UNIVERSITA' DEGLI STUDI DI UDINE

Dipartimento di Ingegneria Elettrica, Gestionale e Meccanica

Dottorato di Ricerca in Ingegneria Industriale e dell'Informazione

XXVII Ciclo

Doctoral Dissertation

International Purchasing Offices: An empirical research

Guido Orzes

Supervisor: Prof. Guido Nassimbeni

December 2014

To my parents

ABSTRACT

International Purchasing Offices (IPOs) play an increasingly important role in the management of international sourcing activities, both in developed and emerging economies.

We performed a systematic literature review on IPOs. This allowed us to identify and summarize the main research streams and to highlight some weaknesses (e.g., methodological issues and lacking theoretical foundations) and gaps. We concluded that few significant studies have been devoted to IPOs and proposed some directions for future research organized into three questions: (1) Does an IPO add value to the company? (2) How are the IPOs set up, how do they work, and how do they develop? and (3) What is the role of the IPOs within the global sourcing organisational structure?

We conducted an exploratory multiple case study research to face with the second and third questions pursuing three main aims: (1) to propose a typology of IPOs and highlight the relationship between strategy and structure in a global purchasing context; (2) to study IPO macro-organisational structures (i.e., organisational archetypes) and their evolution over time; and (3) to study IPO micro-organisational structures (e.g., individual tasks, activities, and capabilities) and their evolution over time.

We identified three types or clusters of IPOs along four dimensions (i.e., motives for sourcing from China, global purchasing strategy for China, IPO structure and IPO followership) and presented a causal model and associated propositions to explain how an IPO may become more strategic for its parent company. We then proposed a dynamic evolution model, consisting of five stages differentiated by number, depth, and breadth of roles, in which IPOs could leapfrog some stages, re-trench (move back to lower stages) and be potentially withdrawn. Finally, we highlighted some resources/capabilities required by IPOs; we proposed a typology of IPO micro-organisational evolutionary behaviours; and we recognized three contingent factors that jointly affect these behaviours (i.e., the architectural and technological complexity of the sourced items, annual volume sourced abroad, and experience in the foreign context).

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGEMENTS

First and foremost, I would like to express my gratitude to Prof. Guido Nassimbeni, my PhD supervisor, for the patient guidance, the smart advices, and the authentic encouragements he has always provided me throughout these three years. Guido has been a good example for me from both an academic and a personal point of view.

I would also like to acknowledge the other members of the research project Prof. Richard Lamming, Dr. Fu (Jeff) Jia, and Dr. Marco Sartor. Marco instilled in me the passion for research since my master degree and has always been happy to provide me advices and helps during my PhD. Jeff provided many hints and suggestions about my researches and the academic life in general. He also hosted me at the University of Exeter Business School for a fruitful research period. Richard shared with our team his outstanding experience in P&SM research and practice. It has been an honour to work with all of you.

My thesis benefits from the comments and suggestions of some scholars. I would like to acknowledge in particular Prof. Alessandro Ancarani, who discussed my first draft of the literature review chapter at the IPSERA Doctoral Workshop in Matera, and Prof. Matteo Kalchschmidt and Prof. Pamela Danese, who reviewed the first version of my PhD thesis. Their comments were very constructive and useful. Any errors, inconsistencies, or omissions are my responsibility entirely.

I am also grateful to the coordinator of the PhD Program, Prof. Paolo Gardonio, and the Management Engineering faculty at the University of Udine: Prof. Alberto Felice De Toni, Prof. Guido Nassimbeni, Prof. Pietro Romano, Prof. Marco Sartor, and Prof. Stefano Tonchia.

I would like to thank my colleagues at the University of Udine (LABGEST) and at the University of Exeter Business School: Alberto, Alessandra, Cinzia, Elena, Eric, Emanuele, Giovanni, Giulia, Hebert, Mario, Marco, Michela, Polly, Parisa, Stefania, Stefano, Thomas, and Valeria. We spent many nice moments together.

A very special thanks goes to my family. Words cannot express how grateful I am to them for all what they did. At the end, I would like express my appreciation to Cecilia for her unconditional support and understanding.

CHAPTER 1.
Introduction

1.1 Global sourcing and International Purchasing Offices

Global sourcing (GS) is a major trend of last decades (Christopher *et al.,* 2011; Javalgi *et al.,* 2009; Jahns *et al.*, 2006), which even the current economic recession has not appeared to reverse (Hultman *et al.,* 2012). Market globalisation, the increasing interdependence among world economies, the increasing international competition, the development of information and communication technologies, and the removal of international trade barriers have led many companies to source goods and services from outside their national borders (Arnold, 1999; Ellram *et al.*, 2008; Kotabe and Murray, 1990). The volume of world merchandise sourcing increased by 5% in 2011 and 3.7% annually, on average, from 2005 to 2011 (i.e., its increase was greater than the 2.3% annual growth in the world gross domestic product during the same period). International sourcing has increased even more for commercial services: we can find several instances of double-digit growth levels in recent years (e.g., 11% in 2011) (WTO, 2012).

Both academics and managers have acknowledged the strategic relevance of GS, and the number of studies focusing on the topic has rapidly increased (Karjalainen and Salmi, 2013; Größler *et al.*, 2013; Benito *et al.*, 2013; Lahiri and Kedia, 2011).

An organizational solution adopted for managing international sourcing activities is the International Purchasing Office (IPO). It was first defined as "*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*" (Goh and Lau, 1998, p.120).

The salience of IPOs has steadily increased, in both developed and emerging economies, since the first adoption of this supply chain strategy in the 1980s (Nassimbeni and Sartor, 2006a). This argument is supported by the survey and fieldwork results of Monczka *et al.* (2008). Half of the firms that participated in their research (approximately 100) had at least one IPO. The research also has revealed that the number of companies setting up IPOs is typically higher in the automotive, industrial manufacturing, and technology sectors (apparently because cost pressure is transmitted from the end market back up the supply chain). The Institute for Supply

Management (ISM) and the Centre for Advanced Purchasing Studies (CAPS) reported in their 2008 study that IPOs played an extremely important role in improving the global sourcing performance of 85% of the companies that they sampled. The formal establishment of IPOs also has been declared a critical success factor in the management of integrated global sourcing (e.g., Trent and Monczka, 2005). Furthermore, some authors (e.g., Giunipero and Monczka, 1997; Matthyssens and Faes, 1997; Rajagopal and Bernard, 1993; Trent and Monczka, 2002) considered IPOs to be an essential part of the global purchasing development process.

1.2 Aims of the thesis

The status of literature on IPOs was unclear/unknown at the beginning of our research. All the recent literature reviews pertaining to topics such as "international sourcing", "global operation", "international supply chain management", or "import activities" (e.g., Aykol *et al.*, 2013; Burgess *et al.*, 2006; Meixell and Gargeya, 2005; Quintens *et al.*, 2006b) have in fact failed to summarize and frame extant IPO literature. The first aim of this thesis is therefore *to develop a systematic literature review on IPOs*.

The aforementioned literature review has highlighted that despite the increasing relevance of IPOs few significant studies have been devoted to this topic. Current research is in fact characterized by some methodological issues (e.g., research protocol is often neither clear nor adequately explained), is mainly descriptive (focusing on issues such as IPO definitions, activities, advantages, and challenges), and is not grounded in mainstream theories (e.g., transaction cost economics or resource-based view). Furthermore, a number of thematic gaps exist which can be organized into three key questions: (1) Does an IPO add value to the company? (2) How are the IPOs set up, how do they work, and how do they develop? and (3) What is the role of the IPOs within the global sourcing organisational structure?

This has encouraged us to develop a wide empirical research project on Western multinational companies' IPOs in China[1]. We decided to deal with the second and third of the questions highlighted above and to pursue three main aims: (1) *to develop a typology of IPOs and highlight the relationship between strategy and structure in a global purchasing context*; (2) *to study IPO macro-organisational structures (i.e., organisational archetypes) and their evolution over time*; and (3) *to study IPO micro-*

[1] China represents one of the most rapidly developing centres of production and global sourcing destinations in the world (Biggemann and Fam, 2011; Kang *et al.*, 2012).

organisational structures (e.g., individual tasks, activities, and capabilities) and their evolution over time.

1.3 Thesis design

This doctoral thesis is based on four international journal papers each one addressing one of the four aforementioned aims (see Section 1.2).

In Chapter 2 – adapted from "*International Purchasing Offices: Literature review and research directions*"[2] – we present the first systematic literature review on IPOs and propose a research agenda on this topic. In Chapter 3 we describe the case study method employed in the empirical part of the research. In Chapter 4 – adapted from "*Global purchasing strategy and international purchasing offices: Evidence from case studies*"[3] – we propose a typology of IPOs in China and develop a causal model of the relationship between the global purchasing strategy and IPO structure. In Chapter 5 – adapted from "*International Purchasing Offices in China: A Dynamic Evolution Model*"[4] – we classify the IPO macro-organisational structures into five types based on the number, breadth, and depth of the roles performed and propose a dynamic evolution (process) model of IPOs. In Chapter 6 – adapted from "*International Purchasing Offices in China. Roles and resource/capability requirements*" [5] – we study the evolution of the roles and tasks/activities performed by IPOs over a five-year study period (2007-2012), we explore the IPO resources/capabilities required to assume these roles and their evolution, and we highlight the contingent factors that might affect such changes. Finally, in Chapter 7 we summarize the results of the thesis, highlight its contribution to theory and practice, and acknowledge its main limitations.

---

[2] Sartor, M., Orzes, G., Nassimbeni, G., Jia, F., Lamming, R., 2014. International purchasing offices: Literature review and research directions. *Journal of Purchasing and Supply Management* 20 (1), 1-17.

[3] Jia, F., Lamming, R., Sartor, M., Orzes, G., Nassimbeni, G., 2014. Global purchasing strategy and International Purchasing Offices: Evidence from case studies, *International Journal of Production Economics* 154, 284-298.

[4] Jia, F., Lamming, R., Sartor, M., Orzes, G., Nassimbeni, G., 2014. International purchasing offices in China: A dynamic evolution model. *International Business Review* 23 (3), 580-593.

[5] Sartor M., Orzes G., Nassimbeni G., Jia F., Lamming R., in press. International Purchasing Offices in China. Roles and resource/capability requirements. *International Journal of Operations and Production Management*.

1.4 Main contribution

This thesis contributes to the purchasing and supply chain management (P&SCM) literature in a number of significant ways. *First*, we present the first literature review and research agenda on IPOs. This might encourage (and guide) researchers to work in the future on this topic which is relevant for practice and rather unexplored by scientific research. *Second*, we propose a typology of IPOs currently existing in China. The theoretical contribution of typologies has been a debated topic. However, Doty and Glick (1994) 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). *Third*, we show and model the causal links between motives for sourcing from China, global purchasing strategy for China, and IPO structure. This is one of a few works linking GP strategy and GP organisational structure and extending this body of literature by empirically building a causal link between the two. *Fourth*, we propose a dynamic evolution model for IPOs based on the number, depth and breadth of the roles assumed and associated activities and challenges the strictly sequential and unilinear nature of the existing GS process models. Existing global sourcing/purchasing process models (e.g., Rajagopal and Bernard, 1993; Trent and Monczka, 2003) are silent on the detailed stages after an MNC started sourcing from a low-cost country and prescribed a sequential and unilinear evolution for global sourcing. *Fifth*, we extend the resource-based view of the firm in a global sourcing context by highlighting twelve resources/capabilities required by IPOs and discussing their characteristics. *Finally*, we develop a typology of IPO micro-organisational evolutionary behaviours based on the changes in the importance of roles and resources/capabilities occurred over a five-year period and recognise some contingent factors affecting these behaviours.

Significant implications for practice also arise from this thesis. *First*, we provide managers with a tool for assessing their sourcing strategy and structure (and the fit between the two) (see Chapter 4). *Second*, we develop a dynamic evolution model (see Chapter 5) which may help MNC managers to assess their global purchasing and IPO stages and decide whether they want to upgrade, degrade, leapfrog, or remain the same. *Third*, the finding that advanced IPOs might assume a proactive or even a leading role in the advanced stages global sourcing of MNCs challenges those MNCs taking a

headquarter-centric view on global sourcing and provides examples for those IPOs who wish to upgrade, to persuade or influence their CPOs. *Finally*, the three IPO behaviours identified in Chapter 6 can help managers to reflect on their IPO evolution (e.g., which activities to improve, which resources/capabilities to develop).

CHAPTER 2.

Literature review and research directions

2.1 Purpose

The aim of this chapter[6] is to develop the first systematic literature review on IPOs. More in detail: (1) we collect, systematise, and summarise the existing literature on IPOs; (2) we analyse the distribution of papers by adopted methodologies, underpinning theories, geographical areas analysed, and topics; (3) we identify various thematic, theoretical, and methodological gaps; and (4) we provide a set of suggestions for future research.

2.2 Literature review approach

To ensure rigour, objectivity, and transparency in the research process and to obtain replicable and valid results, we performed a systematic literature review following the methodology that has been proposed by Rousseau *et al.* (2008) and Tranfield *et al.* (2003).

The general aim of a literature review is to give a critical overview of the existing knowledge in a field of inquiry; its format and scope may vary from discipline to discipline, from topic to topic, and even from research question to research question. The traditional and dominant approach primarily considers peer-reviewed papers and books published by academic presses, in other cases (for example, emerging topics for which a well-established *corpus studiorum* does not exist) reviews will include grey literature (essentially, conference papers, government reports, and consultancy reports) (e.g., Adams *et al.*, 2006; Knopf, 2006; Laurans *et al.*, 2013; Peng and Nunes, 2009). This literature can, in fact, contain much information that is not captured by peer-reviewed scientific literature, and its inclusion might also limit publication bias[7] (the "file drawer" effect) and identify more recent topics (Kitchenham *et al.*, 2004; Rothstein and Hopewell, 2009).

---

[6] This chapter is adapted from: Sartor, M., Orzes, G., Nassimbeni, G., Jia, F., Lamming, R., 2014. International purchasing offices: Literature review and research directions. *Journal of Purchasing and Supply Management* 20 (1), 1-17. Reprinted with permission (license number: 3523650960075).

[7] "*Publication bias arises whenever the probability that a study is published depends on the statistical significance of its results*" (Scargle, 2000, p.1).

For the purposes of this thesis, we recognised that: (a) the IPO is a solution widely used in practice, but only in recent years (i.e., since the 1980s); (b) the literature on this topic is still emerging and rapidly evolving; and (c) grey literature (especially practitioner-oriented articles) represents a rich complementary resource. Thus, we adopted very comprehensive inclusion criteria. All of the articles on this topic that have been published in English in academic journals, edited books, practitioner journals, conference proceedings, and reports of government agencies were considered as eligible for inclusion.

The inclusion of conference papers published by leading operations management or international business journals is not uncommon in literature reviews (for example, see the reviews conducted by Croom *et al.* [2000] on supply chain management, by Chan and Wu [2002] on quality function deployment, and by Leonidou [1995] on export stimuli).

Some works have included conference papers and articles from magazines (e.g., Julka *et al.*'s [2007] study on multi-factor models of capacity expansion of manufacturing plants), and some works have included the grey literature in its entirety (see, for example, the reviews that have been conducted by Adams *et al.* [2006] on innovation management, by Laurans *et al.* [2013] on ecosystem services, by De Menezes and Kelliherand [2011] on flexible working, and by Peng and Nunes [2009] on enterprise resource planning).

In this thesis, as well as in the works mentioned above, grey literature is essentially used to identify and frame issues related to the analysed phenomenon and to highlight possible contradictions in, and differences among, papers that have appeared in scientific journals. For this reason, in all of our text and tables, we keep the scientific contributions separate from the other ones, allowing the reader to recognise (and differently weigh) the sources.

The literature survey was undertaken by searching a combination of major electronic databases (i.e., ABI Inform Global Proquest, Academic Search Premier EBSCO, Emerald, ISI Web of Knowledge, JSTOR Business, and Science Direct). Because IPOs are a multidisciplinary topic that might be addressed across several academic disciplines (and related journals), the most suitable approach seemed to be a keyword search without any reduction in the scope of the journals that were searched (Seuring and Gold, 2012).

In addition, we searched the proceedings of the annual conferences of three associations that cover topics in the field of operations and supply management: the *Production and Operations Management Society* (POMS), the *International Purchasing and Supply Education and Research Association* (IPSERA), and the *European Operations Management Association* (EurOMA).

To identify all of the relevant contributions, we followed an iterative approach, repeating the following steps several times: (1) keyword search; (2) identification of papers; and (3) identification of new keywords (and papers) by reading the full text and reference lists of the papers found in step 2. The initial keywords were "International Purchasing Office", "International Procurement Office", "International Sourcing Office", "International Purchasing Organisation", "International Procurement Organisation", and "International Sourcing Organisation". Next, in the subsequent iterations, we searched for "Global Purchasing Office", "Global Sourcing Office", "Regional Purchasing Office", "Regional Sourcing Office", "Local Purchasing Office", "Local Sourcing Office", "Foreign Buying Office", "Foreign Sourcing Office", "Foreign-based Buying Office", "Foreign-based Sourcing Office", "Foreign Procurement Office", "Overseas Purchasing Office", "Overseas Sourcing Office", "International Procurement Hub", and "Sourcing Hub". This wide spectrum of keywords reflects diversity in the terminology that characterises the global sourcing field (as explained by Quintens *et al.*, 2006b).

The outcome of this procedure was the identification of 87 articles. Subsequently, we excluded 28 works in which IPOs were simply cited without further analysis, discussion, or detail.

The final list included 59 contributions: 25 from academic journals, 23 from practitioner journals, and 11 from other sources (conference papers, books, and government reports). Even if one were to consider only the scientific contributions listed, this number of contributions is consistent with other literature reviews (e.g., Van Hoek [2001] on postponement, Akyuz and Erkan [2010] on supply chain performance measurement, and Fabbe-Costes and Jahre [2007] and Van der Vaart and van Donk [2008] on the relationship between supply chain integration and performance) and does not seem to preclude the possibility of yielding reliable conclusions.

The coding process was performed following a set of rules that were defined *a priori* (deductive category building) by the research team both on the basis of recent literature reviews published in top journals and the team's experience in the P&SCM field. The

set of rules was then adjusted during the coding process (inductive category refinement).

Finally, we followed a suggestion that has been made by Seuring and Müller (2008) to ensure validity of the results, which was to present the classification framework at two international conferences so other researchers and practitioners could comment on it.

Appendix A shows the outcome of the search and coding process and provides a comprehensive view of the works that we have included in this review, classifying them by author(s), year of publication, publication outlet, research purpose, methodology, unit of analysis, sample dimension, data collection procedure, key informants, country (of IPO and headquarters), underpinning theory, industry, and topic analysed.

2.3 Descriptive findings

In this section, we present some descriptive analyses of the reviewed works: distribution of the works by adopted methodologies, underpinning theories, geographical areas involved, and main research topics.

The most common ***adopted methodology*** in the scientific works is the case study (52%). This can be partially justified by the fact that the topic is at an early stage of research. Among the six available surveys, only two have used samples in which it was possible to isolate empirical evidence attributable to IPOs (Chia *et al*., 2009; Goh and Lau, 1998). The sample that Goh and Lau (1998) have analysed is entirely composed of IPOs, whereas the survey of Chia *et al.* (2009) has combined data from 22 IPOs with data from 91 other units of analysis (logistic firms, manufacturers, and retailers).

With respect to the scientific works' ***underpinning theories***, three papers (Chung *et al.*, 2004; Lau, 2008; Pachè, 1998) have been grounded on transaction cost economics (TCE) and/or network theory (NT). One work (Cannon *et al.*, 2010) has been built upon cross-cultural theory, analysing the relationships among culture, trust, and foreign supplier performance and considering the cultural mediation role of IPOs. Chia *et al.* (2009) have used the balanced scorecard theory to compare the performance measures of different entities (logistics firms, IPOs, manufacturers, and retailers). Finally, Rajagopal and Bernard's (1993) work has relied on theories of international expansion (i.e., the OLI and Uppsala internationalisation models) to describe the global sourcing evolution process. According to their model, IPOs arise at an advanced stage of international sourcing. In sum, only six (out of twenty-five) scientific papers are built on existing theories (see Appendix A). This result is in line with other literature reviews

devoted to related issues, such as Aykol *et al.*'s (2013) work on import activities of firms and Chicksand *et al.*'s (2012) work on theoretical perspectives in P&SCM.

Regarding the ***geographical areas*** concerned, we categorised the works using two geographical indicators: the host country of the IPOs and the country in which the firm's headquarters are located (see Appendix A). Most IPOs that have been considered by the scientific and practitioner literatures are located in Asia (80%), especially China, which accounts for almost half of the Asian IPOs. This fact seems to reflect the mainstream interest of Western firms in sourcing from China, which in 2011 was the world's leading export nation (US$1.899 trillion, WTO). With only one exception (a company headquartered in Korea), all of the parent companies of the analysed IPOs have headquarters located in Japan or in the West (i.e., Italy, Germany, France, Sweden, and the USA). This geographical focus, along with the fact that the IPO configuration reflects characteristics (legal, cultural, etc.) of the countries of both the headquarters and the sourcing area, suggests that the present IPO representation is only partial. So far, important sourcing areas in the West (e.g., the United States, Germany), along with relevant headquarters locations in the East (e.g., China and South Korea), have been neglected.

Finally, our literature review helps to identify the ***main research topics*** concerning IPOs, which include the definition of an IPO, along with its activities, location choice, strengths, weaknesses, and human resource management (see Appendix A). We are aware that there are some interdependencies between these topics (e.g., definition and activities, strengths and weaknesses), but each topic seems to identify a specific line of inquiry and debate. Each theme is discussed in detail in the next section. Here, we limit ourselves to the observation that the activities performed by IPOs and their expected strengths are the most debated topics and have attracted the most interest from researchers. Even IPOs' weaknesses have been addressed in a significant number of contributions, especially those problems related to human resource management. Indeed, an IPO is a skills-intensive organisational strategy, and its success depends on such HR issues as recruitment, training, and motivation, as well as the capability of a company's headquarters to manage or coordinate global supply bases.

2.4 Thematic findings

This section presents the six research themes identified in the literature review.

2.4.1 IPO definition

IPO is an acronym of "International Purchasing Office" or "International Procurement Office". In the literature, these two terms are used interchangeably. It is interesting that in the scientific works, there is a prevalence (74%) of the use of the expression "International Purchasing Office", whereas in the practitioner literature, there is a prevalence (74%) of the use of "International Procurement Office". Furthermore, a number of other terms are used to label IPOs, e.g., "Regional Purchasing Offices", "Local Purchasing Offices", "Foreign Buying Offices", and "Sourcing Hubs" (for a comprehensive list, see the adopted keywords in Section 2.2).

Table 1 shows the seven definitions of IPOs found in the literature. Some keywords (i.e., "industrial inputs", "global", and "intermediary") emerge from these definitions, and some open questions arise from them.

Table 1: Definitions of IPOs

"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" (Goh and Lau, 1998).
"The IPO acts as an intermediary between the supplier and buyer organizations and is normally responsible for evaluating supplier performance." (Humphreys *et al.*, 1998a; Humphreys *et al.*, 1998b)
"An international procurement organization (IPO) is a specialized organizational unit of a company with the mission to facilitate, coordinate, and execute purchasing activities within a given region, providing a link between the regional supply market and its internal customers." (Carduck, 2000)
"The international procurement organizations (IPOs) are shared services entities staffed with specialized teams that perform dedicated order - and logistics - management functions." (Mulani, 2008)
"IPOs essentially act as full-service procurement centres within a geographic region." (Monczka *et al.*, 2008)
"A sourcing hub is an operational division of the parent-company based on the sourcing market that is responsible for a number of sourcing and supply chain management functions." (Fernie *et al.*, 2009)
"These IPO act as procurement service centres in different geographical areas and increase the internal coordination ability." (Kumar *et al.*, 2011)

Goh and Lau (1998) were the first authors to provide a rigorous and complete definition of IPO. They have described an IPO as "*an offshore buying office or buying house set up by an OEM to procure components, parts, sub-assemblies materials and other industrial inputs at competitive prices for use by manufacturing plants globally*" (p. 120). This definition has been developed by analysing IPOs located in Singapore. The expression "*for use by manufacturing plants globally*" emphasises the global dimension of the material flows coming from the sourcing area managed by an IPO. However, it is not clear whether 'globally' include plants in the IPO's host country and whether the purchasing department of a foreign plant serving global plants can be considered as an IPO. It is, however, clear that for all of the authors who faced the ownership issue, IPO is an intra-organisational unit (i.e., it is part of the buying company). Fernie *et al.* (2009), for instance, have specified that an IPO is "*an operational division of the parent-company*" that is in charge of many sourcing and supply chain management functions.

All seven definitions consider IPOs as buying houses used for managing the procurement of industrial tangible inputs. Considering that a wide number of services and business processes (e.g., R&D activities, contract reviews, and analyses of the supply markets) are now becoming the object of outsourcing choices (often abroad), the literature does not clarify whether the sourcing of these services also can be assigned to IPOs (Nassimbeni *et al.*, 2012). The sourcing of intangible goods can be less complex (the management of logistics and warehousing, for example, is not required), and several activities can be centrally managed (e.g., quality control and control of the production process can be carried out directly from company headquarters). In any event, some of the typical local activities that support IPOs (primarily supplier selection and development, legal, administrative, and negotiation support) also could be useful for managing service offshore outsourcing projects.

Finally, the existing definitions mention a limited number of activities assigned to IPOs (i.e., evaluation of suppliers and order and logistics management). However, the recent literature on IPOs emphasises that the number of activities assigned to IPOs are enlarging, exceeding the limited number of activities set forth in the seven definitions (as it will be explained in Section 2.4.2). This suggests that the IPO definitions need to be updated.

We propose here a new working definition: *an IPO is a buying office located abroad, either stand alone or stationed within a foreign subsidiary, that sources industrial*

inputs and/or services for a company's global plants; it does not necessarily conduct order fulfilment (placing orders and logistics) but manages the supplier relations and the materials/information flows in a geographically defined area. This definition aligns with the main group of activities described in the previous research on IPOs (see Section 2.4.2): the possibility of managing the sourcing activity of tangible and intangible goods and the IPOs' organisational profiles.

2.4.2 Activities

The majority of IPO research is focused on its spectrum of activities. As shown in Appendix A, 44 out of the 59 papers reviewed address this issue. The analysis of these works was complex, principally because of the high number of activities assigned to IPOs and the limited description of some of those activities.

Table 2 presents the activities mentioned or discussed in each of the 44 works and categorises them into five groups discussed below.

- ***Supplier management***

Supplier selection seems to be one of the most important responsibilities of an IPO. The supplier selection process followed by IPOs does not seem dissimilar to that followed by central purchasing departments (i.e., preliminary analysis of the supplier's profile, request for quotations, supplier auditing, and choice). Even supplier selection criteria (mainly process and product quality, cost, volume and mix flexibility, references, and location) and methods used to identify potential suppliers (primarily participation in local 'supplier fairs', website searches, and the use of databases provided by procurement associations or consultancy companies) are similar to those that have been described in the general P&SCM literature (Nassimbeni and Sartor, 2006a, 2006b).

Like central purchasing departments, IPOs are responsible for ***supplier monitoring*** (primarily to ensure that supplies are on time, of the correct quantity, of acceptable quality, and provided at the appropriate cost). However, what distinguishes these offices seems to be the presence of a number of Supplier Quality Engineers who are in charge of daily quality control at suppliers' sites. This fact, along with the presence of other activities not traditionally assigned to purchasing departments (e.g., R&D), shows the cross-functional nature of IPOs.

Table 2: Activities of IPOs

		Supplier management activities									**Selling-related activities**					**Other activities**		
		Supplier selection	Supplier monitoring	Supplier development	Resolution of technical problems	Know-how and technology transfer	Negotiation	Obtaining samples	Bidding	Cooperation in the product development	Sales promotion	Marketing support	Countertrade management	**Financial activities**	**Logistics management**	Legal support	Administrative support	Recruiting and training
Scientific	Choi, 1999											x						
	Chung *et al.*, 2004						x			x					x			
	Fernie *et al.*, 2009	x	x				x	x		x								
	Goh and Lau, 1998		x															
	Humphreys *et al.*, 1998a	x			x		x	x		x			x					
	Humphreys *et al.*, 1998b	x			x		x	x		x			x					
	Lakemond *et al.*, 2001	x								x							x	
	Lamming, 2000		x															
	Lau, 2008	x	x															
	Liu and McGoldrick, 1996	x					x	x							x		x	
	Monczka and Trent, 1991	x	x		x		x	x		x			x		x			
	Monczka and Trent, 1992	x	x	x						x								
	Nassimbeni and Sartor, 2006a	x	x	x	x	x	x			x	x					x	x	x
	Nassimbeni and Sartor, 2007	x	x	x		x	x											
	Pachè, 1998		x								x			x		x		
	Rajagopal and Bernard, 1993	x	x	x	x		x	x		x			x					
	Rajagopal and Bernard, 1994	x	x	x	x	x	x			x	x					x	x	
	Trent and Monczka, 2005	x	x				x	x										
Practitioner	Anonymous, 2010	x	x	x		x	x										x	
	Avery, 2002b	x	x													x		
	Bani, 1999		x															
	Byrne, 2005	x	x				x	x		x					x			
	Carbone, 2002	x	x	x						x								
	Carbone, 2006	x																
	Forrest, 2008	x					x											
	Gillespie, 2007		x		x													
	Monczka *et al.*, 2008			x														
	Mulani, 2002	x	x	x			x	x	x	x					x			

Table 2 *(continued)*

		Supplier management activities									**Selling-related activities**			**Financial activities**	**Logistics management**	**Other activities**		
		Supplier selection	Supplier monitoring	Supplier development	Resolution of technical problems	Know-how and technology transfer	Negotiation	Obtaining samples	Bidding	Cooperation in the product development	Sales promotion	Marketing support	Countertrade management			Legal support	Administrative support	Recruiting and training
Practitioner	Nordstrom, 2000	x									x					x		
	Pedersen, 2004b		x															
	Pedersen, 2004d	x	x	x														
	Pedersen, 2005	x	x				x											
	Porter, 2003	x	x	x						x								
	Schuster, 2006	x	x															
	Stevens, 1995	x	x		x		x	x		x			x					
Other	Carduck, 2000	x	x		x	x	x	x		x				x	x		x	
	Dobson and Yue, 1997		x		x					x	x	x		x				x
	Kaiho and Iwasaki, 1997	x		x		x												
	Kaufmann and Hedderich, 2005	x	x	x	x		x			x								x
	Kitagawa, 2007																	
	Kumar *et al.*, 2011	x	x		x		x	x							x			
	Monzka *et al.*, 2006	x	x	x			x	x							x			
	Nassimbeni and Sartor, 2006b	x	x	x	x	x	x						x			x	x	x
	Sulaiman, 2001										x	x						
	TOTAL	32	31	15	13	7	22	13	1	18	6	3	6	3	8	6	7	4

Some researchers also have emphasised the importance of creating a common technical language among buyers and suppliers to foster growth in the foreign sourcing area (e.g., Kaiho and Iwasaki, 1997; Nassimbeni and Sartor, 2006a). This activity seems to be particularly critical in China (i.e., the place where most of the described IPOs are located), which is one of the most risky countries in terms of violations of intellectual property rights.

Know-how and technology transfer can sometimes be imposed by compensatory actions required by countertrade agreements (Hennart, 1989, 1990; Nassimbeni *et al.*, 2014).

The literature shows that the IPO can simplify ***negotiations*** and reduce the cultural gap between company headquarters and offshore sourcing regions. How IPOs reduce cultural barriers and support negotiation has not been well-described. Carduck (2000) has suggested the employment of both expatriates and natives in the IPO's organisation chart to sustain an effective intercultural matching. Some works mention ***cooperation in new product development*** (NPD) among the responsibilities typically assigned to IPOs. As an example, Fernie *et al.* (2009) has highlighted that simple IPOs play a supportive role in the NPD process, whereas the most advanced IPOs manage NPD. However, neither this nor other studies have described in detail how NPD cooperation is achieved and, in particular, what roles IPOs, headquarters, and suppliers play in the different stages of the NPD process.

The involvement of IPOs in ***bidding*** has only been mentioned in a practitioner work (Mulani, 2002). Bidding seems to be used in the sense of 'reverse auctions', in which the goal is to drive the price down in order to reduce purchasing costs.

- ***Selling-related activities***

The literature underlines the relevance of some IPOs' selling-related activities, in particular ***sales promotion***, ***marketing support***, and ***countertrade management***. The involvement of a purchasing organisation in *selling-related activities* is an interesting finding. It shows the well-known connection between purchasing and selling, mainly in countries where countertrade agreements are common and companies are required to source locally in order to legitimise their commercial presence (Hennart, 1989, 1990).

- ***Financial activities***

The presence of an IPO in a host country could help to ***gain the benefits of local governmental incentives***: reduced borrowing interest rate, tax and customs duties exemptions, and exemption from fees for applying for licences to operate. The literature does not clearly describe how exactly IPOs are involved in financial activities (i.e., what role is played by IPOs in identifying and receiving these incentives).

- ***Logistics management***

Some papers (e.g., Byrne, 2005; Carduck, 2000; Liu and McGoldrick, 1996; Monczka and Trent, 1991; Mulani, 2002) have highlighted the important role played by an IPO in ***logistics management***. This role mainly concerns agreements on shipping cost, pre-

shipment controls, customs operations support, logistics assistance on shipment and shipment tracing/tracking. Certain papers (Carduck, 2000; Goh and Lau, 1998; Kaufmann and Hedderich, 2005; Rajagopal and Bernard, 1993) also have emphasised the significant activity of ***warehousing management*** assigned to IPOs, from site analysis and selection to facility management.

- **Other activities (legal, administrative, etc.)**

Legal support seems to be an important IPO activity (e.g., Avery, 2002b; Nordstrom, 2000; Sartor, 2006). The presence of an IPO seems to be particularly useful when defining contracts with suppliers and logistics carriers and in case of counterfeiting or breach of contractual agreements.

Recruiting and training of employees are normally performed by IPOs in cooperation with company headquarters. These are described as some of the most time-consuming activities, implying the direct supervision of new employees and 'on-site' training, e.g., during visits to suppliers' premises (e.g., Dobson and Yue, 1997; Kaufmann and Hedderich, 2005). This topic is further discussed in Section 2.4.6.

2.4.3 Location choice

This branch of the literature is mainly focused on the factors that affect an IPO's location choice (Table 3).

A group of location factors refers to the total cost associated with the management of an IPO (e.g., ***wages, utility and communication costs***, and ***representative taxes)***. Another relevant group of factors affecting location choice seems to be connected to the characteristics of the environment around the IPO (e.g., the ***presence of adequate infrastructures*** and the ***distance from current or potential suppliers***) (e.g., Carduck, 2000; Goh and Lau, 1998; Sartor, 2006; Schuster, 2006).

The complete list of factors (some of them merely mentioned in the analysed literature) is reported in Table 3. Analysing this table, we can perceive that the main location factors for IPOs seem to be similar to those used for locating other companies' facilities: labour characteristics (e.g., labour cost, technical competencies, language knowledge, legal expertise, and culture), the country's institutional system and risk (e.g., political stability, government incentives, special economic zones, taxation discounts), the industrial context and commercial opportunities (i.e., attractiveness of the local market), distance from current and potential suppliers, and the local presence of adequate transport and communication infrastructures. What should probably be

different between the location choices of IPOs and those of manufacturing plants (or warehouses or sales offices) is the weight of each factor. The literature on global plant location has provided an idea of the weights of several factors (e.g., MacCarthy and Atthirawong, 2003). However, the IPO literature only lists these factors; it not only has failed to develop analytical models of location choice but also has omitted even qualitative indications of the importance of each location factors.

Table 3: Factors involved in location choices

	Scientific			Pract.		Other		
	Goh and Lau, 1998	Nassimbeni and Sartor, 2006a	Sartor, 2006	Pedersen, 2004c	Schuster, 2006	Carduck, 2000	Nassimbeni and Sartor, 2006b	**TOTAL**
Wages	x	x	x	x	x		x	6
Rents	x	x	x	x	x		x	6
Communication costs		x	x	x	x		x	5
Costs of expatriates		x	x	x	x			4
Utility costs (e.g., electricity and gas)		x	x	x				3
Income and representative taxes		x	x	x				3
Presence of tax relief		x	x	x			x	4
Distance from current or potential suppliers	x	x			x	x	x	5
Presence of adequate infrastructures (e.g., streets, ports and airports)	x	x	x	x		x	x	6
Availability of labour force	x				x			2
Presence of advanced technology and network of similar operations in the sourcing area	x	x	x		x	x		5
Growth rate of the business sector		x	x					2
Political stability	x	x	x	x		x		5
Minimal trade, cultural, and communication obstacles	x					x		2
Reliable ethical and quality standards	x							1
Current and future manufacturing and commercial activities	x	x	x	x		x		5

2.4.4 Strengths

The strengths of an IPO compared to other sourcing approaches (primarily global sourcing directly managed from a central purchasing office or importing via agents) have been discussed in several academic and practitioner works (see Table 4).

Table 4: Strengths

		Cost				Performance				Relationship					Know-How		Other strengths											
		Purchasing price reduction	Elimination of third-party mark-ups	Lower transaction costs in the purchasing process	Buying without customs duties in Free Industrial Zones	Increased responsiveness and flexibility	Increased delivery reliability	Shorter negotiating time	Shorter sourcing cycle	Physical distance reduction and direct long term interface with the suppliers	Cultural distance reduction	Risk reduction	It allows a corporate presence in a region	Good relations with the in-country government and business community	Build up local market expertise	Strong engineering knowledge base	Better vendor selection	Higher level quality control	Faster and more accurate expediting	Quick problem management	Easier payments	More legal protection	Dedicated overseas resource with no other customers or priorities	Greater access to product and process technology	Coordination of all the overseas activities and entities	Easier management of high volumes	Creating supply base for both domestic and international markets	More visibility
Scientific	Chung *et al.*, 2004										x																	
	Fernie *et al.*, 2009									x	x							x					x					
	Giunipero and Monczka, 1997	x								x					x		x	x	x									
	Goh and Lau, 1998	x	x							x	x		x					x								x		
	Holweg *et al.*, 2011	x				x																						
	Humphreys *et al.*, 1998a										x																	
	Humphreys *et al.*, 1998b										x																	
	Lakemond *et al.*, 2001									x	x		x		x													
	Lamming, 2000		x																									
	Liu and McGoldrick, 1996									x																		
	Monczka and Trent, 1992																											
	Nassimbeni and Sartor, 2006a	x	x							x	x	x		x				x		x		x			x	x		
	Nassimbeni and Sartor, 2007																								x			
	Pachè, 1998	x								x	x																	
	Rajagopal and Bernard, 1993																											
	Rajagopal and Bernard, 1994									x	x									x								
	Sartor, 2006	x	x							x	x	x		x				x		x					x	x		

Table 4 *(continued)*

		Cost				Performance				Relationship					Know-How		Other strengths											
		Purchasing price reduction	Elimination of third-party mark-ups	Lower transaction costs in the purchasing process	Buying without customs duties in Free Industrial Zones	Increased responsiveness and flexibility	Increased delivery reliability	Shorter negotiating time	Shorter sourcing cycle	Physical distance reduction and direct long term interface with the suppliers	Cultural distance reduction	Risk reduction	It allows a corporate presence in a region	Good relations with the in-country government and business community	Build up local market expertise	Strong engineering knowledge base	Better vendor selection	Higher level quality control	Faster and more accurate expediting	Quick problem management	Easier payments	More legal protection	Dedicated overseas resource with no other customers or priorities	Greater access to product and process technology	Coordination of all the overseas activities and entities	Easier management of high volumes	Creating supply base for both domestic and international markets	More visibility
Practitioner	Bani, 1999				x																							
	Byrne, 2005	x							x		x																	
	Carbone, 2002	x								x				x				x										
	Fitzgerarld, 2005	x																										x
	Forrest, 2008	x						x			x																	
	Monczka *et al.*, 2008			x		x	x		x															x				
	Mulani, 2002	x					x				x																	
	Mulani, 2008	x																										
	Pedersen, 2004b	x									x							x		x						x		
	Pedersen, 2004c																											
	Pedersen, 2004d	x								x	x			x						x					x	x		
	Pedersen, 2005																											
	Porter, 2003										x																	
	Reese, 2008	x								x		x						x										
	Schuster, 2006	x	x							x	x																	
	Stevens, 1995										x																	

Table 4 *(continued)*

		Cost				Performance				Relationship					Know-How		Other strengths												
		Purchasing price reduction	Elimination of third-party mark-ups	Lower transaction costs in the purchasing process	Buying without customs duties in Free Industrial Zones	Increased responsiveness and flexibility	Increased delivery reliability	Shorter negotiating time	Shorter sourcing cycle	Physical distance reduction and direct long term interface with the suppliers	Cultural distance reduction	Risk reduction	It allows a corporate presence in a region	Good relations with the in-country government and business community	Build up local market expertise	Strong engineering knowledge base	Better vendor selection	Higher level quality control	Faster and more accurate expediting	Quick problem management	Easier payments	More legal protection	Dedicated overseas resource with no other customers or priorities	Greater access to product and process technology	Coordination of all the overseas activities and entities	Easier management of high volumes	Creating supply base for both domestic and international markets	More visibility
Other	Carduck, 2000		x		x					x	x				x						x		x						
	Fang *et al.*, 2004										x										x								
	Glock and Bogaschewsky, 2009									x	x	x			x														
	Kaufmann and Hedderich, 2005										x				x			x											
	Kitagawa, 2007									x	x																		
	Kumar *et al.*, 2011	x									x	x				x												x	
	Nassimbeni and Sartor, 2006b	x									x																		
TOTAL		18	6	1	2	2	2	1	2	16	25	5	2	4	5	1	1	9	1	5	2	1	2	1	4	5	1	1

This is a topic for which the practitioner literature is more useful to comprehend some of the statements that have been made in the scientific literature and to identify some of its omissions.

Purchasing price reduction is a strength mentioned in 18 works. Thanks primarily to the non-scientific literature, we can understand how this purchasing price reduction arises: the ***elimination of third-party mark-ups*** (e.g., Carduck, 2000; Goh and Lau, 1998; Schuster, 2006) the consequent ***lower transaction costs in the purchasing process*** (Monczka *et al.*, 2008), the possibility of ***buying without customs duties*** in Free Industrial Zones (Bani, 1999; Carduck, 2000), and the opportunity to "*eliminate the need for additional staff at corporate headquarters to source parts and qualify components"* (Schuster, 2006).

Practitioner papers mainly underline performance improvements that are gained through IPOs: ***increased responsiveness and flexibility***, improved ***delivery reliability***, ***shorter negotiating time*** and a ***shorter sourcing cycle*** (e.g., Byrne, 2005; Forrest, 2008).

Moreover only some non-academic works (e.g., Carduck, 2000; Glock and Bogaschewsky, 2009; Kaufmann and Hedderich, 2005) have observed that establishing an IPO has also a strong impact on know-how at different levels, for example, market knowledge, suppliers' knowledge, and engineering knowledge. *"The proximity of the IPO to the supply base should improve the flow of information and help to* ***build up local market expertise*** *in terms of optimal purchasing processes and reliable suppliers and thus benefit the sourcing process through continued learning"* (Kaufmann and Hedderich, 2005).

2.4.5 Weaknesses

In addition to the strengths of IPOs, the literature underlines their weaknesses compared to other sourcing approaches, such as global sourcing directly managed from a central purchasing office and importing via agents (Table 5).

Due to the fixed ***costs of its activities***, an IPO ***requires adequate annual volumes*** of purchasing in order to reach the break-even point (e.g., Carduck, 2000; Fang *et al.*, 2004; Holweg *et al.*, 2011; Lau, 2008). The purchasing volume is normally related to the business size of the parent company. The present literature does not provide analytical tools for identifying the annual volume of business required to make an IPO a convenient solution. Two partial exceptions are provided by Goh and Lau's (1998) and

Carduck's (2000) works. Goh and Lau have stated that because most IPOs charge a 5% commission on purchases made through them, they need to purchase at least $10 million to sustain a $500,000/year operation. Carduck has proposed a similar analysis adopting a 1% commission.

Table 5: Weaknesses

	Scientific									Practitioner									Other					
	Arnold, 1999	Cannon *et al.*, 2010	Holweg *et al.*, 2011	Lau, 2008	Nassimbeni and Sartor, 2006a	Nassimbeni and Sartor, 2007	Pachè, 1998	Sartor, 2006	Zeng, 2000	Anonymous, 2010	Avery, 2002a	Avery, 2002b	Fitzgerarld, 2005	Mulani, 2008	Pedersen, 2004b	Pedersen, 2004c	Pedersen, 2005	Reese, 2008	Carduck, 2000	Fang *et al.*, 2004	Kaufmann and Hedderich, 2005	Kumar *et al.*, 2011	Nassimbeni and Sartor, 2006b	**TOTAL**
Costs of the IPO's activities			x	x	x	x		x		x			x		x	x			x	x			x	12
High annual volumes required				x	x	x		x					x			x			x	x	x		x	10
Cultural problems					x			x			x					x		x					x	6
High risks															x									1
Reluctance of senior management					x			x				x		x										4
Difficulties associated with internal coordination																						x		1
Organisational problems and difficult task distribution	x	x			x	x			x	x	x						x						x	9

Some authors (e.g., Avery, 2002a; Reese, 2008) have observed that IPOs could address ***cultural problems***: expatriates and company headquarters' managers sometimes find difficult to cooperate.

Finally, Kumar *et al.* (2011) have emphasised the ***difficulties associated with internal coordination*** that face IPOs. Using three exploratory case studies, they have analysed the impact of internal coordination mechanisms (e.g., category management, degree of centralisation, and standardisation of process, of performance measures, and of competence and team) on intra-functional and inter-functional coordination.

2.4.6 Human resource management

Human resource management is described as one of the most time-consuming activities of an IPO (see Section 2.4.2).

Several works (e.g., Avery, 2002b; Carduck, 2000; Fitzgerarld, 2005; Mulani, 2008) have mentioned the difficulty of staffing IPOs due to the physical and cultural distance between IPOs and company headquarters, linguistic problems, and the complex industrial environment where IPOs are located.

The basis for overcoming these challenges seems to be centred on the timely identification of the most appropriate staff composition. Kumar *et al.* (2011) have suggested that the employees of an IPO should have competences in the areas of engineering, techno-commercial, logistics, negotiation, communication, and international coordination. They have observed that IPO staff should be composed of experienced people with engineering backgrounds, adequate language and communication skills, and previous experience at multinational corporations. Avery (2002b) and Nordstrom (2000) have highlighted that an IPO's employees should have *"technical, project management and commercial (contract) expertise"*, whereas Carduck (2000) has identified the following qualifications: language skills, technical skills, customer orientation, loyalty, and intercultural competence.

An IPO's staff composition also involves a choice between local and expatriate personnel and leadership. Goh and Lau (1998) and Carduck (2000) have shown the number of local and expatriate employees (i.e., management, buyers, quality engineers, and logistics personnel) of the analysed IPOs. They also have suggested that locals should gradually replace expatriates, mainly for cost-reduction purposes, once the purchasing link is well established. Giunipero and Monczka (1997), Monczka and Trent (1991), and Trent and Monczka (2005) have echoed that IPOs are mainly staffed by local personnel with expatriate supervision.

Pedersen (2004a) has observed that emerging countries' talent pools have increased in recent years and that it is now easier to find local buyers and quality engineers. However, salaries are also increasing.

Reese (2008) has observed that IPOs in China and India have a staff turnover rate higher than 10%, and Western companies feel frustrated because they invest in training people who leave within a year or two. Thus, another crucial element of human resource management is retaining high-level talent. Mulani (2008) has suggested some strategies – training and education opportunities, attractive compensation packages, international work opportunities, and transparent career paths – and has observed that these strategies should be integrated, and a portfolio of retention approaches should be created. Finally,

Pedersen (2004a) has underlined that an IPO's management should be creative in offering incentives *"such as […] loans for housing purchases, deferred bonuses, foreign training opportunities."*

2.5 Agenda for future IPO research

The extensive review and synthesis of the IPO literature (presented in sections 2.3 and 2.4) allows us to highlight some methodological weaknesses and gaps in the research on the IPO topic. *First*, the theoretical foundations of IPO literature are lacking. We have shown that only six (out of twenty-five) scientific papers are built on existing theories. *Second*, the IPO research tends to be affected by problems of methodological rigour. The research protocol (e.g., sample selection criteria, key informants identification, data collection procedure, and data coding) is often neither clear nor adequately explained. Furthermore, most of the analysed samples seem to be geographically biased. Nearly all of the analysed IPOs are located in the Far East and belong to "Western" and Japanese firms. *Third*, a number of specific thematic gaps exist.

To synthesise the existing research themes and highlight future research directions, we consider the following three key areas of IPO research: (1) the value of IPOs (Does an IPO add value to the company?); (2) IPOs' internal operations issues (How are the IPOs set up, how do they work, and how do they develop?); and (3) the IPO's relationship with primary stakeholders (What is the role of the IPOs within the global sourcing organisational structure (e.g., relationships with headquarters, plants, subsidiaries, other IPOs, suppliers, and local institutions)?). The rationales underlying these research areas are the following. *First*, there seems to be a need to understand whether (and under what conditions) an IPO is a wise choice (i.e., whether it adds value to the company). *Second*, particularly from a practitioner perspective, it seems interesting to provide guidance on how to establish, manage, and develop an IPO. *Third*, considering that an IPO is an organisational solution for managing international sourcing activities, the organisational aspects (e.g., coordination, information exchange) of this choice must be deepened.

In the following sections, we briefly summarise the state of the art of the IPO literature related to each of these three questions, highlighting that the answers that have been given so far tend to be only partial and not properly framed by existing theories or well-established lines of inquiry.

We thus argue that there is much room for development in the IPO literature and propose a number of avenues for future research.

2.5.1 Does an IPO add value to the company?

An early issue that managers and researchers who are addressing an IPO solution may encounter is whether an IPO adds value to the company or, in other words, whether it is a sound investment.

The existing literature has highlighted a number of possible strengths of an IPO: cost reduction, performance improvement, enhancement of relationships among suppliers and local business communities (thanks to physical and cultural distance reduction), advancement of local market knowledge and engineering know-how, higher level of quality control, and sales support (see Section 2.4.4). It also notes certain weaknesses of IPOs: costs, cultural problems, organisational problems, and difficulties associated with internal coordination (see section 2.4.5).

However, the aforementioned question is, in our view, still far from being answered. The convenience of establishing an IPO could, in fact, depend on a number of factors (e.g., purchase volumes, product characteristics, geographical distance between the firm and its supply base) and should be evaluated in relation to alternative sourcing strategies (e.g., centralised sourcing structures, import via agents or distributors, and import through subsidiaries or own representatives), and these considerations/analyses have been almost completely neglected in the existing literature. This choice of governance mode issue is particularly relevant when the risk of opportunistic behaviour by suppliers is high, for instance in the case of Western firms sourcing in China (e.g., Nassimbeni and Sartor, 2007).

The transaction cost economics (TCE) theory – based on Coase's (1937) work and further advanced by Williamson (e.g., 1975, 1979) – relies on the assumptions of bounded rationality and opportunism. It has postulated the need for an alignment between single transactions' characteristics (mainly asset specificity, uncertainty, and frequency) and modes of governance (i.e., market, hierarchy, and hybrid) to minimise transaction costs. This theory has been applied to foreign market entry mode decisions by many scholars, who have argued that firms select the mode of entry (e.g., licensing/franchising, joint venture, and wholly owned facility) that provides the most efficient (least costly) form of governance (e.g., Anderson and Coughlan, 1987;

Erramilli and Rao, 1993; Gatignon and Anderson, 1988; Hennart, 1991; Padmanabhan and Cho, 1996; Taylor *et al.*, 1998). They also has assumed that licensing/franchising, joint venture, and wholly owned facility strategies are characterised by an increasing degree of risk and level of control for the firm (e.g., Agarwal and Ramaswami, 1992; Root, 1994).

Thus, in our view, TCE could represent a useful framework to compare the international sourcing strategies (or sourcing entry modes), such as managing international sourcing through headquarters/central purchasing office, import via agents or distributors, import through subsidiaries or own representatives, and IPOs. Even these strategies, as foreign market entry modes, are in fact characterised by increasing degrees of risk and levels of control for the firm. Future studies could propose a number of hypotheses/propositions for the impact of TCE variables on sourcing strategy decisions, drawing from studies on market entry modes, and could empirically test them. It is, for example, reasonable to expect that in cases of high uncertainty and frequency of transactions, the IPO would be the preferred strategy. In addition, future research could analyse whether firms selecting sourcing entry modes which minimise transaction costs perform better than firms that use other modes of entry.

As far as the continuum between "make" and "buy" options (or "market", "hierarchy", and "hybrid" trio), the IPO could be considered a "make" solution, as it represents a purchasing channel fully owned by the buying/importing firm (for example, the IPO staff is typically founded by and reports to the mother company).

Another framework that has been extensively adopted to explain foreign market entry mode decisions is the eclectic paradigm of Dunning (1988, 2000). This model (usually labelled 'OLI model') identifies three groups/categories of affecting factors (that go beyond TCE variables): *ownership* advantages (related to firm size, multinational experience, and ability to develop differentiated products), *location* advantages (related to market potential and investment risk), and *internalisation* advantages (contractual risks). A number of studies have empirically tested these relationships. For instance, Agarwal and Ramaswami (1992) have studied the independent and joint influences of the OLI factors on the choice of a market entry mode. Future research could adapt the OLI framework to sourcing entry mode decisions and empirically test the relationships between the proposed factors (e.g., capital intensity, cultural distance, firm size, contractual risk, international sourcing/selling experience of the parent company, IPO

maturity, and technological profile of the sourcing region) and the most appropriate sourcing strategy. For instance, it might be expected that firms sourcing components/products in countries where the risks of dissipation of proprietary knowledge and deterioration in quality are high tend to establish IPOs to better manage these risks through an on-site presence.

A third theoretical approach, to some extent related to the TCE theory (e.g., Ellram, 1995), that might be employed in future research is the total cost of ownership (TCO). Ellram and Siferd (1998) have argued that TCO may support a number of decisions, including supplier selection and "make" or "buy" choices. In our view, this approach might thus be adopted to compare the different sourcing strategies in a beyond-price perspective, highlighting if the IPO solution adds value to the company. The idea to compare all the relevant costs, i.e., those that varying depending upon the selected option, in "make" or "buy" decisions (e.g., Cavinato, 1992), could in fact be borrowed to compare sourcing entry modes. The determination of the relevant costs is not easy (e.g., Cavinato, 1992); however, authors could refer to the classifications of the components of TCO, proposed by Ellram (e.g., 1993) and Ellram and Siferd (e.g., 1998) among others. As an example, a possible research avenue involves the comparison of pre-transaction, transaction, and post-transaction costs (transaction-sequence cost component classification proposed by Ellram, 1993) of sourcing a product abroad through a centralised sourcing structure, agents or distributors, subsidiaries or own representatives, and IPOs.

2.5.2 How are the IPOs set up, how do they work, and how do they develop?

A second direction for future research may be related to how the IPOs are set up, how they work, and how they develop (i.e., internal operations of IPOs).

Nassimbeni and Sartor (2006a, 2006b) has highlighted, through a multiple case study research, the main phases for the creation of an IPO in China: sending the company's own personnel, choice of the location, personnel recruiting and training, and work distribution. This study needs to be tested and extended to other IPO locations; however, in our view, much research is first needed on each of the identified steps. The first stage, sending the company's own personnel, has in fact been neglected in the existing literature. One of the streams of IPO literature has instead been devoted to the choice of the IPO location. Section 2.4.3 has highlighted the main location factors

identified by the literature: costs, taxes, purchasing environment, political stability, and current and future manufacturing and commercial activities. However, in none of the studies is there an explicit reference to the operations research or the international business literature that has widely addressed location decisions. Furthermore, as already noted, location factors have been only listed with no indication, even qualitative, about the relative importance of each element. It therefore seems that there is room for studies on IPO location decisions both at a country level and at a site level (within a single country). On the one hand, it would be interesting to investigate the relative importance of each factor, for example through a Delphi study, as in MacCarthy and Atthirawong's (2003) paper on international location decisions of manufacturing operations. On the other hand, it would also be possible to adapt some quantitative facility location models proposed by operations research literature (e.g., linear programming or scenario analyses optimisation models) to IPOs' choices. Finally, another line of inquiry has been devoted to human resource management, providing insight on both personnel recruiting and training and work distribution issues (see section 2.4.6). However, in our view, a wider perspective is completely neglected and much needed on the analysis of competencies and capabilities required by an IPO. Studies on global sourcing capabilities and key success factors (e.g., Monczka *et al.*, 2006; Trent and Monczka, 2002) could be adapted for IPOs. It should not be taken for granted that all capabilities required to source globally are located at the IPO level; some of them could in fact be kept at the central purchasing office or at the global plants.

As far as the second question is concerned, how IPOs work, the existing literature has highlighted several responsibilities that could be assigned to IPOs: supplier management, selling-related activities, logistics management, contractual support, human resources, and administrative tasks (see section 2.4.2). However, some activities are mentioned in literature with a lack of any real detail. The IPO's role in bidding, financial activities, and new product development could be better understood through studies specifically focused on these issues. Moreover, with the fast development of global sourcing and IPOs, it is reasonably expected that new activities have emerged and will continue to emerge, which were not originally captured by the literature. These activities should be highlighted by future studies. Finally, the range of activities assigned to an IPO might depend on several variables, such as the international sourcing experience of the parent company, the purchased volumes, the technological profile of

the sourcing region, and the product and process characteristics. Future research could investigate the effects of these variables on the IPO's organisational profile and roles.

A possible theoretical lens that might be employed in this research avenue is the role theory (e.g., Allen and van de Vliert, 1984; Montgomery, 1998; Zurcher, 1983). This psychological/sociological theory might not seem closely related to the analysed topic. However, it has been argued in the literature that issues of centralisation/decentralisation and tasks distribution between worldwide dispersed organisational units and suppliers require a fine-tune distribution of organisational roles (e.g., Goold and Campbell, 1986; Knight and Harland, 2005). In addition, Johnson and Duxbury (2010) have claimed that role theory might identify and locate the organisation's adaptive function in the activities of individual boundary-spanning employees, whose jobs bring them into contact with external agents for the purpose of effecting a transaction. Thus, it seems possible to apply this theory to IPOs because they span the boundary between global plants/CPOs and local supply bases and between different functions within the company. The adoption of theories (or policies) that have not been examined yet could also bring completely new insights. Future research could identify roles played by IPOs by looking at supply managers and purchasing functions roles (Hallenbeck *et al.*, 1999; Knight and Harland, 2005; Wu *et al.*, 2010).

Finally, as far as the IPO evolution (i.e., how it develops) is concerned, Fernie *et al.* (2009) were the only authors to identify two IPO stages (buying office and sourcing hub), characterised by the same activities but performed at a different level. This interesting result is, however, based on a single case study of a retailing company; more research is needed for the results to be extended to other industries.

International sourcing has been characterised by some scholars as an evolutionary process. These works have proposed process models for international sourcing, characterised by one of two dimensions: an increasing involvement in the foreign supply market (Matthyssens and Faes, 1997; Monczka and Trent, 1992; Rajagopal and Bernard, 1993) and development from being transactional to strategic (Giunipero and Monczka, 1997; Swamidass, 1993; Trent and Monczka, 2003). These models might represent an important reference for dealing with IPO evolution. As an example, considering that global sourcing process models tend to be sequential and unilinear, future research could analyse if the IPO evolutionary path has the same features or if an IPO could be upgraded, downgraded, or closed depending on certain factors (e.g.,

strategic importance of the sourcing area, global sourcing strategy). For instance, no research has been conducted so far to analyse how the migration of some industries to other sourcing/manufacturing basins (e.g., in the hunt for savings) affects the network of IPOs. Therefore, we do not know whether IPOs represent a disincentive to migrate (e.g., due to irreversible investments, experience/knowledge about the supply market) or companies can easily close IPOs in the previous sourcing areas and opens new IPOs in the new ones.

In regards to possible theoretical foundations for this research avenue, they might be found among theories of international expansion. For example, two relevant frameworks are the international product cycle model (IPLC) of Vernon (e.g., 1966), which has predicted a transition from a solely domestic presence to an international presence related to the product life stages, and the Uppsala internationalisation model (e.g., Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975), which has extended the previous model from the context of production to include the context of market presence. Researchers could try to adapt these models to the context of sourcing internationalisation in general and to the evolution of the IPOs in particular. They could also analyse the links between the stage of market and international production expansion and the IPO's features.

2.5.3 What is the role of the IPOs within the global sourcing organisational structure?

Global purchasing strategy and structure is a hotly debated area (e.g., Giunipero and Monczka, 1997; Hartmann *et al.*, 2008; Kotabe and Omura, 1989; Narasimhan and Carter, 1989; Trautmann *et al.*, 2009a; Trent, 2004; Trent and Monczka, 2002). Authors seem to agree that there is a continuum between centralisation and decentralisation in GP strategy; a hybrid approach may be more towards a centralised or decentralised model, and global plants are the decision-makers for the decentralised model.

The literature has provided little information and conceptualisation on the role played by IPOs inside companies' global sourcing strategies. However, the establishment and development of an IPO tend to be considered a form of organisational structure for implementing GP strategy and IPOs have been normally considered an extension of the corporate purchasing organisation, ignoring their proactiveness and role in GP decision-making (i.e., a 'headquarter-centric' view). In addition, no research has been conducted

on the relationships between IPOs and central purchasing offices, business unit purchasing teams, and other functions such as R&D, engineering, production, and marketing. The third research avenue for IPO research is therefore related to the role of the IPOs within the global sourcing organisational structure and its relationships with headquarters, plants, subsidiaries, other IPOs, suppliers, and local institutions.

As an example, as far as the relationship between headquarters (or central purchasing office) and IPO is concerned, the principal agency theory (PAT) could be employed, considering headquarters as a principal and IPO as an agent. In the IPO context, there might in fact be two key contracting problems underpinning the theory: moral hazard (i.e., lack of effort on the part of the agent) and adverse selection (i.e., misrepresentation of ability by the agent). PAT theory could help to identify the most suitable mechanisms (both behaviour-based and outcome-based) for aligning the interests of IPOs to those of headquarters, considering the trade-off between the cost of measuring behaviours and the cost of measuring outcomes and transferring the risk to the IPO (Eisenhardt, 1989).

Finally, future research could challenge the idea of lacking proactiveness and involvement in GP decision-making. Considering the changes that strongly modified the international scenario and the global sourcing strategies of many firms since the major research on IPOs was conducted (late 1990s and early 2000s), it might be expected that certain IPOs tend to assume a leading role in the purchasing strategy for the region where they are located. This could be the case for the most advanced IPOs belonging to companies that source most of their components/products in certain sourcing areas.

CHAPTER 3.
METHOD

3.1 Research method and sampling

Although the IPO topic is not new (the first works were published in the early 1990s), research remains at an early stage in term of approaches, methodologies, and topics and there is little theory (see Chapter 2). We therefore utilise an exploratory 'multiple case study' approach (Eisenhardt, 1989; Voss *et al.*, 2002). 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).

The unit of analysis of our study was the IPO, and the population consisted of all of the IPOs located in China that belonged to large-scale[8] Western MNCs. As it has been highlighted in Chapter 2, Western IPOs located in China represent the most frequent situation in practice and the prevalent focus of studies on IPOs. China is after all one of the world's most attractive sourcing regions for manufactured products and is currently the world's second-largest economy (International Monetary Fund, 2012) and several scholars (e.g. Salmi, 2006; Nassimbeni and Sartor, 2007; Schoenherr, 2009; Hultman *et al.,* 2012; Horn *et al.,* 2013; Liu *et al.*, 2013) have called for studies of global purchasing in the Chinese context.

While detailed information about such a population was impossible to obtain (e.g., no thorough lists of IPOs in China are available from government agencies or consultancy companies), we selected a sample (drawing from data on foreign investors provided by the European Union Chamber of Commerce in China and the American Chamber of Commerce in China, company websites, news sources, and previous research contacts) that was sufficiently heterogeneous and ranged from simple sourcing offices to fully

[8] Larger firms were more likely to have an IPO and a significant history of global sourcing (Nassimbeni and Sartor, 2007).

fledged IPOs. Such a maximum variation sampling strategy is commonly adopted in case study research and considered a form of theoretical sampling (e.g., Patton, 2002; Mahoney and Goertz, 2004; Fletcher and Plakoyiannaki, 2011; Poulis *et al.,* 2013; Zomerdijk and de Vries, 2007).

The resulting sample, summarised in Table 6 (using code names to protect identities), consisted of 14 Chinese IPOs belonging to 14 Western MNCs. The IPO parent companies were firms located in the USA (5), the UK (3), Italy (2), the Netherlands (2), Sweden (1), and Germany (1). They differ in size although they all belong to large-scale firms. Five of the fourteen companies were Fortune 500 companies or equivalent in annual 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 six hundred.

Table 6: Analysed sample

Cases	Country origin	Annual turnover (2010)	1st IPO	IPO Locations	Revenue contributed by China	China sourcing % total	Components sourced from IPOs	Areas managed by IPO	No. of staff	No. of suppliers
Appliance	Sweden	EUR 11,12 billion	1998	Shanghai & Hong Kong	20%	50%	Electrical, mechanical and chemical components	China	70	N/A
Automation	Italy	EUR 0,18 billion	2007	Shanghai	Less than 10%; growing	5%	Mechanical, electro-mechanical and electric components	South East Asia	6/7	N/A
Engine	USA	USD 13,2 billion (fortune 500)	2003	Shanghai	15-20%	60%	Machining parts	East Asia	75	100+
Engineering	Italy	EUR 2,58 billion	2004	Beijing (2004-2007); Changshu (2007-now)	Around 20%	70%	All kinds of mechanical parts	China	250	N/A
Identification	USA	USD 1,26 billion	2006	Shanghai & two satellites (Suzhou and Shenzhen)	Less than 10%	Less than 10%	Maintenance, repairing, operational identification	China	6	N/A
Industrial A	USA	USD 13,2 billion (fortune 500)	2003	Shanghai	7%; growing	Less than 10%	Mechanical precision parts	Asia Pacific	7	20
Industrial B	USA	USD 1,9 billion	2004	Shanghai	8%	50-60%	Electrical, and mechanical parts; sheet metal	China	20	20+
Industrial C	UK	GBP 0,38 billion	2006	Shanghai	Less than 10%	Less than 10%	Plastic, aluminium, and iron casting	China	3	4/5
Industrial tools	USA	USD 8,4 billion	1998	Hong Kong, Taipei, Shanghai, Suzhou, & Shenzhen	Less than 5%	90%	Motor, plastic and machining parts	China	8	98
Lighting	Netherlands	EUR 25 billion	2003	Shanghai	More than 10%	40%	Lamps and automotive lighting	Asia	500	N/A
Printing	UK	GBP 0,3 billion	2004	Shanghai	Less than10%	30%	Electronics in a PCB, power supply, injection mouldings	China	4	around 12
Retailer A	Netherlands	EUR 23.5 billion	1992	Hong Kong, Shenzhen, Shanghai, Qingdao, & Taipei	More than 10%	22%	Textile, steel, aluminium, plastic	Greater China	500	300+
Retailer B	UK	GBP 1,08 billion	1994	Hong Kong, Shanghai, & Guangzhou	Around 17%	55%	Toys, clothing, home & travel systems	Global/ Asia	300	100 core of 5-600
Solar	Germany	EUR 2,38 billion	2005	Beijing (2005 to 2008); Shanghai (2008-now)	0%	90%	Solar products	China (SH)	7+30 Insp.	4

3.2 Data collection

Research instruments included semi-structured interviews and archival data from the internet and company documents. The interview protocol – presented in Appendix B – was developed drawing from IPO literature (see Chapter 2) as well as from other relevant research streams, e.g., GS strategy and structure, roles of purchasing managers / purchasing functions, resources/capabilities for GS (see section 4.2, 5.2 and 6.2). Iterative efforts were made to collect archival data for the 14 MNCs and their IPOs in China, including the profile and the evolution process (identifying key events related to the projected stages), and sourcing activities in China to triangulate with the interview data.

We interviewed face-to-face two to five respondents for each IPO, including expatriates (if there were any) and Chinese nationals. Each interview lasted 60-90 minutes. A total of 34 people were interviewed: 14 IPO heads, 13 sourcing managers, 4 buyers, 2 supplier quality engineers, and 1 coordinator. Additional telephone interviews with the same interviewees for each IPO were performed to resolve a few some disagreements in their replies and to reconstruct the whole IPO history (see Chapter 5).

Using multiple respondents for each case enhances validity (Yin, 2003) and reliability of the collected data (Voss *et al.*, 2002). Piekkari *et al.* (2009) describing case study methods within the IB field, suggest a careful selection of informants to provide greater depth and multiple perspectives and encourage the selection of multiple informants who represent a range of hierarchical levels and multiple groups of employees, such as expatriates and local personnel. We selected IPO head and sourcing manager for each case to represent the typical two-level of IPO organisational structure and interviewed expatriates and Chinese nationals as two groups of employees. The reasons for selecting at least the IPO head and a sourcing manager for each IPO studied are: (1) the IPO heads tended to have the most comprehensive knowledge related to the IPO (e.g., IPO evolution); (2) sourcing managers are the ones who tend to directly interact with suppliers and could provide first-hand information on roles assumed by the IPOs. Their knowledge complements with each other.

We were lucky to have the key informants (e.g., head of the IPO), majority of who stayed for the whole duration of the IPOs. For those who did not, they had the knowledge about the whole IPO evolution.

3.3 Data analysis

We created a database for each case consisting of the interview transcripts, field notes, and archival data and analysed the data following a two-step procedure (i.e., within-case and cross-case analyses), as suggested by Eisenhardt (1989) and Voss *et al.* (2002). Considering the specificities of this phase, we will present it within each of the following chapters (see Section 4.3.1, 5.3.1, and 6.3.3)

3.4 Validity and reliability

As suggested by Yin (2003) and Eisenhardt (1989), a number of strategies and actions were adopted to enhance construct validity, internal validity, external validity and reliability (see Table 7).

Table 7: Validity and reliability

Test	Actions
Construct validity	• Multiple sources of evidence were used (interviews, archival data); • Multiple interviewees, whose answers complemented to each other, were interviewed for each IPO; • Establishing chains of evidence while collecting the data.
Internal validity	• Pattern matching: comparing the findings of the within-case analysis with the identified patterns.
External validity	• Identifying commonalities and differences across cases; • Replication logic achieved through cross-case analysis.
Reliability	• Using a case study protocol to guide field research and analysis; • Developing a case study database containing diary, field notes, transcripts, recording and questionnaires.

CHAPTER 4.
Global purchasing strategy and international purchasing offices

4.1 Purpose

This chapter[9] addresses the third key question for IPO research, i.e., what is the role of the IPOs within the global sourcing organisational structure? (Section 2.5.3). More in detail, it is aimed at: (1) developing a typology of IPOs currently existing in China; (2) exploring the chain of causal links (if any) between motives of sourcing from China, GP strategy and IPO structure.

4.2 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 is a branch of the systematic literature review (see Tranfield *et al*., 2003) which emphasises the application of content analysis tools.

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: p*rocesses 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 constructs of *IPO followership* and *China's peculiarities* emerged from the

[9] This chapter is adapted from: Jia, F., Lamming, R., Sartor, M., Orzes, G., Nassimbeni, G., 2014. Global purchasing strategy and International Purchasing Offices: Evidence from case studies, *International Journal of Production Economics* 154, 284-298. Reprinted with permission (license number: 3523650482610).

data, so we carried out a literature review on 'followership and leadership' (in Section 4.2.5) and 'China's peculiarities (Section 4.2.6), following an inductive approach.

4.2.1 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 (2003) 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). Giunipero and Monczka (1997) argue that during phase 2 (the *planning/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.

4.2.2 Global purchasing strategy and organisational design

4.2.2.1 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 iterative 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.

4.2.2.2 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.

4.2.2.3 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.

4.2.3 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 8 summarises the main studies on this topic.

Table 8: Motives for international sourcing

	Lower price	Access to locally unavailable products	Access to technologies	Access to scarce and distinctive resources	Higher quality	Increasing the supply base	Legitimise or develop a foreign market outlet
Barney, 1999							x
Birou and Fawcett, 1993	x			x		x	
Bozarth *et al.*, 1998			x				x
Carter and Narasimhan, 1990					x		
Cho and Kang, 2001		x					
Cohen and Mallik, 1997							x
Eberhardt *et al.*, 2004							x
Fagan, 1991	x	x	x		x	x	x
Farrell, 2005	x						
Frear *et al.*, 1995							x
Ghymn *et al.*, 1999		x					
Giunipero and Monczka, 1997							x
Handfield, 1994	x				x	x	
Herbig and O'Hara, 1996	x		x		x		
Horn *et al.*, 2013	x						
Humphreys *et al.*, 1998						x	
Kenney *et al.*, 2009				x			
Kotabe and Murray, 1990							x
Kotabe and Murray, 2004					x		
Kotabe, 1998	x						
Kusaba *et al.*, 2011	x						
Lau and Zhang, 2006	x					x	x
Levy, 2005	x						
Lewin and Peeters, 2006	x						
Lewin *et al.*, 2009				x			
Liu and McGoldrick, 1996	x	x			x		x
Lo and Liu, 2009				x			x
Manning *et al.*, 2008				x	x		
Monczka and Trent, 1992					x		
Nassimbeni and Sartor, 2007				x			x
Nassimbeni, 2006	x			x	x		x
Nellore *et al.*, 2001	x						
Overby and Servais, 2005	x	x			x		
Rajagopal and Bernard, 1994	x	x		x			
Rao and Young, 1994						x	
Rexha and Miyamoto, 2000		x	x		x		
Roza *et al.*, 2011				x			
Schiele *et al.*, 2011	x						
Shi and Gregory, 1998							x
Smith, 1999							x
Steinle and Schiele, 2008							x
Sun *et al.*, 2007				x			
Swamidass, 1993	x		x				
Trent and Monczka, 2003							x
Volberda *et al.*, 2010		x					
Wang *et al.*, 2011	x						x

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).

4.2.4 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.

4.2.5 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) 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*." (p.865).

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, 2006a, 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) 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.*" (pp. 98-99). 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.

4.2.6 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.

4.3 Methods

The methodological approach has been presented in Chapter 3.

4.3.1 Data analysis

We employed '*clustering'* technique for data analysis (grouping and then conceptualising objects) at a case level[10] and building a '*causal model'* (a set of

[10] 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.

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 (see Section 4.4.4).

4.4 Results

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

Nine companies ('Appliance', '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 6).

'Industrial A' and six of the ten companies noted above ('Appliance', '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[11] (Table 6) 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

[11] With the exception of 'Industrial A' which has 7% revenue contributed by China but this value is significantly growing.

countertrade (or offset) requirements of the Chinese government (see Hennart, 1990; Nassimbeni *et al.*, 2014).

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.

4.4.2 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 9). 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.

Table 9: Global purchasing strategy for China

Case	GP Strategy for China[12]
Appliance	Hybrid (tiered) toward decentralisation: The IPO is empowered: what to source from where was decided by the CPO at HQ; other important decisions were made by the IPO.
Engine	Hybrid (sourcing council) toward decentralisation: Decisions were made by a sourcing council (cross-functional and cross-level team) with the IPOs taking the lead on many occasions. The IPO was empowered with some important sourcing decisions and in many occasions led the sourcing projects.
Engineering	Hybrid (sourcing council) toward decentralisation: the decisions were made by a sourcing council of the CPO, plants and the IPO. IPOs made all the important decisions for the China strategy. The IPO was empowered and sometimes led the sourcing projects.
Lighting	Hybrid (tiered) toward decentralisation: commodity managers at HQ made decisions on what to source from where; IPOs decided which supplier to source, the quantity required and were empowered with some important decisions.
Retailer A	Hybrid (tiered) toward decentralisation: what to source from where was decided by a category leader at HQ; other important decisions were made by the IPO. The IPO was empowered and assumed a lot of responsibility for category management of commodities mainly sourced from China since 2009.
Retailer B	Decentralised: all the sourcing decisions were mainly made by the IPOs in Asia since 2012.
Industrial A	Hybrid (sourcing council) toward centralisation: the decisions were made by a sourcing council of the CPO, business unit regional purchasing teams (IPOs) and plants in which the business unit purchasing team had a bigger influence. The IPO was empowered to some extent.
Industrial B	Hybrid (sourcing council) toward centralisation: the decisions were made by a sourcing council of the global operations department, global plants and the IPO, but the plants had a bigger influence. The IPO had the autonomy of selecting suppliers and was empowered to some extent.
Industrial tools	Hybrid (sourcing council) toward centralisation: decisions are made jointly by a sourcing council of the GSM, the GSMA and plants. The GSM had the biggest influence. The IPO was empowered to some extent.
Printing	Hybrid (sourcing council) toward centralisation: the decisions were made by a sourcing council of the global sourcing team, the China Sourcing Team and plant purchasing teams. The IPO was empowered to some extent, but the Global Sourcing Team made the final decisions.
Automation	Centralised: the HQ made all the decisions. The IPO passively followed orders from the operations department of the HQ.
Identification	Centralised: the decision was mainly made by the corporate purchasing organisation (CPO) globally. It has a strong CPO. The head of the IPO was also a global sourcing manager of the MRO business. The IPO was passively involved in implementing what the CPO said.
Industrial C	Centralised: the decision was mainly made by the global operations department in the UK. The IPO was not empowered and was a part of the China plant's purchasing team.
Solar	Centralised: the decision is made by the Purchasing Department for Solar at the HQ. The IPO was not empowered and followed the orders of the CPO in Germany.

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

[12] GSMA: Global Supply Management Asia; GSM: Global Supply Management; MRO: Maintenance, Repair and Operations; CPO: Corporate Purchasing Organisation.

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 9).

4.4.3 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 10 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 ('Appliance,' '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.

Table 10: IPO structure

Groups	Cases	IPO structure[13]
Advanced full-service	Appliance	Shanghai: 3 commodity purchasing groups, logistics, quality & product audit/CSR, supplier development, administration, and finance.
	Lighting	Shanghai: sourcing, supplier quality, logistics, data management, packaging teams and sustainability office report to the head of CSSG.
	Retailer A	Shanghai: product quality, logistics, sustainability and sourcing teams report to Trading Area Manager, head of the IPO.
	Retailer B	Shanghai: senior sourcing manager managed several sourcing managers, under whom there were product developers, product planners and quality engineers; there were also shipping, finance, sustainability and design teams.
Full-service	Engine	Shanghai: 3 BU teams, which are divided into 10 small teams with each containing a sourcing specialist and SQE, logistics & quality teams.
	Engineering	Changshu (near Shanghai): administration, technical, project management, logistics & shipping, human resource management, and purchasing teams.
	Industrial B	Shanghai: 4 components (commodity) teams, logistics & finance teams. Under one of the component teams, there is a team of 5 preassembly workers working at tariff free zone for exporting.
	Industrial tools	Suzhou: 3 purchasing engineers, 4 SQEs, & 3 supply chain engineers (responsible for logistics and order fulfilment) report to the head of the IPO.
Sourcing team	Automation	Shanghai: 1 accounting manager, 1 purchasing and logistics manager, to whom 2 buyers & 2 warehouse keepers report; the head of the IPO is also the general manager of the sales company in China.
	Identification	Shanghai: 4 sourcing project managers & 1 SQE report to Global Sourcing Manager, head of the IPO
	Industrial A	Shanghai: 4 sourcing project managers & 1 SQE report to the Sourcing Manager, head of the IPO
	Industrial C	Shanghai: 2 procurement engineers report to the Purchasing Manager of the plant, who is also the head of the IPO.
	Printing	Shanghai: 2 buyers and 2 SQEs report to the global sourcing director, head of the IPO.
	Solar	Shanghai: 2 purchasing managers under whom there were 2 purchasing assistants, 1 German coordinator, 1 SQE under whom there were 20-30 inspectors, 1 Technical manager. The whole team was led by head of purchasing photovoltaic Asia pacific.

[13] CSSG: China Sourcing and Service Group.

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.

4.4.4 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 11). 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.

Table 11: IPO followership and dimensions

Case	IPO followership type and dimensions
Appliance	Proactive and exemplary: the IPO provided critical advice and was involved in Decision Making (DM).
Engine	Proactive and exemplary: the IPO actively persuaded global plants to source through the IPO from China, which further strengthened the IPO's role in the sourcing council (i.e., active involvement in DM).
Engineering	Proactive and exemplary: the IPO provided critical advice on China purchasing strategy and persuaded global plants and HQ to source from China. It was actively involved in DM.
Lighting	Proactive and exemplary: the IPO provided critical advice to HQ. Due to the fact that a high percentile of purchasing for lighting happened in China and the commodity managers sat in Europe, the IPO assumed and were actively engaged in many DM responsibilities.
Retailer A	Proactive and exemplary: a lot of good sourcing practices in China were disseminated to the rest of the world (providing critical advice). The IPO was actively involved in DM.
Retailer B	Proactive and exemplary: the IPOs in Asia were so proactive that the CPO was relocated to HK, took the full responsibility of sourcing decisions and was a leader of GP strategy.
Industrial A	Alienated: the IPO provided advice and proactively persuaded the global plants to source through it from China; however, it was only passively involved in the DM.
Industrial B	Alienated: IPO provided critical advice, which was not always taken. The willingness to take more responsibilities was high but not considered by HQ. However, the cost driven sourcing strategy of the company negatively affected the IPO involvement in the DM, which is mainly limited to selecting suppliers.
Industrial tools	Conformist: the pro-activeness of the IPO recently reduced due to the company's strategic shift to the Indian market. The IPO was actively involved in the supplier selection and DM process and tend to be the 'yes people' in the company.
Printing	Conformist: the IPO was seen as an extension or part of and followed orders from the global sourcing team. It actively implemented what the global sourcing department decided.
Automation	Passive follower: the IPO was not proactive in providing advice and was not involved in DM.
Identification	Passive follower: the IPO did not provide any critical advice. There was a lack of pro-activeness within the IPO, which reduced the trust of global plants on the advice it provided. This situation did not allow it to be involved in DM.
Industrial C	Passive follower: the IPO lacked pro-activeness and did not want to do more because it did the IPO job for nothing (since it was a part of the China plant's purchasing team and it was not paid for doing sourcing for global plants). It was not involved in any DM at all.
Solar	Passive follower: there was a lack of pro-activeness because the IPO was not expected to make any decisions, which caused a Chinese sourcing manager to leave the IPO. The IPO just wanted to do what was assigned to it. It was not involved in any DM.

4.5. 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.

4.5.1 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.

These dimensions have been selected because of their importance in the GS literature (i.e., the first three dimensions, see section 4.2) or the analysed cases (i.e., 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 12). We explain each of them below.

4.5.1.1 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.

Table 12: IPO clusters

Cluster	Cases	Motive for sourcing from China	GP strategy	IPO structure & Capabilities	IPO followership
Strategic	Appliance	Main sales market & supply base	Hybrid (tiered) toward decentralisation	Advanced full service	Proactive and exemplary
	Engine	Main sales market & supply base	Hybrid (sourcing council) toward decentralisation	Full service	Proactive and exemplary
	Engineering	Main sales market & supply base	Hybrid (sourcing council) toward decentralisation	Full service	Proactive and exemplary
	Lighting	Main sales market, supply base & key resource	Hybrid (tiered) toward decentralisation	Advanced full service	Proactive and exemplary
	Retailer A	Main sales market & supply base	Hybrid (tiered) toward decentralisation	Advanced full service	Proactive and exemplary
	Retailer B	Main sales market & supply base	Decentralised	Advanced full service	Proactive and exemplary
Quasi-strategic	Industrial A	Close to main sales market	Hybrid (sourcing council) toward centralisation	Sourcing team	Alienated
	Industrial B	Main supply base	Hybrid (sourcing council) toward centralisation	Full service	Conformist
	Industrial tools	Main supply base	Hybrid (sourcing council) toward centralisation	Full service	Alienated
	Printing	Main skilled supply base	Hybrid (sourcing council) toward centralisation	Sourcing team	Conformist
Operational	Automation	Mainly cost reduction driven	Centralised	Sourcing team	Passive follower
	Identification	Cost reduction driven	Centralised	Sourcing team	Passive follower
	Industrial C	Cost reduction driven	Centralised	Sourcing team	Passive follower
	Solar	Mainly cost reduction driven	Centralised	Sourcing team	Passive follower

4.5.1.2 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.

4.5.1.3 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.

4.5.2 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).

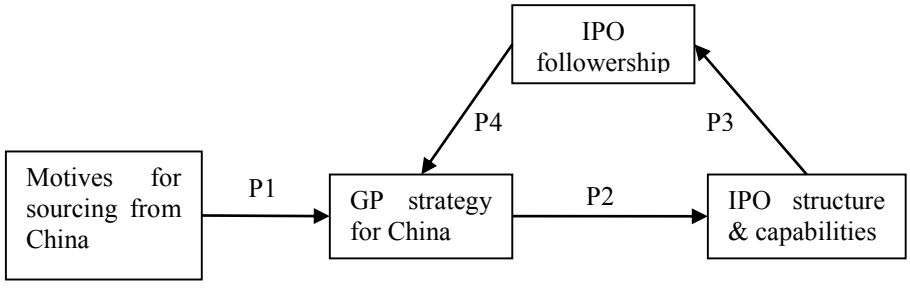

Figure 1: Global purchasing strategy and IPO structure

The starting point of the model is MNC's motives for sourcing from China. According to the findings in Section 4.4.1, 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 Table 9 and Table 12 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* ('Appliance', '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 12 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 9). 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 12), 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' 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' IPO belonged to the strategic cluster, was motivated by both China as major sales and supply market 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' 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 12 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.

4.5.3 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.

CHAPTER 5.
A Dynamic Evolution Model

5.1 Purpose

This chapter[14] addresses the second key question for IPO research, i.e., how are the IPOs set up, how do they work, and how do they develop? (Section 2.5.2), from a macro-organisational perspective. More in detail, it has a twofold aim: 1) to propose a classification of the IPO macro-organisational structures based on the roles and activities performed; 2) to develop a process model of IPOs.

5.2 Literature review

5.2.1 The IPO as one stage of global sourcing

International sourcing, or offshore sourcing, has been characterised by some scholars as an evolutionary process (see Section 4.2.1). Table 13 summarizes seven process models for international sourcing. These identify a number of sequential stages, characterised by one of the two dimensions: an increasing involvement in the foreign supply market (Monczka and Trent, 1992; Rajagopal and Bernard, 1993; Matthyssens and Faes, 1997; Hemerling and Lee, 2007) and development from transactional to strategic (Swamidass, 1993; Giunipero and Monczka, 1997; Trent and Monczka, 2003). These sequential process models present the establishment of IPOs as a necessary step that firms need to consider after the initial stage of international sourcing.

Three models show that there is a tendency for global purchasing to evolve from transactional to strategic. Trent and Monczka (2003) claim that firms at level 3 of their model rely on *international purchasing offices* to support purchasing activities, and that IPOs play a more crucial role in the next two levels (4 & 5). Giunipero & Monczka (1997) argue that, during phase 2 (*planning/managing stage*), firms often establish international purchasing offices and, at some time, this growth reaches a point when the firm should decide "*what role various subsidiaries, divisions, and plants should play vis-à-vis corporate headquarters in international sourcing.*" (p. 323). Swamidass (1993) argues that this sequence is not only the most commonly observable one but it is

[14] This chapter is adapted from: Jia, F., Lamming, R., Sartor, M., Orzes, G., Nassimbeni, G., 2014. International purchasing offices in China: A dynamic evolution model. *International Business Review* 23 (3), 580-593. Reprinted with permission (license number: 3523650877645).

also the most logical, since development of a foreign market and suppliers takes place over a long period.

Table 13: Process models for international sourcing

Involvement in the foreing supply market ↓

Monczka and Trent (1991)	Rajagopal and Bernard (1993)	Matthyssens and Faes (1997)
/	(1) Local sourcing;	/
/	/	(1) Purchasing issues are coordinated by the largest user of a specific product or product group or by the user that is located in the supplier's country of origin;
(1) Designate domestic buyer(s) for international purchasing;	/	(2) headquarters coordinates the purchasing activities;
/	(2) import via agents or distributors;	/
(2) use of subsidiaries or other corporate units for international assistance;	(3) import through subsidiaries / own representatives;	/
(3) establish international purchasing offices;	(4) establish international purchasing offices;	(3) the company establishes regional purchasing groups to coordinate the purchasing activities;
(4) assign design, build, and sourcing to specific worldwide business unit(s);	(5) integrate and co-ordinate global sourcing through direct investment.	(4) the company sets up profit-oriented purchasing centres, which sell their services to various customers within the company.
(5) integrate and coordinate worldwide sourcing strategy.	/	/

Transactional IS ↓ Strategic IS

Swamidass (1993)	Giunipero and Monczka (1997)	Trent and Monczka (2003)
(1) No import sourcing;		(1) Domestic purchasing only;
(2) import sourcing for cost minimisation;	(1) Operational/transactional stage, in which the focus is on minimisation of purchasing costs (in general, purchased items are relatively standard and labour intensive);	(2) international purchasing as-needed;
(3) import sourcing for competitive advantage;	(2) planning/managing stage, in which the focus is on how to best manage international purchasing efforts, even improving supplier relations and signing long-term contracts (in general, purchased items are more complex).	(3) international purchasing as part of sourcing strategy;
(4) import sourcing is a strategic asset.		(4) integration and coordination of global sourcing strategies across worldwide buying locations;
		(5) integration and coordination of global sourcing strategies with other functional groups.

Another four models identify different levels of involvement in the foreign supply market, with implications for global purchasing organisational structure. Monczka and Trent (1992) argue that international purchasing is initially carried out by *designate*

domestic buyer(s) (stage 1). Then, this activity is managed by *subsidiaries or other corporate units* (stage 2) and companies *establish international purchasing offices* (stage 3). In the final two stages (4&5) IPOs continue to play a crucial role in managing global sourcing activities. Matthyssens and Faes (1997) claim, instead, that *business units* (BU) of a company could be initially responsible for the purchasing in a host country (stage 1). If there are multiple BUs sourcing from this country, the *headquarters* / CPO will be involved (stage 2), in setting up *regional purchasing groups* (stage 3) and eventually *profit-oriented purchasing centres* (stage 4). As development increases so does the level of involvement in the foreign supply market. The last two stages can be considered international purchasing offices.

Rajagopal and Bernard (1993) propose a process model for international sourcing, or modes of international sourcing entry strategy, again based on the level of involvement in the foreign supply market: (1) *local sourcing*; (2) *import via agents or distributors*; (3) *import through subsidiaries/own representatives*; (4) *establish International Procurement Offices*; (5) *integrate and co-ordinate global sourcing through direct investment*. The last four stages are related to IPOs. Importing agents can be seen as independent IPOs. Importing through a subsidiaries or own representatives can be seen as an arrangement of sharing the purchasing team/personnel with the foreign subsidiary, a transitional stage IPO. The final stage may represent a mature stage IPO, i.e., full-service procurement centre. However, the model does not differentiate explicitly the roles assumed and activities carried out by an IPO in the different stages of a company's global sourcing process. Finally, the Boston Consulting Group's report on "Sourcing from China" proposes that MNCs advance their sourcing in China through four stages: *testing the water; early engagement with China sourcing; full integration of China sourcing into the company's global sourcing strategy; making China a centre of critical supply base* (Hemerling and Lee, 2007). Again, this model shows increasing level of involvement in the supply market in China.

In sum, these models tends to be unilinear, i.e., all firms move in an upward direction from low to high levels of development, and sequential, i.e., firms do not skip any stages. Furthermore, majority of the models are conceptual and there seems to be a lack of empirical work.

5.2.2 Roles played and activities performed by IPOs

Much of the existing mainstream IB research on global sourcing takes a headquarter-centric view, ignoring the proactive roles played by other internal stakeholders (e.g., IPOs, business units, and purchasing departments located in manufacturing plants) (see Trautmann *et al.*, 2009a; Arnold, 1999; Giunipero and Monczka, 1997). During the main period for research on IPOs (1990s and early 2000s), it appeared that MNCs established IPOs as their "ears and eyes" in specific target countries. It is therefore perhaps not surprising that a supportive role was taken for granted for IPOs, as they were seen as an extension of the Corporate Purchasing Organisation (CPO). The potential for proactiveness or strategic importance for an IPO in global sourcing decision making remains absent from existing literature.

In order to understand the roles assumed by IPOs, we apply role theory in this study and consider that IPOs, as "actors," may assume multiple roles. Role theory views an actor as a collection of roles, asserting "*roles are evoked by situations and the content of roles is socially constructed*" (Montgomery, 1998, p.97; Allen and van de Vliert, 1984; Zurcher, 1983). Johnson and Duxbury (2010) conclude that role theory can identify and locate the organisation's adaptive function in the activities of individual boundary-spanning employees whose jobs bring them into contact with external agents for the purpose of effecting a transaction. It is therefore logical to apply role theory to IPOs because they span the boundary between global plants/CPOs and local supply bases, and between different functions within MNCs.

Few roles are identified for an IPO in the literature. We reviewed and used those identified for supply managers and purchasing functions, who assume multiple roles. For example, Wu *et al.* (2010) show how supply managers span the boundary between the buyer's and supplier's organisations. They identify four such roles played by supply managers: a buyer's *negotiator*, a *facilitator*, a *supplier advocate*, and an *educator*. Hallenbeck *et al.* (1999) claim that the purchasing manager's position is a classic example of organisational boundary spanning and proposes that the roles played by purchasing managers include: *gathering, filtering, and transmitting (gatekeeping), transacting, being proactive,* and *protecting*. Knight and Harland (2005) identify a number of roles played by a buying organisation's purchasing function in the public health sector, i.e., *coordinator/facilitator* and *advisor* to a range of constituents. Jia (2009) was first to propose the role of *cultural broker* in a Western buyer and Chinese

supplier interaction context, claiming that this role could reduce cultural tension and help parent companies adapt to cultural differences.

A number of activities performed by IPOs have been identified by literature (e.g., Monczka and Trent, 1992; Nassimbeni and Sartor, 2006a). We develop a list of potential IPO roles and activities based on those traditionally assumed by supply managers and supply function previously identified in the literature (Table 14).

Table 14: Roles played and activities carried out by supply managers/function

Role	Definition/description	IPO activities
Gatekeeper (Hallenbeck *et al.*, 1999; Knight and Harland, 2005)	It collects, filters and transmits information concerning (actual and potential) suppliers to headquarters and other company's units. It identifies and selects suppliers, monitors them and controls IP rights violations.	- Managing information relevant to the purchasing function; - Timely identification of manufacturing defects; - Identification of new suppliers; - Visits and auditing existing and new suppliers; - Knowledge transfer to the suppliers.
Negotiator (Monczka and Trent, 1992; Wu *et al.*, 2010)	It supports the negotiation process between internal purchasing units and local suppliers and it adapts the contracts to local context and requirements. In some cases it is responsible for the whole negotiation process and for the contract drawing.	- Negotiation support; - Support in the contract definition.
Coordinator (Monczka and Trent, 1992; Knight and Harland, 2005; Wu *et al.*, 2010)	It facilitates buyer-supplier relationships and all the aspects concerning the material flows, including logistics issues and inter-organisational project management.	- Development of a collaborative trust relationship with local suppliers; - Communication support; - Inter-organisational project management support.
Supplier advocate (Wu *et al.*, 2010)	It defends the suppliers' needs in front of the internal stakeholders. These actions may lead to the renegotiation of contractual clauses and/or the extension of delivery times.	- Comprehension of the suppliers' doubts and difficulties; - Representing the interests of the supplier and communicating the supplier's needs to the buyer.
Internal Advisor (Knight and Harland, 2005; Wu *et al.*, 2010)	It provides formal and informal advices to the internal stakeholders. Advices often take the form of training of internal employees in order to improve their practices with foreign suppliers.	- Passively providing some advices to HQ or plants in the world; - A long-term and consistent lobbying effort to keep the internal customer informed (passively).
Supplier developer Knight and Harland, 2005; Wu *et al.*, 2010)	It analyses the suppliers' technological and managerial profile and identifies possible actions for their improvement. It trains suppliers and provides them the needed technical and managerial support.	- Educating or training suppliers and providing technical support to suppliers before they are qualified.
Supply policy maker (Knight and Harland, 2005; Giunipero *et al.*, 2006)	It cooperates in determining the supply chain policies and practices (e.g., single vs. multiple sourcing, short vs. long term agreements, adoption of lean solutions).	- Reactively or actively engaging in supply policy making, i.e., supply structure and practice making of the company.

Table 14 *(continued)*

Role	Definition/description	IPO activities
Network structuring agent (Knight and Harland, 2005; Giunipero *et al.*, 2006)	It works for increasing the network reliability. Examples are provided by the adoption of tools for the supply chain risk management (e.g., the FMEA methodology) in order to reduce possible failures.	- Monitoring the structure of exchange relationships between the company and the supply network in China; - Preventing disruption of and improving the reliability of the supply network in China.
Innovation facilitator (Knight and Harland, 2005; Giunipero *et al.*, 2006)	It acts as an interface between internal and external researchers and designers, supporting co-design activities. It also contributes to identify new material/technical solutions garrisoning purchasing markets.	- Promoting and facilitating NPD and process innovation; - Searching for technical solutions; - Checking the results of possible quality improvement projects.
Cultural Broker (Jia, 2009)	It facilitates mutual cultural comprehension between the companies' units and the local sourcing base. It reduces possible failures determined by cultural distance.	- Managing an effective communication aligned with the Chinese culture; - Understanding both cultures and adapting to Chinese culture as appropriate; - Helping to reduce tension caused by cultural differences.
Others (Nassimbeni and Sartor, 2006a)	Finance and administration, sales support, HR management, and legal support.	- Administrative activities; - Recruitment and training of new personnel; - Other legal activities that support the company operations (e.g., filing patents in the Chinese markets, filing the company logo, supporting the legal definition of agreements involving Chinese actors)

The Purchasing and Supply function is becoming more strategic and a distinction is made for transactional vs. strategic purchasing activities (Giunipero *et al.,* 2006; Lawson *et al.*, 2009). Giunipero *et al.* (2006) further identify the strategic activities carried out by the supply function based on grounded empirical research. We summarize them as: 1) strategic orientation of supply function, i.e., making highly important decisions; 2) seeking out new technologies and suppliers more often; 3) integrating and collaborating with supply base by managing strategic relationships with suppliers. We can see that the first activity is aligned with the *supply policy maker* role; the second with the *innovation facilitator* role; the third with the *network structuring agent* role, all of which are proposed by Knight and Harland (2005) as roles for a supply function. In our study, we therefore distinguish these three strategic roles from the eight non-strategic or routine roles for a supply function.

Accepting that establishing an IPO is a major step in a global-sourcing strategy and that this form of supply entry strategy needs to be broken down further and applying role theory in IPO research, enables us to develop a role/activity based model for IPOs, identifying intermediary stages of implementing global sourcing.

5.3. Research method

The methodological approach has been presented in Chapter 3.

5.3.1 Data analysis

We developed a 3-level coding scheme coding the responses against each activity of the analysed roles i.e., non performing and performing, which is further divided into reactive performing and proactive performing. Some indicators or key phrases were used as evidence to measure the three levels, i.e., "fully involved", "very important to us", "a significant issue" and "leading" are indicators for proactive performing while "to some extent", "in some cases", "supporting" and "do as told" are indicators of reactive performing. Moreover, non-performing is more straightforward to identify using the indicators like "not involved", "involved very little", "low level of involvement" and "limited involvement".

The data analysis process consisted of three iterations, each containing within-case and cross-case analyses. Some tactics proposed by Miles and Huberman (1994) were adopted.

The *first iteration* was focused on roles assumed by the IPOs at the time of the research. In the within-case analysis for each IPO we created a table in which each row represented the perception of a respondent about depth and breadth of each role within its IPO (i.e., "*role-ordered matrix*"). This allowed us to compare different perceptions of interviewees and to resolve disagreements. Then, employing a "*clustering*" (e.g., grouping and then conceptualising objects) technique at a case level, we identified the five types of IPOs in the first round, according to the depth and breadth of activities they performed.

During the first iteration, we found there might be an evolution of the IPO types. We therefore created "*time-ordered displays*" and "*critical incident charts*". The results support the typology/classification made in the first iteration and identify a sequential progression among IPO types, highlighting a dynamic evolution model for IPOs.

The data collected for the first iteration are "snapshot" data (depth and breadth of roles for each IPO at the time of the research), while those in the second iteration are "retrospective longitudinal" (evolution of each IPO). They corroborate each other, significantly increasing the construct validity.

Finally, the *third iteration* relied on "*causal network displays*" and "*making and testing predictions*" (within-case analysis) and "*causal chains*" (cross-case analysis). We identified the construct of strategic importance of China to an MNC which affects depth and breadth of roles assumed by IPOs and the IPO stage.

5.4 An activity/role-based classification of IPOs

Using the coding scheme described in the previous section, we coded each activity associated with each of the 12 roles (including one new role emerged from data) and were able to classify the 14 IPOs into five IPO types based on the number, depth and breadth of the roles assumed and associated activities carried out by each IPO: "***Intermediary International Sourcing Office***"; "***In-house International Sourcing Office (ISO)***"; "***Exporting International Purchasing Office (E-IPO)***;" "***International Purchasing Office responsible for both global and local plants (E&L-IPO)***;" and "***Overseas Corporate Purchasing Organisation (O-CPO)***" (see Table 15). The depth of a role means the level of involvement in each of the activities associated with that role (e.g., reactive performing or proactive performing). The breadth of a role represents the number of activities performed within each role (e.g., performing or non-performing). We explain the differences between the five IPO types and provide an exemplar case description for each type.

Table 15: Roles assumed and activities carried out by 5 types of IPOs

Roles	ISO		IPO		Overseas CPO
	Intermediary ISO	**In-house ISO**	**E-IPO**	**E&L IPO**	
	Activities		**Activities in addition to ISO**		**Activities in addition to IPO**
Gatekeeper	- Managing information relevant to the purchasing function; - Timely identification of manufacturing defects; - Identification of new suppliers; - Visits and auditing existing and new suppliers; - Knowledge transfer to the suppliers.		- Routine quality control after the supplier is certified; - Control IP violation.		Same as IPO.
Negotiator	- Provide little negotiation support.	- Negotiation support; - Support in the contract definition.	- Being fully involved in negotiating contracts and managing contract fulfilment to safeguard the business interests of the buyer.		Same as IPO.
Coordinator	- Lower level of support in all three items listed for in-house ISO.	- Development of a collaborative trust relationship with local suppliers; - Communication support; - Inter-organisational project management support.	-Logistics management (in-house or using third-party logistics);		- Coordinating relationship between the supply base and related departments at the headquarters*.
Supplier advocate	- Comprehension of the suppliers' doubts and difficulties; - Representing the interests of the supplier and communicating the supplier's needs to the buyer.		Same as ISO.		Same as ISO.
Supplier developer	Limited or no activities in such nature.	- Educating or training suppliers and providing technical support to suppliers as told before they are qualified (ex-ante supplier developer role).	- Actively educating and providing technical support to suppliers on a continuous basis and after they are qualified.		Same as IPO.

Table 15 *(continued)*

Roles	ISO		IPO		Overseas CPO
	Intermediary ISO	**In-house ISO**	**E-IPO**	**E&L IPO**	
	Activities		**Activities in addition to ISO**		**Activities in addition to IPO**
Cultural Broker	- Managing an effective communication aligned with the Chinese culture; - Understanding both cultures and adapting to Chinese culture as appropriate; - Helping to reduce tension caused by cultural differences.	Same as ISO.	Same as ISO.		
Others	No activities in such nature.	- Administrative activities; - Recruitment and training of new personnel; - Other legal activities that support the company operations (e.g., filing patents in the Chinese markets, filing the company logo, supporting the legal definition of agreements involving Chinese actors)	- Accounting and finance.		- Sales support; - Managing operations in the host country.
Internal advisor	Very limited or no activities in such nature especially for third-party trading companies ISOs.	- Passively providing some advices to HQ or plants in the world; - Support the long-term and consistent lobbying effort to keep the internal customer informed.	Same as ISO.	- Providing proactively critical advice to global purchasing decision making.	Same as IPO.

Table 15 *(continued)*

Roles	ISO		IPO		Overseas CPO
	Intermediary ISO	In-house ISO	E-IPO	E&L IPO	
	Activities		Activities in addition to ISO		Activities in addition to IPO
Strategic roles					
Supply policy maker	Non involved		- Engaging in supply policy making in some cases, i.e., supply structure and practice making of the company.	- Proactively engaging in supply policy making, i.e., supply structure and practice making of the company.	- Taking overall responsibility of making global supply policy.
Network structuring agent	Not involved		Following company policy on preventing disruption of and improving the reliability of the supply network in China but no more.	- Monitoring the structure of exchange relationships between the company and the supply network in China (a significant issue); - Taking a sector level perspective on supply markets and acting to promote competitiveness (important issue); - Being fully involved in preventing disruption of and improving the reliability of the supply network in China.	Same as IPO.
Innovation facilitator	Not involved		Search for technical solutions to some extent and facilitate the NPD projects	- Leading NPD projects and process innovation; - Being fully involved in searching for technical solutions.	Same as IPO
Knowledge broker[15]	Not involved		Not involved	- Acting as a supply chain management knowledge centre of excellence to promote the best practices among the operations of the parent company and the supply chains in the host country.	Same as IPO

[15] Knowledge broker role emerged from data.

5.4.1 International Sourcing Office (ISO)

An IPO starts from a sourcing, or re-sourcing, need, i.e., collecting supply market intelligence, searching, auditing and selecting suppliers, and carrying out basic quality control. Such activity is more properly termed an ***International Sourcing Office (ISO)*** since it serves as a basic sourcing office, acting as the "eyes and ears" of a company in the host country or region. For example, the Sourcing Project Manager of 'Industrial A' said:

> *"IPO stands for International Purchasing Office and should have such behaviours like placing orders. We only support our business unit globally; therefore should be called International Sourcing Office. We normally do the sourcing and then pass the suppliers to the plants."*

An ISO could be an independent, intermediary trading company, intermediary plants/sales office or an in-house buying office, reporting to corporate purchasing departments. We define the first stage of IPO development as an "***Intermediary ISO***." This includes the use of an intermediary trading company (third party) or an intermediary plant/sales office of the company in China. An ***in-house ISO*** is one that has a dedicated sourcing team functionally reporting to a corporate purchasing department, searching for and auditing suppliers for global plants. All the 14 MNCs used intermediary ISOs at the beginning of their sourcing from China; 12 cases also set up in-house ISOs subsequently.

ISOs are used to find and certify suppliers and then pass them to global plants, without being actively involved in the execution of orders, quality control, supplier development, and logistics management. So, we can say that the two types of ISOs assume a *gatekeeper* role. In-house ISOs support negotiation but do not normally play a significant role in negotiations with suppliers whereas intermediary ISOs provide little negotiation support (*negotiator* role); both support the inter-organisational projects (*coordinator role*) but the level of support from intermediary ISOs is much lower in general; both represent the suppliers in front of the internal customers (*supplier advocate* role). In-house ISOs passively provide advice to international customers while intermediary ISOs provide little advice (*internal advisor* role); in-house ISOs develop suppliers before they are qualified and passed to global plants while intermediary ISOs do little on this (*ex-ante supplier developer* role). Both help to reduce cultural tensions (*cultural broker* role); in-house ISOs are involved in administrative activities, recruitment and training of new personnel, and legal activities while intermediary ISOs

do not assume any other roles. 'Automation', 'Identification', 'Industrial A', and 'Industrial C' were ISOs.

'Industrial C' ISO shared personnel with its Shanghai plant's purchasing team; these people spent 30% of their time working for the ISO and were wholly funded by the plant. There was no incentive for the ISO to perform better than they were tasked, i.e., to identify new potential suppliers in China, because the China plant was not paid a fee for providing such a service. It provided little negotiation support, did not develop suppliers, was involved in the coordination only passively, provided very little advice, and was not involved in other roles. 'Industrial C' was therefore the only company at the first stage (e.g., intermediary ISO), using an intermediary plant at the time of the research.

'Automation' ISO has been passively involved in negotiation and logistics and carried out basic quality control (visual check of the packaging only by two IPO technicians) for China sourcing. It initially used the sales company, set up in 2006, as an intermediary for sourcing from China. The in-house ISO was set up within the sales company of 'Automation' in China in 2008 when the existing head of the IPO took the position.

5.4.2 International Purchasing Office (IPO)

When purchasing volumes in the host country significantly increase, a buying office or ISO may be given responsibilities beyond simply seeking suppliers and collecting supply market information. At this point, the foreign buying office enters into a stage of an ***International Purchasing Office (IPO)***, potentially with all the functions of an ISO plus activities related to duties after suppliers are qualified, e.g., order fulfilment, logistics/shipping, and quality control/inspection.

The differences between ISO and IPO are shown in Table 15: in *gatekeeper* role, an IPO carries out routine quality control (QC) after a supplier is qualified in addition to what an ISO does (basic QC before a supplier is qualified); in *negotiator* role, an IPO negotiates with suppliers directly instead of supporting negotiation; in *coordinator* role, instead of assuming a supportive role as an ISO, an IPO carries out and leads order fulfilment and logistics management; in *supplier developer* role, an IPO develops a supplier after it is qualified on a continuous basis.

An IPO can be further classified into two types: an IPO focusing on serving global plants, i.e., exporting, (***E-IPO***) and an IPO serving both global and local plants (***E&L-***

IPO). Where a strong link exists between the IPO and the CPO, e.g., where knowledge and expertise in supply management are shared, the IPO may become a centre of functional excellence and be required to conduct not only supply base management in the host country for global plants initially but also the same task for local plants.

In terms of roles played, the differences between E-IPO and E&L-IPO are manifested in four roles: reactively involved vs. proactively involved in *supply policy maker* role; reactively following company's policy on *network structuring agent* activities vs. proactively fulfilling the role; searching for technical solutions to some extent vs. fully engaging and leading the NPD process (*innovation facilitator* role); no evidence of *knowledge broker* role vs. acting as a supply chain management knowledge centre of excellence to promote the best practices among the operations of the parent company and the supply chains in the host country.

The knowledge broker role emerged from the data analysis and was not discussed in the literature. For example, the Executive Purchasing Director (IPO head) of 'Engine' IPO said:

> *"This IPO has now become a centre of functional excellence for purchasing and supply chain management to support all these fifteen entities in China… what we've done is formed a Joint Venture Sourcing Council, so four times a year this IPO leads that council…We manage the supply base in China training the suppliers with lean manufacturing, six sigma, and 5S."*

We observe this role is strategically important to MNC's global sourcing in China as it entails the development of and knowledge transfer to both internal customers in China and Chinese suppliers.

We illustrate the E-IPO and E&L-IPO with 'Printing' and 'Engine' cases.

Printing: E-IPO

'Printing' set up its first production facility in Shanghai in 1996. It started sourcing through the purchasing team based in the Chinese plant until the set-up of an in-house ISO in 2003/04. Over 30% of the highest volume products were sourced from China in its heyday between 2003 and 2008, before the financial crisis. The ISO gradually developed into an IPO solely for exporting, i.e., carrying out routine quality control after a supplier is qualified, assuming a more leading role for negotiation with Chinese suppliers, being responsible for supplier development on a continuous basis, logistics management, and so on. The IPO's head reported to the group Global Sourcing Director and followed his orders closely. By 2011, there were two buyers and two Supplier

Quality Engineers (SQEs) responsible for the development of existing suppliers. The IPO was considered an extension of the global sourcing team at HQ. Due to its corporate strategy of providing customized products (low volume and high mix) to customers, and following the rise in labour costs, sourcing in China became infeasible for some products. In 2011 'Printing' started considering pulling some sourcing out of China and back to Europe.

Engine: E&L-IPO

'Engine' IPO illustrated the evolution process well, evolving from an ISO to an E&L-IPO. 'Engine' was one of the earliest US companies entering the China sales market. The initial sourcing was supported by the joint venture (JV) plant in China. Motivated by the low-cost production in China, 'Engine' started increasing its sourcing from China in 1998 and in 2000 an in-house ISO was officially set up to search for suppliers in China for global plants.

Gradually, China became a main supply and sales market. 'Engine' global procurement strategy also changed, away from the centralised approach. The China IPO was assigned more responsibilities, such as being involved in more NPD projects, global purchasing decision making for China, developing the supply base, and order fulfilment in China.

The ISO developed into an exporting IPO in 2003. 'Engine' had seen a great deal of manufacturing transferred from the West to China; for some components this reached over 90 percent. On many occasions, the IPO led the sourcing project, including NPD, and made decisions on global procurement strategy for China. The team has grown from a few people in the late 1990s to 70 in 2008; this level of staffing remained the same in 2011 despite the financial crisis.

Having proven its ability to manage the supply base in China, the IPO was empowered further to lead a JV sourcing council, consisting of four joint ventures of 'Engine', and orchestrating the supply network management in China since 2009. In this way, the IPO served as a knowledge broker to disseminate its supply chain management knowledge among Chinese operations of 'Engine'. Many of its employees were promoted to General Managers or Operations Directors of the operations in China. Hence, the IPO fully assumed the four roles of supply policy maker, network structuring agent, innovation facilitator, and knowledge broker.

5.4.3 Overseas Corporate Purchasing Organisation (O-CPO)

Evolving further, it appears that an E&L-IPO can fill the role of a CPO. We can refer to it as an ***Overseas Corporate Purchasing Organisation (O-CPO)***. It covers all the supply functions of an HQ-based CPO (and those of an E&L-IPO) but is located overseas. An Overseas CPO takes overall responsibility of making global supply policy and of coordinating the relationship between the supply base in China and the relevant departments of a company, leads R&D projects of the company, and sometimes provides sales support and manages operations in a host country.

Retailer B

'Retailer B' is a specialist retailer headquartered in the UK. In 2011, for the first time, the group sales coming from outside UK overtook those from the UK. The company expects that 75% of its revenue will be generated outside the UK by 2014. Aligned with its internationalization strategy, 'Retailer B' intends to close hundreds of its stores in the UK. China and India are the key growth markets for 'Retailer B' and the number of stores there continues to grow (22 stores in 15 cities in China in 2012). Furthermore, a retailer JV with a Chinese brand was set up in 2007, providing production capacity, supply base, complementary design capacity, and market channels.

The company does not conduct manufacturing and thus relies heavily on its supply base. It has a highly developed and expert supply chain management team in Asia, having acquired a toy design house's IPO in Hong Kong in 2007. It considers this a huge competitive advantage. Purchasing value in China represented 55% of total spending of the whole company. The balance is spread broadly, with significant proportions in India and Bangladesh, where clothing manufacture has been gradually transferred, due to even lower labour cost (than China) in both countries. Sourcing in Asia represents most of the company's direct spending.

The core product divisions of 'Retailer B' started sourcing from China in 2006, using the Shanghai office of a Hong Kong-based intermediary, and then set up a Shanghai sourcing hub (initially an in-house ISO) in 2007. Also due to the fact that 'Retailer B' opened its first shop in China in 2008, the ISO soon assumed more responsibilities and started to serve both global and local stores. Thus, it became an E&L-IPO, skipping the E-IPO stage. At the time of the research there were three sourcing hubs (IPOs) in Asia: Hong Kong for toys; Shanghai for home and travel systems; and Bangalore (India) for clothing. There are four satellite offices for the Bangalore hub: India (2), Bangladesh

(1), and China (Guangzhou). In 2011/12 the CPO (including the product design team) was gradually relocated from the UK to Hong Kong, bringing it close to both main supply and sales markets in both India and China and therefore became an Overseas CPO. The O-CPO led global supply policy making and R&D projects, coordinated the relationship between the supply base in Asia and the relevant departments of the company (e.g., commerce department), and managed the JV with a Chinese partner, which had manufacturing capabilities and many stores in China.

5.5 Discussion

5.5.1 A Dynamic Evolution Model of IPOs

Table 16 shows the evolution of the analysed IPOs among the five stages/types. The differences between the types represented by number, depth, and breadth of roles assumed by the IPO have been clearly elaborated in Section 5.4. The 'Lighting' and 'Retailer B' IPOs were the only ones that reached the highest level i.e., ***O-CPO***. However, most IPOs in our study tended to evolve sequentially upward toward a more empowered IPO until the point where they were when the data were collected, with the exemption of 'Engineering' skipping ***in-house ISO*** stage, and 'Retailer B' skipping ***E-IPO*** stage. Furthermore, all but one cases followed the same upward direction. The exception is represented by 'Lighting' case in which a change in the company's global purchasing strategy caused the decision-making power previously given to the IPO being taken back to some degree and the office being rescinded from ***O-CPO*** to ***E&L-IPO*** stage. Finally, 'Industrial C', 'Printing', and 'Solar' may gradually withdraw from the supply market in China, since the country's cost advantages are eroded.

Table 16: Evolution of the analysed IPOs

Cases	ISO (Intermediary)	ISO (In-house)	IPO (Exports)	IPO (Exports & Local)	Overseas CPO
E&L-IPOs and O-CPOs in 2012					
Appliance	The initial sourcing was supported by the JV in China.	Set up an ISO in 1998.	Gradually the ISO developed into an exporting IPO.	Set up Global Purchasing Centre in SH in 2005.	/
Engine	The initial sourcing was supported by the JV in China.	Set up China ISO in 2000.	ISO developed into an IPO in 2003 for global plants.	The IPO led the JV sourcing council, responsible for supply base management in China since 2009.	/
Engineering	Initial sourcing was supported by the sales representative office in BJ.	/	The ISO developed into an IPO serving global plants in 2004.	The exporting IPO started serving local plant after being merged into the BJ plant in 2006.	/
Lighting	The initial sourcing was supported by the JV in China.	An ISO was set up in 2000.	ISO developed into an IPO in 2001/2.	The China Sourcing and Service Group was set up to serve global & local plants in 2003. Became an IPO (E&L) again after 2009.	The decision making power was given to the IPO gradually and R&D was stationed within the IPO till 2009.
Retailer A	Chinese trading companies were used before the IPO.	The trading area (ISO) was set up in 1992.	The ISO soon became an IPO developing Chinese suppliers after 1992.	The IPO started supplying the first store opened in 1998.	/
Retailer B	In 2006 Lodged in a HK based intermediary.	Set up the ISO in 2007.	/	Supplied both international and local stores/operations since the first store was opened in China in 2008.	The CPO was relocated to HK in 2011. A number of satellite IPOs were set up one by one in China, India and Bangladesh.

(BJ: Beijing; SH: Shanghai; HK: Hong Kong)

Table 16 *(continued)*

Cases	ISO (Intermediary)	ISO (In-house)	IPO (Exports)	IPO (Exports & Local)	Overseas CPO
E-IPO in 2012					
Industrial B	The initial sourcing was supported by the JV in China.	An internal trading Co. was set up serving as an ISO to serve global plants in 2004.	The ISO gradually developed into an exporting IPO.	/	/
Industrial tools	Used intermediary in HK in 1987.	Intermediaries were replaced by in-house ISOs in various locations in Asia in 1997.	The ISOs developed into exporting IPOs in 2000.	/	/
Solar	The initial sourcing was supported by the sales office of another product line.	An ISO was set up in 2005.	The ISO had gradually developed into an exporting IPO from 2005 to 2008.	/	/
Printing	The very initial sourcing was supported by the SH plant.	The ISO was set up in 2004.	The ISO gradually developed into an exporting IPO in 2005.	/	/

(BJ: Beijing; SH: Shanghai; HK: Hong Kong)

Table 16 *(continued)*

Cases	ISO (Intermediary)	ISO (In-house)	IPO (Exports)	IPO (Exports & Local)	Overseas CPO
In-house ISOs in 2012					
Automation	The initial sourcing was briefly supported by shared staffs with the sales company.	The ISO was set up in 2008 within the sales company, when the existing head of IPO took the position.	/	/	/
Identification	The initial sourcing was supported by the plant in China.	The ISO was set up in 2006.	/	/	/
Industrial A	Some brands used sourcing consultants.	The ISO was set up in 2003.	/	/	/
Intermediary ISO in 2012					
Industrial C	The intermediary ISO was set up in 2006 sharing with the purchasing team in the SH plant.	/	/	/	/

(BJ: Beijing; SH: Shanghai; HK: Hong Kong)

Existing global sourcing process or stage models imply 'change over time' and tend to be unilinear and sequential (see section 5.2.1), therefore they have been considered 'evolution models'. In criticizing "stage" models on internationalization, Pauwels and Matthyssen (2001) observe that, at the operational level, there is often an assumed, predetermined, irreversible, and linear-cumulative progression of events and that the trajectory to the final stage occurs in a prescribed order, each stage of development being seen as a necessary precursor of succeeding stages. To address this, they develop a dynamic theory of internationalization which they believe could explain non-unilinearity in the internationalization process of the firm such as international withdrawal and point out there are two conditions which could affect the linear evolution: *contingent factors* and *managerial discretion* that induces strategic dynamism.

Echoing them, Kamakura *et al.* (2012) empirically identify a dynamic evolution model for SME internationalisation based on longitudinal data spanning 15 years. They claim that while there is evidence of "leapfrogging" one or two stages and of some re-trenching (firms at the highest global state have a 6% probability of moving back to advanced state), the general trend is to move toward a higher level of internationalization. In a similar vein, Monczka and Trent (1992) seem to be the only ones who propose implicitly a dynamic global sourcing process model.

Following Monczka and Trent (1992), Pauwels and Matthyssen (2001) and Kamakura *et al.* (2012), we thus propose a dynamic evolution model for IPOs (Figure 2). We claim that our model is dynamic (e.g., skipping a stage, re-trenching and possible withdrawal) and generally sequential and the sequential nature is contingent on two interfering factors: 1) the parent company's decision to take the decision-making power back (e.g., 'Lighting'); 2) the potential parent company's decision to withdraw sourcing from China, for example due to the economic environment change (e.g., 'Solar', 'Printing', and 'Industrial C').

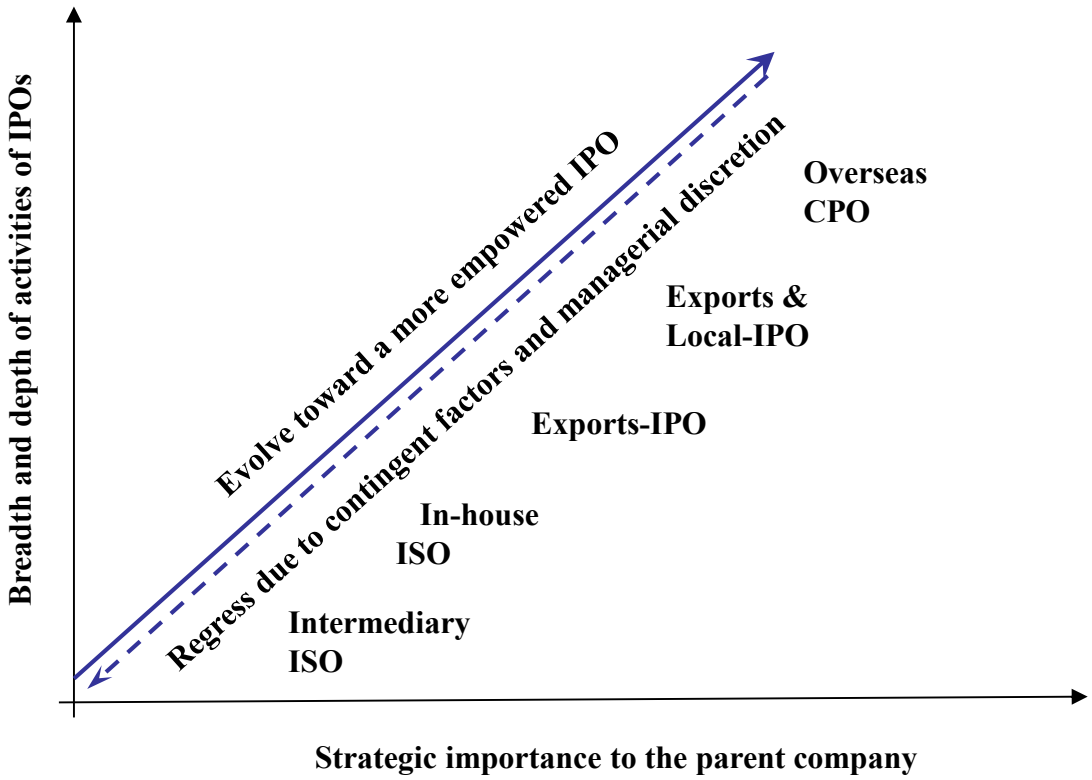

Figure 2: A dynamic evolution model of IPOs

In sum, it can be seen that our model (Figure 2) refutes the arguments of the majority global sourcing process models (e.g., Rajagopal and Bernard, 1993) that skipping stages is impractical and global sourcing process is unilinear.

5.5.2 Strategic importance of China to MNCs

The interviewees of all the six advanced IPO cases suggested that the combination of both revenue contributed by China and spend in China as a percentile of total direct spend of the company seems to affect the roles and activities assigned to IPOs.

For example, the Director of Global Sourcing & Quality Assurance (also head of the O-CPO) at 'Retailer B' said:

> *"China is the predominant source arena for us so we are broadly about 55% of our total buy comes out of China. It expects the 75% of the revenue will be generated outside UK mainly China and India by 2014… Due to these two facets, we wanted to get more involved in the supply base, e.g., we relocated the design function to this office to improve speed to market."*

Luo (2007) found that there is a shift from corporate integration to national integration for MNCs operating in China. Advanced MNCs tend to have 10% revenue contributed by China, which is of strategic importance to their growth. Schütte (1997) echoes this,

arguing that there is a need for a regional strategy for an MNC in Asia and proposing that the strategic importance of a market (e.g., Asia) is determined by the market size potential and the availability of resources to MNCs.

Therefore, we propose the second-order construct "***strategic importance of China to an MNC***", measured by "***the sales revenue contributed by China***" and "***the percentage of China sourcing in the total direct purchasing value***", as an antecedent of the IPO stage (i.e., depth and breadth of roles). Following Luo (2007), Beebe (2007), and The Economist Intelligence Unit (2011), we operationalize the two measurements as such: if an MNC obtains more than 10% revenue and sources more than 20% from China, China is strategically important to that company; if an MNC obtains either more than 10% revenue or spends more than 20% but not both, then the strategic importance of China is medium; if both dimensions are below these levels, the strategic importance is low.

It can be seen from Table 17 that for 'Appliance', 'Engine', 'Engineering', 'Lighting', 'Retailer A', and 'Retailer B' the revenue contributed by China was more than 10% and that purchasing in China was more than 20% of total spending. The strategic importance of China was thus high to these MNCs. China represented both major sales and supply markets for the case companies. The types of IPO for them were O-CPO ('Retailer B') and E&L-IPO (the rest). Further down the list, purchasing in China was more than 50% of the total purchasing value globally for 'Industrial B', 'Industrial Tools', and 'Solar' and 30% for 'Printing', but the revenue contributed by China was less than 10%. The strategic importance of these IPO was therefore medium. For these companies, China represented a major supply market only. They tended to be exporting IPOs. Going even further down the list, both the revenue contributed and purchasing in China were less than 10% for 'Automation', 'Identification', 'Industrial A', and 'Industrial C'. They had ISOs.

Table 17: IPO strategic importance and types

Company name	China sourcing	Revenue by China	IPO type
Appliance	50%	20%	IPO (E&L)
Engine	60%	15-20%	IPO (E&L)
Engineering	70%	20%	IPO (E&L)
Lighting	40%	More than 10%	IPO (E&L)
Retailer A	22%	More than 10%	IPO (E&L)
Retailer B	55%	17%	Overseas CPO
Industrial B	50-60%	8%	IPO (E)
Industrial tools	90%	Less than 5%	IPO (E)
Solar	90%	0%	IPO (E)
Printing	30%	Less than 10%	IPO (E)
Automation	5%	Less than 10%	ISO (In-house)
Identification	Less than 10%	Less than 10%	ISO (In-house)
Industrial A	Around 10%	7%	ISO (In-house)
Industrial C	Less than 10%	Less than 10%	ISO (Intermediary)

It seems that there is a correlation between the strategic importance of China to an MNC and the evolution of the IPOs (see Figure 2). We therefore propose that:

> P1. The greater the strategic importance of China to an MNC, the more extensive and the deeper will be the responsibilities assigned to and roles assumed by its IPO in China.

Since we define the IPO types based on the roles assumed, the strategic importance determines the IPO types.

> P2. The greater the strategic importance of China to an MNC, the more advanced will be its IPO toward O-CPO.

CHAPTER 6.

Roles and resource/capability requirements

6.1 Purpose

This chapter[16] address the second key question for IPO research, i.e., how are the IPOs set up, how do they work, and how do they develop? (Section 2.5.2), from a micro-organisational perspective. More in details, it has three main aims: 1) to study the evolution of the roles and tasks/activities performed by IPOs over a five-year study period (2007-2012); (2) to explore the IPO resources/capabilities required to assume these roles and their evolution; (3) to highlight the contingent factors that might affect such changes.

6.2 Literature review

This section reviews the following major themes of previous research on IS organisational design and evolution: (1) the roles and activities of purchasing departments and subsidiaries (e.g., central purchasing organisations, purchasing departments of global plants or business units, and IPOs); (2) the resources and capabilities required to an effective task performance; (3) the evolution of IS organisational structure; and (4) the contingent factors affecting IS organisational design.

6.2.1 Roles of foreign purchasing subsidiaries

A relevant issue for the global sourcing organisational design is the assignment of responsibilities to different purchasing departments and subsidiaries (e.g., central purchasing organisations, purchasing departments of global plants or business units, and IPOs).

Theoretically, this issue lies within a wider debate over the roles of foreign subsidiaries in the international business (IB) and international operations management (IOM) literatures. The IB literature has identified and discussed the roles/types of subsidiaries without a specific functional focus (e.g., Birkinshaw and Morrison, 1995; Surlemont,

[16] This chapter is adapted from: Sartor M., Orzes G., Nassimbeni G., Jia F., Lamming R., in press. International Purchasing Offices in China. Roles and resource/capability requirements. *International Journal of Operations and Production Management*. Emerald authors retain rights to include their papers in a dissertation/thesis.

1998; Taggart, 1998a, 1998b); the IOM literature has instead addressed roles of plants within the MNCs (e.g., Ferdows, 1989, 1997)[17]. Although some of these studies (e.g., Ferdows, 1997) consider certain purchasing activities to be among the tasks used to define plant/subsidiary roles, no studies have specifically focused on the roles of foreign purchasing subsidiaries (e.g., IPOs).

In the IS literature, some studies (e.g., Rajagopal and Bernard, 1993; Liu and McGoldrick, 1996; Nassimbeni and Sartor, 2006a; Fernie *et al.,* 2009) have addressed the activities that may be performed by IPOs. These studies have been summarized in Section 2.4.2 and the IPO activities have been classified into five categories: *supplier management, logistics management, selling related activities, financial activities,* and *other activities* (see Table 2).

Although the roles of foreign manufacturing, sales, and R&D subsidiaries have been extensively discussed in existing literature, the roles of foreign purchasing subsidiaries (e.g., IPOs) have been ignored. Despite authors recognise the existence of many organisational levels (e.g., headquarters, global plants, business units, IPOs, product divisions, and geographical divisions), the debate over the centralisation/decentralisation of purchasing decisions mainly considers the division of responsibilities between headquarters and global plants/business units (i.e. a headquarter-centric view).

For these reasons, in Chapter 5 we defined – drawing from literature on the roles of supply managers/functions – and empirically validated the roles performed by IPOs (see Table 14).

6.2.2 Resources/capabilities for global sourcing

A second relevant issue for global sourcing organisational design concerns the identification of the resources, competences, and capabilities required by the purchasing departments/subsidiaries.

The concepts of resources, competences, and capabilities were introduced by the resource-based view (RBV). Resources are specific physical, human, and organisational assets that can be used to implement value-creating strategies (e.g., Barney, 1986b; Wernerfelt, 1984). Capabilities are "*a special type of resource – specifically, an*

[17] For more about these lines of inquiry, sometimes labelled 'subsidiary roles' and 'plant roles in MNCs', see, for example, Shi and Gregory (1998), Vereecke *et al.* (2006), and Paterson and Brock (2002).

organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm" (Makadok, 2001, p. 389). Competencies are organisational routines and processes obtained by combining firm-specific assets (Teece *et al.,* 1997). Although few differences exist between the three concepts, RBV theorists believe that they all assure sustainable competitive advantages for firms that possess them because of their value, rareness, inimitability, and non-substitutability (e.g., Barney, 1986a, 1991, 2001).

We consider resources, competences, and capabilities as potential sources of sustainable competitive advantage and analyse them together in this study (a similar approach was followed by Harland and Knight [2001], Trent and Monczka [2003], etc.).

In the IS literature, relatively little research has been conducted on the resources, competencies and capabilities required to effectively manage international sourcing activities. Monczka and Giunipero (1984) propose three types of global sourcing success factors: *global sourcing organisation and focus* (e.g., logistics, global purchasing skills, and integrated information systems); *foreign language skills*; and *business capabilities* (e.g., understanding of foreign markets, knowledge of foreign business customs and of foreign supplier qualification methods). Birou and Fawcett (1993) consider a wide list of possible success factors and find that the four most important factors *include top management support, development of communication skills, establishment of long-term relationships,* and *development of global sourcing skills*. The importance of *top management support/commitment* is also emphasised by Petersen *et al.* (2000), Rajagopal and Bernard (1994), and Trent and Monczka (2005). Finally, Trent and Monczka (2002, 2003, 2005) argue in favour of the following resources/capabilities: *rigorous and well-defined processes, availability of required resources* (e.g., financial, human, technological), *well-established communication methods, operations/manufacturing support of the global sourcing process,* and *awareness of potential global suppliers*.

We summarise this body of literature and develop a conceptual framework of the resources/capabilities in global sourcing (see Table 18).

Table 18: International sourcing resources/capabilities

IS resources/capabilities	Key elements
Rigorous and well-defined processes (adapted from: Petersen *et al.,* 2000; Trent and Monczka, 2002, 2005)	Clear description of the processes and their interdependences. Definition of processes' goals, milestones and budgets. Continuous control and improvement of the procedures.
Adequate information technology solutions (adapted from: Petersen *et al.,* 2000; Monczka and Giunipero, 1984; Trent and Monczka, 2002, 2005)	Presence of structured data warehouses. Availability of technologies for a non-stop access to core data. Automatic warning systems.
Structured approaches to communication (adapted from: Birou and Fawcett, 1993; Trent and Monczka, 2002, 2005; Monczka and Giunipero, 1984)	Use of videoconferencing and web-based collaboration tools for a continuous alignment of the IPO's strategy and actions to those centrally defined.
Adoption of methodologies for measuring savings (adapted from: Rajagopal and Bernard, 1994; Trent and Monczka, 2002, 2005)	Presence of measurement systems able to support the calculation of savings achieved through the IPO's activities.
Advanced skills of employees (adapted from: Petersen *et al.,* 2000; Trent and Monczka, 2002, 2003, 2005)	Availability in the IPOs of employees skilled on team building, strategic planning, communication, technical, and financial aspects.
Cross-cultural adaptation (adapted from: Monczka and Giunipero, 1984; Petersen *et al.,* 2000; Jia and Rutherford, 2010; Jia and Lamming, 2013)	Recruitment of employees able to comprehend foreign cultures and to mediate with the domestic one.
Adequate vendor rating systems (adapted from: Rajagopal and Bernard, 1994; Nassimbeni *et al.,* 2012)	Presence of vendor rating systems updated and including also IP aspects.
Innovation capabilities (adapted from: Kotabe, 1990; Harland and Knight, 2001)	Availability of capabilities for promoting and facilitating new product development (NPD) and the innovation of products and processes.
Executive commitment (adapted from: Birou and Fawcett, 1993; Rajagopal and Bernard, 1994; Trent and Monczka, 2005; Petersen *et al.,* 2000)	Trust of the executive level of the company in the IPO's personnel and roles. Good formal and informal relations between IPOs' directors and the executive levels of the company.
Availability of necessary resources (adapted from: Trent and Monczka, 2005)	Adequate time, managerial and financial resources for managing all the activities assigned to IPOs.
Operations/manufacturing support (adapted from: Trent and Monczka, 2002, 2003)	Support of the (internal and external) stakeholders (mainly the employees of the other company's units and the customers) in the problem solving. Ability to connect different project teams and operating centres.
Availability of suppliers with advanced capabilities (adapted from: Kannan and Tan, 2002; Trent and Monczka, 2003)	Presence of suppliers that can satisfy (design, cost, quality, time) company's requirements.

The literature on IS resources/capabilities is characterised by three major limitations: (1) most authors address these issues without grounding their research in the RBV; (2) despite the importance of balance between centralisation and decentralisation of

sourcing responsibilities (e.g., Chadwick and Rajagopal, 1995), all contributions employed the headquarter-centric perspective, completely ignoring the resources/capabilities required at the peripheral (IPO) level; and (3) no research has attempted to link resources/capabilities to IS roles or activities (despite the highly interconnected nature of these aspects noted by Harland and Knight [2001], Ghosh *et al.* [2001], etc.).

6.2.3 Evolution of global sourcing

A third category of research focuses on the evolution of global sourcing organisational design over time. Several authors identify a sequence of stages characterised by the organisational design that companies adopt to address increasing involvement in foreign supply markets or by the development from transactional to strategic global sourcing (Monczka and Trent, 1991; Rajagopal and Bernard, 1993; Swamidass, 1993; Giunipero and Monczka, 1997; Matthyssens and Faes, 1997; Trent and Monczka, 2003). These studied have been reviewed in Section 5.2.1. This line of inquiry emphasises that global sourcing organisational design may evolve over time and should be studied dynamically, which highlights another gap in the body of IS literature discussed above. That is, previous research adopts a static perspective and does not study whether and how roles and resources/capabilities might change over time.

6.2.4 Contingent factors affecting IS organisational design

The mainstream literature on organisational design and performance has been dominated by structural contingency theory since the 1950s (e.g., Woodward, 1965; Burns and Stalker, 1961; Chandler, 1962; Lawrence and Lorsch, 1967). These scholars postulate that there is no best way to organise or manage a firm and that the effect of structure (or processes) on performances is moderated by a number of contextual factors (e.g., Donaldson, 2001).

This theoretical approach has increasingly been applied in the branch of IS research devoted to global sourcing organisational design. For example, Giunipero and Monczka (1997) recognise that the particular organisational approach to global sourcing adopted by firms (i.e., completely decentralised, decentralised but co-ordinated, functionally unique international purchasing groups specialising in IS, or centralised) might depend on two contingent factors: *characteristics of purchased commodities* (e.g., standard vs. custom, labour intensive vs. capital intensive) and *global sourcing experience*.

Hartmann *et al.* (2008), drawing from the information processing (IP) perspective of contingency theory, propose a modified IP model for global sourcing that links the *organisational configuration* (i.e., global purchasing strategy, corporate organisational structure, and distribution of purchasing expertise among subsidiaries), *information processing requirements of the organisation*, in*formation processing capabilities of the organisational design*, and *control mechanisms*. Trautmann *et al.* (2009b), drawing from Tushman and Nadler's (1978) framework, identify three key contingent factors that affect the integration of the global sourcing organisation: (1) *category characteristics* (i.e., purchase novelty, purchase importance, category complexity, and demand volatility); (2) *supply environment* (i.e., availability of global suppliers, transparency of the supply market, and familiarity with the suppliers); and (3) *interdependence of purchasing units distributed across locations*.

While contingency theory has proved to be a useful framework to study factors affecting global sourcing organisational design (especially centralisation vs. decentralisation and integrations vs. responsiveness), it was never adopted to understand the factors influencing the roles of foreign purchasing subsidiaries and resources/capabilities for global sourcing.

6.3 Research design

6.3.1 Research questions

The literature review highlights significant limitations and gaps in the existing research. *First*, while a few studies address IS resources/capabilities, they do not consider which resources/capabilities are required at an IPO level. Moreover they are not adequately grounded in RBV, and do not link resources/capabilities to IS roles or activities. *Second*, IS organisational design may evolve over time and should therefore be studied dynamically, particularly focusing on the contingent factors underpinning these changes.

We therefore deal with the following three research questions in this chapter: 1) How do the roles performed by International Purchasing Offices (IPOs) change over time? 2) What are the resources/capabilities required by an IPO for an effective performance and how do they change over time? and 3) What are the contingent factors affecting such changes?

6.3.2 Method

The methodological approach has been presented in Chapter 3.

6.3.3 Data analysis

We first conducted a within-case analysis for each of the 14 IPOs, creating a detailed case study write-up. Then, we performed the cross-case analysis to propose a common operationalisation of IPO roles and resources/capabilities and to identify patterns in the change of organisational profiles of the sampled IPOs. Excerpts of the cross-case analysis tables are reported in the results section (see Table 18 and 20).

6.4 Results

6.4.1 IPO roles

The cross-case analysis allowed us to study the changes that occurred during the five-year study period (2007-2012) to the roles of the sampled IPOs. To preserve the chain of evidence, we collected major keywords and sentences from the interviews on the importance of roles at the time of the research and five years before. Due to space limitations, we report this coding in Table 19 for three exemplary cases that will be discussed in the 'discussion' section.

Most of the analysed IPOs were strongly involved in ***negotiator*** role, the can be summarised in the activities of defining agreements and drawing up contracts. In some cases, IPOs not only managed negotiations but also made final purchasing decisions ('Engineering': *"[…] orders are negotiated, prepared, signed directly by the IPO."*). Almost all respondents argued that the importance of this role increased significantly over the five-year period. This change was attributed to two different factors. *First*, labour and material costs have risen significantly in China, which demands careful negotiation to achieve expected savings ('Industrial B': "*now labour and materials costs have increased. This requires us to negotiate harder*"). S*econd*, Chinese suppliers' bargaining power has increased stemming from their improved capabilities ('Industrial Tool': "*the Chinese suppliers have grown up, their bargaining power has increased and the negotiation has become a more complex and time-consuming activity.*").

Table 19: Cross-case analysis on IPO roles (exemplary cases)

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Gatekeeper	"most important"	"quite important"	"same as in the past" "We are an extension of CPO but we do everything ourselves"	"medium importance"	"very important now and 5 years ago" "HQ managers come to China only once or twice a year"	"very important now and 5 years ago"
Negotiator	"very important" (when the IPO starts to work with the supplier)"	"important" "most important role in the past"	"has become a very little bit more important"	"it was decided by HQ"	"crucial"	"important"
Coordinator	"important" "our IPO has a logistic team composed by 6 people"	"quite relevant"	"same as in the past"	"important with the growing number of suppliers and quantity and complexity of components and considering the long supply chain transporting by sea"	"important now" "we had an organization re-structuring 2 years ago: we started to collaborate with suppliers"	"quite important"
Supplier advocate	"important but not crucial"	"not so relevant"	"The plants in America, UK and Brazil naturally consider the IPO part of the Chinese suppliers" "if there is a problem, we encourage the suppliers to write to the plants directly"	"we tried not to be involved too much to avoid misunderstanding from the plants"	"The importance of this has reduced because in the past the competition between countries were more harsh than now"	"moderately important"

Table 19 *(continued)*

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Internal advisor	"crucial"	"it wasn't important"	"not changed"	"quite important because the low cost advantage is declining and we have to persuade our internal stakeholders to see China not only as a low cost market"	"not important both now and in the past" "the advice provided is all toward Chinese suppliers not for internal customers"	"not important both now and in the past" "the advice provided is all toward Chinese suppliers not for internal customers"
Supplier developer	"The IPO has a supplier improvement team, personnel who works in the suppliers' plant and support them."	"not relevant"	"lightly more relevant"	"We push our supplier to improve by pushing 6 sigma, Toyota production system and lean production. We also provide training materials and training events information"	"has become crucial" "we have changed our approach of developing suppliers. We shouldn't help them on this basic stuff; we collaborate with them and help them be the leader in the industry"	"we provided training before (e.g., lean production or 5s), but the supplier don't necessarily learn from that"

Table 19 *(continued)*

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Supply policy maker	"not actively involved in this role" "the importance has increased a lot but it is still marginal"	"unimportant"	"very little increase of the importance"	"we are actively involved in making supply policy"	"not changed"	"We have not big influence on global supply policy. The process of influencing is more implicit."
Network structuring agent	"the most important role due to its strong increasing"	"quite important"	"same as in the past"	"I feel the biggest role is to maintain a stable supply network and long term collaborative relationship with suppliers. You got to do networking not business alone"	"a little bit more important than in the past"	"medium importance"

Table 19 *(continued)*

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Innovation facilitator	"there is a low level of contribution to innovation" "the IPO will probably play a role in the future"	"unimportant"	"a little bit more important than in the past"	"Chinese suppliers need to be involved as early as possible in the NPD process. We work with them on APQP (Advanced Product Quality Planning) project management"	"crucial" "China is not considered a low cost country anymore. We can't just push the suppliers to lower their price. We need to discuss with them on new materials, new structures, new processes and new ways of doing things"	"it was not important"
Cultural Broker	"quite important"	"it wasn't important"	"no change"	"The bigger barriers are the ones of culture. We have to constantly educate the group about differences"	"less important now than 5 years ago"	"not so important"

As far as the ***coordinator*** role is concerned, some IPOs were involved in inter-organisational project management, while in other cases this responsibility was managed directly by headquarters. In the sampled companies, centralisation typically prevailed when the profile of the local suppliers was more international ('Industrial C': "*if the supplier is more westernised we do inter-organisational project management from the HQ; if it is more local we use the IPO support.*"). Some cases also indicated IPO involvement in facilitating buyer-supplier relationships ('Engineering': "one *of the IPO's challenges is to build up long-term and stable relations with suppliers also through informal and off-work life.*"). All but one IPO ('Identification') were involved in logistics management. Some cases highlighted that improvement opportunities still existed in this area, while other cases revealed significant improvements ('Industrial Tool': "*logistics has been recently improved a lot through new information systems.*").

An important responsibility linked to the ***gatekeeper*** role was the management of information flows ('Identification': "*the IPO is an information processor, sourcing not only products but also information.*"). Searching for suppliers was still considered fundamental by the interviewees but less critical than 5 years before. A possible explanation is improved knowledge of the Chinese context ('Industrial A': "*we now better understand the Chinese complex environment and we are more confident to easily find high quality suppliers*") as well as greater stability in relations with the local supply base ('Industrial A': "*a strong effort was devoted to the detection of the suppliers, their assessment and the kick off the relationship. Now we can spend this energy for other activities.*"). Great importance was still assigned by interviewees to quality control. Eleven IPOs employed Supplier Quality Engineers (SQEs). Respondents emphasised that SQEs should be independent and separate from the purchasing team for autonomous quality control. Some IPOs ('Engine', 'Industrial A', 'Engineering', 'Appliance', and 'Industrial Tool') also helped to counter intellectual property rights violations and highlighted the importance of this activity, especially in the Chinese context ('Appliance': "*Intellectual Property matters affect the structure of the IPOs in China. […] The process of the evaluation of the suppliers starts with checking IP aspects.*"). On average, the importance of gatekeeper role increased during the five-year period for all but three IPOs (the exceptions were 'Engine', 'Printing', and 'Retailer A').

Supplier developer was another key IPO role identified by most interviewees. Its importance was emphasised by several respondents ('Printing': "*the main role of our*

IPO shifted from supplier selection to supplier development for improving their performance." 'Engineering': "*one of the most important tasks of our expediters is the training of suppliers."*). The support provided by some IPOs included both technical and managerial aspects ('Engine': "*we help our suppliers to improve by pushing 6 sigma, Toyota production system and lean management*."). Only one IPO was not involved in supplier training ('Industrial C': "*we are doing quite a lot of education but it comes directly from the headquarters.*").

Cultural broker was an important role identified by a number of interviewees ('Identification', 'Engine', 'Industrial A', 'Engineering', 'Appliance', 'Retailer B', 'Automation', 'Lighting', and 'Solar'). Some of the sampled IPOs facilitated a high level of cultural integration ('Identification': "*we act as a cultural bridge helping the communication.*"). Others ('Printing' and 'Retailer A') considered this role less important than 5 years before because of improved knowledge of the Chinese culture and increased ability of mediating among different cultures ('Printing': "*people in the west have largely adapted to cultural differences and they are working more easily with the Chinese companies.*"). Another relevant cultural broker IPO activity identified was *guanxi*[18] management ('Identification': "*in China, personal relationship matters a lot. A supplier is willing to collaborate with you, if you have good guanxi. IPO is very useful in this.*").

Seven IPOs reported explicitly playing an ***innovation facilitator*** role at the time of the research. For instance, they verified opportunities for early cooperation in new product development ('Engine': "*Chinese suppliers need to be involved as early as possible in the new product development process. IPO works with them on Advanced Product Quality Planning.*") or in the distribution of design activities between headquarters and the IPOs ('Retailer B': "*the design team is based in both the UK headquarters and in the Chinese IPO.*"). Furthermore, all respondents argued that the importance of this role significantly increased over the considered five-year period.

The importance of ***network structuring agent*** and ***supplier advocate*** roles varied among the IPOs. Eight cases considered a ***network structuring agent*** role to be important or

[18] The term *guanxi* generally refers to relationships or social connections based on mutual benefits (Yang, 1994). The term refers to a special type of relationship that bonds the exchange partners through the reciprocal exchange of favours and mutual obligations (Luo, 1997).

very important for improving supply chain efficiency and limiting disruptions. One case showed that IPOs could play a ***supplier advocate*** role in a "*do ut des"* manner ('Lighting': "*if we defend local suppliers' interests against the headquarters, the local suppliers will do the same with our sub-suppliers.*"). In two cases ('Engine' and 'Engineering'), this role could cause misunderstandings or clashes between headquarters and IPOs ('Engineering': "*headquarters' management doesn't appreciate the fact that the IPO protects the suppliers.*"). The analysed IPOs are particularly cautious of representing Chinese suppliers if their staffs are mainly composed of Chinese employees for the fear of not being considered loyal by their parent companies. Interviewees highlighted that the importance of ***supplier advocate*** role increased significantly over the five-years study period with three exceptions: 'Industrial A', 'Industrial B', and 'Printing' ('Industrial B': "*suppliers are now able to directly explain their needs to headquarters and the other company's plants.*").

Ten IPOs mentioned the importance of the ***internal advisor*** role, mainly to increase knowledge on issues concerning sourcing in China at headquarters and plants ('Engine': "*we train our internal stakeholders about risks and opportunities of the Chinese market.*"). Some cases revealed that IPOs were called to overcome resistance within the MNCs to changing domestic sourcing preferences ('Industrial B': "*in Europe and US, the plants have been working with their domestic suppliers for years. It is difficult to change this habit.*"). Certain interviewees (e.g., 'Engine', 'Engineering', 'Lighting', and 'Retailer B') include a ***knowledge broker*** role to highlight as the role of the IPO in providing advice not only on sourcing in China (as in the ***internal advisor*** role) but also on general supply chain management (SCM) best practices as a centre of excellence for such activities.

Most of the sampled IPOs were moderately involved in a ***supply policy maker*** role ('Solar': "*most of the strategic planning and decisions are made by headquarters.*"). However, 'Retailer B' was a genuine policy maker ('Retailer B': "*China is the predominant sourcing area for us. We are offshoring all our main procurement responsibilities to the IPO.*"). China is the predominant sourcing area for 'Retailer B', which evidently affected the decision to enhance the strategic role of this IPO.

In sum, most interviewees reported that the importance of all of the analysed roles increased during the five-year study period. The roles that grew considerably included ***supplier developer*** and ***innovation facilitator***. Growth in importance of the ***supplier developer*** role might be related to the increase in the technological and architectural

complexity of items being purchased from Chinese suppliers. Moreover, the analysed experiences indicated that the training programmes provided by these Western companies focused on advanced issues such as the Toyota Production System, lean management, and, recently, corporate social responsibility. The significant growth of the ***innovation facilitator*** role might be explained by the increasing involvement of the Chinese supply base and IPOs in new product development projects.

6.4.2 IPO resources/capabilities

The cross-case analysis allowed us to study IPO resources/capabilities, to characterise them accurately, and to highlight their changes over the five-year study period. The major keywords and sentences on the importance of IPO resources/capabilities at the time of this study and the five years before were collected and systematised to preserve the chain of evidence.

Table 20 reports this coding for three exemplary cases that will be discussed in the 'discussion' section.

Advanced skills of employees were considered important or very important by all respondents. The most frequently cited skills were communication skills (e.g., presentation, public speaking, listening and writing), which were mentioned by 8 interviewees, and technical skills, mentioned by 7 interviewees. Other decisive skills were team building (e.g., leadership, the ability to influence and produce an acceptable arrangement), strategic planning (project scoping and goal-setting) and commercial capabilities. Respondents mentioned also other abilities: project management, problem solving, ethics, flexibility, and ability to involve internal and external stakeholders. No respondents mentioned financial skills as important for managing an IPO.

All IPOs except 'Retailer A' and 'Industrial Tool' highlighted the importance of ***executive commitment*** (e.g., 'Engineering': "*if managers don't have commitment to source from China, relevant obstacles arise.*"). Two IPOs ('Identification' and 'Industrial C') considered executive commitment extremely important but reported that strong commitment was lacking.

Table 20: Cross-case analysis on IPO resources/capabilities (exemplary cases)

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Rigorous and well-defined processes	"relevant issue"	"completely unimportant"	"a little more important than in the past"	"important" "our procurement procedure has been well defined"	"important"	"quite important"
Adequate information technology solutions	"the most important capability"	"completely unimportant"	"no change"	"we have what we call GPS (Global Purchasing System) which includes all our databases."	"relevant role"	"medium importance"
Structured approaches to communication	"quite important"	"completely unimportant"	"important"	"relevant"	"same as 5 years ago"	"not important" "we have a culture that is people driven rather than process driven. We don't have a weekly meeting with HQ; if there is a problem, we contact the HQ"
Adoption of methodologies for measuring savings	/	/	"very little increase in importance"	"important but it is difficult to reach agreement on this" "the TCO methodology is desirable but difficult to implement as it requires accurate data from various departments."	"this is a very little bit more important now since we have more stringent requirements in measuring savings"	"moderately important"

Table 20 *(continued)*

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Advanced skills of employees	"this is important now, in particular collaboration and communication, strategic planning and technical skills"	"not so important"	"same as five years ago"	"crucial" "IPO staff should have project management skills, communication skills, engineering background and leadership"	"crucial" "trading managers require: leadership, communication, strategic thinking and business sense" "business developers require: team leadership, negotiation skills, decision making and influence are important"	"not important"
Cross-cultural integration	"has become quite important"	"unimportant"	"no change"	"relevant issue" "IPO head should be a trans-cultural"	"moderately important both now and in the past"	"moderately important both now and in the past"
Adequate vendor rating systems	"important both now and in the past"	"important both now and in the past"	"increased a little because we need to measure the suppliers in a more rigorous way"	"quite important"	"This has become more important now. We have a detailed system."	"not so important"
Innovation capabilities	"important"	"unimportant"	"little increase due to a quite deeper involvement of supplier involved in the NPD process"	"quite relevant issue"	"it has become crucial" "this reflects the increasing importance of innovation facilitator role."	"of little importance"

Table 20 *(continued)*

	Appliance		Engine		Retailer A	
	Now	**5 years ago**	**Now**	**5 years ago**	**Now**	**5 years ago**
Executive commitment	"crucial" "the biggest obstacle for the developing an IPO is, in fact, the internal resistance from the organization"	"of medium importance"	"same as in the past"	"the sponsorship from senior management on low cost country sourcing is very important" "I've been fortunate because of my senior position, I know the senior managers and they trust me"	"this has been more important in the past."	"a relevant role"
Availability of needed resources	"relevant issue"	"unimportant"	"no change"	"important for 3 reasons: you need to identify and manage capable suppliers; there must be right people in the IPO, engineering resources are our bottleneck"	"important" "we need to know why they want to develop this product, what function they want to achieve, if we can use alternative materials, if their design is feasible for manufacturing"	"medium importance"
Operations/ manufacturing support	"important"	"unimportant"	"still crucial"	"We received a lot support from engineering dept. We cannot achieve anything without their support"	"this has been and is not important"	"this has been and is not important"
Availability of suppliers with advanced capabilities	"important"	"of little importance"	"very little increase in importance"	"important" "since JVs and foreign suppliers are too expensive, we tend to develop Chinese suppliers"	"this has been and is the less important element"	"this has been and is the less important element"

As it might be expected from the findings about IPO roles, the capability that had increased most in its perceived importance was innovation. ***Innovation capabilities*** were considered important or very important by all respondents. Several IPOs were involved in new product development projects, and their ability to create an effective link between R&D departments and Chinese suppliers (for joint design, search for advanced materials, etc.) appeared crucial. In one case (i.e., 'Retailer B'), the design team was even located within the IPO.

Unsurprisingly, all IPOs considered the ***availability of necessary resources*** a decisive element ('Lighting': "*This is essential. We cannot do anything without adequate budget, time, human and technical resources.*"). Some interviewees reported that they possessed the necessary resources, while others experienced difficulties in obtaining them, especially financial support. This aspect appeared strongly connected with another important key factor of success, i.e., executive commitment.

Most IPOs (exceptions were 'Industrial C' and 'Solar') identified ***rigorous and well-defined processes*** as important. Some companies reported difficulties in following Chinese processes, especially regarding goals, budgets and times ('Industrial B': *"it is difficult to go through the process in great details; this is particular true with Chinese suppliers.*").

Several cases highlighted the importance of a ***structured approach to communication***. Videoconferencing and web-based collaboration tools were some of the solutions used for a continuous alignment of the IPO's strategy to the one adopted by headquarters. According to the interviewees, this alignment seemed to require some time ('Retailer B': "*typically, in the early phase an IPO hasn't got a structured approach to communication and it develops approaches and norms with the time passing by.*"). Some companies also indicated that the importance of this aspect had progressively decreased as the IPO matured ('Automation': "*this is less important now than in the past because during start-up it is essential to have a structured approach. Now the IPO is more based on its own experience.*").

Several IPOs reported that the availability of ***adequate information technology*** was an important resource ('Engineering': "*the ERP system was established in China immediately and it is integrated in all the facilities and offices of the group.*"). Three cases underlined the difficulty of managing large amounts of data ('Retailer B': "*we still have to spend a lot of time getting data and don't have time to think and analyse them.*").

Most respondents (except 'Identification', 'Retailer A', 'Retailer B', and 'Lighting') underlined the importance of ***operations/manufacturing support to the IPOs***. The type of support (e.g., engineering, R&D, quality, or logistics) and its source (internal or external stakeholders) varied within the sample ('Identification': *"we need quality and logistics teams to support us."*; 'Industrial A': *"We need support from quality and R&D of the plants."*; Industrial C: *"we get support from engineering department at the headquarters and from the quality department at the Shanghai plant."*). These experiences indicate that support can generate mutual benefits ('Industrial A': "*we need support from quality and R&D departments at the headquarters. Their supports have been improved because they also start obtaining benefits from this collaboration.*").

Most of the sampled IPOs considered the ***availability of suppliers with advanced capabilities*** essential to developing collaborations that satisfy the company's requirements for design, cost, quality, and time ('Engine': "*the availability of adequate suppliers is crucial. To develop Chinese suppliers can be very costly and time consuming."*).

Interviewees reported that ***cross-cultural adaptation*** is another critical capability. The sampled IPOs valued employees who understand different cultures with minimal bias and make valid cross-cultural judgments. Respondents highlighted the need to employ at least one 'trans-cultural person' within the IPO, preferably in top-level management ('Retailer B': "*most of the senior expatriate managers have long international experience.*"). Some IPOs ('Engineering', 'Appliance', 'Industrial B', 'Industrial C', and 'Retailer A') reported that this role was less important now than in the past ('Engineering': "*China has become more international.*").

Finally, several companies considered ***vendor rating systems*** important ('Engine': "*it is useful because we need to measure the suppliers in a rigorous way;"* 'Industrial B': "we *need to give suppliers fair judgments and feedback.*"), while all but three IPOs ('Solar', 'Industrial B', and 'Lighting') perceived ***methodologies for measuring savings*** important ('Engine': "*this is important because the IPO presence and development is based on it.*").

All of the resources/capabilities analysed were considered important by the interviewees at the time of the interviews. The proposed conceptual framework for IPO resources/capabilities (Table 18) is therefore supported by the empirical evidence. Furthermore, most analysed IPOs reported the increasing importance of many resources/capabilities.

6.5 Discussion

6.5.1 A resource-based view of IPOs

Having established the importance of these IPO resources and capabilities, we apply the RBV to shed light on four key issues about them: (1) value; (2) rareness, (3) inimitability; and (4) non-substitutability (e.g., Barney, 1986a, 1991, 2001).

All twelve resources/capabilities included in the research framework were reported by the interviewees as an important source of ***value*** for their IPOs. They may in fact potentially contribute to reduce purchasing prices, to increase supply quality and reliability, to find new materials/technical solutions, and to prevent (or reduce) cultural problems and misunderstanding between the suppliers and the central purchasing office.

As far as the ***rareness*** is concerned, we observed that while some resources (e.g., *adequate information technology solutions*, *structured approaches to communication*, and *adequate vendor rating systems*) are considered technicalities that can be easily acquired or transferred and are reported to be widespread among the IPOs, other capabilities are characterised by greater social complexity, require a long time or gradual learning processes to acquire and are quite rare. For instance the *cross-cultural adaptation* capability entails many aspects such as a deep knowledge of different cultures, values, and ways of doing business and the ability to communicate and mediate and can be acquired only through a long and gradual organisational learning process. Similar reasoning might apply to *advanced skills of employees* and 'innovation capabilities'. If we consider 'resource/capability bundles' (rather than 'individual resources/capabilities') following Barney (1991), we will argue that the analysed set of resources/competences is rare. It consists in fact of some particularly rare competences that should be exploited in combination with other more widely available resources. *Advanced skills of employees*, *adequate information technology solutions*, s*tructured approaches to communication*, and *adequate vendor rating systems* constitute for instance a resource/capability bundle in which the rare capability (i.e., *advanced skills of employees*) requires the other three resources to exploit its potential value of reducing purchasing prices or increasing supply quality and reliability.

The bundle of resources and competences highlighted by this study is valuable and rare and represents a potential source of competitive advantage. However, is this competitive advantage sustainable? To answer this question, we must consider the imperfect imitability and non-substitutability of the analysed resources/competences.

Most cases suggested that human resources can easily move to competitors (in our sample the IPO annual turnover rate often exceeded 10%), as well as some practices can be copied. However, our cases showed that the overall IPO's resources and capabilities can be ***difficulty imitated*** since the effectiveness of these know-how and human resources transfers is challenged by the importance of the IPO context and of the relationships with suppliers and internal stakeholders.

All of the analysed resources/capabilities appeared to be ***difficult to substitute***. The cases did not suggest a resource/capability that could substitute the twelve presented in the research framework.

In sum, the analysed resources and competences present the four features of the core competences, i.e., ***value***, ***rareness***, ***inimitability***, and ***non-substitutability***.

6.5.2 Evolution and contingency perspective

Changes in the organisational profiles (i.e., roles and resources/capabilities) of the sampled IPOs and the contingent factors affecting such changes also deserve discussion. The analysed cases allowed us to identify three evolutionary behaviours:

- ***Overall development*** that affects all roles studied (i.e., all roles have undergone significant increases in importance);
- ***Selective development*** that occurs along one or a few directions (mainly innovation and supplier development);
- ***Stable configuration*** where the stability is the main characteristic (i.e., little change in the importance of roles).

The aim of this section is to build a typology of these evolutionary behaviours and to illustrate them through three representative cases. Drawing from the cross-case analysis tables containing keywords and quotes (Table 19 and 20), we coded the changes in importance of the analysed roles and resources/capabilities into five levels, i.e., high increase, increase, no significant change, decrease, high decrease. Table 21 summarises the changes in roles and resources/capabilities importance for the three representative cases.

6.5.2.1 Overall development

A representative example of the ***overall development*** behaviour is 'Appliance.'

Five years before the research (when sourcing activities in China were limited), the IPO mainly conducted supplier selection for the parent company. More recently, increased

international competition led the company to relocate a large proportion of its production to low-cost countries to reap the benefits of comparative cost advantage. Thus, 'Appliance' started restructuring its strategic orientation toward cost efficiency. Within a few years, approximately 70 percent of purchases were transferred to low-cost countries (mainly China). Accordingly, the IPO assumed more responsibilities and its profile grew considerably along all of the considered dimensions.

An enabling factor of this evolution is the level of *executive commitment*. The growing number of competitors working in China made management aware of the importance of this sourcing base for achieving a sustainable competitive advantage ('Appliance': "*everything arose from the management's awareness of the importance of the IPO's growth.*").

Other resources/capabilities that were previously critical elements were mainly related to supplier selection, especially the adoption of *adequate vendor rating systems*. With the increase in the IPO's responsibility and complexity, other resources/capabilities rose in importance (e.g., *adequate information technology solutions, innovation capabilities, rigorous and well-defined processes, operations/manufacturing support to the IPO*).

Other IPOs that have followed a similar path are 'Automation', 'Engineering', 'Industrial B', 'Industrial C', 'Industrial Tools', and 'Retailer B'. However, some of these, despite being characterised by overall development, had not yet reached the advanced configuration of the 'Appliance' IPO because the percentage of sourcing in China remained low (e.g., 'Automation') or executive commitment was limited (e.g., 'Industrial B').

6.5.2.2 Selective development

A representative example of the ***selective development*** behaviour is 'Retailer A.'

This company, characterised by extensive experience in the Chinese context, had considerably grown in the *innovation facilitator* and *supplier developer* roles in recent years; other roles had instead remained constant or experienced a little increase (i.e., negotiator and coordinator) or decrease (i.e., supplier advocate and cultural broker).

Initially, 'Retailer A' purchased simple products in this region. The main activities performed by the IPO were supplier selection and negotiation. More recently, the company decided to source products with greater technological and architectural complexity from China. Rather than pushing the suppliers to lower their prices, the IPO began to work with them to increase their technological and managerial profiles. As

such, the *innovation capabilities* and *advanced skills of employees* became critical. The IPO was able to support local suppliers in the development of advanced management concepts, such as lean production and six-sigma. More generally, the IPO guided the development of supplier capabilities.

Table 21: Evolutionary behaviours

		Overall development	**Stable configuration**	**Selective development**
		Appliance	Engine	Retailer A
Roles	**Gatekeeper**	++	0	0
	Negotiator	+	0	+
	Coordinator	+	0	+
	Supplier advocate	+	0	–
	Internal advisor	++	0	0
	Supplier developer	++	+	++
	Supply policy maker	++	0	0
	Network structuring agent	++	0	+
	Innovation facilitator	++	+	++
	Cultural Broker	++	0	–
Resources/capabilities	**Rigorous and well-defined processes**	++	+	+
	Adequate information technology solutions	++	0	+
	Structured approaches to communication	++	0	0
	Adoption of methodologies for measuring savings		0	0
	Advanced skills of employees	++	0	++
	Cross-cultural integration	++	0	0
	Adequate vendor rating systems	0	+	+
	Innovation capabilities	++	+	++
	Executive commitment	++	0	–
	Availability of needed resources	++	0	+
	Operations/manufacturing support	++	0	0
	Availability of suppliers with advanced capabilities	++	0	0

(++ high increase; + increase, 0 no significant change; – decrease; – – high decrease)

Other resources/capabilities included the adoption of *rigorous and well-defined processes, adequate information technology solutions***,** and *availability of necessary resources*. 'Retailer A' – during the five-year study period – rethought and codified

some of its business processes and selected new IT solutions to build a better connection with the supply base.

Other IPOs that have followed a similar path are 'Printing' and 'Lighting'. Using the Chinese supply base to source advanced products tend to be encouraged by increasing prices, which made China less attractive than other geographic areas for basic items.

6.5.2.3 Stable configuration

A representative example of the ***stable configuration*** is 'Engine.'

Although this IPO was only established in 2003, the parent company had penetrated the Chinese sales market in 1979. The IPO was already well developed five years before the study (it was mainly used to train suppliers, set supply policies, define the supplier evaluation systems, and develop multi-annual contracts) and its configuration remained stable during the five-year period of analysis. Both the importance of the roles and the importance of the resources/capabilities reflected this stability.

Other IPOs that have followed a similar path are 'Identification', 'Industrial A', and 'Solar'. IPO maturity, the long lasting presence of the parent company in China, and a stable sourcing strategy are common features of these cases (with the exception of 'Solar' which represents a rather particular case of sourcing in China photovoltaic products for a product availability reasons).

6.5.3 Contingent factors

The cross-case analysis identified three factors that could affect IPO evolutionary behaviours:

- ***The architectural and technological complexity of the sourced items***.

China has recently lost cost advantages due to increasing costs of some productive inputs (e.g., labour and raw materials) and Renminbi (Chinese Yuan) appreciation. These changes have forced three sampled companies to source from the country for new reasons (e.g., access to advanced competencies and proximity to a strategic sales market), to source more complex items, and to cooperate with suppliers and support their development. The head of the 'Printing' IPO argued, for instance: "*China is not considered a low cost country anymore*. […] *For this reason we [the IPO] have [has] moved up in the value chain*". A similar change was experienced by the 'Lighting' and 'Retailer A' IPOs ('Lighting': "*if you start applying the total cost of ownership concept, then a lot of strategic factors and the best country sourcing is not always China*"). These three cases were characterised by 'selective development' behaviour. We might

propose that the increase in the architectural and technological complexity of the sourced items encourages the growth of certain roles assumed by IPOs (especially 'supplier developer' and 'innovation facilitator').

- ***The annual volume sourced abroad***.

While individual differences in the annual volume sourced in China exist, all companies that exhibited 'overall development' behaviour (i.e., 'Appliance', 'Automation', 'Engineering, 'Industrial B', 'Industrial C', 'Industrial Tools', and 'Retailer B') were characterised by increasing volumes over the five-year study period. Such a growth in the annual volume sourced from China appears to have led these companies to transfer responsibilities from headquarters to the peripheral purchasing organisation. In other words, we might hypothesise that the increase in the sourcing volume leads to an overall growth of (all) roles assumed and resources/capabilities required by IPOs.

- ***The experience in the foreign context***.

We observed that companies that have a long lasting presence in China (even if only a sales or a representative office) tend to have strengthened and quite stable IPOs. This might be due to their greater experience and deeper understanding of the language, cultural values, institutions, and local way of doing business. A representative case for this pattern is 'Engine' (see Section 6.5.2.3), but similar reasoning might apply even to the 'Identification' and 'Industrial A' IPOs. We propose that a long lasting presence in a foreign context increases the stability of the roles assumed by IPOs.

Our findings (i.e., the three affecting factors) are partially consistent with the results of previous studies on contingent factors affecting IS organisational design (see Section 6.2.4). The effect of the *characteristics of the sourced items* on IS organisational design has been noted by Giunipero and Monczka (1997) and Trautmann *et al.* (2009). The *annual volume* is one dimensions of the '*purchase importance*' (i.e., one of the contingent factors) adopted by Trautmann *et al.* (2009b). *Experience in a foreign context* represents an extension of the '*global sourcing experience*' highlighted by Giunipero and Monczka (1997).

In addition to the three affecting factors highlighted by our study, an additional contingency is the *country of location of the sourcing basin*. Although we focused on a single country (i.e., China), which does not allow cross-country comparison (the reason we discuss this contingent factor separately), the analysed cases provided interesting information about the effect of the country on IS organisational design and evolution.

We noticed as the relevance of certain roles is emphasised by some features of the Chinese context. The monitoring of intellectual property (IP) rights (*gatekeeper* role) is for instance of particular relevance while sourcing in a country where IP rights violations are not infrequent. In addition, the cultural differences between the company headquarters and the sourcing basin – see, for instance, the three differences between China and the West highlighted by Jia and Rutherford (2010), i.e., 'family orientation vs. self-interest', 'guanxi network vs. multiple institutions', 'guanxi building process vs. Western relationship-building process' – contribute to cause the need for a *cultural broker* role within the IPO. Finally, even the physical/geographical distance between the company headquarters and the sourcing basin might contribute to shape the IPO organisational profile. The importance of warehousing and logistics (*coordinator* role) is in fact affected by such physical/geographical distance.

Some country influences might also be recognised in the evolutionary behaviours of the sampled IPOs. The economic development of China over the last decades and the improvement of its logistics infrastructures might have contributed to the increased *annual volume sourced from China* by the sample companies (i.e., 'Appliance', 'Automation', 'Engineering, 'Industrial B', 'Industrial C', 'Industrial Tools', 'Retailer B'). Such an increase is in turn one of the key determinants of *overall development* behaviour. In addition, the increased costs of productive inputs in China and the Renminbi appreciation have made China no longer a low cost country for other companies (i.e., 'Lighting', 'Printing', and 'Retailer A'), which requires a change in sourcing strategy.

Finally, we believe that the rapid changes that have been taking place in China (e.g., rising costs, currency appreciation, economic and infrastructural development, and improvement in the technological and managerial profiles of local firms) have made this context dynamic and particularly suitable to study the IPO evolutionary behaviours.

CHAPTER 7.
Conclusions

7.1 Synopsis

The establishment of bridgeheads in foreign supply regions seems to be an essential step in the internationalisation path of firms. In the last decade, the creation of International Purchasing Offices has become one of the strategies most frequently adopted for managing international sourcing activities (Monczka *et al.*, 2008).

In this thesis, we set out to achieve four mains aims: (1) to develop a systematic literature review on IPOs; (2) to propose a typology of IPOs and highlight the relationship between strategy and structure in a global purchasing context; (3) to study IPO macro-organisational structures (i.e., organisational archetypes) and their evolution over time; and (4) to study IPO micro-organisational structures (e.g., individual tasks, activities, and capabilities) and their evolution over time.

We collected 59 contributions concerning IPOs published in academic journals, practitioner journals, and other sources. We analysed their distribution by adopted methodologies, underpinning theories, geographical areas analysed, and topics. We highlighted six main research topics (i.e., IPO definition, activities, location choices, strengths, weaknesses, and human resources management) and summarized the scholar and practitioner debate about them. This allowed us to conclude that IPO literature is characterized by some weaknesses (e.g., methodological issues and lacking theoretical foundations) and gaps and to propose some directions for future research organized into three key questions: (1) Does an IPO add value to the company? (2) How are the IPOs set up, how do they work, and how do they develop? and (3) What is the role of the IPOs within the global sourcing organisational structure? (see Chapter 2).

We identified through a multiple case study research three types or clusters of IPOs (i.e., strategic, quasi-strategic, and operational) along four dimensions (i.e., motives for sourcing from China, global purchasing strategy for China, IPO structure and IPO followership) and presented a causal model and associated propositions to explain how an IPO may become more strategic for its parent company (see Chapter 4).

We proposed a typology of IPOs macro-organizational structures and a dynamic evolution model, consisting of five stages differentiated by number, depth, and breadth of roles, in which IPOs could leapfrog some stages, re-trench (move back to lower

stages) and be potentially withdrawn. We recognized a causal link between the strategic importance of China to its parent company and the depth and breadth of activities (i.e., IPO stage) (see Chapter 5).

Finally, we highlighted some resources/capabilities required by IPOs, we developed a typology of IPO micro-organisational evolutionary behaviours (i.e., overall development, selective development, and stable configuration) and recognized three contingent factors that jointly affect these behaviours (i.e., the architectural and technological complexity of the sourced items, annual volume sourced abroad, and experience in the foreign context) (see Chapter 6).

7.2 Contribution

7.2.1 Contribution to theory

This thesis contributes to the purchasing and supply chain management literature in many significant ways.

We systematized and summarized the existing literature on IPOs and identified various thematic, theoretical, and methodological gaps. This might potentially contribute to increasing the scientific interest for the IPO topic and for the wider global sourcing organizational design issue which are relevant for practice but rather unexplored by the scientific literature (e.g., Trautmann *et al.,* 2009b). This thesis might also guide scholars that are interested in studying the IPOs by clearly presenting some directions for future research and grounding them on well-established theoretical frameworks (i.e., TCE, TCO, principal-agent theory, internationalisation theory, and role theory).

We developed an IPO typology along four dimensions. 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. While developing such a typology, we also refined the centralised, decentralised and hybrid triad and identified 'tiered' and 'sourcing council' forms of hybrids, thus enriching this area of global sourcing research.

Decision making has previously been assumed to lie either in corporate purchasing organisations or in global plants (e.g., Arnold, 1999; Trent and Monczka, 2002; Quintens *et al.*, 2006a). Our findings refuted this. 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 4.4.2) there are four levels of purchasing within a company. The geographical level is the least understood.

We showed 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. 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). We also identified the underlying construct of IPO followership. This construct proved 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.

We are the first who discuss the roles played by an IPO at different stages of evolution and the change of roles over time (macro-organizational structures). The application of role theory proved to be a useful way of differentiating the evolution stages. We also showed that IPOs could assume a proactive, or even a leading, role represented by assuming the four strategic roles (i.e., *supply policy maker, innovation facilitator, supply network orchestra,* and *knowledge broker*) in global sourcing of MNCs in a geographical region (e.g., China). This is a point of departure from previous research and might open a new avenue of research.

Existing global sourcing/purchasing process models (e.g., Rajagopal and Bernard, 1993; Trent and Monczka, 2003) are silent on the detailed stages after an MNC started sourcing from a low-cost country and prescribed a sequential and unilinear evolution for global sourcing. Moreover, majority of them are conceptual in nature. This thesis filled this gap, providing empirical evidence for a dynamic evolution model of IPOs in which

an IPO could 'leapfrog', 'downgrade', or 'be withdrawn' depending on contingent factors and internal strategic change. This is aligned with the dynamic evolution internationalisation models (e.g., Kamakura *et al.*, 2012) and challenges the strictly sequential and unilinear nature of the existing models. Furthermore, we theorized by proposing the construct of the strategic importance of China to IPO's parent company and linking it with the IPO types, conductive to further theory building.

We extended the resource-based view of the firm in a global sourcing context by highlighting twelve resources/capabilities required by IPOs and discussing their characteristics. In doing this, we overcome three major limitations of the previous research on resources/capabilities for global sourcing: (1) inadequate grounding in the RBV; (2) assuming a headquarter-centric perspective (completely ignoring IPOs); and (3) not linking the resources/capabilities to the roles or activities that they underpin.

Finally, we proposed a typology of IPO micro-organisational evolutionary behaviours by considering the changes occurred over a five-year period and recognized three factors that might affect the evolutionary behaviours (i.e., the architectural and technological complexity of the sourced items, the annual volume sourced abroad, and the experience in the foreign context). As such, we provided a set of constructs and relationships between constructs that could be formalised into a model and tested empirically in future studies.

7.2.2 Contribution to practice

This thesis provides managers with an overview of the GP strategy for China and the IPO macro- and micro- organisational design. 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).

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), and eventually to adjust their China sourcing strategy and/or IPO structure accordingly.

The two forms of hybrid strategies (i.e., 'tiered' and 'sourcing council') and the three IPO structures (i.e., 'sourcing team', 'full-service', and 'advance full-service') highlighted in this thesis could be considered by MNCs managers when designing their IPOs.

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.

The dynamic evolution model represents a tool for MNC managers to assess their global purchasing and IPO stages and decide whether they want to upgrade, degrade, leapfrog, or remain the same. The need for such a stage-model in the industry is also highlighted by BCG's report on "Sourcing from China", which proposes four stages characterized by an increasing level of involvement in the supply market in China (Hemerling and Lee, 2007). Our model, building upon empirical data, identifies the roles (and activities) that could be assumed by each IPO stage. We therefore provide managers with a more detailed framework; this has implications for IPO organisational design and the skill set required by the IPO staff and management.

The strategic importance construct further helps managers to assess the fit between the strategy and the global purchasing structure of their MNCs, possibly providing them with reasons for upgrading or downgrading. Furthermore, it suggests managers must be clear about their motives for sourcing from China, rather than simply engaging in global sourcing because others also do it.

The identified micro-organisational evolutionary behaviours (i.e., overall development, selective development, and stable configuration) can help managers reflect on IPO evolution (e.g., which activities to improve, which resources/capabilities to develop).

Finally, the focus on China, the world's most important sourcing basin, allows us to provide managerial insights into that geographical area. The analysed experiences highlighted the changes that have affected sourcing in China during the last decade, including overcoming the low-cost sourcing perspective and shifting towards more (technologically and architecturally) complex items. This change modified the organisational structure of some IPOs, which had been increasingly focused on supplier

development and cooperation in new product development. Moreover, some country-specific aspects (e.g., the *guanxi* management) were identified and their relationships with IPOs were discussed.

7.3 Limitations and future research

The results of this thesis should be viewed in light of some (major) limitations.

First, we adopted a multiple case study method and performed qualitative data analyses on 14 IPOs. This thesis cannot therefore provide the basis for statistical generalisations to a broader population. The analysed sample is however fine compared to what literature suggests and to the exploratory goals of the research and allows to achieve theoretical saturation rather than statistical validity (Eisenhardt, 1989)

Second, we focused on IPOs located in China that belonged to large Western MNCs. Caution is therefore required in extending findings to companies headquartered in other countries (e.g., Japan), 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). China represents anyway one of the most rapidly developing centres of production and global sourcing destinations in the world (Biggemann and Fam, 2011; Kang et al., 2012) and large firms are more likely to have an IPO and a significant history of GS (Nassimbeni and Sartor, 2007). In addition, these cultural/geographical and dimensional biases are rather common in studies on IPOs (see Section 2.3).

Third, we used retrospective data to study the evolution over time of IPO macro-organisational (see Chapter 5) and micro-organisational (see Chapter 6) structures. We acknowledge that this choice has some weaknesses (e.g., the recollection of past events by informants may be difficult and in certain cases biased). However, significant efforts were done by us to maximise the reliability of our data (for instance using multiple data collection techniques and interviewing multiple informants),

Notwithstanding the aforementioned limitations, the thesis clarifies some important aspects of a growing (and under-researched) organisational solution (i.e., the IPO) and more generally of the sourcing in China and opens many avenues for future research.

The typology and the causal model presented in Chapter 4 could be extended to other geographical/cultural contexts and tested by future studies (e.g., surveys employing quantitative cluster analysis and structural equation modelling). In addition, the possible relationship between the physical structure of the supply network of the MNC and the

IPO types could be deepened. 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.

The dynamic evolution model proposed in Chapter 5 also needs more clarification. In particular, (1) the operationalization of the strategic importance construct should be deepened and refined and (2) the mechanism of upgrading and downgrading and the other affecting factors (e.g., contingencies and managerial discretion) should be further identified and empirically tested. Since we only had two IPOs at the O-CPO stage and their roles and activities seem to further expand into sales and operations management in a host country, it is not very clear how the supply management and sales/operations management functions are integrated into the same entity. According to Luo (2007) and some recent consultancy reports (The Economist Intelligence Unit, 2011; KPMG, 2012), there is a tendency for advanced MNCs to have a China or Asia regional strategy coordinating supply and sales management. This could be another future research direction. Further research may also be performed on the intermediary ISO stage. This has implications for small and medium enterprises (SMEs) who struggle to find the stable overseas supply due to their small orders.

Additional studies may be conducted to formalise and empirically test a model of IPO micro-organizational evolutionary behaviours and contingent factors affecting such behaviours (see Chapter 6).

Finally, a further interesting direction for future research concerns the effect of the IPO's and the headquarters' national cultures (and of the differences between the two) on the IPO dynamics and characteristics.

REFERENCES

Adams, R., Bessant, J., Phelps, R., 2006. Innovation management measurement: A review. *International Journal of Management Reviews* 8 (1), 21-47.

Agarwal, S., Ramaswami, S.N., 1992. Choice of foreign market entry mode: Impact of ownership, location and internalization factors. *Journal of International business studies* 23 (1), 1-27.

Akyuz, A.G., Erkan, E.T., 2010. Supply chain performance measurement: a literature review. *International Journal of Production Research* 48 (17), 5137-5155.

Alguire, M.S., Frear, C.R., Metcalf, L.E., 1994. An examination of the determinants of global sourcing. *Journal of Business and Industrial Marketing* 9 (2), 62-74.

Allen, V.L., van de Vliert, E., 1984. *Role Transitions: Explorations and Explanations*. Plenum Press, New York, NY.

Ambos, T. C., Ambos, B., Schlegelmilch, B.B., 2006. Learning from foreign subsidiaries: An empirical investigation of headquarters' benefits from reverse knowledge transfers. *International Business Review* 15 (3), 294-312.

Amburgey, T.L., Dacin, T., 1994. As the left foot follows the right? The dynamics of strategic and structural change. *Academy of Management Journal* 37 (6), 1427-1452.

Anderson, E., Coughlan, A.T., 1987. International market entry and expansion via independent or integrated channels of distribution. *Journal of Marketing* 51 (1), 71-82.

Anonymous, 2010. Update on International Procurement. *Chaina* (Nov/Dec), 54-55.

Arnold, U., 1999. Organisation of global sourcing: ways towards an optimal degree of centralisation. *European Journal of Purchasing and Supply Management* 5 (3), 167-174.

Avery, S., 2002a. Global purchasing sharpens Schneider's competitive edge. *Purchasing* 131 (10), 17-19.

Avery, S., 2002b. Transforming Textron. *Purchasing* 131 (16), 27-31.

Aykol, B., Palihawadana, D., Leonidou, L.C., 2012. Research on the Import Activities of Firms 1960-2010. *Management International Review* 53 (2), 1-36.

Aykol, B., Palihawadana, D., Leonidou, L.C., 2013. Research on the Import Activities of Firms 1960–2010. *Management International Review* 53 (2), 215-250.

Bani, E., 1999. Foreign investments continue unabated (HL). *Business Times* (Apr).

Barney, J., 1999. How a firm's capabilities affect boundary decisions. *Sloan Management Review* 40 (3), 137-147.

Barney, J.B., 1986a, Strategic factor markets: expectations, luck, and business strategy. *Management Science* 32 (10), 1231-1241.

Barney, J.B., 1986b. Organizational culture: can it be a source of sustained competitive advantage? *Academy of Management Review* 11 (3), 656-665.

Barney, J.B., 1991. Firm resources and sustained competitive advantage. *Journal of Management* 17 (1), 99-120.

Barney, J.B., 2001. Resource-based theories of competitive advantage: a ten year retrospective on the resource-based view. *Journal of Management* 27 (6), 643-650.

Bass, B.M., 1990. From transactional to transformational leadership: Learning to share the vision. *Organisational dynamics* 18 (3), 19-31.

Beebe, A., 2007. *Winning in China's mass markets: New business models, new operations for profitable growth.* IBM Institute for Business Value, Available at: https://www.infoprintsolutionscompany.com/. Accessed 01.03.13

Benito, G.R.G., Dovgan, O., Petersen, B., Welch, L.S., 2013. Offshore outsourcing: A dynamic, operation mode perspective. *Industrial Marketing Management* 42 (2), 211-222.

Biggemann, S., Fam, K.S., 2011. Business marketing in BRIC countries. *Industrial Marketing Management* 40 (1), 5-7.

Birkinshaw, J.M., Morrison, A.J., 1995. Configurations of strategy and structure in subsidiaries of Multinational Corporations. *Journal of International Business Studies* 26 (4), 729-753.

Birou, L.M., Fawcett, S.E., 1993. International purchasing: Benefits, requirements, and challenges. *Journal of Supply Chain Management* 29 (2), 27-37.

Bozarth, C., Handfield, R., Das, A., 1998. Stages of global sourcing strategy evolution: an exploratory study. *Journal of Operations Management* 16 (2), 241-255.

Burgess, K., Singh, P.J., Koroglu, R., 2006. Supply chain management: A structured review and implications for future research. *International Journal of Operations and Production Management* 26 (7), 703-729.

Burns, T., Stalker, G.M., 1961. *The Management of Innovation*, Tavistock Publications, London, UK.

Byrne, P.M., 2005. Global sourcing: Opportunities and approaches for the 21st century. *Logistics Management* 44 (1), 27-28.

Cannon, J.P., Doneyb, P.M., Michael, R., Mullen, M.R., Petersen, K.J., 2010. Building long-term orientation in buyer-supplier relationships: The moderating role of culture. *Journal of Operations Management* 28 (6), 506-521.

Carbone, J., 2002. Where are the next hot spots? *Purchasing* 131 (7), 35-38.

Carbone, J., 2006. Industry in infancy. *Purchasing* 135 (8), 42-46.

Carduck, C., 2000. *International procurement offices*, Peter Lang, Frankfurt, Germany.

Carter, J., Narasimhan, R., 1990. Purchasing in the international marketplace: implications for operations. *Journal of Purchasing and Materials Management* 26 (3), 2-11.

Cavinato, J.L., 1992. A total cost/value model for supply chain competitiveness. *Journal of Business Logistics* 13 (2), 285-301.

Chadwick, T., Rajagopal S., 1995. *Strategic supply management: An implementation toolkit*, Butterworth-Heinemann, Oxford, UK.

Chaleff, I., 2003. Powerful followers are necessary to support powerful leaders. *Security Management* 47 (9), 26-26.

Chan, L., Wu, L., 2002. Quality function deployment: A literature review. *European Journal of Operational Research* 143 (3), 463-497.

Chandler, A.D.J., 1962. *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*. MIT Press, Cambridge, MA.

Chia, A., Goh, M., Hum, S., 2009. Performance measurement in supply chain entities: balanced scorecard perspective. *Benchmarking: An International Journal* 16 (5), 605-620.

Chicksand, D., Watson, G., Walker, H., Radnor, Z., Johnston, R., 2012. Theoretical perspectives in purchasing and supply chain management: an analysis of the literature. *Supply Chain Management: An International Journal* 17 (4), 454-472.

Cho, J., Kang, J., 2001. Benefits and challenges of global sourcing: perceptions of US apparel retail firms. *International Marketing Review* 18 (5), 542–561

Choi, T., 1999. Reverse Marketing in Asia: A Korean Experience. *Business Horizons* 42 (5), 34-40.

Christopher, M., Mena, C., Khan, O., Yurt, O., 2011. Approaches to managing global sourcing risk. *Supply Chain Management: An International Journal* 16 (2), 67-81.

Chung, W.W.C., Yam, A.Y.K., Chan, M.F.S., 2004. Networked enterprise: A new business model for global sourcing. *International Journal of Production Economics* 87 (3), 267-280.

Cleveland, G., Schroeder, R.G., Anderson, J.C., 1989. A Theory of Production Competence. *Decision Sciences* 20 (4), 655-668.

Coase, R.H., 1937. The nature of the firm. *Economica* 4 (16), 386-405.

Cohen, M.A., Mallik, S., 1997. Global supply chain: research and applications. *Production and Operations Management* 6 (3), 193-210.

Collinson, D., 2006. Rethinking followership: A post-structuralist analysis of follower identities. *The Leadership Quarterly* 17 (2), 179-189.

Croom, S., Romano, P., Giannakis, M., 2000. Supply chain management: an analytical framework for critical literature review. *European Journal of Purchasing and Supply Management* 6 (1), 67-83.

De Menezes, L.M., Kelliher, C., 2011. Flexible working and performance: A systematic review of the evidence for a business case. *International Journal of Management Reviews* 13 (4), 452-474.

Defee, C.C., Stank, T.P., Esper, T.L., Mentzer, J.T., 2009. The role of followers in supply chains. *Journal of Business Logistics* 30 (2), 65-84.

Defee, C.C., Stank, T.P., Esper, T.L., 2010. Performance implications of transformational supply chain leadership and followership. *International Journal of Physical Distribution and Logistics Management* 40 (10), 763-791.

Dimitratos, P., Petrou, A., Plakoyiannaki, E., Johnson, J.E., 2011. Strategic decision-making processes in internationalisation: Does national culture of the focal firm matter? *Journal of World Business* 46 (2), 194-204.

Dobson, W., Yue, C.S., 1997. *Multinationals and East Asian integration*. International Development Research Centre, Ottawa, CA.

Donaldson, L. (2001), *The contingency theory of organizations*. Sage Publications, Thousand Oaks, CA

Doty, D.H., Glick, W.H., 1994. Typologies as a unique form of theory building: toward improved understanding and modelling. *Academy of Management Review* 19 (2), 230-251.

Dunning, J.H., 1988. *Explaining International Production*. Unwin Hyman, London, UK.

Dunning, J.H., 2000. The Eclectic Paradigm as an Envelope for Economic and Business Theories of MNE Activity. *Journal of International Business Studies* 9 (1), 163-190.

Dyer, J.H., Singh, H., 1998. The relational view: Cooperative strategy and sources of inter-organisational competitive advantage. *Academy of Management Review* 23 (4), 660-679.

Eberhardt, M., McLaren, J., Millington, A., Wilkinson, B., 2004. Multiple forces in component localisation in China. *European Management Journal* 22 (3), 290-303.

Eisenhardt, K.M., 1989. Agency theory: An assessment and review. *Academy of Management Review* 14 (1), 57-74.

Eisenhardt, K.M., Martin, J.A. 2000. Dynamic capabilities: What are they? *Strategic Management Journal* 21 (10/11), 1105-1121.

Ellram, L.M., 1993. Total Cost of Ownership: Elements and Implementation. *International Journal of Purchasing and Materials Management* 29 (4), 3-10.

Ellram, L.M., 1995. Total cost of ownership: an analysis approach for purchasing. *International Journal of Physical Distribution and Logistics Management* 25 (8), 4-23.

Ellram, L.M., Siferd, S.P., 1998. Total Cost of Ownership: A Key Concept in Strategic Cost Management Decisions. *Journal of Business Logistics* 19 (1), 55-76.

Ellram, L.M., Tate, W., Billington, C. 2008. Offshore outsourcing of professional services: A transaction cost economics perspective. *Journal of Operations Management* 26 (2), 148-163.

Erramilli, M.K., Rao, C.P., 1993. Service firms' international entry-mode choice: a modified transaction-cost analysis approach. *Journal of Marketing* 57 (3), 19-38.

Fabbe-Costes, N., Jahre, M., 2007, Supply chain integration improves performance: the Emperor's new suit? *International Journal of Physical Distribution and Logistics Management* 37 (10), 835-855.

Fagan, M.L., 1991. A Guide to Global Sourcing. *Journal of Business Strategy* 12 (2), 21-25.

Fang, T., Olsson, D., Sporrong, J., 2004. Sourcing in China: The Swedish Experience. *Proceedings of the 20th IMP Conference*, Copenhagen, Denmark.

Farrell, D. 2005. Offshoring: Value creation through economic change. *Journal of Management Studies* 42 (3), 675-683.

Ferdows, K., 1989. *Managing International Manufacturing*. Elsevier Science Publishers, Amsterdam, the Netherlands.

Ferdows, K., 1997. Making the most of foreign factories. *Harvard Business Review* 75 (2), 73-88.

Fernie, J., Maniatakis, P.A., Moore, C.M., 2009. The role of international hubs in a fashion retailer's sourcing strategy. *International Review of Retail, Distribution and Consumer Research* 19 (4), 421-436

Fitzgerarld, K.R., 2005. Big savings but lots of risk. *Supply Chain Management Review* 9 (9), 16-20.

Fletcher, M., Plakoyiannaki, E., 2011. Qualitative research methods in international business. In Piekkari, R., Welch, C. (Eds.), *Rethinking the Case Study in International Business and Management Research,* Edward Elgar Publishing, Cheltenham, UK, pp.171-191.

Forrest, W., 2008. Strategic sourcing plan has Varian near speak performance. *Purchasing* 137 (11), 15.

Frear, C.R., Arguire, M.S., Metclaf, L.E., 1995. Country segmentation on the basis of international purchasing patterns. *Journal of Business and Industrial Purchasing* 10 (2), 59-68.

Gatignon, H., Anderson, E., 1988. Multinational Corporation's Degree of Control over Foreign Subsidiaries: An Empirical Test of a Transaction Cost Explanation. *Journal of Law, Economics, and Organization* 4 (2), 305-336.

Ghauri, P., 2004. Designing and conducting case studies in international business research. In Piekkari, R., Welch, C. (Eds.), *Handbook of Qualitative Research Methods for International Business*, Edward Elgar Publishing, UK, pp.109-124.

Ghosh, B.C., Liang, T.W., Meng, T.T., Chan, B., 2001. The key success factors, distinctive capabilities, and strategic thrusts of top SMEs in Singapore. *Journal of Business Research* 51 (3), 209-221.

Ghymn, K., Liesch, P., Mattsson, J., 1999. Australian import managers' purchasing behavior: an empirical study. *International Marketing Review* 16 (3), 202-215.

Gillespie, B., 2007. Black Pad on ENIG PCBs. *Circuits Assembly* 18 (7), 28.

Giunipero, L.C., Handfield, R.B., Eltantawy, R., 2006. Supply management's evolution: key skill sets for the supply manager of the future. *International Journal of Operations and Production Management* 26 (7), 822-844.

Giunipero, L.C., Monczka, R.M., 1997. Organisational approaches to managing

international sourcing. *International Journal of Physical Distribution and Logistics Management* 27 (5/6), 321-336.
Glock, C., Bogaschewsky, R., 2009. An efficiency-based framework for determining organizational costs in purchasing. *Proceedings of the 18th Annual IPSERA Conference,* Oestrich-Winkel, Germany.
Goh, M. and Lau, G., 1998. Electronics international procurement offices in Singapore. *European Journal of Purchasing and Supply Management* 4 (2-3), 119-126.
Goold, M., Campbell, A., 1986. *Strategies and Style: The Role of the Centre in Managing Diversified Corporations*. Blackwell, Oxford, UK.
Graen, G.B., 2008. Linking Chinese leadership theory and practice to the world: leadership secrets of the Middle Kingdom. In Chen, C.C., Lee, Y.T. (Eds.), *Leadership and management in China: Philosophies, theories, and practices*, Cambridge University Press, UK, pp. 272-297.
Grandinetti R., Nassimbeni, G., Sartor, M., 2009. Foreign direct investments in manufacturing by district firms: evidence from the Italian chair district. *Production Planning and Control* 20 (5), 403-419.
Grinyer, P.H., Yasai-Ardekani, M., 1981. Strategy, Structure, Size and Bureaucracy. *Academy of Management journal* 24 (3), 471-486.
Größler, A., Laugen, B.T., Arkader, R., Fleury, A., 2013. Differences in outsourcing strategies between firms in emerging and in developed markets. *International Journal of Operations and Production Management* 33 (3), 296-321.
Habib, M.M., Victor, B. 1991. Strategy, structure, and performance of U.S. manufacturing and service MNCs: A comparative analysis. *Strategic Management Journal* 12 (8), 589-606.
Hall, D.J., Saias, M.A. 1980. Strategy follows structure! *Strategic Management Journal* 1 (2), 149-163.
Hallenbeck, G.S., Hautaluoma, J.E., Bates, S.C., 1999. The benefits of multiple boundary spanning roles in purchasing. *Journal of Supply Chain Management* 35 (2), 38-43.
Handfield, R., 1994. US global sourcing: patterns of development. *International Journal of Operations and Production Management* 14 (6), 40-51.
Harland, C.M., Knight, L.A., 2001. Supply network strategy: role and competence requirements. *International Journal of Operations and Production Management* 21 (4), 476-489.
Hartmann E., Traumann G., Jahns C., 2008. Organisational design implications of global sourcing: a multiple case study analysis on the application of control mechanisms. *Journal of Purchasing and Supply Management* 14 (1), 28-42.
Hemerling, J., Lee, D. (2007). *Sourcing from China – Lessons from the Leaders*, The Boston Consulting Group, Available at: http://www.bcg.com.cn/cn/files/publications/reports_pdf/Sourcing_China_Jul_2007.pdf . Accessed 01.03.13.
Hennart, J.F., 1989. The Transaction-Cost Rationale for Countertrade, *Journal of Law, Economics and Organization* 5 (1), 127-153.
Hennart, J.F., 1990. Some Empirical Dimension of Countertrade. *Journal of International Business Studies* 21 (2), 243-270.
Hennart, J.F., 1991. The transaction costs theory of joint ventures: An empirical study of Japanese subsidiaries in the United States. *Management science* 37 (4), 483-497.
Herbig, P., O'Hara, B., 1996. International procurement practices: a matter of relationships. *Management Decision* 34 (4), 41-45.

Hofstede, G., 1991. *Culture and Organisations: Software of the Mind*, McGraw-Hill, London, UK.

Holweg, M., Reichhart, A., Hong, E., 2011. On risk and cost in global sourcing. *International Journal of Production Economics* 131 (1), 333-341

Horn, P., Schiele H., Welf W., 2013. The "ugly twins": Failed low-wage-country sourcing projects and their expensive replacements. *Journal of Purchasing and Supply Management* 19 (1), 27-38.

House, R.J., Aditya, R.N., 1997. The social scientific study of leadership: Quo vadis? *Journal of Management* 23 (3), 409-473.

Howell, J.M., Shamir, B., 2005. The Role of Followers in the Charismatic Leadership Process: Relationships and Their Consequences. *Academy of Management Review* 30 (1), 96-112.

Hoyt, C.L., Blascovich, J., 2003. Transformational and transactional leadership in virtual and physical environments. *Small Group Research* 34 (6), 678-715.

Hultman J., Johnsen T., Johnsen R., Hertz S., 2012. An interaction approach to global sourcing: A case study of IKEA. *Journal of Purchasing and Supply Management* 18 (1), 9-21.

Humphreys, P., Mak, K.L., McIvor, R., 1998a. Procurement. *Logistics Information Management* 11 (1), 28-37.

Humphreys, P., Mak, K.L., McIvor, R., 1998b. A just-in-time evaluation strategy for international procurement. *Supply Chain Management* 3 (4), 175-186.

Ingvaldsen, J.A., Rolfsen, M., 2012. Autonomous work groups and the challenge of inter-group coordination. *Human Relations* 65 (7), 861-881.

International Monetary Fund, 2012. *World Economic outlook*, Washington, DC, available at http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf. Accessed 4.07.2013.

Jahns, C., Hartmann, E., Bals L., 2006. Offshoring: Dimensions and diffusion of a new business concept. *Journal of Purchasing and Supply Management* 12 (4), 218-231.

Javalgi, R.G., Dixit, A., Scherer, R.F., 2009. Outsourcing to emerging markets: Theoretical perspectives and policy implications. *Journal of International Management* 15 (2), 156-168.

Jia, F., 2009. *Cultural adaptation between Western buyers and Chinese suppliers*. PhD dissertation. Cranfield School of Management, Cranfield, UK, available at: http://dspace.lib.cranfield.ac.uk/handle/1826/4525. Accessed 05.06.12.

Jia, F., Lamming, R., 2013. Cultural adaptation in Chinese-Western supply chain partnerships: supply chain learning in an international context. *International Journal of Operations and Production Management* 33 (5), 528-561.

Jia, F., Rutherford, C., 2010. Mitigation of supply chain relational risk caused by cultural differences between China and the West. *International Journal of Logistics Management* 21 (2), 251-270.

Johanson, J., Vahlne, J.E., 1977. The internationalization process of the firm – a model of knowledge development and increasing foreign commitments. *Journal of International Business Studies* 8 (1), 23-32.

Johanson, J., Wiedersheim-Paul, F., 1975. The internationalization of the firm: Four Swedish cases. *Journal of Management Studies* 12 (3), 305-322.

Johnson K.L., Duxbury L., 2010. The view from the field: A case study of the expatriate boundary-spanning role. *Journal of World Business* 45 (1), 29-40.

Julka, N., Baines, T., Tjahjono, B., Lendermann, P., Vitanov, V., 2007. A review of multi-factor capacity expansion models for manufacturing plants: Searching for a

holistic decision aid. *International Journal of Production Economics* 106 (2), 607-621.

Kaiho, H., Iwasaki, N., 1997. Changing Global Strategies through Business Development of Electronic Component Companies into Asia. *Seiyo University Economic Papers* 136, 201-221.

Kamakura, W.A., Ramón-Jerónimo, M.A., Gravel, J.D.V., 2012. A dynamic perspective to the internationalization of small-medium enterprises. *Journal of the Academy Marketing Science* 40 (2), 236-251.

Kang, M., Wu, X., Hong, P., Park, Y. 2012. Aligning organisational control practices with competitive outsourcing performance. *Journal of Business Research* 65 (8), 1195-1201.

Kannan, V.R., Tan, K.C., 2002. Supplier selection and assessment: Their impact on business performance. *Journal of Supply Chain Management* 38 (4), 11-21.

Karjalainen, K., Salmi, A., 2013. Continental differences in purchasing strategies and tools. *International Business Review* 22 (1), 112-125.

Kaufmann, L., Carter, C.R., 2002. International supply management systems – the impact of price vs. non-price driven motives in the United States and Germany. *Journal of Supply Chain Management* 38 (3), 3-17.

Kaufmann, L., Hedderich F., 2005. A Novel Framework for International Sourcing Applied to the Emerging Chineese Supply Market. In Essig, M. (Ed.), *Perspektiven des Supply Management: Konzepte und Anwendungen*, Springer, Berlin, Germany, pp. 123-150.

Keats, B.W., Hitt, M.A., 1988. A causal model of linkages among environmental dimensions, macro organisational characteristics, and performance. *Academy of Management Journal* 31 (3), 570-598.

Kelley, R.E., 1992. *The Power of Followership*, Doubleday-Currency, New York, NY.

Kelley, R.E., 2004. Followership. In Goethals, G.R., Sorensen, G., Burns M.J. (Eds.), *Encyclopedia of leadership*. Sage Publications, Thousand Oaks, CA, pp. 505-514.

Kenney, M., Massini, S., Murtha, T.P., 2009. Offshoring administrative and technical work: New fields for understanding the global enterprise. *Journal of International Business Studies* 40 (6), 887-900.

Kitagawa, H., 2007. The procurement activities of Japanese companies in Asian countries. In Lim H. (Ed.), *Asean SMEs and Globlization. ERIA research report n.5*. Available from: http://www.eria.org/The%20Procurement%20activities%20of%20Japanese%20Companies%20in%20Asian%20Countries.pdf. Accessed 1.7.12, pp. 365-399.

Kitchenham, B.A., 2004. *Procedures for Undertaking Systematic Reviews*. Joint Technical Report, Computer Science Department, Keele University (TR/SE-0401) and National ICT Australia Ltd. (0400011T.1).

Knight, L.A., Harland, C.M., 2005. Managing supply networks: organizational roles in network management. *European Management Journal* 23 (3), 281-292.

Knopf, J.W., 2006. Doing a literature review. *Political Science and Politics* 39 (1), 127-132.

Kotabe, M., 1990. The relationship between offshore sourcing and innovativeness of US multinational firms – an empirical investigation. *Journal of International Business Studies* 21 (4), 623-638.

Kotabe, M., 1998. Efficiency vs. effectiveness orientation of global sourcing strategy: a comparison of US and Japanese multinational companies. *Academy of Management Executive* 12 (4), 107-119.

Kotabe, M., Murray, J.Y., 1990. Linking product and process innovations and modes of international sourcing in global competition: A case of foreign multinational firms *Journal of International Business Studies* 21 (3), 383-408.

Kotabe, M., Murray, J.Y., 2004. Global sourcing strategy and sustainable competitive advantage. *Industrial Marketing Management* 33 (1), 7-14.

Kotabe, M., Omura, G.S., 1989. Sourcing strategies of European and Japanese multinationals: a comparison. *Journal of International Business Studies* 20 (1), 113-130.

KPMG, 2012, *The Future for MNCs in China 2012*. Available at: http://www.kpmg.com/ru/en/services/nationaldesk/china-practice/documents/ future -for-mnc-in-china.pdf Accessed 01.03.13.

Kumar, N., Rehme, J., Andersson, D., 2011. Internal Coordination in International Purchasing Offices. *Proceedings of the 20th Annual IPSERA Conference*, Maastricht, the Netherlands.

Kusaba, K., Moser, R., Rodrigues. A.M., 2011. Low-cost country sourcing competence: a conceptual framework and empirical analysis. *Journal of Supply Chain Management* 47 (4), 73-93.

Lahiri, S., Kedia, B.L., 2011. Co-evolution of institutional and organizational factors in explaining offshore outsourcing. *International Business Review* 20 (3), 252-263.

Lakemond, L., van Echtelt, F., Wynstra, F., 2001. A Configuration Typology for Involving Purchasing Specialists in Product Development. *Journal of Supply Chain Management* 37 (4), 11-20.

Lamming, R., 2000. Japanese Supply Chain Relationships in Recession. *Long Range Planning* 33 (6), 757-778.

Lau, H.F., 2008. Export channel structure in a newly industrialized economy. *Asia Pacific Journal of Management* 25 (2), 317-333.

Lau, K.H., Zhang, J., 2006. Drivers and obstacles of outsourcing practices in China. *International Journal of Physical Distribution and Logistics Management* 36 (10), 776-792.

Laurans, Y., Rankovic, A., Billé, R., Pirard, R., Mermet, L., 2013. Use of ecosystem services economic valuation for decision making: Questioning a literature blindspot. *Journal of Environmental Management* 119 (15), 208-219.

Lavie, D., 2006. The competitive advantage of interconnected firms: an extension of the resource-based view. *Academy of Management Review* 31 (3), 638-658.

Lawrence, P.R., Lorsch, J.W., 1967. *Organisation and environment*, Irwin, Homewood, IL.

Lawson, B., Cousins, P.D., Handfield, R.B., Petersen, K.J., 2009. Strategic purchasing, supply management practices and buyer performance improvement: an empirical study of UK manufacturing organisations. *International Journal of Production Research* 47 (10), 2649-2667.

Leonidou, L.C., 1995. Export Stimulation Research: Review, Evaluation and Integration. *International Business Review* 4 (2), 133-156.

Leonidou, L.C., 1998. Exploring Import Stimulation Behaviour: The Case of Cypriot Importers. *Journal of Supply Chain Management* 34 (3), 37-49.

Levy, D.L., 2005. Offshoring in the new global political economy. *Journal of Management Studies* 42 (3), 685-693.

Lewin, A.Y., Massini, S., Peeters, C., 2009. Why are companies offshoring innovation? The emerging global race for talent. *Journal of International Business Studies* 40 (8), 901-925.

Lewin, A.Y., Peeters, C., 2006. The top-line allure of offshoring. *Harvard Business Review* 84 (3), 22-24.

Lewis M., Brandon-Jones A., Slack N., Howard M., 2010. Competing through operations and supply: The role of classic and extended resource-based advantage. *International Journal of Operations and Production Management* 30 (9/10), 1032-1058.

Liu, H., Ke, W., Wei, K.K., Hua, Z., 2013. Effects of supply chain integration and market orientation on firm performance: Evidence from China. *International Journal of Operations and Production Management* 33 (3), 322-346.

Liu, H., McGoldrick, P.J., 1996. International Retail Sourcing: Trend, Nature, and Process. *Journal of International Marketing* 4 (4), 9-33.

Luo, Y., 1997. Guanxi: principles, philosophies, and implications. *Human Systems Management* 16 (1), 43-51.

MacCarthy, B.L., Atthirawong, W., 2003. Factors affecting location decisions in international operations a Delphi study. *International Journal of Operations and Production Management* 23 (7/8), 794-819.

Mahoney, J., Goertz, G., 2004. The possibility principle: choosing negative cases in comparative research. *American Political Science Review* 98 (4), 653-669.

Makadok, R., 2001. Toward a synthesis of the resource-based and dynamic capability views of rent creation. *Strategic Management Journal* 22 (5), 387-401.

Manning, S., Lewin, A.Y., Massini, S., 2008. A dynamic perspective on next-generation offshoring: The global sourcing of science and engineering talent. *Academy of Management Perspectives* 22 (3), 35-54.

Matthyssens, P., Faes, W., 1997. Coordinating purchasing: Strategic and organisational issues. In Gemünden, H.G., Ritter, T., Achim, W. (Eds.), *Relationships and networks in international markets*, Pergamon, Oxford, UK, pp. 323-341.

Meixell, M.J., Gargeya, V.B., 2005. Global supply chain design: a literature review and Critique. *Transportation Research Part E* 41 (6), 531-550.

Miles, M.B., Huberman, A.M., 1994. *Qualitative Data Analysis: An Expanded Sourcebook*. Sage Publications, Thousand Oaks, CA.

Miller, D., 1987. Strategy making and structure: Analysis and implications for performance. *Academy of Management Journal* 30 (1), 7-32.

Mintzberg, H., Lampel, J., Quinn, J.B., Ghoshal, S., 2003. *The Strategy Process: Concepts, Contexts, Cases.* Pearson Education, Edinburgh, UK.

Monczka, R.M., Giunipero, L.C., 1984. International purchasing: characteristics and implementation. *Journal of Purchasing and Materials Management* 22 (4), 2-9.

Monczka, R.M., Trent, R.J., 1991. Global sourcing – a development approach. *International Journal of Purchasing and Materials Management* 27 (2), 2-8.

Monczka, R.M, Trent R.J, 1992. Worldwide sourcing: assessment and execution. *International Journal of Purchasing and Materials Management* 28 (4), 9-19.

Monczka, R.M., Trent, R.J., Petersen, K.J., 2006. *Effective Global Sourcing and Supply for Superior Results*, CAPS Research. Available from: http://www.mlbkt.hu/downloads/1173176743effective_global_sourcing_monczka2006.pdf. Accessed 1.7.12.

Monczka, R.M., Trent, R.J., Petersen, K.J., 2008. Getting on track to better Global Sourcing, *Supply Chain Management Review* 12 (2), 46.

Monroy, R.C., Arto, V.J.R., 2010. Analysis of global manufacturing virtual networks in the aeronautical industry. *International Journal of Production Economics* 126 (2), 314-323.

Montgomery, J., 1998. Towards a role-theoretic conception of embeddedness. *American Journal of Sociology* 104 (1), 92-125.
Mulani, N., 2002. Global sourcing in China: The 411 on IPOs. *Logistics Management* 47 (5), 19.
Mulani, N., 2008. Five "good behaviors" that are key to global sourcing. *Logistics Management* 47 (6), 24-25.
Murray, J.Y., 2001. Strategic alliance-based global sourcing strategy for competitive advantage: a conceptual framework and research propositions. *Journal of International Marketing* 9 (4), 30-58.
Narasimhan, R., Carter, J.R., 1989. Organisation, Communication and Co-ordination of International Sourcing. *International Marketing Review* 7 (2), 6-20
Nassimbeni, G., Sartor, M., 2005. The internationalisation of local manufacturing systems: evidence from the Italian chair district. *Production Planning and Control* 16 (5), 470-478.
Nassimbeni, G., Sartor, M., 2006a. International purchasing offices in China. *Production Planning and Control* 17 (5), 494-507.
Nassimbeni, G., Sartor, M., 2006b. *Sourcing in China*, Palgrave-MacMillan, London, UK.
Nassimbeni, G., Sartor, M., 2007. Sourcing in China: a typology, *International Journal of Production Economics* 107 (2), 333-349.
Nassimbeni, G., Sartor, M., Dus, D., 2012. Security risks in service offshoring and outsourcing. *Industrial Management and Data Systems* 112 (3), 405-440.
Nassimbeni, G., Sartor, M., Orzes, G., 2014. Countertrade: compensatory requests to sell abroad. *Journal for Global Business Advancement* 7 (1), 69-87.
Nellore, R., Chanaron, J., Soderquist, 2001. Lean supply and price-based global sourcing-the interconnection. *European Journal of Purchasing and Supply Management* 7 (2), 101-110.
Nordstrom, D., 2000. Sourcing in China a different kind of IPO. *China Business Review* 27 (5), 30-31.
Overby, J.W., Servais, P., 2005. Small and medium-sized firms' import behavior: the case of Danish industrial purchasers. *Industrial Marketing Management* 34 (1), 71-83.
Pachè, G., 1998. A transactional approach to global sourcing: application to French food retailers. *International Journal of Retail and Distribution Management* 26 (2), 88-96.
Padmanabhan, P., Cho, K.R., 1996. Ownership strategy for a foreign affiliate: An empirical investigation of Japanese firms. *Management International Review* 36 (1), 45-65.
Paterson, S.L., Brock, D.M., 2002. The development of subsidiary-management research: review and theoretical analysis. *International Business Review* 11 (2), 139-163.
Patton, M.Q., 2002. *Qualitative Research and Evaluation Methods*. Sage Publications, London, UK.
Pauwels, P., Matthyssens, P., 2001. Toward a (more) dynamic theory of internationalization: International market withdrawal as empirical extreme. In Axinn, C.N., Matthyssens, P. (Eds.), *Reassessing the Internationalization of the Firm*, Emerald, Amsterdam, NE, pp. 255−275.
Pedersen, A., 2004a. Finding the talent to staff an international procurement office (IPO). *Purchasing* 133 (18), 60.

Pedersen, A., 2004b. Putting a price tag on an international procurement office (IPO). *Purchasing* 133 (16), 60.
Pedersen, A., 2004c. Conduct your own fact-finding when locating an international procurement office. *Purchasing* 133 (12), 136.
Pedersen, A., 2004d. Considerations in Evaluating an international procurement office (IPO) site. *Purchasing* 133 (10), 64.
Pedersen, A., 2005. Staffing an international procurement office. *Purchasing* 134 (6), 60.
Peng, G.C., Nunes, M.B., 2009. Surfacing ERP exploitation risks through a risk ontology. *Industrial Management and Data Systems* 109 (7), 926-942.
Petersen, B., Frayer, D.J., Scannell, T.V., 2000. An Empirical Investigation of Global Sourcing Strategy Effectiveness. *Journal of Supply Chain Management* 36 (2), 29-38.
Piekkari, P.R., Welch, C. 2004. Qualitative research methods in international business: The state of art. In Piekkari, P.R., Welch, C. (Eds.), *Handbook of Qualitative Research Methods for International Business*. Edward Elgar Publishing, Cheltenham, UK, pp. 5-24.
Piekkari, R., Welch, C., Paavilainen, E., 2009. The Case Study as Disciplinary Convention Evidence From International Business Journals. *Organisational research methods* 12 (3), 567-589.
Porter, A.M., 2003. Textron eyes next IPOs. *Purchasing* 132 (15), 41.
Poulis, K., Poulis, E., Plakoyiannaki, E., 2013. The role of context in case study selection: An international business perspective. *International Business Review* 22 (1), 304-314.
Quintens, L., Pauwels, P., Matthyssens, P., 2006a. Global purchasing strategy: Conceptualisation and measurement. *Industrial Marketing Management* 35 (7), 881-891.
Quintens, L., Pauwels, P., Matthyssens, P., 2006b, Global Purchasing: State of the Art and Research Directions. *Journal of Purchasing and Supply Management* 12 (4), 170-181.
Rajagopal, S., Bernard, K.N., 1993. Globalization of the procurement process. *Marketing Intelligence and Planning* 11 (7), 44-56.
Rajagopal, S., Bernard, K.N., 1994. Global Procurement: Motivations and Strategy. *Marketing Intelligence and Planning* 12 (9), 4-17.
Rao, K., Young, R., 1994. Global supply chains: factors influencing outsourcing of logistics functions. *International Journal of Physical Distribution and Logistics Management* 24 (6), 11-19.
Reese, A.K., 2008. Do You Have What It Takes to Go Global? *Supply and Demand Chain Executive* (Dec 2007/Jan 2008).
Rexha, N., Miyamoto, T., 2000. International sourcing: an Australian perspective. *Journal of Supply Chain Management* 36 (1), 27-34.
Root, F.R., 1994. *Entry strategies for international markets*. Lexington books, New York, NY.
Rothstein, H.R., Hopewell, S., 2009. Grey literature. In Cooper, H., Hedges, L.V., Valentine, J.C. (Eds.), *The Handbook of Research Synthesis and Meta-analysis*, Russell Sage Foundation, New York, NY.
Rousseau, D.M., Manning, J., Denyer, D., 2008. Evidence in management and organizational science: assembling the field's full weight of scientific knowledge through syntheses. Academy of Management Annals 2 (1), 475-515.

Roza, M., Van den Bosch, F.A.J., Volberda, H.W., 2011. Offshoring strategy: Motives, functions, locations and governance modes of small, medium-sized and large firms. *International Business Review* 20 (3), 314-323.

Salmi, A., 2006. Organising international supplier relations: an exploratory study of Western purchasing in China. *Journal of Purchasing and Supply Management* 12 (4), 197-208.

Sartor, M., 2006. Sourcing in China: The International Purchasing Office Solution. *Supply Chain Forum: An International Journal* 7 (1), 50-59.

Scargle, J.D., 2000. Publication bias: the "file-drawer" problem in scientific inference. *Journal of Scientific Exploration* 14 (1), 91-106.

Schiele, H., 2007. Supply-management maturity, cost savings and purchasing absorptive capacity: Testing the procurement-performance link. *Journal of purchasing and supply management* 13 (4), 274-293.

Schiele, H., Philipp, H., Bart, V., 2011. Estimating cost-saving potential from international sourcing and other sourcing levers: Relative importance and trade-offs. *International Journal of Physical Distribution and Logistics Management* 41 (3), 315-333.

Schoenherr, T., 2009. Logistics and Supply Chain Management applications within global context: an overview. *Journal of Business Logistics* 30 (2), 1-24.

Schuster, C., 2006. Setting Up an International Procurement Hub. *Circuits Assembly* (Jul), 20.

Schütte, H. (1997). Regionalisation of global thinking: strategy and organisation of European MNCs in Asia, *INSEAD Working Papers* 97/04/ABA.

Seuring, S., Gold, S., 2012. Conducting content-analysis based literature reviews in supply chain management. *Supply Chain Management: An International Journal* 17 (5), 544-555.

Seuring, S., Müller, M., 2008. From a literature review to a conceptual framework for sustainable supply chain management. *Journal of Cleaner Production* 16 (15), 1699-1710.

Shi, Y., Gregory, M., 1998. International manufacturing networks to develop competitive capabilities. *Journal of Operations Management* 16 (2/3), 195-214.

Silverstein, M.J., Singhi, A., Liao, C., Michael, D. 2012. *$10 Trillion Dollar Prize: Captivating the Newly Affluent in China and India*, Harvard Business Review Press, Boston, MA.

Smith, J., 1999. Item selection for global purchasing. *European Journal of Purchasing and Supply Management* 5 (3), 117-127.

Spekman, R.E., Spear, J., Kamauff, J., 2002. Supply chain competency: learning as a key component. *Supply Chain Management: An International Journal* 7 (1), 41-55.

Squire, B., Cousins, P.D., Lawson, B., Brown, S., 2009. The effect of supplier manufacturing capabilities on buyer responsiveness: The role of collaboration. *International Journal of Operations and Production Management* 29 (8), 766-788.

Steinle, C., Schiele H., 2008. Limits to global sourcing? Strategic consequences of dependency on international suppliers: Cluster theory, resource-based view and case studies. *Journal of Purchasing and Supply Management* 14 (1), 3-14.

Stevens, J., 1995. Global purchasing in the supply chain. *Purchasing and Supply Management* 1, 22-26.

Sulaiman, I.F., 2001. *Indonesian Electronics Industry: Building International Competitiveness through Trade Policy Reform, IT-based Inter-Firm Linkages and*

New Institutions. United States Agency for International Development (USAID) and the Government of Indonesia.
Sun, Y., Von Zedtwitz, M., Simon, F.D., 2007. Globalisation of R&D and China: an introduction. *Asia Pacific Business Review* 13 (3), 311-319.
Surlemont, B., 1998. A typology of centres within multinational corporations: An empirical investigation. In Birkinshaw, J., Hood, N. (Eds.), *Multinational corporate evolution and subsidiary development*, St. Martins Press, New York, NY, pp. 162-188.
Swamidass, P., 1993. Import sourcing dynamics: an integrative perspective. *Journal of International Business Studies* 24 (4), 671-691.
Taggart, J.H., 1998a. Strategy shift in MNC subsidiaries. *Strategic Management Journal* 19 (7), 663-681.
Taggart, J.H., 1998b. Identification and development of strategy at subsidiary level. In Birkinshaw, J., Hood, N. (Eds.), *Multinational corporate evolution and subsidiary development*, St. Martins Press, New York, NY, pp. 23-49.
Taylor, C. R., Zou, S., Osland, G. E., 1998. A transaction cost perspective on foreign market entry strategies of US and Japanese firms. *Thunderbird International Business Review* 40 (4), 389-412.
Teece, D.J., Pisano, G., Shuen, A., 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* 18 (7), 509-533.
The Economist Intelligence Unit, 2011. *Multinational Companies and China: What Future?* Available at: http://www.managementthinking.eiu.com/multinational-companies-and-china.htm. Accessed 01.03.13.
Tranfield, D., Denyer, D., Smart, P., 2003. Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management* 14, 207-222.
Trautmann, G., Bals, L., Hartmann, E., 2009a. Global sourcing in integrated network structures: The case of hybrid purchasing organisations. *Journal of International Management* 15 (2), 194-208.
Trautmann, G., Turkulainen, V., Hartmann, E., Bals, L., 2009b. Integration in the global sourcing organisation-An information processing perspective. *Journal of Supply Chain Management* 45 (2), 57-74.
Trent, R.J., 2004. The use of organizational design features in purchasing and supply management. *Journal of Supply Chain Management* 40 (3), 4-18.
Trent, R.J., Monczka, R.M., 2002. Pursuing competitive advantage through integrated global sourcing. *Academy of Management Executive* 16 (2), 66-80.
Trent, R.J., Monczka, R.M., 2003. Understanding integrated global sourcing. *International Journal of Physical Distribution and Logistics Management* 33 (7), 607-629.
Trent, R.J., Monczka, R.M., 2005. Achieving Excellence in Global Sourcing. *Sloan Management Review* 47 (1), 24-33.
Tushman, M.L. and Nadler, D.A., 1978. Information Processing as an Integrating Concept in Organizational Design. *Academy of management review* 3 (3), 613-624.
Van der Vaart, T., van Donk, D., 2008. A critical review on survey-based research in supply chain integration. *International Journal of Production Economics* 111 (1), 42-55.
Van Hoek, R.I., 2001. The rediscovery of postponement a literature review and directions for research. *Journal of Operations Management* 19 (2), 161-184.

Vereecke, A., Van Dierdonck, R., De Meyer, A., 2006. A Typology of Plants in Global Manufacturing. *Management Science* 52 (11), 1737-1750.
Vernon, R., 1966. International Investment and International Trade in the Product Cycle. *Quarterly Journal of Economics* 80 (2), 190-207.
Vickery, S.K., 1991. A Theory of Production Competence Revisited. *Decision Sciences* 22 (3), 635-643.
Volberda, H.W., Foss, N.J., Lyles, M.A., 2010. Absorbing the Concept of Absorptive Capacity: How to Realize Its Potential in the Organisation Field. *Organisation Science* 21 (4), 931-951.
Voss, C., Tsikriktsis, N., Frohlich, M., 2002. Case research in operations management. *International Journal of Operations and Production Management* 22 (2), 195-219.
Wang J., Singh P.J., Samson D., Power D., 2011. Sourcing from China: experiences of Australian firms. *Supply Chain Management: An International Journal* 16 (6), 419-427.
Wang, X.H.F., Howell, J.M., 2010. Exploring the dual-level effects of transformational leadership on followers. *Journal of Applied Psychology* 95 (6), 1134-1144.
Wernerfelt, B., 1984. A resource-based view of the firm. *Strategic Management Journal* 5 (2), 171-180.
Williamson, O.E., 1975, *Markets and hierarchies: analysis and antitrust implications*. The Free Press, New York, NY.
Williamson, O.E., 1979. Transaction-Cost Economics: The Governance of Contractual Relations. *Journal of Law and Economics* 22 (2), 233-261.
Woodward, J., 1965. *Industrial Organization: Theory and practice*, Oxford University Press, Oxford, UK.
WTO, 2012. *International Trade Statistics 2012*, Available from: http://www.wto.org/english/res_e/statis_e/its2012_e/its2012_e.pdf. Accessed 28.2.13.
Wu, Z., Steward, M., Hartkey, J., 2010. Wearing many hats: supply managers' behavioural complexity and its impact on supplier relationships. *Journal of Business Research* 63 (8), 817-823.
Yang, M.M., 1994. Fieldwork, politics, and modernity in China. In Yang, M.M. (Ed.), *Gift, Favours, and Banquets: The Art of Social Relationships in China*, Cornell University Press, Ithaca, NY.
Yin, R., 2003. *Case study research: design and methods* (3rd ed.), Sage, London, UK.
Yukl, G., Van Fleet, D.D., 1992. Theory and research on leadership in organisations. In Dunnette, M.D., Hough, L.M. (Eds.), *Handbook of Industrial and Organisational Psychology* (2nd Ed.), Vol. 3, Consulting Psychologists Press, Palo Alto, CA, pp. 142-197.
Zeng, A.Z., 2000. A synthetic study of sourcing strategies. *Industrial Management and Data Systems* 100 (5), 219-226.
Zomerdijk, L.G., de Vries, J., 2007. Structuring front office and back office work in service delivery systems: an empirical study of three design decisions. *International Journal of Operations and Production Management* 27 (1), 108-131.
Zurcher, L., 1983. *Social Roles: Conformity, Conflict and Creativity*, Sage Publications, London, UK.

APPENDIX A. Synthesis of the literature

Author(s)	Year	Journal/ Book Title	Research purpose	Methodology	Unit of analysis	Sample dimension	Data collection	Key informants	Nationality of headquarter	Nationality of IPOs	Underpinning theory	Industry	IPO definition	Activities	Location choice	Strengths	Weaknesses	Human Resources Management
SCIENTIFIC JOURNALS																		
Arnold U.	1999	European Journal of Purchasing & Supply Management	Theory building	Case study	Firm	9	-	-	Japan, Germany, US	Asia, North America	-	-					x	
Cannon J.P., Doneyb P.M., Michael R. Mullen M.R., Petersen K.J.	2010	Journal of Operations Management	Theory testing	Survey	Individual	600	Questionnaire	Purchasing professionals	US, Mexico, Canada	-	Cross-cultural theory	-					x	
Chia A., Goh M., Hum S.	2009	Benchmarking: An International Journal	Theory extension/ refinement	Survey	Firm	113	Questionnaire	-	-	-	BSC theory	-	x					
Choi T.	1999	Business Horizons	Exploration	Case study	Firm	1	-	-	Korea	Hong Kong, USA, Singapore, UK	-	Electronics		x				
Chung W.W.C., Yam A.Y.K., Chan M.F.S.	2004	International Journal of Production Economics	Theory building	Case study	IPO	1	-	-	US	Hong Kong	NT, TCE	Toys		x		x		
Fernie J., Maniatakis P.A., Moore C.M.	2009	The International Review of Retail, Distribution and Consumer Research	Exploration	Case study	Firm	1	Semi-structured interviews	Heads of merchandising at headquarter and IPO heads	UK	Italy, Turkey, Hong Kong	-	Fashion retailing		x		x		
Giunipero L.C., Monczka R.M.	1997	International Journal of Physical Distribution and Logistics Management	Exploration	Case study	Firm	24	Semi-structured interviews	Purchasing managers	US	-	-	-				x		x
Goh M., Lau G.	1998	European Journal of Purchasing & Supply Management	Exploration	Survey	IPO	65	Questionnaire	-	Europe, US, Japan, Korea	Singapore	-	Electronics	x	x	x	x		x
Holweg M., Reichhart A., Hong E.	2011	International Journal of Production Economics	Theory building	Case study	Firm	3	-	-	-	-	-	Automotive and clothing retailing				x	x	
Humphreys P., Mak K. L. , McIvor R.	1998a	Logistics Information Management	Theory extension/ refinement	Technical	IPO	1	-	-	-	Hong Kong	-	Electronics	x	x		x		x
Humphreys P., Mak K. L. , McIvor R.	1998b	Supply Chain Management: An International Journal	Theory extension/ refinement	Technical	IPO	1	-	-	-	Hong Kong	-	Electronics	x	x		x		x
Lakemond L., van Echtelt F., Wynstra F.	2001	The Journal of Supply Chain Management	Exploration	Case study	Firm	5	Semi-structured interviews	Key personnel in different functions	Sweden, the Netherlands	-	-	Manufacturing and telecommunication		x		x		
Lamming R.	2000	Long Range Planning	Exploration	Case study	Firm	10	Direct interviews	Purchasing managers	Japan		-	Automotive		x		x		
Lau H.F.	2008	Asia Pacific Journal of Management	Theory testing	Survey	Firm	143	Questionnaire	-	-	Hong Kong	TCE	Electronics		x			x	
Liu H., McGoldrick P.J.	1996	Journal of International Marketing	Theory building	Case study	Firm	2	Semi-structured interviews	Senior managers involved in international sourcing process	UK	-	-	Clothing and grocery retailing		x		x		
Monczka R.M., Trent R.J.	1991	International Journal of Purchasing and Materials Management	Theory building	Delphi method	-	-	Consultation firms and Delphi research project	-	-	-	-	Manufacturing		x				x
Monczka R.M., Trent R.J.	1992	International Journal of Purchasing and Materials Management	Theory building	Delphi method	-	-	Consultation firms and Delphi research project	-	-	-	-	Manufacturing		x		x		
Nassimbeni G., Sartor M.	2006a	Production Planning & Control	Exploration	Case study	Firm	10	Semi-structured interviews	CEOs & purchasing managers	Italy	China	-	-	x	x	x	x	x	x
Nassimbeni G., Sartor M.	2007	International Journal of Production Economics	Theory building	Case study	Firm	10	Semi-structured interviews	CEOs & purchasing managers	Italy	China	-	-		x		x	x	x
Pachè G.	1998	International Journal of Retail & Distribution Management	Theory building	Case study	Firm	11	Semi-structured interviews	Logistics and purchasing managers	France	Far East, Eastern Europe	TCE	Food retailing		x		x	x	
Rajagopal S., Bernard K. N.	1993	Marketing Intelligence & Planning	Theory building	Conceptual	-	-	-	-	-	-	OLI model, U-model	-		x		x		
Rajagopal S., Bernard K.N.	1994	Marketing Intelligence & Planning	Theory building	Survey	Firm	76	Questionnaire	-	US, Europe and Japan	-	-	-				x		
Sartor M.	2006	Supply Chain Forum: An International Journal	Exploration	Case study	Firm	10	Semi-structured interviews	CEOs & purchasing managers	Italy	China	-	-	x	x	x	x	x	x
Trent R.J., Monczka R.M.	2005	MIT Sloan Management Review	Theory building	Survey	Firm	162	Questionnaire	Purchasing managers	US	-	-	Manufacturing		x				x
Zeng A.Z.	2000	Industrial Management & Data Systems	Literature review	Literature review	-	-	-	-	-	-	-	-					x	
												TOT. (SCIENTIFIC JOURNALS)	**6**	**18**	**3**	**17**	**9**	**9**

Author(s)	Year	Journal/ Book Title	Research purpose	Methodology	Unit of analysis	Sample dimension	Data collection	Key informants	Nationality of headquarter	Nationality of IPOs	Industry	IPO definition	Activities	Location choice	Strengths	Weaknesses	Human Resources Management
PRACTITIONER JOURNALS																	
Anonymous	2010	Chaina	Description	Survey	IPO	58	Questionnaire	-	-	China	-		x			x	
Avery S.	2002a	Purchasing	Description	Anecdotal evidences	Firm	1	-	-	France	Europe, South East Asia, Latin America	-					x	
Avery S.	2002b	Purchasing	Description	Anecdotal evidences	Firm	1	-	-	US	EU, Poland	-		x			x	x
Bani E.	1999	Business Times	Description	-	-	-	-	-	-	Malaysia	-		x		x		
Byrne P.M.	2005	Logistics Management	Description	-	-	-	-	-	-	-	-		x		x		
Carbone J.	2002	Purchasing	Description	Anecdotal evidences	Firm	1	Interviews	CEO	US	China	Electronics		x		x		
Carbone J.	2006	Purchasing	Description	Anecdotal evidences	Firm	-	-	-	-	China	Electronics		x				
Fitzgerarld K. R.	2005	Supply Chain Management Review	Description	Survey	Firm	170	Questionnaire	-	-	-	-				x	x	x
Forrest W.	2008	Purchasing	Description	Anecdotal evidences	Firm	1	-	-	US	-	Scientific instrum. and vacuum techn.		x		x		
Gillespie B.	2007	Circuits Assembly	Description	Anecdotal evidences	Firm	1	-	-	Japan	China	Electronics		x				
Monczka R.M., Trent R.J., Petersen K.J.	2008	Supply Chain Management Review	Theory building	Survey	Firm	167	-	Purchasing managers	-	-	-	x	x		x		
Mulani N.	2002	Logistics Management	Description	Survey	Firm	-	-	-	-	China	-		x		x		
Mulani N.	2008	Logistics Management	Description	Survey	Firm	-	-	-	-	China	-	x			x	x	x
Nordstrom D.	2000	The China Business Review	Description	Anecdotal evidences	-	-	-	-	-	South East Asia			x				x
Pedersen A.	2004a	Purchasing	Description	-	-	-	-	-	-	-							x
Pedersen A.	2004b	Purchasing	Description	-	-	-	-	-	-	-			x		x	x	x
Pedersen A.	2004c	Purchasing	Description	-	-	-	-	-	-	-				x	x	x	x
Pedersen A.	2004d	Purchasing	Description	-	-	-	-	-	-	-			x		x		
Pedersen A.	2005	Purchasing	Description	-	-	-	-	-	-	-			x		x	x	x
Porter A.M.	2003	Purchasing	Description	Anecdotal evidences	Firm	1	-	Director of globalisation	US	China, Poland			x		x		
Reese A.K.	2008	Supply & Demand Chain Executive	Description	Conceptual	-	-	-	-	-	Asia					x	x	x
Schuster C.	2006	Circuits Assembly	Description	Anecdotal evidences	-	1	-	-	Japan	China	Electronics		x	x	x		x
Stevens J.	1995	Purchasing & Supply Management	Description	Literature review	-	-	-	-	US	-			x		x		
											TOT. (PRACTITIONER JOURNALS)	**2**	**17**	**2**	**16**	**9**	**10**

Author(s)	Year	Journal/ Book Title	Research purpose	Methodology	Unit of analysis	Sample dimension	Data collection	Key informants	Nationality of headquarter	Nationality of IPOs	Industry	IPO definition	Activities	Location choice	Strengths	Weaknesses	Human Resources Management
OTHER WORKS																	
Carduck C.	2000	International Procurement Offices	Exploration	Case study	IPO	58	Semi-structured interviews	Purchasing managers	US, Western Europe	East Asia	Electronics	x	x	x	x	x	x
Dobson W., Yue C.S.	1997	Multinational and East Asian integration	Description	Survey	Firm	241	Questionnaire	-	Japan	East Asia	Electronics		x				x
Fang T., Olsson D., Sporrong J.	2004	XX IMP Conference	Description	Case study	Firm	5	-	-	Sweden	China					x	x	x
Glock C., Bogaschewsky R.	2009	XVIII Annual IPSERA Conference	Theory building	Conceptual	-	-	-	-	-						x		
Kaiho H., Iwasaki N.	1997	Seiyo University Economic Papers	Description	-	-	-	-	-	-	Singapore, Honk Kong	Electronics		x				
Kaufmann L., Hedderich F.	2005	Perspektiven des supply management	Theory building	Conceptual and case study	Firm	-	-	-	-	China			x		x	x	x
Kitagawa H.	2007	Asean SMEs and Globalization	Description	Conceptual and case study	Firm	3	Interviews	Purchasing manger	Japan	East Asia	Automotive and Electronics		x		x		
Kumar N., Rehme J., Andersson D.	2011	XX Annual IPSERA Conference	Theory building	Case study	Firm	3	Semi-structured interviews	Logistics & purchasing managers	Ireland, US	India	Industrial products	x	x		x	x	x
Monczka R.M., Trent R.J., Petersen K.J.	2006	Effective Global Sourcing and Supply for Superior Results	Description	Survey	Firm	167	Questionnaire	-	US, Western Europe	-			x				
Nassimbeni G., Sartor M.	2006b	Sourcing in China	Exploration	Case study	Firm	10	Semi-structured interviews	CEOs & purchasing managers	Italy	China		x	x	x	x	x	x
Sulaiman I.F.	2001	United States Agency for International Development and Government of Indonesia	Description	Anecdotal evidences	Firm	-	Interviews	-	-	South East Asia	Electronics		x				
											TOT. (OTHER WORKS)	**3**	**9**	**2**	**7**	**5**	**6**
											TOT. (ALL SAMPLE)	**11**	**44**	**7**	**40**	**23**	**25**

APPENDIX B. Interview protocol

1. Company profile related questions (e.g., number and location of manufacturing plants and other units, number and location of the IPOs, evolutionary process, 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, financial profile [internal trading or funded centrally], year of establishment and evolutionary process, 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?

8. Please discuss the definition, activities, and importance of each role listed in Table A for your IPO. Are there any other roles not listed?

9. Please discuss the definition and importance of each resource/capability provided in Table B for your IPO. Are there any other resources/capabilities not listed?

10. Please describe the evolution of your IPO (over the last five years) in terms of importance of roles and resource/capabilities.

Table A: Roles

Role	Definition/description
Gatekeeper	It collects, filters and transmits information concerning (actual and potential) suppliers to headquarters and other company's units. It identifies and selects suppliers, monitors them and controls IP rights violations.
Negotiator	It supports the negotiation process between internal purchasing units and local suppliers and it adapts the contracts to local context and requirements. In some cases it is responsible for the whole negotiation process and for the contract drawing.
Coordinator	It facilitates buyer-supplier relationships and all the aspects concerning the material flows, including logistics issues and inter-organisational project management.
Supplier advocate	It defends the suppliers' needs in front of the internal stakeholders. These actions may lead to the renegotiation of contractual clauses and/or the extension of delivery times.
Internal Advisor	It provides formal and informal advices to the internal stakeholders. Advices often take the form of training of internal employees in order to improve their practices with foreign suppliers.
Supplier developer	It analyses the suppliers' technological and managerial profile and identifies possible actions for their improvement. It trains suppliers and provides them the needed technical and managerial support.
Supply policy maker	It cooperates in determining the supply chain policies and practices (e.g., single vs. multiple sourcing, short vs. long term agreements, adoption of lean solutions).
Network structuring agent	It works for increasing the network reliability. Examples are provided by the adoption of tools for the supply chain risk management (e.g., the FMEA methodology) in order to reduce possible failures.
Innovation facilitator	It acts as an interface between internal and external researchers and designers, supporting co-design activities. It also contributes to identify new material/technical solutions garrisoning purchasing markets.
Cultural Broker	It facilitates mutual cultural comprehension between the companies' units and the local sourcing base. It reduces possible failures determined by cultural distance.
Others	Finance and administration, sales support, HR management, and legal support.

Table B: Resources and capabilities

IS resources/capabilities	Key elements
Rigorous and well-defined processes	Clear description of the processes and their interdependences. Definition of processes' goals, milestones and budgets. Continuous control and improvement of the procedures.
Adequate information technology solutions	Presence of structured data warehouses. Availability of technologies for a non-stop access to core data. Automatic warning systems.
Structured approaches to communication	Use of videoconferencing and web-based collaboration tools for a continuous alignment of the IPO's strategy and actions to those centrally defined.
Adoption of methodologies for measuring savings	Presence of measurement systems able to support the calculation of savings achieved through the IPO's activities.
Advanced skills of employees	Availability in the IPOs of employees skilled on team building, strategic planning, communication, technical, and financial aspects.
Cross-cultural adaptation	Recruitment of employees able to comprehend foreign cultures and to mediate with the domestic one.
Adequate vendor rating systems	Presence of vendor rating systems updated and including also IP aspects.
Innovation capabilities	Availability of capabilities for promoting and facilitating new product development (NPD) and the innovation of products and processes.
Executive commitment	Trust of the executive level of the company in the IPO's personnel and roles. Good formal and informal relations between IPOs' directors and the executive levels of the company.
Availability of necessary resources	Adequate time, managerial and financial resources for managing all the activities assigned to IPOs.
Operations/manufacturing	Support of the (internal and external) stakeholders (mainly the employees of the other company's units and the customers) in the problem solving. Ability to connect different project teams and operating centres.
Availability of suppliers with advanced capabilities	Presence of suppliers that can satisfy (design, cost, quality, time) company's requirements.