Transformation towards strategic procurement

A multiple case study of companies undergoing a procurement transformation

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This is our final work at Linköping University, thus the end of five years of studying Master of Science in Design and Product Development.

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_Frida Bergman & Jennifer Lindegren_
The subject of this Master’s thesis is selected on behalf of Three P. Three P is a company that operates in the consulting industry and focuses on optimising and making procurement more effective in different companies and industries, regardless of size and maturity. The company was founded in 2019 by Victor Persson, CEO, whose goal is to give clients real pragmatic solutions and help them transform their procurement.

Three P requested a thesis on procurement transformation. However, the focus was set by the authors of this Master’s thesis in consultation with the supervisor at Linköping University. During this work, Victor Persson has contributed with guidance within the field. Victor Persson has acted as a gateway to the business world as he has introduced us to contacts with valuable knowledge and experience.
Abstract

The global business context has created an increased need for procurement to become strategic. Strategic procurement revolves around integrating procurement with the rest of the company and ensuring that its goals are in line with the company’s objectives. Strategic procurement requires it to be included in strategic planning and implementation. It must have a long-term focus and work proactively. Even though much literature agrees that strategic procurement has gotten an elevated status recently, there is still a gap between the current and the desired involvement at several companies according to those working with procurement. To create a strategic procurement, a transformation is needed. In this thesis procurement transformation describes the evolution toward a more strategic procurement. This thesis aims to investigate procurement transformation by examining the process of implementing a strategic procurement and which internal conditions affect the implementation. To emphasize the purpose, the Master’s thesis aims to answer the following research questions:

- RQ1: What can the implementation process of strategic procurement, i.e., procurement transformation, look like?
- RQ2: How can internal conditions affect procurement transformation?

To be able to answer the research questions, a rigorous literature study was carried through. The empirical data was collected through interviews with eleven respondents working as purchasing managers or similar at their respective companies. All eleven companies have a pronounced procurement function and operate in Sweden. The empirical findings are analysed to determine the degree of strategic procurement within the eleven case companies to be able to conclude what has been done to achieve strategic procurement and thus identify what a procurement transformation can look like. Further, it is analysed how the internal conditions business strategy, management control, change management, and organisational structure can affect the transformation. The findings from this Master’s thesis show that a transformation can be compiled into four stages and starts with the initiative and will to transform. The transformation continues with increasing involvement. This includes that procurement should be included in the strategic planning, ensuring a connection between business strategy and procurement strategy. The third stage, develop, indicates that procurement must continually develop its capabilities. The last stage, sustain, revolves around sustaining and developing in line with the changing environment. Moreover, this Master’s thesis shows that the connection between business strategy and procurement strategy is vital for procurement to become strategic. Management control will affect procurement’s possibilities to search for new opportunities, take risks, and improve its way of working. The management control will affect procurement’s possibility to become strategic. Change requires change management and if the resistance towards a change is too big, it will be hard to implement. Although it can not be said with certainty that the organisational structure affects strategic procurement it has been established that the procurement structure has an impact. The analysis shows that the three most successful procurement functions, out of the eleven cases, have a centralised structure, which leads to closer collaboration with management.

Keywords: transformation, procurement, strategic procurement, procurement transformation, internal conditions.
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1 Introduction

The purpose of this Master’s thesis is to investigate procurement transformation by examining the process of implementing strategic procurement and which internal conditions can affect the implementation. The investigation will be performed on companies that have a pronounced procurement function and operate in Sweden. In this thesis, procurement transformation describes the evolution toward a more strategic procurement. This chapter also introduces the internal conditions business strategy, change management, management control, and organisational structures’ effect on procurement transformation.

Procurement has become increasingly strategic due to changes in the global business context (Van Weele & Arbin, 2019). In conformity with Van Weele and Arbin (2019), Ellram and Carr (1994) argue that with rapid technological changes and increasing competitiveness it becomes important for purchasing to take responsibility for supporting the corporate strategy. Moreover, Van Weele and Arbin (2019) describe that strategic procurement focuses on integrating procurement with other functions within the company and ensuring that its objectives are in line with the company’s objectives. Carr and Smeltzer (1997) highlight that purchasing has received a more positive response due to increasing awareness of the importance of purchasing involvement in the company’s strategy. According to Ellram and Carr (1994), purchasing becomes strategic when included in strategic planning and implementation at the same level as every other function. Carr and Smeltzer (1997) present strategic purchasing as the whole process from planning and implementing, to evaluating and controlling purchasing to ensure its contribution to the company’s overall strategy and its ability to achieve long-term goals. Paulraj, Chen, and Flynn (2006) argue that strategic purchasing is about having a long-term focus and working proactively.

According to Carr and Smeltzer (1997), two factors enabling strategic purchasing are status and knowledge. The authors argue that how management and other employees perceive purchasing affects its status, which in turn affects how strategic it can become. To create strategic purchasing, one must overcome several gaps according to Ogden, Rossetti, and Hendrick (2007). The authors state that one of these gaps is a lack of support. This points to their belief that support is important to create strategic procurement, in conformity with Carr and Smeltzer (1997). To create support, a change of culture is often needed and to change culture takes time (Ogden, Rossetti, & Hendrick, 2007). According to Carr and Smeltzer (1997) status depends on how management and other functions within the company view purchasing. Ogden, Rossetti, and Hendrick (2007) further argue that a lack of understanding from top management will be devastating when creating strategic purchasing. To succeed in transforming purchasing into a more strategic function, Baier (2008) argues that companies must include the function in the management. He describes that companies can create competitive advantages and link their purchasing strategies with the overall strategies through a transformation. Van Weele and Arbin (2019) describe that to remain competitive, the procurement function has been given an increasingly significant role in companies that believe
that it can contribute to the success of the business. In this thesis, procurement transformation describes the evolution toward strategic procurement.

Hoek, Christopher, and Mena (2021) argue that trends such as globalisation, corporate social responsibility, and the environment have affected companies’ operations. The authors describe these trends as increasing calls for purchasing to become more prominent since globalisation implies greater competition but also offers more potential suppliers. Despite this, many companies still see purchasing as a separate corporate-service function not involved in the management. To succeed with a transformation Knoppen and Sáenz (2015) present four important steps: purchasing recognition, purchasing involvement, capabilities development, and sustained performance. With a transformation, purchasing can receive a strategic role and have an impact on the company’s quality and cost (Knoppen & Sáenz, 2015).

Even though strategic procurement contributes to the achievement of a company’s long-term goals (Ellram & Carr, 1994), companies encounter difficulties in giving procurement a strategic role (Knoppen & Saénz, 2015). According to Knoppen and Sáenz (2015), this can depend on that companies tend to limit themselves to highlighting the purchasing function’s ability to lower prices but fail to recognise its contribution to the company’s strategy. The authors refer to the International Purchasing Survey which shows that many purchasers still experience purchasing to be excluded in strategic planning, and whether it contributes to the company’s strategic goals is not measured. In addition, Knoppen and Sáenz (2015) argue that many companies encounter pitfalls when transforming, implying that a transformation is not easy. Nahavandi (2015) describes that there will always be some inertia when implementing a change. This can be assumed to affect the possibility of realising a procurement transformation satisfactorily.

As mentioned, purchasing should be involved in the strategy-making process to create value (Baier, 2008). This implies that strategic procurement should be tightly connected to a company’s business strategy. Since strategic procurement and transformation can be connected to strategy, management control can be assumed to affect the work with strategic procurement and the transformation. According to Simons (1991), management control is a tool for strategy implementation. Moreover, Corey (1978) points out that positioning is a key factor in procurement strategy and Freeman (1990) highlights that the company’s organisational structure influences the development of more strategic procurement. This indicates that procurement transformation can be affected by several internal conditions within the company.

1.1 Problem identification
Procurement has become increasingly strategic due to changes in the global context according to van Weele and Arbin (2019). Hoek, Christopher, and Mena (2021), who believe that there is an increasing demand for procurement to become more prominent, argue that procurement is still seen as a separate corporate service function. For procurement to become more strategic it is arguable that a transformation is needed. In this thesis procurement transformation describes the evolution toward a more strategic procurement. Ellram and Carr (1994) describe
that purchasing must be included in the strategic planning and implementation to be strategic. In conformity with Ellram and Carr (1994), Baier (2008) argues that purchasing must be integrated into the company’s strategy-making process to create value. However, Knoppen and Sáenz (2015) highlight that companies encounter difficulties in giving procurement a strategic role. This implies that a procurement transformation is time-consuming and that the subject should be further investigated. This Master’s thesis thus aims to investigate procurement transformation and by building on previous literature, the goal is to create a model for procurement transformation.

Arguably, there are internal conditions within a company that will affect the transformation. As Knoppen and Sáenz (2015) describe, companies tend to disregard purchasing’s ability to contribute to the company’s objectives. However, due to rapid technological changes and increasing competitiveness, it becomes important for purchasing to take responsibility for supporting the corporate strategy (Ellram & Carr, 1994). This indicates an interest in investigating how the connection to the internal condition business strategy can affect the transformation. Moreover, when planning for a change, it is reasonable to believe that there will be some resistance in conformity with Lewin (1951). However, when implementing a strategy, which may result from a change, it can be advantageous to have functioning management control. Implying that both change management and management control might affect the transformation. Lastly, as Corey (1978) argues, positioning is a key factor in procurement strategy which indicates that also the placement of the function can influence the transformation. This suggests that internal conditions such as business strategy, management control, change management, and organisational structures can impact the transformation, thus making it interesting to be further investigated. The Master’s thesis thus aims to contribute with a description of how the internal conditions can affect the transformation.

1.2 Purpose and research questions
This thesis aims to investigate procurement transformation by examining the process of implementing a strategic procurement and which internal conditions affect the implementation. To emphasize the purpose, the Master’s thesis aims to answer the following research questions:

- **RQ1**: What can the implementation process of strategic procurement, i.e., procurement transformation, look like?
- **RQ2**: How can internal conditions affect procurement transformation?

1.3 Delimitations and limitations
A delimitation of this Master’s thesis is that only the implementation of the procurement transformation will be addressed. This implies that neither the planning process of a transformation nor the follow-up will be investigated. The Master’s thesis will only address internal conditions which can affect the process and will therefore not consider any external factors. Additionally, the transformation process will be examined from the procurement function’s perspective. Moreover, the internal conditions that are investigated in relation to procurement transformation are delimited to business strategy, management control,
management, and organisational structure. This does not exclude the fact that other conditions might affect the transformation, however, these are not taken into consideration in this Master’s thesis. These delimitations are established in order to create a manageable scope for this Master’s thesis which has a time limitation of 20 weeks.

Another delimitation for this Master’s thesis is that it only will include companies that operate in Sweden and no active choice is made based on whether the companies have an international presence or not. Moreover, neither the size of the company nor the size of the procurement function will be taken into consideration. Additionally, a limitation that is made due to the availability is that the respondents, and therefore companies, will be limited to the principal’s contacts. These delimitations are established due to the availability of suitable respondents.
2 Frame of reference

This chapter presents a frame of reference aiming to account for previous studies regarding the subject. The initiate part processes strategic procurement including what it is, factors enabling it, and its evolution, followed by the gap between current and desired procurement. Secondly, a part regarding procurement transformation follows. The procurement transformation aims to present current information regarding needs, conditions, and steps for a transformation. As mentioned, in this Master’s thesis procurement transformation is defined as the evolution toward strategic procurement. The third part, internal conditions, includes theory regarding business strategy, management control, change management, and organisational structure. Lastly, a theoretical model, which summarises the frame of reference and shows how the theory will be used in further analysis, is presented.

2.1 Strategic procurement

The visibility of purchasing has increased since 1980 due to a more positive attitude toward purchasing and an increasing awareness of the importance of its involvement in a company’s corporate strategy according to Carr and Smeltzer (1997). The authors opine that increasing competitiveness in a company’s environment requires more strategic purchasing where the function is involved in the company’s strategic planning. Carr and Smeltzer (1997) define strategic purchasing as: “The process of planning, implementing, evaluating, and controlling strategic and operating purchasing decision for directing all activities of the purchasing function towards opportunities consistent with the company’s capabilities to achieve its long-term goals” (p.201). Paulraj, Chen, and Flynn (2006), who present a similar definition, describe strategic purchasing as a function that has, in recent years, gotten an elevated status within the company. The elevated status has contributed to increasing the prevalence of purchasing being included in the strategic planning process. Further, Paulraj, Chen, and Flynn (2006) describe that strategic purchasing is a key contributor to corporate initiatives and therefore plays an important role when formulating and executing corporate strategy. According to Ogden, Rossetti, and Hendrick (2007), the shift toward more strategic purchasing began with Porter’s five-force model, where buyers were named as one of the five forces. The goal of strategic purchasing is to support the company’s strategy regardless of whether the company has a differentiation, cost, or focus strategy (Ogden, Rossetti, & Hendrick, 2007). Moreover, Ogden, Rossetti, and Hendrick (2007) describe that if purchasing is involved in the planning process of the corporate strategy, it can create a better fit between the purchasing strategy and the overall strategy.

Whittington, Regnér, Angwin, Johnson, and Scholes (2020) divide strategy into three different levels: corporate, business, and functional. According to the authors, the functional-level strategy is vital for business and corporate strategies to succeed. Therefore, the decisions that are made and the activities that occur at a functional level must have a connection to the decisions and actions at the business- and corporate levels. Nilsson and Rapp (2005) state purchasing as an example where functional strategies can be suitable. Moreover, the authors describe that a functional strategy indicates how a specific function achieves its objectives. In similarity to Whittington et al. (2020), Nilsson and Rapp (2005) argue that the unit must
coordinate the functioning strategies, so the unit’s strategies are aligned with the organisation's strategy and goals.

Carr and Smeltzer (1997) identify three factors indicating that a company has strategic purchasing. Firstly, the purchasing function must have a long-term plan. Secondly, to match any changes in the company’s corporate or business strategy the purchasing plan must be reviewed and renewed on regular basis. Lastly, the plan includes the forthcoming purchase. This is in line with Paulraj, Chen, and Flynn (2006) who describe that strategic purchasing has a long-term focus, works proactively, and collaborates with others. Moreover, strategic purchasing is directly linked to the company’s long-term strategy and goals instead of being cost-based. Additionally, Chen, Paulraj, and Lado (2004) describe that strategic purchasing contributes to, and plays a vital role in, creating competitive advantages by promoting open communication and developing close and long-term strategic relationships with suppliers. As a result of an increasing amount of competitors, managers must learn to play by new rules since companies become more flexible and need to respond quickly to market changes to stay competitive (Porter, 1996).

Ellram and Carr (1994) distinguish three types of strategies that concern purchasing on different levels. Firstly, there is a strategy that is used within the purchasing function. The second one is about purchasing supporting the strategies of the whole company. The last type, presented by Ellram and Carr (1994), is purchasing as a strategic function. Moreover, the authors imply that purchasing should be a part of the overall corporate strategy, in conformity with both Carr and Smeltzer (1997) and Paulraj, Chen, and Flynn (2006). Due to rapid technological changes, increasing competitiveness, and a shift toward global sourcing it becomes more important for purchasing to take responsibility to support the corporate strategy in its planning and implementation of strategies according to Ellram and Carr (1994). The authors describe that when purchasing is truly seen as a strategic function it should be included as a key decision-maker and participate in the strategic planning processes.

2.1.1 Four factors enabling strategic procurement
Carr and Smeltzer (1997) present a model of strategic purchasing which indicates that strategic purchasing depends on four factors: status, knowledge and skills, risks, and resources, see Figure 1.
The factor status describes how management and other functions within the company perceive purchasing according to Carr and Smeltzer (1997). This can be connected to Van Weele and Arbin (2019) who describe that the procurement function must be given an increasingly significant role to drive the business forward. Additionally, Ellram and Carr (1994) express that for purchasing to become strategic, its importance must become recognised, accepted, and operationalised by management. In similarity to Ellram and Carr (1994), Baier (2008) opines that purchasing should be included in the management to improve its view. Knowledge and skills summarise the functions of possession of accurate and necessary knowledge and skills (Carr & Smeltzer, 1997). Many tend to highlight the function’s capability to lower prices (Knoppen & Sáenz, 2015), but possessing the accurate and necessary knowledge and skills can also be linked to the capability of the function to contribute to the company’s strategy (Carr & Smeltzer, 1997). As Legenvre and Gualandris (2018) opine, the right capabilities will also increase the function’s innovativeness. Additionally, Carr and Smeltzer (2015) present that risk describes the function’s willingness to take risks including its willingness to search for opportunities. Lastly, the authors describe that the resources include the function’s access to relevant information.

2.1.2 Evolution of procurement

Cousin, Lawson, and Squire (2006) describe that increasing awareness of purchasing’s contribution to a company’s performance can be distinguished. Despite many agreeing that strategic purchasing can contribute to sustainable competitive advantages, the authors state that more focus should be placed on optimal design configuration. Cousin, Lawson, and Squire (2006) focus on the evolution of purchasing, outlining that the profession is evolving and those best fitted for the environment will contribute to a company’s competitive advantages at the highest level. In addition, they have, with help of the literature, distinguished four dimensions of strategic procurement; involvement in strategic planning, status, internal integration, and skills level to measure purchasing configuration in companies. The dimensions of status and skills level can be connected to Carr and Smeltzer’s (1997) model for describing strategic purchasing. While strategic planning and internal integration rather can be connected to Ogden, Rossetti, and Hendrick (2007) who highlights the importance of having purchases involved in
the planning process. With help of these dimensions, Cousin, Lawson, and Squire (2006) have categorised the different purchasing levels as strategic, capable, celebrity, and underdeveloped purchasing. The four levels are presented in Table 1.

Table 1 – Four different purchasing levels and their respective feature (Cousin, Lawson, & Squire, 2006).

<table>
<thead>
<tr>
<th>Strategic purchasing</th>
<th>Capable purchasing</th>
<th>Celebrity purchasing</th>
<th>Underdeveloped purchasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of involvement, status, integration, and skills level</td>
<td>Moderate level of involvement, status, and integration High skills level</td>
<td>High level of status Low involvement Low-moderate integration Lowest skills level</td>
<td>Low level of involvement, status, and integration Quite a high level of skills</td>
</tr>
</tbody>
</table>

Cousin, Lawson, and Squires’ (2006) work shows that strategic purchasing only can gain full benefit for the organisations through supplier relationships, simultaneously as it achieves a higher outcome. Underdeveloped purchasing possesses skills contributing to the company’s success but still, the top management pays little concern to the department. Cousin, Lawson, and Squire (2006) conclude that underdeveloped purchasing has a solid base due to the possession of skills. However, it is not able to influence the strategic objectives of the company.

2.1.3 The gap between current and desired purchasing involvement

Ogden, Rossetti, and Hendrick (2007) argue that a gap can exist between desired and current involvement within a company. According to the authors, this depends on a company’s top management support and the company’s structure, history, and culture see Table 2.

Table 2 – Categories affecting the gap between the desired and current involvement of purchasing (Ogden, Rossetti, & Hendrick, 2007).

<table>
<thead>
<tr>
<th>Categories affecting the gap</th>
<th>How/why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management support</td>
<td>Not enough understanding of the potential of the purchasing department</td>
</tr>
<tr>
<td>The company’s structure</td>
<td>Purchasing is seen as an operational function -&gt; the department’s status</td>
</tr>
<tr>
<td>The company’s history</td>
<td>Historically, the task has been to reduce cost</td>
</tr>
<tr>
<td>The company’s culture</td>
<td>The profession is not accepted, and it takes time to change the culture</td>
</tr>
</tbody>
</table>

Ogden, Rossetti, and Hendrick (2007) opine that there is not enough top management support. This can be related to Hoek, Christopher, and Mena (2021) who state that the chief procurement officer [CPO] rarely is included in the management team. Baier (2008) agrees and argues that purchasing is not involved enough. Additionally, Cammish and Keogh (1991) declare that purchasing has limited access to top management which leads to a lack of prominence. Further, Ogden, Rossetti, and Hendrick (2007) highlight that the company’s structure is adapted for operational purchasing, which also affects its status. Historically, the task has been to reduce costs (Ogden, Rossetti, & Hendrick, 2007) and Knoppen and Sáenz (2015) believe that
purchasing’s contributions to the company’s strategy must be highlighted to a greater extent. Lastly, to reach the desired involvement, the profession must be accepted in the company which requires a change of culture (Ogden, Rossetti, & Hendrick, 2007).

2.2 Procurement transformation

2.2.1 Four steps to translate intention into action

As stated above, many believe that much can be gained by involving and integrating procurement into companies and their strategy. However, Knoppen and Sáenz (2015) opine that few succeed in transforming the intention into reality, something that White, Parfitt, Lee, and Mason-Jones (2016) agree with. To succeed with the transformation, Knoppen and Sáenz (2015) present four important steps: purchasing recognition, purchasing involvement, capabilities development, and sustained performance, see Figure 2.

![Figure 2 – Four important steps to translate intention into reality (Knoppen & Sáenz, 2015).](image)

The first critical part in creating a more strategic role for purchasing is, according to Knoppen and Sáenz (2015), getting recognition from the management. Ogden, Rossetti, and Hendrick (2007) agree with this point of view and opine that the purchasing function’s status within the organisation has a great impact. White et al. (2016) point out the importance of a better understanding from the employees outside the procurement function in addition to recognition from the management. The second step is to create purchasing involvement which, according to Knoppen and Sáenz (2015), involves a shift to working in cross-functional processes to create greater value for the customer. Further, it is important to involve the key suppliers in this shift since a well-managed process, where the company’s strategic decisions are integrated with the supplier’s, will have a positive effect on competitiveness (Knoppen & Sáenz, 2015).

Thirdly, Knoppen and Sáenz (2015) highlight the importance of capability development. To maintain the correct perception of the business environment the purchasing must continuously review and renew their knowledge base. Possessing the right knowledge and skills is crucial when creating strategic purchasing, according to Carr and Smeltzer (2015). By renewing the knowledge base, the purchasing can preserve credibility when performing analyses and planning (Knoppen, & Sáenz, 2015). The last step processes the ability to sustain performance. When purchasing has received a strategic role, its performance will have an impact on innovation, sustainability, quality, cost, etc. (Knoppen & Sáenz, 2015).
2.2.2 Different stages of procurement

Procurement is changing and developing towards having a more strategic role in organisations (Hoek, Christopher & Mena, 2021; Baier, 2008). The shift from traditional to strategic procurement involves different stages according to Hoek, Christopher, and Mena (2021). However, the authors describe that many companies get stuck in the early stages since they find it difficult to continue the development of the procurement function. More advanced, Shiele (2007) has noticed a significant relationship between procurement maturity level and cost reduction efforts. He believes that, depending on the maturity of the organisation, some activities may be inhibited if the maturity is too low. Cammish and Keogh (1991) have identified that attitudes towards purchasing within the company affect the stage of development.

Hook, Christopher, and Mena (2021) have compiled the development of the procurement process into four stages, see Table 3. The authors argue that the first stage, transactional procurement, has a short-term perspective and the work mainly consists of processing orders. In similarity with Hoek, Christopher, and Mena (2021), Cammish and Keogh (1991) have developed a four-stage model where the first stage presents purchasing as a service function for manufacturing. The authors of both articles agree that the first stage focuses on ensuring material supply and it is common that the function reports to a middle manager. Both models’ first stages thus have a relatively non-strategic perspective.

Table 3 - The four different stages in the development of procurement (Hoek, Christopher, & Mena, 2021).

<table>
<thead>
<tr>
<th>Transactional procurement</th>
<th>Cost-driven procurement</th>
<th>Integrated procurement</th>
<th>Leading procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term perspective</td>
<td>Cost-focused</td>
<td>Aligned with the</td>
<td>Actively participating in</td>
</tr>
<tr>
<td>Processing orders</td>
<td>Strategic intent but not</td>
<td>organisation’s strategy</td>
<td>the strategies and</td>
</tr>
<tr>
<td></td>
<td>necessarily aligned with</td>
<td></td>
<td>development of the</td>
</tr>
<tr>
<td></td>
<td>the overall strategy</td>
<td></td>
<td>organisation</td>
</tr>
</tbody>
</table>

The second stage has a cost focus in both Hoek, Christopher, and Mena’s (2021) and Cammish and Keogh’s (1991) models. As shown in Table 3, Hoek, Christopher, and Mena (2021) emphasize a strategic intent although the procurement strategy is not always aligned with the overall strategy within the organisation. Further, the authors describe that more progressive organisations sometimes use spend analysis and total cost of ownership to supervise the procurement. To succeed in moving forward from this step, Hoek, Christopher, and Mena (2021) express that companies must succeed in changing their view of procurement, and start considering other values such as innovation, growth, and risks. Cammish and Keogh (1991) describe, in conformity with Hoek, Christopher, and Mena (2021), that purchasing at this stage is more analytic than transactional purchasing, but still operates at a lower level in the organisation. The third stage is achieved when the procurement strategy is aligned with the organisation’s, this stage indicates a major change in procurement (Hoek, Christopher, & Mena, 2021).
In the last stage, procurement actively participates in the strategies and the development of the organisation. Hoek, Christopher, and Mena (2021) opine that procurement in this stage is part of shaping the company’s vision. This stage can be compared to Cousin, Lawson, and Squire’s (2006) strategic purchasing where the function is highly integrated into the company and has a high status and level of involvement. However, Cammish and Keogh (1991) define their last stage as “world-class purchasing”, and in contrast to Hoek, Christopher, and Mena (2021) they opine that this stage defines a total system cost. The similarities that can be identified between the fourth stages in the two models are that the authors agree that including key suppliers and deepening relations are of great value. However, it is worth mentioning that Cammish and Keogh (1991) narrate that most organisations only reach the first stage. Based on their conclusions, Cammish and Keogh (1991) develop five key initiatives for strategic purchasing:

- Establish a new purchasing leadership group
- Shift focus to include tasks that have a strategic impact
- Develop and upgrade purchasing staff
- Integrate purchasing with the rest of the organisation
- Institute new measures of performance

The first initiative Cammish and Keogh (1991) present refers to how the purchasing function should be structured. The second initiative highlights the need for a shift of focus and the importance of shifting from only placing orders to having a more strategic impact. Purchasing often gets locked in their task since other functions, such as R&D determine material without market knowledge or consulting with purchasing. Cammish and Keogh (1991) describe that these types of problems could be avoided with early involvement. Additionally, Ellram and Carr (1994) argue that early involvement in product development can be beneficial for the company’s profitability. The third initiative, develop and upgrade, is about the need to professionalise purchasing. Without developing the employees Cammish and Keogh (1991) opine that purchasing can not become strategic. To enable the fourth initiative, integrating purchasing with the rest of the organisation, cross-functional teams can be established. Working in cross-functional purchasing can help other functions to cut time-to-market and costly change orders. The last initiative presented by the author concerns instituting new measures of performance which, for example, could be done by benchmarking.

2.3 Internal conditions
2.3.1 Business strategy
According to Freedman (2015), strategy is necessary since it enables the ability to view things from a long-term perspective. He argues that having a strategy helps when working towards a goal and handling problems that occur. For a long time, companies have learned to play by new rules since they constantly must respond to increasing competition and changes in the markets (Porter, 1996). Further, Porter (1996) explains that strategy and strategy development lie within a company’s unique activities. According to Chandler (1963), strategy is about setting goals and acting to achieve them. Drucker (1994), on the other hand, describes strategy as the actions a company considers necessary to achieve a competitive advantage. When strategy crises occur
inside a company, Drucker (1994) describes the root cause as what has built the company and how it has been run no longer fits its reality.

Porter (1996) explains that operational effectiveness and strategy are essential for a company’s success. However, operational effectiveness is not equal to strategy. He describes that a well-developed and adapted strategy contributes to a company’s effectiveness while high operational effectiveness contributes to a company’s efficiency. By only improving the operative work, a company will never become truly successful, according to Porter (1996).

2.3.2 Management control
Simons (1991) describes that management control systems are often viewed as strategy implementation tools. Simons (1995) did already in 1995 write about the new management control where the focus should shift from top-down to a customer/market-driven strategy. Further, management shifted from standardisation to customisation, and continuous innovation took place. Simons and Dávila (2021) argue that research has shown an obvious connection between business strategy and the design and use of management control systems. As a result of the rapid market evolvement managers must be proactive in how they design their organisations to quickly be adaptable to changes according to Simons and Dávila (2021). To adapt, there is an increasing need to understand the management system and how they operate in the current circumstances.

In 1995, Simons (1995) presented the framework which is known as levers-of-control, see Figure 3.

![Figure 3 - Levers-of-control (Simons, 1995).](image)

As shown in Figure 3, Simons (1995) placed business strategy, which in short describes how a company competes and positions itself, in the centre of the framework. This shows the connection Simons (1995) identified between strategy and management control. However, to
successfully implement a strategy he presents four constructs: core values, risks to be avoided, strategic uncertainties, and critical performance, which a company must understand. These constructs are in turn, controlled by different levers.

The belief system, controlling the core values, inspires the employees and encourages them to seek opportunities (Simons, 1995). Further, Arjaliés and Mundy (2013) opine that the belief system also ensures commitment to the organisation’s objectives. Opportunities can not be sought after without any limitations, and that is where the boundary system comes in: to set up limitations to prevent risks (Simons, 1995). The beliefs and boundary systems are thus working together both motivating the employees to seek opportunities and at the same time limiting them. Thirdly, Simons (1995) presents the diagnostic control system which is used to control the performance when employees work towards a set and specific goal. This is done by motivating and rewarding the right performance. Lastly, the author presents the interactive control system which is the opposite of the diagnostic control system and is necessary to motivate new ideas and strategies for stimulating learning. Gond, Grubnic, Herzig, and Moon (2012) describe that interactive control systems support strategies by revealing and debating emerging strategies and identifying new opportunities.

2.3.3 Change management
Nahavandi (2015) explains how there are both external and internal environmental factors that affect a leader’s impact on an organisation. Doval (2016) agrees that the external environment affects leaders, and in addition, it affects the company’s strategies. Additionally, she explains that change of direction is affected by how management considers change.

Nahavandi (2015) opines that to successfully implement a change, it is preferable to be aware of the process and course of change. When implementing a change there will always be some inertia (Lewin, 1951). However, the author argues that the stronger the forcers for change and the weaker the forces against change are the easier will it be to overcome the inertia and implement a change (Lewin, 1951). Further, Lewin (1951) presents a process for change consisting of three steps: unfreezing, change, and refreezing, see Figure 4.

Figure 4 - The three steps of change (Lewin, 1951).
As shown in Figure 4, the first step, unfreezing, is about conveying the need for change within the organisation and preparing the organisation for the change. Lewin (1951) describes that if the leaders, or those who drive change, fail to unfreeze the organisation a change will be hard to implement. When implementing the change, it is important to implement new policies and practices which are in line with the change (Lewin, 1951). Further, he opines that there can be a need for new behaviour or skills. Even though many companies spend a lot of time on the second step, too little time is often paid on the last. The last step is important to integrate the change in the company, its employees, and its corporate DNA. To succeed with the last step Lewin (1951) states that enough support must be given, and the change must be allowed to take time.

2.3.4 Organisational structure

When implementing new strategies Whittington et al. (2020) describe that it is vital to consider the company’s structures and system. To complete an implementation a company must consider its formal roles, responsibilities, and hierarchies. The authors argue that the company must be aware of the processes and functions which support and control the employees working in the structure. For an implementation to be successful, a company must be stable and supportive. At the same time, the structure and system must be agile and resilient so that the company might shift its approach or recover from setbacks (Whittington et al., 2020).

Fredrickson (1986) defines structure as the organisation's internal patterns of relationship, authority, and communication. In similarity to Fredrickson (1986), Whittington, et al., (2020) define structure as the different roles, responsibilities, and reporting relationships that exist within an organisation. Moreover, Fredrickson (1986) suggests a historical connection between strategy and structure and opines that the relationship between them can be considered mutual. However, he highlights the fact that research has shown that organisational structure can have a profound impact on strategy. Based on previous literature, Fredrickson (1986) names three dimensions of structure: centralisation, formalisation, and complexity. In a centralised organisation, the decision-making authority is centralised at the higher levels of the organisational hierarchy (Sandhu & Kulik, 2019). According to Pugh, Hickson, Hinings, and Turner (1968), formalisation is defined as the use of rules, explicit policies, and procedures. The third dimension, complexity, points out to which extent something consists of many interrelated parts (Fredrickson, 1986).

Whittington et al. (2020) present the three organisational structures: functional, divisional, and matrix. The functional structure is often centralised which makes it easier to control the organisation if it is small. The strengths of a functional structure are the direct involvement of management and the concentration of core competencies (Whittington et al., 2020). However, when organisations become bigger, they might outgrow this structure making it unsuitable. A solution to a growing organisation is shifting to a divisional structure. A divisional structure provides more specialisation but there is a risk of redundancy since functions exist in several places within the same organisation (Whittington et al., 2020). Lastly, the matrix structure can be explained as a two-division structure where divisions are divided into two different areas,
for example, product and country. Whittington et al. (2020) opine that if a matrix structure is handled correctly strengths can be combined. However, reporting difficulties may occur as the department reports in several directions.

2.3.4.1 Procurement structure
Corey (1978) explains positioning within the company as a key factor in procurement strategy, something that Öhman et al. (2021) agree with. Procurement’s role and position in a company are central to building new capabilities (Corey, 1978; Öhman et al., 2021). However, based on what is purchased, negotiation and building relationships with suppliers may appear differently for procurement (Öhman et al. 2021). Corey (1978) highlights trends such as the growth of multinational business operations, computer-based information systems, and government regulation that led to the centralisation of procurement functions. While Freeman (1990) highlights the fact that an organisation’s structure may influence the development of more strategic procurement.

Cammish and Keogh (1991) describe how top management decides if purchasing should be decentralised or centralised. The authors argue that a centralised organisation often leads to bureaucracies, while a decentralised organisation leads to low coordination across units. Van Weele (2010) opines that a decentralised structure may be better suited for organisations that sell market-differentiated products, to reduce internal competition between business units. Cammish and Keogh (1991) describe how a new organisational structure emerged, a structure called the centre-led network organisation. Both Corey (1978), and Cammish and Keogh (1991) argue that neither decentralisation nor centralisation is completely satisfactory but instead highlight the centre-led structure.

Hoek, Christopher, and Mena (2021) describe the three structures, decentralised, centre-led, and centralised, as typical procurement organisation structures, see Table 4. The authors describe that procurement has no corporate role in a decentralised structure and the purchases are transacted in the local businesses, which is in line with Cammish and Keogh’s (1991) view of a decentralised procurement. The centre-led structure consists of smaller teams for category strategy while a centralised structure implicates a central procurement where all spending and buyers report to the procurement function. Furthermore, Hoek, Christopher, and Mena (2021) describe that the decentralised structure was more common in the past when procurement was not seen as a function.
Table 4 - Three procurement organisational structures (Hoek, Christopher, & Mena, 2021).

<table>
<thead>
<tr>
<th></th>
<th>Decentralised</th>
<th>Centre-led</th>
<th>Centralised</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pros</strong></td>
<td>• Local control</td>
<td>• Ability to achieve leverage by establishing collaboration across business</td>
<td>• Maximum corporate leverage</td>
</tr>
<tr>
<td></td>
<td>• Flat organisational structure</td>
<td>• Limited overhead costs</td>
<td>• Ability to professionalise</td>
</tr>
<tr>
<td></td>
<td>• Embedded in the business</td>
<td>• Sharing best practices</td>
<td>• Easiest to streamline procurement process and develop once for all</td>
</tr>
<tr>
<td></td>
<td>• Good match to local supply-based</td>
<td>• No volume leverages</td>
<td></td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td>• No volume leverages</td>
<td>• Long time to professionalise</td>
<td>• Procurement more removed from the organisation</td>
</tr>
<tr>
<td></td>
<td>• No sharing of practice</td>
<td>• Requires stronger leadership</td>
<td>• Lowered local responsiveness</td>
</tr>
<tr>
<td></td>
<td>• Reduced ability to invest in people and technology to professionalise</td>
<td>• Result may only be achieved partly</td>
<td>• Risk of overhead and central bureaucracy</td>
</tr>
</tbody>
</table>

In addition to the different structures, Hoek, Christopher, and Mena (2021) present five aspects to consider regarding organisational structure:

- Reporting lines
- Culture
- Do not go against the operating model of the business
- Change over time
- All can work, or nothing might work

The first aspect to consider is the reporting lines. Hoek, Christopher, and Mena (2021) describe that the organisational structure will affect the reporting lines, which will appear differently in different structures. The second consideration, culture, touches on how much culture impacts the organisation. The authors explain how culture can contribute to a specific structure not being followed even though it is implemented. The third consideration takes into account that the procurement structure should be in line with the business model. Change over time refers to the fact that structure may change over time when both organisation and procurement function mature according to Hoek, Christopher, and Mena (2021). Lastly, the authors explain that the leader has a great influence, indicating that in some cases one can make all structures work, and in other cases, none works.
2.4 Theoretical model

The theoretical model of this Master’s thesis is visualised in Figure 5. The model aims to show how previous literature will be used as a basis when answering the research questions. The research questions this thesis aims to answer are the following:

- **RQ1**: What can the implementation process of strategic procurement, i.e., procurement transformation, look like?
- **RQ2**: How can internal conditions affect procurement transformation?

![Theoretical Model Diagram]

*Figure 5 - The theoretical model aims to show how the frame of reference will be used to answer the research questions.*

Previous literature regarding strategic procurement is used to introduce the reader to the subject. To understand how and why a transformation can occur, it is advantageous to be aware of what strategic procurement is and what can drive its development. In this thesis, strategic procurement includes four parts: what it is, enabling factors, the evolution of procurement, and categories affecting the gap. These four parts aim to contribute to an understanding of strategic procurement, which factors can be necessary in order to develop a strategic procurement, how procurement can look at different levels, and how different categories can affect how strategic procurement can become.

Once basic knowledge regarding the subject has been acquired, it is assumed that procurement transformation as a concept is more understandable. The first part regarding strategic procurement focuses on what drives the transformation while the second part, procurement transformation, rather focuses on the transformation itself. Literature regarding procurement transformation includes two parts: four steps to translate intention into action, and different stages of development. These parts are included to investigate how previous literature has presented the transformation. As seen in Figure 5, previous literature regarding strategic procurement and procurement transformation will be used as a starting point to answer the first research question. Previous literature will be used in order to enable the analysis of the empirical data. However, how the analysis is conducted is described in the method chapter.

In addition, this thesis aims to investigate how internal conditions can affect the procurement transformation and thus previous literature regarding the internal conditions business strategy, management control, change management, and organisational structure are included in the frame of reference. These subjects are included to create an understanding of the four internal conditions. To investigate how these can affect the transformation, it is necessary to include literature regarding strategic procurement and procurement transformation. This implies that previous literature regarding strategic procurement, procurement transformation, and internal
conditions will be used as a starting point to answer the second research question and thus will be used when analysing the empirical findings.
3 Method

This chapter aims to discuss the choice and use of the methodology that has been used throughout the Master’s thesis. The overall structure of this Master’s thesis follows the Wahlbianian U, and the scientific view of the thesis is systematic. To create a better understanding of the subject a pre-study initiated the work. Further, a study of literature was conducted to explore what was already known about the subject and to find useful theories and models. The empirical data was collected through interviews with several people possessing a high position linked to procurement. The respondents were chosen with help of the principal of this Master’s thesis. The empirical data was analysed with help of an analysis model.

3.1 Structure of the study and research approach

At the start of the Master’s thesis, an initial choice of subject was discussed in consultation with the principal of the company and a supervisor from the university. To create a better understanding of the subject a pre-study consisting of five interviews were conducted to contribute to the formulation of problem identification, purpose, and initial research questions. According to Bryman, Bell, and Harley (2018), formulating research questions will guide the authors of the work in decisions about what literature to search for, and which data to collect, and help the authors to keep in line with the subject. However, the purpose and research questions have, since the start, been slightly readjusted in consultation with the principal and supervisor. To create a frame of reference a rigorous literature study was carried through. The collected literature was compiled into a theoretical model. The empirical data was collected through interviews. The collected data was then compiled, interpreted, and analysed to answer the research questions. Lastly, the conclusions of the Master’s thesis were discussed. The overall structure of the work has been based on the Wahlbianian U proposed by Wahlbin and Lekvall (1987), which can be seen in Figure 6.

![Figure 6](image_url) - The overall structure of this Master’s thesis follows the Wahlbianian (Wahlbin & Lekvall, 1987).
The data were collected through interviews, which is a common data collection method when conducting a qualitative study according to Blomkvist and Hallin (2017). Further, the authors describe that a qualitative study aims to develop an understanding of complex and ambiguous phenomena, which this case entails. Since the thesis is based on previous understanding, it has a hermeneutic research approach, in conformity with Szklarski (2002).

### 3.2 Scientific view

The scientific view of this thesis is systematic, which according to Arbnor and Bjerke (2008) is used when the goal is to clarify patterns. The authors describe the aim of a systematic view as understanding and explaining a system. Further, Arbnor and Bjerke (2008) opine that the creator of knowledge often starts in the existing literature to find previous research within the subject, which has been the author’s approach in this thesis. Continuing Arbnor and Bjerke (2008) opine that the systematic view has its base in explanatory knowledge, where building models and searching for understanding is common. This thesis is based on scientific methods and interprets previous research, which according to Szklarski (2002) is in line with the hermeneutic view. The hermeneutic view presented by Szklarski (2002) is aligned with Arbnor and Bjerke’s (2008) systematic view.

### 3.3 Pre-study

To create a better understanding of the subject the work began with a pre-study. The pre-study aimed to help obtain knowledge and create an understanding of the subject since the authors of this thesis had limited experience with the subject. The pre-study began by searching for previous research regarding strategic procurement and procurement transformation. Simultaneously, interviews were held with personnel working with procurement at the principal company and a lecturer on procurement at Linköping’s University, see Table 5. The findings from both the literature study and the interviews were analysed, and the results became the basis for the problematisation. Further, the results were used at the beginning of structuring and creation of the frame of reference. The questions asked in the pre-study interviews are presented in appendix 1.

***Table 5 – Presents the pre-study interviewees.***

<table>
<thead>
<tr>
<th>Role</th>
<th>Company</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO &amp; senior advisor</td>
<td>Three P</td>
<td>2022-01-24</td>
</tr>
<tr>
<td>Senior consultant</td>
<td>Three P</td>
<td>2022-01-25</td>
</tr>
<tr>
<td>Advisor/senior sourcing consultant</td>
<td>Three P</td>
<td>2022-01-26</td>
</tr>
<tr>
<td>Senior consultant</td>
<td>Three P</td>
<td>2022-01-31</td>
</tr>
<tr>
<td>Lecturer</td>
<td>Linköping’s University</td>
<td>2022-01-28</td>
</tr>
</tbody>
</table>

### 3.4 Study of literature

The frame of reference was conducted from previous literary sources, with scientific reasoning. The study aimed to explore what was already known about the subject to find useful theories, which is important according to Bryman, Bell, and Harley (2018). All the articles used have been peer-review and articles written more recently have been preferred over older articles.
However, well-established strategic articles have been used despite their age since they still are considered accurate. In addition to this, whether articles have had a high number of citations or been written by already known authors has been taken into consideration when selecting. Bryman, Bell, and Harley (2018) imply that it is vital to stay critical in the creation of a frame of reference, and therefore the articles have been used to strengthen or criticise the opinion of another.

The articles were mainly conducted from Linkoping University’s online library, Unisearch. However, Google Scholar has also been used to find appropriate articles. The keywords used in the search for previous research are presented in Table 6.

Table 6 - Keywords used in databases.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic procurement</td>
<td>Strategic procurement, Strategic Purchasing, Strategies for Procurement, Maturity models and Procurement, Strategic Role for Purchasing, Purchasing and Strategic, Strategic, and Procurement,</td>
</tr>
<tr>
<td>Procurement transformation</td>
<td>Transformation and Procurement, Supply chain Transformation, Strategy for Transformation, Procurement transformation, Steps to transform Procurement,</td>
</tr>
<tr>
<td>Internal conditions</td>
<td>Business Strategy, Organisational Structure, Procurement Organisation’s structure, Procurement structure, Strategies and Procurement, Change Management, Management Control, Levers of Control</td>
</tr>
</tbody>
</table>

In addition to the library and google scholar, reference lists from reviewed academic articles have been used to find more useful articles regarding the same area.

3.5 Data collection

This section presents how the empirical data was collected through a multiple case study on the principal’s contacts. The purpose of the multiple case study was to create a deep understanding of strategic procurement, procurement transformation, and the connection to internal conditions. According to Bryman, Bell, and Harley (2018), data collection is the key to succeeding when doing a research project, therefore a lot of work was put into the preparation and implementation of the data collection in this Master’s thesis.

3.5.1 Multiple case study

The data collection method that has been used for the multiple case study is interviews with the principal’s contacts. This thesis aimed to investigate a real event, and according to Stake (2013), a qualitative case study is appropriate when doing so. Stake (2013) further describes a multiple case study as a composition of multiple single case studies. However, he describes that the researcher will concentrate on every single case as if it was the only one, but still have a plan and organisation which compiles them all together in a multiple case study. Therefore,
the researcher needs to create an understanding of every case (Stake, 2013). To create an understanding of each case, every interview was conducted with great accuracy.

3.5.2 Interviews

To investigate what a procurement transformation can look like and what internal conditions can affect the transformation interviews were held with the principal’s contacts. Merriam and Tisdell (2015) opine that interviewing is the most common way to gather data for qualitative research and that the method is useful when needing a special type of information. The interviews were semi-structured with open-ended questions which, according to Bryman and Bell (2011), creates a more flexible situation opening for deviations from the interview guide if necessary. Bryman, Bell, and Harley (2018) agree, and write that less restriction allows the researcher to stay open-minded. In this way, the interviews opened for more reflections and thoughts from the respondents.

To ensure good prerequisites for the interviews an interview guide was created. The guide was adjusted to fit the respondents, their backgrounds, areas of knowledge, and which company they worked at. A pilot interview was implemented to test the interview, its questions, and its structure. According to Merriam and Tisdell (2015), the wording of a question is vital for the question to fulfil its purpose. Further, Merriam and Tisdell (2015) opine that yes/no, leading, and multiple questions should be avoided and that open-ended questions are preferred. The pilot interview enabled the rephrasing of confusing questions or questions which seemed to guide the respondent into the wrong subject. The final interview guide is found in appendix 2. However, as Alvesson (2011) describes, it can be valuable to examine what worked and what did not work after an interview. Therefore, the interview guide was controlled after each interview to enable revision if needed.

The interviews were conducted through video calls since it improves the availability and was desired by the respondents. The time allotted for each interview was 45 minutes, which was considered appropriate after completing the pilot interview. During the interviews, one of the authors of this Master’s thesis acted as the interviewer while the other one acted as secretary and observer. After each interview, the interview was transcribed to ensure that no data were excluded and that no misinterpretations were done. To remain ethically correct the respondents were asked if they felt comfortable with being recorded and gave their permission before any recording was started. After the compilation of each interview, the material was sent to the respondents so that they could give their consent regarding the content.

3.5.2.1 Selecting respondents

When selecting respondents, it is important to ensure that they contribute to fulfilling the purpose of the study, according to Bryman, Bell, and Harley (2018). Therefore, the authors of this thesis ensured to examine the suitability of the respondent. Further, in a case study, it is common that the purpose is to understand a case in depth making it impossible to interview all appropriate candidates according to Bryman, Bell, and Harley (2018). However, the sample must be chosen using appropriate criteria even though it might not be as important to secure
representativeness as it is when constructing a sample that can represent a population (Bryman, Bell, & Harley, 2018). When selecting respondents, the authors of this thesis received help from the principal. This was to ensure that the respondents were knowledgeable enough and met suitable criteria. To remain objective the authors of this thesis had the last word when choosing. Since the respondents were selected based on certain criteria, a quality selection of respondents was made. When doing a quality selection, Alvesson (2011) argues that respondents who are assumed to have experience, an overview, and are interested in the subject should be chosen over others.

The criteria that were set up when choosing respondents were as follows:

- The company, in which the respondents work, should have undergone or currently be in a transformation.
- The respondent must work, or be involved with, the procurement function.
- The respondent must be involved in the procurement transformation.

The respondent’s role, industry, and the abbreviation that the respondent is cited as through the report are compiled in Table 7. In addition, the time required for each interview is shown.

### Table 7 – The table presents the interviewees’ roles, the used abbreviation, and which industry their company operates within. The table also shows the time required for each interview and the date when the interview was conducted.

<table>
<thead>
<tr>
<th>Role</th>
<th>Cited as</th>
<th>Industry</th>
<th>Date</th>
<th>Time required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group purchasing manager</td>
<td>GPM</td>
<td>Infrastructure</td>
<td>2022-03-24</td>
<td>39 minutes</td>
</tr>
<tr>
<td>Director of global IT sourcing</td>
<td>DG</td>
<td>Security</td>
<td>2022-03-29</td>
<td>29 minutes</td>
</tr>
<tr>
<td>Consultant – procurement &amp; contract manager</td>
<td>PCM</td>
<td>IT information</td>
<td>2022-03-16</td>
<td>36 minutes</td>
</tr>
<tr>
<td>Purchasing manager</td>
<td>PM1</td>
<td>Pharmaceutical</td>
<td>2022-03-14</td>
<td>38 minutes</td>
</tr>
<tr>
<td>Purchasing manager</td>
<td>PM2</td>
<td>Leasing industry</td>
<td>2022-03-29</td>
<td>39 minutes</td>
</tr>
<tr>
<td>Manager director of indirect strategic sourcing</td>
<td>MIS</td>
<td>Industrial</td>
<td>2022-03-15</td>
<td>39 minutes</td>
</tr>
<tr>
<td>Head of direct sales &amp; business development</td>
<td>HDS</td>
<td>Building materials</td>
<td>2022-03-29</td>
<td>38 minutes</td>
</tr>
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<td>Kitchen</td>
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<td>Pharmaceutical</td>
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<td>46 minutes</td>
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<tr>
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<td>2022-04-05</td>
<td>56 minutes</td>
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<tr>
<td>Purchasing manager</td>
<td>PM4</td>
<td>IT communication</td>
<td>2022-03-15</td>
<td>37 minutes</td>
</tr>
</tbody>
</table>

#### 3.5.2.2 Validation of Respondents

The respondents were selected with help of the principal of this Master’s thesis. The principal is a CEO and Senior advisor with great experience in the subject. He was therefore considered to be a credible source. The respondents were chosen from his network, which has been built up over several years in the procurement profession. All the respondents had high positions and had been working with procurement for a longer period. They were considered to have the right experience and possess the right knowledge, and thus also be reliable. The principal of
this Master’s thesis was not participating during the interviews which enabled the respondents to be anonymous if desired.

The questions asked were not considered sensitive which strengthened the chance of honest answers. As mentioned, the respondents also had the opportunity to be anonymous, which further strengthened the honesty of the answers. All, except for one, of the interviews were recorded. This was at the request of the respondent. The recording made it easier for the authors of this Master’s thesis to control that no data were excluded and that no misinterpretations were done. As the material was sent to the respondents so that they could give their consent regarding the content.

3.6 Analysis method
This Master’s thesis has its starting point in previous literature and aims to clarify patterns in accordance with Arnbor and Bjerkes’ (2008) systematic view and Szklarski’s (2002) hermeneutic view. This implies that the analysis has its basis in the frame of reference.

Before the empirical material could be analysed, the interviews were compiled. Compiling and interpreting interviews is the most time-consuming and laborious step in conducting interviews according to Alvesson (2011). To ensure the value of the collected data, it is important to stay critical and reflective. Therefore, each interview was first compiled and sent to the respective respondent for approval. Secondly, validation of each respondent was made to ensure that the criteria were fulfilled. Since the collected data was not considered sensitive it was assumed that the respondents answered honestly. However, it is human to want to present oneself in a good way. Therefore, the authors of this thesis paid attention to boastful behaviour and tried to stay objective. The next step was to use the transcribed material from the interviews and compile it into eleven cases. This material was once again sent to the respondents for approval.

Yin (2006) opines that analysis of multiple case studies is particularly difficult and should be adapted to each case study. He also believes that the analysis of case studies is the least developed and therefore it is of great importance to have an analytical strategy. After the interview material used in this thesis was approved by each respondent the empirical material was interpreted and compared with previous literature. Analysis was first conducted on each respective case. Since the frame of reference was divided into three parts, it was considered easiest to start the analyse with the first subject: strategic procurement. The analysis continued with the subject of procurement transformation and then internal conditions.

The empirical data was compared to previous literature regarding what strategic procurement is. The pros and cons were interpreted from the interviews and compared with previous literature. This since pros and cons can be perceived as driving forces and resilience for strategic procurement. To determine the degree of strategic procurement at the respective companies, the frame of reference was used. To ensure that all cases were analysed under the same conditions, the authors of this thesis started by clarifying the conditions. When determining the degree of status, knowledge and skills, risk, and resources in accordance with
Carr and Smeltzers’ (1997) four factors enabling strategic procurement it was decided to use a three-degree scale. The scale consisted of bad (red), moderate (orange), and good (green). A three-degree scale was used to simplify the estimation and enable compression between the cases. To validate the result the authors of this thesis performed the estimation individually and then compared them. Since the results were equivalent, it was assumed to increase credibility. The same approach was used in the execution of further interpretations and analyses. Both to complete the analysis regarding strategic procurement and to carry through the analysis regarding procurement transformation and internal conditions affecting the transformation.

When all cases had been analysed separately, the authors of this Master’s thesis tried to find connections between patterns in the different cases. The different patterns for transformation made it possible for the authors to compare how far the companies had come in the procurement transformation. To compare the cases, the presented theoretical models were once again used to map the level of transformation within each company and compare them to each other. When the cases had been properly compared to each other, the authors firmly worked through the material to identify which stages the transformation process included in each case to be able to answer the first research question: what can the implementation process of strategic procurement, i.e., procurement transformation look like?

To be able to answer the second research question, how can internal conditions affect procurement transformation?, the authors used the findings from each case and compared them with each other and the theories from the frame of reference. In addition, the authors used the mapping of how far each case company had come in the transformation to examine how internal factors could have had an impact on the transformation. Figure 7 visualises a simplified version of the analysis method compiled into an analysis model.
The analysis model is based on the theoretical model presented in the frame of reference. As stated previously, the analysis method had its starting point in the frame of reference. The frame of reference was used to compare the eleven cases with previous literature. It was also used to identify patterns for transformation and how internal conditions could affect the transformation. The eleven cases were then coordinated and compared with each other to enable the authors to conclude the research questions.

3.7 Implementation of the study
3.7.1 Method discussion
When conducting the frame of reference articles about purchasing, sourcing, and procurement have been read. The authors of this thesis define purchasing as the act of buying products or services for a business while sourcing is the process of selecting a vendor including supplier relationship, market analysis, contract negotiation, etc. Procurement, on the other hand, consist of both purchasing and sourcing and are more encompassing than each of them individually. This Master’s thesis aims to investigate procurement transformation and thus the authors of this thesis have preferred articles about procurement. However, when going through the literature, the authors of this thesis have found it common for authors to use all three terms. When conducting the frame of reference, the authors of this thesis have therefore interpreted each article before using it so that the definitions were consistent. Despite careful reading, misinterpretations may have occurred. To avoid any complications with references, the author's wording has been used when compiling the frame of reference.

All empirical material was conducted from the principal’s contacts, which could be argued to have influenced the result. The principal has not stated any business goals with the Master’s thesis, but the goal has been to increase knowledge about procurement transformation. However, increasing the understanding of procurement’s value and the need for a transformation may lead to increased business for the principal’s company. To minimise the risk of a subjective view, the authors have strived for a transparent view and have demonstrated high reliability during the work.

To ensure that the work was not misinterpreted the authors have:

- Recorded all the material and transcribed it
- Returned with questions if anything was unclear
- Sent over both transcripts, and the finished text for approval

Since the interviews were not conducted physically but digitally, it is possible that the interviewers lost interpretation of body language. This may have had a negative impact on the observations. However, since almost every interview was recorded the chances of misinterpretation were perceived to have been reduced.

To strengthen the reliability of the thesis, the authors have worked to provide a transparent picture and motivation of the study's methodology. The work has been sent to the supervisor and opponents on an ongoing basis, which has established a critical approach to the entire work.
In addition, the principal of the company was not allowed to be present during the interviews to influence the interview in a certain direction. However, all questions were approved by the principal’s company before the interviews were held to ensure that the questions were not inappropriate in any way.

After compiling the interviews, all material was sent to the principal for approval before publication. A discussion regarding whether the material should be anonymous or not was held due to the principal caution that the respondents should not be harmed by the published material. It is noteworthy that no material was removed but anonymised to secure this. Having anonymised respondents and company names was not considered to affect the results of the study since the conclusions are not industry specific.

3.7.2 Ethics
When conducting interviews, Jacobsen (2017) believes that it is important to consider the ethical aspect to avoid violating the interviewee's integrity. Kvale and Brinkman (2009) also consider ethical aspects and start from four parts that should be discussed when it comes to ethical guidelines. These four parts, informed consent, confidentiality, consequences, and the role of the researcher, have been considered in this Master’s thesis. Jacobsen (2017) believes, in conformity with Kvale and Brinkman (2009), that one basic precondition to prevent violation is informed consent. In addition to consent, Larsson (2015) believes that it is important that privacy is respected, and identification of the respondents should not be possible. Therefore, each respondent in this thesis was asked to verify the complied information from the interviews to ensure correctness.

To ensure integrity additional measures have been taken. The authors of this thesis ensured to allocate the respondents with complete information and stated and clarified the purpose. To reduce the chance of misunderstanding, Jacobsen (2017) recommends that the respondents take part in a compilation after the interview. Since the interview material was transcribed, the transcriptions were sent over to the respondents. By doing so, misunderstandings could be avoided. However, the authors were careful with asking for permission to record the interviews. All recorded material has been deleted after the transcription and confirmation from the respondent, to respect the integrity of the respondents. After a discussion with the principal, all respondents were anonymised.

Moreover, to stay ethical correct the authors of this thesis have referred correctly to each author of the used work thus giving credit to the right author, which is important according to Booth, Colomb, and Williams (2008). In conformity with Booth, Colomb, and Williams (2008) no invented data nor fake results have been presented in this thesis. Further, the method used in this thesis is discussed in the part named methodology discussion to remain transparent in what could have affected the result of this thesis.
3.8 Trustworthiness – evaluation of the quality of the study

This chapter discusses the validity and reliability of the study and how it has been ensured during the work. Gibbert, Ruigrok, and Wicki (2008) write how validity and reliability can be ensured by different criteria, and depending on the author’s preferred model of science, the criteria can fluctuate. Further, the authors describe how the positivist tradition has four criteria: internal validity, construct validity, external validity, and reliability. Yin (2006) believes that to be able to demonstrate quality for an empirical study, one should consider the four criteria.

3.8.1 Validity; internal, external, and construct.

Merriam and Tisdell (2015) opine that it is important to ensure validity since it describes whether the findings match reality. Gibbert, Ruigrok, and Wicki (2008) describe that the three different validity criteria are dependent on each other since internal validity, including theoretical and causal logic, and construct validity lay the foundation for external validity. This thesis achieves internal validity by using theory triangulation, which Gibbert, Ruigrok, and Wicki (2008) recommend. Yin (2006) further opines that one can achieve internal validity by compiling patterns and thus drawing conclusions, which this thesis includes.

External validity is based on generalisable results in addition to the current study (Yin, 2006). Consequently, the authors of this thesis have interviewed various contacts in various industries. The last criterion, construct validity is guaranteed by saving all interview material and then approving it by the participants. Yin (2006) describes that the third criterion can be difficult to fulfil since many opine that case studies are subjective when it comes to case studies. To avoid this, several sources can be used to strengthen the findings (Yin, 2006), which have been done during the work with this thesis.

3.8.2 Reliability

Reliability implies that the case study is transparent and replicable (Gibbert, Ruigrok, & Wicki, 2008; Merriam and Tisdell, 2015). In addition, Yin (2006) describes that reliability aims to ensure that another researcher would achieve the same result if using the same approach. To ensure a reliable study, careful documentation of the case study has been conducted. To secure transparency, the authors of this thesis have used a case study protocol recommended by Gibbert, Ruigrok, and Wicki (2008). Furthermore, the authors of the thesis carefully collected and organised notes and documents during the multiple case study in conformity with Yin (2006) who believes that this is a way to obtain replication.

The respondents were selected in agreement with the principal since the principal’s network of contacts was used. This could have compromised the reliability of this thesis since the results could be biased. However, the principal’s contacts are not affected by the purpose of the study and therefore, the results should not be significantly affected.
4 Empirics

The empirical chapter presents the data collected throughout the conduction of this Master’s thesis. The chapter is divided into eleven parts, each presenting one case company. Each company is briefly presented followed by a compilation of the interview material.

Table 8 presents the interviewees’ roles and the used abbreviation. It further includes which industry the company operates within and what the company is called in this Master’s thesis.

Table 8 – Presents which role the interviewees have and the used abbreviation. Moreover, what industry the company operates within and, what the company is called.

<table>
<thead>
<tr>
<th>Role</th>
<th>Cited as</th>
<th>Industry</th>
<th>Company</th>
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<td>GPM</td>
<td>Construction &amp; infrastructure</td>
<td>Construction and infrastructure company</td>
</tr>
<tr>
<td>Director of global IT sourcing</td>
<td>DG</td>
<td>Security</td>
<td>Security company</td>
</tr>
<tr>
<td>Consultant – procurement &amp; contract manager</td>
<td>PCM</td>
<td>IT information</td>
<td>IT information company</td>
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<td>Pharmaceutical</td>
<td>Pharmaceutical retailer</td>
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<td>Manager indirect purchasing</td>
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<td>Purchasing manager</td>
<td>PM4</td>
<td>IT communication</td>
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</table>

4.1 Construction and infrastructure company

4.1.1 Interview with group purchasing manager [GPM]

The interviewee from the company works as a group purchasing manager and has been working at the company since 2019. The group purchasing manager, further mentioned GPM, has worked with procurement and logistics in several industries before receiving his current role. GPM is overall responsible for sourcing activities which include leading a group of sourcing professionals and coordinating sourcing-related activities across the divisions and subsidiaries. According to GPM, category work, a structured plan for procurements, supplier information, and a development plan are some of the advantages that can come with strategic procurement. However, the main advantage is clearly that you adapt to the long-term plan. The disadvantage is that there is a cost related to the sourcing organisation. The cost is motivated by the outcome and result of the work conducted.

The company has a central procurement group where category work, sourcing analysis, development, real estate relating sourcing activities, risk management, and insurance is carried out. The procurement group is described as a central group function approximately consisting of ten people. In addition to the procurement group, there is a procurement management group.
where GMP is chairman. This allows the different divisions and companies to collaborate and coordinate the sourcing activities. GPM argues that procurement has a responsibility to choose appropriate suppliers. Additionally, he believes that to ensure strategic procurement category work is suitable. GPM describes that category managers are responsible to look beyond the next sourcing activity and form a strategy together with the business. GPM also explains that each category manager needs to have extensive knowledge of the respective market for the specified category.

To minimise risks, both agreement templates and follow-ups on suppliers are carried through. Additionally, suppliers receive different ratings in the pre-qualification and their performance are followed up. The company works actively to ensure that procurement possesses the right knowledge. This is mainly done through recruitment, but also through continuous training.

Procurement works with a clear connection to the business strategy, mainly because most purchases are connected to production. In addition, GMP is involved in the creation of the company’s overall business plan. GPM states that one prerequisite for achieving a strategic purchase is to have it anchored in the management. He argues how both the management and employees must work together within the business. The big challenge is to find the right people for procurement and at the same time try to identify the reluctant ones. Procurement currently has a good status and GPM describes that the status has improved during the last years. The management's view on procurement is perceived as positive with close cooperation.

4.2 Security company

4.2.1 Interview with a director of global IT sourcing [DG]

The interviewee possesses the role of director of global IT sourcing, hereafter referred to as DG, and has been working at the company for one and a half years. DG presents the benefit of strategic procurement as taking advantage of the strategic work connected to value creation. He describes that it is important to be aware of the academic view of procurement to be able to show connections to the literature in daily work. However, the disadvantage of strategic procurement is that procurement constantly needs to purvey, which implies that when working strategically the operational work sometimes is set aside.

The organisational structure at the company is heavily decentralised, and matrix inspired. The head office is small compared with the company’s size. The placement of procurement somewhat differs within the organisation. However, IT sourcing is the only global procurement function and operates within IT, which in turn operates as its own company. The CEO of the IT company is the CIO of the group management. IT sourcing works as a service function in similarity to HR, finance, and legal. DG argues that this is beneficial since the functions collaborate. It does, however, place procurement further away from the business and the operational work. Within IT sourcing, DG describes how they strive to work proactively and find and develop new cases. The strategic purchasers conduct procurements and create category strategies. There are also those working more operational, who for example purchase licenses for the entire organisation. To manage risks, DG explains that there always is some risk
management connected to sustainability, cyber, IT, and financial risks. However, risk management could be improved. To ensure that procurement possesses the right knowledge and capabilities the company works with conscious recruitment. When needed, DG describes how they work with the internal network to support each other. Moreover, they ensure the right knowledge and capabilities with education.

IT sourcing has a sourcing strategy, which was produced by DG. The sourcing strategy was developed based on the company’s business strategy to ensure a connection between these two. The sourcing strategy is broken down into different sourcing categories and then into activities. Since the sourcing strategy is developed based on the business strategy, DG argues that the connection and contribution from sourcing come automatically. The sourcing strategies are reviewed on a half-year basis and the KPIs are controlled with input from the business.

According to DG, much of the work is on a tactical level. The strategical parts are the plans which are made and the categorical strategies where you find potential cases. To achieve a more strategic procurement, DG argues that procurement should work more proactively with category management and implement the necessary tools. There is work left to achieve a more strategic procurement. DG describes the plans as large but the executive force as rather low. The plans are very much about consolidation, where large parts remain. The data, collected from businesses around the world, must be better organised and controlled. Further, DG argues that they must get better on vendor management, improve their processes, and procure to pay must be fully implemented.

To become successful within strategic procurement DG highlights the importance of a strong sponsorship. Transformation can not be done by oneself unless you have the power and mandate since it is all about change. DG states that the size of the company and the decentralisation will complicate the process.

“You are never satisfied; one could think that procurement should be a part of the management and all that entails. The status is good but not the best possible.”
(DG, 2022, free translated from Swedish)

The procurement status within the organisation is okay and the management has a positive view of procurement and its work. The procurement function delivers traditionally and is measured on savings. If procurement delivers, the management gets satisfied. DG explains the eagerness to grow and the possibility to be measured on other KPIs. The support for the transformation is somewhat existing from the management if it does not get too expensive. DG does not have seat a in the management but agrees that it would be better if he did. Yet, DG argues that it is important to have a realistic view of how important procurement is in different industries.
4.3 IT information company

4.3.1 Interview with a senior consultant hired as procurement and contract manager [PCM]

The interviewee is a senior consultant who works as a procurement and contract manager, hereafter referred to as PCM. PCM has been at the company since late September 2021. When working strategically with procurement you switch from working reactively to proactively, PCM explains. According to PCM, it is important to do a proper mapping and spend analysis, followed by examining which processes that are needed and which could be simplified. Further, it is important to work with supplier relationship management [SRM] and to have a procurement policy and supply code of conduct. Strategic procurement is a complex question and differs between industries. When strategic procurement works, it can act as an engine and help deliver what procurement should deliver: everything from cost savings to developing great partnerships. The most important thing is to be business-like and professional.

“The procurement strategies must rime with the company strategies.”

(PCM, 2022, free translated from Swedish)

The company belongs to a corporate group and PCM describes how there is a board, a CEO, and management consisting of five to six persons. Procurement is placed under IT support and services, which together with IT services reports to the CIO. According to PCM, there is no systematic way of working with procurement. It is a single role, and the work mainly consists of purchases, negotiations, and contract negotiations. He further describes the lack of a procurement strategy and policy. The risk management at the company is rather good and consists of desirable processes. With clear checklists and workshops, the company controls the decency of suppliers. Additionally, PCM describes how the company has a data protection officer to ensure the safety of the company’s data. The company works a lot with consolidations since they have a lot of suppliers and many not-so-rational processes. PCM highlights how they try to simplify the processes to cut costs.

Since procurement is a single role, PCM finds it difficult to describe how the company ensures that procurement possesses the right knowledge and capabilities. PCM argues that it mostly is up to himself and that he has his own experience to rely on. According to PCM, there is no strategic procurement at the company today. Further, he argues that there is no connection between procurement and business strategy. The business strategy addresses sales and procurement is not included. Procurement is not that integrated into the company, but PCM believes that it will be and points out that the company recently received a new management. Over time, it might be necessary to hire more purchasers but what is most important right now is to raise the reputation of procurement. PCM describes how he believes that it is important to raise the demands and expectations of the ones with contact with the suppliers and those purchasing from the company.

To raise the reputation of procurement, PCM describes how he discusses the issue with the IT manager. He believes that it is important that procurement gets involved in strategic meetings and negotiations. It is also important for procurement to prove how it can contribute since being
included is a privilege that must be earned. Moreover, the right commitment and support from the management are needed. PCM argues that time is an important factor that can impede the transformation towards a more strategic procurement. He describes that if they had been two to three people within procurement, they could have started working category-based and setting up routines for how things should be run. However, since he is working alone, these things will take a longer time even though the goal is the same.

According to PCM the procurement function has a rather low status within the organisation since it is not prioritised enough. The competence is, however, wanted and PCM argues that help from procurement is desirable. At the same time, many employees within the company still believe that they can handle procurement by themselves. The rather new management is surprised that there is not a real department working with procurement and they believe that it is strategically important to have seniority when it comes to procurement issues. PCM thus believes that the support from management will get better. He continues to describe how he believes that employees view procurement differently. As mentioned, many co-workers are very grateful for the help they receive while others believe that they can handle procurement by themselves.

4.4 Pharmaceutical retailer

4.4.1 Interview with the purchasing manager [PM1]

The interviewee is purchasing manager [PM1] for the department handling products that are prescription-free. The interviewee has been working at the company for three years and explains that he is responsible for purchasing direct goods but not indirect goods. PM1 describes that procurement is strategic when it sets the agenda. Setting the agenda enables procurement to take initiative, be proactive, and conduct the work with the suppliers. Enabling strategic procurement is also a question of resources. However, PM1 argues that strategy connected to retail somewhat differs since the industry can be unpredictable. He continues to describe how strategic procurement can help handle unpredictable events and make the right decisions. It is therefore important to have a long-term strategy, even though the work should not get too detailed.

The organisational structure at the company is rather centralised and the procurement organisation for self-care is fully centralised. At the company, procurement revolves around the ability to optimise the assortment based on customer needs and profitability. When being too sales-focused, one often loses focus on optimising the margin and hidden costs according to PM1. It is therefore important to be aware of the total cost of ownership [TCO]. The risk management is not as good as it could be but PM1 describes how procurement tries to be proactive and help the suppliers to maintain a high level of service. The procurement function somewhat searches for new opportunities. PM1 argues that they get to pursue certain issues but not others since the management must agree on what is most important to prioritise. According to PM1, the structure for strategic procurement is in place, and there is an overall structure to relate to. For example, it is important to optimise the negotiation conditions since contracts often are renewed and changed in the retail industry. Even though the structure is set, and a
framework for how to work exists, there is still a way to go mentally. On a scale of 1-10, where 1 is not strategic at all and 10 is where procurement is the driving factor, PM1 would place the company on 5-6, considering direct goods.

Ensuring that the function possesses the right knowledge and capabilities is not something you do by hiring a person who is good at procurement according to PM1. He argues that it requires a change that the whole organisation must go through. Way too many companies share that they strive to become more procurement-focused without realising what it entails. The insight, to become more procurement focused, must be established throughout the whole firm, and start from the management. In retail, it is important to understand what drives the industry and the sales. PM1 describes that you must understand that assortment drives costs, and how to negotiate between suppliers and optimise your offer to the customer. To ensure this kind of knowledge they work with conscious recruitment and draw benefits from knowledge from similar industries which have come further. The procurement function is not that integrated into the company and PM1 describes procurement as a service function.

“According to me, procurement does not get enough focus. Especially when you think about the great impact we have and how easy we can affect the company’s results.”

(PM1, 2022, free translated from Swedish)

Partly, there is a connection between procurement and business strategy. PM1 describes how the company follows up on procurement work and measures the results. Consumers’ behaviour thus changes over time, making it difficult to predict future behaviour. However, procurement is not involved enough in strategic planning according to PM1. Procurement strategies exist but PM1 argue that they must create a better connection between the procurement strategies and the business strategies. Moreover, they must create a broader understanding of how to work in the retail industry.

Four to five years ago, the realisation that strategic procurement was required came from management. Since then, PM1 describes how they successively have started to work more strategically in his team but the procurement status within the organisation is still way too low. The management understands the importance of procurement, but PM1 highlights its importance in relation to other things that could become clearer. Among most of the employees, there is a susceptibility and an understanding of procurement. However, changing towards a more strategic procurement is about a cultural relocation within the company, which takes time.

“Culture eats strategy to breakfast every day.”

(PM1, 2022, free translated from Swedish)

It is important to create the same vision within the company to handle this type of change. Changes take time, resulting in people getting tired and losing focus according to PM1. To handle the change, it is important to know the process. However, the basic premise is understanding. In the end, the desire to change must come from the management. There are
only so many issues that you can manage at the same time. If the transformation towards a strategic procurement is important, it must be on the agenda so that it can be put in relation to other important aspects.

4.5 Leasing company
4.5.1 Interview with purchasing manager [PM2]
The interviewee works as purchasing manager [PM2] at the company where he has been for five years. The company somewhat belongs to the leasing industry since they are leasing containers to customers. PM2 highlights the benefit of working with strategic procurement as looking at the future. However, it is essential to look after such a function to ensure that all work gets done.

PM2 describes the organisational structure of the company as rather traditional. Procurement is placed in a subsidiary but also operates in the parent company. Procurement was placed in the subsidiary by coincidence but PM2 believes that it is quite reasonable since all the purchases are made within the subsidiary. According to PM2, they have a traditional way of working with procurement. They purchase for their production and PM2 describes that they are a producing company. The purchasers are named as strategical, but PM2 argues that they are not quite there yet. They have rather been working on a tactical level. However, for the first time, they are developing a five-year plan. Risk management exists within the company and as they only send their containers by air, it is important to ensure suppliers with the right capacity.

To ensure the right knowledge and capabilities within the procurement function, the company educates its employees. PM2 highlights that they work with conscious recruitment to ensure employees with a high level of knowledge. He describes that the goal is to have a modern procurement within a couple of years, implying that procurement must continue to develop. PM2 argues that procurement is integrated into the company.

“We are a player to consider, and our reputation has increased significantly.”
(PM2, 2022, free translated from Swedish)

PM2 states that it is important for procurement to contribute to the business strategy since they are a producing company. Further, having the right spare parts is crucial for the business to strive. If procurement does not work as it should the business is quickly affected.

According to PM2, procurement is in a transformation phase. It is transforming from being event-controlled to becoming more category-based. The function does not have any specific strategies, but the aim is to develop such in the future. To succeed, PM2 argues that it is important to have the right information and business plans. It is not possible to develop a strategic procurement by oneself. PM2 describes how the company has not seen strategic procurement as something necessary, however, this has started to change.
The procurement status is getting better since they got the opportunity to prove their knowledge according to PM2. However, PM2 has only been involved in the negotiations for the past three years. The participation comes from procurement initiatives. Almost one year ago, the company got a new CEO. This CEO has a different view of strategic procurement which enables the development of procurement. The support from the management has been good and procurement has grown at the pace they have had time with. The employees’ view of procurement has increased lately since procurement has proved that they can contribute to and facilitate the work. Procurement does not have a seat in the management, but PM2 has not experienced difficulties with it since his closest manager has a seat.

“I might have preferred to have a seat in the management myself, but in a leasing company, as we are, this type of function rarely gets such a high priority. If you buy and sell, there are more incentives to be part of the management team.”

(PM2, 2022, free translated from Swedish)

4.6 Industrial company

4.6.1 Interview with manager indirect strategic sourcing [MIS]

The interviewee possesses the role of managing director of indirect strategic sourcing, hereafter referred to as MIS, and has been working at the company for over 25 years. During these 25 years, MIS has mostly been working with sourcing or strategic sourcing. In his current role, MIS is building a global indirect sourcing organisation within the company. The benefit of strategic procurement is, according to MIS, that it can ensure that the company manages the world’s resources in a good way. Further, strategic sourcing can ensure that the company gets the best possible value for each money spent. The disadvantage of strategic sourcing would be most striking in smaller companies where it is important to be flexible in daily work. There is a chance that the operational and strategic parts are hard to combine. Therefore, MIS believes that it is beneficial to separate the operational and the strategic work if possible.

The company is extremely decentralised and so is the operational procurement. There is no CPO, and the management is rather small. Neither R&D nor procurement is represented in the management.

Procurement and supply management work closely with production. The strategic part, which they call sourcing, is more centralised. MIS implemented this structure, and his teams are placed in the sourcing organisation. MIS presents that they strive to have full transparency in the spending to enable follow-ups. Further, they work with category management. MIS describes that it is important that all category managers can define all basic information about the categories for which they are responsible. He states that they work with follow-up in all strategic areas. To ensure that sourcing processes the right knowledge and capabilities MIS argues that it is important to create the right prerequisites and provide the right tools. Within MIS teams, they have an internal academy for education in strategic sourcing. MIS describes how they continuously work with education. Further, he points out the importance of communication and the use of the same terminology within the company. Risk management is
an important part of the work and MIS describes how they use it as an overall follow-up tool. MIS points out that they continuously work with follow-up and evaluation to improve themselves. Moreover, MIS states that sourcing is integrated into the company and that they are a part of the processes to deliver. He believes that the operational part always has been integrated and that it has taken a couple of years to properly integrate the strategic parts.

To connect sourcing to the business strategy, MIS describes that they have eight focus areas within sourcing which have been compiled into a long-term plan. These areas were developed with the management to support the overall objectives of the company, and the status of each is reported to management monthly.

To enable strategic sourcing, MIS believes that clear management and change management is important. To succeed, the company must be open to change, and MIS continues to describe that the most difficult part of succeeding is time. Transforming towards more strategic sourcing is a journey that is about attitude, time, education, and communication. Due to the world’s circumstances, sourcing gets a rather operational status. The status of sourcing is however something the company works with according to MIS. He argues that the management could focus more on the activities that strategic sourcing works with, but he also believes that all functions or departments within a company probably want the management to focus more on their work. The support during the transformation is rather good and MIS argues that he has gotten the mandate to make changes. The employees probably have different views on sourcing, according to MIS. Those who already are believers work closely with procurement, but there are however still those who have preconceptions about procurement and their work.

“I believe that we are still on a journey. We are under development and must continuously adopt new methods, processes, and tools. It does not feel like the journey has an end, so maintaining will be difficult. There is so much to change before we can begin to maintain.”
(MIS, 2022, free translated from Swedish)

4.7 Fastening technology company

4.7.1 Interview with the head of direct sales and business development [HDS]

The head of direct sales and business development further referred to as HDS, has been working at the company for six years. HDS is responsible for direct sales, export investment towards Central Europe, and business development. HDS explains the advantage of strategic procurement as being able to ensure quality, delivery times, and costs. Besides quality and time, it is also important for a company to be organised in a way that enables initiatives to be run.

The organisational structure could be compared to the structure of a retail company. There is a central category function that is responsible for procurement and basic marketing data. The company has sales units in northern Europe and procurement offices in Asia. HDS describes how strategic procurement almost is seen as a service function within the organisation. In Sweden, there are only two strategic purchasers. HDS emphasizes that operational procurement
is a central part of the procurement process. Unfortunately, procurements currently work mostly consist of putting out fires. This is largely due to the Covid-19 pandemic and the main reason was the major shutdowns in Asia where the company has procurement offices. To manage risks, the company works to continue developing both the organisation and the supplier base.

To ensure that procurement possesses the right knowledge, HDS states that they want to build blocks linked to different categories. These blocks could be seen as knowledge blocks, which ensure the right knowledge in the right place. However, HDS describes that they are not there yet, and he would not describe the department’s knowledge as excellent.

HDS would not describe that they work with strategic procurement in a way that matches his definition of strategic procurement. He argues that this could be due to that the organisation is small. This implies that they often get supplier disruptions and HDS states that the organisation is not built for taking initiative. HDS describes that they want to expand the strategic work with category management. When it comes to strategic procurement, HDS mentions that they set long-term plans. They also try to ensure that the procurement strategies are well anchored in the business strategies and that they are aligned with the overall goals. Procurement is involved in the company in such a way that they are part of the implementation of SWOT analyses, and procurement has a place in the management. However, it should be mentioned that the place in the management is currently vacant.

The activity that HDS states as the most important in their work towards a more strategic procurement is strategic planning. To ensure a more strategic procurement HDS argues that they must work with what they have rather than come up with new activities. HDS believes that the most important prerequisite for success when transforming towards strategic procurement is change management.

“Setting a plan is not that hard or setting a strategy for that matter. But to drive change and bring the organisation with you is probably underestimated in many organisations.”

(HDS, 2022, free translated from Swedish)

Even though management understands the importance of procurement and their work, they do not put enough effort into it according to HDS. There is a limited crowd in the management team who understand what work needs to be done within procurement, even though the support has gotten better lately.

4.8 Kitchen retailer
4.8.1 Interview with the purchasing director [PD]
The interviewee works as a purchasing director and is responsible for direct material, indirect material, and transport purchases. The interviewee further referred to as PD, has been working at the company for four years. PD believes that strategic procurement is largely about data and how to create broader KPIs through a larger amount of data. He argues that value is created
when you consider more than one parameter. In addition, strategic procurement implies that a company creates value that can be proven to the suppliers. This will in turn create greater interest in working with the company. Further, PD states that one way to optimise the parameters is by categorising them.

At the company, the procurement function is categorised and located regionally but reports centrally. In other words, the procurement function could be described as central in such a way that they have a central strategy. When PD started at the company, they worked very locally and focused on lowering prices. Since then, the company has transformed towards working more with value creation. A large part of the work involves building partnerships. They are also working on a digitalisation transformation where they are trying to get better at handling the master data. The company works with category management as they try to work at a high degree of maturity. Due to Covid-19, a lot of work has been put into risk management. This has led to a trade-off between risk management and working with long-term transformation. However, PD believes that they have managed to continue the transformation. To manage the risks that arise with procurement, PD explains how they use systems and support systems ensuring that suppliers follow the existing policies and laws. They also use SAF, a digital survey, which allows them to ask the suppliers questions. PD explains that the survey is cross-checked regularly, and supplementary questions are asked.

To ensure that procurement has the right capabilities and knowledge, they receive help from HR during employment. PD further describes how they work with skills mapping. In addition, annual PDRs are made where individual goals are put together. PD explains that the procurement function is integrated into the company, but he would like to believe that they could deliver even greater value if they became more integrated.

Today they have a procurement strategy that is part of the corporate strategy and PD states that procurement is participating in strategic planning. To develop procurement strategies and create connections between procurement and business strategies, PD created a new proactive strategy when he started working as purchasing director. The fact that the company has gotten a new CEO also made it possible for it to be considered. PD believes that the new strategy and the new CEO made it easier to link the procurement strategy to the corporate strategy.

PD considers fact-based decisions and competence development as necessary conditions that enable more strategic procurement. He argues that data collection, people, and culture are what make a change difficult. PD is not a part of the management today but the support from management is good. However, he believes that having a seat in the management would be a great advantage since you get group management decisions immediately.

“Those who are mature in procurement, make sure to place them in the management.”
(PD, 2022, free translated from Swedish)
4.9 Pharmaceutical company

4.9.1 Interview with purchasing manager [PM3]

The purchasing manager at the company has possessed the role since January but has been working at the company for the past four and a half years. The interviewee further referred to as PM3 explains the advantages of strategic procurement as being able to work proactive, which in turn ensures security. In addition, strategic procurement can lead to better collaboration with suppliers and enable partnerships. Strategic procurement can however become time-consuming, which could be considered a disadvantage.

The organisation has a decentralised structure but aims to become more centralised. PM3 describes how the company has made some changes by reorganising sites to create a more central organisation. Further, PM3 argues that the goal for procurement is to become more and more central, resulting in central control and delegation to the sites. According to PM3, procurement does not work very strategically but he argues that some sites have come further than others. To succeed in working more strategically, PM3 believes that they must get better at analysing their suppliers to identify those who are critical. Further, performing a risk analysis should be required to ensure clarification of the game rules. The company does not have a pronounced process for risk management, instead, they work reactively. PM3 is relatively new in his role and describes this as a factor for him not having a complete picture of the procurement function’s knowledge. He argues that he does not know how good they are at working strategically and believes that the work is rather operational.

According to PM3, the connection between procurement and business strategy could be better and with the reorganisations, he is hopeful that it will. The reorganisation within the procurement function has led to five categorical leads negating global agreements, which in turn will lead to the strategic buyers working more locally. Furthermore, procurement will use a common ERP system that enables data to be compared more easily. ERP is a business system that handles information as well as control and administration. To succeed in becoming more strategic, PM3 describes how activities such as developing joint work processes and documents for procurements must be produced. In addition, PM3 is eager to start using an e-sourcing tool that enables greater structure in the procurements.

To succeed with the transformation towards more strategic procurement, PM3 highlights three factors: time, resources, and a change of culture. PM3 argues that this type of change always takes much longer time than expected, so it is important to be patient.

“A new culture and how you look at things, that will probably be the big challenge.”

(PM3, 2022, free translated from Swedish)

As mentioned earlier, procurement has no direct connection or effect on the business strategies, and PM3 states that neither he nor the CPO has a seat in the management. The procurement status is relatively low even though it was the management who initiated the change towards a more strategic purchase. However, the interest in follow-up has not been so high.
4.10 Steel manufacturer

4.10.1 Interview with manager indirect purchasing [MIP]

The interviewee has been working at the company since 2006 and she currently possesses the role of manager for indirect purchasing [MIP]. Mainly, MIP is responsible for the indirect material, but MIP describes how she, together with another purchasing manager, shares the responsibility for the raw material. At the company, procurement is divided into two parts, direct material, and indirect material. Each part has its purchasing managers. MIP describes the advantage of strategic procurement as securing the supplier base. In addition, strategic procurement can provide a sense of security for internal customers. A disadvantage with strategic procurement is that the higher you are seated within the organisation, the further away are the business. Being closer to those who decide could though be an advantage.

The organisational structure of the company is decentralised. The structure was changed from being centralised in 2016 when they got new a management team. MIP describes that procurement works close to the business, something that was harder when procurement was centralised. By being decentralised, MIP explains that they take advantage of being closer to the business and use reference groups to achieve better results. MIP explains that the procurement function is called strategic and that some of the work is strategic. However, she mentions that much of the work is performed on a tactical level. Further, MIP mentions how procurement is seen as a support function, and the work mostly consists of signing framework agreements which many can benefit from. The strategical work consists of category management, benchmarking, and mapping with help of the Kraljic-matrix. The remaining activities, which the company aims to develop into being more strategic, are learning the systems in which they have invested. However, MIP states that the way they work is not far from her definition of strategic procurement.

“What can be difficult with becoming more strategic is creating more time.”
(MIP, 2022, free translated from Swedish)

To contribute to the business strategy, MIP explains how the company works with goal setting. The overall goals are broken down to ensure procurements’ contribution. Besides the overall goals and strategy, procurement has its objectives where some revolve around digitalisation and how procurement can become more effective.

At the company, education is used to ensure that the right knowledge is maintained. MIP explains that the company currently works together with Silf to develop education for the employees. Silf is an educational actor focused on procurement and logistics among other things. MIP further states that by hiring experienced people they can preserve the right knowledge. To ensure that procurement has enough information MIP argues that they work close to the business, which they did not do earlier.
“Previously, we worked without their knowledge, which made us have a much worse reputation than we have today.”

(MIP, 2022, free translated from Swedish)

MIP describes that the producing specifications of requirements are the management’s responsibility. This ensures that procurement will not be blamed if something goes wrong. MIP believes that the support from management is good and that they are satisfied. She also describes that procurement is integrated into the company, especially when it comes to large purchases. MIP does not have a seat in the management. However, she explains that they have a management team on a lower level which she is part of.

4.11 IT communication company

4.11.1 Interview with the purchasing manager [PM4]

The purchasing manager [PM4] has worked at the company for the last one and a half years. He describes them as a company helping companies communicate with their customers. PM4 argues that strategic procurement leads to success in finding suppliers whom the company can grow with. Further, PM4 describes that procurement currently is not that strategic. To be able to become more strategic, the company needs to develop a procurement function. The company did not have procurement management from start, but its rapid growth rate has increased the need for one. A large part of the daily work is thus to create a procurement function, clarify how to work with procurement issues, and gather resources so that the function, in time, can start working strategically.

The rapid growth rate has contributed to a great deal of change in the organisational structure, and the structure continues to change. Today, the organisation is divided based on customers and products. The procurement function is placed under group finance and PM4 believes that the placement probably will remain.

To ensure that procurement possesses the right capabilities and knowledge, PM4 argues that he mainly recruits people with experience. The majority are seniors, and the goal is to get a team with varying knowledge. PM4 describes how they try to integrate procurement in the company with help of collaborations and a cooperative approach. According to PM4, they hope that procurement will be introduced earlier in the process, which in turn enables the function to work more strategically. Procurement is not involved in strategic planning, and PM4 does not consider it necessary as they are not a manufacturing company. However, there are planned activities to achieve more strategic work. These activities are for instance implementation of spend analysis tools and WMS for consulting management.

PM4 argues that there are two particularly important parts, to succeed in the transformation towards more strategic procurement. The first is access to the right resources and the second is an understanding from management. The management’s view on procurement is inconsistent and PM4 explains that this depends on how much they have collaborated with procurement. However, PM4 argues that support from management is not a problem. The problem rather
revolves around the fact that procurement is not in focus. The company’s focus is on growth and the company has an aggressive acquisition agenda.

“The earlier you start the procurement process, the better the results and the more strategically we can work with the specific request.”

(PM4, 2022, free translated from Swedish)
5 Analysis

In this chapter, the empirical data is analysed with help of the frame of reference. The chapter analyses the degree of strategic procurement within the eleven case companies to conclude what has been done to achieve strategic procurement. Further, the internal conditions business strategy, management control, change management, and organisational structures’ impact on the transformation are analysed. Table 9 repeats the list of interviewees and their abbreviations.

Table 9 - List of interviewees, the used abbreviation, and the company that they work at.

<table>
<thead>
<tr>
<th>Role</th>
<th>Cited as</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Purchasing Manager</td>
<td>GPM</td>
<td>Construction &amp; infrastructure company</td>
</tr>
<tr>
<td>Director of global IT sourcing</td>
<td>DG</td>
<td>Security company</td>
</tr>
<tr>
<td>Consultant – Procurement &amp; Contract Manager</td>
<td>PCM</td>
<td>IT information company</td>
</tr>
<tr>
<td>Purchasing Manager</td>
<td>PM1</td>
<td>Pharmaceutical retailer</td>
</tr>
<tr>
<td>Purchasing Manager</td>
<td>PM2</td>
<td>Leasing company</td>
</tr>
<tr>
<td>Manager Director of Indirect Strategic Sourcing</td>
<td>MIS</td>
<td>Industrial company</td>
</tr>
<tr>
<td>Head of Direct Sales &amp; Business Development</td>
<td>HDS</td>
<td>Fastening technology company</td>
</tr>
<tr>
<td>Purchasing Director</td>
<td>PD</td>
<td>Kitchen retailer</td>
</tr>
<tr>
<td>Purchasing Manager</td>
<td>PM3</td>
<td>Pharmaceutical company</td>
</tr>
<tr>
<td>Manager Indirect Purchasing</td>
<td>MIP</td>
<td>Steel manufacturer</td>
</tr>
<tr>
<td>Purchasing Manager</td>
<td>PM4</td>
<td>IT communication company</td>
</tr>
</tbody>
</table>

5.1 Strategic procurement

In several of the case companies, strategic procurement has gotten an elevated status over the last couple of years. This is in line with both Carr and Smeltzers’ (1997) and Paulraj, Chen, and Flynns’ (2006) statements presented in the frame of reference. Even though the attitude toward procurement has improved, there are still many companies that do not include procurement in strategic planning, which goes against Carr and Smeltzers’ (1997) argument that the awareness of the importance of purchasing has led to increased involvement. Both DG, PM4, and MIP describe how the status has improved without them being included in strategic planning. GPM, PD, and MIS, on the other hand, argue that procurement has good status and is included in strategic planning. PM1 and PM2 believe that the status has improved, and they are somewhat included in the strategic planning, however, they wish to improve their inclusion. PCM argues that when procurement work as it should, it can act as an engine for the company. This is in line with Paulraj, Chen, and Flynn (2006) who describe that procurement can be a key contributor to corporate initiatives. However, HDS argues that procurement’s ability to take initiatives can depend on how organisations are built.

Ogden, Rossetti, and Hendrick (2007) highlight the goal of strategic purchasing as supporting the company’s strategy. The empirical data shows that this is easier said than done. GPM, HDS, PM2, DG, PD, MIP, and MIS argue that procurement strategies are closely linked to business strategy while PCM states that there currently is no connection. PM3 and PM1 describe how the connection exists but should be improved. However, as Ogden Rossetti, and Hendrick
describe, it is easier to create a fit between purchasing strategy and overall strategy if purchasing is involved in the creation. The empirical data suggests that there can be a connection between procurement strategy and business strategy without procurement being involved in strategic planning. This implies that procurement can develop its strategies based on the company’s strategies. As stated by Whittington et al. (2020), the functional-level strategy is vital for business and corporate strategies to succeed, indicating the importance of linking the procurement strategies to the more general strategies. As the empirical data shows, some of the procurement functions rather work with coordinating their strategies than participating in the development. This is more in line with Nilsson and Rapp (2005) who argue that it is up to the units to coordinate the functioning strategies to align them with the organisations. Being included in the strategic planning could though be beneficial since procurement has a direct impact on a company’s results, as can be interpreted from the empirical chapter. As Ogden, Rossetti, and Hendrick (2007) argue, the shift began with Porter’s five-force model, implying that procurement has a vital part to play.

Understanding how strategic procurement can contribute, can be assumed helpful when initiating a transformation, it is thus important to be aware of the pros and cons of strategic procurement. An advantage of strategic procurement is that it enables proactive work according to at least half of the interviewees. This is in line with Paulraj, Chen, and Flynn (2006) who describe working proactively as one of the factors identifying strategic procurement. Being able to work proactively is beneficial from more than one point of view. According to Simons and Dávila (2021), being proactive helps companies to quickly adapt to changes in the environment. Something that can be considered important for procurement in conformity with the empirical findings. Moreover, the empirical data shows the importance of having a long-term plan which is stated as a factor indicating strategic purchasing by both Carr and Smeltzer (1997) and Paulraj, Chen, and Flynn (2006). Further, Paulraj, Chen, and Flynn (2006) state that collaboration with others is a vital part of strategic purchasing. The empirical findings show that this is noted also in reality. Both PD, PM1, PM4, DG, PM3, and GPM highlights collaboration as an advantage that is achieved with strategic procurement. Collaboration and building supplier relationships are pointed out as crucial for strategic procurement in the empirical chapter and can be supported by Chen, Paulraj, and Lado (2004). MIP on the other hand, argues that being too far away from the business might affect the collaboration negatively and thus argues that it is important to remain close to it. The empirics show that strategic procurement can contribute to companies’ flexibility, which is an important attribute according to Porter (1996). However, as mentioned in the frame of reference, Ellram and Carr (1994) believe that when purchasing truly is seen as a strategic function it should be included as a key decision-maker and participate in the strategic planning processes. The empirical findings show that procurement is starting to play a more vital role in many companies since their participation is increasing. However, the empirics also show that procurement still is not included in the top management even though it sometimes gets a seat in management at a lower level.
In accordance with the discussion above, the pros and cons can be perceived as driving forces and resilience for strategic procurement. Table 10 and Table 11 summarise the pros and cons of strategic procurement that were mentioned during the interviews.

Table 10 - Pros with strategic procurement, retrieved and interpreted from the interviews.

<table>
<thead>
<tr>
<th>Pros with strategic procurement</th>
<th>PM1, PM2, PM3, PCM, &amp; DG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic procurement enables proactive work</td>
<td>PM1, PM2, PM3, PCM, &amp; DG</td>
</tr>
<tr>
<td>Value for every money spent</td>
<td>MIS, PM3, &amp; HDS</td>
</tr>
<tr>
<td>Adaptation of the long-term planning</td>
<td>GPM</td>
</tr>
<tr>
<td>Ensure that you can follow laws and regulations</td>
<td>MIS</td>
</tr>
<tr>
<td>Better agreements with suppliers</td>
<td>PM1, &amp; MIP</td>
</tr>
<tr>
<td>Strategic procurement contributes to value creation</td>
<td>DG</td>
</tr>
<tr>
<td>Quality, delivery on time</td>
<td>HDS</td>
</tr>
<tr>
<td>Attractive for suppliers</td>
<td>PD, &amp; PM4</td>
</tr>
<tr>
<td>Safety for internal customers</td>
<td>MIP</td>
</tr>
</tbody>
</table>

Table 11 - Cons with strategic procurement, retrieved and interpreted from the interviews.

<table>
<thead>
<tr>
<th>Cons with strategic procurement</th>
<th>PM3, &amp; DG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requires time</td>
<td>PM3, &amp; DG</td>
</tr>
<tr>
<td>Requires money</td>
<td>GPM</td>
</tr>
<tr>
<td>Too detailed</td>
<td>PM1</td>
</tr>
<tr>
<td>Requires resources</td>
<td>MIS, &amp; DG</td>
</tr>
<tr>
<td>Complex work differs between industries</td>
<td>PCM</td>
</tr>
<tr>
<td>It is easy to disconnect from the business</td>
<td>MIP</td>
</tr>
</tbody>
</table>

5.1.1 Four factors enabling strategic procurement

To enable strategic purchasing Carr and Smeltzer (1997) present a model consisting of the four factors: status, knowledge and skills, risk, and resources. The empirical data shows that GPM, MIS, and PD considered their procurement status good, see Table 12. GPM even considered their procurement group to have close cooperation with the management. Status, according to Carr and Smeltzer (1997), depends on how management and other functions within the company view purchasing. As mentioned earlier, GMP, MIS, and PD argue that procurement is closely linked to the business strategy and is included in strategic planning. This is in line with Van Weele and Arbin (2019) who describe that if procurement is given a significant role, it can help drive the business forward. However, only one of the interviewees, HDS, states that procurement has a seat in the management which, according to Baier (2008), is important to improve the view of procurement. The empirics show that procurement in some companies has received a place in a management group on a lower level, indicating that procurement has gotten an elevated status. As shown in Table 12, the status could be improved in some of the case companies. Even though HDS describes that procurement has a seat in management, he argues that the seat is vacant and that management’s effort to support procurement is too low. This implies that procurement has been recognised and somewhat is accepted by the management but still is not properly operationalised, which is Ellram and Carrs’ (1994) third factor indicating good status. This indicates that when management fails to follow-up and
continues to drive the transformation, the transformation tends to slow down. DG, PM1, PM2, MIP, and PM4 argue that the status could get better, and currently are improving. PCM is the only one arguing that procurement’s status is low even though he implies that competence is desirable.

Table 12 – Presents how the eleven companies scores in Carr and Smeltzer’s (1997) four factors enabling strategic procurement. Green equals good, orange equals moderate, and red equals bad.

<table>
<thead>
<tr>
<th>Company</th>
<th>Role</th>
<th>Status</th>
<th>Knowledge and Skills</th>
<th>Risk</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; infrastructure company</td>
<td>GPM</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Security company</td>
<td>DG</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT information company</td>
<td>PCM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical retailer</td>
<td>PM1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing company</td>
<td>PM2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial company</td>
<td>MIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fastening technology company</td>
<td>HDS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kitchen retailer</td>
<td>PD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical company</td>
<td>PM3</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Steel manufacturer</td>
<td>MIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT communication company</td>
<td>PM4</td>
<td></td>
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</tbody>
</table>

To determine whether a company has the right knowledge and skills both Carr and Smeltzer (1997) and Knoppen and Sáenz (2015) highlight the importance of contributing to the company's development and strategy. Table 12 shows that eight of the companies are perceived to have achieved a high level of knowledge, which is based on their work with conscious recruitment and education. Both MIP and PM4 mention that they prefer to hire people with experience and seniority. PM1 describes that they work with recruitment, but he emphasized that it is not enough to ensure the possession of the right knowledge. He argues that recruitment is a part of it, but one must also have a broader understanding. In addition to hiring the right people, GPM describes the benefits of constantly developing and training the employees. Only two of the companies are estimated to have a low level of knowledge. The IT information company does not have a pronounced procurement department and PCM states that he, as a consultant, possesses the knowledge but argues that the company itself does not. The reason that it is stated that the pharmaceutical company has low knowledge and skills is that PM3 describes how he believes there is a chance that most of the work is operational.
The third factor presented by Carr and Smeltzer (1997) is risk. They describe risk as the function’s willingness to take risks including the willingness to search for opportunities. GPM believes that the individual has a great responsibility to see further than the nearest activity to develop the business. Legenvre and Gualandris (2018) mention that ensuring the right capabilities can lead to innovations, which could lead to new opportunities. Another way to look for new opportunities is to be proactive. Both DG and PM1 describe the importance of being proactive and finding new cases. By working proactively HDS states that they can develop the supplier base while PD advocates the importance of building partnerships.

According to Carr and Smeltzer (1997), the last factor ensuring that procurement is strategic is resources. By having the right resources companies get access to the right information. GPM claims that by having each category manager responsible for their market, they ensure that the right information is available. This is strongly connected to Carr and Smeltzer (1997) since the information is obtained within each category. MIP and PD describe an additional way to access information: being integrated into the company. MIP described how she, by operating close to the organisation, experiences that she receives enough information. In the same way that MIP believes that it is an advantage to be integrated, PCM states how procurement is not integrated into the company and therefore loses a lot of information. As shown in Table 12, more than half of the companies are perceived as mediocre when it comes to resources. Both DG and PM1 describe how they have certain resources in place such as internal networks. However, PM1 argues that they do not use the resources properly.

5.1.2 Evolution of procurement
To determine how far each company has come in the development of strategic procurement, the companies have been mapped with help of Cousin, Lawson, and Squires’ (2006) four dimensions, see Table 13.
Table 13 – Presents how far each company has come in the development of strategic procurement in conformity with Cousin, Lawson, and Squires’ (2006) four dimensions.

<table>
<thead>
<tr>
<th>Company</th>
<th>Role (Abbreviation)</th>
<th>Involvement in strategic planning</th>
<th>Status</th>
<th>Integration</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; infrastructure company</td>
<td>GPM</td>
<td>Yes</td>
<td>Good</td>
<td>Yes</td>
<td>Good</td>
</tr>
<tr>
<td>Security company</td>
<td>DG</td>
<td>No</td>
<td>Ok</td>
<td>No, service function</td>
<td>Ok</td>
</tr>
<tr>
<td>IT information company</td>
<td>PCM</td>
<td>No</td>
<td>Bad</td>
<td>No</td>
<td>Bad</td>
</tr>
<tr>
<td>Pharmaceutical retailer</td>
<td>PM1</td>
<td>Ok, not enough</td>
<td>Ok</td>
<td>No, service function</td>
<td>Ok</td>
</tr>
<tr>
<td>Leasing company</td>
<td>PM2</td>
<td>Ok, not enough</td>
<td>Ok</td>
<td>Good</td>
<td>Ok</td>
</tr>
<tr>
<td>Industrial company</td>
<td>MIS</td>
<td>Yes</td>
<td>Good</td>
<td>Yes</td>
<td>Good</td>
</tr>
<tr>
<td>Fastening technology company</td>
<td>HDS</td>
<td>Yes</td>
<td>Ok</td>
<td>Medium</td>
<td>Ok</td>
</tr>
<tr>
<td>Kitchen retailer</td>
<td>PD</td>
<td>Yes</td>
<td>Good</td>
<td>Yes</td>
<td>Good</td>
</tr>
<tr>
<td>Pharmaceutical company</td>
<td>PM3</td>
<td>No</td>
<td>Bad</td>
<td>No, not the strategic part</td>
<td>Ok</td>
</tr>
<tr>
<td>Steel manufacturer</td>
<td>MIP</td>
<td>No</td>
<td>Ok</td>
<td>Yes</td>
<td>Good</td>
</tr>
<tr>
<td>IT communication company</td>
<td>PM4</td>
<td>No</td>
<td>Ok</td>
<td>No</td>
<td>Ok</td>
</tr>
</tbody>
</table>

Table 13 shows that only four of the interviewees state that their companies are involved in strategic planning while two believe that they are somewhat involved. Four of the interviewees state that they are not involved in strategic planning at all. Both Cousin, Lawson, and Squires (2006) and Ogden, Rossetti, and Hendrick (2007) outline the fact that procurement’s involvement in strategic planning is important to create a strategic procurement that contributes to the business. The empirical data shows that those who are involved in strategic planning to a greater extent believe that they are closely linked to the company’s strategy. However, PM4 argues that it might not be necessary for procurement to be involved in strategic planning to be strategic. He rather believes that it is important to have an understanding from the management and possess the right resources. Moreover, the empirics imply that three of the interviewees believe that procurement’s status is good, six argue that the status is okay while two state that the status is bad.

In addition to involvement and status, Table 13 shows how the interviewees describe their level of integration and skills. Ten of the eleven companies have established procurement departments and are therefore considered to possess the necessary skills. As mentioned, many companies work with conscious recruitment and education to ensure the right skills within procurement. Since PCM is hired as a consultant, PCM ensures that the company possesses the right skills. However, it could be argued that the skills are his and not the company’s. Cousin,
Lawson, and Squire (2006) outline that those best fitted for the environment will contribute to a company’s competitive advantages at the highest level. This could be connected to the fact that PM4 argues that it is not necessary for procurement to be part of strategic planning.

With help of Cousin, Lawson, and Squires’ (2006) four dimensions the eleven case companies have been deployed in Figure 8. The X-axis shows the level of skills, and the Y-axis shows a combined level of involvement, status, and integration.

![Diagram](image)

*Figure 8 – Visualises how the case companies have been mapped in conformity with Cousin, Lawson, and Squires’ (2006) four dimensions.*

Figure 8 shows that three of the companies, according to the interpretation of the interviewees’ answers, have a strategic procurement in accordance with Cousin, Lawson, and Squires’ (2006) definition. The company where MIP works could be argued to have a capable procurement, which according to Cousin, Lawson, and Squire (2006) requires a high level of skills and a moderate level of involvement, status, and integration. Based on the interviews with PM3, PM4, and DG, their companies have an underdeveloped procurement in conformity with Cousin, Lawson, and Squires’ (2006) theory. PM1, HDS, and PM2 are somewhere between an underdeveloped procurement and a capable procurement. This implies that many of the companies could work with integrating and involving procurement and at the same time develop their skills and their status. Since PCM is a consultant, this becomes a special case. It could be argued that he possesses skills and that the procurement, therefore, is underdeveloped in accordance with Cousin, Lawson, and Squires’ (2006) levels of purchasing. If PCM skills on the other hand are considered his and not the company’s, the company does not fit into either of the levels. The empirical data shows that none of the interviewees has a celebrity procurement in accordance with the authors’ (2006) celebrity purchasing.
5.1.3 The gap between current and desired purchasing involvement

According to Ogden, Rossetti, and Hendrick (2007), there are four distinguished categories affecting the gap between current and desired purchasing involvement which can exist within a company. The first identified gap is the lack of management support. The empirical data shows that both status and support could be better at several companies, implying that management does not fully understand the potential of the procurement function. PM4 argues that the support from the management is inconsistent. MIS on the other hand points out that he has gotten the mandate to make decisions, implying that the support is good. At the company where HDS works, procurement has a seat in the management which is recommended by both Hoek, Christopher, and Mena (2021), and Baier (2008). However, HDS still believes that there is a limited crowd that understands what work needs to be done. This is in line with Baier’s (2008) statement as he argues that purchasing is not involved enough. Many of the case companies have not been shown enough understanding from the management and thus support the gap which has been identified by Ogden, Rossetti, and Hendrick (2007). It could be argued that GPM, which considers procurement to have close cooperation with the management, has overcome the gap. Even though several of the interviewees have some connection to the management, it can still be identified that they have limited access to top management. This can, according to Cammish and Keogh (1991), lead to a lack of prominence. This indicates that having proper management support is necessary for a transformation to occur.

Several of the case companies describe how they are still working on quite a tactical level even though they strive to work more strategically. This can be connected to the company’s structure which, according to Ogden, Rossetti, and Hendrick (2007), can affect the function’s status. A structure that instead is adapted to strategic procurement can thus help procurement to receive a greater status. GPM, MIS, and PD who all argue that the status is good have their strategic procurement function centralised. However, MIP argues that the status has improved since procurement became decentralised. GPM states that operational procurement is decentralised while the strategic parts are centralised. According to MIP and GMP, it could therefore be beneficial to adapt the placement of procurement depending on the purpose. The empirical data strengthens Ogden, Rossetti, and Hendricks’ (2007) statement that historically purchasing’s task has been to reduce costs. However, those who have understood that it can contribute to the company’s strategy, in conformity with Knoppen and Sáenz (2015), have gotten further in the transformation toward a strategic procurement.

The last gap, presented in the frame of reference, is the company’s culture. Ogden, Rossetti, and Hendrick (2007) describe how it takes time to change the culture within a company and that it is important that the profession receives acceptance. The empirics show that procurement has gotten an elevated status which implies that the profession is starting to get accepted. However, PM1 states that the change towards a more strategic procurement is about cultural relocation. To overcome a cultural issue, PM1 argues that it is important to create an aligned vision across the company. PD and M3 describe that culture is a factor complicating changes and PM3 points out that creating a new culture is challenging.
5.2 Procurement transformation

5.2.1 Four steps to translate intention into action

Purchasing recognition is, according to Knoppen and Sáenz (2015), the first step when translating intention into action and includes recognition from management. From the empirical findings, it could be clarified that all companies have received some recognition from their management. This is also strengthened by the fact that all case companies have a pronounced procurement function. However, those who have gotten better recognition are for example PD and MIS who state that they even have received a mandate to implement changes. HDS and DG describe that there is an understanding from management but that the understanding is not enough. White et al. (2016) further argue that a broader understanding from other employees can lead to better recognition from management. PM2 points out that he believes that employees’ view on procurement has improved lately, and that the management’s view has become better. MIS on the other hand, argues that the view of the employees differs. As presented in the empirics, MIS states that some already are believers while others have preconceptions about procurement and their work. However, it could be argued that MIS has enough support from the employees which could be beneficial according to White et al. (2016). In accordance with the previous analysis, it has been shown that those case companies that have come further in creating a strategic procurement have received recognition from management, implying its necessity.

The second step, presented by Knoppen and Sáenz (2015), touches on how procurement can create greater value together with their suppliers. PD believes that strategic procurement occurs when the company can prove value to the supplier which in turn creates greater cooperation. He also describes how they cross-check their suppliers regularly. PCM and MIP highlight the importance of having a code of conduct and describe how it can contribute to better suppliers. The interviewees pointing out the importance of clear guidelines are in line with Knoppen and Sáenz's (2015) opinion: that a good process can gain competitive advantages. Knoppen and Sáenz (2015) further highlight the importance of increased involvement. Procurement involvement can indicate that it is part of strategic planning, which in turn makes it easier to improve the connection between business strategy and procurement strategy. It also opens for procurement to come up with initiatives that can have an impact on the company. Further, procurement involvement indicates that procurement should be integrated into the company. Integration entails cooperation and collaboration with other parts of the company. However, it might be important for procurement to stay closely connected to the business and the operative work. At least when it comes to operational procurement. For procurement to be involved, it must possess the right resources. The resources might come with collaboration with others or skills training. This leads to the third stage, capabilities development.

According to Knoppen and Sáenz (2015), the third step revolves around knowledge and how procurement continuously needs to review and renew its knowledge base. As mentioned previously in the analysis, when comparing the companies to Carr and Smeltzer’s (1997) four factors, eight of the companies were perceived to possess the right knowledge and skills. However, Carr and Smeltzers’ (1997) factor knowledge and skills do not describe the renewing
of knowledge in the same way as Knoppen and Sáenz (2015). Maintaining knowledge requires that one continuously needs to develop according to Knoppen and Sáenz (2015). Although many of the respondents mention the importance of education and knowledge, there are not that many who work with continuous development. However, MIS and MIP argue that they continuously work with educating the employees by using internal education for strategic sourcing.

Sustained performance is the last step in Knoppen and Sáenz’s (2015) theory. They argue that when achieving the last step, procurement’s performance will have an impact on innovation, sustainability, quality, cost, etc. PMC stands by the same opinion as Knoppen and Sáenz (2015) and his definition of strategic procurement is that procurement should deliver everything from cost savings to the development of great partnerships. It is noteworthy that PCM works as a consultant and that how procurement work at the company he is placed at does not match his definition of how one should work with strategic procurement. Lastly, it can be argued that the companies that develop their suppliers continuously can have a greater impact on sustained performance.

5.2.2 Different stages of procurement

Hook, Christopher, and Menas’ (2021) four stages of procurement involve factors such as perspective, type of task, strategy focus, and involvement. As can be interpreted from the empirics, none of the case companies is placed in the first stage which revolves around a short-term perspective and mainly is about processing orders, see Figure 9. This is because all interviewees describe their role as more strategic. Most case companies experience that they have a relatively good status and, according to Cammish and Keogh (1991), the attitude toward procurement affects the development. This can be assumed to have contributed to the development of procurement.

![Figure 9](image)

*Figure 9 - Visualisation of which stage the case companies are in accordance with Hook, Christopher, and Menas’ (2021) theory regarding different stages of procurement. The arrows illustrate that the companies are moving towards next stage.*

The empirics show that neither PCM nor PM4 is involved in the strategic planning, which places them in cost-driven procurement. PM1 and PM3 argue that procurement has a connection to the overall strategy. However, the connection is not sufficient which also places them in the stage of cost-driven procurement. Hook, Christopher, and Mena (2021) argue that more progressive companies use spend analysis and the total cost of ownership to supervise the function. PM1 states that he believes that it is important to be aware of the total cost of
ownership, which can be connected to Hook, Christopher, and Menas’ (2021) second stage. DG, on the other hand, expresses that the management’s focus is cost. He describes that their function traditionally has been measured on savings and if procurement delivers, management is satisfied. This indicates that the company has a cost-driven procurement even though they are moving towards the third stage, integrated procurement. As mentioned by Hoek, Christopher, and Mena (2021) many companies get stuck in the early stages, which the empirical findings somewhat show. As can be seen in Figure 9, five of eleven companies are still in the cost-driven stage. According to Shiele (2007), low maturity can inhibit some activities, which indicates the difficulties that can arise when developing procurement. This can once again be connected to the case companies’ support for procurement, which can be further strengthened by Cammish and Keogh (1991) who believe that the attitude toward purchasing affects the stage of development.

The companies that are placed in the third stage in Hook, Christopher, and Menas’ (2021) stages of procurement are HDS, PM2, and MIP. They state that there is a connection between procurement strategies and business strategy. Hook, Christopher, and Mena (2021) describe that the transformation from cost-driven to integrated mainly depends on changing the view of procurement. PM2 states that since the company got a new CEO who has a different way of looking at strategic procurement, the status within the company has changed. The changed approach implies that the company PM2 works at is approaching the fourth stage, leading procurement.

According to Hook, Christopher, and Mena (2021), the last stage implies that procurement is part of shaping the business. However, if one compares it with Cousin, Lawson, and Squire’s (2006) definition, it is more about purchasing being integrated and having a high status. Based on these factors GPM, PD, and MIS could be placed in the leading procurement stage. However, it should be mentioned that there are no indications that they affect the company's vision, but they are considered to work strategically. MIS believes that developing their eight focus areas together with management, would support the company's objectives and hence is strategic. In contrast to Cammish and Keogh (1991), who believe that procurement rarely moves from the first stage, Hook, Christopher, and Menas’ (2021) stages are more optimistic. Based on the factors that determine the stage at which companies should be placed, it also appears that most companies are moving forward. One reason for this might be that the view of procurement is changing, and more attention is being paid to the function.

For purchasing to become strategic, Cammish and Keogh (1991) present five key initiatives and the first one is about establishing a purchasing leader group. The empirical findings show that some of the interviewees are placed in some leadership groups. However, GPM is the only one stating that they have a central procurement group. The fact that the company where GPM works has a procurement leadership group can strengthen the fact that they have a strategic procurement which previous analysis has already indicated. As mentioned, most of the case companies do not have pronounced groups for purchasing leaders. This might be a reason why many of the case companies are placed earlier in the transformation process in conformity with Cammish and Keoghs’ (1991) first initiative.
The second initiative presented by the authors is shifting focus to include tasks that have a strategic impact. The empirical data indicates that all respondents have a strategic role within procurement and that the companies somewhat work with strategic issues. However, it can be interpreted that some of the case companies conduct tasks that have a greater strategic impact than others. As Cammish and Keogh (1991) mention, this can be facilitated by involving purchasing early in the process. The third initiative revolves around developing and upgrading the purchasing staff (Cammish & Keogh, 1991) which is something that almost every company currently is doing. The empirics show that several of the case companies work with education and recruitment to ensure the right knowledge and skills. Regarding integrating purchasing with the rest of the company, which is the fourth initiative presented in the frame of reference, previous comparisons show that more than half of the companies have succeeded with this. Cammish and Keogh’s (1991) last key initiative is about new ways to measure performance something that has not been investigated in this study even though some of the respondents discuss the development of new KPIs: s and new ways to be measured.

5.3 Internal conditions

5.3.1 Business strategy

As can be interpreted from the empirics, many of the case companies have a procurement strategy. Several of the interviewees expresses how the procurement strategy is connected to the business strategy and a few even participate in the strategic planning. One of the benefits of strategic procurement highlighted in the interviews is that it enables having a long-term perspective. This is in line with Freedman’s (2015) opinion and Chandler’s (1963) definition of strategy. Switching towards a strategic procurement is however easier said than done. Several of the interviewees agree that it requires proper management and a change of culture. Something that suggests that it is possible to succeed with a transformation is the fact that Porter (1996) highlights that companies continuously must adapt to new game plans and rules to respond to increasing competition and changes in the markets. The fact that many companies strive to develop a strategic procurement, due to an increasing need for procurement involvement, can be connected to Drucker’s (1994) statement. Drucker (1994) argues that the root cause for strategy crises is that how the company has been run no longer fits its reality. This implies that when strategic procurement fits, it can contribute to a company’s effectiveness. This strengthens the incentive for developing procurement towards being more strategic and becoming connected to the business strategy. Porter (1996) also points out that by only improving the operational work, a company will never be truly successful. As mentioned in the empirical chapter, operational procurement is still necessary but for procurement to contribute to greater value, it must have a strategic part.

5.3.2 Management control

The right support and management are important to implement strategic procurement according to the interviewees. This can be strengthened by Simons (1991) who argues that management control systems are often viewed as strategy implementation tools. The transformation towards strategic procurement can be seen as a strategy itself. It needs to be announced by the
management to succeed and PM1 states that the management must show the company how important strategic procurement is in relation to other important things. To be able to change what procurement does, management support is necessary. This can be connected to Simons’ (1995) statement that management control is used to change organisational activities. However, for procurement to be controlled appropriately, it is arguable that it should prove its worthiness.

Almost all the interviewees argue that it is important for procurement to have a connection to the business strategy and that they would prefer to be part of the strategic planning. Business strategy is placed in the middle of Simons’ (1995) model which shows the importance of having a connection between the business strategy and management control when implementing a new strategy. The respondents who were included in the strategic planning felt, to a greater extent, that the support from management was good. This can be connected to Arjaliés and Mundy (2013) who argue that the belief system ensures commitment to the organisation’s objectives.

Several of the interviewees argue that the initiative to become more strategic came from management. This can be connected to Simons’ (1995) belief system which is used to inspire the employees and encourage them to seek opportunities. The empirical data shows that management often is encouraging procurement to become more strategic or encourages procurement to do what they believe when the initiative to become more strategic comes from procurement itself, as in PM2’s case. However, Simons’ (1995) levers-of-control also includes a boundary system setting up limitations to prevent risks. It can be argued that many of the interviewees are being controlled by management since they do not put enough effort into helping procurement to become strategic. HDS is one of those arguing that management does not put enough effort into strategic procurement. MIS, on the other hand, states that he has gotten a mandate to make changes, which speaks for a milder boundary system. PCM describes how being included is a privilege that needs to be earned, speaking of a balance between Simons’ (1995) belief system and boundary system.

The fact that many experiences the support from management as too modest can be connected to the interactive control system presented by Simons (1995). The interactive control system is necessary to motivate new ideas and strategies (Simons, 1995), and is supported by management will encourage the interviewees to further develop procurement. Supporting strategies and helping procurement identify new opportunities is important for procurement’s transformation towards a strategic procurement, which is in line with Gond, Grubnic, Herzig, and Moons’ (2012) statement. The diagnostic control system, which on the other hand is used to control that the employees work towards a set goal, can rather be connected to the operative work. As DG argues, the management is satisfied, as long as procurement delivers as planned.

5.3.3 Change management

The empirical data shows that strategic procurement can be beneficial from both an internal and external point of view. PCM argues that it can help with cost savings and the development of the partnership. PM1, PD, and PM4 agree that strategic procurement can help when developing collaborations with suppliers. HDS states that strategic procurement will contribute
to quality, deliveries on time, and cost savings while PM2 and PM3, among others, highlight the ability to be proactive. PM1 argues that strategic procurement is about managing unpredictable events and help ensuring that the company properly manages the world’s resources. According to Nahavandi (2015) and Doval (2016), both internal and external factors affect a leader’s impact on the organisation, implying that the management in the case companies should consider internal and external factors which procurement can affect.

To succeed in transforming procurement MIS and HDS highlight the importance of change management. Nahavandi (2015) argues that it is preferable to be aware of the process and course of change. The empirical data shows that many of the case companies know where they are heading, toward a more strategic procurement. However, the process is in many cases rather unspecified. The change towards strategic procurement has met inertia in several of the companies, both from the management and from other employees within the company. It could be assumed that if the resistance towards a change is too big, it will be hard for change to happen. The empirical data shows that culture might have a part in creating inertia. This is since culture is hard to change and procurement has solely been seen as a service function. It can be hard to get the whole company aboard, and the support from employees is sometimes lower than what would be desirable. For procurement to transform management support and their willingness to support will be crucial. As Lewin (1951) states, there will always be some inertia. Using Lewin’s (1951) three stages of change the case companies can be argued to be in the unfreezing, change, or refreezing step, see Table 14.

Table 14 – Shows where the case companies are placed in Lewin’s (1951) three steps of change.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Lewin’s (1951) definition</th>
<th>Placement of the case companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfreezing</td>
<td>Convey the need for change and prepare the organisation</td>
<td>PCM, &amp; PM3</td>
</tr>
<tr>
<td>Change</td>
<td>Implement change</td>
<td>PM1, PM2, PM4, DG, HDS, &amp; MIP</td>
</tr>
<tr>
<td>Refreezing</td>
<td>Provide support and give time</td>
<td>GPM, MIS, &amp; PD</td>
</tr>
</tbody>
</table>

It could be argued that the company where PCM and PM3 work still are in the unfreezing step, which according to Lewin (1951) consists of conveying the need for change and preparing the organisation. Both PCM and PM3 agree that there is a need for procurement to become more strategic, but they must work more on conveying the need for it. The management and other employees still need to be conveyed that procurement can contribute to a greater value than just savings. The companies where PM1, PM2, PM4, DG, HDS, and MIP work could be argued to be in the implementation step. This step is about the implementation of new policies and practices (Lewin, 1951) and many of the interviewees argue that a step in creating strategic procurement is just that. However, it could be argued that the companies where GMP, MIS, and PD work, which have come further than the rest according to the previous analysis, are in the refreezing step. The refreezing step is about support and time (Lewin, 1951) which could be reconnected to the empirical findings where many of the interviewees highlight the need for support and time.
5.3.4 Organisational structure and procurement structure

To succeed in implementing a strategy Whittington et al. (2020) describe that it is vital to consider the company’s structures and system. From the empirical findings, a compilation of both the company’s organisational structure and the procurement structure is conducted, see Table 15. To determine which organisational structure respectively company has, Whittington et al. (2020) three organisational structures have been used as the basis. To categorise which procurement structure the different case companies have the three structures presented by Hoek, Christopher, and Mena (2021) have been used.

Table 15 - Shows whether the case companies have a centralised or decentralised organisation and where procurement is placed.

<table>
<thead>
<tr>
<th>Company</th>
<th>Role (Abbreviation)</th>
<th>Organisational structure</th>
<th>Procurement structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; infrastructure company</td>
<td>GPM</td>
<td>Centralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>Security company</td>
<td>DG</td>
<td>Decentralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>IT information company</td>
<td>PCM</td>
<td>Centralised</td>
<td>-</td>
</tr>
<tr>
<td>Pharmaceutical retailer</td>
<td>PM1</td>
<td>Centralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>Leasing company</td>
<td>PM2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Industrial company</td>
<td>MIS</td>
<td>Decentralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>Fastening technology company</td>
<td>HDS</td>
<td>Centralised</td>
<td>-</td>
</tr>
<tr>
<td>Kitchen retailer</td>
<td>PD</td>
<td>-</td>
<td>Centralised</td>
</tr>
<tr>
<td>Pharmaceutical company</td>
<td>PM3</td>
<td>Decentralised</td>
<td>Decentralised</td>
</tr>
<tr>
<td>Steel manufacturing company</td>
<td>MIP</td>
<td>Decentralised</td>
<td>Decentralised</td>
</tr>
<tr>
<td>IT communication company</td>
<td>PM4</td>
<td>Matrix</td>
<td>-</td>
</tr>
</tbody>
</table>

PM4 states that to succeed in strategic procurement it depends on the management and how much they have been in contact with the function. This is consistent with Corey (1978) who explains that positioning within the company is a key factor in procurement strategy. PM3, on the other hand, explains how its organisation is very decentralised. They are therefore trying to make some changes to achieve a more central organisation. PM3 also expresses that the goal for procurement is to be more central. The advantages of a centralised structure are according to Hoek, Christopher, and Mena (2021) maximum corporate leverage and the ability to professionalise. According to PM3, the procurement function is not strategic and restructuring towards a more central structure could therefore be beneficial. However, MIP argues that their company recently changed from centralised to decentralised. She mentions that procurement ended up way too far from the business when they were centralised, which led to a worse reputation. Moreover, MIP argues that they have a closer collaboration with the business today and the reputation of procurement is better now when they are decentralised.

In addition to the companies where PM3 and MIP work, the companies where MIS and DG works have a decentralised organisational structure. However, both MIS and DG explain that their procurement function is centralised. In the previous analysis, it has been shown that MIS and DG have a more strategic procurement than for instance PM3. As stated in the frame of
reference, Fredrickson (1986) believes that organisational structure can have a profound impact on strategy, however, it is the organisational and not the procurement structure that he highlights. Moreover, the organisational structure might affect the transformation but more speaks for the importance of the procurement structure.

GPM states that being centralised and being a part of the procurement management group creates advantages such as collaboration and coordination. The fact that a centralised structure provides greater opportunities for participation in management is something that Hoek, Christopher, and Mena (2021) point out. The authors further state that procurement has no corporate role in a decentralised structure and the purchases are transacted in the local businesses. The procurement function at the company where PD works is another example where the structure is centralised. He explains how the procurement function is located regionally but reports centrally. The company, where PD works, has a procurement strategy that is part of the business strategy. This could suggest that a centralised structure is advantageous and implies that strategic procurement should be central to improving connection and contact with management. However, Sandhu and Kulik (2019) stand by the opinion that in a centralised organisation, the decision-making authority is centralised at the higher levels of the organisational hierarchy. The empirical evidence shows that the majority is not a part of top management but states that it would have been desirable.

DG’s procurement function is responsible for IT sourcing and is centralised. However, DG argues the disadvantage of this structure is that the function is placed far away from the business. This is in line with Hoek, Christopher, and Menas’ (2021) theory which expresses that a centralised structure leads to that procurement being removed from the organisation. However, DG emphasizes that the collaboration with other functions is good and that they have a strategic procurement.

The company, where PM4 works, is one of few that has a structure reminiscent of a matrix structure and he mentioned that the procurement function is placed below finance. From the previously presented analysis, it appears that PM4’s procurement function is not that strategic. According to Whittington et al. (2020), the matrix structure could be beneficial if the structure is handled correctly. However, there are often many challenges with the matrix structure according to Whittington et al. (2020), which can be confirmed by PM4 as the company currently are restructuring.

Hoek, Christopher, and Mena (2021) emphasize some additional aspects to consider regarding organisational structure. The first aspect revolves around the fact that report lines are strongly affected by the structure. Evidence of this is demonstrated by MIP who believes being closer to those who decide could be an advantage. This might be because the report line to management gets much longer if decentralised. Moreover, this suggests that working far away from the business can affect the status. Implying that both management and the employees’ view of procurement may affect its ability to become and work strategically. Hoek, Christopher, and Mena (2021) further discuss the importance of having the same direction as
the operating model of the business. PM1 highlights that if the function does not have the same vision as the company people will lose focus. His picture of important aspects to keep in mind, therefore, agrees with Hoek, Christopher, and Menas’ (2021).
6 Conclusions

This chapter presents the conclusions connected to this Master’s thesis’ purpose and research questions, which have been drawn from the analysis. The conclusions are presented after a brief recollection of the purpose.

The purpose of this thesis has been to investigate procurement transformation by examining the process of implementing a strategic procurement and which internal factors affect the implementation. The examination has been conducted on eleven case companies, thus making it wide rather than deep. The following conclusions have been reached:

RQ1: What can the implementation process of strategic procurement, i.e., procurement transformation, look like?
A procurement transformation can be compiled into four stages and starts with the initiative and will to transform. This comes from realising a need and the understanding that procurement can contribute to more than just cost savings. The initiative can come from management or procurement itself but must be anchored with the other part. For the transformation to continue, the initiative, and will, must continue to exist. It is not uncommon for management to fail with follow-up and continue to drive the transformation which causes the transformation to stop. This shows the importance of appropriate management support. Moreover, if the need for strategic procurement is initiated, but the will to transform decreases the transformation will slow down or even stop.

The transformation continues with increasing involvement. This includes that procurement should be included in the strategic planning, ensuring a connection between business strategy and procurement strategy. A procurement transformation implies a shift from being reactive to proactive which enables a shift from being cost-focused to implementing a long-term plan. For the long-term plan to be valuable and contribute to strategic procurement there must be a connection between the company’s business strategy and the procurement strategies. Procurement should be integrated into the company, entailing cooperation and collaboration with other parts of the company. By increasing the involvement and integration of procurement, procurement can receive a mandate to implement changes. Thereafter development follows.

Development indicates that procurement continually must develop its capabilities. Capabilities are often ensured through recruitment and education. Ensuring that procurement gets the opportunity to develop its knowledge and skills can be considered vital for it to become strategic. To continue development, it is important to seek new opportunities and have proper risk management. This can be connected to the last stage sustain. To sustain, strategic procurement must continue to develop in line with changes in the environment. A compilation of the procurement transformation is shown in Figure 10.
A transformation will consist of the presented stages. However, since the driving forces for a procurement transformation somewhat differ depending on whom one speaks to, the transformation can appear differently in different situations. Implying that the different stages can require a different amount of time and that the stages merge into each other.

**RQ2: How can internal conditions affect procurement transformation?**

The connection between business strategy and procurement strategy is vital. Without it, it is hard for procurement to become strategic. For procurement strategy to be aligned with the business strategy, procurement must possess the right knowledge and skills, status, involvement, and integration. Having a connection between the strategies can therefore be argued to have a positive effect on the transformation.

Management control will affect procurement’s possibilities to search for new opportunities, take risks, and improve its way of working. For procurement to be controlled appropriately, it must prove its worthiness. For procurement to get a mandate to make decisions it can be assumed that management trusts its ability to do what is right for the company. This implies that management control will affect procurement’s possibility to become strategic.

Change requires change management. If the resistance towards a change is too big, it will be hard to implement a change. Culture plays an important part in creating inertia within a company. This is because culture is hard to change, and procurement has solely been seen as a service function. It can be hard to get the whole company abroad, and the support from employees is sometimes lower than what would be desirable. This can be due to little or no understanding of procurement and its work. For procurement to transform, management support and willingness to help are critical. Moreover, the drive to develop from procurement itself is necessary.

Although it can not be said with certainty that the organisational structure affects strategic procurement it has been established that the procurement structure has an impact. The analysis shows that the three most successful procurement functions have a centralised structure, which
leads to closer collaboration with management. This places procurement closer to decision-making and simplifies the function’s impact on the business strategy.
7 Discussion and contributions

This chapter consists of a discussion regarding the conclusion of the purpose and the research questions. Thereafter the contributions and suggestions for the future are discussed.

7.1 Discussion

This Master’s thesis has resulted in a model of procurement transformation consisting of four stages. All companies undergoing a procurement transformation are assumed to undergo all four stages in some way. However, it is reasonable to believe that the stages will require a different amount of time in different cases. In this Master’s thesis, neither the size nor the industry in which the company operates has been considered. Arguably, both size and industry will affect the procurement transformation. This indicates that if performing an investigation where size and industry are taken into consideration, more generalizable conclusions could be drawn.

To investigate what the procurement transformation looks like in more detail would have required more companies that have transformed. It would have been interesting to investigate a more detailed transformation it could contribute to helping companies to transform their procurement function and thus become more strategic and secure value contributions. The conclusions indicate that support is an important factor for a transformation, however, what it includes and how to create such support has not been investigated but could be argued to affect the success of a transformation. Further, it has been shown that procurement should be integrated into the company to a greater extent, but how to succeed with integration would have required a more specific investigation. It can be argued that the development of capabilities within the procurement function depends on the support and the integration since different situations might require different capabilities. Further, how to sustain performance would have required several companies that have been working on a strategic level for years in order to identify success factors.

This Master’s thesis has strengthened the fact that a connection between business strategy and procurement strategy is vital, and the connection can be argued to have a positive effect on the transformation. However, what type of connection between these two preferable strategy areas has not been investigated. It is possible that a company’s size, degree of maturity, and which industry it operates within could affect how the connection should be designed. Moreover, this thesis has pointed out that management control can affect procurement’s possibilities to search for new opportunities, take risks, and improve its way of working. However, the connections between management support and management control could have been further investigated. Appropriate management control may be more likely to appear in a company where management support is good, thus requiring support. This thesis strengthens the fact that change management is necessary when implementing this type of change. The bigger resistance, the harder will it be for procurement to become strategic. However, how to use change management to best carry out a transformation should be further investigated.
Conclusions regarding procurement structure have been established, however, there is not enough sufficient data to determine whether the organisational structure has an influential effect on strategic procurement. To be able to draw conclusions regarding organisational structure more empirical data on the case companies’ structures would have been needed. This indicates that more interviews with more people in other functions should have been done. Since the literature indicates connections between structure and strategy it would have been interesting to explore more thoroughly.

Despite that the authors of this Master’s thesis have strived to stay objective; all empirical data is subjective opinions from purchasing managers or similar within the case companies. To ensure objectivity regarding the subject and therefore also the conclusions it could be appropriate to include other employees’ opinions. Within each case company, further interviews could have been conducted, for example with someone working as a strategic purchaser, a CEO, and an employee who collaborates with procurement but does not work within the function. This could have contributed to a more objective and wider view of the subject. Moreover, the fact that only a purchasing manager, or similar, was interviewed at each company could have contributed to a subjective picture of how far each company has come in the transformation, thus affecting the conclusions.

7.2 Contributions
This Master’s thesis contributes to the existing research on the subject strategic procurement and procurement transformation. This Master’s thesis has investigated strategic procurement by, for example, identifying the pros and cons. The empirical findings have been compared with previous literature conducted by Carr and Smeltzer (1997) and Paulraj, Chen, and Flynn (2006). The findings in this thesis and the previous literature are in line with each other. The Master’s thesis shows what a procurement transformation can look like and connects different previous theories regarding the subject. The theories presented by Knoppen and Sáenz (2015) and Hoek, Christopher, and Mena (2021) have been used to map how far companies within different industries have come with their transformation, showing what steps have been taken and what remains to achieve a strategic procurement. Based on the previous literature, mainly the articles written by Knoppen and Sáenz (2015) and Hoek, Christopher, and Mena (2021), this Master’s thesis has contributed with a model of procurement transformation.

The conclusions of this Master’s thesis indicate that it appears to be beneficial for procurement to have a close connection to the business strategy, have the right management control, and change management to transform towards a strategic procurement. Moreover, it appears to be beneficial to have strategic procurement centralised within the company. However, the conclusions of this Master’s thesis should be further investigated and have opened for further studies.
7.3 Suggestions for future studies

This thesis has investigated procurement transformation. However, since all participating companies are widely dispersed in terms of size, industry, and degree of maturity a further investigation of the transformation would be needed to be able to draw concrete conclusions. One suggestion for future studies is to conduct this type of investigation within a specific industry. By examining a specific industry, one can examine whether there is a correlation between the degree of maturity and the size of the company. By narrowing it down to a specific industry, it could get easier to draw conclusions that are generalisable for the industry. It is reasonable to believe that a transformation will differ within different industries since procurement appears differently within for example a manufacturing company and a service company. By doing an industry-specific investigation it is also possible to conduct a comparison of manufacturing companies and service companies.

A second suggestion for future studies is to conduct a single case study. A single case study creates the opportunity to investigate something in depth. By interviewing several people within the same company, one can get a broader view of how status, integration, etc. are at the specific company. With a single case study, it is perceived easier to investigate what kind of support is needed, how to integrate procurement into the company, and how to involve procurement in the strategic planning in more detail. However, it could be hard to draw any generalisable conclusions even though it will create a greater understanding of the individual case. The findings can thus be applied to or compared with another case.

The third suggestion for future studies is to investigate which tools and processes are advantageous for the success of a transformation. Although several of the case companies mentioned that they have used different types of systems to simplify and improve their work, no conclusion could be drawn based on the conducted data. Various tools that would have been interesting to explore further can for example be spend analysis and digital tools such as source to pay [S2P]. By investigating how different companies use these tools, conclusions can be drawn as to whether the tools are beneficial in a transformation. A future study could therefore go more in-depth into how tools and processes can facilitate the transformation and thus create a more strategic procurement.

In this Master’s thesis, only internal conditions have been reviewed, even though several external conditions can affect a company. A transformation towards a strategic procurement is assumed to be affected by several external factors and it could therefore be interesting to examine what external conditions could affect the transformation. Arguably, a transformation could be affected by suppliers, competitors, but also the environment in which the companies operate. It is likely that, depending on which company is investigated, suppliers will have different degrees of influence. The supplier base is believed to have a major impact on how procurement should adapt their strategy and a future study could examine that subject. Several case companies stated that the outside world has contributed to difficulties with working strategically. Therefore, it may be wise to examine the environment and its impact more properly.
In conclusion, the authors of this thesis believe that to be able to generalise the conclusions, further work must be conducted, even though the thesis contributes with an indication of what the procurement transformation can look like and how the internal conditions of business strategy, management control, change management, and organisational structure can affect the transformation.
References


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Appendix 1 – Interview guide for the Pre-study

Intervjumall


* Vad heter du?
* Vad har du för roll idag?
  o Hur länge har du jobbat med inköp?
* Har du under din tid som inköpare sett en förändring inom inköpsfunktionen? Vilka?
  o Är det några förändringar som står ut mer i jämförelse med andra?
* Upplever du att företag arbetar med inköp som en strategisk funktion?
  o Om ja, hur på vilket sätt?
  o Om nej, vad saknas?
* Upplever du att inköpsfunktionen är kopplad till företagens affärstrategi?
* Varför är transformation viktigt enligt dig?
  o Vad har gett upphov till förändringen? (bakgrunden)
* Hur skulle du beskriva en ”dålig” inköpsfunktion?
* Hur skulle du beskriva det ultimata inköpet?
* Upplever du att ledningens syn på inköpsfunktionen påverkar hur strategiskt inköpen blir?
* Har du någon uppfattning om var man lyckats bättre?
Appendix 2 – Interview guide

Intervjuguide

Information & introduktion

Introduktion:

Syfte med intervju:
Syftet med denna intervju är att undersöka inköpsstransformation. I vårt examensarbete har vi definierat inköpsstransformation som förändringar mot ett strategiskt inköp.

Information:
Crandforutsetningarna är att du nämns med roll i vår uppsats samt att bransch och företagets namn står med. Vi kommer givetvis att skicka över materialet så att du får godkänna det som skrivits. Detta för att underlätta vårt arbete samt för att vi ska ha möjligheten att dra branschevatisks slutsatser. Vi undrar även om det är ok att citera dig. (Önskar du/företaget att vara anonyma är det möjligt).
Vi vill gärna spela in intervjun för att sedan kunna transkribera den, är det okej för dig? Det inspelade materialet kommer att raderas och inte visas för någon annan. Men vi kommer som sagt att skicka över det transkriberade materialet för ditt godkännande.
Har du några frågor till oss innan vi börjar?

Intervju innehåller 4 delar:
• En inledande del där du får berätta om dig själv och din roll
• En del som fokuserar på strategiskt inköp och inköpsstransformation
• En del som fokuserar på kopplingen mellan affärsstrategier och inköpsstransformation
• En del som fokuserar på framgångsfaktorer kring inköpsstransformation

Bakgrund
1. Var jobbar du? (Företag & Bransch)
2. Vad har du för roll?
   • Hur länge har du jobbat på företaget?
3. Hur ser er organisationssstruktur ut?
   • Har ni historiskt sett haft en decentraliserad eller centraliserad struktur?
4. Var är inköp placerat i er organisation?
Strategisk inköp & inköpstransformation

1. Hur arbetar ni med inköp?

2. Vad har inköp för status i er organisation?

3. Hur säkerställer ni att inköpsfunktionen besitter rätt kunskap och förmågor för att genomföra sitt arbete?
   • Hur skulle du beskriva denna kunskap och dessa förmågor?
   • Hur arbetar ni för att hela idén utveckla kunskap och förmågor?

4. Hur säkerställer ni att inköpsfunktionen bidrar till företagets affärsstrategi?

5. Hur hanterar er inköpsfunktion risken?

6. Hur arbetar er inköpsfunktion för att söka efter nya möjligheter?

7. Hur säkerställer ni att er inköpsfunktion har tillgång till relevant information?

8. På vilket sätt arbetar ni med strategiskt inköp?

9. Stämmer din definition av strategiskt inköp in på det sättet som ni arbetar?
   • Om nej, vad skiljer din definition från ett arbetsätt?

10. Vilka är fördelarna med ett strategiskt inkop enligt dig?

11. Vilka är nackdelarna med ett strategiskt inköp?

12. Hur är inköp integrerat i ert företag?
   • Hur har ni gått till väga för att lyckas integrera inköp?

13. Hur är inköp involverat i den strategiska planeringen i ert företag?
   • Hur har ni gått till väga för att lyckas involvera inköp?

14. Hur såg er inköpsfunktion ut innan den blev strategisk?
   • När insåg ni att det var dags för en förändring?
   • Vad satte i gång arbetet?

15. Hur arbetar ni/har ni arbetat för att gå från ett traditionellt inköp till ett strategiskt inköp?

16. Anser ni att ni uppnått ett strategiskt inköp eller har ni fler aktiviteter planerade för att nå dit?
   • I sådant fall, vilka aktiviteter planerar ni att genomföra?

17. Vilka aktiviteter(siegl) definierar du som de viktigaste i er transformation?
Affärsstrategier & Inköpstranformation
1. Hur har ni arbetat för att utveckla strategier inom inköp kopplat till affärsstrategier?
2. Hur har ni arbetat för att säkerställa implementering av de ”nya” strategierna/förändringarna?
3. Vilket tidperspektiv har ni vid framtagande av strategier?
   • Har ni olika tidperspektiv för olika typer av strategier?
4. Hur anses du att inköpsavdelningen arbetar för att stärka företagets konkurrensfördelar?
5. Hur utvärderar ni era strategier?
6. När ni utvecklar affärsstrategier (eller andra strategier), utgår ni främst från interna (resurser, kompetenser, förmågor) eller externa (marknad, konkurrenter) aspekter?

Framgångsfaktorer – Inköpstranformation
1. Vilka förutsättningar anser ni varit nödvändiga för att möjliggöra en övergång till ett strategiskt inköp?
2. Har ni identifierat några svårigheter/hinder som gör gjort arbetet svårare?
3. Hur ser ledning på inköp och deras arbete?
4. Hur ser anställda på inköp och deras arbete?
5. Hur har stötningen från ledningen varit under transformationen?
6. Hur har stötningen från anställda varit under transformationen?
7. Hur arbetar ni för att bibehålla ett strategiskt inköp?

Avslut
Där hade vi vår sista fråga! Har du någonting du önskar tillägga?
Då tackar vi så hjärtligt för din tid. Vi tänkte också höra om vi får återkomma med kompletterande frågor om sådana dyker upp.