



Continental differences in purchasing strategies and tools

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ARTICLE INFO

Article history:

Received 27 September 2011

Received in revised form 19 February 2012

Accepted 25 February 2012

Available online 28 March 2012

Keywords:

Comparative study

Cross-cultural research

Europe

International purchasing

North America

Purchasing

Purchasing strategies

ABSTRACT

This article focuses on the similarities and differences between the continental purchasing strategies and tools of companies in Western Europe and North America. The main question examined here is the strategic priorities and tools that European and North American buyers use (at the category level) for direct purchases and how they differ. The analysis is based on an empirical study of 224 companies from 10 countries. The results suggest that Europeans emphasise a reduction in prices and total cost of ownership as strategic objectives, while North Americans place greater emphasis on compliance with social and ethical guidelines. Both groups place surprisingly little emphasis on environmental objectives. In terms of tools, North American buyers have higher utilisation of electronic tools in purchasing and in communicating with suppliers, while European buyers appear to more extensively use purchasing tools associated with rating and auditing suppliers. Overall, it appears that a majority of purchases take place in home countries and close-by regions. Accordingly, we argue that practices adopted there offer interesting insights for international purchasing of the companies.

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1. Introduction

While the academic literature has widely recognised the strategic role of sourcing, international management scholars ignored the topic of global sourcing for a long time (Arnold, 1989). However, the number of studies focusing on global sourcing and international purchasing is increasing rapidly, as both academics and managers have acknowledged their strategic relevance for contemporary (international) business (Mol, van Tulder, & Beije, 2005; Trent & Monczka, 2003). Studies to date have tended to focus on international sourcing decisions (Cavusgil, Yaprak, & Yeoh, 1993; Lewin & Volberda, 2011), barriers to international purchasing (Leonidou, 1999), country-of-origin effects (Andersen & Chao, 2003) and integration and coordination of global sourcing (Gelderman & Semeijn, 2006; Monczka & Trent, 1991; Tsai, Huang, & Ma, 2009). A recent addition to these discussions is the lively debate on the strategies and concepts for outsourcing and offshoring (Contractor, Kumar, Kundu, & Pedersen, 2010; Hutzschenreuther, Lewin, & Dresel, 2011; Kotabe & Murray, 2004). These studies on global sourcing have addressed the questions of what and where to buy. However, little is known about the *how* question of international purchasing. Purchasing and operation management scholars have a long tradition of analysing purchasing tools and strategies (e.g., Cousins, 2005; Day & Lichtenstein, 2006; Ogden, Petersen, Carter, & Monczka, 2005; Sharma & Dubey, 2010), but this research has had minimal interconnection with international business research, where business scholars have paid scant attention to the tools that companies actually use in their purchasing. The present study

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aims to bring these two streams of research closer together by investigating, in a comparative setting, the type of strategies and tools that Western companies adopt in their purchasing while operating within their own continent.

Current research predominantly treats Western firms as a homogeneous group in terms of its international purchasing. While earlier studies indicate that there are differences across countries when it comes to purchasing (Ogden, Rossetti, & Hendrick, 2007; Quintens, Matthyssens, & Faes, 2005), investigations that compare purchasing strategies and tools across the two Western continents (Europe and North America) remain scarce. Even studies that rely on cross-national samples from different continents tend to group all responding buyers together (Tsai et al., 2009), without comparing the buying behaviours between continents. Furthermore, studies on sourcing of US or US-based companies (Handfield, 1994; Murray, Kotabe, & Zhou, 2005; Thorelli & Glowacka, 1995) tend to dominate the field of international purchasing, with less scholarly interest being paid to European (or Asian) companies. The present investigation compares purchasing strategies and tools in North America with those in Europe and follows the research stream of continental comparisons (Carter & Narasimhan, 1996; Kakabadse & Kakabadse, 2002; Quintens et al., 2005).

A lot of research attention in international purchasing and global sourcing has been directed towards the target markets and/or the adaptations that all Western companies need to address in different foreign sourcing contexts. An alternative but much less utilised way of understanding international purchasing is to investigate the general norms of the companies in terms of how they conduct purchasing on their home turf; that is, within their own country and continent. The focus on this side is warranted by earlier research, which shows that an important part of purchasing takes place in domestic or nearby regions (Mol et al., 2005). Therefore, the domestic and regional sourcing strategies and tools that organisations use within their own continent are bound to influence the ways in which they conduct international purchasing. Indeed, the home country institutional environment (including, for instance, socio-political, economic, and cultural features and firms in the reference group of the buyer) has been shown to influence global sourcing (Lewin & Volberda, 2011). Our comparison of North American and European purchasing will indicate the 'norms' and practices of purchasing that prevail in these continents. Our line of reasoning follows the example of Deng and Wortzel (1995), who looked at the purchasing of US companies in order to provide guidance to foreign (Asian) exporters aiming to enter US markets. Unveiling the strategies and tools within supply chains in the two continents can also provide important guidance for areas such as rising Chinese enterprises, which can be expected to move from acting just as suppliers to also becoming the buyers in international supply chains.

The aim of this study is to understand continental differences in Western companies' purchasing strategies and tools, and therefore the basis for their international purchasing, by investigating whether differences exist in purchasing across the continents of Europe and North America. Differences in the established ways of conducting purchasing may create different challenges when adopting similar approaches abroad. Investigation of differences between the two continents also provides important information to foreign suppliers looking to do business with these buyers. This article focuses on the strategies (the objectives emphasised for improvement by management) and tools (for managing suppliers, performance and the purchasing process) that companies adopt in their direct purchasing for a selected category, which they source from their own continent. The analysis is based on an empirical study of 224 companies from eight European and two North American countries (treated here as two groups: the European vs. North American buyers). Data for the study was collected in 2009. Due to the lack of comparative studies addressing these issues, this paper is explorative in nature. Carter and Narasimhan (1996) provided a comparison of expected purchasing trends in the mid-1990s in Europe and North America, but little has been done since then in terms of continental comparisons. The present article provides a first attempt to fill this gap, and also to see whether our results can confirm the trends predicted by Carter and Narasimhan for purchasing in Europe and North America.

Good comparative studies remain rare, even in the field of international business (Cadogan, 2010; Franke & Richey, 2010). The present paper makes two main contributions. Firstly, we contribute to current understanding of international purchasing, by analysing the purchasing strategies and tools of Western companies on their home and regional markets. Since we rely on the purchasing literature for developing the measures for purchasing strategies and tools, we provide an interdisciplinary approach, which is much needed in international business studies (Cantwell & Brannen, 2011). Secondly, by comparing purchasing in Europe (Finland, France, Germany, Italy, Netherlands, Spain, Sweden and the UK) and North America (the USA and Canada), we add an understanding of purchasing in the two continents. The results reveal differences and similarities across the continents that are usually grouped together under the heading 'Western' in international purchasing.

The remainder of the paper is structured as follows. The next section reviews the literature on international purchasing, with a particular look at the existing comparative works on purchasing. We then discuss the methods of the empirical study. This is followed by the statistical data and analysis, interpretation of the empirical results, and our conclusions.

2. Literature review

Globalisation has led to increasing cross-border purchases, as well as continuing fragmentation of global production and supply chains. Global sourcing can benefit firms through improved price, quality, innovation and delivery times (Birou & Fawcett, 1993; Kotabe & Murray, 1990). Global supply chains are a source of competitive advantage, providing access to cheap labour and raw materials, better financing opportunities, larger product markets and arbitrage opportunities (Manuj & Mentzer, 2008). However, there are also some implicit trade-offs associated with using overseas foreign sources (Handfield,

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