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Purchasing: Can we bridge the gap between strategy and daily reality?

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Supply chain risk

Abstract A lot has been said about strategic purchasing: it contributes to the firm's strategic dialogue, acquires important resources from outside the firm, and plays a vital role in the achievement of the firm's long-term goals. Practice, however, demonstrates the difficulty of translating these intentions into daily reality. In this article, we identify the path between strategic intentions and sustained performance based on a combined quantitative and qualitative research methodology with an embedded level of analysis, including the firm and category level. The implementation of strategic purchasing leverages the liaison role of purchasing when connecting external suppliers with internal clients and ensures the development of purchasing's learning capabilities so that results do not erode over time. We identify key pitfalls to proceeding along the path: no time for reflection, a lack of scale, a lack of scope, and unaligned incentives. Consequently, we present practical guidelines to purchasing managers for avoiding these pitfalls and developing dynamic capabilities, which are vital in times of continuous and unpredictable change.

1. The role of purchasing

A recently appointed purchasing director responsible for almost 1 billion euros in annual volume engaged us to identify the status of the purchasing function within his firm. After conducting interviews across different hierarchical levels and functional areas, we concluded that the organization acknowledged the department's price-cutting expertise but not its broader contribution to the firm's strategy, which emphasized innovation and customer solutions. This was disappointing for the ambitious professional, who was well aware of discussions within the industry and the potential of strategic purchasing.

Purchasing has evolved from a clerical function to an increasingly strategic function in many companies. In manufacturing firms, the purchasing value in relation to cost of goods sold amounts to approximately 50%—70% (van Weele, 2005). In addition, the amount of services purchased is growing by leaps and bounds

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(Ellram, Tate, & Billington, 2007). Hence, strategic purchasing supports overall corporate strategy in its market and value proposition through its proactive and long-term management of the firm's supplier relationships (Lawson, Cousins, Handfield, & Petersen, 2009). It is a key constituent of the broader supply chain management function that further encompasses the logistics activities across all levels of the chain or network, from raw materials to final customers.

For example, companies that innovate (e.g., Apple, BMW) need a purchasing function that works closely with its supply base and focuses on early supplier involvement and building ramp-up capacity rather than prices. On the other hand, companies that compete through low prices (e.g., Walmart) or through minimum costs of ownership (e.g., HP) need a purchasing function capable of minimizing prices of both initial and/or spare parts. Thus, where purchasing is considered strategic, it is more likely to be involved in the firm's strategic dialogue and contribute to achieving its long-term goals. As such, purchasing is a key capability that acquires resources from outside the firm and is therefore a potential source of sustained competitive advantage (Chen, Paulraj, & Lado, 2004).

Nonetheless, recent data from the International Purchasing Survey (IPS) of more than 600 North America- and Europe-based purchasing professionals (see Appendix) demonstrate that 47% of respondents still perceive that purchasing is not included in the strategic planning process of the firm and that its performance is not measured in terms of its contributions to the firm's strategic objectives. Moreover, 56% of these professionals find that purchasing is not focused on long-term issues that involve risk and uncertainty. In other words, despite increasing awareness of the potential benefits of strategic purchasing, tactical realities are still far from optimal. It seems that implementation of the idea is vital, though not well charted (Moody, 2001). If strategic purchasing is not implemented well, it may have a negative impact with decreased competitiveness for the buying firm; for example, firms that begin to strangle suppliers with short-term cost-driven requests despite past efforts to develop long-term mutually dependent relationships. As a consequence, suppliers may decide to bypass established supply chains and deliver directly to the final customer, a phenomenon observed in aftermarket replacement parts (Rossetti & Choi, 2005). Good implementation of strategic purchasing fully leverages the liaison role of purchasing, connecting external suppliers with internal clients, and ensures the development of purchasing's learning capabilities so that results do not erode over time (Hult, Hurley, Giunipero, & Nichols, 2000). This article charts the conversion of strategic intention to daily reality and sustainable results, and identifies the pitfalls. We offer practical guidelines to purchasing managers to balance short-term cash and long-term capability development, which is a vital issue in times of economic downturn.

2. From strategic intentions to sustained performance

A vital precondition for purchasing to become successfully involved in customer-centered and organization-wide processes is general management's recognition of the critical role of purchasing. Through ongoing involvement, action, and subsequent learning, the purchasing function builds learning capabilities over time. Sustained competitive advantage results only when purchasing has successfully built such capabilities, which may take years to develop and require focused leadership (Flynn, Jinhui Wu, & Melnyk, 2010; Lawson et al., 2009). In that regard, the basis is nurturing each step of the path, from purchasing recognition all the way down to performance, passing through the intermediate stages of purchasing involvement and capabilities development. In the following sub-sections, we elaborate each step of the path.

2.1. Purchasing recognition

Top management's attitude toward the potential contribution of the purchasing function is broadly acknowledged as a key determinant of strategic purchasing (Ogden, Rossetti, & Hendrick, 2007; Wolf, 2005). This recognition involves top management emphasizing the strategic role of purchasing and viewing it as an equal partner with other functions of the top management team (Cousins, Lawson, & Squire, 2006). Outsourcing, offshoring, and lean manufacturing have increased the risks of disruption in the supply chain and, consequently, top management's recognition of the role of purchasing in mitigating risks in the supply base. Thus, purchasing must be acknowledged as a key decision maker that impacts optimization of value creation of the firm while also minimizing cost.

For instance, Numico, a well-established Dutch infant food producer and currently part of French food-products multinational corporation Groupe Danone, engaged an innovative packaging supplier to make the shift from traditional glass jars to ambient ready-meal packaging, opening access to a new market segment in an already saturated and mature market. Purchasing was recognized as playing a vital role in redefining relationships with the supply base and enabling a timely and successful launch of the new product. Another example is Mercadona, a

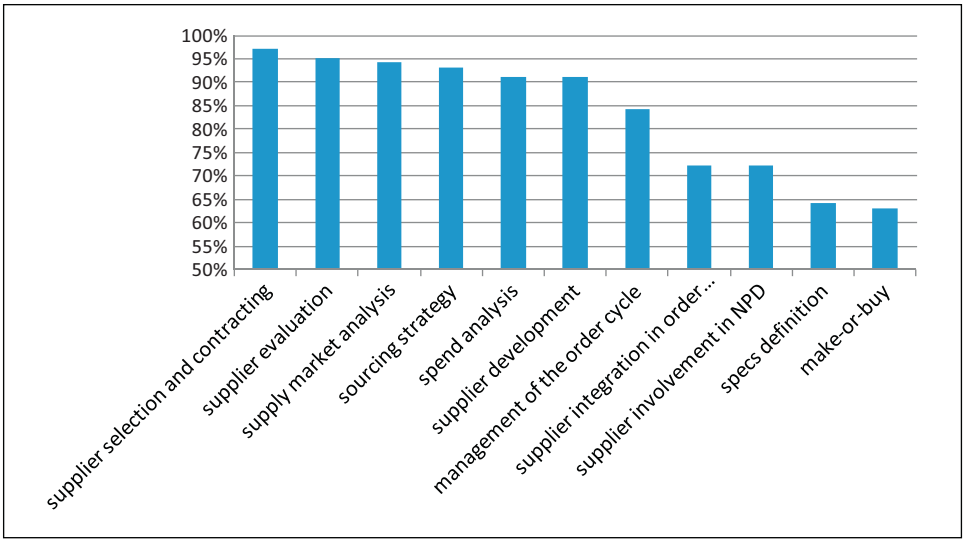
fast-growing Spanish supermarket chain with €20 billion in sales in 2013, where purchasing occupies a prominent role in the management team. Suppliers are key stakeholders for the firm, and the purchasing function is responsible for shaping the firm's bet on the primary sector by establishing long-term, stable relationships with selected suppliers based on mutual trust, specialization, and joint planning. With supplier involvement in category planning and development, the firm can increase service to the final customer, leading to a sustained competitive advantage. A final example involves communication technology provider Cisco, which buys 95% of its 12,000 products. A core element of Cisco's purchasing strategy involves mitigation of supply risk. Based on company experience during Hurricane Katrina in 2005, Cisco implemented a solid supply chain resiliency program; consequently, the Japanese tsunami of 2011 caused the firm little or no revenue loss (Sáenz & Revilla, 2014). In all these examples, purchasing is considered a vital connector between the firm's organizational strategies and processes and those of key suppliers (Lawson et al., 2009).

2.2. Purchasing involvement

With top management recognition and sending of the right messages regarding the role of purchasing, orientated action follows. The shift from working in functional silos to cross-functional processes facilitates delivery of superior value to the final customer. This transversal view is extended to key suppliers, who, when they become part of a well-managed process, will have a lasting effect on the competitiveness of the entire chain. Purchasing plays a key liaison role when connecting external suppliers with internal customers. This is only effective, however, when the firm—and therefore the purchasing function—stresses a relational rather than a transactional view toward selected suppliers in order to leverage their capabilities. Strategic purchasing thus integrates the buying firm's strategic decisions with those of its key suppliers.

In the IPS study, we ranked the actual involvement of purchasing in 11 key processes for the different purchasing categories. This involvement increases in importance when we talk about strategic categories that involve high spending and have a direct impact on the value creation of the firm (Kraljic, 1983). Therefore, in Figure 1 we focus on purchasing involvement for companies reporting on strategic categories. From the Figure we learn that purchasing involvement drops drastically for two sets of processes. First, it drops with supplier integration in the order cycle and supplier involvement in new product development (NPD). Second, it drops with specs definition and make-or-buy decisions. The second drop in involvement signifies that approximately 37% of the companies do not involve purchasing in the definition stage of products/services that they have to buy in a later stage. From more detailed data, we learn that this lack of involvement is more prevalent in service companies than in manufacturing companies. Companies from the service sector can thus learn from product-oriented companies regarding formalization of the purchasing process (Ellram et al., 2007). The first drop in involvement signifies that approximately 28% of the companies reporting on strategic purchasing categories do not leverage the liaison role of purchasing in connecting suppliers and internal

Figure 1. Purchasing involvement in key processes*



*for strategic categories

clients. We observe that for the remaining 72% of the companies, where purchasing is part of supplier involvement in NPD, almost half of the firms execute this process locally without corporate involvement. Consequently, firms may fail to leverage corporate resources, leading to the sub-optimization of NPD. We return to this point later.

2.3. Capabilities development, the indispensable ingredient

What exactly can purchasing contribute to the strategic dialogue of the firm? Information that determines business today could be irrelevant tomorrow given the extreme pace of technological change and high degree of uncertainty. Only when purchasers continuously expand and update their knowledge base will they be able to perform in-depth analyses and contingency planning, and obtain the degree of introspection required to preserve credibility with both suppliers and internal customers. Expanding and updating knowledge occurs through an iterative process between action and reflection. In other words, it is the learning capability of purchasing that determines purchasing's potential contribution to the strategic dialogue of the firm and helps the firm stay ahead of the competition (Grant, 1996). Purchasers with well-developed learning capabilities communicate beyond the traditional transaction-oriented price and availability information to include information about supply market tendencies, supplier innovations, necessities, and potential. Moreover, purchasing may inform selected suppliers about evolving customer market desires and internal ideas and projects.

The development of learning capabilities requires paying attention to four key dimensions (Tu, Vonderembse, Ragu-Nathan, & Sharkey, 2006). First, it requires the selection of talented individuals for both managerial and worker positions and the fostering of continuous on-the-job training. Second, it involves having a sound communication network (i.e., the scope and strength of structural connections that bring flows of information and knowledge to different organizational units). Third, the communications climate (i.e., the atmosphere within the organization that defines accepted communication behavior) should emphasize the importance of continuous learning. Finally, purchasing should invest resources in knowledge scanning (i.e., to identify and capture relevant internal and external knowledge and technology). In the IPS study, we measure the presence of each of these four dimensions and identify that the last dimension, knowledge scanning, has the lowest presence in companies in Europe and North America. However, we also observe that knowledge scanning has both the highest variance among companies and the highest correlation with performance. In other words, companies particularly distinguish themselves through knowledge scanning, which is the one distinctive element that has the potential to boost performance and create competitive advantage.

2.4. Sustained performance

When purchasing fulfills a strategic role in a company, its impact on performance will extend beyond traditional cost improvements to include strategic benefits related to the value proposition of the firm and the development of new products and markets. The value proposition and therefore performance may have different dimensions, such as price (cost), quality, delivery, variety, innovation, and sustainability. Data from the IPS study showed that of these six performance dimensions, costs and innovation are most significantly impacted by the development of learning capabilities of purchasing. Whereas cost performance refers to the more traditional purchasing price and the cost of managing the procurement process, innovation performance refers to the level of innovation in products/services obtained from suppliers and the supplier's time to market of new and improved products/services.

Thus, the question of whether the gap between purchasing strategy and reality can be bridged can be responded to affirmatively. More precisely, purchasing recognition and involvement has to be followed by the active building of learning capabilities with a focus on knowledge scanning. This leads to higher performance in terms of cost and innovation of products and services.

3. Pitfalls to proceeding along the path

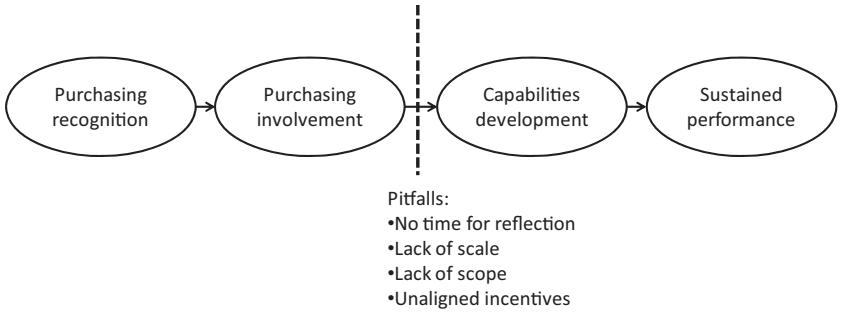
Companies today still encounter many pitfalls in practice that impede seamless transitions between the steps. Whereas the path broadly applies across different settings, the specific pitfalls will be dependent on the particular context of a company (Lawrence & Lorsch, 1967), such as industry or size of the company. We have particularly observed barriers between the second and third step, as highlighted in Figure 2. We base our insights on the IPS study and multiple interviews and observations within several companies (see Appendix).

3.1. No time for reflection: Project-based organizations

3.1.1. Findings from the survey

Guidelines for strategic purchasing are mostly derived from research on mass production firms

Figure 2. Pitfalls along the path to sustained performance



whereby purchasing refers to well-categorized and parameterized products. Diametrically opposed are project-based firms whereby every customer order involves engineered-to-order products or services. In project-based organizations, the majority of work occurs within decentralized, loosely coupled project teams that operate with significant degrees of autonomy and focus on the completion of tasks and deliverables to predefined deadlines. Learning should be transferred from the project to the broader organization; however, sometimes there are few incentives and possibly even disincentives to transfer this learning to other projects or the wider organization: short-term task performance takes precedence over long-term capability development (Swan, Scarbrough, & Newell, 2010).

Moreover, projects are characterized by emergent properties leading to changes of requirements during production, thereby shifting goals and increasing information flows with suppliers. Consequently, the integral management of supplier relationships throughout all stages of a project is vital. Purchasing, however, is often only involved in a later stage in this kind of organization; initial stages are dominated by engineering (Davies & Brady, 2000). Purchasing's role is thus viewed as simply buying the goods and services that other departments need. Engineering, on the other hand, focuses on technical specifications, and its role diminishes when projects materialize. Consequently, integral management of supplier relationships across all stages of a project and subsequent learning from experiences of the project become more difficult.

Our data from the IPS study demonstrate that purchasing involvement in the key processes differs between companies based on continuous and mass production and those based on projects. In the former group of companies, purchasing is highly involved in supply market analysis, whereas in the latter group it is not. Moreover, we observe that project-based organizations have fewer well-developed purchasing learning capabilities than mass production firms. This has implications for performance: the reported performance, in both cost and innovation terms, is significantly higher for mass production firms than for project-based firms. This is a lost opportunity, because according to the analysis of the data, the positive impact from purchasing involvement on learning capability development, and that from learning capability development on performance, is valid across different sectors (ranging from non-manufacturing to manufacturing) and different kinds of production environments (ranging from continuous and mass production to projects).

3.1.2. Finding time for reflection: The case of SolutionCo

Purchasers at SolutionCo manage standard purchasing requirements associated with product sales on the one hand, and predominantly customized purchasing requirements associated with the sales of integrated solutions (each one managed as a project) on the other hand. Consequently, SolutionCo has to learn mainly from one-time purchases rather than through repeated actions associated with standard requirements. Learning from one-time events, however, bears two potential risks (March, Sproull, & Tamuz, 1991). First, related to *reliability* of the insights, it is more difficult to generalize and arrive at a shared view regarding the project's successes and mistakes. Second, related to *validity* of the insights, it is more difficult to understand what has actually happened and to project that understanding to a future capability of predicting and controlling the environment. SolutionCo has implemented several actions to mitigate these risks.

First, the involved actors (engineering, project management, and purchasing) consciously try to enrich the experience of the project through joint reflection and interpretation. This implies a view of the project as a focusing device, or a vehicle for learning. Consequently, a project has three rather than the two typical stages: bid preparation, bid execution, and learning from the project. Thus, the

company allows for the time and effort needed for knowledge articulation and codification by, for example, using the project review register, which is designed to support learning. By doing so, the company avoids dependence on knowledgeable and networked individuals who move from project to project. Second, SolutionCo has developed formal means of linking individuals across the organization; for example, through competence networks. Third, SolutionCo has assigned a liaison role to purchasing that facilitates the integral approach to supplier relationships across all stages of a project and coordinates learning from the projects. This involves integrating purchasing into the beginning of a project rather than relegating it to the end of the process chain. These measures permit SolutionCo to reap economies of repetition, which are vital for project-based companies, rather than the economies of scale in mass production.

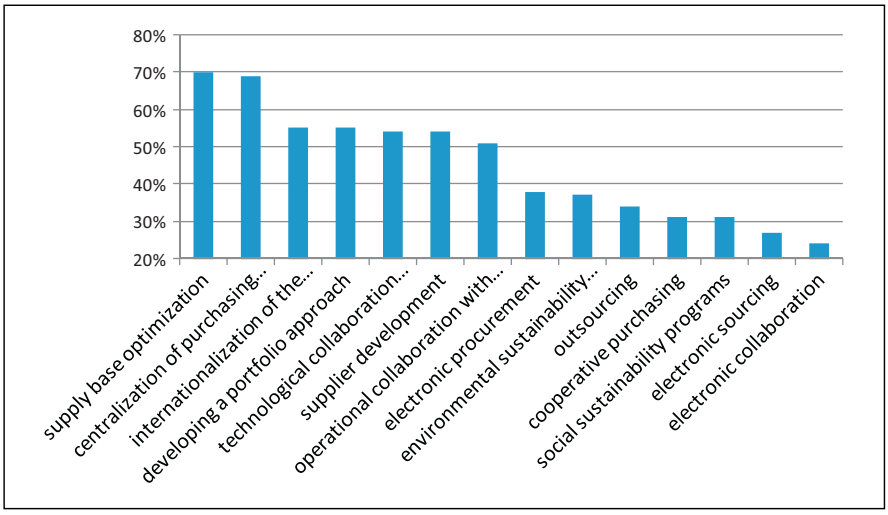
3.2. A lack of scale: Decentralization of purchasing

3.2.1. Findings from the survey

Decentralization of purchasing has the benefit of adaptability to local circumstances, but it may lead to a broadened supply base, diluting the purchasing spend per supplier. Companies gain benefits when they centralize purchasing and place a larger volume with a reduced number of suppliers. These benefits include both cost benefits, given a stronger negotiation position, and learning benefits, given the increased array of experiences from which to learn. In certain sectors (e.g., electronics, technology) suppliers may even be competitors, increasing the risk of knowledge appropriation. This further increases the need to centrally coordinate purchasing and learning with and from suppliers.

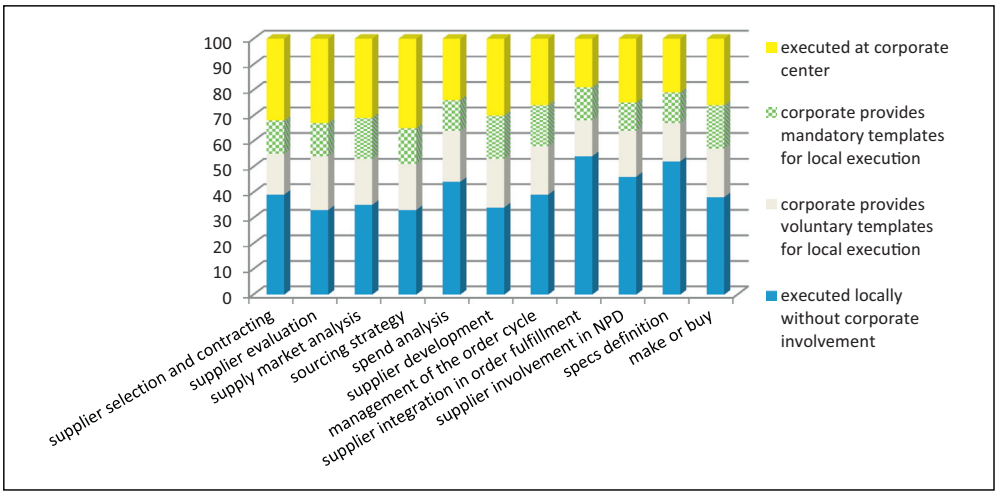
In our IPS study, we assessed the implementation of a list of 14 purchasing improvement programs. Of these, centralization of purchasing decisions and supply base optimization are by far the most widely implemented (in 70% of the companies; see Figure 3). It is not surprising that these processes are together at the top given that they mutually reinforce each other. Nonetheless, 30% of companies have still not centralized purchasing. In order to go beyond dichotomous descriptions of centralization, the IPS study also assessed the degree of centralization—or the different possible options of moving between decentralization and centralization—of the 11 key purchasing processes described earlier. Surprisingly, we observe that the companies that responded for strategic purchasing categories tend to choose extremes: either totally local or totally centrally developed processes. On the contrary, the two hybrid options—voluntary or mandatory templates centrally developed for local execution—are undeveloped (see Figure 4). Hybrid options might be a valid substitute for the extreme options because they combine the advantages of centralization (i.e., increasing scale and leveraging learning efforts) and decentralization (i.e., adapting to local circumstances). Thus, it seems that companies' efforts to centralize are effective, although the implementation of hybrid options has a long way to go. Returning to purchasing involvement in NPD, we observed earlier that almost half of the companies develop this process on the local level. These companies might consider hybrid options that respect local circumstances but increase opportunities to learn from a broader range of supplier interactions.

Figure 3. Implementation of purchasing improvement programs*



*across all categories

Figure 4. Hybrid options between decentralized and centralized purchasing*



*for strategic categories

3.2.2. Overcoming the lack of scale: The case of SolutionCo

Traditionally at SolutionCo, each business unit was totally autonomous in terms of purchasing and many people intervened in the purchasing process. According to the CFO: "Purchasing is a very attractive topic in our firm. . .everybody wants to intervene given that it represents a considerable share of our cost structure. Nonetheless, we have to decide centrally what the best way to proceed is." In line with this argument, the company introduced corporate buying as a complement to local buying in order to leverage group purchases, form long-term relationships with selected suppliers, and tap into their technical expertise. The idea of centralized purchasing was to reduce costs, guarantee supply, and ensure that SolutionCo had access to the latest technology needed for their solutions. Before centralizing, SolutionCo conducted an analysis of the different purchase categories in order to establish the feasibility of centralization based on criteria like necessity of adaptation to local circumstances, overlap in usage across business units, and supply risk. In the initial stage, only common purchases such as cleaning, security, and telecommunications were centralized, but increasingly, centralization of purchases of strategic categories that constituted vital parts of integrated solutions took place. Furthermore, for those purchases that could not be centralized because of local idiosyncratic requirements, a hybrid form was introduced with centrally developed guidelines for local buying in order to standardize as much as possible. For instance, procedures were standardized by using standard contract content and criteria were standardized by rationalizing the supply base of certain purchase categories, such as services. Hence, SolutionCo was able to develop its learning capabilities and reach sustainable performance.

3.3. A lack of scope: Multiple parallel communication lines

3.3.1. The problem of multiple parallel communication lines

Big corporations have several divisions, functional areas, and plants. Each of these may require resources from the same external suppliers. Consequently, multiple parallel communication lines may exist between the corporation and a single supplier. As a result, every involved function focuses on its own particular needs, ignoring the full scope of the supplier relationship and preventing productive learning from taking place.

3.3.2. Overcoming the lack of scope: The case of ServiceCo

ServiceCo doubled its turnover in a period of 5 years to approximately US $10 billion. This rise in sales volume meant that suppliers had to grow rapidly with ServiceCo to meet the increasing demand. Moreover, a heightened number of parts had to be managed given the long commercial life of spare parts, as well as corporate emphasis on NPD. These suppliers felt increasingly frustrated because they were committing more resources to managing the relationship with little guidance and slow or conflicting feedback from ServiceCo. Suppliers aired comments such as:

- "Doing business with ServiceCo is like doing business with ten companies."
- "Multiple communication methods for the same information increases confusion."

- ''ServiceCo says my performance is X, but my records show Y.''

In order to improve this situation, ServiceCo established a 15-person supplier development department. Each person in this department was assigned one or more key suppliers and was given the responsibility of improving the relationships by consolidating all internal initiatives pertaining to those suppliers. Suppliers became more actively involved in exploring ideas. One supplier developer claims in that regard: ''I do try to encourage suppliers to bring up any issues. . .'What pain do we cause you, Mr. Supplier?' Then we brainstorm to see what options are available to lessen their pain or fix the issue.''

As a result, the supplier development function—which was assigned a key liaison role to connect external suppliers with internal customers—was able to optimize learning and impact in sustained competitive advantage, as demonstrated by an array of key performance indicators. Supplier delivery performance, for instance, improved by 25%, which directly impacted the value proposition to the final customer that promised a quick and reliable delivery.

3.4. Unaligned incentives

3.4.1. The problem of unaligned incentives

Employee incentives are traditionally based upon productivity, which leads to functional rather than organization-wide optimization. Recently, however, firms have begun aligning functional and process objectives, like when employees are given shares of the firm based on their individual/team performance. When we acknowledge that performance spans company boundaries, it is important to foster and reward transversal thinking not only within the firm but also as related to selected suppliers. For example, Cisco measures a key resilience metric, Time-To-Recover, jointly with suppliers (Sáenz & Revilla, 2014).

Moreover, persons occupying a liaison role between the supply base and internal customers are expected to develop a dual allegiance; that is, to feel committed to the parent organization as well as to the particular relationship in which learning may take place (Husted & Michaelova, 2010). Incentives play a key role in fostering this dual allegiance.

3.4.2. Aligning incentives: The case of RetailCo

In times of fierce competition, RetailCo—the largest multinational retailer in Europe—realized that it could only distinguish itself from the competition through collaboration with key suppliers. New things had to be done, rather than improvement upon current firm practices. Therefore, management invited a key service provider to jointly develop learning capabilities. Under the guidance of external facilitators, approximately 15 individuals from both firms came together during several off-site sessions to become acquainted with collaboration, information sharing, and joint learning. Between sessions, they worked in small inter-organizational and cross-functional teams to further shape the developed ideas. As a result, almost 20 ideas were generated and elaborated upon, and these were subsequently short-listed for implementation based on the analysis of relative risk and the impact of each idea. In this way, a collaborative change agenda was jointly developed.

Key to successful development of the project was the introduction of incentives aligned with the new approach to collaboration and learning, based on each stage of the learning process. In the exploratory stage, the indicators were the number of joint ideas generated and the time spent in joint project teams. In the second stage (short-listing the generated ideas for actual implementation) the indicator was the number of ideas effectively sold internally. In the third stage (exploitation of the idea) the indicator was the number of ideas implemented and the impact on cost and service indicators.

4. Recommendations for action

Examples from SolutionCo, ServiceCo, and RetailCo have complemented the IPS study in providing insight regarding how to overcome the identified pitfalls and successfully translate purchasing involvement into capability development and sustained performance. In this section we will frame these insights in recommendations for action (see Table 1).

In organizations with ever-shifting requirements to the supply base, we recommend three actions to nurture the development of learning capabilities. First, it is vital to involve purchasing from an early stage in the project so that one and the same function can manage the supply relationship throughout all stages of the project. Second, the final stage of the project should include learning from the project as a formal activity. In other words, the project becomes a focusing device for learning, and team members jointly reflect upon the successes and failures in order to arrive at a shared interpretation and agenda for future changes. In that way, the organization relaxes its dependence upon experienced workers in future projects. Third,

Table 1. Key pitfalls and actions to take

Potential pitfall	Actions to take
No time for reflection	• Involve purchasing early in projects • Use project as a focusing device for learning • Build competence networks
A lack of scale	• Create a purchasing portfolio analysis to trade off adaptation to local requirements and scale advantages of centralization • Develop hybrid forms in case of high idiosyncrasy of local contexts
A lack of scope	• Assign a liaison role to one department to handle all internal initiatives regarding the supply base from the inside-out and provide feedback from the supply base, outside-in • Match the supplier's capabilities with the priorities of the purchased category
Unaligned incentives	• Stimulate transversal thinking within the firm by adding company-wide incentives to existing functional incentives • Expand transversal thinking to the supply base by adding indicators that measure learning with and from the supplier

the establishment of competence networks allows combining insights from several projects per specific competence. Consequently, deep knowledge is developed in terms of the competence.

For organizations operating in multiple environments with different idiosyncrasies that require decentralized purchasing to some extent, we recommend managers go beyond the dichotomy of completely decentralized versus completely centralized to consider hybrid forms in two ways. First, follow a portfolio approach and analyze the necessity of adaptation per purchased category; that is, centralize as much as possible to increase the scale and optimize costs and learning. When supply risks are high, as in global supply chains with an increasing number of external vulnerabilities (e.g., currency distortion, natural hazard event), we also recommend centralization in order to improve visibility and quick decision making for re-direction of the supply flows with second or third sourcing in case of disruption. Second, guide decentralized purchasing through centrally developed mandates, standards, and criteria, but allow feedback on the adequacy of these standards in order to fine-tune centralized learning.

In big organizations that have multiple issues from different perspectives (divisions, plants, or functions) with one and the same supplier, we recommend managers take two key actions to overcome the lack of scope and promote learning. First, assign a liaison role to one department in order to channel all communication inside-out as well as outside-in. By doing so, encourage suppliers to provide ideas and feedback, as well as complaints, in order to jointly work on solutions. Following that, match the supplier's capabilities with the priorities of the purchase category. For example, for categories with a high supply risk, a coherent set of proactive and reactive risk mitigation actions should be implemented jointly with the supplier.

For all organizations that view suppliers as key partners in improvement activities, we recommend aligning performance indicators and incentives in two ways. First, internally in the organization, stimulate transversal thinking by adding process incentives to existing functional incentives. Second, complement this with boundary-spanning indicators that measure the involvement of selected suppliers in learning activities.

5. Conclusions

So, can we bridge the gap between strategy and daily reality? Our final answer to this question is: "Yes, of course." In this article we have demonstrated that successful companies extend beyond acknowledgment of the strategic nature of purchasing as an important antecedent of sustained performance to nurture the mediating stages of purchasing involvement and capability development. Consequently, we have mapped the path for closing the gap between strategic intention and daily reality by elaborating these mediating stages and their relationship to performance. We have identified several pitfalls, as well as recommendations for actions, based on ample empirical evidence and building upon prior literature.

In times of shifting consumer demand and increased dependency on resources from outside the firm, purchasing has become a strategic function that buys these external resources and manages the associated supplier relationships with a proactive and long-term perspective. In doing so, strategic purchasing goes beyond the search for short-term cash to building long-term capabilities.

Appendix

Research Methodology

The survey

The International Purchasing Survey (IPS) project is a research initiative of academic researchers in purchasing and supply management from 11 different European and North American countries (detailed information at www.ipsurvey.org).

IPS aims to be a longitudinal research effort. The first wave of data collection ended in December 2009, resulting in 615 usable responses from companies with at least 50 employees from the stated countries. Respondents included purchasing directors and those of similar roles (e.g., purchasing manager, supply chain manager, CEO). Sixty-three percent of companies represented were from the manufacturing sector; the remainder were from a variety of sectors including construction, transportation, retail, and professional services. The second wave is predicted to conclude before the end of 2014. Highest attention is paid to the application of best methodological practices in all stages of survey research (design, data gathering, data analysis, and reporting).

The survey is organized into two parts: the first poses organization-level questions, while the second poses questions on a selected purchasing category, which is then described by the respondent in qualitative and quantitative terms. We have defined strategic purchasing categories as those that (a) represent at least 20% of purchasing spending and (b) refer to direct spending. A total of 320 companies answered the category-specific questions referring to strategic categories.

Multi-case study

The second method is a multi-case study whereby we analyze and contrast the purchasing and supply management functions of three companies. The companies are described in Table 2 and are contrasted specifically through their various degrees of standardization of purchased goods or services.

Table 2. Description of case companies*

Degree of standardization of purchased goods/services	Company	Interviews
Low	SolutionCo: Spanish subsidiary of Siemens corporation, with a local turnover of 1.7 billion euros. 55% of purchases are internal purchases (i.e., from the multinational corporation) and 45% stem from external suppliers. Provides products and projects (turnkey, automation, production systems) in all industrial sectors, including mining, cement, and paper.	11 in total, all from the industry sector, with functions including sector CFO, division CFO, purchasing director, senior purchaser, project manager, and logistics manager.
Intermediate	ServiceCo: A North American provider of after-sales parts to the construction machinery manufacturing industry worldwide. It doubled turnover between 2003 and 2008 to approximately 10 billion U.S. dollars; it is supported by 10,000 employees.	Nine in total, with functions including category manager, senior buyer, supplier developer, project manager, key account manager, and sales engineer.
High	RetailCo: The Iberian affiliate of a multinational retailer, the second largest in the world and the largest in Europe. Sells its products through hypermarkets, supermarkets and, to a limited extent, through convenience stores.	22 in total (including the service supplier), with functions including supply chain manager, operations manager, transportation manager, key account manager, operations analyst, organizational developer, and purchasing director.

*The case studies were conducted through semi-structured interviews (recorded and transcribed), focusing on purchasing and supply management practices as well as detailed descriptions of critical incidents in the recent history of the firms.

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