



E-procurement as a key success factor in cooperative purchasing

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Background of the study

- Due to the dynamic business environment, companies try to find new business models and strategic approaches
- Companies have noticed that efficiency and competitive advantage can be achieved through strategic supply management
- Therefore companies are developing new tools and purchasing methods to improve their supply management
- Utilizing cooperative purchasing has become a way to increase effectiveness of supply management
- The exploitation of e-procurement systems has improved firms' possibilities to use cooperative purchasing as a part of their supply strategy

Background of the study

- Voluntary purchasing cooperation between independent companies is an old phenomenon
- However, this interesting phenomenon has not yet received much academic interest and thus, is not widely researched
- This study discusses the success factors of cooperative purchasing
- Moreover, the e-procurement as a key success factor is discussed
- The empirical case study presents how the exploitation of e-procurement systems have contributed to the cooperative purchasing in the Finnish banking sector

Background of the study

- The theoretical study is based on the complementary theories concerning supply management
- The main theoretical background is in the transaction cost economics (TCE)
- Cooperative purchasing is based on the collaboration between two or more buyers
- Hence, TCE provides a theoretical basis to study collaborative relationships between firms
- The study includes also organizational aspects concerning e-procurement and centralization / decentralization of purchasing

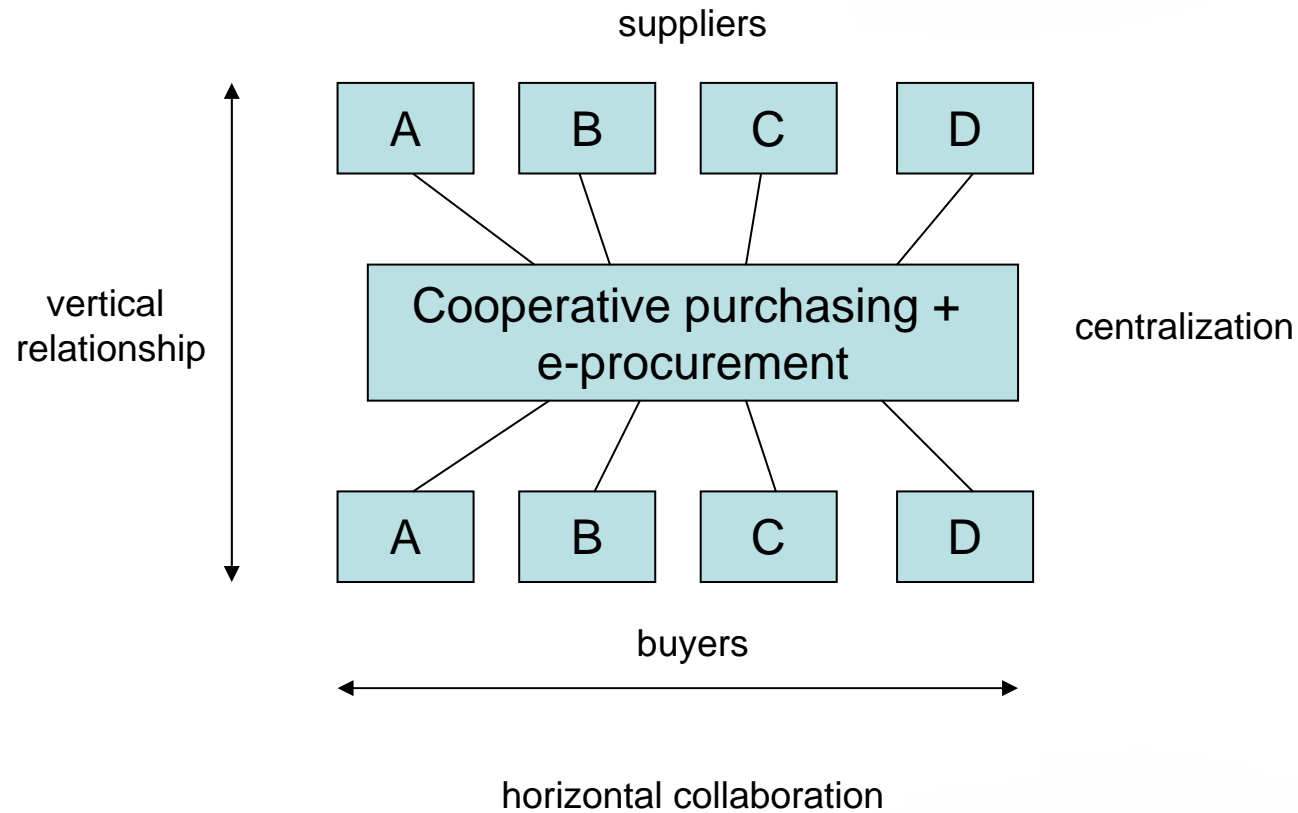
Cooperative purchasing

- In a cooperative purchasing two or more companies pool their volumes to increase their negotiation power in the supply market
- The strategic cooperation between buyers and suppliers is widely researched (partnership / vertical collaboration)
- The theoretical base of partnership is used also when evaluating success factors in cooperative purchasing (horizontal collaboration)

Cooperative purchasing + e-procurement

- Benefits of cooperative purchasing are also similar to the benefits of centralized purchasing in a company
- Transaction cost theory is based on idea that cooperation exist because the use of markets or the price mechanism generate transaction costs
- E-procurement enables effective automation of processes, which in turn decrease operational transaction costs and increase competitiveness of cooperative purchasing

Theoretical framework



Methodology

- In the empirical study, the qualitative case study methodology is used
- The case study analyses cooperative purchasing in Finnish banking sector
 - The group of cooperative purchasing in Finnish banking sector is composed of over 200 independent members
 - Nine of these companies have been included in this study, representing different size companies of the group
- The case study is a result of 27 semi-structured interviews made with the case companies' personnel, and thus the data is qualitative
- The interviewees were selected on the basis of their positions in the case companies representing strategic level and operational level of purchasing
- The interviews were taped and the recordings were transcribed
- The resulting qualitative data was analyzed with content analysis and classification

Case study: Finnish banking sector

- Case study analyzes cooperative purchasing in the Finnish banking sector
- In the case context voluntary cooperative purchasing has over 200 members and cooperative purchasing has been utilized for decades
- High transaction costs have been a big challenge because of high quantity of transactions and the members of cooperative purchasing
- The main reason why case companies use cooperative purchasing is expected cost savings
- E-procurement investments have significantly decreased operational transaction costs by automating many manual processes (e.g. catalog management, logistics information, invoice processes, order management)

Case study: Finnish banking sector

- E-procurement simplifies data collection process for valid reporting
 - financial reports for companies help them to make decisions to use cooperative purchasing as a part of their supply management
- E-procurement enables
 - wider product portfolio without losing cost efficiency
 - better information flow between actors
 - pooled purchasing power and coordinated decision-making in firms
- E-procurement helps to standardize purchasing processes in different firms

Conclusions

- The study indicates that e-procurement can significantly decrease transaction costs and increase competitiveness
 - E-procurement enables pooled purchasing power and coordinated decision-making in firms
 - E-procurement improves strategic supply management in firms by better information flows and more valid reports of purchasing
- >Cooperative purchasing is based on transaction cost theory and e-procurement leverages cost efficiency by minimizing transaction costs



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