

Implementing organizational change in supply towards decentralization

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Abstract

This paper presents the findings from research in large companies investigating implementation issues faced by chief purchasing officers as their supply organization changed to greater decentralization. Once the decision was made to decentralize, responsibility for implementation was given to the chief purchasing officer (CPO). Firms changing their supply organization to a more decentralized structure faced a number of implementation issues, including the business unit concerns, role of the chief purchasing officer, top management involvement, changes to existing purchasing staff and the involvement of consultants. In the nine changes studied across seven companies, the decentralization process also required the CPO to address a number of simultaneous activities, including cost reduction objectives and implementation of information technology systems. A surprising “purchasing paradox” was also uncovered as top management still expected decentralized supply units to provide additional savings.

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1. Introduction

The increased attention placed on opportunities to use supply chain management to create competitive advantage has generated substantial interest in organizational issues in supply. Eager to benefit from opportunities to lower total costs, improve response times and increase quality, CEOs are willing to make major changes to their supply organizational structures that they believe will help them achieve their organizational goals and strategies. Regardless of the types of changes made to the supply organizational structure, CEOs expect the supply function to deliver cost savings (Leenders and Johnson, 2000). Consequently, the ability of supply

executives and managers to implement organizational change quickly and effectively is an important managerial skill.

In 2001, research findings presented at the 10th International Annual IPSERA Conference described implementation issues faced by large organizations changing their supply organizational structure to greater centralization (Johnson and Leenders, 2001a). The current research complements the 2001 IPSERA paper by presenting findings concerning implementation issues experienced in large organizations changing their supply organizational structure to greater decentralization. Findings from the research indicated that firms changing their supply organization to a more decentralized structure faced a number of implementation issues, including business unit concerns, the role of the chief purchasing officer, top management involvement, changes to existing purchasing staff, involvement of consultants and the role of the CPO's senior staff.

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2. Theoretical development

2.1. Organizational structure

Organizational design issues have been researched extensively by academics in the strategy, organizational sciences and supply chain disciplines. At the corporate level, this literature has examined a number of factors influencing organizational design, including contingency variables (Chandler, 1962), coordination costs (Robins, 1987; Williamson, 1991) and organizational characteristics (Powell, 1992). At the functional level, the supply and logistics literature includes research involving contingency variables (e.g., Persson, 1982; Pfohl and Zöllner, 1987; Chow et al., 1995; Rich and Hines, 1998; Arnold, 1999) and stage theory to explain functional evolution (e.g., Bowersox and Daugherty, 1987).

The traditional debate regarding organizational design has been the level of centralization. Factors favoring centralization of the supply function include standardization of products and business processes (Pfohl and Zöllner, 1987), cost reductions created through opportunities to allocate resources efficiently and economies of scale (Droge and Germain, 1989; Rheem, 1997) and improved levels of knowledge and expertise through the dedication of staff and resources (Droge and Germain, 1989). Corey (1978) identified the following factors that can influence firms to adopt a centralized supply organizational structure: supply assurance, improved profit performance through cost reductions, need for specialized supply skill, knowledge and training for supply staff and ability to respond to external environment, including political and social trends.

Meanwhile, decentralization provides the benefits of improved service and lower costs by pushing decision-making responsibility closer to the end user, promotes closer working relationships between suppliers and end-users and provides increased opportunities for end users to manage total cost of ownership factors (Leenders and Johnson, 2000). However, despite the potential benefits of decentralization, research does indicate that some level of centralization is required to support strategic initiatives of the supply organization (Johnson et al., 1998b, 2002).

The primary benefit of using a hybrid organizational structure approach is that it provides the opportunity to combine the key features of centralized and decentralized structures (Leenders and Johnson, 2000). While the hybrid organizational model is the most commonly used within large supply organizations, there is still considerable variation with respect to how the hybrid model can be implemented. For example, Cavinato (1991) found that in addition to the traditional organizational models of centralized and decentralized, five other forms of supply organizational structures have evolved: centra-

lized coordinator (hybrid), area planner concept, supply manager concept, commodity teams and logistics pipeline approach. Rozemeijer (2000) developed five organizational structure design rules, using the constructs corporate coherence and purchasing maturity, to help determine the appropriate corporate purchasing approach.

2.2. Organizational structure change

A popular area of research in the organizational sciences has been the study of organizational change. This body of research includes an examination of a variety of topics, including: How and why do organizations change their structure (e.g., Van de Ven and Poole, 1995)? How does organizational change influence performance (e.g., Miller and Friesen, 1982)? Do organizations evolve through a series of predetermined stages (e.g., Gupta and Chin, 1994)? Or, does change unfold as a result of purposeful goal setting and planning (e.g., Chakravarthy and Lorange, 1991)? and, What modes of change are the most effective? (e.g., Miller, 1982).

The ultimate motivation for organizational change is the pursuit of improved organizational effectiveness, driven by a shift in the status quo among the contingency variables resulting in an adjustment to structure (Chandler, 1962). An understanding of organization change requires segmentation of the process on the basis of the important elements of change, namely the magnitude, modes, motors, and drivers of change.

The mode of change can be either evolutionary or revolutionary (Miller and Friesen, 1982; Amburgey and Dacin, 1994; Romanelli and Tushman, 1994; Greenwood and Hinings, 1996). Evolutionary change occurs slowly, gradually, and continuously through a series of small incremental, often piecemeal changes over time. Revolutionary change occurs swiftly and affects several aspects of the organization simultaneously. Such changes occur in short bursts, which tend to be infrequent but disruptive. Radical change occurs quickly, followed by a long period of relative stability (or equilibrium) (Tushman and Romanelli, 1985). This is much like the contrast between radical and evolutionary change observed by Abernathy and Utterback (1982) with respect to technological innovation.

Motors represent the change process within organizations. For example, do organizations evolve through a series of stages, or is change a result of a sequence of goal setting and implementation and evaluation? These motors are not mutually exclusive. Quite often observed changes in organizations are more complex than any one process theory can explain. Rather, it is the interplay among these motors that produce the cycles of organizational change. For example, Greiner's (1972) model of organizational growth and transformation

involves five distinct phases of development (life cycle motor). However, movement among the stages was said to occur as a result of a crisis and a resulting dramatic transformation (dialectical motor).

Drivers of organizational change can be thought of as factors that influence the existing equilibrium between strategy, structure and the environment or the balance among the internal elements of the organization structure. Consequently, drivers are the “jolts” to the system that ultimately result in a new status quo. Drivers can be external, such as increased competitive pressures, or internal such as the introduction of a new senior executive.

When evaluating the influence of drivers on organizational change two factors must be taken into account. The first is lag time. The cause and effect relationship between the driver and change may not be instantaneous. However, the lag time may provide clues with respect to both the magnitude and mode of change. The second is the interaction effect among drivers. Some drivers may work together to produce radical, revolutionary change, while independently they may not be regarded as important drivers of change.

Brown and Magill (1994) examined organizational change in the IS function and found ten primary drivers, grouped in two categories: overall organization and IS infrastructure. The variables within the overall organization category were corporate vision, corporate strategy, overall firm structure, culture—business unit autonomy, strategic IT role, and senior management of IT. The variables within the IS infrastructure were satisfaction with management of technology, satisfaction with management of use of technology, strategic grid of current/future applications, and locus of control for system approval/priority. In general, the authors found that the IS function was re-aligned in response to a changes in corporate strategy, inconsistencies between the IS function and the overall organization structure, and dissatisfaction with overall functional performance.

Drivers, therefore, initiate organizational change, while motors represent the process by which change unfolds. The mode represents the pace of the change that is occurring, while the difference between the beginning and end states is represented by the magnitude of the change.

2.3. *Implications for supply*

With the considerable amount of change occurring at large companies today, managing change effectively has become a competitive necessity (Martinez, 2001). The supply function is not immune to organizational adjustments and the accompanying challenges of change management.

While the organizational sciences and strategy literatures have an extensive body of knowledge dealing with

the issue of organizational change, research in this area has been largely concentrated at the corporate level, with little research conducted at the functional level. The research stream by Johnson et al. (1998a), Leenders and Johnson (2000) and Leenders and Johnson (2002) examined factors related to organizational change in supply in large firms. This work has found that a significant percentage of companies are making major changes to their supply organizational structures.

The focus this research was to investigate the implementation issues faced by managers at large companies involved with a major change to the structure of their supply organization towards decentralization. Two research questions were developed at the outset of the research:

1. What are the implementation issues faced by managers involved with a structural change in the supply organization towards greater decentralization?
2. Do the implementation issues differ based on the type of structural change: centralized to decentralized, centralized to hybrid and hybrid to decentralized?

3. Methodology

Previous research in organizational issues in supply in North America has used a large sample survey methodology (e.g., Fearon, 1988; Fearon and Leenders, 1995). While useful in providing an understanding of “how much” and “how many”, this methodology did not provide the information concerning how or why events occur. Consequently, this latest research used a case-based methodology.

Large organizations with divisional or business unit structures, wide geographical coverage and a variety of product or service offerings formed the logical sites for the research. Major changes of the kind investigated in this research represent a significant managerial challenge both in conceptualization and implementation. Documentation was, therefore, more likely to be available and issues like centralization and decentralization tend to be significant.

The main criterion used to select cases as part of the data collection process was based on theoretical relevance (Eisenhardt, 1989). This required identifying an appropriate number of cases with specific characteristics that would permit comparisons among the cases in the sample. The sampling procedure required the researchers to identify a set of large organizations that had undergone specific organizational changes identified during the study design phase. Each site was purposely selected based on the type of organizational change experienced. This required a process of screening each potential site to establish whether a major structural organization change had occurred, determining if the

type of change fit the sampling frame and ensuring that appropriate access would be provided to key personnel and documentation.

The sample for the study for this research consisted of the following seven firms: (in alphabetical order) Air Canada, Chesapeake Corporation, Chevron Corporation, Hoechst, Ontario Hydro, Qualcomm and World Transport (a major transportation company whose name had to be disguised). Qualcomm and Ontario Hydro provided an opportunity to study two organizational moves at each company, which meant that the research included nine changes in total.

3.1. Data collection and analysis

Prior to data collection, an interview protocol was developed and pre-tested. Following pre-testing, some minor adjustments were made to the protocol to improve the clarity of the questions. Additional questions were added throughout the research to reflect specific circumstances at each organization based on data available prior to the site visit, such as annual reports. Also, as the study progressed, relevant questions were added to the protocol as individual site analysis provided insights into the research.

Interviews were conducted on-site at the offices of the participating companies, and most site visits were conducted over a 2-day period. Most interviews were conducted face-to-face and lasted approximately 90 min. The interviews were semi-structured to allow opportunities for the interviewee to volunteer information and for the researchers to pursue interesting and relevant lines of questioning. Follow-up was required in some situations to clarify important points.

A total of 56 managers were interviewed as part of this research. Interviews were typically conducted with the chief purchasing officer (CPO), the person to whom the CPO reported, a supply manager involved in the organizational change and managers from outside purchasing that were involved in the change, such as staff from finance, human resources and outside consultants.

The research relied on multiple sources of evidence, which included information provided by the informants such as organization charts, consultant reports and copies of management presentations. Since each of the companies that participated in the study was a public organization, annual reports were also available.

The researchers created a case study database and maintained a chain of evidence (Yin, 1994). Data reduction and analysis was achieved through a process of coding data, creating a summary of findings for each site using the interview questions in the protocol, and preparing summary displays in order to organize data and generate meaning.

A case describing the changes that occurred at each site was prepared and was sent to the sponsor at each site for review. This process ensured that the representations made in the case were accurate and helped to avoid disclosure of sensitive or confidential information. A representative at each company was required to sign a release form authorizing the use of the case as part of the research study.

4. Findings

While the primary focus of this research was on implementation issues faced by CPOs in large companies as their supply organizations changed to greater decentralization, the researchers also assessed the drivers of organizational change at each site. In each of the companies studied, major changes in the purchasing organizational structure were a direct result of changes in the overall corporate structure, and in none of the sites was a major change made to the supply organization structure based on consideration of what structure might best suit supply. Furthermore, the research found that the supply organization structure change process consisted of three sequential significant pressures culminating in a major structural change in supply organizations. Dominant environmental pressures forced corporate strategic initiatives, which became the driver for a major corporate structural change. It was this latter change, the corporate structure change, which was found to be the ultimate driver of the supply organization structure change. This finding is consistent with research by Brown and Magill (1994), who found that changes in the organization structure of the IS function can be triggered by overall organization variables, even if the performance of the IS function was perceived to be effective.

Results from the research provided several important findings concerning implementation issues. Firms changing their supply organization to a more decentralized structure faced a number of implementation issues, including the business unit issues, role of the chief purchasing officer, top management involvement, changes to existing purchasing staff and the involvement of consultants. The decentralization process also required the CPO to address a number of simultaneous objectives, while still pursuing cost reduction activities.

4.1. Business unit issues

Some management scholars have argued that decentralization represents the natural mode for corporate organizational structures (Quinn, 1992; Ackoff, 1994; Malone, 2004). Our research found a preference by business unit managers and supply staff for the decentralized mode. For example, an opinion survey at

Chevron in 1992 concerning functional unit preferences indicated overwhelmingly that purchasing should be decentralized to the maximum extent possible. It would appear that cooperation to standardize, seek clout, or develop a common strategy for a common supplier is unlikely without formal systems and an organizational structure to support it.

The preference for decentralized supply and freedom to operate autonomously was also evident at Chesapeake following the decentralization of the organization in the mid-1980s. The materiel manager at West Point and the purchasing manager at Wisconsin Tissue made some efforts to cooperate on purchases of common items following the organizational change. However, in the end these efforts failed to produce any joint purchases between the two business units. Similar experiences at each of the other companies showed that former head office purchasing group members, once decentralized, saw no need to coordinate their supply initiatives with those of their counterparts with similar requirements in other business units.

In the process of moving toward decentralization, the question of how to dismantle a central supply unit effectively becomes a key challenge. Should some former central unit personnel be placed in a strategic commodities group, be moved to head supply organizations in the business units, or leave the company altogether? The dismantling of a central supply unit invariably raises the questions of who goes where and when. Central supply unit personnel may go to special commodities or strategic purchasing unit, to a business unit, to a non-supply function or leave the company. Scarce supply talent may be actively recruited from various directions, creating friction among competing units. For example, at Hoechst, there was considerable competition among business units for certain senior supply staff from the former centralized purchasing group to head the new decentralized purchasing organizations.

4.2. Role of the chief purchasing officer

For each of the seven companies in this research, decentralization of supply organizational structures was a direct result of changes made to the overall corporate

structure. Once the decision had been made to change the organizational structure of the purchasing function, CPOs, if there were any, were asked to implement the change. The CPO, however, sometimes needed to organize his or her departure from a position that would cease to exist, as was the case at World Transport. Some CPOs were transferred to non-supply roles following implementation of the new decentralized structure. For example, Susan Rile-Strauss at Qualcomm implemented the decentralized supply structure before taking on new responsibilities as vice president manufacturing in one of the business units.

To avoid personal and organizational pain, some CPOs in our research managed to retire early or leave their position before the implementation of the decentralization move commenced. In the cases of Chevron and Hoechst the challenge fell to a non-supply outsider to manage the dismantling process.

For most sites in the study there was no CPO available to implement the change or senior management felt that new supply leadership was required to make the necessary changes. New CPOs were named in six of the nine sites studied as part of the change to increased decentralization. Table 1 summarizes which sites changed CPOs and the previous purchasing experience of the individuals involved and Table 2 identifies sites where existing CPOs were available to implement the change.

As illustrated in Table 1, none of the nine changes involved new CPOs from outside the company. This finding is in sharp contrast to our previous research which found that seven of the 12 CPOs hired to implement organizational change towards greater centralization came from outside the companies (Johnson and Leenders, 2001b).

In each of the sites studied, although the CPO may not have been consulted in advance regarding the change, he or she was handed responsibility for implementation. This included being given headcount targets and a budget for implementing the change. For example, in 1992 the Chevron USA head office supply organization comprised of a total of 345 people. The 1992 decentralization initiative resulted in the following: (1) Approximately 200 purchasing positions were

Table 1
CPO Change with Organizational Change

Site	Type of organizational change	CPO replaced		Previous purchasing experience		Inside organization		Outside organization
		Yes	No	Yes	No	No		
Chevron	C→D	✓				✓	✓	
Hoechst	C→H	✓				✓	✓	
Ontario Hydro	C→H	✓			✓		✓	
Ontario Hydro	H→D	✓			✓		✓	
Qualcomm	H→D		✓					
World Transport	C→D		✓					

Table 2
Same CPO with organizational change

Site	Type of organizational change
Air Canada	C→H
Chesapeake	H→D
Qualcomm	C→H

transferred to the operating companies. (2) Employment was severed for approximately 100 people. (3) The head office supply quality assurance group of about 30 people and invoice verification staff of 20 people were transferred out of purchasing and put in various operating companies. The decentralization severed the straight-line reporting relationship of about 300 supply personnel and created a group of 41 supply personnel in Chevron Services Company to provide cross-company operating support and advisory services to the business units.

Obviously, for all the firms in this study regular business activities still needed attention while the organizational change was being implemented. Materials and supplies had to be ordered and day-to-day problems dealt with. Ensuring that regular business activities were not interrupted was a major concern for the CPOs, who had to contend with massive staff changes and the distractions caused by the changes on the purchasing staff. The added pressures of managing a large but shrinking department while making major changes to the organization took a huge personal toll on the CPOs in the study and many worked 60–80 h a week for months on end.

4.3. Top management

While the move towards decentralization required top management approval and support at each of the seven companies in this study, active involvement in the implementation process by the executive to whom the CPO reported was evident in some companies. These individuals were involved in setting headcount objectives and departmental budgets and dealt with organizational resistance. They provided active and visible top management support for the organizational structure change.

For example, at World Transport in 2000, Keith Dalton was named the new president and chief operating officer and Alan Krueger was promoted to executive vice president and chief administrative officer. Krueger’s new responsibilities included purchasing, and he moved aggressively to oversee personally the dismantling of the centralized purchasing organization and its staff of approximately 70 people. Staff were either transferred under operations, reassigned to other responsibilities or their employment was terminated.

4.4. Purchasing staff

Just as CPO leadership was identified as an important implementation factor, the new organization structure brought changes to the composition of the purchasing staff as a result of changes in job responsibilities. Moving toward a decentralized structure created the issue of how to dismantle the central supply unit effectively. In such situations, management was faced with dealing with employees displaced from their positions and maximizing the benefits of existing supply talent within the company.

Such was the case at Ontario Hydro. The corporate reorganization in the early 1990s had significant implications for the supply division, which at one time had numbered about 600 people. The supply division’s large centralized structure was viewed by the business units as unresponsive and bureaucratic. In 1993, a corporate services organization was created, which included IT, travel, real estate and purchasing, headed by the vice president of shared services. The new purchasing organization was a hybrid structure with about 150 staff remaining in the corporate group. Other former members of the central purchasing staff were transferred to the business units, declared surplus or left the organization.

4.5. Consultants

Consultants were involved in five of the nine changes studied. The rationale for using consultants varied substantially among the sites studied. In some situations consultants were used to establish credibility with the board of directors. In others, consultants were used to determine the best method for reorganizing purchasing to conform to the broader organizational structure and corporate mission. Finally, at some sites, consultants were used to take on a major project. At some sites, existing corporate talent in purchasing was available but unlikely to endorse or support a change that reduced their functional power base. Consequently, implementation was left to a consultant or executive from outside the function. Table 3 provides a summary of how consultants were used at each of the five sites.

Table 3
Role of Consultants

Type of organizational structure change	Corporate	Purchasing
Centralized→decentralized	Chevron	Chevron
Centralized→hybrid	Air Canada	Air Canada Hoechst
	Ontario Hydro	Ontario Hydro
Hybrid→decentralized	Ontario Hydro	Ontario Hydro

Consultants were used at Hoechst to establish credibility with the board of directors as part of the decentralization process. After a successful career as corporate troubleshooter, Klaus Görtz was appointed as head of central purchasing at Hoechst in 1995. Three months later he initiated a special team called the HOME Team Project, which stood for Hoechst Organization for Materials Management Excellence. The purpose of the HOME Team was to determine how best to decentralize procurement at Hoechst. As the HOME Team Project progressed, the team and Mr. Görtz became convinced that complete decentralization of purchasing might not be in the best interest of the company as a whole. The team believed that, through the proper application of procurement skills and corporate leverage for common requirements, a potential improvement of 750 million DM might be achieved in the industrial chemicals side of the business alone.

Of particular interest was the role of consultants on the HOME Team Project. Mr. Görtz wanted consultants who (1) knew Hoechst reasonably well, (2) who might be seen as credible by the Board of Management, and (3) who might provide independent procurement expertise. The consultants who met these requirements initially doubted that some degree of retention of a centralized procurement function had any merit. They also doubted whether the chief executive officer and the board of management would agree, given the strong corporate push for decentralization going on at the time. It took a long time for the consultants to become convinced that some centralized effort might be beneficial, but once convinced, they wholly supported the notion in their subsequent work with the board and the CEO.

Some companies hired different consulting companies over relatively short periods. For example, at Ontario Hydro a “rationalization” study was conducted with the assistance of a consulting firm between October and December 1997. It examined opportunities to reduce costs through decentralization supply and further downsizing of purchasing. As a result of the study, the purchasing was completely decentralized. Just 6 months later the vice president of business services hired another national consulting firm to conduct a review and to make recommendations about the future direction of the procurement organization. The consultants confirmed that increased centralized control and coordination could represent significant benefits to the company and

suggested a four prong strategy: develop a strategic sourcing plan, reorganize the purchasing group, establish a governance arrangement for purchasing, and implement electronic commerce strategies.

In sites where consultants were not involved in the change process, such as Chesapeake, Qualcomm and World Transport, it was felt that working through the structural change without outside help would be less complicated and would strengthen the management team.

4.6. Simultaneous objectives

In addition to the challenges of managing a significant organizational change while overseeing the day-to-day affairs of the supply function, the CPO was forced to address other corporate objectives related to the change. Each of the companies participating in the study expected significant cost improvements as a result of the overall corporate organizational structure changes, whether they were decentralized or not, and had established formal cost savings targets for their supply functions. These cost reduction targets included lower prices for purchased materials, reductions in inventories, improved quality and headcount reductions. Table 4 summarizes cost savings objectives set at Chevron and Hoechst as part of their moves towards greater decentralization.

Downsizing contributed to the decentralization of purchasing at Ontario Hydro. In 1993 Maurice Strong, chairman of Ontario Hydro, announced a rate freeze for at least 5 years. To meet this commitment the company had to focus on cost control and operating budgets. Overhead and staffing levels were slashed as total employment shrunk. The executive responsible for purchasing in Corporate Services between 1996 and 1998 described the operating philosophy at Ontario Hydro following the 1993 reorganization and downsizing: “The objective at the time was to reduce our costs and to put the people where the action was. The fee for service concept helped everyone to understand the cost trade-offs of handling transactions centrally compared to doing them at the business units.” By 1997, purchasing staff in the corporate services group had been reduced to about 100 people from its peak of more than 600 five years earlier.

In the case of business unit dispositions, a decentralized organization mode allows for easier separation

Table 4
Cost savings objectives

Type of organizational structure change	Site	Cost savings objective
Centralized → decentralized	Chevron	Employment reduction of approximately 100 people
Centralized → hybrid	Hoechst	750 DM (\$390 million)

of individual business units. The situations observed at Chesapeake and Hoechst provided good examples with respect to the influence of merger/acquisition/divestiture activities on organizational decentralization. At Hoechst the desire of the CEO in 1994 to divest a large number of business units resulted in a move to decentralize the company, and the supply organization had to follow suit.

Some sites, such as Chesapeake, Chevron and Ontario Hydro, used a shared services organizational model to represent a head office group, similar to the old-fashioned term *administration*. The shared services group represented a convenient parking spot for purchasing as senior management made decisions with respect to further organizational changes.

4.7. Timeframe

Supply was not singled out in the corporate organizational structure change process, as other functions experienced similar changes simultaneously. Although in many corporate changes towards greater decentralization, supply moved apace with other corporate functions, this was not always the case. For example, supply can lag or lead the other functions. At World Transport, decentralization of supply followed changes to the company's operations organization. However, at Qualcomm, decentralization of operations and supply occurred simultaneously.

The mode of organizational change varied considerably from company to company. Our earlier research concerning organizational moves to greater centralization found that implementation could take a considerable amount of time as a result of the need to recruit new supply talent, frequently including a new CPO, thereby representing an evolutionary mode (Johnson and Leenders, 2001a). In contrast, implementation of organizational moves towards greater decentralization was executed much faster, similar to revolutionary mode described in the organizational behavior literature. Once sensitive issues such as staffing levels and layoffs, inter-company transfers, new reporting lines and budgets were finalized, actual implementation occurred within months.

5. Conclusion

This research provides several important findings and opportunities for further research. Firms changing their supply organization to a more decentralized structure faced a number of implementation issues, including the business unit issues, role of the chief purchasing officer, top management involvement, changes to existing purchasing staff and the involvement of consultants. The decentralization process also required the CPO to

address a number of simultaneous activities, including cost reduction objectives.

It is evident from this research that the decision to move to full decentralization was made without consultation of the CPO and without concern for the supply implications of such a move. Drivers of supply organization structure change process consisted of three sequential significant pressures culminating in a major structural change in supply organizations. Dominant environmental pressures forced corporate strategic initiatives, which became the driver for a major corporate structural change, which was found to be the ultimate driver of the supply organization structure change. With the exception of Hoechst, no one in any of the other six companies studied put a price tag on the supply cost of a decentralization move. To the contrary, corporate supply savings were expected just the same. Whether these were actually achieved, we were unable to determine.

The case-based methodology used in this research unveiled several surprising findings about decentralization that had not been anticipated. They can be summarized as a "purchasing paradox." Conventional wisdom has traditionally held that a reasonable amount of centralization of the supply function allows the organization to reap the benefits of better trained and more market and process knowledgeable professionals, to achieve clout with common requirements and suppliers, to become strategic and future oriented and provide a consistent organizational image in the marketplace. Many of the tools of the trade—standardization, supply base reduction, e-systems and so on—depend on supply centralization. Then, why would top management expect further savings from decentralization, while taking away the means to achieve such savings? Since the costs of what is acquired is normally so much larger than the cost of acquisition, surely the measly savings possible from reducing the headcount at a central supply organization can hardly be considered a prize. It is like stumbling over the \$100 bills to get to the nickels and dimes.

What makes the paradox even more puzzling is the lack of cooperation, coordination and consultation with supply managers in other business units by former head office purchasing. When these people were at head office they preached about standardization, vendor base reduction, standard policies and procedures, clout and best value for the company a whole. Did they really not believe their own message? Were business unit instructions so explicit as to forbid cooperation and coordination with supply managers at other business units? Was the disbanding of the head office group so demoralizing and the message so clear that decentralization was the new mantra? Or, for those who actually thought of cooperative efforts, were the perceived benefits so small or the cost so high they deemed the exercise impractical

or not worth the effort? Unfortunately, given the focus of this research, no answers to these questions could be found.

Unfortunately, research about decentralized supply organizations represents significant challenges and the methodology used in the research limits the generalizability of its findings. The diversity of business units and their geographical spread makes the process more difficult and gaining the cooperation from all supply managers on, at least, a reasonable sample, is not easy. Nevertheless, the “purchasing paradox” deserves a closer examination than what this research could provide. Such research, likely through the use of case-based methodology, could examine the actual benefits achieved through organizational decentralization compared to original business plan estimates. Alternatively, another potential avenue of research could focus on the behavioral implications of decentralization on members of the supply organization. Such research could be longitudinal in nature and examine how relationships among members of the supply organization are affected as a result of a major structural change.

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