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Factors facilitating the strategic alignment between the purchasing strategy and business strategy: a SME context

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Abstract

Purchasing research in the context of SMEs is still under-researched today, despite the importance of purchasing for all organizations. For factors leading towards strategic alignment between the purchasing strategy and business strategy holds this as well. Existing research has shown the importance of strategically aligning the purchasing strategy as it creates competitive advantage and enhances firm performance.

For these reasons, this study aims to discover the factors aligning the purchasing strategy with the business strategy in SMEs. Based on a literature review in the areas of purchasing, strategy and SMEs, a synthesis section is developed and four propositions are stated towards the presence of strategic alignment factors in SMEs. In order to discover these strategic alignment factors, an exploratory research approach is chosen which is operationalized by means of a semi-structured interview. The data has been collected from 12 purchasers of different SMEs.

Four dimensions facilitating the strategic alignment between the purchasing strategy and business strategy are found in SMEs, consisting of: 1) Skills, knowledge & experience; 2) Organizational structure; 3) Organizational dynamics and; 4) Customer requirements. Within these categories new alignment factors as well as known alignment factors are found. The customer requirement dimension was not found before and is first introduced in this research. Additionally, substitutions between several strategic alignment factors and relationships between strategic alignment factors and revenue were found.

In short, SMEs make use of both strategic alignment factors that were not expected to be used by SMEs as well as their utilization of SME specific alignment factors.

Keywords: Strategic Alignment, Strategic Alignment Factors, Purchasing, Strategy, SMEs

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Index of Abbreviations

CPO	Chief Purchasing Officer
e.g.	For example
EU	European Union
Fig.	Figure
FTE	Full-time employee
KPI	Key Performance Indicator
JIT	Just-in-time
LE	Large Enterprises
NFBE	Non-Financial Business Enterprises
RBV	Resource-Based-View
RQ	Research Question
Tab.	Table
SCM	Supply Chain Management
SME	Small and Medium Sized Enterprise
VRIN	Valuable, Rare, Inimitable, Non-Substitutable

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1. Introduction: strategic alignment is essential yet under-researched in the context of SMEs

Purchasing allows firms to cut costs and create end-customer value at the same time. Today, purchasing is responsible for spending up to 85% of revenue directly on suppliers in some companies (Sobhani, Malarvizhi, Al-Mamun, & Jeyashree, 2013, p.255). Moreover, purchasing acts as an integrator with other business functions as well as with the suppliers in order to satisfy end-customer needs (van Weele, Rozemeijer, & Rietveld, 1998, p.6) Furthermore, purchasing influences the overall firm performance (Carter & Narasimhan, 1996, p.24; Chen, Paulraj, & Lado, 2004, p.518).

Purchasing has developed into a strategic and value adding function over the decades (van Weele, Rozemeijer, & Rietveld, 1998, p.4-6; Schiele, 2019, p. 47-48; Wynstra et al., 2019, p.1). A developed purchasing organization includes a hierarchy of strategies with the business strategy at the top exercising influence on the purchasing strategy including its sub-strategies (Hesping & Schiele, 2015, p.139). The purchasing strategy in turn should be aligned with the competitive strategy of the business to achieve the strategic business objectives (González-Benito, 2007, p.913) for which strategic alignment factors are responsible.

Strategic alignment factors are considered as characteristics/properties of individuals or organizations that facilitate the strategic alignment between the purchasing strategy and business strategy. Several alignment factors have been identified in the purchasing literature which can be classified according to their unit-of-analysis in terms of: 1) Purchasing skills (e.g. Giunipero, Handfield, & Eltantawy, 2006, p.822; Handfield, Cousins, Lawson, & Petersen, 2015, p.3); 2) Organizational structure (e.g. Narasimhan & Das, 2001, p.593; Baier, Hartmann, & Moser, 2008, p.36) and; 3) Purchasing maturity (e.g. Cousins et al., 2006, p.787; Adams et al., 2016, p.159-162)

Although a vast majority of enterprises are SMEs (Mazzarol, Reboud, & Clark, 2011, p.1), the majority of purchasing literature is based on larger enterprises which represent just a tiny portion of all enterprises (Ramsay, 2008, p.567-569). In terms of purchasing, little attention has been paid to SMEs (Quayle, 2002, p.151; Coy et al., 2020, p.128). As a result, the existing purchasing theories are only of limited practical usefulness (Ramsay, 2008, p.567-569).

This turns out to be illogical, as SMEs are in its essence the backbone of the economy, since they account for 99.8% of all businesses, are responsible for 56.4% of value added and 66.6% of employment in Europe (Muller et al, 2019, p.17).

Similar to purchasing literature, strategic alignment is an under-researched area within SMEs as well (Street, Gallupe, & Baker, 2017, p.420). The strategic alignment factors found in literature are often typical for the characteristics of larger enterprises (e.g. Handfield et al., 2015, p.12), indicating that these factors will not hold in SMEs as the organizational characteristics are very differently (e.g. Ghobadian & Gallear, 1996, p.83).

In terms of specific alignment factors, SMEs do often not have highly skilled personnel (Welsh & White, 1981, p.32), however, literature addresses that the purchasing professionals are a major factor in facilitating strategic alignment (Giunipero, Handfield, & Eltantawy, 2006, p.825). Furthermore, the organizational structure that leads towards higher levels of strategic alignment represents the organizational structure of larger enterprises to a large extent (e.g. Ghobadian & Gallear, 1996, p.83), which are very different from SMEs organizational structures (Singh, Garg, & Deshmukh, 2008, p.525-526). Moreover, professionalized purchasing organizations result in to higher levels of strategic alignment, however, the purchasing function is often limitedly developed in SMEs (Coy et al., 2020, p.136-138).

These observations show that the strategic alignment factors found in the literature seem not hold for SMEs. This indicates that the strategic contribution and purchasing performance within SMEs would be low. However, given the essential part purchasing plays within organizations (Chen, Paulraj, & Lado, 2004, p.518) and also in SMEs (Coy et al., 2020, p.137), it would not be likely that the purchasing which is a core business function (Brown, 2008, p.53) structurally underperforms in SMEs.

In line with the observation that current purchasing literature focuses mainly on larger enterprises (Quayle, 2002, p.151; Coy et al., 2020, p.128) which is not representative for SMEs and the need for more research on SMEs (Ramsay, 2008, p.567-569) in combination with the under-researched area of strategic alignment in SMEs (Street, Gallupe, & Baker, 2017, p.420) the main aim of this research is to discover the factors that facilitate the strategic alignment between the purchasing strategy and business strategy in SMEs.

In order to get answers to this research aim, 12 semi-structured interviews have been carried out with purchasers from SMEs. The interviewees were non-randomly sampled as experts in the field were required (Cunningham & Carmichael, 2017, p. 79) to provide

answers to the research question. In total, 3 interviews included small enterprises and 9 interviews included medium-sized enterprises. The interviews were recorded after which the recordings were transcribed. The transcriptions were analysed by means of content analysis.

From a theoretical point of view, the most striking outcomes of this research are the presence of strategic alignment factors which were expected to be a typical fit for larger enterprises. Furthermore, SME specific strategic alignment factors are found as well. Another interesting insight this study provides is the possibility of strategic alignment factors substituting one another under certain conditions. Furthermore, possible relationships between several strategic alignment factors are found and discussed.

Taking a practical perspective, this research provides managers of SMEs several insights to better align their purchasing strategy with the business strategy, as a wide range of strategic alignment factors are found. As a consequence, managers can improve their purchasing performance as well as purchasing performance due to higher levels of alignment.

The remainder of this report is structured as follows. In chapter 2 a structured literature review in the areas of purchasing, strategy, strategic alignment and SMEs is conducted. Eventually the literature is synthesised into the conceptual research model including four propositions. In chapter 3, the qualitative research methods used to operationalize this research are explained and why this particular approach is chosen. Chapter 4 presents the findings derived from the interviews with the purchasers in SMEs based on the four main dimensions of strategic alignment, that include: 1) Skills, knowledge and experience; 2) Organizational structure; 3) Organizational dynamics and; 4) Customer requirements. In chapter 5, these results are discussed in relation to existing literature. Furthermore, managerial implications are provided as well as the limitations and areas for future research. In chapter 6, the complete research is shortly concluded.

2. Literature Review: a strategically aligned purchasing strategy adds value to the organization as a whole

The literature review has the aim to provide a comprehensive overview of the purchasing literature in four areas which are essential to understand the context of this research and a synthesis section. This chapter contains the following four sections: 2.1) Strategic purchasing; 2.2) Strategy; 2.3) Strategic alignment; 2.4) SMEs and; 2.5) Synthesis section.

2.1 Strategic purchasing activities create value for organizations

In section 2.1.1 of this paragraph, the meaning of purchasing in this research is defined. Furthermore, the strategic development of the purchasing organization and the associated benefits of a strategically developed purchasing organization are described in section 2.1.2.

2.1.1 Strategic purchasing concerns four sequential processes: planning supply, the selection, contracting and controlling & evaluation of suppliers

Purchasing is defined in various ways by different authors, often not just as a single activity but rather as a collection of sequential processes. Wynstra et al. (2019) define purchasing as “*the design, initiation, control and evaluation of strategic, tactical and operational processes within and between organizations, aimed at acquiring products and services at the most favourable conditions*” (p.1). Liu, Su, & Zhang (2018, p.5) describe purchasing as a process that starts with making a purchasing plan, moving towards the selection and contracting of the best suitable suppliers. Finally the established contract is executed. Schiele (2019, p.48) systematically distinguishes purchasing into two main processes consisting of: 1) Strategic Sourcing and; 2) Operative Procurement. Strategic sourcing can be further composed down into three sub-processes (Schiele, 2019, p.48): 1a) Planning Supply; 1b) Contracting Supplier and; 1c) Selecting Supplier. The operative procurement part can be split into (Schiele, 2019, p.48): 2a) Ordering material; 2b) Expediting the order and; 2c) Paying delivery (Schiele, 2019, p.48).

Based on these definitions and the strategic emphasis of purchasing in this research, purchasing is defined as: “*The activity of planning supply, selecting, contracting, controlling and evaluating the strategic purchasing processes on behalf of the acquisition of the required supplies from the best suited suppliers against the right strategic objectives.*” The definition of the purchasing is visualized in figure 1.

The process contains the aspects of Liu, Su, & Zhang (2018, p.5) and looks similar to the purchasing definition of Schiele (2019, p.48), however, the operational processes are left out because of the strategic focus of this research. Furthermore, the controlling and evaluation aspects are added as defined by Wynstra et al. (2019, p.1) and the need for professional controlling activities proposed by Schiele (2019, p.48). Lastly, the purchasing process is continuous as Schiele (2019, p.55) states that the purchasing processes repeat themselves in cycles.

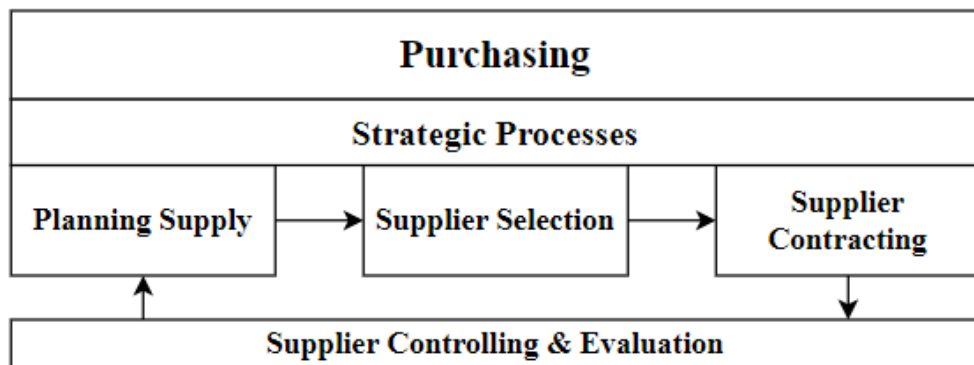


Figure 1 - Purchasing defined based on: Wynstra et al. (2019, p.1); Liu et al. (2018, p.5) and; Schiele (2019, p.48)

These four strategic purchasing processes jointly define the meaning of purchasing in this research. In case the reader is interested in a more detailed insight on the activities taking place in these four purchasing processes, Appendix I offers further explanation. In the next section 2.1.2 the beneficial outcomes of engaging in these strategic purchasing activities are described.

2.1.2 Strategic purchasing positively influences strategic outcomes, buyer-supplier relationships and firm performance

First in this section the development of purchasing towards a strategic business function is shortly described. In case the reader is interested in a more detailed description on the strategic development of the purchasing function, Appendix II offers a more comprehensive description on purchasing development. Secondly the importance of a strategically developed purchasing function and the associated beneficial outcomes are described.

2.1.2.1 Fierce competition has driven the strategic development of purchasing to a professional value-adding function

The increasing (global) competition shifted the market where companies operated as price makers towards price takers, creating a higher need for cost reduction (Poissonnier, 2017, p.1). The first step in order to do so, was to outsource non-core business activities (Yeung, 2008, p.491; Poissonnier, 2017, p.1) resulting in less vertically integrated value chains and an increased amount of money spent on suppliers (Schiele, 2019, p.46; Poissonnier, 2017, p.1). Today, some firms spend even up to 85% of their revenue directly on their suppliers (Sobhani, Malarvizhi, Al-Mamun, & Jeyashree, 2013, p.255).

At the beginning of this movement, purchasing was rather considered as an operational activity. Nevertheless, purchasing has nowadays a strategic focus (Wynstra et al., 2019, p.1). Before becoming strategic, purchasing has been going through several development stages (Freeman & Cavinato, 1990, p.8; Van Weele, Rozemeijer, & Rietveld, 1998, p.4-6). At the highest level of development, the main objective of purchasing is delivering value to the end customer (van Weele et al., 1998, p.5). The purchasing strategy is integrated within the business strategy and constantly updated along the supply chain to serve the most value to the end-customer (van Weele et al., 1998, p.5). Freeman & Cavinato (1990, p.9) describe the strategically developed purchasing function as broadly visioned and internally integrated with other business functions as well as externally with the suppliers. Moreover, at the fully developed stage purchasing is a major contributor to firm profit (Freeman & Cavinato, 1990, p.9).

In this section the drivers of developing a strategic purchasing function have been discussed. Furthermore, the purchasing function at the highest level of development is described. In section 2.1.2.2 the benefits firms obtain when developing a strategic purchasing function are discussed.

2.1.2.2 Strategic purchasing functions positively influence strategy making, buyer-supplier relationships and firm performance.

In the literature various reasons why firms should professionalize their purchasing function have been found. These findings are categorized according to their unit-of-analysis that provides the beneficial outcome for the firm: 1) Strategy; 2) Buyer-Supplier and; 3) Firm performance. These beneficial outcomes are outlined below.

Strategy

From a strategic point of view, purchasing is capable of making strategic purchasing decisions once purchasing becomes involved in strategic planning activities (Carr & Pearson, 2002, p.1048). Furthermore, purchasing is more likely to contribute to the long-term goals of a firm once it is integrated in the strategic dialogue (Knoppen & Sáenz, 2015, p.124).

Buyer-Supplier

In terms of buyer-supplier interaction, higher levels of strategic purchasing are related to higher levels of buyer-supplier relationships (Carr & Pearson, 1999, p.514). As a result of better buyer-supplier relationships, Corsten & Felde (2005, p.456) found that trust in the buyer-supplier relationship reduces the purchasing costs and higher levels of financial performance are achieved due to buyer-supplier collaboration. Moreover, the more developed strategic nature of the purchasing function, the better the performance for both the buyer and supplier will be (Paulraj, Chen, & Flynn, 2006, p.117). Lastly, strategic purchasing is also positively related to supplier development leading to greater relational rents (Sánchez-Rodríguez, 2009, p.169).

Firm Performance

Concerning firm performance, a strategically developed purchasing function leads to improved financial performance (Sobhani, Malarvizhi, Al-Mamun, & Jeyashree, 2013, p.255) and is a major contributor to firm profit (Freeman & Cavinato, 1990, p.9). Moreover, strategic supplier selection leads both towards higher levels of firm performance and customer satisfaction (Tracey & Tan, 2001, p.185). In addition, purchasing can influence the bottom line results by strategically influencing their suppliers (Chen, Paulraj, & Lado, 2004, p.518).

In this section the various benefits firms derive from strategically developing their purchasing function are described. The benefits flowing from a strategically developed purchasing function are summarized in table 1.

Benefits of a strategically developed purchasing function

Unit of Analysis and Benefits	Research
<i>Strategy</i>	
+ Achieving long-term goals	Knoppen & Sáenz (2015)
+ Strategic Decisions	Carr & Pearson (2002)
<i>Buyer-Supplier</i>	
+ Buyer performance	Paulraj, Chen & Flynn (2006)
+ Supplier performance	Paulraj, Chen & Flynn (2006)
+ Buyer-Supplier relationship	Carr & Pearson (1999)
+ Supplier Development	Sánchez-Rodríguez (2009)
<i>Firm Performance</i>	
+ Financial performance	Corsten & Fedde (2005); Chen, Paulraj & Lado (2004); Sobhani et. al (2013)
+ Customer satisfaction	Tracey & Tan (2001)

Table 1 – Benefits firms obtain from engaging in strategic purchasing activities

To summarize this chapter, purchasing consists of four strategic processes: 1) Planning supply; 2) Supplier selection; 3) Supplier contracting and; 4) Supplier controlling & evaluation. In these four strategic purchasing processes strategic decisions are being made which add value to the company in turn as well as to their customers. In order to become the value adding function purchasing is today, purchasing has strategically developed over the years (Freeman & Cavinato, 1990, p.8; Van Weele, Rozemeijer, & Rietveld, 1998, p.4-6). Firms that have adopted these strategic purchasing practices face various benefits in terms of their: 1) Strategy execution; 2) Buyer-supplier interaction and; Firm performance. In chapter 2.2 strategy literature is reviewed, as it is important to understand how strategy is developed and related to strategic purchasing practices.

2.2 Multiple levels of strategy flow through organizations to achieve sustainable competitive advantage

Strategic purchasing actions and principles are dependent upon the company's competitive strategy. In the first paragraph of this chapter different views on strategic inter-relationships and strategy development are discussed. In the second paragraph, strategy is discussed on five strategic levels that flow through businesses according to the framework of Hesping & Schiele (2015, p.139). These five levels of strategy are: Level 1) Competitive Strategy; Level 2) Functional Strategy; Level 3) Category Strategies; Level 4) Sourcing Levers and; Level 5) Supplier Strategies.

2.2.1 Different views exist on inter-organizational strategic relationships and strategy development

Over the years several scholars have developed different theories on how strategy interacts within organizations. Porter (1989, p.1) describes strategy from a hierarchical point of view, with the corporate strategy at the head of a corporation. The corporate strategy influences in turn the business strategy and consequently also the functional strategies of the business units belonging to the corporation (Porter, 1989, p.4-6). This top-down approach is called a hierarchical view on strategy (Chakravarthy & Henderson, 2007, p.650).

Chakravarthy & Henderson (2007, p.643) argue that the hierarchical approach is outdated in the current complex and turbulent world. Chakravarthy & Henderson (2007, p.643) advocate that the hierarchy of strategies should be replaced by the heterarchical view. The heterarchical view includes the corporate strategy, business strategy and functional strategy as well, however, in this view all three strategies are interrelated and influence each other (Chakravarthy & Henderson, 2007, p.647-650). Due to the interrelatedness between the three levels of strategy the heterarchical approach is much more dynamic (Chakravarthy & Henderson, 2007, p.650).

Next to these strategic inter-relationships, Knights & Morgan (1991, p.251) examined the development of strategy and describe the abovementioned views as a combination of rational techniques to manage an organization. The rational view on strategy-making is called by Mintzberg & Waters (1985, p.258) as a "deliberate strategy", which is a strategy that is carried out exactly as intended without any external influence leading towards the realization of the strategy. On the other end of the continuum of the deliberate strategy, Mintzberg & Waters (1985, p.258) described the "emergent strategy". The emergent

strategy is a strategy that is executed without any intention. Mintzberg & Waters (1985p.258) argue that neither the deliberate strategy nor the emergent strategy are likely to be exactly fulfilled, however, they admit that some strategies can become really close to one of these two parameters.

In conclusion, there are different views on how strategy flows through the different strategic levels of an organization. Porter's (1989, p.1) explanation views strategy implementation from a top-down position. On the contrary, Chakravarthy & Henderson (2007, p.642) argue that strategies are interrelated nowadays. Further, as the strategies are neither likely to be deliberately nor are emergently executed (Mintzberg & Waters, 1985, p.257), the strategy implementation is somewhere between these two extremes. The combination of the frameworks of Porter (1989, p.1), Chakravarthy & Henderson (2007, p.642) and Mintzberg & Waters (1985, p.257) are combined and summarized in fig. 2. Notable is the corporate strategy at the top of figure 2. Corporate strategy not extensively reviewed in this section and only used to explain the strategy inter-relationships. In case the reader is interested in corporate strategy, Appendix III offers literature on corporate strategy.

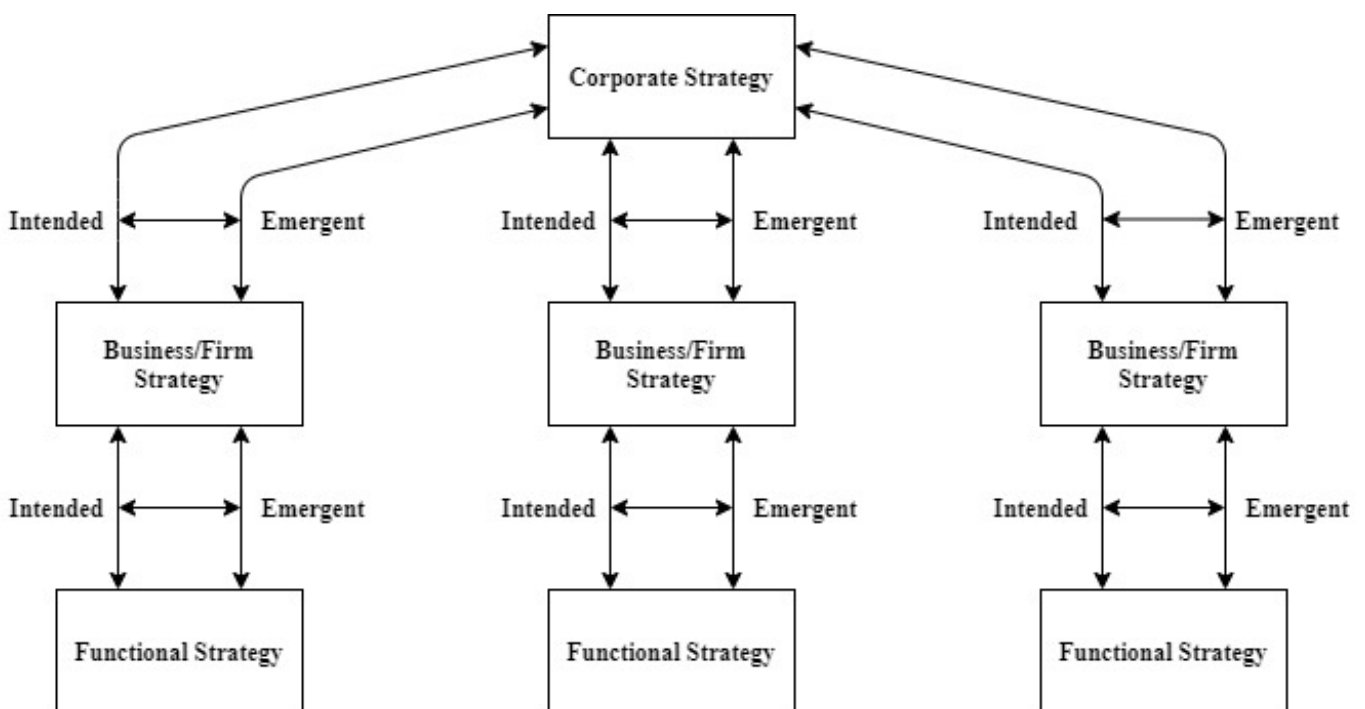


Figure 2 - Strategy in organizations based on: Porter (1989, p.1); Chakravarthy & Henderson (2007) and; Mintzberg & Waters (1985)

2.2.2 Competitive strategy aims to create sustainable competitive advantage in a turbulent competitive environment – Level 1

The need for strategy is derived from the organizational desire to have a direction in a changing environment (Knights & Morgan, 1991, p.251). The aim of strategy is to create sustainable competitive advantage. Sustainable competitive advantage is that what makes a business unique and better compared to the competition while being under constant pressure of replication and substitution by its competitors (Barney, 1991, p.102-103).

At level 1 (see fig. 7), the competitive strategy is the plan of actions and policies that a firm executes in order to position itself in the market against the value proposition of its competitors (Zollo, Minoja, & Coda, 2018, p.1754). The competitive strategy of an organization is influenced by the five forces of the industry in which the organization competes. The five forces of an industry include: 1) Rivalry amongst Competitors; 2) New Entrants; 3) Substitutes; 4) Customers and; 5) Suppliers (Porter, 1985, p.3-4) (fig. 3).

Rivals are organizations that compete with the focal organization for the same customers, primarily on price. New entrants bring new capacity to the market and put pressure on the costs, prices and investments. Substitutes can replace the product/service by another product/service which has the same function. The customers can use competition to their advantage by playing out organizations against each other to capture more value. Lastly, suppliers can capture a larger part of the total pie by charging higher prices, limiting availability of their products/services, limiting quality of their products/services and increase shifting costs (Porter, 2008, p.26-33).

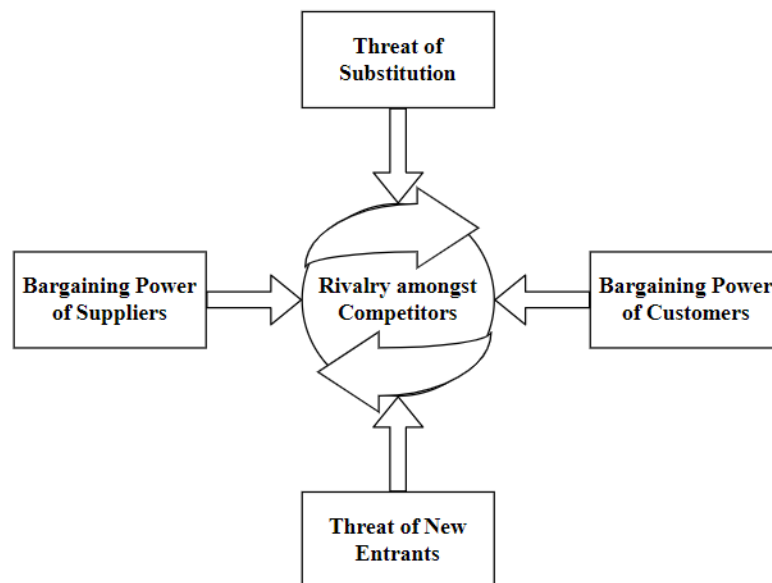


Figure 3 - Porter's Five Forces (1989, p.3-4)

In order to compete in the industry, several scholars have developed different theories how to gain competitive advantage. The theory of the generic strategies of Porter (1985, p.35) is one of the most influential ones in the field (Campbell-Hunt, 2000, p.127). Porter's (1985, p.35) theory describes that competitive strategy can be distinguished into three "generic strategies" (fig. 4): 1) Cost Leadership; 2) Differentiation and; 3) Focus.

		Strategic Advantage	
		<i>Uniqueness</i>	<i>Low cost</i>
Strategic Advantage	<i>Industrywide</i>	Differentiation	Cost-Leadership
	<i>Particular Segment Only</i>	Differentiation Focus	Cost Focus

Figure 4 - The three generic strategies (Porter, 1985, p.39)

The goal of the cost leadership strategy is to become the cheapest producer in the industry (Porter et al., 1985, p.35-36). On the other hand, the differentiation strategy has as aim for the focal company to distinguish itself by being unique (Porter, 1985, p.37-38). Thirdly, the focus strategy narrows itself on a specific target segment and tailors a strategy based on cost or differentiation especially for this target segment (Porter, 1985, p.38-39). Porter (1985, p.1) views competitive advantage as a result of the product/service offered vis-à-vis the value proposition of other firms.

Next to Porter's (1985, p.35) generic strategies, Peteraf (1993, p.179) describes the resource-based-view (RBV) as strategy to compete in the industry and create a competitive advantage. The RBV is introduced by Barney (1991, p.105-112) as a means to gain competitive advantage by obtaining VRIN resources, which stands for resources that are: 1) Valuable; 2) Rare; 3) Imperfectly Imitable and; 4) Non-substitutable. Peteraf (1993, p.180) addressed the "four cornerstones" that lead to competitive advantage from this RBV: 1) Heterogeneity; 2) Ex post limits to competition; 3) Imperfect resource mobility and; 4) Ex ante limits to competition.

These four cornerstones have as a result that firms who possess these VRIN resources obtain competitive advantage enabling them to take and sustains a monopolistic position in the market. From this monopolistic position excessive rents can be drawn (Peteraf, 1993, p.182). In case the reader wants a more detailed explanation on the four cornerstones of Peteraf (1993, p.179), Appendix IV offers a more detailed explanation on the four cornerstones.

The differences between these two approaches can be related to the extent of strategic orientation of the unit of analysis (Teece, Pisano, & Shuen, 1997, p.527). Porter (1985, p.1) has a exogeneous approach as the theory assumes that resources are accessible to everybody in the industry and under constant pressure of the five forces. Strategic rents vanish quickly and therefore firms should position themselves constantly favourable in the industry (Teece, Pisano, & Shuen, 1997, p.527). On the contrary, Peteraf (1993, p.179) takes the RBV and argues that rents can be derived from heterogeneous resources that other firms cannot copy as these resources are VRIN, therefore the strategic orientation is low and the role of industry structure is endogenous (Teece et al., 1997, p.527).

Despite these differences, both theories can also be related to each other. Since VRIN resources can result in both unique as well as lowest costs products/services (Peteraf, 1993, p.179), these heterogenous results can be translated to the model of Porter (1985, p.35). Unique VRIN resources can result in a differentiation strategy whereas a cost-leadership strategy can be achieved by VRIN resources achieving lowest costs. The comparison between these two theories is shown in table 2.

Research	Source to Competitive Advantage	Fundamental Unit of Analysis	Short-run Strategic Orientation	Role of Industry Structure
Porter (1985)	Generic Strategies	Industries Firms Products	High	Exogenous
Peteraf (1993)	Four Cornerstones	Resources	Low	Endogenous

Table 2 – Comparison of sources to competitive advantage (Adapted from Teece et al., 1997, p.527)

In this section strategy is reviewed at the competitive level which is at the head of each individual business. In the next section, strategy is reviewed from a functional point of view which takes into consideration the purchasing function.

2.2.3 At functional level the purchasing strategy consists of category strategies, sourcing levers and supplier strategies – Level 2

At the functional level 2, purchasing is one of the core business functions, which is a function that is directly linked to the basic business a firm engages in (Brown, 2008, p.53). The purchasing strategy at functional level generally defines the plans, policies and capabilities to achieve the purchasing objectives of the entire firm (Hesping & Schiele, 2015, p.144). The purchasing strategy can better be seen as a hierarchy of strategies where several individual strategies jointly serve the overall purchasing strategy (Schiele, 2019, p.60). These individual purchasing strategies can be outlined into three levels below the functional purchasing strategy (Hesping & Schiele, 2015, p.139): Level 3) Category strategy; Level 4) Sourcing levers and; Level 5) Supplier strategies. These three lower-level purchasing strategies are discussed into further detail in this section.

2.2.3.1 The purchasing strategy is split into separate sourcing categories in order to achieve maximum performance in each category – Level 3

Categories are groups of products/services that are related to each other due to the supply market, not because of their physical, technical or functional usage (Schiele, Horn, & Vos, 2011, p.322). The competitive objectives of the overall strategy should be translated into different purchasing category strategies (Luzzini, Caniato, Ronchi, & Spina, 2012, p.1017; Schiele, 2019, p.56). Although the purchasing strategy at functional level should reflect the business strategy, the separate purchasing strategies per purchasing category might vary considerably (Luzzini et al., 2012, p.1036; Caniato et al., 2012, p.621). Developing category strategies is important since organizations evolving at purchasing category management level are better at achieving organizational goals (Heikkilä, Kaipia, & Ojala, 2018, p.18-19).

In order to help firms to purchase numerous items in various environments, purchasing portfolio models (PPM) have been developed (Terpend, Krause, & Dooley, 2011, p.73). PPMs are useful in establishing differentiated supplier specific sourcing strategies (Formentini et al., 2019, p.195). The purchasing categories within the PPMs are categorized due to a three-step process (Nellore & Söderquist, 2000, p.246) consisting of: 1) Category analysis and classification; 2) Supplier relationship identification and; 3) Creating a fit between the product requirements and supplier relationships.

One of the most frequently used purchasing portfolio model is the one of Kraljič (Hesping & Schiele, 2016, p.101). The approach of Kraljič (1983, p.109) aims to develop a sourcing strategy for separate items. The separate strategy used for a particular item is based on their: 1) Profitability impact in relation with supply risk; 2) Weight of the bargaining power between the buyer and supplier and vice versa; 3) Positioning of the strategic items in relation to the strength of the supply market and; 4) Design an action plan for the specifically assessed supplier. The Kraljič (1983, p.111-112) matrix is shown in fig. 5.

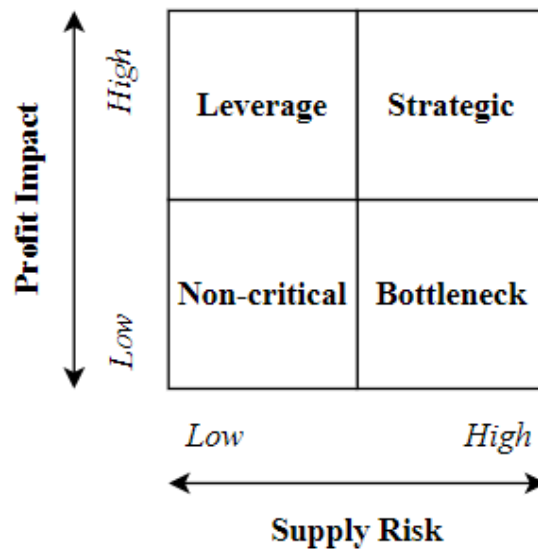


Figure 5 - Kraljic Matrix, adapted from Kraljic 1983 (p.111-112)

2.2.3.2 Several sourcing levers can be applied to the sourcing categories in order to capture and/or create value – Level 4

Sourcing levers are tactics or sets of tactics that are used to operationalize the specific category strategy (Hesping & Schiele, 2015, p.145). Sourcing levers can be distinguished into commercial/transaction-oriented levers that focus on capturing existing value and relationship-oriented levers that focus on creating value (Schiele et al., 2011, p.323). In addition, also a category-spanning lever exists that facilitates the best fit between different sourcing levers (Schiele et al., 2011, p.323). All sourcing levers are represented in figure 6.

In more detail, the commercial levers consists of (Schiele et al., 2011, p.328): 1) Volume bundling; 2) Price Evaluation and; 3) Extension of the supply base. Volume bundling aims at consolidating the demand to increase the purchasing volume (Hesping & Schiele, 2016b, p.479). Price evaluation concerns the evaluation of the bids and cost structures of the suppliers in combination with the price targets of the buying firm (Hesping

& Schiele, 2016b, p.479). Supply base extensions aims to enlarge the number of suppliers to bid on an order (Hesping & Schiele, 2016b, p.480).

Moving to the relationship-oriented levers, these include: 1) Product optimization; 2) Process optimization; 3) Optimization of supply relationships. Product optimization considers altering the function, design or materials of the supplies (Hesping & Schiele, 2016b, p.480). Process optimization focuses on optimizing the efficiency and effectiveness in processes that occur between the buyer and supplier (Hesping & Schiele, 2016b, p.480). The supply relationship optimization relationship aims to establish and maintain an effective relationship between the buyer and supplier (Hesping & Schiele, 2016b, p.481).

On the interface of the transaction-oriented and relationship-oriented levers is the category-spanned optimization lever which aims to reduce inconsistencies between the utilized levers (Schiele et al., 2011, p.328; Hesping & Schiele, 2016b, p.481). In case the reader is interested in the appliance of the sourcing levers, Appendix V offers a more practical explanation.

In summary, the sourcing levers are a way to operationalize a particular sourcing strategy (Hesping & Schiele, 2016, p.145). There are transaction-oriented levers that aim at capturing value and relationship-oriented levers that have the objective to create value (Schiele et al., 2011, p.323). The category-spanning lever ensures that all levers are optimized over the sourcing category (Schiele et al., 2011, p.323).

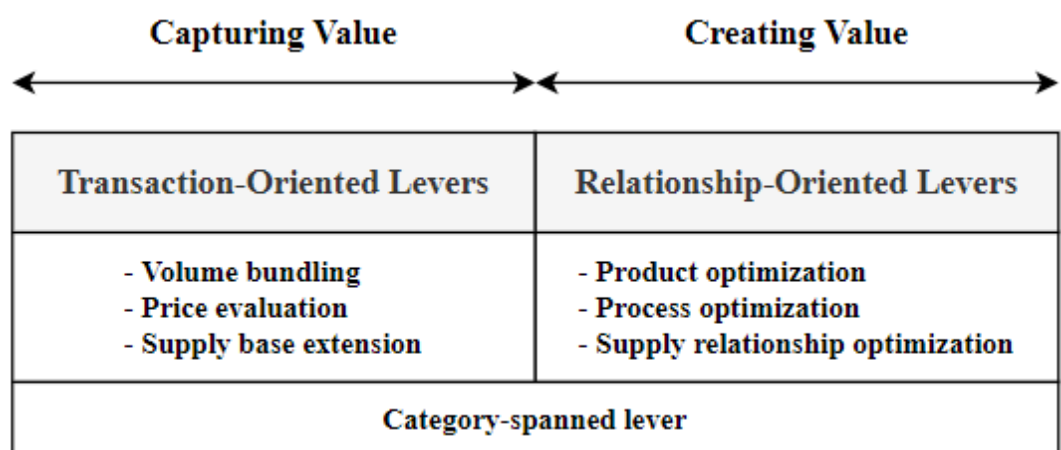


Figure 6 - Sourcing Levers based on Schiele 2011 (p.328)

2.2.3.3 Supplier strategies should be relationship-based and long-term focused in order to obtain competitive advantage by means of the preferred customer status – Level 5

Supplier strategies are the way that individual suppliers in a sourcing category are approached by the buying firm (Hesping & Schiele, 2015, p.146). Narasimhan & Das (2001, p.593) described the importance of integrating the suppliers with the strategy of the buying firm. Before integrating the suppliers with the buying firm's strategy and goals, Watts, Kim, & Hahn (1995, p.4) addressed the importance of defining the buyer-supplier relationship first, because buyer-supplier relationships strategies can be distinguished into: 1) Adversarial and; 2) Cooperative.

Adversarial relationships can be seen as the traditional buyer-supplier relationship where the buyer's power is larger than the supplier's power. Adversarial relationships are not suitable for the strategic integration of suppliers, because strategic planning requires a long-term focus and adversarial relationships last only on the short-term (Watts et al., 1995, p.4). On the other hand, the cooperative buyer-supplier relationships aim towards a mutually beneficial relationship for both parties, achieving their strategic goals on the long-term in a way that both parties benefit (Watts et al., 1995, p.5). In the cooperative relationship, the buyer's power is equal to the supplier's power (Watts et al., 1995, p.5).

On the contrary, Schiele (2012, p.44) argues that markets have become oligopolistic with just a small amount of world class suppliers that have many potential buyers. For that reason, it is the task of the buyer to be sufficiently attractive for the suppliers. This view shifts the paradigm from buyers selecting suppliers into suppliers selecting buyers. It is for the buyers key to achieve the "preferred customers status", by which is meant that suppliers dedicate the most exclusive and/or the best resources to their preferred buyer. This preferential treatment from the supplier will lead towards a competitive advantage for the buying firm (Schiele, 2012, p.44-47).

In terms of supplier strategies, buying firms should aim to develop cooperative long-term relationships with suppliers of strategic importance (Watts et al., 1995, p.5). In situations where strategic suppliers have power over the buying firm, the buying firm should strive for the preferred customer status to get a preferential treatment and achieve competitive advantage (Schiele, 2012, p.44-47). In case the reader is interested into a more comprehensive explanation on moving towards a cooperative buyer-supplier relationship and achieving the preferred customer status, Appendix VI offers more insights from literature.

Summarizing this chapter, the connection of strategies can be either viewed from a hierarchical view (Porter, 1989, p.1) as well as the heterarchical view (Chakravarthy & Henderson, 2007, p.647-650). Furthermore, strategies are executed between the range of a deliberate strategy and emergent strategy (Mintzberg & Waters, 1985, p.258). In terms of strategy, the competitive strategy is at the head of a business and influences all other four purchasing related strategies (Hesping & Schiele, 2015, p.139). These five levels of strategy are summarized in figure 7.

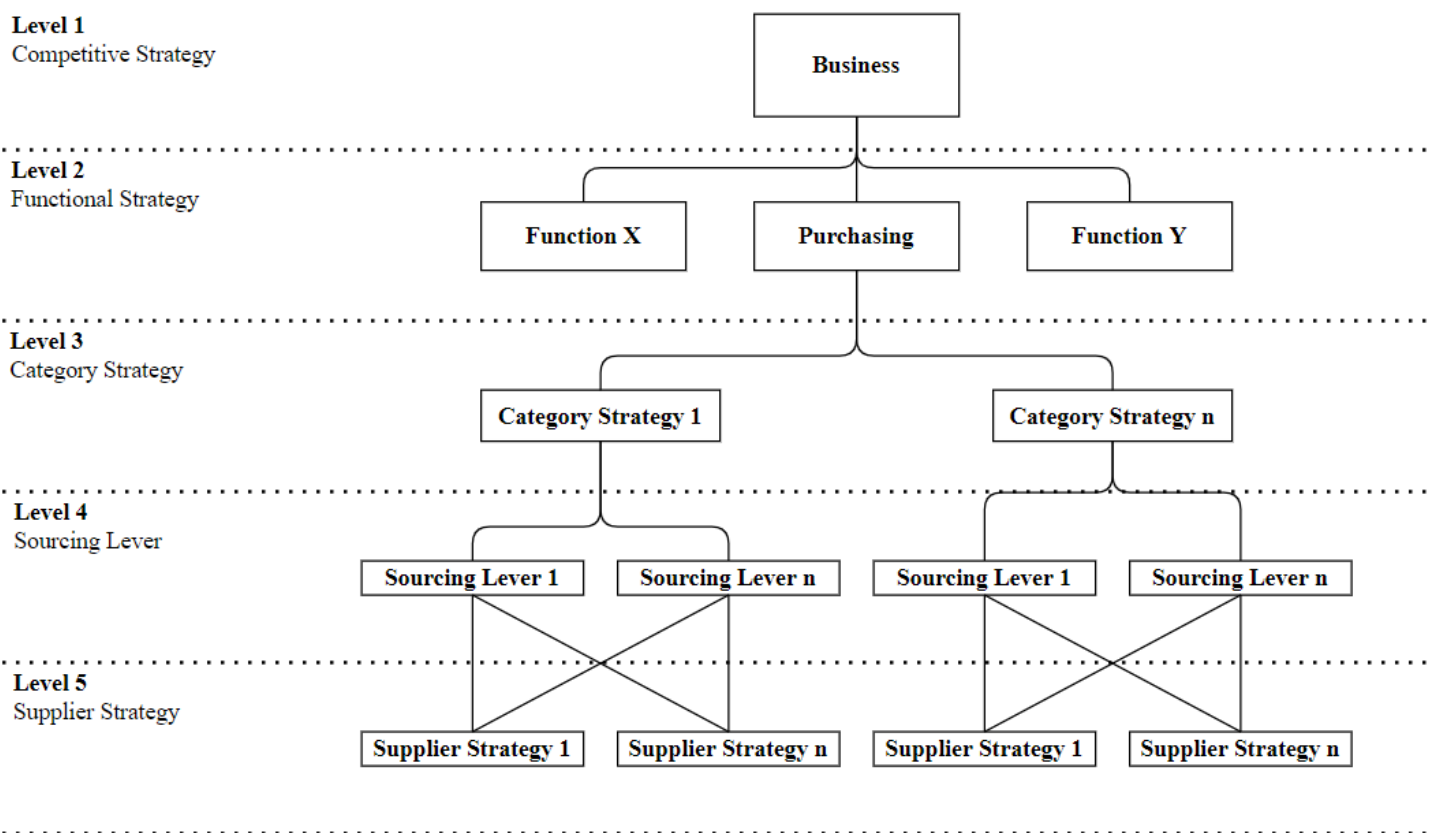


Figure 7 – Five strategic levels in organizations with a focus on purchasing, adapted from Hesping & Schiele (2015, p.139)

2.3 Strategic alignment leads towards increased performance

In the previous chapter, the competitive/business strategy and purchasing specific strategies have been discussed. As all these strategy types have been discussed now, one key concept that glues them together is missing: strategic alignment. In this chapter strategic alignment concerning the purchasing strategy is reviewed from an internal point of view. Furthermore, the factors that contribute towards the alignment of the purchasing strategy and business strategy are discussed.

2.3.1 Strategic alignment is the internal fit between the purchasing strategy and business strategy

Strategic alignment in the context of purchasing is defined by Rodríguez-Escobar & González-Benito (2017) as “*an internal initiative that concentrates a series of steps allowing the purchasing department to establish a link and coordinate their approaches with other functional areas’ individual goals and objectives and with the organization as a whole*” (p. 1177). This definition takes an internal perspective and includes both horizontal alignment with other business functions as well as vertical alignment through the hierarchy of strategies. Narasimhan & Das (2001, p.593-594) include only vertical alignment in their definition which states that purchasing has the internal objective to align the purchasing strategy with the competitive objectives of the firm (Narasimhan & Das, 2001, p.593-594).

From an external point of view, the suppliers of the buying firm should possess the capabilities to align with the competitive strategy of the buying firm. The capabilities of the suppliers must be measured by the competitive objectives of the buying firm in order to select suppliers that align with their business strategy (Watts et al., 1995, p.3). The buying firm should be actively engaged in aligning the selected suppliers with the competitive strategy (Watts et al., 1995, p.7). In case the suppliers do not align with the buying firm’s business strategy, the suppliers should be developed towards the strategy or be replaced by suppliers that fit the buying firm’s strategy (Watts et al., 1995, p.7).

These descriptions explain that the purchasing strategy should be horizontally as well as vertically aligned from an internal point of view. Externally, the purchasing strategy should be aligned with the selected suppliers. Given the scope of this research, the focus is solely on the vertical internal alignment between the purchasing strategy and competitive strategy. Therefore strategic alignment is defined as (fig. 8): “The internal fit between the hierarchy of purchasing strategies and the business strategy.”

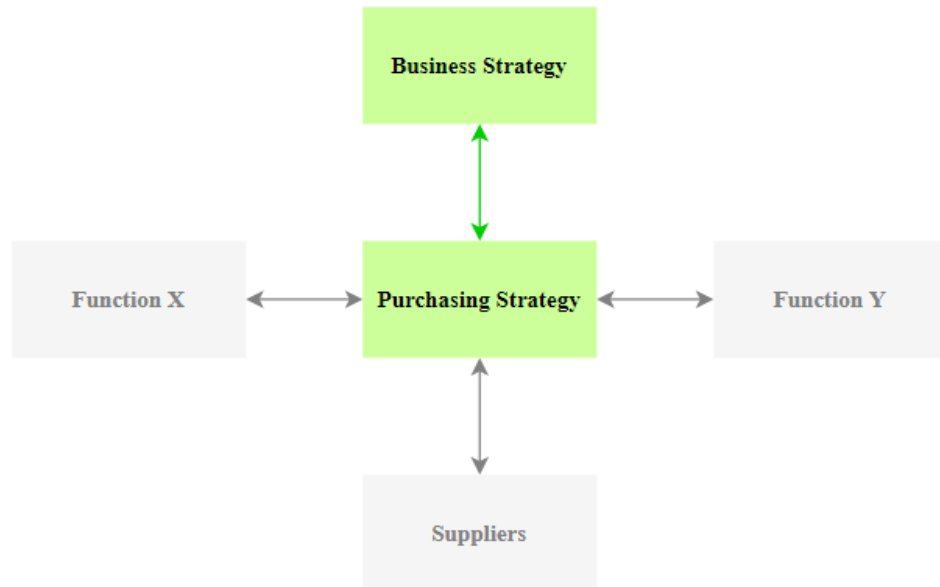


Figure 8 – The green arrow is the focal dimension of strategic alignment in this research

2.3.2 A strategically aligned purchasing strategy is required to achieve the full potential of the purchasing function

In existing literature, many researchers addressed the need to align the purchasing strategy with the strategic objectives of the firm to make purchasing a competitive business function. The competitive potential of the purchasing function is highly dependent on the alignment between purchasing strategy and business strategy (Watts et al., 1995, p.4-5; González-Benito, 2007, p.915). Baier et al. (2008, p.48) also found that the purchasing function can only effectively contribute to strategic goals when the purchasing strategy is tailored towards the business strategy. Tchokogué et al. (2017, p.112) even emphasize that the strategic contribution of purchasing is only possible in case the purchasing strategy is aligned with the organizational objectives. Furthermore, solely aligning the purchasing strategy with the business strategy is not enough. There must be alignment between purchasing strategy and purchasing practices in order to enable the full potential of the purchasing function (Baier et al., 2008, p.48).

Creating strategic alignment between the purchasing strategy and the business strategy has several beneficial outcomes. In general, strategic alignment leads towards competitive advantage (Cao, Baker, & Hoffman, 2012, p.567). More specifically, strategic alignment within the purchasing function is key to financial performance (Baier et al., 2008, p.46-48). Similarly, González-Benito (2007, p.915) found that an aligned purchasing strategy results in higher firm performance. In short, strategic alignment is essential in order

to make the strategies work and to benefit from the full potential of purchasing (Baier et al., 2008, p. 36). The relationship between strategy, strategic alignment and performance is represented in figure 9.

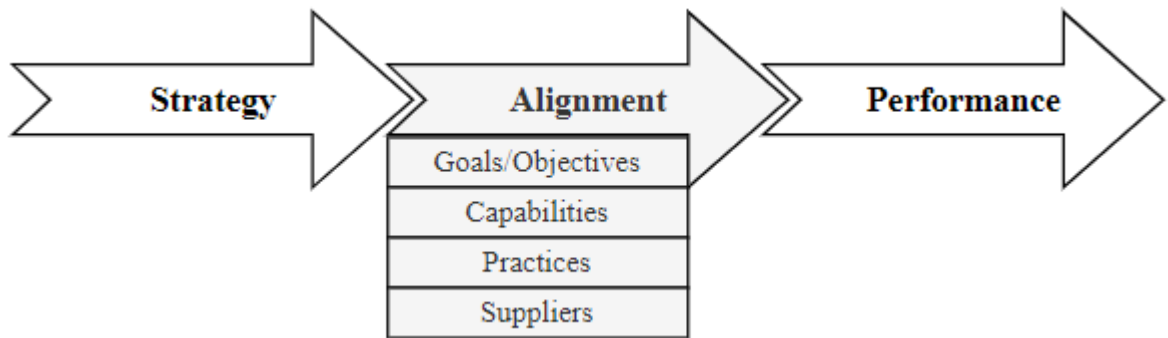


Figure 9 - Alignment creates the strategic fit between organizational goals, objectives, capabilities, practices and its suppliers to achieve superior performance

2.3.3 The purchasing strategy is aligned with the business strategy due to: 1) Professional Skills; 2) Organizational structure and; 3) Purchasing maturity.

In the literature various factors aligning the purchasing strategy with business strategy have been found. These alignment factors are categorized in this section based on their commonly shared characteristics, resulting in: 1) Purchasing Professional's Skills; 2) Organizational structure and; 3) Purchasing maturity. In all of these three categories theoretical frameworks are used to further discuss the alignment factors in a systematic way.

2.3.3.1 Technical, strategic and interpersonal skills of purchasing professionals lead towards higher levels of strategic alignment in purchasing

The skills and capabilities of the purchasing professionals are a key determinant in aligning the purchasing function with the strategic business objectives (Giunipero, Handfield, & Eltantawy, 2006, p.825), the influence of purchasing in an organization and the firm performance (Cousins et al., 2006, p.789). In the strategic alignment literature, skills contributing towards higher levels of strategic alignment can be categorized into three of the skills categories identified by Tassabehji & Moorhouse (2008, p.59): 1) Technical skills – Basic purchasing skills; 2) Technical skills – advanced purchasing skills; 3) Strategic business skills and; 4) Interpersonal skills.

Technical Skills – Basic Purchasing Skills

The basic purchasing skills are the fundamental skills every purchasing professional should possess in order to execute purchasing tasks (Tassabehji & Moorhouse, 2008, p.59). Furthermore, these basic purchasing skills serve as pre-condition for strategic skills (Tassabehji & Moorhouse, 2008, p.59) as well as to the ability to have influence within the organization (Cousins et al., 2006, p.775).

Technical Skills – Advanced purchasing skills

Advanced purchasing skills aim at value creation and the effective execution of the purchasing function (Tassabehji & Moorhouse, 2008, p.59). According to Giunipero et al. (2006, p.825-826) a world-class purchaser should possess several advanced purchasing skills, which are summarized as: 1) Supply base research; 2) Structuring supplier relationships; 3) Technology & Planning and; 4) Supplier cost targeting. As these advanced procurement skills aim at value creation of the purchasing function, these skills act as alignment factor.

Strategic Business skills

Strategic business skills relate to the strategic aspect of how purchasing can add value to the organization (Tassabehji & Moorhouse, 2008, p.59). Giunipero et al. (2006, p.825-826) addressed that purchasers should be able to think strategically. Moreover, purchasing professionals should have strategic knowledge and strategic skills in order to handle the purchasing function in a strategic way (Carr & Pearson, 2002, p.1034). Furthermore, purchasing professionals should have a deep understanding of the overall strategy in order to handle the purchasing function in alignment with the overall strategy (Tchokogué et al., 2017, p.112). These findings show the essence of strategic business skills to facilitate the alignment between the purchasing strategy and the competitive strategy.

Interpersonal skills

Interpersonal skills are required for the interaction with both people on individual level as well as on team level. Furthermore, in every hierarchical level of the purchasing organization these interpersonal skills are needed for effective purchasing management (Tassabehji & Moorhouse, 2008, p.59). In terms of making impact on the organization as a whole, purchasing professionals must exercise their leadership skills in order to bring the purchasing

function on the strategic agenda of firms (Handfield, Cousins, Lawson, & Petersen, 2015, p.12). The strategic engagement of purchasing is important for the reason that the purchasing strategy becomes better aligned when purchasing is included in the strategic planning process of the organization (Narasimhan & Das, 2001, p.607).

So the technical, strategic and interpersonal skills of purchasing professionals contribute towards higher levels of strategic alignment. In the next part of this section, strategic alignment factors found in literature related to organizational structure are discussed.

2.3.3.2 Appropriate organizational structure leads towards higher levels strategic alignment

The purchasing function should have the appropriate structure and processes in order to align the purchasing strategy with the overall strategy, as the organizational structure is a factor that influences the magnitude of purchasing's strategic contribution (Tchokogué et al., 2017, p.112). In the existing literature, strategic alignment factors have been found in the following four dimensions of organizational structure (Pugh, Hickson, Hinings, & Turner, 1963, p. 301): 1) Formalization; 2) Specialization; 3) Standardization and; 4) Centralization.

Formalization

Formalization concerns the extent to which roles and procedures are explicitly written down and filed (Pugh et al., 1963, p.303). First of all, a formalized strategy is a prerequisite to align the purchasing strategy with the business strategy (Watts et al., 1995, p.7). For purchasing, well-defined processes between the purchasing department and its stakeholders and suppliers creates strategic alignment (Handfield et al., 2015, p.12). These purchasing processes, policies and actions should in turn be derived from the strategic goals, which enables the alignment of the purchasing strategy with the strategic objectives (Narasimhan & Das, 2001, p.595-596).

Specialization

Specialization is the division of labour within an organization (Pugh et al., 1963, p.301). In purchasing, strategic and tactical activities need to be separated (Narasimhan & Das, 2001, p.596). There are two reasons why purchasing tasks should be split (Schiele, 2019, p.47): 1)

Day-to-day activities will get most of the attention which comes at the expense of long-term strategic plans and; 2) Different purchasing tasks require different skills.

Specialized purchasing tasks play an important role in the strategic alignment of purchasing. Firstly, it is the role of the CPO to clearly address the competitive priorities of the organization to the purchasing function. The reason why this is important is because it allows the competitive priorities to be handled in line with the greatest value creating activities of the organization, resulting in higher levels of strategic alignment (Baier et al., 2008, p.47). Consequently, the purchasing practices that create the most value should also be prioritized by the CPO in order to create a higher levels of purchasing efficacy (Baier et al., 2008, p.47). For category managers and cross-functional teams, their task is to serve as internal integrators (Heikkilä, Kaipia, & Ojala, 2018, p.18).

Standardization

Standardization concerns both procedures and roles within an organization. The standardization level of procedures focuses on the extent to which there are established rules and definitions for circumstances that the company might face. For roles, this means amongst others the prescription of activities, duties and performance measurement (Pugh et al., 1963, p.302-303). Handfield et al. (2015, p.12) addressed that having shared goals and performance metrics are important factors that lead towards the alignment between the purchasing strategy and business strategy. In addition to stating these goals and metrics, the measurement and reward systems should also be based on the competitive goals of the organization in order create strategic alignment (Narasimhan & Das, 2001, p.596).

Centralization

Centralization concerns where the authority of decision-making in an organization is located (Pugh et al., 1963, p.304). The inclusion of purchasing in the strategic decisions-making process is an essential requirement to achieve strategic alignment between the purchasing strategy and the business strategy (Narasimhan & Das, 2001, p.596). Narasimhan & Das (2001, p.595-596) described this phenomenon in more detail by purchasing integration, which refers to the phenomenon that purchasing is fully engaged with formulating and implementing the business strategy (Narasimhan & Das, 2001, p.595). Baier et al. (2008, p.46-47) addressed as well that purchasing should be included in the strategic planning processes to get the most value out of the purchasing function (Baier et al., 2008, p.46-47).

In short, the organizational structure should be designed in such a way that the organizational structure possesses the various strategic alignment factors concerning specialization, standardization, formalization and centralization. In the next paragraph the last dimension that contributes to strategic alignment is reviewed, which is purchasing maturity.

2.3.3.3 More mature purchasing functions are more likely to have more strategic alignment factors

The maturity of the purchasing function is described as the level of professionalism within the purchasing function (Rozemeijer, Weele, & Weggeman, 2003, p.5). By ‘‘purchasing professionalism’’, Rozemeijer et al. (2003) refer to the: ‘‘status of the function, role and organizational status of the purchasing department, availability of purchasing information systems, quality of the people involved in purchasing, and level of collaboration with suppliers.’’ (p. 10). Purchasing must grow through several stages in order to become strategic, as described in chapter 2.1. During these different development stages, new skills and recognition of the strategic contribution of purchasing needs to be added in every stage (Ellram & Carr, 1994, p.17).

There are several maturity models (e.g. Schiele, 2007, p.277-278; Bemelmans, Voordijk, & Vos, 2013, p.349-350), however, Adams, Kauffman, Khoja, & Coy (2016, p. 162) developed a maturity model specifically designed for SMEs which are the unit of analysis in this research. Therefore, the maturity model of Adams et al. (2016, p.162) is outlined in more detail. In case the reader is interested in a more comprehensive literature review on purchasing maturity, Appendix XII offers more literature on purchasing maturity.

The model of Adams et al. (2016, p.161-162) calls the highest level of maturity ‘‘strategic purchasing’’. Strategic purchasing is characterized by fully established supplier relationships to achieve cost control and improvements. Furthermore, the supplier relationships are focused on the long-term. Moreover, the purchasing function plays a major role in the business strategy, a purchasing strategy is developed and purchasing decisions are coordinated throughout different departments. Lastly, purchasing professionals will actively focus on aligning the purchasing strategy with the business strategy (Adams et al., 2016, p.159-162).

Most of these characteristics of a mature purchasing function are found as alignment factors in the previous sections. For instance, a developed purchasing strategy results in higher levels of strategic alignment (Watts et al., 1995, p.7). Moreover, within the

organization purchasing should be acknowledged as an important business function that adds value to the organization (Adams et al., 2016, p.159-162). Furthermore, mature purchasing functions tend to possess the following beneficial characteristics (Cousins et al., 2006, p.787) that are found as strategic alignment factors: 1) Integration in strategic planning; 2) Top management recognition; 3) Highly skilled and knowledgeable purchasing professionals and; 4) Better supplier relationships.

Interestingly, internal alignment is an outcome of a more mature purchasing function (Cousins et al., 2006, p.787; Adams et al., 2016, p.159-162). For that reason, purchasing maturity is likely to influence the presence of strategic alignment factors. Therefore, purchasing maturity is included in this strategic alignment section and seen as a factor influencing strategic alignment.

All strategic alignment factors found in existing literature are summarized in table 3. The strategic alignment factors are categorized to the dimension in which they are found.

Alignment Factors	Research
<i>Purchasing Skills</i>	
Technical Skills	Giunipero et al. (2006)
Strategic Business Skills	Cousins et al. (2006); Tchokogué et al. (2017)
Interpersonal Skills	Handfield et al. (2015)
<i>Organizational Structure</i>	
Specialization	Baier et al. (2008); Heikkilä et al. (2018)
Standardization	Narasimhan & Das (2001); Handfield et al. (2015)
Formalization	Narasimhan & Das (2001); Handfield et al. (2015)
Centralization	Narasimhan & Das (2001); Baier et al. (2008)
<i>Purchasing Maturity</i>	
Supplier Relationships	Adams et al. (2016)
Purchasing Strategy	
Purchasing Cost	
Organizational Commitment	
Perceived Role of Purchasing	

Table 3 - Strategic alignment factors summarized according to their overarching dimensions

This section finalizes the literature related to strategy. In the next section the literature of SMEs is reviewed, since SMEs are the population of interest in this study.

2.4 SMEs

In this section the literature focusing on SMEs is reviewed from several points of view. At first, the importance of SMEs on a macro-level is reviewed. Secondly, the differences between SMEs and larger enterprises are addressed. Finally, the adoption of professional purchasing practices within SMEs are discussed.

2.4.1 SMEs are of great importance for the European economy providing a substantial amount of added value and employment

SMEs are of great importance for the European Union (EU) as they are with 25,032,008 enterprises 99,8% of all non-financial business enterprises (NFBE) in the EU (Muller et al, 2019, p.17). Furthermore, SMEs are responsible for approximately €4,357,046 million of added value which equals an amount of 56.4% of the total added value. In terms of employment, SMEs are with 97,738,952 jobs responsible for 66.6% of the employment rate in the EU (Muller et al, 2019, p.17).

Although this introduction might give the feeling that SMEs are all similar, there are substantial differences between SMEs in terms of: 1) Amount of staff employed; 2) Revenue and; 3) Balance sheet total. SMEs are classified according to these three criteria and can be distinguished into (European Commission, 2003): 1) Micro enterprise; 2) Small enterprise and; 3) Medium-Sized enterprise.

Micro sized enterprises are the smallest enterprises and have less than 10 employees. Small enterprises have 10 to 50 employees and medium sized enterprises have 50 to 250 employees. Enterprises with more than 250 employees are regarded as large enterprises (European Commission, 2003).

In financial terms, SMEs can also be distinguished. Micro sized enterprises have a revenue and/or balance sheet total of \leq €2 million. Small enterprises are classified with a revenue and or balance sheet total of \leq €10 million. Finally, medium-sized enterprises have a revenue of \leq €50 million or a balance sheet total of \leq €43 million (European Commission, 2003). The characteristics of SMEs are summarized in table 4.

Enterprise Category	Staff Headcount	Turnover	or	Balance Sheet Total
Micro	<10	≤ €2 million		≤ €2 million
Small	<50	≤ €10 million		≤ €10 million
Medium	<250	≤ €50 million		≤ €43 million

Table 4 - Definition of SMEs (European Commission, 2003)

Micro enterprises are by far the most common type of SME as they represent 93,0% of all enterprises, followed by small enterprises (5,9%), then medium enterprises (0,9%) and finally large enterprises (0,2%). Out of all SMEs, micro enterprises are responsible for most of the added value (20,8%), followed by medium enterprises (18,0%) and small enterprises (18,0%). In total, the SMEs represent together 56,4% of added value which is the lion's share of the EU economy. On the contrary, large enterprises represent 0,2% of all enterprises and account for the other 43,6% of added value (Müller et al., 2019, p.17).

Small enterprises are the major source of employment (20,1%), secondly are medium enterprises (16,8%) and thirdly the micro enterprises (2,0%). All SMEs together represent 66,6% of the employment rate whereas the large enterprises represent 33,4% of the total employment (Müller et al., 2019, p.17). These statistics are summarized in table 5 and visualized in Appendix XIII.

Enterprise Category	Amount of Enterprises	%	Amount of Value Added	%	Employment number	%
Micro	23,323,938	93,0%	€1,160,34 million	20,8%	43,257,668	29,7%
Small	1,472,402	5,9%	€1,358,496 million	17,6%	29,541,260	20,1%
Medium	235,668	0,9%	€1,388,416 million	18,0%	24,671,024	16,8%
Total SMEs	25,032,008	99,8%	€4,357,046 million	56,4%	97,738,952	66,6%
Large	47,299	0,2%	€3,367,321 million	43,6%	49,045,644	33,4%
Total Enterprises	25,079,312	100,0%	€7,723,625 million	100,0%	146,784,592	100,0%

Table 5 - Statistics of SMEs in the EU (Muller et al., 2019, p.17)

Given these statistics, it becomes clear that SMEs play an important role within the European economy. In order to get a better understanding of SMEs, the next section is going beyond the statistics and addresses detailed company characteristics which provides a better insight on how SMEs are operating.

2.4.2 SMEs differ fundamentally from larger enterprises: providing advantages and disadvantages of the one over the other

In the literature, several differences between large enterprises and SMEs have been discovered. These differences bring certain advantages and disadvantages of the one over the other. The differences, advantages and disadvantages of SMEs over larger enterprises and vice versa are described below.

2.4.2.1 Externally SMEs face a highly competitive and uncertain environment and need to be resilient and innovative

SMEs compete in an uncertain and volatile environment (Garengo, Biazzo, & Bititci, 2005, p.26). The environment of SMEs is under constant competitive pressure due to (Singh, Garg, & Deshmukh, 2008, p.526): 1) Global competition; 2) Technological developments and; 3) Changing customer requirements. This intense competition requires SMEs to excel in several areas at the same time, without giving in on other areas (Singh, Garg, & Deshmukh, 2008, p.526-527).

As a result, SMEs are resilient by which is meant that SMEs are adaptable, responsive, sustainable and competitive which is critical in order to survive in nowadays global evolving market (Gunasekaran, Rai, & Griffin, 2011, p.5490). SMEs should also have a major focus on innovation (Laforet & Tann, 2006, p.364) to survive by means of new product introductions (Mosey, 2005, p.114), as SMEs are not likely to compete on low-costs (Coy, Adams, & Kauffman, 2020, p.128).

The uncertain and volatile environment is also one the biggest differences between large and small enterprises (Garengo, Biazzo, & Bititci, 2005, p.26), because large companies operate in a relatively stable environment. Changes in the external environment often have bigger impact on SMEs relative to large organizations, as these changes generally affect a greater percentage of the SMEs expenses opposed to larger enterprises (Welsh & White, 1981, p.18).

2.4.2.2 Internally SMEs are informal and have fewer resources compared to larger firms.

Internally large organizations usually have a bureaucratic structure and are relying on high levels of standardization, formalization and specialization. In contrast, SMEs often have an organic structure accompanied by informal processes (Ghobadian & Galleary, 1996, p.87).

The decision-making processes also differ between small and larger firms, where in the first decisions are mainly made on gut feelings, in the latter decisions are made on the basis of facts (Ghobadian & Gallear, 1996, p.87).

Moreover, larger firms have much more resources in financial terms, human capital and know-how (Ghobadian & Gallear, 1996, p.87). Large enterprises have the resources to heavily invest in new technologies and train a skilled workforce in order to compete in new markets (Laforet & Tann, 2006, p.364). The staff in larger firms tends to be better developed and trained at a scale, whereas in SMEs training and development programmes for personnel is often limited (Ghobadian & Gallear, 1996, p.87).

2.4.2.3 SMEs are at disadvantage due to limited scale and the lack of sufficient resources, but take advantage of their flexibility

Combining both the external as well as internal characteristics of SMEs provides both insights on the advantages as well as disadvantages SMEs face compared to larger enterprises. First, SMEs are the most vulnerable and sensitive towards competition from structured enterprises and large corporations (Gunasekaran, Rai, & Griffin, 2011, p.5489). Furthermore, SMEs have difficulties to leverage their suppliers due to their limited size. Therefore, SMEs are often price takers which is a challenge that larger enterprises do not face (Coy, Adams, & Kauffman, 2020, p.128), as larger firms tend to have advantages due to economies of scale and their specialized resources (Love & Roper, 2015, p.29).

Secondly, SMEs might have difficulties in contracting and retaining highly skilled employees due to a flat organizational structure that might retain employees from achieving their goals (Ghobadian & Gallear, 1996, p.90). Further, the managers of SMEs often have poor skills in order to look at their companies in a strategic way (Vos, 2005, p.998). Moreover, the company's strategy is often a subject within SMEs that is rarely spoken about by their managers (Vos, 2005, p.998). Additionally, Gunasekaran et al. (2011, p.5506) addressed the need for better human resource development and knowledge management within SMEs.

Despite the lack of bargaining power and resources, SMEs also have some advantages over larger companies due to its flexibility and size which make SMEs better at anticipating to changes (Gunasekaran, Rai, & Griffin, 2011, p.5489). SMEs are often characterized by their simple processes and procedures which enable them with various benefits opposed to larger firms, that include (Singh, Garg, & Deshmukh, 2008, p.525-526;

Love & Roper, 2015, p.29): 1) Flexibility; 2) Immediate feedback; 3) Short decision-making processes; 4) Better understanding of customer needs; 5) Higher willingness to take risk and; 6) Quick responses to customer requirements and market opportunities.

All in all, SMEs compete in a volatile and highly competitive environment (Garengo, Biazzo, & Bititci, 2005, p.26; Singh, Garg, & Deshmukh, 2008, p.526). Therefore SMEs must be flexible and resilient to quickly adapt to changes, making SMEs competitive (Gunasekaran, Rai, & Griffin, 2011, p.5489). On the downside, SMEs are limited in their resources and power in the market due to their limited scale (Coy et al., 2020, p.128). The comparison between SMEs and LEs are summarized in table 6.

Differences in Company Characteristics between SMEs and Larger Enterprises

Aspect	SMEs	LEs	Research
Environment	Turbulent	Stable	Welsh & White (1981); Garengo et al. (2005); Singh et al. (2008)
Economies of Scale	No	Yes	Cho & Kang (2001); Love & Roper (2015); Coy et al. (2020)
Innovation	High	Medium	Laforet & Tann (2006); Mosey (2011)
Flexibility	High	Low	Singh et al. (2008); Gunasekaran et al. (2011); Love & Roper (2015)
Standardization	Low	High	Ghobedian & Gallear (1996); Singh et al. (2008)
Formalization	Low	High	Ghobedian & Gallear (1996)
Specialization	Low	High	Ghobedian & Gallear (1996)
Decision-Making	Subjective Rapid	Objective Slow	Ghobedian & Gallear (1996) Singh et al. (2008)
Resources	Low	High	Welsh & White (1981); Cho & Kang (2001); Laforet & Tann (2006)
Skilled Employees	Low	High	Ghobedian & Gallear (1996); Vos (2005); Gunasekaran et al. (2011); Schiele (2019); Coy et al. (2020)
Strategy	Low	High	Carr & Pearson (1999); Vos (2005); Pressey et al. (2009); Coy et al (2020)

Table 6 - Differences between the company characteristics of SMEs and LEs summarized

2.4.3 SMEs do not utilize the purchasing function in a strategic way

SMEs tend to not fully exercise their purchasing function. Strategic purchasing activities are limitedly carried out and SMEs rarely engage in strategic supplier management. Moreover, the purchasing professionals in SMEs tend to possess low levels of skills. Finally, SMEs do not make extensively use of global sourcing which limits them from acquiring unique resources. These limitations on utilizing the purchasing function in a strategic way are discussed in this section.

2.4.3.1 SMEs often have an informal purchasing strategy undermining achieving long-term organizational goals

Pressey et al. (2009, p.223) found that purchasing plays an essential role in most SMEs, however, in a rather informal way. SMEs do often neither have a formal purchasing strategy nor are they aware about the relationships between purchasing practices and organizational success (Coy et al., 2020, p.137). Next to the informality of purchasing within SMEs, the purchasing function is in general utilized in a limited strategic way (Pressey et al., 2009, p.214). SMEs do rarely engage in strategic purchasing activities (Pressey et al., 2009, p.221), which include activities such as writing a long-term strategic purchasing plan, the alignment with other functions and the supplier relationships (Carr & Pearson, 1999, p.516-517). A more formal approach in making a purchasing strategy would increase the chance of achieving the long-term organizational goals (Coy et al., 2020, p.137).

2.4.3.2 SMEs do not engage in strategic supplier management

SMEs often have not fully developed relationships with their (key) suppliers, which are important in getting the products/services against the desired requirements and are key for SME performance (Coy et al., 2020, p.136-137). In terms of supplier evaluation, SMEs generally do not include formal supplier evaluations (Pressey et al., 2009, p.215). In case SMEs perform supplier evaluations, these evaluations are often carried out in an unsystematic way (Pressey et al., 2009, p.222).

2.4.3.3 Purchasers in SMEs lack the time and skills for strategic purchasing activities

There are various different purchasing roles specifically designed for each purchasing activity, requiring different skills and educational backgrounds. In SMEs, all these roles are likely to be carried out by one person opposed to several specialized purchasing individuals

(Schiele, 2019, p.53-54). Due to the fact that many purchasing managers also have a position or duties in the management level, there is a chance of lacking emphasis on the purchasing function (Coy et al., 2020, p.138). Purchasers within SMEs spent considerable time on routine tasks and quick problem-solving, meaning they have less time available for strategic purchasing activities such as developing a formal purchasing strategy and establishing long-term supplier relationships (Coy et al., 2020, p.138). Moreover, purchasing professionals in SMEs often lack the required strategic skills (Vos, 2005, p.998).

2.4.3.4 Limited scope prevents SMEs from access cheap and rare supplies

Purchasing practices in smaller companies are often limited in their scope. Therefore, small firms are more likely to operate on a local or regional scale instead of global scale (Trent, 2004, p.6). In case SMEs source globally, this is often not a proactive strategic decision but rather a reactive approach driven by pressure from competition or an organizational parent (Agndal, 2006, p.192-194). The benefits associated with global sourcing that SMEs do potentially not reap are access to low cost, high quality and/or unique supplies (Cho & Kang, 2001, p.544-545).

In conclusion, SMEs do rarely exercise their purchasing function in a strategic way, despite the importance of the purchasing function for SMEs (Coy et al., 2020, p.137). The shortcomings of strategically exercising the purchasing function in SMEs are summarized in table 7.

Limited Purchasing Potential in SMEs	
Missing Aspect	Research
Formal Purchasing Strategy	Coy et al. (2020)
Perceived Role of Commitment	Coy et al. (2020)
Strategic Purchasing Activities	Cho & Kang (2001); Pressey et al. (2009)
Strategic Skills	Vos (2005)
Supplier Evaluation	Pressey et al. (2009)
Supplier Relationships	Coy et al. (2020)
Time	Schiele (2019); Coy et al. (2020)

Table 7 - Missing aspects limiting the purchasing potential within SMEs

2.4.4 Strategic alignment in purchasing is under-researched in the context of SMEs

As the current state of purchasing within SMEs is reviewed, it is also interesting to find out about the factors that align the purchasing strategy with the business strategy in SMEs. When searching the scientific database Scopus on the keywords “strategic alignment purchasing SME” and related terms, just six articles got returned. From these six articles, only the article of Lee & Drake (2010, p.6651) was primarily focused on purchasing. In their article, Lee & Drake (2010, 6672-6674) align the category strategies for each sourced component with the competitive objectives by means of the Kraljič matrix (1983, p.111-112). Although Lee & Drake (2010, 6672-6674) align the category strategy with the competitive objectives, they are rather just utilizing the Kraljič matrix instead of addressing factors that facilitate strategic alignment.

Searching for strategic alignment research in SMEs outside the context of purchasing, more articles were found. The majority of strategic alignment literature in SMEs is found in the research area of IT and e-commerce. Often these researchers test strategic alignment in a quantitative way by means of a survey (e.g. Karagozoglu & Lindell, 2004, p.290; Dutot, Bergeron, & Raymond, 2014, p.672; Cragg, Tagliavini & Mills, 2007, p.38) and test alignment primarily on questions related to IT and/or e-commerce, which are two areas unrelated to purchasing. However, in the questionnaire of Pedraza, Guerrero & Lavín (2011, p.215) and Garg & Goyal (2012, p.77) alignment is measured on some dimensions similar to strategic alignment factors in purchasing. These factors included strategy formulation, performance measurement standardization, professional’s skills and organizational commitment (Garg & Goyal, 2012, p.77)

From manufacturing literature, Hutton & Eldridge (2019, p.2) investigate within a SME the alignment between the manufacturing strategy and competitive objectives. Strategic alignment is operationalized as the discrepancy between the desired scores on competitive objectives and the score of the manufacturing capabilities on these competitive objectives (Hutton & Eldridge, 2019, p.24-26). In the conceptual model of Towers & Burnes (2008, p.345), they consider aligning external supplier relationships with internal demand planning, however, this was only a theoretical contribution to a future research area. From an HR point of view, Leu & Masri (2019, p.939) view at aligning organizational talent management with the business objectives and strategy. Leu & Masri (2019, p.944-945) found that a lack of resources and managerial commitment prevents the alignment of talented

employees and organizational goals in SMEs. Gonyora, Migiro, Ngwenya & Mashau (2021, p.8-9) researched strategic alignment with respect to open innovation in supply chains. Their findings showed that strategic thinking, strategic skills and understanding the competitive strategy by top management act as factors that facilitate strategic alignment.

In summary, SMEs are of great importance for the EU economy. However, SMEs face several difficulties compared to larger enterprises. Furthermore, SMEs do not utilize the purchasing function in a strategic way. Finally, existing literature offers a very limited amount of research on strategic alignment of the purchasing strategy within the context of SMEs. For that reason, the discussion on these strategic alignment factors regarding the purchasing strategy in SMEs are synthesized in section 2.5.

2.5 Finding the unknown factors that align the purchasing strategy with the business strategy in SMEs: developing the conceptual research model

In the literature review three dimensions acting as strategic alignment factors in purchasing have been discovered: 1) Purchasing professionals' skills; 2) Organizational structure and; 3) Purchasing maturity. Like the majority of purchasing theory which is focused on large enterprises (Ramsay, 2008, p.567-569), these alignment factors are also more related towards the organizational characteristics of larger enterprises. Therefore, the majority of these strategic alignment factors are unlikely to be present in SMEs (see table 7).

In order to find the strategic alignment factors in SMEs, three propositions are developed on the basis of the extensive knowledge that is generated in the literature review on the three strategic alignment dimensions. Stating a priori propositions in qualitative research is not very common, however, likewise Zaremba, Bode, & Wagner (2017, p.45) a priori propositions are used to establish possible critical dimensions and relationships for this research. In the remainder of this paragraph the reasoning towards the propositions on the three strategic alignment dimensions is described. Furthermore, a fourth proposition on the basis of existing literature is developed that might serve as strategic alignment factor in SMEs as well, but this factor is not addressed in current literature. These propositions are only used to reflect the synthesised literature and provide the reader with insights derived from literature on these propositions. It is not the purpose to test or validate these propositions, as this is a qualitative research focusing on discovering alignment factors.

2.5.1 Purchasing professional's skills required to align the purchasing strategy with the business strategy are expected to be missing in SMEs

In existing literature is acknowledge that the skills and capabilities of the purchasing professionals are a key determinant in aligning the purchasing function with the business strategy (Giunipero, Handfield, & Eltantawy, 2006, p.825). Professionals in SMEs, however, tend to have low levels of skills (Welsh & White, 1981, p.32; Ghobadian & Gallear, 1996, p.90; Gunasekaran, Rai, & Griffin, 2011, p.5506; Coy et al., 2020, p.138) and SMEs have difficulties in attracting and retaining highly skilled employees (Ghobadian & Gallear, 1996, p.90).

In terms of specific skills, it is addressed that strategic purchasers should possess strategic skills (Giunipero et al., 2006, p.825-826) that are needed to handle the purchasing function in a strategic way (Carr & Pearson, 2002, p.1034; Tchokogué et al., 2017, p.112). Other research streams also found that higher levels of strategic skills also serve as alignment factors, even in SMEs (Gonyora, Migiro, Ngwenya & Mashau, 2021, p.8-9). However, the presence of these skills is not expected, as managers in SMEs tend to have low level of strategic skills (Vos, 2005, p.998).

Moving to the advanced purchasing skills, these skills are expected to be low in SMEs since these are skills a world-class purchaser should posses (Giunipero et al., 2006, p.825-826), whereas employees in SMEs tend to have low levels of skills (Welsh & White, 1981, p.32; Ghobadian & Gallear, 1996, p.90; Coy et al., 2020, p.138). Moreover, SMEs tend to have just one or a few individuals to carry out all purchasing tasks, whereas different purchasing tasks require specific skills for each particular task (Schiele, 2019, p.53-54).

Furthermore, leadership skills are required to bring purchasing to the strategic level and make impact on the organization (Handfield, Cousins, Lawson, & Petersen, 2015, p.12) which is important for the reason that purchasing strategy becomes better aligned when it is included in the strategic planning process of the organization (Narasimhan & Das, 2001, p.607). As skills in SMEs tend to be low in general (Gunasekaran, Rai, & Griffin, 2011, p.5506; Coy et al., 2020, p.138), these leadership skills are also expected to be low.

Based on these findings, there is a low likelihood that the skills of purchasing professionals act as a strategic alignment factor in SMEs. Therefore, proposition 1 is stated:

P1: "The skills of purchasing professionals do not act as a strategic alignment between the purchasing strategy and business strategy in SMEs."

2.5.2 The organizational structure of SMEs is expected to deviate from an organizational structure that acts as a strategic alignment factor

In terms of organizational structure, it is found that: 1) Specialization; 2) Standardization; 3) Formalization and; 4) Centralization can act as strategic alignment factors. Firstly, the specialization of specific purchasing tasks leads towards higher levels of strategic alignment (Narasimhan & Das, 2001, p.596) and frees time for strategic purchasing tasks (Schiele, 2019, p.47). Moreover, the specialized purchasing tasks require different skills (Schiele, 2019, p.47), including the skills for a role to make purchasing a value added business function (Baier et al., 2008, p.47) and to serve as internal integrator (Heikkilä, Kaipia, & Ojala, 2018, p.18).

In SMEs, there are often no specialized purchasing tasks, as one single purchaser is responsible for carrying out all purchasing activities (Schiele, 2019, p.53-54) which would make it unlikely that a single purchaser possesses all the necessary skills of the different purchasing roles. Moreover, the purchasing managers in SMEs frequently have other duties within their company's management (Coy et al., 2020, p.138), which reduces the chance of engaging in strategic purchasing practices (Coy et al., 2020, p.138). Given the likelihood that SMEs have an unspecialized purchasing function, the desired organizational structure in terms of specialization is expected to be missing in SMEs.

Moving to standardization, the company's policies, goals, objectives and processes should be reflected by the purchasing strategy and the purchasing performance should be assessed by metrics linked towards the company's strategy, resulting in higher levels of strategic alignment (Handfield et al., 2015, p.12; Narasimhan & Das, 2001, p.959-596; Tchokogué et al., 2017, p.112).

Since SMEs tend to have low levels of standardization (Ghobadian & Gallea, 1996, p.83), it would be unlikely that SMEs have standardized goals, performance metrics with standardized processes and procedures tied to them. Therefore, the organizational structure in terms of standardization is unexpected to act as a strategic alignment factor.

Thirdly, a formalized strategy is a pre-requisite for strategic alignment (Watts et al., 1995, p.7) to which the internal purchasing processes, policies and actions as well as the processes with suppliers must be linked and defined (Handfield et al., 2015, p.12).

SMEs often do not have a formal strategy (Vos, 2005, p.998) and purchasing plays often an informal role in SMEs. In line with this, strategic purchasing activities are rarely

carried out in SMEs (Pressey et al., 2009, p.221-223). For these reasons, formalization is unexpected to be an alignment factor in SMEs.

Fourthly, from the point of view of centralization, the purchasing function should be represented in the top-level management (Baier et al., 2008, p.46-47). Furthermore, purchasing should be integrated in the strategic planning (Baier et al., 2008, p.46-47; Narasimhan & Das, 2001, p.607) and strategic decision-making processes (Narasimhan & Das, 2001, p.596).

Given that SMEs are often not aware about the contribution purchasing can deliver towards organizational success (Coy et al., 2020, p.137), there chance is a low chance that purchasing will be included in the strategic planning and decision-making processes. On the contrary, some purchasers have also duties in the management (Coy et al., 2020, p.138), therefore purchasing could be integrated in directly in the strategic planning and decision-making process. Yet, the manager has still be aware of purchasing's contribution to organizational success in order to make strategic purchasing decisions. Following this thought, centralization is unexpected to be an alignment factor in SMEs.

Since most of the organizational characteristics of SMEs deviate from the organizational structure that acts as a strategic alignment factor in SMEs, the organizational structure of SMEs is not expected to act as an alignment factor. Therefore, proposition 2 is stated:

P2: "The organizational structure in terms of specialization, standardization, formalization and centralization does not act as a strategic alignment factor between the purchasing strategy and business strategy in SMEs."

2.5.3 SMEs are expected to have low levels of purchasing maturity limiting the presence of strategic alignment factors

In the section 2.3 of the literature review is explained that more strategic alignment factors tend to be present as the purchasing function becomes more mature. Even taking the SME specific purchasing maturity model of Adams et al. (2016, p. 145), most of these maturity factors are unexpected to be present in SMEs. Starting with the first dimension in the maturity model of Adams et al. (2016, p. 145), concerning supplier relationships. Supplier relationships are expected to be limitedly utilized by SMEs, as SMEs do not fully develop

relationships with their suppliers (Coy et al., 2020, p.137). Furthermore, SMEs rarely engage in strategic supplier management (Pressey et al., 2009, p.215; Coy et al., 2020, p.136).

Moving to the second dimension, the purchasing strategy is a factor that drives the professionalization of the purchasing function. However, SMEs often do not have a formal strategy (Vos, 2005, p.998) and the purchasing function often is often managed in an informal way with barely strategic purchasing activities executed (Pressey et al., 2009, p.221-223).

The purchasing cost dimension in SMEs is expected to be low, since SMEs have low purchasing volumes and/or limited bargaining power, resulting in that SMEs are just price takers in their industry (Coy et al., 2020, p.128). As a moderate level of cost focus combined with a more strategically oriented purchasing focus are characteristics of a mature purchasing function (Adams et al., 2016, p.162), the purchasing maturity is expected to be low on the cost dimension.

Fourthly, organizational commitment is expected to be minimally present in SMEs, as it considers the integration of purchasing with the organizational goals and the internal coordination (Adams et al., 2016, p.162). The reason for this is that purchasing plays often an informal role in SMEs and strategic purchasing activities are rarely carried out (Pressey et al., 2009, p.221-223).

Lastly, in terms of the perceived role of purchasing commitment, SMEs are often not aware about the relationship between purchasing and organizational success (Coy et al., 2020, p.137). As purchasing professionals have multiple duties in their organization, the time spend on strategic purchasing tasks is limited (Coy et al., 2020, p.138) which might be the result of the unawareness of purchasing professionals in SMEs on how much value purchasing adds to an organization.

Summarizing all these findings in existing literature, the maturity level in SMEs is expected to be low. A low maturity level indicates a low amount of strategic alignment present in the SMEs. For these reasons, proposition 3 is stated:

P3: “Low levels of purchasing maturity limit the presence of strategic alignment factors facilitating the strategic alignment between the purchasing strategy and business strategy in SMEs.”

2.5.4 SMEs might have SME specific strategic alignment factors

Despite these findings, it is unlikely that the majority of SMEs would have low levels of strategic alignment within their purchasing function, as this would indicate that most SMEs have structurally low levels of performance in one of their core business functions. What would be more plausible, is the suggestion that SMEs achieve strategic alignment between their purchasing strategy and business strategy by means of other alignment factors.

Since the characteristics of the organizational structure of SMEs differ fundamentally from larger enterprise (e.g. Ghobadian & Galleary, 1996, p.83) on which the majority of purchasing literature is based (Ramsay, 2008, p.657-659), there might be other factors that serve as alignment factors in SMEs. For instance, flexibility which reflects the speed that changes in organizational structure can be made (Pugh et al., 1963, p.306) is high in SMEs (Gunasekaran et al., 2011, p.5489). It might be that high levels of flexibility within SMEs allow for rapid changes in organizational structure and there is no need for formalization and standardization. Therefore strategic alignment can be achieved by quickly adapting to every changing situation.

Another possible strategic alignment factor might be the level of configuration, which concerns the relationships between different job levels and/or positions/responsibilities between superiors and subordinates (Pugh et al., 1963, p.305). As the level of configuration in SMEs tend to be low, there might be no need to standardize and formalize strategies, goals and processes, because the employees within the firm interact so closely with each other that they automatically result in strategic alignment. Therefore, low levels of configuration might be an alignment factor within SMEs.

Based on these organizational characteristics of SMEs, there might be a possibility that the high level of flexibility and low level of configuration act as a strategic alignment factor. For that reason, proposition 4 is stated:

P4: "High levels of flexibility and low levels of configuration act as strategic alignment factor between the purchasing strategy and business strategy in SMEs."

Summarizing this synthesis section and all the included propositions, the conceptual research model is developed and visualized in figure 10. The conceptual research model is used to develop the research methods in chapter 3.

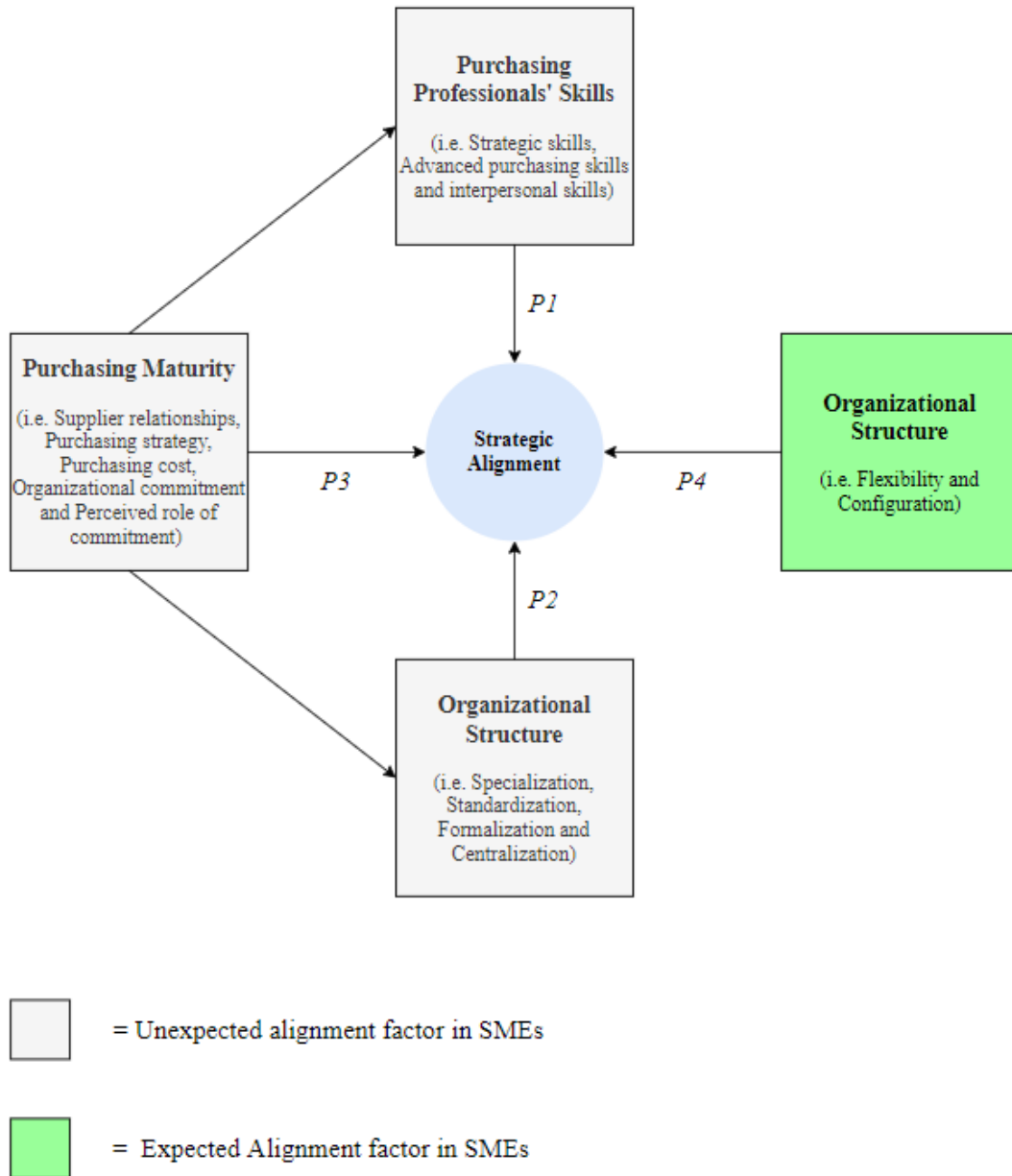


Figure 10 - Conceptual research model to investigate the purchasing alignment factors and purchasing professionalization factors

3. Methodology: conducting semi-structured interviews is the best method to discover strategic alignment factors in SMEs

Research can be divided into quantitative research and qualitative research. Quantitative research mainly focuses on the collection of hard data in terms of numbers (Kwadwo Antwi & Hamza, 2015, p.220). Quantitative data is analysed using statistical procedures to test hypotheses and/or theories. For this reason, quantitative research is a confirmatory scientific research approach, as it aims to confirm whether or not hypothesis and theories hold (Kwadwo Antwi & Hamza, 2015, p.220).

On the contrary, qualitative research aims to develop an in-depth understanding of a certain topic (Boddy, 2016, p. 430) and aims to develop new hypothesis or theories using the insiders' knowledge and view on the topic of interest. For that reason, qualitative research is an exploratory type of research (Kwadwo Antwi & Hamza, 2015, p.220).

The aim of this research is to discover the currently unknown factors that contribute towards the strategic alignment of the purchasing strategy with the business strategy in SMEs. For that reason, this research is of an exploratory nature and a qualitative research approach is required.

3.1 Semi-structured interviews are the best suitable method to discover strategic alignment factors within SMEs

In order to come up with the best research method to answer the research question, the pros and cons of different qualitative methods are compared against each other. Almeida, Superior, Gaya, Queirós, & Faria (2017, p.369) made a comparative analysis of the most relevant qualitative data collection methods including: 1) Observation; 2) Ethnography; 3) Field research; 4) Focus Groups; 5) Case Studies; 6) Structured Interviews; 7) In-depth Interviews and; 8) Semi-structured interviews.

The general characteristics of these methods are described in Appendix IX. In this section, the applicability of each qualitative research method in finding strategic alignment factors are discussed and categorized as: 1) Low applicability; 2) Medium applicability; 3) High applicability. The applicability of the qualitative research methods is visualized in Appendix X.

Low Applicability

Observation, ethnography and field research are qualitative methods that involve observation (Almeida et al., 2017, p.376-377), however, discovering the alignment factors within SMEs will not be possible by observing participants in the research. These three methods are more suitable to extract data on behaviour or perceptions in certain situations (Almeida et al., 2017, p.376-377).

Medium Applicability

Focus groups are especially useful for interaction and discussion about a complex subject (Almeida et al., 2017, p.376-377), which might provide some alignment factors that are present in specific SMEs. However, there is no primary need for the participants to discuss about alignment factors, as the aim of the research is to discover what alignment factors are present in SMEs.

Moreover, a case study is a method that allows for enhancing the theory which is the aim of this research, however, case studies often consider many variables and complex situations (Almeida et al., 2017, p.377), which is not essentially the case in this research as the primary focus is on discovering strategic alignment factors in SMEs.

Next, a structured interview limits the exploratory character of this research too much, as all questions and the entire structure and answers are pre-determined (Almeida et al., 2017, p.377-378).

On the contrary, in-depth interviews have a lack of structure and could avoid getting to the main goal of the research, since often a very generic question is being asked and the interviewee can freely talk about the subject (Almeida et al., 2017, p.378). Therefore there is a high risk that the interviewee does not touch upon the strategic alignment factors in SMEs and subjects of importance might be missed upon.

High Applicability

Semi-structured interviews turn out to be the most suitable method to discover what factors facilitate the strategic alignment between the purchasing strategy and business strategy. The reason for this is that semi-structured interviews allow for both flexibility and structure (Almeida et al., 2017, p.378). The semi-structured interviews have a structured set-up (Almeida et al., 2017, p.378), which allows for tailoring the questions towards discovering strategic alignment factors in SMEs. Furthermore, semi-structured interviews also include

some degree of flexibility which is required to allow the interviewees to talk freely about strategic alignment factors that are present in their SME. For these reasons, semi-structured interviews combine the best of both worlds and are the most suitable method to find strategic alignment factors in SMEs.

3.2 The semi-structured interview consists of 4 sections to discover the strategic alignment factors in SMEs

(Kyobe & Namirembe, 2015, p.8)

In this chapter the content and development of the semi-structured interview is explained. The semi-structured interview contains four sections: 1) General company characteristics; 2) Strategic alignment specific questions; 3) Back-up questions and; 4) Summarizing questions. The explanation why the semi-structured interview is structured in this way is explained below.

The first section consist of general questions aiming to provide an overview of the characteristics of the SMEs and interviewees participating in this research, which is often included to describe the sample (e.g. Tassabehji & Moorhouse, 2008, p.60). The company characteristics provide an insight in the SMEs' size, structure, purchasing volume and interviewee experience. Since the answers to these questions are descriptive and rather intuitive, no further detailed explanation to these questions is given.

The second part of the questionnaire consists of strategic alignment related questions. In order to get an idea what strategy the SME pursues, the first two questions are aimed at describing the business strategy and the purchasing strategy. These two questions are based on the inter-relationship between the purchasing strategy and business strategy (Porter, 1989, p.1; Chakravarthy & Henderson, 2007, p.650; Hesping & Schiele, 2015, p.139). The third alignment question asks about the extent to which the purchasing strategy is aligned with the business strategy and the fourth question is used to ask what factors facilitate the strategic alignment between the purchasing strategy and business strategy. The third and is included as literature expresses the importance of aligning the purchasing strategy with the business strategy (e.g. Paulraj et al., 2006, p.117; Knoppen & Sáenz, 2015, p.124). The fourth question is included since literature has found strategic alignment factors (e.g. Narasimhan & Das, 2001, p.607; Tchokogué et al., 2017, p.112). These found strategic alignment factors are unexpected to hold for SMEs, therefore question four directly answers the main objective of this research: finding strategic alignment factors in SMEs.

The reason why these four questions are structured in this way is as follows. The first two questions describe the business strategy and purchasing strategy pursued by the SME, which already previews the degree of strategic alignment to some extent. Consequently, the third question asks about the extent of alignment between the purchasing strategy and business strategy, which provides an indication whether there are several alignment factors expected to be present in the SME or not. Lastly, explicitly is asked what factors facilitate the alignment between the purchasing strategy and business strategy. The last question directly provides answers to discover the strategic alignment factors in SMEs.

So, the structure of the interview starts with basic questions on strategy and then moves gradually towards more advanced strategic alignment questions. The strategic alignment questions, their purpose and the sources they are based on are summarized in table 8. In case the reader wants a more explanation on the strategic alignment questions, Appendix XI includes more details.

In the thirds section of the interview, back-up questions are created on the basis of the three known strategic alignment dimensions in literature: 1) Purchasing professional's skills; 2) Organizational structure and; 3) Purchasing maturity. The back-up questions were used as probing questions in case the respondents struggled to answer the strategic alignment related questions. As these dimensions are already extensively discussed in the literature review, no further explanation is required to in order to understand the purpose of these questions.

Lastly, there were two summarizing questions included. These summarizing questions were asked at the end of the interview, where interviewees considered all information shared during the interview and summarize the most important contributions. These two questions are included to discover whether some alignment factors might be more common or important than others. The entire interview protocol can be found in Appendix XII.

Strategic Alignment Question	Purpose	Reference
<i>1. "How would you describe your company's business strategy?"</i>	Understand the business strategy the SME pursues	Porter (1989); Chakravarthy & Henderson (2007); Hesping & Schiele (2015)
<i>2. "How would you describe your company's purchasing strategy?"</i>	Understand the purchasing strategy the SME pursues; Preview on the extent of strategic alignment	Porter (1989); Chakravarthy & Henderson (2007); Hesping & Schiele (2015)

3. <i>"How aligned is your purchasing strategy with your business strategy?"</i>	Discover to what extent the SMEs purchasing strategy is aligned with the business strategy	Watts et al. (1995); Narasimhan & Das (2001); González-Benito (2007); Baier et al. (2008); Cao et al. (2012); Tchokogué et al. (2017)
4. <i>"What factors do contribute towards the alignment of the purchasing strategy with your business strategy?"</i>	Discover the factors that facilitate strategic alignment between the purchasing strategy and business strategy in SMEs	Narasimhan & Das (2001); Carr & Pearson (2002); Cousins et al. (2006); Giunipero et al. (2006); Baier et al. (2008); Handfield et al. (2015); Tchokogué et al. (2017); Heikkilä et al. (2018); Schiele (2019)

Table 8 - Strategic alignment questions and their purpose summarized

3.3 Purchasing professionals and representatives were sampled from 3 small enterprises and 9 medium-sized enterprises

Before sampling the interviewees, the sample size was determined. Research found that data is starting to become saturated at six interviews and is definitely saturated at twelve interviews (Guest, Bunce, & Johnson, 1995, p.74-78). For that reason, the sample size was set at twelve interviews to make sure the data got saturated.

Once the sample size was set, the sample population was determined. The sampling method in qualitative research is generally non-randomly executed. Individuals are often selected because they are experts in their field. Therefore, these experts are good candidates to answer the questions in the particular research area under investigation (Cunningham & Carmichael, 2017, p. 79).

The interviewees in this research are also experts who are non-randomly selected. In order for an interviewee to be considered as expert, four conditions needed to be fulfilled: 1) The interviewee's company is a SME in number of employees (see European Commission, 2003); 2) The SME has ≥ 1.0 full-time employee (FTE) in purchasing; 3) The interviewee is a purchaser/professional highly engaged with purchasing and; 4) The interviewee has high levels of authority in the purchasing. Once these three conditions were fulfilled, the interviewee was considered as an expert and an interview was scheduled.

The SMEs were assessed on size in terms of number of employees (see EU Commission, 2003), as answering the question about the number of employees has a lower threshold compared to asking about revenues and/or balance sheet total in the sampling process. Therefore, some SMEs have a revenue that exceeds the maximum revenue defined for SMEs, however, the number of employees of all companies included in this research fall within the definition of SMEs (see EU Commission, 2003).

Moreover, the interviewee must be highly engaged with purchasing and have levels of authority in the purchasing function, as strategic alignment decisions are often being made at the top of the purchasing organization (Baier et al., 2008, p.47). Furthermore, the SME needs to have at least one FTE in purchasing, as it would be unlikely to discover strategic alignment factors in purchasing if not even one FTE is dedicated towards purchasing. For that reason, micro enterprises are excluded in the sample, as there is a low likelihood that micro enterprises will have 1 out of the 10 employees fully dedicated to purchasing.

Once the sample size and the characteristics of the sample population were set, the interviewees were selected and the interviews were scheduled. The full sample of interviewees participating in this research are presented in table 9 and contains both the interviewees' as well as the company characteristics.

No.	Job Title	Years of Experience in Purchasing	Small/Medium	No. Employees	No. Employees in Purchasing	Company Revenue	Purchasing Volume as %
1	Purchaser	21	Small	25	4	€30 million	99%
2	Owner	15	Small	30	6	€2.5 million	60%
3	Strategic Purchaser	4	Small	35	1	€3.5 million	45%
4	Strategic Purchaser	17	Medium	50	1	€50 million	18%
5	CPO	15	Medium	55	2	€10 million	5%
6	Operations Manager	10	Medium	85	1	€150 million	80%
7	Strategic Purchaser	19	Medium	120	8	€60 million	67%
8	Technical Purchaser	15	Medium	130	2	€12.5 million	7%
9	Strategic Purchaser	7	Medium	150	3	€26 million	50%
10	Purchaser	14	Medium	220	1	€65 million	74%
11	CPO	13	Medium	225	15	€60 million	67%
12	Strategic Purchaser	30	Medium	235	16	€100 million	55%

Table 9 - SME & interviewee characteristics

3.4 The collected interview data is analysed by means of content analysis

The collection of data is only the beginning of the research process after which the qualitative data analysis process follows, consisting of six sequential steps (O'Connor & Gibson, 2003, p.64-65): 1) Organizing the data; 2) Finding and organizing ideas and concepts; 3) Building overarching themes in the data; 4) Ensuring reliability and validity in the data analysis and in the findings; 5) Finding possible and plausible explanations for finding and; 6) An overview of the final steps. The data analysis steps 1 up to and including 3 are also known as content analysis (Erlingsson & Brysiewicz, 2017, p.94). Content analysis has the aim to summarize detailed and dense information in an organized and concise way, showing the key results of the interviews (Erlingsson & Brysiewicz, 2017, p.94). The execution of the data analysis process is described below.

Step 1 – Transcribe the interview

The transcriptions of the interviews are the fundament of the content analysis (Erlingsson & Brysiewicz, 2017, p.94-96). The recordings of the interviews were converted into text using the software Amberscript. At first there were numerous errors in the transcriptions created by Amberscript. These errors in the transcripts were corrected manually when re-listening the recording in order to make the transcripts identical to the original interviews. For interview number 11 and 12, the recording was of insufficient quality and no transcription could be made. For these two interviews, notes were made afterwards and used for data analysis. The next step is to familiarize with the data by reading the transcriptions of the interviews while keeping the objective of the research in mind (Erlingsson & Brysiewicz, 2017, p.94-96). The process of familiarizing with the data was simultaneously carried out when correcting the errors in the transcripts. Furthermore, the final transcripts have also been reread multiple times in order to familiarize with the content of the interviews.

Step 2 – Finding meaning units, create codes and categories

Secondly, ideas and concepts are to be found and organized. It is important to look for words or phrases that are being used multiple times in answering a particular question (O'Connor & Gibson, 2003, p.68-69). Erlingsson & Brysiewicz (2017, p.94) start this process with finding meaning units, that are sentences in which useful information is encrypted. Finding meaning units was executed by means of discovering the encrypted meaning in every single sentence, resulting into 393 meaning units.

The information from different meaning units are consolidated into “condensed meaning units”, which encompass the core meanings of the several meaning units (Erlingsson & Brysiewicz, 2017, p.94). These condensed meaning units are in turn labelled with a code that describes what the meaning units are about. From these 393 meaning units, many meaning units were overlapping or had just a slightly different description. Therefore, similar meaning units were consolidated and labelled with a code. Finally, 33 codes were created from which each code represented a strategic alignment factor.

Step 3 – Create themes

After the data is coded and categorized, the categories can be put in an main over-arching theme (O’Connor & Gibson, 2003, p.71). A theme is used to express the underlying meaning of the data (Erlingsson & Brysiewicz, 2017, p.94). The 33 codes were put into overarching themes according to their commonly shared similarities, resulting into 4 overarching themes: 1) Purchasing professional’s skills; 2) Organizational Structure; 3) Organizational Dynamics and; 4) Customer requirements.

Step 4 – Ensuring reliability & validity

The fourth step is aimed at ensuring the reliability and validity of the data analysis and the findings derived from it. In a research involving one researcher, it is especially important that the research is carried out in a systematic and consistent way. Both in terms of carrying out the research as well as in terms of data analysis (O’Connor & Gibson, 2003, p.73). The validity and reliability of the coding process was ensured by creating a new file with the original uncoded interviews. All interviews were coded a second time. Once the second round of coding was finished, the first round of coding was compared with the second round to check whether the coding process was consistent. The majority of the codes were similar, however, where deviations occurred the most suitable code in the context of the interview was chosen.

Step 5 – Summarize the findings

The fifth step has the aim to make a summary of the findings and different themes encountered in the research (O’Connor & Gibson, 2003, p.76). The summary of the overall findings of this study can be found in the results section which is chapter 4. After summarizing the research findings, upon those findings needs to be reflected. Especially in

terms of whether these findings: 1) Are what would have been expected based on literature; 2) Have major surprises and; 3) Are different/similar compared to previous studies in the field (O'Connor & Gibson, 2003, p.76). The reflection on the findings is presented in chapter 5 which is the discussion section.

Step 6 – Summarize the complete research

The final step of the research is summarizing the complete research. Starting with why the research questions that had to be answered are important. Followed by describing the methods that were used to answer the questions. Then, the main findings are recapped and the implications of these findings are provided. Moreover, recommendations based on those findings and areas for future research are addressed (O'Connor & Gibson, 2003, p.78). The sixth step is represented in the conclusion section which is chapter 6.

In this chapter on research methods, the entire approach regarding finding strategic alignment factors in SMEs is outlined. Starting with the choice for a qualitative data collection method by means of semi-structured interviews, moving towards the development of the interview protocol and why the questions in the interview protocol are included. Then the sample selection process is described including the sample characteristics. Finally, the data analysis process and the reporting of the research findings are described. In chapter 4, the results from this research are presented.

4. Results: existing and newly discovered strategic alignment factors are found in SMEs

In this section the strategic alignment factors that are derived from the qualitative data analysis of the interviews are presented. The alignment factors are categorized in overarching themes according to their commonly shared characteristics. These themes are: 1) Skills, Knowledge & Experience; 2) Organizational Structure; 3) Customer Requirements and; 4) Organizational Dynamics.

Comparing these findings to the conceptual research model, several similarities as well as have been found. Starting with the similarities, as found in existing literature the skills of the purchasing professionals act as an alignment factor in SMEs as well, despite the expectation that the professionals in SMEs would not possess the required skills to align the purchasing strategy with the business strategy.

Even more surprisingly, strategic alignment factors were also found in the organizational structure dimension, in terms of specialization, standardization, formalization and centralization. The strategic alignment factors found in were expected to be typical for larger enterprises and would not hold for SMEs. Moreover, configuration serves in SMEs also as a strategic alignment factor which is in line with the expectation from the synthesised literature. Another expected strategic alignment factor in SMEs was the flexibility in organizational structure, however, flexibility was not mentioned as an alignment factor in this research.

The last dimension of the conceptual research model is purchasing maturity. Although there was no formal maturity assessment executed at the SMEs, characteristics of the highest maturity level were found on all dimensions of purchasing maturity.

On the other hand, also new strategic alignment factors were found in this research which were not represented in the conceptual research model. The new strategic alignment factors found in the SMEs are related to customer requirements and the informal culture within SMEs. These newly found factors seem to be SME specific as these factors were not discovered in existing literature.

This section will continue with outlining the strategic alignment factors that are found in the SMEs. All interviewees are referred to in this section as “Purchasers” and indicated by their interview number. For example, the purchaser from interview 1 is abbreviated as P1. At the end of this chapter, all strategic alignment factors that are found in SMEs are visualized in figure 15 and summarized in table 14.

4.1 Purchasing professional’s skills, knowledge and experience facilitate the strategic alignment of the purchasing strategy within SMEs

The literature review already revealed the importance of the skills and knowledge of the purchasers in aligning the purchasing strategy with the business strategy. During the interviews the skills, knowledge and experience of the purchasers themselves were explicitly mentioned as a strategic alignment factors. These are explained in more detail in this paragraph. In figure 11 the specific skills, knowledge and experience acting as alignment factors within SMEs are schematically represented.



Figure 11 - Skills, knowledge and experience as strategic alignment factor

Basic Purchasing Knowledge in Operating Field

A basic knowledge level of the purchased products and about the supply market is required in order to align the purchasing strategy with the business strategy. The basic level of knowledge is used to understand what variables should be taken into account when purchasing particular products or sourcing from a certain supply market. The basic level of purchasing knowledge is either derived from the purchaser engaging with the products and/or supply market themselves or from the technical knowledge the purchaser possessed. The basic level of purchasing knowledge is an enabling factor, as this basic knowledge provides insight in the variables and properties of specific products and supply markets, which be aligned with the competitive strategy of the SME.

Analytical Skills

The importance of analytical skills of the purchaser to facilitate strategic alignment were addressed on three different levels. On a general level, the analytical skills of the purchaser were explicitly mentioned as an important strategic alignment factor. On a purchasing task specific level, the purchasers’ analytical skills were used for strategic purchasing activities.

On the most detailed level, several analytical purchasing methods were used in the strategic purchasing activities such as spend analysis. Implicitly, this means that analytical skills are utilized to carry out these analytical purchasing methods. So, the analytical skills are used to execute the strategic purchasing activities and act as a strategic alignment factor.

Strategic Skills

The strategic skills of the purchaser is a factor of major importance in facilitating the alignment between the purchasing strategy and business strategy. Within the SMEs, there are huge discrepancies between the strategic knowledge of purchasers. For that reason, the strategic skills are not just classified as “present” or “absent”, but classified on a range in terms of: 1) Low; 2) Medium and; 3) High. The classification on these three levels are determined by the researcher based on the knowledge shared and answers given to the strategic alignment questions by the purchasers.

The purchasers with low strategic skills have no or a limited amount of knowledge what business strategy the company follows. Furthermore, these purchasers with a low amount of strategic skills also have a limited idea how the purchasing function adds value to the organization. Therefore, these purchasers are minimally aligning the purchasing strategy with the business strategy.

The purchasers with a medium level of strategic skills engage in some strategic purchasing activities. Furthermore, those purchasers have an idea what strategy the company pursues, mainly in terms of their value proposition. Moreover, these purchasers have some ideas how to strategically develop their purchasing function and are able to reflect the business strategy to some extent in the purchasing strategy.

The purchasers with high level of strategic skills are aware of the business strategy the SME pursues. Furthermore, these purchasers understand how the purchasing function adds value to the organization and engage in a wide variety of strategic purchasing activities. Finally, these purchasers are capable of aligning the purchasing strategy to the business strategy.

In short, the purchasers with high levels of strategic skills are aware of the value-adding role purchasing plays in a SME. These purchasers are most capable of aligning the purchasing strategy with the business strategy.

Leadership Skills

Leadership skills play a major role in the strategic integration and professionalization of purchasing. There are two reasons why purchasing professionals should possess leadership skills: 1) Guide the subordinate purchasers into the direction of the business strategy and; 2) Drive organizational change. The leadership skills are as strategy ranked on a range from low to high instead of on their presence/absence.

The presence of leadership skills by the purchasers higher in the organization serves as alignment factor between the purchasing strategy and business strategy, because these purchasers are engaged in developing the business strategy. As the purchasers higher in the organization have the business strategy in the back of their head, subordinate purchasers can be effectively guided into the right direction of the business strategy. What should be kept in mind to this finding is that the SME must have a developed purchasing organization in order to make sense of this reason. For instance, if the SME has only employed one purchaser, the purchaser cannot guide the other purchasers in the direction of the business strategy.

On the contrary, implicitly is found that the absence of leadership skills results into postponed organizational change. Leadership skills are required to strategically develop the purchasing organization and bring purchasing to the strategic decision-making level. As a consequence of the absence of leadership skills, the strategic contribution of the purchasing function is limited in some SMEs. Albeit the purchasers are aware that the purchasing function should be strategically developed and being included on strategic level order to add more value to the organization, the purchasers were not able to drive this organizational change.

Argumentation & Persuasion Skills

Argumentation and persuasion skills are both used to internally align the purchasing strategy with the business strategy. Argumentation and persuasion skills are being used to persuade colleagues, even including the CEO, on strategic purchasing decisions that fit the business strategy the best in the view of the purchaser.

Experience

Experience is a common alignment factor amongst SMEs with presence on several levels. The experience of purchasers has an influence on the basic purchasing knowledge as well as on the strategic skills. Moreover, many strategic sourcing activities and organizational change are executed on the basis of experience in SMEs.

In terms of basic purchasing knowledge, experience leads towards extensive knowledge about the critical product characteristics, resulting in the fact that the purchaser can easily align the sourcing strategy per component with the business strategy. Moreover, in some industries experience is required to understand the essentials in the role as purchaser, for instance in the commodity recycling industry.

The strategic skills are influenced by experience as well. P4 addressed that the purchaser had developed strategic skills due to experience. The developed strategic skills were the result of being employed in several business functions over the years.

Moving to strategic purchasing activities, in some SMEs the supplier selection process is solely based on experience, as the purchasers know the best suitable suppliers for the required supplies. For example, P6 expressed that all strategic sourcing activities were based on experience and without the usage of any hard data. Focusing on internal alignment between purchasers, P6 explained that the purchasers within their organization have a shared vision on making strategic purchasing decision. This aligned vision was developed as the purchasers had several years of working experience with each other.

Interestingly, strategic change in the purchasing organization was also realized on the basis of experience in one SME. P8 explained that the purchaser had centralized the entire purchasing organization on the basis of experience.

So, the experience of purchasing professionals influences the basic purchasing knowledge as well as the strategic skills. Furthermore, many strategic purchasing activities and decisions are often being made on the basis of experience in SMEs.

In summary, the purchaser's skills, experience and knowledge dimension acts as a major determinant in aligning the purchasing strategy with the business strategy. Basic purchasing knowledge in the operating field acts as a pre-requisite for purchasers. In order to add value to the organization as a whole, the purchaser should have high level of strategic skills to align the purchasing strategy with the business strategy. Moreover, analytical skills are required to extract value in the strategic purchasing activities. To operationalize the strategic

purchasing activities, argumentation and persuasion skills are used to convince higher level managers. Furthermore, leadership skills are required to include purchasing in the strategic decision-making processes and to guide other purchasers into the direction of the business strategy. Experience is present on multiple levels in SMEs, leading towards quicker decision-making and more strategic insight.

The key lesson derived from this dimension is that purchasers as an individual are of major influence in aligning the purchasing strategy with the business strategy. The skills, knowledge and experience category is summarized in table 10. Notable is that the *n* level is only used to provide insights in the number of interviews the alignment factor is found in. No conclusions can be derived from this *n* count.

Strategic Alignment Factors		
Category	Sub-Category	n
<i>Skills, Knowledge & Experience</i>		
	Purchasing Knowledge	6
	Analytical Skills	9
	Strategic Skills*	5
	Leadership Skills*	1
	Argumentation & Persuasion Skills	3
	Experience	7

n = Count of the number of interviews the alignment factor is present in

* Factor is only counted on the high level

Table 10 - Skills, knowledge and experience strategic alignment factors found in SMEs

4.2 Organizational structure leads towards alignment between the purchasing strategy and business strategy in SMEs

As already indicated in the research model, organizational structure facilitates alignment between the purchasing strategy and business strategy. During the data analysis it became visible that organizational structure does also act as an alignment factor in SMEs, in terms of: 1) Purchasing strategic inclusion; 2) Formal strategy; 3) Supplier Metrics; 4) Specialized purchasing roles; 5) Flat organization and; 6) Short lines of communication. The alignment factors in SMEs are presented in figure 12 and explained into further detail in this section.

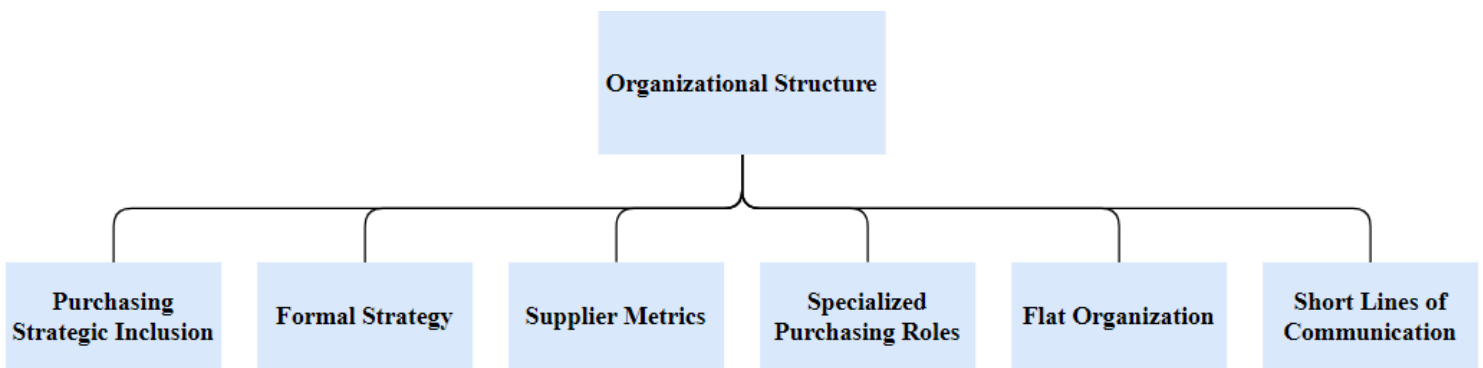


Figure 12 - Organizational Structure as strategic alignment factor in SMEs

Formal Strategy

Several SMEs had a fully developed formal business strategy including a purchasing strategy that was derived from the business strategy. As the formal purchasing strategy is created on the basis of the business strategy, strategic alignment is realized by means of these formalized strategies.

Other SMEs do not have a formalized business strategy and purchasing strategy. The purchasers experienced difficulties in carrying out strategic purchasing activities that would fit the SMEs strategy. Consequently, the purchasers expressed the need for a formalized strategy in order to create and align a formalized purchasing strategy it.

Supplier Selection/Evaluation Metrics & KPIs

Performance evaluation took place on several standardized metrics or KPIs within SMEs. Despite most of the metrics within SMEs were focused on the traditional purchasing objectives, some SMEs selected and assessed their suppliers on more strategic metrics such as innovation and sustainability. Other purchasers addressed need for more metrics and KPIs to professionalize the purchasing function and engage in more value-adding activities.

Purchasing Strategic Inclusion

In several SMEs purchasing is included in the strategic planning processes, mainly due to representation in the management team. In these management team meetings purchasing is actively engaged with strategic issues and following-up upon the business strategy. In most SMEs, the CEO, owners and/or direction decided upon the long-term strategy. On the short-term strategy development, however, the purchasing representatives had the opportunity to express their vision both in terms of the purchasing strategy as well the overall strategy. Furthermore, the purchasing representatives have the responsibility to continuously monitor the strategic progress purchasing in achieving the purchasing strategy and consequently the business strategy. The absence of the strategic inclusion of purchasing limits the value adding potential of purchasing to the organization and prevents the purchasing strategy from being well-aligned with the business strategy.

Specialized Purchasing Roles

The specialization of the purchasing roles allows for more strategic alignment within the SMEs. The specialization of purchasers lead towards the fact that all purchasers can focus on their own area of expertise to add the most value to the organization.

In terms of specialization, some SMEs separated the operational and strategic purchasing activities. In these situations, the operational buyer takes over operational tasks so the strategic purchaser can dedicate time to strategic purchasing activities, including aligning the purchasing strategy. P7 mentioned that the inclusion of an operational buyer had resulted in an enhanced strategic focus of purchasing. Moreover, several purchasers argued that more task specialization could further enhance the strategic contribution of purchasing.

Other SMEs have a fully developed purchasing organization including differentiated purchasing roles. At the top of these purchasing organizations is the top-level manager who is responsible for aligning the purchasing strategy with the business strategy and guiding the subordinate purchasers into the desired strategic direction. Below the top level manager, the strategic purchasers/category buyers and tactical buyers all have specified strategic objectives and goals derived from the purchasing strategy. Finally, the operational buyers within these organization make sure that the purchasing activities are operationalized on daily basis. In this structure, every purchaser has the responsibility to achieve the strategic objectives on their specific level within the purchasing organization.

Flat Organizational Structure

Most of the SMEs have a rather flat organizational structure. A flat organizational structure allows for more effective means of strategic alignment, as the strategy can be easily spread throughout the company. P3 explained that aligning the purchasing strategy with the business strategy becomes more difficult as more management layers are added in the organization, as the strategy spread through the organization will lose its power. This is reflected by the following quote of P3: *“It comes down from the management group. And that seeps down. The more people this goes through, the more difficult it eventually gets to deliver the message.”* Moreover, a flat organizational structure acts as an enabling factor for short-lines of communication between employees in different positions of the organization, as employees at a higher level of the organization are easily approachable.

Short lines of communication

Short lines of communication is a strategic alignment factor of major, as this factor was mentioned in all interviews. The interviewees who were higher up in the hierarchy of the organization often had direct contact with their subordinates in the purchasing function to communicate the strategic plans and objectives. Furthermore, the short lines of communication were also used by these managers to retrieve information from the lower levels of the organization which might have strategic impact. In some SMEs, the short lines of communication were the only way of communication strategic plans. For example, P2 explained that the owner was on daily basis engaged in the core business jointly with the other purchasers in the organization. Therefore, alignment in purchasing decision was achieved on daily basis.

The other way around, purchasers who are not positioned at the highest level of the purchasing organization or included in the strategic planning process align their purchasing strategy and activities by means of short lines of communication as well. These purchasers have frequent contact with their purchasing superior and/or the CEO to align their purchasing strategy and activities. Furthermore, the short lines of communication served to develop the purchasing organization in alignment with the superior and/or CEO.

In summary, there are various strategic alignment factors found in the organizational structure of SMEs. Most of these factors were unexpected to be present in SMEs. Purchasing should be included in the strategic planning and decision-making processes to decide upon strategic issues. Moreover, formal strategies should be developed in order to align the

purchasing strategy to the organizational objectives and goals. The supplier selection and evaluation metrics and KPIs should in turn reflect the purchasing objectives and goals. The purchasing skills should match with the specialized roles of the purchasing organization to extract the maximum value out of the purchasing organization. Furthermore, purchasers need to have enough time in order to carry out strategic purchasing tasks. The flat organizational structure in SMEs is an enabling factor to facilitate the short lines of communication from either a top-down as well as bottom up perspective. The alignment factors and their presence are summarized in table 11.

Strategic Alignment Factors		
Category	Sub-Category	n
<i>Organizational Structure</i>		
	Purchasing Strategic Inclusion	5
	Formal Strategy	4
	Supplier Metrics/KPIs	5
	Specialized Purchasing Roles	8
	Flat Organizational Structure	7
	Short Lines of Communication	12

n = Count of the number of interviews the alignment factor is present in

Table 11 - Organizational structure strategic alignment factors found in SMEs

4.3 Organizational Dynamics align the purchasing strategy with the business strategy in SMEs

The organizational culture and means of communication in SMEs are found to be informal. This informality acts as a strategic alignment factor. Moreover, the role purchasing plays in the organization and the perceived importance by the purchasers themselves are strategic alignment factors as well. The alignment factors in terms of organizational dynamics are presented in figure 13 and further explained in this section.

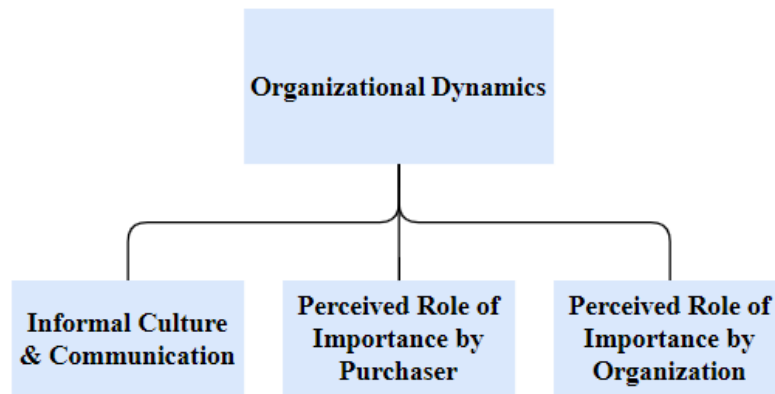


Figure 13 - Organizational dynamics leading towards the strategic alignment between the purchasing strategy and business strategy

Informal Culture & Communication

The advantage of an informal culture is that there is communicated easily throughout departments and management layers, as there are no barriers to approach managers higher up in the organization. Therefore, purchasers on all levels in an organization have the possibility to align their purchasing strategy and purchasing activities with managers higher up in the organization and/or the CEO. Within the SME of P10, the CEO even informally communicates the company's values and objectives during internal events. In the SME of P2, strategic decisions as the make-buy decision or supplier selection were being made during "coffee time" with the other purchaser. In this way, the informal culture and communication acts as a strategic alignment factor in SMEs.

Perceived Role of Importance of Purchaser

In order to spread the importance of the purchasing function through the organization, the purchasers themselves must also acknowledge the importance the purchasing function has for the organization. Some purchasers widely acknowledged the strategic importance of the

purchasing function and mentioned that the purchasing was one of the major determinants with of the business strategy. Other purchasers regarded the purchasing function as important, however, they did not see any need to be involved in the strategic issues of the SME. Therefore, it is important that the purchasers themselves are aware of the role purchasing plays and the strategic integration that is required in order to add value to the organization as a whole.

Perceived Role of Importance by Organization

Besides the perceived role of importance by the purchasers themselves, the managers with most authority in organizations should acknowledge the value-adding potential of purchasing. Results of this acknowledgement are the inclusion of purchasing in strategy making, investments to strategically develop the purchasing organization. An example of the perceived role of importance of purchasing in an organization is derived from P4. The quote derived from this interview is as follows: “*Just because I am the purchaser, the CEO comes to me to judge a scenario. And the subjects discussed are not necessarily purchasing related*”. In SMEs where purchasers are not acknowledged by the top level managers, these purchasers feel constrained in their development and value to the company.

In summary, the informal culture and way of communication allows for strategic alignment between purchasers and their managers on the fly. Moreover, both the purchasers themselves as well as their managers should acknowledge the important role purchasing plays in an organization, so purchasing gets integrated in strategy making. The strategic alignment factors found in the organizational dynamics are summarized in table 12.

Strategic Alignment Factors		
Category	Sub-Category	n
<i>Organizational Dynamics</i>		
	Informal Culture & Communication	10
	Perceived Role of Importance by Purchaser	7
	Perceived Role of Importance by Organization	8

n = Count of the number of interviews the alignment factor is present in

Table 12 - Organizational dynamics as strategic alignment factors between the purchasing strategy and business strategy

4.4 Customer's requirements guide the purchasing strategy towards alignment with the business strategy

Customer requirements are a determinant in aligning the purchasing strategy with the business strategy. During the interviews it became clear that the SMEs were sometimes restricted in their purchasing decisions by their customers in turn. The customers had several requirements that include: 1) Certificates; 2) Customer Business Strategy and; 3) Customer Supplier Selection. Customer requirements that align the purchasing strategy with the business strategy are explained in this section and summarized in figure 14.

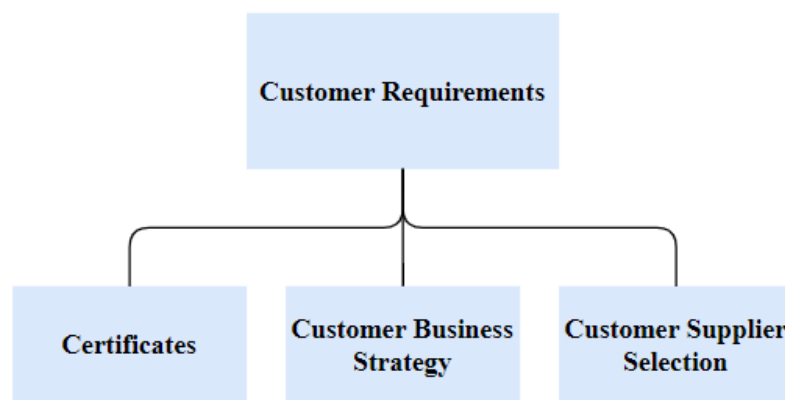


Figure 14 - Customer requirements as strategic alignment factors

Certificates

Certificates act as an alignment factor between the purchasing strategy and the business strategy. Customers of the SME require to obtain certain certificates in order to be able to deliver the customer. In order to obtain these certificates, several requirements need to be fulfilled, which are certificate specific. Most certificates aimed at ensuring quality standards. Examples of those requirements are to have formal supplier evaluations or to have an error rate that is below a certain threshold. These certificates and the related requirements are moved downwards to the suppliers of the focal firm as well, in order to make sure that the suppliers deliver the supplies in alignment with the customer requirements.

Customer Business Strategy

The customer's business strategy can be highly influential in the purchasing strategy of the SMEs. P9 mentioned that the purchasing strategy got aligned with the customer's business strategy by means of manuals in which the strategic objectives and goals of the customer

were formalized. These manuals are for certain customers a pre-requisite in order to sell to these companies. An example of the customer’s strategy aligning the SMEs purchasing strategy is provided by P9: “*The business strategy of our customers gets also increasingly more applied in our purchasing strategy.*” As the business strategy aims position the value proposition favourably towards their customers, the purchasing strategy is automatically aligned with the business strategy once the customer desires are integrated.

Customer Supplier Selection

In some SMEs, the customers pre-selected suppliers or provided a pool with a limited amount of suppliers that could supply the SME. The reason why the purchasers got a list with qualified suppliers, is derived from the fact that these suppliers meet the customers’ requirements. Similarly, P5 could only source from a limited pool of suppliers, as the customers required OEM supplies. Lastly, P9 explained that their customers can decide when to place an order, the purchasing price and select the supplier. By giving the customer much authority in the supplier selection process, the most desired supplies and suppliers are selected. So, when the customers select the suppliers, the customer requirements are always met. Therefore, the purchasing strategy gets aligned with the business strategy.

In summary, the customers’ business strategy gets merged in to the purchasing strategy of several SMEs. Furthermore, some customers pre-select the suppliers for specific supplies in SMEs. As the business strategy aims to fulfil customer needs given their unique value proposition, the customer requirements that dictate the purchasing strategy always aligns with the business strategy. The strategic alignment factors in customer requirements are summarized in table 13.

Alignment Factor		n	%
Category	Sub-Category		
<i>Customer Requirements</i>			
	Certificates	2	17%
	Customer Business Strategy	1	8%
	Customer Supplier Selection	3	25%

n = Count of the number of interviews the alignment factor is present in

Table 13 - Customer requirements strategic alignment factors found in SMEs

All the strategic alignment factors found in the SMEs are visualized in figure 15. The newly discovered strategic alignment factors including their dimensions are marked green. Strategic alignment factors that were already found in existing literature are marked grey in factors that were expected to be found, but were not found are marked red. Moreover, table 14 provides an overview of the alignment factors found in this research.

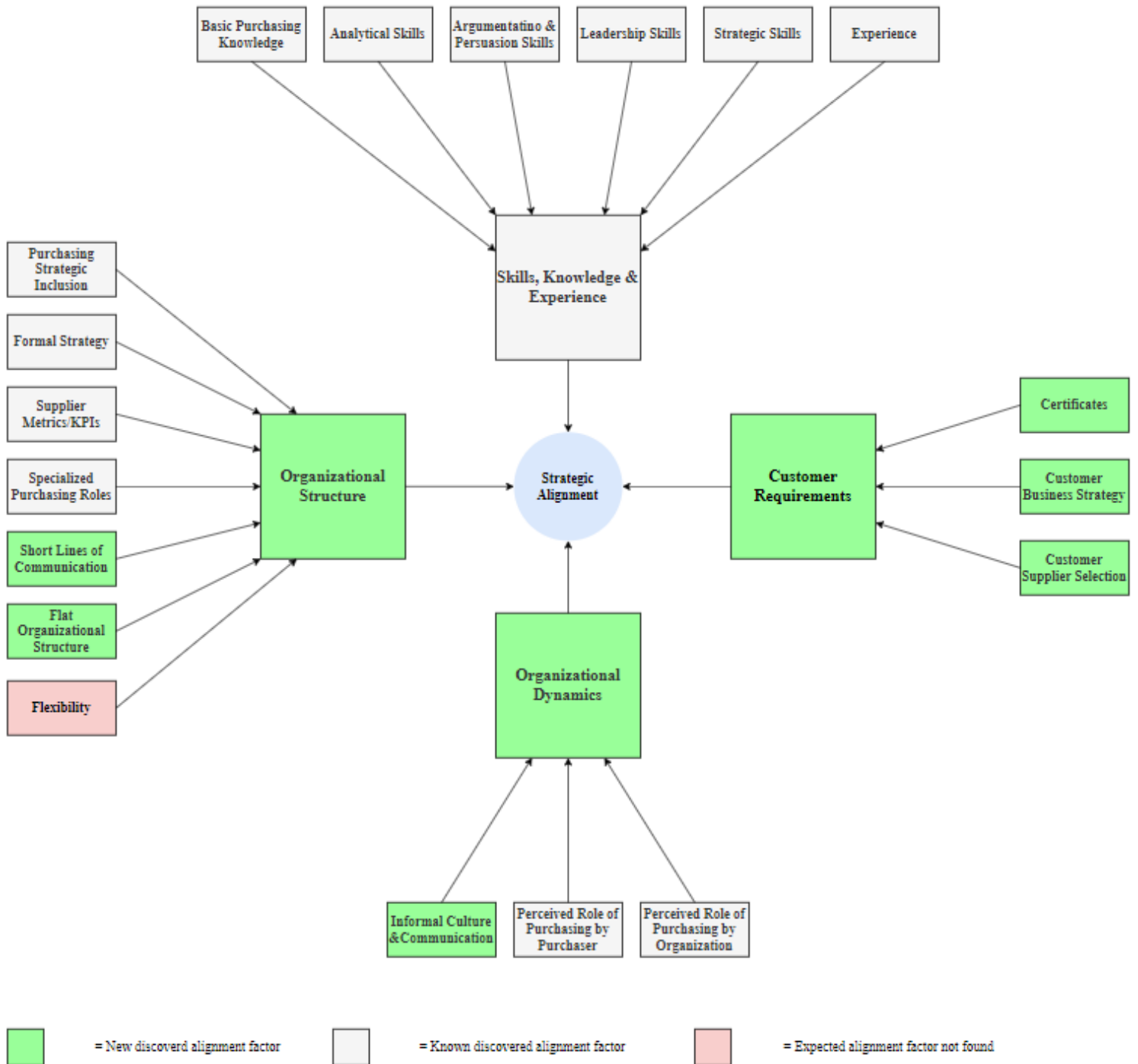


Figure 15 - Strategic alignment factors found in SMEs

Alignment Factor			
Category	Sub-Category	n	*/✓/x
<i>Skills, Knowledge & Experience</i>		31	
	Purchasing Knowledge	6	✓
	Analytical Skills	8	✓
	Strategic Skills	5	✓
	Leadership Skills	1	✓
	Argumentation & Persuasion Skills	3	✓
	Experience	7	✓
<i>Organizational Structure</i>		47	
	Formal Strategy	4	✓
	Purchasing Strategic Inclusion	5	✓
	Supplier Metrics	5	✓
	Specialized Purchasing Roles	8	✓
	Flat Organization	7	*
	Short Lines of Communication	12	*
	Flexibility	0	x
<i>Organizational Dynamics</i>		25	
	Informal Culture & Communication	10	*
	Perceived Role of Importance by Purchaser	7	✓
	Perceived Role of Importance by Organization	8	✓
<i>Customer Requirements</i>		6	
	Certificates	2	*
	Customer Business Strategy	1	*
	Customer Supplier Selection	3	*

n = Count of the number of interviews the alignment factor is present in

* = Newly discovered strategic alignment factor in SMEs

✓ = Known strategic alignment factor found in SMEs as well

x = Non-discovered strategic alignment factor

Table 14 - Overview of the strategic alignment factors found in SMEs

4.5 Strategic alignment factors can substitute other strategic alignment factors

When analysing the data it turned out that there are some strategic alignment factors that could substitute other strategic alignment factors. These findings were derived from the explanations why certain strategic alignment factors were included in the organization. The substitution of strategic alignment factors is outlined below.

One of the major findings is that the combination of experience and high levels of strategic skills can replace a formal strategy. This was found as the SME of P4 had a fully aligned purchasing strategy, whereas there was no formal strategy present in the organization. The strategic purchaser had experience in several business functions and high level of strategic skills, for that reason the strategic purchaser was able to look at the SME in a strategic way and develop a purchasing strategy in alignment with the business strategy.

Secondly, it turned out that the strategic inclusion of purchasing can partly replace the need for leadership skills in terms of integrating purchasing on the strategic level of the SME. This insight was derived as P11 explained that purchasing was included on strategic level since the company was established. On the contrary, P7 expressed the need for strategic inclusion of purchasing, however, the purchaser did not possess the desired leadership skills in order to do so. In case the management would have decided to include purchasing on strategic level in the case of P7, there would have been no need for these leadership skills. Noteworthy is that leadership skills cannot be entirely replaced by the strategic inclusion of purchasing, as leadership skills are also required to guide the subordinate purchasers in the direction of the business strategy.

So, the combination of experience and high levels of strategic skills can replace a formal strategy. Furthermore, the strategic inclusion of purchasing can lessen the need for leadership skills. The strategic alignment factors that can substitute each other are summarized in table 15.

Substitutable Strategic Alignment Factors		
<i>Factor(s)</i>		<i>Factor(s)</i>
Experience + High Strategic Skills	<--->	Formal Strategy
Purchasing Strategic Inclusion	<--->	Leadership Skills

Table 15 - Strategic alignment factors that are substitutable

4.6 Several patterns are identified in the four strategic alignment dimensions: a cross-case analysis

On all the strategic alignment factors present in the SMEs, a cross-case analysis is carried out. Notable is that the cross-case analysis was not a major concern at the beginning of the research, however, during data analysis it was expected that a cross-case analysis might provide some interesting insights, which turned out to be the case. The table used for the cross-case analysis can be found in Appendix XIII. In this table all SMEs are presented in the columns and the alignment factors in the rows. For every SME a checkmark is placed in case the strategic alignment factor was present in the SME. Several relationships have been discovered in the cross-case analysis within all overarching dimensions.

Starting from the skills dimension, the cross-case analysis revealed a pattern in terms of the skills the purchasers possess in SMEs. There seems to be a relationship between the basic purchasing skills, experience, analytical skills and strategic skills. Starting with the basic purchasing knowledge and experience, these two factors are mentioned in 6 out of the 8 SMEs with a revenue of €50 million or lower. For the SMEs with a revenue above €50 million, the basic purchasing knowledge and experience were not included as alignment factors. Moving to the analytical skills, these are not mentioned in the SMEs with a revenue of €10 million or less, whereas analytical skills act as strategic alignment factor in the SMEs with a revenue above €10 million. In terms of strategic skills, purchasers are more likely to have high levels of strategic skills as the revenue of the SME increases. From the upper half of the sample 4 out of the 6 purchasers have high levels of strategic skills, whereas from the lower half only 1 out of the 6 purchasers has a high level of strategic skills.

The possible relationship between these four strategic alignment factors might be as follows. SMEs with lower revenues rely more on basic purchasing knowledge and experience, as their purchasing volume is relatively low and not much attention is paid on the purchasing volume. Consequently, these SMEs perceive no need for analytical and strategic skills. As the revenue starts to grow, the purchasing volume becomes of a greater concern for the SME. Therefore, analytical skills and strategic skills become more important, although still is relied upon the basic purchasing skills and experience as well. In this phase, the SME becomes in the transition phase from relying on basic knowledge and experience towards relying more on analytical and strategic skills. Once the revenue is high enough, the purchasing volume is of such great influence on firm performance that the SME solely relies

on analytical and strategic skills to make sure that the purchasing tasks are carried out in the most systematic and strategic way.

Another possible explanation for this pattern could be that the SMEs with a low revenue cannot afford purchasers with high levels of analytical and strategic skills. Therefore these SMEs rely on purchasers with basic levels of knowledge and experience. Once the revenue of the organization grows, the SME can afford more developed purchasing professionals who possess these analytical and strategic skills.

In terms of organizational structure, there seems to be a pattern between a cluster of alignment factors and the flat organizational structure. The cluster consists of formal strategy, purchasing strategic inclusion and supplier selection evaluation metrics/KPIs.

In all 4 SMEs where a formal strategy is present the other 2 alignment factors of the cluster are present as well. On the contrary, in the 7 SMEs where a flat organizational structure acts as a strategic alignment factor, these cluster factors are absent most of the time. Purchasing's strategic inclusion is the only alignment factor of the cluster that accompanies the flat organization structure once.

The possible relationship that might exist between this cluster of alignment factors and the flat organizational structure might be as follows. In companies where the cluster is present, purchasing is strategically included and is engaged in the formal strategy-making process. The suppliers are selected and evaluated on the competitive objectives set in this formal strategy-making process. The SMEs using this cluster of alignment factors are expected to run their business mainly according to a strategic plan.

In SMEs with a flat organizational structure, there might be no need for a formal strategy and strategic inclusion of purchasing, as the purchasers interact frequently with the CEO and/or other major decision-makers. Therefore, strategy is developed and evaluated on a continuous basis with the inclusion of purchasing. In terms of supplier selection and evaluation metrics/KPIs, these might also be jointly developed with the CEO and/or major decision maker which will ensure that they are aligned to the SMEs strategy. So, in SMEs with a flat organizational structure strategy is likely to be executed in an informal way.

Moving to organizational dynamics, it turns out that the perceived role of importance of the purchaser pairs with the perceived role of importance by the organization and vice versa. Out of all the purchasers, 8 perceive their role as important and 7 out of these 8 purchasers are employed in an SME where the purchasing function is regarded as an

important business function. For this reason, it seems that the perceived role of importance by both the purchaser and the organization coincide with each other.

Furthermore, the perceived role of importance by the organization seems to interact with purchasing's strategic inclusion as well. In all 5 SMEs where purchasing is strategically included, purchasing is regarded as important by their organization. A logical explanation for this finding could be that purchasing becomes strategically included when the management is aware of the value that purchasing can add to the organization.

Focusing on the customer requirements, the presence of this alignment factor is not widespread as customer requirements are mentioned just 5 times. Therefore there is not a clear pattern visible. Despite the absence of a pattern, the SMEs do share a commonality in terms of customer requirements, which is the influence from OEM companies. These SMEs either source from or supply OEM companies. When customers desire OEM supplies, there are just a few dealers that are allowed to sell these OEM supplies. In case the SME is supplying an OEM company, this is often accompanied by certificate requirements and/or a pre-selected pool of suppliers by the OEM company. Despite the absence of a pattern within the customer requirements dimension, the OEM companies seem to drive this dimension.

In this section, a cross-case analysis is being carried out which revealed several patterns between the strategic alignment factors on all four dimensions. Despite these relationships seem to exist, these relationships cannot be confirmed as the sample size is too small to draw conclusions from. In chapter 5, the results from this research are discussed in both theoretical as well as practical terms. Further are the limitations of this research discussed as well.

5. Discussion: a new context is given to alignment factors

In this discussion section upon the main findings of the research are reflected. The need for this research is derived from the fact that strategic alignment is essential for purchasing and firm performance (e.g. González-Benito, 2007, p.901; Tchokogué et al., 2017, p.105). However, the majority of purchasing literature is not dedicated to SMEs (Ramsay, 2008, p.567-569; Coy et al., 2020, p.127) as well as strategic alignment which is under-researched in the context of SMEs (Street, Gallupe, & Baker, 2017, p.420). For that reason, the aim of this research is to discover the strategic alignment factors that facilitate the alignment between the purchasing strategy and the business strategy in the context of SMEs. The strategic alignment factors that are found in SMEs are related to its: 1) Theoretical contributions; 2) Managerial implications and; 3) Research limitations.

5.1 Theoretical contributions: new strategic alignment factors are being added to the literature base

The theoretical contributions of this research are the strategic alignment factors found in the SMEs. Various strategic alignment factors that were expected to be missing in SMEs have turned out to be present in SMEs. Moreover, new strategic alignment factors have been found in the SMEs which were not addressed in existing literature.

The skills, knowledge and experience of the purchasing professionals have been found to act as strategic alignment factors in SMEs. In the conceptual research model the proposition was stated that the skills level would not act as a strategic alignment factor in SMEs, as the skills of SME employees tend to be low (Ghobadian & Gallear, 1996, p.87). Nevertheless, six strategic alignment factors are discovered on this dimension. The finding that skills act as an alignment factor is in line with literature, which states that the skills of the purchaser are a major determinant in aligning the purchasing function with the strategic business objectives (Giunipero, Handfield, & Eltantawy, 2006, p.825).

In the existing purchasing literature, the strategic skills in aligning the purchasing strategy are highly emphasized (e.g. Carr & Pearson, 2002, p.1034; Giunipero et al., 2006, p.825-826; Tchokogué et al., 2017, p.112). The strategic skills of purchasers in SMEs turned out to be of major importance in aligning the purchasing strategy with the business strategy as well, which is similar to alignment research in SMEs outside the context of purchasing (Gonyora et al., 2021, p.8-9). The combination of high level strategic skills and experience

can even replace the need for a formal strategy, which is generally seen as a pre-requisite for strategic alignment (Watts et al., 1995, p.7).

Moving towards the organizational structure, the second proposition stated in the research model stated that SMEs would not have the appropriate organizational structure that facilitates alignment. In terms of specialization, several SMEs had specialized purchasing roles on strategic, tactical and operational level aligning the purchasing strategy, which contradicts existing literature (e.g. Ghobadian & Gallear, 1996, p.87; Schiele, 2019, p.53-54).

Next, SMEs were not expected to have alignment factors regarding standardization as this is low in most SMEs (Ghobadian & Gallear, 1996, p.83), however, standardized supplier selection and evaluation metrics were used in SMEs and some were even directed at strategic objectives.

Moreover, a formal strategy was not expected to be present in SMEs (Vos, 2005, p.998), but acted as an alignment factor within several SMEs. On the other end of the continuum, SMEs had rather an informal strategy which was in line with the expectations (Ghobadian & Gallear, 1996, p.87; Coy et al., 2020, p.137).

The level of centralization was unexpected to align the purchasing function, as SMEs are often not aware about the contribution of purchasing in an organization (Coy et al., 2020, p.137) decision-making authority was expected to be limited for purchasing. Nevertheless, purchasing is included on strategic level in various SMEs, which is as proposed by Narasimhan & Das (2001, p.596). These findings on these dimensions of organizational structure contribute to the literature that the strategic alignment factors which seemed to be especially designed for larger enterprises are also present in SMEs.

The proposition that low levels of configuration would result in higher levels of strategic alignment seems to hold by means of a flat organizational structure. This newly found alignment factor seems to be SME specific, as a flat organizational structure is a characteristic of SMEs in general (Ghobadian & Gallear, 1996, p.83). Furthermore, short lines of communication were used in all SMEs, either as primary communication method or as method for quick problem solving. Short lines of communication allow for rapid alignment between various levels of the organization. Moreover, flexibility expected to act as alignment factor. Although flexibility was mentioned as outcome of the flat organizational structure and short-lines of communication, in none of the interviews flexibility was mentioned as alignment factor.

In the cross-case analysis also a pattern is found in organizational structure. A cluster containing a formalized strategy, purchasing's strategic inclusion and supplier metric seems to coincide with each other in terms of organizational structure. Such a pattern is not what would be expected on the basis of literature (e.g. Pressey et al., 2009, p.214). In case this cluster is not present, the SMEs tend to have a flat organizational structure acting as alignment factor which was also more likely to be the case based on literature (Coy et al., 2020, p.137).

The perceived role of importance of the purchaser and the organization are found as strategic alignment factors in SMEs and are included in the maturity model of Adams et al. (2016, p.162) as well. These two factors play a larger role in organizations as purchasing becomes more mature (Adams et al., 2016, p.159). However, there is no clear implication whether this is the case, as the other maturity factors (Adams et al., 2016, p.162) vary between the SMEs who have included the perceived role of importance as alignment factor. Nevertheless, both the purchaser themselves as well as the persons in the SME in general should be aware of the value adding potential of purchasing (e.g. Coy et al., 2020, p.137). In addition, the cross-case analysis revealed that these two strategic alignment factors likely to reinforce or interact with each other as these two factors are jointly present most of the time.

Even more interestingly, this research has also revealed that the informal culture and communication within SMEs serve as a strategic alignment factor. The informal culture in SMEs is in line with literature (Ghobadian & Gallear, 1996, p.87) and allows for easy contact with the c-level to strategically align purchasing activities. Furthermore, the informal way of communication allow for discussion on frequent basis, without the planning of any formal meetings. This is especially important in the case of meetings with higher level executives.

In this research a completely new strategic alignment category has been discovered concerning customer requirements. The customer requirement strategic alignment factors are found in SMEs that source from or supply OEM companies. As OEM companies have in these relationships more power compared to the SMEs (see Watts et al., 1995, p.5), their requirements are being fulfilled by the SMEs.

In this section the strategic alignment factors facilitating alignment between the purchasing strategy and business strategy which were discovered in this research are discussed in relationship with the existing literature. In the next section, managerial implications are provided regarding the results.

5.2 Managerial implications: proposed actions to enhance strategic alignment in SMEs

The findings in this research can provide several practical proposed actions for managers to strategically align their purchasing strategy with the business strategy. For managers in SMEs the first proposed action is to address the importance of the purchasing function for the organization and include purchasing in the strategic planning processes. Consequently, managers should formalize a business strategy and develop a purchasing strategy jointly with the purchaser(s). The formalized strategy helps purchasers to align their purchasing activities to the strategy and select/evaluate the suppliers on the formalized strategic objectives. As a beneficial outcome, this reduces the immediate need for exceptionally experienced and strategically developed purchasers.

For purchasing roles, managers should specialize the purchasing roles on strategic, tactical and operational level to make sure that in all levels is acted upon the competitive objectives. These competitive objectives in turn should reflect the formal purchasing strategy. In case the SME is rather small in size and no resources are available to build a differentiated purchasing organization, managers should at least separate the strategic and operational purchasing activities, as the short-term operational activities are likely to be executed at the expense of strategic activities.

As it turned out that the purchasers themselves are a major determinant in aligning the purchasing strategy, managers should dedicate the purchasers with high levels of analytical and strategic skills in the strategic purchasing roles as these skills are likely to be of major importance in handling complex purchasing situations.

If the current purchasers do not possess these analytical and strategic skills, managers could hire purchasers who possess these skills or create development programmes for their purchasers to train the strategic and analytical skills.

In case the purchaser is meant to guide also other subordinate purchasers, this purchaser should also possess high levels of leadership skills. Like with analytical and strategic skills, new employees could be hired and/or development programmes can be used to develop these leadership skills.

For managers who face demanding customer requirements, actions are proposed to increase the power of the manager's SME. When sourcing from a very limited supply pool the manager should strive for the preferred customer status as this will provide a competitive advantage in the long-run. In case the SME is supplying a customer with more power, the

SME should increase its competitiveness and become a world-class supplier, with the result that the customer strives for the preferred customer status with the SME.

Lastly, managers should position themselves as easily approachable in the organization, as this will allow purchasers to engage in strategic discussion with the management on frequent basis, resulting in more aligned purchasing activities and the likelihood of achieving the strategic objectives.

5.3 Research limitations: new strategic alignment factors are being added to the literature base

As with all research, this research has its limitations and directions for future research. The limitations are related to the qualitative nature of this research. Due to the limited sample size of this research, the strategic alignment factors found might not be generalizable as quantitative research is required to confirm findings (Kwadwo Antwi & Hamza, 2015, p.220). In terms of the sample of this research, micro sized enterprises were not included so these strategic alignment factors might not hold for these micro enterprises, although micro enterprises are considered as SMEs. Furthermore, the majority of SMEs in the sample were medium-sized enterprises, whereas the inclusion of more small enterprises might have provided other strategic alignment factors. Moreover, no distinguishment between the relative importance of the strategic alignment factors can be made on the basis of this qualitative research.

This provides the first direction for future research, as a quantitative approach to identify the relative importance of strategic alignment factors in SMEs would provide interesting insights. Future research in the area of strategic alignment in SMEs can also focus on the horizontal and/or external alignment of the purchasing strategy as this research only focused on the vertical internal strategic alignment. Another interesting research area would be to compare the alignment factors between SMEs and larger enterprises. Both in terms of presence and in terms of their relative importance in the different type of companies. Moreover, future research could test the relationship between the revenue of companies and the transition from basic purchasing knowledge and experience towards analytical and strategic skills.

6. Conclusion: SMEs are not as limited as expected in utilizing strategic alignment factors

The research aim was to find out what factors in SMEs contribute towards the strategic alignment of the purchasing strategy with the business strategy. Based on an extensive literature review, four propositions were stated towards the presence of strategic alignment factors in SMEs and a conceptual research model was developed. In order to provide answers to the propositions and research aim, a semi-structured interview was developed on the basis of existing literature. Data is collected by means of interviewing twelve purchasers employed by SMEs. By analysing the data, interesting results were discovered in terms of strategic alignment factors that were not proposed to hold for SMEs as well as newly discovered strategic alignment factors. Furthermore, this research provided findings that several strategic alignment factors can substitute each other and interactions in strategic alignment factors are found. As a result of this research, it turned out that SMEs are not as limited as the expectations based on existing literature would suggest in terms of utilizing strategic alignment factors.

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UNIVERSITY OF TWENTE.

Faculty of Behavioural, Management and Social Sciences
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Master Thesis

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Appendix

Factors facilitating the strategic alignment between the purchasing strategy and business strategy: a SME context

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Enschede, 25th of August 2021

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Appendix I

Strategic purchasing concerns four sequential processes: planning supply, the selection, contracting and controlling & evaluation of suppliers

Strategic purchasing encompasses four sequential processes: 1) Planning supply; 2) Supplier selection; 3) Supplier contracting and; 4) Supplier controlling & evaluation. The first strategic purchasing process is planning the supply. The planning process starts with a sales forecast that is made for a particular year. The sales forecast is then offset against past sales and adapted towards the demand of the forecasted year for all supplies the organization plans to order (Schiele, 2019, p.56).

Once the demand is estimated, suitable suppliers to deliver the products/services are selected. The supplier selection process starts with setting the criteria and requirements for the supplier of a particular supply. The supplier selection process consist often of two stages, where at first the suppliers' information is roughly analysed and the most suitable suppliers are qualified. Secondly, a detailed analysis of the qualified suppliers is carried out to finally select the supplier that fulfils the buying firm's needs the best (Zimmer, Fröhling, & Schultmann, 2015, p.1413).

As one or more suitable suppliers are selected to deliver the supplies, contracts between the buyer and supplier are signed. The buying firm has often many concerns about multiple issues that need to be included in the contract such as quality, costs, delivery, technology, timing and even more requirements can be included (Li, Ryan, & Sun, 2015, p.137-138). The contracts are a means of coordination in relationships with conflicting interests, which will increase the chance that the desired outcomes are achieved (Kouvelis, Chambers, & Wang, 2009, 455-456) since contracts are legally enforceable (Schiele, 2019, p. 57).

The selected suppliers are often monitored and developed against the same criteria as the suppliers are selected upon (Zimmer et al., 2015, p.1413). The supplier monitoring activity is not just a blueprint of the supplier's performance on a specific point in time, but a continuous monitoring process of the suppliers' performance (Talluri & Narasimhan, 2004, p.241).

Appendix II

Fierce competition has evolved purchasing from a clerical function towards a professionalized function with strategic impact

The increasing (global) competition shifted the market where companies operated as price makers towards price takers, creating a higher need for cost reduction (Poissonnier, 2017, p.1). The first step in order to do so, was to outsource non-core business activities (Yeung, 2008, p.491; Poissonnier, 2017, p.1), resulting in less vertically integrated value chains and an increased amount of money spent on suppliers (Schiele, 2019, p.46; Poissonnier, 2017, p.1). Today, some firms spend even up to 85% of their revenue directly on their suppliers (Sobhani, Malarvizhi, Al-Mamun, & Jeyashree, 2013, p.255).

At the beginning of this movement, purchasing was rather considered as an operational activity, however, purchasing is nowadays more strategically oriented (Wynstra et al., 2019, p.1). Before purchasing became strategic, the purchasing function has been going through several development stages. Freeman & Cavinato (1990, p.8) distinguished four separate development stages throughout which purchasing has been going. Van Weele, Rozemeijer, & Rietveld (1998, p.4-6) described the development of purchasing in six stages. A comparison of both studies on the development of purchasing is majorly used to guide the dialogue.

In the past, the purchasing function tend to be rather a clerical function instead of a strategic function (Knoppen & Sáenz, 2015, p.123). The clerical phase is seen as the first phase of purchasing, where the major objective of the purchasing function was to supply production. The main value of the purchasing function was derived from securing the availability and right materials for production (van Weele et al., 1998, p.4).

Moving to the second stage of purchasing development, the main focus was on minimizing costs of the purchased supplies. Hard negotiations with many suppliers stood central in this time. Specialist buyers or different product groups were used to achieve these price reductions (van Weele et al., 1998, p.4). Freeman & Cavinato (1990, p.8-9) integrate the first and second stage of van Weele et al. (1998, p.4) into one stage. Their description of the first phase is “reactive” because of the clerical and administrative nature of the processes in combination with a cost minimization focus.

The third phase of van Weele et al. (1998, p.4) is characterized by companywide purchasing and for the first time there is a strategic focus: the quality perspective came into

play. The purchasing department begins slightly with forecasting demand as well. Furthermore, price reductions and cost variance activities are beginning to get attention (Freeman & Cavinato, 1990, p.9). The main objectives of purchasing in this stage are defined by Schiele (2019, p.48-49) as the ‘traditional purchasing objectives’. These traditional purchasing objectives include: 1) Cost minimization; 2) Appropriate quality input and; 3) Ensuring a safe supply.

Moving to the fourth stage of purchasing development, the purchasing function has a cross-functional perspective (van Weele et al., 1998, p.5). The strategic importance of the purchasing function becomes also evident: the company’s processes are built around the purchasing function. However, the scope is still relatively small as the focus is limited per separate business division and function (van Weele et al., 1998, p.5). Further, the focus of purchasing performance is internally oriented (van Weele et al., 1998, p.5).

In the fifth stage, there is a full focus on an outsourcing strategy and cooperation with suppliers (van Weele et al., 1998, p.5). A supply chain integrated perspective is developed and also more cross-functional integration comes internally into place (van Weele et al., 1998, p.5). The third, fourth and some findings of the fifth stage of van Weele et al. (1998, p.1). are mainly summarized by Freeman & Cavinato (1990, p.9) in their third phase in which they argue that purchasing has an externally oriented focus. Purchasing integrates with other parties within the supply chain. Internally, purchasing becomes also integrated with the other functions of the company. The activities of purchasing in the third stage include amongst others inventory management, logistics and outsourcing. (Freeman & Cavinato, 1990, p.9).

In the sixth and final stage, the main objective of the purchasing strategy is delivering value to the end customer (van Weele et al., 1998, p.5). The purchasing strategy is integrated within the business strategy. Furthermore, the purchasing strategy is constantly updated along the supply chain to serve the most value to the end-customer (van Weele et al., 1998, p.5). Freeman & Cavinato (1990, p.9) integrate in their fourth phase findings of the fifth and sixth phase of van Weele et al. (1998, p.5-6) and describe the purchasing function as a strategic function with a broad vision and integration with the other business functions. The emphasis is on the relationships between the internal functions as well as with the suppliers. Finally, Freeman & Cavinato (1990, p.9) address that purchasing in the final development phase is a major contributor to profit.

All the purchasing development phases described in this section are summarized in figure 1. Likewise van Weele et al. (1998, p.1), the development phases are separated in six

steps because six steps allow for a more specific and detailed description than the four steps of Freeman & Cavinato (1990, p.6). Into these six steps of van Weele et al. (1998, p.1), the findings of Freeman & Cavinato (1990, p.6) are integrated as well.

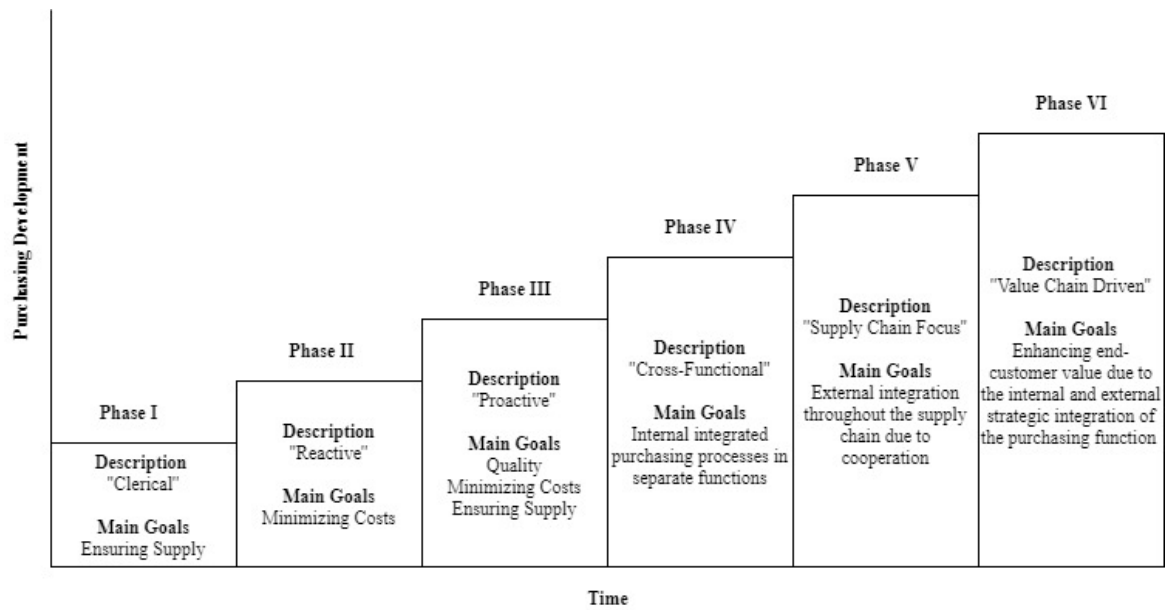


Figure 16 - Purchasing Development Stages based on van Weele et al. (1998, p.4-6) and; Freeman & Cavinato (1990, p.8-9)

Appendix III

Corporate strategy acts as the guiding vision of a corporation leading towards growth

The need for strategy is derived from the organizational desire to have a direction in a changing environment (Knights & Morgan, 1991, p.251). The corporate strategy is the guiding vision at the top of a corporation (Porter, 1989, p.8). It is the overall strategy that influences all other organizations that belong to the corporation. The corporate strategy addresses two questions according to Porter (1989, p.1): 1) ‘‘What businesses the corporation should be in?’’ and; 2) ‘‘How the corporate office should manage the array of business units?’’. It is the corporate strategy what makes the company a cohesive whole instead of some separate business units (Porter, 1989, p.1). From the point of view of Porter (1989, p.1), the corporate strategy dictates in turn the other strategies pursued throughout the firm.

The reason why firms engage in corporate strategy, is driven by the pressure on firms to grow (Wadström, 2019, p.44). In order to do so, corporations have various options. In the case corporations want to grow in their existing business, growth can be achieved by (Wadström, 2019, p.44): 1) Market penetration; 2) Market Development or; 3) Product Development. Firms can also grow by entering new or different markets due to (Wadström, 2019, p.44): 1) Horizontal and/or; 2) Vertical integration. When firms grow by horizontal and/or vertical integration, they become diversified multiple-business firms (Wadström, 2019, p.44).

Nippa, Pidun, & Rubner (2011, p.50) analysed why corporate diversification had become increasingly popular. Firstly, they found the assumption that firm growth was the major contributor to success and profitability prevailed (Nippa et al., 2011, p.51). Later on, the thought that corporate headquarters with their hierarchical coordination would outperform the market in terms of efficiency prevailed (Nippa et al., 2011, p.51-52). Lastly, the faith that educated managers would be capable of handling largely diversified corporations ruled. These actions increased the diversification of companies, that ultimately created large unrelated conglomerates which urged the management to establish efficient corporate strategies (Nippa et al., 2011, p.51-52).

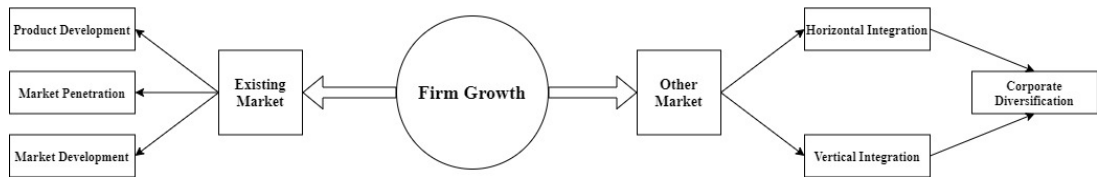


Figure 17 – Firm growth and its relation to corporate diversification (Wadström, 2019, p.44)

Appendix IV

The four cornerstones and three generic strategies: a comparison

Next to Porter's (1985, p.35) generic strategies, Peteraf (1993, p.179) describes the resource-based-view (RBV) as strategy to compete in the industry and create a competitive advantage. The RBV is introduced by Barney (1991, p.105-112) as a means to create competitive advantage due to obtaining VRIN resources, which stands for resources that are: 1) Valuable; 2) Rare; 3) Imperfectly Imitable and; 4) Non-substitutable. Peteraf (1993, p.180) addressed the “four cornerstones” that lead to competitive advantage from this RBV: 1) Heterogeneity; 2) Ex post limits to competition; 3) Imperfect resource mobility and; 4) Ex ante limits to competition (fig. 3).

For heterogeneity, the underlying assumption is that not all firms have equal access to strategic resources and those strategic resources might not be perfectly mobile, so the benefits from this heterogeneity can be long-lasting (Barney, 1991, p.101). These heterogenous resources may lead to higher profits and/or more efficient production opposed to competitors (Peteraf, 1993, p.181). These heterogenous resources may also put a firm in a monopolistic position where firms can exercise its competitive power to maximize profits, whilst other firms are restricted in possessing these fundamental heterogenous resources (Peteraf, 1993, p.182).

This brings the need for the second source of competitive advantage, which is ex post limits to competition. The threat of substitution or imitation can endanger heterogeneity. Therefore, there is a need for long-term access to heterogenous resources in order to benefit from them (Peteraf, 1993, p.182).

Thirdly, the imperfect mobility causes that resources can be non-tradeable, less valuable or have high opportunity costs to be used by other firms. As a consequence, the firm that possesses these imperfectly mobile resources benefits from a long term competitive advantage (Peteraf, 1993, p.183-184).

Fourthly, there are ex ante limits to competition which addresses that competition must be limited before a firm establishes a superior resource position. The reason for this is derived from the fact that the rents from acquiring a superior resource might already be offset due to the increased costs (Peteraf, 1993, p.185).

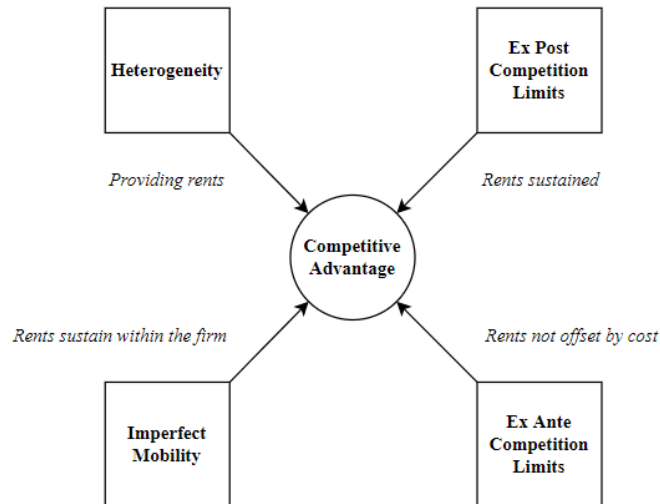


Figure 18 - Four cornerstones to competitive advantage (Peteraf, 1993, p.186)

Comparing the strategic frameworks of Porter (1985, p.1) and Peteraf (1993, p.179) with each other, it becomes obvious that both frameworks have different approaches towards achieving competitive advantage. Porter (1985, p.1) argues that firms should position their products favourably in the industry vis-à-vis its competitors based on uniqueness or lowest price, whereas Peteraf (1993, p.179) emphasized that firms should acquire and maintain heterogenous resources in order to get excessive rents.

The differences between these two approaches can be related to the extent of strategic orientation of the unit of analysis (Teece, Pisano, & Shuen, 1997, p.527). Porter (1985, p.1) has a exogeneous approach as the theory assumes that resources are accessible to everybody in the industry and under constant pressure of the five forces, strategic rents are quickly gone and therefore firms should constantly positions itself favourable in the industry (Teece, Pisano, & Shuen, 1997, p.527). On the contrary, Peteraf (1993, p.179) takes the RBV and argues that rents can be derived from heterogeneous resources that other firms cannot copy as these resources are VRIN, therefore the strategic orientation is low and the role of industry structure is endogenous (Teece et al., 1997, p.527).

Despite these differences, both theories can also be related to each other. Since VRIN resources can result in both unique as well as lowest costs products/services (Peteraf, 1993, p.179), these heterogenous results can be translated to the model of Porter (1985, p.35) as differentiation strategy in terms of unique VRIN resources or cost-leadership strategy in terms of VRIN achieving lowest costs.

Appendix V

Combinations of sourcing levers can be used for strategy execution

Hesping & Schiele (2016, p.145) emphasized that the sourcing levers might be the missing link between the formulation of a general category strategy and the actual activities that are eventually implemented. Sourcing levers can act as a reinforcing strategy in case particular levers are utilized simultaneously (Schiele et al., 2011, p.329). The first strategy is the cost-leadership focus to reduce costs, which is a combination of the levers: 1) International sourcing; 2) Price evaluation and; 3) Pooling the demand with other business units or even other firms (Schiele et al., 2011, p.330). Secondly, there is the differentiation focus, which entails the levers: 1) Product optimization; 2) Supplier integration and; 3) Process improvement (Schiele et al., 2011, p.330).

Despite these levers are prescribed for specific situations, Hesping & Schiele (2016, p.111-112) found that in practice these levers were used in all quadrants of the Kraljič matrix. Additionally, they found that these sourcing levers were used additively instead of selectively, as one or more sourcing levers were used in specific categories of the Kraljič Matrix.

Appendix VI

Strategic supplier relationships should be developed to gain competitive advantage

Supplier strategies are the way that individual suppliers in a sourcing category are approached by the buying firm (Hesping & Schiele, 2015, p.146). Narasimhan & Das (2001, p.18) described the importance of integrating the suppliers with the strategy of the buying firm. Before integrating the suppliers with the buying firm's strategy and goals, Watts, Kim, & Hahn (1995, p.4) addressed the importance of defining the buyer-supplier relationship first, because buyer-supplier relationships strategies can be distinguished into: 1) Adversarial and; 2) Cooperative.

Adversarial relationships can be seen as the traditional buyer-supplier relationship where the buyer's power is larger than the supplier's power. Adversarial relationships are not suitable for the strategic integration of suppliers, because strategic planning requires a long-term focus and adversarial relationships last only on the short-term (Watts et al., 1995, p.4).

On the other hand, the cooperative buyer-supplier relationships aim towards a mutually beneficial relationship for both parties, achieving their strategic goals in the long-term in a way that both parties benefit (Watts et al., 1995, p.5). In the cooperative relationship, the buyer's power is equal to the supplier's power (Watts et al., 1995, p.5).

Due to the constantly changing markets, relationships with suppliers focus on continuous improvement and bundling the capabilities of both parties. This has a positive impact on the purchasing performance in terms of costs, enhanced quality, faster delivery and more flexibility for both the buyer and supplier firm (Watts et al., 1995, p.5).

Ultimately, Watts et al. (1995, p.5) argue that suppliers should aim for a cooperative supplier relationship and select their suppliers based on their capabilities in any case. The matrix of Watts et al. (1995, p.5) represents adversarial and cooperative buyer-supplier relationship on the vertical axis and on the horizontal axis the product- and capability based supplier selection process (fig. 4).

	Suppliers Selected Based-On	
	Product-Based	Capability-Based
Adversarial <i>Buyer Power > Supplier Power</i>	- Short-Term/Operational emphasis - Price/Quality based - Multiple sourcing	- Long-term/Strategic - Capability based - Competitive - Multiple sourcing
Cooperative <i>Buyer Power = Supplier Power</i>	- Non-Price based - Operational emphasis - Management assistance - Technical advice	- Strategic emphasis - Single sourcing - Continuous improvement (cost, quality, delivery and flexibility)

Figure 19 - Buyer-Supplier relationship shift (Watts et. al, 1995, p.5)

Schiele (2012, p.44) has a very different point of view on buyer-supplier relationships. Schiele (2012, p.44) argues that markets have become oligopolistic with just a small amount of world class suppliers that have many potential buyers. For that reason, it is the task of the buyer to be sufficiently attractive for the suppliers. This view shifts the paradigm from buyers selecting suppliers into suppliers selecting buyers. It is for the buyers key to achieve the “preferred customers status”, by which is meant that suppliers dedicate the most exclusive and/or the best resources to their preferred buyer, leading towards a competitive advantage for the buyer (Schiele, 2012, p.44-47). Schiele (2012, p.48) created a matrix (fig. 5) that assesses the strategic position of the buyer vis-à-vis its suppliers.

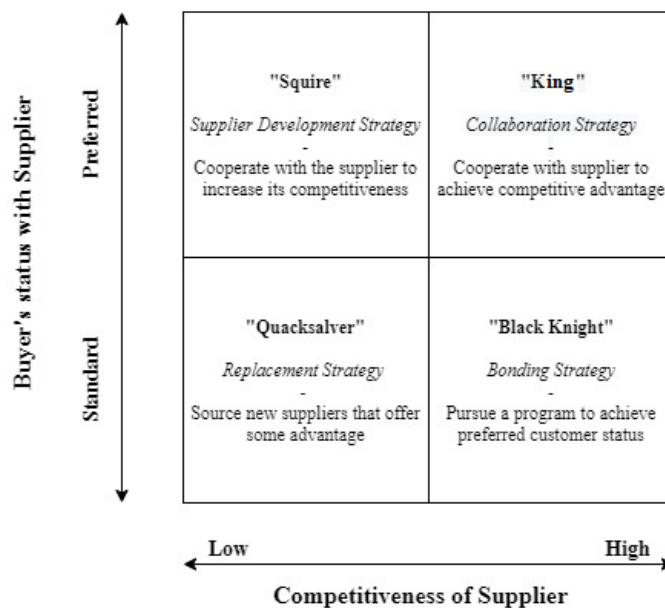


Figure 20 - Preferred customer matrix (Schiele, 2012, p.48)

One the vertical axis of the preferred customer matrix are two possible dimensions: 1) Standard Customer and; 2) Preferred Customer. On the horizontal axis of the matrix the competitiveness of the supplier is assessed. The competitiveness of a supplier can be ranked on a range from low to high. The level of the competitiveness range is dependent on the importance of the supplier to the competitiveness of the buyer. The major aim of the preferred customer matrix is to achieve a preferred customer status in the relationship with highly competitive suppliers. Several actions are proposed for each stage in the quadrant to improve the buyers position vis-à-vis the supplier. The proposed actions are as following (Schiele, 2012, p.48-49):

King

The buying firm has a preferred customer status at a highly competitive supplier. This is the best possible quadrant. The buyer and supplier can work collaboratively to enhance performance and reduce risk, which will eventually turn in a competitive advantage for the buying firm (Schiele, 2012, p.48-49).

Black Knight

These suppliers are highly competitive, however, the buying firm does not receive the preferred customer status from the supplier. This puts the buying firm at risk as other buyers might receive the benefits of the preferred customer status. The buying firm can take actions to make themselves more attractive towards the supplier or replace the current supplier by another suitable supplier that is willing to provide them with a preferred customer status (Schiele, 2012, p.48-49).

Squire

The buying firm is seen as a preferred customer by its supplier. However, the supplier is not sufficiently competitive. The most desired action is to work with the supplier to increase its competitiveness. Another option would be to find a new supplier that is competitive and willing to provide the buying firm with the preferred customer treatment (Schiele, 2012, p.48-49).

Quacksalver

For the suppliers that neither provide a competitive advantage nor a preferred customer status to the buying firm, the proposed action is to replace the supplier with a supplier that is competitive or has the potential to be competitive (Schiele, 2012, p.48-49).

Appendix VII

More mature purchasing functions are more likely to have more alignment factors

The maturity of the purchasing function is described by the level of professionalism within the purchasing function (Rozemeijer, Weele, & Weggeman, 2003, p.5). By ‘purchasing professionalism’, Rozemeijer et al. (2003) refer to the: ‘status of the function, role and organizational status of the purchasing department, availability of purchasing information systems, quality of the people involved in purchasing, and level of collaboration with suppliers.’ (p. 10). Purchasing must grow through several stages in order to become strategic. During these different development stages, new skills and recognition of the strategic contribution of purchasing needs to be added in every stage (Ellram & Carr, 1994, p.17).

The reason why a mature purchasing function is important is because more mature purchasing functions tend to possess the following beneficial characteristics (Cousins et al., 2006, p.787): 1) Internal alignment; 2) Integration in strategic planning processes; 3) Top management recognition; 4) Highly skilled and knowledgeable purchasing professionals; 5) Supply chain orientated; 6) Better supplier relationships and; 7) Higher levels of performance. In addition to this, Schiele (2007, p.282-283) found that more mature and sophisticated purchasing functions achieve greater costs savings than less developed ones.

There are several different frameworks to measure the purchasing maturity. Purchasing maturity is measured on different dimensions within the purchasing organization (Schiele, 2007, p.277). Over the past years various purchasing maturity models have been created. Schiele (2007, p.274) carried out a comprehensive literature review on these established purchasing maturity models. Schiele (2007, p.274) criticized that the existing maturity models were either deduced from ex ante theories or ex post observations. Furthermore, the vast majority of these purchasing maturity models were not empirically validated (Schiele, 2007, p.275). In order to overcome these problems, Schiele (2007, p.275) created a comprehensive maturity model which is also empirically validated. The main categories in Schiele’s purchasing maturity model consist of (Schiele, 2007, p.277-278):

- 1) *Procurement Planning*: concerns the first steps in the purchasing process
- 2) *Organizational Structure of Purchasing*: concerns the structure, roles, responsibilities and strategic integration of the purchasing function within in the organization.

- 3) *Process Organization*: concerns the sourcing strategy, supplier selection and the interaction with the suppliers
- 4) *Human Resources & Leadership*: considers the professionalism and skills of the purchasing jobs
- 5) *Purchasing Controlling*: concerns how the purchasing function is controlled and in what way

A few years later, Bemelmans, Voordijk, & Vos (2013, p.349-350) made a similar maturity model. Although their model is less comprehensive than Schiele's (2007, p.284-291) maturity model, it is relatively similar to Schiele's (2007, p.274) model, since Schiele's model is used as checklist to incorporate all categories. In addition, Bemelmans, Voordijk, & Vos (2013, p.346-350) added a new category which is the collaborative supplier relationship which assesses whether the sourcing strategy is collaboratively developed.

More recently, Adams, Kauffman, Khoja, & Coy (2016, p. 162) developed a maturity model specifically designed for SMEs. Since this research focuses on alignment within SMEs, the maturity model of Adams et al. (2016, p.162) is outlined in more detail. Adams et al. (2016, p.162) found that SMEs only go through three development stages opposed to the four stages of Schiele (2007, p.284-291) and Bemelmans et al. (2013, p.349-350) and include different activities and structures. The three development stages are (Adams et al., 2016, p.161-162):

Level 1 – Passive Purchasing

SMEs with a maturity level 1 have an undeveloped purchasing organization. Furthermore, these SMEs have limited buying-power because they either have a low supply volume and/or are simply just price takers in the market. Due to a lack of development of the purchasing organization, these SMEs rarely engage in long-term supplier relationships (Adams et al., 2016, p.161-163).

Level 2 – Leveraged Purchasing

In maturity level 2 the SMEs are primarily focused on low cost as the buying-power is now sufficient to bargain. Furthermore, supplier relationships are getting more attention. The focus on long-term supplier relationships can be of various reasons: 1) Cost become more of a concern; 2) Increased expertise, knowledge and long-term vision of purchasing professionals and; 3) Professionalized production processes require reliable suppliers.

Moreover, a purchasing strategy begins to develop and coordination across the purchasing organization becomes more important. Level 2 can be seen as the transactional phase where short-term purchases are gradually replaced by long-term relationships (Adams et al., 2016, p.162).

Level 3 – Strategic Purchasing

In maturity level 3 the SMEs have fully established supplier relationships to achieve cost control and improvements. The purchasing professionals in level 3 will actively focus on aligning the purchasing strategy with the business strategy. The purchasing function plays a major role in the business strategy and purchasing decisions are coordinated throughout different departments. Purchasing professionals develop long-term relationships with suppliers rather than pursuing the lowest possible costs (Adams et al., 2016, p.162).

With every increase in purchasing maturity level, the performance of the SME increases as well (Adams et al., 2016, p.160). To measure the maturity level of a SME's purchasing organization, the following measures are used (Adams et al., 2016, p.159): 1) Supplier relationships; 2) Supply Strategy; 3) Purchasing Costs; 4) Organizational Commitment; and 5) Perceived Role of Commitment.

Maturity level 1 scores the lowest on all measurement criteria and has the lowest performance (Adams et al., 2016, p.159). Level 2 in purchasing maturity scores medium performance on all measurement factors, except for purchasing costs and perceived role of commitment. The high performance on purchasing costs suggests that the main focus in this phase is to achieve the lowest possible costs. The perceived role of commitment is just slightly higher than in level 3 and no specific suggestion is given for this observation (Adams et al., 2016, p.159). Level 3 in purchasing maturity scores the highest performance on all factors, except the purchasing costs and perceived role of commitment. The researchers suggest that purchasing cost performance is lower since the focus is more on long-term supplier-relationships compared to low costs. The decline in perceived role of commitment is just a tiny fraction lower compared to level 2 (Adams et al., 2016, p.159). Based on the maturity levels of Adams et al. (2016, p.159) table 2 is created. The relationships between maturity levels are visualized in figure 6.

Purchasing Maturity Level			
Factor	Level 1	Level 2	Level 3
<i>Supplier Relationships</i>	Low	Medium	High
<i>Supply Strategy</i>	Low	Medium	High
<i>Purchasing Cost</i>	Low	High	Medium
<i>Organizational Commitment</i>	Low	Medium	High
<i>Perceived Role of Purchasing</i>	Low	High	Medium
<i>Performance</i>	Low	Medium	High

Table 16 - Purchasing maturity measurement levels adapted from Adams et al. (2016, p.159)

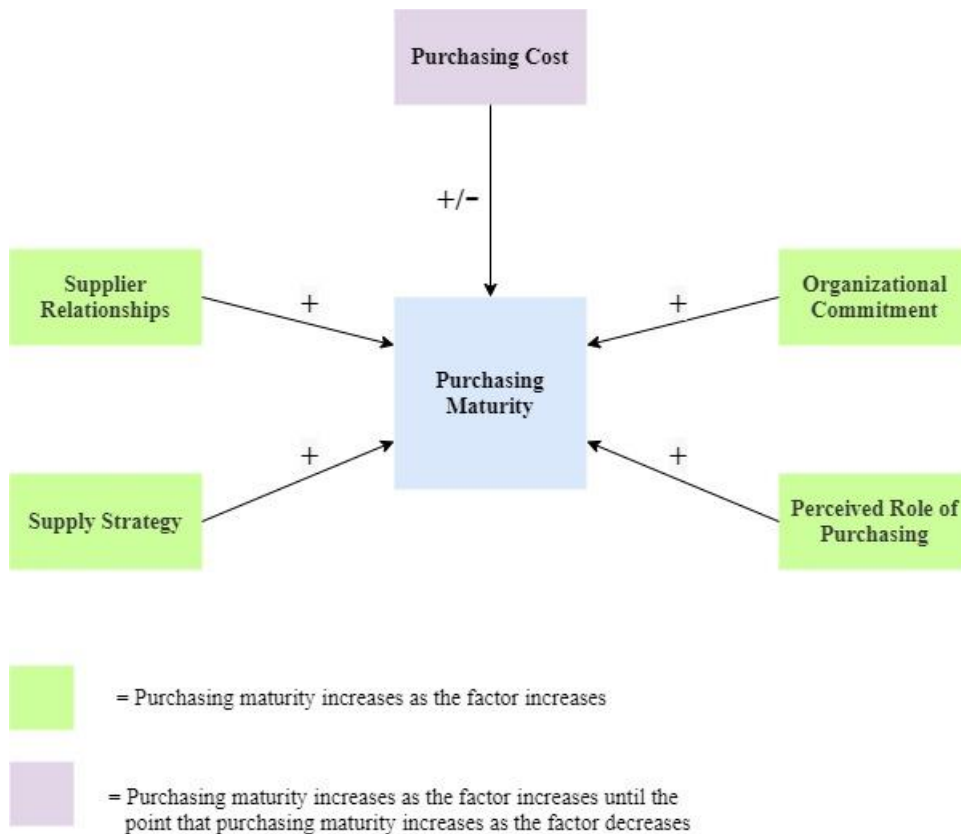


Figure 21 - Factors contributing towards purchasing maturity in SMEs (Adams et al., 2016, p.159)

Appendix VIII

SMEs are of great importance for the EU economy: visualized statistics

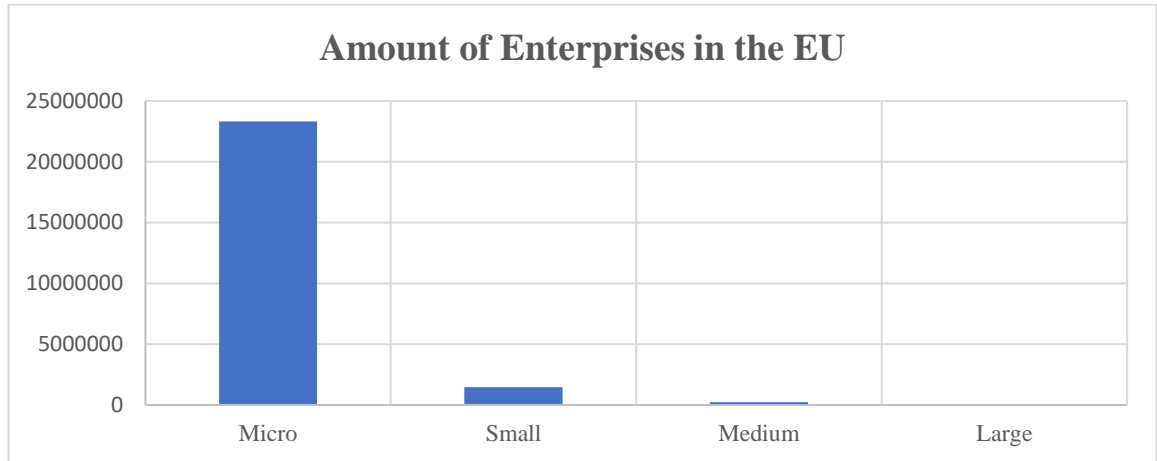


Table 17 - Amount of micro, small, medium-sized and large enterprises in the EU

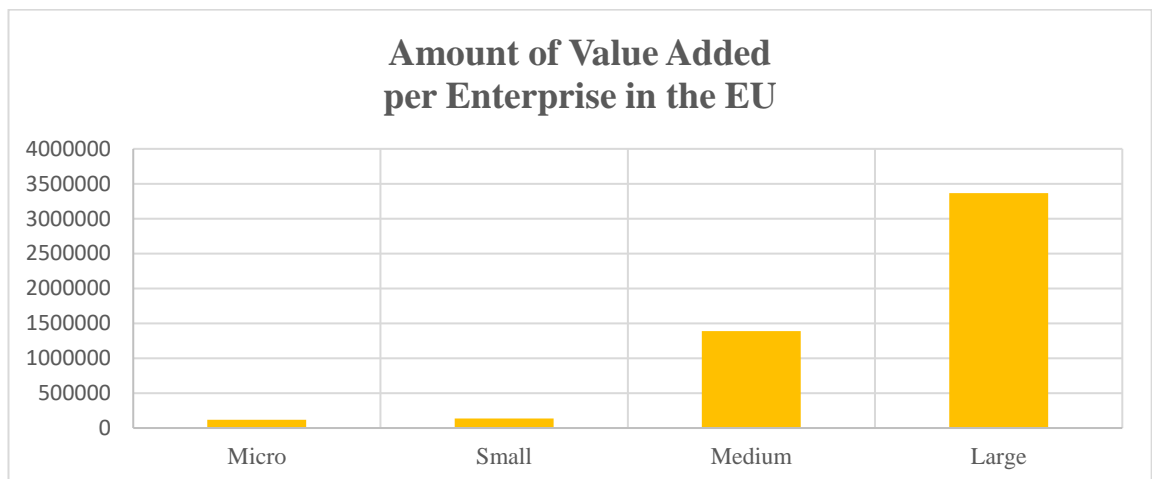


Table 18 - Amount of value added by micro, small and medium-sized enterprises in the EU

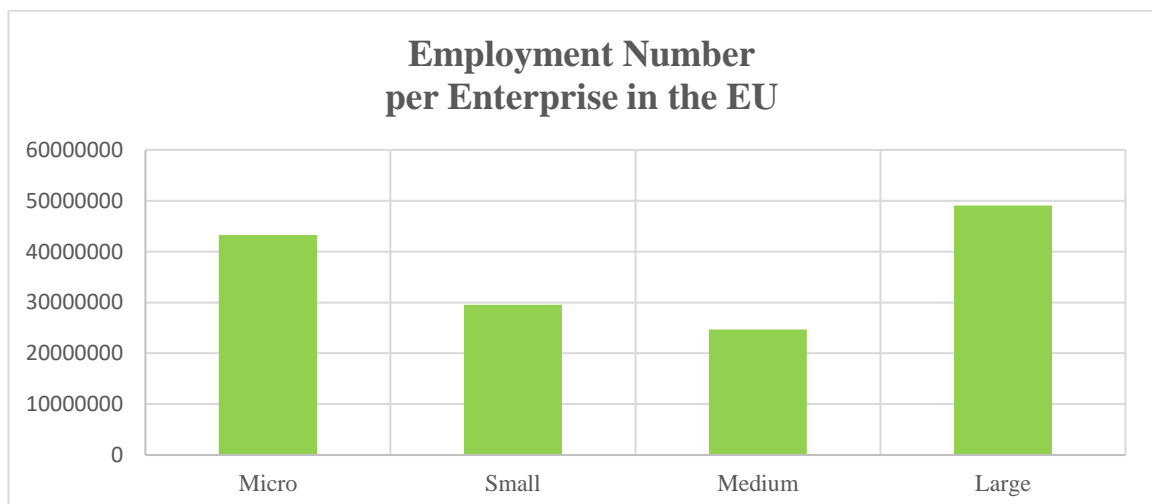


Table 19 – Employment number in micro, small, medium-sized and large enterprises in the EU

Appendix IX

Depending on the research aim the most suitable qualitative data collection method can be chosen: all methods have their own pros and cons

There are various different qualitative data collection methods (Bowling et al., 2001, p.215). Almeida, Superior, Gaya, Queirós, & Faria (2017, p.369) have made a comparative analysis of the most relevant qualitative data collection methods. They included data collection methods as: 1) Observation; 2) Ethnography; 3) Field research; 4) Focus Groups; 5) Case Studies; 6) Structured Interviews; 7) In-depth Interviews and; 8) Semi-structured interviews.

Firstly, using observation as data collection method, data is collected while observing the subject under investigation in their natural environment. Observation is an unobtrusive and flexible method that has the aim to discover new knowledge (Almeida et al., 2017, p.376). On the other hand, this method is very time consuming, requires the researcher to visit the place where the observation takes place and finally the results are totally influenced by the researcher's perceptions (Almeida et al., 2017, p.376).

In ethnography, observation is also part of the data collection method. In addition, also interviews with the participants are conducted. This has the advantage that the researcher can have an in-depth knowledge about the specific situation (Almeida et al., 2017, p.376). On the contrary, the researcher has to put in a lot of effort to understand the perceptions of the participants. Furthermore, all the details can make it difficult to draw strict conclusions from the data collected (Almeida et al., 2017, p.376).

Field research is a data collection method that collects data over an extended period of time. The results can give researchers an in-depth understanding of people's perceptions and experiences. However, it is difficult to document the observations and to generalize the results for larger groups (Almeida et al., 2017, p.376-377).

In focus groups, data is collected due to the interaction of a specific group of people on a specific topic (Almeida et al., 2017, p.377). This has as advantage that much information is provided in a rapid way. However, focus groups can become messy and therewith hard to control and manage. Further, it might be hard to find people who are willing to participate and create a representative group of participants (Almeida et al., 2017, p.377).

Case studies are a data collection method that are able to investigate complex situations with many variables. Furthermore, it allows for extending the existing knowledge

base (Almeida et al., 2017, p.377). As a downside, it might be difficult to find causal connections and generalizable conclusions using case studies (Almeida et al., 2017, p.377).

Structured interviews are a data collection method that is designed to retrieve responses from different interviewees and later compare the responses (Almeida et al., 2017, p.377). Structured interviews are especially aimed at asking the interviewee about past experiences or hypotheses. However, due to its predetermined structure, these structured interviews lack flexibility which might lead to unexplored concepts which might be of interest for the research (Almeida et al., 2017, p.377).

In-depth interviews are interviews that are rather unstructured, a generic question is asked and the respondent can answer the question freely. Further questions are asked and probing techniques used for provided answers, to extract even more information. This data collection technique provides rich and detailed data and connections between topics can be made (Almeida et al., 2017, p.378).

At the intersection of structured interviews and in-depth interviews, there are semi structured interviews. In semi-structured interviews, there are a set of predefined questions like in structured interviews, but this time there is the freedom to talk about those predefined question with the same freedom as in in-depth interviews (Almeida et al., 2017, p.377-378).

Appendix X

Applicability of the qualitative research methods in finding strategic alignment factors in SMEs

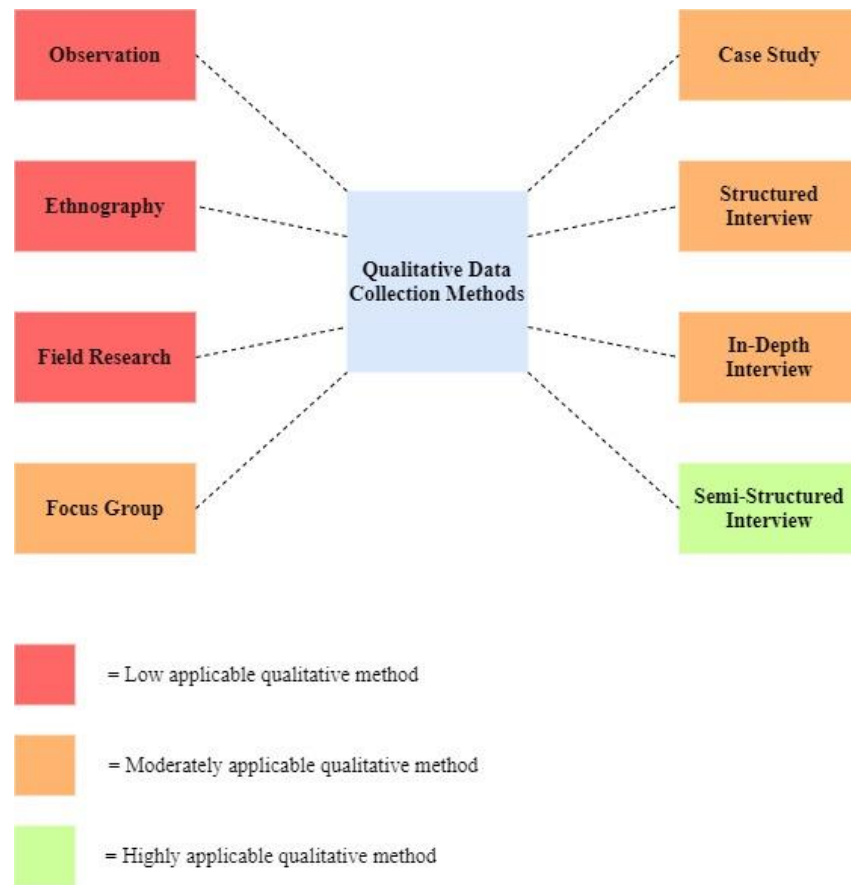


Figure 22 - Visualized applicability of qualitative research methods for this study

Appendix XI

The reasoning behind the strategic alignment questions of the interviews

Business Strategy - Q1: "How would you describe your company's business strategy?"

The first question is chosen to get an understanding what business strategy the SME pursues. It is important to understand the business strategy at first in order to critically review in later stages whether the purchasing strategy is indeed aligned with the business strategy, as the purchasing strategy is determined by the business strategy (Porter, 1989, p.1; Chakravarthy & Henderson, 2007, p.647-650; Hespig & Schiele, 2015, p.139). The question is an open question which allowed the respondent to provide a comprehensive answer on what strategy the SME pursues.

Purchasing Strategy – Q2: "How would you describe your company's purchasing strategy?"

The second question is chosen to get an general understanding of the purchasing strategy the SME pursues. Moreover, this question already provides an insight into the extent of alignment between the purchasing strategy and the business strategy, as the purchasing strategy should reflect the business strategy (Chakravarthy & Henderson, 2007, p.647-650; Hespig & Schiele, 2015, p.139). This question is added as an intermediate step after three interviews, as the first three interviewees seemed to struggle with the immediate transition from Q1 to Q3. In the remaining interviews

Strategic Alignment – Q3: "How aligned is your purchasing strategy with your business strategy?"

The third question is chosen to find out whether or not the purchasing strategy is aligned with the business strategy. Furthermore, this question allows for further insights by probing on with asking why or why not the purchasing strategy is/is not aligned with the business strategy. The need for this question is derived from the knowledge that more aligned purchasing functions achieve higher levels of performance (e.g. Paulraj et al., 2006, p.117; Knoppen & Sáenz, 2015, p.124).

Strategic Alignment Q4: “What factors do contribute towards the alignment of the purchasing strategy with your business strategy?”

The fourth question is of major importance, since this question is directly answer the aim of this research. This most important question is explicitly put as last, since the interviewee already has many facets of their strategy in mind, so the factors leading towards the alignment between the purchasing and business strategy can be answered more easily. The need for this question already extensively argued for in the synthesis section 2.5 as the currently known alignment factors (e.g. Narasimhan & Das, 2001, p.607; Tchokogu e et al., 2017, p.112) seem not to hold for SMEs.

On all questions probing techniques and more related questions were asked to extract as many relevant information out of the interviewee as possible.

Appendix XII

Semi-structured interview protocol

Dear Mr./Mrs. #name,

First of all, I would like to thank you for your participation in this research. The purpose of this research is to find out what factors lead towards the strategic alignment of the purchasing strategy with the business strategy within SMEs. Current literature focuses almost solely on larger enterprises and their characteristics are very different from SMEs characteristics.

This research will be carried out by means of an interview. The interview is designed for exploratory research, which allows you to share your knowledge and expertise in the field of strategic alignment in purchasing broadly. Your role can be seen as a “teacher” who wants to learn me, the researcher, about the strategic alignment of the purchasing strategy and business strategy in your SME. Before continuing with the research, would you mind that I record this interview? **Y/N**

First, the recording of the interview will be transcribed by transcription software. Later, a manual check will be carried out in order to make the transcription identical to the actual recording. Once the transcription is finalized, the recording will be deleted.

The transcription will be analysed using qualitative coding software. The coding software is used in order to link sentences and phrases that will hopefully result in factors that lead towards strategic alignment. After the coding process is done, the transcription of the interview will be deleted. Could you agree with this transcription and coding process as well? **Y/N**

1. Company information

- Interviewee name:
- Job title:
- Years of experience in purchasing:
- Years with the company:
- Number of employees:
- Number of employees in purchasing:
- Industry:
- Is your SME part of a corporation: Y/N
- Type of SME (self-assessment): Small/Medium
- Company Revenue:
- Percentage of revenue spend on goods and services per year:

2. Purchasing's Strategic Alignment

1. How would you describe your company's strategy? And why?
2. How would you describe your company's purchasing strategy? And why?¹
3. How aligned is your purchasing function with your company's strategy? And why?
4. What factors do contribute towards the alignment of the purchasing function with your company's strategy? And why?

3. Back-Up Questions

1. How do you think that the skills of the purchasing professionals contribute towards higher levels of strategic alignment in your organization? And why?
 - a. In case more detail is required, question on: internal enterprise skills, external enterprise skills, technical skills, strategic business skills and/or interpersonal skills will be asked.
2. How do you think your organizational structure contributes towards the alignment of the purchasing strategy? And why?
 - In case more detail is required, question on: flexibility, configuration, specialization, standardization, formalization and/or centralization will be asked.
3. How do you think that a higher level of maturity contributes towards higher levels of strategic alignment? And why?
 - In case more detail is required, question on: supplier relationships, purchasing strategy, purchasing cost, organizational and perceived role of commitment

¹ This question was added after interview 3, as the interviewees struggled to make the transition from Q1 to Q3. After Q2 was added, the interviewees were better able to follow-up on each question.

4. Summarizing Questions

1. Considering all information what you have told me, can you mention the five most important alignment factors within your company, starting with the factor that is most important?
2. When do you think you have reached the optimal level of strategic alignment in the purchasing function? And why?

Appendix XIII – Cross-case comparison table

Alignment Factor		Interview												n
Category	Sub-Category	P2 ²	P3	P5	P8	P9	P1	P7	P4	P11	P10	P12	P6	
<i>Skills, Knowledge & Experience</i>														
	Purchasing Knowledge	✓	✓	✓		✓		✓	✓					6
	Analytical Skills				✓	✓	✓	✓	✓	✓	✓	✓	✓	9
	Strategic Skills	Low	Medium	Medium	Medium	High	Low	High	Medium	High	Medium	High	High	4
	Leadership Skills			Low					Low				High	0
	Argumentation & Persuasion Skills		✓								✓		✓	3
	Experience	✓	✓	✓	✓		✓	✓	✓					7
<i>Organizational Structure</i>														
	Formal Strategy					✓				✓		✓	✓	4
	Purchasing Strategic Inclusion					✓		✓		✓		✓	✓	5
	Supplier Selection/Evaluation Metrics & KPIs				✓	✓				✓		✓	✓	5
	Specialized Purchasing Roles			✓	✓	✓			✓	✓	✓	✓	✓	8
	Flat Organizational Structure	✓	✓	✓			✓	✓	✓		✓			7
	Short lines of communication	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
<i>Organizational Dynamics</i>														
	Informal Culture & Communication	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	10
	Perceived Role of Importance by Purchaser	✓	✓			✓	✓	✓		✓		✓	✓	8
	Perceived Role of Importance by Organization	✓				✓	✓	✓		✓		✓	✓	7
<i>Customer Requirements</i>														
	Certificates					✓			✓					2
	Customer Business Strategy					✓								1
	Customer Supplier Selection			✓					✓					2

✓ = Presence of the strategic alignment factor

n = Count of the number of interviews the alignment factor is present in

Table 20 - Cross-case analysis data table

² The purchasers are ordered on the basis of their revenue from low to high instead of the number of employees. Therefore the numbers do not follow-up on each other.

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