

THE BUYING CENTER EXISTENCE IN SMALL SCALE COMPANIES IN INDONESIA

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Abstract: The Buying Center has a significant role in organization buying behavior (OBB). This concept has written in most of OBB literature. However, contrast with the previous studies, none of the small scale companies has the buying center. The entrepreneurs themselves made all buying decisions.

This study is to find the empirical evidence of the buying center existence in the context of small-scale companies in Indonesia. The object is small scale companies in Batik industry.

Field observation and interviews were conducted to gather the data from informants.

Keywords: buying center, OBB, organizational buying behavior, small company

INTRODUCTION

Business buyers purchase goods and services for utilization in the generation or utilizing the items to bolster the operation. Another reason is for exchanging or leasing them to other at a benefit. They will search for a decent or dependable supplier. The fact is that every organization, have an alternate methodology, diverse procedure, or distinctive background when they purchase for their needs.

The business market has diverse attributes contrast with the buyer market. In the business showcase, the purchasing procedure is more entangled. Differentiation to the consumer market, the purchasing period is longer, the quantity of individuals included higher, the cross-departmental connection, and consider more factors, for example, environmental factors and organizational factors.

Regarding this situation, scientists did the study to understand about Organizational Buying Behavior (OBB). The seminal studies on OBB include the general model for understanding organizational buying behavior by Robinson *et al.*, (1967), Webster and Wind (1972), and Sheth (1973). These studies became the first models

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like the foundation for the study of organizational buying and triggered more researchers examining the OBB knowledge (Johnston and Lewin, 1996; Wilson, 1996).

Robinson *et al.* (1967) introduced a concept called buying center that refers to all those members of an organization which involved in the process of buying decision making.

The buying center consists of participants who have their respective roles, namely: users, gatekeepers, influencers, deciders and buyers (Webster and Wind, 1972). On the other hand, the buying center also becomes an important element in business to business relationships especially to sales managers. For the selling company, the buying center represents the many points of contact that can facilitate as well as consummate a successful exchange relationship (Wood, 2005). It would be beneficial for the marketer or sales manager to understand of the buying center in a company, to allocate sales resources that are limited, but can provide appropriate services to its customers.

The previous studies about OBB examined about the process, the characteristics, the nature of industrial buyers, the organizational structure or size of the organizations. However, unfortunately, those findings seem not consistent (Johnston and Bonoma, 1981; Garrido-Samaniego and Guiterrez-Cillan, 2004) as cited in Wood (2005). Besides, those studies mostly conducted in large companies, and none reviewed in the small company context. This condition creates a gap between theory and practical, and it can predict that the OBB of a large corporation is different with OBB of a small company.

There are reasons why this study is interesting; first, there is a limited study of OBB, which discussed the buying behavior of small enterprises. Most of the output of OBB study from an examination of the practices of giant corporations whose sales exceed the GDP of many countries (Ramsay, 2008). Second, the most of international literature on OBB have been conducted in Europe or America. Indonesia, which has many small scale companies, never explored significantly. Third, the result of this study will enrich the theory of organizational buying behavior in the context of small-scale firms.

LITERATURE REVIEW

Organizational Buying Behavior (OBB)

According to Kotler (2010), OBB refers to the buying behavior of an organization that buys goods or services for use in the production that sold, rented, or supplied to others. In the business purchasing process, a purchaser figures out which products or services need to buy, and afterward assess and pick among options suppliers and brands. While Webster and Wind characterize OBB as the decision-making process by which formal organizations build up the requirement for purchased products or services and after that distinguish, assess and pick among options brands and suppliers.

One of the features of OBB is multiperson buying activity; implying that when an organization does their purchasing procedures it will include numerous persons. These

persons may be from different functions, different backgrounds, different hierarchical levels within the organization, and may play different roles in the entire buying decision exercise.

Contrary to these characteristics, some researchers found that there are features in some companies, which in most of the enterprise's operation was done by one person (Arbuthnot *et al.*, 1993). Ramsay (2008) also found in his research that the managing director does the buying process, and there is no department to make a contribution to the decision-making process.

In his model, Seth had differentiated between the autonomous decision and those taken jointly by the member of the decision-making unit (DMU) in this context called buying center. When a decision took autonomously, it is usually straight forward. However, when a group involved in decision making, conflict is likely to arise because of the different member's goals and orientation within the group.

However, in much small company contexts, the owner is the buyer, and the buying center does not exist (Delecolle, 2011). Delecolle also mentioned that contrast to a large company, the suppliers selection are on an individual basis decision. Collective decision-making and the existence of buying centers (Johnston and Bonoma, 1981) do not emerge from his study. Most of the OBB theory mentioned about the buying center concept. However, not all companies have buying center, especially small businesses. This lack provides the opportunity to study about the OBB of small businesses.

Buying Center

There is a concept that always mentioned in the literature of OBB studies that is Buying Center. The role of buying center is important in the organizational buying process (Wood, 2005; Sashi, 2009). It consists of organization's members from a different department that involved in the buying process to decide for a particular product or service or even supplier selection. The structure of an organization's BC is an important element in B2B practice.

It is important for marketing managers to identify the members that participate and influence in the buying center during the decision-making process. They can thereby avoid wasting their marketing efforts, especially in terms of communication, on irrelevant individuals, and instead concentrate their efforts on the most influential members (Garrido-Samaniego and Gutierrez-Cillan, 2004).

There is a real different condition compare to the result of previous OBB studies. Not every company have the structure of the buying center. In small businesses, the buying center does not exist, because single decision maker made the decision process (Delecolle, 2011). This lack situation creates an opportunity to study about the OBB for the non-BC company, particularly in the small-scale company.

Definition of Small Scale Company

According to the Law of Central Bank of Indonesia No.20, year 2008, the small business definition is an entity that has the following criteria: (1) net worth of more than Rp.50.000.000 up to Rp. 500.000.000 excluding land and building of business premises and (2) has annual sales of more than Rp. 300.000.000 up to max Rp. 2.500.000.000.

The definition and criteria of SMEs based on the following aspects: (1) the number of labor, (2) income, and (3) amount of assets. Exposure to the following is the criteria for SMEs in countries or foreign institutions:

Small Scale Company

Demographically, in business market segmentation, marketers can divide market based on company size. There is large scale, small, and very small company. In Indonesia, there is micro, small, medium and large company.

Connecting the size of a company and its buying approach, then questions arise: how companies do their B2B buying process? Is there any different, for instance, between the small and large companies when they process their buying decision? It might appear that there should be a difference between a small and large company in terms of buying process.

From the study of Morrissey and Pittaway (2004), it was revealed that the motives of owner-manager not solely upon maximization profit. There are other motives such as lifestyle or selling the business. These motives showed the previous model of purchasing behavior which based on profit maximization concept may have limited validity when explaining the purchasing behavior of owner-manager.

The needs of owner-manager which autonomous and independence, combined with the social aspect of the relationship, prevent them from seeing the collaboration with others. In this sense, the individual motives of owner-manager played a greater role in part of their purchasing behavior compared to the behavior of larger firms. There are four characteristics that are common among small retail organizations (Davis *et al.*, 1985):

- (a) one person conducts most of the retail functions,
- (b) they are one-store operations,
- (c) they are undercapitalized, and
- (d) the company's goal are based on survival

This situation does not exist within most large retail operations (Arbuthnot *et al.*, 1993).

Previous studies revealed that mostly buying behavior theory talks about big business. Only a few of them discussed the application of organization buying behavior in small companies (Ellegard, 2009; Morrissey and Pittaway, 2004; Arbuthnot *et al.*,

1993). This fact brought questions and doubt about the OBB literature when they applied to small companies.

Buying Behavior in Small Scale Company

The researchers figured out how to direct an investigation of the buying behavior of small companies. The targets were to look at the benefit of seeing how the entrepreneur approaches ways to deal with purchasing may contrast from those of “professional” buying managers in large organizations. For instance, regarding the kind of relationship, past studies said that small companies tend to an adversarial relationship. Additionally, in numerous small businesses, the purchasing action had little consideration from the owner-manager. It ranked 14 from 19 activities that considered vital esteemed by them when managing their organizations (Quayle, 2000; Morrissey and Pittaway, 2004).

Previous studies of OBB in small company concluded that many managers do not regard buying process as a key task, and some do not even perceive buying as a distinct activity (Ellegard, 2006).

From the study of Arbuthnot *et al.* (1993), it appeared that the size of the retail organization may influence the importance of evaluative criteria and information sources in the decision-making process. The small store is often a one-person operation that necessitated personal involvement in all phases of the store operation, including interacting with personnel and customers.

METHODOLOGY

The small scale batik company is the object of this study. The subject is the entrepreneur who has the company. They become the key-informant of this research. Then three cities were chosen which are Yogyakarta, Solo, and Tanjung Putih Madura. These towns were selected as the representative of other cities because they are popular as the center of Batik industries. Additionally, these cities have more Batik entrepreneurs than other cities in Indonesia.

Data obtained from observations and interviews. Observation and interviews conducted by companies that are compliance with the criteria. The criteria are small scale Batik manufacture in Indonesia. They should not a trading company. In each region of Indonesia, there are Batik companies, range from micro-scale to large-scale.

Companies that will be observed were selected randomly, which assumed fit on the criterion based on the corporation’s physical appearance. Several screening questions were asked to the key-informant, to check whether the business fits the criterion or not. We went to the selected company one by one and met with the owner. We interviewed the owners as the informant. A list of questions posed to the interviewees. There are matters in the form of an open question, and there is also a closed question. Every interview was recorded.

RESULTS

A total of 11 valid interviews conducted in these three cities. Each city was targeted ten companies, but in actual before it reached ten companies, the answer of the questions were already saturated. We got four pass interviews, and one company was not passing the screening questions in Yogyakarta, four interviews which all are pass in Solo, and three pass interviews with two were not pass in Madura.

Table 1
Degree of Formalization in Small Scale Company

INFORMAN	Formalization	
	Standard Operating Procedure (SOP)*	Written SOP
INFORMAN1	na	na
INFORMAN2	na	na
INFORMAN3	na	na
INFORMAN4	na	na
INFORMAN5	na	na
INFORMAN6	na	na
INFORMAN7	na	na
INFORMAN8	na	na
INFORMAN9	na	na
INFORMAN10	na	na
INFORMAN11	na	na

*Standard Operating Procedures (SOP) are written documents that describe the routine procedures that must follow for a particular operation, analysis, or action.

The outcome in table 1 shows that none of the key-informants has written a document of the standard operating procedure or any written formal rules or regulations for buying process in their company. They even don't have any formal standards of the working procedure for maintaining their business. Every one of them works the business in a straightforward manner and taking into account what has been finished by their parents at this very moment. There is no update, graph stream or whatever another type of written records. It presumed that the formalization in little scale batik organization was low.

The outcome in table 2 shows that the majority of the key-informants take their buying decision by him/herself. Just two out of eleven persons said they settled on their purchasing choice after discussing or asking the opinion of their family. The Informan5 is a 35 years of age lady. She deals with the proper operation of her organization, yet her spouse help her in purchasing matters or building an association with the suppliers. Informan 6 is a 60 years of age lady. To buy the fabric, color shading, wax (malam), she asks her child who likewise a batik materials merchant. None of the sources has buying division or enlisted somebody to be the individual accountable for purchasing activities. They felt that they did not require an extraordinary division to handle the purchasing procedure since despite everything they can oversee without anyone else's input. In this way, they have an immediate association with their supplier.

The outcome in Table 3 shows that the greater part of the key informants felt that it is not important to have a special purchasing department or buying center to handle the buying activities. They likewise didn't plan to make it later on, since they felt sufficiently fulfilled with their company's performance.

Table 2
Degree of Centralization in Small Scale Company

INFORMAN	Centralization	
	Buying Decision	Purchasing Department
INFORMAN1	Alone	na
INFORMAN2	Alone	na
INFORMAN3	Alone	na
INFORMAN4	Alone	na
INFORMAN5	Join	na
INFORMAN6	Join	na
INFORMAN7	Alone	na
INFORMAN8	Alone	na
INFORMAN9	Alone	na
INFORMAN10	Alone	na
INFORMAN11	Alone	na

Table 3
Needs of Buying Centre in Future and Buying Consideration

INFORMAN	Need BC in future?	Buying Consideration
INFORMAN1	No	* Price : 18%
INFORMAN2	No	* Vendor Relationship : 64%
INFORMAN3	No	* Good Product Quality : 18%
INFORMAN4	No	
INFORMAN5	No	
INFORMAN6	No	
INFORMAN7	No	
INFORMAN8	No	
INFORMAN9	No	
INFORMAN10	No	
INFORMAN11	No	

When they order from the supplier, two informants said they organize in regards to the cost. Two informants organize about the genuine item, meaning they do not mind to pay a higher price, as long as the product is a good product. Seven informants prioritize the merchant relationship. The majority of the proprietor has a family relative who likewise have business in the same batik industry. Along these lines, they like to request to them, so far they secure and happy with their choice.

CONCLUSION/DISCUSSION

In Indonesia, one of the characteristics of a small company is owned by an entrepreneur or owner-manager. An entrepreneur or owner-manager is not just has the business, but also responsible in the course of a business process, including the conduct of brand or supplier selection process and make a purchase.

The finding was small company emphasized extremely loyal customer, rarely meet the supplier, but maintained trust relationship. The reliability of a supplier is crucial.

The obvious distinct of buying process between the large company and small company is that the decision process in the large company involved many persons, cross departments and managed in the buying center. While in the small business, owner-manager have a vital role in the buying decision. The owner-manager are the ones who have the right to determine the type of relationship, type of products and autonomously make the decision.

Education, lifestyle, the previous buying experience and perceptions are the elements of the decision of owner-manager. All of these elements will form the expectation of owner-manager. The expectation of owner-manager along with product specification factors and situational factors will influence the small company buying process when they choose their supplier or a brand.

Contributions to Theory

This research is about Small Business Buying Behavior, which is a theory about the buying behavior in the small size company. The theory is modified from the Consumer behavior and OBB. As reflected by the fact, that most of the previous study of OBB were on large size companies that created a gap when it applied to the smaller size company.

The conceptual model of this study is expected to establish the relationship of factors that influence the owner-manager with the decision of supplier or brand choice. It will also expected that the result of this study will show the different between the large size organizational buying behavior model and the small size organizational buying behavior. In particular, the significant individual characteristics of the owner-manager.

In summary, this study contributes to the theory development of OBB. In terms of new contextual applicability (i.e. small company) and a new perspective of supplier or brand choice decision by developing the model based on significant factors that affect individual characteristics of the owner-manager.

Contributions to Practice

This research provides evidence to the practitioners, in particular, the business marketers. The small business buying behavior is useful to extend their knowledge about their customer, especially when they have a relationship with the small business

buyer as their target market. This knowledge is important for companies' need for targeting their potential small segment buyer. The business marketers are in better position to generate proper strategies to their potential customers, knowing the buying behavior of small business, which in turn will increase the company's performance.

Limitations and future research

There are a few pieces of research that study about OBB of small companies conducted in Indonesia. Most of them conducted outside Indonesia. There are many articles discussed small business in Indonesia, but only a few which based on field observation empirical research and did not talk about their buying behavior.

The limitation of this study are:

- (1) Due to time constraint and practicality considerations, the scope of the study will be only for small company which produce Batik in Indonesia;
- (2) The samples were collected from 3 cities in Indonesia region only, which are Yogyakarta, Solo, and Madura.
- (3) The unit analysis will be organizational level. Therefore, it may not be generalized, and may have a different result if it applied to different kind of company or product or a different country.

It is prudent to review the variables that are influenced the organization buying behavior in the context of small businesses. Probably some of the variables in the reference model might not apply to small companies, but some of them might still valid. It has to be evaluated and tested. So, this study will review and assess the variables that suitable to represent the buying behavior pattern of small companies.

In terms of research method, many pieces of literature of OBB were done by just reviewing the literature or doing a meta-analysis. Additionally, many pieces of literature were done by either only quantitatively or qualitatively, which might raise questions about the depth and the quality of the result of them.

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