

**Exploring Alternative Purchasing Strategies:  
Just-In-Time or Just Enough!**

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### **Abstract**

What are the prevalent purchasing strategies used by manufacturing firms to purchase components that are critical to the quality of their most important products? This research reports on the findings from data on purchasing strategies collected from 248 companies in the fabricated metal products industry. Each plant surveyed had at least 100 employees and a purchasing manager in the plant. The data indicate that although firms seem to be moving away from a transaction-based purchasing strategy towards "partnership" relations necessary for successful Just-in-time strategies, firms are likely to embrace one of four hybrid purchasing strategies that on a spectrum would fall somewhere between the two "pure" strategies. As firms continue to move away from transaction-based purchasing towards longer-term supplier relations, these identified strategies offer purchasing managers viable alternatives to moving directly into a Just-in-time environment.

### **Introduction**

Effective purchasing strategy can contribute significantly to the success of most modern organizations. Surveys of U.S. manufacturing firms indicate that purchased materials account for an average of 57 percent of the sales dollar, while total labor costs (wages, salaries, and fringe benefits) consist of only one third of the purchase percentage (U.S. Bureau of Census, 1989). Therefore, purchasing dollars must be managed strategically in order to improve the financial position of organizations (Reck and Long, 1988). It is also well understood that the overall quality and service capabilities of any manufacturing firm are heavily influenced by the performance of its suppliers. Research suggests that 50 percent of a company's quality non-conformances are caused by defective purchased materials (Leenders and Fearon, 1993). Recognizing the importance of the purchasing functions and their overall effect on a firm's financial and quality performance, organizations are expanding the role of purchasing in the corporate strategic planning process (Fearon, 1988).