



NORTH-HOLLAND

The Pursuit of Global Purchasing Synergy

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The pursuit of synergy is generally considered an important strategic thrust. In multiplant and multinational corporations, the quest for global efficiency and effectiveness has led to increased centralization and coordination of the purchasing function. The centralization–decentralization issue is debated at length in the purchasing literature as well as in the marketing and strategic marketing literature. However, most authors limit their discussion to arguments in favor of or against centralization and to criteria to select a suitable approach. Insights into the process of achieving global purchasing synergy as well as specific managerial guidelines are lacking. This article aims to bridge the gap between the literature stressing the need for achieving purchasing synergy on the one hand and specific implementation guidelines for managers on the other hand. In order to do so, we link the process aspects of global supply coordination to satisfaction levels experienced at both headquarter and plant level. As a result, managerial

implications to successfully tap global purchasing synergy are formulated. © 2000 Elsevier Science Inc. All rights reserved.

INTRODUCTION

In today's highly volatile and hypercompetitive global markets, achieving and sustaining competitive advantage necessitate not only the creation of superior customer value [1] but also the continuous pursuit of operational effectiveness [2]. Further, it has been argued at length in the strategy literature [2, 3] that complementarities in resources and activities are the underlying conditions for achieving these targets. Complementarities—resulting in synergy—are therefore often considered as the “holy grail” of business strategy. However, the clarity of the recommendations of extant strategy research is obscured by problems when implementing these in practice. Many seek synergy but few actually discover it [4, 5].

This article focuses on global *purchasing* synergy. Given the rising role of purchasing in companies' corporate strategies [6, 7] and cost structures [8, 9], attention to the creation of synergy in this function is warranted. This

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Purchasing personnel must become team players, leaders and consultants

is the more true because of the lack of scientific literature on the subject [6]. Also, global business-to-business marketers should be interested in the subject. In fact, the success of their customers' globalization efforts determines largely the success of their suppliers' global marketing strategies.

This article focuses on gaining insight into the *process* aspects of purchasing synergy programs. Indeed, recommendations emerging from the strategy literature have prompted many firms at pursuing "horizontal strategies," that is, "a coordinated set of goals and policies across distinct but interrelated business units" [10]. In this article, we specifically focus on the process of implementing such an approach. We do not look for performance implications per se. Rather, we are interested in measuring the overall quality and performance of the process of implementing horizontal strategies. Moreover, we are looking to extract specific managerial guidelines by studying these process aspects. Based on the previous arguments, we formulate the following research question: "what process issues are key in global purchasing synergy efforts?"¹

¹We consider the purchasing function and the headquarters' purchasing staff as an internal service provider. Hence, in analogy to the service marketing literature, the well-known distinction between outcome quality (i.e., functional performance) and process quality can be drawn. The service literature learns that a negatively perceived process quality can offset a positive objective functional outcome.

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The article proceeds along the following outline. First, we briefly review the literature on this subject. Second, two real-life examples illustrate our problem statement and introduce our main empirical research on the processes of implementing global supply coordination. Third, the applied research methodology is described. We then discuss our major findings and finally extract managerial guidelines for a successful implementation process.

SYNERGY IN GLOBAL PURCHASING: LIKELY RESULTS, TENDENCIES AND CONTRADICTIONS

Synergy is supposed to lead to a competitive advantage [10, 11] as two or more units of a company share know-how or resources, coordinate strategies, pool negotiation power, etc. [4, 6]. Porter [10] considers horizontal strategy as perhaps the most critical item on the strategic agenda of the diversified firm. Vizjak [12] argued for a revival of the synergy concept and proposed a five-step approach to synergy management. He concluded that the final step, the implementation process, is the crucial part of synergy management. Mainly in the initial start-up, when limited synergies are matched against high diseconomies, business unit managers might show resistance. Vizjak argues for a patient approach combining group structures, partial centralization, horizontal standing committees and task forces, and horizontal management systems. Recently, Eisenhardt and Galunic [5] argued that companies that actually achieve synergies master a process called *coevolving*, a subtle process consisting of multibusiness teams, bottom-up initiatives to synergy, "must attend" meetings among business heads, open-minded thinking on alternative collaboration paths, getting incentives right and so forth. Capturing cross-business synergies is an essential part of corporate strategy, but the traditional approaches lack focus or focus on the wrong opportunities.

As competition is growing more intense, firms seek synergies in their overall global purchasing effort across business units. Today, companies such as IBM, Chrysler and Xerox share purchasing activities on a company level like selecting suppliers, negotiating and contracting on a

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