Available online at www.sciencedirect.com
ScienceDirect
Journal of Purchasing & Supply Management 13 (2007) 274–293
JOURNAL OF PURCHASING AND SUPPLY MANAGEMENT
www.elsevier.com/locate/pursup

Supply-management maturity, cost savings and purchasing absorptive capacity: Testing the procurement–performance link

Holger Schiele[a,b,*]

[a]h&z Business Consulting, Munich/Duesseldorf, Neuturmstrasse 5, D-80331 München, Germany
[b]Institut für Unternehmensführung und Organisation, Leibniz University of Hanover, Königsworther Platz 1, D-30167 Hannover, Germany

Received 31 October 2006; received in revised form 30 September 2007; accepted 4 October 2007

Abstract

The relationship between the development level a purchasing organisation has reached—maturity—and its impact on the performance of a firm has received only limited attention until now. We conducted extensive purchasing audits using a comprehensive tool to assess firms' maturity level. These firms' performance was then measured by their success in a purchasing cost-reduction programme. The results showed a highly significant relationship between purchasing's maturity level and cost-reduction results. Somewhat counter-intuitively, larger saving potential was identified in more developed firms. This finding may be explained by a new concept called "purchasing absorptive capacity". If an organisation's maturity is too low, the introduction of best practices, such as an innovative cost-reduction method, may fail.
© 2007 Elsevier Ltd. All rights reserved.

Keywords: Purchasing; Performance measurement; Maturity profile; Absorptive capacity; Cost savings; Lever analysis

1. Introduction: the missing link between purchasing maturity and performance

In the recent years, purchasing volume expressed as a percentage of a firm's total turnover has risen substantially. Under these circumstances, a better performance by the purchasing function may make a considerable contribution to the overall performance of a firm (Carter and Narasimhan, 1996; Goh et al., 1999; Carr and Smeltzer, 1999a; Shin et al., 2000; Narasimhan and Das, 2001; Carr and Pearson, 2002; Sánchez-Rodríguez et al., 2005). The extent to which purchasing can fulfil this new responsibility, however, may depend on its development level or maturity.

Linking states of development to performance is the underlying assumption of literature on stage or maturity level models, also referred to as typologies. Maturity has been defined as "the level of professionalism in the purchasing function" (Rozemeijer et al., 2003, p. 7). A maturity model describes several—auditable—stages an organisation is expected to go through in its quest for greater sophistication. Mature purchasing organisations apply world-class best practices, while unsophisticated organisations fail to employ them (Chiesa et al., 1996; Ellram et al., 2002). The assumption is that greater maturity is associated with better performance. Therefore, measuring purchasing maturity can be useful for testing the link between the quality of the purchasing function and its contribution to a firm's performance in general and its financial performance in particular.

Literature has put forward about a dozen purchasing maturity models (Table 1). Most of the models are conceptual in nature. Keough (1993) specifies that companies can save between 5% and 10% by moving from one stage to the next, but he fails to substantiate this

*Corresponding author at: Institut für Unternehmensführung und Organisation, Leibniz University of Hanover, Königsworther Platz 1, D-30167 Hannover, Germany. Tel.: +49 171 789 1334; fax: +49 511 762 5637.
E-mail address: holger.schiele@ufo.uni-hannover.de

1478-4092/$ - see front matter © 2007 Elsevier Ltd. All rights reserved.
doi:10.1016/j.pursup.2007.10.002

Table 1
Purchasing maturity models

	No empirical performance test	Maturity–performance empirically tested
Primarily deduced from dominant theory, ex ante assembling of stages	Category I: Bhote (1989), Freeman and Cavinato (1990), Chadwick and Rajagopal (1995)	Category II: model presented here
Primarily observation based, ex post assembling of stages	Category III: Reck and Long (1988), Cammish and Keough (1991), Keough (1993), Burt and Doyle (1994), Barry et al. (1996)	Category IV: Cousins et al. (2006), Paulraj et al. (2006)

assertion. At the same time, there are intriguing reports that under-performing firms say they apply more best practices, thus claiming to have reached a more mature status (Ellram et al., 2002).

This discussion gives rise to questions about whether there really is a straightforward purchasing maturity–performance link, what are its limits and why attempting to increase purchasing maturity by introducing best practices may fail to improve financial performance. To remedy this lack of clarity, this paper provides empirical backing for the maturity–performance link with highly valid firm-level data. We employ the most comprehensive maturity model found in the literature. Further, the paper expands theory by introducing the novel concept of purchasing absorptive capacity and by defining a limit to best-practice introduction, the "minimum maturity point".

In our study the performance data were collected from sources other than the maturity assessment. Using different sources of data avoids the common method bias, which raises doubts about the validity of results if respondents assess both their own organisation's quality and its performance (Doty and Glick, 1998; Podsakoff et al., 2003; Spector, 2006). We audited 14 comparable firms in one industry by assessing them with the aid of an extensive maturity profile. This is analogous to a series of replicated case studies (Yin, 2003). The performance data were derived from a parallel project which introduced a novel method for identifying savings in commodity groups in the audited firms. This innovative method of pinpointing cost savings was applied in 40 workshops within the audited firms. We then matched the maturity of the respective purchasing organisations—as expressed by the audit results—with their performance in the commodity cost-reduction programme—as expressed by the savings potentials generated in the workshops. That is, cross-functionally verified savings potential has been used as a measure, reflecting expected future performance.

This paper is organised as follows: after discussing the maturity concept and deriving the maturity model used, we report on the process and the results of its application. We then discuss the findings using the absorptive capacity concept, thus expanding the theory and deriving conclusions.

2. Conceptual embedding in the maturity-profile approach

2.1. Maturity profiles: stage models for assessing an organisation's level of sophistication

Using maturity profiles ensures that the data collected are highly reliable. Maturity profiles are easily communicable and show the way to immediate actions for improvement. As such, they benefit the assessed firm and offer high managerial relevance. They have found widespread application in various disciplines, such as strategic analysis (Gluck et al., 1980) or production management (Hayes and Wheelwright, 1984), and they are also popular in the innovation domain (Chiesa et al., 1996; Cormican and O'Sullivan, 2004).

The purchasing field has adopted the approach in a variety of forms. Here, purchasing is broadly understood to include both operational procurement and strategic sourcing. What the purchasing maturity approaches have in common is that they usually differentiate from among a limited number of maturity stages, ranging from three to five. In addition, a teleological view prevails: from an early stage, firms should develop into a more sophisticated form which is considered superior (Van Weele and Rietveld, 2000). Another commonality of most purchasing-related approaches to maturity is the importance of an evolutionary process. Skipping stages is associated with major difficulties, similar to the underlying assumption in organisational development literature (Reck and Long, 1988). The main differences between the stage models of purchasing maturity found in literature concern the way the stages and dimensions of assessment are delimited, that is, their conceptual basis.

One can distinguish between those maturity profiles with a more deductive character and those that are primarily based on observation. Some studies have empirically tested the maturity–performance link; most did not. While the deductive models may also include observations and the

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات