

Paradoxes in retail global sourcing - A literature review

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Global sourcing, typically defined as “an advanced approach to sourcing and supply management that involves integrating and coordinating common materials, processes, designs, technologies and suppliers across worldwide buying, design and operating locations” (Trent & Monczka, 2005, p 24), represents extensive challenges in a wide range of organisational matters for retail companies. To successfully organise and design global sourcing activities means an act of balance between different strategies and goals inherent in the company. For instance, total costs against service and lead times must be considered, an appropriate number of suppliers must be decided, and different types of contemporary investments must be weighed against future gains and losses. This article therefore argues that for successful global sourcing, organisational paradoxes need to be managed.

The purpose of this paper is to explore previous research on retail global sourcing and identify major paradoxes inherent in the literature.

The article presents a systematic literature review (Tranfield et al., 2003) on retail global sourcing, especially focusing on (1) the selection of sourcing region and actual supplier, and (2) the design of the purchasing organisation including physical flow of goods as well as tasks, responsibilities, and interface to other company functions. To capture the many challenges, and indicate the complexity of global sourcing, the paper thereafter suggests some of the major contemporary paradoxes associated with global sourcing in retail companies.

The literature review contained search strings with “retail” combined with different combinations of “global sourcing”, “international purchasing”, and similar terms. In total 179 unique peer-reviewed research articles were found, of which 44 (based on reading through the abstract) were selected and read through in full length. Further 6 articles were deleted, mainly due to a lack of retail perspective and focus, which in turn resulted in 38 useable articles that were included in the study. Although not many articles explicitly are concerned with paradoxes, a large number of them indirectly indicate many important paradoxes present in retail global sourcing. The findings were listed and grouped into 4 major paradoxes that are presented and developed in the article.

Theoretically, this paper applies paradox theory, in which a paradox is defined as “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith & Lewis, 2011, pp. 382). This definition emphasises that the underlying logic for each element may seem rational when dealt with them separately, but appears to be inconsistent when juxtaposed against each other. Paradox theory is considered a

valuable tool for enhancing our understanding of complex organisational issues such as global sourcing. Although a paradox perspective has been discussed in organisation theory since the 1980s, its application is still relatively new. For academics, the paradox theory could be seen as a valuable continuation and development of the more well-known contingency theory. It offers a new theoretical lens through which an organisation could be better explored, described and understood.

The findings include a discussion of four of the most significant paradoxes present in retail purchasing organisations. The results span over several different managerial issues in the organisation and highlight different types of paradoxes within and between functional areas such as logistics, marketing and sales. Overall, the literature review identifies the following four major contemporary paradoxes:

1. ***Cost and service performance vs corporate social responsibility and environmental performance.*** New dimensions of performance are today added when evaluating global sourcing performance.
2. ***Long term supplier relationships vs new supplier relationships.*** Long term, stable relationships are associated with cost as well as service improvements. At the same time, new relationships are expected to facilitate new learning and innovation.
3. ***Increasing or reducing the supply chain control by using intermediaries.*** Control in the supply chain could be enhanced by direct communication between retailer and supplier, but also through the use of intermediaries such as agents, buying offices and third party logistics providers.
4. ***The number of suppliers.*** A small number of suppliers are expected to facilitate collaboration and trust building. At the same time a small number of suppliers increases different types of supply chain risks.

Retailers are increasingly taking control of their entire supply chain, from supplier's supplier to end customer. Global sourcing and purchasing has become a strategic matter for many retail companies as a means to deliver superior value that can be sustained over time. To further understand global sourcing in retail companies this article elaborates a number of contemporary paradoxes that retailers are faced with in their global sourcing.

References:

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