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## The role of the purchasing function in non-financial value creation

Aki Jääskeläinen, [aki.jaaskelainen@tut.fi](mailto:aki.jaaskelainen@tut.fi)

Otto Thitz, [otto.thitz@tut.fi](mailto:otto.thitz@tut.fi)

Jussi Heikkilä, [jussi.heikkila@tut.fi](mailto:jussi.heikkila@tut.fi)

Department of Industrial Management  
Tampere University of Technology, Finland

Korkeakoulunkatu 8, P.O. Box 541, 33101 Tampere, Finland. Tel.:+358 50 326 1113

### Abstract

Costs and transactions have been highlighted in the earlier research and practice around purchasing and supply management (PSM). This study investigates in-depth the role of the PSM function in creating non-financial value for the buying company and its customers. Interview study was used to examine four large organizations both in service and manufacturing industries. The findings indicate that relationship value gives a strong potential for developing successful buyer-seller relationships. Service support and personal interaction arise as important differentiators in building the relationships. Key differences across the different contexts existent in this study are also provided.

**Keywords:** non-financial value, purchasing and supply management (PSM), interview study

**Paper category:** competitive paper

### Introduction

Purchasing and supply management (PSM) has traditionally had a strong financial focus and the main emphasis has been in reducing costs (Axelsson et al., 2002; Cousins et al., 2008). However, PSM can also provide many benefits that are non-financial in nature (Bhagwat and Sharma, 2007). This relationship-oriented viewpoint has gained increasing attention in research and it reflects the growing strategic thinking of PSM and contributes to the competitive advantage and performance of firms (Yeung, 2008).

Value is an essential and useful concept that can support in building relationships between organizations and to better understand shared performance targets of collaborating companies. Unique value can be created through collaboration between companies (Kähkönen and Lintukangas, 2012). The concept of value has been extensively discussed in the marketing literature (Ritter and Walter, 2012). Value creation in the context of PSM has received less attention in research and there is need for empirical studies on the role of PSM in value creation (Kähkönen and Lintukangas, 2012). The purchasing function is in a natural role to combine value created by several firms. In addition to customer value, the purchasing function has an important role in creating value internally within the company (Chen et al., 2004). In this role, the purchasing function is not just a separate actor handling supply agreements and transactions, but an important support for many other company functions such as R&D and marketing. Successful companies understand the connection between work of the purchasing function and achievement of strategic company goals (Carr and Pearson, 2002).

The often emphasized financial value (i.e. impacts on cost-reduction) of the purchasing function is not sufficient to understand the several types of indirect benefits that can be achieved only after a longer time period. In this study, these non-financial components of value are related to capabilities to create financial value. While financial resources are often easier to quantify, qualitative and non-financial outcomes are difficult to define and evaluate. Therefore, they are often left with less attention both in research and practice. The value created by the purchasing function may appear context-specific and dependent upon many factors. While there are several generic categorizations of relationship value in the literature, there still is room for empirical studies utilizing these categorizations to understand the detailed content of the relationship value categories in the purchasing context.

The aim of this study was to identify and explicate issues in the role of the purchasing function to create value within the company's own operations and for its customers. More specifically the research answers to the following research questions:

1. What kind of value components can be identified?
2. What is the role of relationship and transactional value in the studied companies?
3. How do the components vary in different industrial contexts and between internal and customer value?

The research approach is qualitative, utilizing an interview study carried out in four large companies. The studied contexts are project both in service and manufacturing industries. As a result, the study extends the understanding on the non-financial value created by the purchasing function by differentiating internal and end customer value, transactional and relationship value and value creation in service, manufacturing, project and process type of business environments.

### **Research methodology**

An interview study was carried out during May–June 2015 to increase understanding of the non-financial benefits created by the purchasing function. The four studied companies are large multi-national Finnish companies (revenue over 1 billion euros; over 10 000 employees) operating mainly in the business-to-business markets. The focus was on the purchasing function of the companies and its value creation potential. Two of the companies operate in the service industries (A and B) and the other two (C and D) in the manufacturing industries. The production of one of the two companies in both services and manufacturing (A and D) is process-type, and their products are rather homogenous with high production volumes. The two other companies (B and C) have a project-type production with at least moderate level of tailoring of services and products for each customer. The characteristics of the studied companies and the functions represented in each of them is shown in Table 1.

**Table 1 Description of the companies studied and the functions represented.**

<b>Company</b>	<b>Industry</b>	<b>Production type</b>	<b>No. of respondents in different positions</b>	<b>Functions represented</b>
Company A	Logistics services	Process	2 purchasing directors 3 category managers 1 operations manager	Purchasing (5) Other (1)
Company B	Knowledge-intensive services	Project	2 purchasing directors 1 category manager 1 operations director 1 ICT director 1 finance manager	Purchasing (3) Other (3)

Company C	Manufacturing	Project	2 purchasing directors 1 purchasing manager 1 category manager 1 operations director 1 R&D director	Purchasing (4) Other (2)
Company D	Manufacturing	Process	2 purchasing directors 2 category managers 1 finance director 1 operations director	Purchasing (4) Other (2)

Due to the rather large size of the studied companies, several interviews within the same company provided complementing viewpoints related to different organizational levels. The informants were selected to provide understanding of purchasing capabilities for value creation. They represented both the purchasing function and its important partner functions within the company. Each of the four companies proposed 6-10 candidates, and the final choice of six informants was done jointly based on the criteria suggested by the researchers. The informants were chosen to provide a diverse understanding of the studied phenomena. All the interviewees were either on the mid-level (later referred to as *managers*) or top-level positions (later referred to as *directors*) in the purchasing function or its partner functions, such as operations, R&D and finance.

21 of the interviews were held face-to-face and three were made using online call due to the geographical distance. The interviews lasted around an hour. All of the interviews were audio-recorded and fully transcribed. Selected excerpts from the transcribed interviews are used in this paper to illustrate the key findings. The general theme for the interviews was purchasing capabilities for value creation looked at from several perspectives. The study focuses on the specific themes of internal and external value creation of the purchasing function. The interview discussions were started by using a broad theme (e.g. value of purchasing to the end customer). The first response to the discussed theme was expected to reveal the most authentic reflections on the theme. Later on, more detailed questions regarding the theme were raised. The interview themes analyzed in this study included the following themes:

- Internal benefits of the purchasing function:
  - Collaboration between the purchasing function and the other functions.
  - The role of the purchasing function in creating value for the company.
- External benefits of the purchasing function:
  - The role of the purchasing function in creating customer value.

The analysis of the results was done by utilizing the framework based on the literature review and presented in section “Constructing the analysis framework for the empirical part”. The analysis was later extended by comparing the observations from different contexts and by differentiating the role of transactional and relational value.

## Literature review

### *Viewpoints and components to value in trading relationships*

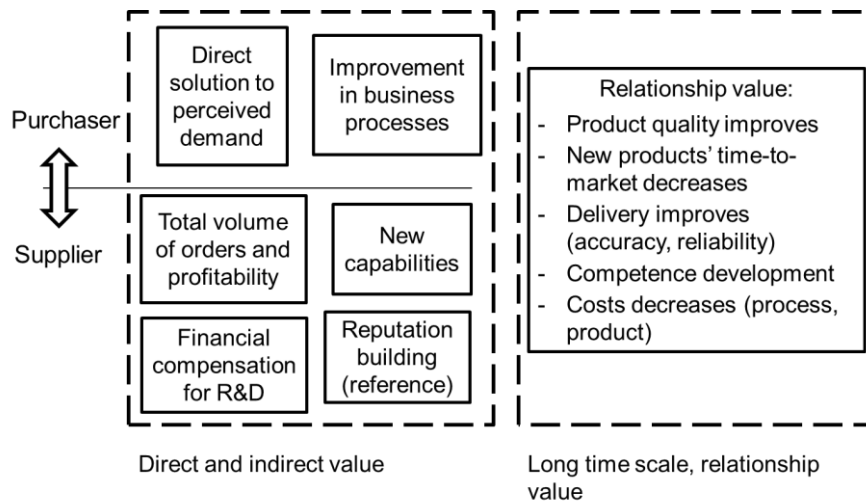
While there are some differences in the definitions of value, a broadly shared focus is on the benefits gained by buyers as a result of receiving or consuming products and services from the suppliers (Ramsay, 2005). A common definition of value is the following (Dumond, 2000; Payne and Holt, 1999; Ritter and Walter, 2012):

*Customer value involves a trade-off between what the customer receives, i.e. benefits, and what it gives up to acquire and use a product or service, i.e. sacrifices.*

The term value has often been utilized in a context-specific way. Specific measurable benefits (price, time, responsiveness and quality) are mentioned while good understanding beyond the direct and immediate benefits has been lacking. Value in trading relationships is at least partly defined by the quality of the match between the buyer's and the seller's resource specifications. (Ramsay, 2005)

A distinction has been made between two different approaches to value (Lindgreen et al., 2012); the value of goods and services reflecting transactional exchange and the value of buyer-supplier relationships. The latter approach has gained attention especially in the marketing literature. Some studies differentiate between perspectives of the parties in exchange (supplier or customer) (e.g. Grönroos, 1997; Smals and Smits, 2012; Walter et al., 2001). Some others examine the dyadic relationships (e.g. Blois, 2002; Ulaga and Eggart, 2006), and scrutinize entire networks (e.g. Walter et al., 2003). In addition, there are studies that focus on the differences between the organizational levels, such as those of an individual, a firm and a value network (Hallikas et al., 2014; Möller and Törrönen, 2003).

Figure 1 combines categorizations to value presented in the earlier research literature. It proposes that genuine relationship value is built only during a longer time period. When making a distinction of direct and indirect value, it is also important to acknowledge the time perspective to value (Gupta et al., 2006). Overall value can be created despite high short-term costs (or low direct value) (Hallikas et al., 2014).



**Figure 1. Components of different value categorizations.**

Smals and Smits (2012) differentiate direct (monetary) and indirect (non-monetary) value to the supplier. Walter et al. (2001) utilize the terminology of relationship functions referring to the performed activities and employed resources of the customer. They define direct relationship functions to the supplier as immediate, whereas indirect involve also other actors than those in the supplier-customer dyad. Smals and Smits (2012) found that value comes in three forms for the suppliers: (1) financial payment for sales volumes and product development services, (2) technological knowledge and product designs, and the (3) reputation of doing business with leading-edge firms. Möller and Törrönen (2003) mention several non-monetary forms of value that are relevant for the supplier, such as reputation, development of innovativeness, and other supplier's capabilities. Smals and Smits (2012) argue that direct value relates mainly to the attractiveness of the existing customer portfolio.

Indirect value is of strategic importance and provides possibilities to expand the existing customer portfolio. Walter et al. (2001) found that both direct (e.g. profit and volume functions) and indirect (e.g. innovation function, market function) customer relationship functions have a positive impact on the value perceived by the supplier.

Similarly to the value created for suppliers, also customer value can be created both directly (operations-oriented immediate effects) and indirectly (change-oriented oblique effects) (Håkansson and Johanson, 1993; Walter et al., 2001). Direct impacts have an immediate effect on the customer's profitability. Indirect impacts have a delayed influence as they are dependent on the actions of the customer firm.

Also several parties in trading and their interconnections have been examined simultaneously (Chatain, 2010; Ritter and Walter, 2012; Grönroos, 2011). Even though simplification is required when complex networks are analyzed from the perspective of relationships, relationships form the constituent units of networks (Möller, 2006). Relationship value benefiting both suppliers and customers has been found to include elements such as increased product quality, improved product delivery, development of capabilities and competencies; and cost decreases (Chatain, 2010; Ulaga and Eggert, 2006).

There are also important limitations in the earlier research of value in trading relationships (Smals and Smits, 2012). The existing literature fails to provide a framework for analyzing the concept of value unambiguously (Cousins et al., 2002). Empirical studies have often considered value only for one of the partners in a relationship, and there are fewer simultaneous analyses including both of the parties (Ritter and Walter, 2012). The broader network context has received only limited attention in the former research (Kähkönen and Lintukangas, 2012).

#### *Role of the purchasing function in value creation*

Even though the term value has not been commonly used when discussing the internal benefits of the purchasing function, there are many studies investigating the function's impacts on firm performance. Strategic approach to purchasing was found to have a positive impact on buyer-supplier relationships especially in large companies, which in turn has a positive impact on the firm's financial performance (Carr and Pearson, 1999). The need to pay attention to communication with key suppliers was emphasized, in order to obtain long-term benefits for the purchaser company. Similarly, cooperative communication with suppliers and collaborative long-term relationships with few suppliers can improve the efficiency and effectiveness of the buying company (Janda and Seshadri, 2001). Further, strategic purchasing can affect supply chain performance (both financial and operational) and create a win-win situation for both the buyer and supplier companies (Paulraj et al., 2006).

The purchasing function can have an increasingly important role as an integrator in an organization and provide important synergy benefits between business units (Englyst et al., 2008). The purchasing function's collaboration with product development has gained attention in research already for long (Burt and Soukup, 1985; Lakemond et al., 2001). Birou and Fawcett (1994) identify five roles in which purchasing may facilitate the product development process: (1) building durable buyer-supplier relationships, (2) facilitating better communication, (3) presenting supplier's technical and design expertise, (4) contributing to early supplier involvement, and (5) developing an environment that enables suppliers to invest in the product development capabilities.

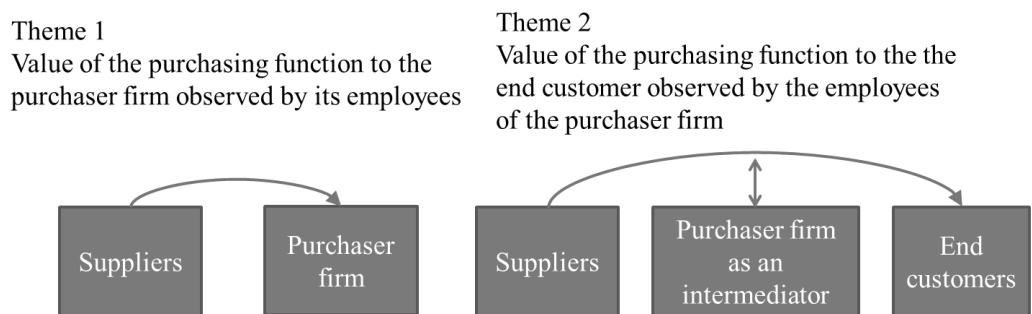
The purchasing function is in a key role to improve the use of external supplier resources and capabilities for better performance of the buying company. Increasingly, the role of suppliers

in process and product innovation is recognized to have a crucial impact on business performance (Azadegan and Dooley, 2010). Möller and Törrönen (2003) identify three types of value that can be derived from the suppliers' capability base. Core-value production relates essentially to the flexibility and efficient delivery of products and services. Value-adding relational value production includes incremental innovations improving efficiency. Future oriented value production relates to radical innovations that can open up new business opportunities for both supplier and customer. Similarly, Ulaga and Eggert (2006) identify three core dimensions for value creation induced by the supplier-customer relationships: core offering, sourcing process and customer operations. Each of these dimensions contains two value drivers associated to benefits, and one value driver is associated to costs.

Product quality and delivery performance are related to benefits and direct product cost is the relationship cost dimension. Product quality consists of the supplier's ability to meet technical specifications in terms of performance and reliability, and consistency over time. Delivery performance means on-time deliveries, delivery flexibility, and accuracy. The benefits in the value creation of the purchasing process consist of a supplier's service support and personal interaction between parties. Service support refers to a supplier's capability to provide value-added services. Benefits for personal interaction, in turn, consist of knowing and getting along with the supplier's key contact personnel and the involvement of the supplier's top management. Benefits of value creation in customer operations include supplier's know-how and time to market. Value is created through supplier's knowledge of supply market, supplier's understanding and long-standing experience of the customer's products and operations, and early supplier involvement in the R&D processes. Regarding time to market, supplier relationships can act beneficially to speed up product development cycles by accelerating design work, developing prototypes faster and speeding up testing and validation processes. (Ulaga and Eggert, 2006)

*Constructing the analysis framework for the empirical part*

Value creation potential of supply management is dependent on collaborative supplier relationships and inter-firm learning, the understanding of end-customer needs, and giving supply management a strategic role. Therefore, it is important to analyze both the relationships between supplier and purchaser companies and supplier and the end customer companies as illustrated in Figure 2. Customers can use suppliers' capabilities as an indicator for future value (Möller and Törrönen, 2003). Capabilities to create value comprise also the non-financial components of value (e.g. know-how). In this study the empirical observation is taken from the purchasing firm's viewpoint.



**Figure 2 Units of analysis in this study.**

The six benefits of the categorization by Ulaga and Eggert (2006) elaborated in the literature review and summarized in the Table 2 were chosen as an analysis framework for the empirical observations of this study. The cost perspective was left out because it was deemed

to comprise a topic beyond the scope of this paper. The same viewpoints for analyzing empirical observations were used for both the internal and the customer value created by the purchasing function

**Table 2 Value creating benefits as presented by Ulaga and Eggert (2006)**

<b>product quality</b> (e.g. fulfillment of technical specifications)	<b>delivery performance</b> (e.g. on-time and flexible delivery)	<b>service support</b> (e.g. responsiveness)	<b>personal interaction</b> (e.g. interaction, openness)	<b>know-how</b> (e.g. product improvement and development)	<b>time to market</b> (e.g. shorten cycle times)
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The work by Ulaga and Eggert (2006) was chosen for a starting point of analysis for this paper since it was deemed that their framework:

- Concentrates on supplier-customer relationships and not just on one actor.
- Includes a broad scope of different non-financial value components.
- Involves flexibility to analyze different relationships.
- Highlights key suppliers as the source of benefits for both the customers and suppliers.

## Empirical results

### *Internal value of the purchasing function*

Most interviewees highlighted the importance of cost savings created by the purchasing function as the internal value to the company. Especially at the top organizational level, cost savings were deemed widely and undisputedly the most important contribution of the purchasing function. However, it was acknowledged that not everything can be counted in monetary terms. An interviewee from company A (services) pointed out the context-specificity of the purchasing value creation. Therefore, it is important to analyze successful cases of purchasing and their case-specific value-adding components. The purchasing director of the same company linked the value of the purchasing function and its support to other functions:

“The value created by the purchasing function is essentially its support to other functions. We organize quite a lot of bidding invitations for our other functions, we support in making specifications and testing their ideas.”

Ensuring supplier’s high **product quality** and **delivery performance** were seen as essential parts of value. The category manager from company C (manufacturing) highlighted the on-time delivery and quality:

“Of course then, the price and so on, but that is kind of a mandatory [...] The other thing is of course to choose the supplier [...] that have the processes that fits [company name] when it comes to our requirements for on-time delivery and quality.”

The requirement for high quality and delivery performance was perceived as applicable for both purchasing goods and services. The ICT director from company B (services) commented:

“Purchasing has a role in continuous contract governance. [...] I think one of the most important tasks of the purchasing function is to follow [...] that service levels are fulfilled. That the delivery is fast enough and that right goods are



delivered. And that the orders come in complete, so that there would not be late deliveries”.

Delivery performance and ensuring availability of raw materials were seen as the single most important benefit of purchasing in company D (manufacturing). Due to the company’s large-scale process-like production, it would be extremely costly for the company if they ever run out of the materials. Respondents of company B told how important it is to have a systematic purchasing process for ensuring internal value of the purchasing function. The mentioned benefits of the systematic purchasing process are that purchasing volume can be centralized, supply needs can be accurately specified, and good partners can be chosen (category manager, company A).

The flexibility of suppliers was discussed by most of the respondents as a source of value created by the purchasing function. It was seen as important especially in tailored offerings. Two interviewees (operations director, company D; purchasing director, company A) representing companies with continuous process production told that flexibility of suppliers is ensured mainly through well-planned contracts. Without good contracts it is difficult to make changes during implementation. The purchasing director from company A told about special clauses in contracts to ensure that they have some room for possible scope changes in the offerings. In the case of bigger investments, the purchasing director in company D commented that it is important to anticipate future modification needs and take them into account already when planning the investment.

Company B’s purchasing director told that especially large suppliers are reluctant to make changes in their standard contracts. He stressed the importance of proactive planning. Also, the category manager from company A stated the criticality of the planning phase; the process of dealing with possible changes within the contract needs to be taken care of.

The purchasing manager from company C commented that as a starting point, they do not want to bind themselves with strict contracts and saw possibilities to improve flexibility with other means. According to him, it is much more important to have supplier relationships based on trust. Similarly, the operations director from company B commented that cultural fit between the customer and the supplier is essential. He stated that supplier companies of their own size provide a better cultural fit than smaller or bigger suppliers:

“It is an evolving thing that our long-term partnerships should be with companies of our size that provides better cultural fit. And that also answers to [...] how our changing needs are taken into account. If we fit together culturally, we will change together culturally, and that is going to be ok.”

The financial manager from company B told that they have gained some flexibility and resource-efficiency by grouping small suppliers to work under another company:

“We have some good openings, [...] for example grouping of small suppliers. [...] There is another company which consolidates small suppliers and this company offers us then the resources.”

In company C a change management process related to **service support** was used in co-operation with the key suppliers to ensure flexibility and efficiency in the design of products. The purchasing director of company C described the process:

”We have a change management process with our key suppliers. The [product design] pictures are exchanged digitally, there will be a notification if there are

any changes. [...] This kind of flexibility is crucial when making customized solutions for our customers.”

Several observations were made how enabling **personal interaction** between the supplier and the customer companies can be a component in value creation of the purchasing function. First, the purchasing function acts as a communication enabler between different organizational functions within the company (purchasing director, company A). This helps to avoid sub-optimization and silos within the organization (category manager, company A). The purchasing function is often responsible for identifying possible synergies between supply needs of different organizational functions. The category manager from company A:

”We can increase the utilization rate of both our own equipment and our supplier’s equipment ... this is the value of our role as a connecting function for transportation operations.”

Two respondents (purchasing director and purchasing manager) in company C stated that it is important to include the purchasing function proactively in their company’s product re-design and selling processes in order to increase its value to the company. The purchasing manager:

“We are now more involved [in product re-design process] since we have this category thinking where certain persons are responsible for their purchasing categories. [...] If this category is significant for [a certain] product re-design project, it is kind of self-evident that the person is also involved in that project. [...] Purchasing personnel are important when different alternatives and certain know-how are sought from the suppliers. [...] Design personnel require certain source information from us in order to design better and more cost-effective products.”

The purchasing personnel can also provide important support for the sales organization (purchasing manager, company C). Indeed, value of the purchasing function through provision of **know-how** was discussed by several interviewees. Purchasing can increase the other functions’ level of knowledge about suppliers and supply market (purchasing director, company A). The operations director from company D stated that the purchasing function transfers knowledge from the supply market to the customer company and this knowledge can be further utilized in the strategy work. The purchasing director from company A told how they have gained lots of additional value through utilizing suppliers’ know-how. Their suppliers were given an opportunity to present their own solutions to the customer’s business challenges:

“I would like to take an example of supplier flexibility regarding our [truck] supplier. [...] We have been able to utilize their skills and flexibility through their calculations on how many trucks are needed in different warehouses [...] Those extra trucks have then been re-located to places where there is more need compared to the earlier situation. This is a new working practice where we have given a possibility to our key suppliers to consider solutions for us.

The purchasing director in company B stated that one requirement for their purchasing function to be successful is that purchasing personnel know how the products are sold and what is the earning logic of the company. Company C’s purchasing manager told that it is valuable if the purchasing function can identify suppliers that create additional value and possible innovations.

### *Value of the purchasing function to the end customer*

The value of the purchasing function to the end customer raised a lot of views and discussion from the interviewees. The issue was deemed as complex by several informants:

“In all operations it is important to think of the end customer. It is a challenge to see how a certain element is visible to the customer because causalities [between activities] are distant. [...] We have very seldom a direct link to the end customer but luckily there are also cases where we analyze the benefits [to end customer] because it is the end customer who genuinely runs the business.”  
(category manager, company A)

Similarly to the discussion on the internal value of the purchasing function, no interviewees mentioned any customer value components that would be related to the customer's **time to market**. Indeed, this is an issue that seems to be distant for the interviewees. Several interviewees discussed **product quality** and the importance of balance between costs and quality when customer value was considered. One respondent described this balance as follows:

“We naturally aim to gain cost savings [...] but it is not the only way since we need to have quality measures in order to assure [...] that] cost benefits are not lost through poor quality” (category manager, company A)

In company D, it was deemed important that the purchasing function pays attention to the quality of raw materials. This is valued by the end customers whose efficiency is dependent on the raw materials' quality; efficiency improves and there are fewer problems. Strict tolerances to raw material quality are related to competitiveness. The purchasing function had an important role in communication of quality deviances to the suppliers and in assuring that no deficient batches are delivered to the end customer:

“We have tight quality tolerances [...] It requires also more from our suppliers. [...] We have zero tolerance in quality complaints [...] We complain to suppliers every time if we have something to complain, and by that we try to reach [a situation in which] we would not need to send any risky shipments but only prime quality.” (purchasing director)

As opposed to the discussion on the purchasing function's value internally, aspects related to **delivery performance** were not typically mentioned when discussing value provided to the end customer. The purchasing director of company C linked known and established suppliers to the on-time delivery, an aspect valued by the end customer. Creation of customer value through **service support** and **personal interaction** were taken into discussion especially by the interviewees of company B. This is how their purchasing director described the importance of customer-tailored solutions:

“Good sourcing agreements and collaboration with suppliers creates more competitive offerings to our customers. [...] We offer quite a lot of services tailored to the customers and we search for specific suppliers to individual customers. [...] This means that we have to find the right suppliers that can make some things better than our own services. Therefore, it is often a make-or-buy decision. An example was just last week, when we decided to buy training services from the markets, most probably with less costs and better content [than we would have been able to offer].”

Interaction between the purchasing function and the customer (or marketing department) was deemed important in company B. For example, one of the interviewees regarded marketing skills among the most important skills of the purchasing personnel (purchasing director).

Understanding end customer preferences was deemed important in order to be able to purchase right services at the right time.

The characteristics of project business and its impacts on the work of the purchasing function were also elaborated by the purchasing director of company C:

“Purchasing in our capital projects has often a more long-term perspective. Sometimes we do not even know in the beginning of the projects what objects are to be purchased. The specifications of our offerings are sharpened through discussion with our customer. [...] After the product designs are finalized it is the time for the purchasing function to act.”

Aspects related to **know-how** provided to the end customers were mentioned in each of the studied companies. The purchasing function was deemed to have a role in company C to search for solutions with a low Total Cost of Ownership (TCO) for the end customer. Company B was most often purchasing services in the form of knowledge-intensive services which are dependent on the results of the personnel resources. The finance manager in company B described this side of the purchasing work contribution:

“There are the same risks and possibilities [in the contribution of external resources] than in our own personnel since we now talk about people. If the purchasing function succeeds in buying quality supplier work contribution, it is visible to the customer similarly than the contribution of our own personnel.”

Most of the discussion related to customer value can be classified with the selected analysis framework. However, sustainability was a broad theme that was raised beyond the framework. Most of the respondents mentioned sustainability of supply network as one of the most obvious sources of customer value that can be affected by the purchasing function. Adherence to the company code of conduct and ethical norms, and the related image impacts were often mentioned in the interviews. Furthermore, safety of the products provided to the end customers was discussed.

### **Discussion and conclusions**

This paper adds to the previous literature by providing in-depth understanding of non-financial value created by the purchasing function and the supplier resources in four different contexts. The results are mostly in line with Ulaga and Eggert (2006)'s earlier findings; it appears that cost competitiveness is a necessary but not a sufficient condition for a key supplier status. The results of this study also suggest an addition to their framework, originally not specifically designed for the purchasing context. Our results identified sustainability as an important component of non-financial value both internally and from the perspective of end customer which is in line with Spina et al. (2013) who suggested that sustainability has risen to the agenda of purchasing, similarly like innovation and quality before.

Earlier literature distinguishes the value of goods and services reflecting transactional exchange and value of buyer-supplier relationships (Lindgreen et al. 2012) and often labels the latter as a more contemporary approach. The findings of this study reflect partly the contemporary approach to value consideration. Relationship value can give a stronger potential for differentiation in the buyer-seller relationships than cost consideration. While purchasing functions' interaction to the supplier side is self-evidently important, this study also raised the importance of purchasing function's interaction with marketing function and customer in order to improve the fulfillment of customer demands.

Table 3 summarizes the key findings of this research. It describes the perceptions of components of (non-financial) value created by the purchasing function both from the perspectives of collaboration between functions within a company and the end customers (RQ1). The table also presents the findings in light of transactional and relational value (RQ2). Furthermore, the context of empirical observations is described in the table whenever a specific context can be identified (RQ3): S= service, M = Manufacturing, Project business = Project, Continuous production = Process. If the observation was found in two companies, only the conjunctive characteristic is mentioned.

**Table 3 Summary of research results**

<b>Perspectives of the research framework</b>	<b>Transactional vs. relational value, RQ2</b>	<b>Internal value created, RQ1</b>	<b>End customer value created, RQ1</b>
<b>Costs</b>	Transactional value	All the interviewees regarded important both internally and to end customer, highlighted at the top management level and in manufacturing companies	
<b>Product quality</b>		Ensuring the fulfillment of service levels (S)	Assuring the balance between costs and quality (S, Process) Assurance of quality of product raw materials (M, Process)
<b>Delivery performance</b>		Choosing suppliers meeting the requirements of on-time delivery (Project) Complete deliveries (S, Project) Ensuring availability of raw materials (M, Process) Flexibility in supply offerings through well-planned contracts (Process) Flexibility in supply offerings through mutual trust with suppliers (Project) Grouping of small suppliers to increase flexibility (S, Project)	Usage of known and established suppliers (M, Project)
<b>Service support</b>	Relational value	Facilitation of communication between suppliers and product development function (M, Project)	Collaboration with suppliers creates more competitive offerings (S, Project) Understanding on end customer preferences (S, Project)
<b>Personal interaction</b>		Interaction with organizational units to identify synergies	Specifications of offerings are sharpened through discussion with the end customer (Project)
<b>Know-how</b>		Increased know-how on supply markets (M, Process) Utilization of suppliers' know-how (S, Process)	Skills of purchasing professionals decreases TCO for the end customer (M, Project) Supplier skills are directly visible to end customers (S, Project)
<b>Time to market</b>		N.A.	N.A.

Observations characterizing transactional exchange were strongly visible in this study. While core product-related aspects (product quality and delivery performance) were observed moderately important in Ulaga and Eggert (2006)'s study, the interviewees of this study highlighted these aspects in many cases. Product/service quality was often mentioned as a

mandatory characteristic which should not be ruined through cost-cutting. This study identified many different approaches to flexibility. Flexibility took both the traditional form where it relates to capacity management issues but it was also linked to product/service specifications. While supplier flexibility was highlighted by several interviewees, it also appeared that written contracts are still an important tool, and interpretation of challenging situations in the implementation phase of purchasing cases should not be left only on mutual trust. On the other hand, earlier research (Caldwell and Howard, 2011) suggests that highly detailed contracts are not recommended for complex purchases which should include the elements of mutual trust.

This study utilized the same framework for analyzing both internal value of the purchasing function and the function's contribution to customer value. It appears that aspects related to delivery performance and especially to flexibility are emphasized more when internal value is considered. Respondents do not acknowledge this aspect similarly from the point of view of customer value. The empirical observations indicate that the discussion on internal value highlighted costs more than the discussion of customer value. When examining internal value, the interaction between the purchasing function and the other key functions, such as marketing and R&D, was highlighted. In the case of customer value, the discussion was characterized by the role of purchasing function as an intermediary between end customers and suppliers. For example, the role of the purchasing function in tailoring offerings for customers was mentioned, as well as the role of purchasing function in monitoring quality, and communicating end customer reclaims to the suppliers.

In addition to an overall analysis of the findings, it is interesting to look at the key differences across the different contexts existent in this study. This is done by comparing the findings about manufacturing and service companies, and the different production types: process-type and project-type of production. Cost-efficiency was emphasized more in the manufacturing companies whereas in service companies the non-financial value components were more widely discussed. Process production companies emphasized more the role of purchasing function in successful deliveries whereas in project production there was more discussion on aspects of relational value. Capacity flexibility of suppliers was valued in the process-type of production. As a contrast, project-type production companies mentioned the ability to response to market (or customer) demands as the most important embodiment of flexibility. Another visible observation in the project-type of production was the value created by the purchasing function through attending in the planning of the product-service offerings and the related contract preparation. There was an indication in the project-type of production context that mutual trust was discussed in relation to supplier flexibility, whereas contracts had a more dominant role in the process-type of production companies.

This study has several limitations that should be acknowledged. The respondents represent only the buying companies and four different contexts were studied. Specific care needs to be taken when the contextual differences between the findings are examined. This study focuses on the outcomes of desired actions of the purchasing function. Further research could extend the organizational objects of the study and gather more findings on the mechanisms creating value. Our study provided some in-depth understanding of aspects that are potentially important when creating financial value in the described contexts. Further quantitative study need to be carried out in order to extend the observations to the wider contextual scope and to demonstrate the relationships between the non-financial and financial components of value.

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