

“Made in Ukraine” - a tag in the functional or innovative garment?

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A supplier evaluation of Ukraine.

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ABSTRACT

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- Problem** Since the globalisation has enabled apparel companies to purchase materials and goods from all around the world, the constant challenge is to find the most beneficial country and supplier who can provide the highest value to the lowest cost. There are however factors to be considered in the aspect of supplier selection and the decision is often made through assessment of nation-specific resources like labour costs, deliveries, trade restrictions and quality. It is important for apparel companies to relate the outcome of a supplier evaluation to the own company strategy or product characteristics as factors may be more or less crucial depending on the strategy or product type the company possess. With wages now increasing in Europe, Ukraine is predicted to become a new apparel-producing alternative for Swedish companies. However, there is no evident niche in Ukrainian apparel production, which can be set in the context of company and product characteristics.
- Purpose** The purpose of this thesis is to perform a supplier evaluation of Ukraine and discuss what company and product characteristics that might be more suitable for producing apparel in Ukraine.
- Methodology** A qualitative research has been carried out on a MFS scholarship for eight weeks in Ukraine. The empirical findings are based upon semi-structured interviews with five experts and observations and interviews in six factories. A supplier evaluation model is created upon the existing theories and the empirical results are discussed in the context of company and product characteristics.
- Conclusion** A company should consider evaluating multiple factors and the interrelationships between the factors in ability to reach a fulfilling supplier selection. It can be argued that there are predominantly characteristics found to suit companies with the cost leadership strategy or functional products. Furthermore, because of trade rules and a low access to materials most Ukrainian factories work on Cut-Make contracts with foreign customers.

SAMMANFATTNING

Titel: "Made in Ukraine" - a tag in the functional or innovative garment?

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Problem: Globaliseringen av klädindustrin har bidragit till att klädföretag köper material och färdiga plagg från länder runt om i världen. Det är en ständig utmaning att hitta det landet och den tillverkaren som erbjuder det högsta värdet till den lägsta kostnaden. Det finns många olika faktorer som man bör ta hänsyn till i ett leverantörsval och beslutet är oftast taget genom utvärdering av nationsspecifika resurser som lönekostnader, leveranser, kvalitet och handelshinder. Det är viktigt för företag att utvärdera länder och leverantörer utefter företagets egna strategier och produkternas karaktär eftersom olika faktorer vid leverantörsutvärdering kan vara olika viktiga beroende på företag och produkter. När lönekostnaderna stiger i övriga Europa framträder Ukraina som ett möjligt produktionsland som spås en framtid som ett alternativ för svenska klädföretag. Ukraina har däremot ingen klar nisch, vilket är intressant att titta närmare på i samband med olika företagsstrategier och produkttyper.

Syfte: Syftet med studien är att göra en leverantörsutvärdering av Ukraina som klädproducent och diskutera vilka företagsstrategier och produkttyper som kan lämpa sig bäst för produktion i Ukraina.

Metod: Uppsatsen är skriven på ett MFS-stipendium under åtta veckor i Ukraina. Det empiriska resultatet är baserat på semi-strukturerade intervjuer och observationer i sex stycken klädesfabriker och intervjuer med fem stycken experter. En modell för leverantörsutvärdering är skapad från existerande teorier och det empiriska resultatet av utvärderingen diskuteras i samband med olika företagsstrategier och produkttyper.

Slutsatser: Ett företag bör överväga att utvärdera flera faktorer och deras inbördes samband för att kunna uppnå ett tillfredsställande leverantörsval. Det har påfunnits flest karaktärsdrag som passar företag med en kostnadsstrategi eller funktionella produkter. På grund av handelsregler och dålig tillgång till material jobbar de flesta ukrainska producenter med Cut-Make kontrakt mot utländska kunder.

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1. INTRODUCTION

In this section, the background of the thesis will be presented. The background will then lead to the problem discussion, which will serve as a base for the purpose and research problem. Main concepts will be defined and the section will conclude by presenting the disposition of the thesis.

1.1. Background

Countries in Eastern Europe are now emerging as important apparel production locations as they are becoming the “sewing rooms” of Western European companies (Dickerson 2003:399). One country that seems to have caught the attention of Swedish companies is Ukraine as the Swedish import of apparel products from Ukraine has increased from 34 million SEK in 2003 to 139 million SEK in 2006 (Kommerskollegium, 2007).

The apparel industry is characterised by volatility and fast change of trends (Hedén & McAndrew, 2005) and to be able to succeed in this environment, apparel companies need to manage their supply chain in a cost-effective flexible way (Ayling, 2011). The aspects of sourcing and the question of where to source from have grown into an important strategic issue for companies worldwide (van Weele, 2010:181-185).

The Swedish apparel industry has undergone a major transformation since the industrial revolution came to change the conditions in the early 1800s. Within a period of 150 years, the previous small-scale, at-home production had become an integrated industry with skilled workers operating in mills and factories. During this time, the domestic market was still relatively protected from international competition until in the 1950s, when less developed countries became more industrialised and could offer a much lower production price due to low wages and working standards. Henceforth the Swedish manufacturers could not compete on these premises (Länsstyrelsen) and apparel production was relocated to developing countries. Today, the most common apparel suppliers to Swedish companies are China, India, Bangladesh, Sri Lanka and Pakistan (Swedwatch & Naturskyddsföreningen, 2008).

Europe is a common choice for production of small and medium-sized quantities; approximately 70 per cent of the European manufacturers supply small and medium-sized companies. In recent years, some of the Eastern European countries and the Baltic States have grown as apparel producers mostly because of their capability to shorten lead times but also because of low wages and high quality (Swedish Trade Council, 2006). One country that is seen as a new interesting sourcing alternative for apparel products is Ukraine. Ukraine’s apparel industry is established, but not as developed as the rest of the European countries (Swedish Trade Council, 2006). The Swedish Trade Council (2008a) predicts that Ukraine will become one of the most important apparel production countries in Europe, mostly because of the fact that the wages are lower than in the other Eastern European countries, but also because of the qualified and educated work force. More and more Swedish apparel companies see the potential in Ukraine as an emerging apparel production country.

When wages increase in leading production countries, new interesting sourcing options emerge (Dickerson, 2003:68). Cost-reduction, quality management, short lead times and flexibility are elements that determine the sourcing choices for an apparel company. Working with sourcing in the apparel industry is a constant chase of the manufacturer that can offer the best price at the best quality in the shortest time (Hedén & McAndrew, 2005). It is therefore important to constantly evaluate new sourcing options to secure that the company always get the best possible agreement.

1.2. Problem discussion

In the globalised apparel industry where materials or finished goods can be purchased from all around the world, the constant challenge is to find the most beneficial country and supplier to source from (Monczka et al. 2009:187). The search for lower production costs is the main factor contributing to the globalisation of the industry (Monczka, Trent & Petersen, 2008), but factors like speed to market and flexibility are argued to become increasingly important (Cammett, 2006). The aim of a successful sourcing strategy is to gain maximum value to the lowest costs by finding the best possible supplier for a certain product (Monczka et al. 2009:163). The strategic choice of where to source from is often taken through assessment of nation-specific resources like cheap unskilled labour in relation to trade issues like delivery time, government incentives and tariff barriers (Bolisani & Scarso, 1996). With wages increasing in the main apparel manufacturing countries in Europe, Ukraine emerges as a possible sourcing country (Swedish Trade Council, 2006). With the advantage of low wages and a history of apparel manufacturing, Ukraine is predicted to become a new apparel-producing alternative for Swedish companies (Swedish Trade Council, 2006).

There is a significant amount of research made on the area of supplier evaluation and sourcing selections. Teng and Jaramillo (2005) state that there are multiple factors to consider in a sourcing choice; they present a model with five main criteria: delivery, flexibility, cost, quality and reliability. Ordoobadi and Wang (2011) claim that to assess suppliers in a satisfying way, it is not enough to use the results of one single model since all models has its limitations. They instead propose an unstructured approach where multiple models and multiple perspectives are considered.

Low wages and thus low product costs is emphasised as a major motive in the search for suppliers, but there are a variety of companies within the apparel industry who have different characteristics and thus have different focuses when assessing new suppliers (Åkesson, Jonsson & Edanius-Hällås, 2007). The research by Lin et al. (2001) shows that when sourcing products with certain characteristics, the factors of quality and delivery are crucial and when sourcing products with another set of characteristics, production cost is the vital factor.

In a comparative study of European production of small-scale fashion, the Swedish Trade Council (2006) evaluates niches of the different manufacturing countries. In this study, Ukraine was concluded as not having a specific niche. The lack of a specialised niche in combination with the findings of Lin et al. (2001), show that it could be interesting to further investigate if there are certain company and product characteristics more suitable for production in Ukraine than others.

1.3. Purpose

This study aims to investigate the potential of Ukraine as an apparel manufacturing country for Swedish companies. With the constant shift in the conditions of the apparel supplier market, there is always a need to evaluate new possible options for sourcing. The purpose is therefore to conduct a supplier evaluation of Ukraine and discuss what company and product characteristics that can be most suitable for production in Ukraine. The results of the study could serve as a guide for Swedish or European apparel companies interested in sourcing from Ukraine; to help them evaluate if Ukraine is a possible sourcing country for their company. Our findings may also serve as a base for further research within the area.

1.4. Problem definition

To meet the purpose of this study, the main problem is formulated:

Are there features in the Ukrainian apparel industry that favours the production of certain types of products or company strategies, and what kind of products or companies can have the best opportunities to successfully source from Ukraine?

To address this question, a supplier evaluation model is developed and the following sub question is asked:

What characterises the Ukrainian apparel production industry on country and supplier level?

To answer the questions, eight weeks was spent in Ukraine where a qualitative study was undertaken.

1.5. Delimitations

This study focuses on the apparel industry and will only concern clothing products; any other textile products are disregarded. The research is limited to factories located in the Western part of Ukraine where the interviewees are people in management positions, which delimitates the aspect of geographical location and narrow the interviewees in factories based on their positions. As for the experts, we focus on interviewing persons who are active within the apparel industry of Ukraine or within trade between Ukraine and Sweden. No further aspects of characteristics are considered when interviewing neither the factory managers nor the experts. Moreover are the interviewees amounted to ten factory managers and five experts, which makes the results of the study based on them and their approach. Ultimately is the time frame for the field study limited to eight weeks, which equals the time spent in Ukraine.

1.6. Definitions of concepts

There are various concepts used in this thesis that can be defined in different ways. To avoid misunderstandings and to ensure that the readers perceive these concepts in the same way as us, our definitions are here presented.

Apparel: The term apparel is considered synonymous with all types of clothing.

Sourcing: The term sourcing refers to the strategic activity of finding and managing the best possible source of supply. This includes the procurement of ready garments, materials or the service of apparel production.

Suppliers/Manufacturers: The two terms are considered synonymous and refer to a company that produces fabrics or garments and supplies other companies.

Customers: The term customers refers to the buying companies; the customers of the Ukrainian manufacturers.

Workers: The term workers refers to the sewing operators in the factories.

Unskilled worker: A person with neither practical nor theoretical education for the job being performed.

Semiskilled worker: A person with some, but no extensive education for the job being performed.

High skilled worker: A person educated for the job being performed.

1.7. Disposition of thesis

The thesis is disposed as the model below shows. Each section begins with a short introduction so the reader will be presented with the content of the section.

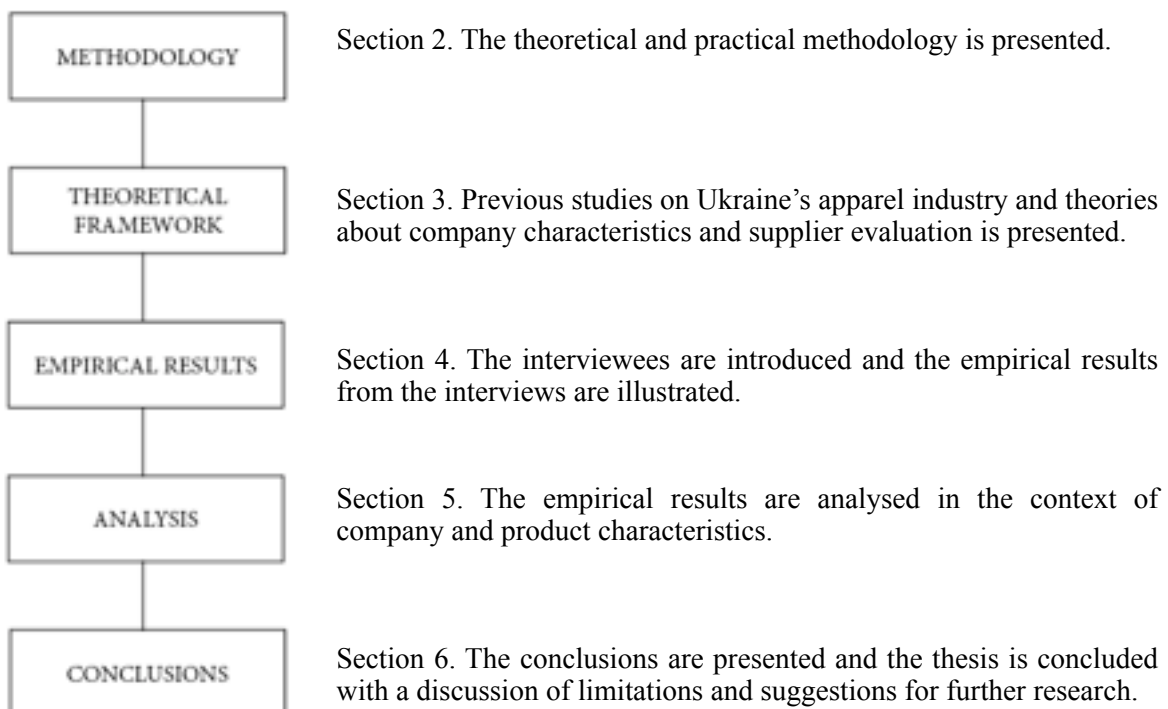


Figure 1.1 Disposition of thesis

2. METHODOLOGY

In this chapter, the methodology is presented. The chapter will begin with a presentation of the theoretical methodology and then move on to the practical methodology and an explanation of how the data was collected. The chapter will conclude in discussions of methodology choices, criticism of external sources and ethical considerations.

2.1. Theoretical methodology

With the purpose of this study; to discuss what company and product characteristics that show to be most suitable for production in Ukraine, we found it suitable to conduct a study where information was collected from persons with different positions in the industry. Both the methods of *semi-structured* (Bryman, 2008:439) interviews and *observations* (Bryman, 2008:257) have been used. The purpose of this choice is to highlight the research problem from different angles, which gives a wider perspective of the Ukrainian apparel industry. The method of using more than one method or source of data is called *triangulation* (Bryman, 2008:379).

Initially, the foundation of our research problem derived from reviving existing research and theory on the subject of supplier evaluation and selection. The structure of the interviews and observations were inspired by these theories, as topics and areas of observation derived from existing supplier evaluation models. The empirical results then led us in a slightly new direction where we needed to apply additional theoretical views on the results to draw conclusions. Our research strategy could be described as mainly *inductive*, but since the base of our research derived from existing theory, it also has some features of a *deductive* strategy (Johannesen & Tufte, 2003:35).

The data collected consists of transcriptions of interviews, notes and photos from observations and official documents. The data collected from the interviews are of qualitative character and could be classified as *reactive* data (Bryman, 2008:266); since the interviewees were aware of our presence, which means that their behaviour and answers surely were affected by the knowledge of our presence. The data collected from the observations can be classified as both *reactive* and *non-reactive*, as we observed both behaviour and communication between workers and management, and physical attributes such as machines and production layout. The people being observed were surely affected by our presence and could thus classify as *reactive*, while the machines and physical layout could be classified as *non-reactive* since it was presumably not affected by our presence. The data collected from statistical documents is classified as *non-reactive* since it is not in any way influenced by us as individuals.

We have investigated this field with a preconception that the field of study is shifting and that the results will be influenced by individual interpretation. Our research methods have mainly produced *reactive* data, which implies that the results are shaped by the social interaction of interviews and observations. The interviewees' personal preconceptions and values as well as ours as interviewers have contributed to establish one version of reality, which has no indication of being definitive. Our field of study is a field of constant change and development and it is shaped by persons and social interactions. Our research will show a

snapshot of the reality, which means that researchers conducting a similar study at another time, with other respondents, will probably not get the same results. These aspects together show tendencies of a *constructionist* and *interpretivist* view of the study, which in turn shows *qualitative* tendencies (Bryman, 2008:19).

2.2. Practical methodology

The nature of our research question implicates that our interviewees will have more of the characteristics of *informants* than *respondents* (Johannesen & Tufte, 2003:83, 131). The aim was to use the interviewees to collect information on the Ukrainian textile industry from the perspectives of our research model. The interviewees have however also served as respondents since their view of these areas sometimes has been of interest for the study. Our research has been conducted by interviewing professionals in the Ukrainian apparel industry, accompanied by observing in apparel factories. To be able to position our results in a wider perspective, persons with different positions within the industry have been interviewed.

2.2.1. Sampling

Our sampling process started by identifying the types of interviewees that would presumably contribute the most to our study. Two main types of interviewees which were supposed to serve different functions were identified: *experts* and *factories*. The next stage was to find suitable experts to interview and factories to visit, with the permission to interview persons in management positions within these factories. The purpose was to find factories located within the same area as Ukraine is a big country and there was limited time for travel. We also intended to visit both Ukrainian owned and foreign owned factories and to interview experts that were not only knowledgeable of the Ukrainian apparel industry but also of the trade between Sweden and Ukraine. This approach shows tendencies of a *purposive sampling* method (Bryman, 2008:415), since we had a plan of what kind of interviewees we wanted to find to bring relevance to our study.

When we started to initiate contact with factories and experts, we found that one contact often led us to a new possible source of information; this shows tendencies of *snowball sampling*, which is a type of *convenience sampling* (Bryman, 2008:183-185). When on the field, we also sampled according to the convenience method; we contacted factories situated in the area we were located in at the moment, both because they fit into our pre-decided standards, but also because the location made them convenient. Both convenience sampling and purposive sampling are *non-probability* sampling methods, which means that there is no room for *generalising* the results (Bryman, 2008:187). Our sampling methods thus indicate that the results will be able to show tendencies and patterns, but standardisation to the whole apparel industry in Ukraine will not be possible. Our findings might however be of inspiration for further studies with methods more amenable to standardisation.

2.2.2. Interview procedure

To meet our purpose, semi-structured interviews have been conducted. The purpose with the choice of semi-structured interviews was to let the interviewees talk fairly freely and for the interviewees to somewhat direct the results of the interviews. In total, twelve interviews have been conducted; seven interviews in six different apparel factories and five interviews with

other professionals in the Ukrainian apparel industry. There have been some interviews where two people have been interviewed at the same time; this makes 15 interviewees in total. The interviewees in factories will henceforth be called *factory managers* and the other interviewees will be called experts. All factories visited have been located in Western Ukraine, in and around the cities of Lviv and Ternopil. The experts interviewed have been representatives of business organisations or persons working for a European apparel or textile company in Ukraine. We have in addition been in contact with the Swedish Trade Council in Kiev, who supplied us with background material and whom we also had a brief meeting with. The meeting gave us some information about the Ukrainian trade environment, and is for this study considered as an open dialogue thus this will not be treated as an interview. Our interviewees will be further described in section 4.1.

All interviews took place between 1 April and 14 April of 2011 in the cities of Kiev, Lviv, Radivilov and Shumsk, where the three latter is situated in the Western part of Ukraine. All interviews were conducted in daytime between 9 AM and 5 PM. Our aim was for the interviews to take place in similar surroundings and all interviews were conducted in the office of the interviewee, except for two that took place at a cafe. To pursue similar conditions of the interviews, one of us asked the questions in all interviews, and the other one was listening and taking notes. As one of us has basic knowledge in Russian, she was the one listening and taking notes to further prevent misunderstandings or words getting lost in translation.

As our research has taken place in a foreign country where the cultural aspects are rather unfamiliar, we found it important to consider our appearance and behaviour in interview situations more critical than if the research had taken place in our own country. To gain knowledge of the Ukrainian culture in advance, we were in contact with a Ukrainian professor in Sweden, who could inform us about the most substantial cultural differences: how we should address authoritative people, how we were expected to behave as women and how we should present ourselves in interview situations. To further strive for similar conditions in all interviews, we aimed to keep a similar appearance and approach.

The interviews followed a semi-structure, where topics and general questions were decided in advance, but where the interviewee's answers often led to follow-up questions that was not a part of the initial structure. Since we had two different types of interviewees, factory managers and experts, we also had two different types of interview structures (see appendix 2 and 3).

To secure the accuracy of data collected, all interviews where the interviewees agreed were recorded with a dictaphone. This resulted in all interviews but one being recorded and transcribed. The main reason behind the choice of using a dictaphone was to avoid misinterpretations and to allow for repeated investigations of the interviews. The interviews have been conducted in English or in Ukrainian/Russian. Six of the interviews were conducted in English and six were interviewed in either Ukrainian or Russian. For the interviews conducted in Ukrainian or Russian we used two different interpreters. To secure the qualifications of the interpreters we only used interpreters who had Ukrainian as their mother language and were fluent in English. Both our interpreters also worked as interpreters

either as a full-time or extra job. To further secure the cooperation with interpreters, we sent our interview topics to them before the interviews and we also discussed the questions in advance. In one factory we got the opportunity to interview a manager which we had not planned for and she only knew Ukrainian, we then had to use an interpreter from the factory. The transcriptions of the interviews were all done as soon after the interviews as possible to make sure all aspects of the interviews were remembered. Interview transcriptions and recordings are available upon request and in appendix 2 and 3, the main interview topics are presented.

2.2.3. Observations

To complement the information gathered from interviews, we have also conducted observations in all six factories visited. The main reason for using observations as a data collection method was to find information that was not possible to discuss in interviews. The observations followed a semi structured scheme where there were four areas to observe: the technology used, the production system used, the interaction between management and workers and the general environment of the factory. These areas were decided in the context of the interview topics. The observations were documented with notes and photos taken during the actual observations. The observations of the interaction between managers and workers showed to be difficult to further use in the study since we feel that it was not enough with a short factory tour to draw any conclusions on this area. Thus, the main observations that showed to be valuable were observations of technology and production systems.

2.3. Criticism of methodology choices

Qualitative studies are often criticised for being too subjective, for being difficult to replicate, for lacking transparency and for having problems of generalisation (Bryman, 2008:391-392). In order to assure the quality of our study in these areas, we have considered and discussed the criteria of *credibility*, *transferability*, *dependability* and *conformability* (Bryman, 2008:377-379).

When conducting a qualitative research with a constructionist and interpretivist view, the researcher is inevitably a part of the reality studied. This makes room for issues arising regarding the credibility of the study; is the social phenomena studied understood in the correct way? To assure the credibility of our study we have used triangulation: three different types of research methods (observations, interviews and documents) and two different types of interviewee profiles (experts and factory managers). These methods have been chosen to reach a result that is as true to the reality as possible, thus as high credibility as possible. It could be discussed if the answers received from the interviews in factories are credible, since it could be assumed that the factory managers might not have given completely honest answers to questions that might illustrate their company in a negative way. By also interviewing experts on the same areas but from an impartial point of view, these issues were strived to be minimised.

The issue of generalisation and transferability is difficult to tackle since we have conducted a study with a non-probability sampling method. To receive a result that provides a wider picture and as high transferability as possible we have interviewed experts in addition to factory managers. The aim with this choice was for the experts to provide us with the general

information of the topics studied in the factories. The results of our study is not transferable to the whole Ukrainian apparel industry, but it might be possible to make *moderatum generalisations* (Bryman, 2008:392), where findings can be seen as patterns of recognisable features that can be compared to other research findings.

The criticism of lack of transparency in qualitative research can be discussed by assessing the degree of dependability. To reach a high dependability, we have been thorough with documentation of everything; notes of dates and time of all meetings, transcription of the interviews and detailed notes and photos of observations. The aim of keeping this detailed documentation is to reach a high transparency and by reaching a high transparency also reach a high dependability. One aspect that might affect our study's dependability is the fact that we have had to use interpreters in some interviews. There are numerous things that could affect the dependability: the interpreter might misunderstand us and not ask the questions right, she might misunderstand the interviewee and give us incorrect answers, and we inevitably get deprived of the nuances of the interviewee's answers since the interpreter cannot be expected to translate word by word. To minimise this issue, we have had the one of us knowing basic Russian to listen and notice misunderstandings or nuances that the interpreter missed. However, one of our interpreters also became an asset since we have been able to discuss the interviews, the answers and the interviewees' behaviour with her. In this way, we hoped to maximise the dependability by securing that we understood the situations in the same way.

The nature of our study makes subjectivity an important issue to discuss. We are human beings going into this study with unconscious preconceptions about how the reality is. Since we are all different and we all interpret the social surroundings according to our own set of values and personality the subjectivity is inevitable. By viewing results of other studies of the Ukrainian apparel industry before conducting this study, we might have been affected to expect certain outcomes. To assess the issue of subjectivity, the degree of conformability can be discussed. To reach a high conformability we tried to go into every new interview and factory with the attitude of a clean slate, and to not compare the impressions of the different places while being in a factory. Even though being aware of this does not ensure a high conformability it hopefully reduced our subjectivity slightly. We found that recording the interviews and taking photos of the observations was a great way of dealing with the conformability issue since we found that, when for example transcribing an interview, the interviewee had not been talking as much about a certain topic as we had the impression of. Photos and transcriptions are very objective data and by using this type of data we hope to have reached a higher degree of conformability.

2.4. Criticism of external resources

The main references used for this study are articles, literature and electronic resources. For information on the apparel history of globalisation and trade environment, the main sources have been textbooks and electronic resources. For information regarding supplier evaluation as well as company and product characteristics, mainly articles have been used. To keep a high quality of sources, the aim has been to minimise the use of outdated articles and materials. To the highest possible extent, we have thus tried to use articles and materials published within the last ten years. In some occasions however, older sources have been used; the theory about competitive advantages by Michael E. Porter (1985) is frequently cited in

studies on the area and can still be considered valid, the theories of product characteristics in the context of supply chain by Marshall L. Fisher (1997) is used because most of the research found in this area refer to his theories.

The previous studies on the Ukrainian apparel industry have mainly originated from the Swedish Trade Council in Kiev. These reports could be considered as reliable sources because their main job as a company is to provide companies with reports of this kind. To validate our empirical findings, statistical reports from the State Statistics Committee of Ukraine have been used, along with trade reports from the World Trade Organisation. The statistical reports are used to compare monthly wages of sewing operators and it could be discussed if they could be seen as reliable. We have understood that there is a quite extensive grey market and it could be assumed that there are companies paying untaxed wages, which might cause a misleading statistical result. However, the use of these reports is only to show approximate wages and for this purpose, the reliability can be argued as satisfying.

Electronic resources used are mainly organisations' webpages and are primarily used in the introductory section and to describe trade environment. We are aware of the risk of electronic resources having a lower quality than other materials, which is why we have limited the use of electronic resources.

2.5. Ethical considerations

The ethical considerations of this study regard the interviews and how they have been treated. We have before an interview initially explained who we are, and for what reasons we are conducting this study. The interviewees have been asked for approval to record the interviews and the interviewees were also told that the answers would be treated with confidentiality and would only be used for this study. Therefore the interviewees will not be presented by their names.

3. THEORETICAL FRAMEWORK

In this section, our theoretical background will be presented. The aim of this section is to provide the reader with a basic knowledge of global sourcing and the strategies of sourcing choices and supplier evaluation. The theoretical views presented will also serve as a base for the discussion of our findings. Different criteria for supplier evaluation will be presented and the chapter will conclude in our own research model generated from theories on supplier evaluation.

3.1. Disposition of the theoretical framework chapter

The section is divided into three parts. The first part will contain a brief on previous studies of the Ukrainian apparel industry. The second part will start by introducing the development of the apparel trade environment and then a description of the apparel supply chain and production systems will follow. The third part will begin with a review of the theories on company and product characteristics and then move on to supplier evaluation models. The theoretical framework will conclude in our own developed research model deriving from the theories of company and product characteristics and supplier evaluation. This model will be used in the remaining sections of the thesis to structure and analyse findings.

3.2. Previous studies of the Ukrainian apparel industry

In the report "The textile industry in Ukraine - and potential for the Swedish companies" (2008a), the Swedish Trade Council found that the main advantage of Ukraine as an apparel producing country is the competitive salaries, but also the location with borders to EU. In the report "Ukraine - the fall and rise" (Tait, 2006), proximity to the market, flexibility, low cost labour and quality are argued to be the main advantages. There are a majority of medium sized factories which employ between 30-100 workers (Tait, 2006) and the segment with the most competition among manufacturers is argued to be the segment of low quality-low price (Swedish Trade Council, 2008a).

The western part of Ukraine has a tradition of working towards the EU and the main part of garments exported is produced on a tolling base (Swedish Trade Council, 2008a), which means that the manufacturers only provide the labour force and technology for assembly (Lviv Today, 2011). Tait (2006) claims that a full range of garment production could be found in Ukraine, from fashion to workwear, and that almost all production for export is made on a Cut and Make basis where the supplier only provides the labour. 87 percent of Ukraine's garment export consists of woven products; the knitwear sector is more volume-based (Tait, 2006) and is not as efficient due to outdated equipment (Swedish Trade Council, 2008a). The salary level for apparel production is among the lowest in Europe (Swedish Trade Council, 2008a; 2008b; 2006), but the salaries are rising, which means that production needs to be more efficient and that technology investments are crucial even if it has improved in the latest years (The Swedish Trade Council, 2008a). There are limited resources of fabrics and trims, which means that most fabric has to be imported, Tait (2006) also claims that problems with VAT refunds contributes to manufactures avoiding to source materials locally. The Trade Council (2008a) addresses the limited access to raw materials as a weak point in the Ukrainian textile industry.

Tait (2006) claims that transport systems and custom clearance procedures function efficiently, but the Swedish Trade Council (2008a; 2006) found that customs and administration are viewed as problems and that import from Ukraine could be complicated if you do not have the right transportation partner. In their study, the Swedish Trade Council (2008a) interviewed Swedish and Danish companies and experts within the Ukrainian apparel industry and found that all interviewees believed that the custom procedures made their business difficult to handle. As for Ukrainian factories' ability to keep deadlines, 60 per cent of the respondents perceived it to be varying depending on factory. There were also 60 per cent of the interviewees who believed that Ukrainian workers have a good craftsmanship, and the quality was perceived to be varying but predominately good. Tait (2006) claims that the quality levels of Ukrainian produced garments are good, but that it will improve as more international companies invest and bring their management skills. In their report about small-scale production in Europe, the Swedish Trade Council (2006) on the other hand claims that the quality of Ukrainian produced apparel is not that good, but agrees on the fact that it is improving as the market expands.

The Swedish Trade Council (2008a) claims that for foreign companies looking to source from Ukraine, there are problems finding suitable partners because the requested quantities are too small to attract Ukrainian companies. On the other hand, they claim in another report that there might be an interest from Swedish companies in small-scale production of apparel in Ukraine; small-scale is defined as a total order size of 500 pieces. The Swedish Trade Council (2008a) claims that there is a lack of loyal and qualified workers and that one should be prepared of the fact that everything takes time in Ukraine. They also state that there are Swedish companies now producing in the Baltic States or other countries within the EU who are assessing Ukraine as a production country, and that there are possibilities for low cost apparel production.

In the area of equipment in factories, the Trade Council (2006) states that 60 percent of the machinery is from Germany and Japan and Tait (2006) agrees and adds that there has been a trend where factories upgraded their equipment with quality machines from Japanese Juki and Brother and German Pfaff. Many also invested in specialist equipment such as Gerber Technology, Lectra and Kuris cutting systems.

3.3. Global trade in the apparel supply chain

Two main movements have risen out of the globalisation, *protectionism* and *free trade* (Dickerson, 2003:83). Protectionism concerns reductions, limitations or exclusions of the merchandise flow from foreign countries. Free trade on the other hand, means the opposite of protectionism and advocates free flow of goods over country boundaries. According to Kunz and Garner (2006:90) there has been a strong movement pursuant to free trade during the last 50 years although the textile and apparel industry still remain relatively protected.

The textile and apparel industry has for many years been limited through several restrictive tools (Jones, 2006:201). Kunz and Garner (2006:92) claim that the most common form of trade protection is tariffs: a tax which is applied on imported or exported goods. Another form of trade protection is the non-tariff barrier which takes many different forms but does not

apply a tax upon imported or exported goods. Non tariff barriers can involve customs procedures, import and export quotas, government procurement restrictions, infrastructure related to transport, subsidies for domestic firms and certifications procedures (Kunz and Garner 2006: 98).

Ukraine applied for a membership in WTO in 1993 and was approved to join the organisation in 2008 (World Trade Organisation, 2008). Ukraine is not a member of the EU, but it is a partner country due to the involvement in the European Neighbourhood Policy. In 1998 a relationship over the Partnership and Co-operation Agreement, was created to form a framework of cooperation between the EU and Ukraine¹. This was in 2007 shifted to negotiating the Association Agreement in which discussions are held for a free trade in the possible future between the EU and Ukraine². Ukraine has been a member of the International Monetary Fund, since 1992³ and the country is dependent on the credits from the organisation to keep the domestic economy balanced⁴.

3.3.1. The apparel supply chain

The textile and apparel supply chain consists of a number of activities linked by a network of information flows between the activities (Nordås, 2004). In a simplified way, the supply chain can be divided into five units: *raw materials* that are being processed into fabrics in *textile plants*, fabrics are then sent to *apparel manufacturing plants* where the materials are processed into finished garments, which are then sent to either *distribution centres* or straight to *retail stores*. The apparel manufacturing sector is characterised by labour-intensity, minimal capital requirements and relative simplicity, with the exception of the pre-assembly stage of production. This stage includes the cutting of the garment pieces and is more technologically advanced and capital intensive than the sewing stage; precision in this stage is crucial to achieve high quality of the end product (Nordås, 2004; Cammett, 2006).

There are different ways of integrating the textile sector and the apparel sector when sourcing in the global market, but there are two major approaches; using *CMT* (Cut-Make-Trim) operations or *Full Package* operations (Glock & Kunz, 2005:9). When sourcing on a CMT contract, factories supply the buying company with work force, machines, thread (Glock & Kunz, 2005:9), trims and sew the garments (Cammett, 2006). The buying company does the product development and supplies the factory with fabrics (Glock & Kunz, 2005:9). When sourcing on a Full Package contract, the buying company does the product development and sends a detailed specification to the manufacturer, who provides pattern services, sources materials and coordinates the garment assembly (Glock & Kunz, 2005:9; Cammett, 2006). These two approaches are often combined (Cammett, 2006), which provides different approaches of sourcing contracts.

¹ European Union External Action. Available: http://eeas.europa.eu/ukraine/index_en.htm [2011-05-05]

² European Commission. Available: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/ukraine/> [2011-05-05]

³ International Monetary Fund. Resident Representative Office in Ukraine. Available: <http://www.imf.org/external/country/ukr/rr/index.htm> [2011-05-05]

⁴ Sveriges Ambassad. Landfakta: Om Ukraina. Available: http://www.swedenabroad.com/Page_____37555.aspx [2011-05-05]

In the globalised textile and apparel industry, companies strive to achieve a high valued end product by locating the different activities of the supply chain to places of the world where the highest value can be achieved (Nordås, 2004). Kunz and Garner (2006:8) defines global trade by using an example of a pair of pants being designed in Chicago, cut and sewn in Honduras made of fabric woven in South Korea, out of cotton fibre from Pakistan and polyester fibre from Taiwan. This process involves individuals from different countries with different ethical and cultural backgrounds and the aim of gaining maximum value by locating activities in countries where this can be achieved is evident.

Trade among nations has existed in many centuries, but the inability to communicate with people in other countries, historically made trade a time-consuming and dangerous activity (Dickerson, 2003:70). In the middle of the twentieth-century, the majority of textile and apparel were produced within the domestic economies (Kunz & Garner, 2006:3). In the last decades, technology development has made it easier to communicate with people in distant locations and the development in technologies regarding tracking systems has contributed to a great control over transportation and logistics across country borders (Dickerson, 2003:70). From the 1970s, apparel exports from the industrialised countries started to decline, and by the late 1990s, most western retailers were sourcing apparel products on the global market (Cammett, 2006). This growth is evident in statistic figures from the last three decades: the share of apparel trade in world merchandise trade has risen from 0,9 per cent in 1980 (Joshi, 2006:5) to 2,6 per cent in 2009 (WTO, 2010).

The apparel industry is labour-intensive and it creates job opportunities in developing countries, particularly unskilled labour opportunities for women who previously had small income opportunities (Nordås, 2004). As an industrial sector with relatively low initial investment costs needed, the apparel industry is often seen as a first step of industrialisation and economic development in a country (Nordås, 2004; Joshi, 2006:6; Kunz & Garner, 2006:13). Because of the labour-intensity of apparel production and by the fact that human labour often is one of the most available resources in developing countries, they become ideal locations for apparel production (Kunz & Garner, 2006:6).

The motives for an apparel company conducting a global sourcing strategy are many and could vary between companies (Dickerson, 2003:76). Monczka, Trent and Petersen (2008) claim that the search for lower cost has undoubtedly been the biggest motive for global sourcing, while Cammett (2006) claims that the fluctuations in consumer demand now has shifted focus from the motive of lower cost to the motive of speed to market through geographic closeness. As there are many motives for an apparel company sourcing on the global market, there are also barriers to global sourcing. There is a risk of losing control over the production process, the difference in culture and language could be problematic, there are inevitably longer lead times and there are generally higher risks due to more complex operations (Monczka et al. 2009:192).

3.3.2. Production systems

A production system in an apparel factory is defined as the machinery and processes used to assemble raw materials to a finished product, and the relationship between the workers and the equipment (Lin et al. 2001). In the choice of a production system for apparel goods, the

characteristics of the products and the policies and demands from the buying company are vital (Babu, 2006). There are a few classic types of production systems that most production systems derive from.

Whole Garment Production System - One worker completes the whole garment, often including pressing and hand-stitching (Babu, 2006). This system demands high-skilled and versatile workers, which means that the system will be highly expensive and suited for extremely low volumes of highly diversified products.

Group System - A team of workers completes one garment; one worker is specialised in a part of the garment, for example the front, this worker then completes all operations needed to finish the front. This system is appropriate for producing a variety of styles but in a higher volume than the previous discussed system. Babu (2006) explains that this system demands workers with different kinds of skill levels. For this kind of system, the higher management has transferred parts of the responsibility onto the workers: the team is responsible for the quality and goals of their production (Glock & Kunz, 2005:342). This great deal of responsibility given to the workers creates a sense of accomplishment and motivation, which in return is claimed to increase product quality.

Bundle System - In this system, bundles of cut garment pieces are sent to the sewing room where the workers perform a standardised task on each piece of the bundle before sending it to the next worker (Glock & Kunz, 2005:337). There is a large volume of work in progress since there are a number of pieces in each bundle and the fact that there needs to be a continuous workflow to ensure efficiency (Glock & Kunz, 2005:338). This is a highly productive and cost-efficient way to produce apparel goods since the production is broken down into small operations and the workers are semiskilled to unskilled (Babu, 2006). Workers operating in a Bundle System production is driven by efficiency and paid by their personal productivity rate. They perform the same operation at all garments which makes the operations standardised and the workers separated from other operations in the line and the final product (Glock & Kunz, 2005:338). The Bundle System is best suited for high volume production of low variety products (Babu, 2006).

Unit Production System - In this system, all pieces needed to make one garment are grouped together and sent on a mechanic rail to the workstations. When one worker has completed its job on the garment, the operator pushes a button and the garment it is sent to the next workstation (Babu, 2006). The system is often technically advanced and computerised; the control centre decides where the garments should move next. This means that different garments and different styles can be produced simultaneously without having to restructure the production lines. Compared to the Bundle System, the Unit Production System saves time and direct labour costs by not having to physically move and handle bundles of garments. The control system also makes it easier to notice and prevent quality issues since problems can be tracked directly to the worker causing the problem and the visibility of quality issues cannot be hidden in bundles (Glock & Kunz, 2005:339-341). The Unit Production System creates a flexible environment which provides the factory with the ability to respond quickly to changes in demand (Babu, 2006).

The different production systems described by Glock and Kunz (2005:337-342) and Babu (2006) and its characteristics can be summarised in a table.

	Whole Garment Production System	Group System	Progressive Bundle System	Unit Production System
Volumes	Very small volumes	Relatively small volumes	Large volumes	Large volumes
Productivity	Extremely low	Low	High	High
Variety of styles	High	Relatively high	Low	Medium
Skill of workers	High skilled	Ranges from high skilled to unskilled	Semi skilled to unskilled	Semi skilled to unskilled
Worker involvement in total production process	High involvement	Relatively high involvement	Low involvement	Relatively low involvement
Degree of specialisation in worker's tasks	Low specialisation	Medium degree of specialisation	High specialisation	High specialisation
Labour costs	High	Relatively high	Low	Low

Table 3.1. Production systems

3.4. Company and Product characteristics

To be able to compete on the apparel market, companies strive to differentiate themselves from competitors by gaining certain competitive advantages. For some companies, price is the main competitive advantage, while high quality or ability to quickly meet the volatile demand could be the competitive advantage for other companies (Åkesson, Jonsson & Edanius-Hällås, 2007). As different main strategies are applied, different factors in the choice of suppliers must be taken in consideration. Nordås (2004) identifies two different market segments; *high quality fashion market* and the *lower-quality mass market* of standardised products. The former is characterised by volatility and innovativeness where flexibility is key; manufacturers of this segment is often located in developed countries or in countries with a geographical closeness to the major market. The second market segment is defined as more stable in demand, with standardised products such as workwear and T-shirts. Manufacturers of this segment are often located in developing countries and employ mostly semiskilled and unskilled workers. Porter (1985) identifies three different strategies that may lead to a company gaining competitive advantage; cost leadership, differentiation and focus. The first two strategies are of primary interest in this study, thus the third one will not be further discussed.

Van Weele (2010:185) discusses Porter's theories in the context of sourcing. Companies that apply the cost leadership strategy have their main focus on reducing the price of the end product to reach a competitive position on the market. This strategy favours large volumes and streamlined production to maximise efficiency. The production is prepared in detail in advance, which makes no room for individual improvisation or creativity, managers are judged on their capacity utilisation and changes in production is often not accepted since this will increase costs. When cost leadership is applied, price is central in supplier negotiations and delivery reliability is more important than short delivery times. Companies that apply the

differentiation strategy aim to produce products that are perceived by the customer as unique. The aim is to achieve customer loyalty, which means the factor of price is less important and the factors of flexibility and short lead times are crucial. The variation in orders implies that the production process needs to be flexible: the staff must have the skills to perform different tasks. High level of educated staff and a great knowledge of the buying company are crucial factors to consider for a company applying the differentiation strategy.

Fisher (1997) claims that a company need to build its supply chain in compliance with the nature of its products and that a company often has many different products that demands different supply chains and thus different sourcing strategies. Similarly, Lin et al. (2001) conclude that there are different areas of focus in the sourcing processes of different types of products. Fisher (1997) presents two types of products; *functional products* and *innovative products*. The functional products are defined as price-sensitive, low-margin staple products with long life-cycles and predictable demand, while the innovative products are high-margin products characterised by short life-cycles and unpredictable demand. The predictable demand of functional products provides the company with the possibility to focus mainly on minimising manufacturing costs, which is seized by planning and reserving the production ahead and thus maximising efficiency. For these types of products, production cost is the main factor to consider when assessing suppliers. For innovative products, this strategy should not be implemented since the demand is uncertain and the life-cycle short, the main focus when assessing suppliers should instead be their levels of flexibility and ability to react quickly to changes in demand.

Lin et al. (2001) present a similar structure of *standardised products* and *new products*. The critical factor to assess when selecting suppliers for standardised products were found to be costs, while the critical factors to asses for the new products were found to be delivery and quality. A similar classification is suggested by Cammett (2006); *fashion* and *commodity* products, where the focus when sourcing fashion products often is geographic proximity as a contrast to the commodity products, where the focus often lies on reduction of costs.

All theories of company and product characteristics discussed above can be summarised in a table. The characteristics of standardised products, commodity products and the lower quality mass market products henceforth will be summarised under the name of functional products. In the same manner, the characteristics of new products, fashion products and the high quality fashion market will be summarised under the name of innovative products.

	Cost leadership/Functional products	Differentiation/Innovative products
Demand	Stable	Unstable
Product variety	Low	High
Product life cycle	Long	Short
Order volumes	On the larger side	On the smaller side
Worker/Management characteristics	No room for improvisation and creativity, workers are paid by efficiency rates. Lower level of educated work force.	Workers are preferred to have multiple skill areas. Higher level of educated work force.
Production planning	Production is planned and scheduled in beforehand to secure lowest possible price.	Shifts in demand obstruct the ability to plan production in slightest detail.
Production focus	Standardised efficient processes	Flexible processes
Main focus in supplier selection	Low production cost	Flexibility and short lead times

Table 3.2. Company and product characteristics

It needs to be taken in consideration that the definitions of the innovative or functional products of this table is somewhat stereotypical and that there of course can be innovative products produced in large volumes and functional products produced in low volumes etcetera. However, this study will henceforth use these definitions of functional and innovative products to evaluate Ukraine as an apparel supplier. Our suggestions of products that can be defined as functional are for example regular T-shirts, workwear, simple shirts and leggings: products that cannot be identified as being too sensitive to trends. Innovative products can be defined as trendy high margin fashion products and can be found in any product category but with the common feature of being trendy and only in demand for one or a few seasons. Another feature distinguishing functional or innovative products is that functional products could be seen as products that people buy because they need them, while innovative products could be seen as products people buy because they want them.

3.5. Supplier evaluation and selection

The selection of the most suitable supplier is an important activity for an apparel company and there is no easy way to ensure that the final choice of supplier will be the best one. The aim for the company is to ultimately find the most suitable supplier and ensure reliability, reasonable terms and low risks in the relationship and ultimately gain maximised value (Monczka et al. 2009:163). To assist buyers in the difficult task of selecting the right supplier, there are a great amount of supplier selection models (Ordoobadi & Wang, 2011). Different evaluation models are suitable for different situations, and often the use of one single model is not enough to form a qualitative decision making process. This section has no intention of total coverage in the area of supplier evaluation and selection, thus a few selected views are presented.

The constant search for the lowest production costs has for a long time been one of the main factors influencing companies in their supplier choice. This is also the main factor that has driven companies to start sourcing from distant locations around the world (Monczka, Trent &

Petersen, 2008). Even if the criteria of production cost are vital for supplier evaluation and selection, there are still numerous of other criteria to be considered.

Jaramillo and Teng (2005) have developed a supplier evaluation model for apparel companies to use for both evaluating their existing suppliers more easily and for making the selection of suitable suppliers more effective. They propose five main areas that represent the most critical areas in global sourcing for apparel supply chains and reflect the performance of a supplier: delivery, cost, quality, flexibility and reliability. Within these areas they specify more detailed factors to consider. Glock and Kunz (2005:312-313) suggest similar factors; cost, product quality, specialisation. Further, they specify areas of evaluation on country and supplier level: political and economical stability, if the country has free-trade agreements, the education level of workers, evaluation of the equipment, what type of customers the manufacturer has and what kind of garments they produce. Myers-McDevitt (2011: 39) addresses the area in a similar way: she stresses the issues of product quality, availability of materials, production capacity, ability to meet deadlines, labour practices, negotiability and quotas and tariffs.

Levary (2008) proposes risk as a main criteria when assessing foreign suppliers, with country risk as one of the main factors. Political risk, risk due to natural or man caused disasters and currency risks are presented as the main risks associated to country choice to be taken in consideration. Fraering and Prasad (1999) adds a few factors to the criteria of country influences, they propose three main factors; currency volatility, quality of infrastructure and tariffs. Mohanty (1998) presents factors affecting quality and productivity on two levels; macro-level factors and micro-level factors. The macro-level factors include country-specific factors like natural resources, infrastructure, political climate, protection and trade barriers and demographic and social conditions. Micro-level factors refer to organisational factors such as equipment and technology investments, measurement and control systems, management style and the availability and education of work forces.

The area of quality is highly prioritised among the mentioned authors; however, the evaluation factor of quality is specified somewhat different by each of the authors. Monczka et al. (2009) explains this issue by stating that quality is difficult to define and that people have different expectations and use different criteria when identifying quality. They highlight that it is impossible to define a general measure for quality. Quality can be defined as when a product achieves what it is aimed for or it can be defined as when a product exceeds the expectations of the customer. Mohanty (1998) points out that there are numerous quality management practices, which are focused on learning, constant improvement and involvement and training of workforce. Monczka et al. (2009) argues that, to tackle the issue of quality, companies need to analyse customer expectations and then ensure that all organisations in the supply chain are able to meet these quality demands. The focus should be shifted from the quality of the end product to the quality of the processes involved in production of the product (Mohanty, 1998). In this way, the quality factor can be interpreted as an evaluation criteria of *supplier quality*. Supplier quality can be identified by Deming's (see Monczka et al. 2009:282-286) principles of quality, where he discusses quality in a similar way as Mohanty (1998) describes quality: as a management issue instead of an issue of the physical product.

3.6. Our research model

In the review of the existing literature in the area of supplier evaluation and selection, some criteria are more frequently discussed than others. Our research model is created from these authors' views on supplier evaluation and the criteria most suitable for our research has been selected and will in this section be described in further detail. The research model will be used to evaluate Ukraine as an apparel supplier in the context of company and product characteristics. The model illustrates the relationship between company and product characteristics and supplier characteristics.

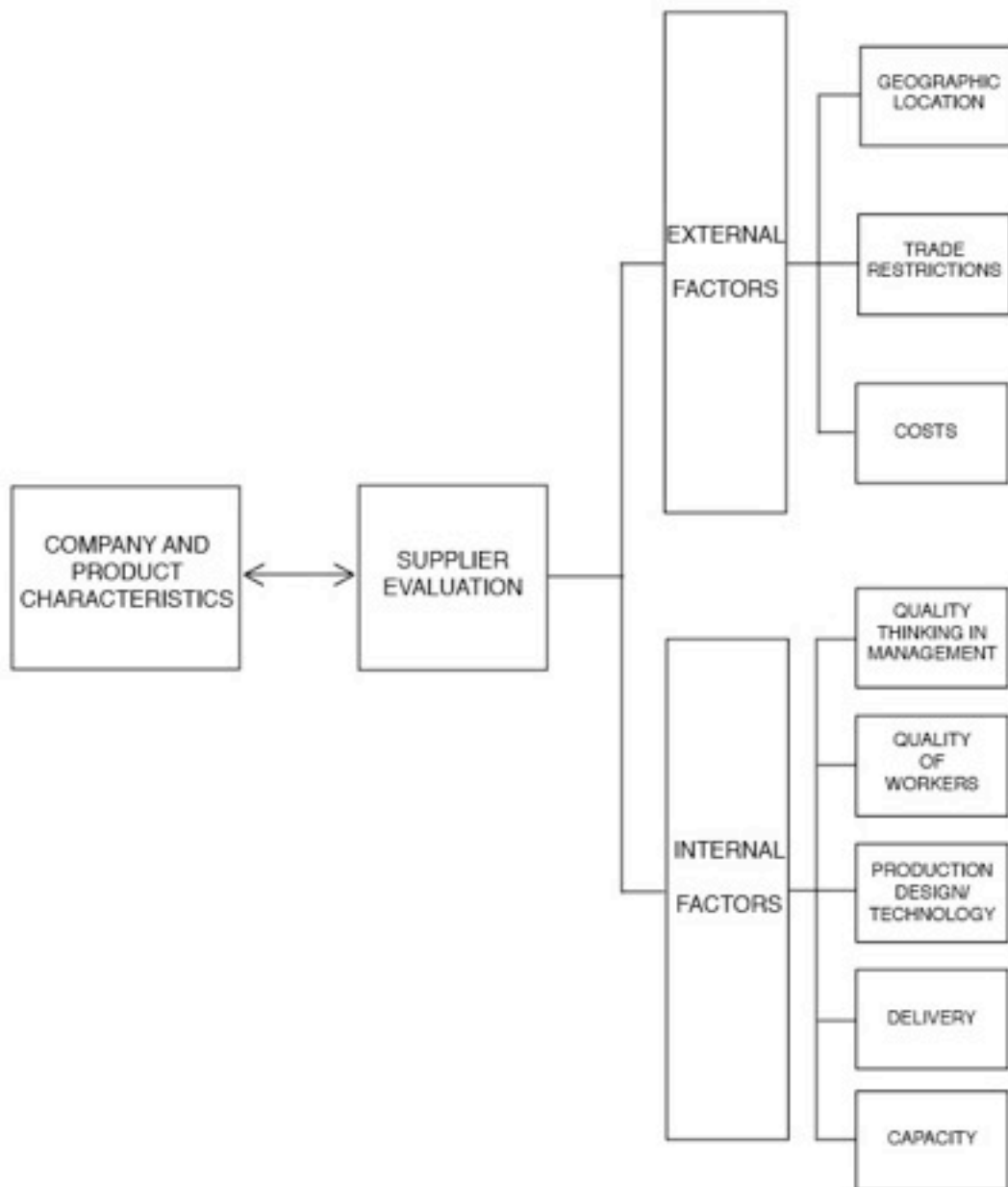


Figure 3.1. Research model

3.6.1. External factors

Geographic location - The apparel industry has seen a shift where flexibility and time to market have become important competitive advantages, which has contributed to the importance of having suppliers located close to the major market (Nordås, 2004). The geographic location of a supplier concerns the geographic closeness to its customer and is highly relevant for making decisions revolving around logistics (Teng & Jaramillo, 2005). Ghemawat (2001) also points out that a geographic distance may increase the costs for transportation and communication. The geographic distance between partners in trade is built up by attributes such as physical distance, lack of a common border, the country's size, the average distances to the border and poor infrastructure. Oke, Maltz and Christensen (2009) continue by stating that geographical location is a matter of proximity and claim that close suppliers are preferred by companies since delays in transportation then are minimal. Other reasons for a company to focus on the geographical aspect in supplier selection are the aspects of logistic costs, time-to-market, accessibility of suppliers and the responsiveness. Nordås (2004) states that the factor of geographic location is particularly important for companies or products operating in the fashion segments of the market.

Trade restrictions - Trade barriers (see section 3.3.) can create an administrative distance and includes barriers which a government may impose to restrict foreign involvement such as tariffs and quotas, limitation of foreign direct investments and favouritism of domestic companies (Ghemawat, 2001).

Costs - Costs have a significant influence on the evaluation process due to the possibility for companies to gain significant cost-effective advantages by having an international range of suppliers to choose from (Monczka et al. 2009:193). Because of the delimitations of this study that makes costs only available in an external way, the main costs covered will be labour costs and costs associated with operational risks.

In most production industries, technology has been used to replace human labour force and therefore reducing labour costs. Even though technology improvements also have been made in the apparel industry, it remains as one of the most labour intensive manufacturing processes in the area of consumer products. This means that the global search for the cheapest labour is a way of securing a low price of the final product (Kunz & Garner, 2006:53-54). In the study of Oke, Maltz and Christensen (2009), the factor of costs is mainly viewed as a factor of labour costs. Costs associated with operational risks are described by Myers-McDevitt (2011) as costs deriving from for example regional political issues or tariff or policy changes. An important question to consider is additionally if the foreign suppliers will be able to maintain the prices over a longer period of time (Monczka et al. 2009:199).

3.6.2. Internal factors

Quality thinking in management - Many of Deming's (see Monczka, 2009:283-285) quality criteria can be connected to the way management approaches quality. He stresses the importance of involving quality thinking in the whole organisation and the fact that the focus always should be on quality. Mohanty's (1998) factors influencing quality on a micro level also suggests a focus on management quality values.

The management should engage in continuous improvement regarding all different areas of production (Mohanty 1998; Deming, see Monczka 2009:283-285). The leadership style has to change from being control-focused, where management simply tells the employees what to do and then put an effort in securing that they do it, to being more coaching and open with the goal of employees making their own decisions. Mohanty (1998) stresses a way of quality management as a process of guiding employees rather than controlling them.

In the area of goals and reward systems, Deming (see Monczka, 2009:283-285) claims that it is common for managers to set up numerical goals for workers to meet, this might include for example individual efficiency targets. This approach to motivation through goals is a problem since the workers often is not given a justification of the figure or a suggestion how to actually achieve this target. These goals are only encouraging short cuts, they are not giving operators the incentive to improve quality; if you only get paid by your efficiency, why should you take time to stop and adjust a mistake that has been done? In a similar way, Mohanty (1998) claims that rewarding workers mostly in financial ways is an old view, the preferred approach should be to reward workers in a non-financial way to address their motivational needs. Deming (see Monczka, 2009:283-285) states that when you give workers a climate where they can take pride in workmanship and where their individual skills are valued, they will be more motivated to do a good job and to produce quality goods.

Deming (see Monczka, 2009:283-285) also stresses the importance of fear being driven out of the organisation, fear of being fired can result in not having courage to suggest new options or not wanting to release any information. Honest, two-way communication which encourages people to experiment and try new ideas is the best way to overcome fear in the organisation.

Quality of workers - Nordås (2004) implies that the apparel industry is built upon a labour-intensive environment and can provide “entry-level jobs for unskilled labour”. Monczka, Trent and Petersen (2008) argue that the access to skilled and knowledgeable workers might be the most important resource to value in global sourcing. Mohanty (1998) claims that the preferred way of addressing quality is to involve the workers in the process to challenge them within the area of work. Deming claims (see Monczka et al. 2009:284) that the possibility for the workers to get a well-developed training may improve quality and productivity since it is important for them to have the necessary skills and the right tools to make the work more efficient. To reach a high quality level, the training should engage decision making and problem-solving in its process. Furthermore, the education should be of self-improvement style, which means that the education should not only be focused on learning a specific task. The relationship of workers and the development of technology is stressed by Kunz and Garner (2006:53), who claim that workforce has, been replaced by the technical instruments that have automated the processes, thus lowering the use of human work force and henceforth the expenses of wages.

Production design/technology - Production design and technology refers to the organisation of the operation process and the view of the related attributes such as technology, design, methods and equipment that are used in the production process (Monczka et al. 2009:173). In this study, the area of production design and technology will involve the areas of contract types (e.g. CMT, Full Package), production systems and machines and technology.

The technology development has changed the conditions of the apparel production process by making every information exchange go through technology instead of having physical boundaries (Kunz and Garner, 2006:52). Innovations in high technological manufacturing equipment improves efficiency and coordination of the production process, the most advanced technology is mainly to be found in the pre-assembly stage of production such as computerised cutting machines and pattern layouts (Nordås, 2004). Deming (see Monczka et al. 2009:284-285) stresses the fact that to be able to reach a high process quality, physical barriers should be broken down to reach total quality in an organisation. With physical barriers, people within the organisation will not exchange ideas and all departments will only focus on their own activity, which will not provide a holistic view of the organisation.

Delivery - Myers-McDevitt (2011:39) recognises the ability to meet delivery deadlines when selecting a supplier. The aspect of delivery is also stressed by Nordås (2004:1), who enlightens the shift in focus regarding competitive advantages, whereas the former focus on costs is now combined with lead times and flexibility. Oke, Maltz and Christensen (2009) define delivery as the ability to deliver the correct products in the right time. Monczka et al. (2009:199) also stresses the importance of deliveries and state that in supplier evaluation, companies should question if the supplier can guarantee reliable deliveries.

Capacity - Myers-McDevitt (2011:39) identifies production capacity as a factor to include in the sourcing decision, Glock and Kunz (2005:315) add that it is important to consider if the factory has minimum or maximum capacity restraints. The factor of capacity can also include evaluating the types of products the supplier is manufacturing and what customers they have.

4. RESULTS

In this section, the empirical results of the interviews and observations will be presented. The section will start with an introduction of the factories and the experts interviewed. The results will then be presented in a structure following the research model: the results of the external factors will first be reviewed followed by the internal factors.

4.1. Presentation of interviewees

In the tables below, our interviewees are presented. As all interviewees are treated anonymous, they will not be mentioned by their names. In the presentation of the results, the interviewees in the factories will be addressed by their positions and the numbers given to the factories, e.g. Production Manager in F1. Similarly, the experts will be addressed by the numbers given to them, e.g. E1.

	Factory 1 (F1)	Factory 2 (F2)	Factory 3 (F3)	Factory 4 (F4)	Factory 5 (F5)	Factory 6 (F6)
Date of interview	2011-04-05	2011-04-06	2011-04-07	2011-04-06	2011-04-12	2011-04-14
Town	Lviv	Lviv	Radivilov	Lviv	Lviv	Shumsk
Ownership	Ukrainian	Ukrainian	Ukrainian	Danish	Danish	Swedish
Language of interview	Ukrainian	Ukrainian	Ukrainian	English	English and Ukrainian	Ukrainian
Number of employees	350	300-350	100	120	400-440	160
Year of establishment	1991	1946	1969	2003	2001	2005
Main product specialisation	Menswear, mostly suits.	Coats for men and women.	Men's shirts.	Children's wear in jersey fabric.	Children's wear.	Workwear.
Position of interviewee	Production Manager.	2 interviewees: Main Technologist and Chairman.	2 interviewees: vice Chairwoman and Chairman.	2 interviewees: Production manager and Director.	2 interviewees: Production manager and CEO.	Factory manager.
Markets	Europe and domestic.	Usually both Europe and domestic, at the moment only domestic.	Europe and domestic.	Europe.	Europe and Domestic.	Mainly Sweden.

Table 4.1. Presentation of factories

	Expert 1 (E1)	Expert 2 (E2)	Expert 3 (E3)	Expert 4 (E4)	Expert 5 (E5)
Date of interview	2011-04-01	2011-04-04	2011-04-04	2011-04-11	2011-04-11
Gender	Female	Male	Female	Male	Female
Nationality	Ukrainian	Danish	Ukrainian	Ukrainian	Ukrainian
Language of interview	English	English	Russian	English	English
Position	Executive Director at a German textile company.	Representative for Danish Business Association (DBA)	Technician employed by a Swedish apparel company.	Former employee at a Swedish textile company.	Representative for European Business Association (EBA)
Background	Manager at a Ukrainian factory, representative for Swedish company in Ukraine.	Came to Ukraine in 2003, worked in a Danish footwear company. Started the EBA in Western Ukraine and then established the DBA.	Education in textile and technology. Worked in different apparel factories and the worked as a pattern constructor.	Worked in Swedish textile company for seven years, helping them establish production in Ukraine.	Representative for European Business Association in Lviv, consulting European companies with establishing business contacts in Ukraine.

Table 4.2. Presentation of experts

4.2. External factors

The external factors presented in our research model (see section 3.6.1.) are geographic location, trade restrictions and costs. The interviewees' discussions of these factors will here be presented.

4.2.1. Geographic location

Four of the experts emphasise the Western part of Ukraine when discussing the localisation of apparel companies. E1 means that this is an attractive area for placing orders and E2, E4 and E5 point out that most factories are placed in this region. E5 compares it to Kiev, where she believes there are few companies doing sewing operations, and fewer textile companies in comparison to the Western part. According to the CEO of F5, Lviv have a known history as an area of many sewing factories. E4 adds that there is a high concentration of small and medium sized companies in the Western part of Ukraine and stresses the fact that Ukraine has a proximity to the European market. E1 means that there is not an immediate closeness to Sweden, but points out the European market in general as being close. E2 points out that the location of Lviv is 75 km from the border of Poland, which means that you are in the EU. Both E4 and E1 compares Ukraine's geographic location with China's, and they both conclude that Ukraine's location is a great advantage for Swedish companies regarding delivery times.

Both E4 and E2 highlight that the Western location of the companies is a cost-saving matter due to the possibility of minimising logistic costs. E2 means that a company who are thinking of doing business in Ukraine should search for where it is logistically beneficial. E4 explains the logistics savings as being an advantage and that companies may have greater control over the process. He adds that foreign companies still place orders in the Central and Eastern part of Ukraine as well as in the Western part and says that it depends on if they find a suitable factory. E1 emphasises likewise, but means that it is a question of negotiation of prices. She also points out that an interesting location in the country is where there is border to Poland, Slovakia, Hungary and Romania and means that many companies have established business here because of the closeness to the Polish border. The Chairman in F3 expresses that Ukraine as a whole has got great possibilities to develop referring to having a place on the European market.

4.2.2. Trade restrictions

E1 states that, since Ukraine is not a member of the EU, there are regulations that restrict the amount of transportations across the Ukrainian border. She explains that there are three different ways of apparel and textile trade between Sweden and Ukraine; regular import, regular export and then there is a system called *tolling basis*. This tolling basis means that the foreign companies buy all necessary materials for production, such as fabrics and trims, and then import this to Ukraine. This material is then manufactured in Ukraine within 90 days and then the finished garments are being sent out of Ukraine. When this kind of operation is used, the companies do not have to pay neither VAT nor import and export taxes. The Swedish Trade Council explain that the tolling basis is an initiative from the Ukrainian government to boost the apparel industry and to attract more foreign companies. The 90 days limit is strict and if you exceed the limit, fines might be applied, which means that the Ukrainian factories should be qualified enough to be able to manage the order within 90 days.

E1 stresses the fact that it is crucial for the production not to exceed the limit of 90 days, because then the companies will have to pay import and export taxes. E3 emphasises the importance of the 90 days limit by adding that this means that the delivery dates need to be fixed in advance and that keeping to delivery schedule is an obligation. E1 mentions that this tolling basis means that all foreign companies producing in Ukraine have to buy their own materials from manufacturers in other countries to be able to avoid import and export taxes in Ukraine. She calls this operation *CM business* (Cut-Make) and claims that this is the main difference between production in Ukraine and other European countries, and that this is a source of trouble for the Ukrainian apparel industry. The Director of F4 also discusses this tolling basis as a difficulty comparing to trading with other European countries; because Ukraine is not an EU member, materials have to come as tolling goods in comparison to EU countries where materials can cross borders without special conditions. E5 explains that, to be able to operate on this tolling basis, you need to agree to special documents that state that you are not allowed to sell the products on the Ukrainian territory. E4 discusses this tolling basis from the factories' points of view, he mentions that when the foreign customer supplies the factory with materials, the factory does not have to pay any VAT, which means that they do not have to deal with the problems of VAT refunds and this keeps a good level of cash flow in the company.

With this tolling basis, E1 emphasises the importance of planning the production when sourcing from Ukraine; the buying company should have planned a delivery date of all necessary materials in the right quantity to the factory and a planned date of when the finished garments are to be delivered back. If everything is not planned in detail and some trims or accessories is forgotten, it will be really expensive for the factory to make custom clearance and the factory will not agree to pay for it. She claims that this makes the operations less flexible.

Several interviewees discuss issues in the Ukrainian trade environment related to the authorities and administrative procedures. Problems with VAT refunds is highlighted by four of the experts, E1 claims that if you pay VAT you never receive the money back from the government, which is negative for the company's liquidity. E4 on the other hand, argues that you will receive the VAT back from the government but he adds that it is a long procedure that sometimes fails. E5 states that the Ukrainian State budget is "not so fulfilled for now", and adds that this makes the VAT problem hard to tackle. In the World Bank (2011) ranking, Ukraine is ranked as number 181 of 183 countries regarding the issue of paying taxes; the country with the lowest ranking of 183 is Belarus.

E3 claims that the inner laws sometimes restrict Ukraine's development and E4 adds that "you should be ready to fight for everything here, it's not like in Sweden that if law say this, then you get it like that." E2 explains that for companies producing in Ukrainian factories, all contracts should be agreed in advance to avoid problems with prices rising. The Chairman in F3 adds that the main problems when trading with Ukraine revolve around the Ukrainian documentation. This is also stressed by E4, who claims that if all necessary documentation is in order, customs clearance is not a problem. E1 states that there are no problems in customs clearance but that it might take an additional day or two to cross the borders. E3 says that there sometimes are problems when clearing goods, but that this often does not take more than a few hours. In the World Bank (2011) ranking, Ukraine is ranked as number 139 of 183 countries in the aspect of trading across borders. This measurement is associated with the time, costs and administration needed to trade with Ukraine.

Several of the interviewees mention a new tax code that has been implemented in Ukraine in April 2011. The views on this tax code vary, but they all agree on the fact that it will change the conditions of the business climate in Ukraine. Both the Director of F4 and E3 mention that one part of this new tax code is that the government is trying to launch a program where Ukrainian companies producing for the domestic market will get some tax benefits, with the intention of increasing the share of manufacturers producing for the Ukrainian market. The Chairman in F3 also discusses this and adds that his factory ordered some fabrics in Turkey and started to produce for the inner market, which gives them the possibility of avoiding taxes for the whole year. The interviewees discussing the tax code emphasises the fact that they do not know how this will change Ukraine's tax system, newspapers report a general confusion among mainly small businesses regarding this new tax law (Kiev Post, 2011; The Epoch Times, 2011).

4.2.3. Costs

The cheap labour force is emphasised by E1, E2, E3, E4 and the Director of F4 as the main reason for companies producing apparel in Ukraine. The Director of F4 explains that the company he works for used to have production in Poland but switched to Ukraine when Polish salaries rose because of the rules of the EU. Similarly, E2 says that his company used to have production in Estonia before their EU membership, and when they entered the EU the salaries increased, which made his company move production to Ukraine. He claims that there are many companies who are reacting too slowly to shifting trends in labour costs and that the companies still producing in Estonia are suffering because of the rising salaries. E1 compares the salaries of Ukraine to the salaries in China and the Baltic States; she explains that before, Ukraine had a three times higher salary level than China, but now China is becoming more expensive and the average wages for sewing workers are now the same in China and Ukraine. Because of this, she expects more and more apparel companies approaching Ukraine in the nearest future. On the other hand, she claims that Ukraine might be a more interesting alternative for Swedish companies currently sourcing from e.g. the Baltic States than for companies currently sourcing from China. She motivates this by explaining that China is “another story” and that they cannot be compared to China in other aspects like volumes and capacity.

Two of the interviewees discuss the sewing workers’ wages in figures; the CEO of F5 estimates the average monthly wages to be 150-200 USD (approx. 975-1300 SEK⁵), and E4 states a similar figure; 1500 UAH (approx. 1170 SEK⁶). In the latest statistical report from The State Statistics Committee of Ukraine (March 2011), the average monthly wages for workers within the apparel sewing industry was 1565 UAH (approx. 1218 SEK⁷). E2, E3 and E4 point out that the salaries are increasing, and the statistical report from March 2005 show an average monthly wage of 480 UAH (approx. 374 SEK⁸). E4 explains this immense wage increase with the fact that the Ukrainian currency is devaluating. He also states that the monthly wages vary depending on the region, workers in the city of Lviv for example is paid more than workers in smaller towns. The Factory Manager in F6 agrees on this, he claims that the salary level is the main advantage of being situated in a small town. Even though wages are continuously increasing, E4 believes that within the next ten years, it will still be profitable for foreign companies to locate labour consuming production in Ukraine.

E4 mentions the geographic location of Ukraine from a cost-saving perspective, where the close geographic location will be an advantage for logistic costs. He also discusses the Ukrainian business environment, and that companies establishing own production in Ukraine should be prepared to “not to pay bribes but to have an entertainment budget” to keep deliveries and production running smoothly.

⁵ 2011-05-07 At exchange rate USD 6,49.

⁶ 2011-05-07 At exchange rate UAH 0.7784

⁷ 2011-05-07 At exchange rate UAH 0.7784

⁸ 2011-05-07 At exchange rate UAH 0.7784

4.3. Internal factors

The internal factors presented in our research model (see section 3.6.2.) are quality thinking in management, quality of workers, production design/technology, delivery and capacity. The interviewees' discussions of these factors will here be presented.

4.3.1. Quality thinking in management

The Director of F4 expresses the importance of quality awareness in the apparel factory: "Textile is a business, you either produce quality or you are out of business". The Production Manager in the same factory enhances this by adding that the main issue for them is quality. E2 agrees on this, he claims that bad quality equals no clients, which means that quality is obligatory.

In discussions of how to improve quality levels, the Main Technologist in F2 says that they try to improve equipment, even if they consider their current equipment as quite satisfying. The Production Manager in F1 also emphasises technology, but she adds that they were reequipped in the year 2000, and that they do not need to improve anything. The Director of F3 has a different view of this topic, he points out that it is not only about spending money on new equipment and new fabrics but to realise the value of the approach to this topic, and how to educate the workers to approach this topic. He believes that the workers need to feel that they are well educated people and that they work for high quality. E4 agrees, he believes that the main thing factories need to invest in to improve quality is internal quality and management systems. He emphasises the fact that brand new technology is not a guarantee for higher quality or efficiency rates. E3 on the other hand claims that for the industry to develop in Ukraine, the factories need more professional equipment that will increase efficiency.

The Director of F4 explains that the workers always are welcome to make inputs on how to improve processes if they have any good ideas. Similarly, the Production Manager in F5 claims that they are in a constant process of improving and that they have meetings with the workers, where they discuss how to solve problems and improve. The Factory Manager in F6 says that the most important thing is to never stop striving for improvement, and then he discusses efficiency improvements. E1 believes that the apparel factories in Ukraine have improved their quality thinking because they have started to realise that if they do any mistakes in quality they will not get any more business from foreign customers. E4 agrees, he claims that it is difficult to measure but he believes that the companies already cooperating with European customers has implemented European knowledge to their local production, which speeds up the development.

The CEO of F5 discusses the Ukrainian management style and claims that it is totally different from European management style, and that it is because of the Soviet history. E4 agrees and adds that the mentality is different in Ukraine and that management in Ukraine requires more authority. The CEO of F5 claims that the workers expect the management to be in control and that they are not interested in participating and discussing how to develop things and how to improve their work. They want to be told what to do and she believes that the reason for this is that this makes it easier for them; they do not have to take responsibility, which puts them in a comfortable position.

E1 and E4 explain that there are some factories that have a very hierarchic management structure and that this often has to do with the age of the factory and management; older factories with older management often have a more authoritative management style. E1 believes that the problem with a strict authoritative management style is that workers may feel fear towards management and that they will not be motivated, they will only do exactly what they need to do and a process thinking will be impossible to reach. She describes a factory she knows where everyone in management is involved in production process, and where the owner could be on the factory floor adjusting machines. With this kind of factory management, everything becomes easier, but her opinion is that the management style in Ukrainian factories still are very old fashioned. E4 compares Ukrainian management style with the army; that you do not communicate directly with the General, you first approach the Sergeant. The Chairman in F3 explains that he does not try to make a difference between his workers based on their position in the company; they should work together as a team, not be afraid of each other and approach him with every problem. The Factory Manager in F6 says that his doors are always open for the workers to come and talk to him; he stresses the importance of all the workers to know their value, that the whole factory depends on them.

All factories but F1 have some kind of reward system for their sewing workers. F5 reward their workers based on their efficiency, their mistakes and their absences. They also keep efficiency data of individual workers, of teams and of departments official. Both F2's and F3's reward systems are based on the productivity of the workers. F4 reward their workers based on both efficiency-rates and absences. F6 reward their workers on the productivity of the whole production line, the Factory Manager stresses the importance of rewarding and influencing not only one person individually but everyone. They also have a set of other rewards: they pay travel expenses for transport to work, they get presents for woman's day and St. Nicholas Day, they have a party every January where they have a reward for the best worker and they also have excursions for the whole staff every year.

4.3.2. Quality of workers

According to three of the factory managers there is a lack of professional sewing workers. The Main Technologist in F2 believes that it is because the profession has lost its popularity and the CEO of F5 agrees. She relates to a special sewing school which teaches sewing workers and constructors and 10 years ago had 1200 graduates per year, and now she believes that the amount is less than 300 graduates per year. E4 claims that many of the colleges that under the Soviet time educated these sewing workers were shut down. E1 explains that some years ago it was a really big problem finding workers as many went to Europe to work, but even if people say it is a problem it does not have to be one. She gives an example of a factory in a very small town where this is not a problem because it is a question of what you offer the workers, which in this example was a competitive salary. E4 states that it depends on the area; that it is not always hard to find workers, but that it is now a problem because there are quite many manufacturers in each town and they compete for the labour. He means that as there is a problem finding professional workers, so the companies employ ordinary people and start training them. He claims that it is time-consuming but believes it is a good investment. E1 also addresses this and stresses that the education newcomers receive must be very good, this is so that the worker in result may be able to perform the job with the best possible quality.

E1 claims that it is mostly women working within this industry, which is also discussed by the CEO of F5 as a problem because they strive to get married, and would therefore rather find another occupation where they can meet someone; “here you come in and you sit here and you go home so it is not really what the young girls would like to do”. According to the Main Technologist in F2 they experience a large turnover because of the maternity issue. Observations show that almost all the employees in the factories visited consisted of women.

When employing someone new, the Production Manager in F1 emphasises responsibility as most important. The Main Technician in F2 consider skills and education, while the Chairman in F3 also point out skills, but adds education and primarily that the employee have the wish to work. The Factory Manager in F4 says that they are happy if the person has some experience but they have no special demands, if the person has skills, then it is an advantage.

Five of the factories express that they have some form of education or training, either when hiring people without any qualifications or to improve skills. According to the Main Technologist in F2, this is not how their system usually works, but they experience such cases when they have to educate. In F3, if a person is new to production they do everything possible to educate, and they have courses which improves their qualifications step by step. Both the Production Manager in F1 and the Chairman in F3 refers to their training as something to enhance the workers qualifications. The Chairman in F3 views it as a possibility to develop individual skills and to get some experience. The Factory Manager in F6 mentions that sometimes they have to employ people without special qualifications, but in these cases they have training forces in the factory and try to educate this person. He believes that in two months this person will be able to perform the job in a qualified way. If F4 employ a person without any sewing skills, they have training during three months.

E3 believes that the education level and skills of the workers depends on the factory but implies that there in general are good and skilled workers. She means that it depends on if the factory has got good equipment, because this makes good and professional workers. E4 states that it is not a difficult thing to train people to sew, that depends on the company’s internal procedures with quality and training. If this is well developed, then it is not a problem to train a person enough, even from nothing. He implies that the skills of workers in general are quite good.

When discussing the worker’s specialisation levels, the Production Manager in F1 says that changing work areas is really possible and that it happens sometimes, but mainly the workers have their own positions for a long time. According to the Main Technologist in F2 it is also possible to switch work stations if the person is willing to. The Factory Manager in F6 claims that no worker has a specialisation within the sewing operations. The vice Chairwoman in F3 explains that the workers in their factory are all given responsibility and that they work with the station they show talent in. The Production Manager in F4 says that they have around 30 per cent of the workers that can use two or more machines. The Director of F4 says that basically, every worker has their main machine, but if it is necessary that someone needs to switch, then this worker gets compensated and motivated for doing this. But he also adds: “But yes, in a perfect condition everyone will sit on their own machine, overlook sewer should sit and overlook and not on the other”.

4.3.3. Production design/technology

In the area of cooperation with customers, the Production Manager in F4, the Chairman in F3 and the CEO of F5 explain that the way in which they cooperate with customers depends from customer to customer. In F4 and F5, they have their own collection made by their designers where customers can choose garments or they can send samples or specifications of their own designs. The Director of F4 adds that they have suppliers of fabrics and accessories, whereas 97% of these are foreign companies. The CEO of F5 explains that they are receiving their orders mainly from their head office in Denmark and the factory is buying the fabrics and trims from other countries. They have also started to work directly with customers, which mean that these customers are buying their own fabrics and accessories.

The Chairman in F3 and the Chairman in F2 both claim that it is mainly the customers who provide the fabrics and trims, the Production Manager in F1 explains that when they worked with foreign customers, all but one bought their own fabrics and trims. She believes that this approach is positive because then the customer is responsible for the fabric supply. The Production Manager in F6 adds that his factory is supplied with fabrics from different countries to their central stock in Estonia.

Observations in factories showed that the production system in five of the factories consisted of bundles of garment pieces being sent backwards or forwards in the line of workers. One worker did the same operation on all pieces. In F6, they had rails in the ceiling with the garments hanging in clothes pins, the system was not computerised; the workers simply pushed the garments forwards by hand.

E3 claims that the production process in the larger factories is unified and that the job of a worker depends on the previous one. She believes that they are interdependent, that they work together. The observations in F1 show that their sewing departments were built up by lines of different operations. The Production Manager says that is a step by step work and the observation from the factory showed e.g. one station pressed the cover of a jacket, while the station next to it pressed the back. According to the Production Manager at F5, each of their workers has to do a separate operation, and then another operation is moved on to another worker. In F2, the observations show that the sewing departments had lines of tables where carriages of pieces went from one worker to another, as they for the time being were sewing workwear. The vice Chairwoman in F3 explains that the workers in their factory are all given responsibility and that they work with the station they show talent in. At the time of our visit, they had two groups of workers sewing for two different companies and they were grouped in to two lines.

The Production Manager in F4 says that their production process is divided in two groups, depending on the kind of machines or operations. The Director of F4 means that every worker basically has their main machine, but if necessary they may switch to another machine. The Director states that they work with several customers and several orders at the same time but they never rearrange the lines, they only adjust them. The Factory Manager in F6 claims that they have a universal line, so they can sew everything they need. He adds that the workers have equal work and no person is specialised in sewing something in particular. The

observations from F6 show that the sewing room was divided in lines, two lines of jackets and two lines of aprons.

E1 stresses that there is a problem with the factories that has an older structure, as they have many departments and people do not communicate over the departments, thus they cannot reach final solutions. She believes that, to share information in the factory, you cannot rely on addressing one person to spread it to further departments, you have to go personally and make sure that the information gets through. She expresses it as “don’t realise that somebody will do your job instead of you, its not possible”. She also explains that with a hierarchical factory, sometimes people are not motivated and they only do their piece of job. E1 mentions though that this might not be common but occurs sometimes, especially in an old factory.

The observations show that in all factories but F1 and F2, the production departments and the office were situated in the same building. In F2, the second sewing and cutting room were situated apart from the other in a second building. Additionally they had the ready-made garment storage situated in a third different building. In F1 the observations show that there were two buildings where ready-made garment store, management, exhibition room and pattern-making were located away from the other departments. F2 was in general very big area wise, while in F5 there were one big room where all sewing activities were located, and the office right next to it.

In all factories, specifications are mostly received in English and sometimes German for those who have German customers. All factories claim that they have someone at the factory who can translate since the documents are written in industry terms that they know in English. E1 presents an example where the communication with specifications between a Swedish company and F2 failed. It was an order for the Swedish army where quality requests were very strict, the Swedish company sent a technical guideline in English and then decided that was enough, even though the factory was not English speaking. She claims that the factory maybe could find someone to translate, but that it was not enough to cover all processes and that the workers were not able to take part of the technical guideline, which resulted in reclamation. In the area of communicating with their foreign customers, not one of the managers interviewed in the factories referred to it as a problem. Management in the factories claim they communicate with their customers mainly by e-mail but also by phone. E3 believes that it is better for the foreign company if they have a person in Ukraine, a representative who masters the language, someone who can explain everything and cope with any language problems that may occur. She believes also that the written language is not an issue for the employees because they probably can read and translate in English; the problem is in the spoken language where she believes there are shortcomings.

E3 believes that advanced equipment is not available in the smaller factories, but adds that there are many factories with modern equipment. She explains that foreign companies started investing in the larger factories; they developed them so that they could get more professionally equipped. E3 expresses that in order to develop, factories need more professional equipment to make the work quicker. E4 explains that companies during the recent years have upgraded their technology and many of them have purchased automatic cutting machines and new sewing machines. He mentions that they previously did not use

special machines but that more companies have upgraded their machinery park in order to meet the order requirements from the customers. He adds that even if the technology can increase efficiency there is no need to replace old equipment if it does not lead to efficiency improvement. He also believes that the technological development will increase, as there will be new technology introduction with more foreign businesses coming to Ukraine. The Chairman in F3 shares that when starting cooperation with foreign partners in approximately 1988, they got the opportunity to get a loan from the European Bank of Reconstruction and Development. The loan was requested from a German partner, and the Chairman explains that they understood the request as if the equipment they had then could not fulfil the orders from the German company.

All factories but F3 claim that they either have modern equipment or that they have bought new equipment within an 11-year period. Observations show that the sewing machines are mostly from Brother, Juki or Pfaff and in F1 they had automatic cutting machines, many special machines and some computer aided sewing machines. The Main Technologist in F2 claims that they still have some machines of older standard, but that they change them regularly in case of need. If the situation of not having enough equipment for a specific order occur that they may borrow devices from another factory, but this is unusual. The Production Manager in F4, reckons that foreign companies probably have more and better equipment while speaking about Ukrainian factories he believes that the level of equipment depends on them individually. All factories but F3 have some degree of automatised pattern and cutting equipment.

Gerber or Lectra are the programs which most of the companies use for patterns, E3 claims that Gerber is the program used in larger factories. F3 is the only factory visited that has neither Gerber nor Lectra, the Chairman says that they receive the patterns ready-made in 90 percent of the cases. However, he admits that there are cases where they approach their colleagues in Lviv to handle patterns in electronic form. The Chairman considers that they do not have the use of such computer programmes as they do not consider that these devices suits the products they are producing and it is not economically profitable for them. The observations in F3 show that the spreading, marking and cutting is done by hand and no automated equipment was noticed.

4.3.4. Delivery

The ability to stick to delivery deadlines is stated by E1 as crucial; “They must be quick in deliveries, otherwise it cannot survive”. E3 highlights that keeping delivery times is the most important thing and that she sees it as an obligation. E1 estimates the minimum transport time to be four days, and she says that to be realistic it might take one week. E4 and the Production Manager in F4 claim that it usually takes four days while the Production Manager in F1 estimates five days and E3 three days. E1 explains that the route usually goes by Lithuania and then by ship to Sweden. She also stresses the importance of having a good logistics partner and that you need to take customs procedures into consideration, which might take an extra day. When it comes to deliveries and delivery times, she points out that it is crucial for companies to have a pre-decided delivery schedule of all deliveries in and out of Ukraine because of the tolling basis. E3 also discusses this; she says that the Ukrainian manufacturers have to keep their delivery deadlines because of the tolling basis of 90 days. She adds that if

there is an unexpected situation that jeopardises the delivery schedule, they will overwork or borrow extra equipment to keep the deadline.

E2 claims that the Western Ukraine is the best location from a delivery point of view because if goods were to be transported from the Eastern part of Ukraine it would be destroyed on the road before it reaches Poland. E1 on the other hand says that one great advantage of Ukraine is that the logistics are very good. To secure timely deliveries, E4 stresses the importance of having all necessary documents for customs prepared in advance. He also compares delivery times with China; how it takes minimum three weeks to deliver raw materials to China or finished goods back from China and the fact that this is expensive because the value of the goods is frozen for three or four weeks.

4.3.5. Capacity

E1, E4 and the Chairman in F3 give a historical view of how the capacity of Ukrainian apparel factories has changed since the time of the USSR. E4 explains that the textile and apparel industry was well developed during the time of the Soviet Union, the Chairman of F3 claims that Ukraine supplied 11 per cent of all textile and apparel goods in the whole Union. E1 says that the factories during this time were huge and that the volumes were huge, and E4 adds that there were maybe 400 middle or big sized factories where the bigger factories employed up to 1500 people. E1 explains that the industry was very structured: one factory only produced skirts while one factory only produced coats and everything in millions of pieces. It was very well instructed: a factory was not viewed as a business to find customers or to produce according to fashion demands, it was all about great volumes and high efficiency. Both E1 and E4 say that when the USSR collapsed, the factories had great problems finding orders and surviving as companies, so many businesses went bankrupt. E4 claims that at this time it was quite easy for apparel manufacturers to switch from local production to producing for the foreign market.

E1 and E4 both explain that today, there are many medium and small sized factories with 60-200 employees, and E1 claims that this is because the market does not demand such big volumes and the factories must be able to be quick in deliveries to survive. E4 states that there are companies from 20-30 employees up to 800 employees, where 800 employees is a really big company. E1 emphasises that Ukraine cannot be compared to China in the matter of capacity, she says that in Ukraine a big factory produces approximately 10 000 pieces of men's suits in a month. She believes that in the matter of capacity, Ukraine is a more suitable production country for Swedish companies now producing in for example the Baltic States than in China.

The factories visited have similar order capacities, even though there are some variations in smallest and largest order sizes. F1 can produce 500 pieces as the lowest order size and 5000 as the largest; the Production Manager says that they prefer larger orders. The Production Manager in F2 claims that they can produce as little as one piece and that she cannot specify a largest order size. F3 does not have any fixed limits of quantity, they can make only one sample and then the quantity can depend. The Chairman however says that they in the past could manage up to 30 000 pieces of e.g. skirts or shirts a month, but because they now lack workers 15000 pieces is their maximum capacity in a month. F4's capacity is between 55

pieces in one order up to 7000 pieces, while F5 has a minimum order limit at 50 pieces and the maximum order is 10 000 pieces. The CEO of F5 explains that there is not enough capacity in their factory in Lviv, so they are establishing another production facility 60 kilometres outside of Lviv. The Factory Manager in F6 identifies a small order as 40-50 pieces and a big order as 2000-5000 pieces.

When discussing the capacity for textile producers and knitting, E4, E5 and E1 state that there are not many big textile production companies and that most fabrics are imported from other countries. E5 claims that there are not many textile companies in Western Ukraine, and E3 adds that most knitting and fabric producers are situated in Kiev or outside of Kiev while E5 claims that there are fabric producers in Eastern Ukraine. E4 believes that there are some knitwear manufacturers but that they do not produce much for the European market because of low quality. E1 believes that the reason for knitting not being big in Ukraine is that knitted products are low-margin products in general and that it is more economical producing them in China.

E1 cannot identify any particular product group that Ukrainian apparel manufacturers in general specialise in, and she says that even if the factories have specialisations they will take other orders if they have free capacity. E4, E1 and E5 claim that women's wear is commonly produced in Ukraine; E5 adds that she knows many factories producing children's wear and E1 says that production of workwear is also easy to find. However, all three of them say that other types of garments are commonly produced; menswear and sportswear for example.

F1 is specialised in menswear, specifically suits and shirts. F2 is specialised mainly in overcoats for both men and women but they also produce other garments when they have free capacity, at the time of our visit they were producing workwear. In F4, they produce mainly children's wear in jersey, but they also have a small production of adult clothes and underwear. F5 used to produce only women's wear, but now they are producing more children's wear and they recently started producing baby's wear. They also make prints for sportswear. F6 produces workwear: trousers, aprons, caps and jackets. F3 is specialised in menswear and men's shirts in particular but the Chairman says that they strive to produce more women's wear since it is more profitable and he adds that they are flexible and able to produce different garments. Observations of the brands and retailers the visited factories produce for show that the market segment varies from low-price market to the higher middle segment.

5. ANALYSIS

In this section, the analysis of the results will be presented. The empirical results will be analysed in the context of company and product characteristics and compared to the findings of previous studies on the apparel industry in Ukraine. The analysis will follow the structure of the research model and each section will conclude in a table reflecting the discussion of company and product characteristics. The section will be completed with an analysis of the interrelationships of the evaluation factors. In the analysis, the interviewees will simply be addressed as interviewees, factory managers or experts.

5.1. External factors

The external factors of geographic location, trade regulations and costs will be discussed in the context of the theoretical views presented in section 3 and the empirical findings presented in section 4.2.

5.1.1. Geographic location

Ukraine's geographic closeness to Sweden is difficult to assess as either good or bad without comparing it with other apparel production countries. Two of the interviewees compare Ukraine's location to China, and in this comparison Ukraine's advantage is evident. Furthermore, our results show that most of the interviewees consider Ukraine's location close to EU as a great advantage, which by the theories of Oke, Maltz, Christensen and Ghemawat (see section 3.6.1.) contributes to cost savings in logistics and communication. Ghemawat discusses the presence of a common border and closeness to the border as advantages when assessing supplier location. The geographic location within Ukraine is widely discussed by the interviewees, and Western Ukraine appears to be the most attractive choice for European companies, with the main reason of being close to EU. Most of the interviewees present the view of EU being just across the border to Poland from the Western Ukraine, and since Sweden is a member of the free trade area of EU, from a trade point of view you could argue that there is a common border. As the Swedish Trade Council (see section 3.2.) also found the location with borders to EU as one of the main advantages of sourcing from Western Ukraine, Western Ukraine can be considered having a geographical closeness to Sweden, and henceforth the discussion will proceed from this perspective.

Involving the theories of company and product characteristics (see section 3.4.), flexibility has become more important for apparel companies and primarily for products in the unstable fashion segment of the market, which favours suppliers located close to the major market. Since Western Ukraine has a geographic closeness to Sweden, it can be argued that this increases flexibility, which in turn might favour production of products of the innovative character. As Oke, Maltz and Christensen identifies time to market and responsiveness as great advantages of suppliers with geographic closeness; it could be argued that the geographic closeness of Western Ukraine provides advantages like high flexibility and short lead times. This might thus indicate that Western Ukraine is a beneficial place for companies with a differentiation focus or innovative products. However, there is nothing in the characteristics of the functional products or the cost leadership that indicates that flexibility and short lead times is disadvantageous, which indicates that the geographic closeness also

could be beneficial for functional products or companies competing with a cost leadership. Table 5.1. shows the conclusion drawn from the analysis of geographic location and company and product characteristics.

	Cost leadership/Functional products	Differentiation/Innovative products
Main focus in supplier selection	Low production cost	Flexibility and short lead times

Table 5.1. Analysis of the evaluation factor geographic location in the context of company and product characteristics

5.1.2. Trade restrictions

Our results imply that there are some problems with administrative procedures when trading with Ukraine. There are some different opinions regarding customs procedures, in general it is not viewed as a big problem as long as all necessary documents are in order. This does not fully coincide with the results from the report of the Swedish Trade Council (see section 3.2.), where all the interviewees claimed the customs procedures obstructive to their business. According to the World Bank ranking, there are only 44 countries in the world that hold a lower ranking than Ukraine in the aspect of trading across borders. With this ranking and the fact that issues with documentation and customs were discussed in the interviews, indicates that the customs procedures in Ukraine could be identified as an issue and a non-tariff trade barrier as defined by Kunz & Garner (see section 3.3.).

Another non-tariff barrier discussed by Kunz and Garner is when the government provides subsidies for domestic companies. Our research shows that there is a new tax code being implemented in Ukraine, which is claimed to give tax credit to manufacturers producing for the domestic market instead of producing for foreign markets. One of the interviewed factory managers says that his factory started producing for the domestic market to be able to benefit from this tax credit. It could be discussed if this tax credit might influence more apparel manufacturers producing for the inner market, which in turn might result in less capacity available for foreign orders.

Since Ukraine is not a member of the EU, the trade between Sweden and EU is restricted by import and export taxes, a tariff barrier. From our research it seems as the tolling basis implemented by the Ukrainian government to boost trade of apparel goods, has come to influence the trading climate of Ukraine’s apparel industry substantially. This could be confirmed by the fact that The Swedish Trade Council (see section 3.2.) claims that the main part of garments exported from Ukraine are produced on the tolling basis. This law could be positive for Swedish apparel companies since they are given the opportunity to benefit from the low-cost labour resources in Ukraine without having to deal with the extra costs of import and export taxes. The interviewees discuss this tolling basis from different angles, but the main apprehension remains: comparing to other European countries where goods can cross borders without special conditions, this tolling basis states the conditions for companies evaluating Ukraine as a production country.

The data collected from interviews show that, to operate on the tolling basis everything needs to be planned and structured in advance: fabric and trims must be sourced from outside Ukraine and all dates of deliveries must be strategically planned since all materials for one order must be brought into Ukraine at the same time. This could be a positive or a negative feature, depending on what type of products being produced. By analysing the company and product characteristics (see section 3.4.), the amount of planning preferred differs between the innovative and functional products. For the innovative products with an unstable demand, a flexible schedule that allows last-minute changes is to prefer. For the functional products with a stable demand, price is the most important factor, which favours a well-planned and structured production plan. The life cycle of the innovative products is short, while the opposite applies to the functional products. With a short life cycle, the amount of time needed to plan production in Ukraine might result in the product being outdated by the time it reaches the market. With the difficulty of delivering additional materials, changes in production become complicated once the schedule is set. With a long life cycle, there is time to find the cheapest or highest quality materials and to secure the most beneficial deals since the product will presumably still be demanded when it reaches the market. This analysis indicates that the tolling basis sets some standards that might make it problematic for companies sourcing innovative products from Ukraine, but it might benefit companies sourcing functional products from Ukraine. Table 5.2. shows the conclusion drawn from the analysis of trade restrictions and company and product characteristics.

	<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;"> Cost leadership/Functional products </div>	Differentiation/Innovative products
Production planning	Production is planned and scheduled in beforehand to secure lowest possible price.	Shifts in demand obstruct the ability to plan production in slightest detail.

Table 5.2. Analysis of the evaluation factor trade restrictions in the context of company and product characteristics

5.1.3. Costs

Kunz and Garner (see section 3.6.1.) identifies the apparel industry and apparel production as one of the most labour intensive manufacturing processes in the area of consumer goods, this means that the evaluation of labour costs is of great importance when assessing suppliers. Most of the interviewees claim that the main advantage of Ukraine as an apparel producing country is the low-cost labour force. As the interviewees compare Ukraine’s salary level mostly with European countries, and state that it is lower than in the Baltic States and Poland, it could be argued that Ukraine’s labour cost is competitive. These results coincide with the findings of the Swedish Trade Council and Tait (see section 3.2.), where the salaries were found to be competitive as it is among the lowest in Europe, and stressed as the main advantage of Ukraine as a production country.

Monczka et al. (see section 3.6.1) states that it is important to assess the supplier’s ability to maintain prices over time, which is also discussed by some of the interviewees. One interviewee states that there are many companies reacting too slowly, being too late to outsource as salaries are rising. This is also the view of two other interviewees and corresponding with the findings of the Swedish Trade Council (see section 3.2.) and statistical

reports that show that the monthly wages for workers in the apparel industry in Ukraine have more than trebled during the last five years. One interviewee explains this wage increase with the fact that the Ukrainian currency is devaluating, which could indicate that the figures are not as startling as they might seem. The main view however remains; that the salaries are rising fast, which might demonstrate that Ukraine may not be able to compete with its low labour costs over time. One interviewee believes that it will still be profitable for European companies having labour consuming production in Ukraine for the next ten years.

As stated in section 3.4, production cost is the main factor to consider when assessing suppliers for functional products. Additionally, companies competing with a cost leadership strategy focus mainly on price when evaluating supplier and negotiating contracts. As Kunz and Garner (see section 3.6.1.) emphasises low labour costs as the main way for companies to reduce the final price of a product, locating production in Ukraine with its competitive labour costs can be a great opportunity for companies with a cost leadership strategy or functional products. However, companies with a differentiation strategy or innovative products also consider production costs even though it may not be the main focus, which means that the competitive labour costs presumably will be beneficial for these companies as well. Table 5.3. shows the conclusion drawn from the analysis of costs and company and product characteristics.


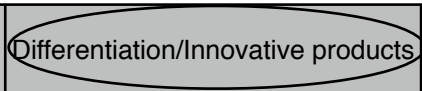
		
Main focus in supplier selection	Low production cost	Flexibility and short lead times

Table 5.3. Analysis of the evaluation factor costs in the context of company and product characteristics

5.2. Internal factors

The internal factors of quality thinking in management, quality of workers, production design/ technology, delivery and capacity will be discussed in the context of the theoretical views presented in section 3 and the empirical findings presented in section 4.3.

5.2.1. Quality thinking in management

Our results show varying approaches to the area of quality improvement. Some interviewees mainly view quality improvement from the aspect of improving their technology while some interviewees claim that the procurement of new technology does not necessarily have to result in quality improvement. Two of the experts believe that the quality has improved due to more foreign orders, and the fact that there are European quality standards that the factories need to fulfil to keep doing business with European customers. This is also the view of Tait (see section 3.2.), where she claims that the quality level will improve as more foreign companies bring their management skills. Mohanty and Deming (see section 3.6.2.) claim that continuous improvement must be realised in all areas of production. It might be discussed if the factory managers viewing technology as the main source of quality improvement possibly need to extend their quality management view to involving other areas of the organisation. One of the factory managers emphasises the value of the workers, and the fact that the

workers need to feel inspired to improve quality. Two other factory managers bring the workers into the discussion of improvement. The approach of involving the workers into the discussion of quality improvement indicate some tendencies of quality management as Deming explains it; by involving quality thinking in the whole organisation.

The interviewees discussing management style are all identifying the Ukrainian management style as quite authoritative, but two of the experts agree on the fact that the most hierarchic management styles are to be found in older factories with older management. To achieve quality thinking in management, Deming and Mohanty stress the fact that the management style needs to be more open and coaching, motivating workers to make own decisions rather than controlling them. One of the experts expresses a similar view; she claims that an authoritative and controlling management lowers motivation and makes process thinking impossible to reach. Deming also stresses that fear needs to be driven out of the organisation because it leads to employees being afraid of proposing ideas or being creative. One of the experts believes that a strict authoritative management style could lead to workers fearing management which in turn will lead to an organisation where the operators lose motivation and only focuses on their own task.

Even though our results mainly show a view of Ukrainian factories with an authoritative hierarchic management style; by one expert even compared with the structure of the army, it has to be considered that a couple of the factories visited presented a more open management style. However, it might be argued that the general management styles in factories visited and the view of Ukrainian management style presented by the experts does not correspond to how Deming and Mohanty define quality management. Bringing company and product characteristics into this discussion, it is claimed that functional products or companies with a cost leadership strategy is characterised by low involvement of workers and little room for improvisation and creativity (see section 3.4.). As one interviewee puts it: “they would definitely like to feel that the manager know what the plan is (...) they are not interested in participate”. It could be argued that when manufacturing products of the functional character, it might not be necessary to have an open, coaching management style since it is not that essential to receive ideas and inputs from workers, thus a more hierarchic management structure might not be negative.

In the discussion of how management reward and motivate workers, the main goals found were of numerical character. The main goal mentioned by the factory managers was the goal of efficiency. As Deming claims, efficiency goals are not effective for increasing quality since not many workers will take time to adjust mistakes if it means that the salary will be lower. There was one factory with rewards of non-financial character, which is stressed by Mohanty as a preferred approach to rewards. The same factory was also the only one setting productivity goals for the whole line and not individually. Even though goals of efficiency rates and individual productivity may not correspond with Deming’s and Mohantys view, it might be considered as a positive feature when manufacturing some types of products. It is characteristic for a company with a cost leadership strategy or a supplier producing functional products to have workers paid and rewarded by their efficiency rates (see section 3.4.). This might indicate that it could be beneficial for companies with a cost leadership strategy or functional products to further look into the possibilities of producing in Ukraine. Table 5.4.

shows the conclusion drawn from the analysis of quality thinking in management and company and product characteristics.

	<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;"> Cost leadership/Functional products </div>	Differentiation/Innovative products
Worker/Management characteristics	No room for improvisation and creativity, workers are paid by efficiency rates. Lower level of educated work force.	Workers are preferred to have multiple skill areas. Higher level of educated work force.

Table 5.4. Analysis of the evaluation factor quality thinking in management in the context of company and product characteristics

5.2.2. Quality of workers

The results show that four of the factories express that they more or less employ unskilled workers. This can be related to Nordås (see section 3.3.1.), who implies that the apparel industry engage entry-level jobs in developing countries for unskilled workers. Upon the views of three factory managers and one expert it seems like there is a problem finding skilled workers based on several reasons. Two interviewees mean that the profession has lost its popularity in general, while one argues that this is due to the fact that people leave Ukraine to work abroad. One interviewee constitutes that the work in sewing departments is not what the women search for as they want to meet people and find someone to marry. Another interviewee points out that maternity leave may lead to some people not coming back to work. The latter reasons relates to the indication of that the workers consists mainly of women which several interviewees and observations confirm. This is also the conclusion of Nordås, who claims that there are mostly women employed as sewing workers in the apparel industry.

In four of the factories, the interviewees state that the workers mainly have their own stations and three of the factory managers further explain that they are not often switched between the stations. One single factory expressed that their workers did not have a specialisation of work. This can relate to Deming (see section 3.6.2.), who means that the education should not be focused on learning a specific task for a job. In one of the factories the workers operates at the station they show talent in. Another factory explains that the workers always try to practice on two kinds of machines, but that each worker has their main machine. The results may be treated as tendencies opposed to Deming’s approach.

The level of education can be regarded as not satisfying for the innovative product or differentiation strategy, as the flexible production process required for this type of strategy demands that the staff have a higher level of education and the skills to perform different tasks (see section. 3.4.). The results show indications of how the workers are trained to perform a few standardised operations, in some cases only having one continuous task. It can be argued that the workers do not have the skills to perform different tasks as they are not familiar with all the operations in the process. This shows tendencies that lean towards the characteristics of a cost leadership strategy or functional products as the workers is described as semiskilled or unskilled. Table 5.5. Shows the conclusions drawn from the analysis of quality of workers and company and product characteristics.

	<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;"> Cost leadership/Functional products </div>	Differentiation/Innovative products
Worker/Management characteristics	No room for improvisation and creativity, workers are paid by efficiency rates. Lower level of educated work force.	Workers are preferred to have multiple skill areas. Higher level of educated work force.

Table 5.5. Analysis of the evaluation factor quality of workers in the context of company and product characteristics

5.2.3. Production design/technology

Our results show that all the Ukrainian owned factories work with a form of CMT (see section 3.3.1.) contracts when they produce for foreign customers. The foreign customers mainly buy all fabrics and trims themselves and are responsible for the transport of materials to the factories. This could be defined as CM contracts as one expert explains it, where the factories are only responsible for the cutting and sewing of garments. This corresponds with Tait's (see section 3.2.) results where she found that most factories work on the cut and make basis. The foreign owned factories work in a slightly different way since they have head offices in Denmark or Sweden who administrates contacts with customers. However, the two Danish factories claim to buy most of the fabrics themselves, which is corresponding with a Full Package contract.

As Deming (see section 3.6.2.) discusses, to reach a high quality production process where people can change ideas and communicate over departments, physical barriers should be broken down. One of the experts claims that in the older structured factories, this problem exists and that the negative outcome is that all employees only focus on their own job and thus do not reach process thinking. Observations in the factories show that in two of the factories, physical boundaries existed, especially one factory was very big area wise, and the cutting room was situated in another building. This factory was also the oldest factory, and had a history producing for the USSR. It can be argued that these two factories where physical barriers were found might not have the optimal preconditions for reaching process quality as Deming defines it.

Our results show that there might be problems communicating specifications to sewing workers and even to management of the Ukrainian factories because of the language barrier. All interviewees claimed to have someone in the factory to know written English and could translate documents, even though they might not be able to speak the language. All factories claimed to communicate with the customers mainly by e-mail, but also by phone. This could be a great example of how the technology developments described by Kunz & Garner (see section 3.6.2.) could function as tools to overcome language barriers since the communication can go through the Internet and thus does not need to be oral. The example made by one of the experts about an order for the Swedish army (see section 4.3.1.) shows that there might be extra problematic communicating specifications that are technically difficult because of the language barrier. Thus it could be suggested that there could occur issues when producing highly technical or products with complicated specifications if communication is not conducted in Ukrainian.

In the area of production technology, the results show that all factories but one had bought new equipment within the last 11 years, and all factories but one had automatic cutting machines. All factories but one had Lectra or Gerber pattern cutting systems, which correlates with the findings of Tait (see section 3.2.). As Nordås (see section 3.3.1.) claims, the most advanced technology is to be seen in the pre-assembly stage and improves efficiency and coordination. Since all factories but one have bought new automatic cutting machines and use systems like Gerber and Lectra, it can be argued that this technology updates has increased the efficiency in production. The observations show that the main machines used in production are of the brands Juki, Brother and Pfaff, which are also the findings in the studies by the Swedish Trade Council and Tait (see section 3.2.). The experts claim that there has been many factories upgrading their technology recently because of the increasing investments of foreign companies. However, one expert adds that in order to develop, there are still many factories in need of more efficient technology. As the same results were found in the study by the Swedish Trade Council, it can be argued that there are factories with good equipment but that there still are some needs for upgrading in order to reach a more competitive efficiency.

The technology updates made in the factories visited show an aspiration of reaching higher efficiency levels through replacing human labour with technology. The focus in the production process for functional products is to reach high efficiency through standardised processes, thus it might be argued that the production processes in the visited factories are suitable for producing functional products.

Observations show that the production system in five of the factories was according to the Bundle System (see section 3.3.2.). One factory's production system showed similarities to how the Unit Production System is described, but the system was not computerised. The Factory Manager in that factory claims that their line is universal and that they can sew everything they need. Observations showed that they sew jackets and aprons at the same time in one sewing room. The Unit Production system enables different styles to be sewn simultaneously without rearranging lines. It could be argued that there in this factory is a production system with some characteristics of a Unit Production System.

When discussing standardisation of work tasks, in a Bundle System, the process is broken down in small operations where one worker performs the same activity continuously. One expert claims that the production processes in the larger factories are unified and that the workers cooperate. Observations show that all factories more or less have specialised work stations, where the same operation is performed on multiple pieces of garments by the same worker. Glock and Kunz (see section 3.3.2.) claim that a high degree of specialised work tasks makes workers separated from other operations in the line and in extension, the final product. It could be interpreted that the standardised work tasks in the factories does not contribute to cooperation among workers as one of the experts claims, but to the contrary, to separate the workers from their colleagues' operations and the quality of the end product. The high specialisation of work tasks found in the factories also shows tendencies of the Bundle System or the Unit Production System. As the Bundle System (see section 3.3.2.) is characterised by high volumes, high productivity, low variation of styles and low production costs, it can be argued that the Bundle System is more suitable for producing functional

products than innovative products. Since the Bundle System is the primary production system found in the factories, it could thus be argued that the factories visited are more suitable for producing functional products than innovative products. Table 5.6. shows the conclusion drawn from the analysis of production design/technology and company and product characteristics.

	Cost leadership/Functional products	Differentiation/Innovative products
Workers/Management characteristics	No room for improvisation and creativity, workers are paid by efficiency rates. Lower level of educated work force.	Workers are preferred to have multiple skill areas. Higher level of educated work force.
Production focus	Standardised efficient processes	Flexible processes

Table 5.6. Analysis of the evaluation factor production design/technology in the context of company and product characteristics

5.2.4. Delivery

Myers-McDevitt and Oke, Maltz and Christensen point out the importance of being able to meet delivery deadlines. In similarity, the importance of reliable deliveries and keeping delivery deadlines are highlighted by two of the experts, which is also stressed by Monczka et al (see section 3.6.2.).

The estimated transportation time from Ukraine to Sweden range between three days and one week according to three of the experts and two factory managers. E1 emphasises the importance of having a good logistics partner, and stresses that companies need to consider the customs procedures; which might require an additional day. The Swedish Trade Council (see section 3.2.) also points out the importance of having the right transportation partner. According to one of the experts the Western part of Ukraine is the best location from the aspect of deliveries. He claims that if the goods instead are transported from the Eastern part, it would be destroyed on the road before it reaches Poland. Another expert points out that the logistics are very good, this is in accordance with Tait (see section 3.2.), who states that the transportation system works efficiently. By only judging by one expert and Tait it seems as the transportation and logistics procedure is considered as good. This may indicate that it could fit the cost leadership strategy as it considers delivery reliability as one of the most important factors. On the other hand, judging by the expert who claims that transportation may problematic from the Eastern part of Ukraine, and the experts who insinuate the importance of having a good transport partner, it seems as it is not a smooth process. Henceforth, is can be argued that the delivery reliability may not be good enough.

One expert compares the delivery times with China, from where it takes minimum three weeks of transportation time, which freezes the value of the goods for a long period. From this point of view, it can be argued that Ukraine can be determined as having a short transportation time. Judging by the estimated transportation time, it has a great advantage as it ranges between three to seven days comparing to China in this case. It may be argued to be considered as short lead times, which would be of great advantage to companies with a differentiation strategy or innovative products (see section 3.4.). However, short lead times

are also an advantage for companies with a cost leadership strategy or functional products, thus it can be argued that the lead times are suitable for both company and product categories. Table 5.7. shows the conclusion drawn from the analysis of delivery and company and product characteristics.

	Cost leadership/Functional products	Differentiation/Innovative products
Main focus in supplier selection	Low production cost	Flexibility and short lead times

Table 5.7. Analysis of the evaluation factor delivery in the context of company and product characteristics

5.2.5. Capacity

The experts claim that most apparel factories in Ukraine are of small and medium size, which is confirmed by Tait (see section 3.2.). Our results show that the capacity varies between one piece and up to 10 000 pieces in an order, and one factory claims to have the capacity of producing 15000 shirts or skirts during one month. One important factor to consider when assessing suppliers’ capacities is the question of a minimum or maximum quantity restraint (see section 3.6.2.). The factories involved in this study showed to have quite flexible order capacities, three factories had a minimum order of around 50 pieces and only one factory had a minimum order of 500 pieces. This result contrasts with the findings of the Swedish Trade Council (see section 3.2.); they state that there are problems finding suitable factories for production since orders from Swedish companies are too small to attract Ukrainian manufacturers. On the other hand, another report from the Swedish Trade Council shows that Ukraine could be an attractive producer of small-scale quantities, where small-scale is defined as 500 pieces.

One expert identifies the general capacity of Ukrainian apparel factories by saying that they cannot be compared to Chinese factories’ capacities, which could be interpreted as Ukrainian apparel factories not being able to produce exceptionally high volumes. The production of functional products favours large order volumes and innovative products favours smaller order volumes (see section 3.4.). Since the minimum orders of the factories studied mainly are as small as one or 50 pieces, it can be argued that there are opportunities for producing innovative products. The maximum order size of all factories studied is 10 000 pieces, which indicates that there is still capacity of producing larger volumes, but not exceptionally large volumes. With the definition of small to medium sized companies by two of the experts as 60-200 employees, most factories studied fall into this category, some are larger. Since the experts claim that there are predominantly small and medium sized factories in Ukraine, it might be possible to argue that a common capacity of order size is between 50-10 000 pieces. One expert identifies Swedish companies who would benefit from producing in Ukraine as the companies now having production in the Baltic States or other European countries as there is a suitable match in capacity, this is also the view of the Swedish Trade Council (see section 3.2.). It could be argued that this results show that big multinational companies operating in extremely high volumes benefiting from economies of scale might not be a good match for

Ukrainian apparel manufacturers, since it seems like there is not capacity enough to produce the volumes needed to gain economies of scale.

The results show that there seems to be a lack of companies producing fabrics and knitting products in Ukraine and that most materials used for producing apparel is imported. This is also the results of the studies of the Swedish Trade Council and Tait (see section 3.2.), and the Swedish Trade Council adds that this is a weak point of the industry. One expert points out that the reason for the knitwear industry not being so big is that the capacities is not high enough in Ukraine to make it profitable, which could also indicate the lack of possibility to gain economies of scale.

In the discussion of capacity of products and product groups, our results show that there do not seem to be a tendency of a general specialisation among the apparel producers. This is also the conclusion of the research by Tait. However, three of the experts claim that women's wear is commonly produced, accompanied by children's wear and workwear. The factories visited all have one area of specialisation, even though most of them claim to have the capacity to produce other garments. Men's suits and shirts, overcoats for men and women, children's wear and workwear are the specialisations of the factories visited.

The theories of product characteristics presented by in section 3.4. show that innovative products have an unstable demand, a high product variety and a short life cycle. Functional products on the other hand have a stable demand, low product variety and a longer life cycle. Nordås states that functional/standardised products can be for example T-shirts or workwear. The product categories produced in the factories all show tendencies of more or less functional products; men's suits and shirts could be argued to have a quite stable demand, long life cycle and there is quite low variety of styles, and workwear is identified by Nordås as a product category of high standardisation. Even if children's wear and overcoats could be argued to have features of innovative products, they could still be seen as more functional. Children's wear could be argued to not be that sensitive to highly fluctuating trends even if there may be a high variety of styles and overcoats are the type of products that often lasts more than one season, even if there may be a medium to high variety of styles. This indicates that there might be more common to produce products that more or less could be categorised as functional. This is somewhat contradictory to the study of Tait (see section 3.2.) where she claims that a full range of garment production is produced; from fashion items to workwear.

Observations of the brands and retailers the visited factories produce for, show that the market segment varies from low-price market to the higher middle segment. This could be compared to the results of the Swedish Trade Council (see section 3.2.), where they found most competition amongst manufacturers in the low-price, low-quality segment. It could thus be argued that it might not be that common to manufacture products of the high-quality, high-priced market segment. The analysis of the capacity of order size shows that it could be argued to be a quite high capacity flexibility and that there are possibilities of producing both low and medium sized volumes but not exceptionally high volumes. Table 5.8. shows the conclusion drawn from the analysis of capacity and company and product capacity.

	Cost leadership/Functional products	Differentiation/Innovative products
Product variety	Low	High
Product life cycle	Long	Short
Order volumes	On the larger side	On the smaller side

Table 5.8. Analysis of the evaluation factor capacity in the context of company and product characteristics

5.3. Analysis of interrelations between factors

The discussion of the external factor geographic location shows that Ukraine has an advantage of being located close to EU, which could be argued as beneficial for Swedish companies with a differentiation strategy or for companies producing innovative products. On the contrary, the discussion of trade restrictions shows that because Ukraine is not a member of the EU, companies are limited to operate on the tolling basis. This could affect the flexibility negatively, thus innovative products are not optimal. The analysis of the third external factor of costs, shows that the salary level of sewing workers in Ukraine could be defined as one of the lowest in Europe, which favours a company with the cost leadership strategy or functional products. However, it cannot be stated that a low-cost production is unfavourable for companies with a differentiation focus or innovative products. The area of costs could also be argued being positively affected by the geographic closeness which minimises transportation costs.

The internal factors of quality thinking in management and quality of workers can be seen as closely linked, since the management is somewhat responsible for the environment in which the worker operates. The management style is found to be viewed upon as quite hierarchic and the workers are found to be mostly unskilled or semiskilled, which might not be considered as optimal conditions for any products or company strategies. However, bringing in the factor of costs into this discussion, it might be beneficial for companies with a cost leadership strategy or innovative products to compromise on these areas if it means that a low cost production can be achieved. The results show that the management in the factories visited mainly reward their workers by efficiency rates, which can be linked to the tendencies of standardised work tasks shown in the discussion of workers. If rewarded by efficiency, workers will presumably rather keep doing the same task, as they know they will achieve a high efficiency rate, than change tasks and achieve a lower efficiency and thus a lower salary. A focus on high efficiency is favourable for companies with a cost leadership strategy or functional products, which means that it can be argued that the discussions of management and worker quality show tendencies of favouring these companies or products.

The analysis on the area of production design and technology shows that most production for export is operated by CM contracts, which can be explained by the fact that the tolling basis dictates that materials should be bought outside of Ukraine to avoid paying taxes. The results show that the factories visited are producing according to the Bundle System with the workers performing standardised work tasks. The analysis of management and worker quality also shows that workers are fairly unskilled and trained to manage one or sometimes two

operations. This shows a tendency of an efficiency focus, which means that it can be argued that functional products or a cost leadership strategy is favourable.

The analysis of the capacities shows that Swedish companies with order requirements between 50-10 000 pieces are suitable for placing orders in Ukrainian factories, and that it can be argued that exceptionally large volumes are not possible. This is somewhat contradictory to the characteristics of the Bundle System where really large volumes are favoured. The products manufactured in the factories show characteristics of mainly functional but some products can also show tendencies of innovative products. The capacity area can also be connected to the area of workers, since a few interviewees states the lack of workers have lowered their capacity or limited it. The factor of delivery can be argued as highly related to the factors of geographic location and trade restrictions. The results show that the delivery times are fairly short, which can be explained by the geographic closeness of Western Ukraine. However, by the discussion of trade restrictions it shows that there can occur problems in customs which might affect delivery times and delivery reliability.

6. CONCLUSIONS

The purpose of this study was to conduct a supplier evaluation of Ukraine and discuss if there are product types or company strategies emerging as suitable for production in Ukraine. Empirical results were collected through interviews and observations, and the findings have been analysed with connecting theories. In this section we will reflect upon the findings and conclusions will be presented. The section will conclude in a discussion of the study's limitations and suggestions for further research.

The analysis shows that discussing the external and internal evaluation factors individually without reflecting over the interrelationships, might result in contradictory conclusions. By analysing the evaluation criteria in relation to each other it can be confirmed that they all affect each other in some ways, which concludes that it is important to evaluate multiple factors in ability to assess a possible supplier in a satisfying way. It seems as there is not one uniform model that can decide whether a certain feature of a possible sourcing country is positive or negative; this must be placed into the context of the individual companies.

The purpose of this study was to discuss if there are product types or company strategies emerging as suitable for production in Ukraine. It could be argued that some factors have a higher importance than others in the assessment of a supplier. In this evaluation, the factor of trade restrictions and more specifically the restrictions of the tolling basis could be argued as the most important one as it states the main conditions for Swedish companies producing apparel in Ukraine. Since the tolling basis could be argued to reduce flexibility, this inevitably disfavours the differentiation strategy and innovative products. Some of the evaluation areas showed to be beneficial for both company and product types, while some areas showed to favour the cost leadership strategy or functional products. The table below illustrates the findings in the context of company and product characteristics.

	Cost leadership/ functional products	Differentiation/ innovative products
Geographic location	X	X
Trade restrictions	X	
Costs	X	X
Quality thinking in management	X	
Quality of workers	X	
Production design/technology	X	
Delivery	X	X
Capacity	X	X

Table 6.1. Conclusion, company and product characteristics in the context of supplier evaluation of Ukraine.

By analysing this table it can be argued that there are predominantly characteristics found that suit companies with the cost leadership strategy or functional products. Worth mentioning is that some factors are seen as suitable for both of the product and company types since it could not be argued to disfavour any of the types. The capacity factor is seen as suitable for both of the categories, even though it is found that the factories are not able to produce exceptionally big volumes. The reason for this is that the capacities found in the factories could still be viewed upon as medium-sized.

This study shows that there are characteristics shaping the Ukrainian apparel industry that could be argued to favour products of the functional type or companies with a cost leadership strategy. However, it cannot be disregarded that there still could be opportunities in Ukraine for companies with a differentiation strategy or innovative products. Because of the rules of the tolling basis and limited access to materials, there might not be great opportunities for Swedish companies to source according to the Full Package contract from Ukraine. However, our results show that there could be possibilities for low-cost manufacturing of products with functional characteristics on CM contracts.

6.1. Theoretical and practical implications

This study suggests that it might be greater opportunities to produce apparel products of the functional character than products of the innovative character in Ukraine. In previous studies of the Ukrainian apparel industry there were found not to be a certain niche of apparel production. Additionally, we could not find any research made on the Ukrainian apparel industry in the context of company and product characteristics. The findings of this study could therefore be said to have theoretical contributions by filling a gap in existing research of the Ukrainian apparel industry.

Practically, the findings of this study could be useful for managers in Swedish or European apparel companies assessing Ukraine as a potential production country, as it could give important inputs and ideas. The findings could assist managers in the choice of which products or product groups to produce in Ukraine or simply conclude if Ukraine could be an interesting option to continue investigating for their company.

6.2. Limitations and suggestions for further research

To conduct this study, a non probability sampling method has been used and the number of factories visited and interviews held are limited. All factories have been situated in the Western part of Ukraine, which limits the findings to only concerning a geographical part of the country. These factors all contribute to the fact that the results of this study cannot be generalised to all apparel producing factories in Ukraine. We see this as a limitation since the nature of the research question implicate an ambition to draw conclusions on a more general basis. A more comprehensive study with a quantitative research method could have resulted in findings more amenable to generalisation, but due to time restrictions this was not seen as feasible.

It can be discussed if the interviewees in the factories were totally honest in the interviews; there are risks that they were not honest on questions that could illustrate their company in a negative way. This is a source of problems since it makes the results of the study less reliable. To minimise this problem, it could have been interesting to interview managers at Swedish companies currently having apparel production in Ukraine. By doing this, the performance of the factories could be evaluated from both sides and in a more comprehensive and reliable way. It would also be a great way to investigate the experiences and reasons for these companies producing in Ukraine, and thus bring the discussion of company and product characteristics to a higher level.

The findings presented in this study should be regarded as features and patterns that will need to be validated by more comprehensive studies. There are thus opportunities to further investigate Ukraine's apparel industry in the context of company and product characteristics, maybe with different criteria and classifications of product and company characteristics.

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COUNTRY FACTS UKRAINE



Area	603,700sq km	
Population	46.2 million (est.)	
Capital city	Kyiv - population: 2.6 million (Dec 2001 census)	
Location	Eastern Europe, bordering the Black Sea. Border countries: Belarus 891 km, Hungary 103 km, Moldova 939 km, Poland 428 km, Romania (south) 169 km, Romania (west) 362 km, Russia 1,576 km, Slovakia 90 km.	
Land boundaries	Total: 4,558 km	
Coastline	2,782 km	
People	Ukrainian 77.8%, Russian 17.3%, other 5% (Dec 2001 census)	
Languages	Ukrainian is the official language, but Russian is widely spoken, particularly in the East and South. There are small numbers of Romanian, Polish and Hungarian speakers, and about 250,000 Crimean Tatars.	

Religion(s)	Ukrainian Orthodox (Moscow Patriarchate) (10-12 million), Ukrainian Orthodox (Kyiv Patriarchate) (2-3 million), Ukrainian Greek-Catholic (Uniate) (850,000), Ukrainian Autocephalous Orthodox (800,000), Jewish (70,000), Muslim.
Currency	1 hryvnia=100 kopiykas
Constitutional form	Parliamentary-Presidential Republic
Head of State	President Viktor Yanukovych
Exchange rate	8.00 hryvnvya (UAH) per US\$1 (2009); 12.20 hryvnvya (UAH) per £1 (2009)
GDP	2008 US\$ 179.7bn; 2009 US\$ 114.7 bn (projected); 2010 US\$ 125.2 bn (projected)
GDP per head	2008 US\$ 3,920
Annual GDP change	: 2006 7.3%; 2007 7.9%; 2008 2.1%; 2009 -14.0% ; 2010 2.7% (projected)
Annual consumer inflation	2008 25.2%; 2009 16.8% ; 2010 10% (projected)
Major industries	Coal, electric power, ferrous and non-ferrous metals, machinery and transport equipment, chemicals, agriculture, food-processing (especially sugar)
Major trading partners	EU, CIS, China, US.

Source: <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/europe/ukraine/?profile=all>

INTERVIEW SUBJECTS - FACTORY MANAGERS

This is a simplified version of the interview sheets listing the subjects discussed in the factories. The companies listed after the main topics show in which factories they were discussed. Within each main subject, there are subtopics; all subtopics were not covered by all factory managers as it was semi-structured interviews that differed slightly from factory to factory. For a detailed and comprehensive understanding of the interviews, the transcriptions and audio files are available upon request.

BASIC FACTS OF THE COMPANY – All six factories discussed this topic

Customers

Number of employees

Products

Capacities

Main reasons for producing in Ukraine

PROCEDURE OF INCOMING ORDERS - All factories discussed this topic

Contract procedure with foreign customers

Handling of orders

Specifications

LEAD TIMES - F4, F1, F3, F6

Delivery times

Transportation time

QUALITY OF WORKFORCE - All six factories discussed this topic

Criteria when employing

Staff turnover

Motivation, goals and rewards

Let someone go

MANAGEMENT QUALITY -All six factories discussed this topic

Leadership and management style

Communication with workers

Authorization of workers

Perform quality checks

CERTIFICATIONS - All six factories discussed this topic

ISO-9000 standards

CSR and Codes of Conduct

TECHNOLOGY - All six factories discussed this topic

Types of machines

Condition on machines

Problems when lack machines for orders
Computer programs

PRODUCTION DESIGN - All six factories discussed this topic

Lines and production
Change of working stations

PRODUCT AND PRODUCTION QUALITY - All six factories discussed this topic

Complaints and returns
Work with quality and consistency
Improvement of the production process
Goals

TRADE - F4 and F3

Trade restrictions and laws

COMMUNICATION – F1, F2, F3, F4 and F6

Communication with customers
Language
If customers want to make a change during the production
Problems in communication

EFFICIENCY – F1, F2 and F3

Efficiency level
Competitiveness

DIFFERENCES UKRAINE/SCANDINAVIA – F4, F5 and F6

Differences in mentality
Differences in management style
Differences and difficulties

INTERVIEW SUBJECTS - EXPERTS

This is a simplified version of the interview sheets listing the subjects discussed in the interviews with experts. The experts listed after the main topics show who discussed the subject. Within each main subject, there are subtopics; all subtopics were not covered by all experts as it was semi-structured interviews that differed slightly from interview to interview. For a detailed and comprehensive understanding of the interviews, the transcriptions and audio files are available upon request.

UKRAINE AND THE APPAREL INDUSTRY – All experts discussed this topic

- Historical overview
- Most common production
- Textile production
- Location of apparel production
- Foreign companies in Ukraine – customers
- Outsourcing and wholly-owned
- Perceived product quality level
- Universities and textile schools

QUALITY OF EMPLOYEES AND MANAGEMENT – E1, E2, E3 and E4

- Skills of employees
- Management style
- Goals and motivation
- Process and quality thinking
- The worker situation – availability of workers
- Wages

PRODUCTION CAPACITY – E1, E3 and E4

- Range of capacity minimum and maximum of pieces
- Capacity concerning number of employees

PROCEDURE OF ORDERS - E1, E3, E4 and E5

- Buying of the fabrics and trims
- Cut-Make basis
- Process thinking – the structure of production
- Handling of change in orders during production

TRANSPORTATION AND DELIVERIES – E1, E2, E3 and E4

- Delivery times from order placing – lead times
- Transportation times
- Logistic partners
- Competitiveness

TRADE – All experts discussed this topic

Trade barriers

The tax law

Customs

The tolling basis and its operations

The WTO membership

The political situation impact

CERTIFICATIONS – E1, E2, E3 and E4

CSR and Codes of Conduct

ISO-9000

TECHNOLOGY – E1, E3 and E4

Machinery in factories

Computer programs in use

COMMUNICATION – E1, E3 and E4

Tools for communication

Usage of a third partner/middle hand

Language and language barriers

Communication with customers

Communication between management and workers

MAIN REASONS AND DIFFICULTIES – All experts discussed this topic

Difficulties and obstacles found in trading

Main reasons for Scandinavian companies in Ukraine

Ukraine as a business partner

Differences of the Swedish and Ukrainian business climate

What to further develop



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