

# Levels of strategic purchasing: Impact on supply integration and performance

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Received 17 December 2005; received in revised form 11 August 2006; accepted 16 August 2006

## Abstract

The growing importance of supply chain management has led to an increasing recognition of the strategic role of purchasing, which has recently evolved and expanded from “buying” to “procurement” and “supply management”. In this study, we chart our sample firms’ advance in strategic purchasing, characterized by the strategic focus, strategic involvement of the purchasing function and the status and visibility of the purchasing professionals, into three stages.

This study provides strong empirical support for the importance of strategic purchasing by showing that, by moving towards the more advanced stages, firms at the nascent stage of strategic purchasing can achieve better supply integration, a second-order construct composed of four facets of relational, process, information, and cross-organizational team integration. Our analyses further reveal that strategic purchasing can have a profound impact on supply chain performance for both buyer and supplier firms.

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*Keywords:* Strategic purchasing; Supply integration; Supply chain performance

## 1. Introduction

The growing importance of supply chain management has led to an increasing recognition of the strategic role of purchasing (Anderson and Rask, 2003). It has evolved from a mere buying function into a strategic function (Ellram and Carr, 1994), and has recently been recognized as a critical driving force in the strategic management of supply chains (Chen et al., 2004; Ellram and Liu, 2002). While purchasing is receiving increased attention in many firms, the purchasing function within these firms are at different stages of strategic development or evolution, with its role ranging from clerical to integrative (Cavinato, 1999; Reck and Long, 1988). Most extant research studying the strategic level of purchasing is either conceptual or based on a small number of case studies (e.g., Cavinato, 1999; Monczka, 1992; Reck and Long, 1988), and those that collect data from a large number of firms do not utilize any

statistical analysis to support their findings (e.g., Cavinato, 1999; Freeman and Cavinato, 1990; Van Weele, 1984). Therefore, in this study we expect to extend this stream of research by focusing on three important gaps in the literature.

First, extant literature has studied the strategic level of purchasing (Cavinato, 1999; Freeman and Cavinato, 1990). These studies, however, are limited in that they (1) are conceptual, (2) are based on a small number of case studies, or (3) do not use any statistical analysis to support their interpretation. To deepen our understanding of strategic purchasing, it is then essential to empirically characterize the current state of strategic purchasing practice in the field. Therefore, in this study we classify strategic purchasing into three levels based on its underlining dimensions of *strategic focus*, *strategic involvement*, and *visibility*. Secondly, one of the key roles of the purchasing function is to effectively integrate the supply activities between the external suppliers and internal organizational customers (Carr and Pearson, 1999; Narasimhan et al., 2001). Several studies have focused on linking strategic purchasing to one or two elements of supply integration (e.g., Carr and

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Smeltzer, 1999; Murphy and Heberling, 1996; Pearson, 1999). Since these studies are limited by the restrictive definition of strategic purchasing and the focus on just a few elements of supply integration, we set forth to empirically establish a more holistic and broader conceptualization of strategic purchasing and supply integration, along with the impact of strategic purchasing on supply integration.

Finally, although the consensus in purchasing and supply chain management literature is that strategic purchasing can enhance firms' performance, there have been only a few studies that explicitly examine the effect of strategic purchasing on the buying firm's performance, measured in terms of financial indicators (Carr and Smeltzer, 1999; Carter and Narasimhan, 1996; Chen et al., 2004). In this study, the effect of strategic purchasing on buyer performance will be examined based on not only financial but also operational measures. In addition, supply chain performance does not concern buyer firms alone. For collaborative buyer–supplier relationships to succeed, suppliers also expect to benefit from the “win–win” situation. Thus, it is also our goal to investigate whether or not strategic purchasing contributes to supplier firms performance as well.

The rest of the paper is structured as follows. In Section 2, we provide a synthesis of the literature to provide a conceptual foundation for our model. Then, drawing on related research, we develop the logic of the substantive relationships and state formal hypotheses. In Section 3, we

explain our research methodology; including data collection procedure, construct operationalization and measurement, and hypothesis testing and results. In Section 4, strategic purchasing stages are explained. Section 5 presents discussion and implications of the study findings. In the conclusion section, we highlight some limitations of the study and offer suggestions for future research.

## 2. Conceptual development

### 2.1. Levels of strategic purchasing

Strategic purchasing represents the efforts taken by the purchasing function that may include a variety of roles ranging from supportive to strategic in nature (Cavinato, 1999; Cousins and Spekman, 2003). In this study, the level of strategic purchasing is characterized by its (1) strategic focus (Carr and Smeltzer, 1999; Cavinato, 1999; Pearson et al., 1996), (2) strategic involvement (Cavinato, 1999; Ferguson et al., 1996; Reck and Long, 1988; Rozemeijer et al., 2003), and (3) status and visibility of the purchasing professionals (Carr and Smeltzer, 1997; McGrath et al., 1992; McIvor et al., 1997). These three characteristics or dimensions of strategic purchasing are operationalized to determine the strategic level of the purchasing function (see Fig. 1). Additional support for the inclusion of these dimensions is provided below.

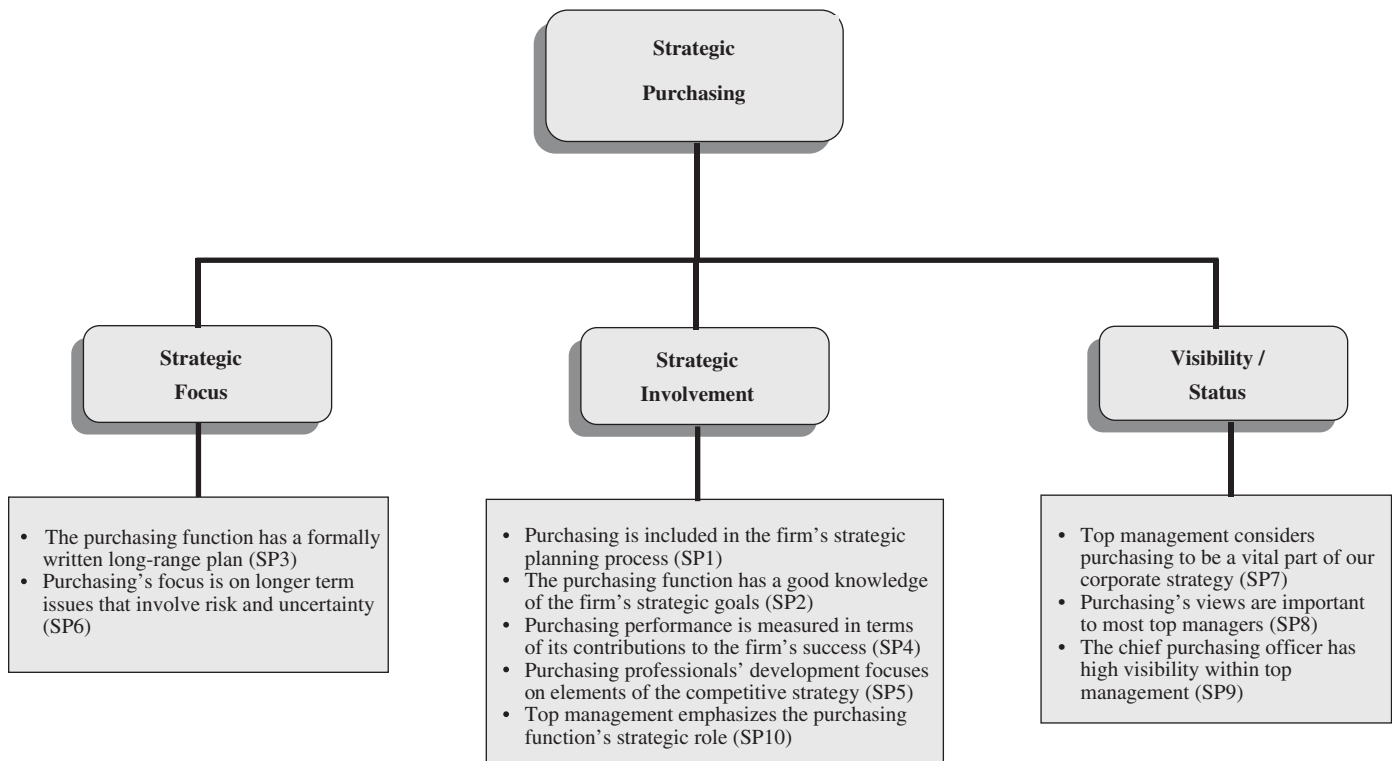


Fig. 1. Properties of strategic purchasing.

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