

Empowering the Purchasing Function: Moving to Team Decisions

BY

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IN BRIEF

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This article describes the nature of empowerment and the implications for empowerment and the purchasing function. The article argues that purchasing's position in organizations can allow it to both model and implement empowerment and thus serve as a foundation for culture change and/or Total Quality Management (TQM) applications. The article then reports research findings about the state of empowerment in purchasing. Research found that purchasers: (1) demonstrated a high degree of readiness for incorporating empowerment in their work settings, (2) have adopted many TQM and continuous empowerment techniques in their organizations, and (3) are working as part of teams in their organizations. Finally, the research demonstrates that those who believed that management perceived the function as a strategic/profit-oriented role were more accepting of empowerment and teaming.

INTRODUCTION

The 1990s have been witness to many new trends in organizations, particularly with regard to people and quality. Organizations have sought to become more efficient by reducing staff through layoffs and early retirements, shedding peripheral businesses, and outsourcing activities previously performed internally. The remaining work has been accomplished with fewer people while product/service quality has been maintained or increased. Employee reductions have particularly affected middle-level managers and created flatter organizations. In such environments people are given more responsibility and increasingly expected to work in teams. These changes have also significantly affected the purchasing function by requiring the adoption of team approaches to doing business. Examples of these team approaches include both Early Supplier Involvement (ESI) in design and commodity sourcing teams. The primary drivers of the team approach are the pace of change and the need to enhance quality. Team performance varies greatly in organizations. In many cases teams act as surrogates for traditional individual decision making and are merely a collection of individuals who view team decision making as a hindrance. Meanwhile, in other organizations teams have become primary instigators of change.



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Competition is drastically changing the way effective purchasing departments conduct business. In today's environment, firms require expertise, flexibility, speed and low cost — maintaining the status quo means losing ground to the competition. Additionally, rapid and frequent change may result in confusion about purchasing department goals and how to best attain them. The result of this confusion is often a lot of action that leads nowhere. To accommodate this need to react effectively, some organizations have designed new organizational structures. For example many companies have formed a sourcing council consisting of representatives from many functions, to ensure that all major procurements of products and services are handled on a competitive basis while considering important inputs from key functions and users.¹

Purchasing is a critical link in the entire value-added process, having both internal and external customers. Internal customers include engineering, maintenance, marketing, and other users; external customers include all the suppliers from which the firm buys its goods and services. Purchasing's placement in the process makes it an ideal candidate for using empowered teams in contributing to overall organizational effectiveness. Empowerment is a philosophy congruent with the goals of Total Quality Management (TQM) and continuous improvement. TQM principles require total employee involvement in order to meet or exceed customer needs and expectations. The TQM process extends from development of goods and services to serving the customer after the sale. Purchasing is expected to continually assess and improve quality through the use of statistical and process improvement techniques.² To achieve these results, the TQM environment fosters employee empowerment. Part of empowerment is maintaining one's positive self-esteem and connectedness to others and to the organization. One of the methods used by organizations to reinforce connection is the use of teams. As a result, this research, while focused on empowerment, also addresses issues of teaming, TQM, and continuous improvement.

THE EMPOWERMENT PROCESS

Empowerment means to enable, to allow, or to permit, and can be either self-initiated or initiated by others.³ It is a method for creating and redistributing power.⁴ In the traditional sense, power is one's ability to control or change another's behavior. Empowerment occurs when power goes to the employees, who then experience a sense of ownership and control over their jobs.⁵

The empowerment process starts with a self-assessment by participants of their own relative position regarding empowerment. This stage includes understanding the philosophy and operational applications of empowerment while ensuring

that both individual and team assessments occur. After these assessments are completed, suggestions concerning how to enhance the process toward developing successfully empowered teams are discussed.⁶

Because of purchasing's strategic function and position, it can actively participate in the organization's empowerment efforts. It can act as a change agent by modeling behavior, identifying issues, and providing feedback to the organization.

EMPOWERED TEAMS

Empowered teams usually fall into one of two categories: (1) project/task or (2) ongoing relationship. The project/task team is brought together for a special purpose, then disbanded once the project is completed. An example is a capital equipment evaluation team.

The team forms for the purpose of designing, specifying, and sourcing either machinery or facilities, and then disbands once the purchase is made. A buyer of capital equipment may be part of several project teams at any one time.

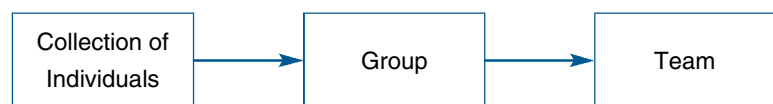
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The ongoing relationship team seeks to maintain relationships of central importance to organizational productivity. For example, a sourcing team that selects, evaluates, and monitors suppliers for a particular commodity is an ongoing relationship team. Both the project and ongoing relationship teams may be self-directed work teams, i.e., teams of employees who are responsible for a whole work process or segment that delivers a product or service to an internal or external customer.⁷

Many issues and methods are involved in developing self-directed teams. While most departments use the term "team" to describe collective efforts, many fall short of creating effective teams. Building a team effort is hard work; however, team results far exceed results achieved by a collection of individuals. As is shown in Figure 1, teams begin as a "collection of individuals," move toward functioning as a group, and finally become a team. This process for creating effective teams can initially be met with resistance by those

FIGURE 1

PROCESS OF TEAM DEVELOPMENT



involved. For acceptance of teams to occur, participation is fundamental. Individuals who feel they have the competence to make significant differences in their corporations, and that their contributions are necessary and important, will learn to recognize the value of teaming and will achieve a sense of growth and accomplishment by participating in teams. The goal of empowered teams is mutual organizational and individual success.

The process of becoming a team involves finite activities, steps, skills, and time. Team excellence and achievement requires collaboration of individual members who align team goals with their individual capabilities and personal goals. When mem-

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bers realize it is in their and the organization's best interest, then teaming and cooperation will flourish. Organizations have learned that rewarding team efforts reinforces positive team behavior;

therefore, the design of such feedback and reward systems is central to creating empowered teams. The strength of cross-functional teams lies in promoting different viewpoints and participation toward a solution of common problems. Teams can take many forms in purchasing, such as:

- value analysis task force
- line operator involvement in supplier selection
- steering committee on ethics
- supplier process improvement teams

RESEARCH OBJECTIVES AND SAMPLE

Unfortunately, there is little information about how empowerment is used in purchasing. The purpose of this research is to begin the process of documenting and learning about the application of empowerment in purchasing. Specifically, the goals of this research were to assess for the purchasing function:

1. its readiness to operate in empowered environments
2. the extent to which TQM techniques are adopted
3. the types of teams created and extent of team development

The research data was collected from purchasers attending professional development programs focusing on continuous improvement and team efforts. The total usable sample size was 85 purchasers. No attempt was made to identify the organizational level of the respondents, but all were employed in purchasing/materials departments or had responsibility for the purchasing function. This sample is not random — in particular these individuals may be more accepting of

empowerment principles than the general population of purchasers.

PURCHASER'S READINESS FOR EMPOWERMENT

Given that the purchaser's job requires a significant amount of interaction with other customers both within and outside the organization, it was hypothesized that purchasers will have a significant degree of readiness to operate in empowered environments.

The respondents were provided a 17-item questionnaire⁸ to assess their degree of readiness to assume responsibilities in an empowered environment. The questionnaire assessed empowerment readiness at three levels. Level A indicated respondents are generally committed to empowerment principles. Level B respondents need more information and discussion about empowerment prior to adopting it. Level C respondents demonstrate a lack of belief in and commitment to empowerment principles. Of the 85 respondents who completed the empowerment readiness questionnaire, 48 percent were at level A, 40 percent were at level B, and 12 percent at level C. Overall this indicated a high level of empowerment readiness since 88 percent are either generally committed or required additional discussion prior to implementation of these principles.

The overall ratings from the empowerment readiness survey are shown in Table I. From those items with which the respondents strongly agreed, the following conclusions can be drawn. First, these respondents realize that employees are what make an organization successful and, therefore, their input must be considered when making plans and decisions. Second, managers in empowered environments must learn to adapt either consultative or participative approaches by letting employees know quickly about proposed changes and allowing discussion about these important issues. Third, it is important that employees understand the purpose or mission of their firm. Knowing the firm's mission allows each individual in the organization to align their particular duties toward that mission. Finally, if employees are viewed as important to the organization's overall success, improvement opportunities must be provided for personal development.

From those items with which the respondents disagreed, the following conclusions can be drawn. Respondents realized that change is necessary even when the job is already being accomplished. An organization can be very efficient at what it does but not effective. Close supervision of employees is not a characteristic of empowered environments. This is further substantiated by the understanding that those at the highest levels in an organization don't always make the best decisions.

TABLE I EMPOWERMENT READINESS SURVEY RESPONSE

Empowerment Readiness Statement	Mean
Employees are an organization's most valuable resource.	6.60
Input from front-line employees is valuable in planning and decision making.	6.47
Managers should let employees know quickly about changes and allow questions.	6.43
It is as important that employees understand the purpose/mission of the organization as it is to understand how to perform their specific job duties.	6.42
Organizations should support employee personal-growth opportunities.	6.15
Employees should be kept up-to-date about all changes and decisions.	6.12
Managers' time is best spent supporting employees with information and feedback.	6.10
Organizations have responsibility to consider the impact of decisions on the community.	6.00
Decision making involving employees is time consuming but results in better decisions.	5.90
Decision-making authority can be spread effectively to all levels.	5.48
Decisions directly affecting employees should not be made without employee input.	5.43
The "bottomline" should be given greatest priority in decision making.	3.44
Only certain levels of employees should be given authority.	2.76
Decisions should be made by those with the highest positions.	2.40
A decision in the best interest of the organization is probably not the in the best interest of employees.	2.08
The best way to increase productivity is to supervise employees closely.	2.08
It is better to continue "as is" as long as the job gets done than to make changes.	1.56

Scale: 7 = strongly agree, 1 = strongly disagree

The key issue in empowered environments is that if there is a good flow of information and communication, decisions that are in the best interests of the organization will also be in the best interests of its employees.

Respondents were most divided on whether the "bottomline" should be given the greatest priority in organizational decision making. In a capitalist society, profit is the purpose for which business exists. However, often a short-term "bottomline" improvement may result in a long-term loss of profitability.

Purchasing's Perceived Organizational Role and Empowerment Readiness

It was hypothesized that those purchasers whose role was perceived as more strategic or as a profit center would be significantly more accepting of empowerment than those whose role was perceived as clerical or as a cost center. To test this hypothesis, respondents were asked how their purchasing function was perceived by top management using the following categories:

- expense
- clerical
- professional
- profit contributing
- strategic

Six participants did not respond while eight listed multiple responses (See Table II, page 12). These 14 respondents were deleted from the analysis.

The professional category was considered as the neutral point on the evaluation scale, and comparisons were made between the profit contributing/strategic and the expense/clerical group. Using t-tests, comparisons between profit/strategic and expense/clerical groups resulted in four statistically significant differences ($p \leq 0.001$) among the 17 items on Table I. The profit/strategic group rated the following items higher, and thus was more accepting of empowerment principles than the expense/clerical group in the following areas:

- People are the organization's most valuable resource.
- Input from front line employees is valuable in organizational planning and decision making.
- When informed about organizational changes, managers should let employees know as quickly as possible.
- Managers' best time is spent supporting employees by providing information and feedback that help get the job done.

The first three items listed above were also the three highest-rated items for the entire sample. The profit/strategic group was more accepting of empowerment and viewed employees as the organization's major strength. This strength is exemplified by planning and decision-making inputs from those closest to the work. The work environment is characterized by an open flow of communication and structured to assist employees in accomplishing their job duties.

TABLE II
RESPONDENT'S PERCEPTION OF HOW TOP
MANAGEMENT VIEWS THEIR FUNCTION

	N	%
Professional Group	22	31
Profit Contributor	15	21
Clerical Function	13	18
Expense Function	12	17
Strategic Unit	9	13
Total	71	100%

ADOPTION OF TQM TECHNIQUES

In addition to assessing purchasers' readiness for accepting empowerment, data were also collected on two complementary concepts — TQM and teaming. As previously mentioned, these two philosophies are congruent with empowerment and could be expected to be found in environments accepting of empowerment principles. Forty-eight of the 85 respondents (56 percent) worked in organizations that had formally adopted Total Quality Management (TQM) or a continuous improvement philosophy. The start dates of TQM adoption ranged from January 1981 to December 1992, with a modal start date of January 1991.

Fifty-three percent of the sample had adopted TQM concepts in their purchasing departments. The formal start dates ranged from January 1984 to April 1993, with a modal start date of January 1992. The formal adoption of TQM in purchasing was, as expected, later than organizations' formal adoption

of TQM concepts. However, 5 percent of the sample indicated they were using certain TQM techniques in purchasing prior to formal adoption of TQM by the organization.

As shown in Table III, the top five TQM techniques illustrate the focus on team participation, information sharing, and continuous improvement.

Purchasers indicated some progress toward the adoption of TQM techniques through:

- obtaining top management involvement
- directing efforts to manage processes, not transactions
- team decision making
- sharing information with suppliers
- developing partnerships with suppliers

Getting the organization to accept new techniques through top management involvement is often critical to many new programs. The median rating of "3" indicated only average involvement by top management.

Team decision-making ratings were only average ($\bar{x} = 3.38$). This indicates that while team participation is high ($\bar{x} = 3.84$), many of these respondents did not feel the teams had evolved to team decision making.

Purchasers had a much lower rate of adoption of the following TQM techniques:

- developing multiple skills and job rotation
- team appraisals and evaluations
- team rewards

Previous research had indicated that it is difficult to develop teams when individuals are rewarded

TABLE III
EXTENT OF ADOPTION OF TQM TECHNIQUES BY PURCHASERS

Technique	N	mean	std.dev.	median	mode
Team Participation	79	3.84	0.93	4	4
Continuous Quality Improvement	78	3.77	0.99	4	4
Sharing Information with Other Departments	78	3.72	0.91	4	4
Effort Directed to Improving Process	77	3.70	0.92	4	4
Continuous Productivity Improvement	77	3.58	0.98	4	4
Focus on Change/Adaptation	77	3.57	0.98	4	4
Top Management Involvement	77	3.51	1.25	3	4
Effort Directed to Managing Processes	77	3.45	0.82	3	3
Team Decision Making	77	3.38	1.03	4	4
Sharing Information with Suppliers	78	3.37	0.88	3	3
Creating Partnerships	78	3.36	1.14	3	3
Multi-Skills/Job Rotation Requirements	77	2.68	1.13	3	3
Team Appraisals/Evaluations	77	2.48	1.11	3	2
Team Rewards	76	2.42	1.28	1	2

Scale: 5 = high adoption of technique, 1 = no adoption of technique

independently as opposed to being given team rewards.⁹ In this study, the use of team rewards had an average rating of 2.42, the lowest of all the techniques. The low rating for team rewards agrees with a recent study on cross-functional sourcing teams that indicated most firms provided no formal assessment or regards for team participation.¹⁰ These purchasers were expected to be team members, yet were still being evaluated as individuals.

When adopting TQM practices, purchasing shifts its focus to the entire purchasing process and away from managing transactions. Overall, the results indicate purchasers do participate in teams and are focusing on continuous improvement. However, they do not always have top management involvement and support for teaming. Finally, while team participation by purchasers was high, team decision making was not highly adopted. Thus, a major question raised by this research is the extent of and commitment to team development in organizations, particularly where there is a lack of appropriate evaluation and reward mechanisms for teams.

PURCHASING'S ORGANIZATIONAL ROLE AND TQM ADOPTION

It was hypothesized that the profit/strategic group would have significantly greater use of TQM techniques and teaming than the expense/clerical group. There were two major significant differences regarding the extent of TQM adoption. First, the profit/strategic group had a significantly higher rating on the adoption of continuous quality improvement techniques. Second, this group had

started to formally adopt TQM concepts in their organizations and in the purchasing function significantly earlier than the expense/clerical group. The profit/strategic group's organizations adopted TQM concepts almost a full year (June 1990 versus April 1991) prior to the clerical/expense group ($p \leq 0.001$). Purchasers who perceived themselves as more strategic adopted TQM concepts in the purchasing department a full 16 months (August 1990 versus January 1992) prior to those who perceived themselves as more clerical ($p \leq 0.002$).

TYPES OF TEAMS

Because the purchasing function has a significant number of linkages and interdependencies to the rest of the organization, it is likely purchasers would belong to several teams. Respondents were provided a list of cross-functional organizational teams and asked to identify those in which they are an active member (see Table IV). Cost reduction was most often mentioned, followed by inventory reduction and supplier certification. The importance of reducing nonvalue-added activities, particularly inventory, in continual improvement settings and the ability to reduce inventory through supplier management resulted in the higher rating of inventory teams. The supplier certification team's goal involved thoroughly auditing suppliers' quality systems to enable elimination of incoming inspection, thus reducing inventory and improving quality. Belonging to teams involved with standardization, commodity management, and quality management, were ranked fourth, fifth, and sixth respectively. These were followed by JIT-purchasing, strategic planning, and new product teams.

TABLE IV PURCHASING MEMBERSHIP IN TEAMS AND THEIR VIEW OF TEAMS

Team	Yes Members (N)	Team Viewed As:		
		Individuals	Group	Team
Cost Reduction	43	11	6	17
Inventory Reduction	38	9	8	10
Supplier Certification	32	7	7	10
Standardization	26	10	6	3
Commodity Management	25	4	7	5
Quality Management	25	5	6	9
JIT Purchasing	21	6	5	4
Strategic Planning	21	5	5	7
New Product Development	20	4	5	6
MRO Maintenance	4	4	3	
Capital Equipment	18	7	5	1
Cost Analysis	17	4	3	3
Value Analysis	16	5	6	4
Facility Planning	12	5	4	1
Transportation	10	4	2	0

Less than 25 percent of the respondents indicated they belonged to capital equipment, cost analysis, value analysis, facility planning, or transportation teams. The two most surprising of these lower-participant teams were capital equipment and value analysis. Most purchasing authorities agree that effective capital equipment acquisition requires a balanced team approach.¹¹ However, the

Purchasing is just beginning to explore its broader, more strategic role and to consider how to become more team-based both within the function and in conjunction with other organizational activities.

respondents in this research may not have responsibility for capital equipment purchases. Value analysis has been emphasized for many years but apparently is either not conducted by the respondents, performed on

a project-by-project basis, or is viewed as part of cost-reduction efforts.

Comparisons to previous research on cross-functional teams show congruence in the areas of cost reduction, supplier selection, and sourcing strategies.¹² Their research revealed that the percentage of teams in their research pursuing the following specific assignments were:

- Cost-reduction strategies 74%
- Evaluate and select suppliers 73%
- Support sourcing for selected items 67%
- Corporate-wide sourcing strategies 26%

Cost reduction was ranked first in both research samples, and supplier certification and commodity management were ranked third and fifth respectively in this study, and second and third in Monczka and Trent's research.

EXTENT OF TEAM DEVELOPMENT

As previously discussed, while many organizations use the term "team" to describe collective efforts, many teams are merely a "collection of individuals" who still pursue individual objectives. Building a team-oriented organization involves a great deal of effort and willingness to incorporate individual goals with that of the team. To assess progress toward a true team framework, purchasers were asked if they perceived their teams primarily as a: (1) collection of individuals; (2) group; or (3) a true team. Of those responding, the true team concept was perceived to the greatest degree for those teams involved in:

- Cost reduction 50%
- Quality management 47%
- Supplier certification 43%
- Strategic planning 42%
- New product development 40%

The true team concept was rated lowest in the areas of:

- Transportation 0%
- Capital equipment 8%
- Facility planning 10%
- Standardization 15%

The teams involved in cost reduction, quality management, and supplier certification were expected to have significant team development due to purchasers' active involvement in these processes. Because strategic planning and new product development were newer teams for purchasing, they were not expected to exhibit the same high degree of team development. However, as purchasers contribute more in these two critical areas, strong teams appear to be developing. The lower-rated teams such as capital equipment, facility planning, and transportation tend to be more project related.

When asked to name the teams on which purchasers had the most impact, those rated at the top were cost reduction, supplier certification, and inventory reduction. Teams on which purchasers felt they had the least impact were strategic planning, quality management, and standardization. Quality management is an area in which purchasers felt a high degree of team development, but did not feel they made an impact because of the technical and statistical nature of that particular team.

SUMMARY AND IMPLICATIONS

Purchasers in this research were excellent candidates for empowered work environments. They scored high on the empowerment readiness survey, and reported a significant adoption of TQM policies within their organizations and in the purchasing function. Another indication of readiness for empowered environments is their extensive involvement in teams. The extent of team participation and implementation was enhanced in those organizations in which purchasing perceived top management's view of the function as strategic or profit oriented. There was also a greater degree of readiness for working in empowered environments among this group. Conversely, there were only two significant differences regarding the adoption of TQM practices by the profit/strategic group compared to those who felt top management perceived the function as a clerical or expense function. This could indicate that TQM efforts can be implemented by organizations independent of purchasing's status. Of further significance here is how new the concepts of TQM are to the majority of the respondents' organizations. This newness indicates that purchasing is just beginning to explore its broader, more strategic role and to consider how to become more

team-based both within the function and in conjunction with other organizational activities. The research also highlighted a clear lack of team reward structures. Organizations continue to reward individual performance but expect team participation. Overall, this research indicates a timeliness and readiness for the purchasing function, given its broad responsibility, to be both empowered and empowering as organizations move toward a system of continuous improvement.

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