



Purchasing: Can we bridge the gap between strategy and daily reality?

Desirée Knoppen^{a,*}, María J. Sáenz^b

^a EADA Business School, C/ Aragón 204, 08011 Barcelona, Spain

^b MIT-Zaragoza International Logistics Program, Zaragoza Logistics Center, Edificio Náyade 5, c/Bari 55 – Plaza, 50197 Zaragoza, Spain

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Abstract A lot has been said about strategic purchasing: it contributes to the firm's strategic dialogue, acquires important resources from outside the firm, and plays a vital role in the achievement of the firm's long-term goals. Practice, however, demonstrates the difficulty of translating these intentions into daily reality. In this article, we identify the path between strategic intentions and sustained performance based on a combined quantitative and qualitative research methodology with an embedded level of analysis, including the firm and category level. The implementation of strategic purchasing leverages the liaison role of purchasing when connecting external suppliers with internal clients and ensures the development of purchasing's learning capabilities so that results do not erode over time. We identify key pitfalls to proceeding along the path: no time for reflection, a lack of scale, a lack of scope, and unaligned incentives. Consequently, we present practical guidelines to purchasing managers for avoiding these pitfalls and developing dynamic capabilities, which are vital in times of continuous and unpredictable change.

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1. The role of purchasing

A recently appointed purchasing director responsible for almost 1 billion euros in annual volume engaged us to identify the status of the purchasing function within his firm. After conducting interviews across different hierarchical levels and functional areas, we

concluded that the organization acknowledged the department's price-cutting expertise but not its broader contribution to the firm's strategy, which emphasized innovation and customer solutions. This was disappointing for the ambitious professional, who was well aware of discussions within the industry and the potential of strategic purchasing.

Purchasing has evolved from a clerical function to an increasingly strategic function in many companies. In manufacturing firms, the purchasing value in relation to cost of goods sold amounts to approximately 50%–70% (van Weele, 2005). In addition, the amount of services purchased is growing by leaps and bounds

* Corresponding author

E-mail addresses: dknoppen@eada.edu (D. Knoppen), mjsaenz@zlc.edu.es (M.J. Sáenz)

¹ Also adjunct professor at MIT-Zaragoza International Logistics Program, Spain.

(Ellram, Tate, & Billington, 2007). Hence, strategic purchasing supports overall corporate strategy in its market and value proposition through its proactive and long-term management of the firm's supplier relationships (Lawson, Cousins, Handfield, & Petersen, 2009). It is a key constituent of the broader supply chain management function that further encompasses the logistics activities across all levels of the chain or network, from raw materials to final customers.

For example, companies that innovate (e.g., Apple, BMW) need a purchasing function that works closely with its supply base and focuses on early supplier involvement and building ramp-up capacity rather than prices. On the other hand, companies that compete through low prices (e.g., Walmart) or through minimum costs of ownership (e.g., HP) need a purchasing function capable of minimizing prices of both initial and/or spare parts. Thus, where purchasing is considered strategic, it is more likely to be involved in the firm's strategic dialogue and contribute to achieving its long-term goals. As such, purchasing is a key capability that acquires resources from outside the firm and is therefore a potential source of sustained competitive advantage (Chen, Paulraj, & Lado, 2004).

Nonetheless, recent data from the International Purchasing Survey (IPS) of more than 600 North America- and Europe-based purchasing professionals (see Appendix) demonstrate that 47% of respondents still perceive that purchasing is not included in the strategic planning process of the firm and that its performance is not measured in terms of its contributions to the firm's strategic objectives. Moreover, 56% of these professionals find that purchasing is not focused on long-term issues that involve risk and uncertainty. In other words, despite increasing awareness of the potential benefits of strategic purchasing, tactical realities are still far from optimal. It seems that implementation of the idea is vital, though not well charted (Moody, 2001). If strategic purchasing is not implemented well, it may have a negative impact with decreased competitiveness for the buying firm; for example, firms that begin to strangle suppliers with short-term cost-driven requests despite past efforts to develop long-term mutually dependent relationships. As a consequence, suppliers may decide to bypass established supply chains and deliver directly to the final customer, a phenomenon observed in aftermarket replacement parts (Rossetti & Choi, 2005). Good implementation of strategic purchasing fully leverages the liaison role of purchasing, connecting external suppliers with internal clients, and ensures the development of purchasing's learning capabilities so that results do not erode over time (Hult, Hurley, Giunipero, & Nichols, 2000). This article charts the conversion of

strategic intention to daily reality and sustainable results, and identifies the pitfalls. We offer practical guidelines to purchasing managers to balance short-term cash and long-term capability development, which is a vital issue in times of economic downturn.

2. From strategic intentions to sustained performance

A vital precondition for purchasing to become successfully involved in customer-centered and organization-wide processes is general management's recognition of the critical role of purchasing. Through ongoing involvement, action, and subsequent learning, the purchasing function builds learning capabilities over time. Sustained competitive advantage results only when purchasing has successfully built such capabilities, which may take years to develop and require focused leadership (Flynn, Jinhui Wu, & Melnyk, 2010; Lawson et al., 2009). In that regard, the basis is nurturing each step of the path, from purchasing recognition all the way down to performance, passing through the intermediate stages of purchasing involvement and capabilities development. In the following sub-sections, we elaborate each step of the path.

2.1. Purchasing recognition

Top management's attitude toward the potential contribution of the purchasing function is broadly acknowledged as a key determinant of strategic purchasing (Ogden, Rossetti, & Hendrick, 2007; Wolf, 2005). This recognition involves top management emphasizing the strategic role of purchasing and viewing it as an equal partner with other functions of the top management team (Cousins, Lawson, & Squire, 2006). Outsourcing, offshoring, and lean manufacturing have increased the risks of disruption in the supply chain and, consequently, top management's recognition of the role of purchasing in mitigating risks in the supply base. Thus, purchasing must be acknowledged as a key decision maker that impacts optimization of value creation of the firm while also minimizing cost.

For instance, Numico, a well-established Dutch infant food producer and currently part of French food-products multinational corporation Groupe Danone, engaged an innovative packaging supplier to make the shift from traditional glass jars to ambient ready-meal packaging, opening access to a new market segment in an already saturated and mature market. Purchasing was recognized as playing a vital role in redefining relationships with the supply base and enabling a timely and successful launch of the new product. Another example is Mercadona, a

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