

# *Managing effective sourcing teams*

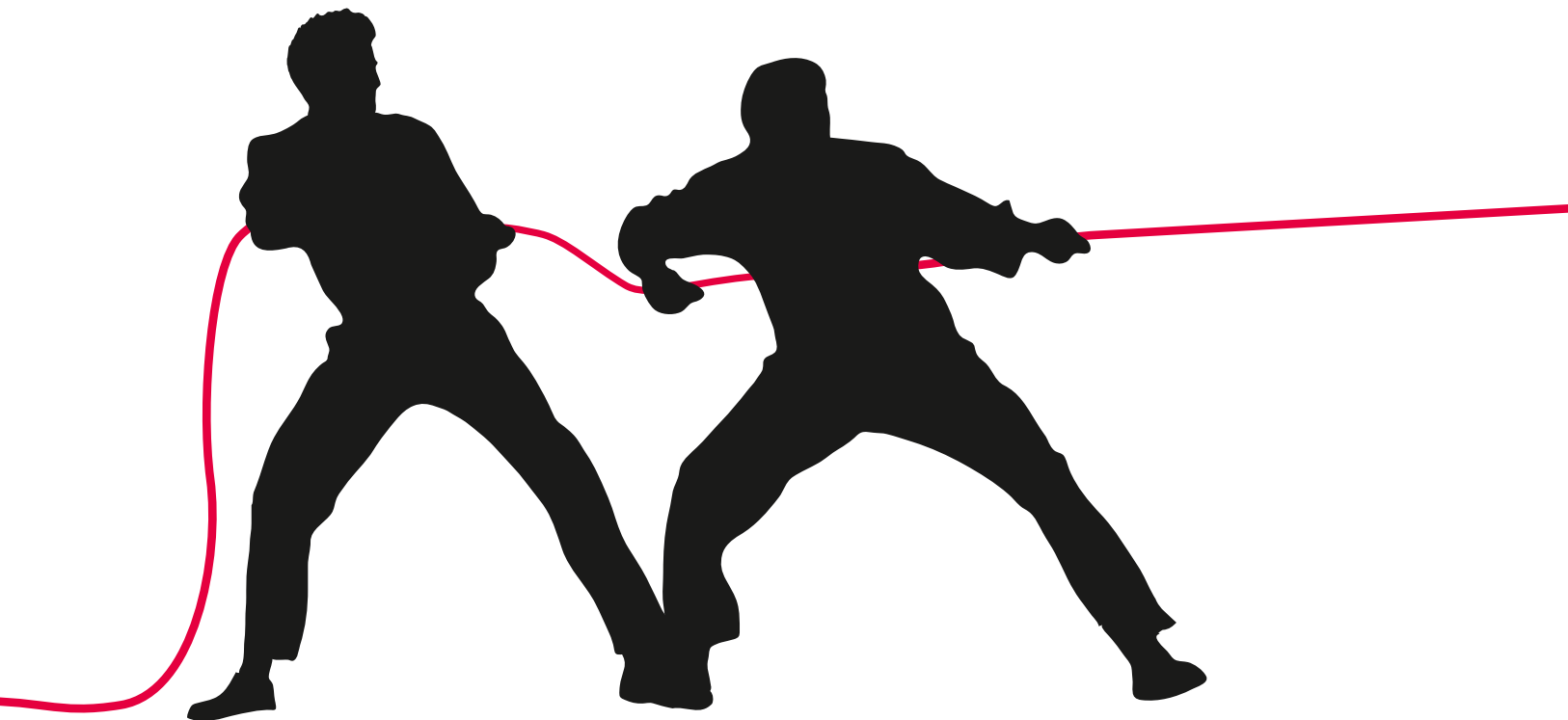
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» Today, international cross-functional sourcing teams are the standard in corporate purchasing organizations who want to leverage their full procurement potential. However, these team-based structures appear, according to our research, not to be without risk. After a promising start, many of these teams for a number of reasons quickly lose momentum. What conditions should be in place in order to make cross-functional sourcing teams successful? How to secure that targeted savings are actually realized by these teams?

Although things have changed dramatically over the last decades, the purchasing profession has a history as a clerical function. During the past decades, companies started to realize the potential, and sometimes the need,

of strategic sourcing to contribute to competitive advantage. Today, purchasing organizations must be flexible and should allow for cross-functional and cross-business unit collaboration and communication in order to



capture corporate synergies. Functional departments that reside low in the organization no longer fit these requirements.

Against this background, companies have started to install international, cross-business and cross-functional sourcing teams. Sourcing teams are thought to be an effective organizational mechanism to achieve superior purchasing performance. Sourcing teams, also referred to as category or commodity teams, are assigned the task to find, select and manage suppliers for a category of products or services across businesses and across functions and disciplines. Typically, sourcing teams are staffed by people from different business units, representing different functional backgrounds. Hence, sourcing teams fulfill a boundary spanning role and have to deal with a wide range of internal and external stakeholders. Today, a virtual team structure is common in multinational companies, since professionals involved in global sourcing work all over the world. In most cases sourcing team members are part-time allocated to the team.

#### **New teams, new practices**

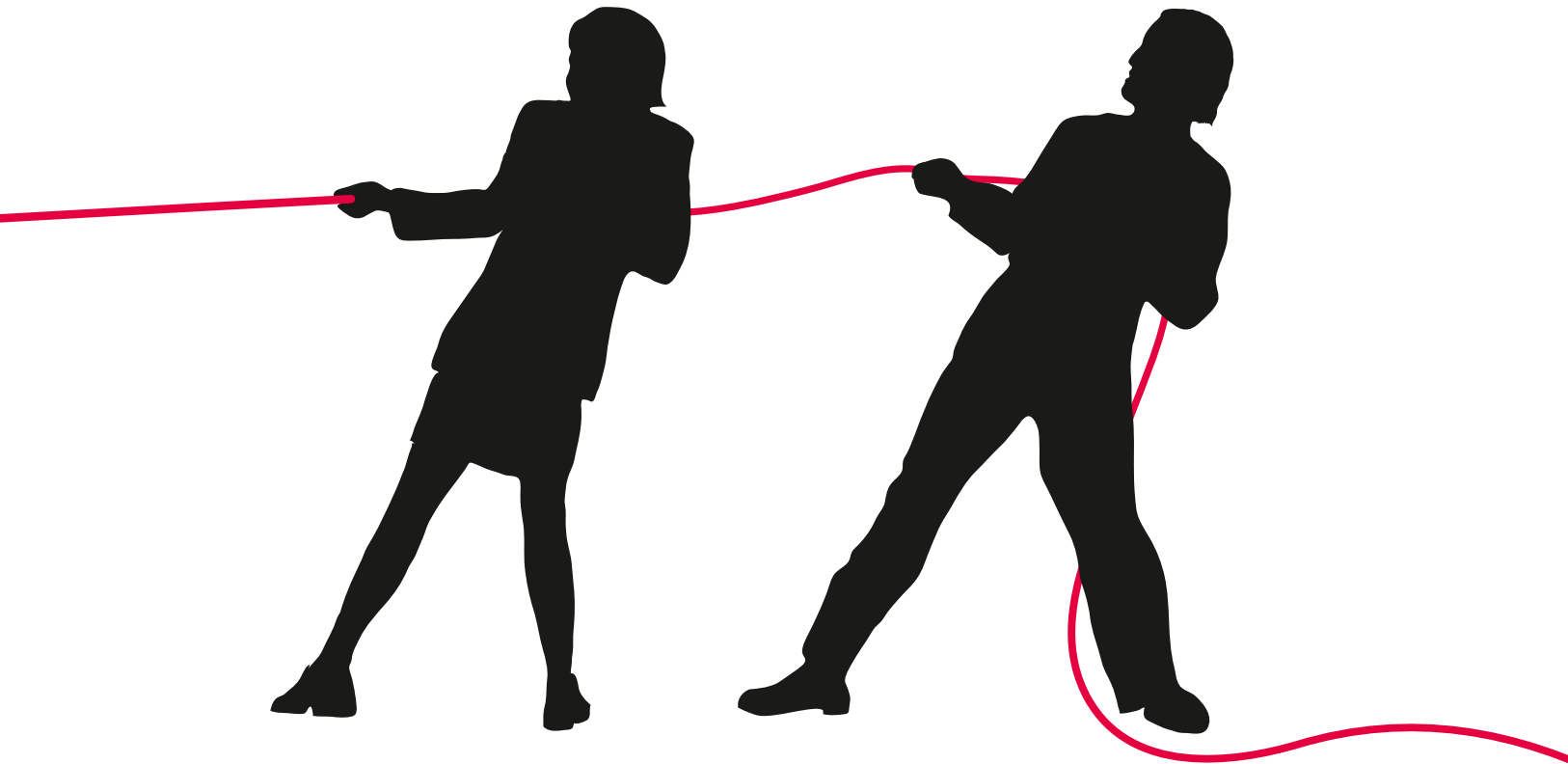
This trend towards the use of team structures also requires new management practices. Over the years, team performance and team management have received large interest from researchers, and for good reason. Creating successful teams requires careful consideration

of a range of factors that enable and enhance effective teamwork. Previous studies have shown that teams in varying contexts are subject to different success factors. Team effectiveness has been studied extensively in the context of manufacturing, new product development and service organizations. Sourcing teams, however, have only moderately been subjected to academic study and there is hardly any large-scale empirical research that provides guidance to purchasing managers on how to manage these teams.

#### **Measuring effectiveness**

Based on an extensive literature review, we have identified a number of potential success factors for sourcing teams. Of course, we did select success factors that have been reported to be critical to sourcing teams by other researchers. However, based on the extant literature on team performance in other disciplines, we designed a preliminary conceptual framework for sourcing team effectiveness. Our model differentiates between input factors and output factors. The selected input factors have been grouped into five distinct groups:

- "Employee involvement context", which relates to the degree of ownership and control by team members.
- "Organizational context", relating to organizational factors affecting team performance.



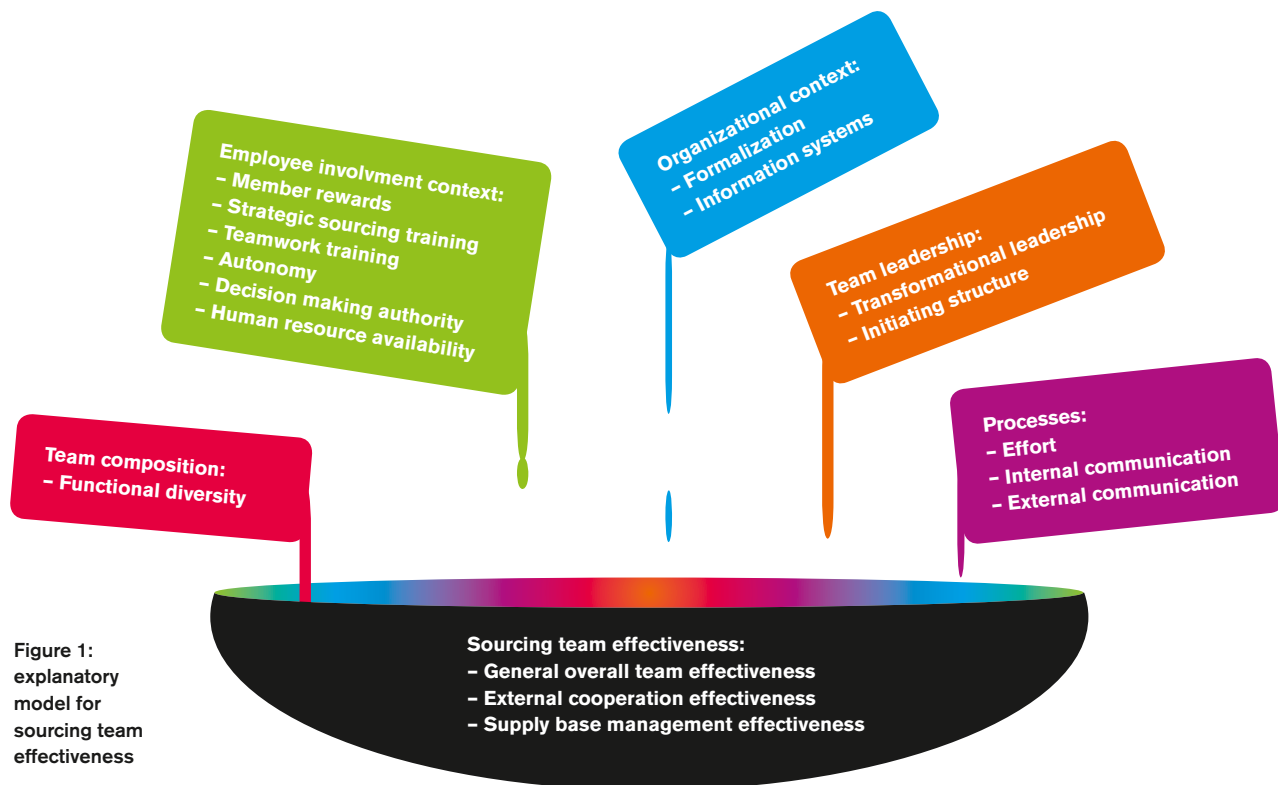


Figure 1:  
 explanatory  
 model for  
 sourcing team  
 effectiveness

- Team leadership, relating to leadership styles.
- Team composition, referring to staff characteristics.
- Team processes, which relate to team (inter)action processes as they unfold within a team over time.

Our framework is depicted in Figure 1. The picture shows per group of factors the underlying explaining factors.

Our primary interest lies in which group of factors management should focus on to increase team performance. However, we are also interested in how individual factors affect sourcing team effectiveness.


### Defining effectiveness

Sourcing teams can perform on three dimensions of effectiveness. The first dimension of sourcing team effectiveness is labeled general overall team effectiveness. This dimension covers general team effectiveness elements, like quality and quantity of work, efficiency, planning and overall performance. Second, literature and practitioners suggest that sourcing team success is highly dependent on a team's ability to cooperate effectively with people external to the team. Without this ability, a team's output will not have an effect on company performance, due to poor implementation processes and a lack of compliance. Therefore, a new dimension labeled external cooperation effectiveness has been included in our framework. The third dimension

covers sourcing task specific elements, like realized savings, improved quality of purchased items, improved supply base responsiveness, relationship management and support for innovation. This dimension is labeled supply base management effectiveness. In our analyses, we have differentiated between these three dimensions of sourcing team effectiveness.

### Propositions

The model was developed with two expectations, which we formulate here in propositions. First, five groups of success factors have been included in the model: the employee involvement context, the organizational context, team leadership, team composition and team processes. Literature and theory suggest that these groups can enhance team performance, irrespective of each other. Our first proposition, therefore, is that all five groups generally have the same impact intensity on sourcing team performance. All groups are likely to explain the level of sourcing team effectiveness to about the same extent. Our second proposition is that the individual success factors listed in figure 1 will show specific positive effects on the individual dimensions of sourcing team effectiveness. Insight in how each factor influences different dimensions of team effectiveness can provide guidance for managers who want to improve general overall team effectiveness, external collaboration effectiveness, or supply base management effectiveness.



» *It is the responsibility of purchasing executives to shift their focus towards employee involvement and team processes.*«

Prof. Dr. Arjan van Weele

## Nine ways to improve your teams

What should purchasing executives do to improve team performance? It is the responsibility of purchasing executives to shift their focus towards employee involvement and team processes, to enable teams to actually meet and exceed expectations. In the list below, we provide nine recommendations that follow from the results.

### Employee involvement context

- Make sure that all team members are rewarded for their team contributions. Managers who succeed in this will witness increased team member involvement, and improved sourcing team performance.
- Provide training in strategic sourcing and in teamwork skills. Managers should not assume a priori that team members have well-developed teamwork skills.

- Provide sourcing teams with sufficient authority. Sourcing teams need a 'license to act', which enables them to decide upon their activities autonomously.
- Balance the number of sourcing initiatives with the availability of human resources. Convincing upper management to allocate sufficient resources continues to be a challenge.

### Team processes

- Develop a sharp eye for the quality of team processes. Effort, internal and external communication should be monitored closely and stimulated actively by both management as well as team leaders.

### Organizational context

- Develop a structured sourcing process, clearly outlining the tasks and responsibilities of the team.
- Develop information systems to the level that they usefully support

team tasks. When systems provide easy access to accurate information, teams are able to operate more efficiently.

### Team leadership

- Select only the best leaders. Sourcing team leaders should command a wide variety of leadership skills. It is therefore crucial not to select the best purchasing professionals to lead sourcing teams, but to select the best team leaders.

### Team composition

- Create cross-functional teams whose members represent the different stakeholder groups. When products or services of a certain complexity are sourced, cross-functional teams will outperform teams staffed by purchasers only, but only when the team is clearly briefed, when its members are well trained and when a very competent leader is assigned.

## Large scale survey

To identify the current criteria for sourcing team performance excellence, we conducted a large scale academic survey. In this research, we addressed the effects of all success factors discussed above. Interestingly, the findings of this study suggest that the employee involvement context and team processes explain the variance in performance on all dimensions of sourcing team effectiveness to a larger extent than the organizational context, team leadership and team composition. The research results discussed in this section lead to a number of conclusions and recommendations (see box for a quick overview).

### 1. Involving employees

With respect to the reward structures of team members, the results showed that members are often not recognized or rewarded for their contributions. The main cause of the lack of member rewards appears to lie in the limited influence that purchasing managers have on the reward structures of team members from outside their own department. Rewarding all team members in a team appears to be critical, especially for involving non-purchasing personnel. Training in strategic sourcing creates a shared understanding among the team mem-

bers, and enables the team to achieve strategic supply base management goals. Furthermore, team members who have been trained in teamwork skills are significantly better able to work together as a team effectively and cooperate more effectively with others outside the team, in order to achieve cost savings and best in class supplier selection. The level of team autonomy, referring to the team's ability to control internal team processes and activities, stands out as the strongest predictor for all dimensions of team effectiveness. In many cases, sourcing teams still suffer from a lack of autonomy. Moreover, sourcing teams that are assigned more advanced supply base management goals need a sufficient level of decision making authority. Such teams cannot coordinate and manage suppliers flexibly and efficiently when decisions are frequently to be approved by others external to the team. Finally, the study shows that organizations find it difficult to get sufficient personnel allocated to the teams. Sufficient time availability of team members, however, is a precondition for team effectiveness.

### 2. Organizational context

The organizational context was represented by the level of formalization and the perceived effectiveness of the available information systems. The research results show



that a clear sourcing process enhances general team efficiency, particularly by supporting collaboration external to the team. Internal support for team decisions appears to increase when a transparent, fair process is followed. Also, the usefulness of information systems has a general, positive effect on team effectiveness.

### 3. Team leadership

Based on earlier research findings, we could assume that both a leader's focus on initiating structure in tasks and activities, as well as transformational leadership would significantly enhance sourcing team performance. The characteristics of transformational leadership include charisma, interest in individual team member concerns and intellectual stimulation. Our results suggest that initiating structure makes collaboration patterns between teams and internal stakeholders more visible for managers. Transformational leadership style has wider positive effects.

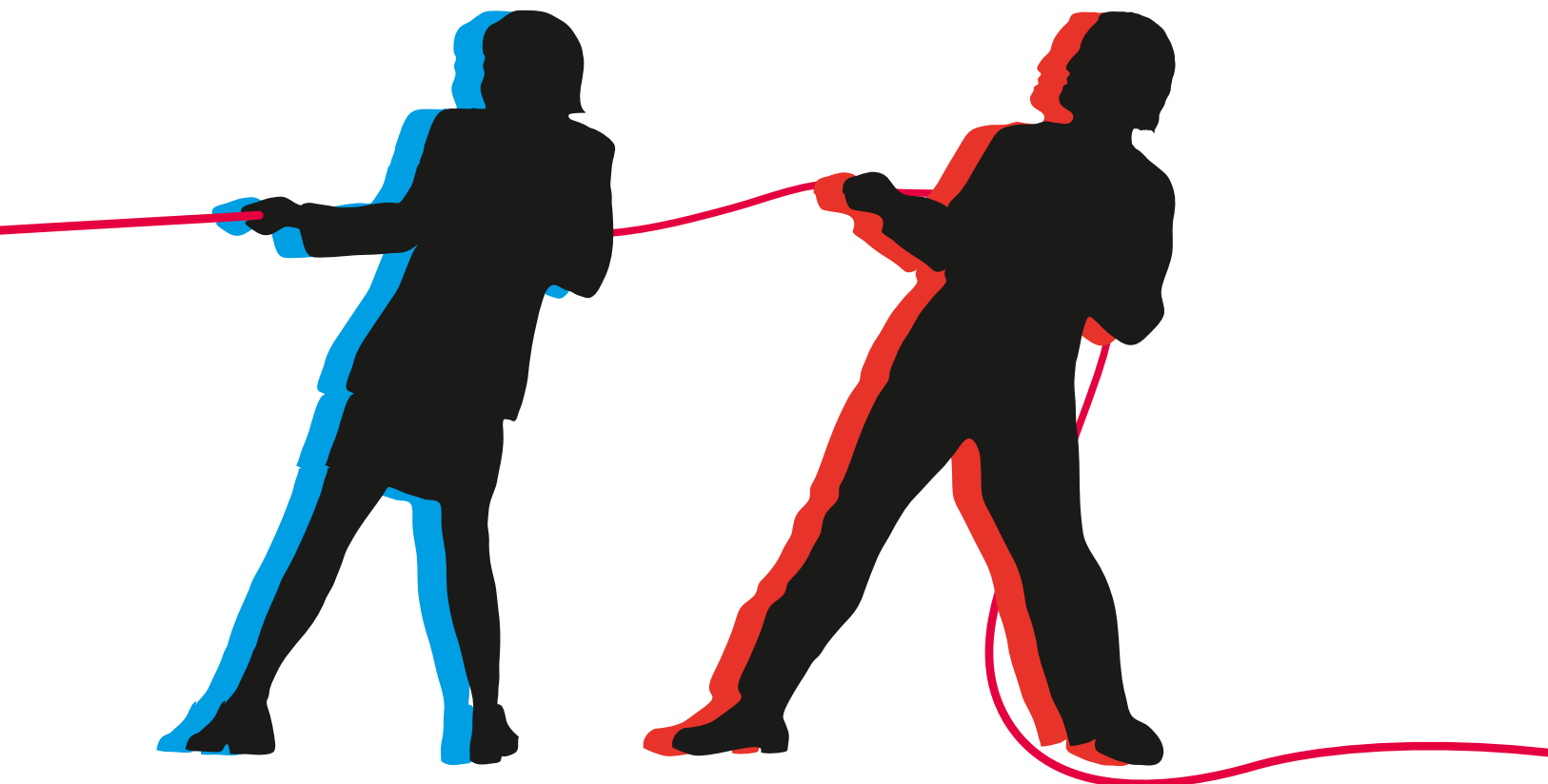
### 4. Team composition

We find interesting results with regard to functional diversity. Performance, particularly supply base management effectiveness, increases as the functional diversity increases in the team's perception, while in manage-

ment's perception performance, especially the ability to cooperate with other functions in the organization, decreases. A number of reasons explain these findings. First, the level of functional diversity often reflects the complexity of the product or service that is sourced, and in effect the likelihood of success. Second, when only purchasers are involved in a project, the perception could be that a team has performed really well, for instance in terms of potential savings. When knowledge from more functional backgrounds is brought into the team, new requirements and practical limitations can initially make the task more difficult, which is recognized by purchasing managers. However, the end result might satisfy internal customers better and could lead to better compliance with contracts. Third, when conflicts arise that cross functional boundaries, these conflicts are often escalated to upper management. So, purchasing managers experience more issues with others in the organization when the level of functional diversity in teams increases.

### 5. Team processes

Team processes show an above average impact on sourcing team effectiveness. This research indicates that the effort brought to the task by sourcing team members is



*» Managers have a crucial role in enabling and enhancing team performance.«*

Boudewijn Driedonks



a key process. Moreover, the results indicate that communication within the team as well as external to the team is a second crucial process for enhancing ultimate performance.

### **The need for better management**

The overall conclusion from this research is that sourcing team effectiveness depends heavily on the extent to which purchasing organizations have adopted a team management perspective, reflected by the delegation of responsibilities to teams, providing training in teamwork skills and the facilitation of effective team processes. These findings confirm that purchasing executives and managers tend to overlook the people issues. Rather than a focus on technology, information and measurement systems, purchasing managers should enhance collaboration, teamwork and empowerment. This calls for a paradigm shift in purchasing management.

### **Benchmarking your organization**

Based on this research, the authors have developed a tool to support managers in evaluating and improving team performance. This tool includes a benchmark study for each participating company. This benchmark

shows how the company scores on the wide range of success factors discussed before compared to other companies. Figure 2 illustrates what such a benchmark result may look like.

Obviously, companies need to improve on those factors that show relatively low scores. However, this tool also allows for a more directed approach by considering which specific dimension of sourcing team effectiveness should be improved in the respective company's context. The best practices listed in the previous section provide guidance in improving on these factors. If an organization wishes to improve teams' general overall effectiveness, it is wise to evaluate the formal sourcing process (formalization), and the level of autonomy provided to the teams. Sourcing teams perform best when roles and responsibilities are clearly defined in the sourcing process, and at the same time teams are given a 'license to act'. To improve a team's ability to collaborate effectively with others outside the team, one should, amongst others, also consider reward structures. Are all team members, including those from outside the procurement community, rewarded for their team contributions? Moreover, leaders who are well capable of bringing a planned structure in team tasks and activities

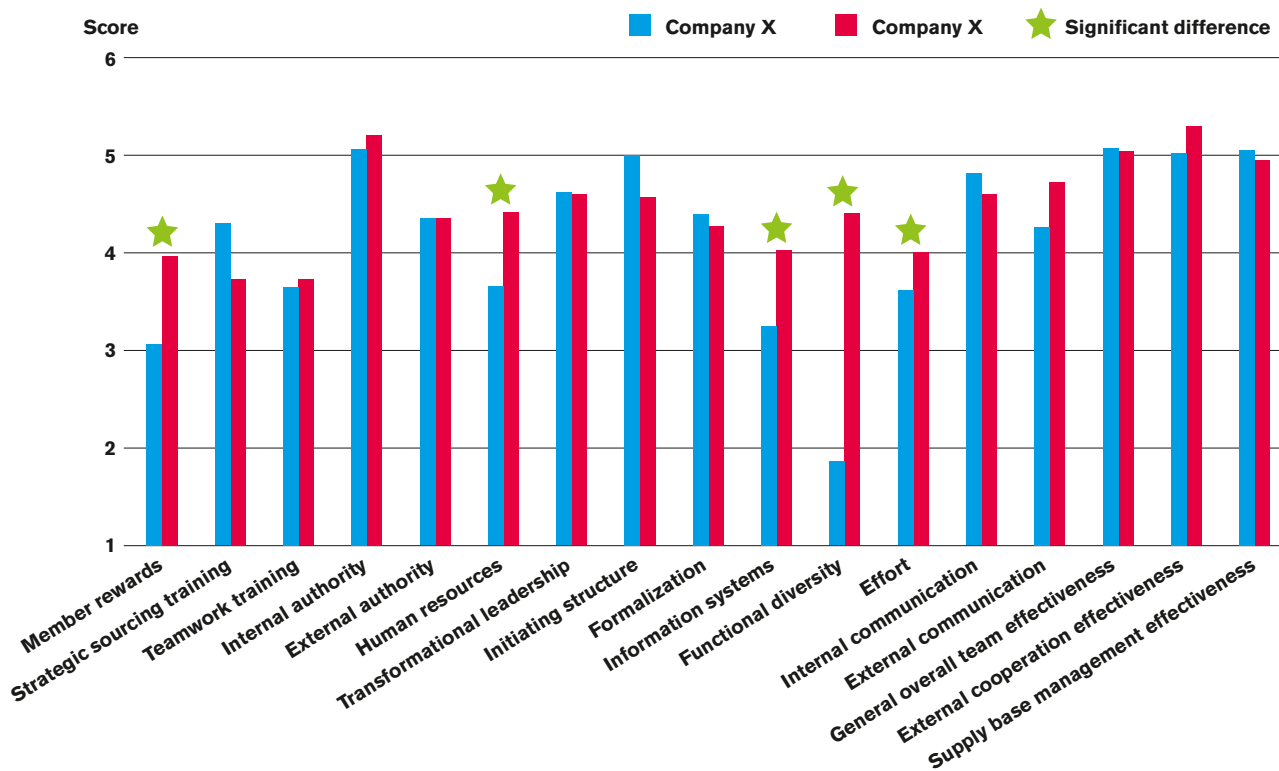


Figure 2: Example of benchmark results

can enhance external collaboration. If, however, supply base management effectiveness is more a matter of concern, transformational leadership styles are more beneficial. Also, a cross-functional team composition matching the team task, and training team members in strategic sourcing may for instance be a required investment. In conclusion, the tool allows companies to evaluate their organization and to support decision making on directions for further improvements.

Other recent studies have emphasized the importance of people management and cross-functional integration, and advocate the implementation of sourcing teams as a best practice. This study shows that creating team structures does not automatically come hand in hand with successful empowerment and functional integration. Sourcing teams face some typical challenges, related to the teams' boundary spanning role, heavy dependence on internal stakeholders' commitment and part-time team member allocations. Managers have a crucial role to fulfill in enabling and enhancing team performance. With cross-functional teams in place, effective people- and team management is of vital importance. It is time for purchasing managers to adopt the team management paradigm!

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### Team perspective in purchasing organizations

The objective of this research was to identify the critical success factors for sourcing teams. Our aim is to provide insight in the key factors that determine sourcing team effectiveness. In doing so, we start with a literature review resulting in a conceptual model for sourcing team effectiveness. This model has been tested by means of a large quantitative survey. The survey results provide specific insights in how sourcing team effectiveness can be enhanced and shed light on the current state of affairs of team management in purchasing organizations. Twelve companies took part in the survey, in total, 392 individuals from 64 teams were contacted.

### About the authors

Boudewijn Driedonks MSc. works as a PhD candidate in the field of Purchasing and Supply Management at Eindhoven University of Technology. For more information about this study and for participation, please contact him at [contact@boudewijndriedonks.nl](mailto:contact@boudewijndriedonks.nl) Prof. Dr. Arjan van Weele holds the NEVI-Chair of Purchasing and Supply Management at Eindhoven University of Technology.