Partnership Sourcing: An Organization Change Management Perspective

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SUMMARY

This article highlights the organization change implications for organizations that are attempting to develop collaborative relationships with their suppliers. The research focuses on four dimensions of collaborative relations including joint buyer-supplier cost reduction, supplier involvement in new product development, delivery and logistics management, and core business strategy. A case study is presented which outlines how an organization adopted a strategy that led to extensive outsourcing and the adoption of more collaborative relations with its key suppliers. The pursuit of this strategy has acted as a stimulus for change within the organization. The article identifies a number of issues that must be addressed, including the adoption of an integrated approach to the management of strategic change, the pivotal role of senior managers as facilitators of this change, and the involvement of those most affected by the movement toward more collaborative buyer-supplier relationships.

INTRODUCTION

Over the last several years, Western organizations have become interested in the concept of partnership sourcing. Partnership sourcing represents a collaborative approach in which a buying organization and a small number of its suppliers work closely together, sharing the risks and rewards of a cooperative relationship that focuses on continuous improvement (Ellram and Edis 1996). It is argued that partnership sourcing leads to superior performance because it creates long-term collaboration based on trust between the buyer and the supplier (Lamming 1993; Macbeth and Ferguson 1994). Partnership sourcing implies a radical change in the way people work, including teamwork, joint decisionmaking, and collaborative activity. The more radical these changes are, the more difficult the task of implementing them is likely to be. Partnership sourcing implies changes to the social systems of at least two organizations, with the scope for resistance being considerable (Boddy et al. 1998).

Many attempts at partnering have failed. There is evidence to suggest that organizations have not achieved the desired benefits from partnership sourcing (A.T. Kearney 1994). Also, serious concerns have been expressed over organizations that have embarked upon partnership sourcing without fully understanding the concept (Burnes and New 1996). Doubts have also been expressed about the interpretation of buyer-supplier relationships in the Japanese automotive industry that led to interest in lean production by Western organizations. For example, Williams et al. (1992) argue that lean production methods have not been applied universally across Japan but have evolved from studies of the Toyota Production System. Equally, the interpretation of partnership sourcing by Western organizations has, in many cases, been shown to be misleading, with buyers often retaining considerable economic power in comparison with suppliers (van Weele 1994).

Such evidence increases the likelihood of partnership sourcing suffering a backlash similar to those that have followed total quality management and business process reengineering. For example, Cox (1996) has expressed serious reservations over the purchasing and supply profession becoming concerned with “fashionable concepts or ideas (fads)” such as partnership sourcing and network sourcing. New concepts and fads tend to be adopted by practitioners under pressure to demonstrate knowledge and expertise, but who do not have time to assess the applicability to their particular business situation. Also, partnership sourcing is only one concept creating change in purchasing. Extensive change is also created by supplier development (Krause and Ellram 1997), total cost management (Ellram 1996), early supplier involvement (ESI) (Dowlatshahi 1998), and outsourcing (Quinn and Hilmer 1994). A common theme coming from purchasing practitioners is that these changes are difficult to implement and sustain over the longer term (Smeltzer 1998).

This article highlights the organization change implications for organizations that are attempting to develop collaborative relationships with their suppliers. The research focuses on four dimensions of collaborative relations including joint buyer-supplier cost reduction, supplier involvement in new-product development, delivery and logistics management, and core business strategy. Within each of these areas, the organizational change aspects of the organization and its key suppliers are developed. It is shown that partnering relationships constitute major change for organizations. For organizations to derive the benefits associated with partnership sourcing, a holistic and integrated approach, such as that advocated by Worley et al. (1996), toward the planning and implementation of organizational change must be adopted. Fundamental change must occur in organizational culture, structure, and behavior.

A case study is presented which outlines how an organization adopted a strategy which led to extensive outsourcing and the adoption of more collaborative relations with its key suppliers. The pursuit of this strategy has been a stimulus for change within the organization. However, it would appear that the change has been rather superficial, with individuals responding to demands being placed upon them as, and when, requested.

PARTNERSHIP SOURCING AND ORGANIZATION CHANGE

The philosophy of partnership sourcing differs considerably from the traditional adversarial model of buyer-supplier relations. In a partnership, customer and supplier commit to continuous improvement and shared benefits, by exchanging relevant information and by working together to resolve problems (SMMT and DTI 1994). For example, in the area of new-product development, customers and partners have a high level of collaboration and a long-term perspective. Organizations such as Chrysler are selecting suppliers at the concept stage of new-product development and giving the supplier the supply contract for the life of the product (Dyer 1996). The supplier becomes a strategic resource and an extension of the customer in the design process, enabling the customer to capitalize upon the supplier’s design expertise and capacity for innovation (Sefton 1992). Also, the focus in the relationship moves away from price to the customer and the supplier working jointly to reduce total supply chain costs (Dobler and Burt 1996). For example, the partners operate open-book arrangements in which the customer requires the supplier to share component cost information. The Just-In-Time (JIT) philosophy is closely linked to partnership sourcing. The success factors of JIT are very closely related to the conditions that favor partnership sourcing (Gelinas et al. 1996). Under such an arrangement, the buying firm and the supplier are expected to work together to satisfy specific clients’ needs and expectations, to achieve better cost control, and to reduce inventory.

The new buyer-supplier relationship acts as a very powerful force for change within each aspect of the relationship. This presents a number of challenges to those charged with the responsibility for managing the change. In most organizations, there are natural reasons for the reluctance of internal functions to collaborate. Also, managers are not usually trained or developed to be collaborators (Beardwell and Holden 1997).

Given that the social systems of the buyer and the supplier are being altered (Boddy et al. 1998), the achievement of a mutually beneficial partnership necessitates a process of systemic inter- and intra-organizational change. This process necessitates a holistic approach to the management of change that is likely to encompass cultural, structural, and behavioral issues (McHugh 1998). Until recently, the organizational change literature has tended to ignore the need to integrate both the content and the process of change derived from strategic management and organizational development, respectively. Increasingly, it is acknowledged that successful change management is influenced by the binding together of content and process issues (Worley et al. 1996; Stacey 2000). Thus, to maximize the benefits from the partnership, it is essential that the approach adopted by organizations addresses the structures and processes required to support the new strategy.

The demands associated with collaborative activity transcend organizational boundaries, and therefore the approach to managing the change process must ensure that complementary activities and behaviors are exhibited within each of the partnering organizations. It is not sufficient to change only the attitudes and behavior of the purchasing professional. Rather, a fundamental requirement is the achievement of attitudinal and behavioral changes among personnel in other functions, such as quality and design (Hunter et al. 1996). This implies the need for a multifunctional organizational change strategy which embraces cultural issues and has the support and commitment of top management. Baden-Fuller and Stopford (1992) emphasize the need to develop collaboration across multiple levels in the organization and highlight the crucial role of middle management in extending capabilities and developing understanding of priorities. The role of middle managers in this regard is central to widening and deepening the understanding of new ways of operating. Building a climate of change also involves getting people at lower levels "to be able to 'buy in' to the new values in terms that affect the reality of their own work" (Baden-Fuller and Stopford 1992). This emphasizes the need for employee involvement and participation.

A new focus on quality and customer relationships necessitates changes in policies, cultural values, work procedures and processes, relationships between departments, and interactions between buyers and suppliers. Often these concomitants of strategic change are not addressed by traditional strategic planning, which concerns itself with whether actions make financial and strategic sense (Worley et al. 1996). In effecting major change, difficulties often arise because relatively few organizations make a link between realistic objectives and resource strategies (Abraham and Pekar 1995). Furthermore, organizations often ignore the fact that performance is heavily dependent upon the attitudes and commitment of their workforce (Beaver and Stewart 1996). The perspectives and responses of employees at all levels and positions have a significant impact on the successful implementation of strategic change processes. Individual employees, on whom the performance of the organization is highly dependent, are often largely ignored in planning major change programs.

Given the strategic nature of the change in the relationships between buyers and suppliers, cultural change is vital. The importance of culture as a factor influencing successful change has been acknowledged by many (Pettigrew 1985; Johnson 1995; Corby 1998). However, effecting culture change is a mammoth task (Brooks and Bate 1994). Frequently, organizations fail to engage in a process whereby time, money, and efforts are invested in bringing about a change in culture, structure, and reward systems (Boddy et al. 1998). The strategies of organizations tend to focus on content issues such as the achievement of efficiencies, while ignoring the process of how to achieve the efficiencies.

RESEARCH METHODOLOGY

The research focuses on a strategic business unit (SBU) of a global telecommunications equipment manufacturer and its key suppliers. A single-case research design was chosen because of the explanatory nature of the study and the level of detail in the data required. Using a single-case design allows an increase in the quality and quantity of data obtained (Yin 1994). Although a single-case study approach cannot offer generalizability in the statistical sense, it can represent a significant contribution to knowledge. An in-depth case study can make up for the lack of generality by revealing a greater depth of understanding of the set of events under analysis.

This research focused on a number of key areas in a complex social situation. The objectives of the research required a variety of data collection methods such as direct observation, access to documentation, and interview. A particular strength of the case study method is that it allows the combination of these types of data collection methods, which enables the researcher to capture the complex reality under scrutiny (Saunders et al. 1997). Gathering data from the organization and its suppliers was facilitated through direct observation of meetings involving organization personnel and supplier representatives. This provided detailed and intricate descriptions of the important issues and behavior patterns of the people involved in these meetings, which in turn enabled an understanding of the meanings and behavior of the people in the organization and the representatives of its key suppliers. For example, it was possible to directly observe the interactions of purchasing personnel and supplier representatives in areas such as cost reduction and order management in order to gain insight into the nature of buyer-supplier relations. It also permitted observations of other functions in the organization such as design and finance.

Structured and unstructured interviews with personnel from both the organization and its key suppliers were also carried out. A key benefit of using interviews was to follow up on and develop issues that were raised in meetings. The research also focused on all key secondary data pertaining to the objectives of the research. This included design specifications, business function objectives, minutes of meetings, corporate supply management specifications, and general external organization reports.

THE CASE STUDY

The organization was chosen because it had experienced considerable change over the last number of years. It had been taken over by a multinational telecommunications company, resulting in an increasing emphasis on the adoption of world-class practices such as a total quality culture, integrated product development, and continuous improvement. The takeover also resulted in major changes in the management structure of the organization. The organization flattened the structure, with all employees encouraged to take responsibility for improvements in their own work areas. The individual senior management team members have functional and critical process responsibilities that they carry out through managers and team leaders. The organization has three less layers than it had in 1985, as shown in Table I.

The organization has a team-based structure in which all employees are encouraged by their team leaders and managers to become involved in resolving problems and improving quality in their work areas. Personal development training courses have been introduced since the introduction of the total quality ethos at the organization. These are used to promote continuous improvement methodologies and to encourage involvement in teams.

The organization has set up a design facility near the manufacturing plant for new-product development and the redesign of current products. The design facility supports the manufacturing facility and adapts standard company products to customer requirements. The colocation of the manufacturing facility and the design center enables design to work closely with manufacturing. The products and systems developed in the design center are technically complex, requiring, at various stages during the development cycle, mechanical and thermal design, electrical and electronic design, software, systems design, printed circuit board (PCB) design, manufacturing interface, manufacturing support, and component and supply management.

The organization defines its core business as comprising the skills and technologies that contribute to minimizing the time between order receipt and order fulfillment. The achievement of excellence in its core business depends upon the management and integration of the activities involved in the order fulfillment process, including manufacturing velocity, delivery to customer required date, inventory management, and supplier management. The ability to manage and coordinate the linkages has been central to the organization achieving its core business. Outsourcing is an important facilitator of this strategy. The organization approaches outsourcing from the perspective of identifying the best available source (internal or external) to carry out an activity or group of activities. By accessing the most competent provider of an activity, the organization believes it is raising standards that contribute to its core business. By outsourcing those activities where it has no performance advantage, the organization will more readily achieve excellence in its core business of order fulfillment. A contributing factor in the outsourcing decision is the impact the decision will have upon the business strategy objectives such as leadtime reduction to the end customer, cost reduction, and inventory reduction.

In the pursuit of a core competency strategy, the organization has outsourced more activities to suppliers, including assembly operations, piece part manufacture, and, in some cases, design. The organization has become less involved in the assembly and production of its products. The majority of activities being performed internally are the support activities of the value chain such as design, engineering, procurement, and customer service. The manufacturing site and the design center are viewed as a group of functions with a broad range of skills, managing and integrating a myriad of activities and subactivities. By their very nature, the management and integration of these activities are predominantly people- and skill-based tasks. The skills and experience of the people have become the key elements that create competitive advantage for the organization.

Table I

THE DE-LAYERING OF THE ORGANIZATION

Layer	1985	1998
Layer 1	Director	Vice President
Layer 2	Senior Managers	Senior Managers
Layer 3	Managers	Managers
Layer 4	Superintendents	Team Leaders
Layer 5	Forepersons	Team Members
Layer 6	Supervisors	
Layer 7	Charge Hands	
Layer 8	Workforce	

As a result of pursuing such policies, the purchasing function has been undergoing considerable change in the way it is organized and the way it interacts with suppliers. The trend toward outsourcing is supported through the development of more collaborative relations with its key suppliers. Approximately 80 percent of its purchases (by value) are obtained from 40 suppliers, and the organization defines these as key suppliers. Consequently, the organization has been attempting to develop partnership arrangements with these key suppliers. Developing more collaborative relations with suppliers has led to the restructuring of purchasing into the following functions:

1. Buying — involved with the day-to-day buying and supplier management activities
2. New-product introduction — involved with the organizational aspects of purchasing such as new-product development, new-product introduction, contract management, engineering, and quality management

The pursuit of an extensive outsourcing strategy has meant that the purchasing function is now expected to manage external manufacturing, and therefore has a key role to play in supporting the business strategy of the organization. This has radically changed the way in which purchasing interacts with suppliers. Traditionally, the purchasing function had maintained a large supply base dealing with suppliers on an arm's-length basis. Now purchasing has become involved in implementing supply base reduction programs across a range of commodities. In the new-product development and new-product introduction activities of the organization, the purchasing professional has become a member of a cross-functional team. These changes have presented an enormous challenge for the purchasing function and have raised its profile in the organization. Additionally, these changes have impacted other parts of the organization, necessitating a fundamental shift in perceptions of, and behavior and attitudes toward, those involved in managing the relationships between buyers and suppliers.

RESULTS

The findings presented below focus on four dimensions of collaborative relations: joint cost reduction, supplier involvement in new-product development, delivery and logistics management, and core business strategy.

Joint Buyer-Supplier Cost Reduction

The organization pursued a strategy of year-on-year formal cost reductions across its product portfolio. In the electronics and telecommunications industries, original equipment manufacturers place considerable emphasis on redesigning existing products to reduce costs and increase product functionality. In the organization, this cost reduction activity was team-based, coordinated by engineering, and included design, manufacturing, finance, quality, and purchasing. Although cost reduction focused mainly on internal operations, there was significant emphasis on attempting to realize cost reductions in the supply chain. Consequently, this had implications for suppliers and for the purchasing function in managing suppliers in the cost reduction process. A change in the attitudes of the people involved in managing the relationship was required in the areas of supplier switching and joint buyer-supplier cost analysis.

Supplier Switching. There were a number of situations that illustrated a lack of understanding of the true meaning of collaborative buyer-supplier relationships and a reluctance to acknowledge the change that had taken place in the way that the organization conducted its business. Furthermore, there was a lack of understanding of the implications of the changes for the individual. For example, it was evident that buyers were still wedded to the belief that the threat of switching supply sources is an entirely justifiable method for achieving cost reductions, while at the same time expounding the virtues of collaborative buyer-supplier relationships. This is illustrated by the following:

- The organization approached one of its key subassemblers to discuss opportunities for cost reductions on a high-volume subassembly. Discussions revealed no opportunity for such reduction under the current design. However, design and purchasing believed that it could be achieved by changing the manufacturing process and using an alternative subassembler. Outlining these proposals to the current subassembler, the subassembler agreed to reconsider cost reductions with the current design. The subassembler came back with a reduced cost estimate for the current design that was only slightly more expensive than the proposed new design. Although the subassembler provided a breakdown of the costs, there was no evidence of the organization working with the subassembler to identify any cost reductions in the manufacturing process. It seemed to be more of a situation where the subassembler lowered its price for fear of losing the business.
- In implementing supply base reduction strategies across a variety of commodities, the buyers were not convinced of the benefits. They believed it would increase risks and would provide less opportunity to achieve cost reductions by switching suppliers. For example, it is quite common for an existing component to become uncompetitive when another supplier introduces a much more advanced component to the market. This leads to the design and cost functions proposing switching suppliers. However, such a move conflicts with purchasing's objective of developing more collaborative relations with the same suppliers.

These findings reveal a lack of understanding, trust, and commitment with regard to the concept of true partnership between buyers and suppliers. The organization decided at a strategic level to pursue collaborative buyer-supplier relations. The evidence suggests that this strategic decision was supported only by superficial agreement among organizational members that closer collaboration between buyers and suppliers would be mutually advantageous. However, the behavior of those involved in cost reduction activities indicates that little thought was given to the task of identifying the necessary systemic changes that must be effected in order to achieve partnership. These changes are cultural in nature, necessitating a shift in the mind-set of buyers and suppliers with a concomitant commitment to collaboration and teamwork. Thus, the behavior displayed is indicative of a very limited acceptance of the concept of partnership by the individuals involved.

Limited Level of Joint Buyer-Supplier Cost Reduction. The organization operated open-book arrangements. Its key suppliers had access to information on material costs, packaging and delivery costs, overhead, and profits. Limited evidence was found of the organization working jointly with suppliers to measure the total cost of ownership — costs associated with the acquisition, use, and maintenance of a good or service throughout the entire supply chain (Ellram 1996). The purchasing manager agreed that this was a major impediment to more collaborative supplier relationships. For example, during price negotiations with key suppliers, he was "very skeptical" of cost breakdowns provided by suppliers to justify any component price changes. This made it very difficult to constructively negotiate prices without creating a win-lose situation. When asked why there was a low level of joint customer-supplier cost reduction activity, the purchasing manager identified the major problem to be limited resources in the purchasing function. While the purchasing manager had been successful in securing resources for recruiting engineers into the purchasing function, he had been less successful in convincing senior management of the benefits of recruiting a financial analyst to pursue joint cost analysis with suppliers.

Supplier Integration in New-Product Development

Internally, the purchasing professional is part of a cross-functional team including design, engineering, manufacturing, component management, and quality. To develop more collaborative supplier relations, the organization had been attempting to increase the level of supplier involvement in its new-product development activities. However, the research reveals inconsistencies in the management of key suppliers in these activities. Although there was a high level of information sharing, there was conflicting evidence on the involvement of suppliers in the design process. In some cases, the supplier was heavily involved and was selected at the concept stage of the design process. In other instances, the role of the key supplier was limited to that of providing information on prices and leadtimes, and the supplier selection decision was made at the development stage. There was also evidence that the attitudes of the cross-functional team members hindered the involvement of key suppliers in new-product development activities, as confirmed by the following:

- Attempting to increase the role of the supplier in the design process led to resistance from designers who perceived it as a threat to their employment. For example, in one case, one of the organization's customers required a highly customized product. The chosen supplier was heavily involved with the organization's designers in the design process. However, a situation arose in which many changes were required throughout the design process, leading to a situation where the design people in the organization were communicating changes requested by the customer to the supplier. The designers were fiercely opposed to the supplier interfacing directly with the organization's customer, perceiving it as a threat to their employment.
- The purchasing professionals were not accustomed to involving suppliers at an early stage of the design process. The traditional way of dealing with suppliers was to request information, not to leverage the skills and knowledge of the supplier in the design of the product. Interviews with a number of purchasing personnel revealed that there was still a perception that suppliers could be played off against one another in order to extract more favorable terms.

These findings highlight the existence of barriers which, if unaddressed, could adversely affect the management of the required change. The barriers are primarily associated with perceived threats to position and security. Additionally, the behavior of the purchasing professionals indicates a lack of awareness of the required change in attitudes needed to facilitate the behaviors associated with partnership activity. The findings suggest an absence of any form of organizational activity designed to identify core issues that must be addressed to manage the organizational change process required for successful strategy implementation. This is further illustrated in the area of delivery and logistics management.

Delivery and Logistics Management

The importance of delivery and logistics management is illustrated by the following key objectives of the organization:

- Achieve a 50 percent reduction in leadtime to the customer
- Reduce inventory days (including pre-process, work-in-progress, and finished goods)
- Focus on interdivisional leadtimes

Purchasing had been pursuing a policy to extract a higher level of service from its suppliers in the form of shorter leadtimes and more responsive and flexible delivery schedules. The impact of the organization's order management process on the supply chain was observed in quarterly business reviews with its key suppliers. Quarterly business reviews dealt with issues such as quality, delivery, the order management process, packing, bar coding, EDI, and forward business. One of the key issues during these meetings was the dissatisfaction of the suppliers with the instability of the customer's forecast. The instability of the forecast was felt most starkly among the organization's subassemblers that were managing the organization's second-tier suppliers. A great deal of emphasis had been placed on the organizational and logistics skills of the subassemblers to coordinate the inbound materials from the lower-level suppliers. A number of representatives were interviewed from the organization and its suppliers to determine the key issues involved from both the supplier and customer sides.

- **Supplier Side** — On the supplier side, the most common concern was sudden upsurges in the customer's demand schedules. A number of suppliers revealed that they were holding safety stock in order to compensate for poor forecasting on the customer side. Suppliers were concerned when the customer outsourced assembly processes which led to the suppliers being responsible for coordinating materials from lower-level suppliers. The supplier perception was that the customer was shifting inventory responsibility and the supplier was becoming liable for any supplier failure at lower levels in the supply chain.
- **Customer Side** — On the customer side, the purchasing manager agreed that "more adequate forecasts of future requirements and stable

> delivery requirements" should be provided to suppliers. It was his view that this would be improved through better communication with marketing, materials management, purchasing, and manufacturing. However, a considerable barrier was limited resource allocation from the materials management function. Senior management did not display a great degree of urgency in alleviating the problem of the safety stock on the supply side. This was not surprising given that the organization had been extracting higher levels of service from suppliers without providing any additional remuneration. Such attitudes reveal how the customer was attempting to improve its own efficiency by shifting the problem of poor forecasting to its suppliers.

The findings presented above display a lack of understanding regarding the activities and behavior required to reap the benefits of partnership activity. The behavior of suppliers suggests a lack of trust and confidence in the customer. Meanwhile, the comments of the purchasing manager indicate that the customer had, in principle, acknowledged the benefits to be derived from partnerships. However, in practice, the behavior of the organization and its people was in contradiction to collaboration.

Core Business Strategy

The purchasing professional has a key role to play in supporting the organization's core competency strategy. The success of such a strategy depends upon close cooperation and coordination between the business functions and the individuals within each function. For example, the ability to capture customer requirements and translate them into detailed performance specifications was based on a knowledge of the relationship among customer requirements, product specifications, manufacturing, and the supply chain. This knowledge had been accumulated through innumerable interactions among engineering, manufacturing, designers, purchasing, suppliers, and marketing.

The research reveals a lack of understanding and misconceptions about the core competency strategy. An interview with a number of engineers revealed that they still considered the printed circuit board (PCB) manufacturing process to be their core business rather than order fulfillment. The engineers' perceptions of what constituted the organization's core business were based upon their single functional perspective rather than a cross-functional view of the organization and the needs of external customers. These divergent opinions and misconceptions were fueled by the fact that the organization had no formal policy statement on core business and outsourcing. The single functional perspective was also evident in other areas where there was a lack of cooperation. For example, there were conflicts between members of the new-product development team, with design attempting to make the supplier selection decision and limiting the influence of purchasing.

Such behavior suggests superficial organizational commitment to partnership activity and adherence to an outmoded set of values and beliefs. The organizational commitment to partnership was not translated into behavior that supported close collaboration between the partnering organizations or within the supplying organizations. The territoriality displayed by the various functional specialists coupled with inadequate coordination and cooperation acted as impediments to the type of inter- and intra-organizational relationships required for mutually advantageous relationships.

DISCUSSION OF THE FINDINGS

This research has shown how the organization has become more focused on value chain support activities in an attempt to foster effective buyer-supplier partnerships. This shift in focus necessitates major change in the way the partnering organizations and their people manage their activities and behavior. In particular, the findings highlight how the developments in buyer-supplier partnerships have raised the profile of the purchasing professional in cross-functional activities such as new-product development and cost reduction. While this may be regarded as a welcome development, the case study has shown that many difficulties exist in managing the change process. For example, the research reveals that purchasing is still perceived by other functions as a clerical-type activity and not value-adding. Furthermore, there were instances of the design function making the supplier selection decision without consulting purchasing. This problem was further exacerbated by the designers and engineers being better qualified than the purchasing personnel to make such decisions. Such a situation leads to the purchasing professional being perceived as a weak member in a cross-functional team. Such behavior is indicative of a need to change the mind-sets of all those involved in inter- and intra-organizational collaboration.

The creation of a flatter and more responsive organization is considered to be one of the advantages associated with outsourcing (Quinn and Hilmer 1994). However, the findings have shown that this can be quite difficult to achieve due to the traditional functional view of the organization held by personnel. The implications of this case are that the organization is going to have considerable difficulties adopting partnering arrangements with external suppliers if it cannot develop a partnering mind-set across internal functions. The prevailing culture in both the customer and supplier organizations must facilitate and encourage joint problem solving and decisionmaking across organizational boundaries.

The research has revealed that there are considerable impediments for those participants responsible for establishing and managing collaborative buyer-supplier relationships. These impediments exist at both the strategic and the operational level. At the strategic level, this was evident in the following areas:

- Successful collaborative buyer-supplier relations depend upon a high level of commitment and resource allocation from both the customer and supplier organizations (Ellram and Edis 1996). In this case, senior management was reluctant to allocate sufficient resources in the areas of joint buyer-supplier cost analysis and delivery management to support more collaborative relations.
- Ramsay (1996) argues that collaborative buyer-supplier relations depend upon a large ratio of the buyer's expenditure to the supplier's total sales revenue (E/R ratio). The objective is to create a high level of mutual dependency between the partners. However, in this case, the policy of senior management was that no one key supplier should have an E/R ratio higher than 30 percent. This policy was based on the belief of the senior management team that there was too much risk associated with giving one supplier such a high percentage of business. Such a policy has a self-defeating influence on the whole ethos of collaboration by reducing the likelihood of high mutual dependency between the partners.

At the operational level, the following impediments existed:

- Members of the new-product development team were not consistent in the management of key suppliers in the new-product development process. Designers were opposed to increasing the involvement of suppliers, perceiving it as a threat to their employment.
- The buyers were not convinced of the benefits of moving to a reduced supply base, fearing that it increased risk exposure and limited the opportunity for cost reduction in the supply chain.

The research has shown that it is not enough to change the attitudes of the purchasing personnel. The attitudes of the other business functions and senior management must also be changed. Effective implementation of collaborative buyer-supplier relations requires a culture permeating the organization hierarchy that encourages and values collaboration. However, such a requirement presents organizations with an immense challenge due to the embedded culture of both the buyer and the supplier who have traditionally operated on an arm's-length basis.

CONCLUSIONS

The findings highlight a number of recommendations from an organization change perspective for organizations that are considering the development of collaborative buyer-supplier relationships.

- A holistic approach to managing the entire process is essential. The changes effected by partnership arrangements strike at the very heart of the enterprise and have implications for the way in which an organization is structured, individual roles, responsibilities, reward systems, and reporting relationships. A holistic approach to managing change must acknowledge the integration that exists among the different components of the organization.
- A shift in the mind-set of organization members must occur. In other words, partnership arrangements require cultural change within the buyer and supplier organizations and an enhanced understanding of the concept. Effecting cultural change is a mammoth task. This problem is further exacerbated when trying to achieve cultural alignment among the supply chain partners.
- The right culture in both the customer and supplier organizations must exist to facilitate and encourage joint problem solving and decisionmaking across internal functions. It is not enough to change the attitudes of purchasing personnel. The attitudes of the other business functions and senior management must also be changed. This requires a culture that encourages and values collaboration.
- To effect successful collaborative relationships, it is essential that organizations pursue a participative approach to the strategy-making process. Employee involvement and participation is crucial. Such involvement is likely to bring about the required change to the cognitive processes of organizational members, which in turn is reflected in attitudinal and behavioral changes that fully support the ethos of partnership.
- When adopting collaborative buyer-supplier relationships, it is essential to assess the impact that this will have upon those who will be most affected. Effective collaboration between individuals and groups requires skills that were not so necessary when engaging in the more traditional adversarial relationship. Assessing the impact on those most affected by new developments is likely to reveal a need for training to permit skill acquisition and development in a variety of areas including teamworking, problem solving, negotiation, and conflict management.
- To achieve the benefits associated with buyer-supplier partnerships, it is essential that all of those involved are committed to the strategy. This must be supported by an organizational program that enables individuals to acquire and develop skills, behaviors, and attitudes which facilitate the implementation of the strategy. As a prerequisite to program development and delivery, it is essential that each of the partnering organizations identifies the skills, behaviors, and attitudes that are critical to support effective partnering activities.

Partnership sourcing presents organizations with a considerable challenge from an organization change perspective. It represents strategic change that in turn necessitates cultural, structural, and behavioral change. In pursuing mutually beneficial trading relationships, the experiences of the case organization and its key suppliers suggest that there are a number of issues that must be addressed. These include the adoption of an integrated approach to the management of strategic change, the pivotal role of senior managers as facilitators of change, and the involvement of those most affected.

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