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Editorial



Preparing for new competitive challenges: Special issue on the 24th annual IPSERA conference

ABSTRACT

The 24th IPSERA conference in Amsterdam addressed the various new competitive challenges organisations face now that business environments are rapidly changing. While we can observe an increased role of - but also an increased concentration in - logistic services and IT services acting as a bonding agent of the various business processes, we also see an increased specialisation among suppliers, resulting in roles like capacity supplier, co-maker and broker. In terms of Systems Thinking: the sub-system of 'Suppliers' is breaking up into three sub-systems with distinctive different characteristics, and the traditional sub-system 'Purchasing' has transformed into an aspect-system connecting or involving all other sub-systems, while similarly, 'Logistics' and 'IT' have developed into intertwined aspect-systems, being part of each and every sub-system. These transformations have increased managerial complexity, greatly influencing the purchasing and supply chain functions within firms. The seven papers selected from the conference examine seven aspects of those changes in detail and elaborate on the role of the PSM field in this process: PSM responds to challenges by providing answers on how to move forward in practice.

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1. Introduction: the theme

The 24th IPSERA¹ conference in Amsterdam was organised by the Faculty of Economics and Business Administration of the VU University and the Faculty of Business and Economics of the Hungarian University of Pannonia in Veszprém.

The conference theme was “*Preparing for new competitive challenges*”. The theme refers to the various new competitive challenges organisations face, such as resource depletion, increasing demand in developing countries, increasingly demanding customers in traditional markets and increasing global competition. At the same time, organisations have to deal with a changing business or task environment (Wheelen et al., 2015), which has an impact on business policies and strategies, in line with the traditional strategic management literature (Johnson et al., 2008; Treacy and Wiersema, 1993). We know that the most critical factors or external forces that have an impact on the purchasing function and its policies and organisation are the degree of complexity and the dynamics, turbulence or volatility in the environment (Mintzberg, 1979; Emery and Trist, 1965; Gadde and Håkansson, 1993; Kamann et al., 2001). The occurrence of these critical factors is exactly what has been taking place, especially after the financial crisis of 2009. Companies had to rapidly assess their strengths – and vulnerabilities – and act swiftly, often resulting in shifting production locations, technologies and organisational structures.

During this period of reorientation of business activities and strategies, we observed a further increase in the role and centrality of logistics and concurrently an increased *concentration* in these logistic services, resulting from mergers and take-overs. Horizontal cooperation, mergers and take-overs are believed to be

beneficial by actors in the sector (cf. Cruijssen et al., 2007; Verstrepen et al., 2009). We also observed that logistics services are increasingly combined with advanced IT services (LQ, 2007), where ‘track-and-trace’ is just one example. This applies both to consumer goods – with Amazon being the obvious example – and to business-to-business operations. While most models apply to ‘regular’ business flows and supply chains, we also find exceptions, like the increased attention to humanitarian supply chains requiring a tailored approach (Richardson et al., 2016).

These developments reflect a change in the causal texture of the business environment (Emery and Trist, 1965), but what does this all mean for the purchasing manager? What does it mean to the academic in the PSM field? While purchasing managers learned – or were conditioned – to see their business environment in terms of portfolio archetypes – either based on Kraljic (1983), Olsen and Ellram (1997) or Bensaou (1999) – in 1999, we described as part of a ‘vision for the future’ how suppliers would increasingly be forced to specialise into one of three possible supplier *roles*: broker, co-maker or capacity supplier, where logistics would be the ‘bonding agent’ between the various business processes. Fig. 1 shows these new roles, and this figure also incorporates the position on two axes: one that reflects the need for face-to-face contacts versus digital IT contacts, and one reflecting whether one is a virtual organisation in the extreme case or having in-house production. For logistics companies, actually, the same three roles would be valid: capacity suppliers – usually referred to as ‘wheels’ ‘mom-and-dad-stores’ or ‘1-car companies’ – co-makers providing total packages and brokerage roles just re-distributing, sub-contracting or – in more general terms – allocating tasks to capacity suppliers.

¹ International Purchasing and Supply Education and Research Association

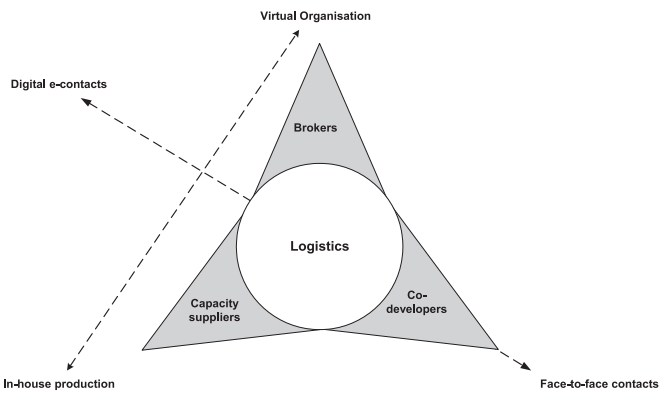


Fig. 1. Three new roles in specialisation of suppliers with logistics as bonding agent.

Source: Kamann, 1999; Lyons and Farrington, 2012, p.67)

Now, more than 15 years later, we indeed see a trend reflecting these specialisations in the role of suppliers (Booz & Co, 2013) as well as the bonding role of logistics (Bolumole, 2013). In particular this role of logistics has become more pronounced or, put differently, the dependence on a “time hazard free flow of logistics” (Kamann, 2008, p. 61) has increased. This makes the system more complex and vulnerable to disturbances. Road blockages are a nightmare not only for the transport firms, but even more so for the receiving companies, relying on this time hazard free flow of inputs. Synchronisation of business processes requires optimal IT and logistics. How to incorporate these new risks in the purchasing decision? We actually do find mixed strategies of companies to cope with the observed increased complexity in supply chains (De Leeuw et al., 2013; Fiksel et al., 2015); there is not a ‘one solution fits all’ approach.

Reflecting on these developments in terms of Systems Thinking (Emery and Trist, (1965); von Bertalanffy (1950, 1968) we might say that ‘Suppliers’ used to be considered as just a ‘sub-system’, external to the focal organisational boundaries. At best, these external sub-systems were classified and differentiated using any of the portfolio analyses just mentioned. This could result in some differentiation in the way connections with these suppliers were filled in or designed in terms of attitude, criteria, strategies and connectivity issues. Over the past years, we can observe that the boundary of the system as perceived by its actors has become more permeable, and less clearly defined. Is a subsidiary in Hungary part of the system or outside the parent company in the U.K.? Is a Zara supplier in Spain outside or inside the system? Is the Starbucks franchisee in Budapest inside or outside and to what extent? Is it ‘them’ or ‘us’, in common language? This lack of clarity will affect the mind-set and therefore the behaviour of purchasing managers and other actors involved. To make things even more complex, we described in Fig. 1 how this sub-system of suppliers is in a process of splitting-up into three distinctively different types of sub-systems as a result of the specialisation described, with different roles, aims and connections involved.

At the same time, we observed that Logistics traditionally used to be viewed as just a sub-system; the people or department responsible for getting the goods in, storing them and distributing them. These days, however, it should be seen rather as an aspect-system, intertwined with IT. In Systems theory, aspect systems connect all the sub-systems in a system, but are a specific part of all these connections. There may be a Department of Logistics in a company, but that does not mean that Logistics should be viewed as just a sub-system. Similarly, the Purchasing Department may be seen as a sub-system – with the Purchasing Department being the physical representation and locus of that sub-system - but the Purchasing Function goes through the entire organisation with

many participants that belong to other sub-systems, spending their time on activities that are part of this function. Hence, in fact, PSM also is an aspect system and many activities like ordering, expediting, administration and payments that traditionalists allocate to the Sub-system of the PSM Department, should in fact be allocated to other sub-systems – Production, Sales or Finance - as part of the PSM aspect system, as in fact is done in modern PSM organisations.

It is this transformation we observe, starting from a traditional view where (1) Purchasing, Logistics and IT simply were sub-systems, represented by their distinctive departments and (2) suppliers were external sub-systems, mainly differentiated by supply risk and financial importance. This traditional view slowly transforms into a more complex view, where (1) Purchasing and Supply Management is perceived as one aspect system and Logistics - intertwined with IT – as another aspect system, and (2) three distinctive different sub-systems – brokers, co-developers and capacity suppliers - have come into being, where the increased mutual dependence and need for synchronisation has made the traditional systems boundary permeable, or more open in systems terms.

In this changing and dynamic context, requiring a transformed mind-set, companies try to accommodate the new challenges they meet in their markets. As we described, this sometimes means a re-orientation of the distinctive capabilities of a company – or any organisation – (Kay, 1995) and a development of these with properly selected partners – co-makers and most suitable capacity suppliers. This means a new task and challenge for purchasing professionals (Zheng et al., 2007) to create, innovate and/or improve the supply base and to have a closer look at the optimal nature of supplier relationships. Also public bodies and health care institutions are under pressure to deliver better performance meeting stakeholder demands and go through a similar process, albeit both pressure and process usually are less pronounced. Also here, closer horizontal collaboration may mean more permeable system boundaries, with the inevitable resistance from certain sub-systems afraid to lose power.

Hence, the increased complexity and turbulence or dynamics in the environment, the specialisation in the role of suppliers in the supply base and the transformation of certain sub-systems into aspect systems – PSM being one of them - greatly influence the purchasing and supply chain functions within firms. It is a challenge for the purchasing and supply community to assist their organisations in preparing for these new competitive challenges, and to find the proper solutions in terms of analytical tools, concepts, educational topics and skills. The seven selected best conference papers each show some aspect of this slow and often heuristic process to find these solutions. They deal with questions like “should we cooperate as public bodies and what are the bottlenecks in trying to do so?” (Meehan et al.), “how accurate are purchasing decisions”, or, put differently: “what is the degree of over-confidence in purchasing decisions” (Ancarani et al.), “how successful are we in aligning supply chains, actually, or is it still a bridge too far?” (Manders et al.), “isn’t it time we make more use of creativity in a team, and how to do that?” (Kiratli et al.), “what actually determines systems purchasing?” (Immonen et al.), “why do we do the things the way we do them: the role of critical incidents” (Gelderman et al.) and finally, focussing on buyer-supplier relations, the question “what is the impact of social capital and technological uncertainty on the strategic performance of such a relationship?” (Gelderman et al.). Next, we discuss the seven selected papers and how they fit with this quest to secure appropriate methods, tools and relevant topics in dealing with new competitive challenges.

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