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## Editorial

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**Biographical notes:** Professor B.S. Sahay is Director of the Institute of Management Technology (IMT) Ghaziabad, India. Prior to joining IMT, he was Dean (Research) and Professor of Operations Management at Management Development Institute (MDI), Gurgaon, India. He was also Adjunct Professor at Queensland University of Technology, Australia. His teaching, research and consulting interests include supply chain management, operations management, productivity management and business modelling. He has served as Guest Editor of *International Journal of Physical Distribution and Logistics Management*, *International Journal of Technology Management* and *International Journal of Integrated Supply Management*. He is on the editorial board of seven international journals and many national journals. He has published seven books and 130 papers in international and national journals and conferences. In token of excellence of his research work he has received six awards including three best paper awards.

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Global sourcing is one of the major corporate strategies worldwide for the integration and the coordination of procurement requirements, which look at common items, processes, technologies and suppliers. The competitive pressure from markets and customers has forced many firms to improve the quality and availability of their products and to lower the cost of bringing their products into the market. Success in the marketplace requires firms to find suppliers who can produce quality products at a low cost. The recent General Agreement on Tariffs and Trade (GATT) and the establishment of the World Trade Organization (WTO) have helped globalise the sourcing option. Countries may now be identified as production platforms where a specialised activity in a firm's value chain can occur and provide a competitive advantage. However, sourcing suppliers and procuring are time consuming processes. Recent technological developments in e-sourcing and e-procurement have enabled the buyer to analyse, purchase and identify opportunities at a better price, higher quality and reduced lead time.

This special issue on 'Global sourcing and e-procurement' aims to investigate sourcing and purchasing processes, benefits, challenges and associated risks. We have received a large number of high-quality papers for this special issue. However, we decided to select six papers that cover a wide range of topics for this special issue on global sourcing and e-procurement. I think you will find these papers interesting and thought provoking.

Global sourcing is currently the most popular method for improving performance throughout the supply chain. The first paper, 'Global versus local sourcing for different supply chain networks: an analysis of order unfulfilment rates' by Lin *et al.*, assess the relationship of supply chain network types, global versus local sourcing, different levels of supply variation amplification and order unfulfilment rates. A multi-agent based simulation model is used for assessment. Results show that global sourcing alone cannot ensure SC performance improvement. Results also show that there is no best practice for all SCs. A simple trade-off analysis between costs and order fulfilment rates is also taken. The analysis helps diagnose the potential value of global sourcing. It also provides a framework for making sourcing strategy decisions.

Wagner and Essig in their paper 'Electronic procurement applications and their impact on supplier relationship management' lay the foundation for a more finely tuned assessment of how electronic commerce impacts on the relationships that companies maintain with their suppliers. Their investigations result in a framework that takes into account of various influences. Different electronic commerce applications (*e.g.*, private networks, electronic catalogues and electronic marketplaces) affect the relationships with suppliers in different ways depending upon two factors. The first is the transaction phase within the procurement process (the development phase or the industrialisation phase). The second is the nature of the product or service being procured (low involvement or high involvement). Although separating out the interdependencies that exist between different influences is a problem both for scientific research and in day-to-day practice, our findings nevertheless confirm the need for a more selective view.

The third paper, 'Global sourcing partnerships and emerging MNC: markets a conceptual framework' by Kim *et al.*, presents a concept about global sourcing partnerships for emerging market MNCs, such as Eastern European MNCs. The paper also presents the difficulties MNCs face in accessing local knowledge networks in developed economies, which is a key issue given the continuing enlargement of the European Union with the addition of new member states. Given the socially complex nature of knowledge, the knowledge transfer for emerging market MNCs must take into account the institutional factors in emerging markets, including the issue of psychic distance towards emerging markets or economies. The paper shows how countertrade, a nonstandard type of exchange in countries such as those in eastern Europe can be seen as a type of institutional commitment that accelerate global sourcing and e-procurement partnerships for emerging market MNCs. The authors show that our general framework of countertrade and hostage-style exchange can also be applied to the uncertainty facing global sourcing and e-procurement in the 21st century.

Electronic markets provide an alternative channel for industrial procurement. However, there are alternative viewpoints on the impact of electronic market on the procurement practice of firms. Some may argue that the number of suppliers selected for award of contract could increase. On the other hand, several people predicted that the number of suppliers will be fewer. The fourth paper, 'A procurement model for electronic markets' by Hazra and Mahadevan, investigate this issue by modelling the procurement process in an electronic market. The authors explicitly model the coordination costs of dealing with selected suppliers in an electronic market. The authors also analyse alternative coordination cost function and develop solutions for the procurement policy that managers should adopt. Their results show that inclusion of coordination costs in the analysis is significant in the decision-making framework. The authors further show that managers do not gain much by pre-qualifying a large pool of suppliers to participate in

the procurement process. Furthermore, the authors also find that variations in supplier capacities do not significantly affect the optimum number of suppliers when there are costs attributed to coordination.

Sahay *et al.* in their paper 'E-procurement: systems and implementation' argues that E-procurement is gaining in popularity because it reduces transaction costs for buyers. Hence, E-procurement can have a significant impact on the profitability of organisations. This paper presents a case study on an E-procurement implementation exercise carried out in a herbal medicine company. The aim of the research was to find out the reasons that drive companies towards the use of the E-procurement systems. The conditions that are necessary for the success of electronic reverse auctions are also identified in this paper. Finally, the paper concludes by identifying six conditions necessary for the success of electronic reverse auction.

The special issue attempts to pool knowledge and research to develop strategies for global sourcing to optimise the opportunities and to reduce the risk to compete in the global economy. The adoption of global sourcing and e-procurement has rapidly increased in recent years. However, companies face different challenges associated with the advent and use of e-sourcing and e-procurement. Many organisations think e-sourcing as being synonymous with e-procurement. The special issue has been able to bring together original contributions that provide theoretical insights, empirical observations and case studies into the global sourcing and e-procurement for this rapidly growing complex and uncertain business environment. It is anticipated that the special issue has been able to highlight research challenges and future research directions towards these issues. The main intent is to make practitioners aware of the importance of global sourcing and e-procurement in managing supply chain profitable in this rapidly growing digital economy.

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