How is service procurement different from goods procurement? Exploring ex ante costs and ex post problems in IT procurement

Finn Wynstra, Gerrit Rooks, Chris Snijders

1. Procurement of services: is it different?

Over the past decades, the importance of the service sector in the global economy has increased substantially, bringing its share in world GDP to 68.3% in 2014 (World Bank, 2017). In parallel, the share of business-to-business services in the total procurement expenditures of individual organisations has grown as well (Axelsson and Wynstra, 2002; Ellram et al., 2007). Many organisations, however, find it challenging to effectively organise their procurement of services (Caldwell and Howard, 2010; Ellram and Tate, 2015; Hawkins et al., 2015).

Reflecting this increasing relevance in practice, research on service offshoring, outsourcing and procurement has been growing recently (for reviews see: Nordin and Agndal, 2008; Pisani and Ricart, 2016). Within this literature, specific topics like servitisation (Benedettini et al., 2015) and performance-based contracting (Essig et al., 2016) are attracting substantial attention. However, one more traditional, yet fundamental question remains largely unanswered: Is service procurement intrinsically different from goods procurement? And if so, in what way? Various studies have found that organisational buyers perceive that purchasing services is more difficult than purchasing goods (Jackson et al., 1995; Smeltzer and Ogden, 2002; Stock and Zinszer, 1987; Van der Valk and Rozemeijer, 2009). The typical conclusion is that service procurement should therefore be executed differently than goods procurement. A special topic forum of the Journal of Supply Chain Management even noted this as a fundamental question in research on service supply chains: “How does the structure of services sourcing differ from the structure that is appropriate for sourcing nonservice goods?” (Sampson and Spring, 2012). However, while research on applying existing sourcing approaches to the procurement of services has recently grown (Ellram and Tate, 2015; Immonen et al., 2016), there have been, to the best of our knowledge, no publications conducting large-scale empirical studies to compare services versus goods transactions in a systematic way.

Given these observations, the current study addresses the following questions: (1) Can the observations regarding perceived differences in procurement complexity between goods and services be validated in large scale empirical research on how procurement is executed? (2) If there are differences between procurement of goods and services, can these be ascribed to differences in generic transaction characteristics, or are they a function of other, idiosyncratic characteristics of services?

We ground our conceptualisation in the services management literature and particularly in the characteristics that are traditionally argued to distinguish services from goods: inseparability, heterogeneity, intangibility, and perishability (Gordon et al., 1993; Lovelock, 1983). Prior studies suggest that procurement of services is more challenging than the procurement of goods because of these characteristics (Ellram et al., 2007; Fitzsimmons et al., 1998; Tate and Ellram, 2012). Transaction Cost Economics (TCE) serves as a complementary theoretical foundation. TCE has become a dominant theory in explaining contracting arrangements (Geyskens et al., 2006; Williamson, 1979). The current study contributes to this literature by comparing transaction
costs of services and goods procurement, while controlling for the effects of transaction characteristics and relationships between the contracting organisations.

The research questions are explored using secondary survey data on the procurement of information technology (IT) services and goods by small and medium sized enterprises (SMEs) in the Netherlands. This involves a multi-purpose dataset for testing hypotheses on how transaction characteristics, embeddedness and other variables affect ex ante and ex post governance of transactions. Previous studies have used parts of the same data, but have not investigated the differences between procurement of IT services and goods (e.g. Anderson and Dekker, 2005; Batenburg et al., 2003; Buskens and Raub, 2002; Mooi and Ghosh, 2010; Rooks and Snijders, 2001). The IT procurement transactions in the dataset involve varying combinations of service and goods acquisitions. Business-to-business transactions increasingly involve combinations of goods and services, such as the acquisition of hardware together with maintenance services – as reflected in the widely discussed trend towards ‘servitisation’ (Schmenner, 2009; Spring and Araujo, 2013).

The remainder of this paper starts by summarising earlier research on service procurement and by briefly reviewing TCE theory. The subsequent section describes data collection and measurement. Section four comprises the data analysis and results, and the final sections offer a discussion of the findings, and conclusions and recommendations.

2. Literature review

2.1. Recent research on service procurement

Although the first publications on service procurement date back to the 1960s (Wittrich, 1966), the number of studies only started to grow significantly at the beginning of the 21st century (Nordin and Agndal, 2008). Recent literature distinguishes four major topics: specification, setting, segmentation, servitisation and performance-based contracting. This set of topics is not exhaustive, but it does cover a substantial part of recent studies. A review of publications in the Journal of Purchasing and Supply Management reveals that these topics cover half of the recent publications on service procurement.¹

The first topic deals with the process of specification. Various studies have emphasised that specification is one of the processes in service procurement that is particularly challenging due to the intangibility and heterogeneity of services (Ellram et al., 2008; Van der Valk and Rozemeijer, 2009). Service specification may also be perceived as challenging because a choice needs to be made between alternative specification methods: a service may be specified in terms of outcomes, outputs, processes and inputs (Axelsson and Wynstra, 2002). Other studies dealing with the specification topic focus on the dynamic character of the service specification process and identify the stabilisation and destabilisation of specifications of services as a core element of the ongoing interaction between buyers and sellers that is so typical of service exchange (Gelderman et al., 2015; Selviaridis et al., 2011).

The second major topic in service procurement research deals with segmentation. Segmentations and classifications of services have a long history in marketing and operations management research. Over the last decade, purchasing and supply management research has developed and tested classifications that aim to segment services based on attributes that affect the most effective way of sourcing (Van der Valk and Axelsson, 2015). Many of the early studies on service procurement focus on one particular type of service (e.g. management consultancy) (Nordin and Agndal, 2008), and the development of service classifications can be seen as a response to this, to enable synthesis and further development of previous research (e.g. Ellram et al., 2007; Wynstra et al., 2006). Segmentation studies have also highlighted the phenomenon of ‘direct services’, i.e. services bought by an organisation not for its own consumption, but as parts of its offering to final customers. Nordin and Agndal (2008) noted that very little research had been conducted on direct services, but recent studies have emphasised these services in the context of so-called buyer-supplier-customer triads (Li and Choi, 2009; Van der Valk and Van Iwaarden, 2011). A service triad is different from the usual service supply chain, as the supplier does not only rely on the buyer but also on the customer for service inputs, such as information. Wynstra et al. (2015) provides a recent overview of prior studies, applicable theories and an agenda for future research on service triads.

The third topic in recent studies on service procurement relates to servitisation. Servitisation refers to the increased emphasis on service components as part of customer offerings, and to the adaptation or innovations required in terms of the organisation’s capabilities and processes (Benedettini et al., 2015; Spring and Araujo, 2013). Although the phenomenon is typically addressed in terms of the implications for organisations’ marketing, sales and operations processes, there are clear procurement implications as well. Obviously, from the customer point of view, it implies a shift towards procurement of services or ‘product-service systems’ (Lightfoot et al., 2013), as opposed to only buying physical goods. As such, the trend towards servitisation is one of the drivers behind the increasing share of services in buying organisations’ total spend. Additionally, from the supplier’s point of view, it often implies a shift towards buying more services, as many of the services that the supplier offers its customer may be beyond its traditional capabilities and expertise.

The fourth topic in service procurement research relates to performance-based contracting (Gujardo et al., 2012). This topic is closely connected to the topic of servitisation, as servitised offerings are often governed through contract forms that incentivise outcomes and outputs (Liinamaa et al., 2016). Despite the recent growth of studies on this topic, there are still research gaps, for example, related to the execution and monitoring of performance-based contracts (Nullmeier et al., 2016). Selviaridis and Wynstra (2015) and Essig et al. (2016) provide extensive overviews of earlier studies and remaining research gaps.

2.2. The specific characteristics of services

A large part of the literature discussed above relies, implicitly or explicitly, on the distinctive characteristics of services. The broad variety of definitions of what constitutes a service can be divided into two main streams of definitions (Edvardsson et al., 2005). One defines a service as the object of exchange, and the other defines it as a perspective on value creation. Given our focus on the governance of buyer-supplier exchange, we refer to services as an object of exchange.

The following exemplary definition captures the qualities that are typically seen to differentiate a service from a good as object of exchange: “[...] a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.” (Grönroos, 2007: 25). This definition refers to the archetypical features of services versus goods: intangibility, heterogeneity, inseparability and perishability (IHIP) (Lovelock, 1983). These features have been central arguments in many studies to suggest that management of services faces different challenges than management of goods (Vargo and Lusch, 2004).

The intangibility of services refers to the fact that no physical
دریافت فوری
متن کامل مقاله
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