European purchasers to increase focus on Eastern Europe, India and the Environment

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Purchasing will have high priority on taking their environmental responsibilities when developing their strategies in the future. This, together with an increased focus on sourcing from Eastern Europe and India are the main findings in the recent purchasing trend study conducted during fall 2008 by the Department of Industrial Management and Logistics at Lund University, Faculty of Engineering with support from sourcing specialists at IBX Group AB. The study is based on findings from trend indicators gathered from 146 purchasing professionals at large multinational companies across Northern Europe.

Method

The working procedure for the thesis was to create a questionnaire with input from previous trend studies, recently published articles concerning purchasing areas and interviews with experts in purchasing at IBX and Björn Axelsson, Professor in purchasing at Stockholm School of Economics. An online-questionnaire was set up with questions divided into the categories of the IBX framework; Strategy; Processes; Organization; Performance; and Technology.

The trend study had a five-year future perspective and a questionnaire was sent out to purchasing professionals in late October 2008 during the early phases of the global recession.

The questionnaire was sent out to 1346 purchasing professionals in different industries and business segments. The majority of the respondents were located in Germany (23%), Denmark (23%) and Sweden (22%). 60% of the respondents were large companies with a turnover exceeding 1000 million. The typical role of the respondent at their company was either CPO (37%) or Procurement Executive/Manager (34%) and 49% considered their purchasing department to be in front/leader in the development of purchasing. 146 respondents completed the questionnaire and the trends were then statistically analyzed.

Background and focus of the study

Increased globalization, outsourcing and e-Business have affected the role of purchasing within companies. Nowadays, companies have come to realize the impact and the opportunities of purchasing and have intensified the focus on purchasing as a function and as a concept. This change of focus is generating new ways of working with purchasing as a whole, and frequent updates on the current trends, which have been done by several researchers (e.g. Trent and Monczka,
1998; Carter et al., 2000 Ogden et al., 2005; Cohen et al, 2008), are required in order to understand the rapid changes.

The survey covered five major areas: strategy, process, organization, performance and technology, and respondents were asked to indicate current (2008) as well as future (2013) focus in order to determine the difference in focus and identify the trends in purchasing.

Regional sourcing comes to the forefront

As seen in Figure 1 sourcing practice is rather evenly divided with companies putting almost equal focus on global, regional and local (native and neighbouring countries) sourcing in 2008. Moreover, there is a higher value for sourcing from and outsourcing to Eastern Europe than for China and India (were India’s value is a bit lower than for the two other regions). This might relate to the fact that a green purchasing strategy is seen as an important area and companies consider the shorter distance to Eastern Europe as an advantage.

Both regional and global sourcing is also assessed to be of high importance in 2013 and have switched places with local sourcing in terms of focus. Local sourcing is the only area which the respondents assess to decrease albeit this is not statistically significant (which all the other differences are). Yet, local sourcing has still a high focus value in 2013.

Aside from the focus given on sourcing from Eastern Europe, sourcing from India sees a significant increase of focus. One factor that brings India to the top of potential countries to source from/outsource to, could be the fact that English is spoken to a great extent compared to other Asian countries. Furthermore, India has a prominent role when it comes to developing advanced technology due to the well educated workforce. But that does not seem to be the reason in this study, since the focus on outsourcing of core activities, such as research and development, was very low in this study. However, India has vast manufacturing capabilities and is likely to be a target for global sourcing initiatives. The increased focus on, especially, India and China may be correlated to outsourcing of
purchasing activities since companies need persons with local knowledge about the markets and business culture when establishing their company in these countries. According to Snell (2007) India together with China, are on the top of the list of destination where companies offshore purchasing functions.

Green purchasing

According to the study; environmental impact will continue to factor into the supply chain equations and one of the most important areas to focus on in 2013 will be to ensure that companies have a green purchasing strategy that assures low environmental impact.

![Figure 2]

Despite receiving a relatively high ranking for 2008, the importance of a green purchasing strategy saw a major increase in importance for 2013 (Figure 2). The fact that local, regional and global sourcing are all important say that companies want to source within their own region and decrease their contribution to global warming, but they still want to take advantages that global sourcing brings through buying cheaper and better products in other parts of the world.

Yet even though green purchasing strategy is seen as the area with highest focus, companies still assess that global sourcing will increase. One of the typical countries to source globally from has been China, which is still assessed to be important in 2013. However, India, which has had a less prominent role, is assessed to be almost equally important in 2013 and go through the largest increase of all areas in this study.

It is slightly remarkable that the green/environmental purchasing initiatives have a clear tendency to increase and have the highest value, but at the same time, companies will decrease their focus on local sourcing (native and neighbouring country sourcing). A possible reason could be the growing importance of regional sourcing, which companies may view as a good enough effort to decrease the environmental impact and carbon dioxide pollution due to transportation.
In addition, it can be seen from Figure 2 that there is a growing importance to follow up suppliers, as well as their suppliers, to secure that the supply chain as a whole are following the company's rules and principles when it comes to environmental impact and Corporate social responsibilities (CSR) by implementing more measurements for these areas.

Required skills for the Purchaser

![Focus in 2008 and 2013](image)

As can be seen in Figure 3, almost every suggested skill is important today and in the future. However, it does not seem to be of most importance that the purchaser is required to have a technical background. The highest ranked skill for 2013 is communication, while the skill with the largest increase in importance is change management. Both of these skills concern the ongoing transformation of purchasing, from operational to strategic and the implementation of purchasing technologies. The changes should be implemented and communicated to the rest of the organization which might be the reason why these two skills are in top for the most required skill and the skill with the highest change in the future. The only skill that does not increase is negotiation skills, which might indicate that the experts were right when they stated that purchasers will put more effort into preparing and implementing sourcing contracts than negotiation.

As anticipated, the skills which imply that purchasing will be more strategic, such as strategy skills, business development and project management skills all will be important in the future. An academic degree was also seen as important and might be necessary to increase the status of purchasing.

The relatively low importance of IT systems skills assessed by the respondents is remarkable since IT systems are implemented and considered to a great extent, see Figure 4.
According to Figure 4, approximately 50-60 percent of the companies are already using or currently implementing all of these technologies (except for Web 2.0). Furthermore, there are only approximately 10-20% of the companies that do not consider implementing these technologies (except for Web 2.0). This indicates that these technologies will be used to a great extent in the future and that there is a need for companies that can provide these kinds of technologies. Additionally, the purchaser need the skill to master these technologies in order to reach the tools’ fully potential.

Conclusion

Global sourcing will continue to broaden over the world and companies in Europe are not an exception. Yet the survey found that many companies will combine global sourcing initiatives with regional sourcing, exploiting the potential of Eastern Europe, but also from India. At the same time, the survey has shown the importance of green purchasing strategy and green measurements. Dealing with these two components (globalization and environment) will be of increased importance to supply chain leaders in the coming years. The purchaser is required to possess several skills and existing purchasing technologies are implemented in a great extent today.

Purchasing Trends 2008-2013

This article is a summary of the main findings found in the thesis report Purchasing trends 2008-2013 – A Study sponsored by IBX by Johan Warenlöv & Christoffer Härtle. These findings and much more (such as trends concerning the status of purchasing within companies, the skill sets required for the purchaser, the degree of implementation of available IT-systems/tools) can be found in the report which is published on the homepage of the department of Industrial Management and Logistics at Lund University, Faculty of Engineering (www.tlog.lth.se).
References


