

## Strategic ways of purchasing



Luitzen de Boer

Purchasing management is becoming a 'serious business' as well as real science. According to Luitzen de Boer, it is no longer seen as 'just part' of logistics or marketing, but purchasing management is increasingly seen as a strategic factor in the organisation as a whole for the entire organisation, and therefore a management instrument. Given the possibilities of e-commerce and e-purchasing in particular, new areas of research into how to make the best purchasing decisions are opening up.

"Ten years ago, purchasing had the reputation of being dull, bookkeeper type of business. But you have people ordering things and negotiating at every level of an organisation, starting from basic office equipment all the way to raw materials needed for production. The purchasing process is therefore an integrated part of the organisation and its management. This awareness is still growing, and the past years even a scientific community is being formed. Last year, we hosted an international congress on our campus, the IPSERA 2002 Conference chaired by Professor Jan Telgen, of a group called International Purchasing and Supply Education and Research Association. The field of research is maturing, I am noticing, but there are still many areas left to explore. And that is what personally attracts me about this field."

"Of course, the introduction of the Internet and e-commerce has made a lot of new possibilities available, and we are also seeing a lot of hype. Still, in many companies and organisations, the purchasing process goes hand in hand with mounds of paperwork, faxes and even handwritten ordering sheets. You can save a lot of paperwork and redundancy by introducing Internet tools for purchasing. But what's more, you will be better able to manage the processes, take care of budgeting, use the strategic elements of purchasing and discover

### Project examples:

- Tools for improving infrastructure utilization (CONNEKT)
- Route planning in congested transport networks (NWO)
- Mathematical and statistical analysis of initial purchasing decisions



better suppliers or new technologies. On the other hand, our research also shows that you have to take carefully prepared steps when introducing electronic purchasing. What part of the organisation stands to benefit from e-business, and how is it to be implemented? We have seen large organisations making sweeping statements like “Starting in 2003, we’re going to use the Internet for every single purchase, and every supplier has to follow.” An approach like will most likely fail.



Successful introduction starts with good models helping you to understand the best practice. That is a first step we are currently taking. When you buy raw materials like metal, for example you, depend on volatile markets. What is wisest in that case: to enter in a long-term contract when the prizes are low, or just buy what you need at that moment? We have developed mathematical models for those decisions. Apart from that, using the Internet affords one the possibility of negotiating with multiple suppliers at the same time. We want to do research on these new auctions that use online bidding.

In fact, purchasing management deals with all things you can write an invoice for. Not only goods, but also services and personnel that is hired externally. Deciding what a company is going to do by itself, or going to outsource, that's strategic management, but it has to do with purchasing management as well. As part of this, we investigate the difference between commercial and government organisations. Government purchasing has many things in common with the processes within companies, but governments have to deal with European tendering procedures and legislation, for example. And they sometimes have political reasons for choosing a certain supplier. We see a growing number of consortia being formed, for example in health care: a group of organisations placing joint orders. In that case, new questions arise, like: what are the criteria for forming these types of consortia? How to divide the financial benefits among the partners? That part of is also in our research program.