Conflict and Ambiguity Resulting From Purchasing Performance Measurement Criteria: Their Impact on Buyers

Dr. Raghur Tadepalli, Marketing, North Dakota State University

Abstract

The evaluation of purchasing performance is both imprecise and difficult. Criteria used to measure purchasing performance could be perceived by buyers to be either in conflict with one another, or ambiguous. It was found that conflict and ambiguity regarding performance criteria adversely affected buyers' role conflict and role ambiguity. The implication of this research is that conflict and ambiguity in performance criteria exist. Buyers experience decreased satisfaction with organizational policies as a consequence.

Introduction

The measurement of purchasing performance has long been problematic for organizations. Indeed, it has been suggested that purchasing performance is a multidimensional construct which can be measured only through performance criteria used to represent that performance (Anderson and Chambers 1985). This process however, is complicated because these performance criteria can measure only a subset of an individual's total purchasing performance. For instance, price concessions obtained by a purchasing agent from a vendor can be measured and quantified. However, the ill will or animosity generated by the purchasing agent's negotiation posture is not easily measured or quantified by the performance criteria. Further, reductions in product quality made by the vendor as a result of the lower price, while quantifiable may not be available to the organization for many months, if at all.

The critical implication of the preceding arguments is that buyers focus on achieving favorable ratings on the criteria used by the organization to measure purchasing performance. Since an organization cannot reward what it does not measure, purchasing performance criteria have an important influence on the behavior of purchasing agents. Such a view is supported by the research of Segal (1989), who found that purchasing managers from companies preferring a single supply source used different purchasing criteria than those relying on multiple vendors. Consequently, when these purchasing performance measurement criteria conflict with one another, then they are likely to have a detrimental impact on the performance of purchasing agents. Similarly, when these criteria are perceived to be ambiguous, purchasing agents are likely to be confused as to what performance is expected of them. The usefulness of such research not withstanding, the purchasing literature has overlooked the above-mentioned aspects of purchasing performance evaluation. Consequently, the objective of this research is to investigate the impact of conflict/ambiguity regarding purchasing performance measurement criteria on the role perceptions of buyers.

Review of Literature

Almost forty-two years ago, Lewis (1948), concluded that evaluating the performance of the purchasing department was a difficult task. Six years ago, van Weele (1984), stated that the question of how to measure and evaluate purchasing performance was not easily answered. Efforts to develop appraisal criteria for evaluating purchasing performance have been ongoing. Hendrick and Ruch (1988), attempted to create a methodology for evaluating performance criteria for buyers in a government contracting electronics organization. However, such efforts have been stymied because of the diverse needs and tasks that purchasing has to perform across different kinds of organizations.

Anderson and Chambers (1985), suggest that purchasing performance indexes can at the same time appear to be clear as well as conflicting. Thus, a buyer who is performing well on one index will very likely be pressured by purchasing managers to perform well on other indexes also. For example, a buyer who has developed a good
working relationship with a vendor and is able to get reliable supplies at a competitive price, may nevertheless be asked by management to find alternative sources of supply. The reasons for such conflict primarily are due to the multiplicity of criteria used to measure purchasing performance. For instance, Hendrick and Ruch (1983), identified ten criteria as most appropriate in measuring the buyers’ performance. Corey (1988), on the basis of an in-depth study of the purchasing function at General Motors, identified six criteria that are used to evaluate purchasing on a day to day basis. Monczka (1979), also identified over 15 criteria that can be used to evaluate purchasing performance. van Weele (1984), broke down purchasing performance into 4 key areas represented in total by 19 separate indicators.

The conclusion that one can safely arrive at from a perusal of the various criteria used is that there is no definite manner in which purchasing performance can be evaluated. Indeed, Ammer (1974), based on a study of 750 corporate managers reported that most companies could not distinguish between ‘good’ and ‘bad’ purchasing performance. van Weele (1984), suggests that evaluating purchasing performance is difficult due to lack of definition, lack of formal objectives and performance standards, problems of accurate measurement, and difference in scope of purchasing.

In addition to conflict among purchasing performance criteria, another issue of concern to this study pertains to the uncertainty for buyers resulting from purchasing performance evaluation. Anderson and Chambers (1985), state that purchasing performance is a multi-dimensional construct and indexes used to purchasing performance top only a part of it. Similarly, van Weele (1984), suggests that purchasing performance is a result of many activities which due to their intangible character are difficult to evaluate. Therefore, it is very difficult to measure and evaluate purchasing activities in an accurate and comprehensive way.

The Research Question

This research seeks to address the following questions:
1) What is the relationship between buyers’ perceptions of conflict among criteria used to measure and evaluate purchasing performance and buyers’ role conflict? 2) What is the relationship between buyers’ perceptions of uncertainty with respect to criteria used to measure and evaluate purchasing performance and buyers’ role ambiguity? 3) What is the relationship between buyers’ role conflict and satisfaction with organizational policies? and 4) What is the relationship between buyers’ role ambiguity and satisfaction with organizational policies? The model underlying the research is presented in the figure.

Theoretical Bases for Hypotheses

Michaels, Day, and Joachimasthaler (1987), argue that role theory has particular relevance to the industrial buying position. In a similar vein, Johnston (1981), states that the concept of role and role theory can be used to bridge the

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**Figure**

Model Showing Hypothesized Relationships Among Variables

- Conflict Among Performance Criteria
- Role Conflict
  - Satisfaction With Organizational Policies
  - Role Ambiguity
  - Ambiguity Regarding Performance Criteria

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gap between the organizational and the individual unit of analysis. Indeed, Webster and Wind (1972), recognize the fundamental usefulness of role concepts in understanding organizational buying behavior.

In the role theoretic perspective, an organization is conceived of as a set of people fulfilling certain roles. Behaviors and tasks in an organizational context are hence functions of roles. Therefore, the purchasing professional behaves and performs tasks commensurate with his/her role perceptions.

Role conflict is the result of conflicting expectations being sent by different members of the role set (i.e., those individuals with whom the buyer interacts). For example, if the buyer is evaluated on the amount of price concessions obtained from a vendor, and the requisitioning department insists that the material be purchased only from a particular vendor who changes higher prices relative to competition, then the buyer will experience role conflict. This role conflict results from the fact that the criteria used to measure purchasing performance (in this instance, obtaining price concessions from vendor, and serving user departments) send conflicting signals to the buyer.

In addition, Corey (1983), suggests that purchasing performance criteria can at the same time appear to be clear as well as conflicting. Thus, a buyer who is performing well on one index will very likely be pressured by management to perform well on other indexes also. For example, a buyer who has developed a good working relationship with a vendor and is able to get reliable supplies at a competitive market price, may nevertheless be asked by management to find alternative sources of supply. In such an instance, buyers will perceive the performance measurement criteria in conflict with one another. Since purchasing performance measurement criteria constitute the organizationally sent role expectations for buyers, when buyers feel that performance criteria conflict with one another, their role conflict will increase. This leads to the first hypothesis:

H1: Conflict among purchasing performance measurement criteria is positively related to role conflict.

Role ambiguity has been described by Katz and Kahn (1978), as uncertainty about what the occupant of a particular office is supposed to do. In the purchasing context, role ambiguity results from the buyer lacking the necessary information to perform the job adequately; when the buyer is uncertain about what exactly is expected of him/her; how to satisfy these expectations; and how performance will be evaluated.

For instance, what does achieving cost savings exactly mean? Should a buyer attempt to reduce material costs by 2%? 5%? Clearly, there is no answer immediately available to this question. Even if the buyer achieves a cost savings of 3%, this may not be acceptable to the purchasing manager. Similarly, what does it really mean to cultivate qualified buyers? Given the subjective nature of at least some of the purchasing performance measurement criteria (these are discussed in the article by Hendrick and Ruch 1988), it is reasonable to expect that buyers will be unclear as to what they have to do in order to satisfy performance criteria.

With regard to buyers lacking the information to perform the job adequately, Heinzlitz and Farrell (1981), suggest that at least past of the importance being accorded to purchasing derives from innovative problem solving actions required from buyers. However, as Anderson and Chambers (1985) suggest, purchasing performance is a multi-dimensional construct and performance criteria tap only a part of it. Therefore, a buyer can be expected to be clear as to how some aspects of performance are evaluated, and unclear as to other aspects.

In such circumstances, buyers lack the information required to perform the job adequately, are uncertain as to what exactly is expected of them, and finally, do not know how performance will be evaluated. These, however, are the different facets of role ambiguity. This leads to the second hypothesis:

H2: Ambiguity regarding purchasing performance measurement criteria is positively related to role ambiguity.

Satisfaction with Organizational Policies is defined as the extent to which the buyer is satisfied with organizational policies. Buyers can be expected to be satisfied with organizational policies, if they view such policies as contributing to improved performance on their part. Since the criteria used to measure and evaluate purchasing performance, and the manner of their use is the responsibility of purchasing management, it is important that buyers be satisfied that organizational policies enable them to be both effective and efficient in their job.

However, as suggested by Hypotheses 1 and 2, buyers perceive role ambiguity and role conflict as a result of conflicting and ambiguous performance criteria. Since these criteria are determined by the organization, it is likely that buyers will experience a decline in their satisfaction with organizational policies. In such a situation buyers are likely to blame the organization for the conflict and uncertainty they perceive in performance measurement criteria. This leads to the following hypotheses:

H3: Buyers' perceptions of role conflict will be negatively associated with their satisfaction with organizational policies; and,

H4: Buyers' perceptions of role ambiguity will be negatively associated with their satisfaction with
organizational policies.

The Sample and the Questionnaire

Data were obtained through questionnaires mailed to 678 randomly selected buyers belonging to a national association of purchasing professionals. 376 (55.4%) were received before the cut-off date specified in the cover letter. Of these, 11 were returned with less than 90% of the questionnaire answered. Therefore 365 (53.8%) were used in the data analyses.

The average respondent worked in a purchasing department that employed between 6 to 15 buyers, and was between 41 to 47 years of age. Twenty-seven percent of respondents had done some work toward a college degree, whereas close to 23% had a 4 year college degree. 40.3% of respondents had purchasing certification. Respondents on average had 14.5 years of experience in purchasing. Their tenure in the present organization was approximately 10 years. On average, approximately 77% of respondents dealt with between 1 to 10 salespeople per week.

Measurements

Role Conflict and Role Ambiguity were measured using scales developed by Rizzo, House, and Lirtzman (1970). Based on feedback received from buyers during pretesting a few minor modifications were made so that the scale items were less "wordy" and more germane to the purchasing function. Conflict and Ambiguity regarding purchasing performance criteria were measured on the basis of purchasing tasks identified by Corey (1983), Monczka (1979), and Hendrick and Ruch (1988). From these sources, a total of 23 performance criteria were identified. Based on interviews with buyers and a pretest, the criteria were reduced to 15. For the Conflict Among Performance Criteria Scale respondents were asked to read the criteria in question and then answer whether it conflicted with any other criteria. Scale anchors were "never conflicts" (1) and "conflicts all the time" (5).

The same 15 criteria were repeated to gauge ambiguity resulting from purchasing performance criteria. However, for this scale buyers were asked how certain/uncertain they felt as to what they should do to satisfy the criterion. The scale anchors were "certain all the time" (1) and "uncertain all the time" (5).

Satisfaction with Organizational Policies was measured on the basis of scale items provided by Churchill, Ford and Walker (1974). Scale anchors for this scale as well as the Role Conflict and Role Ambiguity Scales were "Strongly Disagree" (1) and "Strongly Agree" (7).

Sample scale items, scale means, standard deviations, and reliabilities are provided in Table 1. As can be seen from the table, reliability coefficients for all but one of the scales (Role Ambiguity) are in excess of the .80 recommended by Nunnally (1978).

Research Results

Results of the hypotheses tests are presented in Table 2. As hypothesized, conflict among purchasing performance criteria is positively related to role conflict (H1). Further, ambiguity regarding purchasing performance criteria is positively related to role ambiguity as hypothesized (H2). Role conflict is negatively related to satisfaction with Organizational Policies as is Role Ambiguity. Therefore, H3 and H4 are also supported. (All correlations are significant at the $\alpha = .01$ level). As can be observed from Table 2, the correlation coefficients range from .35 for H1 to -.48 for H4.

Implications of Research Findings

The implications of this research are that purchasing management must be sensitive to the kinds of problems that may arise for the buyer when performance criteria are perceived to be conflicting and/or ambiguous. Being in a position of authority, purchasing management is in a unique position to minimize conflict/ambiguity in buyers’ performance criteria. For instance, such tactics as writing very restrictive specifications to favor a particular vendor or otherwise attempting to short-cut purchasing procedures (e.g., backdoor buying), are likely to create feelings of animosity and friction between purchasing and user departments. Unfortunately, user departments tend to view purchasing as a rule prone department possibly without understanding that buyers are evaluated on their ability to perform tasks that are much more difficult to evaluate than the tasks of say, a salesperson or a production engineer.

It is therefore important that purchasing managers attempt to reduce friction between purchasing and user departments by fostering an understanding on the part of user departments of the role and function of purchasing. This can be achieved by identifying the criteria used to evaluate buyers and explaining to user departments the difficulties involved in evaluating buyers’ performance. A focus on criteria that buyers perceive to be conflicting or ambiguous may be helpful in this regard. Thus, working with user departments, purchasing representatives can identify those purchasing performance criteria that are perceived to be conflicting/ambiguous and then show user departments the reasoning behind purchasing requirements. For instance, a realization on the part of user departments that buyers are required to methodically document and be able to justify purchase decisions could result in their understanding why buyers generally ask that user department recommendations be in writing.

Given the strong negative relationships between role conflict/ambiguity and satisfaction with organizational policies, it is important that senior executives in an
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organization take an active role in ensuring that purchasing be able to contribute to achieving organizational objectives. One way for senior executives to ensure cooperation between purchasing and user departments could be to use the organization's reward system to reward or punish user departments that fail to recognize the vital role purchasing plays in a successful organization. The suggestion made by Cavinato (1987), that purchasing must be marketed cannot be overemphasized. However, marketing the purchasing function should not be limited to improving its image. The findings of this study indicate that such marketing efforts should also be directed toward educating user departments regarding the unique role of purchasing. Buyers could be made aware of the conflict and ambiguity regarding performance criteria during their training period. Creating an awareness among buyers that management recognizes the existence of such conflict/ambiguity could help buyers realize that management empathizes with them.

References