

ACHIEVING COMPARATIVE ADVANTAGES IN THE AUTOMOTIVE INDUSTRY

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Abstract: *This article explores how to achieve competitive advantage in the automotive industry by focusing on centralised and decentralised purchasing strategies. It is believed that the way companies buy things has a major impact on how well they can compete. This is particularly important in a world where supply chains are global, costs are rising and technology is constantly changing. By reading recent academic studies, one learns that centralised procurement can be efficient through standardisation, economies of scale and strong negotiating power. Decentralised structures, on the other hand, offer flexibility and adapt better to local markets. The paper also discusses models that attempt to combine the good aspects of both methods. The study is supplemented by an explanation of how procurement is categorised in the concept of advantages through comparison. The importance of key supplier relationships and organisational structure decisions is also emphasised. The aim is to understand how car companies need to adapt their purchasing plans to be successful in a complicated and competitive market. The results show that it is important to adapt procurement to match the organisation's objectives in order to create long-term competitive advantage.*

Keywords: *centralised procurement; decentralised procurement; supply chain efficiency; economies of scale; supplier management*

INTRODUCTION

In the globally connected automotive industry, it is important for companies to remain competitive in the long term by achieving comparative advantages. (Färnqvist, Malliaras and Pearson 2020) At a time when many companies from different countries are competing with each other, customer expectations are rising and technology is changing rapidly, it is very important for companies that manufacture cars and supply parts to always improve their manufacturing and purchasing plans. (Moonot and Dakhode 2024).

Advantages arise not only from lower costs or economies of scale, but also from the targeted utilisation of a company's specific strengths along the entire value chain. These include, for example, good purchasing channels, important supplier management, inventiveness, economies of scale and decisions about the structure of the organisation (Bagul and Mukherjee 2018).

The choice between centralised and distributed purchasing models influences how well companies can leverage their advantages. Centralising purchasing can save costs and work more efficiently by pooling volumes, standardising processes and concentrating negotiation skills. Collaboration with suppliers can generate new ideas and ensure quality. (Petersen, Jensen and Bhatti 2020) Decentralised methods are flexible, adapt to local markets and react quickly to special requirements. This

can be particularly advantageous in changing markets.

Car manufacturers need to be efficient globally while adapting to local conditions. In this case, blended sourcing strategies, technology integration and data-driven decision-making processes are important to maintain and improve competitive advantage. (Gatz et al. 2020). This study explores how to implement these plans to achieve long-term competitive advantage in a fast-moving market.

METHODOLOGY

This study is based on a literature-based analysis and uses a qualitative methodology to systematically examine the topic of centralised and decentralised procurement strategies. Relevant scientific articles, reviews and current studies from recognised databases such as the Consensus App were taken into account. The literature was selected on the basis of relevance, topicality (as of 2020) and geographical focus on Europe and the USA. Central keywords of the research included centralised procurement, decentralised procurement, supply chain efficiency, strategic sourcing, economies of scale, supplier management and organisational structure in procurement.

The sources were analysed by structuring the content, comparing the lines of argumentation and identifying recurring patterns with regard to the advantages, challenges and application contexts of both procurement approaches. The aim was to develop a comprehensive understanding of the theoretical foundations, practical implications and strategic decision-making processes. The methodology does not claim to be exhaustive, but pursues an explorative approach to categorise the different perspectives in the context of current research and practice-related issues. An empirical study was deliberately omitted in order to focus on the theoretical penetration of the subject area.

RESULTS

Advantages and disadvantages of centralised procurement models

The choice of model influences how organisations buy, work with suppliers and achieve goals. With centralised procurement, a single organisation takes on all procurement tasks. An approach known as one-stop shopping summarises all purchasing activities. This includes supplier selection, negotiation and contracting in one specialised department. (Bagul and Mukherjee 2018).

A centralised structure helps to standardise everything, saves costs through larger quantities and pools expertise. The positive sides are particularly evident in the economies of scale. When different departments pool their needs, they can buy larger quantities. This often leads to discounts and lower expenditure. Centralised control means that there is more uniformity in contracts, purchasing rules and the selection of suppliers. Another positive point of centralised procurement is that you can negotiate better. A key purchasing department can build strong, long-term relationships with key suppliers because it is the main point of contact. Through the centralised role, better prices and delivery conditions can be negotiated. Supplier

management becomes easier as the centralised unit focuses on a few key suppliers. This helps to monitor performance, honour agreements and identify opportunities for improvement at an early stage (Belhadi et al. 2020).

However, centralised procurement also brings challenges. One of the most frequent criticisms concerns the loss of autonomy in the operational units. Departments may feel that their specific requirements are not sufficiently taken into account in the centralised process, which can lead to resistance and inefficiencies (Kauppi 2011). In addition, the centralised structure in large organisations often makes communication between the procurement unit and specialist departments more difficult, especially if clear processes and digital interfaces are lacking (Tamtam and Tourabi 2021).

The transition from a decentralised to a centralised model also presents organisations with operational and cultural hurdles. Existing processes, systems and structures need to be standardised and realigned. Resistance from the workforce is not uncommon, especially when established routines have to be abandoned (Kauppi, 2011). Another problem is possible bottlenecks in the processing of requirements. If all procurement requirements are channelled through a central unit, this can quickly become overloaded, which can result in delays (Kufelová and Rakova 2020). It is also difficult to ensure strategic alignment in centralised procurement.

The needs and priorities of all business units must be understood and taken into account so that the activities of centralised procurement are in line with the overarching corporate goals. If this coordination is lacking, this can lead to wrong decisions or inefficient use of resources (Bagul and Mukherjee 2018).

Advantages and disadvantages of decentralised procurement models

In contrast, decentralised procurement allows individual departments, locations or business units to make their own procurement decisions. Each unit is responsible for meeting its own needs – from determining requirements to finding suppliers and concluding contracts (Theodorakis et al. 2021). This approach enables a high degree of flexibility, but often leads to redundancies, inconsistencies and missed savings potential.

One advantage of decentralised procurement is the speed of response: local units can react independently and promptly to specific requirements without having to wait for approvals or support from a central purchasing department. This can significantly increase process efficiency in dynamic environments (Belhadi et al. 2020). In addition, the decentralised structure allows for greater adaptation to local conditions. Regional procurement teams often have a better understanding of local markets and suppliers. This can lead to better relationships, greater supply capability and more customised offers.

However, there is a risk that a lack of centralised coordination could result in unused savings potential, duplicate processes or inconsistent framework conditions (Becker 2018).

Despite its challenges, centralised procurement offers considerable potential.

Its strengths are particularly evident in terms of cost reductions, negotiating power and strategic supplier management (Maihold 2021). Large volumes and bundled requirements create a strong position vis-à-vis suppliers, which is reflected in better conditions and delivery reliability.

Standardisation reduces transaction costs and simplifies operational processes (Trovao 2020). Standardisation also contributes to legal protection and adherence to compliance requirements. If all units work according to the same guidelines and standards, audits can be carried out more easily, deviations can be identified more quickly and risks can be systematically minimised (Breusch, 2020). From a strategic perspective, the centralised view of overall requirements enables well-founded management of supplier portfolios, proactive risk assessment and effective capacity planning (Gurcayilar-Yenidogan and Windsperger 2013).

Furthermore, centralised procurement offers an advantage in the development of long-term partnerships. A specialised procurement team that continuously engages with selected suppliers can build strategic alliances, identify innovation potential and make the supplier an integral part of the value chain (Petersen, Jensen and Bhatti 2020). In times of increasing global uncertainty, such a reliable partnership is of great strategic importance.

CONCLUSION

There has long been a debate in purchasing and supply chain research as to whether centralised or decentralised procurement strategies are better. Both options have good and bad sides. These influence how well organisations work, what goals they pursue and how they use their resources (Gupta, Biswas and Rathore 2021). The decision for a centralised or decentralised model depends on various organisational factors - such as size, sector, strategic orientation and operational goals (Schönsleben 2016). While centralised approaches enable cost advantages and efficiency, they are less adaptable when the requirements of individual areas vary greatly. Decentralised models, on the other hand, favour individual solutions, but can reduce strategic coherence and efficiency (Kumar and Mishra 2020). In order to mitigate this conflict of objectives, many organisations rely on hybrid procurement models that combine centralised and decentralised elements. These hybrid concepts offer the opportunity to manage strategically relevant purchases centrally, while operational procurement takes place at a local level (Bretzke 2020). The success of such models depends on a clear allocation of roles, standardised interfaces and constant coordination between centralised and decentralised players.

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ПОСТИГАНЕ НА СРАВНИТЕЛНИ ПРЕДИМСТВА В АВТОМОБИЛНАТА ИНДУСТРИЯ

Резюме: Настоящата статия разглежда начините за постигане на конкурентно предимство в автомобилната индустрия чрез фокусиране върху централизираните и децентрализираните стратегии за снабдяване. Смята се, че начинът, по който компаниите извършват покупки, оказва голямо влияние върху това доколко те могат да се конкурират. Това е особено важно в свят, в който веригите за доставки са глобални, разходите се увеличават, а технологиите непрекъснато се променят. От последните академични проучвания научаваме, че централизираното снабдяване може да бъде ефикасно чрез стандартизация, икономии от мащаба и силна преговорна сила. От друга страна, децентрализираните структури предлагат гъвкавост и се адаптират по-добре към местните пазари. В статията се разглеждат и модели, които се опитват да съчетаят добрите страни на двата метода. Проучването е допълнено с обяснение на начина, по който обществените поръчки се категоризират в концепцията за предимствата чрез сравнение. Подчертава се и значението на ключовите взаимоотношения с доставчиците и решенията за организационната структура. Целта е да се разбере как автомобилните компании трябва да адаптират плановете си за покупки, за да бъдат успешни на един сложен и конкурентен пазар. Резултатите показват, че е важно снабдяването да се адаптира така, че да съответства на целите на организацията, за да се създаде дългосрочно конкурентно предимство.

Ключови думи: централизирано възлагане; обществени поръчки; ефективност, доставки; икономии

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