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Antecedents of system purchasing in B2B services



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ABSTRACT

This article aims to analyze the relation between business-to-business (B2B) service integration and purchasing strategies and to provide new knowledge on the antecedents of complex purchasing systems. We present the results of an empirical study in the infrastructure management sector (i.e., electricity and telecom networks), in which integrating B2B services is a current concern among network operators. In this article, we compare the influence of operational services and strategic services on the B2B relationships between service providers and customers.

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1. Introduction

This article aims to analyze the relation between business-to-business (B2B) service integration and purchasing strategies and to provide new knowledge on the antecedents of complex purchasing systems. We present the results of an empirical study in the infrastructure management sector (i.e., electricity and telecom networks), in which integrating business services is a current concern among network operators. In this article, we compare the influence of operational services and strategic services on the B2B relationships between service providers and customers. The objective is to contribute to the theories of purchasing strategy of complex solutions, which include bundled products and services (Wise and Baumgartner, 1999). We approach the topic via operational and strategic services, which are defined by the time of customer involvement, stage of modularity, and degree of customisation (de Blok et al., 2010). This study creates a linkage between the need for integrated bundles, co-creation of value, system purchasing strategy, and expected quality of services (Aarikka-Stenroos and Jaakkola, 2012; Ancarani and Capaldo, 2005; Epp and Price, 2011; Tuli et al., 2007; Vargo et al., 2008). With integrated service concepts recently emerging in the industry, we selected infrastructure management services as the focus of the article. The need to adopt such services among the operators of energy networks, particularly in distribution systems, arises from the fact that infrastructure-related functionality and quality requirements significantly increase the importance of effectively managing the interdependence among service activities in the future.

The main driving forces are modern societies' increasing dependence on reliable energy distribution and policy goals aimed at adopting microgeneration as a part of smart energy grids. Trends drive the demand flexibility of energy distribution, the ability to connect small-scale production to the distribution network, and the advanced metering services provided to customers; these increase the complexity of networks and challenge incumbent organizations to further develop their practices (Apajalahti et al., 2015; Hall and Roelich, 2016). The emergence of local micro grid business models will challenge the current centralized monopoly business. In the new business, specialized local energy actors link geographically proximate distributed energy resources, distributed generation, and local consumption or storage, which provide neighborhood-level demand response (Hall and Roelich, 2016; Ruester et al., 2014). The open questions in the energy distribution sector are not limited only to technological infrastructure, which enables the operation of new processes in the customer interface. The energy industry will be in the ferment stage until a consensus is reached on the division of tasks of distribution network operators and on the ownership and management of new resources, including metering equipment or data handling (Ruester et al., 2014). The issues in the business concepts in the renewing industry are related to the proper design and maintenance challenges of distributed generation and smart metering, as well as to the design of demand control services (Colak et al., 2016). New business concepts and technology will change relationships within value networks and thus drive the development of cooperative businesses through partnerships among firms (Apajalahti et al., 2015; Niesten and Alkemade, 2016; Stone and Ozimek, 2010). Joint development activities also increase diversification of the purchasing strategies among distribution network operators because the service requirements differ, and a single standard for

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purchasing no longer exists. Therefore, service providers must be aware of the most appropriate customer relation modes to use in order to provide the best value for customers and enhance competitiveness. This is related to the objective of the study to assess the purchasing behavior of network operators with regard to the two types of services.

The theory of service integration is based on creating value in industrial services and customer–supplier relationships in supply chains. In the industrial context, services are processes that integrate internal and external capabilities to co-create value in collaboration with another party (Aarikka-Stenroos and Jaakkola, 2012; Ulaga and Chacour, 2001). The concept of system purchasing designates the type of buying behavior in which the purchased services are treated as interconnected product–service systems that solve some strategic problem in ways that add value rather than entail costs (Epp and Price, 2011; Caldwell, Roehrich and Davies, 2009). System purchasing seeks new value by procuring such service solutions, in which the provider is integrating multiple service elements as an integrated solution that fits the customer's problem domain. The system approach in purchase management increases the importance of the relational view in service provision and highlights the service provider's capability to fit their service models to the customer's problem domains (Aarikka-Stenroos and Jaakkola, 2012; Tuli et al., 2007). Despite the wide range of literature on service business models, empirical studies that focus on the factors that lead to system purchasing in B2B services are lacking. To address this recognized gap, our research question is, "How does service integration influence the relationship between the actors and the goals of supply management?"

For our sample, we selected the customer base of a service provider for IT networks and energy infrastructure. The study was carried out with a web-based questionnaire sent to the service provider's customers. The sample size was $N=864$, and we received responses from 18% of the target firms. The effective sample of customers consisted of 143 valid responses. The research model was analyzed using partial least squares (PLS) path modelling with nonparametric bootstrapping to compensate for non-normality and a low sample size (Henseler et al., 2009). We applied SmartPLS 2.0 software for the data analysis.

The article is structured as follows. The literature review is divided into two sections. First, we focus on service integration and its influence on collaboration between the service provider and the customers. In the second part of the literature review, we search for rationales for system purchasing and customer value expectations of integrated solutions. The empirical research is presented in a separate section where the case description, sample, method and results are described in detail. In the final section of the article, we provide a discussion and a conclusion regarding the research hypotheses.

2. Literature review

2.1. Integration and collaboration

According to Hayes (2002), operations management has become systems of complementary products provided through networks by different organizations. It follows that systems integration has become an important aspect of research in the analysis of complex service and product systems. In integrated solutions, suppliers provide customers with product and service elements that are closely interrelated (Wise and Baumgartner, 1999). A service in the industrial context is a process of doing something for and in collaboration with another party by integrating internal and external capabilities to co-create value (Aarikka-Stenroos and Jaakkola, 2012; Ulaga and Chacour, 2001; Touboulic and Walker,

2015). The value-creation process is often facilitated by integrating multiple service elements as a solution to the customer's problem. In this type of process, the strategic integration and collaboration in the supply chain are often more important for the value creation than just concentrating on savings in purchases (Ellram and Tate, 2015; Pohl and Förstl, 2011). The customer also has a major role in creating value in service offerings (see, e.g., Bettencourt, Ostrom, Brown and Roundtree, 2002; Grönroos and Ravald, 2011; Normann and Ramirez, 1993), specifically in defining the required services from the potentially huge variety within the provider's portfolio. The customer also contributes to creating value during the delivery process by offering information, rights and tangible products to the service provider (Fliess and Kleinaltenkamp, 2004).

Service providers aiming to succeed in the integrated-solution business must understand the customer's business goals and processes (Brady et al., 2005). Needs related to service purchasing in business markets are strategic make-or-buy decisions (Davies et al., 2007). Service integration or bundling in purchasing and supply refers to the need to group some contracts together and place that group of services with one supplier or a few (Ancarani and Capaldo, 2005; Gobbi and Hsuan, 2015). In the literature, there are two generic models for providing integrated solutions (Davies et al., 2007; Kapletia and Probert, 2010; Persson and Ahlstrom, 2006; Windahl and Lakemond, 2006, 2010; van der Valk and Axelsson, 2015), the strategic service model and the operational service model. Service models differ from one another by point of customer involvement, modularity type, and degree of customization. Customers are involved in the design of the tailored strategic services, in which the applied components have an original design, and most of the operational services are standardized and repeatable (de Blok et al., 2010). In many cases, bundling contracts tends to collect together groups of operational services separately from those of strategic services. Collaborative supplier relationships are preferred for this type of high-level complexity and high ongoing value services (Ancarani and Capaldo, 2005; Ellram and Tate, 2015).

The strategic service model gives the provider extensive responsibility for the customer's operations and an important role in creating long-term value for the end customer (Helander and Möller, 2007; Kapletia and Probert, 2010). The provider integrates the solution into the customer's processes, and the relationship resembles a strategic partnership (Windahl and Lakemond, 2010). The integration focuses on the solution and the customer's business targets, and the solution is tailored to the customer's problems (Helander and Möller, 2007). Despite the high customization degree of the offering, the service functions may be quite standard. Strategic services include collaborative planning of the business strategy, portfolio design-related activities, and development of the business processes of the customer firm. An example of a strategic service is interface development between customer databases and the service provider's systems. Based on the literature, we formulated the following hypothesis:

H1. The customers' need for integration of strategic services influences the tendency to create a collaborative relationship with suppliers.

The operational service model is derived from the relational view, meaning that the provider defines and operates the solution for the customer (Helander and Möller, 2007; Tuli et al., 2007; Windahl and Lakemond, 2010). The idea is to create technical platforms and joint value-creation processes through cooperation with no involvement in the customer's day-to-day routines (Cova and Salle, 2008; Helander and Möller, 2007). The integration is mainly on the solution level and focuses on optimizing performance via the customized functions and parts of the solution

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