An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

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"This research project is submitted in partial fulfilment of the Degree of Master of Business at the Athlone Institute of Technology"

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Submitted: **August 2014**

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I would like to acknowledge and thank those whose help and support was invaluable to me in completing this dissertation.

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I would like to take this opportunity to thank all the interviewees that participated in my primary research.

I would like to thank my parents for all their encouragement and support throughout my five years in college but particularly over the past number of months.

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ABBREVIATIONS USED

PC-Personal Computer

CM- Contract Manufacturer

ODM- Original Design Manufacturer

OBM- Own Brand Building

HKTDC- Hong Kong Trade Development Council

EXECUTIVE SUMMARY

In today's very competitive business environment contract manufacturing companies are continually competing to gain new customers, increase revenue and aspiring to become number one in their manufacturing environment. However, in doing so, a company is faced with many diverse choices, such as offer better quality products, low-cost products or perhaps a contract manufacturer may decide to try and reap the majority of rewards such as seeking new clients, increasing revenue and/or increasing manufacturing capability. These are some of the primary concerns of a contract manufacturing company based in the midlands transitions from contract manufacturing to own brand building.

(Chen, 2013), mentions in his article branding vs. contract manufacturing that

"Little research has been done on this topic as there is a gap in the literature regarding the issue's companies face while making a transition from contract manufacturing to own brand building". Therefore, the author of this dissertation has decided to identify the issues that could possibly occur while trying to identify any possible solutions to whilst addressing the aforementioned challenges.

The primary objectives that the author sets out to address within this dissertation are as follows:

- ❖ To explore the reasons why the companies decided to make the transition
- ❖ To identify the procedures/techniques they used when making the transition
- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies
- ❖ To evaluate the success of the transition

The author gathered information regarding these objectives through primary research which involved interviewing four people at management level within various companies that have been involved in such a transition, using semi-structured interviews. These findings along with findings from conducting research within existing literature relevant to the topic area enabled the researcher to identify the potential problems a company may face while making the transition, the techniques a company might use to counteract or negate the problems and lastly enabled the author to identify whether the transition was a success or a failure. The primary findings which were gathered proved positive as 75% of the interviewees suggested that the transition was successful despite any difficulties that arose along the risky yet worthwhile journey.

CHAPTER 1: INTRODUCTION

1.1 Rationale for undertaking this research

In 2007 a company known as Europharma Concepts Ltd was set up in Clara Co. Offaly to become the only oral healthcare manufacturer in Ireland. The company is a contract manufacturer that manufactures 82 formulations in-house for twelve companies within the EU. Having won three awards, the company has proven to be successful and in recent times the company has decided to put all its capabilities together and make a leap from being a contract manufacturer to becoming an own brand manufacturer as they have created a formulation that will help counteract some side effects from cancer treatments.

The context of the author's work is to explore how a company can identify and address the strategic issues they may face while making the transition from contract manufacturing to own brand manufacturing.

The author wishes to explore the effects that this may have on a company and to see if the transition will be worthwhile or not. In addition, the author would like to inform Europharma Concepts of the result.

Moreover, the author feels that this research can help companies like Europharma Concepts understand the issues involved in actually making this strategic move and allow them to understand the effects it can have such as cost, competition with clients and losing the trust of existing and future clients as they may be worried that companies like Europharma are taking their ideas and converting them into their own.

The author has being employed with Europharma Concepts since the company was established and has always tried to generate ideas that contribute to the future success of the company. The author feels that if the strategic issues are not addressed, then the company will face major problems in the future. In addition, the author hopes to gain invaluable knowledge in the chosen area which someday might support an interest in setting up a manufacturing company.

1.2 Research Question and Objectives

Research Question:

"*An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing*"

Research Objectives:

In order to answer the research question the author must analyse the following objectives:

- ❖ To explore the reasons why the companies decided to make the transition
- ❖ To identify the procedures/techniques they used when making the transition
- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies
- ❖ To evaluate the success of the transition

1.3 Dissertation Structure

This dissertation is structured in accordance with the guidelines as set out in the Athlone Institute of Technology, Masters of Business Studies manual. The dissertation has been divided into six chapters as outlined below.

Chapter 1 – Introduction

The author will introduce the research aim and objectives for this study and provide a rationale as to why the author selected to carry out an evaluation of the key strategic issues that a company may face while transitioning from contract manufacturing to own brand manufacturing as the subject area for this research.

Chapter 2 – Literature Review

This chapter will focus on a summarisation piece of writing obtained by means of research and studying literature from various authors on research topics. It will focus on literature relating to outsourcing, contract manufacturing, why companies may move to own brand building, the issues of this transition and possible solutions and will provide a context and background for the focus of this research topic.

Chapter 3 – Research Methodology

The third chapter of this dissertation, the research methodology, is primarily focused upon how the author plans, conducts and analyses primary research. Approaches, strategies and philosophies that are utilised within this research are examined, justified and critiqued. Additionally, alternative approaches that may have been applied to this research are evaluated. This chapter addresses limitations that exist within the research and also the ethical considerations.

Chapter 4 – Analysis of Findings

The Analysis of Findings chapter presents the findings which were identified through conducting primary research. The author will present and analyse the data gathered from the semi-structured interviews. The primary findings will address each of the research objectives and in turn the data from each objective will address the research question.

Chapter 5 – Discussion of Findings

The author will be combing the discussion of findings chapter with the analysis of findings chapter in order to provide the reader with a better analysis and discussion. This chapter will link the primary and secondary data from the literature in order to examine if the primary findings support, contradict, or add to the secondary data findings discussed in chapter two.

Chapter 6 – Conclusion

This final chapter will present the findings after conducting this research, and will state whether the author believes the aim and objectives have been satisfied. Possible future research projects which conducting this research identified will also be outlined. This chapter will conclude with a personal reflection of the research process and identify any changes the author would make if the research project was to be repeated.

1.4 Method of Gathering Information

The literature review within this research project was conducted by utilising the resources of the library at Athlone Institute of Technology which were accessed both online and in person. Multiple methods were employed throughout the compilation of Chapter 2 which included accessing books, journal articles and websites. Furthermore, the content of the literature review is relevant, recent and has been published internationally by leading experts within their respective fields. A combination of Google scholar and the access to databases through the Athlone Institute of Technology proved to be valuable assets as they provided access to national and international literature.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The aim of the literature review chapter is to examine, discuss and critically evaluate existing literature that is relevant to the research objectives as follows:

- ❖ To explore the reasons why the companies decided to make the transition
- ❖ To identify the procedures/techniques they used when making the transition
- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies
- ❖ To evaluate the success of the transition

The literature review starts off by discussing why companies use an outsourcing approach and then discusses contract manufacturing briefly. The reason for this is to identify why a company would outsource to a contract manufacturing company and the possible benefits for both parties. The literature review then provides an insight as to why contract manufacturing companies may move to own brand development while facing the difficult task of sustaining client relationships in the own-brand development process and the issues/challenges that may arise. Finally the literature review identifies possible solutions for a company to sustain existing client relationships while in parallel developing their own brand.

2.2 Why companies use an outsourcing approach

Firstly, according to (Rouse, 2007), *"Outsourcing is an arrangement in which one company provides services for another company that could also be or usually have been provided in-house".* (Flatworld Solutions, 2014) , somewhat agrees with (Rouse,2007) and states that *"outsourcing is the process of delegating a company's business process to third parties or external agencies, leveraging benefits ranging from low cost labour, improved quality to product and service innovation".*

(Arena Solutions, 2014) , mentions that, *"in today's competitive business environment, outsourcing manufacturing processes is a matter of convenience for small and mid-size companies, but also key to their survival".* Therefore, if companies could not outsource key activities to contract manufacturers (CMs), they would simply lack the economies of scale that allow them to effectively compete with their larger competitors.

The author, based on his actual experience working for a contract manufacturer, agrees with the aforementioned paragraph that *"outsourcing allows a company to compete with the larger players within an industry".*

For example, a contract manufacturing company located in Clara Co. Offaly manufactures a wide range of oral health care products (Toothpaste and Mouthwash) for Purity Laboratories who are the owners of Beverley Hills Formula toothpaste. This allows Purity Laboratories to compete with companies like Procter and Gamble while focusing on different areas of the business such as marketing while their product is being produced in mass quantities.

(Switchback Technologies, 2014), adds to the above paragraph and states *"Few companies have the ability to invest in, and routinely upgrade, the millions of dollars in equipment, personnel, and process technology required to compete in a market of shrinking product life-cycles and eroding margins."*

Therefore the author firmly believes, based on evidence, that outsourcing is important for the smaller players as they would not have the financial resources to perform such activities in-house. Instead they can invest money into core areas of the business, such as research and development and customer acquisition, for example, while the contract manufacturing company will deal with operational and production functions, specialised equipment needed and necessary maintenance required.

Below are some of the identified reasons a company may decide to outsource: as stated by (Flatworld Solutions, 2014)

- ❖ Lower operational and labour costs are among the primary reasons why companies choose to outsource. When properly executed it has a defining impact on a company's revenue recognition and can deliver significant savings.

- ❖ Companies also choose to outsource or offshore so that they may continue focusing on their core business processes while delegating mundane time consuming processes to external agencies.

- ❖ Enable companies to tap in to and leverage a global knowledge base, having access to world class capabilities.

- ❖ Freeing up internal resources that could be put in to effective use for other purposes is also one of the primary benefits realised when companies outsource or offshore.

❖ Many times stranded with internal resource crunches, many world class enterprises outsource to gain access to resources not available internally.

In addition, in figure 2.1 below, the author has adapted Michael Porter's Value Chain diagram by adding to the area of operations to show the benefits of a company outsourcing its operations to a contract manufacturing company as suggested by (Arrunada & Vazquez, 2006)
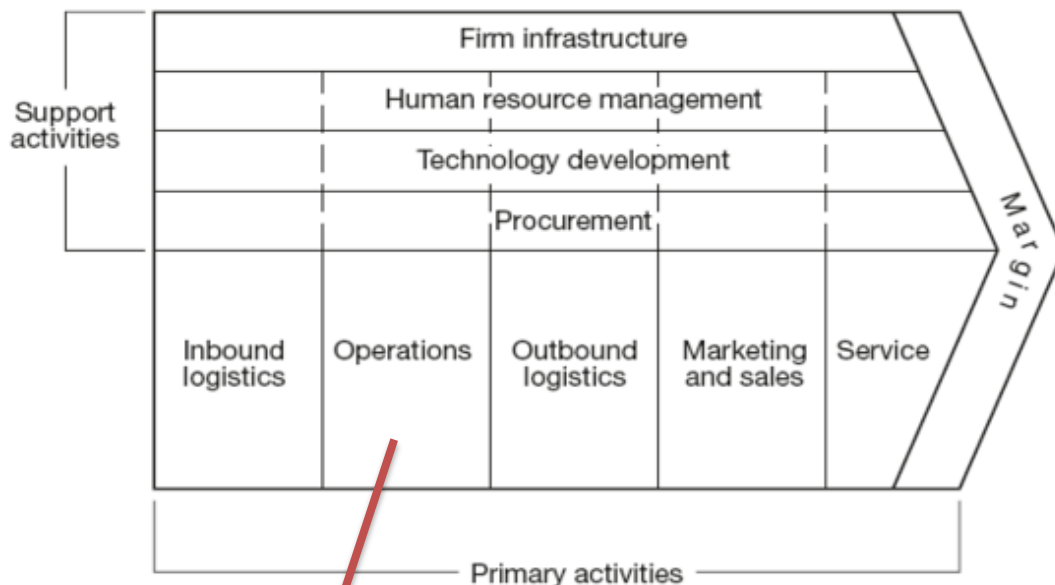
Figure 2.1 Michael Porter - Value Chain

Source: Adapted from Porter's Competitive Advantage, the free press 1985

In addition to the above statements, it is quite evident that companies are outsourcing more and more as according to (Olivier Roth, 2014) Outsourcing Pharma, the online news platform on pharmaceutical manufacturing, supply, and contract research, have estimated that pharmaceutical companies use Contract Research Organisations and other commercial resources for just 40% of the work that could be outsourced. However leading research indicates that this ratio is increasing. The report from the market research firm Transparency Market Research points out that in 2013 the total amount of work outsourced to CROs globally reached $31.1B, almost $10B more than in 2009. Therefore it is clear that a contract manufacture that has in-house R&D capabilities will gain as the report also indicates that the outsourced research market is expected to reach $65.03 billion by 2018.

2.3 Contract manufacturing

Firstly (Herlihy, 2003) mentions in her article *Contract Manufacturing and Private Label: A production method of choice:*

> *"In a world of specialists, where the latest technologies are both necessary and expensive, and efficiencies of scale are often essential, contract manufacturing is growing as a normal, long term way to produce products for the cosmetics, fragrance and personal care markets."*

The aforementioned paragraph leads the author onto discussing the receiving end from the outsourcer which is the contract manufacturer.

According to (Bhavini Lad, 2012, p. 93),

> *"Contract manufacturing involves production of goods by a firm, under the label or brand of another firm. Contract manufacturers provide such service to several firms based on their own or consumers' designs, formulas, and or specifications."*

(Mason, 2002), agrees with (Bhavini Lad, 2012), and suggests, *"Business advantages associated with utilising a contract manufacturer are critical for small or start-up companies"*. Mort Westman, president of Westman Associates Inc. somewhat agrees with the above statement suggesting

> *"Contract manufacturers offer immediate availability of technology, eliminate the need for varied expertise/personnel in a turnkey operation, and minimise investment, including capital equipment and formula development"*.

Moreover, contract manufacturing can be a great solution for a start-up company which lacks industry knowledge, skills and also finance for certain equiptment. However (Arrunada & Vazquez, 2006, p. 1) suggests that:

> *"Facilitating these gains are the contract manufacturer's (CM) special strengths, which may include location in a low-wage land, economies of scale, manufacturing process, and exposure to the engineering and development processes of products it handles for other original equipment manufacturer (OEMs)"*.

Such exposure puts the CM in a position to propose improvements to different clients' products. However (Dinges, 2013) highlights in Figure 2.2, that outsourced manufacturing is on the increase despite the potential of the CM gaining new capabilities and becoming a competitor to the outsourcing company.

(Billions of US Dollars)
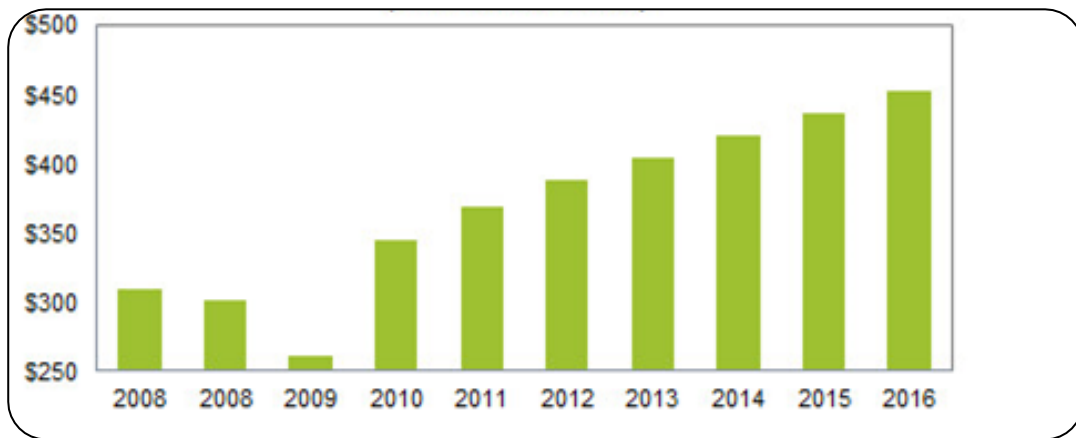
Figure 2.2: Worldwide Outsourced Manufacturing Revenue Forecast

Source: HIS iSuppli Research, Feb 2013

Having discussed why a company outsources to a CM the author feels it is important to note the aforementioned statement by (Arrunada & Vazquez, 2006) that "*Such exposure puts the CM in a position to propose improvements to different clients' products*". The reason the author feels this is important is that as a CM learns from existing clients they can then combine all their experience, knowledge and equipment to make a transition from CM to OBM and as a result may compete with existing clients, therefore the author feels it is important to discuss the transition from CM to OBM at this point.

2.4 Making the Transition

A key point for many companies today is whether to create their own brand or keep providing a service brand owners (Wilson, 2012). (Feng-Hsu Liu & Chen, 2011), argues that own brand building is required for the contract manufacturers that have the goal and ability to follow their growth target.

Observing an example of the Taiwanese personal computer (PC) industry, according to (Huang, 1995) after the late 1980s, the contract manufacturing (CM) business evolved into original design manufacturing (ODM). (Huang, 1995) suggest that *"This came about as close relationships between two parties had developed through continued cooperation. In addition, the depth of experience gained resulting from years of new and improved techniques."* (Ting-Kuei Kuo, 2011) adds to the prior statement and suggests *"CM firms are capable of doing minor product design and product prototype as value added services for the outsourcer"*. This statement is similar to that of (Arrunada & Vazquez, 2006) that *"Such exposure puts the CM in a position to propose improvements to different clients' products"*.

 In addition, under the CM/ODM arrangement, firms follow the specifications from the outsourcer (buyer). During the interaction, new product concepts and technologies, which are new to the CM firms, are transferred into CM/ODM organisations from the buyers and as a result the CM/ODMs capabilities to manufacture new and improved products increase.

In the authors opinion the outsourcer should ensure that outsourced operations are not completely dependent on an individual CM but try and outsource to multiple parties as according to (Ting-Kuei Kuo, 2011, p. 522),

> *"The technology and know-how learned, enables CM/ODM firms to follow the overall layout from outsourcers to develop new products, this may result in the new stage of transition: from CM/ODM to own brand manufacturing (OBM)".*

From this transition CM firms in the Taiwanese PC industry extended upward in the value chain as illustrated in Figure 2.3 below.
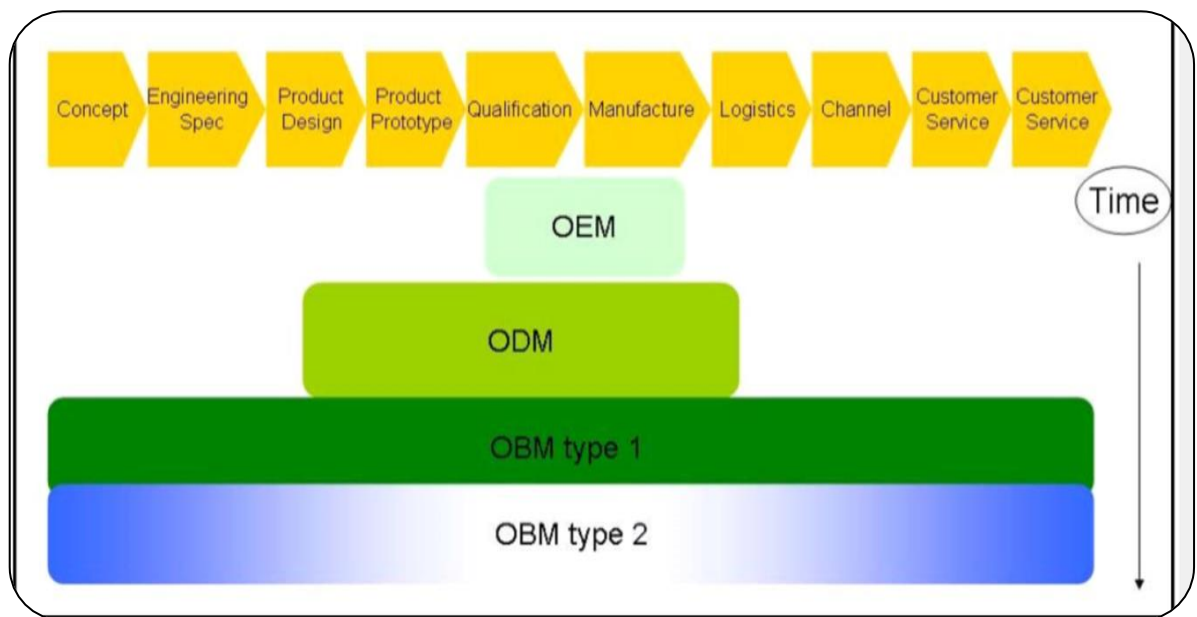
Figure 2.3 – Contract manufacturers extending the value chain

Source: Adapted from (Ting-Kuei Kuo, 2011, p. 522)

Moreover (Feng et al., 2008, p.413) somewhat agrees with the aforementioned statement by (Ting-Kuei Kuo, 2011), and mentions

"As contract manufacturers have continuously learnt and grasped the lessons from prior experiences and best practices of both themselves and their customers; they may feel the need to expand into new markets".

This may be due to the scope of their competence developing from contract manufacturing to product design and development. The author feels that a CM company may move to new markets as stated by (Feng-Hsu Liu & Chen, 2011). In addition, as the CM reaches organisation maturity they are at a steady survival so perhaps they may move to OBM to increase revenue.as seen in figure 2.4 below,
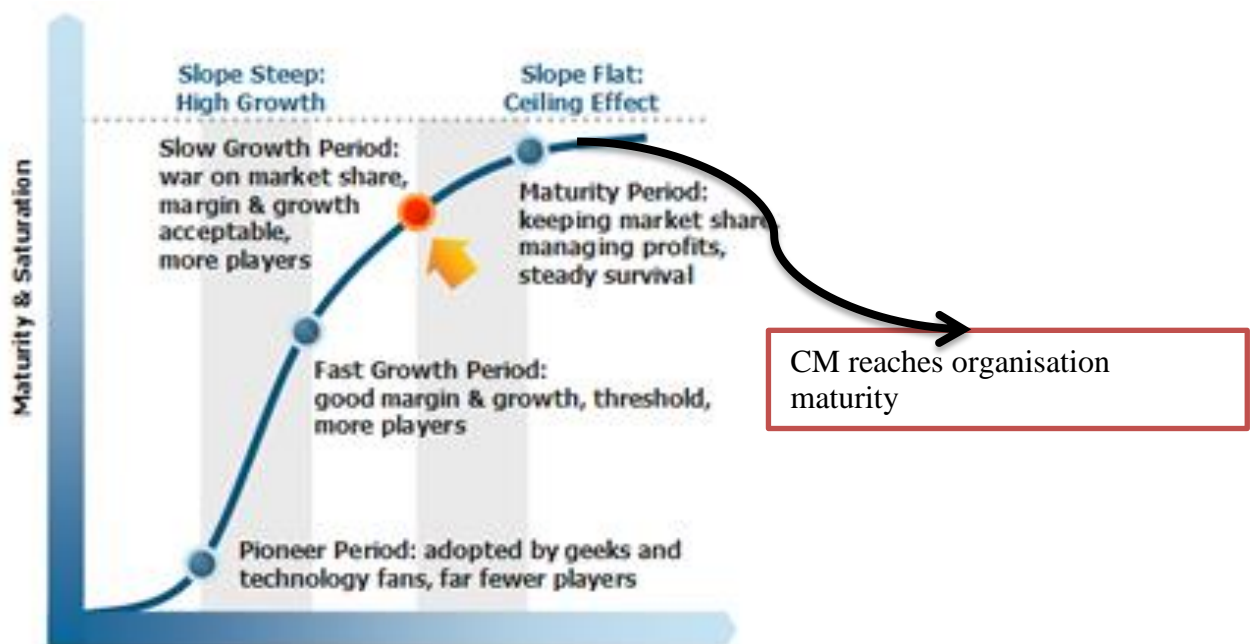
Figure 2.4 - Product Adaptation

Source: (Feng et al., 2011,P.415)

In addition, looking at the Fenix case study by (Sheau Yun Chyr & Hui, 2008) the scholars add to the aforementioned example of the Taiwanese PC industry moving up the value chain by stating that clothing manufacturers in the East Asian newly industrialised economies consider that moving up the value chain from original equipment manufacturing (OEM) to original brand manufacturing (OBM) as one of the key directions for sustaining their business. (Gereffi, 1999) , adds to the prior statement and suggests that:

> *"This type of upgrading trajectory has been regarded as a series of sequential transformations from assembly stage to OEM, followed by intermediaries and 'triangle' manufacturers, and finally, to OBM".*

Therefore, the expansion in the scope of their competence has helped contract manufacturers create more value by dedicating resources to the creation of own design and own brand products which results in OBM.

According to a survey conducted by the Hong Kong Trade Development Council (HKTDC), (HKTDC Research, 2008), there were 83%, 61% and 40% of responding companies engaged in OEM, ODM and OBM business, respectively, in 2007 which can be seen in Figure 2.5.
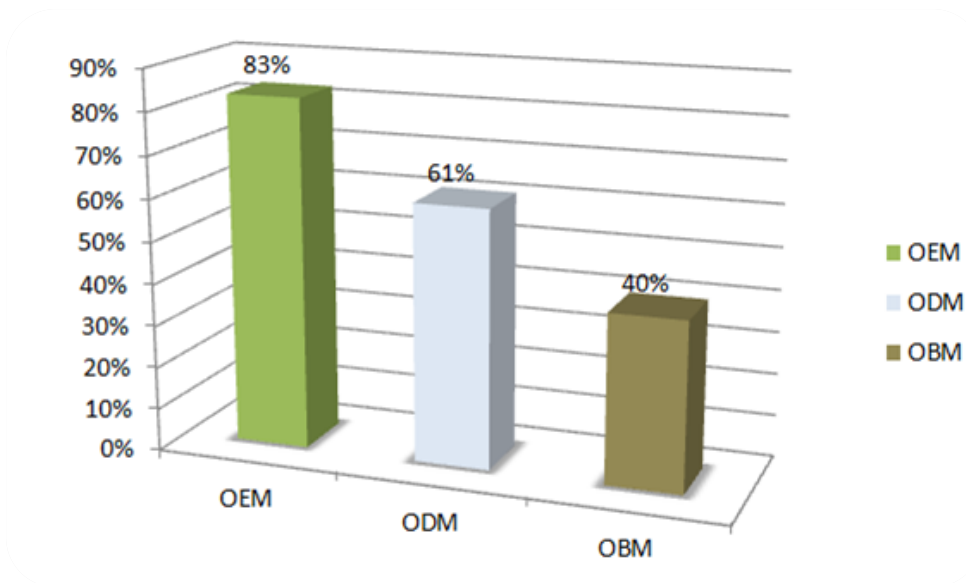
Figure 2.5 - Companies engaged in OEM, ODM and OBM

As seen in the above diagram the percentage of companies that engaged in OBM activities is 40%. The author has adapted some possible reasons why a company may not have got involved in these activities from the HKTDC survey and has created a chart to represent these findings which can be seen in figure 2.7.

Respondents of OBM business indicated that to enhance competitiveness is the most important reason for developing brands. It shows that many companies realise the keen competition of low value-added business and try moving upward along the value chain, which was seen in the Taiwanese PC industry example by (Ting-Kuei Kuo, 2011). In addition, the findings support that higher mark-ups are pursued for OBM and ODM. The average gross margin of OBM is estimated at 29% of sales, whereas those of ODM and OEM are 26% and 20% respectively. As seen in figure 2.6 below.
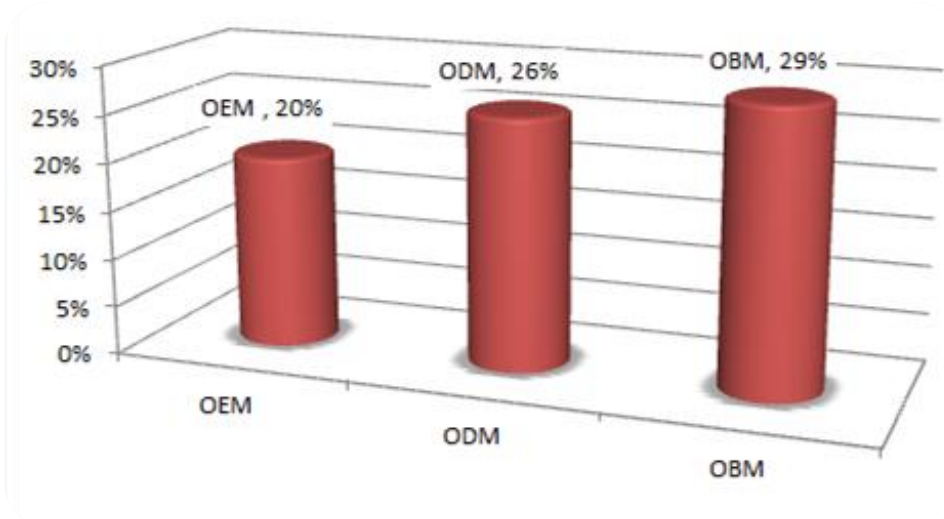
Figure 2.6 – Gross Margins of OEM, ODM and OBM Business in Hong Kong

In addition (HKTDC Research, 2008) highlights that despite the fact gross margins may be higher some companies will not move toward this area of the value chain as they are put off by the high cost of brand promotion. Looking at the possible issues in relation to the cost involved in this transition the author believes that this is probably because respondents are primarily SMEs which may not convinced to move toward OBM as their spending power may be extremely limited compared to that of larger-sized companies. Therefore, SME's may be better off outsourcing to a CM firm. In addition, 40% of the respondents said they lack internal expertise, as brand development and manufacturing require different marketing and management skills. This involves expertise in product design, retailing and distribution with which companies focusing only on manufacturing may not be familiar. "*Evidently, some companies take ODM as a transitional step towards brand development*". This is an example of how companies may acquire the new expertise required for OBM. (HKTDC Research, 2008). Moreover, according to (Chen, 2013), "*a company is more likely to build its own branded products when they have better marketing and R&D capabilities*".

Reasons for Not Developing OBM

	High costs Involved in brand promotion	Lack of internal expertise	Keen competion from existing brands	The expected return does not justify the expected costs
Series1	60%	40%	39%	33%
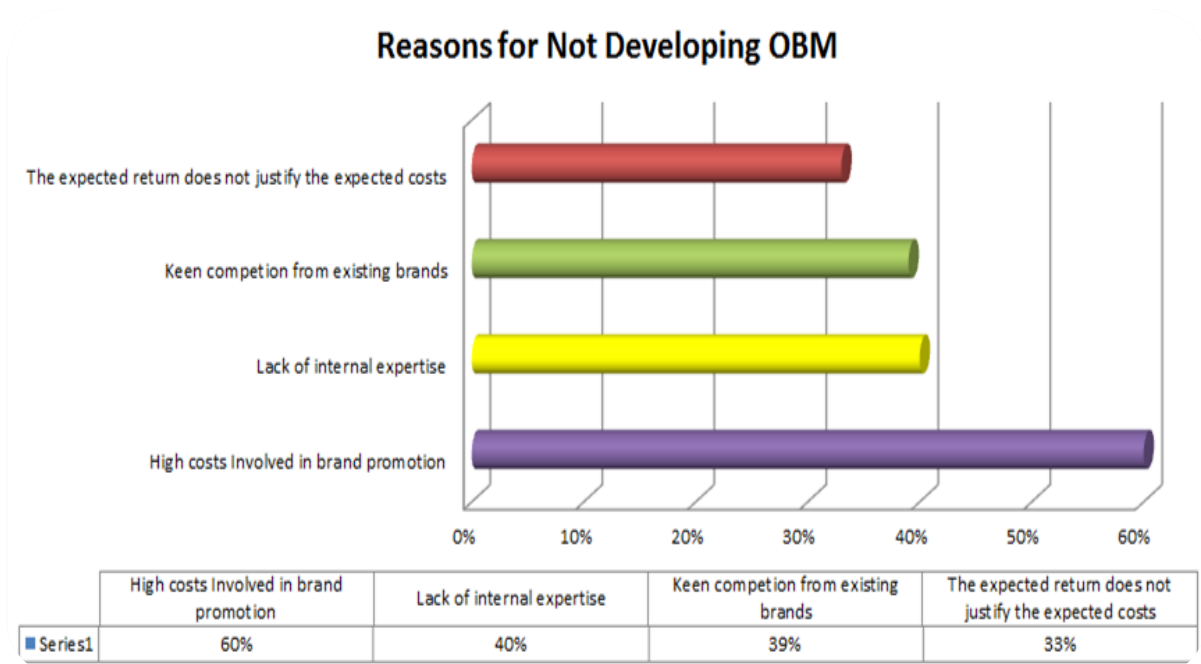
Figure 2.7- Reasons for Not Developing OBM

2.5 OBM Potential Strategic Issues

Having previously discussed why firms may make the transition such as improving business by moving up the value chain and how progressing from being a CM to becoming an OBM may increase gross margins the author feels it is important to highlight the potential issues that a CM may face while making the transition.

Firstly, (Feng et al., 2008, p.413) mentions that

"*Once a contract manufacturer decides to have their own-brand product (OBM) which may be similar to previous low-end OEM products in the same product line, they naturally threaten and go against the interests of its clients so that its clients may no longer continue to cooperate with them, resulting in the contract manufacturers, losing the orders of their customers.*"

(Chen, 2013), agrees with the aforementioned statement, and suggests *"the contract manufacturer may lose the orders of its clients if they compete in any way".* In addition, (Feng et al, 2008) and (Arrunada & Vazquez, 2006) suggest

> *"As contract manufacturers' products begin to commoditise, they begin to undertake their patron's value-adding activities: R&D and marketing, thus giving them room to develop the capabilities they may later use to threaten their name brand clients".*

However the author feels that it is important to highlight that there are other factors besides client relationships which may prevent manufacturers from creating their own brand and therefore the may have to continue providing a CM service to existing clients. (Haiyan, 2011) , suggests that when international demand is constant, firms prefer to remain as contract manufacturers as to play it safe as opposed to taking the risk of high costs and damaging existing client relationships.

While (Santos-Vijande, 2013) adds to the issue of cost and mentions the additional costs (both financial and time) that may be placed on the CM since the firm has to fulfil substantial investments to manage its own brand and as a result the firm may have no choice but to continue carrying out existing activities.

The above problems are evident as Case studies reveal that contract manufacturers with their own brands unavoidably seem to compete against their clients.

(Feng et al., 2011, p.59) , gives an example of what may happen if a contract manufacturer poses a threat to existing clients as follows,

"Acer's brand building strategy backfired in 2000 when IBM cancelled a major order, reducing its share of Acer's total contract manufacturing revenue; in addition, Motorola also punished BenQ for its brand building efforts in the prized China market by shifting orders to rival Compal".

Based on the aforementioned statements and examples provided, the author suggests it is important to highlight that the main problems which may arise, according to experts in the field, they are cost related and sustaining client relationships. Therefore the author believes that an organisation may want to reconsider such a transition unless they can effectively address these challenges while simultaneously increasing revenue.

2.6 Possible Procedures/Solutions to reduce conflict among existing clients

According to (Feng et al, 2008) *"The power of a contract manufacturer is determined in part by the amount of business the contract manufacturer receives from brand companies. Therefore, the more business it receives, the stronger it becomes"*. In addition, as a contract manufacturer transitions to being a name brand owner, it is often challenged by brand-owning companies doing the outsourcing as they fear they are helping potential competitors.

The (Economist, 2005) suggests that *"Just focusing on the 'contract manufacturing' business, the only way to go is cost cuts. However, for stable revenues long term companies must build a branded goods business. It is the only way to survive."*

Companies can do this while sustaining relationships with current clients as follows:

2.6.1 Target geographic markets

At the growing stage of the product life cycle which can be seen in figure 2.8 below

"A contract manufacturer may focus its core business on customers in developed countries, while selling its own branded products in developing countries where the name brand multinationals cannot sell at a price low enough to compete". (Pętelska et al., 2009, p7)
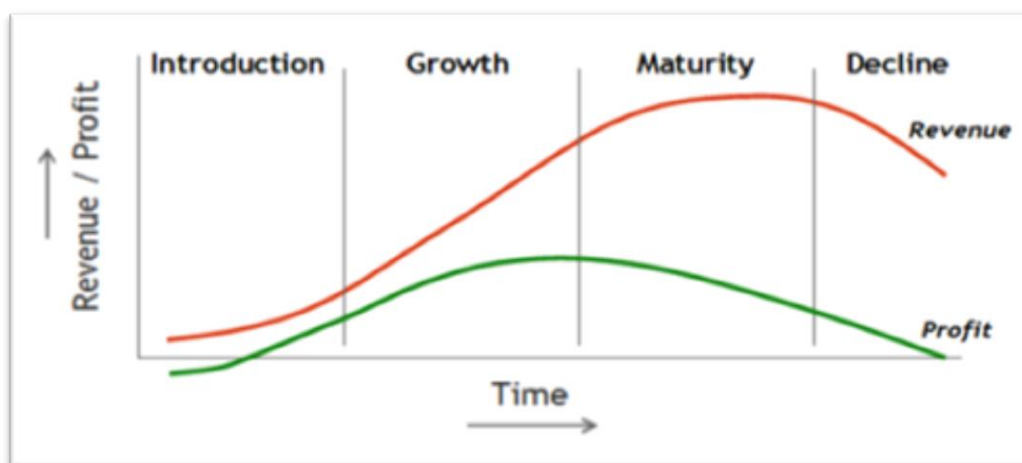
Figure 2.8 Product Life Cycle

Source**:** (Dashboard, 2014)

(Dashboard, 2014) States that, *"During the growth stage revenues and profit increase and the target market is already familiar with the product. In addition, due to economies of scale the overall cost of doing business is decreasing and the product profitability increases."*

2.6.2 Spin-off the contract manufacturing business

According to (Investopedia, 2014) , a corporation creates a spinoff by distributing 100% of its ownership interest in that business unit as a stock dividend to existing shareholders. It can also offer its existing shareholders a discount to exchange their shares in the parent company for shares of the spinoff. For example, an investor could exchange €100 of the parent's stock for €110 of the spinoff's stock. The advantage of this is that spinoffs tend to increase returns for shareholders because the newly independent companies can better focus on their specific products or services. In addition, both the parent and the spinoff tend to perform better as a result of the spinoff transaction, with the spinoff being the greater performer.

In addition, (Pętelska et al., 2009, p8), refer to the following example to explain how Asustek a Pc manufacturer used the spin-off approach for some of its operations.

"In 2008, Asustek adopted Acer's approach and split into three companies to separate its branded product business from its contract manufacturing operations. The branded business continued under the same name, while its PC-related manufacturing operations became Unihan Technology; its casing, modules and non-PC contract manufacturing business became Pegatron Technology".

2.6.3 Establish Strategic partnerships

According to (Harbison & Peka, 1998) "*Strategic partnerships refer to any relationship between separate companies that involves shared contributions, ownership, and control*". (Burns, 2011), agrees with (Harbison & Peka, 1998) and suggests that Strategic partnerships *"grant a company access to new capabilities that allow it to become more competitive"*. In addition, (Frost & Sullivan, 2009) add to the aforementioned statement indicating that *"strategic partnerships take time and effort to establish and operate, companies that use them effectively can benefit from their partners' abilities as follows*":

❖ Reduce unit costs and create a more variable cost structure

❖ Provide operating agility and flexible capacity to support unexpected changes in demand due to scientific, regulatory or market shifts

❖ Provide selective access to high talent pools, diverse knowledge bases, emerging technologies and innovative treatment solutions

❖ Create global research, manufacturing and distribution networks to break into new markets faster

❖ Allow the company's most talented scientists, clinicians and others to focus on innovation

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to outline the steps the author followed in conducting the primary research for this dissertation. The author will start by recapping on the research aim and objectives, and then proceed to discuss the research strategy, the data collection methods, the sampling strategy and the procedure followed to undertake this research project. The limitations and ethical considerations relevant to the research will also be discussed. Research may be defined as "a process of finding things out in a purposeful and systematic fashion in order to increase knowledge" (Cameron, 2008) All data gathered during the research process will be analysed and interpreted systematically in order to satisfy the research aim and objectives.

Research Aim:

"An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing".

Research Objectives:

- ❖ To explore the reasons why the companies decided to make the transition
- ❖ To identify the procedures/techniques they used when making the transition
- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies
- ❖ To evaluate the success of the transition

3.2 Research Design

(New York University, 2012), states, *"The function of research design is to ensure that the evidence obtained enables u to answer the initial question as unambiguously as possible".* (Saunders, M., Lewis, P. & Thornhill, A, 2012), describes research design as a general plan of how a research question will be answered. It provides a structured overview of aims and objectives and from this a strategy can be devised to gather and analyse data as efficiently as possible.

(Saunders, M., Lewis, P. & Thornhill, A, 2012), depicts the progression of the research design process by utilising the 'onion' model, illustrated in Figure 3.1. This model illustrates the various layers associated with research design and also demonstrates the way in which decisions at each layer influences components at subsequent levels.
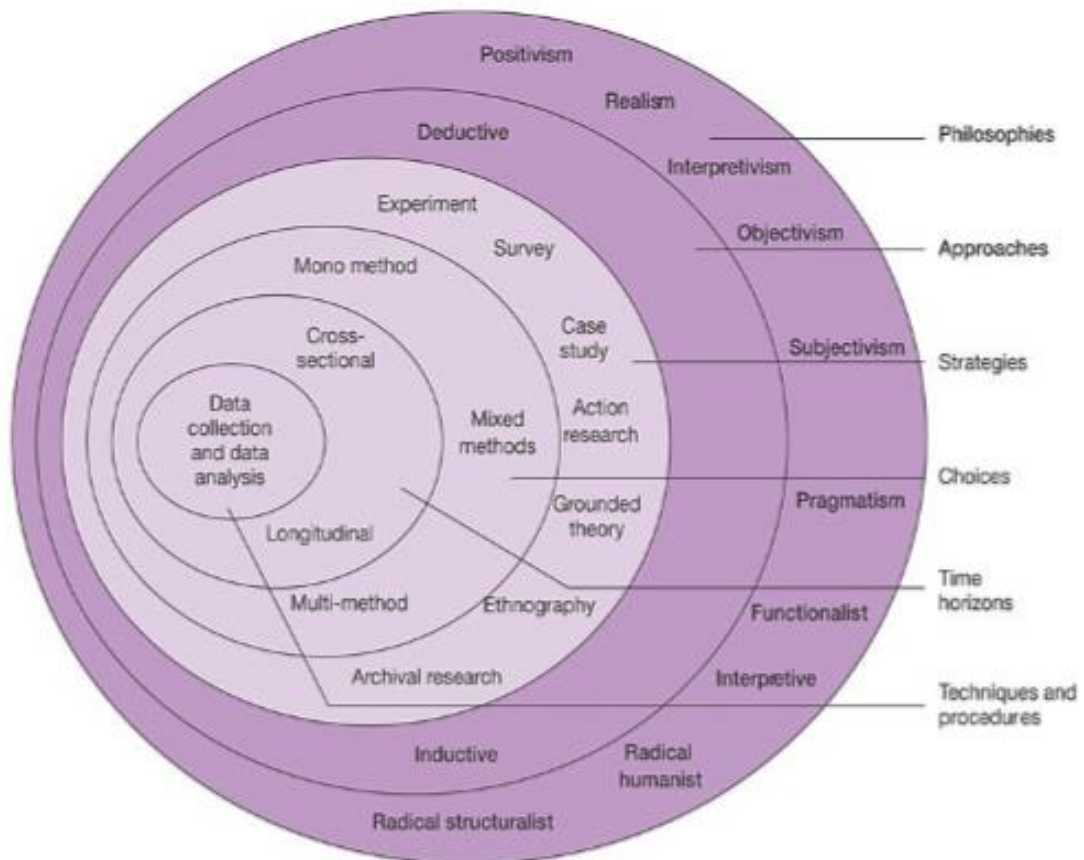
Figure 3.1 - The Research Onion

Source: Saunders et al., (2007)

Careful consideration has been given to research design so as to avoid bias within research findings. According to (Gerhard, 2008) *"bias, in the context of research methodology, refers to the presence of systematic error in a study".* Bias may occur as a direct impact of an author's belief in relation to reality and as a result it is necessary to gain understanding and awareness of ontology and epistemology.

3.2.1 Ontology

Blaikie (1993) defines ontology as 'the science or study of being'. This description is expanded when being employed for the social sciences to include 'claims about what exists, what it looks like, what units make it up and how these units interact with each other'. According to (Flowers, 2009), ontology expresses a view concerning the nature of reality, and specifically, is this objective reality, or a subjective reality, which has been created in our minds. For example, it is possible that a author will report findings which are representative of what they believe is happening but this may not actually be a true reflection of the situation.

The author suggests that every individual holds various embedded ontological assumptions, whether they are aware of it or not, and that these assumptions have the potential to directly impact on the way in which findings are reflected upon and reported. As a result, the author has considered expectations that have emerged in order to minimise the possibility of bias from ontological assumptions.

3.2.2 Epistemology

(Hatch & Cunliffe, 2006), highlight the connection between ontology and epistemology, as the relationship that exists between the two is inter-dependant.

Ontology focuses on what constitutes reality while epistemology is concerned with how reality is measured and the means by which this knowledge is acquired. Blaikie (1993) summarises epistemology as *"the theory or science of the method or grounds of knowledge"* while (Chia, 2002) describes epistemology as *"how and what it is possible to know"*. Blaikie (1993) argues that since social research involves the author being confronted with numerous choices, the opportunity for personal values to influence the

process results in difficulty when aiming to achieve true objectivity. To address this risk in an efficient manner (Flowers, 2009) argues that it is essential that authors' are aware of any ontological assumptions they may hold. By achieving awareness it may be the case that these assumptions do not majorly impact upon epistemological choices or conclusions drawn. The author has been mindful of this debate and has reflected on the importance of gathering, analysing and presenting information reliably and in a consistent manner.

3.3 Research Philosophy

Research philosophies compose the first layer of the 'research onion'. Ontology and epistemology form the basis of research philosophies and as a result the author is naturally guided to examine philosophies at this stage. Research philosophies are described as 'an interpretive framework' by (Denzin & Lincoln, 2003). In addition, frameworks are considered to be fundamental to research design and approach as stated by (Flowers, 2009). Additionally, research philosophies are prevalent in management research and provide the platform from which additional paradigms are derived. Saunders, et al. (2012) focuses on four primary philosophies: Positivism, Interpretivism, Realism and Pragmatism. The author wishes to briefly examine each of these philosophies and identify which is most suited to the research being conducted within this paper.

3.3.1 Positivism

Positivism is a research philosophy that adopts a philosophical stance of the natural scientist. The purpose of positivism is summarised by (Cooper & Schindler, 2006) scientists evaluate the world from their perspective by utilising objectivity where subjectivity is predominant. It assumes that scientific enquiry is value-free as the author is external to the situation that is being studied and therefore can do little to alter the data. Positivism will produce findings that can be quantified and summarised in a statistical manner. Often associated with quantitative data collection, positivism is often centred upon hypothesis and empirical testing. Knowledge acquired throughout the period of testing is accepted by positivists as having the ability to be generalised to larger populations Saunders, et al. (2012).

3.3.2 Interpretivism

Interpretivism is labelled as anti-positivist by (Hatch & Cunliffe, 2006) while Blaikie (1993) labelled it as post-positivist. It is proposed by this philosophy that individuals construct and re-construct meaning on a continuous basis by recalling experiences and memories. As a result, the author may develop the interpretation of findings as time passes and the meaning of data evolves. Advocates of this philosophy argue that the social and business worlds are too multifaceted to be entirely reduced to a number of generalisations, as is proposed by positivism. Rather, it is proposed that in order to gain a representative qualitative insight into an environment, authors should seek to gain rich and in-depth accounts from 'social actors'. This metaphor presents the idea that individuals play a role within society on a daily basis based upon the way the role is interpreted by an individual (Saunders, et al., 2012).

The lengthily periods of time that are required to gather data on an individual basis naturally results in the sample size being lesser than in the case of positivism. The author is thought to be an integral element of what is being observed and as a result it is necessary for the author to assume investigation from the perspective of the research subject (Saunders, et al., 2012). It is as a direct result of this immersion into the subject's environment that the author must be aware of the potential for bias to influence findings. Therefore, it is considered necessary to allow a period of time to lapse for self-reflection before research conclusions are reached when employing interpretivism.

In addition, those whom oppose interpretivism maintain that the role of subjectivity within this philosophy is so great that findings will never be considered generalizable. In a business context this may result in difficulties when devising a protocol for situations that may arise as all actions could potentially be questioned. However, as previously stated the goal of interpretivism is to comprehend meanings and interpretations of 'social actors' from their perspective. As a result of this process being exceptionally circumstantial, providing generalizable findings is not prioritised (Saunders, et al., 2007).

Having discussed all of the above the underlying research philosophy the author will adopt is Interpretivism, as Interpretivism is considered "*an epistemology that advocates that it is necessary for the author to understand differences between humans in our role as social actors*" (Saunders, et al., 2012). This will ensure the research is conducted among the people. (Saunders, et al., 2012), also states that "The *challenge is to enter into the social world of our research subjects and understand their world from their point of view*". The author feels this philosophy is very appropriate as the author will have to interview managers and owners of companies.

(Saunders, et al., 2012), noted that the "interpretivist perspective is highly appropriate in the case of business and management.

3.3.3 Realism

Realism is a philosophy that was created to address the issue of positivism being considered as too restricting by not allowing the author to offer an opinion and interpretivism being judged as totally relativist (Flowers, 2009) this philosophy is established in epistemological foundations and draws on aspects from both positivism and interpretivism. It recognises that real external structures exist but also accepts that our knowledge is a direct result of social conditioning (Saunders, et al., 2007). Two strands of realism prevail:

1. Critical realism
2. Direct realism

Critical realism maintains that to experience the world an individual must firstly recognise that the world is an external single thing that conveys sensations. Secondly, what individuals experience are sensations and images of the real world via a mental process, not the world directly. Therefore, individuals may encounter differing experiences of the same situation. As a result of this social constructivism each individual has to attempt to demonstrate their personal understanding (Sekaran & Bougie, 2009)

Direct realism maintains that the second process of identifying, a mental process to experience the world is irrelevant and argue that what individuals experience through senses depicts the world precisely (Saunders, et al., 2012). Furthermore, critical and direct realism offer contrasting views in relation to how the world functions. Direct realists argue that the world is relatively static and operates at one level while critical realism maintains that it is necessary to recognise multiple perspectives exist (Saunders, et al., 2012).

3.3.4 Pragmatism

The research philosophy of pragmatism states that concepts are applicable where they support action (Saunders, et al., 2012). As a direct result, the element that will determine a author's position is the research question. (Saunders, et al. (2012), argues that if a research question does not undoubtedly suggest that a specific philosophy should be adopted, it may be the case that the pragmatist's standpoint is correct whereby multiple philosophical positions can be adopted. A core characteristic of pragmatism is the standpoint that there are multiple means by which the world and situations can be interpreted and as a result upholds that no single point of view can

give a clear depiction of multiple realities. This topic reverts back to the earlier discussion of ontology and epistemology and the nature of reality.

3.4 Research Approach

The research approach compiles the second layer of the 'research onion' as demonstrated in figure 3.1 which consists of two main approaches, deductive and inductive and it is important to choose the right approach for the research. Saunders et al. (2007) suggests a number of practical criteria with the nature of the research topic being the most important. A topic on which there is wealth of literature from which you can define a theoretical framework and a hypothesis would be a deductive approach. For research into a new topic and which has little existing literature, it may be more suitable to work inductively by generating data and analysing and reflecting upon what theoretical themes the data are suggesting.

The author will use inductive research as there is little relevant literature to support the research question, and the author can study individuals who can comment on the subject area. Authors like Mintzberg prefer close-in inductive approaches. " Mintzberg, 1973; cited in (Gregory D. Abowd & Shafer, 2001) *It is discovery that attracts me to this business, not the checking out of what we think we know".*

3.5 Research Purpose

According to Saunders et al (2012), the classification of research purpose most often used in the research methods literature is the threefold one of exploratory, explanatory and descriptive.

The author will carry out exploratory studies. The research will investigate the strategic issues facing a company making a transition from contract manufacturing to own brand manufacturing. (Saunders, et al., 2012), indicate there are three principal ways of conducting exploratory research: a search of literature, interviewing 'experts' in the subject and conducting focus groups. This would be consistent with the data collection methods such as arranging and carrying out interviews with experts such as company CEOs and employees that would be involved in such a process while looking at current literature within this topic area. The research method adopted will include a search of literature and the use semi-structured interviews.

The author feels it is important to discuss exploratory, explanatory and descriptive which are as follows:

3.5.1 Exploratory

Exploratory studies are useful in terms of clarifying the understanding of an issue. This study may commence with a broad focus that becomes narrower as research progresses (Saunders, et al., 2012). The advantage of exploratory research is that it is flexible and as a result facilitates modifications as new insights emerge from data. Exploratory research is most often conducted through reviewing existing literature or by conducting unstructured interviews with individuals or focus groups (Harvard, 2012).

3.5.2 Descriptive

Saunders, et al. (2012) proposes that the purpose of descriptive research is to gain an accurate profile of people, events, situations or environments. Descriptive research aims to provide a precise depiction of observations of a phenomenon. This research may be an extension of exploratory research. If research utilises a descriptive study it is most likely that the research is a 'precursor to explanation' (Saunders, et al., 2012).

3.5.3 Explanatory

The purpose of explanatory studies is to determine if casual relationships between variables exist. This research focuses on examining a situation in order to explain the relationship between variables by implementing hypothesis testing.

3.6 Research Strategy

From looking at the aforementioned paragraphs the author decided that the purpose of this research is exploratory, it is necessary to select a research strategy to complement this. There are a number of strategies that the author may have chosen to employ such as archival research, which involves the use of administrative records and documents as the principal source of data (Saunders, et al., 2012). However, a variety of issues may arise with archival research such as gaining access to required documentation and locating precise information that is required to answer a research question.

Therefore, the author has decided the best strategy would be a case study as this strategy explores a phenomenon within a real-life context (Saunders, et al., 2012). Case studies enable in depth examination of a research topic and can be utilised for both quantitative and qualitative research.

3.7 Research Choice

The fourth layer of the 'research onion' as depicted in Figure 3.1 is concerned with the research choice. The research choice focuses on which of the three methods: mono method, multi-method or mixed method which can be seen in figure 3.2 below.

After considering these choices the author found that the mono method would best fit the research being carried out as the author will use semi-structured interviews with employees at management level within companies that have made the transition from contract manufacturing to own brand manufacturing, which will be analysed qualitatively.

Figure 3.2 - Research Choices

The following diagram outlines the research choices available to the author.
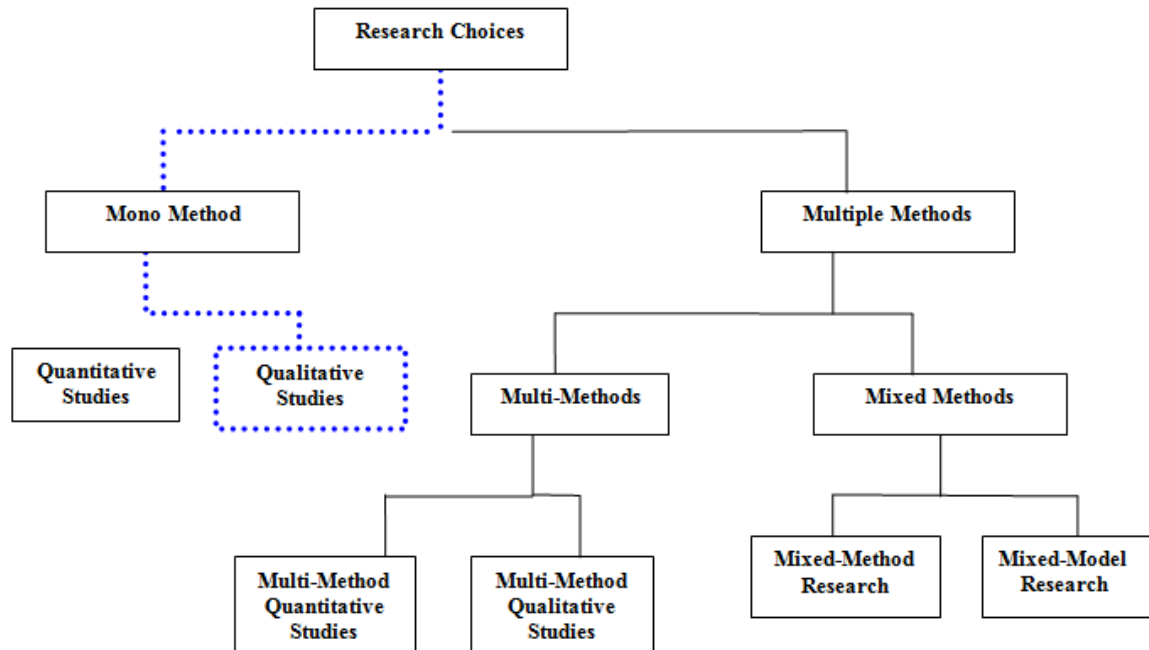
Figure 3.2 - Research Choices

(Source: Adopted from Saunders, et al., 2012, p.165)

In addition it is necessary to outline the differences between qualitative and quantitative research at this time.

3.7.1 Qualitative Vs. Quantitative

Qualitative research is considered to be subjective as the author is required to interpret meanings about a phenomenon (Saunders, et al., 2012). Qualitative research is often associated with an inductive approach whereby theoretical perspectives emerge. The purpose of data collection is to facilitate the development of a conceptual framework that can change as new insights emerge from data. In addition, qualitative research requires the author to not only gain access to participants but also to establish trust with each participant. This type of research is most commonly associated with non-numerical data and a small sample size. For the purpose of this research the Qualitative approach will be used as the author will have to gain access to the companies making the transition and conduct interviews within these companies. (Holloway & Wheeler, 2001) add to the aformentioned statement and state that Qualitative research is defined as research that derives data from observation, interviews, or verbal interactions and focuses on the meanings and interpretations of the participants.

Moreover, looking at Quantitative research, Saunders, et al. (2012) argues that quantitative research is generally associated with positivism and a deductive approach. Quantitative research is focused on determining if relationships exist between variables. The analysis is strongly focused on numerical data and statistical techniques that can act as a control to ensure validity (Saunders, et al., 2012).

3.8 Time horizon

Time Horizons depend on the research question and refers to the time for which the research will take place, either a snapshot of one point in time or else over a period of time in which the research can be repeated. Saunders *et al.* (2007) present two types of studies from the fifth layer of the "Research onion". These are referred to as cross-sectional and longitudinal studies. The author will use cross sectional, studying the selected phenomenon at a particular time. This will be due to academic time constraints and will result in interviews and analysis occurring over a relatively short period of time.

3.9 Data Collection Methods

The final part of the research onion consists of the data collection methods.

Having taking the mono method approach into consideration the decision was taken to use the qualitative data approach which consisted of semi-structured interviews.

3.9.1 Interview

An interview refers to a formal discussion between two or more people to allow more information to be gained regarding a topic of interest. There are two types of interviews structured and semi- structured interviews. (Thietart, 2001) , suggests in his book that "an interviewee is the best data collection method as the author can gain in depth knowledge of an area".   During an interview the interviewer asks a range of questions which they seek an answer to.

(Denscombe, 2010), has identified a number of advantages of using interviews as a method of data collection. These include:

Greater Flexibility: Interviews allow for greater flexibility for both the interviewer and interviewee as the area of enquiry can be adjusted during the interview. Also, details surrounding the topic can be probed by the interviewer to induce a more detailed understanding.

Contact: Direct contact with the interviewee during the interview allows details to be checked during the process. This increases the level of relevance and accuracy of the data collected during the interview.

Response Rate: Interviews receive a high response rate as they are pre-arranged and occur at an agreed time and location. Furthermore, it provides the interviewee with an opportunity to express their views and opinions which they may not normally have. Many interviewees find being interviewed a therapeutic experience.

The following weaknesses exist when using interviews to collect data;

Time Consuming: Interviews can be time consuming to transcribe and analyse. In addition, interviews when carried out face-to-face can be difficult to organise as the date and time must be suitable to two or more parties and a comfortable setting where you will not be disturbed must also be secured. These requirements are not always attainable for some authors.

Skills Required: If an interviewer is not skilled in the art of interviewing and has not taken the time to gain some knowledge on the topic under investigation, an interview may not be successful and the level and validity of information gathered could be low. An interviewer must be able to convey trust and competence to a respondent. Furthermore, if a device is being used to record the interview it can be off-putting for some interviewees but with some reassurance from the interviewer any problems relating to this should be alleviated. The author was aware that the interviewer can have an effect on the quality of data and was adamant to study interviewing and the problems associated with this method prior to the interview. In addition, (Blaxter, et al, 2001) state, that interviews may be categorised as structured, semi-structured, or unstructured. (Currie, 2005) , adds to the aforementioned paragraph and illustrates that

"A semi-structured interview is one in which the interviewer has a pre-set type and order of question, but is prepared to add to the number of questions, vary the theme of the interview and the order in which the questions are asked if doing so is of benefit to the research objectives".

Having discussed interviewees the author has decided that throughout the study, qualitative research will take place by means of conducting semi structured interviews with employees at management level within a contract manufacturing company that have made a transition to the own brand building process.

The author felt this method of data collection was most suitable to this research for a variety of reasons;

- ❖ Firstly a semi-structured interview allowed for the interviewee's experience, opinions and suggestions to be explored. This nature of the topic being researched meant that it was important to gain a rich insight into such factors.

- ❖ From the aforementioned paragraphs the author believes that the interview questions will reflect the research objectives of this dissertation so as to ensure that all the relevant topics will be covered. (See Appendices 3.0) The procedure, rationale and limitations of this approach are discussed below.

3.9.2 The interview process

The author provided all interviewees with the interview questions and themes*)* before the actual interview took place *(Appendix 1.0)* so that they would be familiar with the topic and this provided the interviewees the opportunity to think about the areas for discussion. The author selected the themes that would allow the author to build up a comprehensive picture about the participant's experience in working within a contract manufacturing company, in particular their experience in working through to the own brand building process. The author therefore selected broad themes and specific questions to allow for both a straight to the point answer and expansion. The author arranged each interview by contacting each company by phone; as a result each

interview was conducted at the workplace of the participants. Each interview lasted between 15-20 minutes as the author had used a Dictaphone and took notes throughout the interview. The author then typed each interview transcript onto one document to analyse and compare them in order to find emerging themes that were common in the interviews which helped give strength to the analysis (*Appendix 2.0*).

3.9.3 Interview Rationale

The use of semi-structured interviews will give the author the power of flexibility during the data collection process. A semi-structured interview will be used as the interviewer will have a list of questions and topics to discuss but will be flexible on how the area representation manager develops and discusses the answers to these questions. This method follows the guidelines set out by Saunders et al, (2012) in that the interviewer will have a general list of questions/topics to cover but may ask extra questions depending on the conversation flow of the interview.

3.9.4 Potential Interview Limitations

Honesty and accuracy are two of the main areas of concern in relation interviews.

The use of semi-structured interviews will helped the author deal with this potential problem as it will allow the participant to decide the layout of the interview through their own views and opinions.

3.10 Sampling

Denscombe (2010) illustrates population and sample in figure 3.3 as shown below:
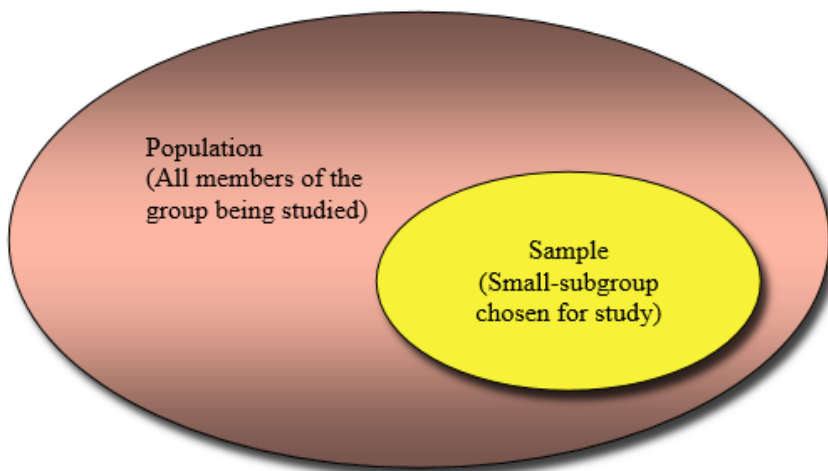
Figure 3.3 Population and Sample

Source: Denscombe (2010, p23)

There are two types of sampling: probability and non-probability.

Probability sampling:

According to (Gravetter & Forzano, 2012) , in probability sampling the entire population is known. In addition, each individual in the population has a chance of selection while sampling occurs by a random process based on the probabilities.

Non-probability sampling:

In non-probability sampling, the population is not completely known, individual probabilities cannot be known and the sampling method is based on factors such as common sense Population (All members of the group being studied) and Sample (Small-subgroup chosen for study) with an effort to avoid bias. Non probability sampling was chosen for this research. There are five types of non-probability

sampling techniques: quota, purposive, theoretical, snowballing and convenience. Purposive sampling was also chosen by the author and is referred to as "hand-picked for the topic" (Denscombe, 2010). In addition, (changingminds.org, 2013) highlight that "Expert sampling" is part of purposive sampling and can be used to gain an expert opinion. The reasoning for choosing this sampling technique lay with the author as he held a desire to gather relevant data from interviewees that have being involved in making the transition from contract manufacturing to own brand manufacturing.

3.11 Ethical Considerations

According to Saunders et al, (2012) ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work or are affected by it. For research to be considered ethical and acceptable, it must adhere to a number of key principles relating to research ethics. This is a code for research ethics which all authors should identify and use. Careful consideration should be taken through all stages of the research process as it ensures participant's interests are protected, the participation is voluntary and the author operates in an open and honest manner with respect to the investigation (Denscombe, 2010)

Having looked at the aforementioned paragraph, the author understood the term ethics and behaved in this manner while conducting the research at all times when conducting the research, this view as stated by Saunders et al, (2012 p227) argues that "*acting outside the rules can never be justified, where the rules are inadequate or contested, it would be necessary to reappraise or if required amend them*".

The concept of ethics was present throughout the research. The privacy of the participant when conducting the semi-structured interview was a key area in relation to ethics. Prior to commencing the interview the author highlighted that the information would be treated in the strictest of confidence.

In addition, confidentiality was another area of concern which was addressed by the author ensuring all those involved, that the data gathered from the semi-structured interview would be dealt with in a confidential manner with the participants and company's data protected at all times. Fortunately no substantial ethical issues arose throughout the research process. The research was conducted by the most ethical means possible.

3.12 Limitations of the Research Methodology

Despite all the positive results gained from this research project, there are a number of limitations and drawbacks associated with this research project that the author feels need to addressed.

3.12.1 Limitation 1

The author could not use a probability sampling method as the population of companies that have made the transition was not available. The author was told by Enterprise Ireland that this information is unavailable as it could be used by companies to gain a competitive advantage.

3.12.2 Limitation 2

The author entered a company that appeared to have made the transition however; the author was made aware that the company only state that they make their own products in order to attract new business.

3.12.3 Limitation 3

The author found it difficult to interview people at management level due to their busy schedule.

Summary:

The author feels that in order to conduct the research needed to satisfy the research aim and objectives, the author has chosen a mono method approach as the use of questionnaires would not gave an accurate response to fulfil the research objectives. The research strategy the author will use will be qualitative as it derives data from observation, interviews, or verbal interactions and focuses on the meanings and interpretations of the participants.

The population will consist of contacting contract manufacturing companies in Ireland as the author has gained these contact details from Enterprise Ireland. Then the author will contact the companies that have made the transition from contract manufacturing to own band manufacturing. Moreover, the data will be analysed by comparing how companies have approached the transition and then by comparing the issues that occurred and how they were resolved.

The author will ask all interviewees for permission to record the conversation with the use of a Dictaphone before the interview takes place and then a transcript will be created. There will also be an analysis carried out on how successful companies were after the transition took place.

CHAPTER 4 ANALYSIS OF FINDINGS AND CHAPTER 5 DISCUSSION

4.1 Introduction

Firstly, the author found that although research has been insignificantly conducted on the transition from CM to OBM in international countries, the Irish perspective is completely undeveloped and further research into the area would be beneficial. In addition, (Chen, 2013*)* mentions that *"there is a gap in the literature regarding the issue's companies face while making this transition"*.

The author will combine both analysis of findings and discussion. The purpose of this is to present the findings gained from conducting the primary research, while discussing the primary findings of the research with the secondary findings from the literature. These findings will address each research objective and provide a platform to answer the research question.

In addition, the author used semi-structured interviews to collect relevant data which was needed to address the research objectives while answering the research question. This was done by interviewing people at management level within companies that have made the transition from contract manufacturing to own brand manufacturing. The analysis of the semi-structured interviews will be used to answer the research objectives.

To revise the main aim of this study is **"An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing"**

The following objectives were designed to achieve this aim;

- ❖ To explore the reasons why the companies decide to make the transition
- ❖ To identify the procedures they used when making the transition
- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies
- ❖ To evaluate the success of the transition

In this chapter, the research objectives will be inspected qualitatively by utilising the data gathered during the semi-structured interview. As (Thietart, 2001) stated that interviews were the best way to gain in depth knowledge in a particular area.

4.2 Semi-Structured Interview

In order to gain a comprehensive view of the reason, process and outcome of a company making the transition from contract manufacturing to own brand manufacturing the author conducted an interview with four people at management level within four companies. For the purpose of completing this dissertation, the identity of the companies and interviewees will remain anonymous. A blank copy of the consent form which was used in the interview has been included as Appendix 3.0.

In addition, the author has included the schedule of questions (Appendix 1.0) which was prepared prior to the interview. Inadvertent questions where included during the process of the semi-structured interview and these are presented in bold on the question schedule. The transcript of the interview in its entirety can also be found in (Appendix 2.0)

4.3 Objectives

The author has broken the interviews down under each objective while stating what scholars have mentioned in chapter two. In addition, the author has summarised the findings under each objective. This will help discuss and analysis relevant findings.

4.3.1 Objective One

"To explore the reasons why a company decides to make the transition from contract manufacturing to own brand manufacturing"

The first objective which was outlined by the author in relation to this research was to explore the reasons why a company decides to make the transition from contract manufacturing to own brand manufacturing. Chapter Two of this dissertation includes an in-depth analysis of past literature. The author found that there was a lack of information available in relation to this topic.

Q. Why have you decided to make the transition from Contract Manufacturing to Own Brand Manufacturing?

From the interviews conducted the author was pleased and also surprised to discover that only two interviewees had a different response to the first question.

Interviewee one indicated that the company made this transition as the company wanted to try and increase revenue which was made possible due to the skills and experience gained from working with clients. This was an interesting discovery as (Ting-Kuei Kuo, 2011), stated in chapter two that "from the technology and know-how learned, CM/ODM firms are able to follow the overall layout from outsourcers to develop new

products, this may result in the new stage of transition: from CM/ODM to own brand manufacturing (OBM)".

While *interviewee two* mentioned that the company wanted to increase revenue therefore the company wanted to create its own product. This was due to existing customers moving to different markets based on price.

Interviewee three said that the company decided to make the transition as an investor wanted to have a product made within the company and not for a client. Moreover *interviewee four* stated that a transition like this would be too expensive. (HKTDC Research, 2008) somewhat agrees with interviewee four as stated in figure 2.6 in chapter two that 67% of respondents in the HKTDC research believed that this transition would be costly while 33% expected that the return does not justify the expected cost. In addition, the interviewee mentioned they do not have an R&D facility onsite therefore the company has not gone ahead with it.

The author found this to be an interesting point as discussed in chapter two when (HKTDC Research, 2008) pointed out that "*companies may not transition based on the* cost" while (Chen, 2013) stated "*a company is more likely to build its own branded products when they have better marketing and R&D capabilities*".

In addition, the author asked *interviewee Four* another question as follows "Why do you feel the R&D facility is an important factor while making such a transition?" *the interviewee* stated that the company does not carry out any R&D tasks and mentioned

"**if we took the own brand approach then things get more complicated as we would

potentially need to carry out research and trials to create our own brand and then

there is the problem of conflict between us and clients as they could feel we are learning from them and applying the knowledge gained to our very own brand building process".

Interestingly (Feng-Hsu Liu & Lin, 2008) mentioned in chapter two *"when companies take on OBM clients may no longer continue to cooperate with them, resulting in the contract manufacturers, losing the orders of their customers."*

Summary: The author believed that this was an important question to ask the interviewees to see why a company would want to transition. As a result the main findings were that the companies wanted to increase revenue, however interviewee four did not carry out this transition and mentioned that it would be too costly. After the first question the author feels that interviewee four may be correct despite the other interviewee's reason to increase revenue as it may not be worth the risks involved for the expected return.

4.3.2 Objective Two

"To identify the procedures/techniques used when making the transition"

In order to satisfy research objective two, add to existing literature and to look at this area from an Irish perspective the author felt it was important to try and gather in depth information on techniques used by Irish companies that have being involved in this transition.

Q2. What procedures/ techniques have you used while making the transition?

Interviewee One Mentioned that they moved to own design manufacturing while still carrying out contract orders so they could still gain a good cash flow from existing customers while testing own design. *Interviewee Two* suggested that they knew that the transition would upset if not tarnish their business relationships with existing customers as they could feel that they have not being honest or have stolen their ideas.

In addition *Interviewee Two* mentioned that the company created a "Spin-off company" so that the company could work with both existing and new clients. The author felt that this was a good approach as it worked for Asustek in 2008, as stated in chapter two who adopted Acer's approach and split into three companies to separate its branded product business from its contract manufacturing operations.

 Interviewee Three said the company didn't really use any as the management that came up with this idea had years of experience combined with a good financial background. However, the interviewee did suggest that the experience gained from the contract manufacturing service was a major help in the process.

 As mentioned previously *interviewee Four* stated that the company has not made this transition, however the author felt that it was important to ask the interviewee an additional question as follows; "If you did decide to make the transition how would you go about it or what procedures would you use if any?" the interviewee responded that he would follow the procedures used to create and assemble existing clients products as the company would save time this way and have knowledge in this area". However in

chapter two (Chen, 2013), disagrees with the aforementioned statement, and states *"the contract manufacturer may lose the orders of its clients if they compete in any way"*.

The author then asked the question "Do you not think you would create any conflict with existing customers by doing that?" as then the interviewee responded and said they would need the finance for an R&D department which would enable the company to try new ideas that existing clients may not have. The author believes that this could only be successful if they could create a new product line which will enable the company to and retain existing clients.

Summary:

The author feels that this question has being worthwhile as three possible procedures have been identified which may help a company carry out this transition.

- ❖ *Interviewee One*: Moved to ODM while carrying out a CM services which has helped the company gain a good cash flow while testing their own design.
- ❖ *Interviewee Two*: Created a "Spin-off company" which they believe has helped them retain existing clients while gaining new ones.
- ❖ *Interviewee Three*: Indicates that they have combined years of experience with a good financial background and believe that this played a key part in the transition.

4.3.3 Objective Three

"To identify the difficulties that arose while transitioning and the solutions used by companies"

The author felt it was necessary to ask this question which was to fulfil objective three. The reason been is that if the companies experienced too much difficulty while making the transition then the process may not be worthwhile.

Q. Have you experienced any difficulties while making the transition?

Interviewee One mentioned that finance was a key problem however also highlighted that some of their major clients were not best pleased that there was any sign of competition as the company has manufactured their products for twelve years and basically know their products more than they do. (Huang, 1995) somewhat agress with Interviewee One as stated in chapter two *" the depth of experience gained resulting from years of new and improved techniques, CM firms are capable of doing minor product design and product prototype as value added services for the outsourcer".*

In addition the interviewee mentioned that *"Two clients terminated contracts as we were competing along the same product lines"* The author found the aforementioned worrying on the companies behalf as in chapter two (Feng-Hsu Liu & Lin, 2008) mentions that

"Once a contract manufacturer decides to have their own-brand product (OBM) which may be similar to previous low-end OEM products in the same product line, they naturally threaten and go against the interests of its clients so that its clients may no

longer continue to cooperate with them, resulting in the contract manufacturers, losing the orders of their customers."

Moreover, the interviewee mentioned that the company is currently trying to come up with a strategy to target a different audience with the hope of narrowing the problem of same line products. From this the author believes that an outsourcer must be careful not to outsource all its work as the contract manufacturer may improve capapilities and become a competitor.

While *Interviewee Two* mentioned that the difficulties are trying to carry out both operations at the same time, as they have to ensure their existing clients are happy and don't want them finding out that they have a similar product as the client may leave as a result of competition. The author asked "Why have you not made them aware of this process?" interviewee two replied *"we want them to be happy and to be honest if I found out that a company that I was sending my product to a CM for these activities to be carried out, then I would pull the plug and find someone else to manufacture my product."* From this conversation the author felt guilty known that this was happing but as agreed with all interviewees the interviews were completely confidential.

Interviewee Three stated that initially the company was to join with one of their existing clients and share the rewards. However the interviewee then mentioned*, "This process didn't work as they felt we were trying to gain knowledge from them". The solution used in this case was* management took a vote and decided to manufacture a similar product and go head to head with the company's existing client and were successful.

Summary:

The author feels it is important to highlight that there seems to be a pattern forming at this stage as all three interviewees mentioned that clients were worried in some way about competition from the contract manufacturing companies. In addition the author has identified the difficulties that may occur while carrying out this transition and also discusses the findings from real life interviews.

4.3.4 Objective Four

"To evaluate the success of the transition"

The author felt this was an important question as to discover if damaging client relationships, risks involved and the financial risk was all worthwhile.

Q. Was the transition successful/worthwhile?

Interviewee one seemed positive at first and mentioned **"***revenue has increased 18.4% in the two and a half years despite losing five of our existing twenty three clients"*, however then said *"A concern I currently have is that if other companies decide to terminate contacts we may face potential problems in the future".*

Interviewee Two said *"At the current stage it is unknown but I feel that the spin-off approach has so far and will prove to be a winner for us"* while mentioning *"the company would like to move away from contract manufacturing and just focus on the company's own brand".*

Interviewee three replied *"I feel the fact we are operating within both areas we have a major advantage as we learn from new clients and then we can build on our own ideas. So yes I feel it was a big success"*.

Summary:

The author feels that from the primary research gained combined with existing literature the transition seems to be worthwhile as the above three respondents mentioned that clients have been gained and revenue increased. However it may depend on the type of company and products being manufactured as interviewee one moved to ODM while carrying out a CM service and mentioned that revenue increased however some they lost existing clients. In addition, interviewee two created a spin off approach while carrying out a CM services but highlighted that the company would like to just focus on own brand manufacturing. Lastly interviewee three didn't use such a procedure but combined years of experience with a strong financial background and as a result prefers carrying out both activities.

In addition to objective four the author felt it was necessary to ask the interviewees "what they would do differently" this was done to identify the success of the transition but also to see what areas could be improved.

Q. What would you do differently?

Interviewee one replied "I would conduct better research so that we don't start losing big customers or any customers for that matter, create a different product from skills gained or even adjust a client's product and aim it toward a different market. This way we could retain existing customers and still reap the rewards from our own brand".

While *Interviewee two* had a different response **"**At the minute I would not change our approach as our clients are still happy and so are we, but if you ask me maybe in five years down the road it could be a completely different discussion" .

Interviewee three "I don't think I would change anything but maybe be more professional and not just leap into a new area with the hopes of success as we could have lost a lot of money".

Summary:

The author feels it is important to highlight that the respondents main concern seems to be clients and finance, therefore the author believes that a company should have a good financial background before considering this transition while fully appreciating that they may affect relationships between themselves and existing clients in relation to trust if they try compete in any way.

CHAPTER 6: CONCLUSION

6.1 Introduction

The purpose of this chapter is to present the reader with the conclusions reached by the author throughout the research process. These conclusions are based on all the data reviewed, gathered, analysed and discussed throughout this dissertation. Recommendations, potential areas for future research and the limitations of this study will also be outlined within this chapter. To conclude, the author will include a personal reflection on his experience in completing this research project.

In addition, the author found that although research has been somewhat conducted on the transition from CM to OBM in international countries, the Irish perspective is completely undeveloped and further research into the area would be beneficial. In addition, (Chen, 2013*)* mentions that *"there is a gap in the literature regarding the issue's companies face while making this transition"*.

6.2.1: Conclusion One: Objective One

The first objective which was outlined by the author in relation to this research was *"to explore the reasons why a company decides to make the transition from contract manufacturing to own brand manufacturing".* While investigating this area the author wanted to identify the reason a company would make such a transition from an Irish perspective as the literature was based on international companies. The author looked at the work provided by prior international scholars and then combined the primary findings from an Irish perspective to see any comparison. In addition, from the information gathered the author found that the main reason companies were making the transition was to increase revenue as stated by 75% of interviewees. However 25% believed that the transition would be too costly compared to the expected return.

6.2.2: Conclusion Two: Objective Two

In order to satisfy research objective two:

"To identify the procedures/techniques used when making the transition", add to existing literature and to look at this area from an Irish perspective the author felt it was important to try and gather in depth information on techniques used by Irish companies that have being involved in this transition.

The findings as discussed in chapter four and five gave the author valuable information which may help a company while making a decision on which method to use if making the transition. The findings from the semi-structured interview gave the author three possible techniques that a company could use as follows:

- ❖ *A company could decide to* move to ODM while carrying out a CM service as suggested by interviewee one which has helped the company gain good cash flow while testing their own design.

- ❖ *A company could* create a "Spin-off company" which may help a company retain existing clients while gaining new ones in the spin-off company. The author feels that the spin off approach may be a good idea for a company that may not want to compete with existing clients on the same product lines which could result in losing the existing clients as discussed in chapter four and five from the primary findings. In addition, with the spin-off approach a CM can still manufacture their own branded products while carrying out contract manufacturing activities for its existing clients. This also ties in with secondary data from prior scholars (Agata Pętelska & Kong, 2009) , who gave a real life example of the spin off approach in chapter two.

- ❖ Another procedure as found in the primary research could be to be sensible have people within the company that has prior experience within this area of transition and combine the years of experience with a good financial background. The author believes that both the experience and finance is extremely important while carrying out such a process as interviewees and prior scholars suggested that cost was a main factor as to why companies were not making this transition.

- ❖ Another approach that a company could use which the author has discovered while carrying out secondary research as discussed in chapter two is that a company can target geographic markets. As suggested by (Agata Pętelska & Kong, 2009)

"A contract manufacturer may focus its core business on customers in developed countries, while selling its own branded products in developing countries where the name brand multinationals cannot sell at a price low enough to compete".

The author suggests that this would enable the CM to carry out existing services to satisfy existing clients while producing own branded goods for export. Therefore, the company would not be competing on the same product line and could increase the company revenue and reputation both internationally and locally.

❖ Lastly a company could use "Strategic partnerships" this would grant a company access to new capabilities that would enable the company to become more competitive. However the down side is strategic partnerships take time and effort to establish and operate, but companies that use them effectively can benefit from their partners' abilities to reduce unit costs and create a more variable cost structure, create new networks, gain access to talented pools and knowledge bases while gaining access to new markets.

The author feels that a company should be careful when deciding to create a strategic partnership and not be fooled by all the potential perks that may arise as the company that they join forces with will gain information from them also. However, that said the author suggests that a contract manufacturer could create strategic partnerships to allow the new partner sell the own brand products while the CM focuses on the contract manufacturing end of the business. This way the company can increase business, reduce cost and sustain existing client relationships.

6.2.3: Conclusion Three: Objective Three

The third objective was:

"**To identify the difficulties that arose while transitioning and the solutions used by each company"**

To achieve the research aim the author felt that this objective was most important as it looked at the issues while making the transition. The reason been is that if the companies experienced too much difficulty while making the transition then the process may not be worthwhile.

From carrying out both primary and secondary research the author found that the main issues according to the scholars and the semi-structured interviews were cost and sustaining client relationships. In addition, the author identified the possible procedures a company could use to reduce these problems as stated in conclusion two above, just to recap a company could reduce problems occurring with existing clients if they created a new brand but on a separate product line. In addition, interviewee two created a spin off approach while carrying out CM services.

The author feels that it was important to identify the problems that arose and the techniques / procedures that the companies used as this may help a company realise the problems that could occur but more importantly the solution.

6.2.4: Conclusion Four: Objective Four

The last objective before achieving the research aim was

"To evaluate the success of the transition"

Despite all the risk such as crumbling client relationships and financial factors involved in carrying out this transition the author found from the primary research combined with existing literature the transition seems to be worthwhile as 75% of interviewees mentioned that clients have been gained and revenue increased due to their choice to carry out the own brand building process. However the author suggests that the success of the transition may depend on the type of company and products being manufactured as interviewee one moved to ODM while carrying out a CM service and mentioned that revenue increased however they lost some existing clients which in the authors opinion was not a successful transition.

6.2.5: Conclusion: Overall Aim

The overall aim of this research project was to:

"Evaluate the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing".

The results, discussion and conclusions regarding these findings have been detailed accordingly throughout this dissertation and as a result the author feels that the research aim was achieved as the key issues, sustaining client relationships and cost of the transition were identified among both the interviewees and the prior research conducted by scholars as discussed in the literature review chapter. In addition, the author achieved all the objectives which are as follows:

- ❖ To explore the reasons why the companies decide to make the transition

- ❖ To identify the procedures they used when making the transition

- ❖ To identify the difficulties that arose while transitioning and the solutions used by the companies

- ❖ To evaluate the success of the transition

After firstly investigating the topic extensively by reviewing past literature, the author then choose a methodology which would allow the collection of sufficient data to satisfy the aim and objectives of the study. In summation, the author choose the mono method approach which enabled him to carry out a qualitative approach to conduct semi structured interviews. The author didn't choose mixed methods as he didn't feel a questionnaire being sent to a company would be valid as it would require those at management level to respond which would have being too time consuming for them and the author needed to identify the company that made such a transition in order to gain good quality data. Overall the author considers the research project to be

successful in gathering and reporting the findings it set out to achieve and would hope another scholar would add to this project from an Irish perspective.

6.3 Limitations
In spite of methodical planning and preparation every research project has inevitable limitations, the author wishes to acknowledge that this study is no exception. Therefore the author has highlighted some limitations as follow;

Time Constraints: The author felt that fully exhaustive and comprehensive research could not take place as the time allocated to the completion of the project was limited. If more time was available, the author would have liked to try and reveal more companies that have made the transition.

Lack of Secondary Research: The author felt that this topic was a great challenge as there was only a limited amount of material available for this research topic which involved perseverance and patients to source information. However, that said the author feels that he has added to the literature especially from an Irish perspective.

Number of Interviewees: The author feels that the number of interviewees could have been greater. However as it was hard to determine if a company has made the transition or not the author is happy with his findings and hopes that another student may one day carry on this topic and add to the literature.

6.3 Recommendations and Future Research

This research has led to the discovery of many interesting findings in relation to the research topic. Having reviewed the currently available literature and conducting interviews with management that have experienced the transition from contract manufacturing to own brand manufacturing the author feels it is important to recommend that if a company did decide to make this transition, the company should have a surplus cash flow combined with experience as discussed within.

In addition the author suggests that if a is company involved in making the transition, management should use this dissertation as a guideline and therefore should be able to clearly plan and execute the plan having followed the procedures discussed within this dissertation.

Moreover, the author believes that there is a wealth of potential in this topic area for future research as there is little literature in relation to the topic. There are many alternative routes which could be investigated. Samples of the further research that the author would like to explore or that could be explored by another scholar in the future are outlined below;

Comparison: The author would have liked more time to be able to find international companies that have made the transition and use Skype to interact and conduct interviews with management within these companies to gain a more in-depth analysis and then compare it to Irish companies. This is a potential area for further research which would broaden the findings in this dissertation and fill a gap within the existing literature.

The author also strongly suggests that companies that are considering the transition should incorporate the procedures within this dissertation in their strategic management process and also their risk analysis, this would then help the company visualise weather the transition should be carried out or perhaps just continue existing activities.

6.5 Personal Reflection

This research project is the biggest project and the first major piece of primary research to be completed by the author. The scale of the task at hand was daunting however, encouragement and guidance from academic staff and family was always at hand. This support system delivered inspiration on a constant basis and a genuine personal interest in the area of study ensured that the author engaged fully with the task at hand. Its completion presented the author with many new experiences which were challenging but worthwhile as it allowed the author to work with a variety of people and to see how people at management level within companies behaved. This is one aspect of the dissertation which the author thoroughly enjoyed as the author has a high level of interest in socialising with and learning new things from successful people.

The author has worked at the only oral healthcare company in Ireland since he was in school and has seen the company grow from strength to strength. When he heard that company was considering making a transition from contract manufacturing to own brand manufacturing he became quite interested as he believed that this may provide an exciting research opportunity. The findings are two fold as the company can benefit and the author has gained invaluable experience and connections while carrying out the dissertation.

The author feels that completing this research project has awakened a desire within to partake in additional research in the future on this topic area and would like to one day be involved at management level within a company while this transition takes place. Furthermore, the author envisages that this research will assist him in his job search within a manufacturing company as it is of very practical benefit and covers an area

which the author feels is specialised and which, quite conceivably, provides career opportunities. Choosing a topic which was of deep interest made it easier for the author to complete, despite the fact at times it was tough and frustrating due to the lack of available secondary research and access to companies. Moreover, this dissertation has helped the author better manage his time and be more organised which he believes will help him in the working environment and throughout day to day activities as he had to plan out a timetable to suit work, study and sports while conducting research.

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APPENDICES

Appendix: 1.0- Interview Questions

An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

Interviewee number:

Job Title:

1. **Why have you decided to make the transition from Contract   Manufacturing to Own Brand Manufacturing?**

2. **What procedures/ techniques have you used while making the transition?**

<u>**Problems encountered and recovery methods**</u>

3. **Have you experienced any difficulties while making the transition?**

4. If you have experienced any difficulties how did you resolve them?

Outcome and Reflection

5. Was the transition successful/worthwhile?

6. What would you do differently?

Appendix 2.1 Interview one

Research Title: An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

Interviewee number: 1

Job Title: Managing Director

1. Why have you decided to make the transition from Contract Manufacturing to Own Brand Manufacturing?

The main reason the company made this transition was to increase revenue as we know how to manufacture products from the contract manufacturing process so we just combined years of experience and skills learnt which has proven to be successful.

2. What procedures/ techniques have you used while making the transition?

Well we moved to own design manufacturing while still carrying out contact orders so we could still gain a good cash flow from existing customers while testing own design. I feel this was a stepping stone as it exposed us to a different type of manufacturing and this has led to the own brand process as it was about new design's which could be incorporated into our brand.

Problems encountered and recovery methods

3. Have you experienced any difficulties while making the transition?

The main difficulty I suppose was the finance. We are in business over 15 years and have built a good relationship with Enterprise Ireland so that helped. Also as you know from business, people don't like any competition what so ever and from making the leap toward the own brand process some of our major clients were not best pleased that we would compete in any way as we have manufactured their products for twelve years and basically know their products more than they do.

4. If you have experienced any difficulties how did you resolve them?

Well with the client already mentioned when the contract expired they did not want to continue business, so myself and two other managing directors had to get a flight at 2am one morning and fly to Finland to try resolve the issue but unfortunately were unsuccessful. Six months later two other clients terminated contracts as we were competing along the same product lines, so as it stands we are currently trying to come up with a strategy to target a different audience with the hope of narrowing the problem of same line products.

Outcome and Reflection

5. Was the transition successful/worthwhile?

To be honest our revenue has increased 18.4% in the two and a half years despite losing five of our existing twenty three clients. So from a shareholders point of view you can say yes it is successful. However a concern I currently have is that if other companies decide to terminate contacts we may face potential problems in the future and as part of my job I have to try ensue this is kept to a minimum.

6. What would you do differently?

I only joined the company 8 months into the transition but I would conduct better research so that we don't start losing big customers or any customers for that matter. Maybe I would create a different product from existing skills gained or even adjust a client's product and aim toward a different market like North America. This way we could retain existing customers and still reap the rewards from our own brand.

Appendix 2.2 Interview two

Research Title: An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

Interviewee number: 2

Job Title: Director

1. Why have you decided to make the transition from Contract Manufacturing to Own Brand Manufacturing?

In the pharmaceutical industry there comes a point in time were people do not need anything manufactured this of course is with the exception of current customers. In 2008 just when the Celtic tiger era was over this company faced a massive deficit as four clients decided to leave us and outsource to Asia based on price of business and as a result of this our company was faced with two options, one we either sell up or come up with a new strategy. That said we went down the own brand manufacturing route in 2012 which despite our capabilities was an still is a challenge.

2. **What procedures have you used while making the transition?**

Based on the experience of one of our staff members we knew that the transition would upset if not tarnish our business relationships with our existing customers as they could feel we have not being honest or have stolen their ideas etc., so we decided to create a spin-off company in the UK. The idea here was to manufacture our brand and send it to the UK where it would then be distributed and as a result we could work with our clients and manufacture the own brand at the same time.

Problems encountered and recovery methods

3. **Have you experienced any major difficulties while making the transition?**

The difficulties are trying to carry out both operations at the same time, as we have to ensure our clients are happy and don't want them finding out that we have a similar product concept that is why this is a private discussion.

4. **Why have you not made them aware of this matter?**

Well as mentioned we want them to be happy and to be honest if I found out that a company that I was sending my product to for these activities to be carried out, then I would pull the plug and find someone else to manufacture my product.

5. **If you have experienced any difficulties how did you resolve them?**

While transitioning we faced major product defects with one existing client but resolved the problem after 4 months. This was a big hit for the company as we had to get the product tested in three different labs around Ireland, UK and our client wanted their lab specialist to test it also which we had to pay for. As a result of having to do an enormous amount of rework which involved hiring more people, working unsociable hours and all the other expenses finance was not available.

Outcome and Reflection

6. Was the transition successful?

At the current stage it is unknown but I feel that the spin-off approach has so far and will prove to be a winner for us. We can enhance revenue with both the contract manufacturing and our spin-off and maybe become a bigger company and move away from contract manufacturing altogether as it is a very slow process trying to get and retain business, whereas if it is our own brand that we are making we decide the images, packaging, ingredients etc.

7. What would you do differently?

At the minute I would not change our approach as our clients are still happy and so are we, but if you ask me maybe in five years down the road it could be a completely different discussion.

Appendix 2.3 Interview three

Research Title: An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

Interviewee number: 3

Job Title: General Manager

1. **Why have you decided to make the transition from Contract Manufacturing to Own Brand Manufacturing?**

That's an interesting question; we actually still carry out both those tasks. The company was established in 2005 as a contract manufacturing facility and in 2009 an American investor wanted to manufacture a particular product but brand it as the companies vey own product. To be honest it did cost an ample amount of cash and put stain on the company. However, after approx.. Eight months into the process things start to look good as the company finances were on the rise again. Today we provide a contract manufacturing service for 14 companies from all parts of the globe and manufacturing 17 of our very own products.

2.   What procedures/ techniques have you used while making the transition?

We didn't really use any as the guys that came up with this idea had years of experience combined with a good financial background, it was really a gamble in my eyes and I didn't think it would work. However, from carrying out the contract manufacturing services was a major leap in the ocean, as it enabled us to build and build on our capabilities and learn new methods from trial and error on a regular basis.

<u>Problems encountered and recovery methods</u>

3. Have you experienced any difficulties while making the transition?

We actually only had a small problem and that was in relation to planning, initially we were to join with one of our clients and share the rewards. However, this process didn't work as they felt we were trying to gain knowledge from them and then set out on our own. Believe it or not management took a vote and decided to manufacture a similar product and go head to head with our client. The client then tried to sue us for copyright but was unsuccessful and as a result we obviously had a falling out and are no longer business partners.

4. If you have experienced any difficulties how did you resolve them?

Well as just mentioned we went in with the notion of competing with our client and we were successful as they went out of business 12 months later.

Outcome and Reflection

5. Was the transition successful?

I feel the fact we are operating within both areas we have a major advantage as we learn from new clients and then we can build on our own ideas. So yes I feel it was a big success.

6. What would you do differently?

I don't think I would change anything but maybe be more professional and not just leap into a new area with the hopes of success as we could

Appendix 2.4 Interview four

Research Title: An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing

Interviewee number: 4

Job Title: Managing Director

1. **Why have you decided to make the transition from Contract Manufacturing to Own Brand Manufacturing?**

   We have not made this transition as it would be too costly to the company and we do not have an R&D facility onsite which would make matters difficult as we would need to outsource this department to another company.

2. **Why do you feel the R&D facility is an important factor while making such a transition?**

   Well currently we don't carry out any R&D tasks, as we take specific orders from our clients and then manufacture a product to suit their desired needs. However, if we took the own brand approach then things get more complicated as we would potentially need to carry out research and trials to create our own brand and then there is the problem of conflict between us and clients as they could feel we are learning from them and applying the knowledge gained to our very own brand building process.

3. Why do you feel that your clients would feel any treat?

Because we are a relatively small firm, we don't have the capabilities nor finance to create new ideas and therefore if we choose the own brand route then we may need to generate ideas from existing clients products and the procedures used to get a product to the end-user stage. As a result I feel there would be lack of trust among both parties and orders from our current clients would go out the window.

4. If you did decide to make the transition how would you go about it or what procedures would you use if any?

I don't feel that the company would consider that option in my time here, however if it came to it I would have to follow the procedures used to create and assemble our clients products as we would save time this way and we have knowledge in this area. Also we would need an R&D department as it would enable us to try new ideas that our clients may not have. Then we could create a new product line and retain existing clients.

Appendix 3- Interview Participant Consent Form

<u>Interview Participant Consent Form</u>

Name of Researcher: Brian Monaghan

Name of Participant:

Title of Study: An evaluation of the key strategic issues facing a company moving from contract manufacturing to own brand manufacturing.

I, _____ (Participant/Subject) agree to take part in the above named research project, the details of which have been fully explained to me and described in writing. I also certify I understand the details of this study.

Signed: _____(Participant/Subject)

Date: _____

I, Brian Monaghan (Researcher) certify that the details of this study have been fully explained and described in writing to the best of my knowledge, to the subject named above and have been understood by him/her. All material gathered will be treated in the strictest confidence and will only be exclusively available to the researcher, the research supervisor and the marking examiners. If the participant wishes, they can be given a pseudonym to help protect their anonymity where possible.

Signed: _____ (Researcher)

Date: _____