

# The buying network in international project business: A comparative case study of development projects

Richard A. Owusu<sup>a,\*</sup>, Catherine Welch<sup>b,1</sup>

<sup>a</sup> Department of Marketing, Hanken, Swedish School of Economics and Business Administration, PB 479, 00101, Helsinki, Finland

<sup>b</sup> School of Organisation and Management, University of New South Wales, Sydney 2052, Australia

Available online 23 October 2006

## Abstract

While previous research has found project buying to be distinct from other buying situations, in that it typically involves a multi-organizational network, to date there has been very little empirical research on this phenomenon. Our aim in this paper is therefore to investigate the structure and decision-making processes of the project buying network during the project cycle and its interactions with project sellers. We first develop a preliminary conceptual framework for analyzing the project buying network, which is then applied to a comparative case study of three development projects. The findings from the case study allow us to propose a revised conceptual framework for analyzing the dynamics of the project buying network during the project cycle, as well as interaction with sellers. Our findings also contribute an understanding of development projects, in particular the role of financiers.

© 2006 Elsevier Inc. All rights reserved.

*Keywords:* International project business; Project marketing; Project buying; Buying network; Developing countries

## 1. Introduction

Project business, an area of growing interest in international marketing, incorporates both marketing or selling functions and purchasing or buying functions: project marketing being the selling and delivery of, and project buying the purchase of, integrated technical–economic solutions (see Ahmed, 1993). Project buying has been described as a ‘long-lasting, negotiated and interactive process’ (Cova & Holstius, 1993, p. 108) consisting of multiple phases: project preparation, which entails delineating the scope and specifications of the project; supplier evaluation, selection and contract negotiation; project implementation, which involves delivery of the project solution; and the transition to new projects. Due to this lengthy buying cycle, project marketing may also be a protracted process (Cova & Holstius, 1993; Hadjikhani, 1996).

While the focus of existing research has been on project sellers, our argument in this paper is that an understanding of international

project business is incomplete without further analysis of project buyers. Just as the marketing of projects is regarded as distinct from the marketing of other goods or services, there has been some recognition that project buying has differentiating characteristics (Cova & Holstius, 1993). In particular, existing research has pinpointed the extreme ‘fragmentation’ (Cova, Ghauri, & Salle, 2002) of buying centers, with purchasing functions potentially distributed across an inter-organizational ‘cluster’ or ‘net’ (Jansson, 1994; Sharma, 1989). The involvement of multiple organizations in purchasing increases the complexity of project marketing, with project sellers potentially contending with a larger ‘distance’ between the requirements of actors than is the case for members of an intra-organizational buying center (Bonaccorsi, Pammoli, & Tani, 1996). However, little empirical research on project buying networks has been conducted to date (for exceptions see Jansson, 1989, 1994).

The aim of this paper is therefore to investigate the structure and decision-making processes of the project buying network during the project cycle and its interactions with project sellers. We also examine the implications of the dynamics of project buying networks for project sellers. Given the broad scope of this topic, we confine our empirical investigation to development projects. By this we mean projects whose purpose is to

\* Corresponding author. Tel.: +358 9 431 33293.

E-mail addresses: [richard.owusu@hanken.fi](mailto:richard.owusu@hanken.fi) (R.A. Owusu), [c.welch@unsw.edu.au](mailto:c.welch@unsw.edu.au) (C. Welch).

<sup>1</sup> Tel.: +61 2 9385 5882.

promote economic growth, poverty reduction and capacity building, and which are financed at least partially through bilateral or multilateral development financiers and donors. Development projects have been the subject of previous research, but only on the seller's side (e.g. Owusu, 2002; Welch, Welch, Wilkinson, & Young, 1996). In this paper, we use the term 'buying network' to denote those organizations that are involved at various stages of the buying process, not just the direct decision about supplier selection. 'Network' is used to refer to the relationship connections that influence the buying decision-making for a current project. Some of these may be long-term relationships that have endured across multiple projects, including, in our context, both institutional and business relationships.

The paper is structured as follows. First, we develop a preliminary conceptual framework for analyzing the buying network, derived from existing theoretical developments and findings. We then apply this framework to a comparative case study of three development projects. Our case evidence provides the basis for theory-building in the form of a revised conceptual framework. In our conclusion we provide implications for further research and for management. The contribution of our paper lies, first, in the generation of a theory of project buying networks and their interaction with project marketers. Second, we further existing understanding of development projects, in particular the role of development financiers and donors.

## 2. Preliminary conceptual framework of the project buying network

Separate studies on the nature of project buying are rare (the exception being Cova, 1989, cited in Cova & Holstius, 1993). Nevertheless, over the past 15 years a growing literature on project marketing has also provided insights into the nature of project buying. In this section, we seek to synthesize existing research on project buying into a conceptual framework. Existing conceptualizations of project buying are based on two established paradigms for understanding organizational buying behavior: the buying center and the industrial network approaches. Accordingly, our framework synthesizes concepts from these two traditions. We do not seek in this paper to provide a comprehensive review of buying center and industrial network paradigms; rather, our scope is confined to their application to project buying.

Turning first to the buying center tradition, the term 'buying center' is used to refer to 'all those members of an organization who become involved in the buying process for a particular product or service' (Johnston & Bonoma, 1981, p. 143). The key insight of this research stream lies in its recognition that the decision-making unit for organizational buying involves multiple individuals playing different buying roles, and a sequence of buying activities rather than a single decision. Many conceptual models of buying center behavior have been proposed and tested (for a review, see Johnston & Lewin, 1996). While it ultimately takes the perspective of the seller, this stream of research has also informed purchasing studies (Buvik, 2001). Buying center theories have shown that the structure and decision-making processes of the buying center are influenced

by a range of contingency factors: the nature of the purchase situation, the buying organization and the macro-environment (e.g. Sheth, 1973; Webster & Wind, 1972).

Although the buying center was originally conceptualized as an intra-organizational construct, there has been increasing recognition that organizational buying decisions involve inter-firm connections, and that 'organizational membership is not necessarily the primary criterion for deciding buying centre membership' (Spekman & Gronhaug, 1986, p. 51). The 'interaction model' (Håkansson, 1982) conceived purchasing as a relational and processual activity, with any single purchase decision affected by the 'pattern and characteristics' of the ongoing interaction between buyer and seller (Turnbull, Ford, & Cunningham, 1996, pp. 56–57). In more recent industrial network research, dyadic interactions between buyers and sellers have been conceived as embedded in interconnected networks of relationships with other suppliers, customers, competitors and non-economic actors (Håkansson & Snehota, 1995; Möller & Wilson, 1995). The industrial network paradigm bridges the traditional gap between marketing and purchasing by conceptualizing both buyers and sellers as active parties to a transaction. This results in a much broader view of the purchasing function (Gadde & Håkansson, 1993).

Existing project marketing research has been strongly influenced by the industrial network paradigm (for a review, see Skaates & Tikkanen, 2003). Perhaps the key finding from this research is that project buying is not an intra-organizational phenomenon as assumed by buying center researchers. Rather, a feature of projects is that the 'customer's' buying centre', no less than the 'supplier's selling centre', is characterized by 'extreme dispersal ... into several participating organizations' (Bansard, Cova, & Salle, 1993, p. 127). This 'fragmentation' of the buying center occurs because a single customer organization can rarely provide the technical, financial and human resources required for purchasing a complex project solution (Cova et al., 2002). While the intra-organizational assumption of buying center research does not hold in the case of project buying, other concepts from this research stream have been found to apply. In particular, the concept of a buying cycle consisting of a sequence of decisions has been modified for project buying (Cova & Holstius, 1993); individual organizations in the buying network have been found to take on different roles; and different contingency factors influencing project buying have been proposed (Cova et al., 2002). This suggests that research on project buying networks could best proceed by combining these insights from both the buying center and industrial network paradigms.

Accordingly, in Fig. 1 we propose a conceptual framework for understanding the project buying network that synthesizes existing findings on project buying, and thus incorporates concepts from the industrial network and buying center paradigms. In our integrative framework, the buying network extends beyond a single organization's boundaries to incorporate all organizations that contribute to the buying decision process, even if they are not directly involved in supplier selection. The key constructs in our framework, which we will discuss in turn, are buying network structure and processes, purchase situation, buying country environment and seller interaction. As our

Download English Version:

<https://daneshyari.com/en/article/1028619>

Download Persian Version:

<https://daneshyari.com/article/1028619>

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