

Strategic Supply and the Management of Inter and Intra Organisational Relationships.

*Paul D Cousins
School of Management,
University of Bath,
U.K.*

*Robert Spekman
Darden Business School,
University of Virginia,
U.S.A.*

Abstract

As companies attempt to shed old habits and begin to view procurement as a strategic resource from which a competitive advantage can be gained, there is a great deal of corporate baggage that must be shed. More importantly, there is a new mindset that must be instilled both in procurement and across the firm. Strategic supply symbolizes the importance of enterprise wide thinking where functional units inside the firm and key suppliers from the firm's supply chain all work in concert to bring value to the marketplace. This paper presents data from the US and the UK that helps us better understand and address issues that are key to managing across an independent supply chain partners. We also address some of the barriers to implementing such a supply strategy. These barriers exist inside the firm as well between the firm at its key suppliers. Whilst we acknowledge that progress is being made but the data suggest that the journey is far from over.

Introduction and the Development of Purchasing

This paper uses research conducted on two continents (Europe and the USA) to gain insight into the evolution and development of strategic procurement, and its effect on the management of inter and intra firm relationships. The focus on procurement is based on the fact that firms are slowly acknowledging the value added capabilities of a function that is typically responsible for procuring assets that equal about 65% of the average manufacturing company's sales. To view procurement as a cost savings activity only is to sentence one's company to competitive failure.

Purchasing has long been thought of as the management of a firm's inputs i.e. raw materials, services and sub-assemblies, into the organisation (Burt and Soukup 1985; Farmer 1985; Dobler and Burt 1990). These goods and services have to be purchased from approved sources of supply and would have to conform to required quality levels and delivery schedules. It was Purchasing's job to make sure that this happens on time, to the required quality levels and at the cheapest price. This traditional purchasing model was based on the efficient management of the workflow of goods and services in support of the manufacturing activities of the firm. This view of purchasing, as a service department, performing predominantly a clerical role is rapidly changing (Farmer 1981; Kraljic 1983;; Caddick and Dale 1987; Reck and Long 1988; Ammer 1989; ; Lamming 1992; Burt and Doyle 1994; Dumond 1994; Nishiguchi 1994; Saunders 1994; Carr and Smeltzer 1999; Cousins 1999),

Purchasing in today's organisations, is often viewed as a dynamic, high profile job with a professional career path (Cousins 1992). Despite these gains and greater exposure among senior management, there is still a lack of strategic focus and many companies still fail to think, and act, beyond performance metrics that are based on price driven measures.

The objective of this paper is to explore how, why and to what purchasing is evolving. Our findings will suggest that firms are moving away from managing the flow of goods and services into the organisation, to the management of the supply process. The distinction is that the supply process permeates the entire organisation and takes responsibility for managing those resources that are held within the firm and which are outsourced. In addition, the supply process has relevance for the decisions guiding the firm's future competitive posture (see Cousins 2000). For example, if the firm decides that it is no longer an assembler, it is now a design house (which has become apparent across a range of industries such as aerospace, automotive and retail) then the supply structure will have to change to facilitate this strategic move. Beyond the discussion to determine the core competence of the firm, its focus would be more on finding, developing and leveraging external resources to help achieve the goals of the firm.

Supply management is, therefore, concerned with the flow of goods and services through the organisation with the aim of making the firm more competitive. Ultimately, the goal is to contribute to end-use customer satisfaction. To achieve such objectives involves not only purchasing goods and services at competitive prices, but focusing on cost reduction techniques, improving cycle times and reducing time-to-market. In addition, procurement activities will lead in the development of its supply base to ensure that its suppliers are world class and that it can leverage their skills and capabilities bring value to the marketplace. As customers face pressures in their markets, they have demanded that their suppliers provide a set of value adding attributes and capabilities that enable them both to gain a competitive advantage.

Forces of Change for Purchasing to become strategic

The need to be increasingly competitive, flexible and efficient has been exacerbated by the global village phenomenon. Now the comparison point is ascertained by benchmarking with the best in the world. In addition, recent economic problems have led firms to look at their entire value chain. It was clear in the late 1980s that inefficiencies in production and the management of supply could not be passed onto the customer in the form of increased prices. In order for firms to truly compete on a global basis they must not think that they are protected from events that occur in other parts of the world. Companies need to compete on a global basis for resources, markets and talent. The ability to move production and sourcing around the globe is a key source of real competitive advantage. Virtual firms are not an illusion and have replaced the bureaucratic vertically integrated company. Companies do not compete manufacturer to manufacturer, the true competitive battle occurs supply chain to supply chain. A Company is as strong as its weakest supply chain partner.

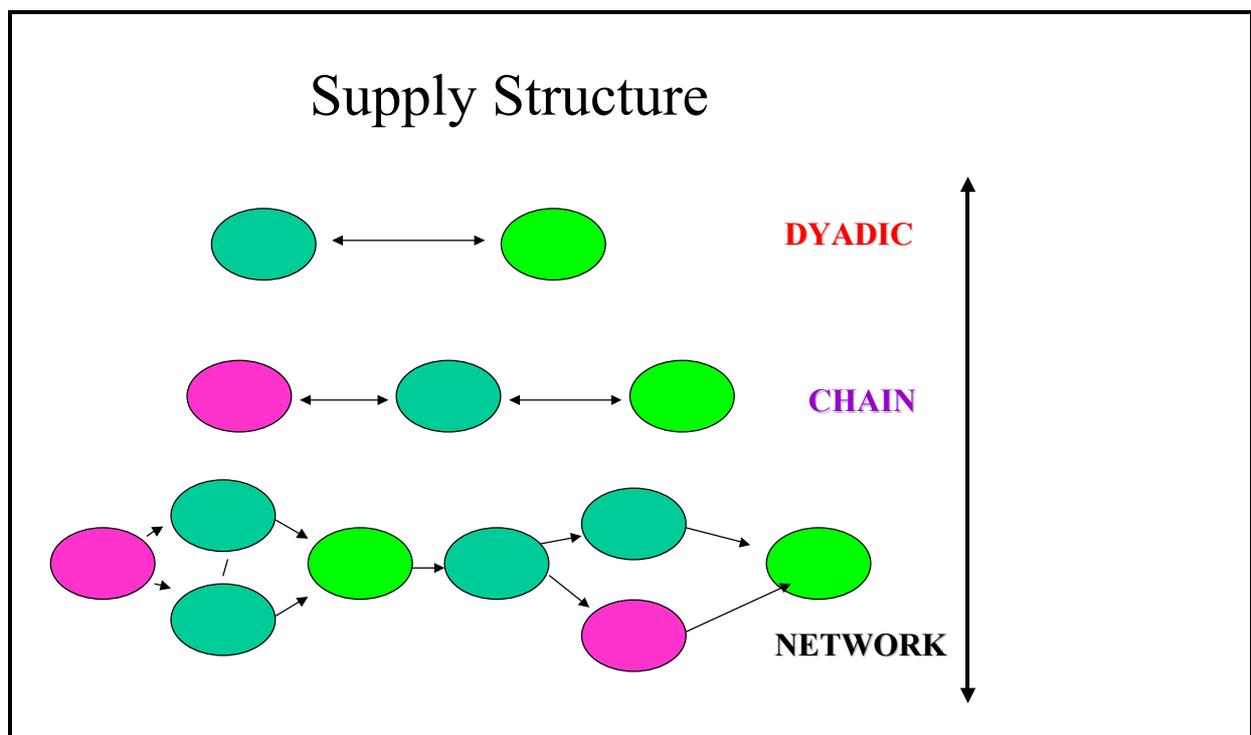
The realisation that with managing supply strategically firms can save huge amounts of money (typically a 1% cost saving by purchasing equates to a 10% increase in sales), has led firms to begin to invest in this area of management. The creation of strategic purchasing departments has given purchasing a 'new lease of life'. They are being viewed as a strategic business process (Cousins 1999; Hines, Lamming et al. 2000). Nonetheless, there is a distinct difference between purchasing implementing strategies and purchasing being strategic. As Ellram and Carr (1994) succinctly put it: "...it is critical to under that there is a

difference between purchasing strategy and purchasing performing as a strategic function. When purchasing is viewed as a strategic function, it is included as a key decision maker and participant in the firms strategic planning process... ”.

The Evolution From Purchasing to Supply Management.

The evolution of purchasing to a strategic process is well noted in the literature. In addition, the way that we think about the management of supply has also become more strategic and more complex. Figure 1 shows a model (Harland, Lamming et al. 1999) that is helpful in illustrating how supply thinking has changed.

Figure 1. Supply Structure



Source: Harland, Lamming and Cousins (1999)

Initially, academics and practitioners concentrated on the dyadic linkage. This thinking was extended in the late 1980s to thinking of supply as a chain or pipeline (Farmer 1972; Farmer 1985). The final stage in the evolution of this thinking is viewing supply structure as a network. Truly, firms compete as extended enterprises, constellations of collaborating firms competing with other networks. This involves examining the inter-relationships across and entire industry sector, where frequently buyer and supplier roles can be reversed several times throughout the network structure. It is here that the Industrial Marketing and Purchasing Group first conducted its pioneering work.

The IMP's work has been succinctly summarised by Ford⁷² (Ford 1990; Ford, Thomas et al. 1992; Ford 1997). He explains that the work of the IMP can be traced to two distinct areas:

⁷²Ford (1990) in his book 'Understanding Business Markets' summarises the IMP's work. The first section gives a good discussion of the partnership relationship topic area.

inter-organisational theory (Ring and Van de Venn 1992) and the new institutional economic theory (Williamson 1975; Williamson 1985)., Ford (1990:11) explains:

"...[the] relationship between buyer and seller is frequently long-term, close and involving a complex pattern of interaction between and within each company. The marketer's and buyer's task in this case may have more to do with maintaining these relationships than with making a straightforward sale or purchase."

Writers within the IMP group clearly recognise the importance of business relationships and it is their view that the entire system needs to be considered in a holistic and systematic way, mapping the various relationships and types of relationships in a *pseudo* mathematical manner. Whilst this process is indeed very useful in determining the type and quantity of relationships within a given network, the measurement and management of the process is again ignored. Ford (1990:12) himself admits that:

"...Our focus is generally on a two party relationship, but the approach can be applied also to a several party relationship. This indeed, may be necessary to accommodate the study of the simultaneous interactions between several buying and selling companies in a particular industry."

The work of the IMP has had a growing effect on how academics view relationship strategy by indicating that relationships between firms are highly complex and inter-related through many levels of the supply hierarchy. To address these changes a different paradigm is needed and the focus shifts from the firm or the dyad to the entire supply chain as a single competitive entity working cooperatively to gain advantages for all its members.

Current discussions range around terminology for not only the discipline itself but also major parts of it. Researchers (MacBeth, Ferguson et al. 1989; MacBeth and Ferguson 1994; Lamming) discuss the benefits of 'Purchasing' versus 'Supply Chain Management', Farmer and Van Ploos (1991) develop the idea of 'Pipeline' management, and Porter (1985) refers to Value Chain alignment. Whilst all of this debate is indeed useful and healthy, there remains some confusion. For instance, the terms Supply Chain Management (SCM) and Value Chain analysis are not interchangeable. SCM refers to the activities of supply from the supplier to the buyer to the final customer, whereas Value Chain analysis refers to the individual firms and an analysis of where the value-adding elements exist within and between the functions of the firm. Slack (1991) comments that a network can be described as a series of supply relationships and that supply chain management is, by derivation, a networking approach to value chain optimisation. The notion of a value chain can be extended beyond the firm to the supply chain in order to capture the full set of activities performed as raw materials are transformed to finished products. Moore (1996) argues that firms can decompose the entire set of relationships in a supply chain to ascertain where margins are earned and where value added skills are critical.

Supply: A Strategic Process?

The topic of strategic supply has been developed by a great many authors, some thinking conceptually and others using empirical research methods to measure the development process. The first question to ask is what is the difference between implementing a strategy and acting strategically? Authors have been writing on the development of purchasing from a tactically focused service role to a strategic process since the early 1970s. The following table 1, summarises some of the main literature in the field.

Table 1. Key Authors on the development of Supply Strategy

Author	Type of Study	Description of Study and Findings
Farmer (1973)	Empirical	Linking of Purchasing to the strategic mechanism of the firm.
Caddick and Dale (1987)	Empirical – case study	Purchasing must develop strategies and link purchasing and corporate strategy.
Spekman (1981)	Conceptual	Purchasing needs to be integrated into corporate strategy. First, purchasing must think and develop strategically.
Browning et al (1983)	Conceptual	Purchasing is linked to corporate strategy because it supports corporate strategy in terms of monitoring and interpreting supply trends, identifying way to support strategy, and developing supply options.
Burt and Soukup (1985)	Conceptual	Purchasing can have an impact on achieving success in new product development if purchasing is involved early in the new product development process.
Landeros and Monczka (1989)	Empirical – interviews	Purchasing can support the firm's strategic positioning using co-operative buyer-seller relationships.
Carlson (1990)	Empirical – case study	Purchasing strategy is important to product development and long-term goals of the firm.
Reid (1990)	Conceptual	Purchasing should be involved early in the firm's development of strategy in order to develop strategies that are compatible with the firm's strategic plan
St.John and Young (1991)	Empirical – survey questionnaire	Purchasing, production, and production planning managers agree on long-range strategy. However, their daily activities are inconsistent with the long-range strategic plan.
Ellram (1994)	Empirical	Level of strategic competence of supply.
Saunders (1994)	Conceptual	Purchasing is no longer a service function. A discussion of practical approaches for strategic purchasing.
MacBeth and Ferguson (1994)	Empirical – case study	Strategic relationship assessment and implementation. Development of internal and external relationships.
Burt and Doyle (1994)	Conceptual	Purchasing should become part of the keiretsu culture. Implementation of the Japanese keiretsu approach to the supply chain activities of firms.
Hines (1994)	Empirical – case study and interview	Strategic rationalisation of the supply chain - Particularly concerned with the development and application of Japanese supplier association management techniques on UK supply chains.
Nishiguchi (1994)	Empirical – case study and interview	Study of Japanese co-ordination of the supply chain for competitive advantage.

The term 'strategic' is often misused by business organisations and some academics. Firms will use the term to mean, important rather than the nature of the word itself. The concept of planning, forward thinking etc is embodied in the phrase, as opposed to a reactive

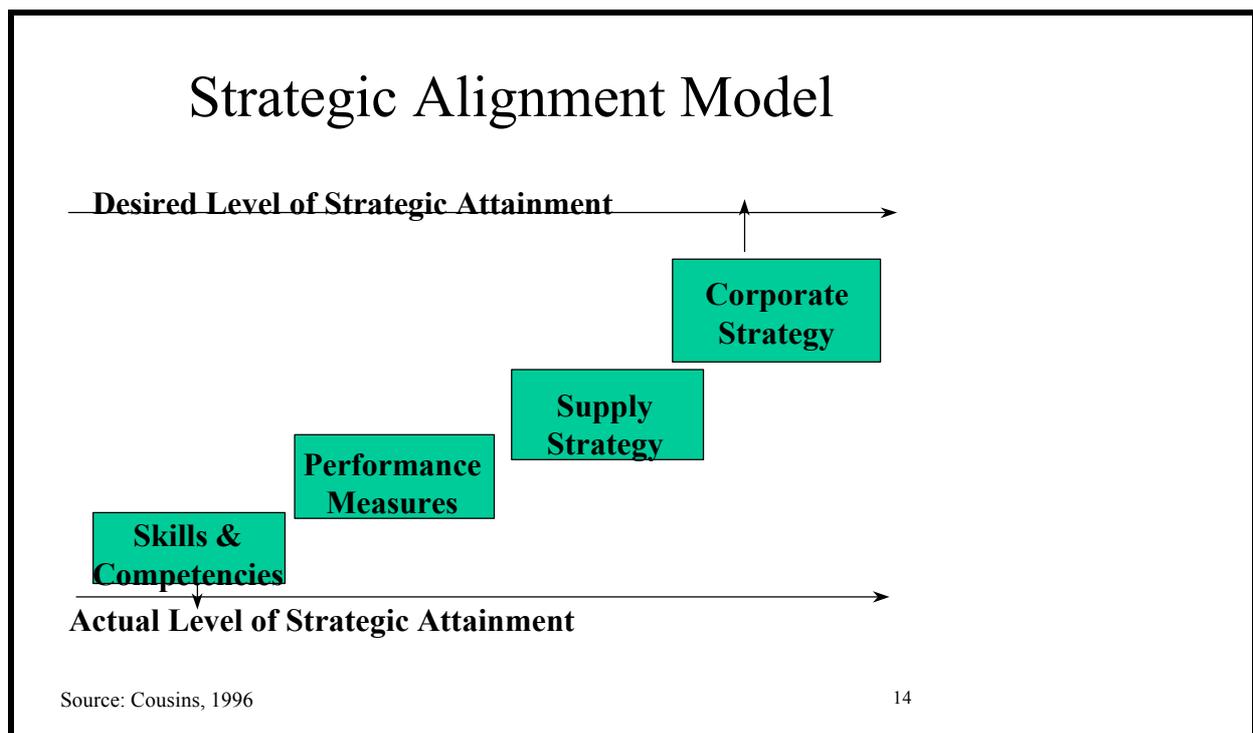
approach, i.e. having a knee jerk reaction to change. The proactive argument is very pertinent especially when applied to the area of supply management.

For supply to be strategic, it clearly needs to understand what pressures are on the organisation and how it will react to these pressures. The key question here is how can supply design the supply structure to meet the competitive market pressures and demands that face the firm. These issues go far beyond the purchasing of goods and materials; they embody the entire process of inputs and then the translation of those inputs into outputs. In other words, supply will be involved in developing Outsourcing strategies, examining the amount and types of suppliers, moving towards delegated supplier tier and/or the development of supplier associations (Hines 1994; Hines, Lamming et al. 2000). There must exist an enterprise wide view of the firm both internally with all key functions and externally with essential supply chain partners. Moreover, buyers must acknowledge that they are not singular actors in the supply chain. Other companies and other functions in their own form are now intimately involved and committed to the process.

Strategic supply is an extremely interesting area of management, however, it tends to be very unexplored, and also purchasing professionals are often reluctant to take on this type of role. At the same time senior management also has been resistant to cast procurement in a strategic light.

The strategic alignment model (see Figure 1 below) shows how important it is to align strategies. However, it is also equally important to develop these approaches by aligning both the performance measurement systems and the skills and competencies of the individuals involved within procurement. As the model argues you are only as good as the bottom box i.e. the skills and competencies of the individuals within your organisation. Said another way, a firm's key assets go home every night!

Figure 2. Strategic Alignment Model



From the research it is clear that a great many companies focus on the alignment part of the model and ignore the second level of the model, which is performance measurement and skill and competence alignment. Ask most 'strategic' purchasing departments, how are you measured? The response is generally, "lead time, quality and rejects", these are tactical measures. If you measure a function tactically, they will behave in a tactically. If a firm wants them to behave strategically it must measure them in that context. For example, if you want to implement cross-functional teams then it is not relevant to measure individual functional performance, but rather the output of the team itself.

Taking this conceptual model the research methodology was built to test a variety of constructs and hypotheses.

Research Methodology.

A twelve-month research project (funded by A.T.Kearney Limited) was launched to investigate the level of strategic maturity of UK/European companies and to estimate the level of collaboration that leading UK companies had with their major customers. The research was based on the following hypotheses:

H1: Long-term collaborative relationships deliver sustainable competitive benefits for both the customer and supplier.

H2: Collaborative relationships require a more integrated way of working and thus a more sophisticated skill set.

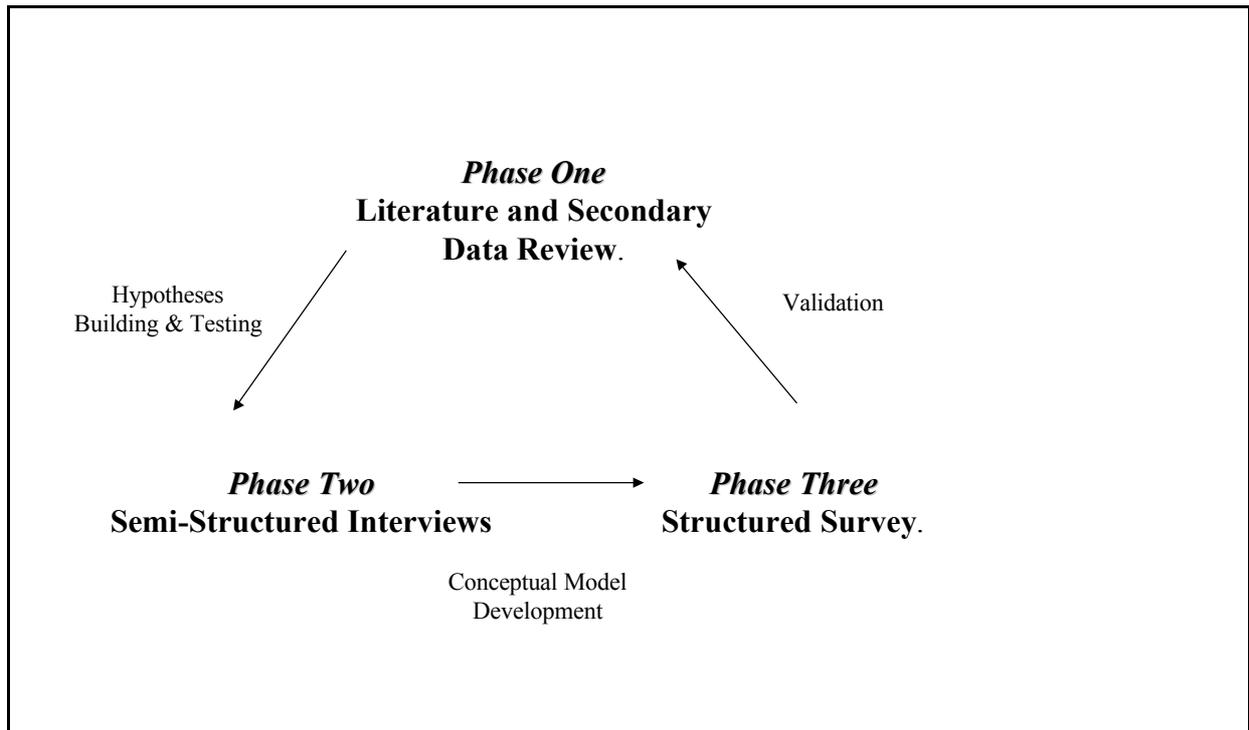
H3: Collaborative relationships deliver results independent of industry and sector type.

H4: either the customer or supplier can initiate Collaborative relationships.

The research was designed in three distinct phases, see figure 3.

Figure 3

Research Design



Phase 1. Literature and Secondary Data Review.

An extensive literature and secondary data review was conducted to establish the current level of thinking within the field of relationship management. Recent reports were also investigated to identify key trends and decisions criteria that firms were reporting with regard to collaborative working.

Phase 2. Semi-structured interviews.

Building on the secondary research data the project next focused on testing the hypotheses with leading ‘blue chip’ organisations throughout the UK. Twenty-one leading purchasing professionals were chosen from a range of industry sectors. The interviews were aimed at Purchasing Director level so that a clear understanding of the strategy and direction of purchasing could be ascertained. Whilst every attempt was maintained to gain a balanced sample access problems meant that some industries were better covered than others.

Phase 3.

Combining the literature review and the output from the interviews a conceptual model was constructed (see Figure 1). A survey instrument was then designed to validate the six main areas of the model. The survey was designed and pilot tested. A random stratified sample was constructed so that equal representation from a range of industry groups could be established. The sample focused on large to medium/large firms with (corporate) turnover of over £100 million per annum. The survey sample size was 1,350 firms, with a response rate of 23%.

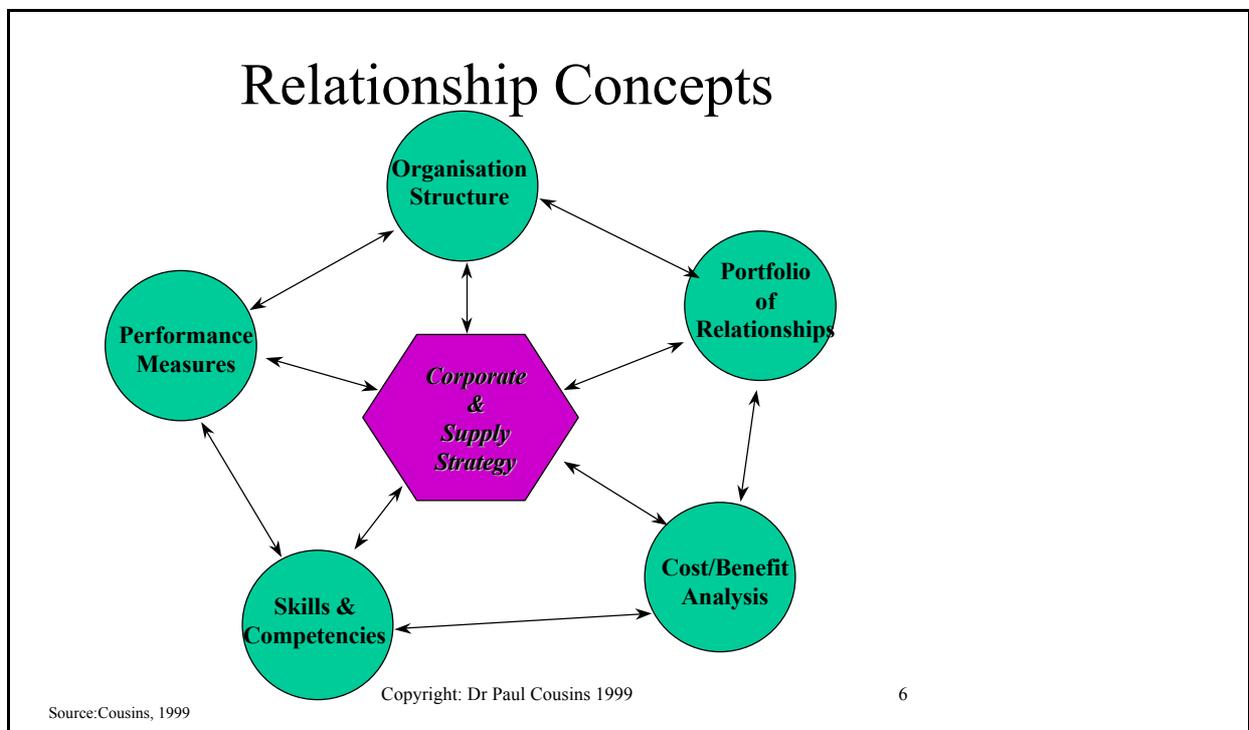
Research Findings

The research was conducted using a conceptual model that was developed from the initial interviews with best practice firms. The model highlighted four key aspects of managing

relationships: An understanding of the corporate strategy; the alignment or integration of the supply and corporate strategy; the alignment and use of appropriate inter and intra organisational measures; and the requisite skill set to operate the relationships. The interviews highlighted two clear relationship clusters, which we called: Opportunistic and Collaborative. Opportunistic relationships are focused mainly on short-term price reduction technique; the strategy is to create a competitive advantage via leveraging the supply market but only on the ability to extract a price concession. This approach usually utilised Kraljic's Strategic Positioning matrix and was in most cases initiated by the use of corporate consultants. Interviewees often reported cost savings of around 10-20% by using this approach. The problem, as the majority indicated was that in the medium to long-term this strategy could not be sustained. One cannot expect innovation or other value adding skills to be applied if the supplier is being forced to focus on price. While an extreme example, recall the fall out of the Lopez affair at GM. Even today, innovation flows from suppliers to Ford and Chrysler first, GM is last on the list.

The methods that are able to achieve short-term *price* reduction are not able to attain medium to long-term *cost* reduction. Interviewees who wanted to sustain cost reduction used the 'collaborative' relationship model. They also reported additional benefits from this approach such as improved time-to-market and access to new technologies (see Table 3) over the medium to long run. Interestingly, interviewees who were currently pursuing the collaborative model began with an opportunistic approach. It was reported that the opportunistic model provided the ideal approach to streamline their current supply base. Figure 4, represents the model used to conduct the overall research project.

Figure 4. Strategic Supply Wheel



This model clearly shows that there are ranges of aspects that are important when looking at how a firm deals with its relationships. They are inter-connected and all need to be

considered. It was clear from the interviews that a focus on anyone area (i.e. relationship development), would be offset by lack of focus on another area, for example performance measures. The point is that a firm needs to balance these resources and issues.

Awareness of Corporate Strategy by Purchasing

Overall the majority of Purchasing Directors in our survey (67%) claimed that they had full awareness of the organisation’s corporate strategy (see Table 1). Manufacturing process and service companies appeared to have the ‘best’ levels of awareness with manufacturing product rated third overall.

Table 1. Awareness of Corporate Strategy by Purchasing.

By Industry	Greatly Influenced	Some Knowledge	Insufficient Knowledge
Overall	67%	32%	1%
Manufacture Product	61%	33%	6%
Manufacture Process	74%	26%	0%
Service	65%	35%	0%
By Relationship Type			
Strategic Collaborative	83%	17%	0%
Opportunistic Relationship	55%	45%	0%

The data was also examined by relationship type i.e. organisations that are predominantly ‘opportunistic’, versus organisations that are predominantly collaborative. The results clearly show that the more collaborative the approach a greater degree of strategic alignment is required. This confirms the notion that more collaborative relationships are built to leverage skills in support of the corporate strategy. The need for alignment is critical and must exist. The second author’s work on alliances and on supply chain partnerships supports this finding. Understanding the corporate strategic plan is essential for the effective managing of one’s partners.

The research also investigated how well integrated purchasing was with the firm’s corporate strategy (see Table 2). The results showed that manufacturing product were the most integrated, followed by service organisations and them lastly manufacturing process. This data was also examined by relationship type, which again clearly indicated that higher levels of integration and influence were operated within those companies that followed a more collaborative as opposed to opportunistic relationship focus.

Table 2. Integration of Purchasing Strategy with Corporate Strategy

By Industry	No Formal Links	Purchasing Influence	Purchasing Supports	Fully Integrated
Overall	20%	6%	58%	16%
Manufacture Product	17%	0%	61%	22%
Manufacture Process	19%	10%	67%	7%
Service	17%	7%	60%	16%
By Relationship Type				
Strategic Collaborative	11%	5%	60%	24%
Opportunistic Relationship	28%	2%	60%	10%

When investigating the various supply strategies that these firms operated the research examined the priority of the key strategic objectives that firms focused upon (see Table 3). The four key objectives were cost reduction (usually meaning price), quality improvement, relationship development and lead-time reduction (or improved time-to-market); this could loosely be translated into price, delivery and quality. Even within a more collaborative mindset, old habits die slowly. Price and other measures of efficiency are important but must not become a singular point of focus. The problem is that the price card is easy to play and for many buyers it becomes the default option, thereby negating the hard work that goes into supply chain management and supplier development

Table 3. Awareness of Corporate Strategy by Purchasing.

Key Areas of Strategic Focus For the Supply Organisation	Rank	Medium to High Priority	Low Priority
Cost Reduction	1	97%	3%
Quality Improvement	2	95%	5%
Development of L/Term Rel	3	90%	10%
Lead-Time Reduction	4	88%	12%
Supply Base Reduction	5	82%	18%
Increasing Profile of Purchasing	6	78%	22%
Improved Time-To-Market	7	68%	32%
Outsourcing	8	63%	37%
Supply Base Delegation (Tiering)	9	51%	49%
Co-Design	10	42%	58%

Key Trends from the Research

Board representation of purchasing (Purchasing Director) does not necessarily give supply a competitive advantage. However, some representation at Board level is essential for

purchasing to be able to position the most appropriate relationship e.g. cost reduction, new product development, improved time-to-market etc. At the very least, a signal is sent that says procurement is being taken seriously. Now the management team can better appreciate and understand the more strategic role procurement ought to play. The normative position taken here should be noted. If procurement is seen as a second class corporate citizen it will be treated as such.

Firms who align their corporate and supply strategies are significantly more likely to have successful long-term collaborative relationships. There is a chicken egg problem here as it is hard to predict causation or directionality. It is clear however that strategic thinking and the role of procurement in the process require a different mindset when dealing with one's supply base. Purchasing needs to be viewed as 'strategic' within the organisation, this allows it to receive the resources and capabilities to form and manage collaborative relationships.

Those firms that are not strategically aligned are much more likely to be exposed to opportunistic behaviour e.g. adversarial relationships with key suppliers and/or customers. It would appear that compensation works. When price is the key performance measurement tool used, it should come as no surprise that the relationship with one's supply base would be adversarial.

Industry.

When examining representation of Purchasing Directors at Board level 22% of the total sample indicated that purchasing was represented. Out of this 22% of firms it was clear that Manufacturing Product (e.g. automotive, aerospace, high technology etc) had the greatest direct degree of representation at Board Level with 39%, this was followed by Service industries at 33% and then by Manufacturing Process with 28%. Representation at Board level was most frequently conducted by the Finance Director (42%), followed by the Production Director (22%) and then by the Managing Director and Commercial Director. Interviewees noted that that the Board representative would often influence the strategy e.g. those firms where Finance represented purchasing had a very strong focus on cost reduction; where as those firms were represented by production found purchasing focusing more on delivery and inventory management. Financially focused firms tended to be polarised by relationship type i.e. they were either clearly in either the collaborative or opportunistic relationships. Industry sector aside, in firms where finance rules, the challenge is to demonstrate financially, with hard data, the bottom line benefits of collaboration. The linkage to profits, let alone cost savings, are often not immediate and the leap of faith required to acknowledge the gains made to top line growth and profits are even more tenuous.

Relationships

Across industry sectors the main reasons for entering into collaboration were primarily for cost reduction purposes, then delivery and quality improvements followed by supply base reduction strategies. It is interesting to note that concepts such as improved time-to-market, joint product development; co-design and outsourcing were ranked at the bottom end of the scale (see Table 3). This would indicate that the main reason for entering into long-term relationships was to gain instant cost advantage (a point emphasised from the interviews). The interviewees, whilst supporting this trend confirmed that once the customer supplier relationship had been established they generally took a more total cost approach to the relationship. This result would place the majority of customer supplier relationships into the 'strategic tactical' quadrant of the relationship positioning tool (Kraljic, 1983).

When representation is compared with total cost savings from collaborative relationships, the service sector reported the highest returns with 32.5% claiming over 20% savings, followed by Manufacturing product with 12.5% of the sample reporting savings of over 20% and finally manufacturing process where 10% of the sample claimed savings of around 20%. Again, these gains are laudable and necessary but do not afford the full benefits gained from collaborative relationships. The true gains are when technology, expertise, and experience flow among the supply chain partners so that the knowledge is shared, even jointly developed, thereby giving the entire supply chain a competitive advantage. In these instances, there is a higher likelihood that value is brought to the marketplace that is not easily copied and is sustainable.

Performance Measurement Systems

The general trends from the research showed the following:

Balanced Scorecard: Over half of the respondents have used a balanced scorecard approach to designing and implementing performance measurement systems. 43% of these respondents have consistently used the approach.

External Measurement: 48% of respondents used differing appraisal schemes depending on the importance and complexity of the supply relationship. 37% of the sample used the same base assessment scheme but with slight variations and the remaining 15% of respondents operated the same scheme irrespective of complexity of the supply relationship.

Measurement Setting: 50% of respondents reported that they jointly agreed performance measures on a regular basis.

Relationship Assessment: Respondents indicated a willingness to assess the relationship on a regular basis. This is evidenced by the high degree of regular joint customer supplier meetings, which was ranked top by some respondents.

Feedback of appraisals: 62% of respondents reported consistent feedback of annual appraisal results to the supplier. Note that the metrics are in the right direction but might not go far enough. Suppose that firms looked for the degree to which technologies share jointly developed, the number of patents jointly applied for, or the extent to which supply chain member made sales calls on key customers? These metrics expand the mindset to suggest now there are fully collaborative relationships in that there are opportunities to share tacit knowledge. Regarding the transfer of knowledge, Thomas Jefferson once said, "...he who lights his taper from mine does not diminish my light."

Cost Benefit Analysis

General Trends

Respondents reported that open book arrangements were far more prevalent in manufacturing as opposed to service companies as a method for assessing the relationship.

Having entered into long-term customer supplier relationships 55% of respondents reported that the relationship had delivered greater than expected benefits. Interestingly, 33% of respondents reported greater than expected costs from long-term collaborative relationships. One interviewee commented that they spent most of their time training the supplier, when the supplier should have already possessed the knowledge.

In terms of actual savings, 46.5% of companies reported over 11% cost savings from long-term relationships, 65% of respondents experienced some benefit within the first twelve months of focusing on the relationship.

Regarding goal achievement. 93% of respondents achieved some level of cost reduction; 82% achieved lead-time reduction; 80% achieved integration of business processes; 72% reported increased visibility of partners future business; 70% had entered into some sort of risk and reward sharing arrangement; 68% of the sample reported an increased market share due to improved customer/supplier relationships; 66% reported improved time-to-market; 56.5% of respondents had gained improved cash flow; 55% managed to initiate joint product development schemes and 27% of respondents were working on shared capital investment schemes.

Skills and Competencies.

The level of qualifications within Purchasing appears to be generally good, with a mix of degree and professionally qualified personnel. This shows an increasing trend when compared to past research projects, which have placed the level of purchasing competence as low, compared to other strategic departments such as marketing, finance and production. Nonetheless, the author's note that purchasing is not fully viewed as a strategic player in many organizations partly by their own deeds. Still, many procurement professionals have not risen to the challenge and are part of the problem and not the solution.

The skill set for purchasing personnel who work in strategic relationship management tends to focus more on process skills such as team based working, inter-personal communication, commercial awareness, negotiation and analytical skills. These types of skills are much closer aligned to those used for 'obligational' contractual arrangements. As opposed to the traditional purchasing content skill set of product knowledge, tactical negotiation and brinkmanship, which focus much more on the Arms-Length contractual arrangement model. Recall that purchasing people take courses in negotiations, rarely, do they learn about teams, managing virtual networks or even have insight into relationship management.

Conclusions.

There are a number of conclusions one can draw from this work. First, the transition from seeing procurement as a clerical function to a strategic partner is a slow process and faces a number of internal barriers. A traditional model of price driven procurement behaviour is hard to change. However, change it must as procurement is to take its rightful place among the influencers of corporate strategy.

To view procurement as essential to managing enterprise wide thinking where suppliers contribute value that is leveraged to achieve competitive advantage for the entire supply chain is becoming a reality. The challenge is to accept performance metrics that are not short term and are not easily quantifiable. One can see the attraction of variance to stated price as a metric, it is recognizable and easily understood. Building strategic relationships with a limited number of key suppliers is conceptually the right thing to do. But for those who have a "show me the money" mindset, they lack both the patience and foresight to invest in these relationships for the longer-term gain and the ability to gain a sustainable advantage.

Partly, they fear the degree of perceived dependence and they worry that with dependence comes an exposure to higher prices and other problems faced by "weak" buyers. Partly, they

have not seen the light and are ignorant of the very real benefits that accrue to an enlightened buyer whose procurement organization relies on and encourages active supplier involvement in the design and development of new products and services. To think that world class suppliers bring only the on time delivery of competitively priced products, defies logic. Strategic supply implies that supply chain wide skills, expertise and capabilities are brought to bear by the full set of supply chain partners. They are united in the belief that by working collaboratively they will accomplish goals that they could not otherwise have achieved. Procurement should and must play a central role in the process.

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