



Interrelationships among key aspects of the organizational procurement process

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Abstract

For decades, there has been research on specific buying approaches and procedures used by organizational customers. Yet, there has been only limited effort to conceptualize the key higher order constructs that characterize organizational buying as a process. It is therefore useful to evaluate the simultaneous interrelationships among different aspects of the overall procurement process and how they vary with characteristics of the purchase situation. This research addresses these issues. We draw on structural equation modeling techniques and use a sample of 636 purchases to develop and test a parsimonious integrative model of interrelationships among key aspects of the procurement process. In general, our results support our model of the procurement process, including relationships among purchase importance, extensiveness of choice set, buyer power, reliance on procedural controls, a proactive focus on long-term strategic issues, search for information, and the use of formal analytical tools. © 2006 Published by Elsevier B.V.

Keywords: Organizational buying behavior; Business-to-business marketing

1. Introduction

Corporations have come to view procurement as a strategic-level concern in developing competitive advantage—and organizational buying has become more sophisticated and professional (Dobler & Burt, 1996; Gadde & Håkansson, 1993; Smeltzer & Siferd, 1998). For business-to-business marketers, survival and success hinges on making effective judgments about how customers approach vendor selection decisions. The recognition of buying and selling as critical components of firm success is reflected in the progression of scholarly research. Beginning with Webster (1965) and Sheth (1973), scholars identified constructs relevant to organizational buying and later focused on important topics such as the decision-making unit, channel relationships, and buyer–seller negotiations (Sheth, 1996; Ward & Webster, 1991). Dramatic changes in the literature surfaced in the 1980s as scholars characterized buyer–seller interactions on a continuum from transactional to

relational exchanges or from hierarchies to markets (Dwyer, Schurr, & Oh, 1987; Webster, 1992). Subsequent research emphasized buyer–seller interactions and a rich body of research on relationship marketing followed. This includes research on working partnerships (Anderson & Narus, 1990) and the interactions, relationships, and networks involved in buyer–seller exchanges (Anderson, Håkansson, & Johanson, 1994; Cannon & Homburg, 2001; Metcalf, Frear, & Krishnan, 1992; Turnbull, Ford, & Cunningham, 1996).

In light of the evolution in scholarly thinking about organizational buying, it is constructive to recognize the breadth and diversity of vendor choice situations in practice and to develop a theoretical basis from which to view alternative perspectives on buyer–seller exchanges. This brings to the forefront the need to address some basic, yet unanswered questions about organizational procurement. For example, while there has been substantial scholarly work to examine search effort in organizational buying, there is little research on how the search for information integrates with the procurement process as well as how search influences decision-making. More broadly, research that considers the procurement process

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from a holistic perspective, as opposed to isolating component parts, complements our understanding of the parts by revealing how those parts fit together. Thus, to improve our understanding of the procurement process, we need an integrative approach to modeling that considers the interrelationships among purchasing constructs that are important in both classic and contemporary views on organizational buying.

Drawing on literature from marketing and related disciplines, we develop an integrated model and a set of hypotheses concerning the simultaneous interrelationships among approaches used in organizational procurement decisions and the influence of key characteristics of the purchase situation. Specifically, we address the extent to which buyers search for information, rely on procedural controls, adopt a proactive (long-term strategic) focus, and employ formal analytical tools in the vendor selection process; our model controls for important characteristics of the purchase situation, including the extensiveness of the choice set, buyer power, and purchase importance. We note control relationships that are well established and we highlight new relationships or those with mixed results in the literature. We make an empirical contribution by testing the structure of the interrelationships specified in the model across a wide range of purchase situations.

We start with a brief overview of the conceptual model and then we define the model constructs—discussing both normative theories and positivist empirical evidence relevant to the relationships. Next, we describe the methods used to collect and analyze the data and to test the relationships in the model. We then present the results of the study and evaluate (1) how well the conceptual model represents the overall structure of the empirical data, (2) estimates of specific relationships among constructs in the model, and (3) alternative formulations of the model. The paper concludes with a discussion of the limitations and implications of the research. We consider recent advances in procurement and suggest avenues of continued research in light of developments in buying practices and our research findings.

2. The conceptual model

During the past decade, much of the focus in the practitioner press and the scholarly literature has been on the trend toward and benefits of closer buyer–seller relationships. As a result, there has been substantial progress in developing an understanding of important, and often complex, relational aspects of long-term bonds between vendors and customers. Nonetheless, there is increasing recognition that buying firms do not always want or need close ties with all their suppliers (Cannon & Perreault, 1999; Wilson, 1995), even for important purchases. Further, relationships may be enduring and reflect cooperative efforts even when other aspects of a close relationship (such as sharing of information or linked operations) are not present. In many cases, exchanges are short-lived, and involve non-relational governance mechanisms (Heide, 1994; Lambe, Spekman, & Hunt, 2000). These hybrid modes of buyer–seller relationships may take a variety of different forms

(Buvik & John, 2000) that have implications for how a given purchase is made.

In practice then, there continue to be a variety of different types of buyer–seller interactions, and buyers make vendor choices with a wide range of approaches. While a buyer may develop a long-term strategic supply alliance for some purchase requirements, in another purchase the buyer may execute transaction-based exchanges to achieve operational efficiencies. Similarly, on the marketing side, sellers employ a range of strategies from national account management to transaction-oriented customer service centers or e-commerce order systems. Viewed overall, buyer–seller interactions involve a range of purchase episodes (from simple to complex) that may take place in a mix of different types of relationships that range from limited to extensive (Gadde & Håkansson, 1993; Håkansson, 1982).

Because of the variety of different types of purchases, purchase approaches, and relationships, most empirical research on organizational buying has focused on inputs or outputs for purchase decisions in specific contexts (for example, for one type of product, industry, stage in the purchase decision, or type of purchasing situation). An advantage of this approach is that it is sometimes possible to provide deeper insights about one purchasing approach when a researcher can hold constant some of the factors that vary across purchase situations. On the other hand, the common reliance on this approach across many studies can be a disadvantage, especially if characteristics of the purchasing situation shown in one study to have an important impact on certain purchase activities are often not considered (nor used as control variables) in other research. Further, when the focus of research is on one aspect of procurement practice—such as the search for information, use of formal vendor analysis models, or how many people are involved—it limits the insight that is available about the interrelationships among the varied aspects of the overall procurement process. Of course, in some situations a certain aspect of the procurement process (or purchasing task) may be an end unto itself, whereas in other situations the same task may be prerequisite to other activities that lead to a more refined or detailed vendor choice decision. In practice, procurement decisions do not always follow the steps frequently conceptualized in the literature (i.e., search, evaluation, selection) and the vendor selection process may not be linear (Patton, 1996). While the dynamic relationships among various buying activities, decision heuristics, and buyer perceptions have previously been considered (*c.f.*, Wilson, McMurrian, & Woodside, 2001), there is little empirical work that tests normative theorizing about activities in the buying process and how they are related. Indeed, Tanner has expressed the concern that because of the lack of attention in this arena the organization buying literature has “left a rich stream of research behind” (Tanner, 1999, p. 245).

The conceptual model in Fig. 1 addresses these issues. As suggested at the top of the figure, the model considers the simultaneous interrelationships among four aspects of the procurement process and how they vary depending on key characteristics of the buying context. This model serves as an organizing framework for our paper and also delimits the scope

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