

The changing role of procurement: Developing professional effectiveness

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Abstract

The major objectives of this paper are to explore, from the perspective of 18 senior procurement professionals interviewed, the current status of their role and identify the skills they need to develop, in order to effectively manage the changes they are experiencing. The interviews revealed a schism in perception of the procurement role between professionals (strategic) and their organisations (transactional). Although skills have a direct impact on the ability of procurement professionals to fulfil their role proficiently, the degree of organisational support and internal acknowledgement of the role's importance, were found to be a major barrier to the development and progress of procurement professionals. A Procurement Skills Effectiveness Framework is presented to enable managers to assess the likely sophistication level of procurement and its impact, given a set of procurement skills and the degree and type of internal support for the role.

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1. Introduction

The evolution of the procurement function is well documented in the literature. There has been a recognised shift away from the traditional administrative and transactional role, towards one which involves strategic partnerships, cooperative alliances and supply network management (Carr and Smeltzer, 1997; Scheuing, 1997; Ramsay, 1998; Lamming et al., 2000; Handfield and Nichols, 2002; Knudsen, 2003). In the literature, procurement is now deemed a core component of many organisations and considered to be of major strategic importance (Humphreys, 2001; Paulraj et al., 2006). However, others argue that the procurement role is still essentially a support function and that as a tactical role, it performs essentially low value adding activities (Kaufmann and Carter, 2004;

Cox et al., 2005). Indeed, Ramsay (2004) highlights the fact that sometimes academic papers do not represent the reality of the context in which the practitioners operate and contradicts his previous findings about co-operative relations in supply chains, as being more fictional than factual. It is with this in mind that this paper aims to answer the following research questions related to procurement professionals:

- (1) How do procurement professionals perceive their role within their organisations?
- (2) How has their role changed and what challenges have they had to face as a result?
- (3) What portfolio of skills do they believe will enable them to fulfil their role effectively?

The first part of the paper reviews different perspectives on the changing role of procurement from the literature. From this review, a new taxonomy for categorising procurement skills in the current business climate is introduced. The second part of the paper presents the findings from 18 semi-structured interviews with senior

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procurement professionals across a number of different industry sectors. A Procurement Skills Effectiveness Framework is developed, enabling managers to identify the knowledge, skills and level of support required in order for the role of procurement to optimise its effectiveness in achieving organisational objectives.

2. Literature review

Over the past decade, there have been notable changes in macro-economic trends influencing the business environment. Increased globalisation, technological advances in internet based systems, accessibility to complex computational programmes, increased demands by upper management, changing consumer patterns, a shift towards outsourcing and a greater awareness of corporate social responsibility have all been influential factors driving this change (Giunipero et al., 2005, 2006; Zheng et al., 2007). These changes undoubtedly impact the procurement function, and there is a widely recognised need for a developmental shift to keep in line with these changes. Van Weele and Rietveld (1998) identify six stages through which the procurement function must develop: from transaction and commercial orientation, to internal and external integration, to the final stage where purchasing strategy is focused on delivering value. Lamming et al. (2005) also identified an emerging need for change in the 1990s when business began to accept inter-organisational relationships, which evolved into value adding collaborative relationships. It is now widely acknowledged that proactive value-focussed rather than passive cost-focussed procurement strategies are a means of achieving competitive advantage and integral to long-term organisational strategy (Leseure et al., 2004; Mehra and Inman, 2004; Noonan and Wallace, 2004).

This dynamic environment and the call for a developmental shift, have led to challenges for the procurement function within organisations, which are well documented in the literature (Zheng et al., 2007). These challenges include increased specialisation, a move from purchasing functions to processes and from transaction to relationship management, an increased awareness of and need to manage the supply chain (Carr and Smeltzer, 1997; Lamming et al., 2000; Handfield and Nichols, 2002; Knudsen, 2003). Some of the changes made to the procurement role, to better cope with such challenges and maintain organisational competitiveness, include: expanding core processes such as supplier coordination; supplier development and market research; cost analysis; strategy formulation and planning; risk management and international outsourcing (Giunipero et al., 2005, 2006; Cousins et al., 2006). In addition new technology, such as e-procurement and ERP systems, means that much of the paper-based routine tasks have been automated. This allows more time for procurement professionals to focus on new forms of supplier relationships, supply management, advanced planning and value adding activities (Humphreys et al.,

1998; Humphreys, 2001; Croom and Johnston, 2003; Giunipero et al., 2005).

These trends have facilitated the necessary transformation of the role from a tactical to a more strategic level (Giunipero and Percy, 2000; Cousins et al., 2006). Paulraj et al. (2006) acknowledge that different firms might be at different stages of strategic evolution, but that for organisations to evolve to the final stage of development, strategic procurement, they need to optimise their performance. Unless organisations and their structures change with the times to accommodate strategic procurement they will become dysfunctional (Scheuing, 1997) and the impact procurement can have on their competitive position will remain unrealised (Carter and Narasimhan, 1996; Cousins et al., 2006; Giunipero et al., 2006). However, the evolution of procurement to the status of a strategic and critical function is not yet complete in the real world (Cox et al., 2005). Indeed, Ramsay (2006) maintains that senior management, influenced by the current anti-clerical bias in the literature, fail to understand the contribution the role is making at the administrative level. Although the specific details might be contested, the implicit message is that since the procurement professional now operates in a changing and dynamic environment, there is a subsequent imperative for procurement professionals to update their existing skills if they are to contribute effectively to the financial, operational and strategic success of their organisation (Reck et al., 1992; van Weele and Rietveld, 1998; Henke, 2000; Giunipero and Percy, 2000; Giunipero et al., 2005).

2.1. The organisational impact of procurement skills

Empirical research is emerging to demonstrate the impact of specific procurement skills on firm performance. In a study of the impact of strategic purchasing on supply integration and performance, Paulraj et al. (2006) found that: (1) a more strategic purchasing function leads to better supply integration; (2) executives must understand the key role that purchasing can play in integrating buyer–supplier dyads by focusing on “process, relational, information, and cross-organisational teams”; (3) strategic purchasing can create a win–win situation for both buyer and supplier firms which impacts positively on overall supply chain performance.

Taking a resource-based view of the firm, Carr and Smeltzer (2000) found a relationship between specific skills and overall organisational performance. Technical skills in particular were found to be a predictor of firm performance, while skills techniques (a rather vague term which incorporates skills that are not purely technical or behavioural, such as project management, time management and communication) predict a strategic purchasing approach, and behaviour skills predict supplier responsiveness. Cousins et al. (2006) also demonstrated the impact of skills on organisational performance. They found that purchasers with high skill levels and knowledge have a significant impact on financial performance and

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