International Purchasing Strategies of West Michigan Firms: An Empirical Analysis

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(2) Respect the employees' need to know and to understand organizational issues. Often, time spent communicating is perceived as a loss in productivity; however, poor communication may also result in lost productivity and efficiency.

(3) Organizational communications must be planned. Managers who fail to adequately prepare themselves before communicating to employees may leave employees confused and frustrated. The organization should have policies and procedures that ensure effective employee communication occurs. These include such activities as conducting timely meetings, using bulletin boards, providing regular performance feedback to employees, communicating and clarifying organizational and individual goals and objectives, and managing dysfunctional conflict.

(4) Managers should avoid the natural tendency to hide bad news from employees. In the current climate of change, cost-control, and job insecurity, providing no news to employees often seems to be interpreted as bad news. Hiding information or stretching the truth may lead to employee frustration and inaccurate perceptions.

(5) Management needs to act promptly to correct false information concerning organizational policies, practices, and general plans for the future.

(6) An organization's communication program should undergo regular evaluations to assess its effectiveness. Continuously monitoring both the formal and informal communications with a focus on quality improvement is essential.

The absence of policies and procedures within the organizations we surveyed is a reflection of a lack of attention currently given grapevine activity. On the positive side, however, most of our sample felt organizations should be doing more to keep their employees informed in order to indirectly influence the amount and accuracy of information transmitted along the informal channels.

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INTRODUCTION

Reducing geographic and economic barriers are making the world a smaller place to trade in. Technology continues to play no small role in this shrinking of the globe, the Internet revolution continues to dramatically alter the way business is done. In addition to these, competitive pressures are also altering the way purchasing decisions are made. According to several researchers, to meet the global competitive challenge that exists today, firms must be able to offer customers new products of high quality and perceived value. And, because purchasing required inputs internationally can assist firms doing this, international purchasing has become an increasingly popular competitive approach.

The purpose of this study is to examine the international purchasing practices of west Michigan managers. Specifically, this study investigates the purchasing executives' perceptions of the problems relating to overseas buying, the policies used in working with overseas suppliers, the criteria for choosing overseas suppliers, the existing trading relationships with overseas suppliers, and the performance of their overseas suppliers.

STUDY METHODOLOGY

To obtain data on the international purchasing practices of west Michigan managers, an International Supplier Instrument was designed by the researchers. The instrument contained two parts. The first part dealt with demographic and organizational information to be used for differentiation purposes. The second part dealt with specific questions pertaining to various issues in international purchasing. These questions were compiled from existing literature (Carter and Vickery 1988, Carter and Narsimhan 1990, Min and Galle 1991, Spekman 1991, Birou and Fawcett 1993, Min and Galle 1993, Murphy and Daley 1995).

The questionnaire was pilot tested for content validity on 10 organizations prior to mass mailing. The respondents in the pilot study were specifically asked to comment on the wording and sequence of questions. The suggested changes were incorporated in the final questionnaire.

A total of 80 purchasing managers working for manufacturing companies located in the west Michigan were identified as the target group. For the purpose of this study, only international manufacturing organizations were considered, since the purchasing managers in these organizations were involved in dealing with overseas suppliers on a regular basis. The main source for the preparation of the sampling frame was the <u>Dunn and Bradstreet Database</u>. This database has the capability of identifying companies that purchase overseas. The organizations surveyed represent industries classified under the manufacturing division of the <u>SIC Manual</u>, specifically sections 20 to 30. Two mailings resulted in a response rate of 57% (45 surveys returned).

To investigate the possibility of non-response bias in our data, we tested for statistically significant differences in the responses of early (responses from the first mailing) and late (responses from the second mailing) waves of returned surveys (Lambert and Harrington 1990). The last wave of surveys received were considered to be representative of non-respondents. T-tests were performed on the responses of the two groups. The t-tests yielded no statistically significant differences among the two groups, thus suggesting that non-response bias may not be a problem in this study.

Statistical Analysis Procedure

For the purpose of data analysis, given the large number of variables identified, the researchers wanted to determine if the items/individual questions related to the concepts being studied. Factor analysis was used to reduce the set of relative performance measures and practices into smaller sets of variables. Factor analysis is a data summation tool that aids in the identification of interrelationships among variables and serves as a tool in identifying common underlying themes that link the variables together.

RESULTS AND DISCUSSIONS

Demographic Profile

The majority of respondents (97.1%) were male, mostly ages 41-50 years with bachelor degrees or graduate degrees. Approximately 85% of the respondents had worked in purchasing for 6-15 years, and about 31.9% had spend 5 or less years with their current employer.

Problems associated with international purchasing

The review of literature identified 14 problems associated with international purchasing. The factor analysis procedure identified and grouped 9 of these problems into two factors. The other five problems were insignificant. Factor 1 included five country-specific problems and hence was named "Country." These problems included trade barriers, language, culture/customs, nationalism, and political stability. Factor 2 included four problems: transportation core, transportation delay, telecommunication problems, and processing delays.

Criteria for choosing international suppliers

Twelve criteria were identified in the literature search. Once again the factor analysis identified two groups of factors. Factor 1, Competitive Differentiation, included the following items: low price, better quality, advance technology, quick response, on-time delivery, and willingness to resolve problems. Factor 2 included the following 4 country-specific items: government assistance, counter-trade requirements, geographic location, and foreign subsidiary recommendation and hence was named "Country-Specific."

Trading relationships with suppliers

The ten items measuring trading relationships with suppliers that were generated from the literature were grouped into two factors. Factor 1, Commitment, included loyalty, dedication of resources, trust, and compatibility. Factor 2, Openness, included items pertaining to open channels of communication, partner-like relationships, and sufficient notification of changes.

Perception of overseas supplier network

Twelve items measuring the perception of the overseas supplier network were generated from the literature. Again, two factors were extracted from the rotation. Factor 1, Technology, includes the following items: advanced process technology, sophisticated products, high technology-innovations, and rapid changing technology. Factor 2 included the following items: very competitive, fragmentation, price sensitive, and buyer's clout. This factor was named Competitive Environment.

Performance of overseas supplier

Nine items measuring the performance of overseas factors were considered. Only one factor was extracted from the factor matrix rotation. This factor, Performance, included quality of shipment, on-time deliveries, willingness to customize, use of modern technologies, assistance in product services, and good reputation. The following three items were excluded: decrease in purchase price, decrease in delivery lead-time, and acceptance of small order sizes.

CONCLUSIONS AND FUTURE DIRECTIONS

In the present era of globalization, sitting in the negotiation table with suppliers from other nations and cultures is becoming almost routine for many purchasing professionals. In response to this trend, purchasing professionals must modify their negotiation strategies to include global and macro considerations, otherwise, they may suffer from unexpected barriers stemming up from differences in culture, language, business customs, and legal and ethical considerations.

The purpose of this study was to examine the international purchasing practices of west Michigan managers. To this end, American buyers were surveyed about their trading relationships with overseas suppliers. Significant groups of factors were identified for each set of questions.

The reader is warned against too liberal an interpretation of these findings because there are limitations to the study based on the profile of the sample. The sample of managers used here represents a somewhat limited range of purchasing professionals, given the range and scope of their purchasing responsibility, and the type of firms they represent. Therefore, it would be useful to expand this research to reflect a broader range of supply and end markets. Also, a replication of this study should prove helpful in reexamining the validity of its findings. Further empirical studies using larger sample sizes and greater geographical diversity may be helpful in validating specific results of this study. Finally, a different instrument with an adequate number of measures should be used to measure the variables under investigation. More precise operational measures, rather than using interval scales for each of the factors, would improve the results of the study.

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Corporate Training: Using New Technologies to Produce Results

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"Learning occurs in the mind, independent of time and place." Plato

INTRODUCTION

A recent article in USA Today concluded that U.S. companies waste billions of dollars annually on corporate training programs that don't work. Training problems arise because: (1) employees aren't motivated; (2) programs are poorly designed; and (3) trainers lack experience, "frequently designing unimaginative or dull programs that employees find deter learning" (Armour, 1998). Similar criticisms that traditionally-delivered training programs fail to deliver the desired results have been echoed by others (Dugan, 1998; Ouellette, 1998; Schank, 1998). According to Schank (1998) this is based in part on the fact that "they rely on outdated training methodologies that do little more than convey information; they barely tap the potential of new learning technology."

The prevailing paradigm, as described in Armour's article, is that most on-the-job learning happens "outside" the organization... at week-long retreats, wilderness adventures, in hotels or other training facilitation centers, and so on. Although there can be significant "rewards" for off-site learning (e.g., travel to exotic places), training programs that require employees to gather at a centralized location to partake in the training experience remain predominant. Most often, these training experiences are provided during normal business hours (8:00 a.m. to 5:00 p.m.) to accommodate office workers' and trainers' schedules. Rarely are training experiences offered at a time and place that is truly "convenient" for learning.

NEW LEARNING TECHNOLOGIES AND CORPORATE TRAINING

In the new paradigm, the location and timing of the instruction become important considerations in designing training experiences. New telecommunications technologies have been introduced in recent years and interest in using them for education and training purposes is exploding (Black, 1998; Dugan, 1998; Lammers, 1998; Mello, Jr., 1999; Oullette, 1998; Schank, 1998). As one example, UOL Publishing, a provider of class-