

Global purchasing strategy and international purchasing offices: Evidence from case studies

Abstract

Setting up an International Purchasing Office (IPO) is one of the key steps for firms doing global sourcing. This paper aims to explore the relationship between strategy and structure in a contemporary global purchasing context. We build a theory of IPOs, employing a case study method to address two research questions - what types of IPOs exist in China? And how may an IPO become strategic to its parent's global purchasing? We identify three types or clusters of IPOs along four dimensions: motives for sourcing from China; global purchasing strategy for China; IPO structure and IPO followership. We present a causal model and associated propositions to explain how an IPO may become more strategic for its parent company. In the model we identify that, in addition to the direct link of 'structure follows strategy', IPO followership can be an underlying construct, linking IPO structure and global purchasing strategy for China. The paper opens up new avenues for global sourcing research and provides new insights for managers on global purchasing strategy, specifically with respect to IPO organisational design and capabilities.

Keywords: International Purchasing Office, Global sourcing, Case study, China, Typology, Organisational design, Followership

1. Introduction

International Purchasing Offices¹ (IPOs) of multinational corporations (MNCs) now play important roles in the growth of international sourcing activities in developed and emerging economies. They are considered a part of, or a major step in, an MNC's global purchasing (GP) process (Rajagopal and Bernard, 1993; Giunipero and Monczka, 1997; Matthyssens and Faes, 1997; Trent and Monczka, 2002). Monczka *et al.* (2008) observe

¹ Goh and Lau (1998, p. 120) provide the only comprehensive definition of international purchasing office: "...an offshore buying office or buying house set up by an OEM [original equipment manufacturer] to procure components, parts, sub-assemblies, materials and other industrial inputs at competitive prices for use by manufacturing plants globally".

that formal establishment of an IPO is a critical success factor in the management of integrated global sourcing and that it has become one of the most frequently adopted strategies for managing international sourcing activities.

Despite the increasing relevance of IPOs within international sourcing strategy, a recent literature review shows that few significant studies have been devoted to this topic. Current research is mainly descriptive, focusing on issues such as IPO definitions, activities, advantages, and challenges; very few researchers link IPOs to global purchasing strategy (Sartor *et al.*, in press). Since the most recent, comprehensive, and significant study on IPOs was performed seven years ago (Nassimbeni and Sartor, 2006), we conjectured at the beginning of our research that the existing definitions of IPO were out of date; the roles and related activities of IPOs, and the relative importance of them, have probably changed in recent years, with economic developments in China and Asia.

This study – part of an international research project jointly developed by European and Chinese scholars – examines IPOs in relation to global purchasing by MNCs (specifically European and North American) in China, still one of the most rapidly developing centres of production and global sourcing destinations in the world (Biggemann and Fam, 2011; Kang *et al.*, 2012).

Since the 2008 global financial crisis, the costs of raw materials and labour have rebounded considerably. China's current five year plan, incorporating factors such as significant welfare levies, will render it the second most expensive Asian country in which to manufacture (behind Malaysia) by 2015 (China Briefing/IMF, 2011). The Chinese Renminbi has steadily appreciated against the US dollar. Inevitably, some MNCs have transferred production to lower cost regions of China (e.g., Central/Western) or to other countries (e.g., Vietnam, India, and Bangladesh). Others have started to relocate a share of the production to their home country or in countries close by (e.g., Eastern Europe or Mexico). These trends have been labelled *backshoring* or *nearshoring* (Kinkel, 2012). It is unclear how this will affect Chinese IPOs in the long term.

Furthermore, several Operations Management (OM) scholars (e.g., Salmi, 2006; Nassimbeni and Sartor, 2007; Schoenherr, 2009; Hultman *et al.*, 2012; Horn *et al.*, 2013) have called for research studying global purchasing in the Chinese context.

Drawing on these empirical findings and building on a Resource Based View (RBV) of the firm and leadership/followership theories, we attempt to answer two research questions:

1. What types of IPO exist in China?
2. How may an IPO become strategic for its parent's global purchasing?

In the first research question, we attempt to identify a typology of IPOs currently existing in China. We are aware that the theoretical contribution of typologies has been a debated topic. However, Doty and Glick (1994) in an Academy of Management Review (AMR) article state that “...when typologies are properly developed and fully specified, they are complex theories” (p.1), since they “...meet three important criteria of theories: they have constructs and predict relationships among the constructs and these predictions are falsifiable” (p.243). In the second research question we intend to explore the chain of causal links (if any) between motives of sourcing from China, GP strategy and IPO structure.

We contribute to the subtopic of global sourcing literature by identifying different types of IPO and linking global purchasing strategy and IPO structure. These findings may provide practitioners with tools for assessing their China sourcing strategy in relation to the roles assumed by their IPOs. The practices of successful IPOs may also provide a benchmark for the less developed ones.

The rest of the paper is organised as follows. Section 2 presents a literature review. Section 3 describes the case study method and section 4 presents descriptive results. The discussion follows, identifying three clusters of IPOs and a causal model (section 5). Section 6 concludes by presenting our contribution to theory and practice, limitations, and some future research directions.

2. Literature review

We performed a content-based literature review on ‘global sourcing’ (see Schiele *et al.*, 2011). Seuring and Gold (2012) state that content analysis represents an effective tool for examining a sample of research documents in a systematic way. One of the most important

rules is that dimensions and related analytic categories which allow for classifying the reviewed material can be derived deductively (based on theories) or inductively (based on the reviewed materials). The content-based literature review differs from a systematic literature review (see Tranfield *et al.*, 2003) in the sense that the latter emphasises the transparency of the review process and is an evidence based review of the literature that is open to a variety of analytical tools (meta-analysis and content/narrative analysis); while the former stresses the application of content analysis tools and may be considered a branch of a systematic literature review.

Following this approach we collected and analysed papers after 2006 and re-analysed the ones included by Quintens *et al.* (2006b), who provide a comprehensive literature review on global sourcing. We adopted both inductive and deductive methods to identify themes.

In line with the themes classification of Nassimbeni (2006) and Hultman *et al.* (2012), we classified papers into four streams of research: processes and stages of global sourcing, motives for global sourcing, global purchasing strategy and structure, and the application of the Resource-Based View (RBV) to explain global purchasing, all related to IPOs. The construct of ‘IPO followership’ and China’s peculiarities emerged from the data, so we carried out a literature review on ‘followership and leadership’ (in section 2.5) and China’s peculiarities (section 2.6), following an inductive approach.

2.1 IPOs as a global sourcing organisational structure

The process that leads companies to source globally has attracted the interest of many scholars. There are a number of process models for international sourcing provided by literature, which identify some sequential stages, characterised by one of the two dimensions: increasing involvement in the foreign supply market (Rajagopal and Bernard, 1993; Matthyssens and Faes, 1997) and a tendency to move from transactional to strategic global sourcing (Swamidass, 1993; Giunipero and Monczka, 1997; Trent and Monczka, 2002; 2003).

The sequential process models provide an important foundation for our study since almost all reviewed works identified the establishment of IPOs as a necessary step and a form of organisational structure needed by firms to implement their GP strategy after the

initial stage of international sourcing. For example, Trent and Monczka (2002) claim that firms at level 3 can often rely on international purchasing offices to support purchasing activities and that IPOs play a more crucial role in the next two levels (4 & 5). Rajagopal and Bernard (1993) provide a sequential model of international sourcing entry strategies in which IPOs play a crucial role at the two final stages: (level 4) ‘establish international purchasing offices’; (level 5) ‘integrate and co-ordinate global sourcing through direct investment’. Giunipero and Monczka (1997) argue that during phase 2 (the planning and managing stage) firms often establish international purchasing offices. Finally, regional purchasing groups (stage 3) and profit-oriented purchasing centres (stage 4) of Matthyssens and Faes’s (1997) model can be considered as IPOs. Therefore, we conclude that an IPO is a form of organisational structure to implement the global purchasing strategy.

2.2 Global purchasing strategy and organisational design

2.2.1 Global purchasing strategy

Within organisation literature the relationship between strategy and structure of a firm is a long-debated issue. Chandler (1962, p.14) hypothesises a hierarchical relationship between strategy and structure (i.e., structure follows strategy) and a number of authors (e.g., Miller, 1987; Habib and Victor, 1991) empirically test this assumption. Other scholars (e.g., Hall and Saias, 1980; Grinyer and Yasai-Ardekani, 1981; Keats and Hitt, 1988) propose (and empirically test) that structure is a cause of strategy. However, Hall and Saias (1980) further point out that the relationship between strategy and structure is complex and interactive and that it may be the match between the two that is of importance rather than which one precedes the other. Mintzberg et al. (2003) agrees that this is a ‘chicken and egg’ issue, i.e., that it is a reciprocal relationship. Amburgey and Dacey (1994) synthesise different views and conclude that since causal mechanisms are different (i.e., the link from strategy to structure is based on efficiency and effectiveness while the link from structure to strategy is based on the evolution of managerial cognition and skills), strategy and structure influence one another over time but the effect of strategy on structure is stronger.

Quintens *et al.* (2006a) were the first to conceptualise global purchasing strategy, drawing from global marketing strategy, as a bi-dimensional construct: (1) the degree of centralisation/configuration of purchasing and (2) the degree of standardisation of purchasing. The former is defined as the degree to which global purchasing takes place in a centralised/decentralised way. The latter is defined as the degree of standardisation/adaptation of processes, products, and personnel. Other authors (e.g., Arnold, 1999; Trautmann *et al.*, 2009b) adopt the scope of internationalisation orientation as a proxy for GP strategy.

2.2.2 Organisational design for global purchasing

Global purchasing structure is also a hotly debated area. Narasimhan and Carter (1989) identify three international purchasing structures: centralised, decentralised, and matrix/hybrid. Giunipero and Monczka (1997) analyse the global purchasing structure of twenty-four North American firms and identified four approaches: totally decentralised international purchasing (i.e., buyers at plants/divisions have worldwide buying responsibilities); decentralised but co-ordinated international purchasing; centralised responsibility for worldwide purchasing; functionally unique international purchasing groups specialising in foreign sourcing. Trent and Monczka (2002) highlight some features of hybrid purchasing structures: creation of cross-functional/cross-locational teams with support from functional and executive managers; establishment of an executive steering committee which provides leadership and guidance to the process; involvement of users or other internal customers in the global sourcing projects.

Kotabe and Omura (1989) identify the need for a shift from a polycentric (i.e., organising operations on a country-by-country basis) to a more internationally coordinated and integrated geocentric organisation. Trent (2004) concludes that the analysed firms tended to move toward centrally led or centrally coordinated purchasing structures; while Trautmann *et al.* (2009a) and Hartmann *et al.* (2008) conclude that the hybrid approach is most commonly selected in practice.

2.2.3 Global purchasing strategy and structure

In summary, all the authors seem to agree that: 1) there is a continuum between centralisation and decentralisation in GP strategy (a hybrid approach may be more toward a centralised or decentralised model); 2) global plants are the decision-makers for the decentralised model; 3) establishment and development of an IPO is a form of organisational structure to implement GP strategy and is clearly determined by the GP strategy. IPOs therefore assume a supportive role in the GP decision making (i.e., a 'headquarter-centric' view). It is not surprising that IPOs have normally been considered an extension of the corporate purchasing organisations, ignoring their proactiveness and role in GP decision making, considering the context in which the major research on IPOs was carried out, i.e., when MNCs started setting up IPOs.

Finally, there is confusion over whether centralisation/decentralisation is GP strategy or structure and there is little research linking GP strategy and structure (but see Arnold, 1999). Some authors tend to use internationalisation orientation as a proxy. However, we agree with Quintens *et al.* (2006a) that it is one dimension or facet of GP strategy. First, theirs is the first and so far the only rigorous empirical work proposing and testing the construct of GP strategy. Second, according to Trent and Monczka (2002), global sourcing emphasises the integration of activities, a measure of centralisation of purchasing activities. Third, Chandler (1962) defines strategy as the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action, and the allocation of the resources necessary for carrying out these goals. Centralisation/decentralisation is a long-term goal and objective for purchasing in a firm and requires courses of action, i.e., detailed organizational structural design for global purchasing.

2.3 Motives for global sourcing

The motives that induce companies to initiate, develop, and sustain international sourcing activities became a very popular topic in the 1990s, when scholars attempted to understand why certain firms engaged in international sourcing while others did not (Kaufmann and Carter, 2002; Aykol *et al.*, 2012; Nassimbeni *et al.*, 2012). Table 1 summarises the main studies on this topic.

Insert Table 1 about here

In most of the studies *lower price* is ranked as the most important reason for global sourcing (e.g., Nellore et al., 2001; Schiele et al., 2011). However, the search for *lower price* is not the only motive. Some authors identify *access to locally unavailable products* (e.g., Fagan, 1991; Cho and Kang, 2001; Overby and Servais, 2005; Volberda et al., 2010), *access to technologies* (e.g., Fagan, 1991; Herbig and O'Hara, 1996; Bozarth et al., 1998) that are not available at home and, more generally, *access to scarce and distinctive resources* as motives (Birou and Fawcett, 1993; Manning et al., 2008; Lewin et al., 2009;). Other contributions (e.g., Carter and Narasimhan, 1990; Handfield, 1994; Kotabe and Murray, 2004) quote the search for *higher quality* (or a better price/quality ratio). Another possible motivation is wanting an *increase of the supply base* which means a wider selection of suppliers and the possibility of getting a greater product mix and volume (e.g., Birou and Fawcett, 1993; Handfield, 1994; Lau and Zhang, 2006). Finally, a number of papers show that companies can adopt international sourcing to *legitimise or develop a foreign market outlet* (e.g., Bozarth et al., 1998; Shi and Gregory, 1998; Trent and Monczka, 2003). In some cases it represents a voluntary choice aimed at better understanding customer needs or at improving the relationships with institutions and the local business community (e.g., Steinle and Schiele, 2008). In other cases companies are required by host governments to purchase specified amounts of goods and services from local firms (Bozarth et al., 1998; Nassimbeni and Sartor, 2005; Grandinetti et al., 2009).

Two results of previous studies are especially important for our analysis: (1) although the potential spectrum of motives is quite wide, most firms are highly focused on one (or a few) of them (Leonidou, 1998; Wang et al., 2011); (2) the motives tend to affect the global sourcing organisational design indirectly (Alguire et al., 1994; Liu and McGldrick, 1996).

2.4 A Resource-Based View of global sourcing

There are currently two views explaining global purchasing behaviour: the Transaction Cost Economics (TCE) and the Resource-Based View (RBV) of the firm (Murray, 2001;

Kotabe and Murray, 2004; Platt and Song, 2010; Holweg *et al.*, 2011; Scheider *et al.*, 2013). In this paper, we attempt to apply the RBV in explaining global sourcing and IPOs.

Applying the RBV, Kotabe and Murray (2004) point out that the decision about how to source globally has become a critically strategic one, influenced by the dynamic capabilities that are needed to compete. The ultimate objective of global sourcing strategy, according to them, is for the company to exploit both its own and its suppliers' competitive advantages and the comparative locational advantages of various countries in global competition. Dynamic capabilities, built on the RBV and proposed by Eisenhardt and Martin (2000), consist of “...*specific strategic and organisational processes [such as] product development, alliancing, and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value-creating strategies*” (p.1106).

Suppliers are considered valuable resources that can contribute to a firm's competitive advantage (Murray, 2001; Steinle and Schiele, 2008). Based on an Extended Resource-Based View (ERBV) of the firm, external supply relationships serve as vehicles to acquire resources that may fill particular resource gaps and mobilise resources that have traditionally been considered immobile (Spekman *et al.*, 2002; Lavie, 2006; Squire *et al.*, 2009). Strategic resources lying beyond the boundaries of the firm can be used to generate 'relational rents' (Dyer and Singh, 1998; Lavie, 2006; Lewis *et al.*, 2010).

In summary, the combination of dynamic capabilities and ERBV frameworks, both of which are extensions of RBV, seems to be a useful framework to our study. First, the ERBV perspective explains one of the main motives of global purchasing (e.g., access to a foreign supply base for higher quality and advanced technologies); second, IPOs may possess a number of dynamic capabilities needed by their parent companies to carry out global purchasing.

2.5 Followership

Leadership has traditionally been studied at an individual level, i.e., individual leaders within a company or a group. However, some recent development shows that it could also be applied at other levels, such as the group and organisation (Defee *et al.*, 2009, 2010; Wang and Howell, 2010; Ingvaldsen and Rolfsen, 2012). Building on Kelley

(1992), Defee *et al.* (2009) explore the role of followership in the supply chain (SC) and propose four dimensions of SC followership: style of thinking, scope of responsibilities, desire to collaborate, and commitment. The first two are borrowed from Kelley (1992). Wang and Howell (2010) differentiate between individual and group level transformation leadership behaviours. Ingvaldsen and Rolfsen (2012, p.865) propose ‘shared leadership’ of an autonomous group and define it “...as an emergent team property that results from the distribution of leadership influence across multiple members.”

These studies provide a basis for us to apply leadership/followership theory in the IPO context because an IPO can be considered as a group within a company. In the literature, IPOs are considered to follow orders from and report to Corporate Purchasing Organisations (CPOs) (Nassimbeni and Sartor, 2006; 2007); therefore it may be logical to consider the CPO-IPO relationship, a leader-follower relationship at a group level.

In discussing followership it is inevitable that we should discuss leadership since without followers there is no leader and vice-versa. Leadership has been defined as a process of influencing individuals or groups in order to achieve group goals (Hoyt and Blascovich, 2003). Leadership theory divides groups into leaders and non-leaders or followers (Bass, 1990; House and Aditya, 1997).

It is argued that while much literature has focused on leadership, recently interest has grown in the complementary concept of followership (Chaleff, 2003; Kelley, 2004; Collinson, 2006; Defee *et al.*, 2009). Howell and Shamir (2005, pp.98-99) define a follower as “...a person who acknowledges the focal leader as a continuing source of guidance and inspiration, regardless of whether there is any formal reporting relationship.” Related to this definition there is traditionally a negative view associated with followers, for example: requiring constant direction, weak individuals and timid personalities that could not make the grade as leaders (Chaleff, 2003; Kelley, 2004). Leadership in this context is assumed to be a unidirectional model of what a leader does to a subordinate and followership is passively receiving instructions from leaders (Yukl and Fleet, 1992).

Contrary to the traditional view, Kelley (1992) argues that there are different types of followers and classifies followership along two behavioural dimensions: critical thinking (critical thinkers tend to be innovative and creative while non-critical ones tend to accept

a leader's thinking) and active engagement (active followers take initiative in decision making, while a passive followers' involvement is limited to being told what to do). Four types of follower are identified: alienated, conformist, passive, and exemplary. Alienated followers are mavericks who have a healthy scepticism of the organisation; they are capable but cynical. Conformist followers are the 'yes people' of the organisations. They are very active at doing the organisation's work and will actively follow orders. Passive followers rely on leaders to do the thinking for them and they require constant direction. Exemplary followers are independent, innovative, and willing to question leadership; they know how to work well with other cohorts and present themselves consistently to all who come into contact with them (Kelley, 1992).

In summary, two ideas provided by this line of inquiry are of particular importance for our study: (1) leadership/followership theories could be applied at different levels, including group and firm levels; (2) different types of follower exist, including those independent, innovative, and willing to question leadership.

2.6 China's peculiarities and IPOs

China is considered a growing sales market for MNCs (Biggemann and Fam, 2011) but literature is silent on the implications of this growing market on MNCs' China strategy especially purchasing and supply strategy. Luo (2007) alone finds that there is a shift from corporate integration to national integration for MNCs operating in China. Advanced MNCs tend to have 10% of their revenue from China and Luo labels these companies 'strategic insider' MNCs to China. However, he writes from a market entry perspective ignoring the supply market entry's perspective.

Writing from a purchasing and supply perspective, Jia and Rutherford (2010) claim that when Western firms source components from China, it is highly likely for them to encounter problems caused by cultural differences between China and the West. According to Hofstede's (1991) cultural index, China scores highly in power distance, meaning that people accept power inequality more comfortably and accept orders from their leaders. This may have implications for internationalisation of MNCs and IPO staffing. For example, Dimitratos *et al.* (2011) argue that the high 'power distance' of a host country inhibits the decentralisation of an international company. Graen (2008) also

finds that the Chinese have a different leadership style than their Western counterparts, which is more implicit. Chinese leaders tend to apply their invisible influence over their subordinates (Graen, 2008). We may envisage that an expatriate IPO manager may exhibit a different leadership style than a Chinese one.

3. Methods

3.1. Case study method and sampling

We adopted a multiple case study method since research on IPOs is in its early stages and there are few theories (Eisenhardt, 1989; Voss *et al.*, 2002). We aimed to address this by building a theory of IPO typology and exploring the relationship between GP strategy and IPO structure in this niche area. Ghauri (2004) argues that the case study method is particularly well suited to international business research where data are collected from cross-border and cross-cultural settings. This suits our research, i.e., data collected from China and the West. Piekkari and Welch (2004) agree that the advantages of qualitative methods for cross-cultural research are that they allow deeper cross-cultural understanding and are less likely to suffer from cultural bias and ethnocentric assumptions on the part of the researcher (as in the use of survey instruments).

Our unit of analysis is the IPO itself. We selected fourteen IPOs belonging to fourteen large-scale MNCs in various industries (twelve manufacturers and two specialised retailers); larger firms were more likely to have an IPO in China and a significant history of sourcing in China (Nassimbeni and Sartor, 2006). Having an IPO proves that the Western company has entered a more mature stage of sourcing from China and that the purchasing scale of the firm has justified the presence of an IPO (Rajagopal and Bernard, 1993). The selection of the cases reflects the diversity of the Western countries' MNCs: USA (5), UK (3), Italy (2), Netherlands (2), Sweden (2), and Germany (1)². We also selected the cases which represented variation in the scope of service they provided (e.g., from simple sourcing IPOs to fully fledged IPOs following Eisenhardt (1989)).

The parent companies differ in size although they all belong to large-scale firms (Table 2). Five of the fourteen companies were Fortune 500 companies or equivalent in annual

² 'Retailer A' is counted on two countries because it originated from Sweden and is headquartered in the Netherlands.

turnover. The turnover for medium-sized firms ranged from USD 1 billion to 10 billion. The turnover of the smallest group was under USD 1 billion with the smallest being Euro 0.18 billion ('Automation').

Ten of the fourteen IPOs were founded between 2003 and 2007, two in 1998, and the earliest two (retailers) in 1992 and 1994.

Five of the fourteen companies had multiple IPOs in China. The majority of the IPOs were located in Shanghai, Suzhou (near Shanghai), Hong Kong, and Shenzhen (bordering Hong Kong). Each company had at least one IPO located in Shanghai, except for 'Engineering' (in Changshu, near Shanghai). IPOs tended to be located close to their supply markets, i.e., the Yangzi river delta area (the main supply market for the selected cases). Another interesting finding was that two IPOs ('Engineering' and 'Solar') were relocated from Beijing to Shanghai, or Changshu, in 2007 and 2008, further showing the importance of the Yangzi river delta area as the major supply market.

The components sourced by the IPOs in China included mechanical, electrical, electronics, chemical, aluminium, and plastics parts. The areas these IPOs managed were not confined to mainland China but included Greater China (Hong Kong, Macau, Taiwan), and South East Asia. The number of employees working for each IPO ranged from just three to over five hundred, with the two retailers ('Retailer A' and 'Retailer B') employing five hundred and three hundred respectively. The number of suppliers with which they traded varied from four to three hundred.

Insert Table 2 about here

3.2 Data collection

We interviewed thirty four individuals working at all levels across the fourteen IPOs (some were interviewed twice), including heads of IPOs, purchasing managers and directors, quality managers, and buyers working for the IPOs.

Instruments included face-to-face and telephone semi-structured interviews, archival data from the internet and company documents. All interviews were recorded, transcribed and translated (from Chinese to English) for the interviews done in Chinese.

The international research team (British, Italians, and Chinese) conducted the whole process of this project (i.e., research design, field investigation, data analysis, and writing-up). This international composition allowed the integration of differing cultural perspectives, conducive to cross-cultural research (Ghauri, 2004). The interview questions (see appendix) followed the themes identified in the literature review.

3.3 Data analysis

We carried out within-case analysis for each of the fourteen IPOs separately and then compared notes between the field researchers/co-authors, resolving differences in coding. Then, cross-case analysis was performed and findings tabulated, to identify common themes and a possible typology³. We employed ‘*clustering*’ for data analysis (grouping and then conceptualising objects) at a case level⁴ and building a ‘*causal model*’ (a set of integrated relationships among variables) (Miles and Huberman, 1994). Specifically, we clustered IPOs along four dimensions; causal relationships between the four dimensions/constructs emerged from the data. The IPO followership construct emerged from the data analysis and we then reviewed the leadership/followership literature. We applied followership theories at group (e.g., IPO) level and classified the analysed IPOs into four followership types (Section 4.4).

We validated the results by performing Yin’s (2003) four tests (Table 3).

Insert Table 3 about here

4. Results

4.1. Motivation for sourcing from China

All fourteen companies identified ‘cost reduction’ as a motive for sourcing from China through the IPO. However, in only four cases (‘Automation’, ‘Identification’, ‘Industrial C’, and ‘Solar’) this represented the sole or main driver. In particular, ‘Industrial C’

³ Due to the limited space, only cross case findings are presented in this paper.

⁴ Miles and Huberman (1994) advise that ‘*clustering*’ may be applied to qualitative data at the level of events and processes or cases as a whole.

reported that it would not source from China if the purchasing price of Chinese suppliers were not 15% cheaper than local suppliers.

Nine companies ('Appliances', 'Engine', 'Engineering', 'Industrial B', 'Industrial tool', 'Lighting', 'Printing', 'Retailer A', and 'Retailer B') viewed China as the 'main, skilled supply base' for some component or product categories (e.g., machined, plastics, and electronics parts). They felt that China had the manufacturing scale to accommodate their demands and that this was not yet easy to find in other low cost countries. There were nine companies that sourced more than 20% of their total spending in China (Table 2).

'Industrial A' and six of the ten companies noted above ('Appliances', 'Engine', 'Engineering', 'Lighting', 'Retailer A', and 'Retailer B') identified 'speed to supply a main and growing sales market.' These companies had 10% or more revenue contributed by China (Table 2) and tended to consider China of strategic importance to their growth. Some of them had also increased their operational presence there (e.g., production for local demand). These IPOs also tended to have a sourcing role for local operations, i.e., a local supply base supplied their local subsidiaries.

'Lighting' added that it sourced from China because of the local 'availability of a scarce raw material' (a 'rare earth'), while 'Engineering' said that it was partly due to 'countertrade (or 'offset') requirements' of the Chinese government (see Hennart, 1990; Nassimbeni *et al.*, in press).

Finally, 'Retailer A', which was at a mature stage of global purchasing, cited 'overall competitiveness of Chinese suppliers' as the motive to source from China. This included aspects such as cost, on-time delivery, quality, capacity to accommodate surge demand, willingness of the supplier owner/top management team to collaborate, and Corporate Social Responsibility (CSR).

Summarising these results, it seems that two motives for sourcing from China have become relevant in addition to cost reduction: China is a major supply base with capabilities strategic to the companies and China is a growing sales market.

4.2 Global purchasing strategy for China

Since our study is focused on global purchasing in China, rather than global purchasing as a whole, we adopted the dimension ‘degree of centralisation/configuration of purchasing’ proposed by Quintens *et al.* (2006a) as the measure for GP strategy and we operationalised it as the level of decision-making power given to an IPO (Table 4). The second dimension of GP strategy identified by Quintens *et al.* (2006a), i.e., standardisation of processes, products and personnel globally seems to be irrelevant due to the focus on one country (China).

Our analyses show that the simple ‘centralised, decentralised, and hybrid’ triad (e.g., Quintens *et al.*, 2006b; Trautmann *et al.*, 2009b) does not capture the complex situation. First, the generic organisational levels associated with a purchasing structure are: the corporate purchasing department, the business unit purchasing department, the plant/site purchasing team/unit, and the international purchasing offices. The centralisation/decentralisation of a purchasing structure obviously depends on how the responsibilities are divided along the levels introduced above. However, existing literature tends to neglect the international purchasing offices’ role and typically observes that in the ‘decentralised’ approach, global plants or business unit purchasing departments are the decision-makers. In the case of ‘Retailer B’ the sourcing decisions were instead mainly made by the IPOs in Asia (since 2012). Thus, this company has adopted a completely ‘decentralised’ approach.

Second, our cases show that the hybrid approach can be further divided into two types: ‘tiered decision making’ (e.g., ‘Appliance’ and ‘Lighting’) and ‘decisions made by a sourcing council’ (e.g., ‘Engine’ and ‘Engineering’). In a ‘tiered’ system, the corporate purchasing organisation would take precedence in decisions (for example, choosing the country or region in which to source and the quantity to source from that country) with some delegation to regional plants, while decisions would be made in the plants or IPOs on issues such as quantities of product to be purchased and from which suppliers to source. This would include liaising with the IPOs (e.g., ‘Appliance’, ‘Lighting’, and ‘Retailer A’). For the second type, the main sourcing decisions are made by a dynamic ‘sourcing council’ consisting of the main internal stakeholders of a specific sourcing project (e.g., ‘Engine’, ‘Engineering’, ‘Industrial A’, ‘Industrial B’, ‘Industrial tools’, and ‘Printing’). There is no clear indication of who makes which decisions, as there is in

tiered decision making. For this sourcing council approach, IPOs may lead sourcing projects and make decisions. The findings of the sourcing council model support the findings of involvement with users or other internal customers in GP by Trent and Monczka (2002).

As far as the centralisation/decentralisation ‘pendulum’ is concerned, our findings support Hartmann *et al.* (2008) and Trautmann *et al.* (2009a) who conclude that the hybrid approach is most commonly selected in practice. In fact, nine out of the fourteen IPOs adopted a hybrid approach (Table 4).

Insert table 4 about here

4.3 An IPO’s organisation, structure and capabilities

The basic sourcing unit of an IPO comprised of a commercial buyer (titles varied between companies, e.g., purchasing engineer, sourcing project manager, sourcing specialist, and business developer) and a Supplier Quality Engineer (SQE). Together they formed teams with the buyer responsible for the commercial side of issues (e.g., negotiation) and the SQE responsible for technical issues and quality control.

Table 5 shows the structure of the fourteen IPOs. Simply structured IPOs (‘Automation,’ ‘Identification,’ ‘Printing,’ ‘Solar’, ‘Industrial A’, and ‘Industrial C’) consisted of one or more basic sourcing units. These IPOs have the capabilities of sourcing (e.g., search for and qualify suppliers and carry out basic quality control). Some IPOs were organised around commodities; they contained a range of commodity teams, each containing one or more basic sourcing units. More complex IPOs (‘Engine,’ ‘Engineering,’ ‘Industrial B’, and ‘Industrial tools’) included logistics and quality teams, in addition to the basic units. They have the capability of providing a full range of purchasing services including sourcing, supplier development, quality control (QC), and logistics services to global and local plants. The sourcing teams in these IPOs tended to carry out supplier development after the suppliers were qualified. The most complex IPOs (‘Appliances,’ ‘Lighting’, ‘Retailer A’, and ‘Retailer B’), included sustainability and New Product Development (NPD) teams in addition to the full purchasing service

provided. They contained capabilities for disseminating sustainability in the supply base in China and fully participating in the research and development process.

The simplest hierarchical structure was two-tier, including the head of the IPO and its buyers/SQE. More complex IPOs had multiple tiers of reporting structures.

Based on the scope of service the IPOs provided, we categorised and defined them as follows:

A *'Sourcing team'* is a simple IPO which provides basic sourcing services (e.g., search for and qualify potential suppliers and carry out basic quality control) and contains a head of the IPO and one or more basic sourcing units, each comprising of a commercial buyer and a Supplier Quality Engineer (SQE).

A *'full-service'* IPO focuses on all the constituent areas of the supply chain management (e.g., logistics and order fulfilment) and may contain all functions, with the exception of production, marketing, and sales.

An *'advanced full-service'* IPO performs all the activities that a 'full-service' IPO does and applies CSR or sustainability measures to develop and audit their suppliers and have a designated CSR/Sustainability team. It also tends to have a New Product Development team facilitating or carrying out the NPD process.

Insert table 5 about here

4.4 IPO followership

All the IPOs saw their corporate purchasing organisations or equivalents as sources of guidance and inspiration, at least in the initial stages. There was a reporting line between corporate purchasing organisations or equivalents and IPOs (IPOs report to corporate purchasing organisations). Thus our argument that a CPO-IPO relationship is a leader-follower one is supported.

Following Kelley's (1992) classification of followership, we classify the IPOs in this study into four types: 'proactive and exemplary', 'alienated', 'conformist', and 'passive' (Table 6). The two dimensions we adopt to classify followership are 'style of thinking' and 'way of engagement' (slightly different from the terms used by Kelly, i.e., 'critical thinking' and 'active engagement' but reflecting the nature of the two dimensions).

It can be seen that ‘Alliance’, ‘Engine’, ‘Engineering’, ‘Lighting’, ‘Retailer A’, and ‘Retailer B’ were ‘proactive and exemplary’ followers, providing critical advice to their parent company in GP. They were also actively involved in the GP decision-making process.

Further down the list, ‘Industrial A’ and ‘Industrial B’ were ‘alienated’ followers: they provided critical advice to their headquarters (HQ) but were not much involved in decision making, due to a lack of capacity internally. ‘Printing’ and ‘Industrial tools’ were, instead, a typical ‘conformist’ follower, which indicates that they did not provide critical advice to the HQ but they were actively involved in decision making.

The bottom four IPOs (‘Automation’, ‘Identification’, ‘Industrial C’, and ‘Solar’) were ‘passive’ followers, providing no critical advice and not involved in any important decision making. There was a lack of proactiveness among these IPOs.

Insert Table 6 about here

5. Discussion

We can now identify three IPO clusters and propose a model of global purchasing strategy and IPO structure (Figure 1), showing a number of propositions relating to a chain of causal relationships. We shall discuss China’s peculiarities in relation to sourcing from China.

5.1 IPO clusters

By synthesising our findings, we are able to cluster the IPOs along four dimensions:

1. The motives for sourcing from China;
2. Global purchasing strategy for China;
3. IPO structure (varieties of service the IPO provides) and capabilities;
4. IPO’s followership.

Three clusters of IPOs emerge from this synthesis. Based on their strategic importance to their parent companies, we label them ‘strategic’, ‘quasi-strategic’, and ‘operational’ (Table 7). We explain each of them below.

Insert Table 7 about here

Cluster one: strategic IPOs

There are six IPOs ('Alliance,' 'Engine,' 'Engineering,' 'Lighting,' 'Retailer A', and 'Retailer B') falling into the 'Strategic' cluster. Their parent companies tend to adopt a GP strategy for China which is leaning towards the decentralised model, characterised by empowering the IPOs in the GP decision-making process. The motives for sourcing from China by their parent companies included but were not confined to the fact that: (1) China represents a 'growing market' and contributes more than 10% of the company's total revenue; (2) China is the 'main supply market' to the companies with at least 20% of the total being spent in China. Among the six in the cluster, there are four 'advanced full-service' IPOs and two 'full-service' IPOs. We conclude that the 'strategic cluster' tends to contain either one of these two types of IPO. In terms of IPO followership, they tended to be 'proactive and exemplary follower' IPOs.

Cluster two: quasi-strategic IPOs

Four IPOs fall into this cluster ('Industrial A', 'Industrial B', 'Industrial tools', and 'Printing'). They adopted a hybrid GP model toward centralisation and assumed a supportive role in the GP decision-making process by providing some advice on GP strategy. The main motive for setting up IPOs by their parent companies included one of two criteria (but not both): China is seen as a 'growing market' with the current contribution over 10%, or China is a 'main supply base'. In terms of service provided, there are two 'full-service' and two 'sourcing teams'. Finally, they tended to be either 'alienated' or 'conformist' followers.

Cluster three: operational IPOs

Four IPOs fall into the lowest of the three clusters: ('Automation,' 'Identification', 'Industrial C', and 'Solar'). Their parent companies adopted a centralised GP strategy and were therefore characterised by having no involvement in GP decision-making and by only following orders. The motives for sourcing from China were simply because it was cheaper than sourcing from elsewhere. In terms of the service they provided, they all

consisted of basic sourcing units, i.e., sourcing teams. They tended to be ‘passive’ followers.

5.2 A causal model and propositions development

To further make sense of the findings and for theory-building purposes, we developed the following conceptual model, consisting of four propositions for future tests (Figure 1).

Insert Figure 1 about here

The starting point of the model is MNC’s motives for sourcing from China. According to the findings in Section 4.1, some of the MNCs’ motives for sourcing in China tended to shift from cost reduction driven to more strategic motives such as ‘China as a growing and important sales market’ and ‘China as a major skilled supply market’ as their IPOs matured. The Strategic cluster tended to be motivated both by China as major sales and supply markets. The Quasi-strategic cluster instead tended to be motivated by China as a main sales or supply market but not both. The Operational cluster’s motive was driven by cost reduction only.

In Tables 4 & 7 it can be seen that GP strategy for China for the Strategic cluster was either decentralised or hybrid towards decentralisation if we consider it a continuum between centralised and decentralised. The GP decisions were made by a sourcing council for ‘Engine’ and ‘Engineering’ but they normally led the decision making. For the hybrid tiered model (‘Appliances’, ‘Lighting’, and ‘Retailer A’), the final sourcing decisions were attributed to the commodity managers sitting in HQ, far away from China where a high percentile of commodity purchasing took place. The IPOs were therefore empowered in GP decision-making for commodities sourced from China and the decision making for China has been clearly delegated to their IPOs in China. As an extreme case, ‘Retailer B’ adopted a completely decentralised model; Asia (and especially China) represented a main supply and selling market for the firm, so its regional IPOs made all GP decisions. The corporate purchasing organisation of ‘Retailer B’ had moved from the UK to Hong Kong.

Further down Table 7 and in the Quasi-strategic cluster, the GP strategy for China of ‘Industrial A’, ‘Industrial B’, ‘Industrial tools’, and ‘Printing’ was also the hybrid sourcing council model but their IPOs assumed a supportive role in the GP decision making by providing advice for the high level decisions (Table 4). Their IPOs’ involvement in decision making was less than the companies in the Strategic cluster. They were less empowered by their parent companies and therefore their GP strategy was more towards centralisation.

Finally, the GP strategy for China for the Operational cluster IPOs (i.e., ‘Automation’, ‘Identification’, ‘Industrial C’, and ‘Solar’) was a centralised model, with all decisions being made by the CPO. Their IPOs passively followed orders and were empowered very little. Based on the cross-case analysis (Table 7), it appears that the Strategic cluster IPOs, whose parent companies were motivated by more strategic motives, tended to adopt a more decentralised GP strategy. The Operational cluster IPOs, whose parent companies were more cost driven in their GP, tended instead to adopt a centralised GP strategy. The Quasi-strategic cluster sat in the middle of two extremes, motivated either by ‘China as a growing and important sales market’ or ‘China as a major skilled supply market,’ but not both. This is corroborated by the interviewees’ comments for most of the cases. For example, the Executive Purchasing Director (head) of Engine’s Shanghai IPO said:

“So China is strategically important to us. Now if we think about our globalisation it’s a North American company but it’s now 60% outside of North America in terms of global sales. Our sales will be very soon now US\$20 billion but 6 billion (30%) is from China. What Engine as a global corporation does is look for the lowest total cost in geographical locations around the world to source capable products. China is still more competitive than India, South America and Eastern Europe overall in terms of cost and capacity. That’s why we (IPO) are the leader of the global sourcing strategy for China leading a US\$500 million exporting business supplying our global plants.”

Engine’s IPO belonged to the Strategic cluster, was motivated by both China as major sales and supply markets and adopted a more decentralised GP structure with the IPO leading the global sourcing council on many occasions and making decisions for the GP strategy for China. The Engine’s IPO head stated that the significant sales revenue

contributed by China (15%) and the spending incurred in China (60%) are the reasons why the IPO assumed leadership for the global sourcing strategy for China.

This finding can be explained by the ERBV perspective (Lavie, 2006; Squire *et al.*, 2009). Strategic and Quasi-strategic IPOs tend to consider Chinese suppliers and the Chinese market as valuable resources, filling particular resource gaps for them in the search for competitive advantages. In this case, local knowledge plays a more important role in the decision making implying a more decentralised approach. Conversely, Operational IPOs tend to focus on the cost of sourcing from China making straightforward 'make or buy' decisions and the purchasing is very much decided by the HQ because a centralised approach of global sourcing make it easier to coordinate and pool together previously dispersed demands to get the best price (the cost driven approach). We therefore propose that:

P1. The more strategic the motives of sourcing from China are, the more decentralised the global purchasing strategy for China will be.

Again, applying RBV logic, Kotabe and Murray (2004) indicate that how to source globally has become a critically strategic decision that is influenced by dynamic capabilities. Following this logic, we argue that the IPO capabilities (e.g., sourcing, supplier development, order fulfilment, and logistics management) are strategic processes for those Strategic and Quasi-strategic IPOs to implement GP strategy.

It can be seen from table 7 that the Strategic cluster adopted a more decentralised GP strategy for China than the Quasi-strategic cluster, which was in turn more empowered than the 'operational' cluster. Moreover, the Strategic cluster assumed more responsibilities (e.g., more complex organisational structure) than the Quasi-strategic cluster, which in turn assumed more than the Operational cluster. An IPO's structure for the Strategic cluster tends to be advanced full-service and full-service IPOs and generally provide a broader range of services than the Quasi-strategic cluster, which in turn provides more than the Operational cluster, which tends to be 'sourcing team' IPOs. Following Chandler's (1962) argument of 'structure follows strategy', we conclude that the more decentralised a company's GP strategy is (i.e., its IPO is more empowered) the

more capabilities are required for an IPO and the more complex the IPO structure is. We propose that:

P2. Global purchasing strategy influences the IPO structure and capabilities in a way that the more decentralised a company's GP strategy is, the more complex its IPO structure.

In terms of IPO followership, the Strategic cluster IPOs tend to be 'proactive and exemplary' followers, which is more proactive in providing critical advice and more actively involved in decision making than the Quasi-strategic cluster, which is in turn more so than the Operational cluster. We propose above that the GP strategy influences IPO structure. However, we found that there might be an underlying mechanism explaining this causal relationship.

In our within-case and cross-case analysis, we found the pattern of the IPO's followership influences the relationship between a company's GP strategy and an IPO's structure and capabilities (Figure 1). An exemplar quote was provided by the Sourcing Manager of 'Industrial A':

"If you have a broader definition of IPO, it could consist of consolidation, negotiation of prices, project management, influencing key Chinese suppliers by negotiating some collaborative projects and requesting them to invest in new production lines for us. There are a lot of opportunities here but we need a strategy which leads us to get there...This relies on the decision of whether you want a loose or strong IPO, whether or not you want to empower it and whether the IPO wants to be a decision-maker. An empowered IPO could do many things just like an independent company. When a lot of work could be done by us better than by the corporate procurement, then it is better for us to take the lead. Then our role will change from being a supportive to a leading one. This however depends on timing and corporate strategy."

This shows that GP strategy affects IPO's structure ('strong' or 'loose' IPOs) corresponding to Proposition 2. This means if the IPO is empowered, it may become more complex in organisational structure and should gain more capabilities, which in turn contribute to a proactive followership, i.e., providing critical advice and being actively engaged in GP decision making ("*an empowered IPO could do many things just like an independent company.*"). This exemplar quote shows that once the IPO is empowered and has obtained more capabilities, it could be more proactive in providing advice and could assume more responsibilities. Furthermore, the proactive followership could in turn

help the IPO to assume a more leading role in GP decision making for China. The argument is corroborated by the next sentence: “*When a lot of work could be done by us better than by corporate procurement our role will change from being a supportive to a leading one*”, which means adopting a more decentralised GP strategy.

On the other hand, if the IPO is a less proactive follower, the GP strategy for China is decided by HQ, which is the case for our four ‘operational’ IPOs that lacked proactiveness. In this case, GP strategy influences IPO structure. Hence, we propose that:

P3. The more complex an IPO’s structure and the more capabilities it has, the more likely an IPO is to become a ‘proactive follower’ IPO.

P4. The more proactive a follower an IPO is, the more decentralised the GP strategy for China will be.

Chandler’s (1962) argument that structure follows strategy has been well accepted by operations management researchers (e.g., Cleveland *et al.*, 1989; Vickery, 1991; Schiele, 2007; Monroy and Arto, 2010). However, we argue that this is not the whole story, at least in the global purchasing context. An IPO’s followership influenced by its capabilities could ‘back-influence’ the GP strategy (an idea aligned with Hall and Saias (1980) and Mintzberg *et al.* (2003)). Hence, it is difficult to determine which comes first but we concluded the relationship between the two is reciprocal and dynamic. We employ the causal model technique to understand a known relationship (structure follows strategy) by exploring the underlying mechanism, i.e., the IPO’s followership through which one construct (IPO structure and capabilities) influences another construct (global purchasing strategy). Amburgey and Dacey (1994) argue that strategy and structure influence one another over time but the effect of strategy on structure is stronger. We found strategy and structure influence one another but in our study IPO structure had an increasing influence over GP strategy to a degree that IPOs could become a leader in the relationship with the corporate purchasing organisation, therefore making decisions (see ‘Retailer B’). This finding provides evidence to refute the second part of Amburgey and Dacey’s (1994) statement.

5.3 China’s peculiarities

On carrying out cross-case analysis, we noticed that the ‘strategic’ cluster IPOs tended to have one or more expatriates who acted as at least head of IPOs and possibly occupied other key positions (e.g., finance). Meanwhile, ‘quasi-strategic’ and ‘operational’ clusters tended not to have expatriates. ‘Automation’ (‘operational’ cluster IPOs) had an expatriate head that was mainly focused on sales related activities and put a small percentage of his time into sourcing from China. ‘Solar’ IPO originally had a German head but he left after the IPO was set up and operating smoothly.

Many interviewees including both expatriates and local people reported that expatriates naturally communicated well with and were trusted by HQ, while Chinese people although trained and cultivated by the company, still lacked the leadership styles required by Western firms. One such trait was to communicate ideas clearly to subordinates and other people, including internal stakeholders, in a Western way. This lack of communication skills or unwillingness to communicate (in China, only family and family-like members are trusted with inside information) is underpinned by the Chinese Confucian culture, “A gentleman would rather be quick in action than talk a lot (君子欲讷于言而敏于行)” (Graen, 2008, p.286). It seems that having at least one expatriate as head of the IPO might help it become a more proactive follower, which might in turn affect GP strategy for China.

As shown in the literature review section, Dimitratos *et al.* (2011) argue that the high ‘power distance’ of a host country inhibits the decentralisation of an international company and Hofstede (1991) highlights that China scores highly in power distance. Accordingly, if a Chinese national, strongly influenced by high power distance, assumes the role of head of an IPO, he or she may tend to follow what is told by the CPO. This was the case for ‘Printing’ and ‘Industrial B’, both ‘conformist’ follower IPOs.

Another peculiarity, which may apply not only to China but also to other emerging economies, relates to the motives for sourcing from China. China and India have been considered a ‘10 trillion dollar’ prize by Western MNCs (Silverstein *et al.*, 2012); companies that miss the opportunity may risk being left behind by competitors. China has developed into a sales market that any Western company would wish to consider (Biggemann and Fam, 2011). All the companies in our sample had sales operations in China and more than 10% of the revenue was contributed to by China for 7 out of the 14

MNCs. They tend to be strategic insiders to China. This reason alone could lead these companies to retain, if not grow, their IPOs in China because the strategic cluster IPOs had been given the responsibilities to look after the supply base not only for global plants but for local ones.

Contrary to Trent and Monczka (2003) and in line with Trautmann *et al.* (2009a), we found that successful MNCs tend to adopt a more decentralised GP strategy for China. This may imply that first, in a country such as China, managing purchasing activities from a distance is not an option and that a country-specific approach is needed (Nassimbeni and Sartor, 2006); second, China may have started moving away from the stereotype of the world's factory and becoming a growing sales market.

6. Conclusion

We set out to answer two research questions:

1. What types of IPO exist in China?
2. How may an IPO become strategic for its parent's global purchasing?

We contribute to global purchasing/sourcing literature in a number of ways. First, we have developed an IPO typology along four dimensions and based on an IPO's strategic importance to its parent company. In doing this we have answered the first research question. This paper is the first of its kind in global sourcing literature. Doty and Glick (1994) argue that a typology appears to provide a parsimonious framework for describing complex theoretical statements and for explaining outcomes such as organisational effectiveness. According to them, "...*typology identifies multiple ideal types, each of which represents a unique combination of organisational attributes that are believed to determine the relevant outcomes*" (p. 232). In our case, the attributes are represented by the four dimensions along which the three clusters/types have been identified. Second, we have shown and modelled causal links between motives for sourcing from China, global purchasing strategy for China, and IPO structure (Figure 1) and explained how an IPO becomes strategic to its parent company, thus answering the second research question. This is one of a few studies linking GP strategy and GP organisational structure and

extending this body of literature by empirically building a causal link between the two (Arnold, 1999; Trent and Monczka, 2002; Quintens *et al.*, 2006a). Third, we have identified the underlying construct of IPO followership, linking global purchasing strategy for China and IPO structure. This construct proves to be very useful in explaining the underlying mechanism between the causal links (strategy sometimes follows structure) in a global sourcing context, enriching this debate (Chandler, 1962; Hall and Saias, 1980; Mintzberg *et al.*, 2003). We believe this research is the first to apply leadership/followership theory in the global sourcing context, recognising the CPO-IPO relationship as leader-follower. Finally, we have refined the centralised, decentralised and hybrid triad and identified ‘tiered’ and ‘sourcing council’ forms of hybrids, thus enriching this area of global sourcing research.

In summary, we challenge the traditional wisdom in the global sourcing and IPO literature and observe that the role of an IPO in the GP decision making has been ignored (Arnold, 1999; Trent and Monczka, 2002; Quintens *et al.*, 2006a). This may be because at the time of the major research on IPOs (late 1990s and early 2000) they were simply considered to be an extension of a corporate purchasing organisation and assumed to have a supportive role (Guinipero and Monczka, 1997; Nassimbeni and Sartor, 2006). We propose that an IPO can be a ‘proactive’ follower. In extreme conditions, IPOs could become the leader (see ‘Retailer B’ and ‘Lighting’ cases). Decision making has previously been assumed to lie either with corporate purchasing organisations or in global plants. Our findings refute this. By 2011/12, the more advanced IPOs (e.g., strategic cluster) in China clearly tended to assume a leading role in the GP strategy for China. The situation in which decisions were increasingly made by such IPOs can be considered a regional decentralised approach, as IPOs were managing sourcing in a geographic area. The literature defines the subject of the decentralised model as global plants. As we noted (in section 4.2) there are four levels of purchasing within a company. The geographical level is the least understood.

The results may be applicable to IPOs in other emerging economy contexts with caution. China has developed very fast in the past thirty years or so and now represents the second largest economy in the world. The supply base in China has been well developed. IPOs in other emerging economies may need to go through the same learning

process as those in China and may not be as proactive as the ‘strategic cluster’ IPOs in China.

Managerial implications

This paper provides managers with an overview of the GP strategy for China and the IPO organisational design and capabilities. This is of particular relevance considering the prominent role of China, that is one of the main global sourcing destinations in the world (e.g., Biggemann and Fam, 2011; Kang *et al.*, 2012) and of IPOs that represent a part of, or a major step in, an MNC’s GP process (e.g., Rajagopal and Bernard, 1993; Giunipero and Monczka, 1997). As far as the GP strategy for China is concerned, we highlight and describe two forms of hybrid strategies (i.e., ‘tiered’ and ‘sourcing council’) that are two options for MNCs to consider when designing their GP structure.

As far as the IPOs are concerned, we recognise three IPO structures based on the scope of services provided (i.e., ‘sourcing team’, ‘full-service’, and ‘advance full-service’) and provide insights about China’s peculiarities (e.g., different leadership styles). Again, these options could be considered by MNCs when designing their IPOs.

Furthermore, the proposed clusters (i.e., ‘strategic’, ‘quasi-strategic’, and ‘operational’) and the causal chain linking motives for sourcing from China, global purchasing strategy for China, and IPO structure (see Figure 1) may help managers at HQ/CPO to position their IPOs against this model, to assess the fit between the three elements (strategy, structure and followership) of their existing model, and eventually to adjust their China sourcing strategy and/or IPO structure accordingly.

Finally, the mechanism of IPO followership, linking IPO structure and global purchasing strategy for China, could help IPO managers of more strategic IPOs to justify their value to the global purchasing strategy. It could also help those managers of less strategic IPOs who want to be strategic, take a more proactive approach and become an exemplar follower. This is important because it could potentially help IPO managers resolve their puzzle regarding the future of the IPO and thus their own careers in business.

Limitations and future research

The results of this study should be viewed in light of two (major) limitations.

First, we specifically focus on IPOs located in China belonging to large Western manufacturing MNCs. Therefore, caution is required in extending findings to companies of different dimensions (e.g., small and medium enterprises), belonging to different industries (e.g., the service sector) and to IPOs located in other countries (e.g., India, Brazil, USA, Africa, or Europe).

Second, we adopted a multiple case study method and performed qualitative data analyses. While we carefully selected a sample representing a wide variation in the scope of services provided, this paper cannot provide the basis for statistical generalisations to a broader population.

Further studies may replicate ours in other geographical contexts (considering IPOs' and headquarters' locations), in other industries (e.g., the service sector) or with small and medium enterprises. Instead surveys can be applied to empirically test our proposed typology (e.g., through quantitative cluster analysis) and the causal model (e.g., using structural equation modelling). Another direction could be to look into the advantages and disadvantages of tiered and sourcing council hybrid approaches and link them to global purchasing performance. Finally, this paper has opened up new avenues for further research on global purchasing.

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Appendix: Interview Protocol

1. Company profile related questions (e.g., number and location of manufacturing plants and other units, number and location of the IPOs, percentile of revenue contributed by China, and percentile of China sourcing in total direct spending).
2. IPO profile related questions (e.g., juridical form, location, year of establishment, number of employees, items sourced, sourcing areas, and number of suppliers managed).
3. What's your global purchasing strategy for China?
4. Who were the sourcing decision makers for sourcing in China?
5. What are motivations behind your company sourcing through the IPO(s) from China?
6. What is your IPO's organisational structure?
7. How is your IPO involved in global sourcing decision making and what decisions does your IPO make?