

Chapter 4

Supplier–Oriented Purchasing Behaviors in Projects

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ABSTRACT

This chapter introduces project manager's perceptions of the importance of developing relationships with preferred suppliers as this has the potential to impact elements of cost, planning, time management, quality management, technical expertise, and product availability. This study identified key characteristics and attributes of supplier-oriented purchasing behaviors in project-oriented environments. The review of recent literature indicated that very little research exists that examines project procurement experts' perceptions of key aspects of supplier-oriented purchasing behavior. This research utilized a two round, modified Delphi methodology to capture the perceptions of 19 experienced project management procurement specialists. Results showed that the most strongly valued attributes could be clustered under the headings of quality, communications, attentiveness, and professionalism. Even though projects were typically characterized as short term endeavors, the characteristics found most important to project procurement managers were similar to those previously reported by procurement professionals in long-term functional environments.

INTRODUCTION

In the functional procurement environment scholars have noted a growing shift in procurement practices from transactional approaches toward long-term oriented relationship-based approaches

(Brennan & Turnbull, 1999). Enhanced or modified forms of communication, coordination, collaboration and adaptation of product and processes to strengthen levels of commitment and trust were identified as important aspects of relationship-based procurement (Brennan & Turnbull, 1999; Hoffman, 2003; Jap, 1999; O'Toole & Donald-

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son, 2000). Relatively little previous research has explored the importance of supplier-oriented purchasing behaviors in functional procurement environments and even less has been conducted in the context of project management.

By their nature, projects often attempt to do something new and of critical importance to the organization. In the project-oriented environment, a successful project is defined by the completion of the project objectives, to the satisfaction of customers and other key stakeholders, on time and within budget. Procurement management is one of the many aspects of project management which demands the attention of project managers if they are to successfully manage the time, cost, and customer satisfaction oriented constraints that are an essential element of successful projects (PMI, 2008).

Yeo (2006) suggested that better procurement management may have important implications for management in projects. Further, anecdotal conversations with project managers indicated that they often are very aware of the importance of developing relationships with preferred suppliers as this has the potential to impact elements of cost, planning, time management, quality management, technical expertise and product availability. Each of these relationship elements may substantially impact the probability of project success.

Meier, Humphreys & Williams (1998) defined supplier-oriented purchasing behaviors (SOPB) as purchasing strategies intended to create a position as a preferred customer when contrasted to targeted suppliers. When implementing SOPB strategies, the focal point of purchasing developed into understanding the requirements of targeted suppliers and the development of mutually favorable buyer-seller relationships. The domain of SOPB included activities such as: (1) the attainment and use of technical knowledge to improve collaborative supplier communications, (2) buying across an expansive variety of goods and services, and (3) strategic planning.

SOPB was found to focus on defining and identifying the rewards deemed important to key suppliers. Thus, SOPB targeted the often neglected concept of reward and holds considerable implications for purchasing managers. Past perspectives on the buyer's role as reported by Bertrand (1986) depicted organizations maintaining large numbers of supply sources in order to negotiate the best deals. This created adversarial relationships and fostered intense competition among suppliers. In the short term, this was an effective approach to lower prices and was viewed as an effective approach to buying since it created value for the buying firm and its subsequent customers.

However, in today's competitive environment this approach no longer works. In response organizations are focused on gaining efficiencies, reducing cycle times, and bringing innovative customer defined products to market as quickly as possible. To achieve these goals, buyers now recognize the need to compete for and collaborate with carefully chosen suppliers. In fact, businesses and purchasing managers recognize that in many industries contemporary purchasing is defined as the fight for good suppliers. Buyers are cutting their vendor lists and treating the remaining vendors as strategic partners. Buyers understand that they must satisfy the needs of targeted suppliers and position their respective organizations as preferred customers.

Previous research focused on the buyer-seller relationship from the customer-oriented seller behavior perspective. Further, discussions of the importance of buyer-seller relationships historically emphasized the importance of developing long-term buyer-seller relationships. This discussion had limited utility in the project context due to the limited and even short duration of projects. The objective of this study was to gain insight into project procurement experts' perceptions of key aspects or characteristics of supply-oriented purchasing behavior.

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