SMC UNIVERSITY
Swiss Management Center – Transknowlogy Campus

George Ray

The Influence of Brand Asset Specificity on Management Decisions to Offshore:

Case Studies in the American Dinnerware Industry.

Abstract

This dissertation examines offshoring as a discriminating alignment of transaction attributes with location decisions. It discovered that management does consider the transaction cost economic concepts of asset specificity, opportunism and bounded rationality that guide effective alignment. In addition, the outcomes of the offshoring decisions were consistent with the principles of transaction cost economics and its hypothesis of discriminating alignment. In the current literature, decisions to offshore have rarely been analyzed with transaction cost economics, yet this field of economics provides a framework for determining the governance structure and location that would be the most effective for production. In this study, brand image resulted in an asset specificity that became the primary influence in the discriminating alignment with effective location. This finding required a deep understanding of management perceptions as well as their strategic intent. Furthermore, brand characteristics created bilateral dependencies that resulted in vertical integration. Another interesting finding is that ignored social costs lead to a peculiar brand asset specificity that is having a powerful influence in the American dinnerware industry. Ignored social costs have created a consumer affinity for production practices that are not the origin of the social costs and an antipathy to production practices that lead to the social costs. Management in the American dinnerware industry has identified this consumer tendency and is creating reshoring strategies around it. There are indications this phenomenon is present in other industries as well. Finally, one emergent theme from this dissertation is the influence of surprise events on strategy outcomes. Such surprises are the manifestation of uncertainty in decision making and in this research, can be explained by a typology of surprise and second order effects. Latent effects and unexpected reversal of trends were types of surprise that impacted the outcomes of strategic decisions to offshore. One significant surprise was the latent effects of excluding social costs in business decisions to offshore. Those social costs became a source of surprise that management was unprepared to resolve, if they ignored the social costs. At the same time, such costs created opportunities for other companies to exploit. A collective case study approach was utilized to understand the offshoring decisions and outcomes for three leading brands in the American dinnerware industry. Industry leading executives, managers and marketing professionals were interviewed to learn not only what happened but also why it happened and how the companies adapted. Management's discussion of their strategies and reasoning support the conclusion that, in the American dinnerware industry, transaction cost economic concepts are an effective framework for analyzing offshoring decisions, and for evaluating the hazards associated with strategic location planning.