



NORWEGIAN
BUSINESS SCHOOL

Purchasing – a business function in dramatic change

Håkan Håkansson

Development over time

- From *Operations Management*
- to
- *Materials Administration /Business Logistics)*
- via
- *Supply Chain Management*
- to
- *Supply Networks*

Operations management

- **DEMAND ANALYSIS (Forecasting)**
- **INVENTORY CONTROL (Economic Order Quantity, Safety stock, ABC-analysis)**

REPLENISHMENT MODELS

- **TRANSPORTATION**

To Materials management (business logistics)

- The major difference (and major contribution):
- A system approach: which system?
- From point of origin to end user (or disposal)
- Design and management of an efficient flow of goods

Efficiency and effectiveness require collaboration in relationships!

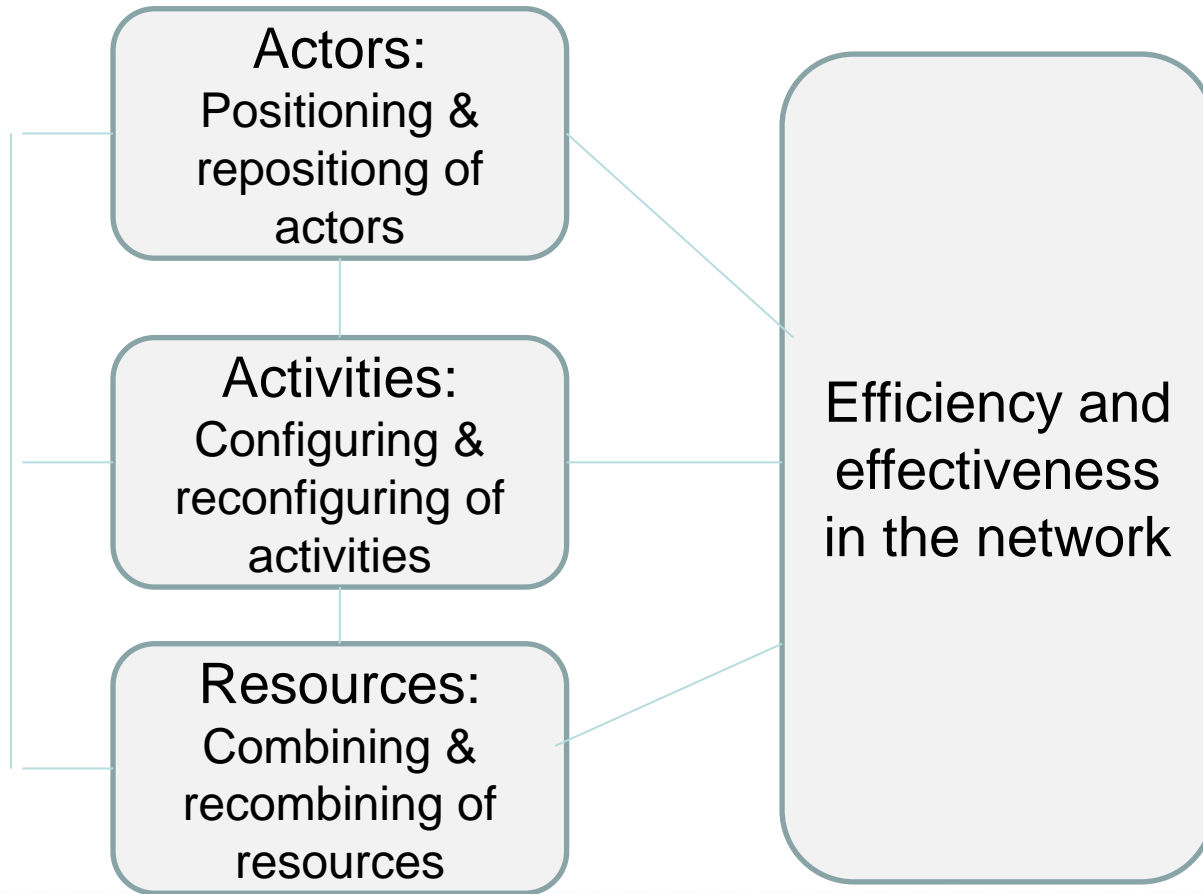
- **Because an efficient flow of goods requires a systems approach**
 - Collaboration in relationships makes it possible to identify and establish new and more efficient activity configurations and to achieve better control
- **Because you are forced to specialize**
 - Form alliances to cover all relevant technologies

Supply Chain Management

- Involves an *interorganisational* approach to improve a supply process
- It involves collaboration and relationships to manage, control and improve a supply chain
- Focusing *collaboration* between actors in supply chain

A Supply Network Approach

- **A different entity – the network**
- **Not only activities, but also resources and actors; links ties and bonds**
- **The network representing the opportunities and the restrictions/limitations**
- **The dynamics: influence and influenced**
- **Both conflicts and cooperation**
- **Combining chains**



The changes can also be described in type of interface with the supplier

- *Standardised interface*
- *Translational or functional interface*
- *Interactive interface*

Standardised interface

- **Classical purchasing process**
- **To define and specify the need**
- **To get offers from several suppliers (at least three)**
- **To choose the best (often the lowest price)**
- **To follow up and if bad take another next time (low cost to change)**

Translational or functional interface

- 1) **Buying firm prescribes the function of the product and/or service. Require deep knowledge about the need**
- 2) **The supplier then decides the best way how to comply with the specifications based on its production resources. To do that, the supplier needs substantial knowledge or awareness of the buying firm's use context.**
- 3) **Process over time**

Interactive interface

- 1) Intense interaction and collaboration between buyer and supplier.
- 2) These interfaces entail substantial relationship costs for both firms,
- 3) These interfaces are providing potential gains (sometimes quite large) in productivity and innovation.
- 4) Specifications are developed jointly by the buyer and supplier allowing the simultaneous consideration of both parties' contexts.

Challenges for public procurement

- **Standardised: Accept and buy existing solutions (which the suppliers developed in interaction with others)?**
- **Functional: Define a set of specific solutions and require these from the suppliers!**

Challenges cont.

- **Interactive - Actively take part in the development**
 - How to become an attractive partner? (to mobilize)?
 - How to deal with processes over time? (timing, stepwise changes in specifications)?
 - How to handle interdependencies?
 - How to handle cooperation and conflicts

Upphandlingsformer

Fem kategorier:

- Innovationsvänlig reguljär upphandling
- Omvandling av reguljär upphandling till innovationsupphandling
- Direkt innovationsupphandling
- Katalytisk innovationsupphandling
- Förkommersiell upphandling

**Källa: Offentlig upphandling och innovation. 2014.
Konkurrensverket. Utredare Charles Edquist**