The Organizational Buyer Behavior Learning Organization

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This study develops a framework of integrated propositions of organizational learning in organizational buyer behavior. The focus is on the communication activities and relationships between and within the strategic business units operating within the purchasing process. Field support for the proposed relationships is provided in a series of case studies based on interviews with 30 managers of 10 strategic business units of a major publicly owned global services organization. Implications are discussed based on the framework and the case studies.

INTRODUCTION

Chris, a newly hired marketing research analyst in the organization, needed a computer and printer for the office. Chris ordered a system following purchasing department procedures. Purchasing processed the order for the computer that arrived in 2 weeks, but held up the order for Chris's printer until enough printers were needed by the organization to get a quantity discount. Six weeks after the order was placed, Chris received the printer. Purchasing received a quantity discount for the organization's printer order. What purchasing did not consider was the productivity loss to Chris during the 6 weeks of not having a printer.

The problem Chris encountered is common to most organizations. The purchasing culture often does not allow for input from users when it comes to evaluating the importance of cost factors versus total cycle times of the process. Commonly, the purchasing department views the cycle time of the process as too intangible to measure. No real benefits and values can be found in the reduction in the purchasing cycle. However, as illustrated in this brief

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example, there is a lot more to purchasing a product or service than cost.

The questions are: (1) when are cost factors more important than total cycle times and (2) when is it possible to integrate specific purchase orders in a cross-functional manner in the process? To answer these questions, organizational learning is proposed in this study as the key to success in the fast cycle time purchasing environment. In learning organizations, ideas and solutions come from everyone in the organization, no matter what their function, job descriptions, or locations. The organization taps into the cumulative knowledge of its entire value chain, internal and external sources included, to be market- and customer-oriented. In this regard, organizational learning is viewed as a means by which an organization communicates its corporate philosophy and strategy to its strategic business units (SBUs) and also the process by which the organization operates. A learning organization is "skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights" [1].

The market-driven learning organization is seen as an extension of total quality management and business reengineering. Total quality management creates a more effective organization to a point, and business reengineering drastically changes the makeup of an organization's structure. Organizational learning is a complementary concept that facilitates change at all levels in today's global fast cycle time marketing environment. In essence, being learning-oriented means that people within the organization put aside their old ways of thinking about details, adopt a broader

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perspective of how the organization really works, learn to be open with each other, form a strategy everyone can agree on, and then work together to achieve that strategy.

The objective of this study is to develop a conceptual model of corporate learning identity and market information processing focused on providing a climate that leads to customer orientation, cycle time reduction, and commitment in the purchasing process. The focus is on the relationships and activities between and within the SBUs in the purchasing process. A contribution to knowledge is made by developing an integrated set of propositions in the process of constructing the conceptual model and specifying the relationships between the dimensions of the framework.

Field support for the proposed relationships is provided in a series of case studies structured around corporate learning identity, market information processing, and purchasing process outcomes. The studies are based on interviews with managers of 10 SBUs of a major publicly owned Fortune 500 corporation widely acknowledged in the trade literature as a "learning organization." The SBUs were interviewed in the context of activities and relationships in the purchasing process. Each interview lasted 1 hour, followed a standard format addressing general obstacles in the purchasing process and each specific relationship in the conceptual model, and involved between one and seven managers of each SBU and two or three interviewers. Thirty managers were interviewed.

As with most Fortune 500 companies, the purchasing process of this organization includes the activities and departments involved in the acquisition of products or services from an external vendor. There are four main entities involved in the purchasing process: the various user SBUs, the finance department, the legal department, and the purchasing department. The purchasing department is seen as the leader and facilitator of the process, whereas the legal and finance departments provide support functions. Ultimately, these three "control departments" provide a value-added function in the process. The user SBUs are the people that need the products and services from

The users are considered "internal customers" in the purchasing process.

the external vendor. Within the organization, these users are considered "internal customers" in the purchasing process.

Specific issues addressed in this study include: (1) general problems and areas for improvement in the purchasing process and (2) corporate learning identity as a framework to overcoming these general obstacles. The study concludes with a discussion of the managerial and academic implications that can be drawn from the framework and the case studies.

GENERAL OBSTACLES IN THE PURCHASING PROCESS

Based on the series of case studies conducted in this study, several general problems and areas for improvement can be found. These case studies were based on individual and focus group discussions with users representing various SBUs within the organization. Some of these problems are summarized below:

- There is a lack of understanding of the activities and steps required to complete the purchasing process. Some users do not know the flow of steps that have to be completed in purchasing a product or service.
- Both infrequent and frequent users indicated a high level of frustration with the "bureaucracy" of the purchasing process.
- Some users had difficulty identifying their "contact person" in the purchasing department. Each user is assigned a specific purchasing contact that is responsible for guiding the user through the purchasing process. Infrequent users had the most difficulty identifying their contact person, but several frequent users also seemed unaware of their purchasing contact.
- The users perceived the finance and purchasing departments to add little value to the process. The feeling was that these departments focused too much on their various rules and regulations instead of the idea of providing a value-added function in the process.
- Several concerns were raised regarding the time a user had to devote to "educating" the finance, legal, and pur-

chasing departments regarding specifics of a given purchase. This was especially true if these departments were not represented throughout the key phases of the purchasing process. Frequent users perceived this to be a major obstacle in the process.
- Parts of the purchasing process are conducted in a serial mode when they could be conducted in a parallel manner. For example, most larger purchases have to be approved and signed by at least four different managers. The structure of the purchasing process calls for the signatures to be signed in a certain order. Most of the time the user has to fill out the appropriate forms and sign them. Purchasing looks over the purchasing application and signs the document and sends it to the finance department, and then it goes on to the legal department. However, at times, some users opt to send their purchasing request directly to the finance department before they contact the purchasing department.
- The users feel that the financial planning horizon and long lead times for capital equipment are not accounted for in the current structure of the purchasing process. For example, lead times greater than 1 year can result in duplication of efforts (e.g., securing financial approval) to complete the purchasing process.
- There is a lack of technical expertise within the purchasing department. The users feel that the purchasing representatives are not knowledgeable enough to handle all the various purchasing situations and different products and services requested by the various users. This often lengthens the purchasing cycle. One reason for this lack of technical expertise was believed to be the career progression of the buyers within the purchasing department. For example, shortly after an assistant buyer gets "up to speed" to support a specific user area, a buyer position opens up in another area. The assistant buyer then moves to the new position, and the user area has to "train" the next assistant buyer.
- Frequent users indicated that sometimes too much time is devoted to coordinating activities with their purchasing contact person. These users suggest that the communication between the frequent users and the purchas-

ing personnel could be enhanced if each of the frequent users had a purchasing contact located in their department or department building.

- The users felt that there is a great inconsistency in the time required for various parts of the process. The specific time required varies from purchase to purchase but can become excessive, particularly in more complex purchase situations. Some of these problems are due to the fact that there is no real measurement system set up to measure the various cycle times within purchasing process. Similarly, neither the users nor the control personnel had a clear understanding and knowledge of the total cycle time for the purchasing process for the various purchasing situations.

- There is a perception among the users that they lose control over the purchasing process once the finance and purchasing departments become involved. The users are aware that both the finance department and the purchasing department have to perform their function in the process, but they feel that the idea of the user as the ultimate customer in the process is lost on these control departments.

- The users think that the purchasing department does a reasonably good job in the purchase of tangible products but may not be as capable in the purchase of services. There is a lack of evaluation criteria for services. This often results in an increased purchasing cycle.

- The users say that the purchasing department usually operates permanently on a lowest cost basis and has a hard time understanding the potential benefits of one product or service over another. A specific example from the case studies was the purchase of computer software for our friend Chris from the opening vignette. The purchasing department had a difficult time understanding the differences between various word processing softwares. To Chris, a $400 word processing package meant more value and productivity because this software also included a graphics component, but to the purchasing department it simply meant an increase in cost of $200 over the other software package.

In summary, the case studies identified a number of major obstacles in the purchasing process. These obstacles

can be broadly categorized as those related to: (1) an inordinate amount of time required to purchase products or services, (2) the users do not have the knowledge required to initiate and complete the purchasing process, (3) and the users are not generally satisfied with the structure of the purchasing process. In this study, the concepts of corporate learning identity and market information processing are proposed as a means to overcome these obstacles.

CONCEPTUAL FRAMEWORK AND PROPOSITIONS

The framework offered of corporate learning identity in Figure 1 is based on several theoretical streams, notably organizational learning theory [6, 23, 41], market orientation and information processing [26, 36, 45, 46], customer orientation [39], information network theory [4, 24, 25], cycle time [9, 34, 52], and relationship commitment [3]. The notion is that an SBU's "corporate learning identity" is the "driver" in generating and disseminating market information about the specific purchasing process. The set of generated and disseminated market information is crucial in delivering and maintaining customer orientation, cycle time effectiveness, and commitment to the purchasing process.

Market Information Processing

The model in Figure 1 is conceptualized to reflect constructs generalizable to purchasing processes. The model centers around two dimensions of market information processing, including: intelligence generation and intelligence dissemination [29, 45]. These two dimensions are theoretically a part of market orientation as conceptualized by Kohli and Jaworski [29] and a function of an SBU's learning orientation as proposed by Slater and Narver [46]. "Market intelligence generation refers to the collection and assessment of both customer needs/preferences and the forces (i.e., task and macro environments) that influence the development and refinement of those needs" [30]. "Intelligence dissemination refers to the process and extent of market information exchange within a given organization" [30].

Reflective openness extends participative openness and includes critical evaluation to the climate of participation.

Corporate Learning Identity   Market Information Processing   Purchasing Process Performance
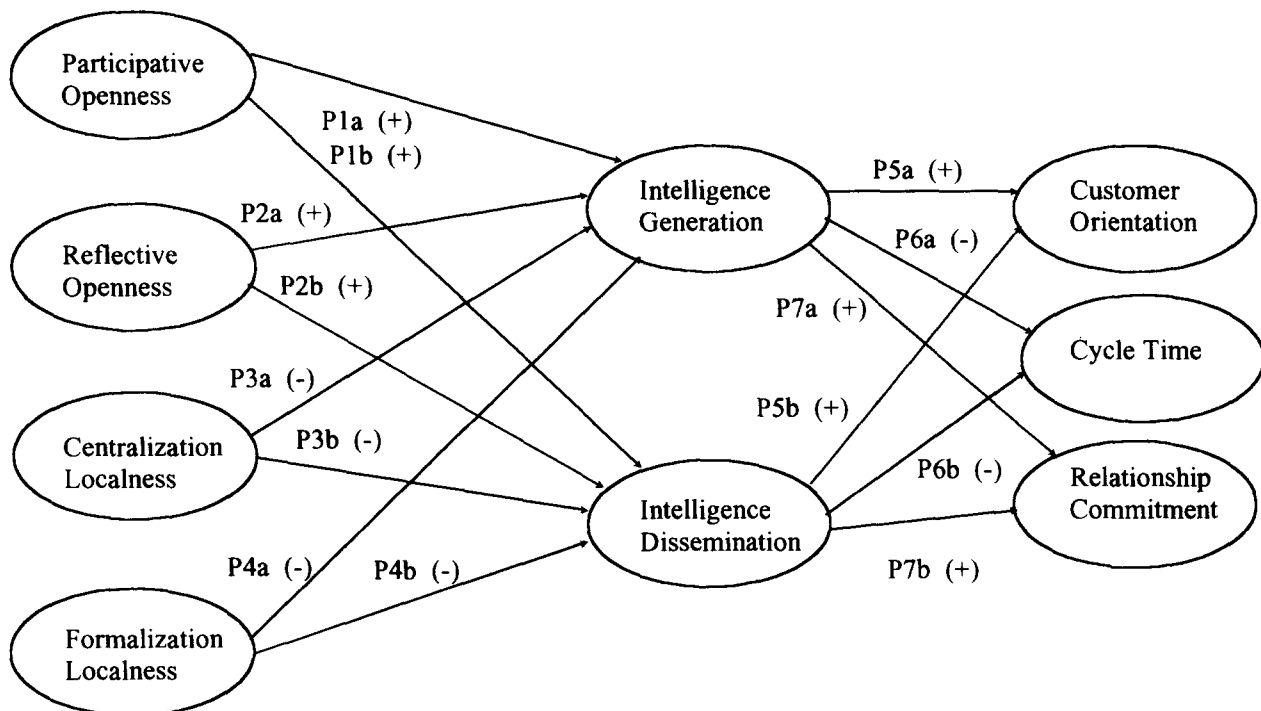

FIGURE 1. The conceptual model of the organizational buyer behavior learning organization.

Slater and Narver [46] state that market orientation corresponds to the content of the organizational learning process: "market orientation is the organizationwide generation of market intelligence pertaining to current and future needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it" [29]. Further, Slater and Narver [46] state that knowledge development in the context of organizational learning consists of information acquisition, information dissemination, and shared interpretations. Narver and Slater's [36] and Slater and Narver's [46] discussions are similar to Kohli and Jaworski's [29], although they also consider the development and sharing of information about competitors. Narver and Slater [36] describe market orientation as the culture that pro-

vides norms for behavior that lead to the creation of superior value for SBUs in purchasing processes (cf., corporate identity). Similarly, Jaworski and Kohli [26] found that the more the managers emphasized market orientation in combination with the climate to adopt such a corporate philosophy (i.e., corporate learning identity), the greater market intelligence generation and dissemination exist within the organization.

Corporate Learning Identity

Corporate learning identity is a multidimensional construct characterized as being composed of disciplines [41, 42], foundations [51], skills [33, 37], elements [46, 53],

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Corporate learning identity gives users the freedom to try their own ideas and to be responsible for producing results.

processes [7, 8], or a checklist [15]. These characterizations involve organizational learning through four subprocesses of learning, including: (1) adaptation, (2) assumption sharing, (3) developing a knowledge base, and (4) institutionalized experience effects [43]. Each subprocess of learning generally takes place on either of two cognitive levels of learning – the single-loop or the double-loop learning levels [6, 46]. Based on Senge [41], organizational learning manifests itself as degrees of openness and localness existing in the purchasing process.

OPENNESS. Openness in purchasing processes emerges when the SBU managers become willing to suspend their certainty when communicating with each other. As such, openness can be regarded as an "organizational communication climate." Openness in communication has been found to develop and maintain channel relationships [48], the process by which persuasive information is transmitted [14], foster participative decision-making [1, 38], coordinate programs [20], the way in which power is exercised [17], and the way organizational commitment is developed [3, 10]. Communication has also been discussed as the primary determinant of organizational effectiveness [13, 18].

Although related to communication of information [11], openness is a more complex construct than communication; it comprises two constructs: participative and reflective openness [32, 41]. Unless the two are integrated, the SBU behavior of "being open" will not produce openness. Participative openness refers to "the freedom to speak one's mind" [41]. Participative openness is thought to enhance the corporate learning identity by developing a sense of espirit de corps within the purchasing process. Whereas participative openness leads to employees speaking out, reflective openness leads to employees looking inward. Reflective openness is a "willingness to challenge our own thinking, to recognize that any certainty we ever have is, at best, a hypothesis about the world" [41].

The role of participative decision-making has been an important area of research in marketing and management

for a long time. Participation in decision-making has been positively linked with employee satisfaction, performance, and commitment [12, 22]. Anderson, Lodish, and Weitz [1] also found that participation is crucial to achieving goal compatibility and understanding of purchasing process activities. Thus:

P1: Participative openness positively influences the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

Reflective openness extends participative openness by including critical evaluation to the climate of participation. Argyris and Schön [6] state that in developing a corporate learning identity, an organization must maintain open communication flows between and within its SBUs. These communication linkages should be characterized by reflexive and collaborative inquiry where employees can freely criticize the beliefs and ideas of others [6, 31]. Therefore, reflective openness is based on a climate of trust and flexibility, leading to creativity and teamwork among employees. This discussion leads to the following proposition:

P2: Reflective openness positively influences the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

Although participative and reflective openness create a platform for an organizational learning climate, employees are generally thought to learn most rapidly when they have a genuine sense of responsibility for their actions [41, 42]. Whereas openness within and between the SBUs is a prerequisite for organizational learning to occur, the implementation and process of organizational learning only takes place if the organization provides an opportunity for individual SBUs to make their own decisions and be responsible for these decisions (i.e., localness).

LOCALNESS. Localness is defined as "moving decisions down the organizational hierarchy; designing business units where, to the greatest degree possible, local decision-makers confront the full range of issues and dilemmas intrinsic and

Cross-functioning, JIT training, and empowerment help to build a corporate learning identity.

growing and sustaining and business enterprise" [41]. Thus, corporate learning identity is created by giving the employees the freedom to act, to try their own ideas and to be responsible for producing results. Here, localness is implemented by extending maximum possible degrees of authority or power as far from the top of the organization as possible, leading to reduced levels of bureaucratization. Bureaucratic structuring is generally based on centralization (the extent to which decision-making authority is located at one vertical level) and formalization (the existence of formalized rules and procedures) [17, 38].

Whereas both centralization and formalization have been positively linked to performance outcomes of the organization under certain circumstances [38, 54], organizational learning theory suggests that bureaucratization hinders the learning process by limiting creativity and innovativeness [6, 41]. Bureaucracy leads to a few managers controlling the information flows within and between the SBUs, decreasing the control of others, and therefore leading to a decrease in the satisfaction and motivation of the employees not in control [21]. Further bureaucratization leads to a lack of involvement in the purchasing process because of the centralized decision-making structure of the organization [17, 38]. In proposition form:

P3: Centralization negatively influences the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

P4: Formalization negatively influences the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

FIELD SUPPORT FOR OPENNESS AND LOCALNESS. The purchasing process in the "learning organization" studied consists of a structured process map that detail the steps in the process in a sequential order. For example, the more inefficient relationships in the purchasing process were found to be where the process was operated based on the idea that "I do my thing" and the other SBUs in the process

"do their thing" to complete the necessary tasks. Most SBUs recognize when there is a need to purchase new products or services from an external vendor, and they complete the necessary forms to get the purchasing process started. Sometimes all the documents are accurately completed; sometimes they are not. Regardless, these SBUs then let the purchasing manager, the finance department, or the legal department continue the process and complete their assigned tasks. As such, there is a lack of openness and understanding in the process as well as a structure of centralization and formalization that inhibits the understanding between the SBUs and the managers of the purchasing process. The most efficient purchasing scenarios were found where the SBU requesters worked with purchasing, finance, and legal representatives through all the steps in the process as a team to complete the specific tasks. For example, rather than viewing the other functional areas as obstacles, they were viewed as valuable resources, each with their own areas of expertise to contribute to the purchasing process. A serial, reactive, and somewhat adversarial approach was replaced by a parallel, proactive, and cooperative approach. The change resulted in more comprehensive negotiation and contracting leading to higher levels of supplier performance and reductions in the time required for contract development.

Organizational learning should be used to build and communicate corporate learning identity through openness and localness to achieve a high degree of intelligence generation and dissemination of market information. The goal of the organization and its SBUs is to use market information to develop and maintain purchasing process performance in the form of a high degree of customer orientation, to reduce cycle time of the process, and to develop a commitment to the process itself.

Purchasing Process Performance

CUSTOMER ORIENTATION. Customer orientation can be defined as the satisfaction of internal customers' needs at

the level of the purchasing manager-SBU interaction in purchasing processes [28]. Thus, internal customer orientation can be viewed as the practice of the marketing concept at the level of the purchasing manager and the SBUs [38], subsequently functioning as the responsiveness factor of market orientation [29, 36]. Customer orientation has been linked to increased service quality [40], market orientation [44], and greater motivation and effort [50]. In addition, Katerberg and Blau [27] found that effort and direction components of motivation contribute to customer orientation and performance. Sujan [49] and Sujan and Weitz [50] found that "working harder" and "working smarter" both influence customer orientation and performance. Stated formally:

> *P5:* SBU customer orientation is positively influenced by the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

CYCLE TIME. It has been said that "time is money," and this is true for most organizations. Today, time is in the forefront; in fact, as a strategic weapon, time is the equivalent of money, productivity, quality, and innovation [19, 47]. Many kinds of cycle time — the time it takes from initiation to completion of a purchasing process — exist within an organization and, contrary to popular opinion, these cycle times do not operate independently. Interdependent cycle times of organizational and purchasing processes could be thought of as the gears of the overall operation [52]. Dholakia et al. [9] incorporate cycle time as an outcome of the decision-making process; they even argue that cycle time is associated with most other performance variables. Meyer [34] argues that the heart of fast cycle time is organizational learning. Thus:

> *P6:* Cycle time is negatively influenced by the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

COMMITMENT. Commitment to the activities and relationships operating within purchasing process relationship "entails a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship" [3]. Communications such as intelligence generation and dissemination play an important role in realizing the mutual benefits in purchasing processes [35]. Purchasing process SBU members achieve coordination by sharing information through frequent two-way interchanges. Communication also fosters confidence in the continuity of the relationship and reduces dysfunctional conflict [2, 5, 10]. Thus,

SBU members are motivated to commit to a purchasing process relationship characterized by an open sharing of information [3]. When that type of communication is present, the chances of realizing the benefits from the purchasing process relationship are greater. Specified in proposition form:

> *P7:* Commitment to the relationship is positively influenced by the level of (a) intelligence generation and (b) intelligence dissemination in the purchasing process.

FIELD SUPPORT FOR THE PURCHASING PROCESS OUTCOMES. From a pragmatic perspective, the SBUs indicated that the most important intermediary outcomes of the purchasing process are: (1) the degree of customer orientation advocated by the managers of the processes, (2) the overall length of the processes (cycle time), and (3) the degree of commitment to the relationship between the various SBUs and the managers of the processes. The SBU representatives argued that these intermediary purchasing process outcomes determine the process-specific performance outcomes such as quality of purchase and effectiveness of the purchasing process. Generation and dissemination of knowledge within the purchasing process were viewed as key drivers in creating customer orientation, cycle time effectiveness, and commitment. For example, the more the SBU members in the process knew about the process activities and relationships, the more likely they were to be satisfied with the operations of the process and the time it took from initiation to completion, which led subsequently to a higher degree of commitment to the overall purchasing system. The implication is that it is not enough for an organization to operate their purchasing process in an effective way. Instead, organizations must also communicate the function of the purchasing process activities and relationships to the SBUs within the process. This creates a shared level of understanding, which leads to satisfaction and commitment to the purchasing process relationship.

CONCLUSIONS AND IMPLICATIONS

Based on a series of case studies with SBUs, several general obstacles and areas for improvement were discussed in this study to provide an understanding of the benefits and values that can be derived from the corporate learning identity framework proposed in this study. The implication of these obstacles and areas for improvement is that most organizations operate within a purchasing process culture that has developed over time. To be effective in the

fast cycle time environment, the focus should be on creating and maintaining a purchasing culture that stresses learning and improvement opportunities.

This study suggests that degrees of openness and localness are the "drivers" in creating a flexible and efficient purchasing culture. High degrees of openness and localness create a climate with a high degree of market information processing of the relevant activities and relationships within the purchasing process. The market information processing dimensions of intelligence generation and intelligence dissemination, in turn, influence the customer orientation, cycle time, and SBU commitment to the overall purchasing process. As such, the corporate learning identity model presented in this study provides a framework that enhances the purchasing activities and relationships in the areas of (1) cross-functioning, (2) just-in-time training, and (3) empowerment.

CROSS-FUNCTIONING. Cross-functioning refers to the use of cross-functional teams throughout the purchasing process. To increase the degree of cross-functioning in the purchasing process, a structured process map that indicates the key stages in the process, which functional areas and representatives should be involved, is a necessity. A prerequisite for cross-functioning is that the SBU users have to be aware of the respective roles of the control departments as well as their own roles at the front-end of the process. This awareness is created by advocating openness and localness of corporate learning identity, subsequently leading to a high degree of marketing information processing of purchasing activities and relationships. The cross-functional teams can also design the just-in-time training system for the more infrequent SBU users.

JUST-IN-TIME TRAINING. Learning in the purchasing process means the continuous testing of experience and the transformation of that experience into knowledge that is accessible to all members of the organization. Because the infrequent SBU users do not experience the purchasing process in the same way as the frequent SBU users or the control personnel, the infrequent user will likely need updated information about the purchasing process every time they go through the process. As such, perhaps the most difficult task in the purchasing process is to determine the level of knowledge each SBU user has about the process. For example, infrequent SBU users often get their purchasing information from other infrequent SBU users, or they simply assume that the process is the same as the last time they went through it. In addition, we found that although the organization's purchasing manual is updated every 6

months to reflect new activities and relationships in the process, very few SBU users read the new portions of the manual. What is needed to prevent this lack of information and also information-gathering is a just-in-time training system that will inform the infrequent SBU users of the latest purchasing activities and relationships. One way of doing this is to stress openness and localness in the purchasing process to create a climate where all SBU users have the information they need, when they need it, and in the desired format.

EMPOWERMENT. The best working relationships between the frequent SBU users and the control departments were found to be the ones where the SBU users are empowered to perform a large portion of the purchasing activities. This empowerment is possible by advocating a high degree of openness and localness in the process. Empowering the SBU users and providing for a purchasing climate that stressed cross-functioning significantly reduced the purchasing cycle. An example of empowerment in the purchasing process can be found at Hewlett-Packard (HP). HP gives all of its secretaries a credit card to charge up to $2,000 per month in office supplies, reducing the cycle time of the purchasing process. Similarly, Federal Express's front-line customer service representatives are empowered to handle damage claims up to $100 without seeking higher approval, which results in the customer getting their check within a day. The result of empowering the SBU users to the greatest degree possible by using the framework of openness and localness in the purchasing process resulted in a greater degree of user satisfaction and reduced cycle times.

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