



Critical success factors for managing purchasing groups

Fredo Schotanus^{a,*}, Jan Telgen^b, Luitzen de Boer^c

^a University of Twente, P.O. Box 217, 7500 AE, Enschede, The Netherlands

^b University of Twente, NEVI chair of Purchasing Management, P.O. Box 217, 7500 AE, Enschede, The Netherlands

^c Norwegian University of Science & Technology, Industrial Economics and Technology Management, Alfred Getz vei 1, Sentralbygg II, N-7491 Trondheim, Norway

ARTICLE INFO

Article history:

Received 4 January 2009

Received in revised form

7 October 2009

Accepted 27 October 2009

Keywords:

Success factors

Cooperative purchasing

Discriminant function analysis

ABSTRACT

In this article, we identify critical success factors for managing small and intensive purchasing groups by comparing successful and unsuccessful purchasing groups in a large-scale survey. The analysis of our data set suggests the following success factors: no enforced participation, sufficient total contribution of efforts, all members contribute with knowledge, continuity in member representation, communication, and fair allocation of savings. The findings suggest among other things that it is important that after a voluntary decision has been taken to cooperate, the members need to show that they are committed. Other factors such as interorganisational trust and formal structures are important when establishing interorganisational cooperation, but should otherwise be considered as necessary yet not sufficient in the management phase of a successful purchasing group.

© 2009 Elsevier Ltd. All rights reserved.

1. Introduction

Purchasing in relatively small and intensive groups is becoming increasingly popular in both the private and public sector (Essig, 2000; Nollet and Beaulieu, 2003, 2005; Polychronakis and Syntetos, 2007; Tella and Virolainen, 2005). More and more organisations pool and/or share their purchasing volumes, information, and/or resources in purchasing groups in which the members share the workload between themselves. By doing so, these organisations combined in a group aim to obtain, among other things, lower purchase prices and reduced duplications of efforts and activities due to economies of scale, process, and information (based on Faes et al., 2000). In the literature, terms such as horizontal cooperative purchasing, pooled purchasing, alliance purchasing, and purchasing groups are used to refer to the concept of purchasing in a group. In the remainder of this article, we use the terms cooperative purchasing and purchasing group.

In a large number of cases, the advantages of cooperative purchasing can outweigh the costs of cooperation and disadvantages such as anti-trust (legal) issues and disclosure of sensitive information. Thus, at least in theory, cooperative purchasing can be a beneficial concept for organisations. However, in practice, small and intensive purchasing groups do not always flourish and premature endings of such groups occur (Schotanus, 2007). A

better understanding of factors that play an important role in the success or failure of a purchasing group could help such groups to flourish and could prevent premature endings.

Unfortunately, current research offers little guidance in finding factors that play an important role in managing a purchasing group successfully (Essig, 2000). On a general level, there is an extensive amount of literature dealing with interorganisational cooperation, but a widely accepted comprehensive theory for successful interorganisational cooperation does not exist (Das and Teng, 2000). On a more specific level, some studies on success factors for interorganisational cooperation have been carried out (e.g., Hendrick, 1997; Gottschalk and Solli-Sæther, 2005; Kogut, 1988; Park and Ungson, 1997). However, only a very limited number of studies provide a broad investigation of success factors for interorganisational cooperation (Hoffmann and Schlosser, 2001). Most previous studies focus on one or a limited number of success factors.

Even more specifically, to the best of our knowledge, the only previous empirical study that explicitly deals with success factors for managing purchasing groups is a study carried out by Hendrick (1997) among 28 organisations that participate in purchasing groups. However, as we discuss later on in this paper, the results of Hendrick are not fully consistent with the results of existing studies on success factors for interorganisational cooperation (e.g., Hoffmann and Schlosser, 2001). It is unclear what causes these discrepancies. It could be due to the specific context of cooperative purchasing, but it could also be due to the sample or the methods used in the different studies.

Summarising, we observe many struggling purchasing groups and conclude that the literature seems unable to provide a

* Corresponding author. Tel.: +31 6 300 93 068.

E-mail addresses: f.schotanus@utwente.nl (F. Schotanus), j.telgen@utwente.nl (J. Telgen), luitzen.de.boer@iot.ntnu.no (L.d. Boer).

comprehensive and consistent explanation for this. Therefore, we argue that it is both practically and academically relevant to investigate what makes purchasing groups successful. Our main objective is to consider a broad set of possible success factors specifically for managing a purchasing group. By doing this, we aim to find one or more critical success factors for managing purchasing groups. Our study, which follows the methodology used in Hoffmann and Schlosser (2001), can also shed light on discrepancies found between that study and the single existing broad study by Hendrick on success factors for managing purchasing groups.

This article is organised in the following way. First, we discuss methods to identify success factors, define success in the context of purchasing groups, and discuss the literature regarding potential success factors. Next, we describe the methodology used. Using our methodology, we test whether or not the potential success factors we derive from the literature are actual success factors in practice. In the analysis and discussion section, we describe and discuss the success factors for cooperative purchasing found in the present study. In the final section, we draw the main conclusions.

2. Literature review

2.1. Methods to identify success factors

In this article, we distinguish between two methods for survey research that can be used to identify success factors. The first method is used in studies such as Hendrick (1997) and Schotanus (2005). In these studies, the respondents were asked directly about the perceived importance of several factors. Using this method, it is not necessary to ask the respondents about the perceived success of the purchasing group. It is assumed that the respondents implicitly take this into account.

The second method is the one used in the present study. For several potential success factors, differences and similarities between successful and unsuccessful purchasing groups are measured. The factors that best predict whether a purchasing group is successful or not successful are identified as success factors. Using this method, it is necessary for the respondents to explicitly determine whether their purchasing group is successful or not.

We prefer the second method to the first method, because we assume that it is less difficult for a respondent to assess whether his or her purchasing group is successful or not than to assess which factors play an important role in the success of a group. In the next section, we discuss how we determine whether a purchasing group is successful or not.

2.2. Success of a purchasing group

Hoffmann and Schlosser (2001) note that all previous studies faced difficulties with evaluating the success of groups of organisational arrangements such as alliances. As a benchmark for success, Hoffmann and Schlosser note that some studies consider an alliance's longevity or an alliance's contribution to improving the strategic position or competitiveness of the cooperating organisations (Hagedoorn and Schakenraad, 1994; Kogut, 1988; Mitchell and Singh, 1996). Sarkar et al. (2001) note that as a benchmark for cooperative success, some studies consider financial, survival, ownership stability, etc.

Similar to Geringer and Herbert (1989), we note that there is a lack of consensus regarding an appropriate measure of success for partnerships and alliances. We also note that some alliance

measures seem less appropriate for our study. For instance, longevity, survival, and ownership stability do not apply to young purchasing groups. Finally, we note that the success of a purchasing group is determined by the perceived degree of success in achieving the objectives of the purchasing group. These objectives differ between purchasing groups. Some groups have a 'hard' financial focus, others have a 'soft' focus on learning from each other. We argue that this makes using only financial benchmarks for cooperative success less appropriate for our study.

As far as we know, the most appropriate benchmark for success for our study is the measure of success developed by Hoffmann and Schlosser (2001). In our study, we use their measure that incorporates both 'hard' and 'soft' objectives. This means that the perceived success of the purchasing group for the respondents' organisations is determined by the respondents themselves, taking into account the perceived degree of success in achieving all of the 'hard' and/or 'soft' objectives of the purchasing group.

2.3. Potential success factors for managing purchasing groups, a theoretical basis

Potential success factors for cooperative purchasing can be related to several theories. In this article, we build our potential success factors on three theories which are recognised in earlier studies as relevant theories for interorganisational cooperation (Adams, 1963, 1965; Bakker et al., 2008). These theories are transaction cost economics, social exchange theory, and equity theory.

Drawing on transaction cost theory, a purchasing group can be viable when the total transaction costs of the group members involved are lower when they work together (based on Picot et al., 1996; Williamson, 1991, 2000). The three different types of transaction costs as distinguished by Vining and Globerman (1999) are all relevant here: production costs, bargaining costs, and opportunism costs. Joining a purchasing group may reduce prices (production costs), reduce the costs of finding, negotiating, and dealing directly with a supplier (bargaining costs), and lower the risk of opportunistic behaviour from suppliers (opportunism costs). However, as Vining and Globerman point out, it is the incremental costs that matter. After all, joining a purchasing group may lead to lower bargaining costs in relation to the supplier(s), but may also create new internal bargaining costs between the member of the purchasing group (for example about the allocation of gains and costs). The same applies to opportunism costs, as the risk of opportunistic behaviour may "move" from suppliers to "internal" group members.

Looking more specifically at the rationale for an individual organisation to join a purchasing group, we build on social exchange theory. The main level of analyses in this theory are (small) groups of social actors. An important notion here is the assumed proportionality between the value to the others in the group given by one member and the value to that member given by the others. The more one receives, the more pressure is exerted on that member to give more to the group (Homans, 1958). Also, the more one member gives, the more that member expects in return from the others. Exchange in social exchange theory is not only about material goods but may also be of a non material nature (e.g., prestige). Reasoning from this theory, a purchasing group can be successful when all group members perceive that proportionality is sustained and none of the other members receive "too much". The nature of the gains may however be quite complex: some members may primarily receive financial gains

Download English Version:

<https://daneshyari.com/en/article/1020881>

Download Persian Version:

<https://daneshyari.com/article/1020881>

[Daneshyari.com](https://daneshyari.com)