Chapter 8

The Role of Strategic Sourcing in Global Supply Chain Competitiveness

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ABSTRACT

A global supply chain is a core element for an organization's competitiveness. Its success relies on the synchronization of relations, activities, and agreements in order to be flexible, agile, high quality, and cost effective for customers. Strategic sourcing emerges as an important factor to support and integrate the suppliers into the supply chain intelligently. This chapter aims to provide the understanding of how strategic sourcing can contribute to improving a firm’s global supply chain competitiveness. In order to do so, it explores the elements to be considered while developing the strategic sourcing: the sourcing process cycle, internal and external relations, sourcing risks, global sourcing application, and supplier development.
INTRODUCTION

Competitive priorities urge organizations to seek continuous change. The rise of customer expectations and patterns, new entrants, information speed and technological evolution drive organizations to move forward even faster, expand domestic frontiers and engage in worldwide competition in terms of cost, quality and availability of products and services. As markets continuously change, it has also been a challenge to established business models and prior opportunistic behavior to achieve a mindset change. Organizations rethink operations, locations, logistics and how they have been contracting and establishing their relations with the supplier base.

Global supply chain design is a core element for organizations’ competitiveness. Its success relies on the synchronization of relations, activities and agreements in order to be flexible, agile, high quality and cost effective for customers. In fact, global supply chain competitiveness can be achieved if there is an efficient supply chain flow of materials, information and services, clear governance control and communication methods, flexibility and agility to satisfy demand or respond to specification changes, plus alignment with members’ performance (Verma and Seth, 2008). It is a tremendous challenge for practitioners.

Strategic sourcing is key for successful global supply chain management. As the core challenge of supply chain management is the removal of barriers between the organization and its suppliers and customers in order to maintain customer service excellence, financial position improvement, and operational costs optimization, strategic sourcing emerges as an important factor to support and integrate the suppliers into the supply chain intelligently. It promotes cross-functional, intra- and inter-organizational integration (Chen et al., 2004) considering short- and long-term orientation. Precisely, a purchasing team needs to ensure proper use of funds and resources while defining the correct supply source of the business to achieve forecasted results. Additionally, it is expected that purchasing executives will assimilate market innovations, extend market communication and ensure supplier reliability.

This chapter aims at understanding how strategic sourcing can contribute to improving a firm’s global supply chain competitiveness. For this purpose, the remainder of the chapter will be structured as follows: the initial section presents a brief discussion of what strategic sourcing is, and the internal and external relations. It is based on a framework that explores how corporate and strategic purchasing alignment contribute to the sophistication and reliability of the strategic sourcing function, and the different internal and external stakeholders. Through the alignment between organization and purchasing strategies, the organization can define paths for
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