country, where the dominant societal values reflect a desire to care for each other and ensure a high quality of life for all, but individual freedom is nevertheless valued and societal structures are loose.

These aspects of Finnish culture are reflected in the Finnish welfare society, where the government provides extensive welfare programs but social groups are small (based on the nuclear family). Having low power distance means that Finnish society is based on the idea that everyone is more or less equal and the differences in power of

individuals is relatively small. Short-term orientation means that Finns expect quick results and gratification and have a normative moral view. Finland also has medium high uncertainty avoidance, meaning that Finns maintain somewhat rigid rules, are precise and work hard.

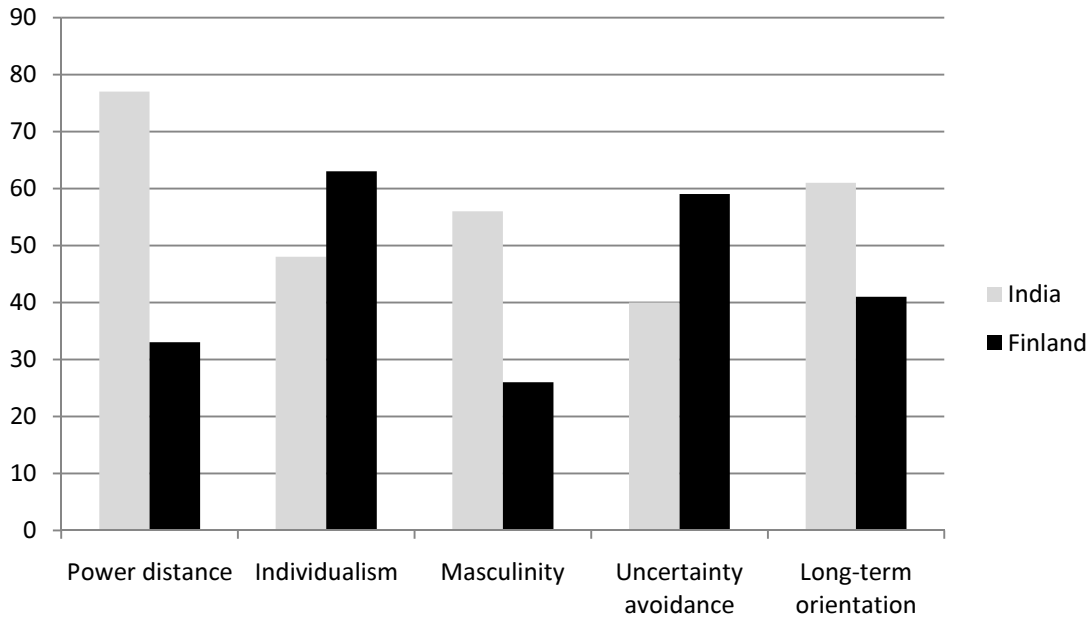

Figure 9 Hofstede's model for cultural dimensions: scores for Finland and India (Geert Hofstede, 2012ab)

India in comparison scores higher than Finland on power distance, long-term orientation and masculinity, and lower on uncertainty avoidance and individuality (Geert Hofstede 2012b). The differences in each category are noticeable, indicating that cultural differences between Finland and India are significant. Indians value the collective good as opposed to individual freedom, emphasize competition over taking care of others and have a long-term orientation. Indian society has greater inequality and more rigid rules.

Moving on to other supplier selection criteria that are important in the emerging economy context, political factors are noteworthy due to the higher political volatility in these nations (on average). This volatility can affect the supplier's ability to produce and deliver goods reliably and on time due to problems like power-outages, transportation issues, strikes etc. (Oke et al. 2009, 159). Corruption can also cause problems by incurring extra costs or delays (Carter et al. 2008, 235). Thirdly, quality and reliability are of course essential for the optimization of costs and storage, as well as for the ability of the buyer to service their customers on time, with products of expected quality. (Oke et al. 2009, 159.)

Taking into account many of these criteria, Motwani et al. (1999) have developed a model for supplier selection in emerging economies. Their model has a structure similar to most linear supplier selection models; it starts with need definition and moves to

supplier and quote evaluation. However, they also include a phase that is especially useful for sourcing activities in emerging economies, namely contract management (Motwani et al. 1999, 159). It refers to activities taken in order to maintain a working relationship with a supplier, and can include inspection, the involvement of brokers and monitoring of the political climate among other things (Motwani et al. 1999, 160).

Similar models of supplier selection criteria have also been developed specifically for developed nations. Among developed nations, the most important criteria have been less focused on cost and more focused on supplier proficiency, overall performance and quality (Saghafi & Puig 1997, 329-31; Choi and Hartley 1996, 337-341). However, since these models are not as relevant in the context of this thesis' problem statement, we will not delve into these models further.

2.3 Country of origin

2.3.1 What is the country of origin effect?

When selling products across country borders, one of the aspects of consumer behavior that needs to be understood is their perception of foreign products (Ahmed & d'Astous 2008, 76). For this, the concept of country of origin (COO) is very useful to help understand just how the foreign origin of a product can impact customer perceptions and purchase intentions.

A buyer's perceptions of a source country are "… the outcome of his contact, association, prior knowledge and past experiences with the country and its companies" (Kaynak & Eronen 2004, 17-8). The idea the country of origin (COO) can have a profound effect on consumer behavior was first suggested by Dichter (1962)[4] (Verlegh & Steenkamp 1999, 522). This idea has since been reinforced by several empirical studies in both the B2C (see e.g. Wang and Lamb 1983; Ahmed & d'Astous 2008) and B2B contexts (see e.g. Ahmed & d'Astous 1995, 45; Quester et al. 2000, 486) The amount of literature that has been written on COO is large, and there are several good literature review that summarize the findings so far (see e.g. Peterson & Jolibert 1995; Verlegh & Steenkamp 1999). However, most literature concentrates on the COO effect in a B2C context. The aim of this section will be to concentrate on reviewing the available B2B COO literature, and as such most of the cited articles are written from the point of view of B2B trade.

[4] Dichter, E. (1962). The world customer. Harvard Business Review, Vol. 40 No. 4, 113-122.

The definitions of the terms country of origin and country of origin effect are rather ambiguous in COO literature, even though discussion on the subject has been going on for half a century already. Firstly, it is necessary to distinguish between COO and the COO effect. The COO is generally considered to be the "home country" of a product or supplier (see e.g. Chetty, Dzever & Quester 1999, 188). COO can also be considered an intangible product attribute similar to price and brand name in that it has no effect on the performance of the product (Peterson & Jolibert 1995, 884), or intangible barriers to enter new markets in the form of negative consumer bias toward imported products (Wang and Lamb 1983, 71-2). The COO effect on the other hand is generally considered to refer to the effect that COO information can have on the perceptions and attitudes of customers (see e.g. Kraft & Chung 1992, 61; Ahmed et al. 1994, 323).

However, there are several issues that confound the precise definition of COO and the COO effect. Firstly, many articles do not explicitly define one or either of these terms, the definition is only implied. (Carter et al. 2010, 357-9; Knight, Holdsworth & Mather 2007, 793). Secondly, it is useful to distinguish between COO and the made-in label, although the terms are often used synonymously (see e.g. Saghafi & Puig 1997, 323-4; Kraft & Chung 1990, 61). The made-in country generally refers to the country on a product's made-in label (Chetty et al. 1999, 188). However, due to globalization, today it is common for products to be designed in one country, while the product itself is assembled in another and perhaps sold in a third country (see e.g.Quester et al. 2000, 480; Ahmed et al. 1994, 324; Chen & Su. 2012, 57). For example, a piece of clothing may be designed in Finland but sewn in India to be sold all over Europe.

The existence of several potential countries of origin for one product has called into question the validity of made-in labels and the country of origin concept in general: when there are numerous possible countries that can be considered the COO of a product, which is the "correct" COO (Quester, Dzever & Chetty 2000, 480; Chao 1993, 292-293)? It can therefore be preferable to distinguish between different components of COO. Common components of COO suggested in several articles are country of design (COD) and country of assembly (COA) (Quester et al. 2000, 480; Ahmed, et al. 1994, 324) or country of manufacture (COM) (Chen & Su. 2012, 57; Samiee 1994, 581-3; 587-8). In the example given above, the COD would be Finland, while the COM would be India.

Thirdly, there are several points of view from which to examine COO and the COO effect. They are often defined in the context of products being sold (Niffinger et al. 1982; Kaynak & Eronen 2004, 18); COO image is not examined for the whole country, but for a specific product from a country. Others also include customer perceptions of suppliers in the definitions (Knight et al. 2007; Kraft & Chung 1992). A third group examines COO at a general country-level (Güdüm 1996; Yavas et al. 1987; Cattin et al. 1982). This country-level image, along with "cognitive and affective constructs

concerning a variety of organizational products form the nation with which the buyer is familiar with" help form the COO image of a specific product or supplier (Kaynak & Eronen 2004, 18). Finally, although several authors use cite increased understanding of customer behavior as one motivation for studying the COO phenomenon, most studies explore how COO affects customer perceptions, not purchasing behavior. Further, these same studies define COO and the COO effect in terms of how they relate to customer perceptions, not behavior.

For the purposes of this thesis, the made-in country will be defined as the country on a product's made-in label, while the COO will be defined as the "home" country of a product's supplier.

2.3.2 What impact can the COO effect have on buyer perceptions?

There are two areas where the COO effect is relevant in the B2B supplier selection context: whether COO perceptions can have an effect on customer perceptions and purchasing behavior, and what kind of an effect COO can have on supplier selection criteria used by customers. The first step of a supplier selection process is generally to choose the sourcing location; this in one step in which country image or COO perceptions can have an impact on customers' choice of supplier (Carter, Maltz, Maltz, Goh & Yan 2010, 356).

A wealth of studies demonstrate that the COO effect exists in both the B2C (see e.g. Peterson & Jolibert 1995; Verlegh & Steenkamp 1999, 522) and B2B contexts (see e.g. Ahmed & d'Astous 1995, 45; Quester et al. 2000, 486). It manifests through both product perceptions and buying intentions, although the effect size for perceptions is consistently larger (Peterson & Jolibert 1995, 890; 894; Wang & Yang 2008, 469-70). Bradley (2001, 522-3) suggests that the effect of COO on customer perceptions and behavior is mediated by a company's marketing practices.

Additionally, studies have found that different countries have an advantage in different supplier selection criteria (Kaynak & Eronen 2004, 24), and that different criteria are used by organizational buyers to choose different sourcing locations (Saghafi & Puig 1997, 331; Güdüm & Kavas 1996, 18-9). Different countries also have advantages in different products (Kraft & Chung 1990, 70). A few studies have compared emerging economies to developed ones, and developed countries were found to be perceived more positively as a whole (see e.g. Ahmed & d'Astous 1995, 41-3), although bias against emerging economies decreased in a multi-cue situation (Ahmed & d'Astous 1995, 46-7). Emerging economies are usually perceived as better in terms of price, but they are at a disadvantage in the other factors (Saghafi & Puig 1997, 328-30).

When comparing emerging economies to each other, there are areas which are clearly disfavoured (Africa) (Carter et al. 2008, 233). However, when it comes to the most favored countries, the results are less clear. Depending in what supplier selection attribute the countries are rated on, China, less developed Asia and Mexico all receive good scores from organizational buyers. However, the differences are not always statistically significant (Carter et al. 2008, 233-4). This also means that different countries can specialize in different core competencies (Carter et al. 2008, 234). For organizational purchasers, what this means is that when making a decision on where to source from, there is thus a need to give more weight to those supplier selection criteria which are most suitable to the buyers' strategic goals.

When looking at perceptions of India in particular, reliability, low cost, predictable border clearance times and political stability have been found to be the country's strengths, although some differences exist between urban and rural areas (Carter et al. 2008, 236-7). In the T&C industry, India and China have been found to be associated with an advantage in product price, value and competitive position, whereas developed Asian countries had an advantage in inventory management, border crossing procedures and lead time (Cho & Kang 2001, 558-9).

In addition to supplier characteristics, customer characteristics can affect the COO effect. Buyers from different cultures may perceive suppliers differently; for example, Carter et al. (2010, 366-7) found that Western and Eastern organizational purchasers evaluated suppliers differently. Saghafi & Puig (1997, 329-1), on the other hand, found that those with experience with suppliers from specific countries had different perceptions than those that did not; those buyers who had purchased from developing nations before had a more positive perception of product quality and price than those who had only bought from developed nations

However, in recent years questions have been raised about whether the COO effect is even important in real-life purchase situations (see e.g. Bradley 2001, 511). Specifically, the COO has been found to be weaker in multi-cue situations (see e.g. Ahmed & d'Astous 1995, 45-7; Chen & Su 2012, 64), which represent real-life B2B purchase situations more accurately than single-cue studies. This is because organizational buyers are generally considered to be, in theory at least, more informed and rational than consumers in their purchase decision-making (Niffenegger et al. 1982, 282; Saghafi & Puig 1997, 331; Ahmed et al. 1994, 330). Additionally, articles that have studied the effects of COO on perceptions generally found that COO (or COA/COD) has a significant effect (see e.g. Ahmed & d'Astous 1995, 45; Quester et al. 2000, 486), where as those that measured actual behavior found the COO effect to be weak (Bradey 2001, 522).

Further, some have argued that, with the increasing prevalence of global production, country of origin is no longer a relevant or important concept (see e.g. Samiee, Shimp &

Sharma 2005, 379). With the distinction between COD, COA and COM, COO is more difficult to define and thus it is more difficult for customers to ascertain the "home" country of a product or supplier. When information on COD and COA/COM are available, studies have found that the same country can be perceived differently as a COD vs. a COA (Chetty et al. 1999, 190; Ahmed & d'Astous 1995, 42-4; Ahmed et al. 1994, 327-8), and that COD is more important for organizational buyers than COA (Ahmed & d'Astous 1995, 44).

However, COO information is not always available or customer perceptions of the origins of a product and supplier may be inaccurate. COO knowledge accuracy has been found to be very low among consumers (see e.g. Magnusson, Westjohn & Zdarkovic 2011, 467). On the other hand, organizational buyers generally have more information available to them and are more rational when making purchase decisions. Therefore, it could be expected that a) organizational buyers are more likely to have COO information available to them when making purchase decisions and b) that this information is more likely to be accurate, and that organizational buyers thus are less likely to give as much weight to COO cues in the supplier selection process.

However, prejudice is an inherent human trait from a social psychological point of view, and it is inevitable as long as people are aware of social and cultural stereotypes, unless this awareness is actively suppressed (Carter et al. 2008, 227). COO can act as a convenient and quick cue for evaluating for example the reputation or technological sophistication of a product or supplier (Bradley 2001, 513), especially if one accepts the view that buyers are bounded rational actors that do not move through the purchasing process in a perfectly systematic, linear fashion. From this point of view, it is hard to imagine that COO would become a completely irrelevant concept to supplier selection and purchasing behavior in the near future, and in fact recent studies show that at least so far, country stereotypes still affect buyer perceptions of sourcing locations (Carter et al. 2008, 238-9; Diamantopoulos, Schlegemilch & Palihawadana 2011, 519), although the effect is not as large as previously thought (Du Preez, Diamantopoulos & Schlegelmilch 1994, 18; Bradley 2001, 522-3).

In conclusion, the country of origin effect is very complex: it can affect buyer perceptions in many different ways based on several different variables, and its level of importance varies in different purchasing situations. COO image is not wholly under the control of a supplier: it is greatly influenced by government policies, media and history just to mention a few possible influences (Bradley 2001, 522). Nevertheless, understanding exactly how your customers perceive you can be a valuable asset in directing marketing and sales activities. COO perceptions are a part of this overall image, and its importance is highlighted in the context of this thesis, i.e. for suppliers from emerging economies like India selling their products to developed countries like Finland.

2.4 Synthesis

The purchase decision-making process is a complex one, with numerous variables that must be taken into account in a holistic way. There are two main approaches to supplier selection models: the systematic, linear models exemplified by Chen (2011) and the muddling through approach, exemplified by Makkonen et al. (2012). Linear supplier selection models can be very useful in establishing which supplier selection criteria are important, and whether these criteria vary for different industries and companies. On the other hand, the muddling through approach serves as a reminder that even organizational buyers have a limited capacity for analysis and rationality; therefore, it is not unreasonable to expect that even "irrational" criteria like COO image could affect B2B buying behavior.

Based on the reviewed models, it is possible to identify the following criteria clusters which are used in the supplier selection process. Firstly, **cost** includes product price (traditionally a driving force especially behind sourcing from low-cost countries), transportation costs, transactions costs and any costs incurred from possible product quality defects. **Delivery** relates to how fast and on what terms the supplier can deliver the correct product. **Quality** related criteria, on the other hand, evaluate both the quality of the product itself (whether it meets customer and industry requirements and expectations) and the quality assurance processes within the supplier company.

Further clusters include **flexibility**, referring to the supplier's capacity to respond to unexpected customer demands and willingness to negotiate with the customer, and **proximity**. There are two types of proximity, cultural and geographical. Geographical proximity enables lower costs and better delivery, whereas cultural proximity makes it easier for supplier and customer to do business with each other and form a relationship. Related to geographical proximity, c**ountry of origin** refers to the country where the supplier or product originates from. Finally, **reliability** refers to the supplier's ability to meet customer needs and expectations in a predictable way that engenders trust. This can be affected by factors external to the supplier, such as the political situation and currency exchange rates.

All these supplier selection are not equal when choosing suppliers. Generally, the most important criteria are quality, price and delivery (see e.g. Weber et al. 1991, 12; Jin & Farr 2010, 41-2). For Finnish companies, good supplier communications are also important (Kaynak & Eronen 2004, 18). For the purposes of this thesis, fashion appeal and stylishness will be considered as components of quality, as the visual appeal of T&C items is an important aspect of their functionality (Chen 2011, 1662). Although these factors are not considered in depth in the academic literature reviewed in this thesis, it is reasonable to assume that they could be important components for T&C companies in the supplier selection process.

Companies in the T&C industry need to constantly develop new products and deliver them to the markets quickly due to the rapid pace of change on the fashion industry (Teng & Jaramillo 2006, 509). Therefore delivery, flexibility and reliability are especially important for the T&C industry in particular. T&C companies are likely to want a short lead time and a supplier who they can trust to deliver their products on time consistently. (Teng & Jaramillo 2006, 509; Jin & Farr 2010, 32-3.) However, the relative importance of quality and price varies for individual companies based on their strategies and products. For example, a company like Hennes & Mauritz, which specializes in affordable clothing for the mass markets, will naturally emphasize price more than a company specializing in high quality, expensive clothing (Jin & Farr 2010, 34-5). Based on these factors, the first pre-assumption states that:

Pre-assumption 1a-c: The most important supplier selection criteria for Finnish T&C companies will be a) cost, b) quality and d) delivery time.

The country of origin effect refers to how a product's or supplier's COO can affect customer perceptions or behavior. Two things should also be highlighted here in regard to COO in the B2B context. Firstly, more recent studies have found the COO effect to be smaller than previously thought, although it is reasonable to think that it nevertheless can have some effect on customer perceptions (see e.g. Du Preez, Diamantopoulos & Schlegelmilch 1994, 18; Bradley 2001, 522-3). When presented with other cues, the relative importance of the COO effect diminishes, although it is still statistically significant (see e.g. Chen & Su 2012, 64). The second pre-assumption thus states:

Pre-assumption 2: The effect of COO information on purchase decision making will be small.

Secondly, emerging economies are perceived more positively when other cues are available (Ahmed & d'Astous 1995, 46-7). Previous research has found that cost and reliability are strengths for India and emerging economies in general (see e.g. Carter et al. 2008, 237-8; Cho & Kang 2001, 559). Emerging economies are usually at a disadvantage in other supplier selection criteria such as quality, delivery and CSR (see e.g. Saghafi & Puig 1997, 328-30; Cho & Kang 2001, 559). Based on this, the third and fourth pre-assumptions state:

Pre-assumption 3a: India will be perceived positively for cost related factors.
3b: India will be perceived positively for reliability related factors.

Pre-assumption 4a: India will be perceived poorly for quality related factors.

4b: India will be perceived poorly for delivery related factors
4c: India will be perceived poorly for CSR related factors.
4d: India will be perceived poorly for technology related factors

Cultural proximity in general is also important in the context of trade between Finland and India as it is generally considered to be an influential factor in global sourcing activities (see e.g. Bowman et al. 2000, 671; Jin & Farr 2010, 39). However, when evaluated along Hofstede's dimensions of culture, Finland and India are very different in terms of power distance, individualism, masculinity, uncertainty avoidance and long-term orientation. The two countries have very different histories and are at different stages of economic development (developed country vs. emerging economy). Thus, the last pre-assumption states:

Pre-assumption 5a: India will be perceived to be culturally different from Finland.
5b: India will be perceived to be economically different from Finland.
5c: India will be perceived to be geographically different from Finland.

Finally, a model of these supplier selection criteria, their components and how they relate to the supplier selection process have been summarized in Figure 10. For the purposes of this thesis, the components of each supplier selection criteria have been largely based on Teng and Jaramillo's (2006) model of supplier selection in the textile industry. For criteria that are not included in the model, the components have been created by the author (ethical employment practices, environmentally friendly production, cultural proximity).

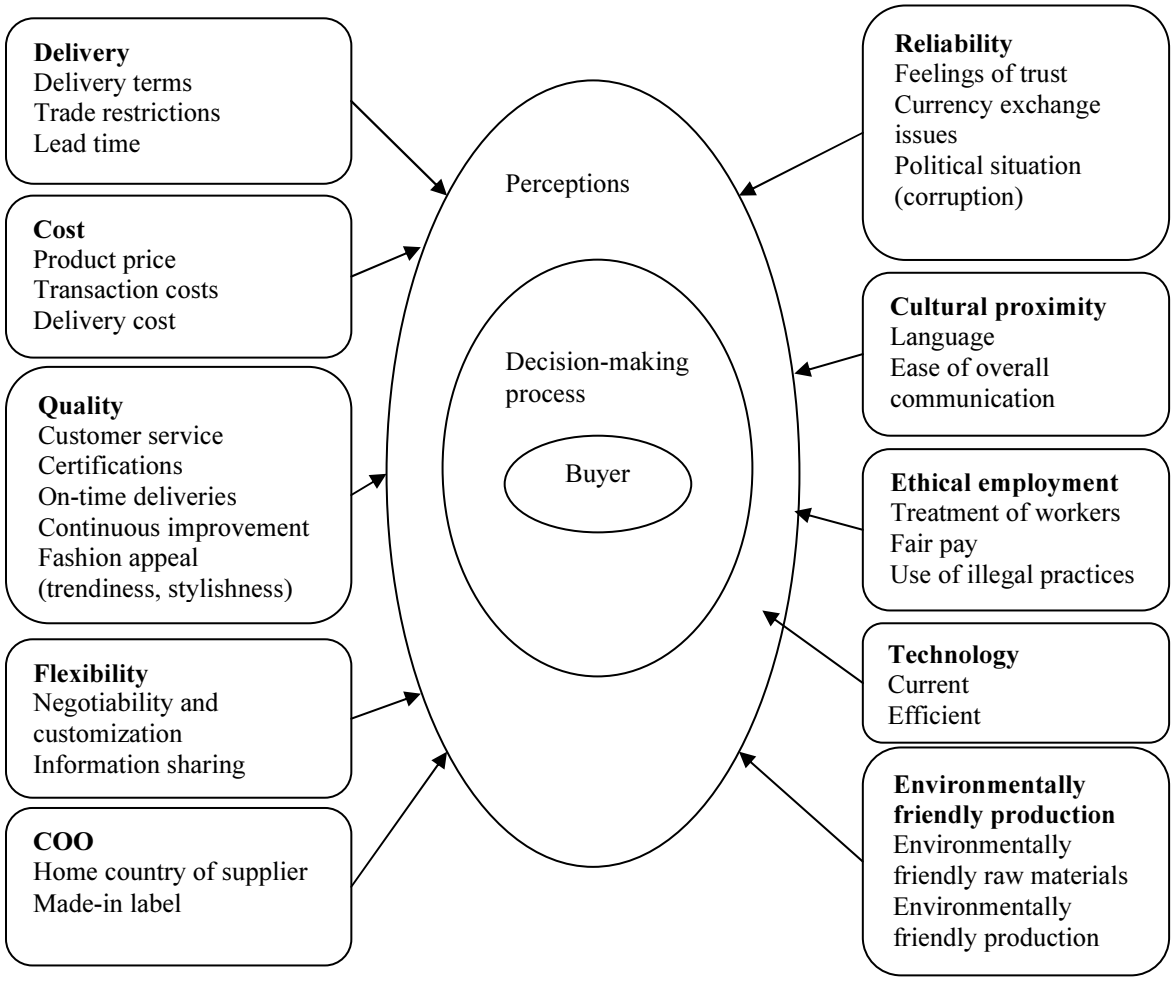

Figure 10 A model of supplier selection criteria and their components

The pre-assumptions stated previously and the model above will be used in drafting the survey for this thesis and evaluating its results. Together with the results of the survey, they will also be used as a starting point on creating themes and a structure for the in-depth interviews. The results of the survey and interviews will be used together to answer the main problem statement and its subquestions, outlined in chapter 1 of this thesis.

3 RESEARCH DESIGN

3.1 Mixed methods research

Traditionally, empirical research has been divided into quantitative and qualitative methods, representing the positivist and constructivist research paradigms respectively. Debates have been had over which of these methods is superior, as a result of which a third option has emerged: mixed method research, which combines both these methods. (See e.g. Tashakkori & Teddley 1998, 3-5.)

The purpose of quantitative research is to measure a set of variables in order to test a pre-determined hypothesis in an objective way. This is done through the application of statistical methods to convert the raw data from quantitative research into numerical information. In quantitative research methods verifiability is very important in establishing legitimacy, reproducibility, reliability and objectivity. Research methods must be transparent and well-designed so that others may reproduce them to confirm the results. (see e.g. Grix 2010, 118; Creswell 2009, 4.) Hypotheses are generally generated based on previous research and follows a deductive line of reasoning (Creswell 2009, 4). For this thesis, a set of pre-assumptions have been made in chapter two and evaluated in chapters four and five.

Qualitative research, on the other hand, does not generally use statistical analysis methods or quantify its results (Ghauri & Grøhaug 2010, 104); instead, qualitative methods use textual data, open-ended questions and the interpretation of themes and patterns (Creswell 2009, 15). . It emphasizes in-depth knowledge about a small number of observations, whereas quantitative research aims to have a large number of observations and the knowledge gained from it is usually limited in depth (Ghauri & Grøhaug 2010, 107). Qualitative research is especially suited for situations where the researcher wants to examine a phenomenon about which little is known, study a person's behavior, or when the research topic cannot easily be examine in sufficient depth through quantitative data (Ghauri & Grøhaug 2010, 105-6; Morse 2006, 318). Qualitative research uses an inductive line of reasoning (Morse 2006, 318).

There exists also a third option for research methods, mixed method research. This approach combines quantitative and qualitative techniques in the same study during implementation, integration, interpretation and/or before data collection (Hurmerinta & Nummela 2006, 441). They key is to use these methods in a complementary way so that the resulting study is stronger than it would have been if using only one of the methods (Creswell 2009, 4). Whereas quantitative research methods provide breadth, and qualitative methods provide depth, mixed method research can provide both (Foss &

Ellefsen 2006, 356). However, it is important that both research methods are conducted appropriately, following the good research standards set for them (Morse 2006, 320).

The purpose of mixed methods research can be to facilitate the use of one research method in later parts of the study, improve reliability or gain a more in-depth understanding of the topic (Hurmerinta & Nummela 2006, 442). Mixed methods research is especially useful in International Business studies as the field is complex and offers a large number of research topics that are still lacking adequate theoretical framework (Hurmerinta & Nummela 2006, 440). The motivation for using mixed methods research for this thesis is two-fold. Firstly, the author would like to cover a wide scope of themes within the research topic to gain a more in-depth understanding of it, which is difficult to do in a questionnaire alone. Secondly, qualitative research results often have limited generalizability, which in turn can be provided with quantitative methods.

There are three types of mixed method strategies. In a sequential strategy, the purpose of to expand on the findings of one method with those of another, whereas in a concurrent strategy the two types of data are collected at the same time and then merged with the purpose of gaining a more in-depth understanding of the topic. In a transformative strategy, a theoretical framework is used to look at the overall topic and research design. (Creswell 2009, 12-3.) Sequential strategies can be explanatory (first quantitative, then qualitative research), exploratory (first qualitative, then quantitative research) or transformative, whereas concurrent strategies can be triangulation-based, embedded or transformative. The concurrent triangulation strategy uses both research methods in an equal way, whereas in the embedded approach one method is dominant while the other one's role is supportive (Creswell 2009, 211-6).

A sequential explanatory strategy is used to examine the research topic of this thesis. The quantitative and qualitative data of this thesis has been combined at the analysis and interpretation phases of the empirical research process. Although it is possible for one research method to be dominant (Jick 1979, 607; Tashakkori & Teddley 1998, 43), quantitative and qualitative research methods have equivalent status in the research design. Figure 11 depicts the workflow for this thesis. A quantitative questionnaire has first been sent out to Finnish T&C buyers in order to study their supplier selection practices and COO perceptions of India. After this, qualitative interviews have been conducted with select buyers and exports to gain a more in-depth understanding of their supplier selection practices and experiences of Indian suppliers.

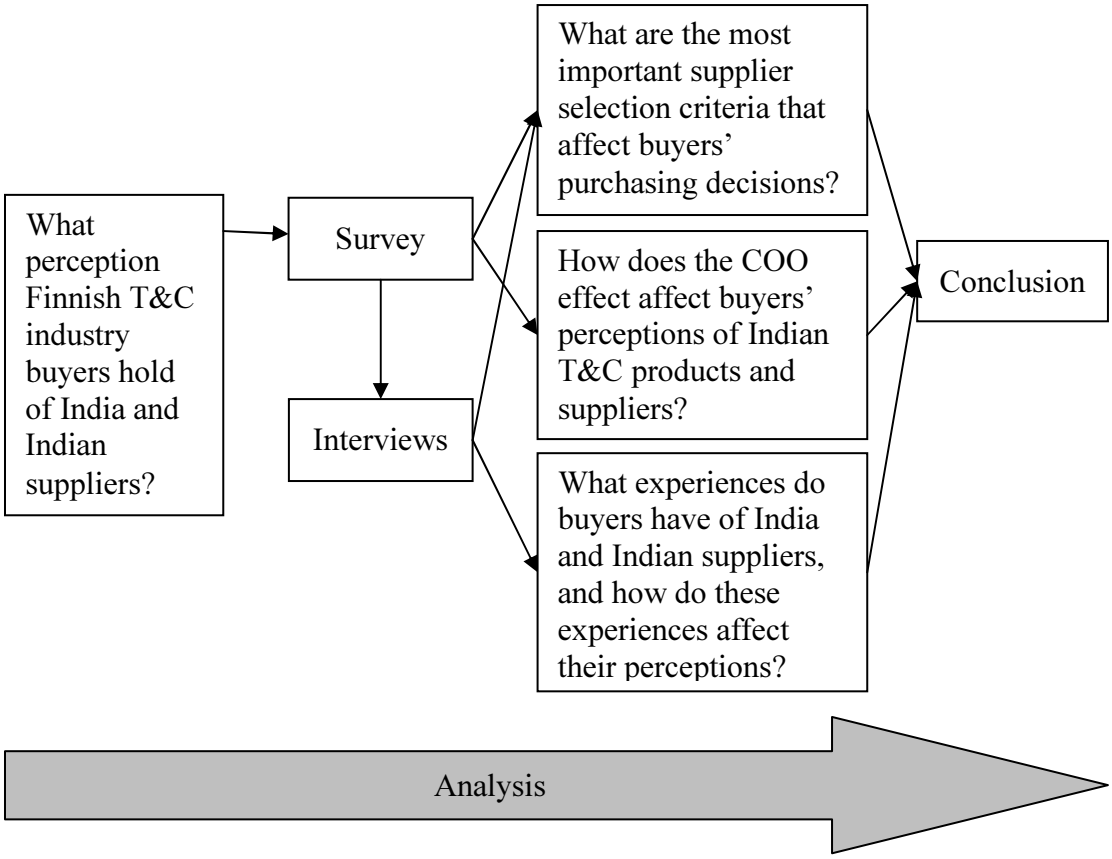

Figure 11 Worflow for the empirical portion of this thesis

Although mixed methods research is a good tool for providing a more comprehensive and reliable understanding of a topic, it has some drawbacks and challenges. Fitting the results of the two research methods together can be a challenge. For example, if results are contradictory, the researchers must consider which results (or perhaps whether neither) are valid (Jick 1979, 607; Foss & Ellefsen 2006, 354). On the other hand, contradictory results can provide opportunities for more complex explorations of the research topic (Jick 1979, 607). In this thesis, some discrepancies were found in reliability perceptions in the questionnaire and interviews; deliberations on the possible causes for this are found in chapter four and five.

Data collection in general is more extensive in mixed methods research, and therefore also more time-consuming. Similarly, analyzing both numerical and textual data is time-consuming and requires that the researcher be familiar with the requirements of both quantitative and qualitative research. (Creswell 2009, 205.) For this thesis, time constraints have not been a problem. The biggest challenge has been in familiarization with both quantitative and qualitative research methods. The author has reviewed literature on both surveys and interviews and aimed to follow their recommendations for the respective research components.

The biggest threat to validity in mixed methods is the combination of qualitative and quantitative samples in inadequate ways. When starting out with a qualitative sample, it is generally inadequate to meet the standards for representativeness. When starting out with a quantitative sample, it is possible to choose the qualitative sample from the quantitative one, but this must be done in a way that ensures that the selected respondents are good examples to study. (Morse 2006, 321-2.) This thesis started with a quantitative sample. All respondents were excellent candidates also for the qualitative portion of the research as they were all experts in T&C purchasing. Nevertheless, respondents outside of the quantitative sample were also sought out in order to gain more varied perspectives on the research topic. Finally, replicability of mixed methods research is poor due to the difficulty of replicating qualitative research (Jick 1979, 609).

3.2 Survey research

3.2.1 Survey design

Surveys are perhaps the most commonly used research method in business research (Adams, Khan, Raeside & White 2007, 111). They provide "a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population" (Creswell 2009, 12). The aim is to gain results that can be generalized to the population being studied (Creswell 2009, 12; Fowler 2009, 11). The benefits of survey research, as compared to other research methods, are a better possibility for unbiased sampling and standardized measurement across all responses (Fowler 2009, 3). As the purpose of this thesis is to understand the views that the population of Finnish T&C buyers hold of Indian suppliers, a survey is a good tool to gain general results for the population in question.

Surveys can be either cross-sectional or longitudinal, i.e. the data can be collected at one time of over a longer time period (Creswell 2009, 146). Additionally, there are two main types of questions that can be used in a survey, open and closed. In open questions respondents are able to answer in their own words, whereas in closed questions their answer choices are restricted. Closed questions are easier to handle in the data analysis stage, but open questions enable respondents to answer in more depth. (see e.g. Adams et al. 2007, 132; Stopher 2012, 145-8.)

The survey administered for this thesis is a cross-sectional, self-administered online questionnaire. The purpose of this thesis is to find out the attitudes of Finnish T&C buyers toward Indian suppliers at this moment, hence a cross-sectional survey. A self-administered online questionnaire was chosen for convenience and cost purposes:

online questionnaires are easy and (almost) free to send out to respondents by email, and they are easy for respondents to answer at their own convenience. The collection of data is also simplified as the chosen questionnaire platform (Webropol) provides basic reports and gives the data in a format that is easily transferrable to statistical analysis programs like SPSS.

The questions for this questionnaire were all closed ones. Although this prevents spontaneous answers and limits the depth of responses, the aim of the survey was to gain a general picture of the research subject and therefore the limited response possibilities offered by closed questions were deemed sufficient. More in-depth knowledge is provided by the interviews that were administered after. Misinterpretation of question and answer choice wording was minimized by pre-testing the survey with an expert in the T&C industry.

As recommended by most books on survey research, the questionnaire was kept as short as possible while covering as wide a range of questions and answer choices as possible in order to fully answer the research questions (see e.g. Rae & Parker 2005, 31-2). The survey was also pre-tested to ensure clarity, professionalism and the time taken to complete the survey, as recommended by various guides on survey research (see e.g. Fowler 2009). The survey was conducted in cooperation with Finatex to motivate respondents to answer. The author first developed the questionnaire on her own after which it was reviewed by her thesis advisors. After modifying the questionnaire based on their feedback, the author then sent it to Finatex to be reviewed. After receiving feedback on the terminology, prices and order amounts used in the survey, the author made minor modifications to it. The survey was also pretested by a colleague of the author in order to determine the time taken to answer it. The response time varied from 10 to 15 minutes based on whether the respondent buys both textile and clothing products, or only one or the other. If the respondent buys both types of products in their job, they are shown each question twice, once in relation to textile products and once in relation to clothing products. Completing the survey thus takes more time for them.

The product and supplier criteria used in the questions have been selected from supplier selection criteria literature (see e.g. Verma & Pullman 1998; Ho et al. 2010), with a specific emphasis on the textile industry (Chen 2011; Teng & Jaramillo 2006) and sourcing from emerging economies (see e.g. Motwani et al. 1999; Carter et al. 2008). As the number of different criteria suggested in supplier selection literature is very large, only those criteria that have been identified as generally important, significant for the textile industry or important for Finnish companies sourcing from emerging economies have been taken into account in this survey.

The most important criteria used by buyers to evaluate suppliers have been identified as quality, cost, and delivery (see e.g. Verma & Pullman 1998, 746; Ho et al. 2010, 21). These results have been confirmed for the T&C industry in particular (Jin & Farr, 41-2).

In addition to these, criteria identified as noteworthy for the textiles industry are reliability, flexibility (Teng & Jaramillo 2006, 509) and product differentiation (Chen 2011, 1662). Further, criteria that are significant for buyers when sourcing from emerging economies are cultural and geographical proximity as well as political factors (Oke et al. 2009, 158-9). It is worth noting, however, that geographical proximity and political factors are included in Teng & Jaramillos supplier selection model as components of delivery and reliability respectively.

As in Jin & Farr's (2010, 38) study in the T&C industry, COO will be included in order to examine whether Finnish T&C buyers have different biases towards Indian suppliers based on their nationality. Finally, ethical employment practices and environmentally friendly production will also be included as criteria in the survey due to the emphasis in recent years on CSR, both in academic literature (see e.g. Shallini 2011; Lee et al. 2012) and real-life business practice (see e.g. Hopkins 2008) As India has experienced problems with capacity and production technology, we will also examine technological capabilities in the survey. Please see Table 1 for a full list of the used supplier selection criteria and their components. The code column lists the codes of the questionnaire items used to measure each component. These codes, with their associated items, criteria and scores can be found in Appendix 4.

Table 1 Supplier selection criteria and their components

Criteria	Literature	Component	Code
Delivery	*see e.g. Verma & Pullman 1998; Ho et al. 2010*	Delivery terms	P1
		Trade restrictions	P2
		Lead time	S1
Cost	*see e.g. Verma & Pullman 1998, 746; Ho et al. 2010*	Product price	P3
		Transaction costs	P4
		Delivery cost	S2
Quality	*see e.g. Verma & Pullman 1998, 746; Ho et al. 2010*	Customer service	S6
		Certifications	P1+P7
		On-time deliveries	P5
		Fashion appeal	P8+P9
		Continuous improvement programs	S9
Flexibility	*Teng & Jaramillo 2006*	Negotiability and customization	S3
		Information sharing	S4
Reliability	*Teng & Jaramillo 2006*	Feelings of trust	S7+8
		Currency exchange issues	P6
		Political situation (corruption)	S9
Cultural proximity	*Oke et al. 2009 Chen 2011*	Language	S11
		Ease of overall communication	S5+S12
Environmentally friendly production	*Shallini 2011 Lee et al. 2012*	Environmentally friendly raw materials	P10
		Environmentally friendly production	S16
Ethical employment	*Shallini 2011 Jin & Farr 2010 Sen et al. 2008*	Treatment of workers	S13
		Fair pay	S14
		Use of illegal practices	S15
Technology	*Sen et al. 2008*	Current	S17
		Efficient	S18
COO	*Jin & Farr 2010*	Home country of supplier	CO1
		Made-in label	CO2

The questionnaire was sent to respondents by an email which contained a cover letter and a link to the survey. The cover letter informed respondents of the purpose of the research, that it is part of a Master's thesis for the author and also aimed to motivate respondents to answer. The survey itself contained an introduction, body and basic data. The introduction again describes the purpose of the survey as well as the author and

general topic of this thesis. Respondents are informed that the survey is being conducted in cooperation with Finatex in order to encourage them to respond.

The question types in the questionnaire body and basic data have been based on methods used existing COO and supplier selection literature. The survey first asks some general questions about the respondent and their employing company. Respondents are then asked to choose suppliers for three different products. The purpose of this question is to find out which supplier selection criteria are most important to buyers in practice and to evaluate whether COO affects purchase buyers' decisions in a multi-cue situation. In order to keep the questionnaire short and to simplify measurements, only COO and the criteria generally considered most important in supplier selection literature, namely quality, cost and delivery, have been taken into account here.

The third section of the survey aims to find out the general supplier selection criteria used by Finnish T&C buyers by asking respondents to choose and rank the most important supplier selection criteria that they use in the supplier selection process. The fourth section aims to find out Finnish buyers' perspectives on Indian suppliers using components of the supplier selection criteria chosen previously. The rating system used is a 5-point Likert scale, in which 1 means completely disagree and 5 means completely agree. The components of each supplier selection criteria have been largely based on Teng and Jaramillo's (2006) model of supplier selection in the textile industry. For criteria that are not included in the model, the components have been created by the author (ethical employment practices, environmentally friendly production, cultural proximity). The criteria and their components have been shown in section 2.4, Figure 10.

After this, respondents are asked to give their perceptions of India as a whole. The purpose was to assess how respondents perceive India's COO image. The measurement scale used in this question is the scale for measuring COO image originally developed by Parameswaran and Pisharodi (1994) (hereby called the P&P scale). The items used in this scale can be found in Table 2. COO in this model is measured along general country attributes (GCA), general product attributes (GPA) and specific product attributes (SPA). Each of these categories is further divided into clusters. GCA items are divided into the people facet (GCA1), measuring the general attributes of a country and its people, and interaction facet (GCA2), measuring the interaction between a COO and the respondent's home country. GPA items are divided into undesirable attributes (GPA1), desirable attributes relating to promotional image (GPA2) and desirable attributes relating to product image (GPA3). In the original article by Parameswaran and Pisharodi, SPA items are divided into desirable and undesirable attributes for blenders (SPA1 and SPA2 respectively), as well as items measuring the SPA facet for automobiles (SPA3). (Parameswaran & Pisharodi 1994, 48-50, 53.) As the purpose of

this thesis is to measure India's COO in general, not from the point of view of a specific product, only GCA and GPA items will be used.

The P&P scale has been subsequently reviewed and revised (see e.g. Meng, Nasco and Clark 2007; Pereira, Hsu & Kundu 2005). The version used in this thesis is suggested by Meng et al. (2007). Based on their recommendations, some measurement items have been dropped from Parameswaran and Pisharodi's original list. The items not used in this thesis are marked with a star. Items which were rejected originally by Parameswaran and Pisharodi (1994), but included in this study as per Meng et al.'s (2007) suggestions are in italics. The statements used to evaluate each item have been taken directly from Meng et al. but they have been translated into Finnish. Each statement is evaluated on a 5-point Likert scale. Translations have been made with the aim of preserving the original meaning of each statement, not as word-for-word translations. The used list of statements can be found in the questionnaire in Appendix 2.

Table 2 Parameswaran and Pisharodi's scale for measuring CO image (Parameswaran and Pisharodi 1994; Meng et al. 2007)

General country attributes	GCA1	Friendly and likeable* Artistic and creative* Well educated* Achieving high standards Raised standard of living Technical skills *Technical education* Hard working
	GCA2	Similar political views Economically similar Culturally similar *Participation in international affairs*
General product attributes	GPA1	Imitations Not attractive Frequent repairs Difficult to service* Cheaply put together
	GPA2	Sold in many countries Intensely advertised Easily available Advertising informative
	GPA3	Long-lasting Prestigious products Good value High technology *Good workmanship* *Wide product range*
Specific product attributes	SPA1	Difficult to find spares Not durable Not safe
	SPA2	High quality Very good workmanship Exterior design attractive Compact Versatile Operates very quietly Good value for money Overall excellent
	SPA3	Workmanship good Handles well Little maintenance Made to last

Italics= items which were originally rejected by Parameswaran and Pisharodi (1994) but included in this survey as per Meng et al.'s suggestions (2007).

*= items which have not been included in this survey as per Meng et al.'s suggestions (2007).

On the last page, the questionnaire gives respondents the opportunity to leave their contact information if they would like to participate in further interviews in relation to this thesis.

The wording of the questions has been adapted for different purchasers based on the products that they purchase (textile vs. clothing products) and whether the products are

designed in-house or not. In section two, the product prices and order amounts have also been adapted to be better applicable to each product type. This has been done to ensure that respondents fully understand the questions, feel that they are applicable to their job and thus feel more inclined to answer. The respondents are asked whether they purchase textile or clothing products and whether most of their products are designed in-house, and based on these answers the online survey form directs them to the correct question. Respondents who purchase both clothing and textile products are shown the questions for both textile and clothing products.

3.2.2 Reliability and validity of survey measurements

In order to establish the generalizeability and replicability of survey research, the validity and reliability of the measurement instruments must first be established. Validity can be divided into three components: internal, external and construct validity. Internal validity refers to how well the survey measures what it is supposed to measure, whereas external validity is the extent to which the results of a survey can be generalized to the population (Yeung 1995, 319-29; Ghauri & Grøhaug 2010, 83-4). Construct validity refers to whether operational measurements (i.e. measurement scales) measure what they are supposed to measure (Ghauri & Grønhaug 2010, 81).

The types of questions used and the supplier selection criteria examined in the questionnaire were chosen based on a review of previous literature on the topic. Apart from the basic questions asking respondents for background information, the questionnaire for this thesis contained mainly subjective questions. For the section concerning India's general COO, Parameswaran and Pisharodi's scale was used. This measurement scale has been tested and found to be generally valid (see e.g. Pawameswaran & Pisharodi 1994; Meng, Nasco and Clark 2007; Pereira, Hsu & Kundu 2005), although there are some countries where it may not apply (Pereira et al. 2005, 105). All facets identified by P&P were found to have high reliability and unidimensionality. Nevertheless, the scale has some limitations. The items relevant to measuring CO image may vary per country and so a completely standardized approach to measuring CO may not be best. (Parameswaran & Pisharodi 1994, 54). This has been taken into account in the variation of the scale developed by Meng et al. (2007), who examined the validity of the scale in different cultures.

On the other hand, the measurement scale used in the sections on Indian T&C suppliers image were developed by the author, and have not been validated in previous research. In order to improve internal validity, however, the selected items and variables were carefully selected based on previous research in supplier selection. In subjective questions, internal validity also relies on the reliability of questions; they must be

unidimensional and monotonic, i.e. each question must deal with only one issue and be presented in order (Fowler 2009, 110). These same principles have been followed for all questions in this thesis.

External validity can be evaluated by evaluating the appropriateness of the sampling frame and sample to the research context. The more comprehensive a sample is, the more valid and representative the results are. In this case the used sampling methods covered a large section of the population of Finnish T&C industry companies. The only respondent group that was systematically excluded were those who could not be reached by email. However, the response rate for the questionnaire was very low, and the resulting sample (n=15) is very small. The chance for sampling error in such a situation is naturally higher than it would be for a more sizeable sample, i.e. the chance that the sample is not representative of the population of Finnish T&C buyers is larger. The small sample size also restricts the available data analysis methods. External validity can also be evaluated by replicating research, but due to resource limitations and the scope of this thesis, this was not possible in this case. Overall, these factors have a negative impact on the validity of the survey findings.

Construct validity can be divided into discriminant and convergent validity, i.e. whether measured items do not correlate with items they should not correlate with, and whether they correlate with items they should correlate with (see e.g. Ghauri & Grønhaug 2010, 81; Lehman 1988, 411). For Likert-scale questions, discriminant validity is commonly measured with exploratory, confimatory factor analysis or structural equation modeling (see e.g. Lehmann 1988, 412-3), but they generally require a sample size of at least 50 in order to be reasonably reliable (Hox, Maas & Brinkhuis 2010, 167). Due to the small sample size (n=15) of the questionnaire for this thesis, these analyses could not be done for the author's own measurement scales. This seriously limits the ability to evaluate the construct validity of the author's own measurement scales. Convergent validity is generally established in surveys with a Pearson's correlation analysis (Lehmann 1988, 411). This requires bivariate normality and a sample size of at least 25 (Bonett & Wright 2000, 24). In the case of this questionnaire, these conditions are not met.

Reliability in turn can be divided into external and internal reliability, sometimes also referred to as reliability and internal consistency reliability. External reliability refers to how consistently the research can be replicated. Internal validity, on the other hand, refers to whether a scale is unidimensional, i.e. measures just one idea. (Malhotra & Birks 2007, 357-8.) To test external reliability, there are two possible methods: the test-retest method and the use of alternative measurement forms (Tull & Albaum 1973, 94-6; Malhotra & Birks 2007, 357-8). These methods require the administration of two separate questionnaires and thus are impractical for use in this thesis due to resource restrictions.

Internal reliability, on the other hand, is usually established with the aid of Chronbach's alphas (Cortina 1993, 98) or the split-half method (Tull & Albaum 1973, 96-7). Again, however, the minimum sample size for Cronbach's alpha is generally recommended to be at least 30, in some cases over 300 even (see e.g. Sheng & Sheng 2012, Introduction), and thus its use in the evaluation of this questionnaire would not be reliable. Similarly, the minimum sample size for the split-half method is approximately 30 (Javali 2011, 4). Neither method can therefore be used in this thesis to evaluate the reliability of measurements developed by this author.

3.3 Interviews research and design

Like surveys, interviews are a very common research tool especially in international business studies (Yeung 1995, 322). There are three main types of interviews: structured, unstructured and semi-structured. Structured interviews have a standard format and fixed answer categories, like in surveys. Unstructured interviews are the opposite; the interviewee is allowed to discuss a subject freely, with the interviewer only to ask lead questions and record responses. Semi-structured interviews fall between these two extremes. In semi-structure interviews, the questions, topics to be covered and sample sized are usually predetermined. (Ghauri & Grøhaug 2010, 126.)

Unstructured and semi-structured interviews have some advantages over surveys: they generally have a higher response rate, enable the researcher to talk to the right person at a company and provide more in-depth information (Yeung 1995, 329). This means that they can provide a clearer, more accurate representation of respondents' opinions because their choice of responses is not limited (Ghauri & Grøhaug 2010, 126). For this reason, semi-structured interviews were chosen for the purposes of this thesis, both for the company and expert interviews. The expert interview was conducted first, with the purpose of gaining some background information on Finnish companies' operations in India that could be used in planning the company interviews.

First, the interview structure was divided into general themes such as general supplier selection practices and Indian suppliers. Next, sample questions were made for each theme. However, these were not necessarily asked if not necessary, e.g. if the answers were given in relation to some other theme or question. Likewise, the interviews did not strictly follow the planned structure, but rather the author posed questions relating to the respondents' answers, even if they concerned another theme or were completely new questions. Themes and questions were revisited later on in the interviews if clarification or further information was needed. Some new topics emerged during the interviews, and these were added to the sample question list for later interviews if appropriate.

Interviews are particularly well suited for exploratory studies, when the population is small or for developing a deeper rapport with the respondents is desired (Daniels & Cannice 2004, 186-7) or when the topic being studied is sensitive or complicated (Ghauri & Grøhaug 2010, 126). This thesis is most in line with the first situation: there is little research into the supplier selection practices of Finnish companies and even less research into the supplier selection practices of Finnish T&C companies. Additionally, although trade relations with India have been explored in some Finnish T&C industry projects and publications, there is a lack of academic research on the topic.

However, it must be kept in mind that interviews are not purely objective research tools that collect data; instead, they are communicative events in which both interviewer and interviewee take part in social interaction and the exchange of information. No two qualitative interviews are the same and each interview is constantly changing based on the interview context and the shared information. Social context and especially power relations can affect the information that is shared in interviews, so researchers must take into account not only what is said by the interviewee, but how and why they say it. (Yeung 1995, 322.) Content analysis is a useful tool for this purpose (Tashkakkori & Teddley 1998, 122), and has thus been used in this thesis. In order to execute high quality content analysis, there is the issue of how the interview data is recorded. Generally, it is recommended that interviews be recorded and transcribed in order to avoid problems caused by the accuracy of the interviewer's notes and memory (see e.g. Kvale 1996, 160-1, 166-7). In order to ensure accuracy, all interviews for this thesis were recorded and transcribed, in addition to which the interviewer took notes during the interview.

Challenges inherent in interviews are a lack of statistical sampling coverage, the question of how to ensure verifiability and reliability (Yeung 1995, 330) and the effect that the interviewer can have on the research process through their subjective behavior and interpretation of results (Yeung 1995, 330; Ghauri & Grøhaug 2010, 127). Good interviewers are knowledgeable, structured, clear and allow the interviewee to speak freely. It is very important that the respondents are free to answer the questions as they please, i.e. questions should not be asked in a leading way. Further, a good interviewer is attentive, steers the conversation in the right direction and is critical of the respondent's statements, for example through asking interviewees to confirm, clarity or elaborate on their statements. (Kvale 1996, 148-9.) The interviewer for this thesis avoided leading questions, for example by carefully formulating some basic questions for the interview structure. She also asked interviewees to confirm some important statements during the interviews.

Interviews can also take a long time when compared to surveys and require good interviewing skills and good knowledge of the research topic from the interviewer (Ghauri & Grøhaug 2010, 127). The interviewer for this thesis was very familiar with

the theory behind supplier selection and country of origin prior to planning and executing the interviews. Additionally, she had completed a preliminary analysis of the questionnaire results, familiarizing her with the overall views of Finnish T&C buyers. This enabled her to explore the interview topics in more depth.

3.4 Data collection and description of the respondents

3.4.1 Survey

The survey for this thesis was sent to companies operating in the "traditional" T&C sector, i.e. clothing and non-technical fabrics like cotton, knitted fabrics etc. This is because these products make up the overwhelming majority of the Finnish T&C import market. Additionally, technical products like pressfelts and glass fiber products are used for much more specialized purposes than traditional clothing and non-technical textiles, and thus supplier selection practices and perceptions for these different product groups are likely to differ significantly. Excluding technical products from the survey thus minimizes confounding factors and ensures that the results are generalizable.

The survey was administered as an online questionnaire and distributed to the sample companies by email. Due to the relatively small amount of Finnish companies that purchase T&C products (approximately 140 Finatex members and an unknown number of retailers), the survey was sent to all companies that the author could find valid contact details for. This was done to ensure a sufficient number of responses. The survey was directed specifically at Finnish T&C companies producing and selling non-industrial T&C products. Foreign companies that have stores in Finland, such as Zara or Hennes & Mauriz, were excluded from the sample. This is because purchasing for international chains is usually centralized to some degree, meaning that the buyers in charge of Finnish purchasing may not be involved with the supplier selection process or be in direct contact with suppliers.

In quantitative research, the basic types of sampling are simple random sampling, systematic sampling, stratified sampling and cluster sampling (Fowler 2009, 24-5; Ghauri & Grøhaug 2010, 141-4.). In simple random sampling, individuals are selected from a population completely randomly, for example with the help of a numbered list of individuals and a random number generator. In systematic sampling, individuals are selected systematically. For example, every tenth individual may be selected from a numbered list. (Fowler 2009, 24; Ghauri & Grøhaug 2010, 141-3.) In stratified sampling, the population is divided into independent subsets, and a simple random sample of individuals is chosen from each subset. In cluster sampling, the population is

also divided into subsets, but the sample is obtained by choosing a random sample of the subsets, not the individuals. (Ghauri & Grøhaug 2010, 143-4; Stopher 2012, 316.)

There are also nonrandom sampling methods. Nonrandom sampling methods include quota sampling, which does not take into account population strata like in cluster sampling, and judgment sampling, which relies on the researcher's expertise to choose the "correct" respondents. Haphazard samples occur when random sampling is done without the use of a strict random sampling procedure. Finally, convenience sampling occurs when the sample is taken in a way that is convenient to the researcher. (Stopher 2012, 334-6.) Nonrandom sampling methods are generally not recommended, at least when researchers want to estimate population values or standard errors, but there are situations in which their use is acceptable. For example, resource restrictions may mean that certain random sampling methods would be too costly to implement (Stopher 2012, 334). On the other hand, nonrandom sampling methods may be perfectly acceptable for exploratory research, developing hypotheses or developing survey designs (Stopher 2012, 335).

For this thesis, respondents were selected in two stages using convenience sampling. Convenience sampling is generally the least reliable form of sampling, but it is also the cheapest and easiest (Adams et al. 2007, 90). This sampling method was used due to its low costs and the author's intention to include a significant portion of the total population of traditional T&C companies in the sample, minimizing any possible bias introduced by this nonrandom method. First, traditional T&C companies were selected from Finatex's list of members. Companies were included in the sample if they sold consumer T&C products or work clothing. Search results were only discarded if the author was not able to find a valid email contact for them or they sold organizational T&C products. Out of 139 individual companies, 67 were discarded because they did not sell traditional T&C products, no longer existed or the author was not able to find a valid email contact. As the vast majority of companies were discarded due to them not producing traditional T&C products, the bias introduced by convenience sampling is likely to be small. In this step, 72 companies were included in the sample.

Secondly, convenience sampling was used to find companies that purchased T&C products but were not members of Finatex through the Fonecta company search portal. This would include, for example, retailers like department stores. These companies purchase significant amounts of T&C products but are not specifically specialized in their retail, and thus are not necessarily members of Finatex. Search words used to find T&C companies through Fonecta were "department store" (tavaratalo), "clothing stores" (vaateliikkeitä, vaatekauppoja) and "fabric stores" (kangaskauppoja). Search results that referred to malls or Finatex member companies were discarded. All in all, this step of the sampling process produced 32 companies.

Contact details of purchasing and product managers were either request from the companies or found through publically available information on the companies' websites. Some companies used outside purchasing companies, in which case the survey was sent to the T&C buyer at the purchasing company. Additionally, in some cases members of the same corporation used the same purchasers. In total, the questionnaire was sent 99 purchasers.

The survey was sent to the respondents on October 2nd , 2012 by email. Emails were sent so that the contact details of the potential respondents could only be seen by the sender, i.e. the author of this thesis, in order to preserve anonymity. Respondents were given 3 weeks and 3 days to respond to the questionnaire, with two reminders sent out approximately one week apart. Although respondents could provide their contact details for potential in-depth interviews after the survey, this information was not used in the analysis of the survey results.

Of the 99 purchasers that the questionnaire was sent to, 15 responded. The response rate was thus low at just 15.15%, with 84 nonrespondents. The rate of item nonresponse was low, with most questions being answered by all respondents and some questions having only one (1) missing response.

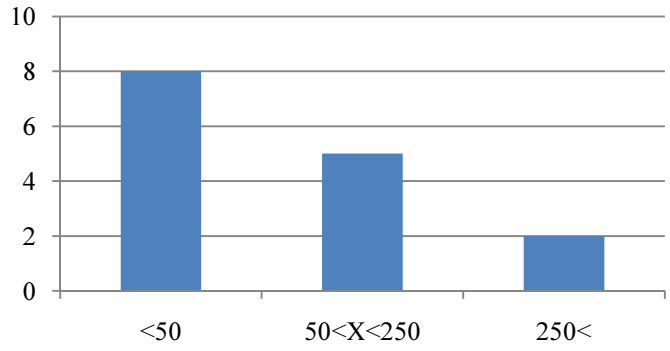

Figure 12 Number of employees of respondent companies

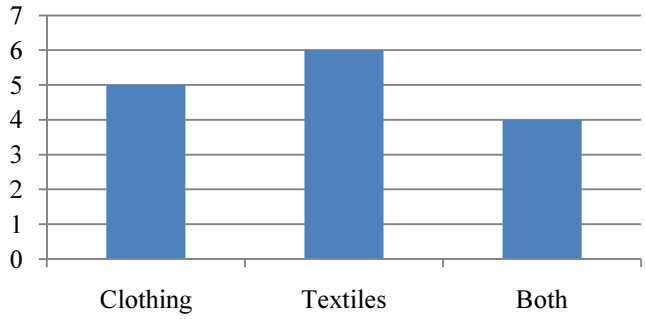

Figure 13 Products purchased by respondents

As would be expected based on the Finnish T&C industry structure, the majority of respondents (86.67%) were from small (under 50 employees) or medium-sized (under 250 employees) companies (Figure 12). Two respondents (13.33%) were from large (over 250 employees) companies. As the share of small companies in the sample is 53.33%, medium-sized and large companies are nevertheless somewhat over-represented in the sample, as 84% of Finatex members are small companies. This may skew the results of the questionnaire to represent the views of medium-sized and large companies, which nevertheless make up the minority of the Finnish T&C industry. Also as expected, the majority of respondents were involved with purchasing either clothes (33.33%) or textiles (40%) (Figure 13). Only 26.67% of respondents bought both. Also as expected, the vast majority (86.67%) of companies that the respondents worked for designed their own products (Figure 14).

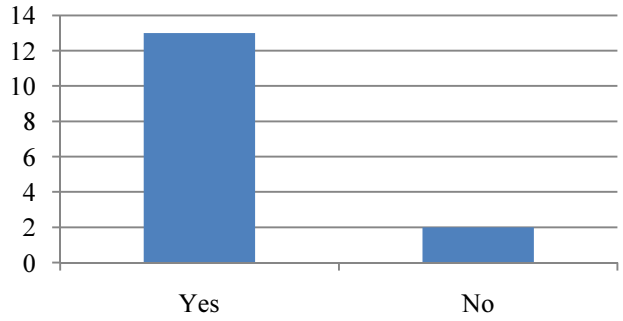

Figure 14 In-house design of respondent companies

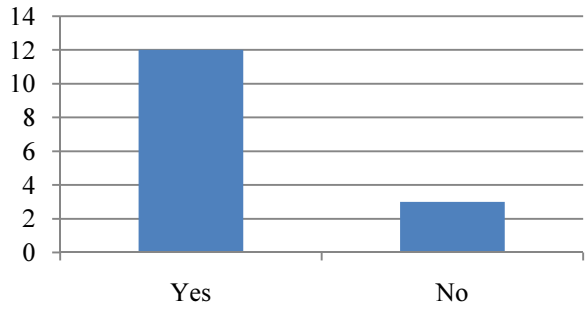

Figure 15 Respondents' previous experience with Indian suppliers

Unexpectedly, the majority of respondents (86.67%) had previous experience with Indian suppliers (Figure 15). This could be due to respondent biases, i.e. only those with experience with Indian suppliers were interested in the questionnaire topic or wanted to answer for other reasons. The author had attempted to counter this when sending out the questionnaire by emphasizing in the reminders that experience with Indian suppliers was not necessary in order to answer the questionnaire as it measured perceptions, not

concrete experiences, but it is possible that this was insufficient to counter respondent bias. It is also possible that many Finnish T&C companies have made some purchases from India, but that they have been very small or experimental in nature (as was the case in some of the interviewed companies for this thesis), and thus do not contribute to raising the level of T&C trade between Finland and India.

3.4.2 Interviews

Qualitative research emphasizes in-depth understanding and the creation of explanations for phenomenon over hypothesis testing and generalized results, as in quantitative research. Therefore, the issues pertaining to choosing respondents in qualitative research are also different from sampling in quantitative research. Respondents in qualitative research are usually chosen in a purposeful or theoretical way, i.e. they are chosen because they are experts in the research topic or because they represent an array of different viewpoints (for example respondents may represent different organizational forms). (Ghauri & Grøhaug 2010, 148-9.)

For this thesis, interview respondents were chosen due to their expertise in either India or T&C purchasing. Most respondents were chosen from the questionnaire sample. Questionnaire respondents were given the option of leaving their contact details at the end of the questionnaire for a possible in-depth interview later. Five (5) respondents opted to do this. After the questionnaire was closed, all five were contacted and requested for an interview. One of them could not be reached and one declined the interview. Three respondents agreed to interviews. Additionally, in order to go beyond the limitations of the questionnaire sample, one company and two experts not included in the questionnaire sample were contacted for interviews. One expert agreed to an interview, the others declined. All interviews were conducted in November 2012.

The purpose of the expert interview was to gain some general background on India and Finnish companies' operations there, whereas the company interviews were done in order to gain more in-depth understanding on the topics of the questionnaire, i.e. Finnish companies' supplier selection practices as well as perceptions and experiences of India and Indian suppliers. The interviews were semi-structured and their lengths ranged from approximately 17 to 37 minutes. All interviews subjects gave permission to record the interviews. The author of this thesis also took notes during the interviews. The recordings of the interviews were then transcribed. The author used the transcripts and her notes in analyzing the interview data. First, all interviews and notes were read through for common themes and topics. Then, words and passages in the transcript text were coded according to theme and topic. Based on this, the author listed each theme and evaluated the commonalities and differences between interview data on each theme.

Latent content analysis was then used to examine the meaning of the interview narratives, as interpreted by the researcher (Tashakkori & Teddley 1998, 122).

The interviewed expert (Expert A) has several years' experience working in India in various academic settings. Her particular areas of expertise relate to how organizations and people function and learn in multicultural settings. She has helped Finnish companies in communicating and establishing relationships with Indian partners.

Table 3 Interviewed Finnish T&C companies

Company	Interviewee	Employees	Brands	Previous India experience	Production abroad
A	CEO	<50	1	Yes	Yes
B	Sourcing Manager	50-249	2+	Yes	Yes
C	Buyer	50-249	2+	Yes	Yes

The interviewees from Finnish T&C companies all worked at different companies and held the title of sourcing manager, buyer or MANAGING DIRECTOR. Table 3 describes the interviewed companies. As can be seen, all were companies with fewer than 250 employees, with international operations and previous experience with Indian suppliers. Two of the companies had two or more brands. For the sake of simplicity, the rest of this thesis will refer to the interviewees as buyers A, B and C, corresponding to the company that they work for.

When asked about the main strengths or selling points of their companies, the interviewed buyers emphasized quality or expertise. Buyer A also considered uniqueness to be an important strength, while buyer B found the company's brand images to be valuable. Buyer C emphasized environmental friendliness and ethical business practices in addition to quality.

3.5 Research evaluation

As stated previously, it is suggested that in order for mixed methods research to be of high quality, its individual components must meet the quality criteria set for quantitative and qualitative research respectively (Creswell 2009, 4). Therefore, the research quality indicators for both quantitative and qualitative research will be examined in this section.

The key constructs used in evaluating research are validity and reliability. Internal validity refers to how well research measures what it is supposed to measure (Yeung

1995, 319-29; Tashakkori & Teddley 1998, 67; Malhotra & Birks 2007, 307). In quantitative research, internal validity depends on the level of control over extraneous variables (Tashakkori & Teddley 1998, 68), but most of these are relevant mostly in an experimental research design (Malhotra & Birks 2007, 307-8). External validity in turn is the extent to which the results of research are generalizable (Yeung 1995, 319-29; Tashakkori & Teddley 1998, 63-5) and can be affected by internal validity (Malhotra & Birks 2007, 307).

There are two main types of errors that can affect validity in surveys: sampling error (see e.g. Tashakkori & Teddley 1998, 71) and nonsampling error (see e.g. Tull & Albaum 1973, 60). Firstly, sampling errors will be discussed. A good sample has the same characteristics, distributed in the same way as in the target population (Fowler 2009, 11). This can be difficult to achieve in practice, but a good survey methodology minimizes the differences between the sample and population. The types of errors that need to be minimized are sampling error, which refers to random differences between the sample and population, and bias, which refers to systematically occurring differences (see e.g. Fowler 2009, 13-4; Tashakkori & Teddley 1998, 71-3) Nonsampling errors, on the other hand, include surrogate information error, measurement error, frame error, selection error and nonresponse error (Tull & Albaum 1973, 60). Of these, measurement error has been discussed in the previous section.

Sampling errors can be controlled for mainly by increasing sample size (Stopher 2012, 73). Bias in turn can be introduced at three stages of the survey process: in choosing the sample frame, in the process of sampling or in the process of collecting responses (Fowler 2009, 13-4; Tashakkori & Teddley 1998, 71-3). Sample frames can be evaluated along three characteristics: how completely it covers the population (comprehensiveness), whether an individual's chances of being selected can be calculated and the efficiency with which member of the target population within the frame can be found (Fowler 2009, 21). For this thesis, the sample frame had excellent efficiency as it did not include any individuals outside of the target population. It was also relatively comprehensive, as it left out only those companies with no email contact information, as well as some retailers excluded from the search in the Fonecta search portal.

Related to the process of sampling, the questionnaire was sent to a sample that covered a significant portion of the total population and was representative of it. Threats to the validity of this thesis related mainly to the collection of responses. High response rate in surveys supports validity; too small of a response rate may limit the generalizability of the results (Fowler 2009, 51). Possible ways to minimize non-response for Internet surveys (which is the survey method used in this thesis) are repeated contacts with potential respondents, clear and easily understood survey instruments and accurate representation of the purpose of the survey (Fowler 2009, 61).

For this thesis, potential respondents were contacted three times regarding the survey and told the purpose and topic of the survey in the cover letters. Efforts were also made to ensure that the survey instruments and accompanying instructions were clear. However, the final sample was very small due to a low response rate. This increases the chance of random sampling errors, which in turn means that the results may not be representative of the whole population (Ghauri & Grøhaug 2010, 147) and greatly restricts the external validity of the results.

The high nonresponse rate indicates that a large portion of respondents were either unwilling or unable to respond. For example, based on the communications from respondents indicating unwillingness to respond due to a lack of experience with Indian suppliers, it could be that only those with experience with Indian suppliers were interested in the questionnaire topic. The author has attempted to counter this when sending out the questionnaire by emphasizing in the reminders that experience with Indian suppliers was not necessary in order to answer the questionnaire as it measured perceptions, not concrete experiences, but it is possible that this was insufficient to counter respondent bias. Finally, surrogate information error has been controlled with the choice of question types: attempts have been made to include questions which ask respondents to choose suppliers from given options, giving direct indications of purchasing behavior and how this behavior relates to stated supplier selection practices in other questions.

In qualitative research, validity is based on the researcher's in-depth understanding of the interviewee's point of view and way of understanding things (Yeung 1995, 322; Ghauri & Grøhaug 2010, 104). It is often called transferability, referring to the ability to transfer conclusions from one context into another (Tashakkori & Teddley 1998, 65-68). The problem is, of course, how to evaluate the researcher's understanding of the subject.

According to Kvale (1995, 237) validity in qualitative research can be evaluated in seven stages. Firstly, the theoretical framework of a study must be sound and taken into account when formulating a research design (stages one and two). The interviews for this thesis covered a broad range of topics related to Indian T&C suppliers and supplier selection, which were selected based on a thorough review of previous literature on these topics. Each interview was conducted until saturation of information was reached. Likewise, the topics covered in each interview were similar, implying that saturation was also reached in this regard.

Then, the trustworthiness of the respondent's responses and quality of interviewing must be examined. The interviewees from Finnish companies were all involved in the buying process and therefore reliable sources for information on supplier selection and buying processes within their respective companies. The transferability of the results of these interviews is limited mainly by the fact that all interviewed buyers had experience

with Indian suppliers. Therefore, no conclusions on the perceptions of Finnish T&C buyers without such experience can be drawn based on these results. The author was also not able to interview any buyers from large (250+) Finnish T&C companies, also limiting the transferability of the results.

In the fourth stage, the interviews must be accurately transcribed. The questions posed to the transcripts, and the inferences made based on those questions, must be logical (fifth stage). Finally, the concrete measures taken to ensure validity must be implemented and the accuracy of the report evaluated. Interview data for this thesis was transcribed word-for-word in order to preserve it as accurately as possible. The notes taken by the interviewer were used as supplementary material to highlight important topics and steer the interview. These factors all support the validity of the interview results.

In evaluating the total validity of mixed methods research, Tashakkori and Teddley (1998, 69-70) suggest that internal validity can be established by evaluating the quality of the inferences made by the researcher. First, explanation credibility refers to whether the suggested explanations are theoretically sound; for this thesis, all pre-assumptions and models have been based on an extensive review of previous research in supplier selection and the COO effect, and thus have good credibility. Translation fidelity refers to the use of appropriate research methods to study a research question. Again, good fidelity is established in this thesis through the use of quantitative methods to gain generalizable results on a limited number of variables, whereas qualitative methods are used to gain more in-depth knowledge on these same variables and explore other related topics. The results of this thesis are also credible as they largely consistent with previous research and in line with what was expected. An inferential consistency audit also establishes good internal validity for this research, as the results of the quantitative and qualitative methods are consistent with each other for the most part (see also Jick 1979, 608). The only component of internal validity, as suggested by Tashakkori and Teddley, that has not been clearly established is the elimination of rival explanations for the relationships between variables. Further research involving larger samples needs to be done on whether the proposed explanations for Finnish T&C buyers' perceptions are generalizable and valid, or whether other explanations could exist.

Although one of the aims of this thesis was to gain some results that could be generalized to the Finnish T&D industry as a whole, the overall validity of the survey is limited by the number and types of respondents, for both the questionnaire and interview portions of the research. This thesis should be seen as an exploratory study. Its results need to be confirmed by further research, with larger sample sizes. Therefore, great care needs to be taken in generalizing the results of this thesis and in making any major managerial decisions based on the provided information. It must especially be

kept in mind that these results for the most part represent the views of companies that already have experience with Indian suppliers.

Reliability refers to whether the results can be replicated (Yeung 1995, 320). This is traditionally considered to be better in quantitative research approaches (Yeung 1995, 320) where the actual process of collecting and analyzing data is more clear-cut and less prone to subjective bias. Surveys must be very carefully designed in order to ensure reliability: poorly designed questions and surveys may not answer the research questions and discourage respondents from completing the survey (Adams et al. 2007, 129-31). Questions must be simple, unambiguous and unbiased; poorly or inadequately worded questions confuse respondents and biased or manipulative questions skew the results (Rae & Parker 2005, 53-8; Fowler 2009, 88-91) and may not accurately reflect the characteristics of the respondents (Fowler 2009, 11). Such errors may also occur from respondent's inability to accurately respond to a question or desire to distort their answers, among a myriad of other possible causes of error (Fowler 2009, 15.) Reliability in surveys can be improved by wording questions carefully, defining terms clearly and choosing a suitable measurement scale (Fowler 2009, 111-2).

As recommended, all questions in the questionnaire were carefully worded and translated (where appropriate) in order to preserve the true meaning of phrases. Efforts were also taken to use language that would be easily understood by and appealing to the target audience, Finnish T&C buyers. The questionnaire was pre-tested on a T&C industry expert in order to ensure, for example, that questions contained realistic figures for the T&C industry. The questionnaire was also pre-tested by colleagues of the author for the time taken to answer it. Finally, the questionnaire was examined by the thesis advisors of the author, and improvements to the question types, measurement scales and question wording were made according to their suggestions. All these factors have a positive impact on the reliability of the questionnaire results. The biggest limiting factor in terms of reliability for the questionnaire is the small sample size and response rate; a larger sample may yield different results, especially if it contains more T&C buyers who have no previous experience of Indian suppliers. On the other hand, the fact that so many of the respondents had experience with Indian suppliers increases the validity and reliability of the research as it means that the respondents were more likely to be able to answer the questions accurately.

In qualitative research, issues that can affect reliability in interviews in particular are leading questions, accuracy of interview transcribes and interviewer reliability, i.e. how accurate the interviewer's interpretations are (Kvale 1996, 235-6.) Efforts were made in the interviews to pose questions in a simple way using objective wording, so as to avoid leading questions. Interviews were transcribed by a neutral third party, ensuring the reliability of the transcripts. The interviewer for all interviews was the author of this thesis. Her accuracy of interpretations can be verified for example by checking the

interview transcripts for supporting data. Example quotes have been included in the interview data analysis where appropriate in order to support the author's conclusions. Reliability in content analysis can also be evaluated with the help of a panel test or a paired comparison, both of which involve the evaluation of data by an independent panel of judges (Carney 1972, 200). This was not possible for this thesis due to resource restrictions.

4 FINNISH TEXTILE AND CLOTHING BUYERS' PERCEPTIONS OF INDIAN SUPPLIERS AND PRODUCTS

The questionnaire and interview were analyzed using quantitative and qualitative methods respectively. As means and standard deviations are generally invalid parameters for measuring items on an ordinal scale (e.g. the Likert scale) (Allen & Seaman 2007, 65), medians, ranks, ranges, frequencies and chi-square statistics have been used to analyze the responses to most of the questionnaire questions as they are ordinal in nature. These measurements also provide more reliable results due to the small sample size of the questionnaire: the smaller the sample, the more prone its mean is to distortion due to a small number of abnormal responses.

In order to test hypotheses, parametric (e.g. the F-test) and nonparametric (e.g. the t-test) methods of statistical testing can be used, depending on the characteristics of the data set. Parametric tests make more assumptions for the data. The sample must be random, independent, from a normally distributed population and the variances of groups must be the same. Usually, the data must also be measured along an interval or ration scale and have a sample size over a certain threshold. (Metsämuuronen 2004, 9.) Due to the use of the Likert-scale and the small sample size, parametric statistical tests are not suitable for this thesis.

Nonparametric methods set fewer assumptions for the data set. They are more suitable when the sample is small, the measurement scale is nominal or ordinal or the population is nor normally distributed. (Metsämuuronen 2004, 20.) Nonparametric methods are generally used to compare two samples (either dependent of independent) to each other (Metsämuuronen 2004, 81, 133). In this thesis, such independent group divisions could be those with experience of India vs. those without experience, or textile vs. clothing buyers. Due to the small sample size, however, the only group division where both groups are of a reasonable size (i.e. one group is not limited to just 2 or 3 respondents) is according to product type (textiles vs. clothing products). The Mann-Whitney U test has been used where appropriate to compare the responses of these two groups to each other. Chi-square tests and the Kolmogorov-Smirnov test can be used to compare the distribution of one sample group to the known distribution of the population (Metsämuuronen 2004, 44, 58), but as in this case the distribution of the population is not known, these methods are not suitable here.

The interview results have been analyzed using content analysis. Content analysis is "a technique for deriving new meaning from written or printed texts or images" through "a systematic review of the content on the basis of analytic or coding categories" (Mariampolski 2001, 53). It can be either manifest or latent. The former is a systematic, quantitative approach to analyzing qualitative data through coding, whereas the latter refers to the subjective in-depth analysis of qualitative content. (Tashkakkori & Teddley

1998, 120-3.) Latent content analysis if more suited for situations where it is necessary to discover the in-depth meaning of discourses (Tashkakkori & Teddley 1998, 122), and has been chosen for the purposes of this thesis thesis for this reason.

4.1 Supplier selection practices of Finnish T&C companies

Just under half of the respondents (46.67%) ordered all their purchases from within Europe and 20% ordered all their purchases from Asia. The rest sourced from a variety of locations within both the EU and Asia. No countries from other continents than Europe or Asia were mentioned. The EU was the most commonly mentioned sourcing location for all ranks, with 20% of respondents only making purchases from within the EU. On average, companies that made purchases from EU countries (and gave the percentage of purchases made from each region or country, n=8) ordered 56.75% of their purchases from the region.

Table 4 Sourcing locations globally and within the EU

Country /region rank	**Global**	**EU**
1	EU (21)	Italy (5)
2	China (7)	Spain (3)
3	Turkey (6)	Austria (2)

Italy was the most commonly mentioned sourcing country within the EU, with 6 mentions and accounting for an average of 37.17% (n=6) of purchases. The Baltic region (Estonie, Latvia, Lithuania) was mentioned four times. From outside the EU, China was the most common sourcing location, with 7 mentions and accounting for 49.43% (n=7) of purchases. India was mentioned just twice, equivalent to Pakistan and Bangladesh. Table 4 shows the three most commonly mentioned countries in total and within the EU. The number of mentions each country or region receives is in brackets.

The interviewed companies sourced mainly from Europe, Asia and the Baltic region. Companies B and C both had their main suppliers in Europe and Asia, while company A sourced mainly from Europe. Company B was actively looking for new suppliers in Bangladesh, but companies A and C were not actively searching for new sourcing partners. Companies A and C also have a portion of their production in Finland; company A in fact mainly orders fabrics from foreign suppliers, and almost all production is done in Finland.

All interviewees emphasized that suppliers are very active in contacting them and trying to gain them as a customer. Buyers A and B stated that first contact was usually

made by the supplier. Buyer C stated that when looking for a new supplier they start with their existing contact, who are either able to supply what they need to refer the customer to someone who can.

In the questionnaire results, product quality emerged as the most important supplier selection criteria, being mentioned 18 times with a median rank of 1.5 and mode 1. Second was supplier reliability, being mentioned 16 times with a median rank and mode of 2, and third was total order price, being mentioned 14 times with a median rank and mode of 3. A close second to total order price was lead time, being mentioned 12 times with a median rank of 3 and mode of 2. These findings partially support pre-assumptions 1a and 1b, which postulated that quality and cost are among the most important supplier selection criteria. Pre-assumption 1c is not quite supported, as lead time does not quite make it into the top-3 supplier selection criteria, although the difference to reliability is not large. Table 5 presents the medians, modes, ranges, minimums and maximums for each criteria. The criteria have been arranged in order of how many times they were mentioned by respondents.

Table 5 Averages, minimums, maximums and ranges for individual supplier selection criteria

Criteria	N	Median	Mode	Min.	Max.	Range
Product quality	**18**	**1.5**	**1**	**1**	**5**	**4**
Supplier reliability	**16**	**2**	**2**	**1**	**4**	**3**
Total order price	**14**	**3**	**3**	**1**	**5**	**4**
Lead time	**12**	**3**	**2/3**	**2**	**5**	**3**
Ethical employment practices	7	3	1/3/4	1	5	4
Ease of communication	6	1.5	1	1	5	4
Environmental friendliness of products	5	5	5	4	5	1
Fashion and stylishness	4	2.5	2	2	5	3
Geographical distance	4	3.5	2/5	2	5	3
Production technology	3	5	5	4	5	1
Supplier flexibility	3	4	4	4	4	0
Other	2	2.5	2/3	2	3	1
Supplier COO	0	-	-	-	-	-
Product COO	0	-	-	-	-	-

*Multiple modes, smallest value is shown

The Mann-Whitney U test has been used here to test whether there are any differences in which supplier selection criteria are used by buyers of textile and clothing products. Nonparametric methods have been chosen due to the small sample size and use of ordinal measurement scales. The Mann-Whitney test is suited for situations where the

medians of a variable for two independent groups are compared to each other (Metsämuuronen 2004, 181). According to the null hypothesis, there are no differences between the groups (please see Appendix 6 for all Mann-Whitney U test tables). Results for criteria (production technology, both COOs and other) could not be computed due to a lack of responses in one or both groups for said criteria. At a significance level of 0.05, the null hypothesis holds for all other supplier selection criteria. In other words, buyers of clothing and textile products do not rate supplier according to different criteria in a statistically significant way.

The interview findings support these questionnaire results. The interviewed buyers used references, certifications, samples and personal experiences as indicators of product quality. The importance of certifications, in particular BSCI and the Ökö-tex standard, were emphasized by buyers B and C as important criteria very early in the supplier selection process. They considered these certifications as mandatory for all their suppliers:

> *"Well first, what we check is whether… they [the supplier] have Ökö-tex sorted, and then this BSCI, which is more of a… social certificate. And then naturally we find this out first thing, when we're communicating by email."*
> *Sourcing Manager, Company B*

The buyers of the medium-sized companies then look at the kinds of products the supplier produces, their references and their production technology. Company C considered Disney certification to be a good reference for a supplier due to the certification's strict guidelines. If the supplier's products, references and production technology all meet the standards of the customer company, they send models and specifications of their products to the supplier for pricing purposes. If the prices are satisfactory, the buyers go visit the suppliers on-site to check the manufacturing facilities and technology. In response to what they examine when on-site, buyer C stated:

> *"Well what is immediately visible is cleanliness. That's something that says a lot about the place. How they work, who works. Then we get acquainted with the technical side. What equipment they have, what's possible to make…"*
> *Buyer, Company C*

Buyers B and C both stated that they do not make any purchases before going to examine the supplier manufacturing facilities. Buyers B and C had both visited numerous suppliers, including Indian ones, on-site for the purpose of checking production technology and quality control. Buyer A stated that they had visited some of their main suppliers in Europe, mainly for quality control and relationship building

purposes, but they do make orders also without visiting the supplier. Due to their limited resources as a small company, visiting all suppliers would not be possible. However, company A used references as a guide in finding suppliers; they had found one of their main suppliers through a customer reference, and another recent supplier relationship had been formed on the basis of reference from an agent. Based on this reference, the buyer had then been in contact with the supplier through email and ordered samples of the products in question before making an order.

Regarding price, Buyer A stated:

> *"Our fabrics [come from abroad] yes yes. But we do have one weaver in Finland, but we have had to find other solutions due to price pressures, so that we get cheaper prices. But we still have the Finnish weaver, we get product from them so that I design the fabric and they'll make even just one meter of it."*
>
> *MANAGING DIRECTOR, Company A*

Similarly, the company had found one of their main suppliers through a customer reference because the customer had demanded lower prices and for this purpose initiated contact between the company and supplier.

Further, reliability and delivery issues emerged in the interviews as important reasons for why companies had stopped ordering from Indian suppliers. In response to a question on why they no longer source from India, buyer C summed up:

> *"... we have not been able to rust delivery time, delivery capability or quality. And then when it comes to ethical and ecological purity, we cannot trust them [Indian suppliers] at all."*
>
> *Buyer, Company C*

This quote also clearly indicates that, for the interviewees, reliability is influenced by various other criteria like quality, delivery and CSR-related factors, which are treated as separate criteria in the questionnaire.

Returning to the questionnaire results, for the questions asking respondents to choose a supplier based on the given criteria, some clear trends emerged. These trends provide further support for the pre-assumptions 1a and 1b as well as the questionnaire and interview results described above. Again, the responses for textiles and clothing have been pooled into the same response group for the purposes of this analysis. For both textile and clothing A (n=19), overwhelmingly the most common choice was option A (94.74%), which had the best quality, highest price, medium delivery time and Germany as the COO. For products B and C, option A was also most popular (52.63%), with only the COO being different from product A. For product B, options B and C (with the quickest delivery and lowest price respectively) both received roughly the same amount of support, but for product C option B, which this time had better quality, was clearly more popular (42.1%).

If we examine textiles and clothing products separately, the choices for product A are very similar. Some slight differences emerge for product B and C. For clothing B (n=9) the most popular choice was again option A (77.78%), whereas for fabric B (n=10), option B with the quickest delivery time was the most popular (40%), although both A and C also received significant support (30% each). For clothing C, options A and B received equal support (44.44%). Option A again had the highest price and quality, while option B had the quickest delivery time. For fabric C, option A, with the best quality, was the most popular (60%), although option B was also chosen often (40%). Table 6 presents the popularity of each selection criteria for each product. Each answer to each question has been counted as one response here.

Table 6 Respondents' choice of supplier based on their best attribute

Option/Product	**Clothing**	A	B	C	**Textiles**	A	B	C	**Total**	**Total %**
Best quality	**19**	8	7	4	**19**	10	3	6	**38**	**66.67%**
Quickest delivery	**4**			4	**8**		4	4	**12**	**21.05%**
Lowest price	**4**	1	2	1	**3**		3		**7**	**12.28%**
Total	**27**	9	9	9	**30**	10	10	10	**57**	**100 %**

Overall, it is clear that respondents favored the option with the best quality despite the high price in most cases (66.67%). Changing the country of origin from a geographically and culturally close country like Germany to India seems to have decreased some respondents' willingness to choose the highest quality supplier, but the majority of respondents still chose quality over other criteria even in this case. This lends support to the second pre-assumption. Delivery time emerged as a secondary selection criteria, becoming more popular in comparison to quality when the COO changed and to price when its associated quality improved. The supplier with the lowest price was chosen mainly only when it was associated with a better or identical quality to the supplier with the quickest delivery time. These results support pre-assumptions 1a and 1b and are in line with the results for the question concerning supplier selection criteria rankings.

Apart from the four most important supplier selection criteria, all other criteria received 7 or fewer mentions in the questionnaire. Neither supplier nor product COO received any mentions, resulting in a rank of 0. This supports the second pre-assumption, which postulated that COO information will have little effect on purchase decision making. Two respondents chose the "other" category but did not specify the specific criteria. The range for most criteria, including the four most commonly mentioned ones, is large (3 or 4), with minimums varying from 1 to 2 and maximums generally being 5. Of the less popular criteria, ethical employment practices and

geographical distance have several modes that ranged widely from 1 to 4 and 2 to 3 respectively. This indicates that there is significant divergence in respondents' evaluation of the importance of these criteria when they are taken into account in the purchase decision-making process.

The interview results emphasize the importance of environmentally and socially ethical business practices more than the questionnaire results. The fact that social and environmental certifications like BSCI and Ökö-tex were mandatory for the medium-sized companies would indicate that ethical business practices are in fact very high up on their list of priorities. Additionally, all interviewees stated that they that modern consumers are keenly aware of environmental and social issues related to T&C products, and that this influences the companies' purchasing decisions.

Further issues relating to the supplier selection process that emerged from the interviews, but were not included in the questionnaire, related to practical issues in the choice of sourcing location and supplier. All buyers emphasized that their relationships with their main suppliers are long-standing, in some cases having lasted over a decade. The base for these relationships is largely based on reliability and trust. In response to a question on why they have selected their current suppliers, buyer C stated:

> *"Well they have been selected over the years as reliable partners. We have been able to trust their quality…delivery times, delivery capability. We know all of these factories very well they visit here and we visit there, we have also had a lot of technical information exchange…"*
> *Buyer, Company C*

Buyer C also stated that the technological level of their suppliers' factories is excellent, potentially even better than similar factories in Finland. Similarly, buyer B stated that their previous and current operations in China were important reasons for why they had long-standing relationships with their supplier there. The company has previously had their own factory in China, and production currently continues in the same factory although it is now owned by another company. Company B also has offices and a logistics centre in China, and buyer B stated that proximity to the factories was convenient for their inspectors who visit the factories.

4.2 Perceptions and experiences of Indian suppliers

In the questionnaire, the supplier selection items have been divided into those concerning product and those concerning suppliers. However, the actual supplier selection criteria may include items concerning both suppliers and products. Therefore, responses to individual items will be examined first. Scores for overall criteria will then be presented. A table with codes and scores for all items and overall criteria can be seen

in Appendix 4. The code for each item refers to whether it relates to Indian products (P) or suppliers (S) and its position on the questionnaire form (e.g. the first item on the list of supplier related items is S1). The codes have been used here in order to refer to each individual item in a clear way and simplify the text. They are shown next to each individual statement (item) in tables 7 and 8.

Firstly, in relation to items related to Indian products, it must be noted that items P7 and P11 concerning quality standards have been combined into one item due to the similarity of the statements. Further, respondents who purchased both textiles and clothes were asked to evaluate the product and supplier related items separately for these two product categories, but for the purposes of an overall analysis their responses have been pooled into the same response group, raising the total number of responses to 18.

Overall, there is some divergence in the experiences of the interviewed buyers when it comes to on-site visits and price perceptions. Buyer B stated that they had visited "relatively good" factories in India, while buyer C stated that they had not been impressed with the factories they had visited due to low technological standards and overall poor infrastructure in the area.

The medians, modes and ranges for all product related items are shown in Table 7. Both the median and mode for most items on the Indian product evaluation questions is 3 (n=18). Exceptions to this are the statements concerning delivery time (median 2.5 and mode 2), delivery terms (median 2.5 and mode 3) and quality standards (median 3.25). In other words, respondents disagreed with statements saying that the delivery time of Indian T&C products were short and that their delivery times were favorable. They agreed with the statement that Indian T&C products fulfill the necessary quality standards.

Table 7 Perceptions of Indian products (1= Strongly disagree, 5= Strongly agree)

Code	Item	Median	Mode	Range
P1	The delivery time of products is short.	2.5	2	4
P2	Delivery terms are favorable.	2.5	2	2
P3	Delivery of products is expensive.	3	2/3	4
P4	Products are cheap.	3	3	3
P5	Products are usually delivered on time.	3	2	3
P6	Prices often vary from what is expected due to currency rate fluctuation.	3	3	4
P7+11	Products fulfill necessary quality standards.	3.25	¾	3
P8	Products are stylish.	3	3	2
P9	Products are fashionable.	3	3	2
P10	Products have been manufactured from environmentally friendly raw materials.	3	3	3

It is noteworthy that the range for delivery terms is small (2), with a minimum of 1 and maximum of 3, indicating that respondents opinions converge unusually well on this item. Other items with equally small ranges, with minimums of 2 and maximums of 4, were the ones concerning product fashion and stylishness, indicating that respondents did not have very strong opinions on these items. Other items with medians and modes of 3 tended to have larger ranges (3 or 4).

All items related to suppliers and the corresponding medians, modes and ranges are shown in Table 8. Each item is coded to simplify analysis and the codes are shown next to each individual statement (item). Items S5 and S12 have been combined into an overall ease of communication item as they measure different aspects of communication between suppliers and customers. The results for the items on the question regarding Indian suppliers (n=18) were similar, with most items' median and mode being 3. Exceptions to this were the statements concerning trade barriers (median and mode of 2), ease of negotiation (median 3 and mode 2) and trust of information given by the supplier (median 3 and mode 4). Respondents thus clearly disagreed with the statement that they do not want to order products from India due to trade barriers.

In line with the questionnaire results, all the interviewed companies had ordered from Indian suppliers previously. Company A had ordered a small batch of products as a test,

while companies B and C had slightly more experience with Indian suppliers, although neither had made purchases from India for a few years. The reasons for ending the supplier relationships related to quality and delivery issues, not bureaucracy or other trade barriers. Buyer A stated that they chose not to order any more products from the test supplier due to the poor quality and low value-for-money of the products they had received. Similarly, company C had ended their latest supplier relationship in India due to issues with changed EU legislation related to dye chemicals, long delivery times and poor reliability of the supplier. Buyer B would stated that the quality of their most recent order from an Indian supplier was "ok", and that they would have continued ordering from them had the supplier not raised their prices significantly after the initial order.

Moving on to other supplier related items, questionnaire respondents tended to disagree with the statement that negotiation with Indian suppliers is easy. This item also had a small range (2), with a minimum of 2 (n=7) and maximum of 4 (n=6), indicating that there is only small variation in respondents' opinions. Respondents tended to agree with the statement that they trust the information they receive from Indian suppliers. Also in the interviews, Communication between customer and supplier in general was not seen as a problem in relation to Indian suppliers. All buyers emphasized that the Indian suppliers they had been in contact with were very active sellers, who contact the buyers repeatedly and persistently. Although buyers A and C mentioned that different dialects in the English language could sometimes cause difficulties in understanding supplier representatives, overall Indian suppliers were perceived to be easy to reach. The time difference for example was not seen as very large, especially in relation to China, and supplier representatives could be reached relatively reliably. However, the language skills of the manufacturing employees was seen as poor and problematic when communicating product specifications to the employees actually making them.

Table 8 Perceptions of Indian suppliers (1=Strongly disagree, 5=Strongly agree)

Code	Item	Median	Mode	Range
S1	I do not want to buy products from India due to trade barriers.	2	2	4
S2	When buying from India, the purchasing process requires much time and resources.	3	2/3/4	2
S3	It is easy to negotiate with the supplier in regard to purchases (e.g. price, product characteristics).	3	2	2
S4	The supplier provides me with sufficient information about purchases, products and their production.	3	3	4
S5+12	Communication with supplier is easy.	3	3	3.5
S6	When faced with problems, the supplier solves them in a satisfactory way.	3	3	2
S7	I trust the information I get from the supplier related to my order, products and their production.	3	4	3
S8	Suppliers often break their promises.	3	3	2
S9	Suppliers have specific quality improvement processes.	3	3	3
S10	Corruption often causes problems when ordering from India.	3	3	3
S11	Communications with the supplier are difficult due to a language barrier.	3	3	4
S12	Supplier treats their employees well.	3	3	2
S13	Supplier pays fair wages to their employees.	3	3	3
S14	Supplier uses illegal labor or labor practices.	3	3	3
S15	Supplier's production methods are environmentally friendly.	3	3	3
S16	Supplier uses old fashioned production technology.	3	3	3
S17	Supplier's production processes are efficient.	3	3	3

Other questionnaire items with small ranges concerned transaction costs, the supplier's problem solving skills and treatment of employees, which all had minimums of 2 and maximums of 4. Therefore, although there is variation in whether respondents agree or disagree on the statements, their opinions are not very strong and most are indecisive on these items. The item concerning suppliers' tendency to break promises also had a range of 2, with a minimum of 1 and maximum of 3, indicating that respondents were

more likely to disagree with the statement that Indian suppliers often break their promises.

Scores for overall supplier selection criteria were calculated by first inverting the response scales for appropriate items so that a score of 5 indicated a positive perception of Indian suppliers and 1 indicated a negative perception. Individual items were then combined with their related with their related items (see Table 9) to create evaluations of overall supplier selection criteria by calculating the mean of each respondent's response to said items. As a comparison, quality and technology items have been combined into the last item in Table 9, as was done by Jin and Farr (2010, 39). The median and range were then calculated for each criteria. Mode was not calculated because the means calculated based on the combined items (to 4 decimal points) were much more variable than a simple 1-5 scale, and thus they would not provide a clear indication of the true average score.

Table 9 Overall scores for supplier selection criteria

Characteristic	Median	Range
Delivery	2.83	2
Cost	2.83	2.3
Quality	3.04	1.67
Flexibility	3	2
Environmentally friendly production	3	2.5
Reliability	3.25	2
Cultural proximity	3	1.6
Ethical employment practices	3	2.3
Production technology	3	1.5
Quality + Technology	3.04	1.38

Overall, the questionnaire does not fully support pre-assumption 3a, showing that cost is not perceived to be a strength for India, contrary to what was expected. Pre-assumption 3b, that reliability is a strength for India, is supported. The negative perceptions of delivery in relation to Indian suppliers lends support to pre-assumption 4b, which postulated that delivery will be perceived negatively. The results of these questions are inconclusive in regard to pre-assumptions 4a, 4c and 4d. As can be seen in the table, the only items with a clear deviation from a score of 3 are delivery and cost, which are perceived negatively, and reliability, which is perceived positively. The range for these criteria vary between 2 and 2.3, which in comparison to smaller ranges of many other items indicates that there is some variation in opinion on these criteria. Combining

quality and technology into one item does not provide a significantly clearer score in either direction for the quality related component. The Mann-Whitney U test was performed for these criteria to see whether textile and clothing product buyers had different perceptions of Indian suppliers. This test was chosen due to the small sample size and use of the Likert-scale. At a significance level of 0.05, so statistically significant differences between the groups could be found (see Appendix 6).

The interview results provide mixed support for the questionnaire results related to cost. There was some variation in buyer perception of price in India. Buyer C considered low price to be a strength for Indian suppliers, and for company B, as stated before, their most recent supplier relationship in India had ended due to a large increase in prices. Although buyer A echoed the sentiment that Indian prices are low, they did not consider the value of Indian products to be good due to low quality:

> *"The cheap products end up being expensive when we receive secondary quality, we don't do anything with it and it just causes upset and then they're clutter here."*
>
> *MANAGING DIRECTOR, Company A*

Support for questionnaire results related to delivery is clearer. Delivery times and delivery capability emerged as an important topic for buyers B and C when examining Indian suppliers. Both stated that delivery times from India are long compared to China, and buyer C also stated that they could not trust the delivery times or delivery capability stated by the supplier. As in Expert A's interview, poor infrastructure emerged as an issue here. The low quality of infrastructure in some places was seen as causing logistical problems for example due to its incapability of handling monsoon rains. Further, problems related to delivery and overall value clearly contribute to the interviewees' negative perceptions of Indian T&C suppliers' reliability. These results are in contrast to the questionnaire findings, which indicated positive perceptions of reliability. However, this difference can perhaps be explained by the different components of reliability in the interviews and questionnaire. Whereas in the questionnaire the reliability criteria is made up of items related to trust, currency exchange rates and political situations, the interviewees clearly consider reliability to be influenced by quality and delivery. In contrast, in the questionnaire, these are considered as separate criteria.

It must also be noted that the interviewees also had positive things to say about Indian suppliers. After stating why they no longer source from India, buyer C continued with the following:

> *"There are also good factories, really great ones [in India]. They have been producing textiles in India when we didn't even exist. They have the capabilities and prerequisites, but they have a huge amount of small factories which are should I say like sweatshops."*

Buyer, Company C

These sentiments were also partially echoed by buyer B, who considered India to have good capabilities in the textiles industry, especially in tricot products. Expert A and the buyers emphasized that India has a long tradition producing T&C products, so there is a historical reserve of capabilities in the industry. However, as stated by buyer A, even though India has good suppliers, the effort needed to find a good supplier in the country was considered too big to be worth the effort in light of company A's previous bad experiences with Indian suppliers. Expert A emphasized that India is a large country with large variations between regions, and this is echoed by the buyers, who perceive the difference between Indian suppliers to be large. This difference in supplier quality, reliability and technical ability contributes to the uncertainty of finding a good supplier and inability to trust Indian suppliers.

There were also factors related to purchasing from India that emerged in the interviews but were not included in the questionnaire. One such factor is minimum purchases. B and C both stated that, for the products they would like to order from India, they often could not make large enough orders to cross the minimum purchase threshold and interest the supplier in their business. Buyer A also stated that minimum purchases had been a problem at some point, but this was in relation to Chinese suppliers. The buyers also second-guessed the ethical aspects of T&C production in India, especially in relation to environmental friendliness and ethical employment practices.

Indian suppliers were compared especially to Chinese ones in the interviews with buyers B and C as both companies have extensive production there. Chinese suppliers were overall seen as having better delivery times, being more reliable and having a better production technology. Buyer C considered corruption to be a problem in both India and China. Bureaucracy also emerged as an issue. As stated by Expert A, much of paperwork in India is handled literally on paper, not electronically. One must be well-prepared and have a clear goal in mind before trying to tackle the local "red tape".

4.3 COO perceptions of India

There is clear interest in India by Finnish companies, exemplified in the in the T&C industry by the publications and initiatives undertaken in recent years related to the region. However, as stated by Expert A when talking about Finnish companies' interest in and willingness to go to India, this interest often remains at the level of an initial interest. Finnish companies often lack the necessary skills to start doing business in India. This has meant the creation of several agency firms which guide companies in establishing business in India. Nevertheless, according to Expert A there remains a

mental barrier to doing business in India for Finnish companies; the country is culturally and geographically distant from Finland, and practical issues can also be caused by the country's vast size and infrastructure, for example in the form of long travel distances. In recent years India has become friendlier towards foreign companies; the economy has reformed in 1991, which has also lead to the creation of airlines that make travel within India easier. (Interview with Expert A, 2012.)

The results of the questionnaire related to India's general COO image indicate that, despite a friendlier business environment in India, the country is still perceived to be economically, culturally and politically dissimilar to Finland. COO perceptions were measured with the aid of Parameswaran and Pisharodi's (1994) scale for measuring COO image. COO in this scale is measured along general country attributes (GCA), general product attributes (GPA) and specific product attributes (SPA). The latter of these was not used for this thesis. The GCA cluster is divided into the people facet (GCA1), measuring the general attributes of a country and its people, and interaction facet (GCA2), measuring the interaction between a COO and the respondent's home country. GPA items are divided into undesirable attributes (GPA1), desirable attributes relating to promotional image (GPA2) and desirable attributes relating to product image (GPA3). Of all these items there were 7 items that had a median and mode of 3. Two additional items had a median of 3, emphasis on technical and vocational training and product availability, but modes of 2 and 4 respectively. All items and their medians, modes and ranges are shown in Table 10.

The items that elicited the strongest opinions were those concerning India's cultural and economic similarity to Finland, which received a mode of 1 and medians of 1 and 1.5 respectively. Respondents overwhelmingly perceive India to be very different from Finland culturally and economically, as expected. Both also had small ranges with a minimum of 1 and maximum of 3, indicating that respondents' opinions converge very strongly on these items. Several other items also received clear results, with a median of 2 and mode of 1 or 2; these were the items concerning the similarity of political views, technical level of products, advertising intensity and informativeness, product range and level of prestige. Three of these items (GCA21, GPA31 and GPA33) also had small ranges with minimums of 1 and maximums of 3, indicating convergence of respondents' opinion on these items. However, it should also be noted that GPA31, concerning product range, has modes of 1 and 3, indicating that, although all respondents have negative or neutral perceptions of product range, there is divergence in the intensity of these perceptions. Advertising informativeness (GPA24) also has modes ranging from 1 to 3, indicating some divergence in respondents' opinions. Overall, respondents perceived India to have different political view from Finland and Indian products were perceived to be marketed in a small range of styles and to not be prestigious products.

Table 10 COO perceptions of India per item

Cluster	Code	Item	Median	Mode	Range
GCA1	GCA11	Places emphasis on technical/vocational training	3	2	3
	GCA12	People are hard-working.	3.5	4	2
	GCA13	Technical skills of workforce are high.	3	3	3
	GCA14	People are motivated to raise living standards.	3	3	2
	GCA15	People are proud to achieve high standards.	3	3	3
GCA2	GCA21	It has similar political views to my country.	2	2	2
	GCA22	It's economically similar to my country.	1.5	1	2
	GCA23	It's culturally similar to my country.	1	1	2
	GCA24	It's friendly toward my country in international affairs.	4	4	2
GPA1	GPA11	Products are imitations, not innovations.	3.5	4	4
	GPA12	Products are cheaply made consumer items	4	4	3
	GPA13	Products are not attractive.	3	3	3
	GPA14	Products need frequent repairs.	3	2/3/4	3
GPA2	GPA21	Products are easily available.	3	4	4
	.GPA22	Products are distributed worldwide.	4.5	5	3
	GPA23	Products are intensively advertised here.	2	2	4
	GPA24	Advertising of products is informative.	2	1/2/3	3
GPA3	GPA31	Products are marketed in a wide range of styles.	2	1/3	2
	GPA32	Products are long-lasting (durable).	2.5	3	2
	GPA33	Products are considered prestigious products.	2	1/2	1
	GPA34	Products are good value.	3	3	3
	GPA35	Country produces highly technical products.	2	2	3
	GPA36	Products are made with meticulous workmanship.	3	3	3

There were three statements that respondents clearly agreed with: that India is friendly towards Finland in international affairs (median and mode 4), and that Indian products are distributed worldwide (median 4.5 and mode 5) and are cheap consumer products (median and mode 4). Friendliness in international affairs also had a small range with a minimum of 3 and maximum of 5, again indicating a relatively high level of convergence in respondents' opinion on this item. Other statements that respondents agreed with, although less strongly, were those concerning work ethics and product innovativeness, both with a median of 3.5 and mode of 4. The range for the former was small with a minimum of 2 and maximum of 4, indicating that respondents did not hold strong opinions especially on this item. Respondents thus agreed that Indian people work hard, but that Indian products are imitations, not innovations.

By examining individual items, we can seek further support for the third and fourth pre-assumptions. The negative perceptions of product value and prestige (items GPA12 and GPA33) indicate that pre-assumption 3a concerning cost should be rejected. On the other hand, the negative perceptions of durability (GPA32, related to the reliability criteria) support pre-assumption 3b. The negative perceptions of product innovativeness and (GPA11 and GPA35, related to the technology criteria) lend support to pre-assumption 4d.

Table 11 COO perceptions of India per cluster

Facet	Cluster	Median	Range
GCA	GCA1	3	2
	GCA2	2	1.5
GPA	GPA1	3.25	2.5
	GPA2	2.875	2.5
	GPA3	2.4167	2.67

Overall evaluations for each facet (GCA1-2, GPA1-3) were again calculated by calculating the mean of each item for each respondent. The results can be seen in Table 11. For clusters GCA1 and GPA2-3, a score of 5 indicates a positive perception of India while a score of 1 indicates a negative perception. For GP1A, the opposite is true. Finally, for GCA2, a score of 5 indicates a perception that India is similar to Finland, whereas a score of 1 indicates a perception that India is dissimilar. The Mann-Whitney U test was performed to see whether clothing and textile buyers had different perceptions of India. This test was chosen due to the small sample size and use of the Likert-scale. At a significance level of 0.05, no statistically significant differences could be found (see Appendix 6).

As can be seen, respondents did not have strong opinions on the people facet of India's COO, i.e. they did not have strong opinions on the attributes of Indian people. As indicated by the results for GCA2, on the other hand, respondents did hold a very strong perception that India is dissimilar to Finland in terms of culture, economics and politics. This theme also emerged clearly in the interviews. When asked about their perceptions of India in general, the buyers who had visited the country described generally as exotic, with vast differences between regions in terms of wealth and comfort. These findings support the fifth pre-assumption. In the purchasing process, cultural differences factor into communication issues. As stated by Expert A when discussing the cultural differences between Finland and India, Finnish companies get along with their Indian partners well. However, some problems may be caused by the different backgrounds and cultural assumptions of Finnish and Indian companies:

> *"... Here [in Finland] it's assumed that... everything is agreed straight away. Then they don't need to be discussed again. Everything is very clear and if you go with this mental state, you'll be in trouble in India straight away."*
> *Expert A*

According to Expert A, in India negotiations are a longer process. Instructions must be very clear, precise and detailed. Poor infrastructure can cause stops in communication and manufacturing. Thus the Indian people have learned to adapt to uncertain situations and in turn cannot always understand Finnish companies' need to clarity and certainty. Issues also cannot be solved as easily by email as is sometimes expected by Finnish companies; taking care of relationships and face-to-face meetings are more important in India than in Finland.

For general product attributes, respondents tended to mildly agree with the items measuring general product undesirability and to disagree with the items measuring general product desirability. Respondents had more negative perceptions of product-related attributes (GPA3) than promotion-related attributes (GPA2). It can therefore be stated that respondents tended to have negative perceptions of Indian products in general, although these negative perceptions were for the most part not very strong.

5 SUMMARY AND CONCLUSIONS

The aim of this thesis was to examine the perceptions that Finnish T&C buyers hold of Indian suppliers and Finnish T&C companies' supplier selection practices. As research subquestions, this thesis aimed to find out the most important supplier selection criteria for Finnish T&C buyers' in the purchasing decision making process and how the country of origin effect affects buyers' perceptions of Indian suppliers. The previous experiences of Finnish T&C buyers with Indian supplier were also examined. These issues have been examined from the point of view of clothing and non-industrial textiles. A questionnaire was used to gather data on these issues from a larger number of respondents, whereas in-depth interviews were used to gain an in-depth understanding and possible explanations for the views presented in the questionnaire. The results of the questionnaire and interviews conducted to answer the research questions have been examined in the previous chapter. This conclusion will relate these results to each other and draw a complete picture of the results of this thesis.

First, the general background to this thesis was analyzed. Regulatory changes have liberalized international T&C trade significantly, which has led to the emergence of India and China as the world's two largest textile producing countries. China is currently the largest sourcing country for the Finnish T&C industry, accounting for almost 690 million Euros worth of imports in 2011. India by comparison is the 6th largest sourcing country with a much smaller import volume of just under 94 million (see Appendix 1). Nevertheless, there is clear interest towards India among Finnish T&C companies, as exemplified by the publications and market research pertaining to the T&C industry South Asia that have come out in recent years.

Second, this thesis reviewed existing literature on supplier selection and the COO concept in chapter 2. General and T&C industry supplier selection models, in addition to literature on the supplier selection criteria used in B2B purchase decisions, were used to draft a model of how Finnish T&C buyers make supplier selection decisions. Each supplier selection criteria is measured along several items in this model. Previous literature on the COO effect as well as supplier selection within the T&C industry and in emerging economies in particular provided support for this model.

To answer the first research subquestion, the supplier selection criteria used by Finnish T&C buyers in the purchasing process have been looked at. With the questionnaire in mind, two pre-assumptions related to supplier selection criteria were formulated. Pre-assumptions 1a-c stated that, in line with previous research, the most important supplier selection criteria will be cost, quality and delivery time. Pre-assumption 2 stated that the effect of COO information on purchase decision making will be small. This assumption has been based on previous research into COO in the B2B context, which has found that, although COO can influence the purchase decision

making process, its influence is overshadowed by other, more important cues like quality or price.

The results of the questionnaire support these assumptions for the most part. The most important supplier selection criteria for Finnish T&C buyers were found to be product quality, supplier reliability, total order price and lead time, in this order. Only pre-assumption 1c was not fulfilled; lead time was not one of the three most important criteria (being given rank 4 instead), being replaced by supplier reliability instead. These results support previous findings in supplier selection literature. They are also not surprising based on the emphasis that the interviewed companies placed on quality and know-how when evaluating the strengths of their own brands.

The results of the interviews support the findings of the questionnaire. Product quality was a very important issue for all interviewed Finnish T&C buyers, especially in relation to price. In other words, the quality-cost value of purchases has to be good; a poor quality product, even if it has a low price, was not considered a good purchase. Nevertheless, price was naturally an influential factor in the purchase decision making process, influencing production location decisions. As in the questionnaire, supplier reliability was very high on the list of important criteria in the interviews. In conjunction with long or unreliable lead times and poor quality, it was stated as a major reason why the interviewed companies had stopped purchases from India.

In relation to the second pre-assumption, COO (neither supplier nor product) was not one of the five most important supplier selection criteria for any of the questionnaire respondents. It did seem to have a small effect on some respondents' willingness to pay a price premium for quality, but not to a large extent. The majority of respondents valued quality over price regardless of the COO. This is in line with more recent research into COO in both the B2B and B2C context (see e.g. Bradley 2001; Magnusson et al. 2011). The findings of the interviews also support this. Price perceptions affected production location decisions to a certain extent, forcing the interviewed companies to move production to low-cost locations. However, suppliers from the suitable areas were selected based on criteria like quality and price. Additionally, factors like previous established business or relationships in a country seemed to have a similar effect to price perception of countries for some of the companies, making the location lucrative.

Pre-assumptions 3a-b, 4a-d and 5a-c dealt with Finnish T&C buyers' perceptions of India and Indian suppliers in particular. Based on previous research into COO perceptions of India and supplier selection practices when sourcing from emerging economies, pre-assumptions 3a-b postulated that India will be perceived positively for cost and reliability related factors. Pre-assumptions 4a-d on the other hand postulated that India will be perceived poorly for quality, technology, delivery and CSR related factors, in line with previous COO research, Similarly, based on previous research into

the COO effect in emerging economies and the cultural differences between Finland and India, as measured along Hofstede's dimensions of culture, pre-assumptions 5a-c stated that India would be perceived to be culturally, economically and politically different from Finland.

The results of the questionnaire support pre-assumptions 5a-c, confirming the results of previous research into the COO effect and supplier selection in emerging economies. Respondents perceived India to be very strongly dissimilar to Finland in terms of culture, economic situation and political views, as measured by the P&P measurement scale for general COO image. Based on the interview results, specific differences that emerged pertained to ways of doing business and negotiation. Whereas Finns are straightforward negotiators who want to lock agreements down quickly, Indian negotiation processes take longer. These cultural differences should be take into account by the management of both Finnish and Indian T&C companies during supplier negotiations. Cultural training and preparation could also be provided to those employees involved in the purchasing process.

Results for pre-assumptions 3a-b and 4a-d are not as conclusive. Price was perceived to be a weakness for Indian suppliers in the questionnaire results, contrary to what was expected. A possible explanation for this is supplied by the interview results. The interviewed buyers recognized that Indian products were cheap, but they took into account overall value, especially the trade-off between cost and value, very carefully in their evaluation of total cost. On the other hand, reliability related factors were perceived to be a strength for India, although not very strongly, supporting the pre-assumption 3b.

Using the P&P measurement scale, Indian products in general were perceived to be cheap consumer products and of low prestige, lending some support to the supposition that quality would be a weakness for India. However, items measuring quality related factors like frequency of repairs and workmanship received inconclusive ratings. In the questions measuring respondents' perceptions of Indian T&C products and suppliers, delivery terms and time were perceived to be a weakness for India, lending support to pre-assumption 4b. Overall, delivery was perceived to be a weakness for India, although not very strongly. The low scores for technology related items like innovativeness and technical level support pre-assumption 4d. Items measuring buyer perceptions of CSR related factors were inconclusive. However, more light can be shed on these issues by examining the results of the in-depth interviews.

It is clear that Finnish T&C companies have interest in doing business with India, as demonstrated by the increasing T&C trade between these countries in recent years. Although Expert A stated that for many Finnish companies, this interest often does not develop into concrete actions, the vast majority of companies responding to the questionnaire in this thesis had experience with Indian suppliers. Therefore, Finnish

T&C companies seem to be willing to do business in India, recognizing the capabilities that the country holds in the T&C industry, for example in the production of tricot and other light fabrics. Additionally, India's long history of, for example, growing cotton and producing traditional Indian textile products like saris is recognized by the interviewed expert and buyers.

However, despite this interest the realized business between Finland and India remains at a low level, largely due to practical issues according to the results of this thesis. Table 12 summarizes the strengths and weaknesses of Indian suppliers, comparing the results of the questionnaire and the interviews. As can be seen, the results are complementary for the most part. As would be expected with the global liberation of global T&C trade in 2005, trade barriers were not perceived to be a big issue by Finnish T&C buyers. Other aspects working in Indian suppliers' favor are an active sales force and a willingness to be flexible. Delivery related variables, on the other hand, emerged as a clear weakness for Indian T&C suppliers in both the questionnaire and the interviews. Poor infrastructure and large geographical distances was seen as causing delivery delays and manufacturing problems.

Table 12 Comparison of the strengths and weaknesses of Indian T&C products and suppliers in the questionnaire vs. the interviews

Strengths		**Weaknesses**	
Questionnaire	**Interviews**	**Questionnaire**	**Interviews**
Lack of trade barriers	Price	Negotiability	Supplier reliability
Trust (weak)	Active sales force	Delivery time	Product quality
Quality standards	Flexibility	Delivery terms	Delivery time
			Production technology

These delivery-related issues in turn contribute to a negative perception of supplier reliability. Other factors contributing to this attitude include quality and manufacturing related issues: although price was seen as an advantage for Indian T&C suppliers in the interviews, the total value offered was nevertheless seen as poor due to low product quality. Buyers felt that they the products they received did not live up to their quality expectations, or that the manufacturing technology was not as advanced as in for example China. Although all buyers recognized that India has expertise in T&C production and good T&C suppliers with modern manufacturing facilities, they perceived there to be a large degree of variation between different Indian suppliers. Together with quality and delivery related issues, this decreased buyers' perceptions of supplier reliability.

The negative perceptions of reliability in the interviews are somewhat in contrast to the (weakly) positive trust related score that Indian suppliers received on the questionnaire. They also differ from some previous research into B2B buyers' perceptions of India, which found India to be rated relatively high on reliability (Carter et al. 2008, 237). In the case of this thesis, due to the weak level of positive perceptions for this item demonstrated in the questionnaire, and the lack of previous validation of the measurement instrument used on this question, the results of the interviews can be considered more reliable and valid for this issue. A possible explanation to previous research into India's COO image is the different industries examined in the studies. Another possible source for these differences in findings is also the fact that the reliability cluster in the questionnaire scales did not take into account delivery and quality related items.

Another difference in findings is that, although product quality was seen as poor in the interviews, Indian suppliers were nevertheless seen as fulfilling the T&C industry quality standards in the questionnaire. A possible explanation for this is that simply fulfilling the minimum requirements is not enough for the interviewed T&C buyers. All described the strengths of their own products as being related to quality, expertise or uniqueness. Therefore, it could be expected that they value quality very highly and have additional requirements for their suppliers, going above and beyond the minimum requirements set by T&C industry standards and certifications. This expectation is supported by the questionnaire and interview results relating to supplier selection practices: quality was seen as one of the most important supplier selection criteria. Additionally, all interviewed buyers visited their suppliers for quality assurance purposes, although to varying degrees; the interviewed medium-sized companies had more defined practices for supplier visits and also used them much more for quality assurance purposes.

Overall, the main challenges that need to be overcome by Indian T&C companies are related to logistical difficulties and quality. Logistical issues are problematic in regards to product delivery, causing delays and extra costs. They thus negatively affect Finnish T&C buyers' reliability perceptions of Indian T&C suppliers. However, logistical issues cannot be solved by T&C companies alone and require the involvement of also the Indian government, as infrastructure would seem to one of the main sources of such problems.

Quality related issues, on the other hand, can and should be addressed by Indian T&C companies themselves. Quality emerged as the most important factor for Finnish T&C buyers when making purchases. Although price is also taken into account carefully, individually it was less important. However, these two criteria appear to be closely related based on the findings of this thesis: the interviewed buyers evaluated the overall value provided by the product carefully, meaning that they considered not only

the price of the product, but the quality of that they receive for said price. Indian companies would therefore be well advised in paying attention to quality improvement, even if it necessitates increases in prices. The results of this thesis indicate that this would improve the overall value perceptions of the products and thus appeal more to Finnish buyers. Of course, endless price increases are not advisable; one of the reasons why the interviewed buyers gave for purchasing in emerging economies were the lower prices offered in those locations. However, it is not necessary to offer the absolute lowest price in order to attract Finnish T&C buyers, and where a quality-price trade-off must be made, price should be sacrificed.

It is also noteworthy that, in contrast to most theory formulated on supplier selection, the research done for this thesis indicates that reliability perceptions are closely linked to delivery and quality. In other words, by improving quality and delivery related issues, Indian T&C companies could simultaneously gain the trust of Finnish T&C buyers. The interviewed companies strongly preferred long supplier relationships to short ones, emphasizing reliability and trust as important components in why their main supplier relationships have lasted a long time. Such long customer relationships can represent a significant lifetime value to suppliers, making them lucrative in monetary terms and worth investing in.

Based on the findings on this thesis it is also suggested that Indian T&C companies should invest in improving their image in terms of CSR. Environmentally and socially ethical standards arose as crucial supplier selection criteria for Finnish T&C buyers in the interviews. Indian suppliers should aim specifically to fulfill the requirements of the Ökö-tex and BSCI certifications. This will most likely require upgrades in production technology, and thus is something that could be positively affected by the Indian government's nationalization projects of the National Textile Corporation and British India Corporation Limited, aiming at the modernization of Indian textile mills (Indian Ministry if textiles 2011c, 177, 181). Financial aid in helping Indian T&C producers in securing loans for technological upgrades would also be useful.

Additional opportunities and challenges are presented in India's rich and varying cultural and economic history. The interviewees saw India to be a country of extremes in many ways. On one hand, they saw a great reserve of traditional T&C know-how in India and acknowledged the existence of good T&C suppliers with good quality and technologically advanced facilities in the country. However, the variation within regions and suppliers in India was seen as great, and the interviewed buyers also perceived there to be a large amount of poor suppliers in India. The process of supplier selection in India was therefore seen as laborious. Trade barriers and language difficulties, on the other hand, were not perceived to be problems in purchasing from India. This author therefore recommends that Indian T&C companies take advantage of the country's historical know-how in the T&C industry when marketing to Finnish buyers. Although

the Finnish T&C buyers interviewed for this thesis purchased directly from suppliers, they did hold recommendations from other companies and agents high regards. Therefore, Indian T&C companies could also emphasize referrals in their marketing activities, or build relationships with T&C agents operating in Finland.

The main factors limiting the validity and reliability of this thesis have been the small sample sized, especially for the questionnaire portion of the research. The rate of response was very small at just over 15%. The small samples size also limits the ability to evaluate the validity and reliability measurement scales developed by the author for the questionnaire. The interviews also present the views of only a few potential buyers; for example, the author was not able to interview a buyer from a large (250+ employees) company. Therefore, although the overall validity and reliability of this study is acceptable, due to the limited sample, generalizations to the Finnish T&C industry as a whole should be made only very carefully based on this thesis. It must also be kept in mind that the results of this thesis mostly represent the views of companies that already have experience with Indian T&C suppliers; further research into the view of companies without such experience needs to be done within the Finnish T&C industry.

Despite its limitations, this thesis has acted as an exploratory study into Finnish T&C buyers' perceptions of Indian suppliers and provided some important insights, outlines above. The contribution of this thesis has been two-fold. Firstly, it has provided a complementary view point to Finatex's market research in South Asia, giving Indian suppliers insight into the perceptions and supplier selection practices of Finnish T&C buyers. Secondly, this thesis has been an addition to the existing literature on the supplier selection practices and the country of origin effect. So far, Finnish companies have received relatively little attention in this area of academic research, a gap that this thesis has narrowed.

It is suggested that, if the scales created by the author are used in future research, they be revised and tested more vigorously in a study with a larger sample size. Similarly, it is recommended that further research with larger sample sizes be done into the supplier selection practices in the Finnish T&C industry. These studies could also compare different T&C company and buyers types to each other, for example textile and clothing buyers or those with previous experience of Indian suppliers and those without. As regional differences within India emerged as an important talking point in the interviews for this study, future research could take into account different regions within the country. As recommended also by Jin & Farr (2010, 42), this author finally suggest that future studies also take into account the buying company's stage of global sourcing.

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Appendix 1 Finnish T&C imports and exports in 2011 in thousands of euros

Finnish T&C Exports								
Textiles			Clothing			All Finnish T&C exports		
Rank	Country	Export volume	Rank	Country	Export volume	Rank	Country	Export volume
-	**Total**	**269 730**	**-**	**Total**	**294 607**	**-**	**Total**	**564 337**
1	Germany	39 280	1	Russia	96 800	1	Russia	121 374
2	Russia	24 574	2	Germany	40 490	2	Germany	79 770
3	USA	24 248	3	Estonia	32 604	3	Sweden	49 839
4	Sweden	23 046	4	Sweden	26 793	4	Estonia	49 319
27	India	2 090	55	India	37	29	India	2 128

Finnish T&C Imports								
Textiles			Clothing			All Finnish T&C imports		
Rank	Country	Import volume	Rank	Country	Import volume	Rank	Country	Import volume
-	**Total**	**579 149**	**-**	**Total**	**1 564 752**	**-**	**Total**	**2 143 901**
1	Germany	95 342	1	China	631 051	1	China	689 783
2	China	58 732	2	Sweden	114 675	2	Germany	185 365
3	Sweden	45 119	3	Germany	90 023	3	Sweden	159 794
4	Italy	33 788	4	Bangladesh	87 396	4	Turkey	113 530
10	India	25 473	7	India	68 422	6	India	93 895

All Finnish imports			All Finnish exports		
Rank	Country	Import volume	Rank	Country	Export volume
-	**Total**	**60 534 735**	**-**	**Total**	**56 855 202**
1	Russia	11 319 422	1	Sweden	6 739 234
2	Germany	7 528 214	2	Germany	5 625 367
3	Sweden	6 029 419	3	Russia	5 336 757
4	China	4 397 610	4	Netherlands	3 851 808
19	India	672 763	22	India	624961

Sources: Uljas-database 2013 (data accessed 15.1.2013)

Search criteria in Uljas-database: Products under SITC classifications 65 and 84; year 2011; All countries; Exports by countries of destination or imports by countries of origin; Cumulative value from the beginning of the year

Appendix 2 Indian T&C exports in 2010-2011 in millions of USD

Rank	Country	Export volume	Share
-	**Total**	**27766.11**	**100%**
1	USA	4940.72	17.79%
2	China	2038.44	7.34%
3	United Arab Emirates	1882.12	6.78%
4	United Kingdom	1789.98	6.45%
-	Finland	66.64	0.24%

Appendix 3 Questionnaire in English

COVER LETTER

To whom it may concern,

Below is a link to a questionnaire on Finnish clothing and textile industry buyers' perceptions of Indian suppliers. This questionnaire is a part of a Master's thesis, which is done for the department of marketing and international business at Turku School of Economics. The questionnaire is done in cooperation with Finatex ry.

The purpose of the study is to examine Finnish T&C industry buyers' perceptions of Indian suppliers. The author of the thesis is Tytti Kosonen, and her tutors are professor, Ph.D Niina Nummela and M.Sc. Anna Karhu.

By responding you can help advance research and understanding on international T&C trade. You answers can also help advance trade relations between Finland and India. There are only a small number of experts in Finland, who can respond to questions related to this topic and thus everyone's answer is important.

If there are others in your company who are also involved in the purchasing process of T&C products, please pass this questionnaire on to them if possible.

Answering the questions will take 10-15 minutes. All answers are handled anonymously and confidentially. At the end of the questionnaire, you may leave your contact information for possible in-depth interviews, but you may also respond anonymously. If you have any questions on the study, you may contact the author by email or phone (contact details below).

Thank you for your time and answers!

Kind regards,

Tytti Kosonen

s-posti: tytako@utu.fi
puh: 045 2311136

QUESTIONNAIRE

General

1. How many employees does your company employ?
2. Please mention the three countries from where you order the most T&C products. Please also indicate how many percent of your T&C purchases come from said country (e.g. India 50%)
3. Have you ordered from Indian suppliers before?
4. In your job, do you purchase:
    - Clothes
    - Textiles
    - Both
5. Does your company design most of its products in-house?

Supplier selection

6. You are ordering 5000 items of three different clothing products, A, B and C. Below, three different offers for each product are described. *The given price includes/does not include design.* Please choose the best offer. Quality is described on a scale of 1-5, where 5 is the best and 1 is the worst.

A

1. Made in: Germany, Price: 60 000 €, Quality: 4, *Delivery: 5/7 weeks*
2. Made in: India, Price: 50 000 €, Quality: 2, *Delivery: 6/8 weeks*
3. Made in: Romania, Price: 55 000 €, Quality: 2, *Delivery: 4/6 weeks.*

B

1. Made in: India, Price: 30 000 €, Quality: 5, *Delivery: 5/7 weeks*
2. Made in: Germany, Price: 25 000 €, Quality: 2, *Delivery: 4/6 weeks*
3. Made in: Romania, Price: 20 000 €, Quality: 3, *Delivery: 6/8 weeks*

C

1. Made in: Romania, Price: 40 000 €, Quality: 5, *Delivery: 5/7 weeks*
2. Made in: India, Price: 35 000 €, Quality: 3, *Delivery: 4/6 weeks*
3. Made in: Germany, Price: 30 000 €, Quality: 2, *Delivery: 6/8 weeks*

7. You are ordering 1000 meters of fabrics A, B and C. three different offers for each product are described. *The given price includes/does not include design.* Please choose the best offer. Quality is described on a scale of 1-5, where 5 is the best and 1 is the worst.

A

1. Made in: Germany, Price: 45 000 €, Quality: 5, *Delivery*: *3/4 weeks*
2. Made in: India, Price: 35 000 €, Quality: 2, *Delivery*: *4/5 weeks*
3. Made in: Romania, Price: 40 000 €, Quality: 2, *Delivery*: *2/3 weeks*.

B

1. Made in: India, Price: 40 000 €, Quality: 4, *Delivery*: *3/4 weeks*
2. Made in: Germany, Price: 35 000 €, Quality: 3, *Delivery*: *2/3 weeks*
3. Made in: Romania, Price: 30 000 €, Quality: 3, *Delivery*: *4/5 weeks*

C

1. Made in: Romania, Price: 35 000 €, Quality: 5, *Delivery*: *3/4 weeks*
2. Made in: India, Price: 30 000 €, Quality: 3, *Delivery*: *2/3 weeks*
3. Made in: Germany, Price: 25 000 €, Quality: 2, *Delivery*: *4/5 weeks*

Supplier selection criteria

1. You are choosing a supplier for *clothes/textiles*. Please choose the five most important supplier selection criteria from the list below and put them in order of importance (1=most important, 5=least important).

Total order price	
Product quality	
Lead time	
Supplier reliability	
Ease of communication with supplier	
Products are fashionable and stylish	
Ethical employment practices of supplier	
Environmental friendliness of products	
Production technology	
Geographical distance to supplier	
Supplier flexibility	
Supplier home country	
Product country of origin	
Other, what?	

Indian T&C products and suppliers

1. The below statements relate to Indian *clothes/textiles*. Please indicate whether you agree with said statements. Answer based on your experience or your expectations.

(Scale: 1= completely disagree, 2= somewhat disagree, 3= neither agree nor disagree, 4 partly agree, 5= completely agree)

The delivery time of products is short.
Delivery terms are favorable.
Delivery of products is expensive.
Products are cheap.
Products are usually delivered on time.
Prices often vary from what is expected due to currency rate fluctuation.
Products fulfill necessary quality standards.
Products are stylish.
Products are fashionable.
Products have been manufactured from environmentally friendly raw materials.
Products fulfill all T&C industry international quality standards.

2. The below statements relate to Indian *clothes/textiles*. Please indicate whether you agree with said statements. Answer based on your experience or your expectations.

(Scale: 1= completely disagree, 2= somewhat disagree, 3= neither agree nor disagree, 4 partly agree, 5= completely agree)

I do not want to buy products from India due to trade barriers.
When buying from India, the purchasing process requires much time and resources.
It is easy to negotiate with the supplier in regard to purchases (e.g. price, product characteristics).
The supplier provides me with sufficient information about purchases, products and their production.
The supplier replies to questions and messages in a timely manner.
When faced with problems, the supplier solves them in a satisfactory way.
I trust the information I get from the suppliers related to my order, products and their production.
Suppliers often break their promises.
Suppliers have specific quality improvement processes.
Corruption often causes problems when ordering from India.
Communications with the supplier are difficult due to a language barrier.
Supplier is hard to reach.

Supplier treats their employees well.
Supplier pays fair wages to their employees.
Supplier uses illegal labor or labor practices.
Supplier's production methods are environmentally friendly.
Supplier uses old fashioned production technology.
Supplier's production processes are efficient.

India in general

3. The below statements relate to India in general. Please indicate whether you agree with said statements. Answer based on your experience or your expectations.

(Scale: 1= completely disagree, 2= somewhat disagree, 3= neither agree nor disagree, 4 partly agree, 5= completely agree)

Places emphasis on technical/vocational training
People are hard-working.
Technical skills of workforce are high.
People are motivated to raise living standards.
People are proud to achieve high standards.
It has similar political views to my country.
It's economically similar to my country.
It's culturally similar to my country.
It's friendly toward my country in international affairs.
Products are imitations, not innovations.
Products are cheaply made consumer items
Products are not attractive.
Products need frequent repairs.
Products are easily available.
Products are distributed worldwide.
Products are intensively advertised here.
Advertising of products is informative.
Products are marketed in a wide range of styles.
Products are long-lasting (durable).
Products are considered prestigious products.
Products are good value.
Country produces highly technical products.
Products are made with meticulous workmanship.

Respondent contact information

1. We may want to interview you in-depth for this research. If we may contact to for said interview, please leave your contact information in the spaces provided below.

Name:

Company:

E-mail:

Phone number:

Appendix 4 Questionnaire results for scale measuring perceptions of Indian T&C suppliers

Code	Characteristic	Median	Mode	Range
-	**Delivery**	**2.83**		**2**
P1	The delivery time of products is short.	2.5	2	4
P2	Delivery terms are favorable.	2.5	2	2
S1	I do not want to buy products from India due to trade barriers.	2	2	4
-	**Cost**	**2.83**		**2.3**
P3	Delivery of products is expensive.	3	2*	4
P4	Products are cheap.	3	3	3
S2	When buying from India, the purchasing process requires much time and resources.	3	2*	2
-	**Quality**	**3**		**2.5**
P5	Products are usually delivered on time.	3	2	3
P8	Products are stylish.	3	3	2
P9	Products are fashionable.	3	3	2
P7	Products fulfill necessary international quality standards			
P11	Products fulfill all T&C industry international quality standards.			
S6	When faced with problems, the supplier solves them in a satisfactory way.	3	3	2
S9	Suppliers have specific quality improvement processes.	3	3	3
-	**Flexibility**	**3**		**3**
S3	It is easy to negotiate with the supplier in regard to purchases (e.g. price, product characteristics).	3	2	2
S4	The supplier provides me with sufficient information about purchases, products and their production.	3	3	4
-	**Environmentally friendly production**	**3**		**2.5**
P10	Products have been manufactured from environmentally friendly raw materials.	3	3	3
S16	Supplier's production methods are environmentally friendly.	3	3	3

-	**Reliability**	**3.25**		**2**
P6	Prices often vary from what is expected due to currency rate fluctuation.	3	3	4
S7	I trust the information I get from the supplier related to my order, products and their production.	3	4	3
S8	Suppliers often break their promises.	3	3	2
S9	Corruption often causes problems when ordering from India.	3	3	3
-	**Cultural proximity**	**3**		**1.6**
S5	The supplier replies to questions and messages in a timely manner.	3	3	4
S11	Communications with the supplier are difficult due to a language barrier.	3	3	4
S12	Supplier is hard to reach.	3	3	3
-	**Ethical employment practices**	**3**		**2.3**
S13	Supplier treats their employees well.	3	3	2
S14	Supplier pays fair wages to their employees.	3	3	3
S15	Supplier uses illegal labor or labor practices.	3	3	3
-	**Production technology**	**3**		**1.5**
S17	Supplier uses old fashioned production technology.	3	3	3
S18	Supplier’s production processes are efficient.	3	3	3

Appendix 5 Interview framework

Company and buyer information

- Do you (the company) currently have Indian suppliers?
- Have you (the company) previously bought from Indian suppliers?
- Have you personally been in contact with Indian suppliers?
- Have you personally visited India and for what purpose?
- What are your own products' key selling points?

Supplier selection criteria

- Why do you purchase from your current suppliers?
- How do you control for ethical employment and environmental practices?
- How often do you switch suppliers?
- How long have you purchased from your current suppliers?
- Please describe your supplier selection process.

Perceptions of India

- Why did you choose the suppliers that you have/had from India?
- Why did you stop purchasing from Indian suppliers?
- What are the advantages offered by Indian suppliers?
- What are the disadvantages of purchasing from Indian suppliers?
- What kind of picture do you have of the working conditions of employees in Indian textile and clothing factories?
- Would you consider Indian supplier in the future?

Appendix 6 Mann-Whitney U test tables

Supplier selection criteria

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The medians of Total order price are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
2	The medians of Product quality are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
3	The medians of Lead time are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
4	The medians of Supplier reliability are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
5	The medians of Ease of communication with supplier are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
6	The medians of Products are fashionable and stylish are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
7	The medians of Ethical employment practices of supplier are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
8	The medians of Environmental friendliness of products are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
9	The medians of Production technology are the same across categories of Products.	Independent-Samples Median Test	.	Unable to compute.
10	The medians of Geographical distance to supplier are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
11	The medians of Supplier flexibility are the same across categories of Products.	Independent-Samples Median Test	.	Unable to compute.
12	The medians of Supplier COO are the same across categories of Products.	Independent-Samples Median Test	.	Unable to compute.

Asymptotic significances are displayed. The significance level is ,05.

[1]Exact significance is displayed for this test.

[2]Fisher Exact Sig.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
13	The medians of Product COO are the same across categories of Products.	Independent-Samples Median Test	.	Unable to compute.
14	The medians of Other are the same across categories of Products.	Independent-Samples Median Test	.	Unable to compute.

Asymptotic significances are displayed. The significance level is ,05.

[1]Exact significance is displayed for this test.

[2]Fisher Exact Sig.

Perceptions of Indian T&C suppliers

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The medians of qual are the same across categories of Products.	Independent-Samples Median Test	,637[1,2]	Retain the null hypothesis.
2	The medians of delivery are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
3	The medians of cost are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
4	The medians of flexibility are the same across categories of Products.	Independent-Samples Median Test	,118[1,2]	Retain the null hypothesis.
5	The medians of ecoproduction are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
6	The medians of reliability are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
7	The medians of culturalproximity are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
8	The medians of fairtrade are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
9	The medians of tech are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

[1]Exact significance is displayed for this test.

[2]Fisher Exact Sig.

COO perceptions of India

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The medians of GPA1 are the same across categories of Products.	Independent-Samples Median Test	1,000[1,2]	Retain the null hypothesis.
2	The medians of GCA1 are the same across categories of Products.	Independent-Samples Median Test	,138[1,2]	Retain the null hypothesis.
3	The medians of GCA2 are the same across categories of Products.	Independent-Samples Median Test	,103[1,2]	Retain the null hypothesis.
4	The medians of GPA2 are the same across categories of Products.	Independent-Samples Median Test	,592[1,2]	Retain the null hypothesis.
5	The medians of GPA3 are the same across categories of Products.	Independent-Samples Median Test	,545[1,2]	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

[1]Exact significance is displayed for this test.

[2]Fisher Exact Sig.