

IMPACT OF RISK CULTURE ON SUPPLIER SELECTION DECISIONS

- A COMPARISON OF FAMILY AND NON-FAMILY FIRMS -

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Impact of Risk Culture on Supplier Selection Decisions
– A Comparison of Family and Non-Family Firms –

Agenda

1. Motivation
2. Research Framework
3. Expert Interviews
4. Implications

FF = Family Firm

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1. Motivation

Supplier Selection Decisions:



Source: <https://www.ifw-kiel.de/publications/media-information/2019/how-the-us-china-customs-war-hurts-others/>



Source: https://www.washingtonpost.com/business/energy/saudi-arabia-drone-attack-is-a-strike-at-oils-future/2019/09/14/9928ffda-d73c-11e9-8924-1db7dac797fb_story.html

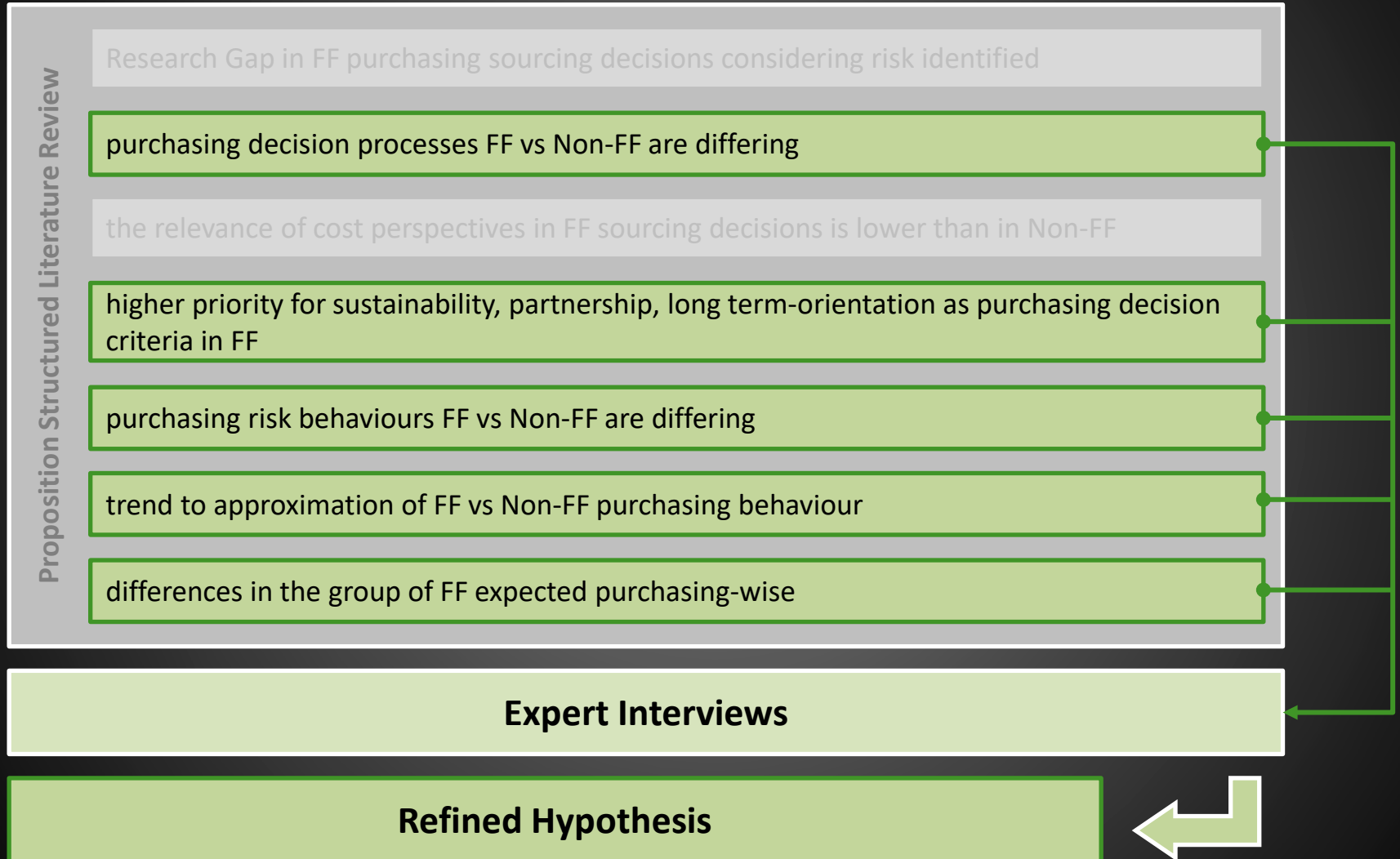
COVID 19-Pandemic is affecting e.g. companies supply chains or supplier financial stabilities (Deutscher Industrie- und Handelskammertag e. V., 2020, pp. 5–7; World Economic Forum et al., 2020, p. 12)

World Economic Forum, Marsh & McLennan Companies, & Zurich Insurance Group. (May 2020). *COVID-19 Risks Outlook: A Preliminary Mapping and Its Implications*. http://www3.weforum.org/docs/WEF_COVID_19_Risks_Outlook_Special_Edition_Pages.pdf

Deutscher Industrie- und Handelskammertag e. V. (2020). *Corona: Bewährungsprobe für die Industrie: Sonderauswertung der 3. Corona Blitzumfrage*. <https://www.ihkzuschwerin.de/blueprint/servlet/resource/blob/4806030/ab18be9fbb6090a7efb70aebdc10db42/ergebnisse-der-corona-umfrage-data.pdf>

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2. Research Framework



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3. Expert Interviews - Procedure

Interview Guideline

Sample Definition

Academics

- The German Academic Association of Business Research (VHB e.V.)
- Förderkreis Gründungs-Forschung e.V.

Purchasing Consultants

„brand eins“-ranking 2020

Purchasing Manager in FF

List of hidden champions and global market leader by Chamber of Industry and Commerce Arnsberg, Hagen and Siegen

Managing Owner in FF

Interview + Transcription

Qualitative Content Analysis according to MAYRING

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3. Expert Interviews - Statistics

Expert Sample:

1. 4x Academics (area of expertise: 2x FF + 2x Purchasing)
2. 4x Purchasing Consultants
3. 4x Purchasing Manager in FF
4. 4x Managing Owner in FF

Sample Statistics:

	Characteristics	Distribution			Ratio
		Purchasing Manager in FF	Managing Owner in FF	Purchasing Consultants	
<i>Company Size</i>	≤ 9 employees	-	-	-	0,0%
	10 to 49 employees	-	-	1	8,3%
	50 to 249 employees	1	1	2	33,3%
	> 250 employees	3	3	1	58,3%
<i>International Subsidiaries</i>	yes	3	3	3	75,0%
	no	1	1	1	25,0%

	Characteristics	Distribution			Ratio
		Purchasing Manager in FF	Managing Owner in FF		
<i>Purchasing Organisation</i>	decentralized	1	3		50,0%
	centralized	3	1		50,0%
<i>FF Family Generation</i>		1	1		25,0%
		2	1	2	37,5%
		3	2	-	25,0%
		4	-	1	12,5%

Expert Interview Duration:

- 16 expert interviews between 38 - 80 minutes
- average expert interview duration: 61 minutes

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3. Expert Interviews - Results

Propositions	Expert Interview
<p>Comparison of FF vs Non-FF purchasing activities:</p> <ul style="list-style-type: none"> ➤ purchasing decision processes FF vs Non-FF are differing ➤ higher priority for sustainability, partnership, long term-orientation as purchasing decision criteria in FF ➤ purchasing risk behaviours FF vs Non-FF are differing 	<p>✓ Supported</p>
<p>Trend to approximation of FF vs Non-FF purchasing behaviour:</p> <ul style="list-style-type: none"> ➤ if: e.g. FF age ↑ / FF size ↑ / number involved family generations ↑ ➤ if: FF is managed by family-external CEO 	<p>✓ Supported</p>
<p>e.g. regional or industry sector differences in FF purchasing activities / processes / behaviour to be expected</p>	<p>✓ Supported</p>

Reasons for differences FF vs Non-FF are according to Experts e.g.:

- FF are trying to generate information within family (network) or within FF → avoid external support / interferences
- FF are thinking and acting intergenerational
- FF partially do not see a direct value proposition of Risk Management

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4. Implications - refined Hypothesis

Selection Process

purchasing sourcing decisions in FF are *rarely taken cross-functional*

FF purchasing departments are entering the sourcing process in the *final stage* only

Selection / Risk Criteria

supplier selection decisions in FF are *less cost-oriented* but have a higher priority for sustainability, partnership, long term-orientation criteria

FF purchasing departments are using risk perspectives *intuitive* or *max. single risk elements* in supplier / quotation evaluation and selection

Trend

FF sourcing behaviour is getting *more process- and key figure-oriented* with FF age ↑ / FF size ↑ / number involved family generations ↑ / time-period of external CEO in FF ↑

managing owners are *less integrated* in FF sourcing decisions with FF age ↑ / FF size ↑ / number involved family generations ↑

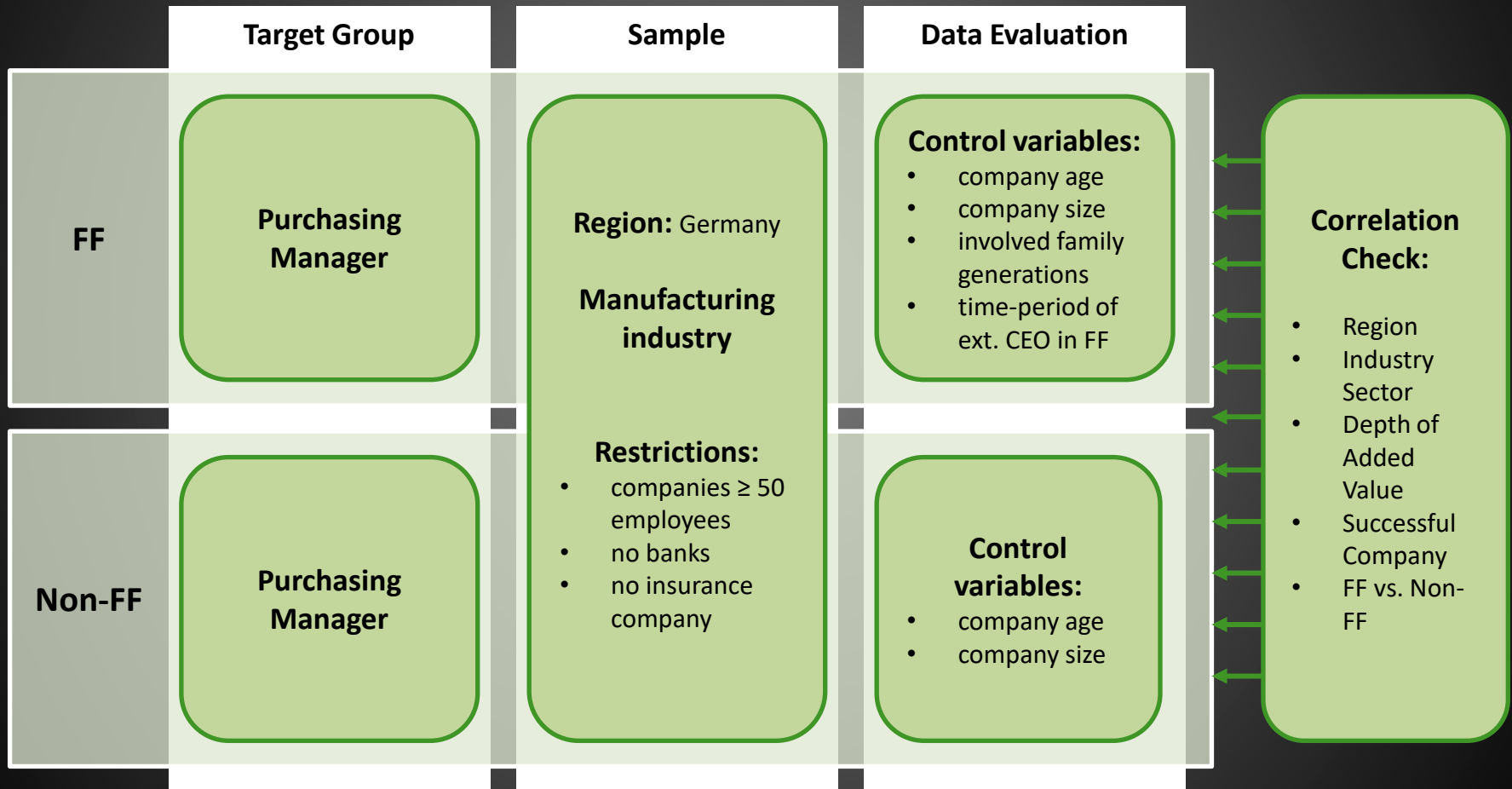
sourcing behaviour is differing *within the group of FF* depending on its region, industry sector and depth of added value

FF and Non-FF purchasing sourcing behaviour incl. risk consideration is differing.

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4. Research Implications

Quantitative evaluations required to support study results with frequency distribution:



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4. Managerial Implications for FF

1. implement / adapt supplier nomination in FF procedures to secure a cross-functional sourcing approach
2. RM sensitizations of FF purchasing departments are required to achieve a mind-set change
3. risk competences of purchasing employees in FF should be trained / extended in order to generate a deeper understanding of RM knowledge and methods
4. involve purchasing into request for quotation processes from the very beginning

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Thank you for your attention!