



**UNIVERSITY OF GOTHENBURG**  
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## **Achieving Rationality in Decision Making**

A perspective of purchasing with inter-organisational relationships

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## Abstract

The thesis is to provide how decisions are made in an organisation relating to practice of purchasing with a qualitative research approach. Organisational decisions have impacts on networks, such impacts are also discussed. Decision making has its limitations relates to bounded rationality, organisations achieve rationality due to some extent for the reason that they have implemented code of conducts and also by gathering data. Decisions made by an organisation can have impacts on business relationships whether formal or informal, however there will be no impacts on organisational network if such relationships do not exist between partner organisations.

Key words: bounded rationality, purchasing, networks

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## Introduction

Purchasing is one of the most important task an organisation has to perform on daily basis and has gained importance throughout the course of time. Among other dimensions, purchasing can be seen as maintaining relationships among numbers of suppliers whether for a short term arm's length relationship or collaborative long term. Firms hence know the importance of purchasing and are well aware of raw material depletion, scarcity and also there can be upset in the pattern of supply and demand of scarce resources which are crucial for firms' value addition activities.

From past few decades purchasing has gained visibility in the firms (Carr & Smeltzer, 1997). Purchasing is more embedded in an organisation's routine, maybe more so than any other function (Lysons & Farrington, 2012). During the 1960s and 1970s purchasing was found to function as a stabilizer within organisations. In order to ensure their stability, organisations negotiated with networks of suppliers through ignoring or accepting countless political or financial factors. Purchasing was then regarded, generally as clerical function in routine and mainly concerned with spending. In early 1900s however, purchasing was given a strategic importance and became developed as a controlled practice (Goh et al, 1999).

Increasing prominence of supply chain management has led to an increasing recognition of strategic role of purchasing (Andersen and Rask, 2003), and it has progressed from just a purchasing function to a strategic function (Ellram and Carr, 1994). However, different types of decision are being made in everyday world either easy or complex ones. Decisions with respect to purchasing of products and services are being made in the business market (Kotler et al, 2005) that is organisations search for the best available option from different pools of suppliers. The business market hence include all the different organisations that purchase product and services with the aim to use them in further production and services, or with the purpose to resell or rent them to other organisations (Kotler et al, 2005).

With all the importance purchasing has gained throughout the course of time and being through different stages and having gained a strategic function over a simple organisational function with its progress, there is still not enough work done on the mentioned practice regarding the decisions being made, along with the mechanisms involve in making those decisions.

## Decision making with respect to purchasing,

What organisations do is to make decisions, and they have to make enormous amounts of decision whether relating to procurement or to any other activities. Procurement decisions relates to the duration of relationships with suppliers. Although a network of organisation consists of pools of suppliers hence a decision being made can have an impact on prevailing relationships.

Decision making is a process in which different persons or groups in the organisation recognise different choices and gather information about alternatives if available, based on this a suitable decision is made which is beneficial for the organisation (Woodside, 1992). Decisions that are made in the organisation should be rationally bounded (Simon, 1991), that is, the decision made is based on the best possible information available, nevertheless it is problematic that all the right information is available at the right time and at right place. With respect to decision

making Nilsson & Dalkmann (2001), cited (Simon, 1957) bounded rationality, which states that a rational decision making process has to be made within the boundaries of limited capabilities of human being and should be entirely value free and objective, but individual decisions are limited to their rationality, hence fully rationality cannot be achieved.

Therefore before making a decision, a decision maker/s should know all the available alternatives for that action along with their consequences (Carroll and Johnson, 1990), the selection of preferences available should be based on the best alternative first, this could be performed through the availability of sufficient data at the disposal of the decision maker and the decision maker should also has the authority of making the decisions, that is the decision maker has the structure of communications and authoritative relations (Carroll and Johnson, 1990).

March (1994), discussed that when interests and identities are inconsistent in decision making the imbalance of power arises. He defined the power as the intuitive notion of struggle with outcomes determined by the relative strength of contending forces. The basic idea of decision making in the face of inconsistency is that different actors want to have dissimilar outcomes or to achieve different identities. Author also mentioned that main presumption of decision making is for struggle of power and through it, to achieve desired outcome. Spekman & Carraway (2006), defined an arm's length relationships, a business relationship which is related to single transaction or for a short term period, in such relationships buying organisations usually have the authority to make decisions, compared to collaborative relationship, in which organisations combine their resources (human or nonhuman) for a longer period of time.

Unlike the past where decision making with respect to purchasing did not had any significance, purchasing has developed within the modern world into one of a prominent aspect of organisational functions. A decision related to purchasing within an organisation has impacts on different stakeholders whether outside or inside in that particular organisation, these stakeholders can be supplier, in relation with inter-organisational relationship, employees concerning the purchasing of new technology and services and stock holders with respect to the increasing or decreasing profit margins and also the image of organisation in industry. Thus the decision making process along with its complications can be regarded as one of the most prominent aspect of organisational functions.

#### [Decision making with respect to purchasing and network relationship](#)

Firms are connected with each other in a given network, these firms are interdependent and can be subject to ongoing changes, however they may or may not have collaborational relationship with one another. These relationships are effected by the decisions made by buying organisation relating to the activity of purchasing, despite that relationships between organisations is not limited to being formal, there exist informal relationships between them which continues to exist even after dissolution of business relationships.

Spekman & Carraway (2006), discussed that networks of interrelated firms/organisations have replaced the traditional markets, different suppliers which possesses numbers of resources such as man power or technology, and can work in collaboration with partner organisations to overcome constrains, which cannot be done by a single organisation. Authors also mentioned

that collaborative relationship is formed with limited number of suppliers to achieve the advantages complementary resources, and such resources are not possess by the competitors.

Robinson et al (2000), said that inter organisational partnerships are about building capacities and local ownership in other words it is about doing things with people, not for them. It is about helping to create right economic environment. Authors put forward that cooperation among organisations are being built through facilitative network of development organisations as a result this process itself produces synergistic complementarities and enabling environments.

There is not always a fairy tale among the organisations in a collaborative relationship within a given network. Havila & Wilkinson (2002), brought forward that, organisations can withdraw from relations with each other at any stage of the relationship development, nevertheless it is a serious issue when the relationship has achieved an advance stage of development entailing considerable growth and adaptation from both organisations. Authors did mention that termination of relationship cannot be only of non-fulfilment of activities or from discontent of the parties but also due to the planned strategy of an organisation to change its relationship portfolio attributing to the movement from an existing market to a new one, hence it is a response to changing market situations. Halinen & Tähtinen (2002), presented a process theory of relationship ending, in which they mentioned that there always comes a time with respect to organisational relationship, where an organisation has to make a decision regarding to continue collaborational relationship with a particular supplier or to select another supplier from outside or inside the given network.

However Havila & Wilkinson (2002), presented the principle of “conservation of relationship energy” (pg. 192), according to which, matter cannot be destroyed instead it moves around and transfers from one sort of energy into another. Authors argued that social bonds which are created through time between actors with in the organisations cannot be destroyed and are transferred and transformed through various ways manifesting themselves through different relationship contexts.

### Arguments

With all the importance purchasing has gained from being a clerical function to a strategic one and if not considered in elaborated ways it can have a negative impact, a practical aspect is also unclear about unfolding of the practice. Decisions making is embedded in organisational routines, decisions relating to purchasing have different forms of impacts on organisational networks whether formal or informal The purpose of this paper is to enquire about the decision making process adopted by the organisation with respect to purchasing, for the reason that, large number of suppliers are related with the mentioned practice and probable consequences of those decision made on the informal and formal networks will be brought forward through the questions mentioned below.

- **How decision making unfolds in business network?**
- **What are the plausible consequences of purchasing decisions on the networks?**

## Theoretical framework

Following section will provide theoretical concepts with relating to purchasing, decisions making and organisational networks. Purchasing is based on social relations and personal contracts. From an organisational perspective purchasing plays an important role in the process of negotiating with suppliers, monitoring and controlling the flow of components. (Eriksson-Zetterquist et al, 2009). An organisational purchasing is a decision making process carried out by individuals in interaction with other people and within the context of formal organisation (Webster & Wind, 1996). Decision making is one of the most important perspective which represents human behaviour, as decisions are made by individuals, group or organisations (Brunsson, 1982).

A decision can be defined as, a choice between different alternative (Brunsson, 1982). It is a process which comprises of a person, group or an organisation, identifies choice/s or judgement/s to be made then gather and evaluates the information about alternatives and finally selects from available alternatives (Carroll & Johnson, 1990). Many decision making process are distinguished by bounded rationality (Nilsson & Dalkmann, 2001). Rationality is constrained by institutional norms such as laws, policies and code of conduct. Bounded rationality embrace the limitations of information processing, perception, memory and judgement (Nilsson & Dalkmann, 2001). While considering available decisions, they have to be considered sequentially rather than simultaneously (March, 1994). The rational processes in the relational theories of choice, depends on the alternative considered on two estimates first is, guess about the future state of the world conditional on choices and second is about the feel of the decision maker about the future world when it is experienced (March, 1994)

However Hodgkinson & Starbuck (2008), noticed that rational theorists ignores the fact that, aims and objectives change over time. Normally people first specify their preference and then they select their course of action, in spite of the fact that people often discover their preferences throughout the course of actions while experiencing the consequences. Hodgkinson & Starbuck (2008), also stated that, those who advocates rational theories were mainly economist, and have expressed that rational theories are not to describe decision making process in short run. Economic theories of rational decision making focus narrowly on prices and quantities. (Hodgkinson & Starbuck, 2008)

Hodgkinson & Starbuck (2008), argued that decision making is not limited to what Simon (1991), proposed as being rational. According to Hodgkinson & Starbuck (2008), there exist different themes with respect to decision making such as ‘persistent themes’ and ‘Nascent themes’ (microscopic behaviour). Persistent themes according to Hodgkinson & Starbuck (2008), includes rational decision makers: which have already been discussed above, behavioural decision makers: in which researchers identified a rule of thumb “heuristic” it enables to cut through detailed information bombarding the decision makers and they can easily recall pass examples and events to expect them to occur in future

Decision makers with simple mental models: relates to the cognitive models and its changes, adaptive decision makers: are fast and frugal heuristic decision makers and their decisions are also based on behavioural decision theories, politically aware decision makers: make participants engage in building rationale for actions, create vision for future and mobilise

resources they have to espouse different visions at different times and decision makers who process information. Interpret and enact: coherence of sense making and sharing of perceptions should be maintained by the decision makers concerning that people who are involved in making decisions should act as a group and should give attention to different details. (Hodgkinson & Starbuck, 2008)

Hodgkinson & Starbuck (2008), put forward Nascent themes, focus on microscopic behaviours of decision making which includes, expert decision makers in naturalistic environments: the naturalistic decision making emphasizes the crucial role of pattern recognition in preventing the need for extensive deliberation about multiple alternatives, intuitive decision makers: decision making is based on one automatic processing such modes enable people to cut through the vast quantities of information rapidly second conscious processing mode entails detail analysis and emotional decision makers: decision makers in organisation are constrained by 'bounded emotionality', they rely on conscious and automatic processing.

Decision making as rule following (March, 1994), individuals and organisation accomplished identities by following rules and procedures that they see suitable in a situation which surrounds them. Preferences nor expectations about the consequences of the future are not considered to some extent. March (1994), further emphasis that, rules and identities bring forth basics for decision making in every aspect of life. "Individuals and social systems depends on rules and on the standardization, routinization and organisation of actions that they provide. From this perspective any decision in any context can be seen as being shaped by identities and logic of appropriateness". (March, 1994 p.59)

As rules change or develop, the behaviour of decision making also changes, rule based decision making is not only about how identities and situations are defined or rules applied but also about rule development. "since identities and rules are social constructions, developed within a context of other decision makers and historical experience, understanding the actions of any particular decision maker involves understanding how those social and historical contexts have moulded them and how the continued unfolding of history will mould them in the future". (March 1994 p.77)

Changing from the level of individual to group decisions raises a number of new issues, group processes rather than individual, are impediments to effective decisions for instance key concern for group decision making is process lost. Hence in the context of group decision making process lost is the inability of the group to take advantage of all the available information at its disposal for making a decision, another case can be related to the inability of the group to access all the available information throughout the group members to make decisions, this invites the possibility of missing critical information and thereby making suboptimal decisions. (Hodgkinson & Starbuck, 2008). Decision makers should be sceptical about data affecting their decisions, facts surrounding decisions are actually distribution of possible facts and these distributions have wide variances, uncertainty due to these distributions make decision makers very uncomfortable (Mezias & Starbuck, 2008).

Making decisions involves uncertainty and risks (March, 1994), three factors that affect the decision making in an organisation are risk estimation: where effects of the risk taken are



estimates and with an underestimated risk decisions will have a greater risk than intended, risk taking propensity: risk propensity differs in different decision makers but preferences may not be align with the conscious of decision makers and structural factors: in which risk taking occurs, moreover context affect the risk taking and risk estimation (March, 1994).

To minimise risks, Day and Barksdale (1992), stated some criteria which are looked by buyer organisation while making decisions relating to strategic relations with supplier, such criteria include understanding by the supplier of client's interest with effective communication, addition to that a healthy buyer supplier relationship is of prominence. Strategic alliances in a network (among buyer and seller) are the vivid example of cooperation in which organisations combine resources to cope with the uncertainty created by environmental factors beyond their control (Gulati & Gargiulo, 1999).

### Network relationships

Network relationships as a set of connected exchange relationships (Hertz, 1999). Emergence of networks is a dynamic process driven by exogenous interdependencies which result in organisations to look co-operations by endogenous network embedded mechanisms and to decide with whom to build partnership. Inter-organisational networks are also a products of new alliances which are added in the present network which has shaped the organisation decision relating previous alliances (Gulati & Gargiulo, 1999).

Relying on interaction and collaboration in activities, implies that an industrial district can be regarded as a network of interconnected relationships (Chetty & Agndal, 2008), these relationships entails either organisations or individual people. Former can be regarded as inter-organisational network or business networks categorising into formal or informal inter-organisational network, whereas latter can be of formal/informal interpersonal network, these interpersonal and industrial network can function simultaneously and have impacts on each other in different ways (Chetty & Agndal, 2008).

Gulati & Gargiulo (1999), mentioned a vivid example of strategic alliance, in such alliances the exchange of resources may not be limited to only tangible goods, it also involves intangible exchange such as social amnesties and friendship, which leads to social exchange theory (SET), views exchange as a social behaviour that may result in both economic and social behaviour, (Lambe et al, 2001). Social exchange theory working as a relational norms, guiding actions of exchange participants and reduce the threats of opportunism, however some business relationships exists in which one party maintains high levels of power (Lambe et al, 2001).

Concerning the power in the business relation, early researchers used power and dependence to explain the non-contractual governance in the business exchanges, focus of which was the control on one member in the relationship have over another (Lambe et al, 2001). Use of power though was found throughout the time to have its limitations relating to have a successful dyadic relationship due to the reason of conflicts it can create (Lambe et al, 2001).

Entailments of a network can be defines in different ways, one of such dimension concerns who are the actors and second to the degree of formulisation of the relationships among network actors (Chetty & Agndal, 2008). Moreover networks are not only limited to actors, they are comprises of different variables such as activities and resources. Actors, resources and activities

with their respective networks consist in model of industrial network, describes a network as a whole (Håkansson & Johanson, 1992).

Håkansson & Johanson (1992), mentioned that, actors develop and maintain relationships, activities are related to each other in industry and can be seen as a patterns in a network and resources are also related to one and other inside a network. Håkansson & Johanson (1992), stated that one of the aims of the model of industrial network is to provide an integrated analysis of stability in industry and viewed stability as a contrast to change and important for industrial development.

To sum up, decisions relating to procurement are made on the daily basis in the organisation and are of exceedingly prominence, a decision made can be regard as one of the best throughout the available alternatives, however it is of interest that how all the information is available at the disposal of decision makers. Practice of decision making involves the set of rules which has been setup in the organisation's culture either decisions are made by individuals or groups are involved in the mentioned practice. Organisations are connected with each other through networks consisting of different actors possessing dissimilar resources and a decision made by an organisation can have a negative or positive impact on the network along with its components, but these networks are not connected by the formal relationships there may exist informal relationships among actors in the networks and in organisations. These interconnected relationships whether formal or informal shaped the network afterwards a decision has been made.

## Methodology

### Organisation description

The organisation which is selected to study is a manufacturing organisation located in northern Europe and has manufacturing and production units currently working in Sweden, Belgium and China. The reason to choose the mentioned organisation is due to availability of a large network of different suppliers which includes the total of approximately 500 suppliers of direct material and around 3600 suppliers of indirect materials mentioned in organisation's annual report.

### Structure

The purpose of this thesis is to understand the importance of process of purchasing and the occurrence of it in organisational context along with decisions and their impacts on organisational networks. In order to investigate the purpose a case study was conducted, which can be regarded as a detailed examination of a single example (Flyvberg, 2006). A case study is a common way to do a qualitative inquiry (Denzin & Lincoln, 2005), therefore for this case study a qualitative methodology has been adopted in combination with subjective approach.

Methods used in case studies seems to strengthen the writer's preconceive notions and can represent a bias point of view, hence it can be somewhat of tentative value. Although with deficiency of being bias, a subjective approach provides more room for a researcher's own choices of judgement than other methods, mentioning its advantages, case study can surround the hindering vision of a real life phenomena and test view direct in relation to phenomena as they unfold in practice (Flyvberg, 2006).

## Collection of data

An interview is a meeting with a person to obtain information and to achieve specific goals, it is a conversation with a purpose (Kvale, 2006), in order to achieve information, data was collected mostly by interviewing total number of 17 sources, semi structured interviews were performed in order to collect data, questions which were asked relates to the theoretical framework, however there was an open conversation with some on the sources in between the interviews, numbers of sources interviewed were achieved through the snowball sample defined by Silverman (2013), that is using the networks of initial informants in gathering data, the participants ranges at the different ranks in the organisation from team leaders to managerial level and also at the directorate level. Hence when an interview with a source ended, he/she was asked to recommend another colleague for further interviews.

Silverman (2013), mentioned purposive sampling, which means that to think critically about the parameters of the population being studied and then choose the sample case carefully, the same method was used in collecting empirical evidence by selecting those sources which have the required background relating to the study conducted, another purposive sampling was then conducted to only include those sources from which the relevant data was gathered, (see Table 1). Author also stated narrowing down the data in order to complete a successful dissertation.

Qualitative semi structured interviews were performed with participants in the organisation. Further-more additional interviews were conducted with personnel from different department/s which is related directly/indirectly to the process of purchasing and can influence decision making on the stated practice. The questions asked were in relation with the theoretical framework concerning the importance of procurement and decision making in the process, further questions relating to the impacts on organisation with its effects and then question related to difference in past and present practices were put forward.

The need for ethnographic work in management studies is due to the interest in managerial and strategic practice or with the identities and emotions of the people who engage in management and strategic practices (Watson, 2011). Ethnographic research also postulates that learning process cannot be done without knowing the events and the processes in organisation, in this regard documentations were closely observed and with the help of documentations, the participative research learning process can be enhanced.

Employee code	Department	Job title
S1	R&D	Team Leader
S2	R&D	Team Leader
S3	R&D	Employee
S5	R&D	Employee
S6	R&D	Manager
S8	Purchasing	Manager
S9	Purchasing	Director

S11	Purchasing	Director
S12	Purchasing	Director
S14	Purchasing	Director

Table.1

### Analysis of data

Martin & Turner (1986), mentioned that notes should be detailed just like a story and should be descriptive of context, therefore while conducting interviews notes were taken thoroughly, they were then coded, categorised, after that interviews taken, were transcribed. Analysis involved breaking data into bits and after that beating the bits together, which means it is a process of resolving data into constituent components to reveal its characteristic, elements and structure (Dey, 1993). Data should be reviewed in light of the research questions (Silverman, 2013), hence the data which was gathered was analysed by dividing into different segments of purchasing, decision making and organisational networks, according to different characteristics of mentioned segments connecting with different theoretical concepts discussed in previous section.

Van Maanen, (2011), describes ethnography as, a social practice concerned with the study and representation of culture and its focus is more on ‘how’ and ‘why’ rather than ‘how much’ and ‘how many’. Author mentioned that ethnographers call data as other people’s construction of what they and their counterpart say and do, therefore analysis will be conducted with different concepts discuss in previous section such as rationality, collaboration or arm’s length and formal or informal relationships, moreover the author mentioned that the aim to present the ethnography is to reduce the puzzlement of ethnographer as well as the reader.

### Empirical Evidence

#### The practice/process

To get the insight of the procurement process from its initiation, a detailed interview was performed with one of the participants (S9), who has been involved in the mentioned practice for several years.

In the organisation where 70% of the value creation is through direct material and can have an impact on the profitability, purchasing is of huge importance. With respect to projects it is important to begin with the process at the right time with the right quantity. The process starts with the need of purchasing due to a project (see figure1), after that a project or product matters meeting is conducted in the first phase which can be names as purchase planning, another name can of it can be product board in which it is decided that which new product has to be developed. After the decision is made for the development of new product a program purchasing manager is designated, who is working with supporting R&D and purchasing throughout the purchasing process.

The purchasing manager then setup resources for tracking with the basis of data provided, the concept for tracking resources is to ask R&D whether to continue or to complete the data by adding there inputs with their technical expertise. After that the data goes back to purchasing

program manager, he/she then add additional purchasing data after receiving the information about the data along with the boundaries and pre requisites, this could be related to the schedule for obtaining different resources or additional data. Following that a PAT meeting (Purchasing Activity Team) is summoned, which is led by purchasing manager also consisting of commodity buyer and product buyer, their aim is to manage the cross functional deliverables for the new project and to make sure that overall consensus is achieved to support the new program and also to make sure that supplier are also on board with in the given time frame.

In the PAT meeting it is decided on how to source up the project and to whom, this task is for commodity buyer, who takes on the strategic part of purchasing relating to supplier choice, there is also a product buyer who is supporting all kind of day to day contacts with buyer. Overall recommendations on purchasing plans are discussed in the PAT meeting. With all the members are in agreement then a PRM (Purchasing Review Meeting) is held, consisting of different participants such as, members of purchasing departments, purchasing program manager, Supplier Quality Manager (SQM), director and experienced personnel from direct material purchasing, in the meeting it is decided that how does the plan looks like and what kind of prerequisites to fill timings, hence the main purpose of this meeting is to transfer or to give information to the management relating to direct material with the status regarding the situation in the different stages through our the whole project/program.

When the project needs extra support from purchasing department, different issues relating to the support are escalated and then are continuously followed up through reporting in scheduled meetings. In case of an arising issue, it has to be directed to a task owner who has to take up the ownership of the issue with the aim to solve it, in case the issue is not been solved then it has to be taken back to PRM for report and further escalation. To make a decision on purchasing plan PMM (Purchasing Matter Meeting) is carried out, it is preparation for project board meeting with different participants consisting of chairmen, VPs, members and controllers from different departments and also members from different marketing areas. With their consensus on purchasing plan a schedule time for purchasing decision is made which is performed by the commodity buyer.

The second phase is the purchasing approach, in which after purchasing planning CBP (Commodity Business Plan), which is a long term strategy for a certain supplier, is approved for sourcing, during the process inputs from SQM (Supply Quality Manager) are also received. Proceeding that, different purchasing methodologies are considered with the possible suppliers, these methodologies includes in-house or early sourcing suppliers. Following the decision on the selection of methodology and suppliers, a purchasing approach meeting in conducted with different suppliers, based on CBP suppliers or supplier is selected. In parallel SQM (Supplier Quality Management) process is also conducted, this practice is to evaluate whether the selected supplier/s are capable of sourcing. Decision to select supplier/s is taken in SCM (Supplier Choice Meeting), with the update of purchasing tracker. SCM in which recommendations on strategies are proposed, this meeting is carried out weekly, agenda consists of methodology of approaching and selecting suppliers.

After narrowing down the supplier choices, the purchasing quotation phase begins in which finalising the purchasing approach confidentiality agreements are send to different suppliers,

this process is related to engineering functions, in the case of acceptance of the agreement a RFQ (Request for Quotations) is send to the supplier in return supplier send in their quotations which leads to the next phase of purchasing consensus, where received inputs of suppliers quotations are analysed, then purchasing consensus recommendations are gathered, with the help of recommendations and analysis an iterative negotiations took place in the SCM which consists of a cross functional team from R&D, manufacturing and logistics, with the positive result of SCM, the purchasing program manager update the purchasing tracker which leads to the final phase of the process, purchasing agreements in which parties agree to the agreement package and supplier sign the agreement, this process is done through the help of product buyer supporting the commodity buyer both of them are heavily involved in the purchasing process. At the end of the agreement signing phase a PAT meeting is carried out in order to review what has and had been done including the following up process of upcoming activities.

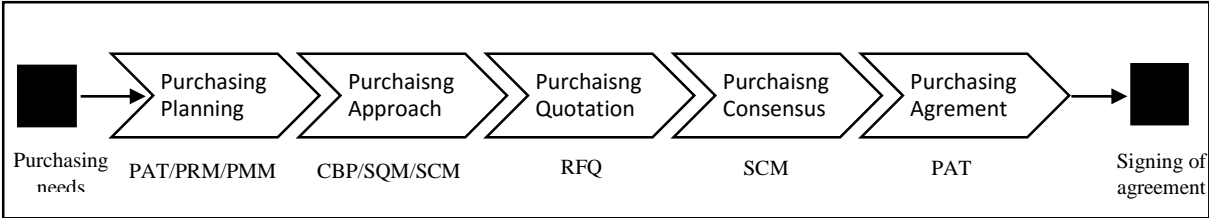


Figure 1

**Purchasing and its importance**

The above mentioned process involved the purchasing activities related to a new project, however the purchasing process is not limited to the purchasing department only, with the cross functional relationship between the departments of purchasing, R&D and manufacturing there is collaboration between different areas/departments and exist an internal structure of the purchasing process, in which R&D acts as buyer between the supplier/s and the customer, which can be any internal department within the organisation. This was revealed by the interview from an employee (S3) in the R&D department who said:

What we have is a lending organisation, here we purchase all equipments and then we lend out like a library. Most important is to get what customer (other department in the organisation) needs, different projects have to be done so we (R&D) are the link between them (purchaser) and manufacturer.

This practice takes place after the purchasing department makes a long term contract with different suppliers, then internal purchasers which is in this case R&D buys Raw material/equipments from those designated suppliers.

The importance of the purchasing process can be seen by the reply of one of the sources (S2) according to whom:

Purchasing is important, because the importance of the project that we are working now is to order at the right time so that we can get all the material for it at the right moment.

Importance of purchasing concerning costs and functionality was mentioned by (S12):

Purchasing means buying product in order to deliver and it should benefits to the company (cost wise) and contribute (profitability) to the business,

However another source (S6) mentioned it as:

Purchasing role is one of the most important role in the company, our (management) efforts goes directly to bottom line and it has great impacts on our results. In a sense purchasing has a key function in the company and it is a key stake holder.

A thorough definition of purchasing was mentioned by the participant (S9), who defined it as:

Purchasing is not only function that support our organisation with suppliers and products they bring in, it is a spider's web, its main function is to source projects and also to support when it comes to all kind of issues with suppliers, it is also to support the organisation with new technology and technical cost effective concepts and to be involved in that process together with engineering, hence to find the best technical product to the best possible cost. It is also to support manufacturing community when it comes to product quality related issues with our suppliers.

It is not necessary that only the division responsible for purchasing is involve in the mentioned practice with the existence of cross functional team, different sectors in the organisation have divide the responsibility among themselves. Purchasing has become more than a function, it connects different aspects in the organisation which includes supporting organisation with different concepts, discovering cost effectiveness in routines, on top of all purchasing is involved in maintaining and increasing the quality of the product received from the suppliers.

### Decision making

With the importance of the purchasing process, the decision which are taken with respect to purchasing also have their own importance, from the process mentioned earlier, it can be understood that decision are made at the high level in the hierarchy, it can be more understood with the explanation of one of the participants (S9) who defined decision making in purchasing process,

Decisions are done very much in cross functional teams and with the different stakeholders in the process, although there are much more than three parties, but mainly three parties are involved, purchasing obviously who has got the final decision then we got engineering and SQM, which is supply quality function to ensure the quality.

Another participant defined decision making by saying, “you do (make decisions) after an analysis of different options and the costs, different specifications are also needs to be considered and delivery time is also very important also product should also meets the requirements you are asking for”, (S6).

However with respect to in-house purchasing a limited amount of autonomy is provided to the employees, which is based on the financial limits of the department. Which is explained in an interview by a source (S2), “decisions regarding purchasing is based on cost”.

He further explains it by adding that, “decision are made on availability of finances, over a certain limit you (customer) have to motivate why they (customer) need to buy it and if it can be rented because it will be cheaper to rent”. Besides involvement of financial issues in the decision making, on the question related to the information of alternatives the respondent (S1) answered that, “it is (decision making) what we are supposed to do, it is not manager’s job, he does not care about the function of the product or what it do, he just wants his worker to do his job”.

“By starting you see how and what stage of the purchasing process the different stakeholders interact”, response of a source (S9) when he was asked about the involvement of suppliers in the decision making process. Another participant (S11), stated that:

When we (buyer & supplier) have had decided we sign the contract, which has been discussed before we go into decision making, it (the contract) is divided into a lot of things, one important thing is engineering statement of work which normally describe the content of the technical delivery where you have specifications, time plan and when they (supplier) need to fulfil deliveries and also the commercial terms of sources.

This signifies that before finalising the purchasing process suppliers are involved in decision making as mentioned in the process above.

Regarding the selection of a new supplier a respondent (S14) replied:

selecting a supplier includes everything for example ISO certification, how they work with sustainability, financial questions regarding ownership in their organisation, their joint ventures with other organisations, it is a broad matrix, it is not like we go into their process and measure quantity, it is more about over all information about the company (supplier).

Moreover the process to work or procuring from supplier involves different approach mentioned by (S14) as:

when we are procuring something then we have a process for that how to evaluate, we look into the price quotations for the parts and then R&D needs to make sure that technical specifications are met and send out, there are different things that supplier needs to answer, there



are quality, time plan and delivery modules, then you combine it with supplier evaluation matrix.

The decisions related to involvement of suppliers is related to the authority of purchasing department, the duty of which is to engage with suppliers on the contractual basis either long term or short term, after that different departments can contact those suppliers through an assigned system or personnel according to their requirements.

“The suppliers we have today are the suppliers we only have”, a participant (S2) stated that when answered about the involvement of new suppliers, which shows that the overall authority of the purchasing department in contracting with suppliers,

Another employee in the organisation (S5) mentioned that:

If my ordinary provider does not provide what I need, then he knows that I will choose another provider.

This leads to the impacts of decision making on suppliers where one supplier is preferred to another. A similar response was also shown by a participant (S9) by mentioning that:

the big suppliers are often more for strategic part, I do not think that it might be a conflict if we go to a small supplier, might be we find some new technology with small supplier which could not offered by our preferred supplier, but it could be that we try to push the big supplier onto same sort of technology that small supplier has got.

The above mentioned statements shows that in case of not been able to provide desired components/services, organisations tends to choose new suppliers and suppliers are also in an agreement that if they are unable to provide required product or services, however they prefer to work with their long-term or fixed supplier and are able to work with them to gain new technology and be able to continue business relationships with them.

### Organisational relationships

Working with a single/long-term supplier for a particular product can give that supplier a dominant position in the business relationships and can result in manipulating the buyer, this point was raised by an interviewee (S11):

we might see that there is another long-term supplier coming into the market, we (the organisation) have a tradition that in some areas we have this kind of the only one who understand us, and they can get into nice monopoly situation and charge us for that, over the years we have discovered that sometimes in between we need to shake these guys and ensure that they understand that they are not alone, at times they understand the message, sometimes they are replaced by someone who is more hungry. So relationships with suppliers, you can actually behave well towards a supplier and be a good guy to talk to, but you have to be firm, you have to be clear what you want to have but you do not need to shout or scream.

An alternative of selecting supplier was mentioned by (S11) as:

there is an alternative when you have a stable situation, is that you actually ask more than one supplier to develop the solution in parallel and by that they are not only competing in cost but also in solution, which we have seen extremely efficient, then we sometimes stuck with one supplier of different reasons, it might be the reason that he is sitting with sequencing cooperation which cost billions to replace which you cannot do to replace them, you need to support them because you need them. In some cases we know that there always be one or two suppliers and one supplier is so much better than other one.

In order to counter the manipulating monopolistic situation which occurs due to a long term relationship with a single supplier, buyer organisations negotiate on different aspects of the product which include cost or any other specification, they also indirectly negotiate by selecting another supplier which can be an existing or the new one to replace the relationships with the old supplier. This action of the buyer organisation keeps in check the behaviour of the supplier,

An interviewee (S9) said that, “people build relationships in an area over a long period of time”, hence informal relationships such as socialising can arise among the employees of the partner organisations during the course of a business and terminating a business relationship might not affect the informal business ones among the employees of the partner organisations.

When questioned about these relationships were asked the participants replied in almost a same manner, according to (S3). “it is a delicate matter”, (S9) said that:

we are not allowed to have informal relationships because of code of conduct, they are strictly regulated there is a certain rule, working along with one supplier might be not so healthy, we try to change positions, in purchasing it is not a big deal, it is easy to be flex. We try to move and not to try to form too good relationships with suppliers, it is more business to business relationships instead of socialising.

Due to the adaptation of a supplier mechanism, which includes structured methods while contacting suppliers, the informal relationships are minimized among the employees of the partner organisations. This leads to the situation where organisations make decision to reshape its relations with another organisations for a longer term. When asked about the reaction of the supplier, if they are replaced a respondent (S11) said:

we have succeeded to not get too much involve (setting borders) with our suppliers, this will not affect any informal relationships, in practice as long as you feel that you are not in depth (in a given business relationship), then you are perfectly fine in what you are doing and not hiding anything from suppliers, you are probably on the right side of the border.

Another respondent (S14) replied in this content that, “we try to be very professional with our suppliers”. Further (S11) added that:

if we go back few years there were more socialising with suppliers than it is today, and more clear rules what is actually valid, about over the year we have had very few cases where we have seen people go over the border. With the increase of competition you should not stuck in depth out of business relationships.

Provided the statements above it was understood that while behaving professionally with suppliers and also creating boundaries with the help of code of conducts the impacts of informal relationships on the change of one supplier to another is minimized or in other words there exist no impacts of such actions in between the organisation. Compare to the past, there did exist some amount of informal relationships among the members of the partner organisations, due to the increase in the competition those informal relationships tends to decrease with the implication of code of conducts.

#### [Difference in practice](#)

With respect to the practice of purchasing a differences between past and present practices was brought up which in result got the following responses by (S12):

Years ago there were a lot of negotiations without facts, without any calculations, we had a lot of suppliers and we used the competition. After that a lot of competence was built in purchasing to calculate and have facts with negotiations, now we see that trend is going back to purely negotiations, but we are also trying to get facts behind us, so in a way we are being quiet more stronger as a buyer, we are very skilled in negotiations but we also have facts that should cross with us and we know this and understand the supplier how they built up. We use both facts and competition but in the end competition is the best tool for the buyer.

Another person interviewed (S2) mentioned:

from the beginning it was we (R&D department) state the order and purchasing contact the supplier, then buy the things we need, we were not talking to the purchasing people, not at all, there was just a system, they saw something pop up in their system then they (purchasing department) order it, there was no connection, no talking nothing at all. Now we have to talk more to them, we have meetings, calls, emails and negotiations with purchasing department, it is more communication, more control from the managers and less suppliers.

En employee (S5) criticised the time taken by the process by saying:

While you have big company things does not goes smooth, a lot of management is involved, it should go quicker with easier decisions,

too much planning as European ways of doing things involve a lot of planning.

Another employee (S8) criticising the amount of time taken by the purchasing process, “it takes a lot of time to get the purchase order through the system, they have not been the smartest nimble as they need to be but hopefully they will get there, they have a long journey to go”.

Past purchasing practices were purely based on the negotiations among different competitors, with the change of time and going through different phases of business transformation the organisation start using facts and with the passage of time the organisation starts using the combination of both, however at present with the presence of large number of supplier and competition among them the tactics of negotiations are still used. Some amount of autonomy was also provided to the employees especially in purchasing matters related to (R&D), this autonomy of the employees was seized or reduced in a way with the involvement of hierarchal positions in connections with purchasing department. Resulting in an increase of the duration for the purchasing process pointed out by some of the employees.

#### A new process perspective

From the evidence provided above, it was noted that the whole process of purchasing consumes a lot of time of the organisation, which results in fewer numbers of product produced and sold in the market. To increase the market share the organisation needs to shorten the period of time taken for producing new products, to get to know how the organisation will work to shorten the process, an interview was conducted with one of the participants (S11), about how the process will improved and at the same time will be faster than before:

what we are trying to do basically is that, we are going through couple of transformations in the company at the moment, first of all we are trying to get more process oriented, which means that we are trying to identify what kind of process we are working within and how are they interacting. In the given frame of finances you will double the output of the new products in the market with the same span of time,

S11 state further that what impacts will this new perspective will bring to their products in the market. He also mentioned new ways of working with the products by saying:

the journey we need to take at this point of view is, on average we develop a new top offer in the market in historical wise, we have been developing basically 70% of the new product, which means 70% of all the components are basically completely new, what we are trying to get in this situation is to trying to get close to someone best in the market, who spend more time on getting new outlook on the product and not necessarily changing everything every time, similarly we like to get onto around 30% of the new content every time we offer a new product in the market.

“By shorter time we will stay more on peak level”. The overall possible outcome of adopting the new perspective/strategy was outlined by S11.

From the above mentioned discussion it is understood that the organisation has developed a planned process of purchasing which is followed and the decisions made in the process can be regarded as top down perspective. With respect to organisational networks, buying organisation makes decision itself, then those decisions are shared with suppliers, concerning inter-organisational relationships, informal relationships are minimized due to code of conducts. Furthermore organisation is in process of going through a transformational phase, so that it could be more process oriented and this can be achieved by understanding the interconnectedness of different departments and systems. All this will be achieved with in the given budget, by decoupling the development which means that the same components will be used in developing different products. The overall result for this transformation will be to acquire the highest market share and to be on top as long as possible.

## Discussion/analysis

### The Practice

From the empirical evidence discussed above with respect to the procurement process as mentioned in different theoretical perspective, the process is performed through collaboration between different divisions in the organisation, and is of highly importance as the main function of the process is to deal with the initial cost incurred by the organisation, and to keep the initial incurred cost low, a rigidly defined procedures are followed.

Webster & Wind (1996), said that purchasing is a decision making process carried by individuals in interaction with other people, it is noted that from the initiation to throughout the process of purchasing three different departments are involved in supporting and interacting with each other namely purchasing, R&D and manufacturing, however the interaction between the employees of these departments can range from being social to personal contacts, as one of the interviewee mentioned that there are cross functional teams working on a given project.

Further in the process the responsibility of maintaining relations among departments mentioned earlier, rests on the shoulders of program purchasing manager. In the process the relationships are extended through appointing commodity buyer and the product buyer who takes the responsibility to continue further with the process. The process is of imminent importance as every stakeholder is taken on board especially on the top level of hierarchy, with the constant follow up and also with different phases of meeting throughout the process.

### Decision making in the process

Decision making in the process is transferred from top to the bottom of the organisation and is dependent on the process of collecting data which is a time consuming process. Factors that constrain the rationality and at the same time assist in achieving rationality are code of conducts along with organisational rules and routines, due to which entrance or contacting of new supplier is restricted by allowing the available pool of suppliers to be contacted instead of looking for new possible supplier market, however the available pool of supplier helps in achieving rationality for the reason that they know the buying organisation's needs and are capable to adjust themselves accordingly, time is also a factor which effects the rationality, for the reason that it is dependent on the initiation of the project and allows a limited window to

work with in collecting data. However the collection of data is a process in achieving rationality in the decision making.

Brunsson (1982), defined decisions as choice between alternatives and Carroll & Jonson (1990), described it as a process which is made by a person, group or an organisation based on different choices by gathering data. The same is noted in the process of purchasing that during the project, information about potential suppliers are gathered and discussed in the supplier choice meetings (SCMs) by the team of or by a product buyer, further in the process by involving stakeholders from different departments, the decision making is comprises of different people with in a group in the organisation. Hence from the inputs of different stakeholders an attempt to achieve rationality is made.

Nilsson & Dalkmann (2001), stated that rationality is limited by institutional norms, policies and code of conducts, both Nilsson & Dalkmann (2001) and Simon (1991), mentioned about bounded rationality, that the decisions made have their own limitations of information and also that decision maker's perception and information is also limited. To reach a decision, data is collected and processed and then a possible candidate is chosen to continue for the project, the practice here is seen in the case as there are attempts to reach the rationality through gathering data, however rationality tends to be limited if the data collection process, set by the organisation is not efficient.

Although the organisation does its best to achieve rationality, however in this case it seemed like as rationality is achieved, is due to the reason that suppliers which are selected are already organisation's long term suppliers and they are preferred for different projects due to the resources they possess or they have been involved with organisation in previous projects. In assisting achieving rationality, the code of conduct on other hand can be regarded as the reason of bounded rationality because it limits the buyer in the organisation to look for new supplier resources. The biggest constrain which can affect the rationality is the time frame, however cost stress, which relates to minimising the cost, makes it easier to make a decision for the organisation in achieving rationality.

March (1994), stated that decision should be made sequentially rather than simultaneously, Mezas & Starbuck (2008), mentioned that decision makers should not rely on the easily available data, decisions made by the organisation in this case are made sequentially, which means that organisation has approached the best possible supplier by gathering data through a planned process and organisation was aware that which suppliers are capable of contacting. This seems in line with what Hodgkinson & Starbuck (2008), said that people first specify their preferences and then select their course of actions. Throughout the process of supplier selection the organisation focus narrowly on prices and quantities which reminds of the economics theories of rational decision making mentioned by the authors.

Behavioural decision makers mentioned by Hodgkinson & Starbuck (2008), where decisions are made with the help of the events occurred in past, such events are to be expected to occur in future and could be dealt with the same mechanisms as were used in the past, the same theme is used by the organisation in selecting the supplier, that the organisation have worked

previously with a particular supplier and that supplier understands the buying organisation's needs and can also adapt to the buying organisations requirements/requisites. Although there exist a coherence and sense making with the decision making in the organisation, what it needs to achieve is to convert more to the politically aware decision making discussed by Hodgkinson & Starbuck (2008), in which resources are mobilised and participants create rationale for actions.

At most of the point it seemed like that participants did create rationale for their actions in purchasing process through gathering data and being questioned by stakeholders in different meeting throughout the process. In relation to the nascent themes of decision making discussed by Hodgkinson & Starbuck (2008), there was deficiency of decision making in the naturalistic environment, but intuitive decision making was also noticed through the process of purchasing, the way small suppliers were cut off from the equation. By mentioning decision making as rule following March (1994), mentioned that organisations accomplish identities by setting up rules and procedures which they seems suitable for the situation.

The organisation discussed in this case has developed rigid rules which have to be followed from the beginning of the process till the end of it. Deviations from those rules are not allowed, the decisions made are on the basis of those processes, rules and regulations. Author also mentioned that preferences and consequences of the future are not considered, this could be true to some extent, where organisation have come to a new procedure after the decision making process, the same procedure is communicated to the supplier in order to reduce the negative consequences which can arises due to lack of communications.

March (1994), stated that uncertainty and risks are also involved in decision making and also mentioned three factors which can affect decision making in an organisation, the risks involved in this case with respect to the decision making in the organisation, concerns with the cost of the buying product and then the supplier's competence and deliverance, to deal with competence and deliverance, an interviewee mentioned that if their supplier cannot provide, then the organisation change its supplier in such situations. Day and Barksdale (1992), proposed criteria such as, understanding of client's interest and effective communication, which buyer organisations looked in decision making, all those criteria are looked by the organisation in this case through the process of receiving and sending RFQs.

### Importance of the process

Importance of the process is not only limited to cost reducing measures but it has superiority over other divisions of the organisation, is making decisions in selecting suppliers moreover it has also an important role in establishing a working organisation relating to different projects.

In accordance with Eriksson-Zetterquist et al, (2009), the organisation has based purchasing as a social relation and personal contracts, and its importance is also related to negotiations with supplier, in the organisation there are social relations and personal contracts between R&D, purchasing and manufacturing departments, however the importance of purchasing in this case is that in order to perform its function with high efficiency the purchasing department mostly deals with the purchasing related to new projects, to tackle the small numbers of purchases, R&D department has taken the role as another purchasing division, catering the needs of



internal buyers. In other words R&D has become a middleman between the buyers in the organisation with the suppliers.

Hodgkinson & Starbuck (2008), discussed about the group decision making and the process lost, in which the group decision making process lost is the inability to take advantages of all the information which is at disposal for the group making decisions. The decision to work with limited numbers of suppliers by the purchasing, limits the autonomy of R&D, this results in not taking advantage of all the information R&D department might have, this means that the team leaders in R&D department are not allowed to contact those suppliers which are not approved by purchasing, this way R&D is dependent on purchasing, resulting in increasing the importance of purchasing.

The autonomy of the purchasers in R&D department was also limited when it comes to purchase above a financial limits. In this case it involves the supervision of senior managers. Purchasing mostly has to deal with the cost aside from quality and quantity during the acquisition of components and it is one of the crucial part to contribute to the profitability of the organisation. Besides supporting the organisation purchasing connects different function of the organisation, this results in relate to having a cross functional team working on a project.

It was noticed from the data collected that in the organisation purchasing decision are made on the higher level in the hierarchy, this means that in a cross functional groups the directors, vice presidents and managers were involved, after the meeting it was purchasing who has the final word to say, this hierarchical structure is also visible through that the R&D department is not allowed to take decisions or to contact other suppliers which are not approved by purchasing.

Through interviews it was also noted that with respect to R&D, decisions are also rationally bounded to a certain extent as the responsibility of making decision with respect to internal purchases were rest on the shoulders of employees by the managers. Employees have to make the decisions about the function of the product either it is feasible to purchase it or not. Instead of managers who are more experienced in making decisions.

### Organisational relationships

Organisations develops relationships whether formal or informal with each other over a period of time while, however in the case studied it was the opposite, the buying organisation do not want to develop informal relationships with its suppliers in order to avoid any undesirable situation which can have negative impacts on the business relationships.

Hertz (1999), said that network relationships are due to connection of relationships in process of exchange and Gulati & Gargiulo (1999), mentioned that interdependency creates the networks as result of which organisations looks for such organisations which are similar in functionality with them. Authors also proposed that organisational networks are not only derived from the existing relationships but the introduction of a new actor in the network can also contribute in shaping up these organisational networks.

In the case studied/presented due to the nature of the business there exist internal interdependency among the divisions of purchasing, R&D and manufacturing. Addition to that interdependency among supplier and buyer was due to the factor that a buyer cannot own all



the resources including different components for production. This creates their dependency on suppliers whereas suppliers are searching users of their services/products, hence networks are created through interdependencies.

It can be noticed as organisation has preferred to develop relationships with long term suppliers, however from time to time they are willing to work with a new supplier. The reason for that is, there might be a possibility of a long term supplier to realise that the buying organisation is only preferring them in conducting business over other suppliers and then they can start conducting business on their own terms and conditions, which will result in monopoly for that particular supplier and the organisation will lose its control/superiority over the supplier.

In order to tackle this situation, buying organisation negotiate with long term supplier that if they do not come to the terms which are presented by buying organisation, then they can be replaced with another supplier, at times long term monopolistic supplier understands the message, if not then they are replaced by a short term supplier for a limited period of time, however in extreme cases that short term supplier becomes a long term supplier and replaced the previous supplier.

Gulati & Garhiulo (1999), stated that resources are combined among partner organisations in order to deal with the uncertainty together, such uncertainties can arise from situations of the external environment surrounding the organisations. Authors suggests that due to the result of combining resources, the exchange cannot be limited to only financial matters, there is also an exchange of informal relationships, results in developing of interpersonal relationships among the members of the partner organisations, leading to social exchange theory. Through interviews, it was noted that at the stage of sending and receiving RFQs, resources are combined through engineering statement of work, which relates to combining human resources for developing consensus on technical content, specifications and delivery in order to deal with uncertainty, hence combining of human resources results in interpersonal relationships, however these relationships were controlled through code of conducts.

Chetty & Angdal (2008), stated that organisational networks consists of interconnected relationships, these relationships can be of formal or informal in nature. These informal and formal relationships can have some kind of impacts on organisational relationships along the course of business. There were some interviewees who mentioned that they have some kind of informal relationships with their suppliers, especially those who are working in R&D, these relationships were developed to a certain limits with the sales staff from suppliers.

On the other hand, organisation itself do not allow its worker to develop informal or interpersonal relationships with supplier or the people working for supplier, this is done through applying code of conducts rigidly. Those who are involved in dealing with supplier with respect to purchasing, their job descriptions are changed over time, to avoid developing informal relationships with the suppliers. The organisation also adopted a mechanism of communication through which the interaction of the supplier with the people who are assigned for buying is limited to a certain extent. This mechanism comprises of guided steps to contact the supplier without any physical appearance.

There were also indications that organisation does not completely against developing informal relationships with suppliers, however those informal relationships should be confined in boundaries. Comparing this practice of having informal relationships with suppliers to the past ones, people were allowed in the buying organisation to develop informal relationships with the people in supplying organisation, this practice was abandoned due to the increase in competition on an industry level.

Reasons for not having informal relationships can be related to the fact that the buyer organisation do not want to be too open for its suppliers, another reason can be, that buyer does not want the leakage of information through informal channels in case the supplier is also working with a competing organisation. Although everything is done through proper legal documentation but leakage of information can be possible through informal channels. With the minimizing of informal relationships between the employees in buyer and supplier organisations, the change in the business relationships will not have any huge impacts on the informal ones. The reason of having minimum or no impacts on informal relationships due to change in business partner is of implementation of code of conducts by the buyer organisation.

Throughout the case studied it was noted that, when the buying organisation replaces the old business relationships with the new ones, this action might not have any effect on the inter-organisational business relationships, whether formal or informal. In case of informal relationships as mentioned earlier that the buying organisation has rigidly implemented its code of conducts in order minimize the informal relationships among the buying and selling organisations.

With respect to formal relationships it could be understood that business relationships will not be effected if buying organisation prefers a new supplier over an old one with the respond of an interviewee, according to whom the supplier know that if they (supplier) cannot deliver what the buying organisation wants, then the suppliers are in complete agreement if the buying organisation develops business relationships with a new supplier in the market/industry. It was also noticed through the interviews that mostly big suppliers are for strategic business relationships.

It is if not completely possible for buying organisation to suspend their relationships with the long term supplier, however they can temporarily chose a short term supplier for a particular project and in this way a new actor can be added in the existing network of relationships. Change in business relationship can also be to minimize the monopolistic behaviour of the supplier and for overcome this behaviour. Another way of introducing a new supplier in an existing networks is to enquire different number of suppliers in the developing stages of a product, if a new supplier has the potential to work with and accordingly to the buying organisation's needs then they are selected. In this way buying organisation has dealt with the monopolistic supplier and have added a new supplier in its existing network, whether for short term or long term basis.

Lambe et al (2001), mentioned the use of power and dependence in a business relationships, where power is use to dominate over another in a business relationship. An interviewee mentioned that when a long term supplier wants to have an opportunistic behaviour by

exploiting the buying organisation through monopoly, then such supplier is replaced by another one, although buying organisation is dependent on its suppliers, however the power here is shown by the buying organisation by switching to a new supplier or at the beginning of a new project, asking different potential suppliers at the same time either for short term or long term basis.

Although in both cases, where buying organisation replaces a monopolistic supplier and in contacting a new supplier, power rests with the purchasing organisation. Lambe et al (2001), mentioned that the use of power can arise in conflicts among partner organisations, however in this case as an interviewee mentioned that, by replacing a monopolistic supplier the buying organisation has used its power to end a conflict with a long term supplier. On the other hand the buyer organisation can also have dominance over the new supplier for the short term.

Lambe et al (2001), mentioned that use of power can have some limitations in forming a successful business relationships, due to the reason that no organisation likes to be dictated about its processes, however in the case studied and through interviews it was noticed that the buying organisation are willing to exercise power over their suppliers and this is accepted by the supplying organisations in order to have a long term business relationships.

This behaviour of the supplier can be understood easily in case if the supplier is new in the industry and engaged for the short term, the reason could be that the supplier do not want to lose the business relationships and would like to have a long term business partnership with the buying organisation. In the case of long term supplier, who allow use of power over themselves by the buying organisation can be the reason of growing and gaining the experience for new components/services.

With respect to the difference in purchasing practice from past and present, the relationship concerning the aspect of power among the buying and supplying organisations were also noticed. In the past, relating to practices of purchasing the buying organisation used the tactics of power through the tools of negotiations and competitions with different suppliers. However the later practice involves the use of facts, addition to that the current purchasing practice are combined with facts and negotiations giving much more power to the buying organisation in the process to deal with new or existing suppliers.

In past only one aspect of the organisation particularly R&D was involved in dealing with different suppliers, giving the actors in that particular aspect the autonomy to make the decisions, however the rationality of those decisions is still questionable, the other aspect in the organisation responsible for purchasing was dealing only with the administrative functions, that is supporting the R&D in the organisation. With the passage of time and the involvement of managers in the practice shifts this power to the purchasing department in the organisation. Hence the power mechanism is not only to deal with the supplier itself, it was also used to limit the provided autonomy to the different parts in the organisation.

With the involvement of power relations inside the organisation and been gone through the phase of business transformation, started to have effect in such a way that the decisions regarding to purchasing were made by the managers in the purchasing department of the organisation. This in turn results in the increase of time taken by the whole process. Although

a limited number of autonomy was provided to the employees in different departments but this autonomy was seized at times due to the financial and hierarchal constraints.

### The new perspective

Due to the longer duration of the decision making process, the organisation is making an effort to shorten the period of time taken by the process through identifying different process with in and inter-connecting them efficiently, and also being more process oriented, according to organisational perspective, all this could be achieved by utilising the same structure for the basis of the product with then new ones, this could result in shorten down the process of finding different supplier for a new product.

The organisation will be able to work with the same supplier on the new projects as the same components will be uses in the manufacturing the new products. This point of discussion brings the question of bounded rationality into highlight again. A supplier with whom the organisation has involved itself in long term relationships throughout the process of a previous project, might be or might not be a feasible option to continue working with on the new projects depending on the situation. However the internal mechanisms of organisation with respect to dealing, giving and receiving feedback with suppliers keeps a close look into the processes of suppliers and they are enquired to take down their costs for the product and as well as to increase efficiency in their process of production.

Chetty & Agndal (2008), stated different dimensions of networks with the degree of formulisation of relationships between those actors. The case studied also comprises of dissimilar dimensions between different actors in the network such as internal network of purchasing, R&D and manufacturing, an external network can be regarded as employees/team leaders in R&D with sales person from suppliers and also purchasing with other suppliers, there exist difference in formulising and developing business relationships among different actors in the network, these relationships tends to be from a short term to a long term relationships. Håkansson & Johanson (1992), mentioned that actors, resources and activities combined makes an industrial network, hence here actors can be defined as buyer and supplier organisations combining resources in order to perform inter connected activities.

Authors also discussed that relationships are developed and maintain by the actors, activities are interconnected in an industry and resources are also related to each other. With respect to the case studied, on a broader level organisational actors did developed and maintain relationships, however the relationships on the level of individual actors was confined by the organisation, it was noticed that activities are interconnected and also inter dependent, resources were also related to each other in the organisational networks in a way that expertise from both (buyer and seller) organisations are interdependent and interconnected. Authors also mentioned that industrial network is to provide stability, they also viewed stability as opposite to change and important for industrial development. It is not necessary that a network will remain stable, however addition of new actor cannot change the composition of the network because the functionality of the network will remain intact.

## Conclusion

The importance of the process of purchasing in the organisation can be seen as, purchasing is the only domain which connects different divisions of the organisations. Function of the purchasing is not only limited to procurement of products and components but also it has a prominent role in cutting down the costs for the organisation and contribute its share in increasing profitability. The importance of purchasing can be seen in this way, that organisation tends to differentiate between the external and internal purchasing so that the actual purchasing division can concentrate on the mentioned practice for the new projects.

The process of purchasing unfolds in the context of the organisation by a routinized process as discussed in empirical section and through a top down perspective, by involving purchasing managers, supplier quality manager and directors, which means that the organisation has placed step by step rules which are followed throughout the whole process of purchasing and decisions are made, then they are transferred to the different divisions in the organisation. due to the step by step rule for the process of purchasing, the time allocated for the whole process extends to its limits, due to which an adoption of a new perspective in which the time taken by the process will be much lesser than before, on the other hand these routinized process in form of code of conducts assist the organisation to almost achieve rationality in the decision making process.

Brunsson (1982), stated that decision making is one of the most important perspective and it is a choice between alternatives, in an organisation decision making is performed on the daily basis, although the organisation has developed different process and procedures to the mentioned practice, it is still difficult if not possible to make a best possible decision, because there is always another alternative which can be feasible than previously considered. At times those practices and procedures are also a hurdle in order to achieve rationality in the decision making process, this is also mentioned by Nilsson & Dalkmann, (2001), that rationality is limited by code of conducts and institutional norms. Rationality is always bounded in decision making due to the time pressure and uncertainty.

Above all decision making in a business network unfolds through taking all the stakeholders on board, which is done through forming horizontal relationships among different divisions in the organisation, to achieve rationality in decision making different forms of data is gathered, analysed, along with the process of continuous negotiating with suppliers. In the buyer and supplier relationships there might be one actor who will make an attempt to dominate the relationship. However different measures can be taken by the other actor in order to counter the dominance. The power relations also exist within the organisation, where one departments has to rely on the judgement of the other and get directions to perform its functions.

Håkansson & Johanson (1992), mentioned that actors develop and maintain relationships in a given network, in case presented, the inter-organisational relationships it is not completely possible for organisational actors to develop informal relationships as such relationships are constrained by the organisation itself. The reason for not allowing the actors in buying and selling organisation to develop such relationships can be of favourism along with disclosure of sensitive information. Networks are extended with the introduction of a new actor, this necessarily does not means that previous business relationships has run its cause, selling organisations are aware of the fact that a new actor will replace them in case of failure to provide

components/products/service to the buying organisation. However buying organisations prefer to support their long term suppliers and to conduct business with them for the reason that they are the ones who have the capabilities and are being able to work with the needs of the buying organisation.

With all these aspects, the decision made by an organisation relating to switch its business terms with a new partner, or tackling the outcomes of a long term business relationships resulting in monopolistic situations, do not have any big impacts in the networks. The reason for not having a big impacts on the networks can be concluded that there is mutual understanding among organisations whether buyer or supplier that business relationships can run their cause at any point of time. Addition of a new actor also does not have any big impact on the network for the reason that every organisation is aware that the network is open for new actors and if the old organisations are not capable of filling the gap then they will be replace by a new actor.

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