

The Importance of Linking Internal and External Supply Side Organising - Purchasing Transformation in the Service Sector

COMPETITIVE PAPER

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ABSTRACT

In response to the changing role of purchasing, companies are reorganising their purchasing function. Increasingly purchasing is becoming important for value generating purposes as a complement to previous price chasing focus. This trend was first visible in manufacturing companies, but lately services companies are also reviewing their purchasing function. This paper presents a case study from the financial services industry where a UK bank is currently involved in major transformations. The main purpose of the paper is to analyse the interplay between internal and external organising of the purchasing function. This interplay is illustrated by analysing the linkages between the internal reorganising plans and their impacts internally as well as externally.

KEYWORDS

Purchasing transformation, internal organising, external organising, financial services industry, value generation

INTRODUCTION

The purchasing functions of companies have undergone major changes at the end of the 20th century (e.g. Gadde and Håkansson, 2001; van Weele and Rozemeijer, 1996). One of the significant aspects of the transformation is substantial reconsideration of the role of purchasing. This shifting role can be described as a move from an administrative, supporting function focusing on minimising price towards a more strategic function aimed at maximising the value of purchasing (Gadde and Håkansson, 2001; Tassabehji and Moorhouse, 2008). In striving to accomplish these changes companies have made major changes to their purchasing functions and relationships with suppliers, including increased outsourcing, reliance on supplier resources and increased focus on strategic supply management. These developments have been most notable for companies in manufacturing industries while the situation seems to be quite different in the services sector. For example, it is claimed that the service sector “*have lagged behind in this development*” and that purchasing activities “*have an operational character and are limited to placing orders, expediting and invoice checking*” (van Weele, 2002: 322). However, over time, the strategic role of purchasing is being reviewed by service companies. One example is the financial services sector where major restructuring is under way owing to opportunities driven by technological development, regulatory intervention, mergers and acquisitions, and the impact of the recent financial crisis. In order to meet these challenges banks for example have been recommended to “*focus on their core strengths and partner for everything else*” (Hedley et al., 2006). Such a shift calls for a transformation in the same direction as we have seen in the manufacturing industry.

In their efforts to improve purchasing function performance buying firms make “*major changes to their supply organisational structure that they believe will help them achieve their organisational goals and strategies*” (Johnson and Leenders, 2004: 191). These efforts include, for example, processes to enhance customer focus, design of flatter organisations relying on cross-functional work flows, increasing specialisation and extended relationship involvement (Andersen and Rask, 2003; Johnson and Leenders, 2006; Tassabehji and Moorhouse, 2008). There are two types of reorganising. The first is the more or less continuous day-to-day adjustments in response to a shifting environment (Johnson and Leenders, 2006). Each of these separate adjustments may be minor, but over time this evolutionary change leads to major restructuring of the purchasing organisation. The second type of reorganising is more ‘revolutionary’ and concerns efforts to radically transform purchasing through one-off reorganisation. Such reorganising of purchasing tends to take place when the organisational arrangements are perceived inadequate for fulfilment of the objectives of the purchasing function.

This paper deals with the second type of reorganising: when purchasing is reorganised drastically. Since research on purchasing in the service sector is scant this paper is focused on supply side reorganising in the financial industry. The paper is based on a case study outlining transformation of the purchasing function within a UK bank. The company is currently in the process of shifting towards a more strategically focused approach to purchasing. The study is part of a long-term research programme on purchasing and supply chain management in general (e.g. Dubois, 1998; Gadde and Håkansson, 2001; Dubois and Pedersen, 2002; Dubois et al., 2004; Gadde and Persson, 2004) and purchasing transformation in particular (Andersson and Hessel, 2008; Hessel and Gadde, 2009).

ANALYTICAL FRAMEWORK

This section outlines the analytical framework applied in the paper. Because of space constraints, some areas are only briefly outlined and instead elaborated on together with the empirical presentation. The first section discusses internal and external dimensions of organising, issues that are naturally affected by reorganising. This section also serves to formulate the overall aim of the study. The second section outlines the research model applied in the paper. This research model provides the basis for formulation of the research issues on which the remainder of the paper is based.

INTERNAL AND EXTERNAL DIMENSIONS OF ORGANISING

Reorganising of the supply side naturally is closely related to organising of purchasing. It is the organising that changes during reorganising. Because purchasing is located on the interface between the buying firm and its suppliers, the organising of purchasing has to take both these contexts into consideration. Hence, there is an internal and an external dimension in supply side organising (van Weele, 2002).

Beginning internally, the crucial role of internal organising is pointed out by, for example, Trent (2004) and Hardt et al. (2007). It determines the status and responsibilities of purchasing in the buying firm and provides both opportunities and constraints for purchasing involvement and cooperation with other company functions. The most common internal organising issue in traditional purchasing literature concerns the location of purchasing in relation to other internal functions. Options are often summarised into centralisation versus decentralisation which has later been complemented with hybrid or matrix approaches and discussions about cross-functional teams. Another internal issue concerns the division of work within the purchasing department. The division of work can be specialised according to

two main alternatives; the commodity approach and the functional approach. With a commodity approach, tasks are specialised according to the characteristics of what is purchased, such as specific technology areas, product lines or geographical areas. With a functional approach, there is specialisation according to roles such as materials planning and supplier quality assurance. The splitting up into strategic, tactical and operational units is an example of such an approach. Finally, the role and status of purchasing in decision making is an important internal organising issue. A major determinant of this role is the position of purchasing within the organisational hierarchy as it mirrors the impact that the department can have. The status can also be described in terms of the reporting structure or governance. Traditionally, purchasing has been part of the production or logistics department but it is becoming more common for it to stand alone. This can be described as an increasing functional span of control (e.g. Johnson and Leenders, 2004, 2006, 2009; Quayle, 2006; Tassabehji and Moorhouse, 2008; Trent, 2004; van Weele, 2002).

Moving on to the external dimension of supply side organising, the consequences of purchasing organising in relation to suppliers have not been discussed extensively in the purchasing literature. When addressed, the external orientation of purchasing has been primarily concerned with what sourcing strategy to apply (Gadde and Håkansson, 2007).

Van Weele (2002) mentions four sets of decision making in relation to suppliers; global versus local sourcing, single versus multiple sourcing, partnership versus competitive bidding and contract strategy. In addition to these four sets of issues, supply base management is also discussed (Quayle, 2006; van Weele, 2002). It concerns how the various suppliers are managed together and how to differentiate among relationships. It is recommended that differentiation is accomplished with the help of portfolio models, such as the Kraljic (1983) purchasing product portfolio. These external issues tend to be considered from an inward-out perspective where the views of suppliers are more or less disregarded (Gadde and Håkansson, 2007). Moreover, how to accomplish the strategy, that is the actual organising, is rarely touched upon. To exemplify, when discussing implementation of collaborative sourcing strategies, Persson and Håkansson (2009:5) conclude that “*the topic of organisational design is rarely mentioned in the literature*”.

So far, internal and external dimensions of supply side organising in traditional purchasing literature have been kept separate and the main focus has been on the internal organising. This paper advocates a different standpoint, namely that there is an important link between the internal and external organising dimension that causes the two dimensions to influence and be influenced by each other. This suggestion is supported by several researchers. To exemplify, Persson and Håkansson (2009:5) points out that the internal organising is closely related to the external organising by stating that “*a certain way of functioning internally will support or restrict external interaction*”. It is later concluded that the relationship is two-sided so that the internal organising will also depend on the external organising. Similarly, Dubois and Wynstra (2005:1) argue that “*how the firm works internally is closely related to how it relates to its environment and vice versa*”. Gadde and Håkansson (2001) exemplify this relationship by outlining different potentials of centralised and decentralised purchasing in relation to supplier interaction. Finally, Gadde and Håkansson (2007) criticise the fact that internal and external dimensions of supply side organising have been kept separate.

Therefore, the overall aim of this study is to explore the link between internal and external dimensions of supply side organising. The specific purpose of this paper is to analyse the purchasing reorganising in a company and its impact on this linkage.

THE RESEARCH MODEL

In order to explore a possible link between internal and external dimensions of supply side organising, a framework is needed. As already concluded, the approach taken in this study is different from traditional purchasing literature. Therefore, a theoretical perspective is needed that takes both the internal and the external contexts in to consideration as well as allowing for exploration of linkages between them. One such view is provided by the Industrial Network Approach (see e.g. Håkansson, 1982; Håkansson and Snehota, 2000; Turnbull et al, 1996). A frequently used framework within the Industrial Network Approach is the Industrial Network Model. It was first published in Håkansson (1987). This model can be used to analyse interdependencies in the business network, such as the supply side organising interplay. First of all, it divides the interdependencies into three layers – actors, resources and activities. In order to do business, actors control resources and undertake activities. While the three dimensions obviously interrelate with each other, they can be analytically separated and together provide a more complete view of reality. Secondly, the model captures the fact that what goes on in one organisational entity is affecting and is affected by what goes on in other organisational entities by emphasising the interdependencies in terms of three types of effects – company, relationship and network. The Industrial Network model has been applied especially on supply side issues by e.g. Gadde & Håkansson (2001).

Applying the Industrial Network Approach has consequences for the conceptualisation of supply side organising. First, the main difference of the Industrial Network Approach from mainstream theories is the emphasis on what goes on between rather than within companies. With such an approach, external supply side organising cannot be controlled one-sidedly but needs to be determined in interaction between buyers and suppliers. Moreover, what goes on internally is influenced and being influenced by what goes on externally. In other words, if external supply side cannot be controlled one-sidedly, neither can internal supply side organising because of the interdependencies between the dimensions. As a result, the previous separation of supply side organising into an internal and a one-sided external dimension needs to be replaced with an outside-in focus on how to combine internal and external aspects. Finally, with the Industrial Network Approach there are constant efforts to handle the interdependencies in the business network. Because these efforts spread through the network it is constantly evolving. Translated to supply side organising all organising opportunities depend on the established supply side and the supply side organising is continuously influenced by organising. All together, the Industrial Network Approach stands in sharp contrast to traditional purchasing literature on supply side organising, indicating that buying companies can choose freely between different alternatives and that the supply side develops according to these choices. This approach to supply side organising is summarised in figure 1, illustrating the strong connections between the external and internal organising. With the Industrial Network Model, these connections are made up of actor bonds, resource ties and activity links. Håkansson et al. (2009) uses the concept positioning to carry out a similar discussion concerning the links between what is internal and external.

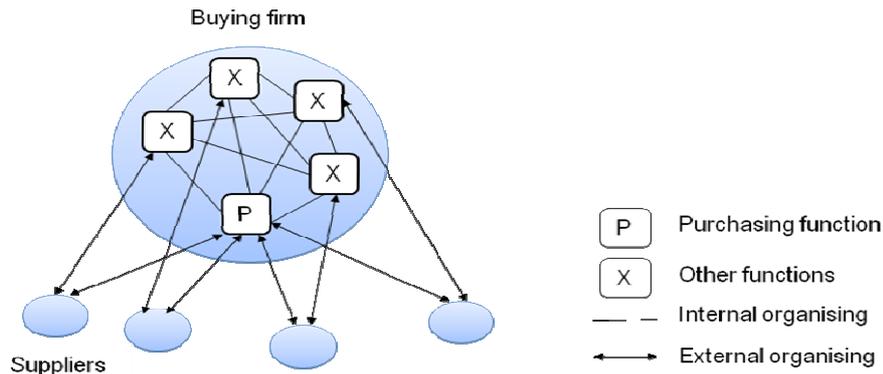


Figure 1: The connections between internal and external supply side organising.

The Industrial Network Approach and the accompanying conceptualisation of supply side organising have provided the basis for the remainder of the framework on purchasing transformation, constituting of four blocks. For more detailed elaboration on the framework, see Hessel (2010). The first block concerns purchasing transformation as an effort that needs to take both internal and external dimensions into consideration. The second block deals with the driving forces behind purchasing transformation. They can be derived from the external organising as well as opportunities and constraints inherited in established internal and external organising. The third block outlines the internal changes required in order to accomplish the desired purchasing transformation. Finally, the fourth block covers some important implementation issues. This analytical framework leads to four overall research issues, one for each block:

- 1) Identification of the main drivers of change
- 2) Analysis of the internal modifications required
- 3) Analysis of the implementation plan applied to execute these modifications
- 4) Analysis of the outcome of the transformation, internally in relation to various other functions, and externally in relation to suppliers?

Because of space constraints, theory on these research issues that are relevant for the case will be further explored in connection to the empirical presentation.

METHODOLOGY

The study is performed as a single case study owing to its particular characteristics. It allows for studying interdependencies or linkages across organisational boundaries. Moreover, it permits the collection of multiple forms of data that cannot be easily standardised or aggregated. Finally, it allows for context-specific findings. The case study approach has been recommended by e.g. Dubois and Araujo (2007), Easton (1998) and Halinen and Törnroos (2005). There are three main objectives with the data collection. First of all, a mapping of the internal organising before and after the transformation is conducted. This includes information regarding the organisational structure as well as roles and routines and interfaces to other internal functions. Secondly, data regarding the external organising is needed. Examples of such data are information about suppliers, supplier relationships and purchased items. Also, examples of changes in relation to suppliers, as a result of the transformation, are necessary. Thirdly, information about the implementation process and outcome of the transformation is required. This data typically includes reflections and opinions regarding the objective of the transformation as well as the process and results.

The data collection is divided into three stages. In the first phase, data from employees directly involved in the purchasing function is collected. In the second phase, other internal

functions, also referred to as internal customers, are interviewed. The third phase finally, corresponds to interviews with suppliers. The first stage has been completed while the second and third phase is currently ongoing. Therefore, the analysis and conclusions made in this paper are based on the perspective of the purchasing function.

10 semi-structured interviews have been carried out so far, ranging mainly from December 2009 to March 2010. Most interviews lasted between one and two hours. However, one of the first interviews consisted of an introductory presentation of the transformation initiative and lasted for a full day. The interviewees are representatives of the purchasing function and correspond to various levels of the organisational structure; from the department head to a graduate student. Moreover, the interviewees varied in the time they had spent with the company, from recently employed to 30 years. Furthermore, the employees also differed regarding the role they had in the transformation. Some were drivers of the change while others were involved in the implementation and/or affected by the outcome of the transformation.

TRANSFORMATION IN A UK BANKING ENTITY

The focal case company in the study is a global bank with mergers and acquisitions as the main growth strategy. In the last decade of the 20th century, a programme aimed to centralise operations was initiated. A global holding company was formed, geographically dispersed operations were integrated and finally, a unified brand was introduced. In line with these changes, a similar effort was targeted at the purchasing organisation in the beginning of the 21st century. In three years, a group-wide purchasing function was implemented with the objective of increasing international coordination and standardisation in the handling of purchasing operations. Furthermore, purchasing became represented in the board as one of the members was appointed Chief Procurement Officer. These changes resulted in substantial cost savings.

Despite the recent success, many challenges still exist with regard to the purchasing operations. This study focuses on the UK regional purchasing function. It employs roughly 100 people with a purchasing annual spend of £3.3 billion. In light of the current economic crisis, the UK has identified major opportunities for change and is currently pursuing a substantial purchasing transformation program. Before outlining the details of the initiative, some elaboration regarding the need for this transformation is required.

DRIVERS OF CHANGE

Investigation of the driving forces underlying purchasing transformation is crucial since these conditions provide the basic foundation for both the elements of the new strategy and the process of implementation. As mentioned earlier, the major change in the role of purchasing can be described as a step from minimising price towards maximizing value. There are several drivers behind this general change in purchasing (e.g. Andersen and Rask, 2003; Johnson and Leenders, 2006; Tassabehji and Moorhouse, 2008; van Weele and Rozemeijer, 1996). One of the main drivers is globalisation and according to van Weele and Rozemeijer (1996) this influence is enhanced for various reasons such as deregulation, improved transportation systems and intercultural homogenisation. Another driver stems from the information technology sector where the pace of technological development has led to advances in Internet based systems, enterprise systems and complex computational programs. These two changes contribute substantially to a third driving force: changes in customer patterns and behaviour. When further alternatives become available and access to information about these alternatives increases, customers become more demanding. Requirements are

constantly shifting and range from demands on uniqueness, cost and reliability to convenience dimensions such as fast delivery, after-sales and other services.

In this business environment, companies must find new ways to continuously improve their operations and offerings to end customers. These modifications relate to both short-term cost efficiency and long-term innovation. Purchasing has an important role to play in these efforts since this function represents the interface between internal operations and suppliers. What is taking place in purchasing is crucial in relation to providing customers with value since *“few major opportunities for improving overall effectiveness in the traditional business remain”* and therefore attention has turned to the management of procurement as the major means in these efforts (Quayle, 2006: 74). This conclusion is supported by Johnson and Leenders (2006) and Tassabehji and Moorhouse (2008) stating that the expectations of upper management on the role of purchasing has shifted. The function is increasingly expected to contribute to company performance. This implies that purchasing must find ways to better serve customers and thereby complement previous price minimising focus with value generating activities.

As stated above, this development has been most prominent in manufacturing industries. However, these trends are becoming visible in the services sector, for example financial services, as well. To exemplify; the role of technology development within the banking industry has been substantial. Hughes (2001) describes the challenges and opportunities related to Internet solutions within the financial industry. Furthermore, Hedley et al. (2006) claim that financial industry customers are redefining the business through increased customer requirements. To survive in this shifting environment, it is argued that, similar to the manufacturing industry, operational excellence and a clear focus is needed. There is currently a trend of mergers and acquisition leading to a concentration of actors in the financial industry. Companies that are not part of these mergers will not be able to rely on large scale but instead need to find niche markets (Hedley et al., 2006). The recent global financial crisis obviously has added to the severity of the situation. However, for purchasing the crisis has resulted in positive opportunities within purchasing (Supply Management, 2010). The need for cost savings has focused attention on the potential of the function to contribute to the business.

As a financial industry actor, the UK bank describes challenges in line with the trends outlined. The market place is changing rapidly, a development that has been accelerated by the economic crisis. Many global banks (e.g. Merrill Lynch, Lehmann Brothers and Bank of America) have disappeared; and in light of recent mergers and acquisitions within the industry so called ‘superbanks’ are expected to appear. These ‘superbanks’ have possibilities to pursue scale and risk levels that position them as major potential competitors in the future market. A further impact of the credit crunch is the strengthening of industry regulations, predominantly driven by financial institutions exposing themselves to unnecessarily high levels of risk. The financial crisis necessitated state interventions in many countries including Iceland, Sweden and UK. In exchange for this assistance, the states require increased control and sometimes ownership. While the UK bank, like many, endured without support they are still facing tougher regulation as legislation is imposed to prevent similar financial meltdown in the future. At the UK bank, profits naturally dropped because of the economic crisis. With substantial purchasing spend and potential to deliver financial value the decision to proceed with the purchasing transformation was not a difficult one. It should be noted that prior to the financial crisis, the transformation would still have implied a major opportunity. However, in

light of the credit crunch and the losses visible in other financial services organisations, the transformation became inevitable.

REORGANISING FOR VALUE GENERATION

The transformation of the bank will now be described. It can be summarised as a move from a price chasing towards a value generating purchasing function. To make such a move, a number of changes need to be accomplished in the purchasing function. Inspired by the description of the purchasing function by Hasselskog (2008), the changes needed will be divided into five dimensions; strategy, process, organisation, performance measurement and technology. The description of the purchasing transformation in the UK bank will follow this categorisation.

Strategy

The strategy applied can be summarised as the mission of the purchasing function. Naturally, this mission needs to be in line with the overall business strategy (Hasselskog, 2008). Van Weele (2002) presents six possible directions of the purchasing function; transactional orientation, commercial orientation, purchasing coordination, internal integration, external integration and value chain integration. While Axelsson et al. (2005b) question whether this categorisation represents various degrees of purchasing maturity, it is agreed that it is indicative of different missions of the purchasing function. To date, purchasing in the UK bank has been very price focused and reactive, much like old style manufacturing purchasing. The purchasing transformation aims to implement a new sourcing strategy towards a more proactive and wider view of purchasing. In essence, the transformation can be described as making purchasing the link between suppliers and customers by contributing to shaping the market both on the demand and supply side. On the customer side, purchasing will become more aligned to overall business objectives by assuring that the purchasing operations focus on customer needs. By viewing the other functions as internal customers and attending to their needs, purchasing can indirectly contribute to creating value for external customers as well (see figure 2). On the supply side, purchasing will improve their supplier relationship management to better serve customers. By aiming to be an attractive customer, the bank will be able to mitigate supply chain risks, ensure consistent supply and get exclusive access to new products and services. An important aspect of improving the relationships with suppliers is to reduce the supply base. Currently, there are about 13500 suppliers and maintaining such a large supply base is both costly and limits the opportunities for closer supplier relationships. By implementing category management and categorising suppliers according to risk and value, it will be possible to select suppliers for future collaboration and assigning resources to relationship management. The transformation is expected to create initial savings but the main objective is to contribute to additional value.

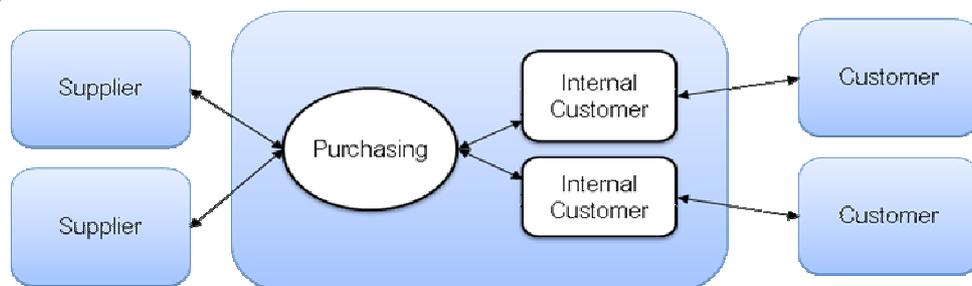


Figure 2: The functions as internal customers to purchasing.

The new sourcing strategy of the UK bank is in line with purchasing literature recommendations. It is widely recognised that the importance and scope of purchasing needs to increase in order for companies to succeed (e.g. Andersen and Rask, 2003; Tassabehji and

Moorhouse, 2008; Quayle, 2006). In the words of Quayle (2006: 79) *“instead of only focusing on cost minimisation, good procurement should aim to target both sides of the profit equation, by maximising the ability of an item to contribute revenue on the one hand, and by minimising the cost of owning it on the other hand”*. In order to accomplish such a change, van Weele and Rozemeijer (1996) argue that purchasing and supply strategies must be directly derived from the customer needs, instead of from ‘the activity next in line’ such as engineering, manufacturing or logistics. Tassabehji and Moorhouse (2008) extend this argument by also requiring strategic purchasing to contribute to value creation for suppliers. This changing sourcing strategy can be summarised as a shift from a reactive to a proactive approach in order to truly contribute with value both within the company and externally. Andersen and Rask (2003: 93) claim that *“purchasing officers need to focus on their role in the business system and how they can contribute to the value-adding process.”* Furthermore, Tassabehji and Moorhouse (2008: 56) state that *“it is now widely acknowledged that proactive value-focused rather than passive cost-focused procurement strategies are a means of achieving competitive advantage and integral to long-term organisational strategy.”*

Process

A typical purchasing process includes stages such as planning, supplier screening, supplier selection and follow-up (van Weele, 2002; Quayle, 2006). Such a process approach has also been applied in the UK bank. Before the transformation, the main emphasis of the purchasing operations was on negotiations and there was little attention to prior analysis or follow up. This was in accordance with purchasing literature, claiming that the purchasing function typically is heavily focused on negotiations resulting in few resources available for planning and follow-up (Tassabehji and Moorhouse, 2008; Quayle, 2006).

According to Quayle (2006) the early and late phases of the purchasing process are equally important. Tassabehji and Moorhouse (2008) add by stating the more work that is inserted in the beginning, the better the chance of getting a good deal and on time delivery. Quayle (2006) claims that one of the key factors in successfully applying a value-creation focused purchasing strategy is to effectively manage the process of total procurement. Total procurement implies *“management of procurement in its widest sense, from design through purchasing and utilisation to final disposal”* (Quayle, 2006: 78). The difference in focus between traditional and optimal resource allocation is illustrated in figure 3.

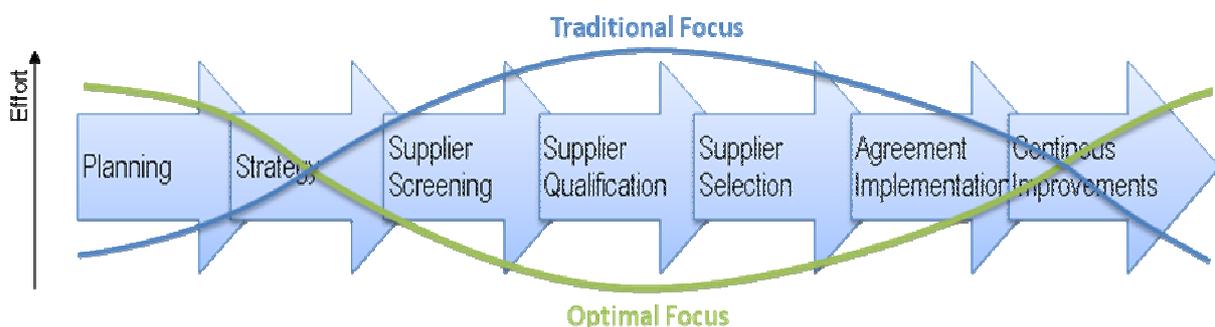


Figure 3: A total procurement view of purchasing, indicating a shift in resource utilisation (Stenecker, 2008).

These recommendations fit well with the intentions of the purchasing transformation in the UK bank. There is significant emphasis on full process thinking. In order to shift attention to early and late stages of the purchasing process as well, the new purchasing process of the bank includes a detailed description of each stage with steps, checklists and decision tools.

Organisation

The global bank's UK purchasing department was formed in the 1980's. It was part of another bank with which the bank merged. Since the global bank did not have a purchasing department of its own it was kept as it was. Over the years, many purchasing practices had become outdated. According to Johnson and Leenders (2009), companies must adjust their organisations in order to fit with the changing environment and business strategies. Naturally the shift in purchasing strategy, suggested above, requires modifications to the current organisation. Organisational features include the organisational structure, the status and strategic position of the purchasing function within the organisation, purchasing governance, as well as the level of professionalism and competence of the purchasing function (Hasselskog, 2008). The same is true for the UK bank. To support the sustained role of purchasing, the organisation has been transformed. These changes apply mainly to the organisational structure and the skill profiles of the employees.

Beginning with the organisational structure, the changes are illustrated in figure 4. The UK purchasing department is headed by an executive responsible for the purchasing operations in UK, Continental Europe and the Middle East. This setup was kept throughout the transformation. Previously, there were two managers of UK purchasing under this head, one for IT related spend and one for other spend. For each of these two areas, there were a number of category groups, three related to IT spend and four related to other spend. These two managers have now been replaced by a single head of purchasing, responsible for all category groups. Furthermore, the seven category groups have been reduced to four, constituting a mix of the old ones. There were three reasons behind this shift. First, there was previously a conflict between employees working within IT spend and non-IT spend. The mixed category groups eliminated this divide. The second reason was that each category group should be similar in size and spend in order to enable similar approaches to purchasing across the groups. The third reason was that seven category groups were judged as too many to handle by a single head of purchasing. Finally, there was a support team which was divided into a contracts team supported by a legal team, an accounts payable team and a systems team. This structure has been kept but a specialized strategy team has been added to strengthen the new strategic and long-term focus of the purchasing operations.

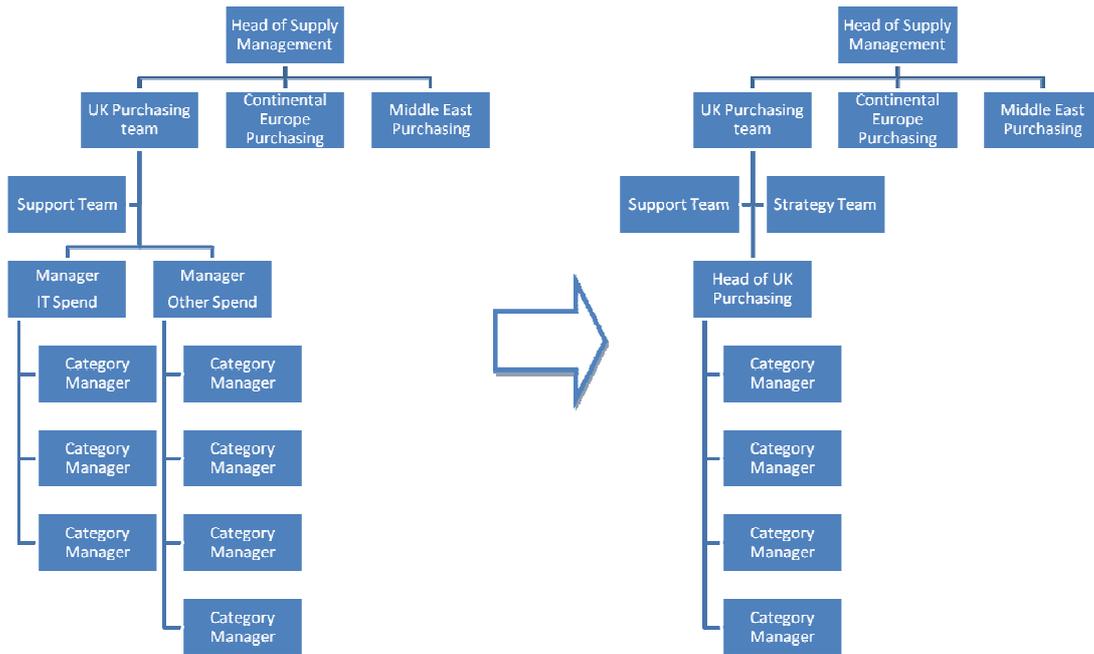


Figure 4: Changes made to the organisational structure.

The changes in organisational structure were accompanied by some practical and cosmetic adaptations, aimed to facilitate the changes and represent a clear cut with past practices. These modifications include renaming the employees from purchasers to commercial managers. Moreover, the different roles in the organisational structure have also been renamed. Finally, to practically connect the employees better to customers and suppliers they are encouraged to spend only one day per week at the office. The other days are devoted to visiting customer and supplier locations.

Moving on to the staff profile, it was judged that revised capabilities and skill profiles were needed as purchasing tasks were to become less clerical and more strategic. This is supported by researchers stating that skill developments needed include a holistic view, business skills, interpersonal skills and technical skills (e.g. Axelsson et al., 2005a; Humphreys et al., 2000; Tassabehji and Moorhouse, 2008; van Weele and Rozemeijer, 1996).

A substantial evaluation of all employees in the UK purchasing department has been conducted in order to screen the staff. There were two objectives. The first objective was to identify which employees had skills that matched the new approach to purchasing. The second objective was to make room for external competence and positive spirit that could assist in accelerating the transformation. The people that did not pass were made redundant and given four months notice and assistance in finding new jobs. Regarding the people that passed, most of them were assigned new roles. This applied to the senior management as well as to category group belonging. There were several reasons for this rotation. First, some employees were judged to possess competences that matched other roles or category groups than the current position, Second, the rotation was perceived as a facilitator of the unlearning of old behaviour. Third, the assessment had resulted in uneven redundancies across the organisation and it was judged as important that all category groups were staffed with old as well as new staff.

Today, the amount of employees within the department is roughly the same but about half of the staff is new. Tables 1 and 2 indicate the adaptations. Beginning with seniority level, a

shift towards higher seniority has occurred. Furthermore, in the lowest seniority level, a new skillbase has been deployed. As already described, it resulted in a significant numbers of external recruits, as some internal staff was found unskilled to meet the demands of the new roles. Moving on to roles, two main changes have occurred. First, in management, staff was upskilled but downsized. Second, several clerical roles disappeared as the new strategy implies less focus on administrative work. Third, a support team was established in India to support category strategy development. These tasks were not previously performed in the UK or India.

Seniority level	Before	After
4 (high)	5	8
5	9	15
6 (low)	20	11

Table 1: Changes made in level of seniority.

Role	Before	After
Management	40	36
Clerical	11	4
India	3	13

Table 2: Changes made in division of roles.

Concerning the senior management, it has been completely changed. As already declared, the previous heads of purchasing were replaced. Furthermore, of the previous category managers, only one remains. Shortly after the assessment and staff rotation, even the overall head of the department was replaced. He was the person responsible for initiating the transformation and played a huge role in accomplishing the necessary changes. But at this stage of the transformation, it was recognised that a softer management approach was needed together with a clear cut with the past. The new head of supply manager was judged to be more people oriented than task oriented.

Performance

Axelsson et al. (2005c, p. 189) summarise the importance of performance measures by stating that “*What gets measured gets done*”. Thereby, performance measurement is an important tool in purchasing transformation. There are a number of modern management techniques available to facilitate the measurement and analysis. According to Axelsson et al. (2005c) one such tool is balanced scorecard. This is the tool that was chosen to monitor and track purchasing performance during the transformation at the UK bank.

The measures in the balanced scorecard have been divided into different categories, such as financial performance, process performance, customer integration and people orientation. Examples of performance indicators within financial performance include savings and sustainable savings contribution. An example of a process performance indicator is the number of finalised commodity plans. To visualise the progress, arrows of different colours are utilised. The direction of the arrow symbolises progress. If the arrow points up, it means that the result has been improved. The colour of the arrow illustrates whether the progress is according to plans. If an arrow is red, it means that targets have not been reached. If the arrow is green, targets have been reached. Therefore, an arrow can point up but still be red.

Technology

According to literature, technology is important in the transformation for three reasons. First of all, the right technology, in the form of systems and tools, provide necessary support to employees. Information and communication technology enable employees to focus on strategic tasks rather than time consuming information processing. Secondly, information and communication technology increases quality of decision making as information automation provides more and accurate data. Finally, information and communication technology enables stability in existing processes by embedding practices in current technology (Hultman and Axelsson, 2005).

Naturally, with a strong IT tradition in the UK bank, technology is used to facilitate the transformation. The bank is equipping the purchasing group with proper tools and systems that support the objectives. A new spend analysis tool has been released and a detailed template for creating category plans has been developed. After filling out the template, the system produces a dashboard with key indicators that can be used for decision support or to communicate performance with customers and suppliers.

The intranet has also been modified to support the transformation. 'The staff IT desktop' is a customised website tailored according to category groups. This allows the employees to get proper information according to their specific needs. Examples of customised information include the newsfeed and documentation, training material and guidelines. Because of the changes in organisational structure, the purchasing personnel have been regrouped. To facilitate familiarisation with the new structure and new faces, each team has a personalised webspace with profile information and schedules.

IMPLEMENTATION

Something should be said about the implementation plan. Generally, transformations may follow different *implementation* procedures. Several approaches suitable for various conditions in the change context have been identified (e.g. Balogun and Hailey, 1999; Kotter and Schlesinger, 1979). Boiled down to their basic contents these approaches will impact on the pace of the implementation process on a time continuum stretching from 'rapid implementation' (building on clear plans from above and little involvement of those affected) to 'slow change process' with less preplanning and more involvement of those affected, in order to reduce resistance. The time perspective applied should be affected by the perceptions about the barriers in the structure, the potential resistance, the power of the change team and the skill development required. In the UK bank, a rapid change approach with much preplanning has been chosen. External specialist knowledge was recruited from an insurance company and a competitor. These two persons, together with the business change team and Human Resources were made responsible for the transformation and provided with full autonomy and authority. This substantial power allows for a rapid change approach.

Irrespective of what approach is utilised mainstream literature on change processes recommend step-wise implementation processes (e.g. the eight stage change model by Kotter, 1996). The impact of the respective stages will be somewhat different depending on what speed of implementation is supposed to be most efficient. In accordance with transformation literature, the implementation in the UK bank was planned according to a typical step model:

- 1) Current State Analysis
- 2) Design
- 3) Build
- 4) Communicate
- 5) Implement
- 6) Measure

In Step 1, the main outline for the transformation was pulled together. Here, the main characteristics of the change were decided upon, including the direction of the new strategy. The objective was to ground the new strategy in theory, to benchmark other successful companies and adapt the purchasing practices to the bank context. Furthermore, the governance of the transformation was set up, including a steering committee with monthly meetings, a number of workflows (e.g. process, people and systems) with independent weekly meetings and collaborative monthly meetings. It was also decided to keep the transformation in house, so no external consultants were involved.

In step 2, the details of the new strategy were designed in different workflows (e.g. process, people and systems). The change leaders were appointed main responsible for the workflows and employees from the purchasing department were invited to assist in the design phase on a voluntary basis. After finalising the design, approval was needed from the function to which the purchasing department is reporting. The support from these authorities was needed as the transformation initially would imply some cost increases and to assure that new work practices were supported from above.

Step 3 was about building the systems required to realise the changes. To fulfil this task, employees were taken out of their day to day roles to participate in building the systems and tools necessary. Each stage of the new purchasing process was equipped with workflows, templates, tools and guidelines. Training material was a vital part of the supporting material and a total of 16 training modules were put together. The IT profile changes mentioned earlier were created. The entire strategy and how it affects daily work is summarised in a 59 slide powerpoint presentation that includes the overall philosophy, practical guidelines and links to documents, templates and tools. Another important part of step 3 was to realise the organisational changes described earlier.

Step 4, communication, focuses on the communication to the entire organisation as well as customers and suppliers. Naturally, communication with employees of the purchasing department started much earlier. They were informed after the first step and the message was clear: In order to survive, the bank needs to change their purchasing practices. It was of utmost importance to invite the employees to participate in the change process and to emphasise the positive effects on their daily routines which will become much more strategic and meaningful. It was also emphasised that some short-term uncertainty and pain will precede the benefits as unlearning old practices is difficult and because some rightsizing would have to occur. Concerning communication with the rest of the organisation, there are 60,000 employees within the UK which makes communication an endless task. It was decided early on to let the transformation speak for itself rather than talking about it.

However, there have been some targeted efforts to communicate the value of purchasing to the internal customers in order to get more support for the transformation and adherence to the changed work practices. Moreover, suppliers have been informally informed through every day contacts but formal communication will follow after finalising the analysis preceding the planned supply base reduction.

Step 5 is the actual implementation, according to the plans outlined. The outcomes of these efforts are presented in a separate section below. Finally, step 6 concerns the measurement of the implementation progress. These plans were outlined before.

The chronological order of the implementation steps is outlined in figure 6. The first step was initiated in October 2008. Design started in January 2009 and the build phase was introduced after approval in April. The plan was to start implementation in July 2009 and begin measurement in January 2010. The goal was to finalise the change within a year. This transformation was first limited to the UK region. However, it has been decided to carry out further rollout across Europe and the Middle East during 2010.

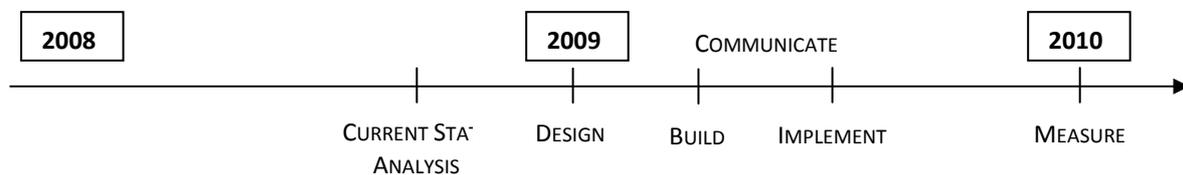


Figure 5: The chronological outline of the implementation steps.

OBJECTIVES AND OUTCOMES OF THE CHANGE

When comparing the literature with the reorganising plans and actions so far, there is much compatibility. First of all, the new purchasing strategy is definitely in line with the recommendations of literature to strive for proactiveness and linking of supplier capabilities to customer needs in order for the purchasing function to contribute with value generation. The strategy also follows naturally from the drivers presented behind this type of transformation of the supply side. Secondly, in order to better link suppliers and customers it is a natural development to focus earlier as well as later in the purchasing process rather than emphasising negotiations. Concerning the implementation, there is also striking similarity with literature. First of all, a traditional step model is applied. Secondly, the change leaders are involving employees in order to increase motivation and commitment but at the same time top management support and authority ensures that the transformation progresses. Together, this allows for a rapid implementation approach with about a year from planning to final implementation. For the reasons mentioned above, it seems like the case is a textbook example of a purchasing transformation from price chasing towards value generation.

However, the change is still in its early stages, and results have not yet materialised for evaluation. Furthermore, the theoretical framework and empirical information so far has focused on the internal aspects of the reorganising. As described in the analytical framework, supply side organising is special because of its role of linking the internal and the external. Based on this, the internal adaptations are most likely to have a number of external consequences.

The outcomes so far will now be presented and analysed in order to explore the link between internal and external organising. The first section outlines reflections and opinions regarding

the transformation inside the purchasing function. The second and third sections explore linkages of these changes to other internal functions and suppliers respectively. It should be emphasised that as data collection from customers and suppliers is ongoing, this exploration is conducted from the perspective of the purchasing function.

INTERNAL ORGANISING IN THE PURCHASING FUNCTION

When analysing the interviews with purchasing employees, it becomes clear that there are both positive and negative experiences from the transformation, as in all transformation attempts. One clear result from the interviews is that all purchasing employees agree that the transformation was needed and that the contents of it are suitable for the bank. The part that was most appreciated was the planning phase where the purchasing staff was involved in working groups. The participation was welcomed as it provided the employees with ownership of the change process. This stage was also characterised by substantial communication which further improved the sense of involvement.

Moreover, the staff evaluations were perceived as fair. However, it was also clearly expressed that this period was extremely emotionally challenging. The atmosphere became tense as leaving staff had little incentives or motivation while the remaining staff felt guilty and uncomfortable. Moreover, this emotional process occurred at a time where many of the remaining employees had been rotated to new category groups and roles. This restructuring was perceived as emotional and challenging enough by many of the interviewees. It has been clearly expressed that the employees hungered for more attention to their feelings.

The transformation was also challenging for the employees because of understaffing in the department. After the employee assessment, a significant number of employees decided to leave voluntarily. While some employee turnover is normal during turmoil, this number was larger than expected. Also, when advertising for new competence, it turned out to be difficult to find new competence. Because of these difficulties, it took longer than expected to get back to full headcount again. During this extensive period, the remaining staff had, in the words of one interviewee, *“been forced to juggle up to three people’s jobs”*. This was perceived as extremely stressful, as the employees were learning new roles and areas and implementing new work practices while maintaining daily routines.

Furthermore, there has been some feedback regarding the implementation approach which has been described as autocratic and directional. While the staff was invited to participate in the building of the new approach, it was only after the strategy had been developed. The employees argue that, as the senior managers were new to the company, it would have been beneficial for them settle in the company and consulting the existing staff before concluding that everything was bad. As one employee stated, *“simply asking us: how do you want purchasing to look? would have come a long way”*. Moreover, the new approach has been presented as a rather prescriptive method. A more humble leadership style would have implied providing the staff with new systems and tools and suggesting that *“here are a bunch of tools that can help you to do your job better”*.

Finally, employees request more focus on post-implementation review and adjustment. There seems to be consensus that the implementation was rushed to the detriment of real understanding. Moreover, it has been expressed that communication diminished during the introduction of the actual changes and that there has not been enough feedback and reflection in order to deal with practical difficulties. One major practical difficulty is transferring the theoretical strategy to the specific practical context of the bank. Another difficulty is the IT

systems that are currently perceived as too rigid to deal with the various situations that the purchasing employees face.

A critical event for the employees was when senior management recently acknowledged that the people side of the transformation could have been improved and that the transformation happened a bit too quick. Some deadlines have now been extended and management has promised that no more significant changes will occur to allow time for the transformation to settle. Adjustments in the strategy and IT systems are currently under way to better connect them to the practical context of the bank. The employees now describe a gradual recognition that the transformation is kicking in and a common approach can be glimpsed. Furthermore, the new staff has indeed brought necessary knowledge, enthusiasm and relieve. After an informative review session followed by a fun day offsite the energy has turned towards the future and employees are carefully optimistic. In hindsight, both staff and management agree that the process have been rewarding in many ways. While reluctant in the beginning, employees now understand why they had to change roles. It seems like the rough part of the transformation is behind the purchasing department. As one interviewee put it; *“regarding performance we are back where we started – all changes and turmoil left us worse off than we started but now everything is settling and it can only improve from here”*.

In conclusion, the transformation was welcomed and appropriate. However, the implementation approach was perceived as too prescriptive and directional with little attention to feedback, reflection and emotions. In retrospect the changes seem to have been successfully pushed onto the purchasing department because of sufficient senior management authority. However, a smoother approach with higher employee satisfaction would have been possible, potentially with better results. When consulting change management literature, these outcomes are typical. Most energy is normally devoted to the contents of the actual strategy while less attention is given to actual implementation that is too often rushed. Moreover, people side of change is almost always underestimated (e.g. Alexander, 1985; Grundy, 1998; Raps, 2005; Reunis et al., 2005). In summary, from a change management perspective, the analysis of the interviews points to a typical transformation effort with ups and downs but that currently seems to be on the right track.

LINKAGES TO INTERNAL CUSTOMERS

The purpose of this paper is to explore the link between internal and external supply side organising during purchasing transformation. Hence, while the analysis above is interesting from a change management perspective, it has little to do with this assumed linkage. However, the changes described within the purchasing function will have consequences outside of it because of the suggested links.

Beginning with the internal supply side organising, the transformation will impact on the linkages to the other internal functions, also referred to as internal customers. In fact, the success of the transformation will depend on the support from these internal functions. Purchasing at the UK bank has always constituted a supporting function without budget and holding more of an advisory position in relation to the internal customers. Final purchasing decisions hence are not up to purchasing personnel. Furthermore, the contacts with suppliers and customers are divided between purchasing staff and other internal functions, making it impossible to accomplish the improved linkage between customers and suppliers without their assistance.

When interviewing purchasing personnel, they express two major concerns jeopardising the necessary cooperation from internal customers. First, because of the financial crisis, the savings targets are extremely tough and internal customers are very protective of short-term cost even if long-term objectives are compromised. This attitude is in sharp contrast to the new sourcing strategy and is expected to provide difficulties. Secondly, some internal customers already have so called business partner managers and are perfectly content with purchasing focusing on price and contracts. In relation to these functions it will be difficult to sell the contents of the new sourcing strategy as it includes purchasing assuming responsibility for vendor management. Executive sponsorship is mentioned by the purchasing staff as an important enabler of the transformation as it justifies the involvement of purchasing and clarifies the interfaces between departments.

The purchasing staff conveys that the internal customers are responding differently to the transformation depending on their historical relationship to purchasing. When interaction has been frequent, the internal customers are more aware of the changes and positive towards them. Some purchasing staff is experiencing better contact with their internal customers. This applies to the physical location as well as the nature of the relationships. Beginning with the physical location, purchasers are increasingly co-locating with their internal counterparts. Other employees experience that they are invited to supplier meetings more frequently and that their opinions matter more than before. For less developed areas, the internal customers do not seem to care about the transformation. They are only concerned about how purchasing can contribute to their current needs. When generalising the reactions so far, they have been in line with the overall bank culture where actions speak louder than words. Information regarding plans is therefore less exciting and internal customers are waiting for actual results to materialise. Unfortunately, the most visible outcomes so far have been understaffing and loss of established relationships because of staff rotation. This turmoil has caused performance drop instead of improving and purchasing employees fear that this has damaged the credibility of the transformation.

In other respects, few practical changes have occurred. Some initiatives have attempted to increase the efficiency of purchasing. To exemplify, efforts to increase the number of purchases conducted through the e-procurement systems have been undertaken in order to reduce administrative work. However, the internal customers are reluctant as the systems are perceived to be "*clunky and slow*". Purchasing employees claim that the internal customers have difficulties understanding the benefits of using the IT systems. Moreover, there have been attempts to automate low value contracts according to standardised purchasing agreements and better forecasts. However, because suppliers have built in excess capacity to compensate for the internal customers' lack of advance planning, there is little recognition of the benefits of such efforts. Educating the internal customers on the benefits of suggested changes is perceived as a balancing act. Some internal customers respond negatively to the pressure and perceive purchasing as interfering and dictating. On the opposite end, the increased attention to long-term and strategic tasks is forcing purchasing people to manage their time. This in turn requires purchasers increasingly pass back tasks that are formally outside of their responsibilities. The internal customers are accustomed to another service level. Therefore, a few uncomfortable situations where purchasers have been forced to push internal customers to complete their tasks have already occurred. The purchasing staff is expecting more conflicts of this kind.

LINKAGES TO EXTERNAL ORGANISING

If the transformation is successfully implemented, this will impact substantially on suppliers. To exemplify, the differentiation of the supply base will affect the supplier management. As the purchasing transformation is only in its infancy, there are no results available regarding these external reactions. However, a number of hypotheses or questions can be posed based on the conceptualisation of the linkage between the internal and the external organising. Also, when asking the purchasing employees how they expect the suppliers to react, some concerns were raised.

First of all, the changed purchasing strategy implies an increased focus on value generation. In order to contribute to value generation, it is necessary that the content of what is purchased changes or other dimensions than previously appreciated become valuable. To exemplify, with a cost minimising focus the price should be important while a value focus should emphasise the benefits in relation to that price. This implies a changed purchasing content. Will the changes in purchasing content match current supplier capabilities and strategies? It might be that the suppliers have appreciated their customer because the requirements matched the requirements of other customers. During the interviews it became apparent that some major suppliers are heavily price focused. Negotiations were always extremely tough, seemingly because of principle rather than for logical reasons. According to the interviewees, it does not seem feasible to shift these relationships from the previous cost focus towards more of a value generating focus. On the other hand, some suppliers seem to very eager to respond to these ideas. To exemplify, some government own suppliers that have limited opportunities to offer competitive prices have already made efforts to demonstrate that they can contribute positively to the new approach of the bank.

Secondly, the strategy includes closer collaboration with fewer suppliers which implies that not only the purchasing content but also the content of interaction needs to change. Rather than intense periods of negotiations, the contact will be more continuous. Furthermore, the type of information that is required and the topics to discuss will also be different. Obviously, such an approach to communication is, at least initially, more costly than the previous interaction. Will the suppliers be interested in investing in these additional contacts? According to the purchasing staff, collaborating more closely with suppliers is a win-win situation. However, it is also recognised that focusing more on one customer naturally requires focusing less on other customers. From the limited signs of transformation in relation to suppliers it has been apparent that some suppliers are more interested in deeper collaboration than others. This applies especially for suppliers that have a weaker position in terms of traditional competition. The same goes for suppliers looking to expand the business with the bank. To exemplify, these suppliers have already made efforts to shift focus from price towards increasing the efficiency in the relationships. More established major players show less interest. They have little to gain from adapting their behaviour and are in a position of defending their business rather than extending it. It is a natural reaction to downplay the transformation until they are forced to adapt. Recently, these tendencies were very practically illustrated during discussions with two competing suppliers, one with major business with the bank and the other one looking to expand the business. Before the meetings, the suppliers had been asked to focus their presentations on certain areas which reflect the new strategic direction of the bank. The established actor decided to stick to a standardised presentation format while the smaller actor had customised theirs according to the wishes of the bank.

Thirdly, the substantial internal reorganisations in terms of organisational structure, terminations and recruitments will break established social structures. The suppliers are

affected as established relationships and trust will be lost. New routines in relation to the bank will need to be learnt and new relationships will have to be built. In this respect, the rapid implementation is a huge disadvantage because of its turmoil. Similar to the internal customer interactions, performance has dropped because of the understaffing and staff rotation. Because of the heavy workload a number of contracts expired and were automatically renewed when they would have benefited from negotiations or termination. Moreover, the shifting employee base has resulted in up to five different employees dealing with the same supplier over the past year. Naturally, this is not good for the established relationships and suppliers have been attempting to exploit the large number of involved players to their advantage. Another question is how the suppliers will react towards the new skill profile of the personnel. Certainly, there are advantages with trained purchasing staff. However, from a supplier perspective it probably implies higher requirements. If the potential is not perceived high, the importance of the bank as a customer might decrease as it could be judged too demanding to adapt. A final note in regards to the new organisation, the goal of purchasers to spend two days every week with suppliers is not taking the suppliers' perspective into account. Such a commitment implies a huge resource investment on behalf of suppliers. Purchasing staff is certain that suppliers are not interested in such frequent contact.

Finally, the transformation builds on a number of new systems and tools. While this technology is mainly developed for internal purposes, it is unclear how it will affect suppliers. The systems will function as decision support in e.g. supplier selection and monitoring as well as evaluating purchasing performance, and thereby indirectly affect suppliers. Moreover, there are systems intended for e-procurement and automated contract terms. While none of these systems requires technical adaptations on behalf of suppliers, some still encounter problems in coping with the resources necessary to utilise the systems. Furthermore, it is likely that suppliers will be asked to provide data as input to the systems. Purchasing staff believe that suppliers in general will be responsive to the requirements because the bank represents such an important customer. However, employees also emphasise that the larger suppliers have their own terms and ways of working. Examples of suppliers that seem unwilling to adapt to the bank's standardised terms were given because they had their own standardised approaches. The question has arisen whether the information and terms required from suppliers is compatible with information provided in their own systems and in relation to other customers? Moreover, some interviewees were concerned that the extended use of systems will decrease face to face interaction with suppliers and thereby jeopardise the relationships.

CONCLUSIONS AND FURTHER RESEARCH

On the basis of this purchasing transformation case in a UK bank, two main conclusions can be made. First, the findings suggest that while internal and external organising issues may be challenging in themselves, the main phenomenon appears to centre around the interplay between these two dimensions. When separating the internal from the external organising, this case seems to be in accordance with both change management and purchasing literature. The external organising plans are indeed adapted to the business environment of the company and are in accordance with current purchasing trends. Moreover, the internal organising seems to follow traditional transformation efforts, with stepwise implementation plans, intentions to involve affected employees and adaptations of organisational structures, skill profiles, technology and measurements. Still, several examples have been given, indicating that there are important links internally and in relation to the external organising that is crucial in this transformation effort. Internally, purchasing is not isolated but very dependent

on the reactions and assistance from other internal functions that have their own established perspectives and roles. Conflicting interests and overlapping responsibilities were examples of such problematic linkages. Externally, there are similar links. To exemplify, some suppliers seem to be more eager than others to embrace more strategic, long-term and value focused relationships. Secondly, the suppliers have their own ways of working with customers through established structures, policies and IT systems. It is therefore not up to the bank to decide upon the external organising. Hence, neither internal organising nor external organising can be transformed or studied in isolation as the two dimensions influence and are influenced by each other. On the basis of these findings, it is advocated that the essence of supply side organising is about linking the internal with the external, rather than managing these two dimensions separately. As indicated in the analytical framework, this link has been suggested by other researchers, criticising the separation of the internal and external dimensions of supply side organising.

The second conclusion follows logically from the first. If internal organising depends on external organising and external organising cannot be unilaterally controlled, implementation of purchasing transformation is not within the control of a single company. In the case of the UK bank, the ultimate goal of the transformation is to reposition the company in relation to customers and suppliers. In this case, the customers are represented by the internal functions of the company that maintain end customer relationships. Accomplishing such repositioning is not possible without changing the links to these customers and suppliers, which in turn naturally affect their organising. The responses of external actors are therefore crucial in the transformation effort. So far, these links and accompanying reactions have only been approached through the perspective of the purchasing department. The findings from the ongoing data collection with internal customers and suppliers will be crucial for analysing the outcome of this transformation. So will the analysis of the bank's reactions to the responses from customers and suppliers. In order to move the transformation forward, it is necessary to be prepared to adapt to the organising intentions of external actors. Similar results have been found elsewhere. The need for adaptations during purchasing transformation has been stressed in change management literature. To exemplify, Alexander (1985) emphasises the importance of keeping implementation plans on a general level and to be prepared to adjust continuously. Such adaptations were also visible in this case, including e.g. the extended implementation deadlines and planned adjustments of the strategy and IT systems. However, the linkages to other companies were not specifically brought up as one of the reasons for these adaptations. Bocconcelli and Håkansson (2008) report on a case study that is more specifically related to organising. A substantial factor in transforming purchasing of the focal case company constituted of adapting the internal organising of the company towards the desired external organising and in relation to particular suppliers.

This case study has only served to identify and exemplify the link between internal and external supply side organising as well as exploring its consequences for purchasing transformation. Since there appears to be such a link, more research is needed in order to further examine this link.

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