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## Strategic purchases in the enterprise – theoretical and practical approach

## Strategiczne zakupy w przedsiębiorstwie – podejście teoretyczne i praktyczne

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*The course of the purchase process determines the need for direct contacts and cooperation between the supplier and the buyer. For the effectiveness of the supplier's activities, it is paramount to reach the suitable cells of the buyer at the right time, building relationships and a strategic approach.*

Krzysztof Fonfara (2004, p. 47)

**Abstract.** In the mid-1990s, the literature began to emphasize the role of strategic procurement management, as it is important in strengthening and creating a purchasing function in the organizational structure. In addition, the activities of the strategic approach to procurement are designed to support top management, create interaction with other business functions and suppliers in the supply chain, as well as improve the competences of people responsible for purchasing management. The aim of the article is to present the theoretical and practical aspects of defining strategic purchases, on the example of a selected enterprise, in the form of a case study.

**Key words:** strategic purchasing, strategic purchase management, suppliers, process of strategic procurement, enterprise

**Abstrakt.** W połowie lat 90. XX wieku w literaturze zaczęto podkreślać rolę strategicznego zarządzania zakupami, ponieważ mają one znaczenie w umocnieniu i stworzeniu funkcji zakupowej w strukturze organizacyjnej. Ponadto działania strategicznego podejścia do zakupów mają za zadanie wsparcie najwyższej kadry zarządzającej, stworzenie interakcji z innymi funkcjami biznesowymi oraz dostawcami w łańcuchu dostaw, a także podnieść kompetencje osób odpowiedzialnych za zarządzanie zakupami. Celem artykułu jest zaprezentowanie teoretycznych oraz praktycznych aspektów definiowania zakupów strategicznych, na przykładzie wybranego przedsiębiorstwa, w postaci studium przypadku.

**Słowa kluczowe:** zakupy strategiczne, strategiczne zarządzanie zakupami, dostawcy, proces zakupów strategicznych, przedsiębiorstwo

## Introduction

The interest in research and development of purchasing management has been proliferating since the end of the 20th century, and the strategic approach to logistics and the entire purchasing process is fundamental. Nowadays, strategic purchasing is one of the main topics discussed in business and scientific publications. The change in the role of purchases has been caused by many factors of international importance, i.e., political, economic, technological, and even social. In addition, strategic procurement processes are gaining more importance, making them a closely monitored element of modern organizations. They constitute a reasonably large part of the company's total costs, and they are an element of "entry" of goods, raw materials, or semi-finished products to the organization necessary for their further processing or resale. An interesting issue is how a specific company manages procurement processes (Klepacki, Martyniuk, 2012, p. 487).

The article's main aim is to present the role of strategic purchasing in the functioning of a modern enterprise and, based on the example of a case study, to identify purchasing management processes and vendor supervision in a selected entity.

## Strategic purchases – identification

Nowadays, there are many changes in the perception of the roles of business functions and their importance related to building a competitive advantage in the market or creating value for the enterprise. In order to meet the dynamically changing business environment, which is subject to transformation under the influence of various turbulences caused, for example, by crises (the outbreak of the COVID-19 pandemic), both in societies and economies of many countries around the world, enterprises must create innovative business models based on multiple functions of operation. Until now, the central departments leading the way in providing a market offer in response to the environment's needs, such as sales, marketing, or production, have to share tasks with the purchasing process or supply (Ocicka, 2019, p. 7).

In the literature on the subject, the purchasing function in an organization may be implemented traditionally or strategically. Due to the different turbulences of the external and internal environment of the organization, a strategic approach to purchasing is considered more beneficial than the traditional one. In business practice, large enterprises were the first pioneers in strategic purchasing, which were the first to notice the benefits of maintaining partner relationships with suppliers with fewer suppliers and working more closely with them. Strategic selection of suppliers and the development of suppliers have become essential tools for effectively implementing strategic purchases in the organization (Zazulina, 2010, p. 1). However, small, medium, and large enterprises can also only benefit from a strategic approach with purchasing management as this will overcome resource constraints and replenish internal resources from external sources at reduced costs, spread over time (Dollinger, Kolchin, 1986, pp. 33-35; Park, Krishnan, 2001, p. 260; Gadde, Håkansson, 2001). Many definitions of strategic purchases may be found in the literature on the subject, as presented in table 1.

The interest in purchasing management research and development has overgrown in the last century. National and international purchasing associations started in-depth research and analysis of the purchasing function within the organization. For example, the *International Purchasing and Supply Education and Research Association*, *Association of Purchasing, Supply Chain Management*, *International Marine Purchasing Association*, *American Purchasing Society*, and many others were founded to contribute and develop purchasing management.

It should be emphasized that in today's business environment, enterprises face new challenges, which mainly focus on creating value in the purchasing process (Wszendybył-Skulska, Apollo, 2018, p. 141). In addition, the growing diversification of purchases creates supply specifications in more detail, and the requirements for suppliers have changed the perception of purchasing processes in organizations and the so far underestimated function of the administrative process of order fulfilment, transforms into the critical processes of the organization creating value and supporting its strategic development (Weigel, Ruecker, 2017; Easton, Murphy, Pearson, 2002, p. 124).

Various terms relating to purchasing management in enterprises are used in the literature on management and business practice. The following terms correspond to the following terms in the English vocabulary: buying, purchasing, procurement, sourcing, supply management. These names are often used as synonyms but are sometimes part of the purchasing process. Analysing the essence of the definitions used by researchers of the issues of purchasing management, it can be concluded that their identification is evolving in a way that reflects the growing importance and the progressive integration of purchasing functions and processes in enterprises, as well as in their supply chains. In modern definitions, it can be seen that purchasing management objectives, impact on competitive advantage, profitability and value of enterprises, and strategies are included (Ocicka, 2019, p. 24).

Table 1. Selected definitions of strategic purchases

Author (year)	Definition of strategic purchases
A.S. Carr, L.R. Schmeltzer (1997) ( <i>strategic purchasing</i> )	The process of planning, implementing, evaluating, and controlling strategic and operational purchasing decisions directs all activities of the purchasing function to the use of market opportunities in a manner consistent with the company's capabilities to achieve long-term goals.
A.S. Carr, J.N. Pearson (1999) ( <i>strategic purchasing</i> )	A strategic approach to purchasing requires aligning purchasing goals with the organization's goals and requires proactively managing and evaluating supplier relationships regularly. In addition, the application of the strategic purchasing process entails new purchasing activities, such as purchasing planning focused on a long-term perspective, review, and adaptation of the plan to corporate strategic goals, close cooperation between the committed purchasing employees and managers of other departments to develop a purchasing plan, define the company's strategy, suppliers and developing close cooperation with them.
A.S. Carr, J.N. Pearson (2002) ( <i>strategic purchasing</i> )	The process of planning, evaluating, implementing, and controlling strategic purchasing decisions is directed at directing all purchasing function activities towards opportunities consistent with the company's ability to achieve its long-term goals in building competitiveness.
S. Talluri, R. Narasimhan (2004) ( <i>strategic sourcing</i> )	Effectively managing the supplier base by identifying and selecting suppliers for strategic, long-term partnerships, engaging and allocating resources in supplier development initiatives to improve their performance, benchmarking and evaluating suppliers, and communicating their performance to suppliers, as well as, in some cases, reducing the supplier base.
R.L. Ball (2005) ( <i>strategic buying</i> )	A structured process that guides purchasing and delivery managers on planning, managing, and developing the supplier base to meet strategic goals and increase the value provided by suppliers to the organization.
C. Sanchez-Rodriguez (2009) ( <i>strategic purchasing</i> )	The strategic purchasing function is characterized by having direct communication links with top management and being strategically focused on purchasing for both short-term and long-term purchasing decisions that relate to, among others, product design process, cost and value analysis, involvement in the organizational planning process.
A.D. Pressey (2009) ( <i>strategic purchasing</i> )	Strategic purchasing rules may include negotiating exclusive agreements for individual components with strategic suppliers or establishing a joint project to develop a new product or process.

Source: own study based on the literature

Therefore, it is worth defining a purchasing process that does not have clear concepts, even due to operational, tactical, and strategic management interpretation. Most often, it is understood as the process of identifying needs, planning their satisfaction, selecting contractors, negotiating and concluding contracts, actually calling deliveries or services to the extent adequate to the current needs, receipt of goods, qualitative and quantitative control, financial settlement, possible complaints, and cooperation with the contractor in a more extended period. Moreover, all these

activities are designed to support and implement the operational and strategic goals of the company (Fung, 1999).

In the literature on the subject and business practice, one can encounter the traditional and strategic definition of purchasing processes. Purchases in business were traditionally understood as the acquisition of goods and services necessary for the functioning of the enterprise. However, in recent years, their role has changed very dynamically; as a result, they are gaining in importance and increasing their importance (Rutkowski, 2013, p. 36).

Different perceptions of the rank and role of purchasing in an enterprise depend on external (market) factors and the internal process maturity of the organization. There are three possible ways to perceive purchasing as an enterprise's activity at the strategic, tactical, and operational levels, as presented in table 2.

Table 2. Perception of the role of purchasing

The role of purchases	Definition
Strategic	"Management of external resources of the company in order to increase its value".
Tactical	"Shopping is a function that serves to achieve cost synergies".
Operational	"Purchases are the fulfillment of submitted requirements at the lowest cost while maintaining the required quantity, quality, and necessary deadlines".

Source: Report, 2012

The strategic role of purchases defines them as one of the critical areas of its activity. The tactical approach focuses on the potential savings from economies of scale that can be achieved. In turn, the operational approach is equated with the classic implementation of submitted requirements at the lowest cost while maintaining the required quantity, quality, and necessary deadlines (Hadaś, 2014). In the mid-1990s, Joseph R. Carter and Ram Narasimhan defined the factors and elements in strategic management presented in table 3 (Carter, Narasimhan, 1996, pp. 22-24). Their approach emphasizes such essential aspects as strengthening the purchasing function in the organizational structure and supporting top management, interactions with other business functions and suppliers in the supply chain, and the competencies of people responsible for purchasing management. The authors ordered the listed factors and elements in strategic procurement management in terms of the significance of their impact on the company's performance in the following order – from the highest rating, the importance of the purchasing function, human resources management, interactions with suppliers, impact on suppliers, interactions with other business functions, purchasing organization and management structure.

Table 3. Factors and elements in the process of strategic purchase management

Factors	Elements
Place and role of the purchase function	<ul style="list-style-type: none"> <li>- The degree of concentration of top management on the purchasing function</li> <li>- Existence and relevance of the planning process in the purchasing function</li> <li>- The concentration of the purchasing function on the concept of Total Quality Management and customer satisfaction in formulating its mission</li> <li>- The role of purchasing in the planning process across the enterprise</li> </ul>
Interaction with suppliers	<ul style="list-style-type: none"> <li>- Use of formal supplier differentiation/reward schemes</li> <li>- The number of organizational levels in the structure of the purchasing function</li> <li>- The level and quality of purchasing function interactions with suppliers</li> <li>- Level of supplier training</li> <li>- The scope of the formal evaluation of purchasing employees relating to their involvement with suppliers</li> </ul>
Interaction with other business functions	<ul style="list-style-type: none"> <li>- Degree of implementation of quality improvement programs</li> <li>- Years of experience in implementing quality improvement programs</li> <li>- Relationships of the purchasing function with other business functions in the enterprise</li> <li>- The degree of interaction with other business functions</li> </ul>
HR management	<ul style="list-style-type: none"> <li>- Degree of empowerment and empowerment of purchasing employees</li> <li>- The extent to which employees in the purchasing function are rewarded</li> <li>- The degree of concentration on the training of purchasing employees</li> <li>- The level of occupational safety as perceived by purchasing employees</li> <li>- The level at which purchasing employees are supported in taking risks without fear of criminal penalties versus negative consequences of their decisions</li> </ul>
Impact on suppliers	<ul style="list-style-type: none"> <li>- The ability of the purchasing function to use bargaining power in relationships and influence suppliers</li> <li>- The degree of supplier involvement</li> <li>- The extent to which the purchasing function has access to internal and external vendor information</li> </ul>
Focus on achieving competitiveness	<ul style="list-style-type: none"> <li>- The scale of use of single sourcing as a percentage of total purchases</li> <li>- Use of the just-in-time concept in purchasing</li> <li>- Degree of understanding of the needs of internal and external customers</li> </ul>
Purchasing organization and management structure	<ul style="list-style-type: none"> <li>- The level of decentralization of the purchasing function</li> <li>- The degree of involvement of the purchasing function in interaction with the production function</li> <li>- Responsibilities of the purchasing function for Total Quality Management and customer satisfaction</li> <li>- The degree of risk-sharing with suppliers (e.g., in terms of costs, information)</li> </ul>

Source: Carter, Narasimhan, 1996, pp. 22-24

The literature on the subject identifies various elements of the strategic purchasing process, which include, for example, evaluation of current and potential future purchasing opportunities and relationship development, evaluation of their value or significance to long-term overall business goals as well as supply chain management, formulation and implementation of plans activities or processes for crucial products or supply networks (Ball, 2005, p. 8; Hoag, Cooper, 2006; Gierszewska, Romanowska, 2017, p. 21).

### **The process of managing purchases in the enterprise in its traditional and strategic aspect**

On the one hand, purchasing management creates excellent opportunities for increasing profitability and profit. On the other hand, it creates risk incurred cooperation with suppliers. Many definitions of purchasing management can be cited in the literature on the subject. However, the approach to purchasing as a traditional or strategic function is of permanent importance in business practice.

The traditional approach to purchasing requires a simple comparison of price-lists for the purchase of materials or services offered by suppliers, or a reactive, office purchasing task focused on short-term matters and not supported by the organization's management (Woodside, Samuel, 1981, pp. 191-194; Carr, Pearson, 1999, p. 500). Authors Arch G. Woodside and David M. Samuel define purchasing as a non-strategic decision-making process, consisting of the following stages: (1) developing and analysing requirements, (2) preparing inquiries and analysing offers, (3) negotiations, purchasing department representative – supplier and (4) evaluation and reporting after negotiations (Woodside, Samuel, 1981, p. 195). However, other authors, i.e., L. Laios and S. Moschuris consider purchasing as a function of added value, organization, name of subsequent phases of purchases, and related tasks (Laios, Moschuris, 2001, p. 352; Bellizzi, Belonax, 1982, p. 112):

1. Initiation: preparation of purchase requisitions, draft specifications, price and lead time estimates, and purchasing planning.
2. Search, i.e., review of potential suppliers, review of approved supplier lists, supplier surveys.
3. Selection – selecting pricing methods, establishing source selection criteria, applying competitive tenders, evaluating suppliers, placing orders.
4. Completion – order shipping, contract administration, receipt and inspection, warehousing and auditing, issuing to users.



Concerning the strategic approach to purchasing management, it defines a wide range of functions and responsibilities for purchasing to all interested employees and requires that this department, by the leading managers, be assigned a strategic role in the organization. Therefore, it is important to correctly define the purchasing management process in the enterprise and define its role.

On the other hand, Francis J. Aguilar stated that the goal of the purchasing process strategy is to plan, implement, and control purchases to achieve the company's long-term goals (Aguilar, 1992, p. 18). Other authors presented that, firstly, a strategic approach to purchasing requires aligning purchasing goals with corporate goals, and secondly, it requires proactive management relationships with suppliers and their regular evaluation (Carr, Pearson, 1999, p. 500). In addition, the adoption of strategic purchasing entails new purchasing activities that were not crucial in the traditional purchasing management approach but played a vital role in the strategic approach. Such activities are formally created by a purchasing plan focused on a long-term perspective, review, and alignment of the plan with corporate strategic goals, close cooperation between the purchasing employees involved and managers of other departments to develop a purchasing plan, a plan to define the company's strategy, suppliers and the development of close cooperation with them. Cristóbal Sánchez-Rodríguez presented his opinion that the strategic purchasing function is characterized by having direct communication contacts with the top management, through strategic focusing on purchases, both in the case of short-term and long-term purchasing decisions, which concern, among others, the planning process, cost, and value analysis, or involvement in the organizational process all activities (Sánchez-Rodríguez, 2009, p. 163). Andrew Pressey et al. setting out the principles of long-term building relationships with suppliers, stated that the main principles might include negotiating exclusive contracts for individual components with strategic suppliers or establishing a joint project for the development of a new product or process (Pressey, Winklhoferb, Tzokasa, 2009, p. 220). However, it should be emphasized that the traditional and strategic approaches to purchasing management differ radically, which was compared in table 4.

Continuing their considerations, K. Lysons and M. Gillingham (2003) summed up their research with the assumption that strategic purchasing is involved in four key areas of a business organization, and the following tasks are related to them:

1. Network structure management – the task is to define the external network structure of the organization, including branding and purchasing decisions, supplier selection, global sourcing, and carrying outsourcing base rationalization methods.
2. Negotiations and contracting – the task is to negotiate the cost or purchase prices of items and to draw up contracts with suppliers.
3. Supplier performance management – this area includes vendor measurement, evaluation, and benchmarking tasks.



4. Product or process development – the purchasing task is to maintain close cooperation with the company's key suppliers and to involve suppliers in product or process development.

Table 4. Comparison of the traditional and strategic approach to purchasing management in an enterprise

Traditional Purchasing Management	Strategic Purchasing Management
<p>Functions:</p> <ul style="list-style-type: none"> <li>– Reactive nature</li> <li>– Task with a clerical approach</li> <li>– Focus on short-term issues</li> <li>– Lack of integration with other departments</li> <li>– The top management level does not define the purchasing function as an added value</li> </ul>	<p>Functions:</p> <ul style="list-style-type: none"> <li>– Proactive nature</li> <li>– Scheduled process</li> <li>– Consistency of the purchasing plan with the corporate plan in the organization</li> <li>– Long-term purchasing decisions</li> <li>– Collaboration with other departments</li> <li>– Close cooperation with top management in purchasing strategies</li> <li>– Focus on strategic suppliers and relationships with them</li> <li>– Periodic evaluation of purchasing effectiveness</li> </ul>
<p>Purchasing process:</p> <ol style="list-style-type: none"> <li>1. Developing and analyzing requirements for the purchased item</li> <li>2. Analysis of the inquiry</li> <li>3. Negotiations with suppliers</li> <li>4. Post-negotiation evaluation and reporting</li> </ol>	<p>Purchasing process:</p> <ol style="list-style-type: none"> <li>1. Pre-purchase phase <ul style="list-style-type: none"> <li>– Make or buy decisions</li> <li>– Prepare purchase requisitions</li> </ul> </li> <li>2. Vendor selection phase <ul style="list-style-type: none"> <li>– Investigating potential suppliers, determining source selection criteria, verification of approved supplier list.</li> <li>– Supplier surveys, supplier evaluation.</li> </ul> </li> <li>3. Operation phase <ul style="list-style-type: none"> <li>– Negotiating the cost and purchase price of items. Furthermore, drawing up contracts with suppliers.</li> <li>– Placing an order, order fulfillment, conclusion of a contract, administrative matters, collection and control, storage, and audit.</li> </ul> </li> <li>4. Post-purchase phase <ul style="list-style-type: none"> <li>– Assessing suppliers and defining benchmarking tasks.</li> <li>– Maintaining close cooperation with the key enterprise suppliers.</li> <li>– Involvement of suppliers in product creation and development process.</li> <li>– Regular rationalization of the supply base.</li> </ul> </li> </ol>

Other authors have identified a strategic purchasing process in the following several steps (van Weele, 2010; Ocicka, 2019, pp. 26-27):

1. Identifying purchase needs by preparing a purchase specification of goods, services, or solutions is the purchase's subject. Depending on the enterprise's type of activity, it considers the demand resulting from sales forecasts, production plan, and the level of inventories in warehouse facilities – the rules and criteria for evaluating suppliers used in the following stages are derivative from the purchase specification.
2. Market analysis and identification of potential suppliers, considering both the original market research and the search for new suppliers, and the use of the company's databases, catalogues, and lists of preferred suppliers.
3. The supplier's assessment and selection are based on predetermined criteria according to crucial parameters from the purchase specifications. That contains supplier qualification questionnaires (initial assessment) related to the offers presented by the suppliers.
4. Negotiations that lead to establishing the purchase terms and signing the contract.
5. Order placing, monitoring, and controlling of the order.
6. Receipt and evaluation of the purchased product following the accepted principles of receipt and evaluation of the product.
7. Payment for the goods by checking the compliance of the payment terms with the invoice from the supplier, accepting the invoice, and executing the payment.
8. Assessment of the purchasing process and the supplier.

Contemporary purchase management includes such activities as understanding the need and determining the product or service required to satisfy it, identifying the supplier that can best meet the need, determining the price of the product or service, concluding a purchase agreement that meets the needs of both parties, ensuring timely delivery of the appropriate quality. However, any organization wishing to manage purchases strategically must cooperate with suppliers in the long term to improve the effects of the activities as mentioned above, by controlling the quality and handling complaints, and most of all managing relationships with suppliers in order to fulfil orders from final customers (Ocicka, 2019, p. 29).

### **The strategic purchasing process in the selected enterprise – a case study**

For over 45 years, the company has been a Polish manufacturer of cutting tools and band saws for wood and metal, located in Siedlce. In addition to cutting tools and band saws, it also produces special tools made strictly according to the

indications and requirements of the customer. Recently, the company has started to specialize in the production of machines. The company focuses on the production of tools and offers a wide range of services in cutting, sharpening, welding, hardening, and sandblasting of tools. At the client's request, the company's specialists provide training and technical advice on preparing and proper use of tools.

Company "X", like many other companies in this industry, is looking for savings during the crisis. Each of the company's departments tries to improve their operational results, and therefore the Purchasing Department and the Sales Department focused on more effective implementation of the tasks entrusted to them and reducing the total costs related to orders. Both departments made the following suggestions:

- The Purchasing Department consists of three people, and the goal of the entire team is to specialize in finding and evaluating suppliers who offer products and services at the lowest prices, taking into account the specified quality. This department suggested looking for suppliers from all over Europe to diversify the number of companies offering raw materials and services.

Employees of the Purchasing Department are empowered and responsible for:

- sending a bill of material consumption to the supplier;
  - preparation of Orders, Contracts, and Contract/order corrections;
  - preparation of the (OCE – an order for the commissioning of expenses)
    - order to start expenses related to essential and auxiliary materials;
  - keeping the OCE Register;
  - order fulfilment;
  - ensuring compliance of purchased materials/products with safety and environmental protection requirements;
  - control of the implementation of orders for basic materials, auxiliary materials, and external services;
  - keeping records of orders;
  - assessment of the timeliness of deliveries;
  - ongoing evaluation of suppliers of primary materials, auxiliary materials, and external services;
  - sending supplier self-assessment forms to suppliers and analysing their content.
- The Domestic Sales and Export Department consists of twelve people and is responsible for analysing the market needs and increasing sales while minimizing production costs and supporting the Purchasing Department. Employees of the Domestic Sales and Export Department, assisting the purchases, are responsible for:
    - determining and forwarding the forecast of the increase or decrease of the demand for products for production planning;

- planning orders for goods;
- assistance and supervision over the implementation of goods orders;
- assistance and supervision over keeping records of orders for goods;
- assistance and supervision over the assessment of the timeliness of deliveries of goods;
- assistance and supervision over the ongoing evaluation of suppliers of goods;
- participation in the supplier review.

In order to maintain a high quality of products, the company supplies its raw materials for production only from reputable European and American suppliers with many years of tradition and experience.

The Integrated Quality, Environment, and Health and Safety Management System compliant with the requirements of ISO 9001: 2015, ISO 14001: 2015, and PN-N-18001: 2004 standards helps to nurture high-quality products and processes. In addition, the Purchasing Department has developed a process of strategic procurement management and supervision over suppliers in the long term, as shown in table 5.

The beginning of a pandemic period is difficult for many companies to operate. In the Covid period, the company was surprised by the lack of goods necessary to maintain production continuity. The management, taught by the 2010 crisis, decided to tighten the control of purchasing and production costs and increase as many orders as possible to ensure the longest possible profits from the activity. The lack of materials for production is nothing more than a problem of the Purchasing Department and the time of increased effort in searching for quick and available sources of supply.

Thanks to excellent relations with contractors, the purchasing department was immediately informed about goods' availability and possible price increases. It gave time to make a favourable decision about how many materials needed for production could be purchased. Such a move also allowed to avoid additional storage and transport costs, thus generating measurable savings so much needed in this period.

This difficult time also allowed us to find alternative suppliers necessary for a large company. The cost-share of steel and cardboard-packaging these goods is very significant and high. So far, the company has had one large supplier of steel and cardboard packaging. These suppliers were proven co-operators of the abovementioned goods for many years, but the pandemic revealed their weaknesses. Their deliveries were not abandoned, but it was decided to look for the so-called second "leg" for the stability of this purchasing channel.

Table 5. The process of strategic procurement management in the examined enterprise

Process: <b>Managing purchases and supervising suppliers in the long term</b>		Responsible: <b>Purchasing department</b>
<p><b>Process objectives:</b></p> <p>To ensure the appropriate quality of supplies of primary materials, intermediate materials, and services used in the production of products.                      To ensure the timely delivery of primary materials, intermediate materials, and services used in the production of products.</p>		
<p><b>INPUT:</b></p> <ul style="list-style-type: none"> <li>- Information on the state of inventory</li> <li>- Material needs plan</li> <li>- Information about the course of production in production departments</li> <li>- Sales plan</li> <li>- Specifications/Catalogues</li> <li>- Production analysis</li> <li>- Quarterly material needs plans</li> <li>- Supplier Self-Assessment Form</li> <li>- Order for the Release of Expenses</li> <li>- Offers from suppliers</li> </ul>	<p><b>SUBPROCESSES:</b></p> <pre>                     graph TD                         1[1. Material needs plan] --&gt; 2[2. Developing a technical and quality specification between the parties for the purchased materials and services]                         2 --&gt; 3[3. Submit an order]                         3 --&gt; 4[4. Purchase of materials and services]                         4 --&gt; 5[5. Qualitative and quantitative control]                         5 --&gt; 6[6. Acceptance of a material/service checked in terms of quantity and quality]                         6 --&gt; 7[7. Improvement (activities related to the delivered material; delivery complaints)]                     </pre>	<p><b>OUTPUT:</b></p> <ul style="list-style-type: none"> <li>- Order and contract</li> <li>- Register of qualified suppliers</li> <li>- Acceptance of material/goods/ services in terms of quality and quantity</li> <li>- Material needs plan</li> <li>- Financial and accounting documentation (acceptance in terms of content – the goods have passed the correct quality control, agree with the order in terms of quantity and price)</li> </ul> <p><b>Records:</b> Forms:</p>
<b>Aim</b>	<b>Assessment indicator – process parameter</b>	<b>Data frequency</b>
To ensure the appropriate quality of supplies of primary materials, intermediate materials, and services used in producing goods.	Supplier review, delivery complaints, delivery quality control	Month/Quarter/Year/Decade
To ensure the timely delivery of primary materials, intermediate materials, and services used in producing goods.	Supplier review, delivery complaints, delivery quality control	Month/Quarter/Year/Decade
	A measure of the indicator	The maximum value of the indicator
	%	100%
	%	100%

Source: own study

All of the above movements would not have been possible without weekly organizational meetings. The meetings so far have been held every month and have been pure of a reporting nature. A weekly report and conversation have become a much-needed, unconscious strategic move in the company's functioning, and it illustrated how a weak information flow in the company could negatively affect the unshakable balance and lead to severe consequences.

The management board of the company asked the managers of individual departments to specify operational goals and present the assumed effects in a measurable form:

The Purchasing Department, aware of the price increase during the pandemic and high competition on the market and price discrepancy among suppliers, declared that it would achieve 3-5% savings on the costs of material purchases.

The Domestic Sales and Export Department proposed increasing the value of sales by 10-15% within 6 months compared to the situation when the pandemic began and maintaining this value in the next year of the crisis.

Therefore, questions should be asked: does the company have effective employees to achieve the abovementioned operational goals, translating into tactical and strategic goals. It should be remembered that such assumptions must be supported by more unique activities and efforts of employees and support for the purchasing function by sales. In order to understand the impact of purchasing on the company's total financial result, always specify the percentage of purchases in the company's total costs.

The current result of the assumptions from before (2020) shows the following results:

1. Reduction in the cost of material purchases in the first quarter of the pandemic (2021) by 3%; however, due to the shortages of raw materials in the market in the next quarter, their prices increased by 10-20%. The Purchasing Department fought to maintain the "old" prices from friendly suppliers.
2. Sales remain at the pre-pandemic level; however, there has been a lack of investment in machinery for many years, which has ceased to function, which resulted in delegating services to a competing company and increasing production costs to meet existing orders. As a result, the company, selling at the same level with higher production costs, decreased its profit during the pandemic period.
3. The company, saving the financial situation, sold free real estate and buys ready-made products of the total value from other producers and resells them as a wholesaler, thus reducing its production, still looking for savings in the purchasing function.

## Summary

Strategic purchasing decisions related to the development of any enterprise, which affect the scope and scale of operations in which a given organization manages internal and external resources, are essential in the final effectiveness. From a strategic perspective, the distinguishing feature of purchasing management is the creation and implementation of purchasing category strategies, distinguished based on an analysis of expenditure on raw materials, products, and semi-finished products of the company's business process. An integral element of these strategies is the management of the supplier base, referring to the determination of the number of suppliers within each category, criteria and methods of their initial and periodic evaluation, terms of concluding and negotiating contracts, controlling deliveries, and the complaint process. Moreover, the competitive advantage of each enterprise can be strengthened by the strategic purchasing function, which will ensure the improvement of the organization-supplier process. The strategic purchasing function can bring an enterprise many benefits (Carr, 2002, p. 1037), such as reducing the cost of product or service inputs, making the right (in line with the organization's goals) selection of the source of supply, or establishing close relationships with suppliers in order to improve the quality index of the ordered materials and their delivery. Summing up, the period of the pandemic crisis, it can be assumed that taking into account the role of strategic purchases as a resource advantageous for gaining a competitive advantage in the sector is permanent in the modern market and the crisis related to the pandemic because it can be a source of reducing operating costs and maintaining constant profits of the enterprise.

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