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The purchasing department's leadership role in developing and maintaining a preferred customer status

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Abstract

Developing and maintaining a preferred customer status is one of the main objectives of organizations that want to obtain a better access to supplier's information, resources, and innovation. This paper addresses the extent and the nature of the purchasing department's leadership role in the process of developing and maintaining a preferred customer status. A qualitative exploratory approach based on eleven cases has been used in order to take into consideration the context specific to the buyer-supplier relationship in a preferred customer scenario.

Our study shows that the purchasing department performs four main categories of roles: (1) identifies and selects the best supplier, (2) structures and segments the supply base, (3) builds close relationships with selected suppliers and (4) develops working relationships, using an effective communication. Each of these roles is related to three key components of the purchasing department's capabilities: boundary, relational, and coordination. These four categories of roles illustrate supply's ability to recognize and understand the specifics of the preferred customer situation. Based on our analysis, the purchasing department should be viewed as extending an organization's resource base, making the organization more competitive.

Our analysis also shows that the purchasing managers' leadership is critical for the development and the coordination of activities with selected suppliers, as well as proper communication with them. Specifically, the purchasing manager's transformational leadership generates more internal user and supplier involvement through the creation and articulation of a common vision, by establishing shared goals with other organizational units, and by focusing on activities that benefit the organization; this allows to move from initiative-driven efforts to an "institutionalized preferred customer status management" in the organization.

Key words: Purchasing department's roles, Purchasing department capability, Purchasing manager's leadership, Preferred customer relationship

Introduction

Many organizations try to identify “[...] what they can do to be ranked at the top of their suppliers’ customer lists.” (Hüttinger *et al.*, 2014, p. 697). By becoming a supplier’s preferred customer, an organization benefits in many ways such as a better access to a supplier’s information, resources and innovations (Castaldi *et al.*, 2011; Schiele *et al.*, 2011). Therefore, some authors predict that : “[...] the most successful firms will be those that actively try to become the preferred customer of leading suppliers” (Schiele *et al.*, 2012, p. 124) but, actually, it is even more important to be successful at becoming such a customer.

Due to the growing importance of supply chain management, the purchasing department’s knowledge and its buyers’ competencies become crucial both in selecting potential partners and in managing strategic relationships with key suppliers (Zimmermann and Foerstl, 2014; Pulles, Veldman, *et al.*, 2016; Patrucco *et al.*, 2017). As the supplier’s preferred customer status relies on building and maintaining attraction in buyer-supplier dyadic relationships (Hald *et al.*, 2009; Baxter, 2012; Bemelmans *et al.*, 2015), the process leading to this status can be examined under the perspective of managing strategic supplier relationships (Baxter and Kleinaltenkamp, 2015; Jack and Powers, 2015).

This process requires abilities in attracting potential partners, as well as in segmenting and integrating selected suppliers (Mortensen, 2012; Schiele, 2012). These abilities fall within competencies where the purchasing department acts (or could act) as a leader or, at least, as a major actor (Gadde and Håkansson, 1994; Carter *et al.*, 2009; Patrucco *et al.*, 2017). Some researchers (Tracey and Tan, 2001; Wagner, 2003; Tchokogué *et al.*, 2017) mention that when the purchasing department has personnel with a high level of technical and relational abilities (*core skills*) and that its internal and external legitimacy are also high, that it plays a strategic role, particularly for supplier selection and development. Moreover, when a purchasing department enters into strategic partnerships to acquire valuable resources, it can leverage its reputation and legitimacy within the organization (Eisenhardt and Schoonhoven, 1996; Tchokogué *et al.*, 2017).

Recent research describes well the process of becoming a preferred customer (Christiansen and Maltz, 2010; Schiele *et al.*, 2011; Nollet *et al.*, 2012; Schiele *et al.*, 2012; Kumar and Routroy, 2016a). However, although some authors suggest that the purchasing department’s contributions should be both strategic and operational (Nollet *et al.*, 2012), it is surprising that no research has been conducted to determine the roles *actually* played by the purchasing department in the process of obtaining and maintaining a preferred customer status. In fact, this also reflects a void on similar themes: “The research on supply management capability as an organizational-level asset is still vague” (Lintukangas *et al.*, 2016, p. 2111); Fredendall *et al.* (2005, p. 28) say something even more specific: “[...] there has been limited examination of visionary leadership in the purchasing literature.”

Considering the increasing importance of preferred customer relationships (Schiele and Vos, 2015; Tóth *et al.*, 2015), there is clearly a need to develop knowledge about a

purchasing department's capabilities and the purchasing manager's leadership. This is precisely what this article is about, based on the roles played by the purchasing department and the purchasing manager in the process of obtaining and maintaining a preferred customer status for an organization. At the managerial level, this research sheds light on how to consolidate and/or increase the purchasing department's actual contribution to organizational success. Therefore, the research question is:

What is the level and the nature of the purchasing department's contribution in the development and the maintenance of the status of a supplier's preferred customer?

This question, which opens an interesting research stream for an "underdeveloped" area in purchasing, is in line with Hult, Ferrell, *et al.* (2000) who mention that the supplier-buyer relationship requires leadership. This research also provides some evidence about how the purchasing department's roles in the process of becoming a preferred customer can contribute to the department's internal and external legitimacy.

This article is structured as follows. Section 1 covers the literature review on the process of becoming a supplier's preferred customer and the roles that the purchasing department could play. The second section describes the case study methodology selected for this research. Section 3 presents the analysis and discussion of our main findings. Finally, we conclude with the main contributions and implications of our study, and some limitations and suggestions for future research.

1. Literature review

Research to date has identified several tangible benefits associated to the preferred customer status, such as: early access to supplier innovation and support in the research and development programs (Schiele, 2012; Kumar and Routroy, 2016b; Patrucco *et al.*, 2020); better quality products (Nollet *et al.*, 2012); improved availability of products, services and resources (Steinle and Schiele, 2008; Nollet *et al.*, 2012); price benefits (Schiele *et al.*, 2011; Nollet *et al.*, 2012); prioritized services (Hüttinger *et al.*, 2012); faster transactions and on time deliveries (Nollet *et al.*, 2012); reduced risk despite the increasing dependency (Schiele and Vos, 2015; Reichenbachs *et al.*, 2017); lower transaction costs and better economies of scale (Bew, 2007; Bemelmans *et al.*, 2015; Vos *et al.*, 2016).

Based on different theories, i.e. the social exchange theory (Ellis *et al.*, 2012; Nollet *et al.*, 2012; Tóth *et al.*, 2015; Pulles, Schiele, *et al.*, 2016), the social capital theory (Schiele *et al.*, 2015), the resource dependence theory (Schiele *et al.*, 2015; Schiele and Vos, 2015), the resource-based view of the firm (Baxter, 2012) and the industrial marketing and purchasing theory (Pulles *et al.*, 2014), some authors have shown that: (1) there is a clear relationship between preferred customer status, customer attractiveness, and the supplier satisfaction; and (2) becoming a supplier's preferred customer is a stepwise process (Hüttinger *et al.*, 2012; Nollet *et al.*, 2012; Schiele, 2012), which in fact covers two dimensions: becoming a supplier's preferred customer, and then maintaining this status. Consequently, we will discuss successively the purchasing department's

involvement and roles for each of these two dimensions, and the relevance of the leadership theories as a means of analyzing these roles.

1.1) Moving from attractiveness to preferred customer status: the purchasing department's roles

Since the 1980s, some authors (Brokaw and Davisson, 1978; Leenders and Blenkhorn, 1988; Blenkhorn and Banting, 1991; Williamson, 1991; Biemans and Brand, 1995; Sheth and Sharma, 1997; Plank and Francis, 2001) have suggested that an organization could use reverse marketing in order to better “sell” itself to present and potential key suppliers. Sheth and Sharma (1997, p. 91) even stated that being attractive to key suppliers had become “one of the emerging issues and challenges in supplier relationship management”. For their part, Blenkhorn and Banting (1991, pp. 187-188) clearly indicated that the purchasing department might play a key role in setting up a preferred customer relationship when they described reverse marketing as: “[...] a different perspective on the role of supply and how it should be managed so as to contribute effectively to organizational goals and strategies.”

In fact, becoming a supplier's preferred customer is a major challenge in the quest for performance (Williamson, 1991; Hüttinger *et al.*, 2012). Based on the resource-view logic, Barney (2012) -among others- supports the idea that a purchasing department can be a source of competitive advantage, and that its practices and the buyers' knowledge can provide an advantage on the market; for instance, through better knowledge of the markets and of the products, as well as superior communication skills (Pulles, Veldman, *et al.*, 2016; Patrucco *et al.*, 2017). From this point of view, it can be inferred that the purchasing department's roles in the process of becoming a preferred customer lie in performing very well in each of the three main categories of supplier management activities suggested by Wagner (2003): management of the supplier base (e.g., find the right strategic partner and convince him to invest in a lasting and mutually beneficial relationship), supplier integration, and supplier development (such as long-term efforts of an organization to improve the preferred customer relationship's performance). We discuss each of these roles successively in the following paragraphs.

Firstly, it is recognized that the purchasing department should be able to orchestrate relations and engage in non-routine tasks (Castaldi *et al.*, 2011; Eltantawy and Giunipero, 2013); this is certainly the case for preferred customer relationships. Specifically, the purchasing department can rely on its relational abilities to attract suppliers, given its internal and external legitimacy (Patrucco *et al.*, 2017; Tchokogué *et al.*, 2017). As the primary interface with suppliers, one of the purchasing department's roles is to show suppliers that the organization has an excellent potential to make them successful and that it is pleasant to do business with (Carter *et al.*, 2007; Pulles *et al.*, 2014; Pulles, Veldman, *et al.*, 2016). The purchasing department might also play a key role in selecting the best supplier from a pool of possible suppliers with different capability levels, given its ability in evaluating and comparing potential supply partners, and forming contracts (Svahn and Westerlund, 2009; Hesping and Schiele, 2015; Pulles, Veldman, *et al.*, 2016). Of course,

the specific supplier selection decision is critical and requires effective contracting strategies, which is part of the supply strategy (Monczka and Petersen, 2009; Svahn and Westerlund, 2009).

Secondly, the decision about becoming a supplier's preferred customer is related to establishing and developing a value-creating supply base (Hald, 2012; Baxter and Kleinaltenkamp, 2015; Pulles, Schiele, *et al.*, 2016). In other words, an organization must structure its supply base for continuously improving working relationships with specific suppliers. There are many structural questions that must be carefully addressed in order to efficiently establish a supply base (Carter *et al.*, 2007; Van Weele, 2010). As already pointed out by some authors (Carter *et al.*, 2007, p. 56), some of these questions are: (a) *how many suppliers should be chosen for each company's category, and what role should each play?* (b) *What current and future capabilities are required, and where in the world should the supplier(s) be located?* (c) *Which suppliers do we want and why?* and (d) *Which suppliers do we want to collaborate with and why, and how can we influence this collaboration?* One of the purchasing department's strategic responsibilities in the process of helping the organization become a supplier's preferred customer is to develop an effective supply strategy (Patrucco *et al.*, 2017). In such a context, van Weele (2010) suggests that structuring the supply base should be carefully done by cross-functional teams. The purchasing department should certainly be the "champion" in setting and leading such teams (Carr and Pearson, 2002; van Weele, 2014; Zimmermann and Foerstl, 2014).

Thirdly, becoming a supplier's preferred customer should be seen as a situational approach that requires developing and maintaining a portfolio of relationships of different types (Schiele, 2012), for example: much preferred, slightly preferred, and not preferred (Olsen and Ellram, 1997; Christopher and Jüttner, 2000; Bemelmans *et al.*, 2015). The purchasing department's responsibility in this regard is to ensure that there is a proper alignment of the working relationships with selected suppliers. In other words, the purchasing department should carefully segment suppliers, identifying those who are really strategic. This would allow the organization to better adapt its approaches and practices according to those of the most important suppliers (Schiele, 2012; Kumar and Routroy, 2016a). In fact, the purchasing department could take a leadership position to effectively coordinate activities across several organizational members and the supplier, and avoid some pitfalls in the preferred customer relationship. In so doing, the purchasing department's leadership can ensure that emphasis is placed on building this type of relationship with internal users' acceptance.

The next sub-section deals with the purchasing department's contribution to the second dimension of the preferred customer status, i.e. maintaining that status.

1.2) Maintaining the preferred customer status: the purchasing department's contribution

Using the perspective of the resource-based theory (Baxter, 2012; Schiele *et al.*, 2015; Schiele and Vos, 2015), and of the social exchange theory (Ellis *et al.*, 2012; Nollet *et al.*, 2012), some authors show that the preferred customer relationship makes it possible for both the customer and the supplier to co-develop a sustainable competitive advantage, due to the development of inter-organizational learning. This type of learning requires effort and discipline and, in particular, leadership. In this regard, the purchasing department could take on a leadership role in implementing supplier relationship improvement initiatives (Zimmermann and Foerstl, 2014; Rodríguez-Escobar and González-Benito, 2017).

Specifically, the purchasing department can develop both attitudes and practices that are most likely to facilitate the achievement of competitive advantages such as greater efficiencies and flexibility (Schiele *et al.*, 2015; Pulles, Veldman, *et al.*, 2016). By developing and implementing the company's supply strategy, the purchasing department will influence the relational fit with suppliers, which is found to facilitate collaboration, especially in preferred customer relationships (Mortensen and Arlbjørn, 2012; Hüttinger *et al.*, 2014). It has also been shown that purchasing managers have the ability to develop trust (Patrucco *et al.*, 2017), a foundation of preferred customer relationships (Hald *et al.*, 2009; Mortensen and Arlbjørn, 2012; Nollet *et al.*, 2012).

According to supplier management theory (Zsidisin *et al.*, 2003; Svahn and Westerlund, 2009; Pardo *et al.*, 2011), the success in the relationships with the most important suppliers relies on a set of specialized key supplier activities and practices; this should clearly be the case for preferred customer relationships. Hald (2012, p. 1238) writes that: "[...] all successful and unsuccessful acts of the boundary spanner (specifically the purchasing department) are seen as possible drivers which led to changes in the supplier's level of satisfaction and in consequence of customer attractiveness." Thus, before problems arise, a purchasing department should implement a proactive strategic approach in which the preferred customer relationship's performance is improved actively and for a long time. In so doing, the purchasing department can be a major player in maintaining the supplier's preferred customer status.

As is the case for any strategic relationship, the preferred customer relationship's "performance" depends partially on how skilled a purchasing department is at developing excellent working relationships with suppliers. In this regard, Pulles, Schiele, *et al.* (2016, p. 129) emphasize that preferred customer relationships: "[...] embody different supply management practices that influence the behavior of suppliers in different ways." These authors might well refer to the type of strategic supply practices that Zimmermann and Foerstl (2014) classify into two categories: supplier-facing practices (for example: relational supply management practices), and internal purchasing and supply management practices (such as: vertically-aligned supply management practices, and cross-functional integration practices). In fact, a purchasing department can use those strategic supply practices to cultivate the long-term success of a preferred customer relationship; this means among others, managing suppliers as assets (Reuter *et al.*, 2010; Barney, 2012). Therefore, a purchasing department leadership could be an important precondition of preferred customer relationship management success.

Based on the literature review, Table 1 summarizes a purchasing department's potential roles in the process of obtaining and maintaining a supplier's preferred customer status.

<i>Stage</i>	<i>Purchasing department's roles</i>	<i>Authors</i>
Becoming a preferred customer	- Identify and attract the best suppliers	Pulles <i>et al.</i> (2019); Patrucco <i>et al.</i> (2017); Zhang <i>et al.</i> (2011); Hald (2012); Nollet <i>et al.</i> (2012)
	- Structure the supplier relationship (structure supply base and supplier segmentation)	Zolkiewski and Turnbull (2002); Pulles, Schiele, <i>et al.</i> (2016); Hald (2012); Bemelmans <i>et al.</i> (2015); Patrucco <i>et al.</i> (2017)
	- Close relationship building with selected suppliers	Castaldi <i>et al.</i> (2011); Pulles <i>et al.</i> (2014); Hesping and Schiele (2015); Pulles, Schiele, <i>et al.</i> (2016); Baxter and Kleinaltenkamp (2015); Mortensen and Arlbjørn (2012)
Maintaining a preferred customer status	- Working relationship development and effective communication	Ellegaard <i>et al.</i> (2003); Patrucco <i>et al.</i> (2017); Schiele and Vos (2015); Ellis <i>et al.</i> (2012); Nollet <i>et al.</i> (2012); Mortensen and Arlbjørn (2012)

Table 1: Obtaining and maintaining a preferred customer status: a synthesis of purchasing department's potential roles

The roles presented in Table 1 are used to various degrees, in part depending on the purchasing manager's leadership, which means for example that the purchasing manager is capable of greater influence internally and externally, while also having the ability to articulate a shared vision. Based on Defee, Stank, *et al.* (2009, p. 66)'s four elements of leadership (influence, identifiability, vision, and relationship), it seems clear that a purchasing manager's leadership is central to achieving enhanced preferred customer relationship performance, which is essential in developing and maintaining the supplier's preferred customer status.

Considering the importance of leadership mentioned in the previous paragraph and research performed in the field of leadership, developing and maintaining a preferred customer status may also be viewed from the perspective of leadership theories. This is the subject of the next sub-section.

1.3) Developing and maintaining a preferred customer status: the leadership theories perspective

Building on leadership theory about individuals (Weber, 1963; Northouse, 1997; Yukl, 1998), research on organizational leadership shows that leadership is a key contributor to organizational success and a strategic source of competitive advantages (Bass, 1990; Kotter, 1996; Kotter, 2007; Defee *et al.*, 2010; Bolden *et al.*, 2011).

Some authors have highlighted the leadership role at an organizational level in the supply chain (Defee *et al.*, 2010; Gosling *et al.*, 2017), while others have specifically emphasized the leadership role of purchasing managers in supply chain management (Hult and Nichols, 1999; Snider, 2006).

It is obvious that any supply chain requires leadership from one of the organizations in that supply chain in order to drive changes in the whole chain (Dyer and Nobeoka, 2000; Defee *et al.*, 2010; Morali and Searcy, 2013; Gosling *et al.*, 2017). For example, a study by Morali and Searcy (2013) stresses that supplier development on sustainable supply chain management depends upon focal company leadership, which is responsible for educating suppliers to understand and implement what is expected of them.

The literature on supply chain leadership shows that the supply chain leader's influence relies on the organization's behaviors expressed through policies, procedures, and interactions of the boundary spanning managers (Defee, Esper, *et al.*, 2009), such as purchasing managers (Zhang *et al.*, 2011; Spring and Araujo, 2014). Some studies (Snider, 2006; Johnson and Leenders, 2009; Tchokogué *et al.*, 2017) indeed show that purchasing professionals must be recognized as having legitimate leadership roles in building strategic relationships. For instance, Snider (2006, p. 286) states: "[...] the concern is not with how procurement professionals can lead their own procurement offices. It is rather with how they can exercise leadership in needs determination activities that lie outside both their organizational boundaries and their realms of functional expertise and legitimate involvement."

Based on Lockstrom *et al.* (2010, p. 275)'s definition of leadership from individual leaders' perspective, it seems that developing and maintaining a preferred customer status will fundamentally depend on the purchasing manager's leadership viewed as: "[...] the ability to influence one's own organization and the suppliers' organization in order to establish and accomplish common goals and objectives."

In an article entitled: "50 years of research on organizing the purchasing function", Schneider and Wallenburg (2013) report that leadership is a more recent and less-covered research area going back to the 1980s. In the limited literature on purchasing managers' leadership, authors have focused mainly on three dimensions: (1) the characteristics of purchasing managers as leaders, (2) the purchasing managers' leadership behavior styles, and (3) the purchasing managers' leadership as an organization's capability.

We discuss each of the three dimensions of the purchasing managers' leadership successively in the following paragraphs.

Firstly, the main characteristics of the purchasing leaders (such as the reporting lines, the importance of the position in the organization, and the leadership skills) appear to be important in determining the purchasing managers' influence within organizations and with regard of partnering with key suppliers (Carr and Pearson, 2002; Giunipero *et al.*, 2006; Luzzini and Ronchi, 2011). In other words, these characteristics determine the influencing and the persuasion capability that enable them to set up strategic partnering such as preferred customer relationships. It can be reminded that research on world class skill sets for purchasing managers indicated that there are 30 skills that purchasing managers consider to be very important (Giunipero and Percy, 2000; Giunipero *et al.*, 2005); "influencing and persuasion" is ranked 8th while leadership is ranked 14th. In fact, purchasing managers' influence may vary widely in developing and maintaining a preferred customer status, depending where they stand with regard to these skills.

Secondly, based on the purchasing managers' leadership behaviors, some authors (Hult, Hurley, *et al.*, 2000; Fredendall *et al.*, 2005; Gosling *et al.*, 2017) have identified two forms of leadership styles: transactional and transformational (or visionary) leadership. It has been shown that the transactional purchasing leader "[...] ensures that the path to goal is clearly understood and that potential barriers within the relationship process are removed" (Hult, Ferrell, *et al.*, 2000, p. 113), while purchasing managers' transformational leadership relies on their ability to establish a long-term vision for the firm (Hult, Ferrell, *et al.*, 2000; Fredendall *et al.*, 2005).

As mentioned by Hult, Ferrell, *et al.* (2000, p. 113): "Transactional leaders are the "traditionals" while transformational leaders are a new breed of facilitative leaders." Along these lines, Howell and Frost (1987) state that purchasing leaders tend to possess high transformational skills, and according to Hult, Ferrell, *et al.* (2000, p. 113), "[...] these leaders stimulate a shared vision and raise the level of commitment to the purchasing relationship." Therefore, the purchasing managers' leadership –both in terms of their transactional and transformational behaviors– appears to be a crucial component in developing and maintaining a preferred customer relationship.

Thirdly, the purchasing leadership literature (Defee, Esper, *et al.*, 2009; Defee, Stank, *et al.*, 2009; Defee *et al.*, 2010; Gosling *et al.*, 2017) offers the advice to view leadership as a purchasing capability that can help a firm thrive. Specifically, it has been shown that based on their visionary leadership, senior purchasing managers can build goodwill with the selected suppliers and create sustainable improvements in the overall purchasing function (Wolf, 2005). It also appears that transformational leadership behaviors produce positive organizational outcomes, often leading to relationship commitment and performance beyond what is considered attainable by transactional leadership behaviors (Hult and Nichols, 1999; Hult, Hurley, *et al.*, 2000).

The extent to which a purchasing department will be involved in the process of obtaining and maintaining a preferred customer status depends much on the perception of that department's importance within the organization, which relies in large part on the

purchasing manager's leadership (Hult, Ferrell, *et al.*, 2000). The more a purchasing department is considered critical within the organization, the more it is likely to contribute to the firm's strategic decision-making processes, including in building preferred customer relationships.

In order to learn more about the *actual* contribution made by purchasing managers and purchasing departments, we have focused on the following research question: *What is the level and the nature of the purchasing department's contribution in the development and the maintenance of the status of a supplier's preferred customer?*

By answering this question, this research can contribute to the understanding of the leadership that the purchasing department *actually* plays in the process of obtaining and maintaining the preferred customer status. The methodology used for this research is presented in the next section.

2. Methodology

In order to gather data about a purchasing department's leadership in the process of becoming and maintaining a preferred customer status, we have chosen a qualitative exploratory approach. According to Yin (2013), such an approach is highly relevant in situations where the organizational context is evolving. In addition, according to Fawcett *et al.* (2014, p. 6): "[...] qualitative research could expand our research horizons, demarcating meaningful paths for deductive inquiry and putting us on a fast track to evocative knowledge discovery and dissemination."

Our choice is also based on the *theory-method link*, where "... theories and methods resonate with and support each other" (Dubois and Araujo, 2007, p. 173). Studying relationships as complex exchanges of actors, as Easton (2010) mentions, leads to doing research *in* organisations, rather than *on* organisations (Rouse and Daellenbach, 1999; Dubois and Araujo, 2007). Moreover, the contingency theories (Fiedler and Garcia, 1987) reason that there is no one single technique of effective leadership, but rather, that the degree of effective leadership depends on how situational factors and leadership style fit together. Therefore, a multi-case study research strategy appeared preferable for our research. Their richness also provides a means of refutation of, or extensions to, existing concepts (Stuart *et al.*, 2002). Moreover, "In case research, the different aspects of a case are understood in relation to one another in a coherent whole of configuration, rather than modular assemblages of variables" (Dubois and Araujo, 2007, p. 173). In addition, case studies provide new and creative insights, and have high validity with practitioners (Voss *et al.*, 2002). As already highlighted by Ellram (1996, p. 102): "Multiple cases, like multiple experiments, represent replications that allow for development of a rich, theoretical framework".

2.1) Case selection

Our intention was to consolidate knowledge about a purchasing department's leadership in the process of obtaining and maintaining a supplier's preferred customer status.

Therefore, to select a sample of organizations, we have used the theoretical (neither random, nor stratified) sampling method as suggested by Yin (2013) and Eisenhardt and Graebner (2007). In other words, we used purposeful sampling (Patton, 1990), by “choosing cases from which in-depth understandings and insights can be gleaned, rather than empirical generalisations” (Dubois and Araujo, 2007, p.179), to maximize variations in the context in which preferred customer status had been obtained.

As mentioned by Dubois and Araujo (2007, p. 179): “The justification of why a case is relevant for a particular theoretically driven purpose is possibly the most important decision facing case researchers”. Specifically, we used two criteria for case selection. First, as we had to focus on preferred customer relationships, we had to retain only companies that had been successful at becoming a preferred customer of one of their suppliers for reasons other than financial purchasing power. It was necessary for the purchasing department to have made an effort to obtain the status, an effort that is not usually required when a financial purchasing power exists. The benefits obtained by the purchasing organization confirms the status. Second, we have taken into account the desire of the purchasing managers to participate in our study and accept to discuss in depth on the relationship.

In order to identify the potential (appropriate) cases, we initially contacted more than 50 purchasing managers, most of whom were members of a national purchasing organization. Specifically, multiple individual (not mass-targeted) email messages were exchanged with these potential interviewees; in addition, based on the responses to our emails, more than 50 follow-up phone calls were made to potential interviewees to determine if the situation they had in mind corresponded to our project, but also if they accepted to take part to the research (in some cases, more than one phone call was made, which explains 50 follow-up calls for more than 50 managers). When justified by the type of situation and the positive answer by the respondent, and to have data triangulation, we asked if an internal customer or the supplier’s sales manager could also be interviewed about the specific preferred customer relationship.

Based on the positions occupied by those we interviewed (mostly “high intermediate” and/or “top” managers), 11 purchasing managers agreed to participate in our research. Therefore, we collected data on a total of 11 cases, which included public and private organizations operating in several sectors and purchasing various types of products (such as commodities, manufactured goods) and services (see Table 2).

Case	Industry	Product/service purchased	Interviewees
A	Pharmaceutical	Product development services	Director - Purchasing
B	Municipality	Financial services	Director – Purchasing Supplier sales manager
C	University	Computers	Director - Purchasing Internal customer (2)* Supplier sales manager
D	Software	Telecom services	Director - Purchasing
E	Telecommunications	Cable	Director - Purchasing
F	Insurance	Software	Director - Purchasing Internal customer*

G	University	Computers	Director - Purchasing
H	Utilities	Equipment	Director - Purchasing
I	Oil	Sand	Director – Purchasing Internal customer* Supplier sales manager
J	Distribution	Transportation services	Director - Purchasing y
K	Utilities	Construction services	Director - Purchasing

* We have labeled the interviewees under the categories mentioned above, without disclosing their titles. In most cases, the interviewee held at least the position of Director.

Table 2: Organizations selected and interviewees' positions

Data saturation was obtained after the ninth case. As it had been shown that case research is not judged on its statistical generalization, but rather on its theoretical generalization (Hillebrand et al., 2001; Eisenhardt and Graebner, 2007) and analytical generalization (Mitchell, 1983), a sample of 11 cases was thus deemed sufficient.

2.2) Data collection and analysis

As suggested by Yin (2013) and Eisenhardt and Graebner (2007), prior to data collection, we have elaborated a detailed study protocol which included an overview of the research project as well as the main questions around which the interviews were structured. Data collection was carried out by performing in-depth interviews with 18 managers (see Table 2). Two semi-structured interview tools were developed: one for the purchasing firm (for the purchasing respondent/the internal client) and one for the suppliers (or salespersons). The interview guides were structured as follows: (1) the description of both organizations, (2) the overall approach by the purchasing organization to become a preferred customer (or the supplier's perception of it), (3) the specific situation resulting in the purchasing organization becoming a preferred customer and maintaining the status (or the supplier's perception), and (4) a general conclusion about the situation. Each interview was recorded, transcribed verbatim, and then submitted to the interviewee for approval.

Since this study is focused on the purchasing managers' perspective, in all cases the key interviewee was the Director of Purchasing responsible for the targeted situation. Our *unit of analysis* is the "purchasing department".

In order to refine – if justified – the study protocol and the instruments and, more importantly, to develop a common approach for the subsequent interviews, the first four interviews were performed by two of the researchers. This allowed to appreciate the robustness of the research protocol and interview guides. In fact, no changes was required. The subsequent interviews were done by either one of the researchers. The interviews lasted between 45 and 90 minutes. When necessary, follow-up telephone calls were made to clarify the information collected.

After manually coding the collected data, we used a grounded approach to extract suitable information, as suggested by Langley (1999). In fact, our data analysis was done in two steps: intra-interviewee coding (for each company where we have more than one interviewee), and inter-interviewee comparisons.

Firstly, as suggested by Miles and Huberman (1994), we used an approach based on open coding. As an iterative process (Ellram, 1996; Goulding, 2002; Parent and Deephouse, 2007), open coding made it possible to bring out common and distinctive points from the collected data. Based on this process, we were able to break down the data of each interview into different units of meaning (Miles and Huberman, 1994). In fact, by using open coding, we have identified the main dimensions of the purchasing department's roles. Figure 1a shows an example of data synthesis resulting from our analysis based on open coding. These syntheses allowed us to better characterize the content of each category of the purchasing department's roles in the process of obtaining and maintaining a supplier's preferred customer status (see Figure 2 in section 3.1 for easier reference with the context where it is discussed).

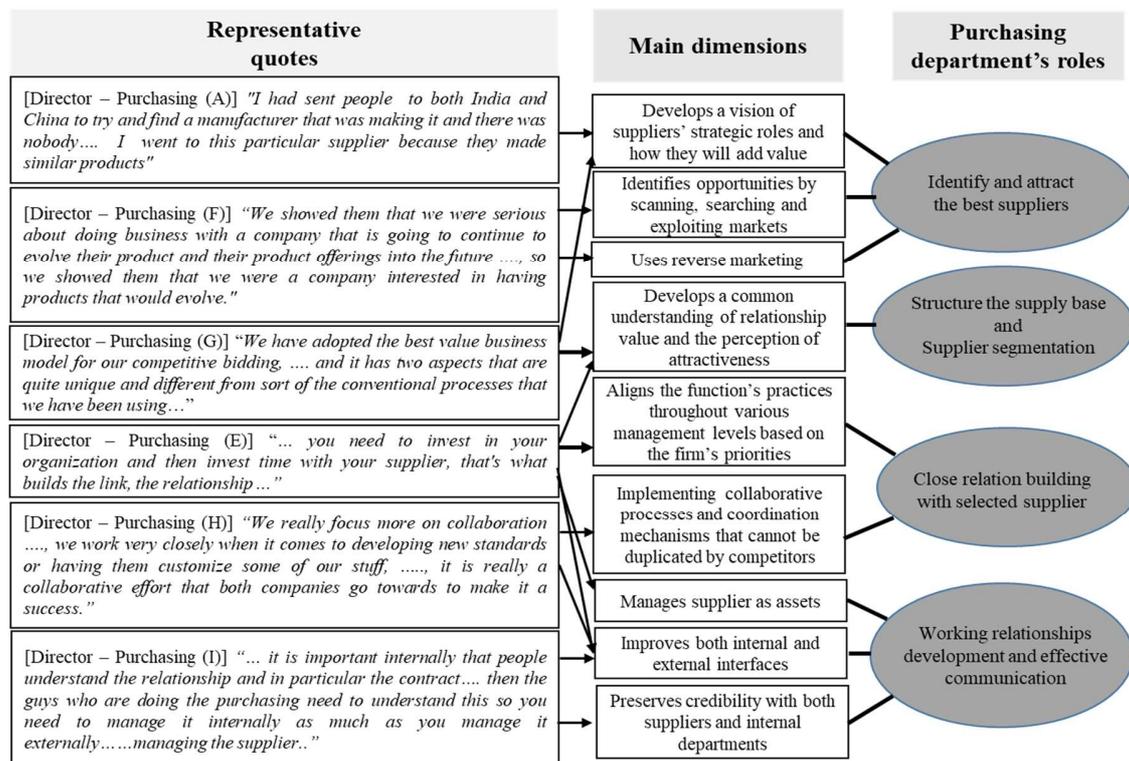


Figure 1a: An example of data synthesis resulting from our open coding analysis

Secondly, we performed a deductive analysis based on thematic coding (Giannakis and Croom, 2004); the cases were re-analyzed using the main dimensions of the purchasing department's roles identified from the intra-interviewee coding and inter-interviewee comparison. In other words, internal and cross-case analysis were conducted (Eisenhardt,

1989). We looked at the leadership behaviors of the purchasing manager in the process of obtaining and maintaining a supplier's preferred customer status, using Gosling *et al.* (2017, p. 245)'s typology that distinguishes: transformational leadership which "focuses on developing long-term relationships", and transactional leadership behaviors which focuses "on the business of getting things done". Hult, Ferrell, *et al.* (2000) found that the leadership evidenced by the purchasing manager is essential for building internal as well as external cooperation, and commitment in buyer-supplier relationships. Also, based on the interviews, it is clear that the purchasing department's leadership is related to the key roles played by the supply department's manager, in some cases with the support of a member of the purchasing department. Figure 1b shows an example of the data synthesis resulting from our deductive analysis. In fact, albeit major, the only difference with Figure 1a is the identification, in the 1st column, of the two types of contribution by the purchasing manager: transformational and transactional.

In doing so, it was possible to identify the types of a purchasing manager's leadership in the process of obtaining and maintaining the preferred customer status over time (see Figure 3 in section 3.2 for easier reference with the context where it is discussed).

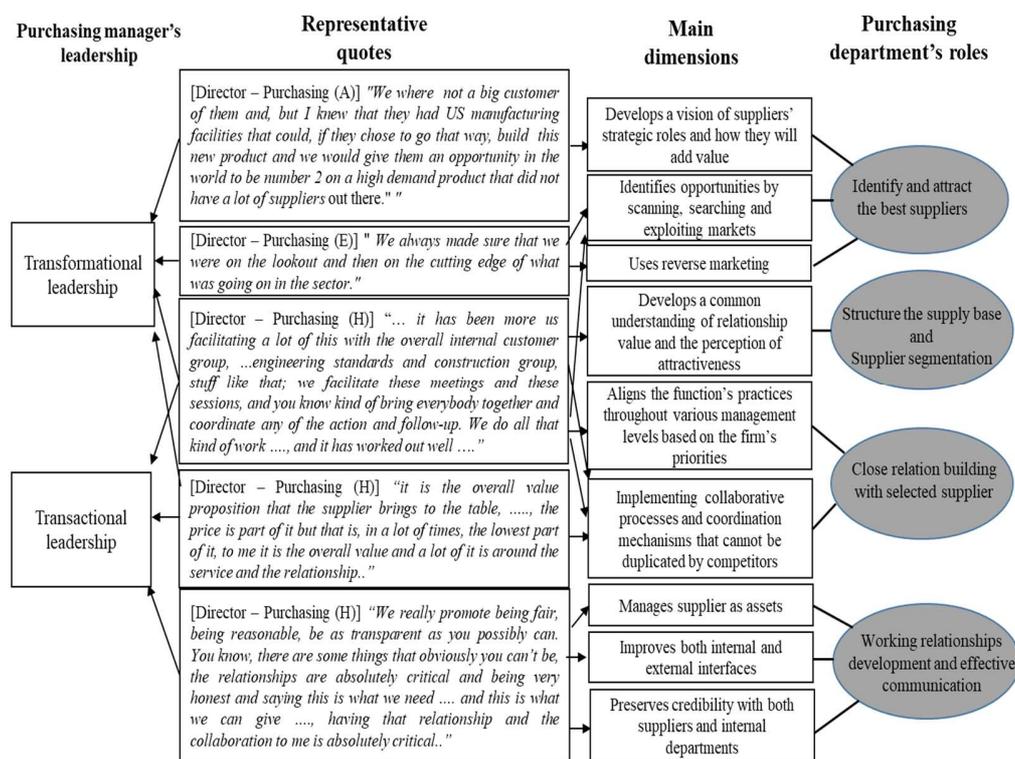


Figure 1b: An example of data synthesis based on the thematic coding of purchasing manager's leadership

The synthesis of the data collected constitutes our main findings and we provide explanations about this synthesis in the following section.

3. Main findings: analysis and discussion

Based on our analysis, it appears that the ability of an organization to become a supplier's preferred customer is largely dependent on the effectiveness of its purchasing manager in building and developing partnerships with a selected supplier. The main dimensions of the roles played by the purchasing department reveal both the abilities supporting the purchasing department's operations and the nature of the purchasing manager's leadership in the process of obtaining and maintaining the preferred customer status. The purchasing department's roles and the purchasing manager's leadership provide two distinct perspectives of analysis; therefore, we discuss them in the following sub-sections.

3.1) Main dimensions of the purchasing department's roles in the process of obtaining and maintaining a preferred customer status

The purchasing department seems to be the focal point for the development and coordination of a supplier's preferred customer relationship. The main dimensions of the roles played by the purchasing department (see Figure 2) suggest that the purchasing department's involvement in the process of obtaining and maintaining a preferred customer status is fundamentally related to three capabilities: boundary spanning, relational, and coordination.

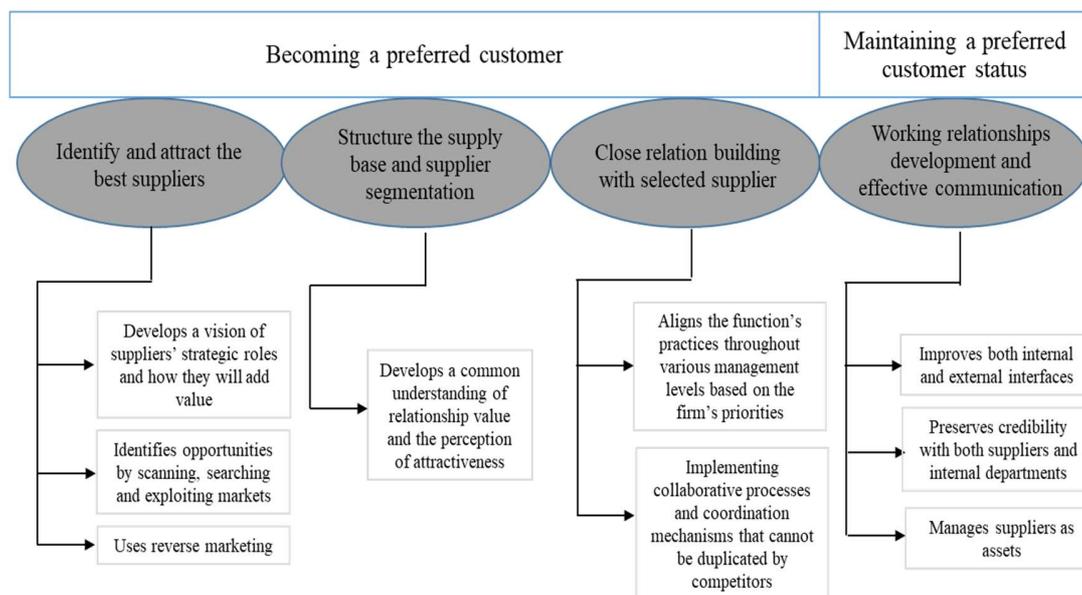


Figure 2: The purchasing department's roles and the main dimensions associated to these roles

Many authors (Chen *et al.*, 2004; Spring and Araujo, 2014; Patrucco *et al.*, 2017) have examined different types of supply management contributions with regards to managing partnering; they have pointed out that identifying and attracting the best suppliers is associated with the purchasing department's ability to access the potential supplier's

resources. Our analysis shows that in the process of becoming a preferred customer, these roles mainly involve three dimensions associated to a purchasing department's abilities: 1) to build and share a common vision with internal users and which is based, among other considerations, on what internal users want, given the objectives assigned to the purchasing process; 2) to understand the value of a supplier's resources, and 3) to identify opportunities by scanning the competitive environment and exploring potential markets and partners (see Figure 2).

This leads to the recognition that the success in setting up and managing a preferred customer relationship depends on two major types of boundary spanning capabilities by the purchasing department: (1) the technical and relational abilities of the purchasing personnel, which make it possible to properly carry out its activities competently both internally and externally; and (2) its effectiveness at presenting the company's expectations to suppliers, and therefore at properly translating the company's strategic goals to them. These two boundary spanning capabilities capture its effectiveness at representing the internal users' expectations and strategic orientations adopted by the organization, as well as the purchasing department's abilities to shape the nature of interaction with suppliers proactively. Our analysis suggests that the boundary spanning role of the purchasing department is most relevant to build trust with a potential supplier at the early stages in the process of becoming a supplier's preferred customer.

At first glance, the role played by the purchasing department in this process may appear to correspond to Giunipero *et al.* (2006)'s "strategic supply management skill set": strategic thinking, supply base research, and structuring supplier relationships. More specifically, our analysis shows that this implies expanding the purchasing department's roles to include implementing quality initiatives and cost objectives, as well as coordinating supplier integration and development. Moreover, one of the main dimensions of the purchasing department's roles is to develop a common understanding of how critical the supplier's resources and the perception of the company's attractiveness by suppliers are. In fact, a purchasing department's coordination capability as well as its relational capability are prerequisites of the roles it plays in the process of obtaining a preferred customer status.

Many studies have already shown that, quite often, some companies use inappropriate approaches or methods for engaging with suppliers, while some others are poorly organized internally to set up an effective partnership with suppliers (Liker and Choi, 2004; Pardo *et al.*, 2011; Ellegaard and Koch, 2012). Based on our analysis, a purchasing department's ability in selecting and in contracting are two important components of an organization's capabilities in setting up a preferred customer relationship. Of course, selecting the appropriate partner is a challenging task, but it is also a critical issue to increase the likelihood of success in accessing the selected supplier's resources.

The words of the purchasing manager of company F illustrate both the importance of the purchasing department's roles and the abilities required to attain the objective : *"You cannot put that kind of time and effort into every purchasing decision you make because the cost for selecting the supplier, the contracting efforts all that stuff just does not make it feasible and this why I am saying you need to look at the risks involved with your transactions and when you got high risks then the process and the type of suppliers, partners you are going to go after must be reflective of the kind of risks and rewards that you are going to look for in the future. So, I would say on major initiatives that are critical to a company's long term success that the process we used, the path we followed here could be used successfully in any industry."*

A purchasing department that possesses appropriate policies and approaches relating to the identification and the selection of collaboration opportunities constitutes a strategic asset in the process of becoming a preferred customer.

According to some authors (Spring and Araujo, 2014; Araujo *et al.*, 2016), the purchasing department's ability for recognizing valuable collaboration opportunities within its supply base is an important source of obtaining competitive advantages; this is particularly true in the case of the preferred customer relationship where the effective selection of suppliers and management of their involvement are prerequisites to achieve purchasing management objectives such as internal user and supplier satisfaction. The purchasing department does have to manage the buyer-supplier dyadic interaction in a way that also allows a supplier to effectively mobilize its resources.

In fact, our analysis suggests that the preferred customer status results from successful alignments of supply' relational behaviors with an organization's suppliers. Both parties can develop collaborative initiatives, as illustrated by the following two quotes. The purchasing manager of company H mentions: *"You need to be able to move within depending on what is happening in the market at the time, and also depending on the relationship. So, I think having the framework is the more important part, the rigidity and stuff, it doesn't have to be. Happy, flexible...!"* And this person also adds: *"You know there are contractual agreements and then there are those handshakes ones, most handshakes ones are just as important."* As for the purchasing manager of company I: *"... they go out of their way to help us, they go beyond what they are contractually obligated to do to help us get what we need."*

To maintain the preferred customer status, an organization must invest in the relationship with its supplier both in the operational processes and in the "relational capital" (Castaldi *et al.*, 2011; Pulles, Veldman, *et al.*, 2016). This is confirmed by our study, which shows that there are three types of roles played by the purchasing department in maintaining the status: (1) improves both internal and external interfaces; (2) preserves credibility with both suppliers and other organizational departments; and (3) manages suppliers as an asset.

In fact, our analysis shows that in order to preserve credibility with both suppliers and internal departments, the purchasing department works as a fair and competent partner with all internal and external business contacts. There is also evidence that while the technical skills of purchasing managers enhance a supplier's confidence, their integrity (or ethical responsibility) and strong interpersonal skills ensure the supplier's trust, and this is what cements the preferred customer relationship. Moreover, as the preferred customer relationship allows a buying-firm to mobilize "rare" external resources, which are hardly accessible to competitors (Pulles *et al.*, 2019), the selected supplier is viewed by the purchasing managers as a sustainable source of competitive advantage. Thus, they consider that an important element of the purchasing department's strategic responsibilities is to manage the selected supplier as an extension of their own resource base; this means managing the selected supplier as an organizational asset.

As shown in figure 2, either in the process of becoming a preferred customer or in maintaining this status, poor coordination can produce conflicting behaviors, which will have a negative impact on the effective access to supplier's resources. Our analysis shows that the purchasing department places a significant emphasis on key practices of supplier integration such as implementing collaborative processes and coordination mechanisms that competitors could not duplicate properly, sharing information and joint problem solving. In addition, two types of relational capabilities are particularly important: (1) the ability to build partnerships with selected suppliers, and (2) the ability to compromise with key suppliers, which implies the purchasing department's effectiveness in addressing the differences that arise between an organization and the selected supplier.

Overall, the extent to which a purchasing department can persuade other organizational units to use a coherent strategic vision with regards to the preferred customer relationship, and to align their practices accordingly, is key to achieving business success.

3.2) The purchasing manager's leadership in the process of obtaining and maintaining a preferred customer status

Based on our analysis, the purchasing department performs four main roles which encompass a variety of activities such as drawing on its expertise to influence actual or potential suppliers, processing information, maintaining the image and reputation of the organization, and representing the internal users' expectations to the actual and potential suppliers. In fact, the success in establishing and maintaining a preferred customer relationship depends on the active leadership behavior by the purchasing manager within the organization and across company boundaries. As already pointed out by some authors (Fredendall *et al.*, 2005; Camarero Izquierdo *et al.*, 2015), the level of external and internal cooperation is affected by the purchasing manager's visionary leadership. Our study shows that this is clearly applicable in the context of the preferred customer relationship.

Given its ability to influence the other organizational members and even the suppliers in order to establish and achieve common goals, the purchasing manager is the critical intermediary in the preferred customer relationship due to its “location” between the users and the suppliers. The purchasing manager’s leadership –both transformational and transactional– is critical for the development, the communication, and the coordination of the activities with selected suppliers. Based on our analysis, it appears that leadership behaviors (either transformational or transactional) improve the commitment in preferred customer relationships. However, the purchasing manager's leadership is more transformational in the process of becoming a preferred customer, whereas it is mostly transactional in the process of maintaining the preferred customer status (see Figure 3).

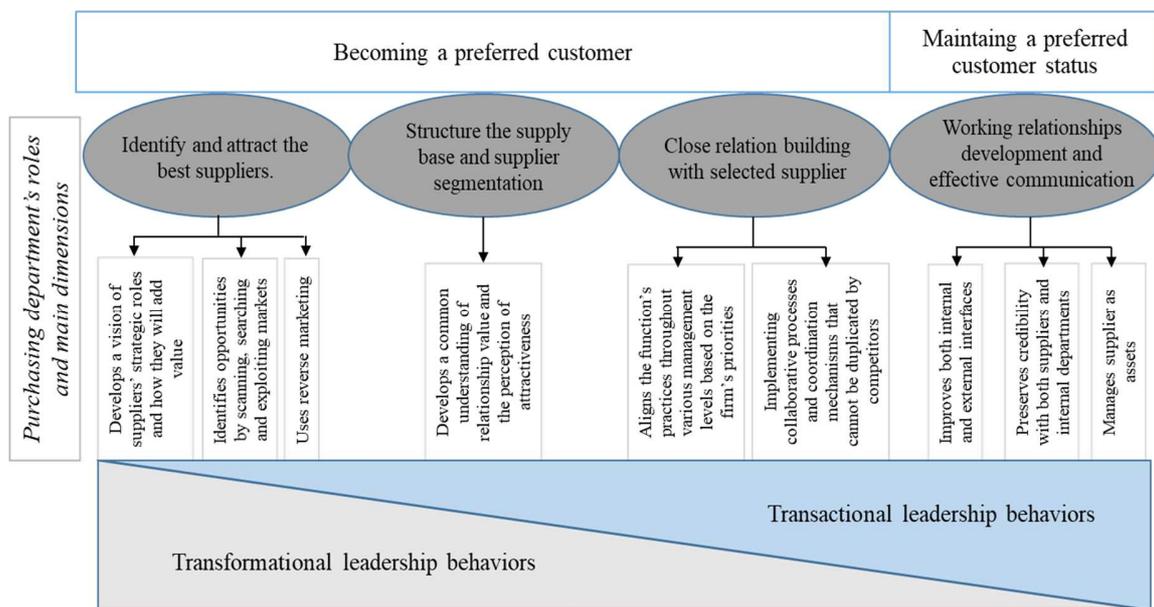


Figure 3: The purchasing manager’s leadership in the process of obtaining and maintaining the preferred customer status

The importance of the purchasing manager’s leadership is clear as well internally as for the interface between the organization and its upstream environment, where the purchasing manager not only facilitates the identification of potential suppliers, but also makes the first contacts with them. For instance, in five of the eleven cases, it was the purchasing manager who used reverse marketing to arouse the supplier’s interest in developing a partnership. The purchasing manager of company I describes the leadership as follows: “*We just approached the supplier we wanted to work with, but this was a very, very unusual situation.*”, while the purchasing manager of company F used a different approach: “*We showed them that we were serious about doing business with a*

company that is going to continue to evolve their product and their product offerings into the future..., so we showed them that we were a company interested in having products that would evolve.”

In the process of an organization becoming a preferred customer, the purchasing manager provides a vision (e.g. development of the supply strategies) and a road map (e.g. implementation of effective contracting strategies, structuring the supply base and supplier segmentation) that allows the organization to perform well. Thus, the purchasing manager's vision (e.g. supply strategies) significantly influences the establishment of effective supply management practices and leads to a great commitment in the supplier's preferred customer relationship, as well as in the relation between buyers and users.

A purchasing manager's transformational leadership includes, among other activities, building and sharing a vision, developing and implementing strategies, and providing guidance. For example, the purchasing manager of company G states : *“...it is our own internal incentive which we will use to get value from the market so there, to me there is kind of two sides to that perspective, so the one about being a really good client does not matter whether our supplier is large or small, important or not important, but it has great significance for us and it wraps around it, you know, a mindset of continuous improvements and reaching for better and not necessarily expecting the better to be forced from the market but that we will naturally attract from the market”*.

According to the purchasing manager of company H: *“... working very closely within your own organization so that you are aware of what is happening, and I think that does not happen often enough for the procurement people particularly the senior procurement people and that is a difficult challenge but it has to be done, you have to do a lot of outreach and part of it is selling credibility.”*

As illustrated by the quotes above, the purchasing manager's transformational leadership stimulates a shared vision and raises the commitment level by both users and the supplier in the preferred customer relationship. They help to build a solid long-term relational commitment with the users. In other words, the purchasing manager's leadership is an important factor in aligning the efforts of several functions within an organization with those of the supplier.

The purchasing manager's transactional leadership is also very important. The purchasing manager of company F mentions: *“... we deliberately sat down before we got into negotiating [...]. We talked about value we had with each other as partners, we think that gave us a lot of hedge in terms of building out a trusted negotiating table to work through a lot of issues quickly.”* As to the purchasing manager of K: *“... make decisions early and figure out what our strategy is going to be to enter into an agreement to keep the vendors working with us and working here because if they are not happy working with us there is a point where they will go.”*

In fact, the purchasing manager's leadership enables a better integration between an organization and its supplier and leads to more effective collaborative practices. Specifically, the purchasing manager's transformational leadership is essential to engage both internal users and the suppliers. Two aspects of the purchasing manager's transformational leadership are particularly salient at the stage of becoming a supplier's preferred customer. First, the purchasing manager places great value and focus on the development of a vision and on convincing other organizational units to implement that vision; the purchasing manager also focuses efforts primarily on long-term goals and on the alignment of systems to accommodate that vision. Second, the purchasing manager can even coach other organizational units' staff both for individual development and for organizational success. Therefore, that transformational leadership helps to: (1) strengthen internal cooperation and external commitment; (2) reinforce the buyer-supplier relationship; and (3) improve the purchasing department's performance. This is in line with Hult, Hurley, *et al.* (2000) who have shown that transformational leadership does have a positive effect on organizational learning by internal users and purchasing personnel, while also having a positive impact on both the information processing capability and the operational costs of the purchasing processes. However, in a preferred customer relationship, the purchasing manager transformational leadership is essential in setting up some common business processes such as the order process and time scheduling as well as billing and delivery procedures, which have a significant impact on user satisfaction as well as on supplier satisfaction. According to Hult, Ferrell, *et al.* (2000), the transformational leadership demonstrated by the purchasing manager leads to the improvement of purchasing outcomes such as cycle time, flexibility, and relationship commitment. This seems to be the case as well with the preferred customer relationship.

Specifically, in the process of maintaining the preferred customer status, the purchasing manager's leadership is partly based on the behaviors resulting from the purchasing department in the form of philosophies, policies, standards, attitudes and the interactions with internal users and with suppliers. This corroborates the observation made by Hult, Ferrell, *et al.* (2000, p. 114) that "the leadership role of the corporate buyer is determined by formal and informal supply management policies of the organization and involves leadership of (1) activities in the supply processes, (2) contacts with external vendors, and (3) implementation of supply objectives in line with overall corporate objectives."

The quotes from three interviewees show that the purchasing manager's transactional leadership focuses on the need to "make it right". For instance, for the supply manager of H: "... it has been more us facilitating a lot of this with the overall internal customer group, ...engineering standards and construction group, stuff like that; we facilitate these meetings and these sessions, and you know kind of bring everybody together and coordinate any of the action and follow-up. We do all that kind of work, and it has worked out well." As for the purchasing manager of F: "My team is been involved in that and then on an ongoing basis, at least on an annual basis, sitting down with the supplier

and the business to determine: are the supplier happy with us, are we happy with the supplier, what effectiveness and efficiency have they been able to bring to us, have we been a good customer, have we listened to their recommendations.”

And the purchasing manager of G states: *“Maintaining information confidentiality, we have that responsibility, but it is also being honest and being reliable, I think those are the most important things, saying what you are, you know, doing what you said you would do, as bottom line as that.”*

In such a context, integration plays a key role, involving coordinated behaviors, practices and actions from the operations and purchasing departments, a reality which ultimately facilitates the effective mobilization of the supplier’s resources.

The purchasing manager’s transactional leadership focuses on the activities that are necessary to operationalize the process. It goes without saying that if the purchasing department’s leadership is lacking, it is likely that the company will not exploit appropriately its relationships with its suppliers; this could mean for example that contract management and scheduling could be sub-optimal. In other words, the organization would not reap the full potential of the benefits expected from the relationship with its suppliers (Pardo *et al.*, 2011; Camarero Izquierdo *et al.*, 2015).

Furthermore, it has already been shown that maintaining the supplier’s preferred customer status is driven by the operational excellence of an organization (Mortensen and Arlbjørn, 2012; Hüttinger *et al.*, 2014). In this regard, the purchasing manager’s leadership is essential in enhancing future working relationships with the selected suppliers.

Overall, our analysis suggests that both the purchasing department’s capabilities and competences and the purchasing manager’s leadership should be considered as valuable assets that contribute to preferred customer relationship success.

4. Main contributions, implications, and avenues for future research

Establishing and maintaining a preferred customer relationship involves strategic and operational issues as well for the identification of potential suppliers as for supplier selection, and then the development of partnerships with the selected suppliers. Therefore, the roles played by the purchasing department are critical to organizational success in this process. In other words, the purchasing department does influence major aspects of the preferred customer relationship development as well as the supplier's behavior, with the intent that the supplier rewards the company with preferential treatment over other customers.

Since a preferred customer relationship requires “[...] specific investments made by a supplier for a specific customer” (Bemelmans *et al.*, 2015, p. 180), the purchasing department’s roles appear to be of major importance to increase buyer-supplier commitment which has been shown to be a critical success factor of a preferred customer

relationship (Nollet *et al.*, 2012; Hüttinger *et al.*, 2014). With these considerations in mind, there are two main contributions of this research: (1) it makes it possible to describe more specifically the purchasing department's capabilities and the roles it plays in a preferred customer relationship; and (2) it shows the extent to which the purchasing manager's leadership is a key contributor to organizational success in the process of obtaining and maintaining a preferred customer status.

First, we present these contributions and the implications for managers, and then the limitations and avenues for future research.

4.1) Research contributions and implications for managers

As mentioned in the literature review, authors agree that the indirect (e.g. tacit information exchange, and relational rents) and direct benefits of being a supplier's preferred customer create new opportunities to yield a sustainable strategic advantage for companies (Walter *et al.*, 2001; Bemelmans *et al.*, 2015; Wadell *et al.*, 2019). However, it seems that until now, many of these authors simply assumed that the roles played by the purchasing department are the same for any strategic relationship, including the preferred customer relationship.

Moreover, the literature on the process of becoming a preferred customer mainly focuses on two aspects: the relational and the economic considerations; however, according to some authors (La Rocca *et al.*, 2012; Hüttinger *et al.*, 2014), the relational criteria appear to be more influential. Our research suggests that to focus solely on the relational dimension is too restrictive when it comes to the roles played by the purchasing department in the preferred customer relationship.

The first contribution of this research is to have described better the roles played by the purchasing department (see Figure 2) and highlighted the key capabilities of this department that allow the organization to successfully set up and manage a preferred customer relationship over time. In fact, our analysis shows that the purchasing department performs four main roles (see Figure 2) and that each of these roles is related to three key components of the purchasing department's capabilities (boundary, relational, and coordination). These four roles illustrate a purchasing manager's ability to recognize and understand the specifics of the preferred customer relationship and to set up practices and behaviors according to these characteristics.

Our research also suggests that it is important to go beyond the list of common roles usually suggested by various authors (Ellram and Pearson, 1993; Goebel *et al.*, 2003; Chen and Paulraj, 2004; Patrucco *et al.*, 2017). For example, according to Ellram and Pearson (1993), the roles played by the purchasing department can be classified into three categories: (1) internal analysis roles (e.g. standardize materials purchased, review materials requirements, etc.), (2) external data gathering and supplier interface roles (e.g. gather market information, selection of supplier, negotiate price/terms), and (3) planning and strategic roles (e.g. determine purchasing policy, long-range plan for purchasing, etc.).

Of course, such a typology makes it possible to grasp the different ways in which the purchasing department can get involved in the strategic decision-making process. However, it does not capture the specific nature of the purchasing department's involvement in the process of obtaining and maintaining a preferred customer status. For example, "identify and attract the best suppliers", one of the key roles played by the purchasing department in the process of becoming a preferred customer (see Figure 2), covers some strategic activities (i.e. reverse marketing) that are neither mentioned in the "supplier interface and external data gathering roles", nor in the "planning and strategic roles".

In fact, our analysis shows not only the key roles played by the purchasing department, but also those that are predominant in each of the different phases of the preferred customer relationship lifecycle (see Figure 2). Furthermore, it shows that three components of the purchasing department's capability (boundary, relational, coordination) are particularly important in the context of preferred customer relationships where the ability to access the resources of external partners and to manage knowledge scanning and information sharing, makes it possible to get the most from the selected suppliers, which ultimately, contributes to a firm's competitive advantage. Then, the boundary spanning capability as well as the selection and coordination capabilities also become more influential in the context of preferred customer relationships.

Thanks to its key capabilities, the purchasing department appears to be an important resource as well as a knowledge-acquisition interface that can provide a company with a competitive advantage in the context of preferred customer relationships. As already pointed out by some authors (Chen *et al.*, 2004; Lintukangas *et al.*, 2016), specific supply management practices are easily transferable from one organizational context to another. They can be imitated by competitors; therefore, they do not constitute a source of sustainable competitive advantage. Our analysis suggests that in the preferred customer relationship, it is not just specific practices but also their unique combination as well as the purchasing department's capabilities and other firm-specific resources that contribute to sustain competitive advantage. Then, based on our analysis, the purchasing department's capabilities should be considered as the capacity that a company can use to expand its resource base and, in doing so, it can significantly increase its competitiveness.

As a second major contribution, our research also shows that the purchasing managers' leadership is critical for the development, communication, and coordination of activities with selected suppliers. Although the supply management literature widely mentions the increasing influence of the purchasing department throughout the organization (Carr and Pearson, 2002; van Weele, 2014; Zimmermann and Foerstl, 2014), the purchasing manager's leadership in setting up and managing partnership had not been studied. Very often, when they present the purchasing department as a source of competitive advantage, it appears that authors (McGinnis and Vallopra, 1999; Pardo *et al.*, 2011; Pulles *et al.*, 2019) consider that the purchasing manager's leadership is implied.

Furthermore, other authors (Sánchez-Rodríguez *et al.*, 2005) still assume that supplier development practices are initiated by top management and that many functional managers do not have the capacity to recognize the need for supplier development practices and activities in order to better respond to competitive challenges.

In fact, it seems that until now, it is often considered that in any strategic relationship context, leadership will emerge organically. This is not the case; our research not only shows that supplier preferred customer relationship management provides the opportunity to benefit from preferential treatments by suppliers and an effective mobilization of their resources which enhanced performance, but above all that this requires an effective leadership by purchasing managers.

Specifically, the purchasing manager's transformational leadership generates more internal users and supplier involvement through the creation and the articulation of a common vision, by establishing shared goals with other organizational units, and by focusing on activities that benefit the organization. The purchasing manager's transformational leadership thus appears to be critical in setting a preferred customer relationship. This is in line with Fredendall *et al.* (2005) who argue that visionary leadership does significantly contribute to cooperation improvement both internally and externally, which in turn improves supply process performance.

In order to maintain a preferred customer status, purchasing managers also take on a leadership role in implementing supplier relationship improvement initiatives. Our study suggests that preferred customer relationship building should begin by focusing more on serving the internal users' needs and expectations (which means that the focus must be on both transformational and transactional leaderships) as well as developing a good understanding of the specificity of the supplier-buyer interaction.

Beside the academic contributions, we believe our research has two main managerial implications.

First, our analysis suggests that obtaining and maintaining a preferred customer status requires the company to implement a three-pronged approach: (1) establishing vision, (2) implementing a preferred customer relationship strategy, and (3) continuously improving working relationships with selected suppliers. Although other departments are often involved in the efforts to obtain and maintain a "preferred customer" status, it is clear that the purchasing department's capabilities and the purchasing manager's leadership are critical so that these efforts result in what is targeted.

The purchasing manager's leadership makes it possible to identify the changes necessary to establish (or build) and sustain a preferred customer relationship and drive that perspective across different organizational units by creating a common vision of an improved future. This means that when building the supply strategy, one of the main responsibilities of the purchasing department is to take into account the expectations of the organization about the true value of external resources; this allows the purchasing department to develop the preferred customer relationship strategy based on tangible benefits (e.g. priority services, lower transaction costs and larger economies of scale, access to supplier innovativeness, etc.) the company wants to achieve. Furthermore, managers should be aware that implementing the preferred customer relationship strategy is fundamentally a matter of creating a strategic fit with selected suppliers and setting up some advanced supply practices to increase it over time. Specifically, this includes selecting appropriated suppliers and creating cross-functional alignment. Schiele (2012)'s

preferred customer matrix could be a useful tool for purchasing managers. It is also clear that the purchasing managers' leadership can play an important role in supporting the firm's operations strategy by ensuring that suppliers' performance and capabilities are in alignment with the buying firm's competitive strategies, using supplier development as a tool to develop/maintain a preferred customer status.

Thus, by developing (through transformational leadership) and implementing (through transactional leadership) the preferred customer relationship strategy, the purchasing manager's leadership allows to move from initiative-driven efforts to an "institutionalized preferred customer status" management in the organization. The purchasing manager's leadership is indeed key to enhanced preferred customer relationships over time; by continuously monitoring the working process with selected suppliers in order to maintain and even improve an organization's attractiveness (e.g.: operational excellence, integrity, ethical responsibility, etc.), ensure that the company's objectives are met and that the level of supplier satisfaction is as expected. As already pointed out by some authors (Essig and Amann, 2009; Hüttinger *et al.*, 2012; Vos *et al.*, 2016), supplier satisfaction is a necessary condition for achieving a preferred customer status.

Second, by developing the purchasing department's capabilities, the purchasing manager could significantly impact an organization's capability to develop and manage partnering relationships such as a preferred customer relationship. Our analysis suggests that in order to create the firm's ability to manage value co-creation through a preferred customer relationship, it is imperative that purchasing managers develop three key components of supply capability: boundary spanning capacity, coordination capacity, and relational capability. Developing the purchasing department's capability is equivalent to building the capacity to collaborate, which corresponds to building a stronger ability to compete.

Thus, it is necessary to develop the purchasing manager's leadership in order to enhance the purchasing department's abilities. This is in line with Camarero Izquierdo *et al.* (2015) who argue that managers should identify abilities that should be viewed as the company's most valuable assets and, therefore, ensure that these are properly used to improve organizational performance.

Many studies have already shown that the purchasing department's legitimacy, purchasers' knowledge, and collaboration with key suppliers influence purchasing maturity, seen as the level of professionalism within the purchasing department (Rozemeijer *et al.*, 2003; Foerstl *et al.*, 2013; Schweiger, 2016). Based on our analysis, the purchasing manager's leadership can be seen as a means to increase a purchasing department's legitimacy.

4.2) Limitations and avenues for future research

The development of preferred relationships with a limited number of suppliers has been one of the main trends in buyer-supplier relationships for over four decades (Fiocca, 1982; Walter *et al.*, 2001; Pulles *et al.*, 2019), and it is likely going to increase in the

future. Along these lines, some authors (Pulles, Schiele, *et al.*, 2016; Patrucco *et al.*, 2017) have already suggested that purchasing managers have to invest more in developing collaborative practices with selected suppliers in order to improve business performance in areas such as quality, effectiveness, efficiency and flexibility. This shows the importance of leadership by purchasing managers in a partnering context such as the preferred customer relationship. In other words, this study calls for many others, and this insofar as, on the one hand, : “[...] research in this field is in its infancy.” (Vos *et al.*, 2016, p. 4613); on the other hand, relatively to two main limitations of our research.

The first one is related to our sample. Our sample is made up of public and private sector companies that are either service or manufacturing organizations. This allows the analytical generalization of our results (Mitchell, 1983). However, due to the size of our sample (11 cases), analyzing the differences between the roles and leadership of the purchasing department of service firms compared to manufacturing firms on the one hand, and of private firms compared to public firms on the other, was not possible. For example, as recently pointed out by Schiele (2020), supplier satisfaction is a new concept in the public procurement domain. Moreover, it seems that private companies had greater flexibility to meet supplier expectations than its public counterpart, whose actions are framed by a strict legal framework (Snider, 2006; Schiele, 2020). This could mean that the process of achieving and maintaining a preferred customer status could present some challenges for private companies that may be somewhat different from those of public companies and that the purchasing managers’ leadership role could thus be even more meaningful in such a setting.

The second limitation of our research is related to the nature of the interviewees. The purchasing managers/directors have been selected due to their ability to create and maintain a preferred customer status, that means their awareness of that topic. In addition, some of them might have answered our questions in a way that made them look good.

Furthermore, as we have only selected “successful” cases, our study might suggest that it is a discretionary choice by the buyer to practice a preferred customer strategy. It should of course be remembered that this is not the case. As a matter of fact, the supplier satisfaction model presented by Vos *et al.* (2016) helps to identify what they call "growth opportunity of customer" as one of the four important factors (the other three being: (1) profitability of account, (2) customer’s relational behavior, and (3) customer’s operative excellence) influencing supplier satisfaction, which is a pre-condition for achieving a preferred customer status with suppliers. Certainly, our study shows that the purchasing department’s leadership role can significantly contribute to supplier satisfaction and therefore influence the process of obtaining and maintaining a preferred customer status over time; however, the question of whether or not a good purchasing management can overcome weaknesses like slow growth of the company was not addressed.

Therefore, this research opens the door to at least three promising avenues for future research.

The first one is a better understanding of which leadership behaviors are more appropriate in a given context. As the profit impact and the risk/complexity of purchases are not the same from one to another (Kraljic, 1983), and the antecedents of preferred customer status namely customer attractiveness and supplier satisfaction have an impact on the preferred customer status, a research could be done to better understand the nature of the leadership and the consequences on the buyer-supplier relationship. Moreover, the leadership behavior of the vendor should also impact the attitude of the purchasing manager or the internal customer and vice versa. A single case study, by analysing the leadership of each actor in the different steps of the relationship, should enhance the understanding of the points of alertness for the balance between the two organizations in order to maintain or enhance the advantages obtained with this specific status.

The second one is to further examine a purchasing manager's leadership in different preferred customer relationships contexts. As suggested by our research, the roles played by purchasing managers is central to achieving a preferred customer relationship. In other words, without the right managers in the purchasing department, managing a partnering relationship such as a preferred customer relationship might not lead to the expected results. Then, an interesting research avenue would be to examine in depth the purchasing manager's ability to promote a shared vision, to implement strategies in order to maximize internal users satisfaction, and to build relationships with suppliers in different preferred customer relationships contexts. Such a study could provide a better understanding of different types of leadership skills that purchasing managers should further develop in order to increase their impact on the competitiveness of their organization, specifically in the context of preferred customer relationships. **The nature of the leadership could thus be analysed in detail to understand the extent to which the characteristics of the "internal" leadership deployed by the purchasing manager differ from the ones used in the "external" leadership.**

The third research avenue is a longitudinal study focused on the evolution of preferred customer relationships over time as well as the roles played by the purchasing department. Such a study would make it possible to follow better how the integration of knowledge and practices in the preferred customer relationship is fostered by the purchasing manager's leadership. This would shed light on how a purchasing leader designs strategies, policies and structures that enable the organization to face up to competitive challenges over time. As is the case for any strategic relationship, a preferred customer relationship certainly evolves through distinct life cycles. In each phase, both buyers and suppliers could exhibit different behavioral patterns. In other words, expectations are specific in each stage; therefore, it would be of a great interest to understand how purchasing managers do adapt their leadership. A longitudinal perspective could also highlight the specific role of the purchasing manager and the

potential impacts of a change of this responsibility. The leadership style that is different from one manager to another could actually alter a supplier's preferred customer relationship.

We believe that these three research avenues could lead to a better understanding of how the purchasing manager's leadership can further strengthen the purchasing department's contribution in the successful management of partnering relationships, as is the case for preferred customer relationships.

After all, as the primary interface with suppliers, the purchasing department is a key actor in the organizational process of becoming a preferred customer. Therefore, purchasing managers should continually identify changes necessary for the organization to remain competitive and drive that perspective across organizational units by creating a common vision of an improved future. Visions that can be properly operationalized through leadership provide a clear advantage to an organization; and if the purchasing manager is part of – or leads this vision – then a purchasing department's legitimacy nearly becomes a “given”, instead of being the result of continuous efforts on many fronts...

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