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Managing separation in international purchasing and supply: A systematic review of literature from the resource-based view perspective

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ABSTRACT

The aim of this research is to find out how the extant literature on international purchasing and supply management (PSM) covers the elements of capability from the perspective of distance. *A priori*, we form a framework of capability driving elements and conclude that distance—in its multiple dimensions—is the fundamental management aspect in international PSM. Equipped with analytical frameworks and a bottom-up process for identifying emergent themes, a systematic literature review was conducted on a representative sample of scholarly literature on international PSM, using the NVivo analysis software and a data display as tools. We identify several capability relevant themes from the literature, and provide a distance-based *a posteriori* conceptualisation of international PSM, founded in the information processing theory, with the source-user, user-user and source-source distance types driving the information processing requirements, and loading avoidance, policy-based and enhancement mechanisms determining the information processing capacity.

1. Introduction

Compelling theoretical argumentation has been presented in support of the contribution of purchasing and supply management (PSM) to the competitive advantage of firms (e.g. Barney, 2012). These resource-based view (RBV; e.g. Peteraf, 1993; Wernerfelt, 1984) – grounded perspectives focus on the building and maintaining of heterogeneous PSM capabilities, which should be valuable, rare, inimitable and not easily substitutable (Barney, 1991). Indeed, whether PSM is strategic or not, has been argued to be associated with the function's ability to develop superior capabilities (van Weele & van Raaij, 2014).

According to Peng et al. (2008), informing the strategic task of capability development, requires focusing on the constituent elements of capabilities, such as the dynamic and operational capability components (Helfat & Winter, 2011), as well as their underlying routines (or practices; Wu, Melnyk, & Flynn, 2010) and resources (Grant, 1991). We also take an element-level focus in this paper, concentrating our inquiry on the specific capability of managing purchasing and supply in the international context, plagued by various kinds of distances (e.g. Zaheer, Schomaker, & Nachum, 2012).

Research focusing on international PSM is timely, as the practice in this area is significant and growing due to the substantial cost, quality and technology related benefits that remain to be achieved through supply from international markets (e.g. Bozarth, Handfield, & Das,

1998; Schiele, Horn, & Vos, 2011; Beall et al., 2015; Swamidass, 1993). However, the seemingly mature body of literature on the subject also describes several barriers and challenges that are associated with achieving successful international supply, such as unexpected costs, delays and complexities, for example due to geographic and cultural distances (Holweg, Reichhart, & Hong, 2011; Matthyssens, 2006a,b; Matthyssens, 2006a,b; Subramanian, Rahman, & Abdulrahman, 2015), as well as some remedies for these challenges, such as the international purchasing offices (Jia, Lamming, Sartor, Orzes, & Nassimbeni, 2014a; Sartor, Orzes, Nassimbeni, Jia, & Lamming, 2015). Despite these efforts, the international purchasing and supply management (IPSM) literature seems to lack a theory-based and a unifying conceptualisation, which would focus on managing the inherent distance, and thus on understanding of IPSM from capability perspective. Thus, there are both strong theoretical and practical motivations for synthesising the current state-of-the-art.

We examine the sizeable body of extant research that has been conducted on the topic by means of a systematic literature review (e.g. Tranfield, Denyer, & Smart, 2003; Denyer & Neely 2004). Our research question is as follows: How does the extant literature on IPSM cover capabilities, routines and resources, particularly from the point of view of managing the inherent distance in IPSM? By answering this research question we aim to understand the types and roles of the capability components as they have appeared in the literature, and the links

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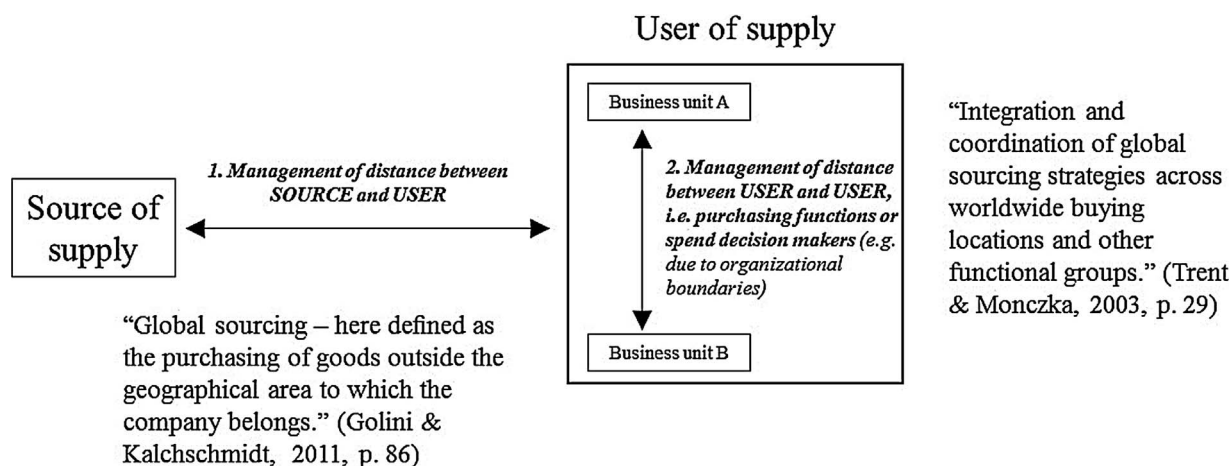


Fig. 1. Distance as a fundamental aspect in IPSM (*a priori* model of IPSM).

between these components. We also seek to strengthen the theoretical foundations of this field by providing a distance-based conceptualisation of IPSM, and to contribute to the practical problem of building superior capabilities for IPSM, enabled by the dynamic capability component in the system (Teece, Pisano, & Shuen, 1997; Zollo & Winter, 2002). These aims differentiate the study from previous literature reviews on the topic, such as Quintens et al. (2006a,b), in which the antecedents, consequences and stage models of global purchasing are discussed; Sartor, Orzes, Nassimbeni, Jia, and Lamming (2014), which is focused on international purchasing offices; and Jia, Orzes, Sarto, and Nassimbeni, 2017, which suggests an integrated conceptual framework of global sourcing strategy and structure.

The article is structured as follows. In the following second section, we define and discuss the central constructs of the study, namely PSM, international management as well as capability and its component and underlying elements. The third section describes the methodology of the research, i.e. our procedures for conducting a systematic literature review. The fourth section discusses the IPSM literature from the resource-based view perspective. Conclusions, which culminate on the proposal of a new distance-based conceptualisation of IPSM, and discussion of further research, bring the article to a close.

2. Key concepts and frameworks

According to van Weele and van Raaij (2014, p. 57), ‘PSM is the discipline that is concerned with the management of external resources – goods, services, capabilities, and knowledge – that are necessary for running, maintaining, and managing the primary and support processes of a firm at the most favourable conditions’ (see also Van Weele, 2010). Indeed, while many still argue that the main task of PSM lies in leveraging power to achieve cost savings, the literature recognises that the practice of PSM should be moving towards broader value contribution (e.g. Presutti, 2003) and the ideal of managing external resources, which involves, for example, finding the best available external resources that can contribute to the value delivery of the firm (Tanskanen et al., 2014). Broad value contribution should also be at the heart of the motivation for internationalizing purchasing and supply, to which Schiele (2007) refers to as the ‘extension of the supplier base’ or ‘introducing new sources, usually global sourcing effort’, meaning ‘international sourcing’ (Schiele et al., 2011).

In our attempt to understand the factors that determine the IPSM success or failure of firms (cf. Peng, 2004), we benefit from the suggestion that ‘international management is the management of distance’ (Zaheer et al., 2012), which has several dimensions, such as the cultural and the geographic (Berry, Guillén, & Zhou, 2010). The essence of IPSM capability may thus be inferred to be about the management of distance, at least in two respects (Golini & Kalchschmidt, 2011;

Trent & Monczka, 2003; see Fig. 1). First, the international, global, cross-border or offshored nature of supply, in which the source and the user become separated by distance, may, on the one hand, imply several benefits for firms, such as lower cost, higher quality and innovation (Bozarth et al., 1998; Schiele, 2007; Swamidass, 1993). However, on the other hand, reduced supply chain agility (Prater, Biehl, & Smith, 2001) as well as dynamic and hidden costs to the firm (Holweg et al., 2011) plague firms that have such distant supply sources. Second, in multinational corporations (MNC), spend decision making, which is separated by distance due to organizational boundaries between business units, subsidiaries and functions, may be challenging to coordinate for sourcing synergies, which are also the essential targets for global sourcing efforts (Rozemeijer, van Weele, & Weggeman, 2003). For example, such loss of synergy may be due to the different context driven specifications of essentially similar items or services across country subsidiaries (Smart & Dudas, 2007), resulting in the inability to pool orders for market power and quantity discounts globally. Thus, the international aspect of PSM suggests a need for distinct capabilities regarding the management of distance (see Zaheer et al., 2012), for example, between the source and the user (see e.g. Golini & Kalchschmidt, 2011), as well as between a user and another user (Fig. 1), i.e. the purchasing functions or budget holders for spend in the business units of an MNC (e.g. 2003a; Trent & Monczka, 2005). In this research, we therefore propose that the component and underlying elements of the IPSM capability of a firm relate to the need to address and manage distance between both the source and the user, as well as the user and another user, giving rise to our *a priori* model of IPSM.

In order to understand how distance in IPSM should be managed, or what kind of resources, routines or capabilities are required for the task, we need to examine the concept of distance in more detail. In addition to the obvious starting point, i.e. the geographical distance, influential research has introduced concepts such as ‘psychic distance’ (e.g. Johanson & Vahlne, 1977) and the somewhat related ‘cultural distance’ (Kogut & Singh, 1988). ‘Institutional voids’ in e.g. emerging markets also drive the difference or distance between locations and countries in terms of institutions such as markets, regulations and legal systems (Khanna & Palepu, 1997). Much of the subsequent research has made ‘ritual cites’ on these foundational works or given only a minor role to the concept of distance in the research design and not aimed at improving the theoretical understanding of the concept (see Ambos & Håkanson, 2014). However, exceptions include Shenkar’s (2001) critique, as well as the commentary by Zaheer et al. (2012) and the proposal of a multidimensional measure for ‘cross-national distance’ by Berry et al. (2010). The dimensions of this aggregate measure include economic, financial, political, administrative, cultural, demographic, knowledge and global connectedness as well as geographic distance (Berry et al., 2010).

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