

## RECENT DEVELOPMENTS IN ORGANIZATIONAL BUYING BEHAVIOR

This article reviews the existing researches in the area of Organizational buying behaviour and thereby establishes similarities between organizational and house hold buying behavior especially regarding buyer's expectations, perceptions and mixture of rational versus emotional choice criteria.

The possible areas of research are suggested. The trend in the pursuit of new knowledge in organizational behavior and the possible impact of the new understanding on the marketing function are forecast.

### INTRODUCTION

Contrary to the popular belief, there is a vast amount of research and knowledge about the organizational-industrial buyer behavior (Hillier 1972; Robinson and Faris, 1967; Sheth 1973; Webster and Wind 1972). For example, in reviewing the literature, I was able to locate more than a thousand references in the form of books, articles, comments and trade publications. In fact, there are more journals specializing in industrial buying behavior than those in consumer behavior.

Then why the popular belief that consumer behavior is a better researched area? There are several reasons. First, most research in organizational buying behavior has been practice-oriented and, less academic-oriented. Second, more good research seems to have been conducted in Europe than in the U. S. and, therefore, we are not as aware of its existence. Furthermore, research in organizational buying is also scattered across several disciplines such as political science, organizational psychology, and several sub-areas of business including production, finance, and personnel management. Third, it seems easier to relate to consumer behavior based on researcher's own introspective analysis of personal experiences but requires additional effort to experience and learn the reality in organizational buyer behavior prior to conducting research. As such, borrowing and applying many of the theories and methods from the behavioral sciences seems more straight forward in consumer behavior than in organizational buying behavior. This has probably led to greater selective exposure and retention of research on consumer behavior. Finally, it is true that consumer marketers have tended to be more receptive and less hard-nosed about applying new and different techniques and theories of behavioral sciences probably because of the presumption that consumer behavior is, by definition, more complex and emotional than organizational buying behavior. Therefore, consumer behavior and consumer marketing

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have distinguished themselves as the leading edge of the marketing discipline. Hence, the popular belief that research in organizational buying behavior is scarce, nonscholarly, and more trade-oriented. However, a careful look into the existing knowledge does not fully bear out this popular belief.

In this chapter, we will first review the most salient research already existing in the organizational buying behavior area. Then we will compare and contrast research in organizational and consumer buying behavior. Third, a checklist of research topics will be provided on which there is an immediate need for further research. Finally, some future trends in the theory and research on organizational buying behavior will be enumerated.

#### REVIEW OF RESEARCH

Given the vast amount of diverse information and knowledge about organizational buying behavior scattered across many countries and sources, it seems necessary to utilize a framework with which to review the existing research. Such a framework is provided in Figure 1. It is a familiar S-O-R paradigm consisting of inputs, outputs, mediating black box, and a set of exogenous factors which impinge on the structure of the black box. Most of the research in organizational buying can be classified in one or more of the following areas summarized in Figure 1.

1. Type of Buying Decisions
2. Evaluation of the Buying Task
3. Decision-Making Process Underlying Buying Decisions
4. Marketing Communications and their influence on the decision making process
5. Impact of individual decision maker's characteristics on the Decision Making Process
6. Impact of organizational characteristics on the Decision Making Process
7. Impact of specific purchase situation characteristics on the Decision Making Process.

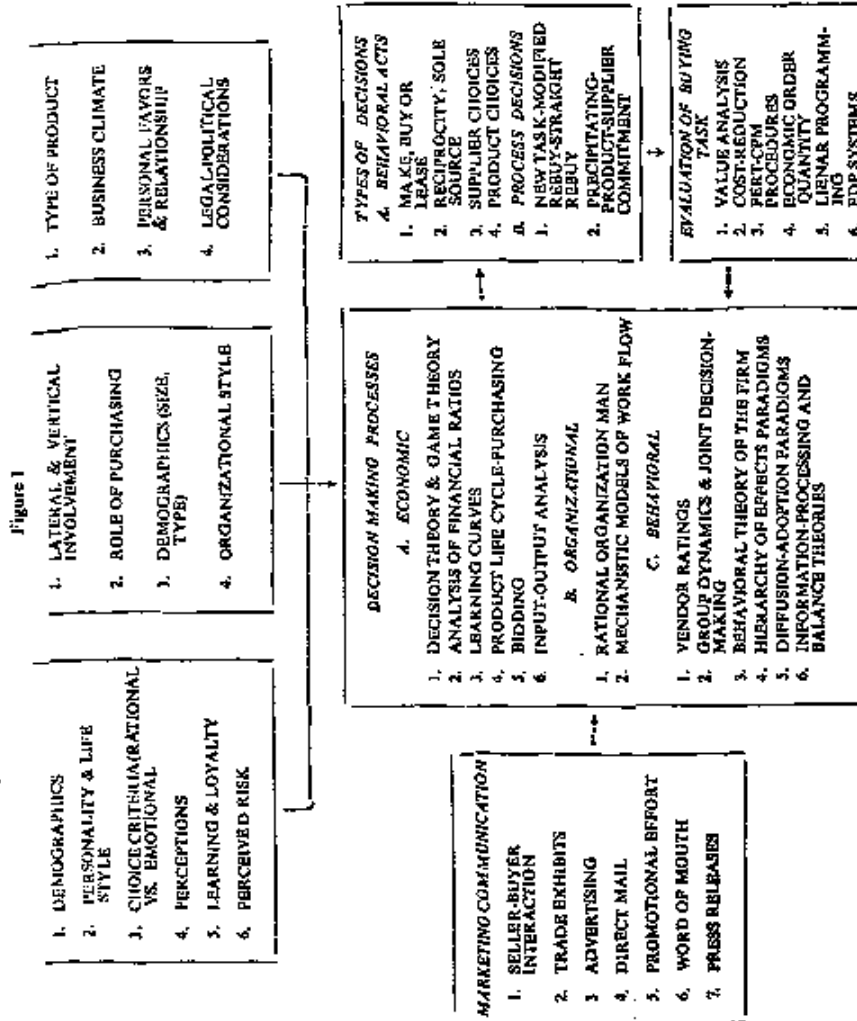
As would be expected, there are many sub-areas and diverse view-points expressed by scholars and practitioners within each of the above seven areas. Due to space limitations, we will only highlight the type of research most commonly undertaken in each area.

##### Type of Buying Decisions :

There are two distinct categories of research on the type of organizational buying decisions. The first category has focused on the ultimate choice or outcome of a decision whereas the second category has focused on the sequential process or steps involved in buying products or services either within a given decision or dynamic changes in the process which often occur in repetitive buying behavior.

##### A. Behavioral Acts or Ultimate Choices

Research in organizational buying behavior has focused on four different types of ultimate choices : product choices which includes things like size, type, design, and specifications of products; (Howard and Moore, 1963; Lehman and O'Shaughnessy, 1974;



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Market 1971; Webster 1965; Wind and Gardezo, 1974), supplier choices which include choosing between a middleman or a supply house and the manufacturer as well as choice among manufacturers in direct buying (Adams 1958; Dickson 1965; Edgan 1968; Kellogg 1959), buying from a sole source (Dillon 1968), and the related question of reciprocity relationships (Ammer 1962, Bird and Sheppard 1973; Dauner 1967; Moyer 1970) and finally, and more fundamentally, the decision to buy or lease (Baumes and Thompson 1958 Charrin 1969) as well as the decision to internally make the product or to buy it from outside sources (Gross 1966; Williams 1969).

The bulk of the research has concentrated on the supplier choice and reciprocity relationships comparable to the emphasis on brand choice, brand loyalty and store patronage in consumer behavior. Reciprocity relationships have received a special attention in the U.S. due to the legal problems associated with tie-in arrangements among businesses being declared as anti-competitive procedures. The general conclusion reached from the research is that reciprocity is widely practiced among organizational buyers.

#### B. Process Decisions

The emphasis here is not so much on the ultimate choices and differences in the buying task they create as on the fundamental classification of the types of decision process and their impact on information search, supplier evaluation and supplier selection. The pioneering work in this area is by Faris (1967), Robinson and Faris (1967) and Wind and Robinson, (1968) who have identified fundamental decision process differences between new task, modified rebuy task and straight rebuy task. This classification virtually parallels Howard's (1963) paradigm of Extensive, Limited, and Routinized buying behavior. A second and more recent process framework is provided by Hillier (1972). Utilizing the hierarchy of effects framework in the areas of advertising, personal selling and innovation adoption decisions, Hillier identifies a four stage process decision task consisting of precipitating decisions, product decisions, supplier decisions, and commitment-procurement decisions.

Most of the research on type of organizational buying decisions has tended to be highly descriptive, behaviorally oriented, and empirical. Very little quantitative model building or normative thinking has been applied so far. In a way, this is somewhat surprising because in parallel areas of consumer behavior, there has been a great deal of quantitative model building effort as evidenced by the abundance of stochastic models of brand and store choice behavior (Massy, Morrison and Montgomery, 1970).

#### Evaluation of the Buying Task

A surprising amount of research on evaluating the buying task and the purchasing function seems to have taken a quantitative bent (Medelson 1969). Perhaps this is due to the dissatisfaction of existing qualitative and even subjective personnel methods of evaluating the purchasing agents and the task they perform in the organization. The best-known quantitative technique applied is the value analysis (Bullen 1963; Miles 1961; Reuter 1968

Tallon 1966). It refers to accounting and finance decision theory which related procedures of quantifying the economic value of a purchase to the organization and equating the price to be paid for this economic value. As would be expected, value analysis is a normative tool which attempts to quantify the decision outcomes in monetary terms and provides a set of decision rules to improve the efficiency of the buying task. Two other techniques with basically the same objective are cost-reduction (Ammer 1959; Bussard 1966; McLean 1966; Newgarden 1958; Pooler 1966; Swallow 1971) and economic-order quantity analysis (Alexander 1964; Collings 1966; Groot and Groot, 1963).

On the other hand, systems analysis has been identified as a very useful normative techniques for evaluating the buying task. This has included PERT-CPM procedures (Rago 1968), EDP Systems (Corsiglia 1970; Lewis 1966; Plant 1963; Wilding 1964), and even building linear programming models (Hirsch 1960; Zemansky 1958).

Despite the quantitative and somewhat normative approach to evaluating the buying task or the purchasing function, there is still relatively low sophistication and standardization in measuring the economic and noneconomic performance of organizational buying decisions.

#### Decision Making Processes in Organizational Buying

Perhaps the single most researched area in organizational buyer behavior is how and why the organizations decide about various choices entailed in the purchasing function. Both theories and empirical research abound in an effort to unravel the mysteries of the purchasing function in the organization (Sheth 1973). The vast amount of literature seems to have concentrated on some common questions: (a) Is the organizational buyer rational or emotional in his decision process? (b) Is the purchase function solely decided by one individual or by a committee? (c) Is the decision making process different for innovation adoptions as opposed to existing alternatives? (d) What is the extent of conflict in organizational buying and how it is resolved? and (e) What factors influence the organizational decision making process?

In order to synthesize this knowledge we have classified the decision making processes into three categories: economic, organizational and behavioral approaches to the purchase decision process.

##### A. Economic viewpoints of Decision Making

Several diverse approaches have been suggested within the economic viewpoint of the organizational buying decision process. The first is an attempt to explore the feasibility of applying decision theory and game theory principles (Hirsch 1960). The decision theory as usual takes a probabilistic view of decision making process and quantifies the economic consequences of each supplier choice with the use of the expected payoff rule. The game theoretic approaches are somewhat more complex and interesting. Taking the view

of a zero and positive sum outcomes between the buying and the selling organizations, several attempts are made to apply the typical minimax and regret strategies to making choices of suppliers and products.

Another, and entirely different, approach has been the examination of the financial ratios of the supplier organization as indicators of reliability, reputation, and even quality of service that a selling company is likely to provide to the buying organizations (Dickson 1965; Hillier 1972; Page 1959; Sloane 1963). While financial ratios of supplier organizations may be a good first cut at narrowing down the list of suppliers to a smaller evoked set of alternatives, it is not likely to enable the purchasing agent to make choices with respect to quantity, delivery time, and mixture of products to buy from a given supplier.

A third approach is the recent interest in micro-economics about the learning curves of organizations (Canova 1965; Cordau 1964; Smith 1965). The basic postulate states that the organizations become more efficient with repetitive economic activity and therefore, there are economies which can be attributed not simply to the scale factors but also to learning factors for a given scale of operation. Some effort has been made to apply the economic learning theories to understanding the organization's purchasing function. Unfortunately, not enough research has been done in terms of the economic learning curve hypotheses to warrant any evaluative judgment as to its usefulness.

A fourth economic approach closely related to game theory is the analysis and modeling of the competitive bidding process (Edelman 1965; Niss 1965). While the modeling has been from the viewpoint of bidding suppliers for a given buying situation, it has proved helpful to the purchasing organizations in terms of setting economic rules for bidding. A fifth economic approach to organizational buying decision process has been the applications of input-output analysis (Hirsch 1960; Watson and Smith 1966) in which the purchasing function is modeled as provider of inputs such as raw materials, maintenance and capital goods for the desired organization output. Of course, the real challenge comes in the calculation of the input-output transition matrix at each stage of the productive process and the role the purchasing function plays at each stage. The last economic approach is more marketing oriented. In this approach, the product life cycle of the buying organization becomes the focal point for developing purchasing strategic plans (Berenson 1967). As the product grows in the usual S-shaped curve, it is argued that the organization's requirements in terms of volume, variety and type of raw materials and maintenance items also change. However, it is possible to plan now the future requirements of the organization because the product life cycle is relatively invariant in its characteristic growth pattern from one industry to another.

Despite the diversity of viewpoints and techniques, all of the above approaches have one thing in common: they all tend to concentrate on the economic aspect of the purchasing function and neglect the behavioral and the organizational aspects inherent in any purchasing decisions.

### B. Organizational viewpoints of Decision-Making

At least four different organizational viewpoints have been applied to understand and explain how the purchasing agents decide on products and suppliers. Two are rather classical viewpoints of the organization man (Hillier 1972). These include modeling the purchasing agents as rational economic men primarily motivated by well-defined and economic objectives of the organization and behaving in a manner which would typify rational decision making process (Fisher 1969). A second classical view utilizes the time and motion study approach to define the work flow of the purchasing function and even attempts to build highly mechanistic models of the organization man (Carman and Tasso 1974; Darling 1962; Hillier 1972). As one would expect, both of these classical organizational viewpoints of the purchasing function are highly normative and idealistic. As such, one seldom finds them prevalent in reality. Furthermore, any attempts to implement them in the purchasing organizations have met with considerable resistance or have been bypassed by inventing loopholes or backdoor tactics.

The other two organizational viewpoints are more contemporary. The first one is an attempt to model the purchasing function in terms of organizational decision making process which includes the usual stages of identifying and operationalizing organization's goals and objectives, searching for and calculating the payoffs of feasible alternatives such as suppliers and products, and utilizing some rational decision rule which will optimally match the organization's objectives and the most appropriate alternative (Farley, Howard and Hulbert 1971; Farouk, LaLonde, Riley and Grabner 1971; Feldman and Cardozo 1969; Hillier 1975; Sheth 1973; Webster 1965; Wind and Webster 1972). The organizational decision theory differs from the classical rational organization man in terms of legitimacy of goals. Whatever the organization's objectives, whether they are rational or not, economic or noneconomic, the organizational decision making approach does not question its legitimacy but attempts to achieve its satisfaction by means of an efficient decision making process. A second contemporary viewpoint is the classification of purchasing decisions into three categories: those which require consensus of all individuals in the organization, those which are hierarchical where a superior in the hierarchy has the power to negate or modify the lower level decisions, and those which entail a bargaining process of give-and-take among decision makers (Darling 1962; Harding 1966; Hillier 1972; Wind 1973). In a situation, where the decision making is solely in the hands of one individual in the organization, it is less likely that this viewpoint will be as useful as the decision making viewpoint. However it is argued that most decisions in organizations are seldom autonomous except perhaps at the top level in the organization.

The organizational viewpoints, in general, have tended to be more descriptive and realistic than the economic viewpoints. As such, they have a greater noneconomic and behavioral emphasis in their thinking. However, the focal point in the organization viewpoints is the organization task itself as opposed to the individual performing those tasks in the organization. To that extent, the analysis is more macro, abstract, and for the task rather than the individual performing that task.

### C. Behavioral Viewpoints of Decision Making

A major shift in the behavioral viewpoint as contrasted with the economic or organizational viewpoints is the focus on the individuals and small groups working in organizations. Once again, there are several different approaches one finds in the literature reflecting different behavioral schools of thought applied to understanding and explaining purchasing behavior of organizational buyers.

Probably the single most influential behavioral approach applied to understand how and why organizational buying takes place is the behavioral theory of the firm proposed by Cyert and March (1963). It consists of four related aspects of organizational decision making: conflict among decision makers and its partial resolution by satisficing and limited analysis; avoidance of uncertainty by establishing decision rules which minimize uncertainty; problemistic search which is highly selective and narrow; organizational learning due to repetitive experiences. The best application of the behavioral theory of the firm to understanding the organizational buying behavior has been made by Wind and to a lesser extent by Robinson and Faris (1967), and by Webster and Wind (1977).

A closely related and highly complimentary behavioral approach to understand organizational buying is the group dynamics approach (Anyon 1963; Gorman 1971; and Sommers 1966, 1967; Metexas 1963; Pettigrew 1975; Sheikh 1973; Strauss 1962; V 1965; Weigand 1968; Wind 1971). The emphasis here is on the understanding of the action process among a small group of individuals all working together in the same organization but probably having very different sets of buying objectives and expectations, the alternatives or the suppliers. A major focus in the group dynamics approach is the process of conflict resolution in the organization among various decision makers and the use of specific tactics (persuasion, bargaining, etc.), with which the conflict is resolved.

A third behavioral approach is the innovation-adoption paradigm. Borrowed from the rural sociology area (Rogers and Shoemaker, 1971), an attempt is made to apply the adoption decision making process for new products and services into awareness, interest, evaluation, trial and adoption stages, and examining the sources of information influence at each stage of the decision process (O'Neal and Thorelli 1973; Ozanne and Reardon 1971; Peters and Ventakesan 1973; Webster 1968, 1969). The innovation-adoption paradigm has become extremely useful as a specific way of understanding how new products, especially requiring large capital expenditures get adopted or rejected by organizational buyers. A highly related fourth behavioral approach common to both existing and emerging products is the hierarchy of effects paradigm borrowed from the mass communication research (Webster 1968). While the paradigm was primarily developed from the viewpoint in terms of understanding how personal selling and mass media impact on the buyer, it is at least one approach to understanding the psychology of the buyer's decision process. The most commonly identified hierarchy of effects paradigm is the so called

model consisting of attention—interest—desire—action stages of the mental process of buying decisions.

A fifth behavioral approach is more practical and relies less upon any specific behavioral science theory. It consists of developing rating scales on a number of salient criteria with which to assess and evaluate suppliers (Dillon 1966; Dowst 1964; Farouk, et al. 1971; Mendelsen 1969; Stewart 1968; Wind, Green and Robinson 1968). These criteria can be both economic and noneconomic. Also, they are often derived by a subjective consensus of the buying organization staff, although past performance, secondarily sources of information and commercial information provided by the suppliers is utilized as inputs to those subjective ratings. The ratings are more limited to the suppliers rather than to a specific product category or a specific buying situation. The vendor ratings are then used by the buying manager for his decision to include or exclude a specific supplier for a particular purchase situation.

A sixth and most recent behavioral approach to modeling the decision-making process of the organizational buyer is the utilization of information-processing and cognitive consistency theories from social psychology (Coombs and Saugg 1959; Cyert, March & Moore 1962; Howard & Moore 1963; Howard & Morgenroth 1968; Luffman 1974; Stiles 1973; Webster and Wind 1972). The basic emphasis is to understand or hypothesize how a buyer confronted with some descriptive or evaluative profile of information about various products or suppliers decides on selecting or rejecting them. What are his decision rules? Does he utilize some compensatory or tradeoff principle between two or more criteria so that a supplier weak on one is balanced by his strengths with respect to other criteria? Alternatively, does he use a disjunctive (excellence in one attribute such as delivery, price, or specifications) or a conjunctive (above minimum levels on all salient criteria) decision rule? This research is fascinating and highly useful for policy purposes. However, very little is as yet known first about the variety of the human calculus involved in processing of information, and secondly about the specific rules organizational buyers tend to use.

It is somewhat amusing to note the price we seem to pay for specialization in disciplines and scholarship. There is no doubt that each one of the sixteen or seventeen different approaches scattered across the economic, organizational and behavioral viewpoints has some relevance to explaining and modeling the organizational buying decision making process. It should however, be also noted that each one has only *some* relevance and cannot by itself explain the totality of organizational buying behavior. What seems to be urgently needed is an integration of various viewpoints into a single holistic framework, or a comprehensive theory of organizational buying behavior. Recently some attempts have been made in that direction (Cardozo and Cagely 1971; Hillier 1972, 1975; Howard and Moore, 1963; Robinson and Faris 1967; Sheth 1973; Webster and Wind 1972; Wind and Cardozo 1974).

#### **Influence of Marketing Communication**

While there are several ad hoc studies which purport to measure the impact of a specific marketing communication effort such as direct mail, trade exhibitions, press releases

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or direct sales effort, there is very little scientific basis to come to any general conclusion about the relationship between marketing communication and the organizational buyer decision making process. (Christian 1961; Farouk, et. al. 1971; Khara and Benson, 1974; Kiser, Rao and Rao, 1974; Leavitt 1966; Lilian et. al. 1976; McAllen 1974; Morrell 1959; Sawyer 1959; Thompson 1966; Walgh 1961; Wilson 1966). This is somewhat unfortunate and highly frustrating to marketing managers because, in essence, the single most important reason for studying the organizational buyer behavior is to provide some insights into the direction and magnitude of impact of marketing communication efforts either as independent variables or as marketing mix variables.

There are however, two areas of marketing communication where some cumulative body of knowledge is finally substantive enough to discuss in more detail. The first is the buyer-seller interaction process both at the individual level and at the organization level. Several researchers recently have attempted to synthesize this aspect of organizational marketing as well as attempt to measure the process of interaction (Capon, Holbrook and Herbert, 1975; McMillan 1973; Tosi 1966; Westing and Fine 1961; Wilding 1968). For example, Sheth (1975) has suggested that the ideal buyer-seller interaction which may result in buyer loyalty toward the seller and vice versa is likely to arise only if both the content and style of communication are compatible or matching between the two parties. A related and more microscopic research is the process of negotiations and bargaining between the buyer and the seller (DeRose 1962, Kennedy 1967; Newman 1966).

A second area of marketing communication which has been researched in more detail is the influence of word of mouth communication (Martlar 1971; Schiffman and Gracie 1974; Thain, Johnston and Leighton 1959; Webster 1968, 1970). Somewhat surprising it has been found that word-of-mouth communication is extremely powerful and quite prevalent among organizational buyers also as it has been found among household consumers. Furthermore, the industrial marketer more often exploits this channel of communication in the successful diffusion of new products than the consumer goods marketer.

If there is any one aspect of organizational buying behavior which needs more rigorous research, it is the measurement of impact of marketing communication on the buyer's decision making process.

#### Impact of Individual Characteristics on Decision Making Process

Considerable amount of research exists on the individual differences among organizational buyers. The basic presumption underlying this research area is that certain characteristics of the individual decision makers can explain differences in both the content and the style of decision making process in organizational buying.

The research on individual characteristics in organizational buying can be broken down into six categories. The first category consists of demographic correlates such as age, education, length of service and position in the organization (Khara and Benson 1974; Wind and Lotshaw 1973; Wind and Cardozo 1974). A particularly interesting emphasis

is the matching of the demographic profiles of the buyer and the salesman (Evans 1963; Churchill 1976) based on Homans' (1961) proposition that the more similar the background between the two individuals, the greater is the likelihood of continued interaction, affiliation, cohesiveness between them. A second and somewhat related category is the personality and life style profiles of the organizational buyers. Apparently, partly due to the dissatisfaction of strength of relationships between demographics and organizational buying behavior; and partly due to the novelty of the area, several researchers have attempted to utilize industrial psychographics and segment the buyers on that basis in the hopes of deriving better correlates of industrial buying behavior. (Blois 1970; Hahn and Vana 1973; Haksansson and Wootz 1975; Lazo 1960; Peters and Venkatesan 1973; Ozanne and Churchill 1971; Robertson 1959, 1960; Sweeney, Mathews and Wilson 1973; Wilson and Little 1971; Wilson 1971). The results are at best mixed and really no better than what the demographics have produced. Perhaps it seems more realistic to treat demographics and psychographics as complimentary correlates rather than as substitute correlates, each adding to the explanatory power of the other. In a sense, demographics probably disaggregate the organizational buyers into broad segments and psychographics provide the fine tuning within each broad demographic category.

The third and the fourth category of individual characteristics relate to perceptual differences among the buyers with respect to relevance and saliency of a set of choice criteria. The usual paradigm of selective exposure, attention and retention are considered significant differences to explain why organizational buyers look upon the same situation differently and different situations as if they were the same (Advertising Age 1959; Berenson 1967; Brown 1971; Cardozo 1968; Etzel and Allen 1972; Kelley and Heusel 1973; Gronhaug 1975; Parket 1972; Robertson 1961). A related aspect of perceptual differences which has received considerable attention and some controversy is to find out whether industrial buyers primarily utilize rational or emotional criteria in selecting suppliers (Banville and Dornoff 1973; Boone and Stevens 1970; Duncan 1940, 1966; Kennedy 1970; Lazo 1960; Lewis 1958; Sawyer 1959; Shoaf 1958; Wilson, Mathews and Sweeney 1971). The controversy becomes more interesting when one compares the empirical research on industrial buyers and the housewives. Not very surprisingly, but contrary to popular belief, organizational buyers also tend to utilize a substantial number of nonrational criteria in selecting products or services. Therefore, one finds a striking similarity between the organizational buyers and the housewives in their respective choice situations.

The last two categories of individual characteristics have received considerable attention primarily among the academic researchers. The first is the application of perceived risk theory to organizational buying behavior. The basic postulate of the perceived risk theory is that buyers tend not to maximize the expected payoff as postulated by normative decision sciences but rather they tend to minimize the risk they perceive a given buying situation entails. In other words, satisfying as opposed to optimizing is the buying objective. Risk itself is defined as the combination of perceived magnitude of aversive consequences and the degree of uncertainty faced by the buyer (Brown 1971; Cardozo and Gagley 1971;

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Hakansson and Wootz 1975; Lewis 1958; McMillan 1972; Peters and Venkatesan 1973; Rootman 1966; Sweeney, Mathews and Wilson 1973). The risk aversion hypothesis seems to be even more dramatically true among organizational buyers than housewives especially if the buying task is in the hands of a professional who has no ownership. The research has focused on the specific tactics the organizational buyers tend to adopt in order to minimize the risk. These include relying on supplier reputation, developing strong source loyalty, searching for information, relying upon credible sources such as personal friends and experts, and greater deliberation and thinking and planning in high risk situations.

The perceived risk theory is supplemental by the applications of psychological learning theories by which the organizational buying process over a period of time and with repetitive purchase decisions becomes a routinized activity. As such, the buyer's uncertainty is significantly lowered and, therefore, perception of risk is minimized. Depending upon the stage of learning, it is possible to isolate differences among buyers in their decision making process as due to differences in learning stages. Howard (1963) and Howard and Moore (1963), for example, classify organizational buyers into three categories: extensive problem solvers, limited problem solvers, and routinized decision makers based on the degree of learning experienced in a specific buying situation. The development of supplier loyalty is also researched by others (Bubb and Van Rest 1973; Farouk et. al. 1971; Wind 1970).

#### Impact of Organizational Characteristics on the Decision Making Process

Despite vast amount of research on organizational characteristics and structure in the management area, there is a very limited number of studies which deal with the impact of organizational characteristics on the decision making processes of the buyers in the organization. The existing research has concentrated on the role of purchasing departments (Buckner 1967; Duncan 1965; Fearon 1968; Hass, March and Krech 1960; Hendersen 1966; Hill 1972; Lister 1967; Planteu 1955; Thain, Johnston and Leighton 1959; Wind 1971), on the extent of lateral vs. vertical involvement in the purchasing decision process, (Bearden 1967; Duncan 1966; James 1967; Kernan and Summers 1967; Pettigrew 1975; Strauss 1962; van de Water 1961; Weigand 1966), on some demographics of the organization such as size, type and life cycle of the organization (Gronhaug 1975; Peters and Venkatesan 1973; Stocking and Mueller 1957; Wind and Lotshaw 1973; Wind and Cardozo 1974), and on organizational style which includes things like structure, degree of centralization-decentralization, profit responsibilities, and managerial philosophy (Carman and Lasso 1973; Gershenfeld 1966; Rock 1952; Parket 1971; Pegrant and Thompson 1956; van de Water 1965; Wind and Cardozo 1974). Sheth (1973) has postulated, based on some empirical findings, that the organizational characteristics tend to be more significantly related to the determination of autonomous vs. joint decision making powers in the organization than with respect to the decision making process itself. For example, greater the size, more is the degree of formalization which in turn tends to make decisions less autonomous and more by a committee. Similarly, in organizations which are primarily engineering-oriented, there is, in general, less autonomy among the purchasing agents. Often, the purchasing agents in these organizations are no more than order takers.

### Impact of Purchase Situations on the Decision Making Process

Some interesting research has been done to isolate situational influences on organizational buying behavior. There are four distinct types of purchase situations which seem to impact upon the decision making process of the organizational buyers. The first and most obvious is the type of purchase involved. In particular, there are substantial differences in the decision making process between the purchase of capital expenditure goods such as machines, buildings, etc., raw materials and maintenance products (Hillier 1972; Metaxas 1962; Sheth 1973; Yankelovich 1964; Wind and Lotshaw 1973). A second situational influence is related to business climate and especially the business cycle. The decision to buy or make, as well as decision to replace or repair are often influenced by the economic outlook and its impact on the liquidity of the buying organization (Mathews 1962; Owens 1972; Stocking and Mueller 1957). A third category of purchase situation is more subtle and relates to the personal favors and relationships between specific individuals involved on the buying and the selling sides. Often, the purchase decision typically in the hands of the purchasing department is supplanted by top management in favor of a particular supplier due to personal friendship and other similar criteria (Dichter 1959; Lewis 1958; Wind and Webster 1972). Under this category, we are also including the phenomenon of bribery, patronage, and nepotism which is widespread as revealed by the recent investigations of U. S. multinational corporations.

The last category is legal-political considerations impinging upon specific purchase situations (AMA 1962; Mathews 1962; Litvak and Banig 1968). These are often more crucial in the choice of suppliers than in the choice of products. It is because of the complex web of antitrust legislation and the fear of minimizing competition in the buying or the selling industry. Of course, a number of political considerations come into play when dealing with foreign suppliers such as the East European countries. The role of legal-political constraints in international trade and investment is a rather well-known phenomenon (Sethi and Sheth 1973).

### SOME CONCLUSIONS ABOUT THE EXISTING KNOWLEDGE

The above short review of the literature on the organizational buyer behavior leads to some obvious conclusions. They are summarized below.

1. One is somewhat surprised and even awed by the richness of both empirical and theoretical research already existing in the area of organizational buying behavior. The surprise element comes not so much from the extent of research as from poor prior expectations about what one is likely to find in the area. In some respects, it seems we know more about organizational buying behavior than we do about consumer behavior. This is especially true with regard to evaluating the purchase task, and nonbehavioral modeling of the purchasing function. Also, we seem to know more about several antecedent decisions prior to choosing the product or the supplier in the organizational buying behavior than in consumer behavior. For example, very little is known in consumer behavior about make,

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buy or lease decisions for consumer products such as baking the bread, and buying versus leasing an automobile or other durable appliances.

2. There is a remarkable degree of parallel research, thinking and finding between organizational and household buying behavior (Kelly 1959; Sales Management 1963; Alexander 1964; Advertising age 1959; Duncan 1966; Walgh 1961; Blois 1970). Contrary to the popular belief, the research clearly indicates that organizational buyers are no more rational than the housewives in their purchase decisions. The only area where there seem to be some differences is the greater formalization of the buying process such as requisition slips, written agreements, formal negotiations with the help of legal departments, and the like in organizational buying as compared to household buyer behavior. What is more remarkable is the tendency of the scholars and researchers to extend the same economic and behavioral theories of choice making to both the household and organizational buying behaviour.

3. There is a clear preoccupation among the researchers to utilize descriptive decision-making processes as ways to explain the systematic choices the organizational buyers make with respect to suppliers and products. It would appear therefore, that there is a fundamental belief that organizational buying behavior can be explained fully or at least to a great extent by utilizing many variations of the decision making process approach. Many other mechanisms of systematic choice as enumerated by Sheth and Raju (1975) are not systematically explored in the organizational buying behavior. These include habitual, novelty-curiosity and situationally determined processes. The empirical evidence, on the other hand, seems to indicate that the systematic decision-making process is often less prevalent in the determination of supplier and product choices.

4. Somewhat surprisingly, there is a conspicuous lack of research based on market segmentation theory. To be sure, there are a few isolated studies and theoretical papers on the topic (Cardozo 1968; Wilson, Mathews and Sweeney 1971; Wind and Cardozo 1974; Yankelovich 1968) but market segmentation theory is not applied anywhere near the level it has been applied in consumer behavior. In fact, even the simple heavy half analysis (Twedt 1964) which seems even more relevant in industrial buying, has been only talked about in practice by the famous 20-80 ratio (20 percent of the customer generating 80 percent of volume sales for an industry. On the other hand, it seems obvious that the needs and requirements of organizational customers are likely to be more variant from organization to organization simply due to different sizes, types, and location configurations than in the consumer markets. Perhaps the explanation may lie in greater product or selling orientation among industrial marketers and less customer-orientation which probably deemphasizes large scale customer research or any primary source of information about the market.

5. Probably the same lack of customer-oriented marketing philosophy may be also responsible for scarcity of field experiments especially with respect to measuring the impact of marketing communication efforts. Unlike in consumer behavior, there are only a hand-

ful of studies in which either real or simulated experiments have been conducted to measure the effect of marketing mix. Most of the empirical studies are narrative, descriptive or case studies. Whatever experimentation is done seems to be proprietary or confidential and single company oriented. As such, it is not available in the published literature.

6. Finally, there is a clear paucity of research in three areas of organizational buyer behavior. First, the impact of situational correlates which bring out unexpected changes in the plans and intentions of the buying organizations. These include factors (both intra-organizational and external environmental) such as change in top management leadership, and sudden economic changes like the energy crisis. These situational factors are prevalent and they do impact on the decision making process. But systematic research on the direction and magnitude of their impact on decision making process is lacking at present. Second, very little research is conducted by organization behavior scholars to measure the impact of organizational structure on the purchasing function. It seems as if the purchasing function has not as yet acquired the prominence within the organization as other organizational functions such as production, marketing and finance to attract the attention of scholars working in the area of organizational behavior (Barnett 1959; Duncan 1966; Hodges 1961; King 1967; Swallow 1970; Vance 1960). A notable exception is the Strauss (1962) study on the tactics of lateral relationship between purchasing agents and other people in the organization all involved in a buying situation. Third, the impact of marketing communication on the decision making process, outside of the highly descriptive buyer-seller interaction process and some normative model building of the personal selling activity, is similarly negligible.

#### POSSIBLE AREAS OF IMMEDIATE RESEARCH

As a consequence of reviewing the existing literature and summarizing the research findings, it is possible to speculate about the future research needs and trends in the area of organizational buyer behaviour. These future research needs and trends can be broken down into two categories: those which are short term and, therefore, likely to emerge at anytime, and those which are long term whose happenings is not as certain and whose time horizon is fairly elastic. In this section, we will focus on the short term horizon and speculate about possible areas of research which is immediately relevant and useful in the development of organizational buyer behavior as a subarea of consumer behavior and marketing. The possible areas of research will be listed and discussed with the same typology and framework utilized in reviewing the existing research.

##### 1. Individual Correlates of Organizational Decision Making Process

There are at least three relevant areas of immediate research partly determined by past research record and partly by some recent environmental changes related to the individual decision maker's characteristics in organizational buying behavior.

The first is the need to investigate sex and race differences, if any, among organizational buyers. With the recent HEW rules about affirmative action programs, a substantial

number of organizational-industrial buyers are likely to be the legally declared minority groups such as the Blacks and the women. Given that there are significant differences in both style and content of decision making between men and women, and among different subcultures and ethnic groups, it is obvious that these differences are also likely to spill over in the area of organizational buying decisions. So far very little research exists which can answer one way or the other whether male purchasing agents differ from female purchasing agents in their buying decision making process.

A second area where immediate need for research exists is to go beyond the simplistic categorization of rational versus emotional choice criteria which organizational buyers utilize in deciding product and supplier choices and examine more fully the utility vectors underlying purchase decisions. A preliminary look suggests that we need to empirically measure the extent to which organizational buyer behavior is determined by functional, social, emotional, situational and curiosity criteria (Sheth, 1975).

The third area of research is to shift emphasis away from knowing what the organizational buyer's expectations or choice criteria are to knowing what are their dissatisfactions with the existing marketing practice. It seems that the technological innovations have enabled the industrial marketers to provide a lot of benefits to the organizational customer but the problem may be in the packaging and marketing of that technology. By focusing on their dissatisfactions, the industrial marketer is likely to be more efficient in bringing about changes in the marketing mix including product and promotion changes. Often what needs to satisfy the customers may be a simple adjustment in the existing marketing mix rather than inventing a whole new technology.

#### 2. Organizational Correlates of Decision Making

In view of the fact that the purchasing function has been generally neglected as a functional area by the organization behavior researchers, it seems that there is a clear need for developing instruments and measuring intraorganization stratification comparable to social stratification of households. It is obvious that there exists a class system within each organization which is not indicated by the organization structure. This is especially true across functions and departments which are at a lateral level on the organization chart but in reality they are hierarchically stratified. The Strauss (1962) study of the purchasing agents clearly indicated such social stratification among lateral groups in the organization.

A second and more fascinating area of research is the measurement of organizational life styles as indicators of their value systems. While we know a lot about the styles and philosophies of Japanese, European and American management, there seems to be not enough research on the variability of organizational life styles among the U.S. corporations. There is no question that both the style and content of the purchasing function will vary between organizations with distinctly different life styles or value systems.

#### 3. Situational Correlates of Decision Making Process

As mentioned before, there is not enough research conducted as yet on the impact

of nonrecurring economic and noneconomic situational factors on the decision making process. In particular, we need to know more about the postponing of a decision as a consequence of a specific situational event such as energy crisis or management change in the organization.

#### 4. Decision Making Process

There is already too much theorizing of the decision making process involved in organizational buying behavior. What we need now are two things. First, someone should attempt to bring about consistency among various economic, organizational and behavioral theories by integrating them into a comprehensive theory of organizational buyer behavior. Second, the integrative theory should be tested and validated or revised based on adequate empirical research. In this regard, organizational buying behavior can learn from consumer behavior where, for example, several attempts have been made to test the Howard-Sheth theory of buyer behavior (Farley, Howard and Ring, 1974).

#### 5. Marketing Communications

Considerable work remains to be done in measuring the direction and magnitude of impact of marketing communications on the organizational buying behavior since so little is known so far. There are two specific areas of immediate research. The first is the modeling and testing of marketing mix variables appropriate for organizational marketing. We know very little about the main effects and interaction effects of personal selling, direct mail, trade exhibitions and advertising in the area of industrial marketing. The second and related area is the search for alternative ways of communication to personal selling. As the costs are rising in personal selling on both the seller's and the buyer's sides, it is inevitable that new ways will be invented as economic substitutes for personal selling. These may include cable TV, picturephone or other audiovideo devices which maintain the fundamental characteristic of two-way communication in personal selling and yet eliminate or minimize the presence of a salesman.

#### 6. Type of Decisions

While this is relatively well researched area, there are two aspects which need immediate research. The first is research on supplier and buyer loyalty which transcends a single purchase decision. It would appear that the buying and the selling organizations do tend to interact beyond a single transaction which generates a loyalty toward each other. There is very little research on the loyalty toward the buying organization a supplier develops and only Wind's research (1970) has touched upon the question of loyalty toward suppliers. The second and related area is the measurement of post-decision consequences including the degree of satisfaction or dissatisfaction felt by the buying organization.

#### 7. Evaluating the Buying Task

While substantial amount of research exists on the economic normative approaches to evaluating the buying task, what we need is a behavioral normative approach comparable

to the development of theory Y in the personnel area.

The above discussion was limited to the short-term emerging areas of research in organizational buying behavior. Looking deeper into the crystal ball we can speculate on some of the long term trends and outcomes. It should be kept in mind that the farther one gazes into the horizon and the beyond, the smaller the calibrations in the judgment one is likely to encounter. Therefore, the futuristic long term speculations in the area of organizational buying behavior should be looked upon as tentative and as food for thought.

#### **Futuristic Directions in Organizational Buying Behavior**

There are four distinct trends one can foresee in the area of organizational buying behavior. They are: (1) emergence of consumer-oriented marketing approach in industrial marketing; (2) emergence of the self-identity of the purchasing function and its divorce from manufacturing comparable to the imminent divorce of consumer behavior from marketing; (3) greater public policy and regulation enforcement of the industrial marketing practices by regulatory agencies such as the FTC and FDA; and (4) emergence of cross cultural comparisons of the purchasing behavior. We will enumerate each of the four trends in some detail.

##### **1. Consumer-Oriented Marketing Practices**

Since it is learned that organizational buyers are as human, if not more than the housewife, it is very likely that many of the practices of mass advertising and promotion so common in consumer behavior will be transferred to industrial buying behavior. In fact, to some extent this has already happened as indicated by the recent efforts to attract the attention of the organizational buyers in their homes through television advertising of industrial products as well as by insertions of "cents off" coupons for raw material in trade journals. We haven't seen anything yet! More and more typical promotional efforts in consumer goods including artificial packaging differences, greater sex appeal and promotional bells and whistles are likely to become commonplace practices in industrial marketing.

##### **2. Greater Regulation of Marketing Practices**

With the realization that organizational buyers are no more sophisticated than the household consumers and with the advent of more consumer-oriented marketing practices it is inevitable that many of the regulatory agencies such as the Federal Trade Commission will look into the marketing practices of the industrial marketers. These will include not only the questions of deceptive advertising but as far reaching as regulation of certain industries comparable to the present regulation of utilities. It is also very likely that there will emerge consumer advocates for organizational buyers especially if the trade association of the buying organizations remain inactive and fail to act as the watchdogs of supplier marketing practices.

### 3. Emergence of Self-Identity of Purchasing Function

Since purchasing is a significant economic activity undertaken by the organization, it has always received a separate identity and respect in those organizations where there is very little transformation of the product bought. These include all the wholesale and retail trade institutions as well as industrial supply houses. However, purchasing has yet to receive a separate identity among many manufacturing organizations. It seems that with the continued inflationary trends and raw material shortages, the purchasing function is likely to emerge as an important activity in the organizations to deserve a separate identity. This, combined with greater consumer-oriented marketing practices by the industrial suppliers is likely to enhance the self-identity and self-image of the purchasing agents across many manufacturing industries. It is then inevitable that purchasing as a separate and distinct function will be more and more separated from the manufacturing function resulting in the end in a divorce between the two. This trend is likely to parallel what seems to be happening in marketing with respect to consumer behavior (Sheth 1974). At the end, it would appear that each organization is likely to have a separate purchasing function alongside with the marketing, manufacturing, distribution and finance functions.

### 4. Cross-Cultural Research in Organizational Buying Behavior

With the emergence of multinational corporations and global marketing activities, it is very likely that there will be systematic research undertaken to understand cross-cultural differences among the organizational buyers scattered across different socio-economic and political structures, while many multinational corporations provide training to their sales representatives in recognizing and adapting to cross-cultural variations among the industrial buyers, it will be recognized as not sufficient. In view of the fact that cross-cultural differences in consumer behavior are already being researched at present, many of the techniques and theories developed in consumer behavior will be extended to understanding cross-cultural comparisons of the organizational buyers.

### IN CONCLUSION

Organizational buying behavior has a rich tradition of empirical and practice-oriented research. Recently, strong efforts have been made to theorize and model the organizational buying behavior paralleling a comparable effort in consumer behavior. Despite the popular belief, there are strong similarities between organizational and household buying behavior especially in regard to buyer's expectations, perceptions and mixture of rational versus emotional choice criteria. Similar parallels exist between the determinants of joint decisions and the resolution of conflict in joint decisions.

Given this parallel between organizational buying and consumer behavior, it seems likely that industrial marketing will resemble consumer marketing in terms of emphasizing nonfunctional utilities in their marketing mix. This is likely to produce the consequence of greater regulation and public policy considerations in the marketing practices of industrial goods. Finally, as industrial marketing becomes more consumeristic, the role of the

purchasing department in the buying organization is likely to be enhanced. In the end, purchasing will become a separate top management function comparable to other business functions such as marketing, production, personnel and finance. This will create a divorce between purchasing and production comparable to the impending divorce of consumer behavior from marketing.

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