

Lead MNE's contribution to Changing Business System Characteristics' and Path-Dependent Lock-in Supplier Development: A case of Interstoff Apparel Company Bangladesh

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Extant studies inform us on how lead firms contribute to upgrade ready-made garment (RMG) suppliers; however they did not reveal how lead firms contribute to changing governance, nature of relationship and network, and the internal management dynamics of the supplier firms (i.e. which are known as business system characteristics). Based on an in-depth case study on 'Interstoff Apparel Limited', which began its journey primarily by supplying to Marks and Spencer, UK, and later diversified its sales network with over 20 foreign MNEs, our study reveals that MNE-lead firms through their governance with supplier-firms contribute to develop collaborative relationship between firms in garment industry, while this collaboration phenomenon is not typically the same for local firms in Bangladesh (i.e. that are doing business locally and are not linked with foreign firms).

Lead firms also contribute to develop superior management practices in supplier firms, which is not the case for local companies and their suppliers in Bangladesh. It is a qualitative improvement in business system characteristic in apparel industry, especially for the companies that are working closely with multinational lead firms. However, we argue that such sticky relationship with lead firms' influences suppliers to pursue a path-dependent growth trajectory particularly for capacity development and exporting. While such sticky relationship that is centered on export model locks in supplier from developing own brand for international markets. This is because strong tie keeps suppliers busy with meeting buyer's changing expectations and making handsome profit. This condition keeps suppliers to stay focus on supply function, locking-in the supplier to export business model. As a result suppliers tend to extend their business operation in upstream value chain without focusing on downstream diversification i.e. brand development and global retailing. Thus, they do not necessarily focus on managerial capability development for brand development and marketing. However, this may not be the case for suppliers with high entrepreneurial capability and ambition for global brand development.