



## **APPAREL RETAIL FIRMS' SOURCING GOVERNANCE CHOICE: SHARED VS. INTEGRATED MODE**

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One of the most important decisions facing global sourcing is to determine what type of organizational arrangement to perform the sourcing tasks; this is called the governance decision. While there have been several theoretical and empirical studies on the governance decision for international business, most of these studies have centered on the distribution of domestic products in foreign markets, and very little attention has been paid to global sourcing despite its increased significance. In particular, no study has examined global sourcing as a problem facing retail firms. This study was conducted to fill this gap. Specifically, it investigates how the choice of sourcing governance-shared-control vs. integrated mode -differs in terms of buying firms' perceived level of asset specificity, uncertainty caused by social-cultural differences and country risk, firm size, sourcing volume, and the years of experience in global sourcing.

A total of 165 responses from 1000 original mailing was received after two follow-up mailings, recording a response rate of 16.5%. Logit was adopted to assess the impact of the independent variables on the probability that each governance mode would be chosen. The fit statistic of  $-2 \log l$  was 76.50, significant at  $p < .001$ . The estimated coefficients indicated that asset specificity ( $b = .29, p < .01$ ), import volume ( $b = .08, p < .05$ ), and experience ( $b = .17, p < .05$ ) are positively related to the choice of integrated mode. In addition, the interaction between asset specificity and socio-cultural distance had a significant positive effect on the choice of integrated mode ( $b = .04, p < .05$ ). However, there was no significant influence from firm size and country risk on the choice of the governance mode.