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An Intermediary's Learning Business System: A Case Study of Gore-Tex

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Supply chain management research has gained popularity, developing from the study of short-term dyadic relationships towards examining the multiple links contained in strategic supply chain networks involving long-term collaborators. We present a study of how an intermediary firm, which has no direct contact with its end users, built up a learning business system across its supply chain network to develop sustained competitive advantage. We argue that an intermediary firm with specific internal resources can develop a learning business system in a supply chain setting, and that such a firm — where it holds capabilities to integrate collaboration and leverage competition across its value chain — can build up hard-to-imitate competences for itself and the supply chain as a whole. Our findings demonstrate that an intermediary firm can proactively lead its material suppliers, manufacturers and brands in participating in a structured learning business system to the mutual benefit of its supply chain collaborators. The system is underpinned by certification mechanisms that advance technological product skills, develop capabilities, and maintain competition by not designating particular upstream suppliers to downstream buyers, and may eventually allow the intermediary to "set the rules of the game" in its industry. Overall, we conclude that an intermediary firm can create a learning business system that develops and maintains deeply embedded competences through establishing mechanisms for both collaboration and competition across its value chain.

Introduction

Supply chain management (SCM) research has gained popularity, developing from the study of short-term dyadic relationships or power relations concerning final tier suppliers towards examining the multiple links contained in strategic supply chain networks involving long-term collaborators (Azadegan et al., 2008; Harrison and Van Hoek, 2005; Huemer, 2006; Kanda and Deshmukh, 2008). The SCM research builds on concepts of power relations — assuming the core firm is the biggest buyer in the supply chain — and analyzes the relationships between buyers and sellers in the chain (Giunipero et al., 2008). Extant research mostly concerns final tier suppliers, and gives little attention to the roles of intermediary firms in collaborating and competing with their supply chain network, nor to how they can build up learning systems across their value chain. Intermediary enterprises often provide critical parts, materials, or components to fulfill end customer's needs, even though they do not have direct contact with its end users. Such firms' competences can include the capabilities to manage partnerships and to leverage resources, knowledge and technologies that can enable their supply chain networks to create new value and better products for their end customers (Cova and Salle, 2008). Examples of successful business-to-business supply chain intermediaries include Shimano (manufacturer of premium gears for bicycles) (Takeishi and Aoshima, 2002), Intel (producer of microprocessors for PCs) (Cusumano and Gawer, 2002; Perrons, 2009), and W.L. Gore (which produces what is recognized as the most successful material in the outdoor footwear industry) (Beaudry, 2009). The research noted above analyzes success factors from the perspective of architectural or platform strategies, but is insufficient in terms of studying intermediary firms from the viewpoint of a whole supply chain to find substantial evidence of how such firms develop their

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competences. In other words, how intermediary firms can manage and guide interfirm networks from their central positions, and lead them to the successful production of leading-edge products to meet demanding market challenges, has rarely been discussed.

Thus, we choose the successful intermediary firm, W.L. Gore, which dominates the waterproof outdoor footwear and apparel market, as our research case. The Gore-Tex trademark appears on well-known brands such as Nike, North Face, New Balance, Ecco, Merrell and Salomon, which demonstrates the dominant influence the firm has built up in the whole arena of outdoor clothing and footwear markets, enabling customers to keep dry and comfortable during their outdoor activities. Despite Gore-Tex's success in market, registering double-digit growth over the past five years (Beaudry, 2009), how Gore as an intermediary firm has developed specific firm capabilities, and has created mechanisms to acquire resources to refresh and evolve its competitive advantage via supply chain design and management, remain unclear and deserve more thorough investigation. The case study of Gore provides insights of an intermediary firm who established mechanisms for both collaboration and competition across their value chain to lead a learning business system that provides lessons for supply chain management theory.

Our article, therefore, has three aims. First, to analyze how an intermediary firm that has no direct contact with its end users can integrate external resources and manage collaboration across its value chain to develop its critical core competences; second, to investigate and identify what supply chain learning mechanisms are created and how; and third, to gain insights into how an intermediary firm can leverage capability development and competition to ensure ongoing learning, which can foster sustainable competences. To address these matters, we present an in-depth case study of Gore-Tex, examining the collaboration mechanisms and ties that operate between its supply chain partners.

We next review previous work on focal intermediary firm competencies and supply chain collaborations, and develop a learning business system concept that leads to three propositions. We then outline our research methodology and present our case study, and present our findings and discuss their managerial and theoretical implications. We end with our conclusions and some suggestions for future studies.

Theory and propositions

Focal intermediary firm competences

How a firm can best define itself and secure an industry position from where it can gain a distinctive identity for value in customers' minds, and so sustain its competitive advantages, have become increasingly popular research issues over recent decades (Porter, 1980; Prahalad and Hamel, 1990). Strategic management studies have emphasized that different enterprises possess heterogeneous and distinctive competences — which are strongly related to their performance — and argued that sustained competitive advantages are based on firm resources that competitors are unable to duplicate (Barney, 1986, 1991; Rumelt, 1984; Wernerfelt, 1984). Prahalad and Hamel (1990) suggest the core competence comes from the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies. Amit and Schoemaker (1993) argue that the capabilities refer to a firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end. Therefore, our research proposes that the capabilities of a firm are its abilities to deploy its distinguish resources and exploit its internal capacity to work with its external supply chain partners in order to provide the end users with value-added products. The firm's competences are unique abilities to integrate collaboration and learning activities and leverage competition across its value chain. Such competences in a collective learning framework lead to core competences in a supply chain network setting.

SCM studies developed from the study of transaction cost (Williamson, 2008), which involves short-term dyadic relationships, and moved towards examining the long-term strategic supply chain network collaborations (Giunipero et al., 2008) that seek complementary resources to meet rapidly changing technology and economic conditions (Lazzarini et al., 2001; Shook et al., 2009). Thus, supply chain focal firms can enhance their capabilities by consolidating and integrating their internal resources, while at the same time interacting with various external resources to refine their organizational processes, systems and structures (Allred et al., 2011).

An intermediary firm's capabilities can come not only from its distinctive resources, but also via its ability to leverage external network resources to accelerate and refresh its competences (Lorenzoni and Baden-Fuller, 1995; Lorenzoni and Lipparini, 1999; Rungtusanatham et al., 2003). When an intermediary firm aims to try to gain competitive advantage by acting as the focal firm in a supply chain network, it needs to: a) become the center of the supply chain partnerships and take on the responsibility of establishing the network's relationships; b) prioritize end users' needs, because any problems in the supply chain operations will cause end customers to evaluate the networks' products negatively; and c) exploit its firm distinctive resources and then gain further competences from collaborating with its supply chain partners (Lorenzoni and Baden-Fuller, 1995). We argue that a focal intermediary firm must not only build up its partner relationships with both upstream suppliers and downstream customers, but must also proactively collaborate with those of its partners' to create value for the supply chain in order to provide end users with high value-added products, which will ultimately bring mutual benefits to all value chain partners.

Although theorists have found many different ways to define intermediary firms and their goods, continuity of relationships, interdependence, stable market structures, and customer orientation have been identified as four of the main characteristics of such firms (Cova and Salle, 2008; Fern and Brown, 1984). Webster (1978) points out that