

What is the right purchasing strategy for your company? The fit between strategic intent, strategic purchasing and perceived environmental uncertainty

Strategic intent
and strategic
purchasing

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Abstract

Purpose – The authors empirically examine purchasing strategy typologies based on strategic intent (i.e. competitive priorities) and practices used to achieve these priorities. The authors further investigate the implementation conditions of such strategies based on perceived uncertainty and strategic purchasing.

Design/methodology/approach – The authors utilize case study data from 11 international service and manufacturing firms with global supply chains. Each company was profiled based on the level of perceived environmental uncertainty, the characteristics of strategic purchasing, the use of relevant purchasing practices and its ability to create value through purchasing.

Findings – The study findings show that four purchasing strategy types exist: Purchasing Rationalization, Supply Base Optimization, Purchasing as a Service and World-Class Supply Base Management. Lower levels of perceived environmental uncertainty favor the adoption of rationalization strategies (i.e. Purchasing Rationalization and Supply Base Optimization), while increased uncertainty leads companies to switch to relationship-focused strategies (i.e. Purchasing as a Service and World-Class Supply Base Management). Further, that specific components of strategic purchasing (i.e. strategic planning, maturity, status and report level) enable the successful implementation of different strategy types.

Originality/value – This research contributes to the existing literature by outlining the different types of purchasing strategies and the external and internal factors that need to be considered to achieve strategic alignment and value creation in purchasing, and by classifying purchasing strategy types at the functional level based on empirical evidence.

Keywords Purchasing, Value, Strategy, Uncertainty, Alignment

Paper type Research paper

1. Introduction

In recent years, purchasing and supply management (PSM) has grown more strategic within organizations (Luzzini and Ronchi, 2016; Legenvre and Gualandris, 2018; Ateş and Memiş, 2021). Research in purchasing management has examined the concept of “purchasing



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efficacy,” which refers to the alignment between purchasing strategy and its ability to create value (e.g. [Huemer, 2006](#); [Baier et al., 2008](#); [Kähkönen and Lintukangas, 2012](#); [Yang et al., 2013](#); [Ateş et al., 2018](#); [Ellram and Tate, 2021](#)). In accordance with this strategic role, understanding the various types of purchasing strategies and identifying the conditions under which they are effective remains a top priority for purchasing managers ([Gartner, 2022](#); [The Hackett Group, 2022](#)). Despite this progress, the literature contains two significant gaps.

In accordance with [Hesping and Schiele's \(2015\)](#) framework, the typical purchasing strategy comprises two levels. First, a comprehensive functional strategy that defines the strategic objectives and guiding principles that drive purchasing decisions and activities. Second, category strategies, which define specific objectives and guidelines for purchasing decisions and activities when purchasing a homogeneous group of items (or commodities). The majority of the literature on purchasing strategies has focused on the category level and defined strategic principles for managing supplier relationships according to the nature of the purchases. This approach is in line with portfolio management literature (e.g. [Kraljic, 1983](#); [Caniels and Gelderman, 2005](#); [Gelderman and Semeijn, 2006](#); [Pagell et al., 2010](#); [Hesping and Schiele, 2016](#)). Thus, knowledge regarding the content and characteristics of purchasing strategies as part of a company's functional strategies is limited. In line with the operations strategy literature, some studies have conceptualized purchasing strategies in terms of “competitive priorities,” which are the strategic goals and objectives that purchasing seeks to achieve, such as cost, quality, delivery, flexibility and innovation ([Krause et al., 2001](#); [González-Benito, 2007, 2010](#)). These competitive priorities can be pursued and, ideally, met through the implementation of deliberate day-to-day purchasing practices (e.g. [Schiele et al., 2011](#); [Zimmermann and Foerstl, 2014](#); [Luzzini and Ronchi, 2016](#); [Foerstl et al., 2016](#); [Jääskeläinen and Heikkilä, 2019](#)). Purchasing competitive priorities and practices are interrelated and interdependent. For example, the choice of a particular competitive priority may require certain purchasing practices to be implemented to achieve it effectively. Likewise, the choice of a certain purchasing practice may depend on the specific competitive priorities that the organization has set. Therefore, it is important to understand how these two aspects of purchasing interact with each other and how they can be integrated to develop effective purchasing strategies. However, there is a lack of empirical evidence regarding purchasing strategies that take both competitive priorities and the appropriate day-to-day practices into account.

The second gap in the literature is a lack of understanding of the structure and conditions under which different purchasing strategies are effective. Existing purchasing portfolio models recommend that companies consider contingency factors when selecting the approach for purchasing various types of goods and services ([Luzzini et al., 2012](#)). While previous research has considered the concept of strategic “alignment” or “fit” in the definition and implementation of purchasing strategies (e.g. [González-Benito, 2007](#); [Baier et al., 2008](#); [Ateş et al., 2018](#)), the validation of specific contingency factors for purchasing strategies at the functional level is still lacking.

Two sets of contingency factors are particularly important ([Søgaard et al., 2019](#)). First, there are the external environment characteristics, which have been shown to influence supply chain strategy and strategic network design decisions (e.g. [Wong et al., 2011](#)). The level of perceived uncertainty is a common indicator of environmental characteristics ([Lee, 2002](#)) and may be relevant in the context of purchasing. The second set of contingency factors relates to the purchasing organization's internal resources and capabilities, also known as “strategic purchasing” ([Carr and Smeltzer, 1997](#)). [Rebolledo and Jobin \(2013\)](#), [Tchokogué et al. \(2017\)](#) and [Ateş et al. \(2018\)](#) have indeed demonstrated that aligning purchasing strategies with an organization's resources and capabilities can enhance performance. However, there is a dearth of research on the specific strategic purchasing characteristics necessary for the success of various purchasing strategies.

In conclusion, purchasing strategy literature lacks a classification of possible strategies to help purchasing managers choose practices to pursue different competitive priorities. It also does not analyze how external (e.g. perceived environmental uncertainty) and internal (e.g. strategic purchasing) factors affect functional-level purchasing strategies.

We aim to empirically answer these research questions to fill these gaps:

RQ1. What are the different types of purchasing strategies (defined as a set of competitive priorities and practices to pursue them)?

RQ2. How do different purchasing strategies interact with internal and external factors to determine value creation?

Understanding the characteristics of purchasing strategies and the effect they have on value creation requires a combination of internal and external contingencies and strategic objectives. By considering both factors, we can gain a deeper understanding of the purchasing strategy drivers and their implementation. Our global case study analysis of eleven multinational manufacturing and service companies enables us to examine a variety of competitive priorities and nuances in purchasing practices, thereby enabling a comprehensive characterization of purchasing strategies. By doing so, we not only advance knowledge regarding the conceptualization of purchasing strategies but also provide companies with guidance on how to ensure that their purchasing practices are aligned with their competitive priorities and internal and external factors, resulting in more efficient and effective purchasing strategies that support the company's overall aims and objectives.

2. Theoretical background

2.1 Purchasing strategies at the functional level: definition and perspective of this study

This study aims to examine functional-level purchasing strategies (Hesping and Schiele, 2015). With few exceptions, previous research has largely neglected this level of analysis (e.g. Farmer, 1981; Quintens *et al.*, 2006; Svahn and Westerlund, 2009). In accordance with the definition provided by Krause *et al.* (2001), we define functional-level purchasing strategies as those that specify how purchasing “will support a firm’s business strategy and how it will complement or support other functional strategies” (p. 499).

We approach purchasing strategies from a content perspective in order to comprehend the “strategic intent” of purchasing, or *what* the purchasing function intends to achieve. To measure strategic intent, we use the framework of competitive priorities, which is commonly adopted by for-profit organizations (González-Benito, 2007), has been used in the traditional operations strategy literature (Schroeder *et al.*, 1986; Miller and Roth, 1994; Ward *et al.*, 1998) and considered valid also in the PSM domain (Krause *et al.*, 2001; Baier *et al.*, 2008; González-Benito, 2007, 2010).

Figure 1 summarizes the conceptual development of research based on previous purchasing strategy literature (González-Benito, 2007; Baier *et al.*, 2008). It describes the focus and perspective of this study, which seeks to understand the strategic objectives that companies pursue through their purchasing function and how these objectives relate to day-to-day practices for managing supplier relationships (Rebolledo and Jobin, 2013). In addition, it acknowledges the influence of two additional variables on purchasing strategies at the functional level: the level of strategic purchasing (internal context) and the perceived environmental uncertainty (external context). In our perspective, “purchasing efficacy” is dependent not only on the alignment between purchasing strategies and practices (Baier *et al.*, 2008) but also on the alignment between external and internal factors (González-Benito, 2007; Gadde and Wynstra, 2018).

2.2 Purchasing strategies and internal context: strategic purchasing

According to the PSM literature, purchasing’s ability to support company objectives is contingent on its level of strategic purchasing (Carr and Smeltzer, 1999; Paulraj *et al.*, 2006; Ogdén *et al.*, 2007).

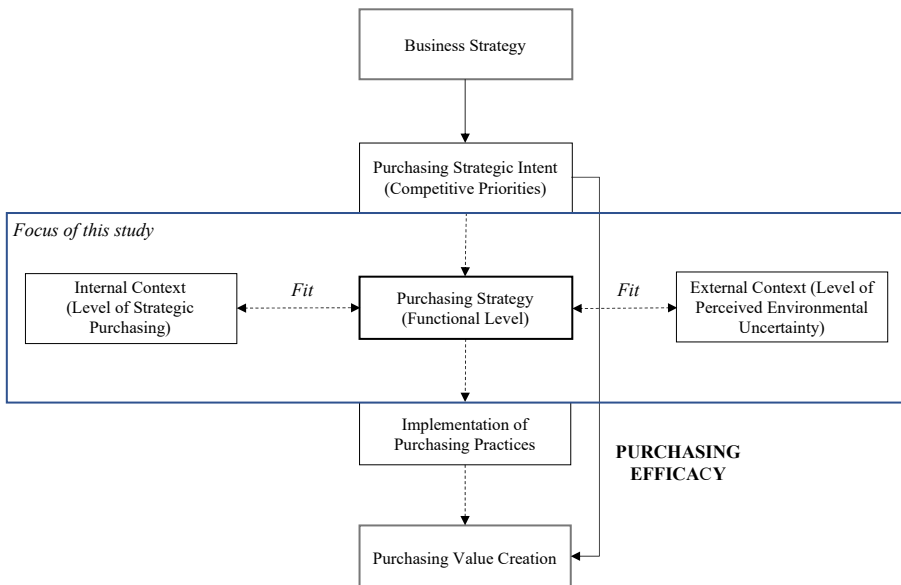


Figure 1.
Theoretical framework
and positioning of
the study

Source(s): Authors' elaboration based on González-Benito, 2007 and Baier *et al.*, 2008

Strategic purchasing, according to Carr and Smeltzer (1997, p. 201), refers to “the process of planning, implementing, evaluating, and controlling strategic and operating purchasing decisions for directing all activities of the purchasing function toward opportunities consistent with the firm’s capabilities to achieve its long-term goals.” This definition emphasizes the significance of integrating purchasing into strategic processes in order to effectively contribute to a company’s success and gain internal recognition (Carr and Pearson, 2002; Zsidisin *et al.*, 2003; Chen *et al.*, 2004). Numerous researchers have previously investigated the practical implications of strategic purchasing, focusing on the necessary evolution of purchasing’s organizational role and its ability to influence company and supply chain performance (e.g. Cousins *et al.*, 2006; Lawson *et al.*, 2009; Nair *et al.*, 2015; Brandon-Jones and Knoppen, 2018; Ateş and Memiş, 2021).

Our work is consistent with this perspective and recognizes strategic purchasing as the key factor enabling the creation of purchasing value. However, as demonstrated by prior research, strategic purchasing involves a number of interrelated concepts. To illustrate the complexity of strategic purchasing, we present different aspects in Table 1.

First, foundational studies link strategic purchasing to the level of purchasing participation in the firm’s strategic planning process, as well as purchasing strategy alignment with the firm’s strategic objectives, the definition of measures to evaluate purchasing’s strategic contribution, the existence of a long-term plan for purchasing, and the participation of purchasing in the management of risk and uncertainty (e.g. Carr and Smeltzer, 1997, 1999; Carr and Pearson, 2002).

Second, strategic purchasing also includes purchasing maturity, which indicates the degree to which the purchasing department is professionalized and developed (Rozemeijer *et al.*, 2003; Schiele, 2007). Previous researchers have suggested indicators such as purchasing interactions with top management, the level of integration with other departments, the competencies of purchasing employees, and the level of responsibility for supplier relationship management in order to examine the purchasing’s level of maturity (e.g. Ubeda *et al.*, 2015; Andreasen and Gammelgaard, 2018).

Dimensions of strategic purchasing	Definitions	Examples
Strategic planning	The level of purchasing participation in the firm's strategic planning process Carr and Smeltzer (1997, 1999) , Carr and Pearson (2002)	<ul style="list-style-type: none"> • Purchasing alignment with the firm's goals and competitive priorities • Purchasing strategy revision in line with the firm's strategic objectives • Measurement of purchasing contribution to the firm's success • Existence of a long-term plan and orientation for purchasing • Management of risks and uncertainty by purchasing
Maturity	The level of professionalism of the purchasing department Rozemejjer et al. (2003) , Schiele, (2007)	<ul style="list-style-type: none"> • Frequency and intensity of purchasing interactions with top management • Purchasing involvement in cross-functional teams • Training and competencies of purchasing employees • Purchasing responsibilities in the management of supplier relationships
Report level	The formal position of purchasing in the organizational chart Johnson et al. (1998) , Johnson and Leenders (2006)	<ul style="list-style-type: none"> • The number of direct-report levels between the highest-ranking member of the purchasing department and the CEO
Status	How purchasing's role and contributions are perceived and treated by top management and other departments Pearson et al. (1996)	<ul style="list-style-type: none"> • Purchasing recognition by top management • Purchasing recognition as an equal partner by other departments • Purchasing participation in new product/service development initiatives • Purchasing ability to initiate organizational and process improvements

Source(s): Authors' elaboration

Table 1.
Dimensions of
strategic purchasing

Thirdly, from an organizational design perspective, the level of strategic purchasing can be formalized via the report level, i.e. the position of the purchasing department on the organizational chart ([Johnson et al., 1998](#)). The idea is that the closer purchasing is to the CEO, the more effectively it can leverage its capabilities and add value to the organization ([Johnson and Leenders, 2006](#)).

Strategic purchasing is also related to organizational status, which measures the extent to which purchasing is perceived as a strategic department ([Pearson et al., 1996](#)). Status refers to recognition by upper management and other departments, as well as participation in critical operational processes, such as new product/service development and organizational and process improvements ([Cousins et al., 2006](#); [Luzzini and Ronchi, 2016](#)).

2.3 Purchasing strategies and external context: environmental uncertainty

Prior research on purchasing strategies indicates that for firms to achieve alignment and value creation in purchasing, they must ensure alignment with both their internal strategic orientation and capabilities and external contingencies ([González-Benito et al., 2010](#)). Adopting a contingency theory perspective ([Sousa and Voss, 2008](#)), companies should tailor

their purchasing strategies and activities to the business environment's characteristics (Rozemeijer *et al.*, 2003; González-Benito *et al.*, 2010). The nature and efficacy of different purchasing strategies are influenced by these contingencies (Søgaard *et al.*, 2019).

Previous SCM strategy research has emphasized the role of environmental dynamism and complexity in driving SCM strategies and design, among the various environmental dimensions (e.g. Lee, 2002; Qi *et al.*, 2011; Wong *et al.*, 2011). These characteristics are frequently associated with the notion of environmental uncertainty (González-Benito *et al.*, 2010). Two categories of uncertainty factors exist: demand-related ("demand uncertainty") and supply-related ("supply uncertainty") factors. Demand uncertainty refers to the unpredictability of customer demand for a company's products or services, which may be influenced by market volatility, unstable production volume, product lifecycle, product variety, profit margins and product obsolescence. Supply uncertainty refers to the unpredictability of the supply chain and may involve factors such as the evolution of production process technology, the variability of supply and production lead time, the dependability of supply and supplier capacity constraints (Fisher, 1997; Lee, 2002). This framework, which is widely used in the SCM strategy literature, has also been recognized as valid in the specific context of purchasing (Gadde and Wynstra, 2018; Søgaard *et al.*, 2019).

3. Methodology

To answer our research questions, we used a case-based research design (Yin, 2014). Case studies are particularly useful when examining contingency-related research phenomena (e.g. Sousa and Voss, 2008) because they allow the development of explanations from collected evidence via an in-depth examination of the context, variables and their relationships (Ketokivi and Choi, 2014).

3.1 Case selection and data collection

We selected our cases using a theoretical sampling strategy (Eisenhardt and Graebner, 2007) based on three criteria that were consistent with the study's objectives. First, to ensure theoretical replication, we targeted manufacturing and service companies. Second, in order to capture a variety of environmental uncertainties and nuances associated with strategic purchasing, we included businesses from various industries. Thirdly, given our emphasis on variables such as purchasing strategy and environmental contingencies, we searched for multinational corporations that were dominant in their supply chains and rely on a global, extensive supply network. These businesses are likely to consider purchasing a strategic department and have a structured process for defining and implementing purchasing strategies that align with their competitive priorities. Using our professional network, we were able to connect with eleven international organizations that met the study's inclusion criteria and agreed to participate. This number of cases is usually adequate for theory development and corresponds to Eisenhardt's criteria for saturation (1989).

We contacted each company via email and/or telephone and explained the research objectives to potential key informants in order to ascertain their potential contribution. The characteristics of the case companies and interviewees are summarized in Table 2.

For each case, we conducted face-to-face interviews based on a semi-structured protocol that was sent in advance to the interviewees. The protocol included questions regarding: (1) the general characteristics of the company and the structure of the supply chain; (2) the perceived level of environmental uncertainty; (3) the characteristics of the company's competitive priorities and strategy definition process; (4) the characteristics of the purchasing competitive priorities and strategy definition process; (5) the organization of the purchasing department and its role within the company; (6) the nature of the purchasing department's

Company	Country	Industry	Number of employees (global)	Interviewee's role ¹	Strategic intent and strategic purchasing
Railway	Italy	Railway systems manufacturing	≈1,300	Head of Purchasing (Ra1)	
Food	Italy	Food and beverage retail	≈60,000	Chief Purchasing Officer (Fo1) Category manager (Fo2)	
Banky	Italy	Financial services	≈30,000	Chief Purchasing Officer (Ba1)	
House	Italy	Domestic appliances manufacturing	≈2,500	Chief Purchasing Officer (Ho1) Purchasing Manager (Ho2)	
OGC	USA	Construction machinery manufacturing	≈13,000	Chief Purchasing Officer (Og1)	
Bath	Belgium	Ceramic products manufacturing	≈10,000	Chief Purchasing Officer (Bh1)	
Tire	Italy	Rubber products manufacturing	≈34,000	Purchasing Manager (Ti1) Category manager (Ti2)	
Mine	Sweden	Mining machinery manufacturing	≈50,000	Purchasing Manager (Mi1)	
Phone	UK	Telecommunication services	≈8,000	Head of Supply Chain (Ph1)	
Whitegoods	USA	Household goods manufacturing	≈11,000	Purchasing Manager (Wh1) New Product Manager (Wh2)	
BigBen	USA	Civil engineering construction	≈20,000	Country Chief Purchasing Officer (Bb1) Procurement field manager (Bb2)	

Note(s): ¹In the following, quotes will be reported with the code associated to each interviewee

Source(s): Created by authors

Table 2.
Case companies included in the sample

relationship with the company's top management and other departments; (7) the main practices implemented by purchasing and the evaluation of purchasing's contribution to company success; and (8) the development plans the company had designed for purchasing.

Given the strategic nature of the questions and the nature of the information to be gathered, we sought interviewees who were directly involved in and knowledgeable about key corporate strategic processes. Depending on the organizational structure of the companies, these interviews included executives and managers (e.g. Head of Supply Chain, Chief Purchasing Officer, Head of Purchasing, Senior Purchasing Manager). When feasible, we also conducted interviews with category managers to augment the analysis. The diversity of sources provided a comprehensive understanding of the topic and ensured the validity of the content. In the supplementary materials ([Appendix 1](#)), we provide preliminary information for each of the eleven cases.

The interviews and data collection were recorded with permission over a three-year period (2014–2017). Due to the volume of information to be gathered, each informant was interviewed multiple times (always on-site) for a total of three to four hours per case. Observations on-site were crucial for gaining insight into the purchasing department's physical organization, interaction with other departments, overall infrastructure, company culture and atmosphere. Following the initial data analysis, meetings, phone calls and emails were used in each instance to fill in gaps and request additional clarifications. To achieve information triangulation and ensure reliability, additional documents were collected from each company. This documentation included annual reports for external accountability as well as internal documents associated with purchasing strategy planning and execution processes (e.g. SWOT analysis, technology roadmaps, purchasing statements included in corporate reports), organization (e.g. organizational charts),

processes (e.g. workflow diagrams, purchasing competence mapping) and procedures (e.g. purchasing policy manuals).

3.2 Data coding and analysis

The interviews were initially transcribed by two independent researchers. Four researchers then established the coding scheme. First-order themes were determined by the theoretical framework presented in [Figure 1](#), and second-order themes were coded in accordance with previous literature concepts. Specifically, purchasing competitive priorities were distinguished between cost and differentiation ([González-Benito, 2010](#)), purchasing practices were distinguished between internal and external ([Foerstl et al., 2016](#)), and strategic purchasing was coded based on the level of strategic planning, maturity, status and reporting level of the purchasing organization (according to the definitions included in [Table 1](#)). In accordance with prior conceptualizations of environmental uncertainty (e.g. [Lee, 2002](#); [Qi et al., 2011](#); [Sogaard et al., 2019](#)), we coded this dimension based on what the interviewees said about demand (e.g. customer demand fluctuations, delivery lead time variability, changes in the breadth of product variety, stock out and obsolescence risks) and supply uncertainty (e.g. supplier quality risks, supplier disruption risks, switching costs for suppliers of critical goods and services, and available suppliers' production capacity). To code the level of perceived purchasing efficacy, we asked interviewees to describe the purchasing organization's contribution to value creation ([Baier et al., 2008](#)). In the supplementary materials ([Appendix 2](#)), we show the coding scheme used to analyze each case.

The case data were subsequently analyzed using within-case and cross-case methods. First, we analyzed each company separately and organized the case information according to the previously described coding scheme. Second, we performed cross-case analyses to identify theoretically significant similarities and differences pertaining to the coded themes. Finally, we used pattern-matching and explanation-building techniques ([Yin, 2014](#)) to identify distinct types of purchasing strategies and to theorize about the interrelationships between perceived environmental uncertainty, types of purchasing strategies and strategic purchasing. At the conclusion of the research project, the final case profile and preliminary study results were shared with company informants to further validate the data collection and analysis.

4. Typologies of purchasing strategies

[Table 3](#) summarizes the characteristics of the cases regarding the strategic intent of purchasing (i.e. the competitive priorities) and the main practices implemented.

The analysis of case study data revealed that distinct purchasing strategies led to distinct combinations of purchasing practices in order to achieve their desired competitive priorities.

In three cases—Banky, Mine and Food—the primary objective of the purchasing department was to track and optimize the purchasing process and maintain cost control. In these situations, interviewees emphasized the significance of a high degree of purchasing procedure formalization, supplier selection based on competition and price reductions over time, and periodic spend analysis for control purposes. E-procurement technologies were also deemed essential for standardizing, automating and controlling purchasing operations. In these cases, local sourcing was favored over global sourcing when prices were comparable due to lower transaction costs, and collaboration with suppliers was uncommon and primarily aimed at cost reduction.

This is very much focusing on spending governance and process efficiency [...] This allows standardization on the execution of activities and identification of purchases synergies and rationalization (Ba1).

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	Purchasing strategic intent (competitive priorities)	Relevant purchasing practices adopted	
		Focused on internal stakeholders	Focused on external stakeholders
Banky	<ul style="list-style-type: none"> Containing the purchasing costs Reducing the administrative costs 	<ul style="list-style-type: none"> Supplier relationships focused on price and cost reduction 	<ul style="list-style-type: none"> Standardization of purchasing process activities Ad-hoc spend analysis and analytics/optimization techniques
Mine	<ul style="list-style-type: none"> Containing the purchasing costs Reducing the administrative costs 	<ul style="list-style-type: none"> Standardization of purchasing process activities and high formalization of procedures 	<ul style="list-style-type: none"> Supplier integration in production activities limited to "historical" suppliers Local sourcing for direct material and services
Food	<ul style="list-style-type: none"> Containing the purchasing costs Reducing the administrative costs 	<ul style="list-style-type: none"> Monthly spend analysis and optimization Integration and coordination with Marketing 	<ul style="list-style-type: none"> Supplier relationships focused on price and operational improvements (e.g. inventory optimization) Few collaborations, limited to inventory management with suppliers with big spending
Phone	<ul style="list-style-type: none"> Containing the purchasing costs Finding solutions in line with external market demand (limiting the proliferation of supplier relationships) 	<ul style="list-style-type: none"> Spend analysis and analytics/optimization techniques Integration and coordination with Marketing 	<ul style="list-style-type: none"> Supplier relationships focused on price and operational improvements (e.g. inventory optimization) Global sourcing for strategic categories
BigBen	<ul style="list-style-type: none"> Managing the internal demand efficiently and effectively Finding solutions that contribute to costs reduction but without compromising the quality 	<ul style="list-style-type: none"> Pooling of demand across projects thanks to integration with projects Total cost of ownerships and total price evaluation for supplier selection 	<ul style="list-style-type: none"> Operational collaborations with high-volume/high-value suppliers Supplier development for HSE certifications
Railway	<ul style="list-style-type: none"> Managing the internal demand efficiently and effectively Finding solutions that effectively contribute to product quality 	<ul style="list-style-type: none"> Pooling of demands across products Standardization of sourcing practices across regions Spend analysis and analytics/optimization techniques 	<ul style="list-style-type: none"> Global sourcing for main commodities Operational and technological collaborations with strategic and "high potential" suppliers
Bath	<ul style="list-style-type: none"> Finding solutions that effectively contribute to product quality (limiting the proliferation of supplier relationships) 	<ul style="list-style-type: none"> Total cost evaluation for supplier selection Integration between different purchasing offices Integration and alignment between different purchasing offices 	<ul style="list-style-type: none"> Supply base analysis and rationalization for low-spend suppliers Global + local sourcing approach for strategic goods/services for risk management Supplier involvement in new product development

(continued)

Table 3.
Case characteristics:
purchasing
competitive priorities
and purchasing
practices

	Purchasing strategic intent (competitive priorities)	Relevant purchasing practices adopted	
		Focused on internal stakeholders	Focused on external stakeholders
House	<ul style="list-style-type: none"> Finding solutions that effectively contribute to product quality and innovation, and company sustainability (innovation and sustainability can justify extra-costs) Managing the internal demand efficiently 	<ul style="list-style-type: none"> Spend analysis and analytics/optimization techniques Strong integration and coordination with technical departments for specification redesign 	<ul style="list-style-type: none"> Global sourcing – especially for suppliers of high-tech components Use of several forms of partnership with suppliers (e.g. collaborative innovation and supplier development) Collaborative design of performance measures
OGC	<ul style="list-style-type: none"> Finding solutions that effectively contribute to product quality and innovation (innovation can justify extra-costs) Managing the internal demand efficiently 	<ul style="list-style-type: none"> Pooling of demand across projects with similar characteristics Cross-functional integration and coordination with several other departments 	<ul style="list-style-type: none"> Mix of global vs. local sourcing decisions Partnership with suppliers through supplier integration through information sharing, just-in-time deliveries and optimization of on-site inventory (risk management) Supplier cost-reduction programs
Whitegoods	<ul style="list-style-type: none"> Finding solutions that effectively contribute to product quality and innovation, following production needs (innovation can justify extra-costs) 	<ul style="list-style-type: none"> Real-time spend analysis Total cost supplier selection and evaluation 	<ul style="list-style-type: none"> Global sourcing (based on total cost evaluations) Supplier involvement in new product development, especially for strategic components and parts Designed of customized supplier development programs (improvement of production practices) Reward and incentives programs for supplier performance improvement
Tire	<ul style="list-style-type: none"> Finding solutions that effectively contribute to product quality and innovation, and company sustainability, supporting production needs (innovation and sustainability can justify extra-costs) 	<ul style="list-style-type: none"> Total cost of ownership evaluations Spend analysis 	<ul style="list-style-type: none"> Global sourcing and search for best-in-class suppliers of raw materials Supplier development on sustainability and Corporate Social Responsibility aspects Collaboration with strategic suppliers both in production and innovation activities Collaborative design of performance measures

Table 3. Source(s): Created by authors

Our systems allow us to collect and analyze data, having the possibility to identify efficiency opportunities in spend management (Mi1)

We invest in new technologies to monitor transactions with suppliers and automatically produce real-time reporting (Fo1)

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In both the Mine and Food cases, few high-spending suppliers participated in inventory management improvement collaborations (through, e.g. Vendor Managed Inventory or Consignment stock).

Although cost reduction remained a priority in the Phone case, the need to be responsive to internal customers' requests shifted the emphasis to supplier relationships, with the goal of developing a "*few, value-adding relationships*" while seeking efficiency with other suppliers. This resulted in the implementation of new purchasing practices, such as cross-functional integration with the Marketing department and the use of global sourcing to find strategic goods and services suppliers. Increased information sharing and visibility through collaboration were used to reduce supplier production and inventory costs for these strategic suppliers.

In the case of Bath, purchasing collaborated with a small number of key suppliers to deliver innovative and high-quality final products. To prevent a decentralized structure from resulting in an excessive number of active suppliers, purchasing offices "*communicated frequently to share best practices and major sourcing decisions for strategic items.*" These offices performed an integrated analysis of the supply base every six months to identify low-spend suppliers (and eliminate them). To reduce the risk of supply disruptions for strategic goods and services, a combination of global and local suppliers was typically selected based on total landed costs.

In addition to optimizing supplier relationships, BigBen and Railway had to "*align the purchasing function with other internal departments*" (Ra1) and "*support field operations from around the world*" (Bb2). In these cases, purchasing was configured as an internal department service. As a result, purchasing employees prioritized close collaboration with other departments to enhance the purchasing process's effectiveness in managing internal demand. To better understand and meet internal needs, practices such as pooling demand across projects and products and conducting requirement analyses were implemented.

Savings are obtained through requirements standardization or specification redesign; [...] to buy products and services that are 100% in line with internal needs, we need to understand what the technical requirements are [...] through cross-functional sourcing teams and higher internal integration mechanisms (Bb1).

Optimizing demand management can create opportunities for supplier relationship development. Purchasing departments, for instance, have chosen to work selectively with high volume and/or high potential suppliers to optimize inventory and transportation activities, improve capabilities in key areas such as health, safety, and the environment, and reduce costs. These initiatives afforded a competitive advantage in terms of cost savings and process efficiency (BigBen) or quality enhancements (Railway). By establishing strong relationships with these suppliers, companies were able to negotiate more favorable terms, enhance communication and collaboration, and ultimately boost the efficiency and effectiveness of their supply chain operations.

An efficient supply base management allows us to focus on the development of the relationships with the most important suppliers (Ra1).

In four cases — House, OGC, Whitegoods and Tire — purchasing departments have the lofty objective of establishing a supply base that includes market leaders as suppliers, especially for critical supplies. To accomplish this, these companies implement sophisticated global sourcing models that require an in-depth understanding of the supply market and initiate numerous collaborations to maximize the value creation from supplier relationships. When

deciding on a supplier, these businesses consider the total cost of ownership, not just the purchase price.

In the cases of the House and the OGC, balancing the specific requests of internal customers with strategic supplier decisions necessitates strong departmental integration and communication.

Having a strategic role for the company, purchasing is requested to focus on supplier collaborations – especially targeting the new product development process – or supplier development activities with the aim of achieving mutual benefits [...] These initiatives are always agreed first with Production (Ho1).

Designing strategic relationships with suppliers is crucial for project success [...] as technologically complex parts are critical to be integrated on the project site and materials and parts need to be delivered where and when is needed, working with project managers is necessary to contribute to product quality and timely production [...] (Og1).

In the cases of Whitegoods and Tire, it is essential to engage with “best-in-class” suppliers, even if this necessitates placing these relationships above internal requirements. These organizations form multi-sided partnerships with their strategic suppliers, which may include supplier development programs, operational integration and/or participation in new product development projects. This strategy can result in higher transaction costs and relationship risks; therefore, these companies also employ external practices such as risk and benefit-sharing mechanisms, collaborative design of performance measurement systems and incentive programs to mitigate these risks.

4.1 The typologies of purchasing strategies

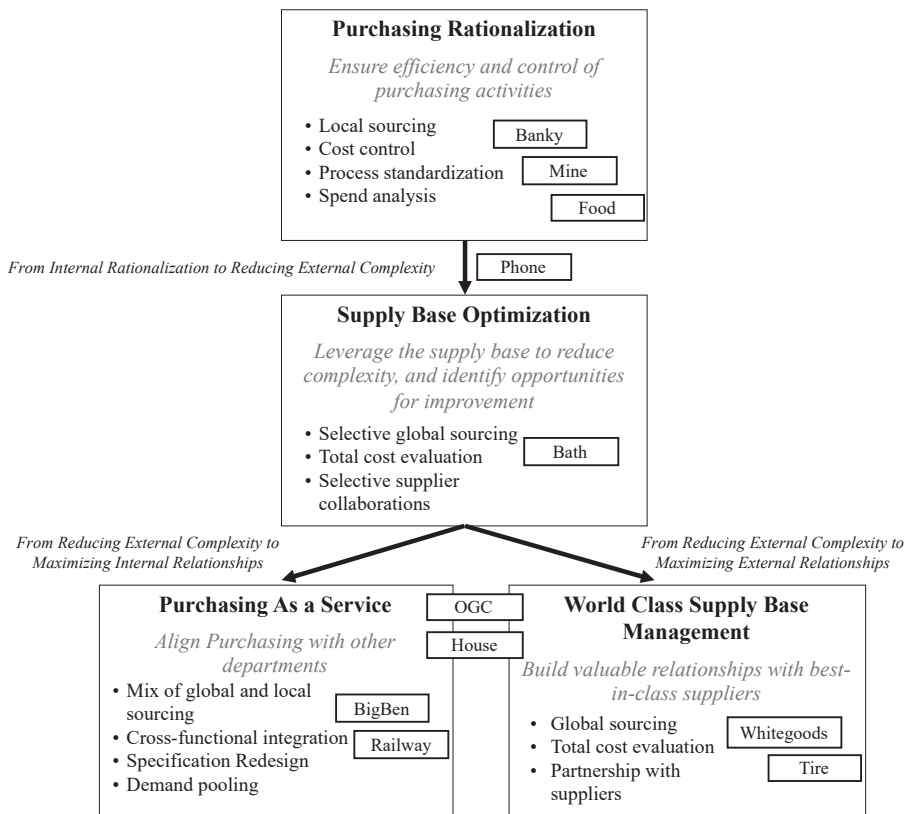
Our cases indicate that companies with different purchasing competitive priorities implement distinct combinations of practices. The combination of these elements is what differentiates their purchasing strategies from others.

These strategies can be categorized based on two dimensions: the importance of stakeholders and the purpose of purchasing activities. On the one hand, companies can be distinguished by whether they prioritize internal stakeholders (in terms of improving internal processes and managing internal demand) or external stakeholders (their suppliers). On the other hand, companies can be differentiated based on whether their objective is to reduce complexity or to build relationships, either internally (among departments or business units) or externally (with suppliers).

As shown in [Figure 2](#), this classification yields four purchasing strategy typologies.

The objectives of the *Purchasing Rationalization (PR)* strategy are to control spending, obtain savings and execute the purchasing process efficiently ([Ellram and Tate, 2021](#)). Local sourcing, price-based supplier selection and evaluation, formalization and standardization of purchasing procedures across locations, and structured spend analysis are practices that support this strategy ([Schiele, 2007](#)). In Banky, Mine and Food, the strategic intent of purchasing is to minimize complexity by prioritizing internal stakeholders.

Once an organization's ability to analyze and manage its spending has matured, we have observed cases in which the purchasing strategy shifts its emphasis to Supply Base Optimization (SBO). This includes reducing the number of active suppliers to consolidate volumes and increase bargaining power, as well as reducing supply base management costs while focusing on developing relationships with a small number of critical suppliers ([Gelderman and Semeijn, 2006](#); [Ateş and Memiş, 2021](#)). Alternatively, if existing suppliers perform poorly, it may be necessary to seek out new ones. This strategy appears to involve practices such as supplier selection and evaluation based on total landed costs, cost-effective global sourcing and selected supplier partnerships. Bath is a firm that adopts this external



Source(s): Authors' elaboration

Figure 2.
Evolution of
purchasing
strategy types

rationalization strategy in its entirety. Phone, on the other hand, is a hybrid case because, at the time of data collection, the company was transitioning from an internal to an external rationalization focus, exhibiting characteristics of both PR and SBO strategies.

When companies have good control over their purchases and a mature strategy for optimizing their supply base relationships, the purchasing organization can move beyond a focus on reducing complexity and adopt one of two additional strategies.

On the one hand, purchasing can adopt a service orientation toward other internal units (*Purchasing as a Service – PaaS*), where the primary objective of the purchasing organization is to support the needs of internal departments in terms of the nature of their demand and continuity of supply (Andreasen and Gammelgaard, 2018). To accomplish this, internal collaboration is required to understand user needs, which may involve identifying opportunities for demand pooling as opposed to customization. This strategy is characterized by cross-functional sourcing teams, requirements analyses, and a combination of global and local supplier selection. BigBen and Railway are two examples of purchasing organizations that place emphasis on internal relationships and the capacity to manage user requests at the expense of efficiency. Ultimately, the effectiveness of purchasing depends on the ability to maximize internal stakeholders' responsiveness and satisfaction.

On the other hand, there are situations in which the emphasis is on external relationships and integration, and the purchasing organization is strongly committed to establishing long-term relationships with strategic, best-in-class suppliers (Gelderman and Semeijn, 2006). This strategy is known as *World Class Supply Base Management (WSBM)*. In contrast to the SBO strategy, which aims to reduce managerial complexity and costs by rationalizing the number of supplier relationships, the primary objective for purchasing in this situation is to establish partnerships with leading supplier companies by continuously searching the global supply market, evaluating new and current suppliers using a total cost approach, and designing collaboration plans. While Whitegoods and Tire are examples of purchasing organizations solely focused on building an external relationship network with these characteristics, BeEnergy and OGC are examples of organizations where internal demand management continues to influence supplier relationship decisions. Therefore, they employ a combination of PaaS and WSBM-based practices.

Figure 2 suggests another case data aspect. First, as we saw companies adopting basic PR strategies and others adding more mature ways for purchasing to create value, the four strategies may evolve. PR is the simplest purchasing strategy, focusing on cost reduction, spending governance and process efficiency. Controlling internal costs leads to rationalizing external relationships. SBO extends internal efficiency to supplier relationship management and complexity reduction. At this point, the focus may shift to strategic relationship development internally (PaaS), externally (WSBM), or both. However, companies and their purchasing organizations still use PR and SBO efficiency practices, but relationship value development takes priority over cost reduction.

5. The role of the external and internal context

Table 4 summarizes the characteristics of the cases in terms of perceived environmental uncertainty, strategic purchasing level and purchasing effectiveness. In the supplementary materials (Appendix 3), we provide a more comprehensive coding of each case along these dimensions. The specific patterns between these elements and purchasing strategy choices are discussed in the following sub-sections.

5.1 External context: how do purchasing strategies align with the level of perceived environmental uncertainty?

Our cases also show that external contingencies affect purchasing strategy (Lee, 2002; Gadde and Wynstra, 2018; Sogaard et al., 2019).

Banky, Food and Mine are examples of companies that perceive low uncertainty in their supply chains, because of slow production technology evolution, and low supply quality and delivery variability. Stability allows these companies to maintain supply base continuity and supplier relationships while also prioritizing cost and efficiency in their purchasing strategies (Rozemeijer et al., 2003). For these reasons, they all conveniently employ a PR strategy to help control and reduce purchasing costs. The perceived level of uncertainty in the Phone and Bath cases is higher than in the previous ones. Phone, for example, must deal with the frequent evolution of infrastructure technologies as well as variations in customer demand for telecommunication services (which requires purchasing to manage structural changes in the supply network). In Bath, the perceived uncertainty is primarily on the supply side, with potential disruptions resulting in critical component shortages. Both companies have mature capabilities for managing these uncertainties, so they use more SBO-type strategies to optimize relationships within their existing supply base and find solutions to deal with uncertainties.

BigBen, Railway, BeEnergy, OGC, Whitegoods and Tire supply chains, on the other hand, face higher levels of environmental uncertainty due to frequent changes in material/component/final product functionalities and technologies, supplier characteristics, and

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing			Reporting level	Purchasing efficacy
		Strategic planning	Maturity	Status		
Banky Low demand and supply uncertainty	PR	<ul style="list-style-type: none"> Low involvement in strategic corporate processes Administrative department as a reference for purchasing objectives Focus on short-term operational objectives 	<ul style="list-style-type: none"> Fully centralized structure (11 people) Focus on technical skills Low integration with other departments Medium responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Low strategic department Low recognition from other departments Low involvement in improvement initiatives 	Staff	<ul style="list-style-type: none"> Value creation is on cost control and efficiency Full alignment with competitive priorities
Mine Low demand and supply uncertainty	PR	<ul style="list-style-type: none"> Low involvement in strategic corporate processes Line department as a reference for purchasing objectives Focus on short-term operational objectives 	<ul style="list-style-type: none"> Hybrid structure (7 people in the central office) Focus on technical skills Low integration with other departments Low responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Low strategic department Low recognition from other departments Medium involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and efficiency Full alignment with competitive priorities

(continued)

Strategic intent and strategic purchasing

Table 4.
Case characteristics: perceived environmental uncertainty, strategic purchasing and purchasing efficacy

Table 4.

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing			Reporting level	Purchasing efficacy
		Strategic planning	Maturity	Status		
Food	PR	<ul style="list-style-type: none"> Low involvement in strategic corporate processes Line department as a reference for purchasing objectives Focus on short-term operational objectives 	<ul style="list-style-type: none"> Fully centralized structure (8 people) Focus on technical skills Low integration with other departments Low responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Low strategic department Low recognition from other departments Low involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and efficiency Full alignment with competitive priorities
Phone	Mix of PR and SBO	<ul style="list-style-type: none"> Low involvement in strategic corporate processes Line department as a reference for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Hybrid structure (7 people in the central office) Focus on technical skills Low integration with other departments Low responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Medium strategic department Medium recognition from other departments High involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and efficiency Full alignment with competitive priorities

(continued)

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing			Reporting level	Purchasing efficacy
		Strategic planning	Maturity	Status		
BigBen Medium supply and demand uncertainty	PaaS	<ul style="list-style-type: none"> Medium involvement in strategic corporate processes Corporate strategy and a line department as references for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Decentralized structure (20 people in each business unit) Focus on technical, soft and decision-making skills High integration with other departments Medium responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Medium strategic department Medium recognition from other departments High involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and demand management Full alignment with competitive priorities
Railway High supply uncertainty; medium demand uncertainty	PaaS	<ul style="list-style-type: none"> Medium involvement in strategic corporate processes Different line department as references for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Decentralized structure (17 people in each business unit) Focus on technical skills High integration with other departments Low responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Medium strategic department Medium recognition from other departments Medium involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and efficiency Partial alignment with competitive priorities

(continued)

Strategic intent and strategic purchasing

Table 4.

Table 4.

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing			Reporting level	Purchasing efficacy
		Strategic planning	Maturity	Status		
Bath Medium supply uncertainty; low demand uncertainty	SBO	<ul style="list-style-type: none"> Medium involvement in strategic corporate processes Corporate strategy and a line department as references for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Decentralized structure (65 people in total) Focus on technical skills High integration with other departments Low responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> Medium strategic department Medium recognition from other departments High involvement in improvement initiatives 	2nd level	<ul style="list-style-type: none"> Value creation is on cost control and demand management Partial alignment with competitive priorities
House High supply and demand uncertainty	Mix of PaaS and WSBM	<ul style="list-style-type: none"> Medium involvement in strategic corporate processes Line department as a reference for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Fully centralized structure (15 people) Focus on technical, soft and decision-making skills High integration with other departments Medium responsibilities for supplier relationship management aspects 	<ul style="list-style-type: none"> High strategic department High recognition from other departments High involvement in improvement initiatives 	1st level	<ul style="list-style-type: none"> Value creation is on differentiation and quality excellence Partial alignment with competitive priorities

(continued)

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing	Maturity	Status	Reporting level	Purchasing efficacy
OGC	Mix of PaaS and WSBM	<ul style="list-style-type: none"> Medium involvement in strategic corporate processes Different line department as references for purchasing objectives Focus on medium-term tactical objectives 	<ul style="list-style-type: none"> Mostly centralized structure (25 people in the central office) Focus on technical and soft skills High integration with other departments High responsibility for supplier relationship management aspects 	<ul style="list-style-type: none"> High strategic department Medium recognition from other departments High involvement in improvement initiatives 	1st level	<ul style="list-style-type: none"> Value creation is on differentiation and quality excellence Partial alignment with competitive priorities
Whitegoods	WSBM	<ul style="list-style-type: none"> High involvement in strategic corporate processes Corporate strategy and a line department as references for purchasing objectives Focus on long-term strategic objectives 	<ul style="list-style-type: none"> Mostly centralized structure (14 people in the central office) Focus on technical, soft and decision-making skills High integration with other departments High responsibility for supplier relationship management aspects 	<ul style="list-style-type: none"> High strategic department High recognition from other departments High involvement in improvement initiatives 	1st level	<ul style="list-style-type: none"> Value creation is on differentiation and quality excellence with optimal management of the internal demand Full alignment with competitive priorities

(continued)

Strategic intent and strategic purchasing

Table 4.

Table 4.

Perceived environmental uncertainty	Purchasing strategy type	Strategic purchasing	Maturity	Status	Reporting level	Purchasing efficacy
High supply and demand uncertainty	WSBM	<ul style="list-style-type: none"> High involvement in strategic corporate processes Corporate strategy and a line department as references for purchasing objectives Focus on long-term strategic objectives 	<ul style="list-style-type: none"> Centralized structure (37 people in the central office) Focus on technical, soft and decision-making skills High integration with other departments High responsibility for supplier relationship management aspects 	<ul style="list-style-type: none"> High strategic department from other departments High involvement in improvement initiatives 	1st level	<ul style="list-style-type: none"> Value creation is on differentiation and quality excellence with optimal management of the internal demand Full alignment with competitive priorities

Source(s): Created by authors

customer requirements and demand. As a result, in order to remain competitive, these organizations must prioritize multiple aspects in their purchasing strategies.

[...] Purchasing should be the source of competitive advantage by delivering top of the edge sourcing solutions with high performing suppliers, creating sustainable added value for the business (Wh1)

Our purchasing department needs to promote best practices and purchase services and goods to support effectively and efficiently day-to-day operations [...] in the long-term, it is our responsibility to ensure a world-class supply base to achieve the best value, quality, and sources of innovation, in line with market requirements (Ti1)

Purchasing objectives include the provision of winning and up-to-date solutions for production and other internal customers [...] and always with the maximum service within the agreed time (Bh1)

While efficiency is still important in these cases, it is not the top priority. Instead, purchasing's expected contribution becomes more nuanced, necessitating more advanced purchasing strategies (González-Benito, 2010).

The management expects us to be better than competitors in all the aspects of the purchasing process [...] this means that we have to look for goods and services sourced from innovative suppliers and deliver them at the best quality, time, and cost, always with integrity (Ho1)

This transition may entail shifting from rationalization strategies to relationship-focused strategies, with an internal focus (as in BigBen and Railway), an external focus (as in Whitegoods and Tire) or a combination of the two (as in House and OGC). Our findings suggest that companies with higher levels of environmental uncertainty in their supply chains have higher expectations for purchasing's contribution to value creation, necessitating more complex purchasing strategies in order to achieve efficacy. Based on our findings, we propose the following propositions:

Proposition 1.1. In organizations with low levels of perceived environmental uncertainty, purchasing is expected to create value through rationalization strategies, such as PR and SBO.

Proposition 1.2. In organizations with high levels of perceived environmental uncertainty, purchasing is expected to create value through relational strategies, such as PaaS and WSBM.

5.2 Internal context: how does strategic purchasing affect purchasing efficacy?

Not all companies are able to achieve the same level of effectiveness in their purchasing strategies. Our cases suggest that different requirements for strategic purchasing may explain these differences (Zsidisin *et al.*, 2003; Úbeda *et al.*, 2015).

Companies implementing pure PR strategies (such as Banky, Mine and Food) may not have highly strategic purchasing departments, but they still successfully deliver value through their PR strategies by prioritizing cost and increasing supplier competition to achieve savings. As many interviewees reported, top management recognizes the effectiveness of purchasing in meeting these objectives in these cases:

We don't have high visibility within the company, and we mostly interact with Marketing [...] we are asked to generate high savings from supplier relationships for getting the best result, and this is what we do every year (Fo1)

For sure, we are not the most important department [...] we have [a] fair amount of resources and skills to buy what our internal customers need always within the budget limits, although not everyone recognizes that (Ba1)

Due to its involvement in new product design and development projects and stronger interaction with manufacturing, purchasing at Mine is more mature and influential than at Banky and Food. However, purchasing's ability to execute a PR strategy and deliver expected value is comparable to the other cases.

This result suggests that regardless of the level of strategic purchasing, when purchasing's competitive priorities are solely focused on cost reduction and savings, it can effectively execute its strategy and create value. Therefore, we propose the following proposition:

Proposition 2.1. For a PR strategy, a high level of strategic purchasing is not a necessary condition to maximize value creation and efficacy.

Adequate purchasing resources, access to corporate information and strong integration with other departments (such as Marketing) are critical factors in enabling purchasing to create value and be effective in the case of Phone, which employs a combination of PR and SBO strategies. According to one of the informants:

Some things are improvable, but purchasing is in a very good position. They have everything they need to buy at the right price, and satisfy the internal demand on time and with satisfaction (Ph1)

Bath's pure SBO strategy allows the purchasing organization's decentralized structure to control spending and optimize costs within local production sites. This structure, combined with a lack of integration between different plants, makes identifying shared requirements and configuring optimized supplier relationships difficult. This issue, along with an overemphasis on cost and savings, impedes Bath's purchasing organization's ability to design and implement collaborative initiatives with strategic goods and services suppliers. In this case, it appears that the "lack of maturity" is preventing purchasing from effectively executing the intended SBO strategy and creating value in line with competitive priorities.

According to our findings, as purchasing moves toward an SBO strategy, an increase in strategic purchasing, particularly in terms of purchasing maturity, can improve efficacy. Therefore, we propose the following proposition:

Proposition 2.2. For an SBO strategy, a high level of purchasing maturity is a desired condition to maximize value creation and efficacy.

The evidence becomes more nuanced when we focus on cases that use a PaaS strategy. The purchasing organization at BigBen, which follows a pure PaaS strategy, has a high level of strategic planning and status. This serves as an employee motivator, a facilitator when interacting with internal customers, and, ultimately, a driver of successful value creation. According to one of the company informants:

Even within a decentralized structure, through integration and communication efforts, my department has always been able to support project requests effectively [. . .] this was essential to gain recognition as an equal partner by other functions and being systematically consulted in corporate decisions (Bb1)

Another interviewee said:

Our company hired great people and invested in developing their skills, to give them the ability to deal with technical matters [. . .] we touch base daily with headquarters and project operations, and our department is respected for that [. . .] in the end, our job is to not spend a dollar more than the project budget, without compromising time and quality, and project managers are happy about how we handle this challenge (Bb2).

Railway, on the other hand, follows a pure PaaS strategy but lacks sufficient strategic planning and status in its purchasing organization, limiting its ability to create value.

Railway has a decentralized structure, with purchasing offices located at various manufacturing sites, effectively supporting local needs. However, due to a lack of integration and visibility on business needs and global demand, this structure prevents the organization from forming appropriate partnerships with strategic suppliers and achieving the desired quality levels. This is due in part to complex internal demand management processes, which undermine purchasing's ability to aggregate purchase volumes, reducing its attractiveness to leading suppliers. It is also as a result of a lack of purchasing capabilities to manage supplier interfaces:

[. . .]in the end, production and engineering end up dealing directly with suppliers, and their requests are usually very difficult and uncoordinated, making suppliers unsatisfied and not happy to work with us in the long run (Ra1).

The purchasing organization generates value in the cases of House and OGC (which use a hybrid PaaS-WSBM strategy) by providing quality and innovative solutions through collaborative relationships with strategic suppliers. However, they do so inefficiently, as attempting to balance internal and external needs results in additional costs and out-of-control spending.

House's purchasing department has some strategic purchasing strengths, such as a centralized structure, strong integration with other departments, and skilled resources. Its limited efficacy can be attributed to two factors: shared ownership of supplier relationships with production and other technical departments, as well as limited participation in strategic planning, which reduces visibility and recognition from other departments. Similar issues exist in the OGC case, reducing the purchasing organization's ability to manage internal demand in an integrated and aligned manner.

One of our informants stated:

We are good in choosing the best possible partners, in line with the company strategy [. . .] our decisions strongly depend on production opinion, and sometimes we end up not picking the most efficient option [. . .] we could contribute more to saving money and increasing quality, but most of the time we are not given the opportunity to do so (Ho2)

Our analysis of cases implementing a PaaS strategy suggests that as purchasing evolves toward this strategy, a higher level of strategic purchasing is required. Having high strategic planning as well as maturity appears to be a necessary condition for achieving purchasing efficacy. Therefore, we propose the following proposition:

Proposition 2.3. For a PaaS strategy, high levels of purchasing strategic planning and status are necessary to maximize value creation and efficacy.

Tire and Whitegoods provide additional evidence of purchasing efficacy when WSBM strategies are used. Both companies have strategic purchasing organizations that report directly to the CEO, are heavily involved in strategic planning, make the majority of supplier relationship decisions, are well-integrated with other departments, and have adequate resources and advanced technologies. Under these conditions, purchasing can scout for best-in-class suppliers and provide quality solutions to internal departments, which directly contribute to differentiating the companies from their competitors and effectively generating the expected value.

According to one of the interviewees:

Purchasing always focus[es] on innovative ways to find the right number of suppliers for each purchasing category, establish partnerships where needed, and provide the best supply, without exceeding the budget (Wh2)

In these cases, the concurrent presence of high strategic planning, maturity, status and report level allows the purchasing organization to earn greater respect and credibility from other departments (which was an issue in House and OGC), which are open to collaborating with purchasing and solving complex decision-making trade-offs.

This implies that having a high level of strategic purchasing across all of its sub-components (strategic planning, maturity, status and report level) is a necessary condition for achieving purchasing efficacy when purchasing shifts to a WSBM strategy. Therefore, we propose the following proposition:

Proposition 2.4. For a WSBM strategy, a high degree of strategic purchasing (across all the sub-components) is necessary to maximize value creation and efficacy.

6. Conclusions: main contributions and future developments

Our examination of 11 multinational corporations involved in global supply chains allows us to improve the theoretical framework depicted in Figure 1 and presented in Figure 3.

The proposed purchasing strategy classification approach demonstrates how companies with different sets of competitive priorities use different sets of purchasing practices to achieve their goals. Unique purchasing strategies are defined by the combination of these two elements – competitive priorities and purchasing practices. The perceived level of environmental uncertainty influences the selection of the best purchasing strategies (and related practices). Stable environments, in particular, tend to push purchasing toward PR strategies, whereas unstable environments necessitate more advanced approaches, such as SBO, PaaS and/or WSBM. Obtaining purchasing efficacy does not appear to require a high level of strategic purchasing for basic PR strategies when implementing appropriate practices to execute a strategy. However, the various components of strategic purchasing (i.e. strategic planning, maturity, status and report level) play different roles and have different levels of importance in the context of SBO, PaaS and WSBM strategies.

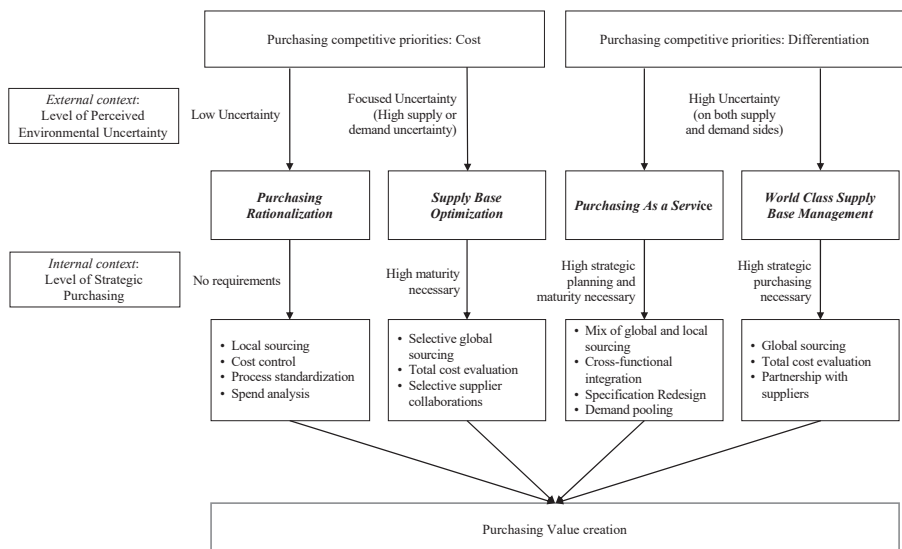


Figure 3. Purchasing strategies at the functional level: results of the study

Source(s): Authors' elaboration

These findings address the questions of what purchasing strategies are available at the functional level and are instrumental in understanding how internal and external factors influence strategic alignment. Both of these questions have received little attention in the PSM literature, but they are critical to our understanding of how purchasing managers can help their companies gain a competitive advantage. These insights also offer novel theoretical and managerial contributions, as well as a new understanding of how purchasing creates value.

6.1 Theoretical contributions

Our findings contribute to the theoretical understanding of purchasing strategies in three ways. First, we conceptualize and categorize purchasing strategies based on competitive priorities and corresponding practices. By empirically examining purchasing strategy types at the functional level, this paper fills a gap identified by previous literature (Hesping and Schiele, 2015) and extends existing works in the area of purchasing strategies that have either considered competitive priorities (Krause *et al.*, 2001; González-Benito, 2007, 2010) or practices (e.g. Baier *et al.*, 2008). We also demonstrate how these strategies can be used to achieve purchasing efficacy, which has previously been defined (simplistically) as the alignment of purchasing practices with purchasing objectives (Baier *et al.*, 2008; Yang *et al.*, 2013).

Second, we discuss how purchasing strategies should be aligned with both external and internal contexts in order to achieve efficacy (Gadde and Wynstra, 2018; González-Benito *et al.*, 2010). This paper builds on previous SCM research that examined supply chain strategies based on external contingencies but only partially considered their impact on the purchasing function (e.g. Fisher, 1997; Lee, 2002).

Finally, we contribute to the strategic purchasing literature (e.g. Carr and Smeltzer, 1997, 1999; Paulraj *et al.*, 2006; Ogden *et al.*, 2007) by conceptually distinguishing and connecting different components of strategic purchasing to purchasing's ability to execute strategy. Overall, our findings shed light on how purchasing strategies can be used to generate value and improve purchasing efficacy by aligning with external and internal contexts.

6.2 Managerial contributions

Figures 2 and 3 provide managers with clear guidance on potential purchasing strategies at the functional level, the related practices that characterize them, and how external and internal factors should be considered in purchasing strategy planning.

The four purchasing strategy typologies identified in this study – PR, SBO, PaaS and WSBM – provide a useful framework for understanding the various ways in which purchasing organizations can create value for their organizations through a combination of competitive priorities and objectives. PR focuses on cost reduction and process efficiency, with a focus on local sourcing, price-based supplier selection, and formalization and standardization of purchasing procedures. SBO aims to optimize the supply base by reducing the number of active suppliers and developing relationships with a few critical ones, using total landed cost supplier selection and evaluation, cost-effective global sourcing and selected partnerships with suppliers. PaaS prioritizes internal relationships and the ability to manage internal demand, using cross-functional sourcing teams, requirements analyses, and a mix of global and local supplier selection. WSBM focuses on building long-lasting relationships with strategic, best-in-class suppliers, using a total cost approach to supplier evaluation, continuous global sourcing and multi-faceted collaborations with suppliers.

This classification also suggests that there may be an evolutionary pattern among these strategies, with PR being the most basic and WSBM being the most advanced. However, it is important to note that this is not necessarily a linear progression, and companies may move between different strategies depending on their specific circumstances and objectives.

Additionally, it is possible for a company to adopt elements of multiple strategies simultaneously, as demonstrated by the hybrid cases in this study.

6.3 Limitations and future developments

This study has limitations that must be taken into account, but it does present opportunities for future research. First, it is essential to note that the purchasing strategies identified in this study are not mutually exclusive, and it is possible for a company to implement elements of multiple strategies simultaneously. This demonstrates the complexity and nuance of purchasing strategies, which are determined not by a single factor but by a combination of competitive priorities and purchasing practices. It is also important to note that a company's purchasing practices may differ based on its industry, business model and other contextual factors. The scope of this study was limited by the case study sample, which consisted of eleven multinational corporations with global supply chains. To increase the external validity of our study, for instance, future research should consider and analyze the process of purchasing strategy definition and implementation in the context of small- and medium-sized enterprises (SMEs), which were not included in our sample. While we believe that the key findings of this study may be applicable to SMEs and local supply chains, future research focusing specifically on this context may suggest conceptual modifications to the types of strategies, practices, and internal and external factors. Lastly, our qualitative exploratory research design cannot completely rule out possible biases associated with case selection, nor can it be considered proof of causality. Future research may employ a quantitative methodology to test the theoretical relationships we have identified.

Finally, our conceptualization of external and internal contingencies is limited to factors related to perceived demand and supply uncertainty and strategic purchasing. Other typical environment dimensions (such as environmental munificence and hostility, as well as political, economic, geographical and cultural factors) were not included in our interviews and analysis and should be evaluated in future research for their impact on and interaction with purchasing strategy decisions.

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Supplementary materials

The supplementary material for this article can be found online.

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