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Buyer-Supplier Relationships:

Factors characterising successful collaborations

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ABSTRACT

With global competition intensifying, firms are increasingly recognising that internal efficiency improvements are insufficient, and that larger gains can be achieved by enhancing the performance of the entire supply chain. This realisation, together with the potential of leveraging supplier capabilities, has resulted in a trend where customers increasingly are entering into closer collaborations with suppliers. Previous research on the antecedents of successful buyer-supplier relationships has primarily adopted a buyer's perspective, while limited research has taken a supplier's perspective. To breach this gap in literature this study adopts a dyadic perspective, where both the viewpoint of the buyer and the supplier is considered. Hence, the aim of the thesis is to identify the factors that characterise mutually beneficial buyer-supplier relationships, as well as to investigate whether the factors are interdependent, and whether a particular factor triggers a closer collaboration. To study these issues a case study has been conducted where a Swedish manufacturing company and its relationships to five strategically important suppliers have been analysed through interviews, surveys, as well as observations. The findings are that factors within the dimensions of economic performance, interaction, and emotion and feeling, are important characteristics of successful buyer-supplier relationships. Moreover, we find that the factors are highly interdependent, and that it is interaction, mainly in the form of increased communication, that triggers the establishment of a closer collaboration. For managers, the implications of these findings are that collaborative relationships are resource intensive, and thus firms must carefully select with which suppliers such relationships are most beneficial.

Keywords: buyer-supplier relationships, collaborations, mutual benefits, relationship strength, economic performance, interaction, emotion and feeling, interdependence, triggers.

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Chapter 1: Introduction

In this first chapter, an introduction to the thesis subject is presented, whereby the importance of buyer-supplier relationships is discussed. Subsequently, a problem discussion is provided, leading up to the purpose and research questions of the thesis. The chapter is thereafter completed by a description of the delimitations and further disposition of the thesis.

1.1 Background

*“Real competition is not company against company
but rather supply chain against supply chain.”*

- Christopher, 2005, pp. 18.

Today’s economic environment is characterised by fierce competition and swift technological development, resulting in both price pressures and compressed product life cycles (Lee et al., 2012). For firms, the implications of these developments are that competitiveness based solely on low prices is insufficient, and increasingly the cost focus must be complemented with an emphasis on value creation, where innovations and new product developments are crucial. Due to these factors, many companies have found that internal efficiency improvements are no longer enough (Henke et al., 2008). Rather, larger gains can be achieved by enhancing the performance of the entire supply chain, as indicated by the above quotation (Christopher, 2005). This is further reinforced by the fact that many companies today can attribute over 50 per cent of their costs to supplier inputs, thus indicating that cooperative collaborations with key suppliers can generate significant benefits, resulting in competitive advantages and value enhancements (Henke et al., 2008).

By collaborating with key suppliers, and handling these relationships in a good manner, the purchasing firm cannot only derive an improved cost structure by pressuring suppliers to reduce costs. A close collaboration can also lead to productivity improvements and enhanced product performance (Henke et al., 2008; Goffin et al., 2006). However, to stay competitive in today’s volatile marketplace there is also an increasing need for firms to enhance their flexibility and strengthen their innovative capability, thereby providing an additional avenue for supplier collaboration. Through close interactions customers can gain access to the innovative potential of its suppliers, thus leading to enhanced competitiveness (Henke &

Zhang, 2010). A close relationship can further lead to improved responsiveness to changing market demands, as the customer and the supplier work together to make their operations more agile, adaptive, and aligned (Lee, 2004). Hence, in order to derive the above mentioned benefits, the management of supplier relationships is of critical importance, a fact that many multinational corporations are starting to acknowledge (Christopher, 2005).

Due to the potential benefits, an increasing number of firms are now entering into long-term collaborative relationships with strategically important suppliers, which is in stark contrast to the more traditional, adversarial approach. In the traditional purchasing approach, built on arm's length relationships, the focus of buying firms was primarily on enhancing the own performance by putting suppliers against each other in order to obtain the lowest price (Stuart et al., 2012). This was done with little regard for the effects it had on suppliers, and for the end user the result was often an expensive product of poor quality (Christopher, 2005). Increasingly however, companies have started to reconsider the traditional approach, which most often results in a zero-sum game where only one of the involved parties can be a winner (Gattorna et al., 2006). Instead, companies are now adopting a broader perspective, whereby the entire supply chain is being recognised for its potential to reduce total costs and for the value it can generate (Christopher, 2005).

For companies, the implications of these realisations are that long-term oriented relationships between buyers and strategic suppliers can be a source of competitive advantage if managed successfully (Powers & Reagan, 2007). Hence, firms that strive towards trusting relationships and finding mutually beneficial solutions will be those benefiting the most from having collaborative relationships with key suppliers (Christopher, 2005).

1.2 Problem Discussion

With global competition intensifying in many industries, firms are under increasing pressure to align their own needs with the capabilities of their suppliers, this in order to cope with the often contradicting demands of achieving cost reductions, while simultaneously improving performance in the areas of responsiveness, delivery reliability, and quality (Kannan & Choon Tan, 2006). As frequently argued in previous literature, the advantages of collaborating with suppliers can be substantial if a trusting relationship is achieved whereby the purchasing firm is able to leverage supplier capabilities (Chen et al., 2004; Goffin et al., 2006). Nevertheless, to achieve the performance objectives the purchasing firm also has to be demanding of its

suppliers, pressuring them to reduce costs and make continuous improvements to operations (Henke et al., 2008). Thus, to materialise the expected benefits of having close collaborations with suppliers, the conditions of being demanding while at the same time having a trusting relation are a necessity. Although these conditions may appear contradicting and thereby difficult to combine, Henke et al. (2008) have found that it is possible for purchasing firms to have trusting relationships with suppliers that simultaneously are being pressured to reduce prices. However, for this to work, it is argued that the purchasing firm has to counteract the negative impacts of its demands with actions that augment the supplier's impression of the relationship strength. This belief is reinforced by Christopher (2005), who claims that companies adopting proactive strategies towards important suppliers, aimed at building closer relationships, will be the most successful. Thus, companies increasingly will have to develop an understanding for the factors that influence relationship strength between firms, so as to achieve the desired performance objectives (Powers & Reagan, 2007).

Trying to enhance collaborative efforts with suppliers can, if handled correctly, be a fruitful task that benefits both parties involved. Nevertheless, companies seeking to derive these benefits have to be careful not to let the collaborative efforts overshadow the true target of the partnership, which is the achievement of greater results. As described by Hansen (2009, p. Foreword ix) "*good collaboration amplifies strength, but poor collaboration is worse than no collaboration at all.*" This view further enhances the importance of understanding the elements that underbuild good relationships, as this knowledge can aid managers in the search for improved results, by helping them avoid poor collaborations that undermine the well-intended efforts that have been made (Hansen, 2009). Hence, to reach a collaboration that is mutually beneficial, it is important that both the buyer and the supplier recognise the factors necessary for such a relationship to exist.

Previous researchers have explored similar subjects related to both the antecedents of good relationships between buyers and suppliers, as well as the performance outcomes of these relationships. It has been found that factors such as communication, trust, commitment, and investments in relation-specific assets have clear effects on performance (Kannan & Choon Tan, 2006; Chen et al., 2004; Krause et al., 2007). However, a clear majority of these studies have adopted the buyer's perspective to see what factors they perceive as necessary for maintaining a good relationship with suppliers, and how these factors impact firm performance (Goffin et al., 2006; Chen et al., 2004; Paulraj et al., 2008). The supplier's

perspective, on the other hand, has been much less researched. Thus, as a relationship always involves two parties, several researchers have suggested the need of adopting a dyadic approach, whereby the factors underlying good relationships are studied both from the buyer's and the supplier's perspective, this in order to gain additional insights into the subject (Paulraj et al., 2008; Goffin et al., 2006). Moreover, by adopting a dyadic perspective, it is possible to examine how the suppliers perceive the pressures being put on them by the buying firm, and if the relationship really is mutually beneficial, whereby gains are derived also by the supplying firm (Chen et al., 2004). As a result of this gap in literature, and the research suggestions made by previous scholars, the following thesis will adopt a dyadic perspective on what characterise a strong buyer-supplier relationship. This will be done in order to gain a more comprehensive view on the subject, which can benefit managers of both buying and supplying firms in their future relationship management actions. Important to acknowledge is that the previous research focus on the buyer's perspective has implications for the thesis, where both the introductory chapter, as well as the theoretical framework chapter, due to the existing literature, will be biased towards the perception of the purchasing firm.

1.3 Purpose and Research Question

Based on the above discussion, the focus of the thesis will be on collaborative buyer-supplier relationships, and more specifically on the elements that underbuild strong collaborations, which enable demands to be put on the corresponding party, without this negatively affecting the strength of the relationship. In particular, the purpose of the thesis is to identify and discuss the factors that influence firms' perceptions of a relationship being beneficial for both parties involved. To obtain these insights, a Swedish manufacturing firm, together with a selection of its key suppliers have been studied, in order to attain a dual perspective on the subject. The purchasing firm, who wishes to remain confidential, will in this thesis be referred to by the fictitious name of IMC, which implies that it is an industrial manufacturing company. IMC was chosen as the primary level of analysis due to its current focus on consolidating the supplier base around strategically important suppliers, a process in which closer collaborations and the achievement of mutually beneficial outcomes are in focus.

To fulfil the stated purpose, the following research questions, consisting of one main- and two additional sub-questions, have been formulated:

- *What factors characterise mutually beneficial buyer-supplier relationships?*
 - *Are the factors interdependent of each other?*
 - *Does a particular factor trigger a closer collaboration?*

By investigating what factors that characterise a mutually beneficial relationship, we adopt a perspective where we search for factors that are necessary in order to have a strong relationship, whereby both the buyer and the supplier experience that the benefits of the collaboration exceed the costs. In addition, we aim to study whether the factors are interdependent, and whether or not they can be said to occur in a certain sequence, whereby a particular factor triggers the establishment of a closer collaboration. With these sub-questions, we hope to gain additional insights into the subject of what factors are needed in order to have a strong relation between buyers and suppliers. These insights can help practitioners of both buying and supplying firms when aiming to develop closer relationships, by providing an indication towards what factors that a company's limited resources should be allocated. In the remainder of this thesis, the vocabulary of customer and buyer will be used interchangeably to refer to the purchasing firm, while supplier or supplying firm will be used to refer to the selling firm.

With this thesis, the contributions to research are threefold. First, the study assumes a dyadic perspective, whereby the factors considered important for strong relationships are investigated both from the buyer's and the supplier's perspective. Even though multiple authors have studied the factors necessary for successful buyer-supplier relationships, the majority of these have taken the buyer's perspective, signifying that little research has been conducted in regards to the perceptions of the suppliers. Secondly and thirdly, contributions are made in regards to the interdependence of the factors, as well as the triggers of closer collaborations between buyers and suppliers.

1.4 Delimitations

This study builds on the relationship between IMC and some of its already existing strategic suppliers, as it is assumed that it is with these suppliers that closer collaborations are developed. As the level of analysis is the already existing collaboration, the thesis will adopt a static view of factors that are necessary for a good relationship, rather than a dynamic perspective whereby the development of the factors would be investigated. However, in regards to the sub-questions, a more dynamic view is necessary due to the nature of the

questions. In addition, the thesis will predominantly focus on the elements that characterise good relationships, and all relationships include a contractual agreement. Nevertheless, this is an aspect that will not be considered in the scope of the thesis, and neither will the companies' expectation levels of the relationship, although we are aware that the initial expectation level affects a company's perceived outcome from a relationship.

Moreover, as the research is conducted as a case study, the results cannot be assumed to be generalizable to all companies. Instead, the results will be firm specific, focused on the relationships between IMC and its strategic suppliers. Nevertheless, the developed conceptual model, on which the thesis is built, can be generalizable also to other firms and industries. In relation to this, it is evident that relationship outcomes affect a company's perception of the dimensions. However, as the factors included in each dimension are observed from a static perspective, this fact is disregarded in the conceptual model.

1.5 Disposition of Thesis

Introduction

In the first chapter, a presentation of the thesis subject is provided, where the purpose and scope of the thesis is defined.

Theoretical Framework

In the second chapter, previous literature and relevant theories are presented. Further, a conceptual framework is provided based on findings from previous literature.

Methodology

In the third chapter, the methodology used to conduct this study is presented, including descriptions of how the data was gathered and subsequently analysed.

Empirical Background

In the fourth chapter, a background to the case company is provided, whereby it is presented how they aim to work with their strategic suppliers.

Empirical Findings

In the fifth chapter, the findings of the study are presented, based on the conducted interviews, observations, and corresponding surveys.

Analysis

In the sixth chapter, an analysis of the study is provided, whereby the empirical findings from IMC and its suppliers are compared to the theoretical framework.

Conclusion

In the last chapter, final conclusions are provided, aimed at answering the proposed research questions. Suggestions for future research are also discussed.

Chapter 2: Theoretical Framework

In this second chapter, previous literature and relevant theories are presented. The chapter starts with a brief overview of the current trend toward closer collaborations between buying and supplying firms. Thereafter, a conceptual framework is introduced, related to the relationship between various factors and the perceptions of a strong relationship. The conceptual framework will later on provide a basis for the analysis of the empirical findings.

2.1 Buyer-Supplier Relationships

Over the last few decades, the manufacturing industry has become increasingly characterised by vertical specialisation, signifying that more and more tasks and services are being outsourced to suppliers so as to allow the focal firm to concentrate on its core competences (Fossas-Olalla et al., 2013). This implies that manufacturing firms today purchase not only more, but also increasingly complex and important parts and services. Prior researchers have emphasised this fact, and argued that global sourcing strategies have transformed from previously encompassing mainly the search for lower costs to today where additional motives such as access to innovations, skills, and competences are becoming prioritised (Ørberg Jensen & Petersen, 2013; Brandes et al., 2013). As a result, buyer-supplier relationships have gained in importance as purchasing firms now recognise the impact suppliers can have on a company's competitive position and long-term success (Krause et al., 2000; Fossas-Olalla et al., 2013).

Buyer-supplier relationships, in which both firms are distinct entities, can range from being entirely transactional to closely collaborative, as illustrated in the figure below (Goffin et al., 2006). In the transactional approach, which traditionally has been prioritised, the purchasing firm focuses on price minimisation. To achieve this goal, the purchasing firm relies on short-term contracts, which stipulate the terms of the transaction in regards to price, delivery and quality. Moreover, a large supplier base is used, whereby suppliers can be put against each other in competitive biddings (Spekman, 1988; Fossas-Olalla et al., 2013). In this

Figure 1: Buyer-Supplier Relationships



Source: Own elaboration based on Goffin et al., 2006.

relationship, firms strive to act independently, and thus the level of involvement and exchange of information is kept at a bare minimum (Fossas-Olalla et al., 2013). Even though this approach frequently leads to lower prices for the purchasing firm, it can result in distrust between the parties, as well as constrain the supplier's willingness to share innovation and other value-adding inputs (Spekman, 1988; Chen et al., 2004). Therefore, as firms increasingly have started to change focus towards growth and value creation rather than sole cost minimisation, sourcing strategies have shifted towards closer collaborations with fewer suppliers so as to leverage external capabilities in order to gain competitive advantages (Anderson & Katz, 1998). These relationships, in contrast, are characterised by a long-term orientation, a continuous information exchange, a mutual dependence, and a search for a mutually beneficial outcome (Fossas-Olalla et al., 2013). As defined by Ellram and Hendrick (1995, pp. 41) it is *“an on-going relationship between two firms that involves a commitment over an extended time period, and a mutual sharing of information and the risks and rewards of the relationship.”* Due to these characteristics, collaborative relationships are resource intensive and require constant maintenance by both parties involved. Thus, close collaborations cannot be kept with the entire supplier base, and for some purchases a transactional rather than a collaborative approach may be more suitable, indicating that firms must find their own optimal mix of suppliers (Chen et al., 2004).

Due to the resource intensiveness of collaborative relationships, firms must carefully select which supplier relationships that would benefit from a closer association (Spekman, 1988). In order to facilitate this decision, previous researchers have developed supplier segmentation models, which aim to divide suppliers into different categories so as to derive a few select suppliers where closer collaborations are warranted (Svensson, 2004). One of the most influential supplier segmentation models; the Kraljic matrix, is based on the two dimensions of profit impact and supply risk, whereby purchases can be divided into the four categories of leverage, strategic, non-critical, and bottleneck items. In this model, both leverage and strategic items have a high profit impact for the buying firm, while the strategic and bottleneck items are subjected to a high supply risk. Hence, it is the strategic items that are most vulnerable to the firm in regards to both aspects. Therefore, it is with these strategically important suppliers that close collaborations are most beneficial, as a closer relationship, built on trust and commitment, is expected to result in a reduced supply risk, as well as an improved product and delivery performance (Caniëls & Gelderman, 2005). The argument behind this is that closer relationships will motive strategic suppliers to internalise

requirements put on them by the buying firm. These requirements, as compared to in a transactional relationship, will focus more on continuous improvements and the total cost of manufacturing, rather than on single performance measures such as price or inventory reduction. Hence it is argued that a close collaboration with strategic suppliers, if handled in a correct manner, will benefit not only the buying, but also the supplying firm (Spekman, 1988; Paulraj & Chen, 2007).

Based on this brief overview of buyer-supplier relationships, it is clear that closer collaborations primarily are necessary with strategic suppliers. Thus, the focus of this thesis will be on collaborative relationships between buyers and strategic suppliers. Further, it is clear that maintaining a good relationship requires significant time and resources. Hence, there is need for an enhanced understanding of the factors that contribute to the perception of a mutually beneficial relationship both for the buying and the supplying firm, so that resources increasingly can be allocated to these areas.

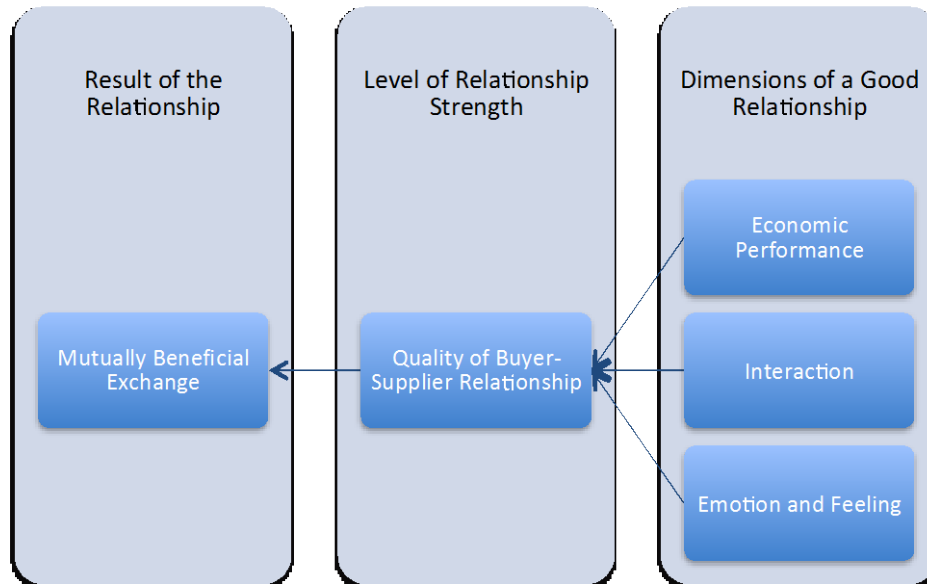
2.2 Conceptual Framework

In previous literature regarding buyer-supplier associations, multiple factors have been identified as influential for relationship strength. From these studies it is clear that successful long-term relationships are built not only on economic value and performance, but also on the existence of social value (Autry & Golicic, 2010; Cannon et al., 2010). This finding is enhanced by Humphreys et al. (2008), who claim that successful purchasing relationships need to encompass soft and interpersonal skills, in addition to hard and technical capabilities. The importance of both softer and harder factors has been emphasised also in the literature regarding buyer-supplier attractiveness, which primarily aims to describe the factors that attract actors to initiate, develop, or sustain inter-firm relationships (Ellegaard & Ritter, 2007; La Rocca et al., 2012). Within this research stream, Ellegaard and Ritter (2007) have found that customer attractiveness is influenced by three dimensions; value creation, interaction process, and emotions. This distinction incorporates a broad spectrum of factors, which we propose as useful not only to explain buyer-supplier attractiveness, but also the level of relationship strength, as multiple authors within this research stream have argued in favour of both softer and harder skills and capabilities in successful buyer-supplier relationships.

Influenced by Ellegaard & Ritter's (2007) dimensions, a conceptual model explaining the elements that characterise mutually beneficial buyer-supplier relationships has been

constructed. The conceptual model, which is built around the main research question of the thesis, is illustrated in Figure 2 below. It takes a starting point in the perceived result of an association, this since the aim of the thesis is to investigate the factors that characterise mutually beneficial relationships, where the benefits of the collaboration exceed the costs for both parties involved. The outcome of a buyer-supplier association is further proposed to be affected by the level of relationship strength, which is influenced by the dimensions of economic performance, interaction, and emotion and feeling. As the dimensions are assumed to affect the latent variable of relationship strength, whereby a changed perception in regards to one of the dimensions would cause a change also in the perceived quality of the relationship, the dimensions can be considered formative (Diamantopoulos, 1999). Hence, the arrows in the model are directed from right to left. In later chapters of this thesis, we aim to test the proposed model, and identify the factors in each dimension that contribute to the mutual perception of a good relationship. First, however, a more detailed explanation of the conceptual model will be provided, based on established theories and findings made in previous research.

Figure 2 Conceptual Model
Elements of Mutually Beneficial Buyer-Supplier Relationships



Source: Own elaboration of conceptual model based on Ellegaard and Ritter, 2007.

2.2.1 Result of the Relationship

In previous studies, a significant correlation between relationship strength and performance outcomes has been detected (Autry & Golicic, 2010). These findings have influenced the conceptual model, where it is proposed that a strong relationship between a buyer and a

supplier will lead to positive outcomes for both parties, through the existence of a mutually beneficial exchange. A mutually beneficial exchange does not in this thesis necessarily refer to an outcome where equal gains are derived both by the buyer and the supplier. Rather, a mutually beneficial exchange will refer to an outcome where both parties feel that the benefits of being in a relationship exceed the risks. Based on this definition, a brief overview of the risks and benefits associated with close collaborations is required.

2.2.1.1 Risks of Collaborative Relationships

According to Hansen (2009), one major risk is associated with the opportunity costs that the partners are subjected to. These costs relate to what else the company could be doing with its time and resources, rather than being in a particular relationship. Related to this is the fact that close collaborations can result in a discrimination against other buyers and suppliers, due to already established commitments and obligations. Hence, close collaborations can result in an actor neglecting potentially better partners in favour of already established relationships (Villena et al., 2011). Moreover, Hansen (2009) mentions that a relationship includes collaboration costs related to all efforts required to maintain a well-functioning relationship where expected results can be derived. Thus, it is clear that a successful collaborative relationship requires significant investment and attention. These investments, although necessary, induce additional relational risks. Investments in a relationship make it more costly and difficult for an actor to terminate the association, and with increasing investments follow an increased risk of opportunism (Anderson & Jap, 2005). However, we argue that if a relationship includes factors from all three dimensions brought forward in the conceptual model, these risks will be mitigated, allowing both parties to achieve significant benefits from the collaboration.

2.2.1.2 Benefits of Collaborative Relationships

Collaborative relationships can also result in multiple benefits, which can stem from improvements both on a financial and operational level, as well as on a strategic level (Monczka et al., 1998; Villena et al., 2011; Goffin et al., 2006). Regarding financial and operational performance, benefits such as lower costs, improved product quality, improved delivery performance, and increased flexibility have been demonstrated. Here, the most versatile benefit relates to cost reduction, which can stem from as diverse sources as savings from increased operational efficiencies to lower transaction costs. The argument behind lower transaction costs is due to the trust, commitment, and mutual dependence that is inherent in

collaborative relationships, which is assumed to mitigate opportunistic behaviour and thus the associated governance cost (Villena et al., 2011; Paulraj et al., 2008). The argument contradicts initial views on transaction cost theory, which state that all economic transactions induce a risk of opportunism, and thus an appropriate governance structure must be chosen to cope with the uncertainty. In exchanges between distinct entities these uncertainties are high, and therefore formal controls must be established, which in turn generate transaction costs. Increasingly, however, this view has been questioned as it is argued that relational controls in the form of trust can substitute traditional governance mechanisms. Hence, as trust is an essential part of collaborative relationships, lower transaction costs are predicted (Grover & Malhotra, 2003; Dyer & Chu, 1997). On a strategic level, on the other hand, benefits regarding innovation, new product development, and combination of resources have been highlighted. While the financial and operational benefits can be seen as more short-term oriented, the strategic benefits can be a source of long-term returns both for the buyer and the supplier (Villena et al., 2011; Goffin et al., 2006).

For customers, collaborative relationships with suppliers can result in benefits such as lower purchasing prices, improved product quality, more reliable deliveries, and reduced cycle-times. By adopting a total cost of ownership perspective, the purchasing firm can further obtain higher valued products and services, while at the same time obtaining reductions in total costs (Fossas-Olalla et al., 2013). Further, close collaborations have been shown to increase a firm's innovative capability, which in turn can lead to additional benefits in the form of superior product performance and manufacturing capacity (Henke & Zhang, 2010). Thus, a collaborative relationship has the potential to enhance a buyer's financial performance, responsiveness to customer demands, and market competitiveness (Kannan & Choon Tan, 2006). For suppliers, collaborations have also demonstrated significant benefits, although this subject has been much less researched. Potential benefits for suppliers are improvements in product quality and productivity, lead times, and costs (Henke et al., 2008). By having to adopt a total cost perspective, suppliers must consider the performance of the entire process, which can result in significant operational and financial improvements (Anderson & Katz, 1998). Moreover, important benefits for the supplier are the stable business that the relationship includes, the knowledge and ideas that the customer can bring, and also the additional business the relationship can generate by the customer serving as a showcase account. In addition, a close relationship can act as a market barrier for other

suppliers, as small price- or performance differences often are insufficient for a customer to terminate an established relationship (Kalwani & Narayandas, 1995).

As described, researchers agree that both parties can benefit from collaborative relationships as it can result in competitive advantages, reduced uncertainties, and an improved flexibility to respond to customer demands (Christopher, 2005). One of the main arguments for entering into collaborative relationships derives from the potential to gain access to valuable resources, such as know-how, technology, or even legitimacy (Chen et al., 2004). By combining internal and external resources, unique capabilities can be created, which can lead to an enhanced innovative ability (Brandes et al., 2013). This resource combination can result in a competitive advantage, both for the supplying and buying firm, as it can lead to improvements both in products and processes (Christopher, 2005). However, we argue that not all buyer-supplier relationships automatically will give access to valuable resources, but that this exchange will increase with the level of interaction, and positive emotions and feelings towards the relationship partner. Moreover, collaborative relationships can improve a buying firm's responsiveness to customer demands, which in today's rapidly changing environment is becoming increasingly important for firm competitiveness (Christopher, 2000).

From the above sections it is clear that relationships include both potential risks and benefits, which result in a collaboration premium. If the collaboration premium is positive for both parties involved, a mutually beneficial relationship can be said to exist (Hansen, 2009). In our model, we assume that this positive outcome is reached by the achievement and maintenance of good economic performance, interaction, and positive emotions and feelings towards the partnership, dimensions that are proposed to be associated with relationship strength.

2.2.2 Level of Relationship Strength

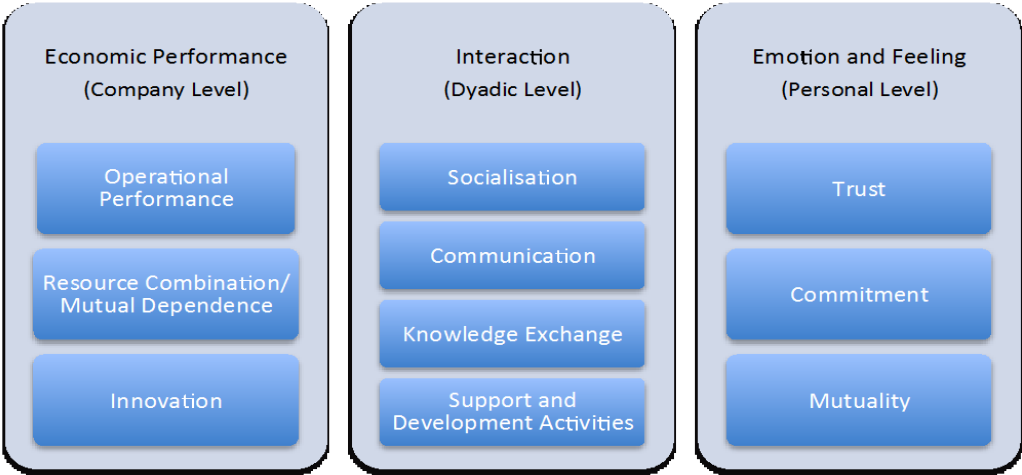
The level of relationship strength, which is assumed to affect the result of buyer-supplier associations, is proposed to be dependent on the presence of the three dimensions of economic performance, interaction, and emotion and feeling towards the relationship partner. Previous studies have highlighted an existing correlation between the factors in the three dimensions. It is therefore suggested that a strong integration between the three dimensions reinforces the level of strength in a relationship, and hence the benefits derived from the association (Autry & Golicic, 2010; Cannon et al., 2010). How the three dimensions can reinforce each other, and strengthen the quality of buyer-supplier relationships, will be

explained in more detail in later sections of the theoretical framework. First, however, the various factors included under each dimension will be presented in more detail.

2.2.3 Dimensions of a Good Relationship

In the conceptual model, it is proposed that the level of strength and effectiveness of buyer-supplier relationships is dependent upon the three dimensions of economic performance, interaction, and emotion and feeling. These dimensions provide a broad overview of the elements necessary for a good relationship, as the buyer’s and supplier’s perception of the dimensions can act to either deteriorate or enhance the relationship strength. However, to gain a more profound understanding of the model, a deeper comprehension of the factors included in each dimension is required. Although the main dimensions have been inspired from Ellegaard and Ritter (2007), we do not concur with their positioning of the factors underlying each dimension. In this conceptual framework we have therefore reorganised the factors mentioned by Ellegaard and Ritter, as well as identified additional factors from previous research, and positioned them in accordance to our own perceptions of where they are most suitable. Figure 3 below illustrates the factors that have been highlighted as important by previous researchers, divided under the three dimensions, whereby the economic performance dimension refers to factors on a company level, the interaction dimension to dyadic factors, and the emotion and feeling dimension to factors on a more personal level. Important to acknowledge is that many of these factors have been found in studies whereby solely the buyer’s perspective has been considered. Nevertheless, the majority of these factors are generic and can be assumed to be important also when adopting the supplier’s perspective. Therefore, they have been included in the conceptual model, which assumes a dyadic

Figure 3: Dimensional Factors



Source: Own elaboration.

perspective on buyer-supplier relationships. In the following sections, these underlying factors will be explained in more detail.

2.2.3.1 Economic Performance

The first dimension proposed to influence the level of strength in buyer-supplier relationships is the perceived *Economic Performance* the relationship can generate. According to Autry & Golicic (2010), it is the potential economic value from relationships that primarily motivate buyers and suppliers to strengthen their association. There are several sources that can lead to improved economic performance within relationships, such as the *operational performance* of the firms, the potential to *combine buyer and supplier resources*, and access to partner *innovations*. We have included these factors in the economic performance dimension both as they occur on a company level, and as they potentially can impact overall firm performance.

According to previous studies, an enhanced operational performance works as a motivation for many firms to engage in close buyer-supplier relationships (Autry & Golicic, 2010). From a supplier's perspective, price, volume, and growth are important operational factors as they are highly correlated to the supplier's profit (Hald et al., 2009). Furthermore, an important element of profitability is cost, where purchasing firms traditionally have focused on obtaining price reductions from suppliers. Increasingly, however, many firms have adopted a broader cost focus, where the total cost of ownership is an important tool. The total cost of ownership concept redirects the focus from product price to the value provided. It aims to evaluate and provide a deeper understanding of the true cost of a product purchased from a specific supplier. Hence, using a total cost perspective facilitates for both parties to identify factors that drive costs in a buyer-supplier relationship. In the end it is not necessarily the supplier with the lowest product price that has the lowest total cost, when other factors such as quality, delivery performance, and inventory are considered (Ellram, 1995). From a buying firm's perspective, a supplier's delivery performance is crucial, as the economic value is generated through the supplier's timely, flexible, and accurate deliveries (Ulaga & Eggert, 2006). A supplier's failure to meet these demands will add costs due to the buying firm's need to carry excessive inventories (Cannon & Homburg, 2001). In addition, a close relationship can lead to improved quality for the purchasing firm through supplier adaptation to the customer's operations and demands, which will strengthen the firm's economic performance (Goffin et al., 2006; Kannan & Choon Tan, 2006). Thus, a reliable and improved operational performance can lead to enhanced economic performance in many different ways.

An improved economic performance can also be derived from the combination of resources within a relationship. From a resource-based view, a firm's internal resources constitute an essential source of competitive advantage, and therefore they indirectly contribute to the generation of economic value (Barney, 1991). However, it is argued that resources and capabilities rarely can lead to sustained competitive advantage, as resources often are transferable and as competitive environments are in constant change, requiring resources and capabilities to be adjusted to the changing circumstance (Kraaijenbrink et al., 2010). Nevertheless, it is argued that resources can serve as valuable assets, even though they are not everlasting. Valuable resources cannot only be found internally, but also through collaborations with other firms. Relation-specific investments that combine resources from two firms allow the parties to gain access to unique resources that do not exist outside the relationship (Dyer & Singh, 1998). The level of relation-specific assets that have been invested in the relationship, in combination with the value that the relationship is expected to generate and the number of alternative partners that exist can also be a source of perceived dependence in a relationship (Hald et al., 2009). This argument is enhanced by resource dependence theory, which states that a company's survival is dependent upon resources controlled by other firms, and thus by collaborating with others, a firm can secure access to these resources (Yan & Dooley, 2014). However, for benefits to be derived by both parties it is important that a mutual dependence exists. Mutual dependence refers to a situation whereby both parties perceive the other as valuable and thus necessary for the achievement of desired goals. If there is a power imbalance between the buyer and the supplier, the less dependent party is likely to use this power in a manner that dissatisfies the other actor, making a long-term relationship difficult to achieve. Hence, mutual dependence is argued to be a prerequisite for a successful relationship as it increases the partners' willingness to collaborate (Hald et al., 2009). Due to these arguments, mutual dependence is seen as an important factor. It is positioned under the economic performance dimension as it can be regarded as a company level factor, and also since dependence often originates from economic sources.

By combining buyer and supplier competencies, an enhanced innovative capability can be derived. Innovations gained through a relationship, either from the partner directly or through joint collaboration, indirectly generate economic value to a relationship, as innovations are crucial for a firm's competitive advantage (La Rocca et al., 2012; Henke & Zhang, 2010). Shorter product-life-cycles, faster time-to-market demands, and complex technological requirements have forced companies to rely on external partners in the innovation process

(Wagner, 2012). As a result, suppliers have become an important source of innovation, especially within well-established relationships where the supplier is familiar with the buying firm's products and operations (Ellis et al., 2012; Henke & Zhang, 2010). Further, access to the supplier's technology and innovative capabilities enables the buying firm to improve product quality, shorten the timeframe for new product development, and reduce cost. Hence, from a purchasing firm's perspective, supplier innovation can lead to an enhanced competitive advantage that would not have been possible without the collaborative relationship. From a supplier's perspective, participation in innovation-related activities enables the supplier to align new product design and production with internal capabilities, and to come up with ideas that leverages their internal strengths (Ellis et al., 2012). Consequently, collaborative product development and other innovation-related activities can provide economic benefits also from a supplier's perspective.

To summarise, previous studies have highlighted the importance of a good *Economic Performance* for a successful relationship. We propose that economic value can be derived from a combination of resources, enhanced operational performance, and innovation.

2.2.3.2 Interaction

The second dimension that is suggested to influence relationship strength is *Interaction*. From a relational view, interaction between firms leads to the creation of social capital, which facilitates the development of social ties and shared visions, and thus encourages collaboration and reduces the risk of conflict between the two parties (Villena et al., 2011). Hence, interaction is proposed as an important element for a strong relationship. Factors included in this dimension are *socialisation*, *communication*, *knowledge exchange*, and *support and development activities*, since the factors require involvement from both parties involved.

The first factor, socialisation, is the foundation of interaction, as it aims to facilitate the establishment of personal relationships. In a supply chain context, socialisation is the process in which individuals in the firms become familiar with the other firm's social values and norms. There are several types of socialisation activities, which can be both formal and informal. Formal activities can be cross-functional teams, meetings, and specific reporting structures applied within the relationship. The formal activities facilitate communication of expectations and promote sharing of information between the purchasing and the supplying

firm (Cousins et al., 2006). Hence, the activities provide valuable knowledge about how, and with whom, to get in contact with in specific areas, which in turn facilitates more frequent and diverse information flows across the two units (Villena et al., 2011). Informal socialisation activities, on the other hand, often take place outside of the normal working environment and include activities such as casual meetings, dinner at restaurants, workshops, and social events. The aim is to provide the two firms with a common understanding and knowledge about each other and its values, beliefs, and cultural systems, which in turn will facilitate the alignment of relation-specific values and goals (Cousins et al., 2006).

Another important factor for a prosperous relationship is communication. Effective communication includes the sharing of expectations, plans, goals, and evaluations of the relationship, both on a strategic and operational level (Hald et al., 2009; Paulraj & Chen, 2007). The establishment of common goals through communication provides a mutual understanding of which activities that are important in order to improve the relationship, and how these goals can be reached. Further, communication of goals reduces the risk of a principal-agency dilemma, in which one party acts according to its own self-interest, rather than in the best of the relationship (Zsidsin & Ellram, 2003). Hence, common goals set priorities and put emphasis on focus areas, which enhance performance, whereas incongruent goals lead to misunderstandings and misalignments in priorities between the buying and the supplying firm (Powers & Reagan, 2007). Another important aspect of communication is feedback, provided to the relational partner. Feedback helps to clarify expectations, and to identify areas of improvements for both the buyer and the supplier (Modi & Mabert, 2007).

The third factor within the interaction dimension is knowledge transfer between the two firms, which plays an important role in organisational learning (Cousins et al., 2006). Information sharing gives access to new knowledge that is a valuable input in the development of new expertise (Brandes et al., 2013). However, according to Szulanski (1996), the success of knowledge transfer is dependent upon the level of stickiness that exists between the buying and the supplying firm. Hence, stickiness refers to the difficulty of transferring knowledge both within and across organisations due to aspects such as lack of motivation, and lack of absorptive capacity. Despite the difficulty in transferring knowledge, it is still proposed as an important factor for successful collaborations, as a supplier who gets access to the buying firm's expertise through information-sharing activities will be more motivated to work hard and dedicate resources to an enhanced performance and joint improvements (Cousins et al.,

2006). Further, information sharing at an early stage of product development is proposed to strengthen the supplier's commitment to the final product, while an overall increase in information flows is believed to encourage problem-solving and cost reduction (Lee, 2002). Hence, knowledge exchange is an important aspect to consider in a buyer-supplier relationship.

Closely linked to knowledge exchange and organisational learning are support and development activities, which can be provided both from the buying and supplying firm in a relationship. A common support activity is supplier development, which is a long-term collaborative effort between a buyer and its supplier to enhance the supplier's performance (Modi & Mabert, 2007). The buyer will benefit from an improved supplier performance while the supplier will benefit from an enhanced operational performance related to, for example, increased flexibility, enhanced product quality, reduced cost, and shorter lead times. Hence, successful supplier development activities will be beneficial for both parties. There is a wide spectrum of development activities that span from continuous evaluation and feedback, which increase the supplier's awareness, to financial incentives, such as increased volumes that raise the supplier's motivation. Further, support activities could also include on-site visits, work-groups, training and education of the partner's employees, and investments in specific tools and production processes (Nagati & Rebolledo, 2013).

To conclude, *Interaction* between two actors enables the achievement of social capital, and is therefore proposed as an essential dimension for successful buyer-supplier relationships. Within this dimension the factors of socialisation, communication, knowledge exchange, and support and development activities have been highlighted in previous research.

2.2.3.3 Emotion and Feeling

The third, and last, dimension that is suggested to influence relationship strength is *Emotion and Feeling*. This dimension is characterised by soft elements, which all are essential for social capital to exist (Villena et al., 2011). Factors included in this dimension are *trust*, *personal commitment*, and *mutuality*, which have been allocated to the dimension due to their connectedness to personal intentions, motivations, and feelings by the employees in the firms.

One of the most frequently mentioned factors by previous researchers for a successful collaborative relationship is trust (Stuart et al., 2012). Trust has been defined as '*the mutual*

confidence that no party to an exchange will exploit the other's vulnerability' (Sabel, 1993, p. 1133). Thus, the higher the level of trust in the corresponding party, the stronger the collaboration ought to be. Previous researchers have further defined trust as a construct of three categories: ability, benevolence, and integrity. Ability refers to the competencies of a partner, and is related to how reliable a partner is in terms of performance. Therefore, this category is highly connected to the economic performance dimension in our conceptual model, while the remaining two are significantly more associated to the emotion and feeling dimension. Benevolence relates to the goodwill that the partner is perceived to have, and hence the likelihood of the partner behaving opportunistically. With high benevolence comes an increased care and concern for the partner, which is built on the loyalty and support that is shown within the relation. Integrity, on the other hand, relates to the perception that the partner will act in an acceptable, consistent, and predictable manner during the course of the relationship. One party's integrity will be enhanced by, for example, the existence of shared values and that actions are performed in a fair and honourable manner. As described, trust in another actor takes time to develop and can be subjected to rapid change as a result of actions taken. Hence, it is important for firms to understand the various dimensions of trust. By developing a high level of trust it is argued that cooperative relationships are facilitated through the effect it has on transaction costs and information sharing (Hald et al., 2009). Hence, several researchers have argued that trust is an important antecedent to the achievement of enhanced relational performance (Nielsen, 2011).

Another factor of importance, which is highly connected to trust, is long-term commitment, primarily from the top management's side (Terpend et al., 2008). Commitment, or in other words, a dedication to a continuance of a relationship, exists when exchange partners are willing to exert great efforts in maintaining the collaboration (Powers & Reagan, 2007). These resources can include anything from time and money to facilities, and if a commitment is mutual it can result in joint problem-solving and an increased willingness to satisfy a partner's needs (Monzcka et al., 1998; La Rocca et al., 2012). In addition to ensuring a steady flow of resources, personal commitment has also been demonstrated to reduce relational conflicts and opportunistic behaviours. Hence, it is argued that a mutual commitment is essential for long-term cooperation and the achievement of long-term benefits (Wu & Cavusgil, 2006).

The third, and final, factor included in the emotion and feeling dimension is mutuality. Mutuality refers to an intention and care by managers from both parties to find a win-win outcome, whereby both actors have an interest in maintaining the relational exchange. This factor builds on reciprocity norms, and the assumption that value capture is the primary rationale for entering into collaborative relations (Cox, 2004; Autry & Golicic, 2010). Important to acknowledge is that mutuality does not necessarily signify an equal value capture, as this by nature is difficult to achieve as a buyer's preferred sourcing outcome never aligns with a supplier's preferred selling outcome. Despite this, there are many outcomes in a relationship whereby both parties can achieve at least part of their goals. According to Cox (2004), such a situation can still be considered win-win, if the party that achieves a lower value capture attains better results by being inside rather than outside the relationship. Based on this argument, a perceived intention by managers to generate benefits also for the corresponding party is considered an important factor for the achievement of long-term relationships, as no association can survive unless benefits are derived by both parties involved.

To summarise, previous literature has highlighted three *Emotion and Feeling*-related factors of importance for the success of buyer-supplier relationships, namely trust, personal commitment and mutuality. The existence of these factors in a relationship leads to the accumulation of social capital, which is assumed to facilitate cooperation whilst hindering opportunistic behaviour (Hald et al., 2009).

2.2.3.4 Interdependence and Sequence of Factors

Until now the three dimensions of economic performance, interaction, and emotion and feeling have been introduced separately. However, in order to answer our research questions we also need to look at the interdependence between the various factors, as well as if they occur in a particular order. The below section will therefore explain the interdependence between the factors in more detail, followed by a section which covers the sequence of the factors.

Interdependence between the various factors signifies that the implementation of one or several factors from one of the dimensions will influence the existence and outcome of the factors in the other two dimensions. This is a subject well covered in the literature. According to Modi & Mabert (2007), effective communication between a purchasing and a supplying

firm reduces uncertainty in a relationship and therefore fosters collaborative activities. They argue that collaborative activities enable the two firms to communicate expectations and come up with long-term objectives that lead to closer operational integration, which in turn facilitate stronger performance outcome. Hence, collaborative activities are proposed to lead to enhanced operational performance. Henke and Zhang (2010), on the other hand, argue that collaborative activities tend to build trust and commitment. Trust is also created based on former performance outcomes. In turn, trust and commitment encourage supplier development activities, which aim to enhance the supplier's operational performance (Autry & Golicic, 2010; Krause, 1999). Trust and commitment also facilitate extensive knowledge transfer within a buyer-supplier relationship, which allows for organisational learning to occur. In addition, knowledge sharing fosters innovation (Modi & Mabert, 2007; Dyer and Chu, 2011). Thus, the various factors and dimensions can be said to be highly interdependent and reinforcing, supporting our argument that the level of relationship strength increases when all three dimensions are present in a relationship.

As described, the interdependence between the various factors is well covered in literature, yet only limited research has been conducted in regards to the sequence in which they occur. One study addressing the issue is written by Vanpoucke et al. (2014), who argue that the initial phase of a buyer-supplier relationship is characterised by two parties working together on a transactional basis. In most cases the exchange is initiated without any further intention to develop the relationship into a long-term association, and the relationship is evaluated based on the parties' operational performance, in terms of cost, delivery, and quality. However, if the two firms are satisfied with the partner's performance and the outcome of the relationship, this acts as a motivation to continue the association (Dwyer et al., 1987). Hence, a strong operational performance triggers the continuation of a relationship. When such a relationship is established, enhanced communication will follow, which in turn will build trust. It is trust in combination with the newly identified opportunities derived from the relationship that trigger the expansion from a transactional relationship to a close collaborative relationship. A collaborative relationship includes new relation-specific initiatives such as common logistics activities and knowledge sharing, which leads to close integration and interdependence between the two firms. In turn, the interdependence creates a situation where the success of the relationship is dependent upon the contributions of the two firms. Therefore, interdependence is seen as the final trigger to develop a mutually beneficial buyer-supplier relationship (Vanpoucke et al., 2014).

Chapter 3: Methodology

In this third chapter, the methodology used in order to conduct the thesis is presented, including descriptions of how the data was gathered and subsequently analysed. First, the chosen research approach and design is described, followed by an overview of the analytical process. Continuously, critical reflections in regards to the study are included.

3.1 Research Approach and Design

The focus of this study is on buyer-supplier relationships and more precisely on the factors that characterise mutually beneficial buyer-supplier collaborations. Previous studies within this relatively new field of research have mainly adopted a buyer's perspective on the subject, while only limited research has taken a supplier's perspective (Chen et al., 2004). As a result, this thesis has adopted a dyadic perspective on buyer-supplier relationships, whereby the subject is examined both from the viewpoint of the buyer, as well as the supplier. In order to gain a deeper understanding of the factors considered important for both parties, a case study method was chosen, where we particularly examine IMC, and its relationships to five different suppliers. Case studies are suitable when conducting research in an international setting and when the researchers want to deepen their understanding of the research unit (Ghauri, 2004). Thus, the method was found appropriate, as this study regards relationships to suppliers from three different continents. Further, a case study can be made using both qualitative and quantitative research (Collis & Hussey, 2009). In this study, qualitative research in the form of interviews has been the main method, and to enhance these findings also quantitative research has been used in the form of surveys. This combination has given us a broad understanding of the subject, where ratings as well as deeper descriptions have been provided concerning the factors that characterise mutually beneficial buyer-supplier relationships. The case study has been made using a deductive rationale, which has enabled us to apply and test the general knowledge from literature to a particular case (Collis & Hussey, 2009). The deductive approach is shown in Figure 4 below.

Figure 4: Model of Research Process



Source: Own elaboration.

In this study, the primary level of analysis is on one purchasing firm, which in our case is IMC, and its relationships to five diverse suppliers. Although the initial aim was to look at the subject from a company level, it has become apparent from findings that relationships are not only between companies, but also between individuals, and that the individual views on a subject can diverge even within a particular organisation. Hence, the study includes a multilevel analysis, containing three different levels. The first concerns the individual organisational level, where policies and relationship management objectives towards partners are considered. The second regards the dyadic organisational level, in which relation-specific practices are included. Lastly, the dyadic individual level is considered, encompassing personal emotions and feelings towards the relationship partner. Hence, by including factors from all three levels, a broad understanding of the relationships is obtained.

3.1.1 Research Unit and Sample

Several criteria were identified for the selection of a case company. First, as outsourcing is widely used within the manufacturing industry, we wanted to study a manufacturing company. Second, to facilitate a personal contact and communication we wanted a Swedish company. However, to get an international perspective, foreign production and international suppliers were a necessity. Finally, as the aim was to study close collaborative relationships, existing associations with strategic suppliers were a prerequisite. Based on these criteria, IMC was contacted and asked whether they had an interest in participating in our study, and soon after the request was sent a positive response was received. Important to remember is that IMC is a fictitious name for the actual purchasing firm in this study, which due to confidentiality reasons does not wish to be referred to by name in the thesis.

The sample of suppliers was found at IMC's Supplier Day. As our study focuses on strategic suppliers, we saw this day as an opportunity to get in contact with suitable suppliers. During the day we mingled with the participants, and introduced the aim of the thesis. The suppliers that showed an interest in participating in the study were later sent a written request by email in which we described the subject further and offered confidentially. By offering confidentially at this early stage of contact we wanted to reduce the risk of the suppliers not wanting to participate due to fear of revealing sensitive information about the relationship (Collis & Hussey, 2009). The request was sent to seven suppliers in total, of which we received an answer from five, which all were positive to participating. Hence, the sample of

suppliers was randomly chosen among the participating suppliers at IMC's Supplier Day. Due to confidentiality we will hereafter refer to the suppliers as Supplier A-E.

3.1.2 Data Collection Method

As mentioned, the empirical data has been gathered through both qualitative and quantitative methods. The qualitative data has been collected from formal and informal interviews, as well as observations. In total 13 interviews have been conducted of which eight have been made with IMC personnel, and five have been held with suppliers. The formal interviews have been conducted both in Sweden and abroad, during visits to the suppliers' facilities. During the Supplier Day we got the chance to talk informally with both suppliers and IMC employees, which allowed us to enhance our understanding of how IMC works with their suppliers. Furthermore, we also got the possibility to observe and listen to several speeches and presentations in regards to IMC's current and future strategies involving the suppliers. The quantitative data, on the other hand, has been gathered through surveys that have been sent to the participating IMC personnel and suppliers respectively. Hence, the sample size was based on convenience, as we decided to send the surveys to the respondents that we already were in contact with through the interviews (Collis & Hussey, 2009). In total twelve surveys were sent out, from which responses were received from all twelve. Thus, the supplier survey was sent to all five suppliers, while the IMC survey was sent to seven of the total eight IMC respondents, this since we chose to exclude the senior vice president, as we wanted all respondents from IMC to have similar positions within the company. To further strengthen the findings of the study, secondary data such as annual reports, corporate presentations and documents have been used to complement our empirical data.

3.1.2.1 Interview Protocol and Interview Process

In order to get a dual perspective on the relationships we have conducted interviews with IMC personnel, as well as supplier employees. The eight IMC respondents were all part of the company's purchasing management team and had vast experience of working with suppliers, which made them suitable for the study. Hereafter, they will be referred to as A-H. In regards to the supplier respondents, various management positions were held, ranging from general director to key account manager. Nevertheless, all respondents were involved in the firm's relationship with IMC, which made them appropriate for our study.

The interviews have been conducted both face-to-face and over telephone. Of the total 13 interviews, seven were made face-to-face, and six were conducted by telephone. Our priority was to conduct as many interviews as possible face-to-face as that provide a more personal atmosphere (Bryman & Bell, 2007). However, due to variations in geographic locations and limited opportunities to travel, some of the interviews had to be made by telephone, which was facilitated by the fact that we had met and talked to all respondents in person during the Supplier Day. Both of us were present during all interviews except for the last. However, at that time we had gained extensive experience from previous interviews and therefore we felt confident that this would not influence the quality of the interview. All interviews lasted between 30 minutes and two hours, and were conducted either in Swedish or English. With the foreign respondents English was used, which never was perceived as problematic as all respondents had a high proficiency in the language.

All interviews have been held in a semi-structured manner. This allowed us to use an interview guide containing primarily broad and open questions, while it at the same time allowed us to complement the answers with more detailed follow-up questions (Collis & Hussey, 2009). Two different interview guides have been used, which can be seen in Appendix 2 and 3, one for the IMC employees and one for the suppliers. The two interviews guides were constructed in a similar manner in order to facilitate a comparison of the answers. However, in retrospect, we have made some critical reflections in regards to the last question included in the interview guides, which concerns support and development activities. During the interviews few respondents mentioned the activities as a factor, and we remain doubtful to whether the respondents would have emphasised the importance of the activities if the question had not been included. Despite this critique, the interviews resulted in both interesting and extensive answers, which we later on could go back to as all interviews were recorded with the acceptance from the respondents. This enabled us to stay alert and active during the interviews, while it also reduced the risk for misunderstandings.

3.1.2.2 Survey Process

Two surveys were prepared in addition to the qualitative interviews. The surveys, which can be found in Appendix 4 and 5, included ten different factors together with corresponding definitions. The factors were derived from the conceptual framework, from which we included the most important parameters in each of the three dimensions of economic performance, interaction, and emotion and feeling. Important to emphasise is that the survey

factor of fairness was used as a proxy for trust, this since trust is difficult to operationalize. In the surveys, the respondents were asked to display their level of compliance with each specific statement. The surveys were made using a numeric rating scale that allowed the respondent to give a more distinctive answer rather than just “yes” or “no”. We used a rating scale of zero to five, zero indicating “not important” to five indicating “very important” (Collis & Hussey, 2009). The surveys were adapted to suit either the buyer or the supplier and were sent to the respective respondents. Further, the supplier survey contained an additional part where the indicators were applied to the specific relationship, in order to see how well IMC is handling the factors. The choice of also including a survey in the study was made as we wanted to see how important the respondents perceived the factors derived from literature to be. Hence, this would allow us to see whether the factors were considered important characteristics for successful collaborations, as low ratings to specific factors would have resulted in a potential removal of the factors from the revisited conceptual model. Further, the survey enabled us to see whether the factors highlighted by previous researchers corresponded with the factors mentioned during the interviews. In terms of the thesis process, the surveys were sent to the respondent in connection to the interviews. In some cases the interviewees responded to us before the interview, which allowed us to analyse the answers and prepare questions related to the survey before the qualitative interview took place. Instead, when the respondents replied to the survey after the qualitative interview we compared the answers from the survey with those from the interview.

When it comes to critical reflections, we are aware that by sending the survey before the interviews, the answers provided by the respondents might have been affected. Moreover, we believe that some of the definitions could have been expressed in a different manner in order to facilitate the respondents understanding of the factors. In regards to innovative freedom it is suggested that an improved definition could have been innovation capturing or joint innovation, as innovative freedom always is allowed. In terms of mutuality and profitable exchange we believe that the two factors are perceived as similar by the respondents, as mutuality in terms of an intention of generating benefits also for the relational partner appears to primarily have been connected to profits, and not to additional benefits. Thus, the definition of mutuality could have been clearer. An additional reflection concerns the suppliers’ ratings of how well IMC is handling the factors, which in some cases can have been affected by tactical considerations. One such example regards the factor of profitable exchange, where suppliers might be unwilling to disclose the actual profitability of the relationship. Lastly, the

sample size of twelve respondents can be discussed in regards to the possibility to generalise the results. However, as the aim of the thesis is to study the particular relationships, the sample size is considered suitable, even though it represents as small share of the company's total 29,500 suppliers, of which only a small share currently are seen as strategic.

3.1.2.3 Credibility of the Data Collection

Regarding the survey it is important to consider the reliability, which refers to the ability to replicate the study and obtain the same result (Collis & Hussey, 2009). The field of buyer-supplier relationships is rather young, whereby there are no widely accepted definitions of the factors used in the survey. Thus, in order to increase the reliability of the study all ten parameters included in the survey were operationalized in order to reduce the risk for misunderstandings. However, as mentioned above, some of the parameters appears to have been perceived differently, which could be due to the respondents having own perceptions of the parameters, which might have led them to disregard the operationalization. Nevertheless, the interviews conducted offered an opportunity to both explain and discuss the concepts, which helped to reduce varying interpretations. In terms of the validity of the study, this was primarily established by the overall research process where the interview guides and surveys were built upon the conceptual model, which was developed in order to identify the factors that characterise successful relationships. The validity was further enhanced by the use of multiple sources, where data was collected from formal and informal interviews, surveys, as well as observations, in order to ensure the credibility of the findings.

3.1.3 Analytical Process

After having collected the empirical findings, the processing of the material began. In regards to the interviews, we began by transcribing the recordings, a process that for each interview was conducted by us both, in order to ensure that no individual mistakes had been made. This work, although time consuming, was of help at later stages in the thesis, as we both had a thorough understanding and overview of the responses provided. In regards to the survey, the data processing was made in Excel, whereby the survey responses were collected and illustrated in the form of tables, figures, and graphs. Thereafter, the survey and interview results from the IMC personnel and the suppliers were analysed separately, in order to derive an empirical findings part in regards to the perceptions of the IMC personnel, and another in regards to the perceptions of the suppliers. Subsequently, for the analysis chapter, the empirical findings from both IMC and the suppliers were compared to the theoretical

framework, in order to find both similarities and discrepancies in the answers. Based on the findings in the analysis, the initial conceptual framework was revisited to ensure the accuracy of the model, and thus the consistency to the purpose and main research question of the thesis.

To facilitate for the reader, a similar structure has been adopted throughout the theoretical framework, empirical findings, and analysis chapters, and constantly when writing about the empirical findings we have returned to the transcriptions of the interviews, to safeguard that no personal interpretations have been made. Furthermore, as several of the interviews were conducted in Swedish, we have been careful not to influence the original significance of the answers when translating the responses. As a result of these preventive measures, the accuracy of the thesis was enhanced, and thus it was important steps to take before drawing conclusions and implications from the study.

Chapter 4: Empirical Background

In this fourth chapter, a brief presentation of the case company is provided, together with a description of how the firm intends to work with its suppliers. In addition, an overview of the company's supplier base is included. The chapter's aim is to provide a basic understanding of the organisation, which will be of value for comprehending the subsequent empirical findings.

4.1 The Case Company

In order to study the topic of what characterise a mutually beneficial buyer-supplier relationship, IMC was chosen as the primary level of analysis. Operating within the manufacturing industry, IMC is a leading provider of products and solutions within five different technology platforms. The company has a truly global presence, and in 2013 IMC purchased goods and services for approximately SEK 36 billion, which corresponds to almost 50 per cent of the Group's net sales (IMC Annual Report, 2014).

As a result of the high impact of suppliers on IMC's business, the firm considers their suppliers to be of vital importance for the company's future development, and ability to deliver customer value. Thus, high demands are put on the suppliers, which are selected based upon their performance in regards to the five dimensions of quality, cost, delivery, innovation, and management (QCDIM). An important activity for upholding effective relationships is to continuously conduct evaluations of the supplier's performance within these areas. In terms of quality, which is the most important parameter for IMC, the target for suppliers is to achieve a zero defect, whereby no technical complaints on product defects are received. The cost target, on the other hand, refers to the objective of achieving a cost reduction of three per cent per annum. Here, IMC has adopted the total cost of ownership perspective, whereby aspects in addition to price are considered. In regards to the remaining evaluation criteria of delivery, innovation, and management, these refer to the number of deliveries deviating either in time or quantity from the agreement, the number of process improvements and product innovations created by the supplier, and the management's mind-set in regards to responsiveness and work on continuous improvements. In order to motivate the suppliers to achieve these targets, IMC holds a Supplier Day each year, whereby the best suppliers in each of the five categories are rewarded for their work (IMC, 2014).

In regards to supplier relationships, IMC emphasises on their webpage that they aim to establish long-term relationships with suppliers, based on mutual benefits and trust. Moreover, all interaction with suppliers should be performed with high business ethics, as well as mutual respect. Through a close collaboration built on these values, IMC is convinced that an environment can be established whereby a high performance and innovative solutions are created. This will further benefit the suppliers, as it will create opportunities for profitable growth and the attainment of a competitive advantage. Within IMC, it is also argued that the establishment of close collaborations will facilitate the creation of an agile, aligned, and adaptive supply chain, which will enhance IMC's ability to cope with both demand uncertainties and supply risks (IMC, 2014).

4.2 Overview of the Supplier Base

Currently, IMC's supplier base consists of approximately 29,500 suppliers, of which 4,000 supply to the business area of direct material, while 25,500 supply to the business area of indirect material. In terms of IMC's spend within these categories, around 80 per cent of the spend, both within direct material and indirect material, can be connected to only 5 per cent of the suppliers. This signifies that there is an extreme tail of suppliers within the supplier base that account for only an insignificant share of IMC's spending (IMC Group, 2014). This tail takes a lot of time and energy to handle, and thus a key priority for the company is to consolidate the supplier base, and find an optimal mixture of suppliers in each category of the organisation. As part of the consolidation, IMC aims to enter longer-term business relationships with important suppliers (IMC Annual Report, 2014). The benefits seen with a supplier consolidation are several. Due to a reduced number of suppliers, the time necessary for negotiations will decrease, leading to enhanced purchasing efficiency. Furthermore, a reduction of the supplier base will signify that business can be consolidated around fewer suppliers, bringing benefits to the remaining companies within the supplier base. Hence, the relationships will become increasingly focused on finding win-win solutions (IMC Group, 2014).

To summarise, IMC has a large focus on their supplier base, and the corresponding supplier relationships, whereby clear processes and demands for how suppliers should be handled have been established. However, as a result of the large supplier base, IMC is now in a process of supplier consolidation, whereby the achievement of a more efficient and effective supply chain is the primary target.

Chapter 5: Empirical Findings

In this fifth chapter, the empirical findings regarding factors that characterise mutually beneficial buyer-supplier relationships are provided. The findings are based on data collected from interviews, surveys, as well as observations, and are presented in two sections. The first part of the chapter presents IMC's perspective on the subject, while the second part of the chapter refers to the perspective of the suppliers.

5.1 The IMC Perspective on Buyer-Supplier Relationships

In this first section, IMC's perspective on collaborative buyer-supplier relationships is presented, with the first two parts relating to IMC's views on strategic suppliers, as well as the perceived risks and benefits with having close collaborations. These parts are included as we aim to investigate the factors that characterise mutually beneficial buyer-supplier relationships, which primarily are assumed to exist with strategically important suppliers. Thus, these parts are incorporated in order to perceive whether the chosen relationships are suitable for answering our research question. Thereafter, the factors identified as important for strong relationships by the IMC employees are presented.

5.1.1 The IMC View on Strategic Suppliers

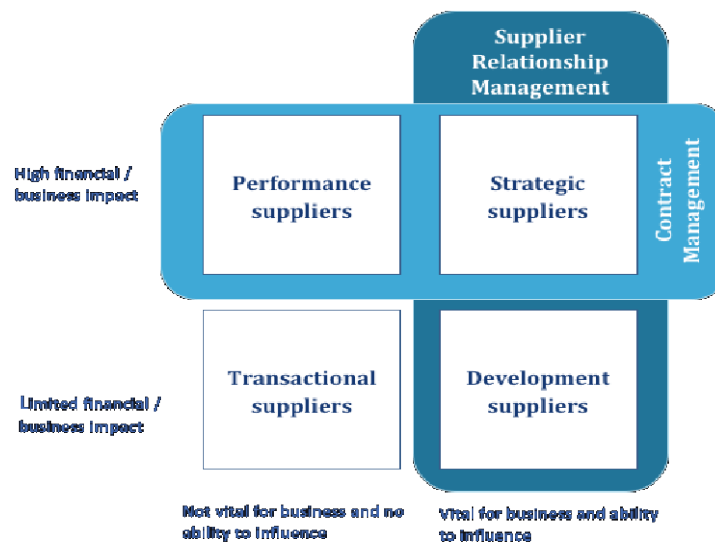
Based on the assumption that closer collaborations primarily are entered into with strategically important suppliers, an important starting point in order to answer our research question is to investigate how IMC defines this concept and whether the company has established strategic supplier partnerships within their supplier base.

5.1.1.1 Definition of a Strategic Supplier

In regards to providing a strategic supplier definition, two of the respondents refer to a model developed by IMC themselves. The IMC model, which can be seen in Figure 5 below, builds on the two parameters of financial impact and how vital the supplier is for IMC's business (IMC Interview C, 2014; IMC Interview F, 2014). In the model, a strategic supplier is one with a high impact on both dimensions. Interviewee F (2014) exemplifies this with one of their current suppliers, from which IMC purchases products for more than SEK 1 billion. Hence, the financial impact is high, and without inputs from this supplier IMC would not be able to operate, indicating its importance. Interviewee B (2014) mentions an additional example, whereby a supplier can be considered strategic either as a result of a complex product, or due to the fact that a supplier is difficult to exchange, as final customers to IMC

have to approve of a supplier replacement. This is further emphasised by other respondents who highlight the uniqueness of strategic suppliers, be it in terms of high spend, complexity, or the possession of a competitive advantage (IMC Interview E, 2014; IMC Interview G, 2014). A strategic supplier is further described as an actor willing to work closely together with its customer, both in regards to operational and strategic issues. The cooperation can include for example new product development and innovations. Thus, a strategic supplier should be prepared to give exclusive technology, as well as to align its future visions and goals with those of its partner (IMC Interview A, 2014; IMC Interview D, 2014). Moreover, for suppliers to be considered strategic they need to be competitive and profitable so as to be able to grow together with IMC (IMC Interview B-D, 2014).

Figure 5: IMC's Supplier Segmentation Model



Source: IMC Group, 2014.

Due to the various characteristics of strategic suppliers, IMC has established that it is towards these suppliers that most efforts should be directed, as it requires extensive contract- and relationship management, as seen in Figure 5 above. Therefore they argue that a company cannot work with too many strategic suppliers, as no company would have sufficient capacity to do so since resources must be spent also on maintaining good relationships with non-strategic suppliers (IMC Interview C, 2014; IMC Interview F, 2014).

5.1.1.2 Operationalization of the Strategic Supplier Concept

When it comes to operationalizing the strategic supplier concept, Interviewee C (2014) emphasises that much time has been spent on developing the segmentation model, but so far it has not been put into practice. This is enhanced by an additional respondent who is unsure

whether IMC actually distinguish between what is a strategic, leverage, and commodity supplier. It is added that this uncertainty primarily lies on a global scale, while category managers are believed to have a better understanding of their respective suppliers (IMC Interview G, 2014). A similar sentiment is brought forward by Interviewee B (2014), who mentions that a supplier can be considered strategic for a particular factory. However, this perception might not be shared by the central management. Further, in regards to strategic supplier treatment, one of the respondents feels that they have not clearly defined what it means to be a strategic supplier, and what will actually be gained by obtaining a strategic supplier status. They have started the process by saying to suppliers that they are strategic, and by developing a common understanding of future visions and expectations. Thus, the strategic suppliers are recognised, but so far there has been limited progress in terms of giving business to strategic suppliers on a preferred treatment basis (IMC Interview D, 2014). In relation to this, Interviewee H (2014) states that IMC on paper have several strategic suppliers, but that this rarely can be seen in practice:

“Even when we call the relationship strategic, sometimes my feeling is that it is more operational and short-term oriented, and not as much long-term strategic oriented.”

- IMC Interview H, 2014.

5.1.2 Perceived Results of Collaborative Relationships

In order for a relationship to be considered mutually beneficial, the benefits of the cooperation are required to outweigh the risks, for both parties involved. In the follow sections, IMC's perceptions of their own, as well as the suppliers', risks and benefits from having close collaborations are presented.

5.1.2.1 Perceived Risks of Collaborative Relationships

According to the respondents, there are several risks associated with collaborative buyer-supplier relationships. The majority of the respondents claim that a critical risk is to become too dependent on the corresponding party (IMC Interview B-H, 2014). From IMC's perspective, this might signify that the supplier is able to dictate prices, whilst from the supplier's perspective, an excessive share of sales to one customer could imply that the buyer is able to set the short-term demands and conditions in the relationship (IMC Interview D-E, 2014; IMC Interview H, 2014). In relation to this, it is mentioned that IMC should be careful in asking a supplier to make extensive relationship-specific investments, if IMC is the only customer with which such investments are made, since this can create a situation where the

supplier becomes too dependent on IMC (IMC Interview C, 2014). Another risk refers to supplier development, whereby one of the interviewees expresses a concern in IMC taking time and resources in developing its suppliers, as this is a costly procedure and as the supplier might use the knowledge gained towards other customers (IMC Interview F, 2014). Furthermore, there is also a risk related to loss of objectivity from IMC's side, if they become too close to a supplier and therefore fails to identify new and better opportunities (IMC Interview E, 2014). Similar is the risk of new potential suppliers losing interest in you as a customer, as they are aware of your relationship with another supplier:

“The more you rely on one supplier, the less good alternatives you will have.”

- IMC Interview H, 2014.

5.1.2.2 Perceived Benefits of Collaborative Relationships

Despite the various risks associated with having close collaborations with strategic suppliers, all interviewees from IMC are in agreement that such relationships also include significant benefits, which might engender competitive advantages (IMC Interview A-H, 2014). From IMC's perspective, the possible benefits are related to aspects such as improved operational performance, enhanced flexibility, and access to new innovations (IMC Interview B, 2014; IMC Interview D-H, 2014). In terms of operational performance, several respondents argue that close relationships with strategic suppliers will provide IMC with a greater reliability in regards to the QCDIM-parameters. Thus, close suppliers can mitigate a purchasing firm's supply risk (IMC Interview B, 2014; IMC Interview D, 2014; IMC Interview F, 2014). Moreover, as a result of having good relationships with suppliers, an enhanced flexibility can often be obtained, due to the fact that collaborative processes have been established that motivate suppliers to faster respond to customer demands. This flexibility cannot only be of help when an error has occurred and needs to be corrected, but also in crisis situations (IMC Interview B, 2014; IMC Interview H, 2014). Additional benefits mentioned are that good relationships frequently can result in a more efficient conflict management, and that the supplier can be an important source of new ideas, products, and innovations, which can be used to penetrate the market (IMC Interview E-G, 2014). The importance of accessing supplier innovation is clear from the following statement made by Interviewee E:

“The innovation parameter is incredibly important today, where a company with the help of its suppliers can be one step ahead of its competitors.”

- IMC Interview E, 2014.

The respondents perceive several benefits also for suppliers in working together with IMC. The perceived benefits primarily relate to the ability to earn more money, get access to IMC know-how, as well as the attainment of a long-term commitment from a quality brand customer (IMC Interview A-H, 2014). In regards to the enhanced ability to earn money, several of the respondents argue that a strategic partnership will allow a supplier the opportunity to grow together with IMC (IMC Interview A-E, 2014). Hence, if a strategic supplier proves reliable and competitive, access to IMC's global business can be obtained (IMC Interview C, 2014). In addition, the collaboration will provide the supplier with a long-term relationship commitment, which will result in both an enhanced security as well as sustainability of operations (IMC Interview A-C, 2014; IMC Interview H, 2014). The long-term perspective is according to Interviewee C (2014) fundamental, as it will give the supplier confidence to invest for the future, investments that can benefit also the supplier's business towards other customers. Furthermore, IMC is a quality brand that is expected to bring value to its suppliers. An additional benefit mentioned by the respondents is related to the know-how residing within IMC, in combination with the company's strong business excellence activities, to which access will be given through the collaboration. Access to these resources can result in technical improvements and learning's for the supplier that can lead to spin-off effects in terms of new business or increased productivity (IMC Interview B, 2014; IMC Interview G, 2014). Hence, several benefits from having close collaborations have been identified by the IMC personnel, both for themselves as well as for their suppliers.

5.1.3 Factors of Importance for Mutually Beneficial Relationships

In the following section, the various factors highlighted by IMC personnel as important for strong buyer-supplier relationships are presented, together with descriptions of how IMC operates and performs within the particular areas.

5.1.3.1 Survey Results

In the survey, sent to seven of the eight interviewees within the IMC personnel, the respondents were asked to rate ten different factors in regards to their importance for buyer-supplier relationships. From the survey, the results shown in Table 1 were obtained. The table displays average ratings, while individual responses and standard deviations can be found in *Appendix 6: Overview of Survey Results*.

From the table, it is clear that the IMC personnel perceive *Commitment*, in terms of a long-term pledge by the corresponding party to fulfil obligations, as the most important factor for

Table 1: Importance of Factors in Buyer-Supplier Relationships for IMC Personnel

IMC Personnel Rating			
1. Commitment	4.9	6. Profitable Exchange	4.1
2. Fairness	4.6	7. Volume of Business	3.9
3. Open Communication	4.4	8. Support Activities	3.7
4. Knowledge Exchange	4.3	9. Innovative Freedom	3.3
5. Mutuality	4.3	10. Socialisation	2.9

Source: Own elaboration of survey responses.

strong buyer-supplier relationships. Thereafter, the factors of *Fairness*, *Open Communication*, *Knowledge Exchange*, and *Mutuality* follow. In the survey, fairness refers to the importance of a supplier acting in an honourable and justifiable manner, whilst mutuality refers to the importance of a supplier showing care and concern in regards to benefits derived by the customer. The factors with the lowest ratings, on the other hand, are *Innovative Freedom*, in terms of allowing a supplier the freedom to innovate, and *Socialisation*, which refers to the existence of an informal interaction whereby personal relationships can be strengthened. Important to acknowledge is that all factors included in the survey were rated on a scale from '0 to 5', with zero indicating 'not important' and five 'very important'. Thus, as no factor received a lower rating than 2.9, all factors can be considered important. In addition, socialisation and innovative freedom are the factors with the highest standard deviations, indicating that even within IMC the perceived importance of these factors diverge.

In connection to the conceptual framework, the factors included in the survey can further be divided in accordance to the three dimensions of *Economic Performance*, *Interaction*, and *Emotion and Feeling*, which all are proposed to influence relationship strength. Table 2 provides an illustration of this division, which will be used to present the additional empirical findings derived both from observations, as well as interviews conducted with IMC personnel.

Table 2: Importance of Factors for IMC Personnel after Dimension

Economic Performance		Interaction		Emotion and Feeling	
Profitable Exchange	4.1	Open Communication	4.4	Commitment	4.9
Volume of Business	3.9	Knowledge Exchange	4.3	Fairness	4.6
Innovative Freedom	3.3	Support Activities	3.7	Mutuality	4.3
		Socialisation	2.9		

Source: Own elaboration of survey responses.

5.1.3.2 Economic Performance

As indicated, the survey factors of *Profitable Exchange*, *Volume of Business*, and *Innovative Freedom* are proposed to be connected to the dimension of *Economic Performance*. All three factors are considered important, which also has been enhanced by the interviews, where competitiveness is highlighted as a basis for any relationship. Thus, it is important to expose suppliers to competitive pressures, as a supplier who is told that they are the only preferred partner will start to relax (IMC Interview F, 2014). It is emphasised that a supplier must be competitive within the areas of QCDIM, and be able to meet the set requirements (IMC Interview H, 2014). In regards to the demands, it is mentioned that these should be difficult to achieve, but not impossible. Thus, they should be reasonable and based on facts, which in turn will make it easier to maintain a good dialogue with the supplier (IMC Interview E, 2014). This is enhanced by Respondent B (2014), who claims that supplier communication is facilitated by good operational performance. Moreover, the demands put on the suppliers within QCDIM makes it easier for IMC to measure the outcome of the relationship, which is important in order to follow up on the improvement process:

“You must measure performance, so that improvement areas can be found. Otherwise you will just meet, and that does not work.”

- IMC Interview F, 2014.

Moreover, all respondents stress the importance of achieving cost reductions within a relationship (IMC Interview A-H, 2014). However, they emphasise the move away from a pure price focus towards a total cost perspective wherein all dimensions of QCDIM become important in order to determine the end price of a product (IMC Interview A, 2014; IMC Interview C; 2014; IMC Interview E, 2014). The total cost perspective is exemplified by Respondent A (2014), who states that a firm can work with price reductions for a couple of years, but eventually they will reach the bottom line where further price reductions are impossible. Hence, by using a total cost perspective this situation can be avoided, as it helps the organisation to become more efficient. However, the total cost perspective must be developed so that improvements in QCDIM lead to profitable growth for both parties and that a win-win situation is created (IMC Interview A, 2014; IMC Interview C, 2014). The importance of adopting a total cost perspective is highlighted in the following statement:

“If you only look at price, you will get what you pay for.”

- IMC Interview C, 2014.

The second survey factor connected to the dimension is business volume, which was rated at 3.9 by the IMC personnel. However, little focus is put on this aspect during the interviews. It is argued that the volume is important, but that it is regulated in the contractual agreement, and therefore should not influence the relationship once the contract has been signed (IMC Interview F, 2014). Moreover, volume is mentioned in regards to tenders, where it is emphasised that strategic suppliers should get the opportunity to make offers on new business, which in turn can lead to higher volumes and thus an increased commitment from the supplier (IMC Interview B, 2014).

Innovative freedom is the third factor within the dimension, with an average rating of 3.3, which is the second lowest score among all factors. Nevertheless, from the interviews it is clear that innovation is an important part of a collaborative relationship, and that suppliers are seen as an important source of innovation (IMC Interview F, 2014). Several of the IMC personnel highlight a common understanding and open discussions about what to develop and how to develop it as important factors for innovation to occur (IMC Interview G-H, 2014). For IMC, innovations are primarily related to continuous improvements rather than development of new breakthrough innovations. Today, IMC is performing activities such as strategic meetings and innovation days in order to promote innovation with their suppliers. However, it is believed that the company can become much better at capturing the innovation provided by suppliers. To succeed it is stressed that they need more interaction across functions, and that the processes for innovation need to be aligned with their overall innovation strategy (IMC Interview B-D 2014; IMC Interview G-H, 2014).

To summarise, *Economic Performance* is driven by competition and demands put on the suppliers, which lead to an enhanced operational performance both for IMC and the supplier. Further, the factor of innovation has been highlighted as important for strong relationships, and for a firm's economic performance to increase.

5.1.3.3 Interaction

From the survey, the four factors of *Open Communication*, *Knowledge Exchange*, *Support and Development Activities*, and *Socialisation* are related to the *Interaction* dimension. This is further strengthened by the results from the interviews, in which the respondents in particular highlight communication as important. Communication could occur in various ways, ranging from face-to-face meetings to daily contact through phone and emails. Several of the

respondents emphasise that regular meetings between the two firms' top management are crucial as it helps to develop a common understanding of each other's business. The meetings should include discussions about expectations, common goals, values, and strategic issues (IMC Interview B-D, 2014; IMC Interview F, 2014). Common goals should be both operational and strategic. However, the respondents also mention the importance of having an active review of the stated goals, and measuring the outcome of the performance:

“A purchaser cannot just say that a supplier is strategic. Common goals must be established, as well as the type of relationship to have. You also need to monitor the supplier and do follow-ups.”

- IMC Interview F, 2014.

The results from the reviews must thereafter be communicated in the form of feedback, in order for the two firms to be able to improve. The feedback should be related to goal performance but also to how the relationship is evolving (IMC Interview B, 2014; IMC Interview D-E, 2014; IMC Interview H, 2014). Moreover, one of the respondents emphasises that IMC needs to have an internal alignment in their communication towards suppliers. The message should be consistent from all IMC departments, and all employees must know which suppliers are classified as strategic and treat them as such (IMC Interview C, 2014). Furthermore, it must be clear for the supplier with whom they should talk to in regards to different questions. Factories should handle operational questions, whereas the category managers are responsible for pricing and strategic issues (IMC Interview H, 2014).

“You also need to be open and share the information you have. I know many people are terrified of this, but I believe that it is essential. The more information the supplier has, the better work he can do.”

- IMC Interview C, 2014.

Another factor within interaction is knowledge exchange, which further has been highlighted during the interviews, as indicated by the above quotation. Openness in regards to technical exchange is important in order to understand each other's needs and wants, as well as to gain new knowledge. Thus, technical knowledge exchange facilitates for the supplier to meet IMC's expectations (IMC Interview G, 2014). Technical knowledge exchange also provide a common understanding of each other's products and facilities, which facilitate for the supplier to come up with new ideas for how to improve and develop the customer's products, and it

also promotes joint problem-solving (IMC Interview H, 2014). An example of information sharing is when IMC provides a strategic supplier with knowledge about the establishment of a new factory before other suppliers get the information. Thus, the strategic supplier is given an information advantage compared to its competitors (IMC Interview D, 2014). However, it is also emphasised that IMC can learn a lot from their suppliers, although they need to become much better at absorbing the specific knowledge (IMC Interview C, 2014).

The third factor within interaction is support and development activities. From the interviews it is clear that these activities can lead to improved results for the supplier and hence, indirectly for IMC. Today IMC performs various types of support and development activities. They have a quality assurance team, which perform professional audits and development of suppliers, as well as a supplier cost reduction programme, in which IMC personnel help the supplier with lean manufacturing and process improvements (IMC Interview H, 2014, IMC Interview B, 2014). If one of their suppliers makes losses, IMC can provide support and help the supplier back to black numbers. However, they do not normally support with capital or a price increase (IMC Interview B, 2014). It is emphasised that most of the activities occur on an ad-hoc basis. Hence, several of the respondents believe that IMC can improve their work within support and development (IMC Interview C-E, 2014; IMC Interview G, 2014). It is also stressed that the support should go to suppliers that are motivated to receive help, while no support should be directed towards companies that are badly managed (IMC Interview C, 2014). However, the support should be two-dimensional, in which a supplier also can support IMC with new solutions and processes in order for IMC to become more efficient (IMC Interview F, 2014). The below statement concerns IMC's handling of support and development activities:

“We do not conduct support- and development activities in a systematic way, we do it more on a spot basis. I think we have become more like fire-fighters than developers.”

- IMC Interview G, 2014.

According to the survey, socialisation is the least valued factor for a good buyer-supplier relationship. However, from the interviews it is emphasised that the importance of personal relationships and continuous meetings should not be underestimated (IMC Interview E, 2014; IMC Interview H, 2014). IMC performs various types of socialisation activities, such as workshops, supplier days, dinners and lunches (IMC Interview B-D, 2014). In regards to

lunches, Interviewee B (2014) highlights that one must be careful with these activities, as an invitation to an expensive lunch during tough negotiations for price reductions might give the supplier the wrong impression. However, the same respondent further mentions that socialisation activities, such as lunches, can facilitate conflict solving. The Supplier Day is another example of a socialisation activity that is highlighted as important, as it aims to motivate the suppliers, and helps to clarify IMC's expectations, goals, and visions (IMC Interview C-D, 2014). However, there is also a risk associated with such a day as IMC might become too transparent with the information supplied. Thus, there is a need to find the right balance between what suppliers to invite and what topics to present (IMC Interview H, 2014).

To conclude, *Interaction* is perceived as important and can occur in various forms within a relationship, ranging from daily communication, top management meetings, to knowledge exchange, support and development activities, and socialisation activities.

5.1.3.4 Emotion and Feeling

As mentioned, the survey factors of *Commitment*, *Fairness*, and *Mutuality* can be connected to the dimension of *Emotion and Feeling*. From IMC's side, all three of these factors are perceived as important, a fact that has been highlighted also in the corresponding interviews. In terms of commitment, it is stressed that the supplier must be committed to IMC's targets in regards to QCDIM, as well as to support its code of conduct, values, and drivers (IMC Interview A, 2014). However, a commitment must also be shown from IMC's side, as provided by Respondent F (2014) who states that IMC must stick to its commitments, in order not to lose its credibility. In addition, a more personal commitment must exist, primarily from the managers. If a supplier manager does not show a total commitment to its operations, but has several additional interests, it is believed that a customer should be cautious and consider terminating the relationship (IMC Interview B, 2014). Thus, personal commitment from managers is seen as essential. This is also true within IMC where the importance of a committed leadership has been highlighted, as the rest of the organisation is prone to direct its focus to areas perceived as important by managers (IMC Interview D, 2014):

“The leadership must walk the talk. If we have an annual review where things are promised, and next year the same issues come up as unresolved. Then the supplier starts losing confidence in our commitment to deliver on these things.”

- IMC Interview D, 2014.

Hence, a firm's ability to deliver on its commitments is highly connected to trust, which also has been emphasised by the IMC personnel as important for good relationships (IMC Interview D, 2014; IMC Interview F, 2014). Particularly in Asia, trust and top management personal relationships is considered to be of vital importance (IMC Interview D, 2014). Trust can, according to the respondents, derive from several sources. On the one hand, trust can be a result of clear processes, contracts, and that one keeps its promises. If a company do not have clear processes, then there is room for interpretation, which can lead to misunderstandings, thereby reducing trust between the parties (IMC Interview E, 2014). Another source of trust is related to integrity, and the adherence to ethical norms. This is exemplified by Interviewee B (2014), who claims that IMC cannot transfer knowledge gained at one supplier to the rest of its supplier base, even though this would improve IMC's overall performance. Here one must have integrity, otherwise no supplier would allow IMC to come and work together with them. The importance of trust and the adherence to ethical norms is highlighted in the following statement:

“In my opinion, a good relationship is that you have good communication, good trust, and mutual respect. It is important that you believe in each other, that you follow ethical norms, and that you keep your promises.”

- IMC Interview F, 2014.

In relation to trust, several of the respondents have particularly mentioned the importance of fairness. Hence, it is essential for a good relationship that a supplier is treated in a fair manner. According to the interviewees, fairness can imply several things. First and foremost, one has to ensure that the supplier makes a profit on the IMC business. In addition, one should never blame a supplier for one's own problems. If, for example, a delivery error has occurred, one must be open and honest in who is responsible for the mistake. It can be that IMC put in the order too late, and thus is partly to blame. In such a situation, fairness would imply that IMC and the supplier share the fine to the end-customer, based on who is more to blame for the late delivery (IMC Interview B-C, 2014). Hence, it is argued that as long as you are fair, you will earn respect from your partner. The importance of fairness was also observed during the Supplier Day, where IMC on several occasions explained the necessity of having demands on their suppliers (IMC Supplier Day, 2014). To exemplify, it was explained that the 3 per cent per annum cost reduction demand is required as IMC themselves often gives 6 per cent per annum to their customers. Thus, the fairness of the demand was clarified.

For a strong relationship to exist it is further important to develop a situation whereby both parties perceive a state of win-win, or at least that there is an intention by managers at both sides to generate benefits for the relationship partner. Several respondents have highlighted that business in the end has to make sense for both corporations (IMC Interview A-B, 2014). From IMC's side, the supplier must be profitable to be considered a sustainable partner, but there is a barrier to how much the supplier actually should earn from its business with IMC (IMC Interview D, 2014; IMC Interview H, 2014). As highlighted by Interviewee D (2014), a win-win outcome does not necessarily imply that the supplier always makes a profit. For the respondent, it is acceptable for a supplier to make temporary losses, if the relationship in the long run is beneficial for the supplier. In relation to this, it is mentioned that a sense of mutuality must exist also on an individual level, and therefore no ego can be present within the relationship, as this would kill the long-term partnership. So when talking about strategic suppliers, it is not only important what the supplier gives to IMC, but also what is given back to the supplier. Hence, it is argued that a customer must support its partner, so that the supplier perceives sufficient benefits to be deriving from the association (IMC Interview H, 2014). A relationship always includes two sides, which is important for relationship partners to remember (IMC Interview F, 2014). Thus:

“The relationship must be win-win, only then it is long-term. If there is only a short-term vision from both, then the risk is there.”

- IMC Interview H, 2014.

5.2 The Supplier Perspective on Buyer-Supplier Relationships

In the following section, the suppliers' perceptions of buyer-supplier relationships are presented. First, the suppliers' views on their relationships with IMC are presented. Thereafter, the perceived risks and benefits of the relationships are covered. Last but not least, the factors identified by the suppliers as important for strong collaborative buyer-supplier relationships are provided, in combination with statements in regards to how IMC performs within these areas.

5.2.1 The Supplier View on the Relationship with IMC

In order to derive a clear understanding of the relationships between IMC and the interviewed suppliers, a brief overview in regards to whether the suppliers consider themselves strategic is provided, followed by a description of how the relationships have developed over time.

5.2.1.1 The Strategic Supplier Concept

From the conducted interviews it is clear that all five companies consider themselves strategic suppliers to IMC (Supplier Interview A-E, 2014). In explaining why they consider themselves strategic, several arguments have been put forward. According to Supplier A, it primarily builds on the companies' dependence on one another, while other characteristics mentioned are a more long-term orientation, a deeper collaboration, risk-mitigation, and adaptation to the customer's systems and demands (Supplier Interview A-E, 2014). It is emphasised that a customer is more willing to listen to ideas and issues brought forward by a strategic supplier, and that the level of communication changes from only focusing on price to focusing on long-term strategies, plans and visions (Supplier Interview A-B, 2014; Supplier Interview D-E, 2014). Risk-mitigation and adaptation are also seen as important characteristics of strategic suppliers, whereby the supplier should be willing to help the customer reach its goals by making own demands and systems consistent to those of the customer, and by making sure that a customer never is affected by disruptions in the supply chain (Supplier Interview E, 2014). In addition, an important characteristic between a transactional and a strategic supplier is the deeper collaboration between the firms, as indicated by the below statement:

“So the most important difference between a more normal relationship and a strategic relationship is to work together and develop new solutions.”

- Supplier Interview C, 2014.

5.2.1.2 Development of the Relationships

The interviewed suppliers have all experienced diverging developments in their relationships with IMC, with some of the suppliers having relatively new relationships, while others have been supplying to the firm for more than 25 years. However, all suppliers share a common characteristic, namely that the business with IMC has grown over time, from primarily serving the local market to also exporting to other IMC factories around the world. Individually the interviewed suppliers cater between three and twenty IMC factories, and together they supply to factories in Europe, Asia, North America, and South America (Supplier Interview A-E, 2014).

In regards to the historical development, Supplier E (2014) describes that the relationship initially was great. However, due to changing market conditions and priorities, the relationship started to change, which created a strain in the relationship. According to the

interviewee, the deterioration of the relationship was primarily a result of varying expectations, whereby IMC did not explain their priorities in a clear manner, causing a gap in understanding between the firms. Over the last years, however, the gap has been reduced, and today Supplier E claims that they once again have a strong and growing relationship with IMC, where they are getting increasingly involved in new projects, expansion plans, and understanding IMC priorities. Supplier B (2014) and Supplier C (2014), who both have had very good relationships with IMC historically, provide a rather similar picture whereby the relationship in recent years has changed. According to Supplier B (2014), the contact with factories is still very good while it is felt that some of the continuous collaborations with the central purchasing group have been lost in recent years. A similar sentiment is presented by Supplier C (2014), who feels that the relationship has been better in the past:

“I get concerned sometimes that we do not have the level of relationship that we used to maintain for many years. Maybe it is due to the fact that business is much tougher and demanding than in the past.”

- Supplier Interview C, 2014.

For Supplier A (2014), on the other hand, the development has been almost the opposite. Here the relationship did not start out well, which the respondent believes was a result of the low trust between the parties. However, in a collaborative effort the parties managed to turn the relationship around. They started having weekly phone calls, which at first did not deliver the desired results, as the parties often came to the meetings unprepared. When this was changed, the meetings became more productive, as action lists were created and acted upon. As a result the relationship between the two companies deepened, and more business was given to the supplier. Today, the respondent claims to have a very good relationship, in particular to one specific factory. This is primarily a result of the willingness from both sides to develop the cooperation. Supplier D (2014) shares a similar development, where the relationship started out on a small scale, and where the relationship in the beginning moved very slowly. Nevertheless, once they became an established supplier they were able to grow rapidly together with IMC and today the parties are working together on the development of new parts, which gives the supplier confidence that IMC wants them to grow together with them.

To summarise, the experiences over the years have been rather different between the various

suppliers. Despite this, all firms see a positive future together with IMC, in which they all hope to grow the business between the companies (Supplier Interview A-E, 2014).

5.2.2 Perceived Results of the Relationship with IMC

As mentioned previously, the aim of the thesis is to identify the factors that characterise mutually beneficial buyer-supplier relationships, where the benefits of the cooperation outweigh the risks for both parties involved. To attain an understanding of whether the relationships studied can be considered mutually beneficial, the following sections will concern the suppliers' perceptions of their own, as well as IMC's, risks and benefits from having close collaborations.

5.2.2.1 Perceived Risks of the Collaborative Relationship

When it comes to the risks associated with a close collaborative relationship, all suppliers agree that there are few risks. However, one major risk mentioned by several of the suppliers is the risk of one actor becoming too dependent on the other (Supplier Interview A, 2014; Supplier Interview C-E, 2014). Hence, a more equal dependence is required as highlighted in the below citation:

“As long as it is balanced on both sides, I don't think there are any risks.”

-Supplier Interview E, 2014.

The risk of becoming excessively dependent on the other party could occur when a customer represents a large share of the supplier's total sales, and thus could be subjected to a large risk if the business between the parties was to reduce (Supplier Interview D, 2014). From the customer's side it could be that the buyer becomes too dependent on the supplier in regards to technical capabilities and improvements. Moreover, an additional risk mentioned is that close relationships require significant time and effort to build, and if something goes wrong within the relationship the parties risk destroying everything that they have worked on during the development of the relationship (Supplier Interview A, 2014). Hence, from the above descriptions it is clear that all suppliers perceive the risks of their collaborations with IMC to be relatively low (Supplier Interview A-E, 2014).

5.2.2.2 Perceived Benefits of the Collaborative Relationship

In regards to the advantages of having collaborative relationships, the suppliers perceive several benefits both for themselves, as well as for IMC. The benefits that the suppliers consider themselves to be delivering to IMC range from a wide product range, long-term

reliability, value for money, flexibility, and know-how (Supplier Interview A-E, 2014). In addition, the suppliers are committed to IMC's demands in regards to QCDIM, and are continuously working on improving their performance within these areas. As a result IMC can benefit from both a long-term reliability, as well as an enhanced flexibility, as the suppliers are adopting their systems to the demands put by IMC, and are working to become more flexible in meeting changing customer demands (Supplier Interview D-E, 2014). Moreover, the suppliers argue that they can bring benefits to IMC through the know-how that resides within their companies, as well as through the support that they are willing to provide to their customers, in the form of for example design solutions or training to factories (Supplier Interview A, 2014; Supplier Interview C, 2014; Supplier Interview E, 2014). However, the suppliers also perceive several benefits for their own organisations in working together with IMC, as indicated by the following quotation:

“The things we have learned about how to develop relationships, and the things we have learned about people, and how to manage the customer base, it has been invaluable, quite honestly.”

- Supplier Interview A, 2014.

Hence, important benefits for the suppliers are the learnings and the developments that can result from the association with IMC. These can be derived not only through the relationships per se, but also as a result of the demands that IMC puts on its suppliers, as well as the philosophies and strategies that they transfer to their partners, such as code of conduct and zero defect (Supplier Interview A-E, 2014). Other benefits perceived by the suppliers are that the relationship with IMC can give access to significant volumes and growth opportunities, in addition to the effects that the association can have on attracting new business, as a result of having IMC on its customer list (Supplier Interview A-E, 2014). Supplier D (2014) even goes as far as saying that IMC does the branding for them, as the company gets a better image just by the brand value that IMC represents. Hence, it is argued that:

“It gives you great pleasure and happiness to work with such a company. You feel satisfied, and in the end of the day satisfaction is what matters the most. If your customer is demanding something good, and you are fulfilling that, it makes you happy.”

- Supplier Interview D, 2014.

5.2.3 Factors of Importance for Collaborative Relationships

In this section, the factors brought forward by the suppliers as important for successful collaborative buyer-supplier relationships are presented, in combination with statements in regards to how the suppliers perceive IMC's performance within these areas. The findings have been collected from a two-part survey, as well as from interviews with the suppliers.

5.2.3.1 Survey Results

The survey, which was sent to all five interviewed suppliers, contained two distinct parts, as can be seen in Appendix 5. The first part was similar to the survey sent to IMC, where the respondents were asked to rate ten factors in regards to how important they are for successful buyer-supplier relationships. In the second part, however, the suppliers were asked to consider IMC's performance within these areas, resulting in ratings of how well they perceive IMC to be handling the factors. From the first part of the survey, the results shown in Table 3 were obtained. As in the case of IMC, the table displays average ratings, while individual supplier responses and standard deviations can be found in *Appendix 6: Overview of Survey Results*.

Table 3: Importance of Factors in Buyer-Supplier Relationships for Suppliers

Supplier Rating			
1. Profitable Exchange	5.0	6. Volume of Business	4.0
2. Open Communication	4.8	7. Support Activities	4.0
3. Fairness	4.8	8. Socialisation	4.0
4. Commitment	4.8	9. Mutuality	4.0
5. Knowledge Exchange	4.4	10. Innovative Freedom	3.4

Source: Own elaboration of survey responses.

As shown in Table 3, all interviewed respondents perceive *Profitable Exchange*, in terms of the relationship being profitable for the supplier, to be the most important factor for successful buyer-supplier relationships. Next, with the same average result of 4.8, the suppliers rate *Open Communication*, *Fairness*, and *Commitment*. However, also *Knowledge Exchange* is considered highly important for the suppliers. The factor receiving the lowest rating, on the other hand, is *Innovative Freedom*. Even though innovative freedom is given the lowest average score, it is still rated at 3.4, indicating the importance also of this factor. In terms of individual supplier responses, the factor of *Volume of Business* is given the most diverse rating, as indicated by the standard deviation in Appendix 6. In Table 4 below, the

results of the survey are once again presented, this time in accordance to the three dimensions of *Economic Performance*, *Interaction*, and *Emotion and Feeling*.

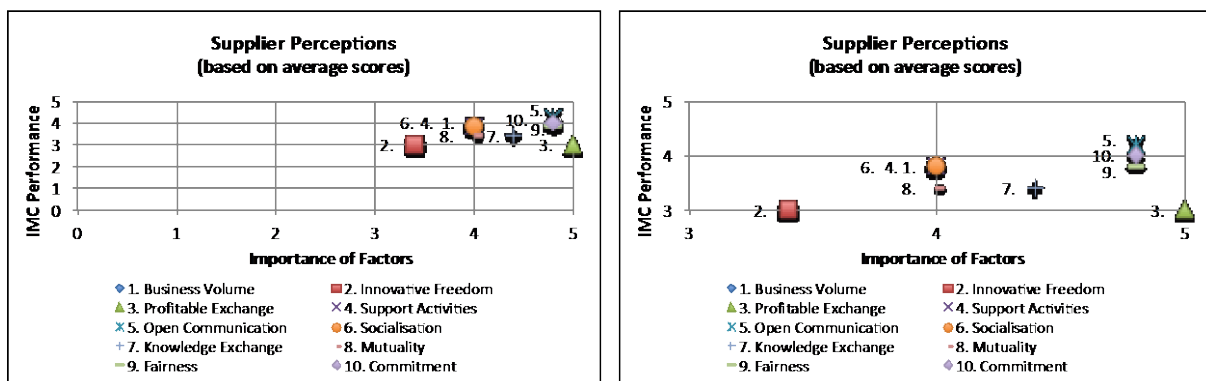
Table 4: Importance of Factors for Suppliers after Dimension

Economic Performance		Interaction		Emotion and Feeling	
Profitable Exchange	5.0	Open Communication	4.8	Commitment	4.8
Volume of Business	4.0	Knowledge Exchange	4.4	Fairness	4.8
Innovative Freedom	3.4	Support Activities	4.0	Mutuality	4.0
		Socialisation	4.0		

Source: Own elaboration of survey responses.

In addition to rating the importance of the factors, the suppliers were further asked to evaluate how IMC performs within these areas, this in order to perceive discrepancies between what is considered important, and what is done in practice. The average results of these two survey questions are illustrated in Graph 1 and Graph 2 below, while illustrations of the individual responses can be found in Appendix 6. In the graphs, the suppliers' perceived importance of the factors is seen on the x-axis, while the perceived performance of IMC is seen on the y-axis. As seen in Graph 1, all factors are located in the upper right corner, indicating rather high ratings also of IMC's performance. In the more detailed illustration in Graph 2, one can see that the suppliers rate all factors as more important than the current IMC performance, although the deviations in many cases are minimal, such as for *Volume of Business*, *Support Activities*, and *Socialisation*, where the discrepancy only amounts to 0.2. The largest deviations, on the other hand, relate to *Profitable Exchange*, *Knowledge Exchange*, and *Fairness*, where the discrepancies amount to 2.0, 1.0, and 1.0, respectively.

Graph 1-2: Supplier Responses of Importance of Factors and IMC Performance



Source: Own elaboration of survey responses.

Furthermore, in order to gain an enhanced understanding of the suppliers' perceptions of the various factors that are important for collaborative buyer-supplier relationships, also qualitative interviews have been conducted with supplier employees. In the following sections, findings from the interviews are presented, based on their connectedness to the three dimensions proposed to influence relationship strength.

5.2.3.2 Economic Performance

In regards to the factors included in the survey, *Profitable Exchange*, *Volume of Business*, and *Innovative Freedom* have been connected to the dimension of *Economic Performance*. Profitable exchange is seen as the most important factor for a strong collaborative relationship, a picture that is further strengthened by the conducted interviews, in which the majority of the suppliers highlight profitable exchange and growth as the basis for a relationship, without which friction and unhappiness will occur (Supplier Interview A-C, 2014; Supplier Interview E, 2014).

“The factors that are important are a consistent and profitable growth, that’s where it starts, if those things are available, then there is a basis for the relationship.”

- Supplier Interview E, 2014.

Another important factor related to economic performance, which is identified through the interviews is reliability. A buyer must be reliable when it comes to payments, which facilitates for the supplier to concentrate on its core activities. The supplier, on the other hand, needs to be reliable when it comes to aspects such as quality and delivery (Supplier Interview D-E, 2014). In regards to IMC's demands on QCDIM, which aim at continuous improvements within operational performance, all suppliers agree that the demands are good for the suppliers in the long-term perspective, as the demands motivate the suppliers to improve their operations (Supplier Interview A-E, 2014):

“Either you get better or you are no longer a supplier and there is nothing wrong with that in my mind. The toughest customers that we have help us to get smarter, and to become a better supplier to those customers.”

-Supplier Interview A, 2014.

Even though the demands cause stress in the short run all suppliers emphasise that it is possible to maintain a good relationship despite high demands on improvement, but that the demands need to be reasonable (Supplier Interview A-E, 2014). Several of the suppliers

further highlight the importance of having an open discussion with IMC in regards to the demands (Supplier Interview A, 2014; Supplier Interview D-E, 2014). In relation to this, one of the suppliers points out that IMC needs to become better at seeing the total picture, and not only look at the specific number achieved. There are times when factors are outside the supplier's control, and in these situations the supplier would want IMC to do the evaluation based on the context in which the situation occurs (Supplier Interview E, 2014). Thus, understanding the balance between the different needs and demands is important according to the suppliers (Supplier Interview B, 2014; Supplier Interview E, 2014).

An additional aspect included in the survey is innovative freedom, which is one of the lowest ranked factors among the suppliers. There are divided views among the suppliers in regards to how IMC is handling innovation today. Two of the suppliers consider IMC to be good both at allowing the supplier to innovate and at capturing the innovation that is made by the supplier, as long as there are clear benefits deriving from the innovation (Supplier Interview A-B, 2014). The other three suppliers, on the other hand, do not agree. Instead they see innovation as an area in which IMC can improve (Supplier Interview C-E, 2014):

“Quite frankly speaking I am not able to think of many instances where really we have been innovative with IMC, and we would want to do that. It would be our honour and pleasure to be able to do something where we innovate together.”

- Supplier Interview E, 2014.

This is further exemplified by another supplier who was encouraged by IMC to be innovative, but when the supplier came up with a solution it was never implemented by IMC. It is believed that one of the reasons for this is the complexity that exists between the factories and the central level within IMC, whereby an improved internal alignment could result in a better capturing of innovative ideas (Supplier Interview D, 2014).

To summarise the importance of *Economic Performance* for buyer-supplier relationships, the supplier interviews clearly show that a profitable exchange and business growth are the most important characteristics for successful collaborations, although one should not disregard the importance of innovation.

5.2.3.3 Interaction

From the survey, the factors of *Open Communication*, *Knowledge Exchange*, *Support Activities*, and *Socialisation* have been included in the dimension of *Interaction*. All four factors are perceived as highly important by the suppliers, which also has been accentuated in the interviews. In the interviews, communication has been identified as one of the key factors (Supplier Interview E, 2014). It is emphasised that one has to be open, and willing to communicate with each other (Supplier Interview B, 2014). Personal meetings are also regarded as important, as they can facilitate the parties' understandings both of each other, and of each other's expectations, visions, and strategies. Furthermore, it is highlighted that a buying firm must be open and honest with who they see as strategic suppliers, as this can motivate the supplier to deliver additional value to the relationship (Supplier Interview B, 2014).

“We got the message, we understand the targets, but there will be limits to what we can do and we have to communicate that.”

- Supplier Interview C, 2014.

As the quotation indicates, communication is crucial also in regards to the demands that a buying firm puts on its suppliers. The necessity of the demands needs to be clearly communicated from the customer's side, which several of the suppliers argue that IMC do well, but also the supplier must be willing to communicate with the customer if a demand is considered unreasonable (Supplier Interview A-E, 2014). If the communication is clear, all suppliers agree that it is possible to maintain a good relationship despite the demands put on the supplier (Supplier Interview A-E, 2014). A good relationship requires communication of feedback, which can help the parties improve. In regards to feedback, the suppliers mention that this is provided in both directions of the relationship with IMC (Supplier Interview A, 2014; Supplier Interview E, 2014). Nevertheless, Supplier E (2014) calls for more consistency in the feedback that they receive from factories, as it is believed that more feedback could enhance interaction, which in turn could generate more innovation.

Another factor identified as important is the need for interaction to occur, and be consistent, across multiple levels within a firm (Supplier Interview A-E, 2014). In regards to IMC, Supplier E (2014) mentions that the messages that they get from the company are consistent. However, this view is not shared by Supplier D (2014), who feels that messages can diverge,

and that it sometimes is unclear whether they should talk to a specific factory or to the central purchasing department at IMC. In terms of factory level communication, Supplier E (2014) feels that the current interaction mostly occurs when there is an issue, and would like to change this so that the communication also is proactive:

“I feel that right now, most of the plant interaction happens only when there is an issue. So how these interactions can turn into proactive interactions, that is the most important thing.”
- Supplier Interview E, 2014.

Knowledge exchange is another factor that is rated high in the survey, and which all suppliers consider important (Supplier Interview A-E, 2014). However, in regards to IMC's performance within this area, several of the respondents would like to see more technical discussions occur within the relationship. One supplier even mentions that the technical side at their firm do not know who is responsible for technical questions at IMC, which is a problem (Supplier Interview C, 2014). The lack of technical interaction is further emphasised in the quotation below:

“We feel that there should be more technical discussions, with the right people within IMC. Only then will we reach a level where we both understand the expectations, and can give the right suggestions, which can help towards innovation.”
- Supplier Interview E, 2014.

When it comes to support and development activities, an average rating of 4.0 is given, indicating the perceived importance of the factor. All suppliers mention that they have received support from IMC in various forms (Supplier Interview A-E, 2014). Three of the suppliers emphasise that whenever they have asked for help in regards to operational improvements, IMC has supported them. IMC has further provided the suppliers with systems and philosophies, such as zero defect and code of conduct, which the suppliers have benefited from and implemented also within their own supply chains (Supplier Interview A, 2014; Supplier Interview D-E, 2014).

Concerning socialisation, this factor was given the lowest rating within the interaction dimension. However, from the interviews conducted it is clear that personal relationships, as well as informal interactions, are considered important (Supplier Interview C-E, 2014). To exemplify, Supplier C (2014) emphasises that human relationships are important to maintain

good relationships. Hence, it is suggested that the employees at the two firms should get together in order to establish better relationships, which could reduce the risk for misunderstandings and conflicts. An example of a socialisation activity that is appreciated by all suppliers is the Supplier Day. To be invited to this day gives the suppliers confidence in the relationship. Furthermore, these days are appreciated, as the top management from IMC is present to communicate important messages directly to the suppliers. Even though the suppliers might have heard the information before, it is given an enhanced significance coming from the CEO (Supplier Interview B, 2014; Supplier Interview D, 2014). The importance of socialisation activities is highlighted in the following quotation:

“Informal interactions are important, because through them you can know what is happening. You need to have a relationship, because it is going to affect your long-term strategy with the customer.”
- Supplier Interview D, 2014.

Moreover, all suppliers mention that interactions, such as meetings and visits, on a top management level are important, visits from IMC’s top management, for example, motivates the whole company to perform well (Supplier Interview D, 2014). In addition, the visits are believed to enhance the customer’s confidence in the supplier, as an opportunity is provided to meet not only with the managers but also with the technical and quality people (Supplier Interview E, 2014). Due to the value of these visits, two of the suppliers emphasise that they would like to increase the interaction between the firms with a yearly meeting where managers, as well as other employees, come together to address issues and concerns that they experience, so as to come up with action plans on how to improve weak points in the relationship, which then are followed up at a certain frequency (Supplier Interview C, 2014; Supplier Interview E, 2014).

Hence, in regards to *Interaction* the factors of communication, knowledge exchange, support- and development activities, as well as socialisation activities such as the Supplier Day, have been highlighted by the suppliers as important for strong buyer-supplier relationships.

5.2.3.4 Emotion and Feeling

As described, the survey factors of *Commitment*, *Fairness*, and *Mutuality* have in our conceptual framework been connected to the dimension of *Emotion and Feeling*. The

importance of these factors has been highlighted also in the interviews conducted with the suppliers. In regards to commitment, it has been emphasised that a strong association must contain two managers that are willing and committed to making the relationship work (Supplier Interview A, 2014). In addition, it is essential that both parties are committed to fulfilling their promises (Supplier Interview A, 2014; Supplier Interview D, 2014). The importance of a clear commitment is especially accentuated by Supplier D (2014), who never wants to overcommit to a customer, as it creates additional pressure on the supplier. It can also result in a loss of trust if the supplier fails to deliver on its obligations. As indicated by the below quotation, a long-term commitment to a strong partner is proposed to become increasingly important with time:

“Sooner or later the whole world is going to be a common marketplace, so only the relationship will matter, if you have stuck with a good customer, or if you have stuck with a good supplier, that is going to be your strength.”

- Supplier Interview D, 2014.

Other factors identified by the suppliers as important for strong buyer-supplier relationships are trust and fairness (Supplier Interview A, 2014; Supplier Interview C-E, 2014). It is emphasised that trust in another party does not come in a day, but that it develops over time with the relationship (Supplier Interview C, 2014; Supplier Interview E, 2014). According to the suppliers, the sources of trust are multiple. It comes from everything that is said, as long as one can deliver on its promises (Supplier Interview A, 2014). Related to this is disclosure of information, where trust will build if no information given to a partner is further disclosed to a third party (Supplier Interview D, 2014). From IMC’s side, the suppliers also believe that performance outcomes are correlated to trust, and hence if the supplier’s performance improves, greater trust will develop. From the suppliers’ sides, it is mentioned that the actions of IMC over time will result in either enhanced or reduced trust, depending on changes in volumes, the fairness shown in dealings, and how IMC treats the supplier in a difficult situation (Supplier Interview E, 2014).

“If I am in genuine trouble and I go to my customer, if he understands, that is going to build the trust. If he is not fair in that situation, it’s going to break the trust.”

- Supplier Interview E, 2014.

As indicated by the above statement, fairness is proposed as an important antecedent to trust. In a strong relationship, fairness must be present, from both sides. The customer must treat the supplier fairly, and the supplier must be willing to share savings or improvement projects with its customer. The suppliers give several examples of fairness. On the one hand, fairness relates to the contract and the expectations within the relationship, where one should adhere to its obligations. On the other hand, fairness is also shown in problematic situations. If a customer receives a penalty from its customer, does the customer automatically pass the complaint on to the supplier, or does he take responsibility for the mistake (Supplier Interview A, 2014; Supplier Interview E, 2014). In regards to fairness, Supplier A (2014) believes that this is what differentiates IMC from many other customers, their willingness to take ownership of their problems. Nevertheless, Supplier E (2014) states that IMC could be rated higher in terms of fairness if they start giving business on a more preferential treatment basis, and if they could support the company in a difficult time. The importance of trust is highlighted in the below statement:

“I believe strongly in relationships and that they are what grow companies and that they are what hold together suppliers and customers, because if you can develop a trust and a relationship you can weather the storms, and there will always be storms.”

- Supplier Interview A, 2014.

For a strong collaborative relationship to exist, a sense of mutuality has also been emphasised, where there must be an intention by managers on both sides to generate benefits also for the corresponding partner. As stressed by Supplier C (2014), a good relationship is characterised by a win-win outcome for both parties, whereby both companies are satisfied in regards to profits, relationships, and developments. Hence, both have to see the value in working together and that there is a mutual intention by managers in making the relationship beneficial for both parties (Supplier Interview E, 2014). In regards to their relationships with IMC, all suppliers claim that the relationships are mutually beneficial, and that although IMC has not been an easy customer the suppliers have learnt from the association (Supplier Interview A, 2014). However, Supplier C (2014) argues that one should not exaggerate the existence of a win-win, as there always are difficult questions to address, whereby one party will derive relatively more benefits than their counterpart. As the industry for a long time has been characterised by a buyer's market, it is stated that customers still are in a superior position to appropriate benefits. Despite this, the majority of the respondents feel that IMC care about the

benefits derived by the suppliers. In particular, it is felt that IMC is concerned with the performance of their suppliers, but that this concern primarily is for their own benefit, as IMC will be affected if a supplier's performance weakens (Supplier Interview E, 2014). Supplier A (2014) provides a more positive picture, in which they feel that IMC is sensitive to how the company is doing, as well as to what they need in order to keep their business running. Hence, it is felt that managers at IMC have their best interest in heart. This can be connected to a statement made by Supplier B (2014), who argues that a strong collaborative relationship also must include a mutual respect for each other, and for each other's opinions and problems.

To conclude, the factors incorporated in the dimension of *Emotion and Feeling*, namely, commitment, fairness, and mutuality have all been emphasised by the suppliers as essential for strong collaborative buyer-supplier relationships. In addition, trust with its clear connection to fairness, and mutual respect, have also been highlighted.

Chapter 6: Analysis

In this sixth chapter, the empirical findings from both IMC and the interviewed suppliers are analysed and compared to the theoretical framework, where the established conceptual model is in focus. Hence, the focal point of the analysis is on the factors that characterise successful collaborative relationships, as well as on the interdependence and sequence of the factors. First, however, initial assumptions are analysed in regards to their appropriateness.

6.1 Strategic Suppliers and Collaborative Relationships

In the beginning of the thesis, an assumption was made that collaborative relationships primarily are entered into with strategically important suppliers. The assumption was built on findings from previous literature, in which influential researchers have argued that close collaborations primarily should be established with companies supplying strategic items, as the importance of the products warrants the significant investments necessary in such relations (Caniëls & Gelderman, 2005). According to previous researchers, strategic supplier relationships are characterised by a mutual dependence, a long-term orientation, information sharing, and an intention of achieving a win-win outcome. As a result, the relationship objective is not solely on cost minimisation, but rather on value creation (Fossas-Olalla et al., 2013; Anderson & Katz, 1998). Similarly, the IMC personnel highlight that strategic suppliers are vital to the business, indicating an existing dependence. Moreover, it is argued that strategic supplier relationships are characterised by a close collaboration in terms of both operational and strategic issues, where technical information, goals, and expectations are shared. In terms of their supplier base, it is argued that IMC have started to integrate the strategic supplier concept, but that the relationships in practice often are more operational than strategic. Nevertheless, all interviewed suppliers consider themselves strategic to IMC, as the relationships include a mutual dependence and a deeper collaboration, hence indicating the suitability of the interviewed suppliers for studying collaborative relationships. However, several of the IMC employees mention that close collaborations are necessary also with other suppliers, who are not defined as strategic, but still regarded as important. Due to this statement, and the employees' hesitancy in regards to whether they actually have strategic suppliers, the initial assumption is revisited. Thus, a more appropriate focal point of the thesis is collaborative relationships, which not necessarily are established solely with strategic suppliers.

6.2 Results of Collaborative Relationships

As the purpose of the thesis is to study the factors that characterise mutually beneficial buyer-supplier relationships, a prerequisite was to investigate the perceived outcomes of the collaborations. According to Hansen (2009), mutual benefits are seen as a necessity for successful collaborations, which has been emphasised also in the interviews. In the thesis, a mutually beneficial relation has been defined as one where the perceived benefits are higher than the risks, both for the buying and the supplying firm. Hence, an analysis of the parties' perceptions of the risks and benefits is provided. Here, the findings are both general and relationship specific, as the IMC personnel, due to confidentiality reasons, were not informed of the particular suppliers interviewed.

In regards to general risks with having close collaborations, both the IMC personnel and the suppliers highlight dependence as a critical risk, as it creates a power imbalance in the relationship. Dependence on another party can according to theory be a result of (1) the level of relation-specific investments, (2) the value of the relationship for a party, and (3) the number of alternative partners that exist (Hald et al., 2009). In the interviews, the suppliers primarily highlight the second source of value, while IMC respondents relate dependence to relation-specific investments. However, also the suppliers have referred to the resource intensiveness of collaborative relationships, and that this implicates a significant risk, as a company has a lot to lose if a relationship starts to deteriorate. The resources invested also increase the risk of opportunism (Anderson & Jap, 2005), which IMC interviewees mention as a possible threat with performing supplier development activities. Moreover, the IMC employees mention that close collaborations can lead to a loss of objectivity, whereby one either fails to identify new suppliers or is given fewer alternatives, as potential suppliers are aware of one's existing collaboration. These risks are in line with previous research, in which it is argued that collaborative relations can lead to situations where better partners are neglected (Villena et al., 2011). Hence, it is clear that the IMC personnel perceive greater risks with close collaborations than the suppliers.

In terms of benefits, previous literature is extensive, having shown improvements related to operational-, financial-, as well as strategic performance (Villena et al., 2011; Goffin et al., 2006). For customers, both the suppliers and the IMC employees highlight that close collaborations can result in an enhanced operational performance, flexibility, and innovative capacity. In regards to operational performance, the primary benefits relate to the supplier's

performance reliability, and ability to continuously improve within the areas of cost, quality, and delivery. Moreover, previous theory has proposed that a collaborative buyer-supplier relationship can result in lower transaction costs, due to the trust that exists between the parties, which mitigates opportunistic behaviour and thus the need for formal governance mechanisms (Dyer & Chu, 1997). While our findings support that opportunism can be reduced through the existence of trust and a mutual dependence, hesitancy remains to whether formal controls actually can be substituted by relational controls. Rather, several of the respondents argue that both relational and contractual controls need to be present within collaborative relationships, as more sensitive and complex issues are handled, related to for example innovation and intellectual property rights. Concerning supplier benefits, the findings largely correspond to previous literature, where the achievement of a stable business, performance improvements, and access to customer know-how have been emphasised (Henke et al., 2008; Kalwani & Narayandas, 1995). Furthermore, in terms of a more relation-specific advantage, the benefit of having IMC on the customer list has been accentuated. It is argued that a supplier attains both a higher brand value, as well as a proof of competence, just by having IMC as a customer. Thus, by acting as a showcase account IMC can generate additional benefits to the supplying firm, which is consistent with previous research (Kalwani & Narayandas, 1995).

From previous research it is clear that the benefits of having collaborative relationships can be substantial both for the buying and the supplying firm, which is true also for the investigated relationships, in which all suppliers perceive the relationship with IMC to be mutually beneficial. This finding is enhanced when observing the perceived risks and benefits with collaborative relationships, whereby all respondents argue that the possible benefits far exceed the risks, indicating that the interviewed suppliers are appropriate for studying the subject of what factors that characterise mutually beneficial relationships.

6.3 Factors of Importance for Successful Relationships

In regards to the factors that characterise mutually beneficial buyer-supplier relationships, findings have been obtained from surveys, in which ratings were given in terms of the perceived importance of ten different factors. Moreover, interviews have been conducted, which allowed for deeper descriptions and explanations of the factors considered essential for successful collaborative relationships.

6.3.1 Survey Results

From the survey, which was built on factors highlighted as important by previous researchers, the average results shown in Table 5 were obtained. As the possible ratings ranged from ‘0’ to ‘5’, with the latter indicating ‘very important’, it is clear that all factors included in the survey were considered to be of significance, as no factor received a lower rating than 2.9. In the ratings, one can detect a tendency that the suppliers perceived a clear majority of the factors as more important than their IMC counterparts, the two exceptions being *Commitment* and *Mutuality*, which were given slightly higher scores by the IMC personnel. The reasons for the higher supplier ratings can be several. One possible explanation for the result might be that the suppliers perceive the relationships as more important than their customer counterparts. This can be due to the fact that the industry is considered a buyer’s market, whereby customers frequently are perceived as the dominant party with relatively more bargaining power. Hence, the supplier’s relative dependence on the relationship is assumed to be higher. Having said that, it is clear that also the IMC personnel consider the factors to be of importance, with ratings not much different from those of the suppliers. However, in terms of *Socialisation* and *Profitable Exchange* the results diverge, with ratings of 2.9 versus 4.0 and 4.1 versus 5.0. Hence, the suppliers perceive these factors as significantly more important, which again might be an indication of the relative importance given to the collaboration. To summarise the main findings, it is evident that both parties rate *Commitment*, *Fairness*, and *Open Communication* as the most important factors for successful buyer-supplier relationships, if the factor of *Profitable Exchange* is disregarded from the supplier results. The

Table 5: Importance of Factors in Buyer-Supplier Relationships

IMC Personnel Rating		Supplier Rating	
1. Commitment	4.9	1. Profitable Exchange	5.0
2. Fairness	4.6	2. Open Communication	4.8
3. Open Communication	4.4	3. Fairness	4.8
4. Knowledge Exchange	4.3	4. Commitment	4.8
5. Mutuality	4.3	5. Knowledge Exchange	4.4
6. Profitable Exchange	4.1	6. Volume of Business	4.0
7. Volume of Business	3.9	7. Support Activities	4.0
8. Support Activities	3.7	8. Socialisation	4.0
9. Innovative Freedom	3.3	9. Mutuality	4.0
10. Socialisation	2.9	10. Innovative Freedom	3.4

Source: Own elaboration of survey responses.

standard deviations of these three factors are also among the lowest, indicating that the respondents are in agreement in regards to the importance of the factors. Among the lowest rated factors, on the other hand, we find *Socialisation* and *Innovative Freedom*.

6.3.2 Economic Performance

In the thesis, *Economic Performance* is one of three dimensions proposed to influence relationship strength. Previous researchers have argued that it is the potential economic value from a collaboration that primarily motivates firms to enter into relationships (Autry & Golicic, 2010). Thus, a strong relationship must include a perceived potential by both parties to derive enhanced economic performance. From the survey, the factors of *Profitable Exchange*, *Business Volume* and *Innovative Freedom* are connected to economic performance, of these profitable exchange and business volume are related to operational performance, which is emphasised by all respondents as an important factor within collaborative relationships. Previous theory has highlighted improved profits, lower costs, reduced inventories, and more reliable deliveries as potential economic benefits derived from collaborative relationships (Autry & Golicic, 2010). From a supplier's perspective, it is mentioned that profitable exchange and growth in terms of business volume, are seen as a basis for any relationship while the IMC personnel highlight competitiveness as the foundation. The IMC respondents further mention that even strategic suppliers must be exposed to competitive pressures, as they otherwise will start to relax. This is in line with previous research, where Henke et al. (2008) have stated that customer demands on a supplier are a prerequisite in order to stay competitive, signifying that the demands must be present although it might affect the supplier's perception of the relationship. Thus, to counteract the possible negative impact from the demands, other actions must be present within the relationship. Our findings indicate that communication is key to maintaining a good relationship despite these demands. Both the IMC personnel and the suppliers emphasise the importance of having an open dialogue, in which the supplier can express its view on the demands. The suppliers further argue that the customer needs to be fair in its judgement and evaluation of the performance. Although the demands initially cause stress, all suppliers emphasise that the demands help them improve in the long run. Thus, customer demands contribute to enhanced operational performance, which in turn bring economic value for both parties in a relationship. However, clear and open communication is needed in order to maintain the collaboration. In terms of operational performance, it is further emphasised that

it is not only a partners improvements that matter, but also the reliability of the performance, a finding that is consistent with previous research (Fossas-Olalla et al., 2013).

According to theory, an improved economic performance can further be derived from the competitive advantage generated from combination of resources (Barney, 1991). However, critics to the resource-based view argue that it is impossible for firms to achieve sustained competitive advantage, as the use of resources constantly must be adapted to changing circumstances (Kraaijenbrink et al., 2010). Despite this, several of the suppliers stress the importance of resource combination in the form of joint development plans and projects. However, based on our findings, we argue that resource combination should not be seen as an individual factor for a collaborative relationship, but rather as an important element within other factors such as knowledge exchange, innovation, and support and development activities. Moreover, theory highlight that combination of resources, together with the expected value of the relationship, and the number of existing alternative partners, can be a source of perceived dependence within a relationship (Hald et al., 2009; Yan & Dooley, 2014). Unequal dependence is by many of the respondents seen as a main risk with collaborative relationships. Thus, the existence of mutual dependence in a collaborative relationship is important as it reduces risk and secures that benefits are derived by both parties. Therefore we argue that mutual dependence should be seen as a crucial factor for a mutually beneficial relationship to exist.

As mentioned, theory states that resource combination facilitates innovation, which is an important source for the generation of competitive advantage and enhanced economic performance (La Rocca et al., 2012; Henke & Zhang, 2010). Nevertheless, the survey results show that innovative freedom, in terms of giving the supplier freedom to innovate, is among the lowest ranked factors. However, from the interviews it is clear that a more suitable question would be whether innovation actually occurs within the relationship, or whether the relational partner captures the innovation generated, as all partners are allowed to innovate. Despite this distinction, it is emphasised by the IMC personnel that they see suppliers as an important source of innovation. But, they highlight that open discussions and a common understanding are needed in order to know what to develop. Hence, communication is crucial in order for innovation to occur. The suppliers, on the other hand, mention that they would like more innovation to occur, and they emphasise that joint innovation and development projects are a way to build confidence and bring long-term value to the relationship. Thereby,

innovation can be considered important for long-term strategic benefits to be derived. However, for more innovation to occur the suppliers call for more technical discussions within the relation. Thus, the importance of communication is once again highlighted.

To conclude, in the *Economic Performance* dimension it is highlighted that good *operational performance* and *innovation* are seen as essential elements for a successful collaboration. The findings also emphasise the significance of *mutual dependence*, while combination of resources on the other hand should be seen as an important aspect within other factors, such as knowledge exchange and innovation, rather than as an individual factor for a mutually beneficial relationship.

6.3.3 Interaction

From the survey it is clear that there is a wide spread in regards to the perceived importance of *Socialisation*, *Communication*, *Knowledge Exchange*, and *Support and Development Activities*, which are included in the *Interaction* dimension. Of these factors, socialisation is the lowest ranked. However, the interviews indicate a contradicting result whereby respondents from both sides stress the importance of socialisation activities and the establishment of personal relationships. Previous research has made a distinction between formal socialisation, which aims to facilitate communication and promote information sharing, and informal socialisation with the purpose of aligning values and goal (Cousins et al., 2006). Hence, the importance of socialisation for other interaction-related activities, such as communication and knowledge exchange, is clear, which further is emphasised by the respondents. The Supplier Day, for example, is highlighted as important for communication of expectations and goals, as well as for the confidence it brings to the suppliers, which motivates them to deliver additional value to the relationship. Thus, socialisation activities enhance communication, which according to previous studies concerns sharing of expectations, plans, goals, and evaluations, such as feedback. This communication is important as it reduces the risk for misunderstandings and divergent priorities (Hald et al., 2009; Paulraj & Chen, 2007; Modi & Mabert, 2007; Powers & Reagan, 2007). Both IMC and the suppliers agree that meetings in order to understand each other's business, expectations, visions, and problems are crucial. The importance of communication is essential also in order to derive an enhanced operational performance from the supplier, as feedback provided by the customer can help to identify areas of improvement. Furthermore, both sides mention the importance of communicating to the suppliers that they are strategic, as this gives the

suppliers motivation to deliver additional value to the relationship. A good way to communicate such a thing is to invite the suppliers to activities such as the Supplier Day.

As mentioned, socialisation activities also aim to facilitate knowledge exchange, which is a factor perceived as important by both parties in the survey. Previous literature states that knowledge transfer is important for organisational learning, joint problem-solving, and achievement of cost reductions. It is also believed to increase the supplier's commitment to the end product (Brandes et al., 2013; Lee, 2002). The suppliers emphasise that technical discussions lead to an enhanced understanding of expectations, which facilitate for the supplier to be innovative. This is also stressed by the IMC personnel who mention that knowledge exchange facilitates joint problem-solving. However, the suppliers call for more technical discussions in their specific relationships with IMC, while the IMC employees mention that they must become better at absorbing knowledge from the suppliers. According to Szulanski (1996), knowledge sharing can be hampered due to stickiness, either in regards to a lack of motivation to share information or a lack of absorptive capacity from the receiving party. Hence, the request for more knowledge exchange to occur might be an indication of an existing stickiness. Moreover, support and development activities are closely linked to knowledge exchange. It is stated by both parties that the activities facilitate for operational improvements to occur, which is in accordance with previous theory (Modi & Mabert, 2007). For the relationship to be mutually beneficial it is also important to emphasise that the support should go in two directions and not only from the customer to the supplier. During the interviews, support and development activities were referred to as a benefit from having collaborative relationships rather than as a specific factor. However, due to its importance for improvements to occur, we argue that support and development activities are an essential element that contributes to the perception of a mutually beneficial relationship. Hence, we consider it more as a factor for, rather than an outcome of, collaborative relationships.

To summarise, it is evident that there is a broad connection between the four factors of *Socialisation, Communication, Knowledge Exchange* and *Support and Development Activities* within the *Interaction* dimension. All these factors are perceived as important for a mutually beneficial buyer-supplier relationship for both the IMC personnel and the suppliers, and the findings indicate the reinforcing effect the factors have on each other.

6.3.4 Emotion and Feeling

From the survey, the factors of *Fairness*, *Commitment*, and *Mutuality* have been linked to the dimension of *Emotion and Feeling*. The connection was made due to the factors closeness to personal intentions, motivations, and feelings that affect buyer-supplier relationships. In terms of mutuality, which refers to an intention by managers on both sides to find a win-win outcome, this factor has been highlighted as essential for successful collaborations both by IMC, the suppliers, as well as previous researchers. In previous literature, the importance of win-win has been emphasised, as no party otherwise would be interested in continuing the association. Hence, the factor is built on reciprocity norms, and the belief that managers on both sides have an intention of generating benefits also for the corresponding party (Cox, 2004; Autry & Golicic, 2010). From IMC's and the suppliers' side, this has further been accentuated, as it is argued that both parties have to see the value in working together, be it in terms of profits, developments, and learnings achieved through the collaboration. Thus, the parties must support each other, so that benefits can be attained from both sides. For this to be achieved, it is argued by the IMC personnel that no egos can exist within the relationship, as this would mitigate the sense of mutuality.

Also a commitment from the top management in both companies has been identified as an important characteristic for successful collaborations. According to theory, commitment can be related to either a dedication of resources, or to a continuation of a relationship (Terpend et al., 2008; La Rocca et al., 2012). In the survey, this factor has been ranked among the most important. Both IMC and the suppliers argue that top management commitment is essential as it indicates willingness in regards to making the collaboration work. Further, as an organisation tends to focus on areas highlighted as important by managers, a leadership commitment to fulfilling obligations is fundamental. If a partner does not fulfil its commitments, it is argued that the trust towards that partner will be affected. Hence, an intention of fulfilling obligations, and adhering to values and principles of the partner is important. In addition, it is emphasised that a perceived long-term commitment from an associate can result in an enhanced motivation to satisfy the needs of the relationship partner. Thus, it can result in fewer conflicts, and lead to joint problem-solving (La Rocca et al., 2012; Wu & Cavusgil, 2006). Hence, mutual commitment is an important characteristic of successful relationships.

The survey further proposed fairness, with its close connection to trust, as an important factor for collaborative relations. This proposition was supported both by IMC and the suppliers, which rated the factor as one of the most essential. Also previous researchers have highlighted trust and fairness as characteristics of successful collaborations, as trust in another can result in an enhanced knowledge exchange, which is essential in collaborative relationships. In theory, trust is proposed as a construct of ability, benevolence, and integrity, with the latter dimension containing fairness in actions as an important antecedent (Hald et al., 2009). Hence, the effect of fairness on trust has been accentuated also in previous literature. As indicted, both IMC and the suppliers have highlighted the importance of trust and fairness, whereby they relate trust to various sources. On the one hand, trust is connected to the reliability of the other party, in terms of adhering to contracts and doing as promised, which can be considered an ability-based trust. On the other hand, trust is also related to a party behaving fairly and according to ethical norms, whereby enhanced trust can be attained by supporting the partner in a difficult time, or by handling information shared in a confidential manner. Thus, the latter examples are significantly more related to the benevolence and integrity constructs of trust. According to one of the suppliers, a relationship built on trust will enable the partners to overcome hardships, indicating the importance of the factor. As mentioned, fairness has also been emphasised by a majority of the respondents as imperative for trust and good relations. Fairness has primarily been related to how one treats its partner, if one is honest and objective in dealings. It is argued that as long as you are fair, you will earn respect from your partner, which also is considered an important characteristic of successful collaborations. Both IMC and the suppliers highlight that mutual respect must be present, both for each other's opinions and problems.

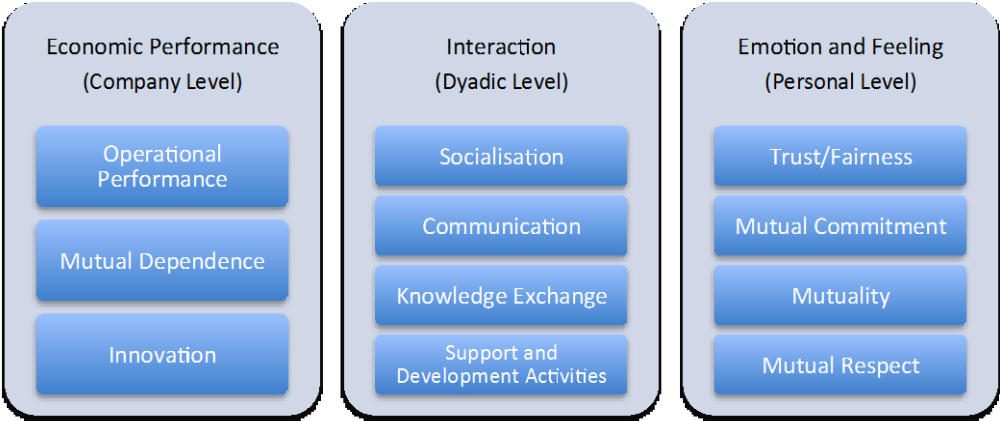
To conclude, several characteristics related to the dimension of *Emotion and Feeling* have been found, ranging from *Mutuality*, *Commitment*, *Trust/Fairness*, and *Respect*. With these factors present within a collaborative relationship, it is argued that an enhanced motivation and willingness to add value to the relationship will exist, as well as an improved motivation to overcome problems and issues. Thus, these factors are important characteristics of mutually beneficial buyer-supplier relationships.

6.3.5 Conceptual Model Revisited

Following the analysis, we now revisit the conceptual model developed from the literature review in order to evaluate the accuracy of the framework. Based on the findings we see no

need to adjust the initial model, as we find significant proof that factors within all three dimensions of economic performance, interaction, and emotion and feeling influence both buyers’ and suppliers’ perceptions of collaborative relationship strength, this since the factors in the dimensions reinforce one another. Moreover, we find that strong relationships, in accordance with theory, do result in positive outcomes for both parties. Thus, the model is considered appropriate for the study of what factors that characterise mutually beneficial buyer-supplier relationships. Nevertheless, we find a need to revisit the dimensional factors proposed initially, as some factors highlighted in previous research have not been mentioned during the interviews, while additional factors have been emphasised. In Figure 6 below, a revisited illustration of the dimensional factors can be seen. As illustrated, the factor of resource combination has been removed in the economic performance dimension, in favour of the factor of mutual dependence, which is found to reduce opportunistic behaviour, and thus contribute to a mutually beneficial exchange. The exclusion of resource combination was done as none of the respondents explicitly mentioned the factor, but instead emphasised factors such as innovation and support activities, in which combination of resources is present. Hence, the individual factor of resource combination is removed, as it automatically is part of other factors included in the framework. In addition, adjustments have been made in the emotion and feeling dimension, where the importance of fairness as an antecedent to trust has been highlighted, together with the importance of mutual respect within the relationships, which leads to an enhanced willingness to listen to, and help, the relational partner. In subsequent sections we provide a deeper analysis of these factors, in terms of their interdependence and whether a certain factor triggers a closer collaboration.

Figure 6: Dimensional Factors Revisited



Source: Own elaboration.

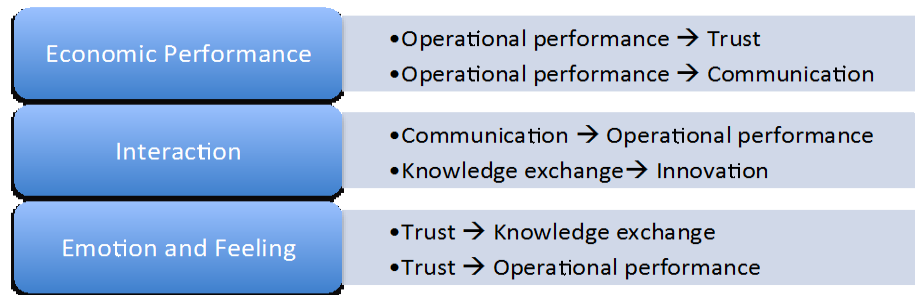
6.4 Interdependence of Factors

Previous literature has emphasised an existing correlation between the factors within the three dimensions; economic performance, interaction, and emotion and feeling. Thus, the factors are proposed to be highly interdependent (Autry & Golicic, 2010; Cannon et al., 2010). This is in line with our findings, where a clear interdependence between some of the factors has been identified. When it comes to *Economic Performance* it is emphasised that strong operational performance builds trust (Stuart et al., 2012; Autry & Golicic, 2010). This is supported by a supplier who argues that their good performance will lead to an enhanced trust from the customer. In contrast, many previous researchers have argued an opposite causality, whereby trust is an antecedent to performance (Nielsen, 2011). The divergent results might be due to this study's focus on collaborative relationships, where a basic level of trust already has been established. Thus, while basic trust is necessary for improved operational performance at an initial stage of a relationship, we find that in more established relationships the opposite causality also exists. In addition, one of the IMC employees emphasises that a supplier's good operational performance facilitates communication, which in turn can increase the trust between the parties. Further, several of the suppliers highlight that a profitable exchange and growth are necessary within a relationship in order not to create friction and unhappiness, which would reduce trust. Thus, good operational performance is crucial in order to promote trust in a relationship.

The second dimension *Interaction* has a prominent role in terms of interdependence. In line with theory it is emphasised that communication can lead to enhanced operational performance (Modi & Mabert, 2007). This is highlighted by one of the IMC employees who claims that communication in terms of feedback, particularly of goal achievement, will allow the supplier to improve performance. Furthermore, both the suppliers and IMC highlight the importance of clearly communicating to suppliers that they are strategic, as it motivates the supplier to deliver additional value to the relationship. The interviewees also emphasise the importance of knowledge sharing as a promoting factor for innovation and joint problem-solving, which is in line with findings made in previous research (Cousins et al., 2006; Dyer & Chu, 2011). In terms of *Emotion and Feeling*, it is stated in theory that commitment influences trust, which in turn affects information sharing (Terpend et al., 2008; Hald et al., 2009). This is supported by both the suppliers and the IMC personnel, who argue that a firm needs to deliver on its commitments, in order not to be perceived as less trustworthy. If a high trust exist between the parties, it is mentioned by the suppliers that this can result both in

more business being given to the company, as well as in an enhanced knowledge sharing, as the supplier has proven reliable when it comes to non-disclosure of customer information. Hence, our findings support previous literature in regards to an existing correlation and interdependence between the various factors, which can be seen in Figure 7 below.

Figure 7: Overview of Interdependencies



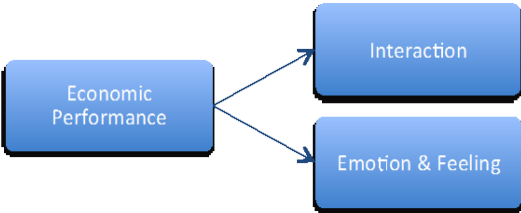
Source: Own elaboration.

6.5 Trigger of a Closer Collaboration

In regards to whether there are specific factors that trigger collaborative buyer-supplier relationships, previous literature has pinpointed operational performance, trust, and interdependence. Operational performance is seen as the trigger of a transactional buyer-supplier relationship, a fact with which we concur as several respondents in this study have highlighted factors such as profit, growth, reliability, and competitiveness as the foundation of a relationship. Trust, on the other hand, is identified as the trigger that transforms the relationship from a transactional level to a collaborative relationship, whereby it is argued that trust is a result of increased communication (Vanpoucke et al., 2014). However, based on our findings we do not concur with theory. Instead, we argue that increased interaction, mainly through improved communication, rather than trust, triggers a collaborative relationship, although the two factors are highly interrelated. This argumentation is built on interview findings, whereby a supplier mentions that the relationship with IMC did not start out well, due to lack of trust and commitment. However, the relationship started to change when both parties became more open with their expectations, and when they started to communicate action lists on what needed to be done. That in turn built trust in the relationship, and lead to more business. Thus, increased communication was the trigger that changed the relationship to a more collaborative character. Another supplier mentions a similar example where they initially had a very prosperous relationship with IMC. However, the relationship deteriorated over time as the demands increased, while at the same time the expectations and

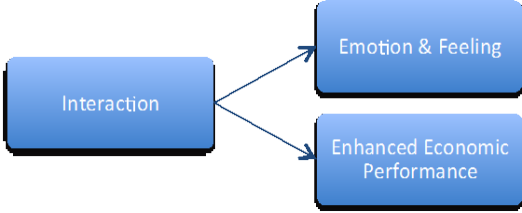
communication became less clear. This clearly indicates the importance of extensive communication in a relationship. This is further strengthened by theory, as well as the empirical findings, which show that strong interaction facilitates enhanced operational performance and positive emotions and feelings towards the partner (Modi & Mabert, 2007). Hence, we argue that economic performance is the trigger of a transactional relationship, while interaction is the trigger that transforms the association into a collaborative relationship, as indicated in Figure 8 and 9 below.

Figure 8: Initial Trigger of Relationship



Source: Own elaboration.

Figure 9: Trigger of Closer Relationship



Source: Own elaboration.

Chapter 7: Conclusion

In this seventh chapter, final conclusions are drawn in relation to the initially proposed research questions in regards to the factors that characterise mutually beneficial buyer-supplier relationships, as well as to the interdependence and triggers of the factors. Finally, to end the thesis, managerial implications and suggestions for future research are presented.

7.1 Final Conclusions

The primary aim of this thesis has been to investigate *the factors that characterise mutually beneficial buyer-supplier relationships*. In answering this question, findings have been derived also in regards to the sub-questions of the *interdependence* between the factors, as well as whether a particular factor *triggers* a closer collaboration. Hence, the contributions of the study are proposed to be threefold, resulting in the conclusion that a mutually beneficial relationship must include factors related to the three dimensions of economic performance, interaction, which triggers a closer collaboration, and emotion and feeling, as these dimensions are highly interdependent and contribute to relationship strength.

In regards to the factors that characterise mutually beneficial buyer-supplier relationships, the main contribution has been the adoption of a dyadic perspective, whereby we have identified factors that both the buyer and the suppliers perceive as important. The conclusions are that all survey factors of *Profitable Exchange, Volume of Business, Innovative Freedom, Open Communication, Socialisation, Knowledge Exchange, Support Activities, Commitment, Fairness, and Mutuality* are important for successful collaborations, where the first three relate to economic performance, the next four to interaction, and the final three to emotion and feeling. Of these factors, highest importance is given to commitment, fairness, and open communication, whilst less importance is given to socialisation and innovation. However, when considering findings from the interviews we find that also these two have been emphasised as important, which is consistent with previous research. From the interviews we further argue for the necessity of the economic performance dimension, as neither party would be interested in collaborating if no improvements were derived to the firm's economic performance. Thus, innovation and a good operational performance have been highlighted as fundamental for a strong collaboration, with operational performance being connected to not only profits and growth, but also to demands and competitive pressures that are put on the partner. In addition, high dependence on the relational partner has been accentuated as a

critical risk, and hence the necessity of a mutual dependence is proved. Moreover, the importance of the interaction dimension is enhanced in the interviews, as these factors reduce the risks for misunderstandings and divergent priorities within the relationship. Lastly, within the emotion and feeling dimension, the high relatedness between trust and fairness has been emphasised, together with the importance of mutual respect within collaborative relations. Thus, we suggest that *Operational Performance, Mutual Dependence, Innovation, Socialisation, Communication, Knowledge Exchange, Support Activities, Trust/Fairness, Commitment, Mutuality, and Respect* are factors that characterise mutually beneficial buyer-supplier relationships.

The contributions of the thesis further regard the findings of an interdependence between the dimensions, or more precisely between the factors included in each dimension, and the existence of triggers within buyer-supplier relationships. In terms of a correlation between the factors, our findings support previous research, in which a high interdependence has been found. The study indicates multiple interdependencies; ranging from the effects a firm's operational performance has on both the trust and communication within the relationship and vice versa where communication, primarily in the form of feedback, can lead to an enhanced motivation and operational performance from the partner. In addition, a shown commitment to the relationship has been proposed to increase trust, which in turn can lead to an enhanced knowledge sharing, indicating an existing interdependence between the parameters, whereby the factors together reinforce the level of relationship strength. Moreover, in terms of whether particular factors trigger closer collaborations, a previous study has found that the operational performance of firms triggers the establishment of a transactional relationship, while trust, based on communication, is the trigger of a closer collaboration. While our results support the initial trigger, we do not concur with trust as the trigger of a closer collaboration. Instead, we find that interaction, mainly in the form of increased communication, rather than trust, is the trigger that develops buyer-supplier relationships into collaborative associations.

In conclusion, the thesis result indicates that factors within all three dimensions of economic performance, interaction, and emotion and feeling are important characteristics of a mutually beneficial buyer-supplier relationship. When factors from all three dimensions exist within a relationship, a reinforcing effect is suggested to occur through the existing interdependence between the factors. This results in enhanced relationship strength, as several of the associated risks with collaborative relationships are proposed to be reduced by the existence of the

factors, signifying that enhanced benefits can be derived from the relation. Hence, both the buyer and the supplier will benefit from the collaboration, which in the end will favour also the final customer through the value created in the relationship.

7.2 Managerial Implications and Suggestions for Future Research

As mentioned, our research indicates that factors from all three dimensions of economic performance, interaction, and emotion and feeling are important for a mutually beneficial relationship to occur. It is further stated that the various factors are closely integrated, whereby no dimension can be disregarded as they act to reinforce one another. Hence, if one factor is removed it will affect the existing factors and negatively influence the level of relationship strength, which is dependent upon the presence of factors from all three dimensions. As a result, managers from buying firms, as well as supplying firms, must ensure the presence of these factors in order to enable a mutually beneficial outcome. As it requires extensive resources to maintain relationships where such diverse activities are essential, a firm cannot have close collaborative relationships with too many partners. Hence, managers must carefully select with which firms these relationships are most beneficial. An additional managerial implication relates to the identification of communication as a trigger for a closer collaboration to occur, signifying that managers in search of a deeper association should focus resources on increasing the communication with the relational partner.

Moreover, while this thesis have made contributions to the relatively new field of collaborative buyer-supplier relationships, the results are case specific, indicating that the respondents' perceptions might be influenced by both the relationship and industry context. Thus, more research on the subject is necessary as additional gaps remain to be breached, which has implications for theory as well as future research. During the course of thesis writing, four suggestions for future research have been identified. Firstly, the results of this thesis are built on a case study containing one sole customer, and five of its suppliers, whereby the results cannot be assumed to be generalizable. Hence, we suggest a similar study to be made, based on a larger sample of customers and suppliers, in order to examine whether the same factors are identified as important. Secondly, as this thesis indicates a high interdependence between the various factors characterising mutually beneficial relationships, a suggestion is to more deeply investigate how the factors interact, and what happens to the strength of a relationship when one of the factors is removed. Thirdly, only limited research has been conducted in regards to triggers of collaborative relationships, one of which has

identified trust, while we in this thesis have identified communication. Due to these divergent results, additional research is proposed in regards to what actually triggers a collaborative relationship. Lastly, this study has taken a static view on buyer-supplier relationships, however, the reality is more dynamic than illustrated in the conceptual model, as the outcomes of the relationships are affected by the parties initial expectation levels. In addition, relationships are continuously in development, whereby one result achieved in turn influences a firm's perception of the dimensional factors. Thus, a final suggestion for future research is to adopt a more dynamic perspective when studying the subject of collaborative buyer-supplier relationships.

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Appendix

Appendix 1: Overview of Interviews, Respondents, and Observations

Company	Respondent	Method	Date	Location	Duration
IMC	Senior Vice President	Face-to-face interview Recorder used	January, 31, March, 11, 2014	Sweden	45 min 30 min
IMC	Purchasing Business Director	Face-to-face interview Recorder used	February, 20, 2014	Sweden	105 min
IMC	Purchasing Director	Face-to-face interview Recorder used	February, 21, 2014	Sweden	60 min
IMC	Global Purchasing Director	Telephone interview Recorder used	March, 5, 2014	Sweden	55 min
IMC	Purchasing Director	Face-to-face interview Recorder used	March, 10, 2014	Sweden	30 min
IMC	Purchasing Director	Face-to-face interview Recorder used	March, 12, 2014	Sweden	60 min
IMC	Purchasing Director	Telephone interview Recorder used	March, 25, 2014	Conducted Abroad	30 min
IMC	Purchasing Director	Telephone interview Recorder used	April, 7, 2014	Sweden	60 min
Supplier A	Director, Programme Management	Telephone interview Recorder used	March, 11, 2014	Sweden	75 min
Supplier B	Head of Sales Units and Key Accounts	Telephone interview Recorder used	March, 13, 2014	Sweden	45 min
Supplier C	Vice President Sales	Telephone interview Recorder used	March, 18, 2014	Sweden	60 min
Supplier D	Director	Face-to-face interview Recorder used	March, 31, 2014	Supplier Office, Abroad	60 min
Supplier E	Director and General Manager (2)	Face-to-face interview Recorder used	April, 1, 2014	Supplier Office, Abroad	80 min
IMC Supplier Day		Observation	February, 27, 2014	Sweden	8 hours

* IMC=Fictitious name for the purchasing firm in the study.

Appendix 2: Interview Guide for IMC Personnel



By: Sara Axelsson
Sofie Karlsson

!

Interview Guide - Supplier Relationships

1. Please introduce yourself and your role in the company
2. How would you define a strategic supplier?
3. What characterise a good relationship to a strategic supplier?
 - a. What factors are important to develop and maintain the relation?
4. What do suppliers gain by entering into a strategic relationship with IMC?
5. IMC puts high pressures on its suppliers, do you feel that your demands especially on cost reductions affect these relationships?
6. Are IMC actively working at supporting and developing its strategic suppliers? If yes, describe how this work is performed.

Thank you for your participation!

Appendix 3: Interview Guide for Suppliers



By: Sara Axelsson
Sofie Karlsson!

!

Interview Guide - Supplier Relationships

1. Please introduce yourself and your role in the company
2. What are you supplying to IMC, and how long have you been working together?
3. What characterise a good relationship between a customer and a supplier?
 - a. What factors are important to develop and maintain the relation?
4. How would you describe your relationship with IMC, and has the relationship developed over time?
5. What are the main benefits for your company in working together with IMC?
6. What are the main benefits that you are providing to IMC?
7. IMC is putting rather high pressures on its suppliers, how do you perceive these demands?
8. Have you received any support- or development activities from IMC? If yes, describe the support given.

Thank you for your participation!

Appendix 4: Survey to IMC Personnel



Survey: Important Factors in Maintaining Good Buyer-Supplier Relationships!

1. From your perspective as a customer, how important would you say that the following factors are for a good buyer-supplier relationship?

Rank: From '0' indicating "Not important" to '5' indicating "Very important"

Volume of Business!—That orders to the supplier are consistent and significant!!

!0! !1! !2! !3! !4! !5!

Innovative Freedom!—That the supplier is allowed freedom to innovate'!!

!0! !1! !2! !3! !4! !5!

Profitable Exchange!—That the relationship is profitable for the customer'!

!0! !1! !2! !3! !4! !5!

Support/Development Activities!—That the customer performs activities aimed at improving supplier performance'!!!

!0! !1! !2! !3! !4! !5!

Open Communication!—That a formal interaction exists to set priorities and objectives with the supplier'!

!0! !1! !2! !3! !4! !5!

Socialisation!—That an informal interaction exists aimed at forming personal relationships with supplier employees'!!

!0! !1! !2! !3! !4! !5!

Knowledge Exchange!—That a transparent information sharing exists aimed at improving the partner's performance'!!

!0! !1! !2! !3! !4! !5!

Mutuality!—That the supplier is concerned with the benefits derived by the customer'!!

!0! !1! !2! !3! !4! !5!

Fairness!—That the supplier acts in an honourable and justifiable manner'!!

!0! !1! !2! !3! !4! !5!

Commitment!—That the supplier has a long term orientation of fulfilling obligations'!!

!0! !1! !2! !3! !4! !5!

Appendix 5: Survey to Suppliers



Survey: Important Factors in Maintaining Good Buyer-Supplier Relationships!

1. From your perspective as a supplier, how important would you say that the following factors are for a good buyer-supplier relationship?

Rank: From 0 indicating "Not important" to 5 indicating "Very important"

Volume of Business – That orders from the customer are consistent and significant!!

0! 1! 2! 3! 4! 5!

Innovative Freedom – That the customer allows freedom to innovate!!

0! 1! 2! 3! 4! 5!

Profitable Exchange – That the relationship is profitable for the supplier!

0! 1! 2! 3! 4! 5!

Support/Development Activities – That the customer performs activities aimed at improving supplier performance!!!

0! 1! 2! 3! 4! 5!

Open Communication – That the customer invests in formal interaction to set priorities and objectives!

0! 1! 2! 3! 4! 5!

Socialisation – That the customer invests in informal interaction aimed at forming personal relationships!

0! 1! 2! 3! 4! 5!

Knowledge Exchange – That the customer transparently shares information aimed at improving supplier performance!!

0! 1! 2! 3! 4! 5!

Mutuality – That the customer is concerned with the benefits derived by the supplier!!

0! 1! 2! 3! 4! 5!

Fairness – That the customer acts in an honourable and justifiable manner!!

0! 1! 2! 3! 4! 5!

Commitment – That the customer has a long term orientation of fulfilling obligations!!

0! 1! 2! 3! 4! 5!



2. In your perception, how well is IMC handling these factors in your relation?

Rank: From '0' indicating "Lack of handling" to '5' "Very good handling"

Volume of Business – 'That IMC's orders are consistent and significant'

0 1 2 3 4 5

Innovative Freedom – 'IMC allows freedom to be innovative'

0 1 2 3 4 5

Profitable Exchange – 'IMC is concerned with your profitability'

0 1 2 3 4 5

Support/Development Activities – 'IMC provides support to improve performance'

0 1 2 3 4 5

Open Communication – 'IMC communicates openly priorities and objectives'

0 1 2 3 4 5

Socialisation – 'IMC initiates activities to enhance personal relationships'

0 1 2 3 4 5

Knowledge Exchange – 'IMC shares important information that leads to enhanced competitiveness'

0 1 2 3 4 5

Mutuality – 'IMC is concerned with the relationship being beneficial also for you'

0 1 2 3 4 5

Fairness – 'IMC acts in an honourable and justifiable manner'

0 1 2 3 4 5

Commitment – 'IMC has a long term orientation of fulfilling obligations'

0 1 2 3 4 5

Appendix 6: Overview of Survey Results

Table 1: Importance of Factors for IMC Personnel

	Volume of Business	Innovative Freedom	Profitable Exchange	Support Activities	Open Communication	Socialisation	Knowledge Exchange	Mutuality	Fairness	Commitment
IMC Interview B	3	0	4	2	4	2	3	3	4	4
IMC Interview C	4	3	4	4	4	2	4	5	5	5
IMC Interview D	4	4	3	3	5	4	4	4	5	5
IMC Interview E	4	3	5	4	5	2	5	5	5	5
IMC Interview F	5	5	5	5	5	3	5	4	4	5
IMC Interview G	3	4	3	4	4	5	5	5	5	5
IMC Interview H	4	4	5	4	4	2	4	4	4	5
Average	3.9	3.3	4.1	3.7	4.4	2.9	4.3	4.3	4.6	4.9
Stand. Deviation	0.7	1.6	0.9	1.0	0.5	1.2	0.8	0.8	0.5	0.4

Table 2: Importance of Factors for Suppliers

	Volume of Business	Innovative Freedom	Profitable Exchange	Support Activities	Open Communication	Socialisation	Knowledge Exchange	Mutuality	Fairness	Commitment
Supplier A	2	3	5	4	5	4	4	5	5	5
Supplier B	5	4	5	5	5	4	5	4	5	5
Supplier C	4	3	5	4	5	4	4	4	5	5
Supplier D	4	4	5	4	5	4	5	4	4	5
Supplier E	5	3	5	3	4	4	4	3	5	4
Average	4.0	3.4	5.0	4.0	4.8	4.0	4.4	4.0	4.8	4.8
Stand. Deviation	1.2	0.5	0.0	0.7	0.4	0.0	0.5	0.7	0.4	0.4

Table 3: Supplier Rating of IMC Performance

	Volume of Business	Innovative Freedom	Profitable Exchange	Support Activities	Open Communication	Socialisation	Knowledge Exchange	Mutuality	Fairness	Commitment
Supplier A	3	4	5	4	4	5	4	5	5	4
Supplier B	4	4	2	4	5	3	3	3	3	4
Supplier C	4	2	2	1	3	3	3	2	3	4
Supplier D	4	4	4	5	5	5	4	4	5	5
Supplier E	4	1	2	5	4	3	3	3	3	3
Average	3.8	3.0	3.0	3.8	4.2	3.8	3.4	3.4	3.8	4.0
Stand. Deviation	0.4	1.4	1.4	1.6	0.8	1.1	0.5	1.1	1.1	0.7

Graph 1-6: Illustration of Supplier Responses

