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## The role of critical incidents in the development of global sourcing—results of an in-depth case study

Cees J. Gelderman<sup>a,\*</sup>, Janjaap Semeijn<sup>a</sup>, Niels Plugge<sup>b</sup><sup>a</sup> Faculty of Management, Science and Technology, Open University of the Netherlands, P.O. Box 2960, NL-6401 DL Heerlen, The Netherlands<sup>b</sup> Lyondell, Senior Buyer of Technical Services, The Netherlands

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## ABSTRACT

Since the early 1980s companies have tried to implement coherent global sourcing strategies. Research has identified many benefits and motives for global sourcing. However, it remains unclear how companies are reaching higher levels of global sourcing. We employed a single embedded case study at Royal Brinkman (leader in the Dutch horticulture industry) to explore the role of critical incidents in the development of global sourcing strategies. Company documents and interviews revealed which critical incident had a substantial impact on the development of global sourcing strategies. Apparently, critical incidents can initiate and further stimulate global sourcing. Global sourcing decisions were mainly an opportunistic response to unforeseen events. Reactive strategies appear to govern global sourcing despite stated intended strategies. A proactive strategy does not appear to be a requirement to make progress in the global sourcing stages model.

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## 1. Introduction

Today's business environment is characterized by globalization, which refers to reduced trading barriers, and better connecting between production, communication, and technology across the world (Hanna and Jackson, 2015). Globalization is opening up new markets and possibilities (Schneider et al., 2013) and is facing purchasing and supply chain managers with new strategic challenges (Quintens et al., 2006). Companies have applied global sourcing, since the early 1980s (Nordigarden et al., 2015). The procurement of products across the globe is an increasing trend due to economic developments (Christopher et al., 2011). Purchasing strategies are increasingly taking place within a global perspective (Grossman and Helpman, 2005) and global sourcing is emerging due to the competitive advantages it may create for a company (Quintens et al., 2006). In a pursuit of competitive advantage, companies prefer to source globally rather than regionally (Gualandris et al., 2014). Many practitioners seem to believe that global sourcing is either inevitable and/or beneficial for firms (Horn et al., 2014).

It is widely recognized that, in many of today's globalizing industries, purchasing is one of the strategic functions with the highest potential to impact the long term profitability of a

company (Quintens et al., 2006). Surprisingly, many companies redefined their productions and marketing strategies to cope with the increasing globalization and chose to somehow neglect their global purchasing strategies and activities leaving attractive improvement opportunities largely unrealized (Quintens et al., 2006; Trent and Monczka, 2003a). Due to the strategic benefits and risks of global sourcing this is something that must be planned and organized at the highest corporate level (Samli et al., 1998).

Even though it is widely recognized that global sourcing is a way to gain new competitive advantages, several studies have failed to show any significant business results due to the implementation of global sourcing (Steinle and Schiele, 2008). It is therefore not to be said that global sourcing will always deliver clear results. Global sourcing strategies may have unintended consequences, such as incompetent suppliers (Nordigander et al., 2015) and increased exposure to quality risks from reduced control and visibility in the supply chain (Steven et al., 2014). Global sourcing is difficult and companies regularly underestimate its complexity (Hultman et al., 2012). Perhaps for this reason global sourcing is one of the most widely discussed topics within firms and has received extensive academic attention (Schneider et al., 2013; Steinle and Schiele, 2008).

Andersen and Christensen (2005) argue that the process of global sourcing is influenced by decisions of other supply chain actors. Hultman et al. (2012) suggests that global sourcing is governed by interactions among supply network actors. This implies that the process of global sourcing is not a rational decision by one firm only. Mintzberg and Waters (1985) acknowledged that

\* Corresponding author.

E-mail addresses: [kees.gelderman@ou.nl](mailto:kees.gelderman@ou.nl) (C.J. Gelderman), [janjaap.semeijn@ou.nl](mailto:janjaap.semeijn@ou.nl) (J. Semeijn), [nplugge@hotmail.com](mailto:nplugge@hotmail.com) (N. Plugge).

a distinction should be made between a deliberate strategy and an emergent strategy. An emergent strategy is gradually shaped during an iterative process of ‘thinking’ and ‘doing’. A deliberate strategy is based on a plan, on an intended course of action. Realized strategies (pattern of actions) are the result of either a deliberate strategy, or an emergent strategy, or a mix between the two (De Wit and Meyer, 2014). The well-known Trent and Monczka (2003a, 2003b) stage model implies that companies should adopt a strategically consistent approach and should try and reach more advanced stages. It remains unclear if such advancements can be the result of a deliberate and/or emergent strategy. A study of Agndal (2006) found that the attitude of SMEs towards global sourcing was generally reactive and need-driven, or opportunistic spurred on by customers. With Hultman et al. (2012) we question the deliberate nature of decision-making concerning global sourcing strategies. Many firms are likely to benefit from a more proactive approach to global sourcing. However, it remains unclear to what degree companies make proactive choices to implement global sourcing strategies.

Despite a growing body of literature on global sourcing, it seems there is still a gap between theory and practice (Christopher et al., 2011). Spina et al. (2015) most recently pointed at the need for wider and more substantive use of theory in purchasing and supply management research. The stage model, as outlined by Trent and Monczka (2003b, 2005) is widely seen as a prominent theory when describing and predicting the development of global sourcing activities within companies. However, there are questions and doubts concerning the normative and deliberate nature of the stages’ approach (e.g. Hultman et al., 2012). For instance, the stage model says little about why and how to reach another stage. Each phase is a function of a company’s competitive environment (Bozarth et al., 1998), while other contingent factors may also influence the transition from one stage to another (Nassimbeni, 2006). In general, little is known about managerial thinking and practices regarding global sourcing (e.g. Quintens et al., 2006). An important stream of research is focused on the motives and benefits of global sourcing. Often, lower cost is the most important motive for global sourcing efforts (e.g. Christopher et al., 2011), although other benefits are related to quality, delivery, service, technology (e.g. Guanasekaran et al., 2015; Bozarth et al., 1998; Christopher et al., 2011), and more in general to safeguarding or increasing the competitive strength of the firm (e.g. Quintens et al., 2006). However, recognizing such motives will not automatically result in decisions about global sourcing. A motive to enter a foreign supply market may be to reduce costs, while the trigger may be an accidental meeting at a trade fair (Agndal, 2006). The extant literature on global sourcing rarely makes the distinction between motives and triggers. Hultman et al. (2012) recommends investigating the role of crises and critical events in global sourcing development and the impacts of these events.

This study is aimed at shedding light on the unknown impact of critical incidents in the (global sourcing) stage model. The purpose of the study is to clarify the importance and role of critical incidents in global sourcing decisions. Related research questions are: to what degree do companies make proactive choices to implement global sourcing strategies? Are advancements through the Trent and Monczka stage model triggered by crises and critical incidents or do they require a more formal, deliberate planning approach? Are critical incidents the starting point for companies to acknowledge that global sourcing is needed or is recognizing the benefits sufficient to engage in global sourcing?

The study is set up as a single embedded case study focusing on the Dutch based company Royal Brinkman. Royal Brinkman is the leading supplier, installer and consultant for the horticulture industries in The Netherlands. Established in 1885 and with over 250 employees, Royal Brinkman provides their services to customers in

more than 100 countries from their main office in or one of their nine sales office all over the world. Royal Brinkman has a broad base of suppliers as they supply over 30,000 different products, of which 10,000 can be supplied from stock. The study takes an in-depth look in the global sourcing development of the top product categories of Royal Brinkman. We determined current global sourcing levels and investigated what drove the company to this level of global sourcing. In addition, we specifically identified the role of critical incidents in the development of global sourcing.

## 2. Literature review

### 2.1. Global sourcing

The publications of Monczka and Trent (1991, 2003a, 2003b, 2005) make a clear distinction between ‘international purchasing’ and ‘global sourcing’. Monczka and Trent consider ‘international purchasing’ as the mere act of procuring goods or services in a commercial transaction from a supplier located in a different country. ‘International purchasing’ is therefore performed rather opportunistically without a strategic view. Global sourcing however, implies an integration and coordination of purchasing strategies (Gelderman and Semeijn, 2006) and an integration of engineering, operations, logistics, procurement and marketing within a company’s supply chain (Trent and Monczka, 2003a, 2003b). Horn et al. (2014) found that internal integration is a precondition for external integration, which in its turn has a strong positive influence on global sourcing success.

The definition and surrounding terminology of global sourcing, however, tend to vary widely (Hultman et al., 2012; Quintens et al., 2006). Monczka and Trent (1991) considered global sourcing as proactively integrating and coordinating common items and materials, processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operating locations. This definition is used widely in parts (e.g. Gelderman et al., 2006; Hultman et al., 2012; Jia et al., 2014; Quintens et al., 2006) or complete (e.g. Christopher et al., 2011; Holweg et al., 2011; Schneider et al., 2013; Trautmann et al., 2009) by other researchers. Kotabe and Murray (1990) define global sourcing as a combination of international and domestic sourcing used to achieve a competitive advantage. Although this definition is not as widely accepted as the one provided by Monczka and Trent (1991), it has been used in a number of publications (e.g. Bozarth et al., 1998; Quintens et al., 2006; Van Weele, 2014). Competitive advantages might be reached without good integration and coordination within a firm. However coordination and integration are key to get results from global sourcing (Quintens et al., 2006; Samli et al., 1998; Trent and Monczka, 2003b).

In this study, global sourcing is considered an integration and coordination of global purchasing strategies (cf. Gelderman et al., 2006; Monczka et al., 1991; Hultman et al., 2012). Integration and coordination imply that global sourcing should be part of the corporate strategy and planned and organized from the highest corporate level. This view is widely supported in many publications on global sourcing (Quintens et al., 2006). Although global sourcing is widely seen as a way to create a competitive advantage this study recognizes global sourcing as somewhat of a necessity. Where competitive advantages are used and required to outperform the competition (Porter, 1988) one can argue that substantial gains can be accomplished without gaining a true competitive advantage.

Despite the pressure for companies to source globally, research on global sourcing is still playing catch-up. In their literature study Hultman et al. (2012) found three streams of research that seem to be of scholarly interest to the academic world. A first stream deals

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