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# Intra-organisational influences in procurement networks controls: The impacts of information technology

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## Abstract

This study is motivated out of a two-fold concern for how intra-organisational influences generally, and information technology specifically, impact upon control mechanisms in procurement networks. Utilising actor–network theory, the study examines two relational dimensions of procurement networks within *actor–network space*: inter-organisational relations between buyers and suppliers that comprise the procurement network and intra-organisational relations among actors within buyer organisations in particular. In doing so, the study addresses the inadequate consideration of intra-organisational influences in the literature examining the management control of networks. In addition, the study highlights the fluidity of inter-organisational control mixes, contrasting with prevailing notions of ‘fit’ between control mechanisms and a given transactional setting. Information technology is specifically focused upon because it increasingly mediates inter-organisational collaboration, yet its consequences are unclear and the extant literature in the area is formative. Thus, the study also contributes to extant understandings of the control effects of information technology within procurement networks.

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## 1. Introduction

This study investigates the impact of information technology upon mechanisms for controlling inter-organisational networks. Networks continue to be promoted as a means of: responding to heightened competition; sharing costs and risks; keeping pace of constantly renewed information. In the global

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economy, new possibilities are relentlessly created within networks whilst, outside of networks, organisational survival is increasingly difficult (Castells, 2000). Indeed, most economic activity in leading industries is organised through networks (Ernst, 1994). Of the various network types that have emerged, the most visible form of collaboration has been in the area of procurement (Heide and Stump, 1995). More recently, there has been pre-occupation with the use of technology in the area of procurement (Davila et al., 2003). Consequently, it is the procurement network that is examined in this study; with an emphasis on how such networks are impacted when confronted with information technology based organisational change. The motivations for the study are two-fold.

Firstly, despite generally positive views of networks and inter-organisational collaboration, there is growing evidence of failure (Langfield-Smith and Smith, 2003). This has initiated a renewed concern about the form and efficacy of control mechanisms that operate within outsourced arrangements and procurement networks (see, for example, Anderson et al., 2000; Dekker, 2004; Hopwood, 1996; Langfield-Smith and Smith, 2003; Tomkins, 2001; Van der Meer-Kooistra and Vosselman, 2000). In response, this body of research has begun to theorise and explore the inter-relationships between different forms of control and their antecedents. However, the linkages between intra- and inter-organisational relations has been overlooked thus far and remains an area requiring further research (Langfield-Smith and Smith, 2003; Van der Meer-Kooistra and Vosselman, 2000).

Secondly, despite the increasing use of information technology within procurement networks, the impacts of its implementation are unclear. Indeed, many commentators have observed that the complex dynamics of information technology-based organisational change have been relatively unexplored in a network setting (see, for example, Chan and Swatman, 2000). Early observations on the use of technology to create electronic procurement (e-procurement) networks were extremely enthusiastic about the potential benefits of doing so (see, for example, Cronin, 1994; Iskandar et al., 2001; Lloyd and Boyle, 1998; Tapscott, 1995).<sup>1</sup> However, a number of e-procurement networks and marketplaces have been abandoned in recent times.<sup>2</sup> Furthermore, the use of technology in procurement has been described as facilitating the realignment of power relations in favour of buyer organisations (Evans and Wurster, 1997; Frances and Garnsey, 1996), and adversely impacting buyer–supplier relations by shifting the basis of competition towards price (Fraser et al., 2000; Porter, 2001; Sinha, 2000). In light of these diverse possibilities, the investigation of information technology and its effects for the control of procurement networks is considered to be timely, if not imperative.

In addressing both of the above concerns, this study follows the introduction of information technology in a network of procurement that connected multiple buyers and sellers for the transacting of “indirect goods and services” or “indirect spend”.<sup>3</sup> It investigates the impacts of this e-procurement technology for extant controls in both the inter-organisational and intra-organisational relationships that co-existed

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<sup>1</sup> Drawing on numerous case examples, the benefits of these technology-imbued arrangements included greater processing efficiency, reduced procurement costs, an increased access to exchange partners and new information and customisation possibilities (Cash and Konsynski, 1985; Croom, 2000; Johnston and Vitale, 1988). The firms cited in the literature were as diverse as Microsoft, Daimler Chrysler, Ford, General Electric, British Telecom, Nortel Networks, Cisco Systems and American Hospital Supply.

<sup>2</sup> High profile project terminations or exits include Atriax, Chemdex, Dell Marketplaces, Promedix and TotalMRO.Com internationally, and Ausmarkets and Corprocure in Australia.

<sup>3</sup> Organisational actors used the term “indirect goods and services” and “indirect spend” interchangeably to refer to goods and services that did not directly impact their respective production processes. “Indirect spend” included stationery, travel, hotel accommodation, printing, and information technology hardware and software.

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