How to develop the buyer-supplier relationship management

An investigation of the Swedish furniture industry

Master Thesis within Business Administration

Author: Adam Hermansson
Axel Lindelöf

Supervisor: Susanne Hertz

Jönköping May, 2015
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Axel Lindelöf

Adam Hermansson
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Authors: Adam Hermansson  
Axel Lindelöf

Supervisor: Susanne Hertz

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Abstract

During the last decades, the competition changed from taking place between individual companies to take place between supply chains. As a natural consequence, the importance of buyer-supplier relationships (BSRs) increased since both actors need to work together (Dyer & Singh, 1998; Kannan & Choon Tan, 2006). During a seminar provided by the Swedish trade and employers’ association Trä- och Möbelföretagen (TMF), companies within the Swedish furniture industry revealed the BSR management to be deficient from time to time, where price focus has increased from the producer side. Whereas the suppliers stressed the disinterest to compete on price, the authors formulated the purpose of this thesis as:

To investigate how the furniture industry can further develop the management of BSRs for the benefit of both producers and suppliers within the industry segment.

To fulfill the purpose, the authors have conducted an observation, interviews and distributed a survey to both producers and suppliers of the studied industry segment, design- and office furniture. The aim was to holistically understand how the BSRs are currently managed, and from the current state provide improvement suggestions.

The analysis of the collected data highlights that the problems perceived by the companies are not as wide-ranging as first indicated, but there are rather small-scale changes that need to be done in order to improve the BSR management. The suggested improvements that need to be considered were drafted from earlier theories and merged into a single BSR framework. However, a BSR development model, suggesting that the furniture industry could beneficially manage the BSRs more strategically, also accompanies the BSR framework. The authors conclude that in order for companies to manage BSRs more strategically, the main focus needs to shift from price towards flexibility, long-term commitment and co-development. Only by shifting focus from transactional BSRs towards collaborative BSRs, the authors argue the furniture industry can realize the domestic BSRs’ full potential.
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<th>Description</th>
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<tr>
<td>BSR(s)</td>
<td>Buyer-supplier relationship(s)</td>
</tr>
<tr>
<td>CODP</td>
<td>Customer order decoupling point</td>
</tr>
<tr>
<td>COU</td>
<td>Customer-order unique</td>
</tr>
<tr>
<td>CU</td>
<td>Customer unique</td>
</tr>
<tr>
<td>OQ(s)</td>
<td>Order qualifier(s)</td>
</tr>
<tr>
<td>OW(s)</td>
<td>Order winner(s)</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RQ(s)</td>
<td>Research question(s)</td>
</tr>
<tr>
<td>SC(s)</td>
<td>Supply chain(s)</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply chain management</td>
</tr>
<tr>
<td>SME(s)</td>
<td>Micro, small and medium-sized enterprise(s)</td>
</tr>
<tr>
<td>STD</td>
<td>Standardized</td>
</tr>
<tr>
<td>TMF</td>
<td>Trä- och möbelföretagen [Swedish Federation of Wood and Furniture Industry]</td>
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1 Introduction

This introducing chapter presents the background to the chosen topic of this thesis. Building upon the background the authors describe the problem in focus, and the following purpose and research questions. The chapter ends with a section of delimitations and an outline describing the structure of the thesis and the chapters’ main content.

1.1 Background

The furniture industry within Sweden has for a long time been very successful providing high-quality furniture, very much owing to the profile of durability and the less price-sensitive customers (TMF, 2014). Whereas the furniture industry of Sweden consists of many actors producing different types of furniture, this thesis focuses on the segment of design- and office furniture and will furthermore be referred to as the furniture industry unless otherwise stated. During a seminar organized by the Swedish trade and employers’ association Trä- och Möbelföretagen (TMF), representing both producers and suppliers of the furniture industry, the authors recognized that both actors are facing problems within the industry regarding buyer-supplier relationships (BSRs). As the majority of the companies within this industry are considered to be micro, small and medium-sized enterprises (SMEs), it poses a challenge for the companies to make investments and face the increased low-cost competition (TMF, 2014). To cope with the situation, producers revealed, during the seminar, that they have turned their focus towards outsourcing of non-core competencies to low-cost countries. In fact, it seems like the furniture industry experiences the same movement as other industries have experienced during the last couple of decades. This outlook poses a great challenge for the Swedish suppliers, as cost is not viewed as the main competitive priority.

As other industries have recognized, trade is becoming increasingly globalized (Cling, 2014; Park, Shin, Chang & Park, 2010) and customer requirements are changing rapidly (de Boer, Labro & Morlacchi, 2007; Park et al., 2010), contributing to shorter product life cycles (Goktan & Miles, 2011; Krause, 1999) and a fierce competitive situation (Goktan & Miles, 2011). To cope with this situation, companies have begun to outsource non-core competencies (Krause, 1999; Linder, 2004) stressing the need for supply chain management efficiency (Hofmann, 2010). A key function for achieving efficient supply chain management (SCM) is the role of purchasing, as the cost of components used in a product represents a large share of the total cost (Park et al., 2010), sometimes as much as 50 percent (Tayles & Drury, 2001). Therefore, the purchasing function is nowadays managed as a strategic function (Trent & Monczka, 1998; Dubois & Pedersen, 2002; Park et al., 2010). As the strategic importance of the purchasing function has evolved, managers have tried to increase the efficiency and leverage suppliers’ capabilities by making use of portfolio approaches, e.g. the Kraljic matrix, to generate purchasing strategies (Caniëls & Gelderman, 2007). The fundamental is that different suppliers must be managed in different ways, i.e. there is a need for supplier relationship differentiation (Gelderman & van Weele, 2005). In this manner, a portfolio approach can support the purchasing department to identify what type of BSR that is suitable and how to best allocate available resources (Olsen & Ellram, 1997).

Furthermore, the buyer’s purchasing function and the supplier’s marketing function can be viewed as reflecting functions. Therefore, models developed for the purchasing function ought to be applicable for the marketing function as well (Olsen & Ellram, 1997; Beer,

---

1 Less than 250 employees, and less than €50 m in turnover (European Commission, 2003).
Taking the view from a supplier, its customer base tends to be rather small and static, which increases the dependence on current customers. Hence, losing a customer can harm a supplier’s financial performance severely (Zolkiewski & Turnbull, 2002). Companies therefore tend to view strong and deep relationships as imperative to maintain the customers, which may be an inadequate way of thinking since some customers are more costly than rewarding (Zolkiewski & Turnbull, 2002; Helm, Rolfes & Günter, 2006). As such, differentiating between customer relationships is of great importance for suppliers as well. Therefore, a portfolio approach and analysis is preferable for outlining the most suitable type of customer relationship to maximize utilization of scarce resources (Zolkiewski & Turnbull, 2002).

While much of this represents common knowledge and practices within industries, and in particular for larger companies with highly professional purchasers (Gelderman & van Weele, 2005), the subject is of great interest to further investigate within the furniture industry characterized by SMEs, with less resources than larger companies.

1.2 Specification of Problem

As the introducing background proposes, a lot has been written about purchasing and BSRs with much focus towards other industries and not specifically the furniture industry. Furthermore, the majority of the research within BSRs is based on the buyer perspective (Caniëls & Gelderman, 2007; Gelderman & van Weele, 2005), and thus there is a need to consider the supplier perspective in BSRs as well to get a more comprehensive understanding of the situation. Therefore a gap in the literature has been identified.

Furthermore, TMF wants the furniture industry to maintain and improve its competitiveness, which has to be supported and secured by both producers and suppliers in Sweden working together. Due to increased cost focus, a problem has recently emerged as producers have turned their focus towards suppliers in low-cost countries to maintain their competitiveness. Simultaneously, producers do recognize that market requirements are swiftly changing and that end customers demand shorter lead times. However, cost minimization still tends to be their main priority. Concurrently, Swedish suppliers claim that they want to compete on other factors than solely price. Instead of acting as vendors with transactional relationships, they want to assume a greater role of the value creation and contribute to the innovativeness at a deeper level. As long as a low-cost focus is kept as the main factor for competition, Swedish suppliers will face significant challenges to cope with the growth of low-cost countries in the future (TMF, 2014). Thus, an existing problem has been identified during the empirical observation regarding BSRs.

1.3 Purpose

According to the background and problem statement, purchasing has evolved as a strategic function and so has the management of BSRs. As BSRs involve the perspective of two actors, it is therefore of essence to contemplate the supplier perspective as well. Furthermore, as this topic has not been widely elaborated within the furniture industry, the purpose of this thesis is:

To investigate how the furniture industry can further develop the management of BSRs for the benefit of both producers and suppliers within the industry segment.

The purpose has further been decomposed into two research questions (RQs). To be able to identify potential further developments of BSR management, the current situation must
be investigated and a description established. Therefore the first RQ has been formulated in the following way:

**RQ 1.** How do companies in the industry segment currently manage the BSRs?

Based upon the current situation, different approaches can be applied to develop and improve the management of BSRs. The purpose will be fulfilled by answering the second RQ:

**RQ 2.** How can the management of BSRs be further developed to benefit both producers and suppliers within the industry segment?

The subject of BSR is a wide topic, especially from a supply chain (SC) or network perspective. Additionally, the whole furniture industry stretches beyond the scope of this study and therefore delimitations had to be done.

### 1.4 Delimitations

In order to make the scope of the study realistic and feasible, several delimitations have been done. A dyad perspective is used where the focal actor could either be a producer or a first tier supplier depending on from what perspective the BSR is viewed, see Figure 1.1 and 1.2.

**Figure 1.1:** Dyad with producer as focal actor.

When the producer perspective in the BSR is used, the producer's customer relations are excluded, illustrated by the crossed dashed arrow in Figure 1.1, but the customer demand and the producer offering are taken into consideration.

**Figure 1.2:** Dyad with supplier as focal actor.

When the first tier supplier perspective in the BSR is used, the supplier relations are excluded, illustrated by the crossed dashed arrow in Figure 1.2, but the first tier supplier's demand and the offerings from its suppliers are still included.
Furthermore, the study does not take any other industry segments than previously specified into consideration. In addition, companies whose size reaches outside the definition of SMEs are excluded. Concerning the management of BSRs, the developed improvements are based upon the identified current state and therefore a plenary picture of all possible solutions cannot be given. Instead a selection of potential solutions has been proposed. Due to time constraints and feasibility, the thesis excludes measurements of the actual impact in the long term, but instead focuses on how the development could benefit the furniture industry.

### 1.5 Outline

For the convenience of the reader, a brief outline of the thesis’ structure is provided as a closure of this introducing chapter, see Figure 1.3.

- **Theoretical framework**
  In this chapter, the authors have compiled the main literature of the studied topic to provide the reader a basic understanding. It also acknowledges the theories that have been used in the analysis to fulfill the purpose.

- **Methodology**
  The chapter of methodology contains presentations of the overall research process, the approach and strategy, as well as the data collection techniques utilized. The chapter ends with a description of methods used for analyzing the data, along with a delineation of trustworthiness.

- **Empirical findings**
  In this chapter, a compilation of the gathered data is presented in a structured and logical way. The chapter contains a presentation of both the pilot study and the survey, which are intertwined.

- **Analysis**
  In the analysis chapter, the empirical findings are analyzed towards theories to outline the current BSR management and potential improvements of the BSR management.

- **Discussion and conclusions**
  In the last chapter of the thesis, the authors critically discuss the research process as well as theoretical and managerial implications. Moreover, the conclusions are presented, followed by suggestions for further research.

Figure 1.3: Thesis outline.

As the outline presents, in the next chapter, *Theoretical framework*, the reader is introduced to the main theories relevant for this study.
2 Theoretical framework

The theoretical framework contains a review of existing literature of relevant subjects within the studied topic. The chapter starts with an introduction of the furniture industry and general theories within BSRs and BSR management. Thereafter, a section about supplier selection and marketing in connection to strategy is presented, followed by portfolio approaches and a short summary of the chapter.

2.1 A brief overview of the furniture industry in Sweden

Due to the richness of wood as a natural resource, the production of furniture in Sweden is an industry with a long and solid history (Brege, Milewski & Berglund, 2001). In general, the domestic market is strong, even though approximately 60 percent of the furniture produced is exported (TMF, 2014). During the last 15 years, the annual production of furniture has been about 20 billion SEK (TMF, 2015a). In contrast to most of the countries within the EU, the furniture industry in Sweden has grown with 24 percent during the last decade, indicating a strong recovery from the financial crisis in 2008. According to statistics from 2012, the Swedish furniture industry is ranked seventh within EU in terms of production volume (TMF, 2014).

During the 1990s and the beginning of the 21st century, many producers increased their relative market shares as the number of producers decreased. In addition, the export rate also increased due to e.g. the progress of IKEA (Brege et al., 2001). Despite large multinational producers such as IKEA and Kinnarps, the overwhelming majority of the 2,335 companies within the furniture industry are still SMEs (TMF, 2015a). However, the furniture industry is complex in terms of its fragmented nature with many different types of companies, of highly varying sizes, with different markets in focus. Furthermore, the geographical spread of SMEs is concentrated in clusters around smaller cities. It is in these areas most of the manufacturing takes place (Brege et al., 2001). The production of high-quality design furniture is considered as one of the main strengths of the furniture industry in Sweden (TMF, 2014).

The number of member companies of TMF is approximately 700, employing 30,000 people (TMF, 2015b). Whereas the 700 companies can be divided into various categories based on product type, 35 can be categorized as producers of design or office furniture falling inside the definition of SME (TMF, 2015c). It is these 35 producers that are of interest for this study along with their first tier suppliers.

Concerning earlier research, several researchers have up to date focused on the furniture industry but with different objectives in mind. Though, not much has been written about BSRs within the furniture industry and especially not with the focus of the Swedish market. The few studies that do touch upon BSRs and purchasing in the furniture industry are e.g. the theses of Hammargren, Ronegard and Wretman (2008) and Chatzidakis and Adilson (2012), which both focus upon supplier selection and evaluation. As the theories of BSRs have not been widely applied in the furniture industry, general theories within the topic are presented next.

2.2 Buyer-supplier relationships

In the following section, a general overview of BSRs is given in terms of level of interaction and types of BSRs, value creation from both the supplier and the buyer perspective, performance impact of BSRs, and the roles of power and dependency in BSRs.
2.2.1 Level of interaction and BSR types

Various relationship types are described in the literature and many different concepts have been put forward (e.g. O'Toole & Donaldson, 2000; Bensaou, 1999; Bäckstrand & Säfsten, 2005). As organizations must focus upon core competencies, BSRs must be established with other actors on the market that complements an organization’s core competencies (Prahalad & Hamel, 1990; Linder, 2004). Some researchers argue that the type of BSR can be described along a continuum with two end-extremes of interaction (e.g. Webster, 1992; Cooper & Gardner, 1993; Lambert, Emmelhainz & Gardner, 1996; Bäckstrand & Säfsten, 2005), whereas others have focused upon describing a couple of BSR types (e.g. O'Toole & Donaldson, 2000; Bensaou, 1999). As Bäckstrand and Säfsten (2005) stress, researchers have not been able to agree upon a single terminology and neither has the possibility to determine the level of interaction been given for each type. Thus it is difficult to compare different types of BSRs described by different researchers (Bäckstrand, 2006). However, Bäckstrand and Säfsten (2005) developed an interaction level continuum of BSRs, see Figure 2.1. The continuum is divided into three interaction levels on the left side where each level consists of two BSR types on the right side.

![Diagram](image)

Figure 2.1: Interaction level continuum (Bäckstrand & Säfsten, 2005, p. 2).

BSRs that can be categorized within the transactional level are of short term with low mutual investments and only economic exchanges (Gundlach & Murphy, 1993). The main determinant for the transaction is essentially price and the transactions are managed independently (Webster, 1992). These kinds of BSRs could also be referred to as discrete (O'Toole & Donaldson, 2000) or market exchange relationships (Bensaou, 1999), where the interaction between the actors is kept at lowest possible levels (O'Toole & Donaldson, 2000). With increased level of interaction, a transactional BSR can become a more strategic BSR by moving from the transactional level towards collaboration, where the BSR is characterized by cooperation with the aim of achieving win-win situations (Harland, 1996). A collaborative BSR can also be termed as bilateral, characterized by co-involvement between the supplier and buyer (O'Toole & Donaldson, 2000) and long-term commitment.
Furthermore, both actors involved in such BSRs tend to strive towards a common direction and dedicate resources for the BSR resulting in mutual dependence (Webster, 1992). Concerning the level called integration, this cannot be viewed as collaboration between two actors as the integration level implicates an ownership bond between them. The ownership can take several forms, e.g. acquisition (Bäckstrand & Säfsten, 2005) or joint venture (Webster, 1992). However, a high integration is not a clear indication of whether the BSR is highly effective or not but rather indicates the integration of the two actors (Bäckstrand & Säfsten, 2005). Irrespective of the level of interaction, the primary objective is to create value for both constituents in a BSR where the value can adopt different forms depending on type of BSR.

### 2.2.2 Value creation in BSRs

The value created in a BSR must be shared between the actors, i.e. the supplier must fulfill the buyer requirements and create value but the supplier must concurrently benefit from the BSR (Walter, Ritter & Gemünden, 2001). In addition, if practitioners understand how the value created in a BSR can be transferred to other BSRs of the supplier or the buyer, value synergies can be achieved (Anderson, 1995). BSRs are characterized by different functions, both direct and indirect (Anderson, Håkansson & Johanson, 1994). In a BSR, functions can be referred to as each actor’s contribution to the performance of the BSR from the perspective of the other actor. Direct functions are those functions that are directly linked to the specific BSR, meaning that the functions are not linked to other BSRs. From a supplier perspective, there are three types of direct functions (Walter et al., 2001):

1. **Profit function**, i.e. the monetary winnings from a BSR.
2. **Volume function**, i.e. price concessions with increased purchased volumes.
3. **Safeguard function**, i.e. a supplier’s ability to spread risks in the competitive market by establishing several BSRs.

As opposed to direct functions, the indirect functions of BSRs are also linked to wider network links. The four indirect functions for a supplier are (Walter et al., 2001):

1. **Innovation function**, i.e. increased innovativeness can be achieved due to collaborative development in a BSR, which can enhance the supplier’s processes in other BSRs.
2. **Market function**, i.e. the possibility of reaching new market segments.
3. **Scout function**, i.e. important external information for a supplier can be obtained through customers, e.g. concerning developments and changes on the market.
4. **Access function**, i.e. the possibility to access third parties.

Depending on type of buyer and time horizon of the BSR, the relative importance between and across different functions varies (Anderson et al., 1994). Direct functions are not necessarily more important than indirect functions, since this is highly dependent upon the situation and the BSR type (Walter et al., 2001).

However, a supplier needs to understand what determines the value from the buyers’ and end customers’ perspective (Simpson, Siguaw & Baker, 2001), and hence how buyers evaluate the supplier (Park et al., 2010). Thus, it is important for both actors in a BSR to understand how value is created through their engagement in the BSR (Walter et al., 2001). According to Kannan and Choon Tan (2006), successful and fruitful BSRs are characterized by several central traits, e.g. trust, commitment, communication, and flexibility, of which trust and commitment are often viewed as most important (Huntley, 2006; Leuthesser,
1997; Simpson et al., 2001). Such traits contribute to the value creation and provide the foundation for generating outcomes of the BSR that are favorable for both actors. Furthermore, the importance of traits like trust and commitment increases with the depth of the BSR, i.e. these are more of essence in bilateral than in discrete BSRs (O’Toole & Donaldson, 2000).

The quality of BSRs is related to the mutual adaptation and cooperation of the actors (Ananda & Francis, 2008), where quality is a determinant for the level of success, especially in more sophisticatedly developed BSRs (Ford, 1980; Ryu, Park & Min, 2007). In contrast to hierarchical relationships characterized by power and dependence asymmetries, where one actor tends to adapt to the other, mutual adaptation is more likely to occur in BSRs with high levels of trust, commitment, collaboration, and co-involvement (Ananda & Francis, 2008), i.e. strategic partnerships (Bensaou, 1999). In BSRs characterized by such attributes, suppliers and buyers share a common long-term direction that aims to provide mutual benefits (Ellram, 1990). Coupled to value creation, other researchers have focused on the concept of performance impact of the actors involved in a BSR.

2.2.3 Performance impact of BSRs

In general, much of previous research has tried to examine how BSRs are linked to business and SC performance (e.g. Carr & Pearson, 1999; Larson & Kulchitsky, 2000; Kotabe, Martin & Domoto, 2003; Johnston, McCutcheon, Stuart & Kerwood, 2004; Benton & Maloni, 2005; Narasimhan & Nair, 2005). In essence, the possibility of creating enhanced value is the main underlying reason why buyers and suppliers want to establish BSRs (Anderson, 1995; Wilson, 1995; Sundtoft Hald, Cordón & Vollmann, 2009). For example, a buyer may gain specific value from a supplier, and in turn the supplier wants certain benefits from the buyer, which indirectly creates value for the supplier as well.

From a buyer perspective, management of BSRs can have both a direct and an indirect impact on the financial performance (Carr & Pearson, 1999). Furthermore, by establishing long-term relationships with suppliers that are strategically important for the buyer, competitive advantages can be achieved (Kannan & Choon Tan, 2006). In addition to financial performance and competitive advantage, Johnston et al. (2004) mention increased innovativeness for the buyer as an outcome of closer BSRs, e.g. concerning mutual design and process planning, as well as enhanced quality of end products. Better lead time performance is another contributing factor for business performance related to BSRs, which is the result of closer cooperation and more accurate information sharing (Larson & Kulchitsky, 2000).

To sum up, the management of BSRs has implications for the overall SC performance. This indicates that in order to improve a SC on a holistic level, each inherent BSR must be considered (Benton & Maloni, 2005; Narasimhan & Nair, 2005). Managing BSRs is a difficult task and each actor must understand its position in terms of power and dependency.

2.2.4 Power and dependency in BSRs

A buyer and a supplier are more or less dependent upon each other, where dependency and power are two interrelated concepts. The basic explanation is that the more dependent an actor is upon another in a BSR, the less relative power this actor possesses in comparison to the other. Hence, this implies that both concepts are important to consider when discussing BSRs (Caniëls & Gelderman, 2007). Concerning the varying level of dependency between actors in BSRs, the terms of interdependence symmetry and asymmetry are used, where equal level of dependency between two actors refers to interdependence symmetry
Interdependence asymmetry can either be referred to as seller- or buyer relative dependence (Hoppner, Griffith & Yeo, 2014). In BSRs characterized by interdependence asymmetry, the weaker actor will always face the risk of being exploited by the stronger actor due to power imbalance (Geyskens, Steenkamp, Scheer & Kumar, 1996). Hence, interdependence asymmetry can become a barrier for effective BSR management (Gilliland, Bello & Gundlach, 2010; Hoppner et al., 2014).

Power, i.e. the ability of one actor to affect the behavior of another (Gaski & Nevin, 1985), is critical for the development and management of BSRs (Zhuang, Xi & Tsang, 2010). In BSRs, the occurrence of power imbalances is a rule rather than an exception. Within a business dyad, it is rare that the two actors are equally power balanced (Bastl, Johnson & Choi, 2013). Though, power imbalances do not necessarily have to be negative, unless the actor with higher relative power misuses its situation by ignoring the other actor’s business objectives (Caniëls & Gelderman, 2007). There are five basic sources of power, originally defined by French and Raven (1959), which can be related to BSRs, and these types of power have been widely used by various researchers (e.g. Hunt & Nevin, 1974; Hinkin & Schriesheim, 1989; Pierro, Cicero & Raven, 2008):

1. **Legitimate power** – one actor has the right to exercise power of another actor based on legitimacy.
2. **Expert power** – one actor can exercise power based on expert knowledge.
3. **Referent power** – related to what kind of identification one actor has to the other.
4. **Reward power** – one actor can provide certain tangible or intangible rewards for the other actor and can, therefore, exercise power.
5. **Coercive power** – one actor has the power to punish the other actor if it does not follow through on what has been agreed upon.

According to Hoppner et al. (2014), the type of dependency that exists in a BSR controls the use of power, which in turn has implications for the performance outcomes of the BSR. For example, the exercise of coercive power from the buyer side could be harmful for a BSR characterized by buyer relative dependence since the seller in this situation is relatively less dependent upon the buyer. This stresses the need for awareness of the effects of the use of power in different BSR structures. Based on the relative power attributes that exist in a BSR, four types of power structures can be deployed (Cox, 2001a), see Figure 2.2.

![Power matrix](image-url)
In BSRs characterized by buyer dominance, the relative power balance is unequally spread to the advantage of the buyer. The inverse of buyer dominance is called supplier dominance. A BSR can also be characterized by interdependence, which means that neither the buyer nor the supplier can exploit the other actor due to a symmetrical distribution of power. This situation calls for close collaboration, which is the opposite of a BSR characterized by independence where low power of both actors is prevalent. As such, the actors must accept each other’s offerings (Cox, 2001a). To determine the power structure in place, an excerpt of characteristics for the different situations can be used as guidelines, see Table 2.1.

Table 2.1: Power structure characteristics, based on Cox (2001a)

<table>
<thead>
<tr>
<th>Power structure</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Buyer dominance         | • Many suppliers and few buyers  
                          | • Easy to exchange supplier at low cost  
                          | • Supplied products are characterized as commodities                           |
| Interdependence         | • Few suppliers and few buyers  
                          | • Few alternatives for both actors  
                          | • Supplied products are characterized by customization                          |
| Independence            | • Many suppliers and many buyers  
                          | • Many alternatives for both actors  
                          | • Supplied products are characterized as commodities                           |
| Supplier dominance      | • Few suppliers and many buyers  
                          | • Easy to exchange buyer at low cost  
                          | • Supplied products are characterized by customization                          |

The characteristics of the different power structures could provide guidelines for the establishment of BSRs (Cox, 2001b). Before engaging in BSRs, buyers must prescreen the market and determine appropriate supplier selection criteria.

2.3 Supplier selection and marketing

Due to the strategic importance of purchasing (Dubois & Pedersen, 2002; Trent & Monczka, 1998), decisions made in the supplier selection process have become more important (de Boer et al., 2001; Park et al., 2010). Suppliers will have a great influence upon the performance of the focal company and must be considered in the planning of the business strategy, i.e. the selection process must be linked with the business strategy. Taking the supplier’s perspective, the marketing strategy is directly coupled to the business strategy, where the marketing function must ensure the market position is coherent with the business strategy (Walker & Ruekert, 1987; Slater & Olson, 2000).

2.3.1 Strategic fit of business and functional strategies

In general, the business strategy includes a company’s plan of how to compete in the chosen market by specifying what competitive priorities to focus upon (Watts, Kim & Hahn, 1992; Hill, 2000; Slater & Olson, 2000). Based on the research by Skinner (1969), other researchers (e.g. Wheelwright, 1984) have tried to determine the set of competitive priorities companies should strive for. In essence, four different competitive priorities have been discussed – cost, flexibility, quality and delivery time (Wheelwright, 1984; Fine & Hax, 1985).
Subsequently, innovativeness has been added to these four (Leong, Snyder & Ward, 1990), even though it has not been widely included in the literature (Ward, McCreery, Ritzman & Sharma, 1998). It is then the functional strategies, e.g. the purchasing strategy and the marketing strategy, that put the competitive priorities in motion (Kroes & Ghosh, 2010), i.e. there must be a strategic fit between the business strategy and the purchasing strategy as suppliers represent the extended manufacturing function (Watts et al., 1992; Baier, Hartmann & Moser, 2008; Hill & Hill, 2009). Concurrently, the strategic fit also applies to the marketing strategy as the activities carried out by marketing must corroborate the competitive priorities (Greenley, 1984; Walker & Ruekert, 1987; Vorhies & Morgan, 2003), see Figure 2.3.

![Figure 2.3: Strategic fit, based on Watts et al. (1992).](image)

The competitive priorities are to a huge extent integrated with the selection process, as the supplier’s competitive priorities should be aligned with the buyer’s (Vachon, Halley & Beaulieu, 2009). To ensure this alignment, competitive priorities must be coherent with the selection criteria (Cousins, 2005). Within the area of competitive priorities the concepts of order qualifiers (OQs) and order winners (OWs) can be used to determine the importance of each competitive priority in the market (Hill, 2000).

### 2.3.1.1 Order qualifiers and order winners

For companies to survive in the competitive market, sales have to be generated, which can be ensured by satisfying customer demands (Childerhouse & Towill, 2000). In order to do so, an understanding of what they value must first be generated (Anderson & Narus, 1998). For this purpose, companies must have knowledge about the concepts of OQs and OWs, where OQs are criteria that must be fulfilled to get the customer to even consider purchasing a company’s product or service, whereas the OWs are the criteria that determine whether the customer places an order or not (Hill, 1993; Christopher & Towill, 2000). In other words, OQs must match the competition while OWs have to outperform the offering from competitors (Hill & Hill, 2009).

Borrowing from the field of manufacturing strategy, the customer order decoupling point (CODP) is viewed as a very important topic (Olhager, 2003). The CODP is the point of the material flow that separates forecast-driven manufacturing and customer-order-driven manufacturing (Mason-Jones, Naylor & Towill, 2000a; Rudberg & Wikner, 2004), see Figure 2.4.
As manufacturing before the CODP, i.e. pre-CODP, is based on forecasts, the components manufactured are not dedicated to a specific customer order, which involves some level of uncertainty for the manufacturing company. The manufactured parts are often considered as standardized (STD) components or commodities. In contrast, when manufacturing is based on a customer order, i.e. post-CODP manufacturing, it is related to certainty and the manufacturing company can make customizations to the product as it is dedicated to a specific customer order (Olhager, 2003). Whereas the CODP has been discussed by several academicians, some have acknowledged the importance of differentiating between OWs and OQs pre- and post-CODP processes (e.g. Fisher, 1997; Lamming, Johnsen, Zheng & Harland, 2000; Mason-Jones et al., 2000a; Mason-Jones, Naylor & Towill, 2000b; Olhager, 2003). For pre-CODP manufacturing, companies should strive for lean, i.e. efficient, processes making cost an OW while quality, lead time and service level could be viewed as OQs (Mason-Jones et al., 2000a). As opposed to pre-CODP manufacturing, post-CODP manufacturing often calls for agile, i.e. responsive, processes with high flexibility, service level and delivery speed as OWs, while quality and cost could be viewed as OQs (Olhager, 2003; Mason-Jones et al., 2000a).

As described above, the purchasing strategy must match the business strategy of a company. Depending upon whether a purchase is made to support pre- or post CODP processes, the purchase will support processes mainly based on either efficiency or responsiveness. Due to the importance of strategic fit between business and purchasing strategy (Watts et al., 1992; Baier et al., 2008; Hill & Hill, 2009), the competitive priorities of the focal company must be reflected in the supplier selection criteria (Cousins, 2005; Vachon et al., 2009). Furthermore, since OWs and OQs are embedded concepts within the competitive priorities (Hill, 2000), this implies that OWs and OQs of the focal company should also be aligned with the supplier selection criteria. Based on the foregoing discussion, there will thus be different types of OWs and OQs to consider for the company depending upon if the purchase is made for pre- or post-CODP processes.

2.3.2 Supplier evaluation and selection criteria

As the selection of suppliers has gained importance, this has resulted in a well-researched area within the subject of SCM (Kar & Pani, 2014). Therefore, it is possible to find a variety of different supplier selection processes and approaches involving not only quantitative but sometimes also qualitative criteria (Ho, Xu & Dey, 2010).

Several authors have also put forward a comprehensive set of criteria for selecting suppliers (Ho et al., 2010), where 60 of them were frequently recurring (Kar & Pani, 2014). In order to consolidate and reduce the list, Kar and Pani (2014) conducted a review of selection criteria and concluded the most important criteria, which result, see Table 2.2, was almost consistent with earlier research within the area (e.g. Ho et al., 2010; Weber, Current & Benton, 1991). Compared to Ho et al. (2010), the first four criteria are the same and then a discrepancy can be observed. Whereas much focus has been paid to quantifiable criteria for selection, more soft or qualitative criteria, e.g. BSR quality, have also gained importance as the occurrence of strategic partnerships have increased (Ellram, 1990; Kannan & Choon...
Tan, 2002). As Table 2.2 indicates, the first three criteria are congruent with three of the competitive priorities mentioned by Wheelwright (1984) and Fine and Hax (1985), whereas flexibility and innovativeness are not explicitly stated as top criteria by Kar and Pani (2014) and Ho et al. (2010).

Table 2.2: Criteria (Kar & Pani, 2014, p. 101; Ho et al., 2010)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product quality</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Delivery compliance</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Price</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Production capability</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Technological capability</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Financial position</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>e-Transaction capability</td>
<td></td>
<td>7</td>
</tr>
</tbody>
</table>

What makes the supplier selection process complicated is the huge variety of criteria that can be used, and not seldom companies use a mix of criteria (Park et al., 2010). However, it is very important to prioritize the right criteria and weigh them to ensure that the best possible supplier is chosen (Ellram, 1990) and that these are consistent with the competitive priorities and the OWs and OQs (Watts et al., 1992; Hill, 2000).

As the management involves selection, development and assessment, the evaluation can be viewed as the starting point of supplier management (Kannan & Choon Tan, 2002). An appropriate approach for managing and categorizing BSRs is to make use of portfolio approaches, whereby this follows next.

### 2.4 Portfolio approaches

The idea of portfolio approaches originates from the field of financials where the portfolio theory, by Markowitz (1952), was developed to manage investments (Nellore & Söderquist, 2000). During the last couple of decades portfolio approaches have been further developed and adapted to strategic planning of e.g. purchasing and BSRs (e.g. Kraljic, 1983; Olsen & Ellram, 1997; Bensaou, 1999; Dubois & Pedersen, 2002; Gelderman & van Weele, 2005; Caniëls & Gelderman, 2007; Liu, Li & Zhang, 2010). However, portfolio approaches have faced criticism, where much of this is placed on the ignorance of the network perspective (Dubois & Pedersen, 2002), but also on the applicability, e.g. the complexity of variables used and the contributing factor to the creation of independent strategies (Nellore & Söderquist, 2000). Despite the critique, portfolio approaches have gained recognition among academicians and practitioners and can provide recommendations to managers of how to allocate resources (Olsen & Ellram, 1997; Dubois & Pedersen, 2002). Therefore, the authors would like to highlight the appropriateness of portfolio approaches in BSR management.
2.4.1 Kraljic matrix

Taking the point of departure from the original work of Kraljic (1983), the argument for a portfolio approach was to change the mindset from operational purchasing to strategic supply management and that different suppliers needed to be treated in different ways, i.e. which suppliers a company should have a high or low level of interaction with (Beer, 2006). Hence differentiated purchasing evolved as an interesting topic. The rationale of the Kraljic matrix lies in the classification of items by two dimensions, Importance of purchasing and Complexity of supply market, to determine how to deal with the specific item and the BSR in focus, i.e. determine purchasing strategies (Kraljic, 1983). Each dimension consists of several factors that must be considered during the classification, see Table 2.3.

<table>
<thead>
<tr>
<th>Importance of purchasing</th>
<th>Complexity of supply market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added by product line</td>
<td>Supply scarcity</td>
</tr>
<tr>
<td>Percentage of raw materials in total costs</td>
<td>Pace of technology</td>
</tr>
<tr>
<td>Impact on profitability</td>
<td>Pace of materials substitution</td>
</tr>
<tr>
<td></td>
<td>Entry barriers</td>
</tr>
<tr>
<td></td>
<td>Logistics costs or complexity</td>
</tr>
<tr>
<td></td>
<td>Monopoly or oligopoly conditions</td>
</tr>
</tbody>
</table>

The process of formulating the purchasing strategies consists of four phases, where the first phase is to classify the items based upon the factors in Table 2.3. The classification implies that each item can be placed within one of the four quadrants in Figure 2.5 where each quadrant defines the suggested approach for purchasing (Kraljic, 1983).

![Figure 2.5: Purchasing approaches, based on Kraljic (1983).](image-url)
The three following steps focus upon strategy formulation for the strategic items only where buyers seek individual benefits. As this study has its focus on the BSRs and finding mutual gains of working together, these will not be considered. As the Kraljic matrix has had a huge impact on the purchasing function, other portfolio models have also been developed as the account portfolio by Fiocca (1982). Liu et al. (2010) has continued the development but instead set the focus on BSRs and relationship quality.

### 2.4.2 Account portfolio matrix

The overall aim of portfolio models is to provide an integrated approach for long-term business management. In other words, these models support management decision-making and company positioning on the market (Turnbull, 1990). It is stated that effective business marketing requires comprehensive information and understanding of customer needs. Several researchers have taken a product perspective to strategically analyze the most appropriate marketing strategy, e.g. the Boston Consulting Group matrix (Harrell & Kiefer, 1993). Whereas tools taking the product perspective do not incorporate such aspects as customers’ purchasing tendencies or market shares, these tools pose a weakness as support for strategy formulation (Campbell & Cunningham, 1983). Concerning business-to-business marketing, the product should rather be viewed as a variable among other important factors, such as (Fiocca, 1982):

1. Concentration of sales and the importance of each customer.
2. Market power structure, i.e. the relative power between the company and the various types of customers on the market.
3. Complexity of buying process.
4. BSR management.
5. Derived demand and market trends.

Based on the reasoning that customer accounts should be analyzed within business-to-business marketing, Fiocca (1982) developed the Account portfolio that to a large extent coincides with the dimensions of the purchasing matrix of Kraljic (1983). The dimensions used in the Account portfolio are called Difficulty in managing the account and Strategic importance of the account where each dimension is comprised by several factors (Fiocca, 1982), see Table 2.4.

**Table 2.4: Factors in dimensions (Fiocca, 1982, pp. 55-56)**

<table>
<thead>
<tr>
<th>Difficulty in managing the account</th>
<th>Strategic importance of the account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product characteristics</td>
<td>Volume or dollar value of purchase</td>
</tr>
<tr>
<td>Account characteristics</td>
<td>Potential of the account</td>
</tr>
<tr>
<td>Competition for the account</td>
<td>Prestige of the account</td>
</tr>
<tr>
<td></td>
<td>Customer market leadership</td>
</tr>
<tr>
<td></td>
<td>Overall account desirability</td>
</tr>
</tbody>
</table>

The two dimensions form four quadrants where a customer account could be placed, see Figure 2.6. Whereas the analysis is conducted in two phases, the second is not considered in this thesis but is restricted to the classification into the four quadrants. Based on the account placing in the matrix, the supplier can determine the specific marketing strategy to approach the customer account (Fiocca, 1982).
Figure 2.6: Account portfolio (Fiocca, 1982, p. 56).

Whereas the accounts placed in one of the two key quadrants need to be managed as key accounts, the non-key accounts would be managed in a more transactional manner or at least allocate less resources and investments (Fiocca, 1982). Key account management is a widely accepted concept within business, aiming for a discrimination between customers based on the account profitability where key accounts should involve close collaboration to enhance value creation (Millman & Wilson, 1995; McDonald, Millman & Rogers, 1997; Ivens & Pardo, 2008). As both the Kraljic matrix and the Account matrix illustrate, suppliers and customers must be managed in different ways depending on strategic importance. By taking an objective view of BSRs, a third matrix can be used to classify the relationship quality.

2.4.3 Relationship Quality matrix and control mechanisms

As the competition nowadays occurs between SCs, rather than between individual firms, relationship aspects are concerned as important for creating competitive advantage (Dyer & Singh, 1998; Kannan & Choon Tan, 2006; O'Toole & Donaldson, 2000). Several different factors have through the years been argued to have an impact on the relationship quality (e.g. Mohr & Spekman, 1994; Liu et al., 2010; Anderson & Narus, 1998; Simpson et al., 2001; Kannan & Choon Tan, 2006), but trust and commitment seem to be two central pillars (Huntley, 2006; Leuthesser, 1997; Simpson et al., 2001). Based on these two, Liu et al. (2010) generated the Relationship Quality matrix consisting of four different quadrants involving different types of control mechanisms, see Figure 2.7.

As all types of relationships are characterized by some uncertainties and risks, companies seek to constrain the opportunistic behavior of the other party by utilizing control mechanisms (Wathne & Heide, 2000; Jap & Ganesan, 2000). The issue of utilizing such mechanisms is the challenge of constructive use, where the mechanisms must be incorporated in the BSR governance structure to ensure transactions in which both actors concurrently receive a maximum value. Therefore, companies must ensure the right combination of control mechanisms is used for each single BSR (Cannon, Achrol & Gundlach, 2000).
The most frequently used control mechanisms for managing BSRs are execution of coercive and non-coercive power, as well as the use of contracts and relational norms (Hernández-Espallardo & Arcas-Lario, 2003; Liu et al., 2010). Contracts can be referred to as a legal bond that is based on agreed obligations and responsibilities of each actor involved in the BSR (Cannon et al., 2000). When two actors have a low level of trust in each other, the contract tends to be highly specified allowing the actors to control each other's behaviors by the means of legal obligations (Liu et al., 2010). Relational norms can be coupled to the actors’ expectations of the other in terms of behavior and compliance. The relational norm is as such also highly dependent upon the surrounding context as it impacts the expectations (Anderson, Christensen & Damgaard, 2009). Relational norm is higher when there is trust and commitment present in the BSR, and the governance relies less on contractual control.

The concept of power within BSRs, i.e. coercive and non-coercive, was originally refined by Hunt and Nevin (1974) and is considered to have significant impact on relationship quality (Jain, Khalil, Johnston & Cheng, 2014). Coercive power is exercised when one actor utilizes punishments to encourage the other actor to behave as desired, whereas non-coercive power is a source for encouraging a specific behavior by legitimating and assisting the other actor’s actions (Hunt & Nevin, 1974). Coercive power can often be coupled to low trust whereas non-coercive power is often related to a high level of trust (Jain et al., 2014).

A Type 1 relationship, called buddy, is characterized by commitment of both actors, where cooperation is highly valued and therefore own interests will be subordinated common interests. As such, a Type 1 relationship is the deepest of the four with a high relationship quality for long term. In a Type 2 relationship, i.e. relier, the actors do not certainly subordinate own goals in favor for the common goals and are not seeking for a long-term relationship. As the actors have a high level of trust to each other, a high level of commitment may
just as well develop over time and therefore also involve a shift towards a Type 1 relationship. The Type 3 relationship, i.e. arm’s length, is characterized by short-term focus without any commitment or trust to the other actor. Here, cooperation is almost deemed to fail as none of the actors are willing to subordinate their objectives in favor for the other. The Type 4 relationship is called initiative, which can be described as a long-term relationship with high level of commitment. The major problem within such a relationship is the low level of trust that to some extent can cause conflicts. In order to maintain long-term relationships involving high commitment, the actors must deal with such issues effectively, otherwise the relationship might shift towards a Type 3 (Liu et al., 2010). In the final section of this chapter the backbone of the theories used are summarized.

2.5 Summary of theoretical framework

Throughout this chapter, the concept of BSR has been the main focus where different levels of interaction and types of BSRs have been discussed. The type of BSR is the foundation for the value-creating functions as well as that it impacts the business performance of both actors. Furthermore, power and dependency have been put forward as important aspects within the topic of BSRs, where there are different sources of power and levels of dependency that influence the BSR. As the thesis takes both the supplier and the producer perspective into consideration, the connection between the business strategy, competitive priorities and functional strategies has been handled. Concerning this, OWs and OQs play important roles. To connect BSRs to strategy, portfolio approaches have been presented to assist the approach to another actor in terms of strategy and BSR. Depending upon item or account, managers must differentiate among them to allocate resources in the best possible ways to form the most suitable BSR.
3 Methodology

This chapter introduces the chosen methodology for this thesis, following the “Research Onion”, presented in Saunders, Lewis and Thornhill (2012, p. 128). The chapter presents the research approach, the methodological choice and the research strategy, as well as the data collection techniques and the data analysis. Additionally, sections about research quality and research ethics are provided followed by a presentation of the research process.

3.1 Research approach

As indicated by the problem statement and the purpose, not much has been written about purchasing and BSRs in the furniture industry, especially not from both the supplier and the buyer perspective. As the thesis took off from an empirical observation where the authors explored a phenomenon within the studied situation, it seemed to call for an inductive approach (Saunders et al., 2012) or an abductive approach (Alvesson & Sköldberg, 2008). The problem statement further suggests that much has been written about purchasing and BSR management in other contexts. In such a situation, when the researcher has access to a wealth of earlier theories developed for another context, Saunders et al. (2012) claims an abductive approach to be more eligible. In the process of further investigating the experienced phenomenon, in this case BSRs in the furniture industry, it was systematically compared with existing theories, which created an iterative learning loop (Kovács & Spens, 2005). As such, the authors have moved between theory and data in a freely manner during the research process, which thus can result in subsequent modification of earlier theory (Dubois & Gadde, 2002; Saunders et al., 2012; Alvesson & Sköldberg, 2008). The research approach falls between an inductive and a deductive one but due to the iterative learning loop, the authors argue that this study has followed an abductive approach, see Figure 3.1.

Figure 3.1: Abduction, based on Kovács and Spens (2005).

The identification and choice of research approach early in the process will ease the choice of the overall research design including the methodological choice, the strategy and the data collection techniques (Easterby-Smith, Thorpe & Jackson, 2008).
3.1.1 Methodological choice

To be able to fulfill the purpose of this thesis, the authors have chosen to employ mixed methods research, using both qualitative and quantitative research methods. As the first RQ aims to explore and describe how the furniture industry manages BSRs, an observation, interviews and a survey were conducted. This course of action is normally called sequential mixed methods whose aim is to further investigate the results of one type of method by employing another method (Jacobsen, 2002; Creswell 2009; Boeije, 2010; Saunders et al., 2012), in this case an observation and interviews followed by a survey. The authors’ intention was, through the observation and the interviews, get an insight of the BSR management that later could be explored in a wider population to investigate the representativeness of the findings (Creswell, 2009). However, the observation and the interviews are also considered important as empirical findings in addition to the survey. A simple explanation of employing a mixed methods approach is that it enables a richer understanding of the investigated topic by utilizing two different research strands complementing each other (Teddlie & Tashakkori, 2009). As the entire thesis revolves around the development of BSR management, the baseline, i.e. the current BSR management, is best built by employing a survey strategy.

3.1.2 Survey strategy

To be able to get an understanding of current BSR management and highlight potential opportunities for BSR management development within the furniture industry at a holistic level, a survey strategy has been deployed. A survey strategy is often viewed as highly relevant for exploratory research (Saunders et al., 2012), and is, as such, expedient for the purpose of this thesis. In addition, data collection from a whole population is enabled (Lee, Fielding & Blank, 2008), which further supported the authors’ choice when matching the research strategy to the purpose. The survey strategy was also found appropriate as the sought information could only be provided by the responsible persons at each company, which Vogt, Gardner and Haeffele (2012) argue is the main criteria for choosing a survey strategy. Furthermore, the cross-sectionality of this study is supported by the survey strategy as it gives a snapshot of the current BSR management for the chosen industry segment.

According to Saunders et al. (2012), the deployment of the survey strategy requires initial efforts to ensure an appropriate design of the instrument. Therefore, the observation, interviews and the literature study were also used as a pilot study to enunciate relevant questions for the survey instrument. In the following sections the employed data collection techniques are described in detail.

3.2 Data collection

In addition to the three primary data collection sources, a literature study has enabled secondary data collection. For RQ 1, all four of the data collection techniques have been used, while a literature study, together with the findings for RQ 1, has been used for RQ 2, see Figure 3.2.
The execution of each data collection technique deployed in this study is described in the below sections.

### 3.2.1 Observation

During the initial seminar organized by TMF, both producers and suppliers of the furniture industry participated and discussed perceived issues concerning BSRs, see Table 3.1. The authors’ main objective during this seminar was to objectively observe the discussions without any interaction. Before the observation, the authors and TMF acknowledged the purpose of the observers to all participants to make them comfortable with the situation. The observation can, as such, be characterized as a type of observation called "Observer Non-Participant" (Teddlie & Tashakkori, 2009, p. 219) where the participants are aware of the observers’ purpose but the observers do not take part in the activity under observation.

#### Table 3.1: Observation

<table>
<thead>
<tr>
<th>Producers (Companies/Participators)</th>
<th>Suppliers (Companies/Participators)</th>
<th>Time</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 / 12</td>
<td>3 / 6</td>
<td>4 hours</td>
<td>November 5, 2014</td>
</tr>
</tbody>
</table>

The observed participants were divided into three groups consisting of six representatives, both producers and suppliers, where one participant was designated as group leader. The groups were formed in advance by TMF to ensure that each group contained a mix of extrovert and introvert people to create best possible discussions without any communicative barriers. The groups got three topics touching upon strategic collaboration to discuss:

1. What does the current "reality" look like?
2. What development possibilities do you see within strategic collaboration?
3. What actions and activities would you like to engage in to develop and improve the collaboration?

The authors were observing one group each and took notes about the discussions. Afterwards the groups reconvened and presented the main points discussed, which led to cross-comparisons between the groups. Any observation can generate several interpretations (Saunders et al., 2012), and therefore it was valuable for the authors to compare the input and interpretations from three observed groups. The authors compiled the main points in a PowerPoint presentation that was kept as support for the thesis.
3.2.2 Literature study

In order to get a general understanding about BSRs and to plot what has already been written within the subject, the authors first conducted a brief literature review. The literature review was thereafter extended into a literature study to create the theoretical framework. By taking this approach the current study can be connected to the constantly developing theories of the subject (Blumberg, Cooper & Schindler, 2011; Marshall & Rossman, 2006) and it is an attempt to fill the identified gap in the literature (Denyer & Tranfield, 2009; Marshall & Rossman, 2006). The literature study, which is concerned as a highly appropriate source of information (Olsson & Sörensen, 2011), was based on academic articles, books and dissertations and was conducted in an iterative process divided into five phases, see Figure 3.3.

![Figure 3.3: Literature study, based on Creswell (2009).](image)

In the first phase, the authors identified and determined four keywords related to the topic in consultation with Jenny Bäckstrand, Assistant Professor of Jönköping University, based on the observation:

1. Buyer-supplier relationships
2. Swedish furniture industry
3. Portfolio approaches
4. Strategic purchasing

An initial search was thereafter conducted in scientific databases accessed through the library of Jönköping University. The search resulted in several hits, which were subsequently prioritized based on key authors and number of citations. As the articles were read and categorized in suitable groups, new insights and refined keywords occurred whereby the authors returned to the second phase for additional searches. After a thorough search, proliferation of results became saturated.

To ensure the quality of the used articles, the authors have constantly tried to validate the information given in one article with another as well as choosing only well-cited articles, as it is imperative to have a critical approach to all information (Easterby-Smith et al., 2008; Creswell, 2009). By following a consistent approach in theory selection, measurement bias can be avoided (Saunders et al., 2012). The literature study has complemented the other data collection techniques, but also provided interesting areas to investigate closer in the interviews.

3.2.3 Interviews

The authors have chosen to use semi-structured interviews as one of the data collection techniques for the first RQ, as interviews are highly appropriate for accessing information (Blumberg et al., 2011; DiCicco-Blom & Crabtree, 2006; Easterby-Smith et al., 2008). As described in the previous sections, the interviews aimed to provide insights about the BSR
management, where semi-structured interviews can be used to generate rich information about the subject of interest (Easterby-Smith et al., 2008), and is appropriate for exploratory studies (Blumberg et al., 2011). A semi-structured interview is characterized by a number of predetermined questions of open characteristics guided by the interviewer (Darmer, 1995; DiCicco-Bloom & Crabtree, 2006; Easterby-Smith et al., 2008) and allows probing of answers by follow-up questions (Darmer, 1995; Saunders et al., 2012). As such, the authors have been able to steer the interviews in directions to ensure access of relevant information. Concurrently, the open nature enabled the interviewees to freely give their perspectives of the subject.

In this study, the observation along with the literature study also provided a foundation for key questions and themes covered in the interviews. According to Saunders et al. (2012), the interviewer normally has some key themes that need to be encompassed, but these themes should be open for adaptation during the interview process. With this in mind the interview guide, see Appendix 1, was established based on the recommendations provided by Creswell (2009, p. 183) and Blumberg et al. (2011, p. 389).

As the companies in focus are located in Sweden, the interviews have been conducted in Swedish to facilitate the communication and to reduce the possibility for misunderstandings. Three of the four interviews were conducted face-to-face whereas one was made via telephone due to accessibility, see Table 3.2. Whereas face-to-face interviews are viewed as most suitable when the researcher is exploring a subject, telephone interviews can be used to improve the access to interviewees. The disadvantage of conducting telephone interviews is often coupled to trust issues, where a low level of trust can mitigate honest answers to sensitive questions with an outcome of lower reliability (Saunders et al., 2012). In the case of the telephone interview conducted, the trust issue could to a large extent be avoided as the interviewer and the interviewee met and familiarized during the seminar provided by TMF.

<table>
<thead>
<tr>
<th>Supplier/Producer</th>
<th>Position</th>
<th>Duration of interview</th>
<th>Date of interview</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer</td>
<td>SC and Purchasing manager</td>
<td>80 minutes</td>
<td>February 19, 2015</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Producer</td>
<td>Purchasing manager</td>
<td>70 minutes</td>
<td>February 26, 2015</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Supplier</td>
<td>Marketing manager</td>
<td>35 minutes</td>
<td>February 27, 2015</td>
<td>Telephone</td>
</tr>
<tr>
<td>Supplier</td>
<td>CEO</td>
<td>70 minutes</td>
<td>March 25, 2015</td>
<td>Face-to-face</td>
</tr>
</tbody>
</table>

The overall requirement for the interview sample was that there should be an equal distribution of producers and suppliers. The aim was, at first, to conduct four interviews with each type of actor. In consultation with TMF, producers and suppliers highly contributing to the discussion during the observation were, together with a few additional companies within the industry segment, selected as potential candidates. In addition, geographical proximity was a contributing factor to the selection. According to Boeije (2010) this kind of sample selection can be referred to as purposive sampling. However, during the process of
sampling it proved challenging to access more than two suppliers and, therefore, to get an equal distribution, two interviews with each type of actor were conducted.

All interviews were recorded using the recording application of two smartphones, where one of the interviewers was guiding the interview while the other was taking notes. The recordings were later used to transcribe the interviews that were sent to each interviewee. This approach gave each interviewee the opportunity to rectify and clarify any misunderstandings as well as approve the interview. The process of correcting errors, i.e. data cleaning, is of high importance for the research quality (Saunders et al., 2012). Based on the data collected in the pilot study, the results were also used to create the survey.

3.2.4 Survey

To get a general picture of the BSR management, a cross-sectional survey has been distributed, see Appendix 2, to member companies of TMF representing both producers and suppliers within the industry segment, see Table 3.3. One of the major issues when using a survey as a data collection technique is derived from the sampling procedure, where the researchers must ensure that an appropriate sample is chosen (Creswell, 2009). In this study, the whole population, i.e. the member companies of TMF within the furniture industry including first tier suppliers, were used as a sample, which in total resulted in 72 companies. The member directory simplified the access to the respondents as it allowed the authors to create the sample directly, which can be referred to as single-stage sampling (Creswell, 2009). Before the sampling procedure, the authors decided to use the stratification in terms of company type, i.e. producer or supplier, to get both perspectives of the current BSR management. One of the main strengths of using a survey for data collection is that it enables wide reachability of respondents (Easterby-Smith et al., 2008). Table 3.3: Sample, responses and response rate

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Sample size</th>
<th>Responses</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer</td>
<td>35</td>
<td>20</td>
<td>57.1 %</td>
</tr>
<tr>
<td>Supplier</td>
<td>37</td>
<td>16</td>
<td>43.2 %</td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td>36</td>
<td>50.0 %</td>
</tr>
</tbody>
</table>

The process of creating and distributing the survey contained several phases, see Figure 3.4, where each phase hereinafter is described. For four of the phases, additional tools and input have been used, see the lower squares in Figure 3.4. Based on the collected data from the pilot study and the literature study, the authors generated potential survey questions, which were subsequently arranged into two main groups depending upon whether they were formulated from the standpoint of the supplier or the producer. The intention was that the survey should start with general classification questions, including e.g. type and size of company. This type of introducing questions enabled the opportunity to e.g. differentiate between producer and supplier respondents. After the introducing questions, the survey was divided into two parts where the questions presented were dependent upon if the respondent was a producer or a supplier. The questions were both of close-ended and open-ended characteristics where a 7-point Likert scale was used for the majority of the close-ended questions. However, a few ranking questions were also used where the respondent had to rank the importance of the available alternatives.
As a survey only provided the authors a single chance of receiving the respondent information, the process of planning and designing it was crucial. Deficient preparation will obstruct the intended answering, whereas it also poses a threat to the validity and reliability (Saunders et al., 2012). Foddy (1993) especially emphasizes the importance of the question formulations as those must be decoded and understood by the respondents in the intended way. Therefore, the originally developed questions were reviewed by Bäckstrand who advised the authors whether or not the questions would cover the content sought and how the questions could be interpreted by respondents, often referred to as an expert review (Groves, 2004; Saunders et al., 2012). This allowed the authors to refine the questions before the final survey was distributed.

Before the distribution of the survey, the authors received help from TMF to prepare the sample companies by sending out e-mails stressing the importance of answering the survey. The link to the survey was thereafter distributed by e-mail where each company could submit the answers once. A cover letter was attached to the survey that introduced the topic and presented its purpose. The respondent preparation and the cover letter can, in many cases, impact the survey response rate positively (Dillman, Smyth & Christian, 2009; Saunders et al., 2012). After the distribution, two reminders were sent by e-mail to each company with one-week intervals. In this e-mail a special thank was also included to those who already had answered the survey.

The communication approach used was what Saunders et al. (2012) and Blumberg, Cooper and Schindler (2008) call a self-completed web-based survey, which was created through a website called WebbEnkäter [Web Questionnaires]. Utilizing Internet to send out surveys has several advantages but also poses issues that have to be handled. The underlying reason for using a web survey in this study is attributed to cost- and time-related constraints, where a web survey is concerned to be the cheapest and least time-consuming way to collect survey data (Schmidt, 1997; Blumberg et al., 2008). Furthermore, the data entry is less sensitive to entry errors as the researchers do not need to enter the collected data into the computer as otherwise (Schmidt, 1997; Van Selm & Jankowski, 2006). Additionally, the respondents tend to answer more truthfully, especially for sensitive questions, as it is easier to be anonymous in a web survey (Van Selm & Jankowski, 2006; Blumberg et al., 2008). Evans and Mathur (2005) also highlight the convenience factor, speed and the ease of using a diversity of different questions. The issues that need to be considered are mainly referred to incomplete responses and multiple submissions made by respondents (Schmidt, 1997; Evans & Mathur, 2005), but also the risk that e-mails are received as junk mails by the respondents and, therefore, achieving a low response rate (Evans & Mathur, 2005; Blumberg et al., 2008). To mitigate these occurrences, the authors used a survey function that required the respondent to answer each mandatory question before proceeding to the next. Concerning multiple submissions, each respondent received a link to the survey that could
only be utilized once per user. Furthermore, to improve the response rate, the authors and TMF informed the sample in advance and expressed the importance of taking the survey. In general, web surveys are characterized by low response rates (Vehovar & Manfreda, 2008), whereby the response rate of 50% is viewed as satisfactorily. Whereas this represents a 50% dropout, one potential explanation could be that 7 producers and 14 suppliers only had an info-address accessible. This implicates that the survey could have been sorted out by the receiver instead of being forwarded to the correct respondent. According to Vehovar and Manfreda (2008), this exemplifies one of the difficulties when using e-mail invitations for web surveys. In the next section, the analysis of the collected primary data is described.

3.3 Analysis

The analysis process can be done in several different ways depending upon e.g. the research approach and methodological choice (Creswell, 2003; Saunders et al., 2012). However, the analysis aims to explore and interpret the collected data in order to answer the RQs (Saunders et al., 2012).

A qualitative analysis involves segmenting and reassembling of data (Boeije, 2010), where the analysis process begins after the raw data has been collected and structured as described in each section of data collection techniques, see activities marked in grey in Figure 3.5. The analysis is furthermore done by coding the data, or what Boeije (2010) calls segmenting, where the data is divided into chunks and put in labeled categories or themes (Saldaña, 2009). The identified themes are then interpreted to generate a result (Creswell, 2009), where the authors have subsequently used the theory derived in the literature study to interpret the themes, see Figure 3.5.

For the process of coding and categorizing the data collected in the observation and the interviews, an affinity diagram was first used, which is an effective tool for organizing data and to level the understanding of a phenomenon. By using an affinity diagram, large chunks of data can be divided into smaller ones that each contains similar information (Sörqvist, 2004). This enabled the authors to relate collected data about BSR management and to identify recurring themes.

Before the authors analyzed the collected data in the survey, the data was cleaned. To structure the survey data, the authors made use of the histogram tool provided by WebbEnkätter to create charts presenting the answer frequency, which can be comparable to what Sue and Ritter (2007) calls frequency distributions. As a whole population was used as sample, Creswell (2008) argues that hypotheses and inferential statistics are not necessary, but focus

Figure 3.5: Qualitative analysis, based on Creswell (2009).
is instead on descriptive statistics. The charts were thereafter analyzed qualitatively together with the structured data retrieved from the interviews and the observation. As such, the empirical findings of the survey and the pilot study were intertwined and compared to find incongruences and similarities. This procedure is often called triangulation (Saunders et al., 2012), which is further elaborated in section 3.4. Moreover, the empirical data was analyzed by comparing the findings towards earlier theories incorporated into the theoretical framework. In this way, the authors had the opportunity to understand how the furniture industry manages the BSRs, but also to find how the current management stands against earlier theories. Figure 3.6 illustrates the merged analysis process of the study.

![Figure 3.6: Merged analysis.](image)

Based on the result of the first RQ derived in the initial analysis, the authors brainstormed potential improvements. To structure the improvement opportunities, another affinity diagram was created, which purpose was to sort the opportunities into themes. The affinity diagram was later translated into an Ishikawa diagram, see Figure 3.7, presenting the improvement areas in a structured manner with detailed improvement opportunities attached to each area. Normally an Ishikawa diagram is used to visualize causes for a problem under investigation, but the fundamental idea is to decompose the studied situation systematically into manageable parts (Sörqvist, 2004).
Based on the areas of improvement, the authors utilized the theories presented by the literature study to highlight potential solutions to the identified improvement areas.

### 3.4 Triangulation

Throughout the thesis, the authors have triangulated the results from one data collection technique with another. Triangulation is a procedure where data collected with different techniques is compared to ensure that the data collected by one technique is valid (Saunders et al., 2012; Denzin & Lincoln, 2005). By using mixed methods to study a specific problem, method triangulation can be leveraged (Buchanan & Bryman, 2009; Tashakkori & Teddlie, 2003). The employment of multiple methods also provided an opportunity to increase the richness of the collected data, where the qualitative methods enabled the authors to obtain deeper insights into the studied problem and the quantitative method allowed the authors to review to what extent the insights were corroborated. Furthermore, by comparing the data collected in the observation with the data from the interviews, the pilot study became more solid as the survey baseline. Moreover, within the interviews the data has been triangulated, where the authors compared the data collected in one interview with the other three interviews. This procedure can according to Olsson and Sörensen (2011) be referred to as data triangulation, where data collected in independent occasions can be cross-checked. The survey results could thereafter be triangulated to the pilot study results where regularities and incongruences could be detected.

The authors have also used what Olsson and Sörensen (2011) calls theoretical triangulation within the literature study, where different researchers’ findings have systematically been reviewed and compared. Throughout the theoretical framework the authors have discussed the theory where each section of the chapter is supported by different researchers to reduce the risk of accepting an invalid theory. The use of triangulation is important for the trustworthiness of qualitative data, and it is related to the criteria of credibility and internal validity (Teddlie & Tashakkori, 2009).

### 3.5 Research quality

No matter what type of research design used, issues related to the research quality must be taken into consideration by any researcher (Saunders et al., 2012). Within each section of this chapter, the authors have described research quality issues and how their occurrences have been mitigated. As both qualitative and quantitative research methods have been uti-
lized, the criteria from both research strands (Lincoln & Guba, 1985) have been included, see Table 3.4.

Table 3.4: Trustworthiness criteria

<table>
<thead>
<tr>
<th>Quantitative research</th>
<th>Qualitative research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal validity</td>
<td>Credibility</td>
</tr>
<tr>
<td>External validity</td>
<td>Transferability</td>
</tr>
<tr>
<td>Reliability</td>
<td>Dependability</td>
</tr>
<tr>
<td>Objectivity</td>
<td>Confirmability</td>
</tr>
</tbody>
</table>

The methodological choice of sequential mixed methods has enabled triangulation of both data collection techniques and research methods, which has supported the data interpretation. The process of interpreting data and drawing conclusions is referred to as making inferences. For mixed methods research, it can be more appropriate for the researcher to use the term of inference quality instead of the different trustworthiness criteria (Tashakkori & Teddlie, 2003).

Mixed methods research provides the advantage of utilizing complementary strengths from qualitative and quantitative methods. However, the sequencing of the methods used can impact the inference quality (Onwuegbuzie & Johnson, 2006). In addition, when employing sequential mixed methods research, the study is often based on two distinct phases, i.e. one qualitative and one quantitative (Tashakkori & Teddlie, 2003). This study is based on a survey strategy, as a comprehensive picture of the furniture industry was needed to be able to fulfill the purpose. Hence, the purpose was decomposed into two RQs, where the inferences made for the first RQ were input for the second RQ, and the answering of the second RQ would fulfill the purpose. As the insights gained from the observation were not sufficient, additional interviews could enrich the collected data and the authors’ understanding before the survey was created. Thus, there have been distinct phases of methods employed in the study.

Moreover, from the initial observation in November, through the different parts of the study, there has been iteration between the authors and Bäckstrand. This was especially important for the quality of the research during critical parts, e.g. during the formulation of the purpose and for the creation of the interview guide and the survey instrument. This approach helped the authors to steer the studied topic in the right directions from start to end. Furthermore, TMF is a cooperator to this study and thus its widespread business network has partly supported the contact with the member companies of the furniture industry. Before the survey was distributed, the authors sent the contact information of the sample companies as well as a preparing e-mail about the survey to TMF, which in turn forwarded this e-mail to the member companies to increase the chance of an improved response rate. According to Saunders et al. (2012), the higher the response rate, the lower the risk for sample bias. Finally, concerning the preparations for the data collection, the interview guide and the cover letters played important roles for avoiding any types of bias. Potential sensitive information, such as audio recording or confidentiality aspects, was treated well in advance. These are examples of what could cause what Saunders et al. (2012) call interviewer and response bias. In addition to the aspects of research quality, research ethics is another critical area to consider.
3.6 Research ethics

When conducting research, the researcher will face ethical issues that need to be dealt with (Saunders et al., 2012; Creswell, 2009). The authors have, throughout the thesis, had the ethical principles presented by Boeije (2010) and Saunders et al. (2012) in mind, including among others objectivity, respect and privacy of participants. Whereas it is difficult to exclude biased interpretations of the collected data, the role of objectivity has been the top priority in order to provide a correct representation of the BSR management and thereby be able to provide potential improvements.

As the thesis was carried out within the furniture industry where competitors were interviewed, the risk of confidential information leakage had to be prevented. As such, the participating companies have not been given any information about other participants and no company names have been mentioned in the thesis.

3.7 Research process

Figure 3.8 illustrates the research process of the thesis that was initiated by a seminar provided by TMF.

![Research Process Diagram]

Figure 3.8: Research process.
On the left side, the data collection techniques are illustrated, starting with the observation. The building of the report is shown on the right side, starting with the thesis proposal. During the seminar, the observation was conducted as a starting point of the study. The notes taken during the observation, together with an initial literature review, resulted in the thesis proposal. When this document was handed in and approved, the authors started a deeper and ongoing literature study to be able to generate the background, problem statement, purpose and theoretical framework. Moving further into the research process, the literature study and the initial notes from the seminar provided input for the interview guide. During PM 1, i.e. the first discussion seminar, feedback was received for the current work whereafter corrections were made.

Four interviews were conducted that were furthermore transcribed and coded. Concurrently, the methodology chapter was written and the theoretical framework was finalized before PM 2. After PM 2 and the corrections made, the authors compiled the collected data and the literature study to create the survey instrument, which was distributed to the furniture industry. The observation, interviews and survey responses were analyzed towards theories in order to answer the first RQ. As such, the chapters of empirical findings and analysis were initiated. The analysis of RQ 1 was used as input for RQ 2 along with the literature study to put forward potential improvements for the BSR management. In this phase the analysis chapter was finalized.

Additional feedback of the work was received during PM 3, leading to more corrections. The final chapter, containing discussion and final reflections, was written to conclude the thesis before PM 4. After the seminar, final corrections were made before handing in the thesis.
4  Empirical findings

In this chapter, the empirical findings are presented, i.e. the collected data from the pilot study and the survey is intertwined. Thus, the current BSR management is presented from three different angles – a general view, the supplier perspective and the producer perspective.

4.1 General view of furniture industry

The furniture industry can be described as quite conservative where value is created through craftsmanship. As the market requirements are changing rapidly and customers demand shorter lead times, both producers and suppliers face issues that challenge the overall competitiveness. The threat of low-cost competition from other countries is increasing and therefore both actors agree upon the importance of keeping the production competence locally. Currently, 86.1% of the companies state that their Swedish market share represents more than 50%. Moreover, 33.3% claim this share is more than 90%. Thus, producers and suppliers claim they must work together and allow each other to develop for mutual prosperity, where price should not be the main priority.

Within the furniture industry quality is the main OQ, and when quality is present focus is put upon factors such as flexibility and delivery time. 30.6% of the respondents put quality as the top competitive priority, and 88.9% keep quality as one of the top three competitive priorities. According to 25% of the companies, price is the top competitive priority. Concerning innovation capability, 47.2% of the producers and the suppliers think it is the least important competitive priority. Figure 4.1 illustrates the frequency of competitive priorities based on the 36 survey respondents.

![Figure 4.1: Frequency of competitive priorities.](image)

Overall, both producers and suppliers agree that the current BSRs, in general, are ranging from satisfying to very good. However, Figure 4.2 indicates that 7.1% of the suppliers view the current BSRs as almost deficient.
Producers and suppliers were also asked about their perceptions of how well they manage and maintain the current BSRs, see Figure 4.3. As can be seen, the producers are generally satisfied with their BSR management, while the suppliers are more self-critical.

Even though almost every actor perceives the BSRs as good and that the majority experiences the BSR management as satisfying or better, problems are highlighted. According to the interviewed producers, the suppliers should first and foremost be experts within technical solutions and in this way support the design process of the producers. At the same time, the supplier interviewees addressed the need for a higher level of transparency in the design process, i.e. that the producers should include the suppliers’ know-how early in the process. One of the most recurrent themes during the observation was the opinion that suppliers lack sufficient innovation capabilities, which impede suppliers’ involvement in the product development. However, the suppliers argue that producers do not provide opportunities for suppliers to get involved. This poses a problem, as the suppliers want to increase the value-adding share of the end product. Concerning this, both the producers and the suppliers stress the importance of interaction and transparency.

### 4.2 Supplier perspective of furniture industry

This section highlights the current BSR management from the supplier perspective. Thus, the supplier market and customers, the management of suppliers and the perceptions of current BSRs are presented.
4.2.1 Market and customers

The products offered are considered as premium products where quality is argued to be most important. The products cannot, alone, be considered as end products, but one supplier asserted that the company would like to assume a greater value-adding role in the SC and deliver a larger share of the end product. The interviewees further claimed the main priority to be customer unique (CU) products and solutions, where volume is of less essence and higher margins can be reached. The suppliers also offer a STD assortment, where one interviewee claimed the producers to buy almost exclusively from this and therefore not leverage the supplier’s knowledge. However, 69% of the suppliers mean that the share of STD products purchased by producers is 20% or less, while only 19% state this share to be more than 80%, see Figure 4.4.

![Figure 4.4: Percentage of STD products purchased by producers.](image)

Coupled to products, the OWs and OQs sought are argued to mirror the product offering. Both interviewees highlighted price as a non-differentiating factor, but differentiators are rather expert knowledge and responsiveness to customer needs. However, the experience is that producers often consider price as the most important criteria even though responsiveness and quality are claimed to be most important. According to the survey, 87,5% and 68,8% of the suppliers consider price as fairly to very important in relation to quality and flexibility respectively. The survey results further claim flexibility and problem-solving capability as important factors within the customer offering.

Taking a more holistic view of the suppliers’ market, the number of customers is considered to be large. However, one interviewee stated that few customers represent the critical mass, whereof producers do not assume a major role. The customers mainly belong to the public sector or industries within the premium segments. For 50% of the suppliers, the producers are concerned as essential to their profitability and 25% argue producers to represent more than 90% of their total turnover. The majority of the suppliers’ customers belong to the Swedish market as 81% claim their Swedish market share to be more than 50%, see Figure 4.5. In order to enhance sales and growth, one interviewee argued for the importance of increasing the export share.
Concerning the market competition, the interviewees do not experience any greater competition from the domestic market, whereas foreign low-cost competition is considered to be larger. According to the survey results, all of the suppliers consider the foreign low-cost competition as a threat, see Figure 4.6.

As can be seen, the low-cost competition is threatening, though, one of the interviewees argued that price is not the main priority and therefore foreign low-cost competition is generally neglected.

### 4.2.2 Management of suppliers

The interviewees state that the supplier base is relatively small and therefore no differentiation is necessary. The choice of supplier is mostly based on the type of product sought by the producer and the size of the order to fill. In this sense, it is very important that the producer requirements are reflected in the selection criteria to ensure producer satisfaction. However, one interviewee vindicated that a large share of the purchases are based on forecasts even though the selection criteria are mirrored by customer requirements. Figure 4.7 presents the supplier selection criteria perceived as important.
Figure 4.7: Supplier selection criteria.

Quality (81,3%), price (68,8%) and delivery time (56,3%) are the three distinctive selection criteria that suppliers prioritize in their selection process, followed by service (37,5%), innovation capability (25%) and flexibility (18,8%).

4.2.3 Current management of BSRs

In general, the suppliers perceive their BSRs as good. 92,9% states the BSRs to be at least satisfying, and of these 42,9% consider them to be very good (cf. Figure 4.2). Concerning the overall BSR management, 85,7% of the suppliers perceive themselves to be managing this in a satisfying or better way, but only 14,3% experience their BSR management as very good (cf. Figure 4.3).

Considering BSRs, one of the interviewees uses ABC-analysis for customer classification to allocate the proper amount of resources to each BSR. The other does not use any specific classification model, whereas both argued that close cooperation and high interaction is important to customers purchasing CU products and of less importance for customers buying lower volumes or STD products. According to the survey results, 64,3% of the suppliers do not utilize any specific customer classification model whereas 35,7% use one or several models. Both interviewees have few strategic customers whereas the number of transactional customers is much higher. As the suppliers in focus also deliver products to other industries, one highlighted the issue of customer priority. Producers are not always considered interesting as strategic partners. However, the other supplier explicitly stated the essence of long-term cooperation with producers. Figure 4.8 illustrates the frequency of the three interaction levels in the BSRs that suppliers are involved in.

Figure 4.8: Frequency of interaction levels – supplier perspective.
The survey results indicate that the suppliers in general have fewer transactional BSRs compared to collaborative, i.e. strategic, BSRs. Figure 4.9 illustrates two histograms presenting the suppliers’ perceptions of important factors in transactional and strategic BSRs.

![Figure 4.9: Important factors in transactional and strategic BSRs.](image)

In a transactional BSR, suppliers think that the four most important factors that producers value are short lead times (78.6%), price (71.4%), geographical proximity (42.9%) and collaborative skills (42.9%). Short lead times (92.9%) and price (78.6%) are believed to be the two most important factors within a strategic BSR as well. The importance of geographical proximity (50.0%) has increased, and the suppliers think that producers value commitment/participation (71.4%) and collaborative skills (57.1%) higher in these kinds of BSRs. Generally, the suppliers’ perceptions of the most important factors in a BSR are illustrated in Figure 4.10.

![Figure 4.10: Most important factors in a BSR – supplier perspective.](image)

No matter what level of interaction in the BSRs, contracts are not highly specified and used as a control mechanism. For a transactional BSR, 71.4% of the suppliers state that contracts in general are specified to a low or very low level, whereas the corresponding number for strategic BSRs is also 71.4%.
The two interviewees also highlighted problems experienced in the BSRs, even though the general view was that producers treat suppliers quite well. The problems are mainly referred to the producer inability to incorporate the suppliers in the product development, unwillingness from the producers to work close and listen to the suppliers’ advices, and leverage the inherent knowledge. Only 14.3% state that producers fully include them in the product development phase, see Figure 4.11.

![Graph](image)

**Figure 4.11**: Experienced extent of involvement in product development.

Desirable improvements from the producer side in BSRs are more openness, transparency and cooperation, especially in the initial stages in product development. Increased transparency and openness can in turn enable the possibility for suppliers to plan and make technical improvements and innovations in the production. Furthermore, the suppliers believe that mutual understanding and winnings can be yielded by better communication in the BSRs. The two interviewees argued there is room to improve the innovativeness from the supplier side, but the producers must provide the opportunity. The diagram in Figure 4.12 illustrates the extent to which suppliers perceive that producers enable them to be innovative.

![Graph](image)

**Figure 4.12**: Extent to which producers enable supplier innovativeness.

Concerning both the question of whether producers put demands on the suppliers’ innovation capability and to what extent the producers enable the suppliers to be innovative, the suppliers are overall neutral in their standpoints. Within this area, the interviewees believe the interaction aspect to be important. Whereas there is a desire to form a deeper interaction with producers, it is currently not the situation. The goal is to have regular contact
with strategic and potential customers and to visit the producers a couple of times annually to improve the communication.

Most suppliers are quite small, but the two interviewees perceive the BSRs to involve mutual dependencies, or sometimes even supplier dominance. Concerning power, the three sources used are either expert- (28.6%), referent- (21.4%) or reward power (7.1%). Regarding the question whether producers exploit power in the BSRs, the supplier respondents take a neutral standpoint. As this is the representation from the supplier perspective, the producer perspective is also important to establish a comprehensive picture of the current BSR management.

### 4.3 Producer perspective of furniture industry

In the following sections, starting with the market and customers, the data retrieved from the pilot study is presented along with the survey results from the producer perspective.

#### 4.3.1 Market and customers

What characterizes the producer business is that it is project-driven and solution-oriented, providing products of unique design and functionality as well as immutability. With a few exceptions, the production is on-demand and mainly directed towards public spaces. Based on interior design thinking, both CU- and customer-order unique (COU) products are delivered to the market. According to the survey results, 90% of the producers claim that their percentage Swedish market share is more than 50%, and as much as 35% have a Swedish market share of 91-100%, see Figure 4.13.

![Figure 4.13: Producers' Swedish market shares.](image)

Concerning OWs and OQs, quality, flexibility and delivery precision are in general more important than price, according to the two interviewees. The long life span and the sustainability of the products are concerned as important factors, especially for products that are used in public spaces as these are exposed to a high level of wear. Figure 4.14 illustrates the producers' perceptions of the importance of the different OQs and OWs.
However, the survey results indicate that 80% state that price is fairly to very important in comparison to quality. The corresponding number when putting price in relation to flexibility is 75%.

4.3.2 Management of suppliers

When selecting a supplier, quality is considered as the main OQ to mirror the customer demand. According to the survey results, the producers think the main OQ for a supplier should be quality, followed by price and delivery time. The main OWs should be quality and price, followed by the other three competitive priorities with innovation capability as least important. Other important selection criteria are, according to the interviewees, financial stability, delivery precision, core competence and code of conduct. Normally, the producers use their current suppliers, and therefore totally new suppliers are seldom chosen. Instead, current suppliers are evaluated upon measurements such as quality, delivery precision and price. Figure 4.15 presents the importance of different selection criteria for STD and CU products. Without competition, the three most important criteria when selecting a supplier for a component or STD product are quality, price and delivery time. Quality and delivery time are the top criteria for CU products as well, but the distinctiveness of price is not as obvious in this situation. Innovation capability and flexibility are two examples of criteria that are much more important when selecting suppliers for CU products in comparison to STD products.
The main factors that determine local or foreign purchasing are access to materials and quality. For both the interviewees, around two thirds of all purchases are made locally, where one of the producers has a strategic goal to increase the share of purchases from low-cost countries. The other producer instead claimed that the purchasing process is more complicated when sourcing from geographically distanced suppliers. In general, 84% of the producers purchase less than 20% of their total purchases, from low-cost countries, see Figure 4.16.

None of the producers' percentage of purchases from low-cost countries exceeds 40%. The main reason for purchasing from low-cost countries is price (68.4%), while the second most important reason is quality (31.6%). Only 21.1% state that they do not purchase from low-cost countries at all, see Figure 4.17.
In order to increase the percentage of purchases from Swedish suppliers, the producers mean that suppliers first must focus on the competitive priority of price followed by flexibility, delivery time, quality and innovation capability, see Figure 4.18. Concerning price levels, one interviewee stated the importance of flexibility for both actors in a BSR to earn enough money.

Both interviewees categorize suppliers in order to manage the supplier base efficiently, whereas 64.3% of the producer respondents claim they use one or several classification models. The interviewees state the necessity of having close cooperation with few suppliers that are concerned as most important for their own businesses. These suppliers are typically delivering more complicated and high-value components or even finished products. For other suppliers, delivering low-value components, a lower level of interaction is held where price is often the prioritized criteria. Figure 4.19 presents the producers’ percentage of purchases concerning STD products.
Due to the high level of craftsmanship within the furniture industry, it can be difficult to ensure proper quality and design levels when using multiple sourcing and therefore single sourcing is the preferred alternative according to one interviewee.

### 4.3.3 Current management of BSRs

Overall, the interviewees are pleased with their BSR management, which was supported by the survey results. 35.7% of the producers believe that their BSRs are very good, and none of them state the BSRs to be deficient (cf. Figure 4.2). Moreover, all of the producers claim their BSR management to be satisfying or better, of which 14.3% admit that it is excellent (cf. Figure 4.3).

The interviewees agree that suppliers are not involved early in product development and they should not come up with radical design solutions. Instead, suppliers should keep the focus within their area of competence, e.g. concerning production technology, and be constructive and critical regarding technical solutions. Both interviewees desire the suppliers to have a constructive and proactive mindset in making their production more efficient. One of the producers stated that relationships are not ensured in all hierarchy levels, i.e. it is not sufficient with relationships between the sales and the purchase department but should also occur between the Research and Development (R&D) departments and the companies’ management. When asking about areas of improvements for the suppliers, the producer respondents mentioned increased service level, shorter lead times and higher flexibility. In addition, it is important that the suppliers are aware of the market demands to be able to be involved in product development to a larger extent.

Concerning the level of interaction, Figure 4.20 illustrates the frequency of transaction-, collaboration- and integration BSRs producers are involved in. In general, the producers have more collaborative than transactional BSRs, and BSRs characterized by integration are rare.

![Figure 4.20: Frequency of interaction levels – producer perspective.](image)

It is furthermore experienced that the interaction and communication between producers and suppliers is not sufficient. However, one of the interviewees stressed the goal of annual visits with strategic suppliers and argued that the dialogues are characterized by openness. The other interviewee claimed they have regular meetings with suppliers and have collaborative BSRs with all except the non-critical suppliers. Figure 4.21 illustrates the factors that producers concern as important in transactional and strategic BSRs.
The respondents were also asked to submit the most important factors of BSRs on a general basis, see Figure 4.22. Trust and service level are concerned as the two most important factors, followed by low price, short lead time, collaboration capability, common goal and vision, and commitment/participation.

According to one interviewee, supplier innovativeness must both be challenged and supported by a producer if production efficiency gains are to be achieved. This is considered as especially important in BSRs characterized by high levels of interaction. In these BSRs, creativity, innovation capability and transparency are important aspects. 28,6% of the producers believe that the innovation capability of suppliers is highly important, while 57,1% state it is fairly important. Figure 4.23 presents the areas in which producers think the supplier innovation capability is important.
Figure 4.23: Important areas of supplier innovativeness.

As the interviewees indicated the importance of supporting a supplier in developing its innovativeness, Figure 4.24 presents the extent to which producers enable suppliers to be innovative. As can be seen, 7.1% of the producers state they fully enable supplier innovativeness.

Figure 4.24: Extent to which producers enable supplier innovativeness.

Regarding power and dependency, the two interviewees can, in general, exploit their relative power in transactional BSRs. 57.1% of the producer respondents claim that they, to some extent, use power in the BSRs and the sources of power are most likely either referent- (28.6%), expert- (21.4%) or reward power (7.1%). 14.3% state that they do not exploit their relative power position at all. One of the interviewees vindicated the necessity of reducing the dependency of suppliers, as they do not want to engage in BSRs where suppliers are too dependent upon them. Therefore, in these BSR setups producers want to reduce suppliers’ dependency by spreading the purchases on more than one supplier. Concerning control mechanisms, contracts are in general slightly more specified in strategic BSRs compared to transactional BSRs. However, the level of contract specification is low in both BSR types. In the next chapter, the data has been analyzed in order to provide deeper insights about the BSR management in the furniture industry at current state.
5 Analysis

This chapter contains the analysis of the empirical findings. First, the current BSR management is analyzed, which provides the foundation for the analysis of the further development of the BSR management.

5.1 Current BSR management

In this section, the analysis of the current BSR management is provided. The analysis is divided into five areas, starting with the market.

5.1.1 Market

The general view of the industry is the conservative characteristics and its fragmented market, which very well corroborates the findings of Brege et al. (2001). Even though there are many small players on the market (TMF, 2015a), the actors do not perceive the domestic competition as any major threat compared to the continuously growing foreign low-cost competition. However, Sweden is ranked as the seventh largest furniture producer within the EU (TMF, 2014), which indicates there are several other countries in the geographical proximity that pose a threat to the domestic industry. Whereas the supplier interviewees state the low-cost competition is to a large extent neglected and not considered as any major threat to the operations, the survey respondents contradict this finding where all view the low-cost competition as a threat.

Concerning the geographical spread of market shares, the majority of both producers and suppliers state that the Swedish market share is more than 50%, which indicates its importance. This data is almost consistent with the research conducted by TMF, which highlights the domestic market to be strong but that approximately 60% of the furniture produced are exported (TMF, 2014). Following the path of export, one supplier argued an increase in export to be of essence in order to strengthen the market position. According to Brege et al. (2001) the export has increased during last decades, but that much of the increase can be referred to the expansion of IKEA. However, the results indicate that it is the Swedish market that is of greatest interest for the surveyed actors even though the export is considered as important. As the result of this investigation and the report by TMF (2014) corroborate the importance of the domestic market it makes sense to draw the parallel to the importance of domestic cooperation within the clusters to strengthen the furniture industry (Brege et al., 2001).

However, as Brege et al. (2001) states the market is fragmented with many different types of companies and sizes that offer products to several different markets, this investigation is carried out within a specific segment of the industry. Though, the participating suppliers admit the market is not entirely focused around the furniture producers but is found in several different industries or public sectors, supported by the study of Brege et al. (2001). Suppliers must therefore not only be focusing on producers as strategic customers but could prioritize other types of customers as well. This indicates that the choice of placing producers in the key quadrants of the Account portfolio is not obvious, but sometimes producers can be kept in the non-key quadrants (Fiocca, 1982). Yet, 50% of the suppliers view producers as essential to the profitability and 25% admit that producers represents more than 90% of the turnover. Taking this view into consideration and in a comparison to the reasoning of Fiocca (1982) regarding concentration of sales, the main positioning of producers within the key quadrants would be beneficial. However, this is not the only main determinant for categorization in the Account portfolio, and, as such, other factors can be more important.
The products offered by the suppliers can be referred to as premium products with focus upon CU products and solutions where margins are more important than volume. This is to a large extent supported by TMF (2014) arguing that the industry is most focused on high quality and design products. However, the most important priority of quality is not entirely corroborated by the finding that the majority views price as highly relevant in relation to quality and flexibility respectively. Further, both suppliers and producers claimed the frequency of collaborative BSRs to be higher than transactional, which poses another contradictory fact. According to Webster (1992), price is rather the differentiating factor in a transactional BSR, whereas other factors are more important in collaborative BSRs.

However, both actors’ product characteristics match quite well from the authors’ standpoint. The producers tend to offer on-demand or project-driven solution-oriented products where design is unique and quality the main priority. As such, the products could be characterized as CU- and COU products, which matches the suppliers’ desired offering well. Elaborating the theory of Watts et al. (1992) and Baier et al. (2008) regarding strategic fit between the business strategy and the functional strategies in place, this result exemplifies the importance of strategic fit between two companies’ business strategies as well, in order to be competitive. Decomposing it further, this means that the functional strategies of the supplier and the producer must be coherent, i.e. that the actors focus on the same competitive priorities. Considering the supplier offering, CU- and COU products could be related to post-CODP processes (Olhager, 2003) and placed within the strategic item quadrant in the Kraljic matrix where the type of BSR most probably is collaborative (Kraljic, 1983). This further strengthens the frequency of BSR types. The interviewed suppliers, however, argue that producers tend to buy STD products and, as such, do not fully leverage the supplier’s potential and knowledge that could be offered in CU products. Taking the question to the supplier respondents, 69% argued the share of STD products purchased by producers is less than 20%. With such low share of STD products, the majority of the BSRs ought to be characterized as collaborative since CU- and COU products require dedication of resources to the BSR that most commonly stresses the need for higher level of interaction and development of long-term BSRs (Webster, 1992; Fiocca, 1982). However, the opinions differ between the suppliers and the producers concerning the share of STD and CU- or COU products purchased by the producers. For example, only 16% of the producers state that the share of STD products purchased is 20% or less. Thus, these findings indicate that there could be different perceptions of what a STD product is, depending on if the supplier- or the producer perspective is used. Therefore, it is not certain that producers experience a need for higher integration, if the perception is that the purchased product is considered as STD. If the suppliers’ view indicates the correct percentage of STD products purchased, the percentage of collaborative BSRs ought to be higher than the current.

As both actors argue the market to be focused on CU products of high quality it seems reasonable to analyze the competitive priorities and the OWs and OQs closer to see whether or not those are corroborating the product offering and market positioning.

5.1.2 OWs and OQs

Concerning OWs and OQs, both suppliers and producers state that price should be a non-differentiating factor. However, 25% of the sample put price as the top competitive priority and both actors rank price as very important in relation to quality and flexibility. In addition, producers rank price as the second most important OQ and one of the two most important OWs. Producers think that the main OQs for suppliers should be quality followed by price and delivery time, while the main OWs should be quality and price. The general
view is that quality is the main competitive priority and all the producers rank quality as a top OQ. Thus, there is a common understanding of what the most important customer value is, which is of essence in order to generate customer satisfaction (Anderson & Narus, 1998). Though, according to several researchers (e.g. Fisher, 1997; Lamming et al., 2000; Mason-Jones et al., 2000a, 2000b; Olhager, 2003), OWs and OQs must be differentiated pre- and post-CODP processes. Concerning the price factor the results are to some extent contradictory. Price is normally the OW for pre-CODP processes (Mason-Jones et al., 2000a), but as particularly producers indicate that products are delivered on-demand, the OWs should instead, according to Olhager (2003) and Mason-Jones et al. (2000a), be flexibility, service level and delivery speed. When discussing price and quality openly, the importance of price is toned down whereas anonymous reflections claim price to be a very important factor. Taking the interaction characteristics of the BSRs, both actors argue that collaboration is more common than transaction, which further contradicts the discussion of price and quality. According to Webster (1992), the current ranking of OWs and OQs would rather be suitable in transactional BSRs as the focus of price in collaborative BSRs can hamper the creation of soft aspects such as co-involvement (O'Toole & Donaldson, 2000), long-term commitment (Gundlach & Murphy, 1993), dedication of resources (Webster, 1992) and creation of win-win situations (Harland, 1996). Furthermore, as both suppliers and producers highlighted the essence of supplier innovativeness during the pilot study, it is an interesting fact that neither actor considers the innovation capability as a top competitive priority. Thus, it seems reasonable to reflect upon to what extent the innovation capability is considered as important within the furniture industry. Deficient innovation capability could be one of the reasons why price is kept as a highly prioritized factor, and thus also as a supplier selection criteria due to the strategic fit between business and purchasing strategy (Watts et al., 1992; Baier et al., 2008; Hill & Hill, 2009).

5.1.3 Management of suppliers and selection criteria

The choice of single sourcing instead of multiple sourcing highly depends on the characteristics of craftsmanship in the furniture industry. In order to ensure proper levels of quality and design, multiple sourcing can be a risk unless STD components or products are purchased. Therefore, single sourcing is preferred, which further stresses the need for suppliers and producers to work closely together in the BSRs. Concerning supplier selection, both the studies of Kar and Pani (2014) and Ho et al. (2010) put quality, delivery and price as the top three criteria. These criteria are also the most important for producers when selecting suppliers for STD products. One of the interviewees explicitly stated price as the most important criteria, which seems reasonable for products of these characteristics. Taking the perspective of Kraljic (1983), STD products could be referred to as non-critical or leverage items where the supply most likely is abundant. In this situation, price ought to be the logical differentiating factor, which indicates that producers evaluate and select suppliers based on the price level on the market. As presented, quality is in general the main OQ and as long as proper quality levels are met, price becomes the OW. An interesting fact is that the same three selection criteria are most important when selecting suppliers for CU products as well. Despite the high number of various supplier selection criteria (Ho et al., 2010), the variety of the selection criteria is low within the furniture industry. However, the top-ranked criteria from both the studies of Kar and Pani (2014) and Ho et al. (2010) are supported by the findings of this study. One of the minor differences between supplier selection for STD- and CU products is that price is a less distinctive criteria in the latter case. Instead, the importance of flexibility and innovation capability has increased, which can be connected to the CODP, as post-CODP processes are customer-order-driven that require responsiveness and high level of flexibility (Olhager, 2003; Mason-Jones et al., 2000a). Fur-
thermore, it is important for the suppliers that the requirements of the producers in turn are reflected in the selection criteria of the suppliers’ suppliers. Therefore, it is not surprising that quality, price and delivery time are perceived as the three most important criteria from the suppliers’ point of view as well. The mirroring of selection criteria is corroborated by the theory as it is very important to have a strategic fit between the business strategy and the functional strategies, but also between the functional strategies (Watts et al., 1992; Baier et al., 2008; Hill & Hill, 2009). What this implies is essentially that if producers demand e.g. quality components the suppliers must make sure that the purchasing department also focuses on quality.

Concerning management of suppliers, one of the interviewed suppliers indicated that producers’ purchases are mainly based on forecasts. This supports the high percentage of STD products (cf. Figure 4.17). From the supplier perspective, this requires forecast-driven manufacturing that involves some level of uncertainty (Olhager, 2003). According to Mason-Jones et al. (2000a), pre-CODP manufacturing requires efficient processes where cost is the main OW, and this contradicts the suppliers’ desire to increase their value-adding shares of the end products. For the benefits of the furniture industry, more focus could instead be put on the exchange of CU products between producers and suppliers. This would indicate a higher level of interaction and BSRs to move away from the Type 3-quadrant in the matrix of Liu et al. (2010). Taking this from the perspective of Kraljic (1983), the exchange of non-critical items should have minimal focus within the furniture industry. From one of the interviewed producers’ viewpoint, quality and access to materials determine if local or foreign purchasing is the best alternative. However, the survey results indicate that price is the main reason why producers purchase from low-cost countries, which thus contradicts the findings of the pilot study. The producers state that suppliers first need to focus on the price level in order to increase the share of local purchasing. Though, one of the interviewees indicated that a strategic goal is to increase the purchasing share from low-cost countries. In line with the foregoing arguing, the authors think that if such a goal is desired, these purchases would preferably concern STD products if both suppliers and producers in the furniture industry are to be favored. As indicated by the other interviewed producer, the most important aspect concerning the product exchange in a BSR is that both actors earn enough money. Taking the perspective of both actors, the focus of CU products will require suppliers to be responsive and innovative towards the producers as well as the suppliers will be able to increase their value-adding share of the end products. This ought to yield both direct and indirect benefits within the BSRs (Walter et al., 2001).

### 5.1.4 BSR types and important factors

Both producers and suppliers have different types of BSRs in terms of level of interaction but rely more on what Bäckstrand and Säfsten (2005) refer to as collaborative rather than transactional BSRs. For the purpose of categorizing suppliers or customers, portfolio approaches can be utilized to provide recommendations about how to allocate resources in the best ways (Olsen & Ellram, 1997; Dubois & Pedersen, 2002). However, the empirical findings indicate that classification models are uncommon among the suppliers, but there is a common understanding that close cooperation and high integration is important to have with customers purchasing CU products. In general, a few of the suppliers’ customers represent the critical mass, and a high level of interaction is desired to have with these, which is supported by the theory of e.g. Kraljic (1983). Though, due to the high percentage of STD products purchased by producers, the suppliers argue that it is not always interesting to increase the level of interaction with producers. Instead, the suppliers want to focus on
the BSRs in which products of higher margins are exchanged. This is understandable but it poses a potential threat to the overall development of the furniture industry.

Classification models are more common on the producer side in the BSRs, and as with the suppliers, the producers have close cooperation with a few number of suppliers that offer high-value products. Taking the perspective of Kraljic (1983) once again, these suppliers can be referred to as suppliers offering strategic items where the supply is scarcer than for STD products and commodities.

The finding that the actors rely more on collaborative than transactional BSRs contradicts the normal situation, which is the other way around (Olsen & Ellram, 1997; Dubois & Pedersen, 2002) due to the allocation of scarce resources. However, as the characteristics of the furniture industry are rather focused upon CU products and solution-oriented products where close cooperation is considered important, the BSRs could favorably be moved from a transactional towards a collaborative level for the overall winning of the furniture industry (Webster, 1992; Harland, 1996).

In the different BSR types, different factors tend to be of importance (Webster, 1992; O’Toole & Donaldson, 2000; Harland, 1996; Gundlach & Murphy, 1993). However, the empirical data suggests that the actors do not, to any larger extent, prioritize different factors in transactional and collaborative BSRs. The suppliers think the producers value short lead time, price and geographical proximity in both BSR types. However, the suppliers think producers value commitment/participation as well as collaborative skills higher in collaborative BSRs. Reviewing the literature, the results are not wholly consistent with earlier theories as price would be the main determinant in a transactional BSR, but not in a collaborative BSR (Webster, 1992). In fact, the suppliers think the producers value price slightly higher in a collaborative BSR, whereas O’Toole and Donaldson (2000) claim trust and commitment to be of more essence in this situation. Yet, the increased importance of commitment/participation and collaborative skills is very much in line with the reasoning of Webster (1992) and O’Toole and Donaldson (2000). Comparing the answers given by the suppliers with the answers of what producers really value in a transactional and a collaborative BSR, the results are to some extent congruent, see Figure 5.1.

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<th>Supplier perception</th>
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<td><strong>Transactions BSRs</strong></td>
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<td>1. Short lead time</td>
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<td>3. Geographical proximity / Collaborative skills</td>
<td>3. Commitment / Participation</td>
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**Collaborative BSRs**

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<th>Supplier perception</th>
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<td>2. Commitment / Participation</td>
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<td>3. Commitment / Participation</td>
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Figure 5.1: Important factors in BSRs.

Furthermore, producers do not look for factors such as common goals, innovation capability, long-term thinking and matching of core competences in a transactional BSR, which is very much supported by Webster (1992). Rather, price is the main priority.

Concerning factors that, in general, are important in a BSR, the producers value service level followed by trust, commitment/participation, common goals and vision, collaborative skills, short lead times and low prices. The suppliers’ view is very much coherent to the producers’, however the suppliers rank commitment/participation highest, followed by trust, mutual understanding, collaborative skills and service level. Many of these factors can
be viewed as interrelated and factors such as trust, commitment, communication and flexibility are concerned as most important factors for fruitful BSRs (Kannan & Choon Tan, 2006; Huntley, 2006; Leuthesser, 1997; Simpson et al., 2001). Both actors argue, according to the survey, the innovation capability to be of lower importance, which contradicts the pilot study results. Yet, when the producers are asked whether the supplier innovation capability is important, 28.6% claim it to be of high essence while 57.1% argue it to be important to some extent. The suppliers should be innovative within production technique/automation and have high ability to provide complete solutions. However, in order to be innovative Walter et al. (2001) argues for the importance of collaboration, which ought to implicate that each actor in a BSR allows the other to be innovative. Comparing this arguing towards the survey result, only a few producers claim they fully enable supplier innovativeness whereas the majority of the suppliers claim the producers are providing this to some extent or more.

Taking the power and dependency view of Cox (2001a, 2001b), the current BSRs can be described as involving both supplier and producer dominance as well as mutual dependencies. As such, the interdependency symmetry and asymmetry discussed by Kumar et al. (1995) is prevalent in the studied BSRs. However, the suppliers do, in general, not experience any major power exploitation from the producer side, which indicates that most BSRs involve interdependency symmetry. Yet, the majority of the producers do not perceive the situation as such since 57.1% claim they use power to some extent which more or less equals interdependency asymmetry (Kumar et al., 1995; Hoppner et al., 2014). The result of the survey is as such highly supported by Bastl et al. (2013) arguing that power balance is rare within BSRs. One potential explanation to the suppliers’ perception of the power situation could be found in the theory of Caniëls and Gelderman (2007) that claims power not necessarily to be negative, but rather positive when used correctly. Considering the sources of power defined by French and Raven (1959) used by producers these sources could be viewed as non-coercive (Hunt & Nevin, 1974) as they are not punishing in themselves but rather encouraging. As such, the suppliers might not find the power sources as negative and therefore do not consider them as power exploitation by the producers. Taking the supplier perspective, some argue they use power as well, and also in forms of referent-, expert- and reward power. Relating the power sources used in the studied BSRs, Liu et al. (2010) would classify the BSRs as a Type 1 or "buddy" where non-coercive power is the main control mechanism along with relational norms. This finding is furthermore supported by the degree of specification of the contracts utilized in the studied BSRs. According to the survey results, the contracts used are quite unspecified, indicating that the actors trust each other to behave appropriately (Liu et al., 2010; Anderson et al., 2009). However, a strange fact is that both the suppliers and the producers claim the contracts to be equally or more specified in collaborative BSRs compared to transactional BSRs. As the contracts’ degree of specificity is very low for both types of BSRs it could be viewed as a non-significant control mechanism in the BSRs, further indicating Type 1 BSRs (Liu et al., 2010).

5.1.5 BSR problems

Both actors indicated areas of improvements concerning the current BSR management. A frequent recurring topic of discussion from the supplier side is the desired need of a higher level of transparency and cooperation in the BSRs as they are not invited early enough in the product development phase. At current state, only 14.3% of the suppliers experience that producers fully include them in product development. Due to this, the suppliers think that their know-how is not fully considered by the producers, which becomes a problem as
the suppliers want to increase their value-adding share of the final product. An interpretation is that this does not necessarily require highest possible level of interaction but rather a move from what Webster (1992) calls transaction towards a long-term relationship. This indicates the collaboration interval in the interaction level continuum by Bäckstrand and Säfsten (2005). Both the interviewed suppliers claimed that producers could benefit by listening to the suppliers’ advices and thus leverage the knowledge within their areas of competence. In general, there is a desire from the supplier side to increase the level of interaction in the BSRs, which ought to indicate a further move towards what Bäckstrand and Säfsten (2005) call collaboration. This level of interaction is characterized by the desired improvements illuminated by the suppliers, but this may require an attitudinal change between the suppliers and the producers.

Taking the perspective of the producers, a common agreement is that suppliers must improve their innovation capability, even though this was concerned as the least prioritized competitive priority. At current state, the producers believe the supplier innovation capability to be deficient. For the producers it is important that suppliers are experts within their areas of knowledge, e.g. concerning technical solutions, in order to support the producers’ design process. Thus, producers do not demand suppliers to come up with radical design solutions, but instead they should focus on having a critical and constructive mindset concerning technical aspects in the production. It seems reasonable to argue that this ought to provide opportunities to increase the level of transparency, which is highly desired by the suppliers. Another issue related to transparency is the producers’ perception that the current BSRs are not sufficiently anchored within several hierarchy levels. Too often, interaction solely occurs between purchasers and salesmen. As the importance of open communication and interaction was highlighted, this is certainly an area in which potential improvements are possible. Frequent communication and regular meetings ought to enable mutual savings in terms of decreased product development costs. Involvement of suppliers early in the product development phase will require increased flexibility and responsiveness as this can be related to post-CODP manufacturing, described by e.g. Mason-Jones et al. (2000a).

The producers state that the innovation capability of suppliers must be challenged. There is an awareness of this from the supplier side, but the producers must provide the opportunity for the suppliers to develop this capability. If the BSRs are to foster in the long run, the authors argue that the responsibility for this development lies on both actors, where suppliers need to drive the development with the support from the producers. This could drive the BSRs towards the upper right corner in Cox’s power matrix, which is referred to as interdependence (Cox, 2001a). In addition, the benefits of the innovative function, described by Walter et al. (2001), can be better realized and lead to higher performing BSRs. Moreover, as Johnston et al. (2004) argues, increased innovativeness can thus be an outcome for the producer as well due to the closer BSR with the supplier. In the next section, developments of BSRs are proposed in order to fulfill the purpose of the thesis.

### 5.2 Further development of BSRs

Based on the analysis of current BSR management, potential areas of improvements have been identified, illustrated in the Ishikawa diagram in Figure 5.2. Six main areas are presented, each with three to six underlying suggestions of how to improve the specific area.
In order to deal with the six areas of improvements, a BSR framework and a BSR development model have been developed. The intention of the framework is to provide guidance for the companies, from both the supplier and the producer perspective, while the development model aims to improve the domestic BSRs. The BSR framework is presented in the next section.

### 5.2.1 BSR framework

The BSR framework consists of a supplier- and a producer side, as well as a BSR interface in between, see Figure 5.3. The fundamental of having a two-sided framework is due to the problem in focus, i.e. the importance of suppliers and producers to work together for the overall winning.

The supplier side of the model is based on the Account matrix by Fiocca (1982) while the Kraljic matrix (Kraljic, 1983) provides the basis for the producer side. Thus, each side consists of four quadrants where the left-hand sides in each matrix are characterized by a low level of interaction and the right-hand sides are characterized by a high level of interaction. The intention is that the supplier- and the producer side should be mirror images. However, the mirroring will, in the reality, be blurred as there are additional factors to consider apart from those presented in the framework. The framework developed is holistically described in the following text.
Figure 5.3: BSR framework.

In order to get a better fit between the supplier- and producer side, and match the level of interaction, the quadrants of the supplier side have been relocated. At the top of each quadrant, the authors have included the power structure concerned as relevant based on Cox (2001a). For example, the key difficult quadrant for the supplier and the strategic quadrant on the producer side ought to include interdependencies. The opposite situation, i.e. non-key easy and a non-critical, is thus characterized by independence instead. In the other two quadrants of each side, either the supplier or the producer has a relative power position.

Taking an objective view of a BSR, the Relationship Quality matrix (Liu et al., 2010) has been integrated to the BSR framework as well. In each quadrant the four different types of "arm's length", "relier", "initiative" and "buddy" have thus been included where appropriate. The positioning of the four different types of quality is based upon the reasoning that the strategic- and key difficult quadrants need a high level of commitment and trust, and vice versa for the non-critical and non-key easy quadrants. Furthermore, each quadrant is characterized by different control mechanisms and types of power, which are dependent upon the level of interaction. The used control mechanisms are either contracts or relational norms, while the type of power is either coercive or non-coercive (Hernández-Espallardo & Arcas-Lario, 2003). The higher the level of interaction, which in turn requires high levels of trust and commitment, the more the focus should be on relational norms and non-coercive power (Liu et al., 2010).

The next area of importance in the different quadrants is what OWs and OQs to focus upon. These are connected to the competitive priorities of a company (Hill, 2000) and the product sought. As such, and due to the importance of quality as an OQ, the authors be-
ieve that quality ought to be the main OQ within each quadrant. Though, the OWs in focus should be different depending on the product characteristics sought by the producer. Taking the strategic quadrant, where the products are characterized by scarcity and high value (Kraljic, 1983), the OW would be flexibility rather than cost due to post-CODP supply (Olhager, 2003; Mason-Jones et al., 2000a). As the strategic quadrant is mirrored by the key difficult quadrant, this quadrant also mirrors the OQs and OWs for suppliers to compete for the account.

The direct and indirect functions described by Walter et al. (2001) illuminate the potential outcomes for the supplier engagement in each quadrant. The authors argue that the possibilities to benefit from the indirect functions are increased with higher level of interaction, which may lead to higher performing BSRs, but also enhanced value creation (Millman & Wilson, 1995; Ivens & Pardo, 2008). However, the direct functions are the only functions prevalent in the non-key quadrants, which can be derived from the discussion of Fiocca (1982) about managing the accounts in a transactional manner with lowest amount of resources.

Finally, a highly determining factor is the supply characteristics as this impacts several other factors in the BSRs (Kraljic, 1983). If the supply is abundant, producers ought to be less interested in forming any deeper BSRs but instead keep the suppliers in the non-critical or leverage quadrant indicating that price will be the main OW (Hill & Hill, 2009). However, the supply characteristics also impact the dependency structure. With scarce supply, the suppliers will gain more power and dominance and vice versa for abundant supply (Cox, 2001a).

The rationale behind this framework is that the categorization of BSRs is to receive maximum value at least possible cost, i.e. the trade-off between potential gains by increased interaction and the cost of managing the BSR. However, as described earlier, the framework should be concerned as a utopia as there are many other factors to consider, but also that the quadrant reflections ought to be skewed in reality. Yet, the framework serves as a foundation for the furniture industry to gather around to make improvements of the BSR management. Based on the potential areas of improvements and the BSR framework, a development model for the BSR management is proposed in the next section.

5.2.2 BSR development model in the furniture industry

Considering the potential areas of improvements presented in the Ishikawa diagram (cf. Figure 5.2), the authors have put forward a BSR development model, see Figure 5.4. For the prosperity of both actors, the authors argue the BSRs between Swedish suppliers and producers to preferably be positioned in the white areas of the development model. However, this should not be concerned as a universal truth but rather as a guideline for further development within the furniture industry. The authors argue that the main reason for this repositioning is related to the product characteristics of high quality and design, which ought to be managed in collaborative BSRs. Closer cooperation between suppliers and producers will thus automatically drive the development in the pointed directions in the BSR development model.
In order to further motivate the development model, the identified areas of improvements will be used in the following sections.

5.2.2.1 Categorization of BSRs

The authors consider categorization of BSRs as an improvement area within the BSR management. By enhancing the knowledge about theories within categorization of BSRs and classification models, such as the Kraljic matrix (Kraljic, 1983), the Account matrix (Fiocca, 1982) or the Relationship Quality matrix (Liu et al., 2010), the inherent potential of the models can be clarified. Perhaps it becomes evident for the actors in a BSR that a shift from the current operating quadrant to another is needed, as the BSR potential for example is concerned as higher than first noticed. However, reality is often more complex than theory and thus it is important that the theoretical models available are concerned as supporting tools. In addition, the use of models may be perceived as resource intensive and thus it could be more difficult for the smallest companies, in terms of numbers of employees, to implement such a model. Though, the authors believe that an increased usage of models with the purpose of categorizing BSRs might lead to the possibilities of releasing resources in the long-term perspective. This could imply that resources are allocated to collaborative BSRs, i.e. those BSRs that generate higher margins for the company. For example, as suppliers want to increase their value-adding share of the end product, focus would preferably be put towards those producers that create opportunities for this. In the same way, producers can prioritize between the suppliers that fulfill their requirements of e.g. innovation capability within technical solutions. For the purpose of identifying potential BSRs and develop those together, the fundamental of categorization models can be turned as an advantage in order to understand how to best allocate the resources at hand (Olsen & Ellram, 1997; Dubois & Pedersen, 2002).
5.2.2.2 Differentiation between OWs and OQs

The current BSR management illustrated that the OWs and OQs in focus tend to be the same for the producers. However, as Anderson and Narus (1998) stress, it is of utmost importance to understand the concepts of OWs and OQs to understand what the customers value. Quality is claimed to be the most important factor, whereas the authors argue this criteria to be the OQ that always has to be satisfied. However, the OW in focus should be different from different situations or products (Olhager, 2003; Mason-Jones et al., 2000a). As such, the authors stress that the producers must first differentiate between the concepts of OWs and OQs, but also determine different OWs for different products depending upon if the purchase is to support pre- or post-CODP processes. Furthermore, this will impact the selection criteria for STD- and CU products. Producers often use quality, delivery time and price as the main determinants for selecting a supplier regardless of if it is a STD- or a CU product. Yet, as an open discussion does not reveal the same selection criteria, i.e. price is not an explicitly communicated criteria for CU products, this has to change. Suppliers and producers must have the same information at hand, which means that the communicated selection criteria must be coherent internally and externally from the producer perspective in order for the supplier to match these (Watts et al., 1992; Hill, 2000). Additionally, as the end products offered by the producers are claimed to be of high quality and design, price should not be one of the determining factors for supply if the functional strategies are to have a strategic fit to the business strategy (Watts et al., 1992). Though, price is the determinant for STD products (Mason-Jones, 2000a). As the suppliers stress the disinterest of competing on price and the threat of low-cost competition, the authors argue that the BSRs established favorably could be moved into the direction of the arrows (cf. Figure 5.4). This movement will enhance the ability for suppliers to deliver CU products and have the opportunity to compete on different factors. As such, the movement will also have a profound impact on the delivery time, where domestic suppliers deliver more strategically important products, while leaving the more price-sensitive STD products open for offshore sourcing.

5.2.2.3 Innovation capability

Even though the innovation capability is perceived as the least important competitive priority among the actors, it is a recurring topic for discussion. The producers indicate the need for improved supplier innovativeness, while the suppliers stress the importance of working with producers that enable them to improve this capability. Therefore, the authors argue that frequent communication must be secured within several hierarchical levels, in particular between the R&D departments. This may provide the opportunity of increased interaction in the early phases of product development, which ought to generate more transparent and closer BSRs. Johnston et al. (2004) mention increased innovativeness for the producer as an outcome of a closer relation with its supplier, as well as enhanced quality of the end products. In addition, cost savings in product development can be yielded if an increased critical mindset is reached between the actors. Cost savings can lead to enhanced value creation, which is the main reason of establishing and developing BSRs (Anderson, 1995; Wilson, 1995; Sundtoft Hald et al., 2009). Due to their specific expertise, suppliers could find technical solutions to reduce the cost of the end product, which in turn could be one step towards increasing their value-adding share in the future. In addition, more extensive benefits from the innovation function described by Walter et al. (2001) can be reached by utilizing innovative solutions in the production in other BSRs. However, the authors think the high importance of price could hamper the innovativeness, and therefore this focus must be reduced from both sides.
5.2.2.4 Control mechanisms

As Wathne and Heide (2000) and Jap and Ganesan (2000) stress, control mechanisms are used to constrain the other actor in a BSR to act unfavorable. However, using the same type of control mechanisms in all types of BSRs is not preferable (Cannon et al., 2000). As the result of the first RQ indicated, contracts are not very specified in either type of BSR. Whereas a “buddy” BSR should not involve a highly specified contract, an “arm’s length” BSR should (Liu et al., 2010). The authors view the improvement opportunity of the differentiation as important to clarify to each actor what the BSR is actually meant to perform. If a low specified contract is used in both types of BSRs, the authors perceive a risk in that neither actor understands what the other expects. As a low specification often indicates a close cooperation (Liu et al., 2010), a supplier might believe the producer is searching for close cooperation, whereas the producer actually wants the supplier to deliver a STD product without any major interaction. This might be one of the reasons for the supplier perception of not being involved in the product development phase. However, the authors stress that BSRs with lower level of interaction could be handled with more specified contracts and with focus on coercive power if contracts are not followed to reduce the cost of management. Regarding the current situation, the authors agree that with the shift in the direction of the arrows (cf. Figure 5.4) the BSRs are advantageously managed with low contract specificity. Rather, by focusing on relational norms and non-coercive power, close cooperation between the actors can be fostered. As the suppliers want to increase the share of CU products delivered to the producers, and the producers want the suppliers to be more innovative, the BSR could be moved up to the right in the BSR development model where opportunity for such areas to evolve is greater. As the foregoing arguing, it is of utter importance to clarify the governance structure, i.e. how to rule the BSR, pre-entering the BSR (Cannon et al., 2000). The actors involved will, as such, understand what is expected and the risk of misconceptions will decrease.

5.2.2.5 Product focus

As previously mentioned, one of the main reasons for the proposed changes in the BSR development model is the product characteristics of high quality and design. Based on this, as well as the empirical findings of quality as the main OQ and on-demand production, agile processes are required (Olhager, 2003; Mason-Jones et al., 2000a), which supports the proposed directions in the development model. Furthermore, flexibility is concerned as one of the main OWs for agile processes (Olhager, 2003), and thus increased focus could favorably be put on this factor for the domestic BSRs. Moreover, the authors think that focus to some extent could be shifted from STD- towards CU products. At current state there seem to be unclear perceptions between the suppliers and the producers of what a STD product is (cf. Figure 4.4 and Figure 4.19), as the purchased shares of STD products look highly different from the supplier- and the producer perspective. This dilemma could potentially be solved as a result of enhanced levels of interaction and communication. By focusing more on CU products, or at least high-value products from both actors’ perspectives, possibilities to leverage the supplier know-how could be yielded for the producers. At the same time, the suppliers create opportunities to increase their value-adding shares of the end product. From the perspective of Kraljic (1983), this would indicate a BSR within the strategic item quadrant, which is where the authors consider the BSRs to be positioned.

5.2.2.6 Prioritized factors in BSRs

Different factors appear to be of different importance depending upon the BSR type in focus (Webster, 1992; O’Toole & Donaldson, 2000; Bensaou, 1999; Harland, 1996; Gundlach & Murphy, 1993). However, much focus is put on the same factors regardless of BSR type,
where price is the most distinctive factor prevalent in both transactional and collaborative BSRs from the producer perspective. Considering the supplier perspective, both short lead time and price are most distinctive in all BSR types. Whereas the results are not corroborated by earlier theories concerning important factors, this is, by the authors, viewed as an important improvement area. Taking the BSR development model, the movement towards the upper right half indicates that the importance of price has to be dimmed (Webster, 1992) in order to reach true collaborative BSRs. Only by focusing on other factors such as long-term cooperation (Gundlach & Murphy, 1993), win-win situations (Harland, 1996), co-involvement (O’Toole & Donaldson, 2000) and the dedication of resources to the BSR (Webster, 1992), the BSR can fully realize the collaborative potential. Taking the factor prioritization by the suppliers and the producers, it is of utmost importance that both actors engaged in a BSR have the same values. Thus, for this to become a reality, both actors have to agree upon the prioritization of such factors and be transparent about what is of value to each one of them. As it seems in the review by e.g. Webster (1992) and Gundlach and Murphy (1993), the more collaborative BSRs tend to focus upon soft- rather than hard aspects, e.g. trust instead of price. However, if this prioritization is not explicitly clear to both actors, focus discrepancies could occur, posing a threat to the functionality of the BSR. The BSR framework can, even if the soft aspects are not incorporated, hint about potentially interesting factors to focus upon. Going even deeper, as the authors have suggested a movement in the BSR development model, soft aspects such as trust, commitment (Huntley, 2006; Leuthesser, 1997; Simpson et al., 2001), long-term thinking (O’Toole & Donaldson, 2000) and dedication of resources (Webster, 1992) are examples of factors to consider. Yet, even if starting small, such prioritization can cause a benign snowball effect to appear leading the actors to improve the overall competitiveness in a collaborative effort.
6 Discussion and conclusions

In this final chapter the authors discuss the implications of the thesis, followed by an overall discussion and reflections of the study. At the end, the authors present the conclusions drawn and potential areas of further research based on the current study.

6.1 Theoretical implications

This study contributes to an enhanced understanding about BSR management within the furniture industry. It also exemplifies the importance of taking both perspectives when studying the topic of BSRs, as most previous research takes either the supplier or the buyer perspective (Caniëls & Gelderman, 2007; Gelderman & van Weele, 2005). However, the BSR framework developed has merged well-known theories within BSR management by using the dimensions from two perspectives. The interconnection of theories with the purpose of mutual gains contributes to the literature about BSR management from bilateral perspectives. Furthermore, theories of BSR management are applied to a fairly undeveloped research context, which proves the value of utilizing theories across industry contexts. Thus, the study contributes to fill the intended gap in the current literature.

6.2 Managerial implications

From a managerial perspective, the authors argue that there are several valuable implications of the study. The BSR framework is usable for both the supply- and the purchasing side of a BSR, which means that both types of actors can use it to evaluate and get a common understanding of the various aspects that may influence a BSR. Thus, it can increase the awareness of what factors, other than price, to prioritize when further developing BSR management. This prioritization should include both actors’ expectations and needs and therefore the possibilities of acting as one entity are enhanced. In addition, the BSR framework can contribute to increase the overall competitiveness of the furniture industry by categorizing BSRs with the purpose of leveraging the know-how of both actors. The authors argue that the BSR framework helps to relocate the tunnel vision from either side towards having a more holistic view of a BSR. A better understanding of each other’s needs and directions ought to lead to more fruitful BSRs for both types of actors in the long run.

6.3 Discussion and final reflections

Based on the purpose, the authors argue that the choice of research approach is well grounded. However, it could be discussed whether the approach is abductive or if it is a mix of inductive and deductive approaches. While there have been iteration between theory and empirical findings, and a BSR framework has been developed that modifies earlier theory, the authors argue the abductive approach to be correct. Though, the cross-sectionality of the study delimits the possibilities to fully test the value of the framework.

Concerning the survey strategy applied in the thesis, the authors view this strategy as imperative to investigate the current BSR management holistically in the furniture industry. Whereas a survey strategy allowed the authors to collect data from the whole population, the choice of strategy also ensured a general understanding of the first RQ. From the authors’ standpoint, one of the main strengths of applying a survey strategy was the fact that it highly supported the purpose of taking both the producer and the supplier perspective, but also to be able to reach out to the whole population while keeping the objectivity.
The authors recognize that interviews could preferably have been conducted after the survey to deepen the insights of the current BSR management. However, this would have required interviews with all survey respondents to avoid any kind of bias, which was considered as impossible due to access of interviewees. Overall, the sequencing of collection techniques as well as qualitative and quantitative methods was concerned as relevant to be able to generate relevant background information. The main reason for analyzing the data qualitatively was because the authors believed this would generate richest possible results.

As the whole population was included in the survey, this ought to indicate representative answers even as the response rate was 50%. Concerning the content of the survey, the authors have reflected upon to what extent some of the questions were misinterpreted by the respondents. For questions involving concepts such as competitive priorities, OWs and OQs, descriptions were provided to reduce the risk of misinterpretations. However, as e.g. the graphs of OWs and OQs (cf. Figure 4.14) are very similar, these concepts could either have been misinterpreted by the respondents, or the companies do not differentiate between them. Throughout the thesis, the external support from both TMF and Bäckstrand has been valuable to in several ways, e.g. in the formulation of the survey questions. Thus, the authors believe this to strengthen the content of the thesis.

### 6.4 Conclusions

Reviewing the analysis conducted by the authors, the conclusions reached are that the current BSR management is not as deficient as first perceived during the seminar provided by TMF. Overall, the furniture industry is characterized by high-quality design products with a major focus upon the Swedish market, where most BSRs also take place. Currently, the majority of the BSRs are viewed as collaborative, but where price has a big impact on the BSRs in comparison other competitive priorities such as innovation and flexibility. In general, both producers and suppliers agree upon important factors within BSRs but minor differences do exist. Concerning the type of product in focus of the BSRs, producers and suppliers seem to have different perceptions of whether the product is STD or CU. Reviewing the OWs and OQs, the producers perceive the factors of price and quality are the most important whereas the same selection criteria are used regardless of product type. Furthermore, suppliers’ selection criteria mirror the ones used by the producers, which implicates a coherency of supply and demand. However, the differentiation between different types of BSRs is not an area of major focus within the furniture industry. Nevertheless, there are several areas that should be considered in order for the furniture industry to improve its competitiveness. The changes that need to be done are not as far-reaching as the observation first indicated, but rather concern small changes in the mindset regarding BSR management. In order to ameliorate the current situation, the authors suggest the furniture industry to focus upon the factors highlighted as improvement areas, where the BSR framework could be considered as a support to unite the actors’ ideas about current and future BSRs. The proposed improvement areas concern categorization of BSRs, innovation capability, product focus, OW- and OQ differentiation, control mechanisms, and common prioritization of important factors in BSRs. However, to reach a better position in the global market, the BSRs could preferably be moved towards the strategic and key difficult quadrants, as this is where both actors could realize the BSRs’ full competitiveness.

### 6.5 Further research

As the purpose of the thesis has been to investigate potential BSR management developments, it is of further interest to investigate to what extent the proposed developments are applicable. For this purpose, the authors recommend a longitudinal study, which would en-
able the possibilities of evaluating the potential use of the developed BSR framework and development model. The proposed BSR development model was based on both earlier theories and the authors’ perception of the furniture industry’s needs, and as such it could be interesting to see whether the model is applicable to other contexts. Furthermore, as the study is delimited to a dyad perspective, the problem could also be investigated from a network perspective as this can yield another picture of the problem as well as other developments. There are thus openings for further research to investigate the SC setups in the furniture industry, e.g. with the focus of lean and agility.

Since this was an investigation covering the whole industry segment, case studies at leading companies within the furniture industry could be a good complement to this study enabling deeper insights specifically directed to certain companies. In addition, there are other companies beyond SMEs that could fortify the topic of BSR management to a further extent. Moreover, inferential statistics regarding e.g. what impact company size has on BSR management and the use of classification models could be another interesting area for further research as a complement to this study.
List of references


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Appendix

Appendix 1 – Interview Guide

Instructions: Note that collected information will be treated confidentially to protect the interests of the company.

The interview guide consists of three major parts: Administrative notices, Classification- and Target questions. The administrative notices identify under what circumstances the interview is held, e.g. place and milieu. This will only be noted by the interviewers and not explicitly asked to the interviewee.

The classification questions aim to provide an opportunity for the interviewer to ask the interviewee questions concerning demographic variables, e.g. age, position and company size. The questions are close-ended and will only provide short answers. This approach is used to open up the interview in a polite and comfortable way so that both parties can familiarize themselves with each other.

Thereafter, four target questions of open-ended characteristics follow. The purpose of these questions is to get a greater insight about the focal company’s management of BSRs. Depending upon the answers provided by the interviewee, probing questions can be used to follow-up the target question and guide the interview into a certain direction. For each target question, some predetermined key points are given that need to be checked by the interviewer before moving to the next question. By using key points the interviewer can make sure the focus of the subject is maintained.

In the end of the interview guide, some space for additional notes will be left concerning e.g. feelings of the interviewer and perceived feelings of the interviewee. The authors hope that this can improve the interpretation comprehensiveness and provide useful information not explicitly stated during the interview.

After a conducted interview, the interviewers transcribe the interview and send the transcription to the interviewee who then has the opportunity to rectify the version and add potential information missed during the interview.

Date: ____________________________
Location: ____________________________
Interviewers: Hermansson & Lindelöf
Interviewee: ____________________________

Signature interviewers

Signature interviewee
Administrative notices

- Place: _________________________________________________________
- Milieu: ________________________________________________________
- Type of interview: _____________________________________________
- Equipment: ___________________________________________________

Classification questions

- Gender: _________________
- Position: _____________________________________________________
  - Years at current position: _____________________________
  - Years within the company and previous positions: ______________
- Main responsibilities: __________________________________________
- Type of company (within TMF): Producer Supplier
- Number of employees: _________________________________
- Turnover of company (MSEK): ___________________________
Appendix

Target questions

- How would you describe your company and its strategy?

- Can you describe your target market and your product types? What do you offer your customers?
How do you chose and evaluate a supplier/customer? How does this process work and what people are involved? Do you carefully select your customers?

Selection criteria
Evaluation criteria
Process
Motives
Transparency
Development
Order winners supplier

How would you describe your company’s management of customer- and supplier relationships? Methods, processes, documents etc.

Categorization
Differentiation
Long-term/Short-term
Level of interaction
Power balance
Dependency
Benefits
How would you like your network of customers and suppliers to behave, and what do you want they demand from you? What improvement possibilities do you see?

Additional notes:

_____________________________________________________________________
_____________________________________________________________________
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Appendix

Appendix 2 – Survey Questions

<table>
<thead>
<tr>
<th>Common questions</th>
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<tbody>
<tr>
<td>• What type of actor is your company, producer or supplier?</td>
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<tr>
<td>• Which department within your company do you belong to?</td>
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<tr>
<td>• How many employees work at your department?</td>
</tr>
<tr>
<td>• How many employees does your company have?</td>
</tr>
<tr>
<td>• What turnover did your company reach during 2014?</td>
</tr>
<tr>
<td>• What percentage does the Swedish market account for of your total market?</td>
</tr>
<tr>
<td>• What are the three most important competitive priorities of your company?</td>
</tr>
<tr>
<td>• How important is price in relation to quality for your customers?</td>
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<tr>
<td>• How important is price in relation to flexibility for your customers?</td>
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</tbody>
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<table>
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<tr>
<th>Producer questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How would you like to describe your customer offering?</td>
</tr>
<tr>
<td>• Which, of below alternatives, are the three most important supplier selection criteria for STD products?</td>
</tr>
<tr>
<td>• Which, of below alternatives, are the three most important supplier selection criteria for CU products?</td>
</tr>
<tr>
<td>• Which OQs do you consider your suppliers should have?</td>
</tr>
<tr>
<td>• Which OWs do you consider your suppliers should have?</td>
</tr>
<tr>
<td>• Do you differentiate between pre- and post CODP purchasing? If yes, how?</td>
</tr>
<tr>
<td>• What percentage of your total purchases do low-cost countries account for?</td>
</tr>
<tr>
<td>• What are the reasons for purchasing from low-cost countries?</td>
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<tr>
<td>• To increase the purchases from Swedish suppliers, what competitive priorities do you think Swedish suppliers should focus on?</td>
</tr>
<tr>
<td>• What is the percentage of STD products purchased from Swedish suppliers?</td>
</tr>
<tr>
<td>• What is the percentage of CU products purchased from Swedish suppliers?</td>
</tr>
<tr>
<td>• What is the percentage of COU products purchased from Swedish suppliers?</td>
</tr>
<tr>
<td>• In general, how do you perceive your current BSRs?</td>
</tr>
<tr>
<td>• In general, how do you perceive your current BSR management?</td>
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<tr>
<td>• What are your relative shares of transactional, collaborative and integration BSRs?</td>
</tr>
<tr>
<td>• Do you use any categorization model in your BSR management?</td>
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<tr>
<td>• What are the most important factors in a strategic/collaborative BSR?</td>
</tr>
<tr>
<td>• What are the most important factors in a transactional BSR?</td>
</tr>
<tr>
<td>• In general, what are the most important factors in a BSR?</td>
</tr>
<tr>
<td>• To what extent do you exploit power in your BSRs?</td>
</tr>
<tr>
<td>• What types of power do you utilize in your BSRs?</td>
</tr>
<tr>
<td>• To what extent is contracts specified in a strategic/collaborative BSR?</td>
</tr>
<tr>
<td>• To what extent is contracts specified in a transactional BSR?</td>
</tr>
<tr>
<td>• What areas of improvements do you see among your suppliers?</td>
</tr>
<tr>
<td>• Do you believe the supplier’s innovation capability to be important?</td>
</tr>
<tr>
<td>• Within which areas should suppliers be innovative?</td>
</tr>
<tr>
<td>• To what extent are you willing to engage in developing supplier processes?</td>
</tr>
<tr>
<td>• To what extent do you enable suppliers to be innovative?</td>
</tr>
</tbody>
</table>
Appendix

- To what extent do you consider your suppliers automate their production?

## Supplier questions

- How would you like to describe your customer offering?
- In general, which, of below alternatives, are the three most important supplier selection criteria?
- Based on your customer portfolio, how important are producers for your profitability?
- Based on your total turnover, what percentage do producers account for?
- What is the percentage of STD products purchased by producers?
- What is the percentage of CU products purchased by producers?
- What is the percentage of COU products purchased by producers?
- Which of the below direct- and indirect functions do you consider important?
- In general, how do you perceive your current BSRs?
- In general, how do you perceive your current BSR management?
- What are your relative shares of transactional, collaborative and integration BSRs?
- To what extent do you perceive the threat of low-cost countries?
- What factors do you think producers consider as most important in a strategic/collaborative BSR?
- What factors do you think producers consider as most important in a transactional BSR?
- Do you use any categorization model in your BSR management?
- To what extent do you perceive producers to exploit their relative power in BSRs?
- What types of power do you utilize in your BSRs?
- To what extent is contracts specified in a strategic/collaborative BSR?
- To what extent is contracts specified in a transactional BSR?
- What areas of improvements do you see among the producers?
- To what extent do producers consider your needs and demands?
- To what extent are you involved in the product development phase?
- To what extent do producers put demands on your innovation capability?
- To what extent do producers enable you to be innovative?
- To what extent do you consider innovations within production techniques to be possible?
- In general, what are the most important factors in a BSR?