



**SUPPLIER RELATIONSHIP MANAGEMENT AS A TOOL FOR STRATEGIC
PURCHASING DEVELOPMENT, A SLEEP BRAND CASE STUDY**

Lappeenranta–Lahti University of Technology LUT

Master's Programme in Business Administration, Master's thesis

2021

Benjamin Stolk

Examiners: Professor Katrina Lintukangas

Sirpa Multaharju, D.Sc. (Econ. & Bus.Adm.)

ABSTRACT

Lappeenranta–Lahti University of Technology LUT

LUT School of Business and Management

Master supply management (MSM)

Benjamin Stolk

Supplier relationship management as a tool for strategic purchasing development, a sleep brand case study

Master's thesis

2021

78 pages, 7 figures, 2 tables, and 2 appendices

Examiner(s): Professor Katrina Lintukangas and Sirpa Multaharju, D.Sc. (Econ. & Bus.Adm.)

Keywords: Supplier Performance, Supply Chain Management, Supply Strategy, Supplier Segmentation, Supplier Development, Supplier assessment, Supplier Relationship Management.

Supplier relationship management (SRM) can be used as a strategic tool for organisations to improve their performance and capabilities, which in turn improves the competitive advantage. A company's strategy influences the focus and implementation of SRM. This Master's thesis aims to understand the benefits and challenges of SRM as well as the SRM process including supplier assessment and supplier development (SD). Furthermore, the Master's thesis aim is to investigate the role of SRM in strategic procurement and SRM implementation. This thesis research was conducted as a single case study at a case company that operates in the E-commerce business. Qualitative research was conducted via observations, company documents, and 11 interviews conducted within the procurement department. Research findings show that the nature of the case company influences the applicability of SRM on a strategic level. Furthermore, it shows that an organisation's strategy influences SRM and its targets.

ACKNOWLEDGEMENT

I'm nearing the end of my master's degree and by doing so, I'm slowly closing another chapter in my life. I would like to use this acknowledgement to thank some people that helped and supported me these past years.

First and foremost I need to thank my parents and my brothers for always being there for me. Please know that I value and cherish you all. I would like to thank my friends from the Netherlands for enduring me all these years. I also want to thank my classmates who accompanied me during this journey. In particular, I must thank Joe for being my partner in crime and Tommi for being my Finnish advisor. I enjoyed our time together and hope you did too.

I would also like to thank all my colleagues at the case company. Yue, thank you for your never-ending support during our one on ones. Pia, thank you for being supportive of me and the thesis work. Rafael, thank you for your transparency, honesty and for giving me the opportunity. But, most of all, I need to thank the amazing procurement & quality team that supported me so well. All of you made my time at the company and the thesis writing process so much more enjoyable. A special thank you also goes to the 2 WG's. You made my time during the internship extra special!

I would like to thank all of my professors at LUT and in particular both of my supervisors. Katrina and Sirpa, thank you for all of your support during this process. It is much appreciated. Lastly, I would like to thank Finland, for offering me the possibility to study and enabling me to have all these amazing experiences.

Thanks for reading and wishing you a nice day.

Steenbergen, August 2021

Benjamin Stolk

Table of contents

Abstract

(Acknowledgements)

1	INTRODUCTION	1
1.1	Literature review	2
1.2	Research methodology	4
1.3	Research problem, objectives, and limitations	9
1.4	Conceptual framework	11
1.5	Key concepts of the study	12
1.6	Outline of the study	13
2	SUPPLIER RELATIONSHIP MANAGEMENT	14
2.1	Supplier relationship management framework.....	14
2.2	Supplier relationship management benefits.....	20
2.3	Supplier relationship management challenges	22
2.4	Supplier assessment.....	24
3	SUPPLIER DEVELOPMENT AND SUPPLIER RELATIONSHIP MANAGEMENT IMPLEMENTATION.....	31
3.1	Supplier development in practice	31
3.2	Supplier relationship management implementation	34
4	STRATEGIC PURCHASING	38
4.1	The Resource-based view	38
4.2	Transaction cost economics.....	39
5	EMPIRICAL FINDINGS AND ANALYSIS.....	40
5.1	About the case company.....	40

5.2	Data collection and data analysis	40
5.3	About the interviewees	41
5.4	Supplier relationship management at the case company	42
5.5	Supplier development and supplier relationship management implementation at the case company	54
5.6	SRM and strategic procurement	61
6	DISCUSSION AND CONCLUSIONS	65
	LIST OF REFERENCES	74

Appendices

Appendix 1. Interview questions

Appendix 2. Interview results

List of Figures

Figure 1 The five-stage research process model modified from Stuart, I. et al. (2002)....7

Figure 2 Conceptual framework..... 12

Figure 3 The four sourcing options for buyers modified from Cox (2004, 349)25

Figure 4 Power matrix modified from Cox (2004)25

Figure 5 Relationship portfolio matrix (Cox 2004)26

Figure 6 Kraljic Portfolio Matrix modified from Montgomery et al. (2018).....27

Figure 7 Lean and agile purchasing portfolio model modified from Drake et al. (2013, 6)
.....29

List of Tables

Table 1 SRM Benefits - Empirical findings.....48

Table 2 SRM challenges – Empirical findings.....53

1 INTRODUCTION

Companies spend roughly 60 per cent of their financial resources on procurement and supply chain management (SCM) (Brandmeier & Rupp 2010, 5). Hence there is a constant need to research these areas to find progressive solutions that can support organisations in their growth. Part of this procurement and SCM area is supplier relationship management (SRM). Den Butter & Linse (2008, 76) mention that the role of procurement has shifted from a purely operational one towards something that is more strategically involved. They also mention that procurement has a close relationship to strategic decision-making and company policies made by the board.

According to Park, Shin, Chang, & Park (2010, 496) globalisation, product complexity, and the diversification of customer need force companies to have increased supply chain efficiency to stay competitive. An optimised supply chain can contribute to improved inventory levels, diminish risks & uncertainty, and improve cycle time. Park et al. (2010, 496) state that the purchasing function must be considered as recently more and more costs are allocated to this function. Based on the statements of the above authors it becomes clear that the purchasing function has become responsible for a bigger part of the total amount spent and therefore increased its strategic importance within firms. As a result of this effect, SRM has become of more importance.

This study investigates SRM regarding this strategic role within an organisation. More specifically, it assesses the current situation of a sleep brand e-commerce organisation and determines how SRM can further enhance the strategic aspect of the purchasing department. Based on the statement of Park et al. (2010) about the importance and value-adding of the purchasing function, assessing this aspect will give better insights into how the procurement activities can be improved on a strategic level, which will ultimately lead to improved organisational competitiveness.

From an academic point of view, it will be interesting to apply current theories and methods to a unique case organisation. The case company is a fast-growing organisation where agility and challenging the status quo is part of its core Deoxyribonucleic Acid (DNA). Applying generalised theories and conclusions to this case organisation enables to test these theories from a different angle which can lead to interesting results.

1.1 Literature review

Lambert & Schwieterman (2012, 337) mention the importance and the role of SRM as a strategic activity for organisations and their performance. Furthermore, they state that SRM provides the structure for managing suppliers. Their research focuses on SRM as a macro business process. Blonska, Storey, Rozemeijer, Wetzels, & de Ruyter (2013, 1295) argue that there is a shift from transactional relationships to collaborative. Park et al. (2010, 496) suggest an integrative SRM framework that consists of four different elements. These elements are shaping the purchasing strategies, supplier selection, collaboration (supplier involvement), supplier assessment and development, and continuous improvement. They explain how each of these elements can be managed and how they are related to one another. Cox (2004, 349) suggests that companies should look at what is possible, instead of what is desired. He offers several methods for determining this. Tanskanen & Aminoff (2015, 128) researched the buyer and supplier attractiveness in a strategic relationship. They offer a framework that can be used by managers for the implementation of a cross-functional and cross-firm business-to-business SRM process. Krause, D. R., Handfield, R. B. & Scannell, T. V. (1998, 43-45) suggest a 10-step process for SD implementation.

Wagner (2006, 565) mentions the aspect of the relationship life-cycle, stating that companies need to consider this when practising SD. Khan & Nicholson (2014, 1213) researched cross-border SRM in regards to emerging economies. They discovered that the buyer and the supplier have different perceptions of what the buyer-supplier relationship represents at different stages of the SD process. Several critical elements

regarding the SD process are provided by Krause & Ellram (1997, 21). These elements are provided from the buyer's point of view. Krause, Scannell, & Calantone (2000, 34) researched the effectiveness of buying firms' strategies to improve performance. They suggest four main methods on how a buying firm can improve supplier performance. Li, Humphreys, Yeung, & Cheng (2012, 353) argue that supplier performance is becoming more important for manufacturing firms to maintain their competitive advantage. They mention the impact of SD on a buying firms competitive advantage. Moeller, Fassnacht, & Klose (2008, 87) offer a framework for SRM, which can be used for integrating different types of suppliers along the course of the relationship.

Hughes & Wadd (2012, 22) write about how companies can get the most out of their SRM activities. According to Partida (2017, 43) organizations can benefit from strong strategical collaborations. They argue that some organizations focus too much on tactical collaborations and daily operational activities. Dalvi & Kant (2015, 653) discovered, through a literature review, 43 SD benefits, 23 SD criteria and 9 SD activities. Krause et al. (2007, 530) researched the relationship between SD, commitment, social capital accumulation, and performance improvement. Kumar Pradhan & Routroy (2014, 209) identified different critical success factors (CSF) and key performance indicators (KPI) for SD.

Kraljic (1983, 112) introduced a method for classifying product types by using the impact of a supply item on the profit and supply risk as parameters. Montgomery, Ogden & Boehmke (2018, 193) describes how the Kraljic matrix can be used and what its shortcomings are. Gelderman & Van Weele (2003, 207) also mention possible implications with the Kraljic matrix as well as different strategies that can be applied based on its result. Drake et al. (2013, 4) discuss the Fisher model, which is similar to the Kraljic matrix. Furthermore, they discuss the lean and agile purchasing portfolio model. Selldin & Olhager (2007, 49) tested Fisher's model by linking products to supply chains.

Kim, Nam, & Stimpert (2004) researched the applicability of Porter's generic strategies in the digital age. In their research, they give an elaborate overview of the different

strategy types. Tebboune & Urquhart (2016) looked into the subject of netsourcing strategies for vendors. They focused their research on the resource-based view (RBV) and the transaction cost economics (TCE) concept. Knudsen (2003) researched corporate strategy, procurement strategy and e-procurement tools. He offers a framework that can be used for assessing alignment between all three aspects. Das & Teng (2000) investigated strategic alliances and the resource-based view of firms.

1.2 Research methodology

Kähkönen (2011, 39) mentions that case study research is interesting and useful. She mentions that it can be used to analyze a certain research topic and that interesting results can be found if the case study is conducted properly. Yin (2018, 32) suggests that a case study research can be a good type of study when 1) the main research questions start with why or how, 2) there is little to no control over behavioural events, and 3) the focus of the study is about a contemporary topic. Halinen & Törnroos (2005) mention that case study research can be used to discover complexities and dynamics in business markets.

Dubois & Araujo (2007, 179) state that: “*Cases can also serve as important complements to quantitative research, testing theories in concrete instances and helping to refine their scope of applicability*”. So, case studies can be complementary to quantitative research and testing theories in certain cases. The statement is in line with what Kähkönen (2011) mentioned and supplements the statements of Yin (2018).

Kähkönen (2011, 33) mentions three different types of case studies, exploratory, explanatory, and descriptive. With an exploratory case study research questions and hypotheses are defined. These definitions are used to assess research procedure feasibility or they are used for subsequent studies. A complete description of a certain phenomenon is given with a descriptive case study. Here its context is also considered. Cause-effect relationships are used for explanatory case studies. Data is comprised based on the cause-effect relationships and the aim is to explain events.

Ketokivi & Choi (2017, 232) state that: “*a typical case research incorporates both existing theories and empirical data to varying degrees*”. So, there is an element of theory and an element of empirical data when it comes to case study research. Ketokivi & Choi (2017, 239) argue that focus on the abstract, formal, and general can be counterproductive when conducting a case study regarding organisational problems. Focussing on abstraction, generalization, and formalization would not lead to credibility in the eyes of managers of these organisations. This indicates that when it comes to case study research, generalisation might not be the best outcome, but rather something more specific to the organisation(s) involved.

Seuring (2008, 135) states that an advantage of case-based research is the increased flexibility in the research design. This enables assessing a supply chain from multiple angles and the possibility of applying different data gathering methods. Dubois & Araujo (2007, 170) mention that: “*it is more productive to consider the nexus between theory and method and ask more pertinent questions about how a field can advance through the pursuit of theoretical and methodological agendas as well as improving the connections between theory and method*”. So, the relationship between theory and method can be more productive. Furthermore, it becomes clear that asking more relevant questions about how a field can advance through these two aspects improves productivity.

1.2.1 Validity of case studies

When doing case research there is a choice regarding the number of cases. Single case studies offer the possibility to do more in depth research. They also enable the possibility to study multiple contexts within the same case. However, the number of cases does not have to be equal to the number of firms and several cases can be used for a case study for a single firm. Single case studies also have some limitations compared to multi-case studies. The results, conclusions, and the developed theories from one case study are less generalizable. Furthermore, there is an increased risk of misinterpreting single events and misusing data that is easily available. Using multiple cases can contribute to increased

validity and prevent observer bias. However, these advantages come with the trade-off of reduced depth. (Voss, Tsiriktsis, & Frohlich 2002, 201-202).

Voss et al. (2002, 202) describe that, when it comes to case selection, a decision must be made on longitudinal or retrospective cases. Retrospective cases are based on historical data and the selection can therefore be more controlled (e.g. a clear case of success or failure). However, participants might have a missing or wrong recollection of past events. Other documents from past events can also be misleading due to missing or wrong information. When it comes to longitudinal cases, Voss et al. (2002, 202) mention that access is one of the biggest challenges. One way to counter this issue is by active participation in observing and formulating organizational change.

1.2.2 Case study framework

Kähkönen (2011, 39) proposes an eight-step framework for conducting a case study. These steps are 1) Literature review, 2) Research question definition, 3) selecting the research methodology, 4) selecting the cases, 5) choosing data collection method, 6) data collection, 7) data analysis, and 8) conclusion drawing. Yin (2018, 31) proposes a six-step approach for doing case study research. He argues that a case study should start with a planning phase, followed by a design phase. Then the research should be prepared, and data should be collected. After this step, the findings should be analyzed and lastly, conclusions should be shared.

Stuart, McCutcheon, Handfield, McLachlin, & Samson (2002, 420) provide a research process model consisting of five stages (figure 1). Compared to the framework proposed by Kähkönen (2011), the one proposed by Stuart et al. (2002) is less elaborate. However, both follow similar steps when it comes to research design. As the design provided by Kähkönen (2011) is slightly more elaborate, it could help structure the research better.



Figure 1 The five-stage research process model modified from Stuart, I. et al. (2002)

1.2.3 Research design

Yin (2018, 58) mentions that defining the case during the design phase of the study is critical and that limitations should be defined as well. Yin (2018, 78) proposes 4 different tests that can be applied to determine the quality of the research design. The first test is to construct a validity test, where accurate measures are determined that can be used for the concept of the study. Second, there is the internal validity test during which a causal relationship is sought. It can only be applied to causal or explanatory studies. The external validity test is the third one. This test aims to show whether and how the findings of a case study can be generalized. The fourth and last test is regarding reliability where it is demonstrated that the same results can be achieved if the study is repeated.

Yin (2018, 58) argues that single-case studies can be invaluable if a single case study has any of five characteristics. These characteristics being: 1) critical, 2) extreme or unusual, 3) common, 4) revelatory, or 5) longitudinal. However, Yin (2018, 58) also argues that a multi-case study is more likely to yield stronger results.

1.2.4 Concerns about case study research

Yin (2018, 32) also mentions 5 concerns that should be addressed when aiming to conduct a case study properly. These concerns are 1) conducting the research rigorously, 2) avoiding confusion with non-research case studies, 3) arriving at generalized conclusions if desired, 4) carefully managing your level of effort, and 5) understanding the comparative advantage of case study research. Voss et al. (2002, 195) mention several challenges when it comes to doing case research. Voss et al. (2002, 195) mention that care is required in drawing generalized conclusions from the case study research. This matches one of the concerns mentioned by Yin (2018). Voss et al. (2002, 195) also raise

other challenges. They mention that case study research is time-consuming and that skilled interviews are required. Ensuring rigorous research is mentioned as a challenge, which matches the previous statements of Yin (2018). Applying triangulation and different data collection methods can increase the validity of the case study research (Voss et al. 2002, 195).

Dubois & Araujo (2007, 170) mention two blind spots when it comes to case studies in purchasing and supply management field. Firstly, they mention the possibility for the relative neglect of the connection between the methods and theory. Secondly, they mention justifying multiple case research designs by the use of inappropriate statistical criteria.

Halinen & Törnroos (2005, 1296) point out 4 key problems when it comes to case-based network research. These problems are: 1) setting boundaries, 2) mastering network complexity, 3) understanding the role of time and process, and 4) making case comparisons. Macro- and micro position, network horizon, relationship concepts, and network context can be used for the delimitation of case studies. Complexity awareness is required to find important aspects of a phenomenon and to produce theories. Revealing complexity as such should not be the target and therefore avoided. Incorporating time in a network context into a research design has proven to be challenging. However, Halinen & Törnroos (2005, 1296) do mention that time and its role addresses demanding and interesting aspects.

Halinen & Törnroos (2005, 1296) mention that regarding boundary setting, complexity, temporality, and comparability, there is always a trade-off between what is attainable and what is feasible. Ketokivi & Choi (2017, 239) argue that the challenge with research is not so much with the transfer of knowledge, but rather knowledge production.

Frequently with case studies, basic information regarding the research process is not included. As a result, this research type is often criticized as it does not give complete

access to the analytic generalizations and the research in general while also not being rigorous enough. (Seuring 2008, 135)

1.2.5 Data collection plan

When it comes to a typical case research the main source of information is structured interviews, unstructured interviews and interactions. Additionally, informal conversations, surveys, personal observations, review of archival sources, collection of objective data, attendance at meetings and events. (Voss et al. 2002, 204).

According to Voss et al. (2002, 204), a protocol can be used to keep track of this data collection process. Such a protocol consists, amongst other things, of the instruments used and can contribute to increased reliability and validity if designed well.

This case study research uses qualitative data in the form of interviews and observations as its primary data source. Additionally, several other observations within the case company are made during a four-month period prior to the research. The acquired in-depth knowledge is combined with the information gathered from interviews, company documents, and other observations.

1.3 Research problem, objectives, and limitations

According to Oghazi, Rad, Zaefarian, Beheshti & Mortazavi (2016, 4804) intense market competition in the global market has resulted in manufacturers seeking out long-term strategic supplier relationships. They state that by having these relationships more effective and efficient performance can be achieved, which in turn improves the competitive advantage. According to Park et al. (2010, 496), SCM can only function successfully if the purchasing function is considered. Especially when the purchasing function is responsible for a bigger part of the total costs.

Cox (2004, 346) researched appropriateness based on power and leverage from a buyer's point of view. He concludes that there is no one size fits all approach regarding supplier relationships. The same approach for different suppliers might not always be appropriate and therefore sourcing competencies are vital. The buyer must understand not only what is ideal, but also what is appropriate and adjust its sourcing strategy towards this.

What becomes clear is that SRM has become an important topic when it comes to the performance of a firm and its supply chain. SRM has many aspects to it and these can relate differently depending on the firm and its supply chain. For organizations, it is a continuous process to determine how SRM should be applied within their network to achieve the desired performance improvements. This, in turn, creates multiple challenges as no supplier network is the same.

The objective of this research is to investigate how SRM is applied within the existing network of the case company. This single case study contributes to previous research as it investigates the SRM subject from a unique point of view. The case company has an agile and fast-changing nature, which can lead to interesting insights. The research aims to show the relationship between purchasing strategy and SRM and how SRM can contribute to improvements within the firm's environment. To reach these objectives, below main research question is used.

“What is the role of SRM in strategic procurement?”

The main research question covers the main aim of the thesis work. However, to answer the main research question, below sub-research questions are used.

1. What are the benefits of SRM?
2. What are the challenges of SRM?
3. How can suppliers be assessed?

4. How can suppliers be developed?
5. How can SRM programs be implemented?

There are several limitations applicable to this case study. The research is conducted as a single case study. The empirical data is therefore only sourced from the case company. Furthermore, the aspect of SRM is investigated regarding procurement strategy. A procurement strategy is a component of a broader company's SCM strategy, which is excluded from this study.

The selected case company is a manufacturer and retailer of sleep products. Amongst these are blankets, beds, pillows, and mattresses. For this case study research, only suppliers managed by the procurement department are considered. The continuous improvement aspect of SRM is briefly mentioned, but not researched in-depth, as this is a broad topic in and on itself.

As the objective of this research is to give an overview of the benefits and challenges of SRM. Furthermore, the research objective is to provide information about supplier assessment and supplier development (SD) practices. Lastly, the research will answer how SRM projects can be implemented. To achieve the answers to these questions, both theoretical and empirical data is used. For the empirical data part, a case company is used as a source of information.

1.4 Conceptual framework

The research questions are presented in a previous chapter. Below conceptual framework (Figure 2) is created to conduct the thesis work. Five key questions are asked to understand the role of SRM in strategic procurement. The conceptual framework is inspired by the offered integrative framework of Park et al. (2010). It starts with the connection between the purchase strategy and SRM. The key questions regarding the benefits and challenges of SRM are asked to understand what the main drivers are for

SRM activities and which areas pose difficulties. After that, the SRM process begins with a supplier selection phase and a collaboration phase. For these steps, the main question is how suppliers are assessed. The assessment of collaboration ultimately leads to SD. The supporting question asked for this aspect is how suppliers can be developed. The SD phase leads to performance improvements, which in turn impact the purchasing strategy. The supporting questions asked for the last aspect of the conceptual framework is related to how SRM programs can be implemented.

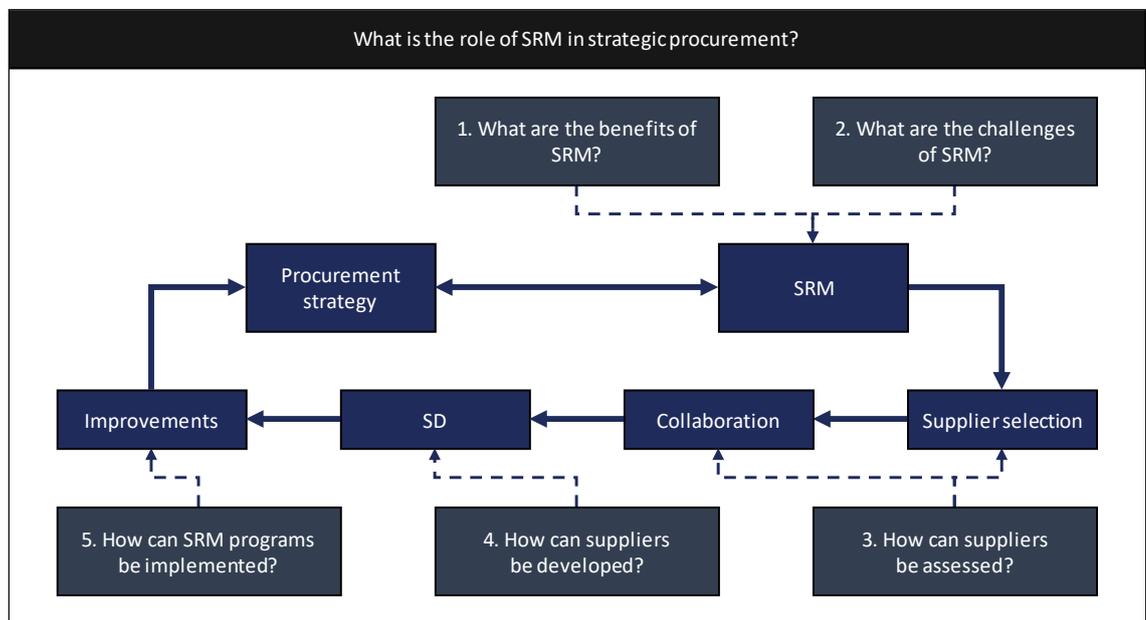


Figure 2 Conceptual framework

1.5 Key concepts of the study

There are several key concepts related to this research. There is the concept of SRM. Park et al. (2010, 496) state that: “An SRM system strategically aims for collaboration with suppliers, so that a company can develop a new product competitively and produce goods efficiently”. Another concept, which is part of the SRM process is SD. Khan & Nicholson (2014, 1213) define SD as: “Supplier development pertains to any planned program initiated by the buyer to improve the short- or long-term performance of its suppliers within dyads or within a broader network of suppliers”.

Supplier assessment is an element of SRM, where different models can be used. One of these models is the Kraljic matrix, which is a matrix that divides a product portfolio into low and high supply risk categories. For this segregation, impact on profit, and supply risk are used. (Park et al. 2010, 496) Another concept used in the research is procurement strategy. Procurement is a component of an organizations supply strategy. Tarafdar & Qrunfleh (2017, 926) mention that supply chain strategy specifies the overall goals and specifies the focus on responsiveness and cost. Supply chain strategy influences several processes, amongst which are customer service, logistics, inventory management, and procurement.

1.6 Outline of the study

The first chapter introduces the thesis subject. A literature review is given and the research methodology is explained. Furthermore, the research problem is described, as well as the objectives and limitations of the study. A theoretical framework is provided to create a better understanding of the research problem and key concepts of the study are explained.

The second chapter focuses on the theoretical background of SRM. A framework for SRM is discussed as well as the benefits and challenges of SMR. Additionally, the theoretical background is provided regarding supplier assessment where several different supplier assessment methods are discussed. The third chapter captures SD and SRM implementation. In the fifth chapter strategic procurement is presented. The empirical findings and analysis are provided in the fifth chapter. Information about the case company, the data collection, the data analysis, and the interviewees is provided. Furthermore, information regarding SRM and SD at the case company is provided. The sixth and last chapter includes the conclusion and discussion of the thesis.

2 SUPPLIER RELATIONSHIP MANAGEMENT

This chapter provides theoretical background regarding SRM. This chapter aims to give a clear overview of the theory related to SRM. Additionally, a framework that can be applied to SRM is discussed. Furthermore, benefits and challenges related to SRM are mentioned and discussed. Lastly, this chapter covers supplier assessment where several models that can be used are described.

2.1 Supplier relationship management framework

Anon (2003, 4) states that “*SRM is identifying the strategic suppliers and applying a management methodology that results in breakthrough improvement in costs, quality, service, and technology that result in increased shareholder value for both firms*”. Here a few important aspects are mentioned. SRM aims to increase shareholder value for both firms. Furthermore, it is mentioned that SRM is about finding strategic suppliers. Lastly Anon (2003, 4) mentioned that all of this can be achieved via costs, quality, technology, or service.

Lambert & Schwieterman (2012, 337) state that: “*increasingly, supplier relationship management (SRM) is being viewed as strategic, process-orientated, cross-functional, and value-creating for buyer and seller, and a means of achieving superior financial performance*”. Like Anon (2003) a value-creating situation for both the buyer and supplier is mentioned. Furthermore, Lambert & Schwieterman (2012, 337) mention achieving superior financial performance as an outcome. In this regard, the description by Anon (2003) appears to be slightly broader as they mention shareholder value. However, shareholder value in practice will always come down to financial results.

Lambert & Schwieterman (2012, 349) also state that: “*Supplier relationship management provides the structure for how relationships with suppliers are developed and maintained, including the establishment of Product and service agreements (PSA) between the firm and its suppliers*”. Here Lambert & Schwieterman (2012) add the element of a structure that SRM can give regarding managing suppliers.

According to Lambert & Schwieterman (2012), SRM consist of a strategical and an operational part. Each step needs to be strategically defined and later operationally executed. Lambert & Schwieterman (2012) also argue that SRM is only one out of 8 different macro business processes that can be used for managing and integrating business processes in a supply chain. Blonska et al. (2013, 1295) mention that there is a shift from transactional relationships to collaborative. This shift is a result of increasing awareness amongst buyers regarding the strategic importance of furthering their supplier’s knowledge, capabilities, and market insights through SD programs.

Lambert & Schwieterman (2012, 349) mention that SRM provides a structure for managing suppliers and supplier relationships. Park et al. (2010, 496) provide an integrative framework for SRM which is composed of four different areas. The framework shows which areas are important in SRM and how they are related to each other. These areas are shaping the purchasing strategies, supplier selection, collaboration (supplier involvement), supplier assessment and development, and continuous improvement.

Shaping the purchasing strategies and supplier selection

Park et al. (2010, 500) mention three steps that can be used to shape the purchasing strategy. First, the item needs to be classified, which can be achieved by using a portfolio model. Such a portfolio model could be the Kraljic matrix, which can be used to differentiate the products between high and low supply risk and high and low-profit impact. Cox (2004, 349) proposes to use “proactive or reactive buyer involvement” and “first-tier or within the supply chain” to be used as parameters for the segmentation of the

portfolio whereas Park et al. (2010, 500) use “relative supplier attractiveness” and “relationship attractiveness”.

After the items have been classified, an analysis of the supplier relationship should be performed. High-risk items should be recategorized by using a supplier relationship chart. Supplier attractiveness is determined by financial status, performance, technological, organizational, cultural, and strategic factors that influence the supplier attractiveness (Park et al. 2010, 500-501). Lambert & Pohlen (2001, 10) explain that contribution and criticality are the main factors for the customer to select and develop supplier relationships. Once the analysis has been performed, an action plan should be developed. Depending on the respective item category different actions should be taken. (Park et al. 2010, 500-501)

Tanskanen & Aminoff (2015, 128) explain that organisations need to be rather selective regarding picking strategic collaborations as they require a substantial amount of resources. This enhances the argument of segmenting the supplier portfolio, mentioned before. Additionally, one could argue that, due to the high resource consumption, choosing the supplier to collaborate with can have a severe impact on an organisation’s performance. Cox (2004) highlights that, when it comes to SRM, organisations face and therefore need to consider limiting factors like resources and capabilities. These can shift the chosen relationship type from an ideal one to a more realistic one. Cox (2004) also highlights that power relationships can influence the chosen relationship type.

Strategic collaborations and relationships are frequently long-term and enable the optimal possibility for strategic value-adding. According to Lambert & Schwieterman (2012), the selection on strategic and long-term collaborations is one for management. Seeing how firm resources are limited and the need for selectiveness when it comes to picking suppliers for collaboration, management involvement seems appropriate.

Park et al. (2010, 501) use a two-phase supplier selection method. In the first phase, a supplier pool is established. Here multiple suppliers are registered and evaluated according to several criteria (financial, technical capabilities, etc). This supplier pool serves two main reasons. Firstly, it enables the organisation to manage the suppliers and develop them where necessary. Secondly, it enables the organisation to receive rapid supply from capable suppliers if demand requires this. Park et al. (2010, 501) mention that new suppliers must be added to the pool and current suppliers in the pool are assessed continuously.

During the second phase suppliers that supply goods directly are assigned. Here criteria like cost, delivery performance and quality are important. Park et al. (2010, 501) describe two methods to select a supplier. The organisation can either select a supplier via the supplier pool or choose a supplier that they already work with. Contracts that offer incentives for the suppliers to perform better should be used. Both the supplier selection and the allocation of the supply are performed in this phase.

Collaboration

Park et al. (2010, 502) mention that collaboration can be achieved by having a collaborative strategy. They divide this strategy into two stages, namely a product development stage and the production stage. One of the goals of a collaborative strategy is to create a win-win situation between the manufacturer and supplier. This can be achieved by sharing roles and profits while using integrated methods to share information. Additionally, internal collaboration is vital.

Park et al. (2010, 502) also state that: “*effective collaboration is achieved by involving the supplier early in the product development stage and fostering effective interfacing with a concurring engineering system*”. So, early supplier involvement is crucial in this regard. Furthermore, product, process, production, quality, trust, design, expertise, communication, and innovativeness are important supplier selection criteria. Lambert & Schwieterman (2012) mention that information flow between stakeholders is crucial for

identifying opportunities. These statements are confirmed by a component supplier in the automotive industry. Hella writes on their website that “*Integration of our suppliers into our business processes requires an optimal exchange of information*” (Hella 2021).

For the production stage evaluating the supplier selection and collaborations is important. Collaboration in this stage stimulates Lean manufacturing, which makes processes more efficient. Additionally, agile manufacturing can be applied to cover fluctuating customer demand. Park et al. (2010, 503)

Supplier assessment and development

Park et al. (2010, 504-505) mention that the purpose for supplier assessment is to 1) determine the strategic importance of materials, 2) evaluate the supplier, and 3) establish the attractiveness of the relationship between buyer and supplier. So, the goal is to segment and develop suppliers.

Wagner (2006, 565) states that SD is a crucial part of an organisation’s supplier management activities. Krause & Ellram (1997, 21) define SD as: “*any effort of a buying firm with its supplier to increase the performance and/or capabilities of the supplier and meet the buying firm’s supply need*”. According to Khan & Nicholson (2014, 1213), SD is any type of buyer-initiated program to improve the short- or long-term performance of suppliers. These programs can target individual suppliers or a broader network of suppliers. What becomes clear is that SD is a crucial part of SRM. Krause & Ellram (1997) mention the aspect of improving performance just like Khan & Nicholson (2014). However, they state that these performance improvements should be done to meet the buying organization’s needs. Khan & Nicholson (2014) split performance into short- and long-term. They also mention SD in the context of individual suppliers and a broader network of suppliers.

Krause et al. (2000, 34) split the goal of SD into two options. On the one hand, there is the improvement of supplier performance and on the other hand, there is improving supplier capabilities. Like Khan & Nicholson (2014) they also distinguish between short- and long-term supply needs.

Li et al. (2012, 353) define SD as: “*supplier development is a kind of cooperation between a buyer and a supplier to seek continuous improvement in supplier performance and, at the same time, strengthen the buyer’s competitive advantage*”. The aspect of continuous improvement is mentioned regarding SD. Continuous improvement is also part of the framework proposed by Park et al. (2010).

To determine the strategic importance of materials Park et al. (2010, 505) suggest a three-step system. First, the strategic importance should be evaluated. Here a portfolio matrix (Kraljic’s) can be used, which divides the product portfolio into, non-critical items, leverage items, bottleneck items, and strategic items. The second step is to evaluate the relationship attractiveness. This analysis can be performed by combining relative supplier attractiveness and relationship attractiveness and creating a matrix. The third step is to establish the strategic material evaluation. By combining the previously performed analysis relationships are categorized into a transactional group, a collaborative group, and a strategic group. Park et al. (2010, 505)

Park et al. (2010, 505-506) mention that supplier evaluation can be performed based on capability, performance, and collaboration relationships. These parameters determine whether a supplier belongs to the bad, good, or excellent category. Important criteria for capabilities are quality systems, technological capability, financial capability, reputation, geographic location, organization, production capacity, and open communication. Important criteria for performance are quality, cost, and delivery. Important criteria for the collaborative relationship are mutuality, cooperation, commitment, trust, conflict, conflict resolution, and compliance.

According to Park et al. (2010, 506), a supplier relationships matrix can be created by combining the strategic material evaluation and the supplier evaluation. This results in four different relationship groups, namely improvement, maintenance, collaboration, and the prime groups. These groups can be used when it comes to SD. The primary target of SD is to improve the performance of the suppliers, which can be achieved by decreasing the supplier base and developing the remaining ones.

According to Moeller et al. (2008, 87), suppliers can adopt opportunistic behaviour because of close collaborations. This would be the result of increased dependencies on the supplier and a decrease in power on the buyer's side. Management styles for a supplier relationship should be adjusted based on the power circumstances (Cox 2004).

Continuous improvement

The last step in the, by Park et al. (2010, 507), mentioned integrative framework is continuous improvement. Here, they suggest using the PDCA circle, which consists of four different steps. These steps are plan, do check, and act. Joshi, Shitole, Chavan, & Joshi (2018, 471) argue that SD consists of buyer-supplier cooperation that seeks continuous improvement of supplier performance. This in turn should make the buyer more competitive.

2.2 Supplier relationship management benefits

According to Hughes & Wadd (2012, 22), SRM enhances, if done right, supply chain performance for both the supplier and buyer through collaboration. Partida (2017, 43) mentions that relationships formed because of strong SD programs lead to highly efficient tactical and strategic procurement efforts. Dalvi & Kant (2015, 653) argue the target of SD is to improve the supplier's performance and capabilities. These in turn should result in lower costs for services, improved on-time delivery of products, and better quality. Li et al. (2012, 355-356) write that updating supplier performance capabilities and

performance is one of the main objectives of SD. The target is to keep up with ever-changing competitive requirements.

Krause et al. (2007, 530) mention that within manufacturing industries there are four competitive priorities important when considering the end market. These priorities are 1) cost, 2) quality, 3) delivery time and reliability, and 4) flexibility. Buying firms increasingly seek lower costs for their supplied components so they can offer a more competitive price. Quality impacts the perception of the customer on the final product. Lack of quality delivered by the supplier can negatively impact this perception or cause production delays. There are two main points when it comes to delivery which both can impact costs. On the one hand, delivery reliability, and on the other hand, there is delivery speed. Both can lead to reduced inventory levels. Flexibility is important to meet the ever-changing and at times unpredictable customer demand. Having suppliers that can switch their production costs- and time-efficient is crucial. All these areas can be improved through SD. (Krause et al. 2007, 530-531)

According to Kumar Pradhan & Routroy (2014, 209), manufacturer firms face the need to focus on core competencies and outsource non-core activities to achieve competitive advantage. They state that, because of this, supply chains have become more dependent on one another which increases risks. SD can contribute more effective supplier management which in turn helps to mitigate these risks and ensures the competitive advantage. Li et al. (2012,356) mention that linking the buying firm's purchase strategy with the organization's competitive strategy is a main objective of SD. As such, the effectiveness of SD can be measured by the buyer's competitive advantage improvement.

Buyer and supplier relationships effectively become an alliance if they extend and the scope of the relationship increases enough. As SD programs target long-lasting more cooperative relationships, such an alliance can be a result of such a program (Li et al. 2012,356).

2.3 Supplier relationship management challenges

Hughes & Wadd (2012, 26) mention that relying too much on competitive pressure can result in smaller value creation due to the prescriptive nature of the interactions. This pressure can prevent the suppliers from thinking out of the box. However, Hughes & Wadd (2012) do acknowledge that competitive pressure can, in certain cases, be useful to improve supplier performance. According to Tanskanen & Aminoff (2015, 128) organisations need to be selective in choosing their strategic collaborations due to high resource requirements for SD efforts. Cox (2004) points out that this limited resource aspect can impact the realistically achievable relationship type. He points out that limiting factors like capabilities and resources need to be considered.

An argument can be made that, due to this high resource consumption, the selection of a supplier collaboration can have a significant impact on a firm's performance. Lambert & Schwieterman (2012) mention that the best possibility for strategic value-adding is a long-term strategic collaboration. They also mention that such collaboration decisions should be made by management and a certain selectiveness is required. This makes sense seeing how there are significant resources required for a successful collaboration.

According to Blonska et al. (2013, 1295) SD programs represent relationship-specific buyer investments that cannot be redeployed with different suppliers. As a result, the buyer is exposed to possible opportunistic behaviour from the supplier. Li et al. (2012, 354) divide SD into transaction-specific SD and influencing factors of SD. These influencing factors negatively impact the SD and therefore the SRM process if managed poorly. Li et al. (2012, 363) argue that top management support is critical for influencing factors and transaction-specific SD. SD is a companywide performed activity and not performed by only a few individuals. Hence, the importance of top management support as SD could otherwise be ineffective. Additionally, top management has insights into the strategic needs and long-term goals of a firm which are crucial input for the SD process (Krause & Ellram 1997, 21-25). Furthermore, according to Li et al. (2012, 363), supplier evaluation and strategic objectives influence the willingness of buyers to invest in SD. A

lack of these aspects can therefore decrease this willingness, which subsequently impacts the success chance of the project.

One of the key approaches for motivating suppliers to move is open and frequent communication between buyers and supplier personnel. Conflict resolution and understanding can be stimulated by involving suppliers early on. (Li et al. 2012, 355). Krause & Ellram (1997, 21-25) mention that two-way communication between different departments of buyer and supplier firms can improve the quality of the collaboration. The clarity of long-term strategic goals is influenced by the effectiveness of SD. Future capabilities regarding technology and product development should be the focus of SD activities (Li et al. 2012, 355).

Li et al. (2012, 355) mention that a lack of buyer's commitment can result in unwillingness from the supplier to make changes to their processes to fulfil the buyer's requirements. Krause & Ellram (1997, 21-25) argue that true risk for both parties and a willingness to invest in the project are required to establish long-term commitment. Supplier evaluations are essential as they can point out weaknesses and performance areas that should be improved. Additionally, not all suppliers qualify for or need SD. (Li et al. 2012, 355) Krause & Ellram (1997, 21-25) mention that supplier evaluation is required to identify and measure SD projects. They make the side note that supplier evaluation is not in and on itself part of SD.

As investments from the buyer into a supplier relationship increases, so does the dependency which as a result increases risk and uncertainty. Contracts can be used to safeguard these agreements, but a cheaper alternative is trust between buyer and supplier. Some argue it is even more effective to safeguard these agreements. (Li et al. 2012, 355). Additionally, Li et al. (2012, 355) mention that SD requires mutual recognition by the buyer and the supplier as it is a reciprocal program. The chances of success can be improved if there is a strategical match between the management of the buyer's and supplier's firms.

2.4 Supplier assessment

Partida (2012, 84) argues that organizations should assess current suppliers frequently to identify any needs for performance improvement. This chapter covers several methods that can be used for supplier assessment. Furthermore, for some of these methods, the relationship to the strategy of an organization is given.

2.4.1 Buyer-Supplier power relations

According to Cox (2004, 346-347), each supplier relationship needs to be managed differently depending on the circumstances. He proposes four different sourcing options (Figure 3) that are determined based on the level of involvement the buyer has with the supplier and the degree to which the buyer is involved in the development of the supplier.

Supplier selection (first-tier) and supply chain sourcing (multi-tier) should be applied when there is high competition in the market. The focus of the buyer relationship with the supplier is reactive in this case. Supplier development (first tier) and supply chain management (multi-tier) should be applied when there is a highly competitive market where a supplier can act freely. The focus of the buyer relationship with the supplier is proactive in this case. In other words, there is a long-term proactive relationship and increased buyer involvement. Moreover, there is increased transparency and innovations can be realized. Supplier development and Supply chain management offer higher rewards, but these rewards come with increased resource consumption. Strategic source planning can be used to determine if a proactive or reactive relationship type is possible. (Cox 2004, 349-351)

Specifications of the sourcing approach, understanding the power and leverage situation, and understanding the management styles must all be combined to choose the optimum sourcing option. (Cox 2004, 351)

Level of work scope with supplier
and supply chain

Proactive	Supplier development	Supply chain management	Focus of buyer relationship with the
Reactive	Supplier selection	Supply chain sourcing	
	First-tier	Supply chain	

Figure 3 The four sourcing options for buyers modified from Cox (2004, 349)

According to Cox (2004, 351-353), power relations must be understood to choose an optimal relationship management style and reach the best results. Cox (2004) presents four different power relations (Figure 4) that are determined based on revenue streams and profit margins. The SD and SCM sourcing options can only be truly effective when the buyer's power is high compared to the supplier's.

Attributes to supplier power
relative to buyer

High	Buyer Dominance	Inter-dependence	Attributes to buyer power relative to supplier
Low	In-dependence	Supplier Dominance	
	Low	High	

Figure 4 Power matrix modified from Cox (2004)

Cox (2004, 353) looks at the level of operational linkage and the commercial intent when determining the relationship portfolio matrix, which contains four different relationship styles (Figure 5). With adversarial arm's-length, the buyer targets maximum value in combination with frequent short-term collaborations. With non-adversarial arm's-length, the buyer pays the market price and does not actively seek out to aggressively bargain down the price. With adversarial collaboration, the buyer links its processes to a greater

extent to those of its supplier. However, the main target is still to maximize the allocation of value. With non-adversarial collaboration, the buyer links and adapts its processes together with its supplier. As a result, long-term collaboration is frequently achieved, and the commercial value is shared equally. Cox (2004, 351-353)

		Way of working		
Inequality	Adversarial arm's length relationship	Adversarial collaborative relationship	Relative share of value appropriation	
Equality	Non-adversarial arm's-length relationship	Non-adversarial collaborative relationship		
	Arm's-Length	Collaborative		

Figure 5 Relationship portfolio matrix (Cox 2004)

2.4.2 Kraljic matrix

Kraljic (1983, 112) introduced a method for classifying product types by using two parameters. The first parameter is the impact of a supply item on the profit. This can be defined based on the impact on business growth, quality, percentage of total purchase cost, or volume purchased. The second parameter is supply risk which can be defined based on the availability, substitution possibilities, storage risk, make-or-buy opportunities, competitive demand, or the number of suppliers. If put into a matrix, Kraljic's classification model results in four different groups by assuming either a high or a low level for supply risk and financial impact (figure 6).

When there is a high supply risk and the supplied item has high purchase importance, items are categorized as strategic. Frequent characteristics are few suppliers, the item being difficult to substitute, the item having unique specifications, and critical supplier technology. If, instead, there is a low supply risk the item is classified as a leverage item.

Here typical characteristics are large purchase volume, available substitutes, high supplier availability, and increased unit cost importance. (Montgomery et al. 2018, 193)

When there is a low supply risk and the supplied item has low purchase importance, items are categorized as non-critical. Frequent characteristics are many suppliers, commodity items, easy to find substitute products, and limited financial importance. The last category is the bottleneck items which occurs when there is a high supply risk and low purchase importance. These items are usually characterized by unique requirements, difficult substitution options, difficult performance measuring, and a possibility for the supply to perform hidden actions. (Montgomery et al. 2018, 193)

		Supply risk/complexity		
	High	Leverage items	Strategic items	Importance of the purchase
	Low	Non-critical items	Bottleneck items	
		Low	High	

Figure 6 Kraljic Portfolio Matrix modified from Montgomery et al. (2018)

According to Montgomery et al. (2018, 193), the Kraljic matrix enables companies to classify commodities in a way that they can adjust their supply strategies which reduce the supply risks and maximizes the value for the firm. Gelderman & Van Weele (2003, 207) mention that each of the different Kraljic matrix categories requires a different approach. Inventory optimization, order volume optimization, product standardization, and efficient processing are required for non-critical items. With leverage items, the buyer is enabled to exploit its purchasing power through target pricing, product substitution, and tendering. Risks should be mitigated with bottleneck items through volume insurance, backup plans, security of inventories, and vendor control. For the strategic category, Gelderman & Van Weele (2003) propose further analysis to determine the balance

between buying strength and supply market strength. As a result, the chosen strategy should either be balanced, exploit, or diversify. These strategies and the Kraljic model aim to minimize risk and maximize buying power. Besides the Kraljic model being widely used and accepted, there is also some criticism. Drake, Myung Lee & Hussain (2013, 4) note that a product's suitability for lean or agile supply should be considered when determining the supply strategy. They state that the Kraljic model does not cover this requirement. Additionally, the model does not consider power relations as discussed by Cox (2004).

2.4.3 Fisher's model

Fisher introduced a slightly different model compared to Kraljic. This model classifies products into two groups. The first product group is composed of functional items characterized by a long lifecycle, low variety, low-profit margins, and stable demand. The second group is composed of innovative items characterized by high variety, high-profit margins, short life cycle, and volatile demand. Due to these characteristics, functional items are more suitable for lean supply combined with forecast driven planning. Innovative products on the other hand are more suitable for agile supply with demand-driven planning. The focus of Lean supply is decreasing price by eliminating waste and the focus of Agile supply is to enable flexible and quick response to customer demand. (Drake et al. 2013, 4)

Drake et al. (2013, 4) describe that an average innovative item is composed of approximately 80 per cent functional items. As there are different supply strategies for both product types, it is important to consider this aspect and adjust the supply chain accordingly. Selldin & Olhager (2007, 49) mention that higher performance is not always a guarantee when there is a match between the product and supply strategy. Furthermore, Selldin & Olhager (2007, 49) argue that one of the limitations of Fisher's model is that in practice it will not always be possible for manufacturers to construct the perfect supply chain. There can be a lack of resources or lack of opportunity to achieve this, which results in the manufacturer having to operate within the existing supply chain structure.

Capability limitations or power relations can also be a limiting factor. Similar limitations mentioned by Cox (2004) are previously discussed.

2.4.4 The lean and agile purchasing portfolio model

Drake et al. (2013, 5) propose a lean and agile purchasing portfolio model which is similar to Fisher's model. It is also based on lean and agile product attributes and is composed of four quadrants (figure 7). The quadrants are formed based on the level of leanness and agility of the product. Drake et al. (2013, 5) do not propose specific supply strategies, but rather give characteristics of what purchasing strategies should include. The level of leanness required is determined by a component's impact on quality and cost. The combined impact on flexibility and time determines the required level of agility. The importance of each of these impacts depends on the effect it has on the competitive priority, which is measured via cost, quality, time, and flexibility.

		Agility	
High	Lean items	Leagile items	Leanness
Low	Non-strategic items	Agile items	
		Low	High

Figure 7 Lean and agile purchasing portfolio model modified from Drake et al. (2013, 6)

Each of the different product categories shown in figure 7 needs a certain supply strategy. Lean items typically impact quality and cost. The strategy should target supplier efficiency programs and long-term supplier agreements regarding cost and quality. Agile items typically impact time and flexibility. The strategy should target flexibility and lead-time improvement. Furthermore, long-term supplier relationships should be targeted. Leagile items impact cost, quality, flexibility, and time. Quality and cost improvements

might be required to stay in the market. A decision has to be made on how lean and agile can best be combined. Non-strategic items have a low impact on the competitive priority and therefore only required simple and loose control. (Drake et al. 2013, 7)

3 SUPPLIER DEVELOPMENT AND SUPPLIER RELATIONSHIP MANAGEMENT IMPLEMENTATION

This chapter looks into the implementation process of SRM and SD. It aims to clarify how SD is done in practice. Different views of different scholars are compared. Additionally, the chapter clarifies how SRM can be implemented. The views of different scholars are investigated towards this aspect as well.

3.1 Supplier development in practice

Krause et al. (1998, 43-45) suggest a 10-step process for SD. They state that there is a proactive (strategic) and a reactive approach. Additionally, they state the SD can function as a tool to improve the competitive advantage of a firm. Li et al. (2012, 353) also mention the competitive advantage of SD. However, they do not differentiate between a proactive and reactive approach. Supplier pools are frequently used with SD and management should categorize strategically important products and services. These categorizations are part of a process that takes place before an SD project is selected and this process is often led by pre-determined cross-functional teams (Krause et al. 1998, 48).

With the proactive approach, a firm has more time to consider different aspects and to prepare for decisions. There is a lower level of urgency for supplier improvements and a broader range of improvement topics is available. As a result, there is a higher chance an agreement is reached with the supplier. (Krause et al. 1998, 49-51) Additionally, the proactive approach results in improved supplier commitment and stronger collaboration due to a more equal distribution of investments. Krause et al. (1998, 52) state that supplier's achievements are more frequently recognized and rewarded with the proactive approach. With the reactive approach, a firm has less time to consider different aspects and less time to prepare for decisions. The SD is in this case has an ad-hoc nature and is only initiated once clear supplier underperformance is recognised. (Krause et al. 1998,

44-45) Due to its “firefighting” nature, the reactive approach increases pressure on the supplier performance and as a result, the chances of success are lower. From a supplier’s point of view, the reactive approach is less often experienced as a collaboration or joint venture, which in turn narrows their views in the hunt for a result. These projects are often carried out by teams that are less diverse compared to the proactive approach. As a result, this narrowed view also leads to missing out on promising possibilities as there are fewer opportunities to investigate them further.

The 10-step approach of Krause et al. (1998) starts with gathering information that is relevant for the SD project. Later steps are focused on turning the SD project into a buyer-supplier relationship. The 10-step approach ends with continuous improvements. These steps have similarities with the framework proposed by Park et al. (2010). Their framework also starts with defining certain parameters, then developing the supplier relationship and lastly the element of continuous improvement. Hughes & Wadd (2012, 26) mention that continuous improvement can be stimulated by giving multiple suppliers the same type of business and rewarding those who perform better with a higher share of the volume.

Khan & Nicholson (2014, 1215-1216) researched SD programs between suppliers from developing countries and buyers from developed countries. They argue that SD consists of three stages, namely the qualification stage, the evaluation stage, and the interactive stage. They mention that during each of these stages the type of buyer-supplier contact and the information/technology sharing is different. During the first stage, criteria are established and suppliers are selected. Certain product technology and information are shared by the buyer with the supplier. There is a one-way information flow with limited explanation. Khan & Nicholson (2014, 1215-1217) argue the existence of a gap regarding the buyer-supplier information sharing during this stage. They state that, at this stage, the supplier is often unable to understand, grasp, and use the provided information due to lacking capabilities. Khan & Nicholson (2014, 1215-1217) conclude that the first stage has a more transactional nature and can therefore not be classified as SD for the supplier.

In Khan & Nicholson (2014, 1217-1218) their research suppliers are asked to provide a prototype with the given information and instructions. Those with the best prototypes advance to the second stage. More managerial information and information/technology about the product/process are shared. In this stage, another prototype is requested and there is an increased level of socialization between the buyer and supplier. Khan & Nicholson (2014) note that the decision on who progresses to the third and last stage mainly depends on the level of socialization achieved.

Quality training is given during the third stage. There is two-way multi-layered communication, and face-to-face contact is increased. Multi-layered communication, the development of buyer-supplier-supplier relationships, and sharing of strategically sensitive codified information are characteristics of this stage. Trust levels are increased between all stakeholders to enable the sharing of sensitive information. (Khan & Nicholson 2014, 1218-1219) The findings of Khan & Nicholson (2014) raise an interesting point. What can be perceived as SD from a buyer's point of view, is not necessarily perceived as such from a supplier's point of view. Their 3-step approach has similarities with the 10 steps mentioned by Krause et al. (1998). First, there is information gathering, followed up by relationship development. Khan & Nicholson (2014) however, did not mention anything about continuous improvement.

Blonska et al. (2013, 1295) suggest that, at times, supply chain partners are not getting the expected benefits from SD because of supplier's reluctance to invest. Hence, in these cases, SD efforts result in decreased performance and satisfaction. Krause et al. (2000, 34) mention four strategies that can be used regarding SD. Supplier performance can be improved through 1) supplier assessment, 2) providing suppliers with incentives for improved performance, 3) instigating competition among suppliers, 4) direct involvement of the buying firm's personnel with suppliers through activities such as training of supplier's personnel. Depending on the situation and the overall goal of the SD action, a combination of different strategies can be used.

Krause & Ellram (1997, 21-25) mention several critical elements of SD from a buyer firm's perspective. Two-way communication across different departments between firms can improve quality. Top management should be involved as they have insights into an organisation's strategic needs and long-term goals, which can be crucial inputs for successful SD. Cross-functional teams should be used as experts from different departments are better capable of handling diverse SD topics.

Krause & Ellram (1997, 21-25) mention price versus total cost of ownership. SD can only be successful if the total cost of ownership is applied. Only considering the price is insufficient if success with SD is to be achieved. The long-term perspective is a requirement for success, which can only be achieved if all involved parties are willing to invest in the project and if there is a true risk for all. Additionally, lack of commitment can be a barrier to establishing a long-term perspective. If a firm generates a large percentage of a supplier's annual sales it can be used as leverage over the supplier. This can also be used as motivation when dealing with an uncooperative supplier. However, this leverage should not be used purely because it exists. Supplier evaluation is required to identify and measure SD projects. However, supplier evaluation is not in and on itself part of SD. Lastly, supplier recognition can be used for motivating suppliers or to mark a milestone of the SD endeavour.

Krause & Ellram (1997, 21-22) mentions that SD can be applied when a supplier's performance is not sufficient. They also mention that the nature of SD can either be remedial or strategic, which matches the views Krause et al. (1998). SD can be important for the national, corporate, and purchasing aspects of an organisation Krause & Ellram (1997, 21-22). Dalvi & Kant (2015, 654) state that a firm can only engage in SD once all supplier selection activities have been completed.

3.2 Supplier relationship management implementation

Hughes & Wadd (2012, 25-26) mention several principles that can support adding value and business benefits through SRM. They mention that firms should focus SRM efforts

on suppliers where there is the greatest potential to reduce risk and create value. SRM requires significant resources. If these resources are applied too broadly or into the wrong project, the SRM project will yield no beneficial results. Furthermore, they mention that all suppliers should be treated with a high degree of respect and professionalism. Not having respect for your supplier negatively impacts business. Tolerating treating unimportant suppliers disrespectful could, unintentionally, cause treating important suppliers with disrespect. Therefore, it is best to avoid this behaviour entirely.

Hughes & Wadd (2012, 25-26) argue that organizations should invest in understanding their suppliers better. Value creating opportunities and ways to influence suppliers can be revealed by understanding their capabilities, culture, organizational structure, business models, and strategies. Additionally, organizations should invest in helping suppliers understand their own company better. Supplier's capabilities regarding resource alignment, investment alignment, solution development, optimizing service offerings are improved if the supplier understands an organization's procedures, policies, culture, organizational structure, priorities, and strategy. So, resources should be used to create a mutual understanding between buyers and suppliers regarding how the firms work.

Trust is another principle mentioned by Hughes & Wadd (2012, 25-26). Buyers should actively build and sustain trust with suppliers. A lack of trust between buyer and supplier negatively impacts productivity and value creation. High levels of trust stimulate efficient information-sharing and transparency. As a result, it is more likely new value-adding business opportunities are discovered and innovative solutions are implemented successfully. Additionally, risks are better understood and mitigated. Supplier feedback should be gathered to assess the buying company's performance and track supplier benefits. The root cause of the underperformance of suppliers can lay with the buying firms processes. Understanding these possible shortcomings can help improve performance on both sides. Value creation is only sustainable if suppliers benefit as well. (Hughes & Wadd 2012, 25-26)

The last principle mentioned by Hughes & Wadd (2012, 25-26) is to invite and be open to supplier ideas and suggestions. Subjecting your suppliers to tightly defined requirements and specifications can result in decreased results when it comes to problem-solving. The risk of assuming too much about the possible solution for a specific problem prevents the supplier from utilizing its full potential regarding knowledge and expertise. Therefore, it is better to explain what problem should be solved instead of what solution is desired.

Besides these principles that can support in adding value and business benefits through SRM, Hughes & Wadd (2012, 27) give four practices that can help maximize supplier value and support with SRM. The first practice is related to multi-year joint business plans. Strategic planning is key to align supplier investments and commitment with the buyer's priorities and needs. Having this alignment enables a greater potential for value creation. The main purpose of this plan is to identify and plan for risks and opportunities on a multi-year horizon. Cross-functional teams should be used on both sides.

The second practice is using balanced two-way scorecards. Potential tangible and intangible value can be assessed by using a balanced scorecard. Metrics for this scorecard can be basic or elaborate depending on the supplier relationship. The third practice relates to joint performance reviews and improvement initiatives. Meetings with suppliers are required to discuss and focus on actions that will result in performance improvements. Without these review moments, the balanced scorecard becomes nothing more than an administrative activity with little value-adding. (Hughes & Wadd 2012, 27) The fourth and last principle mentioned by Hughes & Wadd (2012, 27) is formal governance. Robustly and formally defining the roles and responsibilities of SRM managers is key. Additionally, overlap, conflict and confusion can be avoided by clarifying how the role relates to other sourcing and SCM roles. Alignment between business leaders, SRM roles and those who interact with suppliers is key.

According to Hughes & Wadd (2012, 28), change management is a difficult aspect of SRM implementation. They mention four strategies that can be used with the challenges of change management. Firstly, stakeholders from outside the procurement and supply

chain area should be engaged. Secondly, gather early cross-section input from key suppliers. Thirdly, create a business case that is clearly defined and compelling. Lastly, be realistic when it comes to the resources required.

4 STRATEGIC PURCHASING

This chapter explores the aspect of strategy and the relationship with procurement. As the scope of this thesis is not to research supply chain strategy, but procurement strategy, some aspects are only mentioned briefly. This chapter looks more in-depth at the RBV and TCE. As a framework for this subject Porter's three generic strategies can be used. Kim et al. (2004, 571) mention that Porter's strategies dictate that firms must choose whether they want to serve a narrow or broad market segment. Additionally, they must decide if they want to compete based on uniqueness or low cost. Firms that fail to do so or firms that try to pursue different strategies simultaneously, risk being stuck in the middle.

4.1 The Resource-based view

There are several aspects to supply strategies and the role of procurement in such. One of these strategies is the RBV, which contains capabilities, strategic assets, and resources as key concepts. The concept is that if a firm owns scarce assets and resources, it can gain a competitive advantage. Knudsen (2003, 724) argues that the procurement function can support value maximization by utilizing and pooling value resources. Firms can uniquely combine their resources and by doing so achieve an advantage over competitors who are unable or unwilling to follow the same approach. Knudsen (2003, 724) states that the focus of firms should be on finding the right suppliers with the right capabilities rather than the right product with the right specifications. Das & Teng (2000, 36) mention that competitive advantage is achieved when a unique value-creating strategy is implemented. They add that a valuable firm resource is hard to imitate, lacking substitutes, and scarce. He adds that some valuable resources cannot always simply be bought and therefore mergers, acquisitions, or strategic alliances are required. Furthermore, they state that firms engage in alliances to either obtain or retain resources.

RBV assumes that competitive advantage is achieved by offering a unique strategy based on a firm's capabilities. This unique strategy can be achieved by utilizing unique supplier capabilities, which cannot always be bought without a closer collaboration. In an environment where outsourcing has gained popularity, finding the right suppliers to achieve this competitive advantage becomes more important and thus procurement activities become more important. Tebboune & Urquhart (2016, 35) mentions four dimensions related to RBV, which are value, rarity, imitability, and sustainability. These dimensions are similar to the ones mentioned by Das & Teng (2000), except for sustainability.

4.2 Transaction cost economics

According to Das & Teng (2000, 36) within TCE the ownership decision is centred around minimizing the total production costs and transaction costs. Tebboune & Urquhart (2016, 34) mention the frequency of a transaction, uncertainty, and asset specificity as dimensions of the TCE transaction level. They add to this by stating that these dimensions can be used to differentiate between transactions, which can lead to optimal use. Tebboune & Urquhart (2016, 34) explain that the frequency of a transaction has a significant impact on the choice of governance. If a transaction has a high reoccurrence, the cost of performing these transactions increases as well. Uncertainty relates to opportunistic behaviour or behaviour uncertainty which can be caused by both the supplier and the buyer. This behaviour can be the result of the buying firm using the sourced technology for different purposes than agreed or the supplying firm not reaching the agreed performance levels. Asset specificity relates to the ability of an asset to be reused for different purposes. If a resource is highly specific, outsourcing becomes less likely and a firm is more likely to organize such assets in-house.

5 EMPIRICAL FINDINGS AND ANALYSIS

This chapter contains the empirical findings and analysis of the research. Information about the case company is provided as well as information about the data collection and data analysis. Furthermore, some background of the interviewees is provided. This chapter also contains information about SRM and the implementation of SRM at the case company. Additionally, the topic of SRM concerning strategic procurement is covered.

5.1 About the case company

The case company is a leading retailer of mattresses and sleep accessories. Amongst their products belong mattresses, pillows, duvets, weighted blankets, mattress protectors, slatted frames, smart mattresses, and beds. The company sells their products primarily online and has outsourced the production process to third parties. The procurement department is responsible for buying both components and finished goods from suppliers around the globe.

The case company sells their products primarily in Europe but is also active in North America, South America, and Asian-Pacific. Agility and challenging the status quo has a central role within the case company. With an average age of around 27, the case company's employees can be considered young and the level of efflux amongst them is high. The total number of employees is around 600 which are spread over different offices in Europe and Asian-Pacific.

5.2 Data collection and data analysis

Voss et al. (2002, 195) state that: "*Case research has consistently been one of the most powerful research methods in operations management, particularly in the development*

of new theory". Furthermore, they argue that validity can be increased when using multiple means of data collection. For this single case study, interviews and observations have been chosen as the main source of empirical data. A total of 11 people are interviewed from the procurement department for the empirical part. Amongst them are people fulfilling a junior, senior, management and senior management role. Both operational and strategic roles are covered and each interview lasted 45 minutes.

Besides the interviews, observations are used. The researcher has, for 3,5 months, been working full-time at the case company where he was responsible for a product category and suppliers. Insights gained during this time are used to validate, contradict, or supplement information gathered from the interviews. Besides these main sources of information, several reoccurring companywide meetings are attended where, amongst other things, company strategies are discussed.

For the data analysis part, a table was created to organize the different outcomes for each interview topic. The result of these interviews can be found in the appendices. For the analysis part, similarities and contradictions are highlighted to illustrate different aspects of SRM at the case company. Furthermore, a link between the interview results and the theory is made to determine if and where there are similarities and differences.

5.3 About the interviewees

The interviewees are people with different positions and backgrounds. Most of the interviewees are procurement managers, some of them in a junior position and others in a senior one. Additionally, their team lead was interviewed and the head of procurement and quality. All interviewees work in the procurement department. Other departments are excluded from the research. The previous experience also varies from 1 year in procurement up to 11 years. Most of the interviewees have some years in procurement before their current role. Others are less experienced and only have 1-2 years of prior experience. Some of the interviewees have a background in other fields than procurement.

The experienced interviewees have prior experience in well-known multinational organizations. Most of the interviewees have been in their current position and at the case company for less than a year. This can be explained by the fast-changing nature of the organization and this is considered normal. Some of the interviewees have been at the case company for 1 month, so they included experiences from their past careers in their answers.

5.4 Supplier relationship management at the case company

Within the procurement department of the case company, different categories are assigned to different procurement managers. These categories consist of different products or product groups and are mainly determined based on the nature of the products. The products procured can either be a finished good like pillows or a component like paper booklets. Important to note here is that the actual manufacturing process is outsourced as well, meaning that the case company does not own production facilities. Interviewee 2 mentions that the component categories consist of 1) foam, 2) packaging, 3) fabrics, and 4) final packaging. There are a variety of finished goods which all represent a different category. Amongst these finished goods categories are beds, pillows, and slatted frames. Each category is managed by a procurement manager which is responsible for his/her category.

Within the case company, there is a high level of responsibility given to the employees. This means that people are free to pursue ideas and make a decision without having to go through many hierarchical management layers. As a result, different approaches to SRM are mentioned during the interviews. Interviewee 1 mentions that SRM is done differently per category and that he is working on implementing the purchasing chessboard of Kearney for a component category. Furthermore, he mentions that aligning the buyer and supplier's processes is the goal of SRM. Several interviewees mentioned that their category only has one or two suppliers and that as a result suppliers are not segregated.

Interviewee 6 mentions that suppliers are segregated into different tiers. She states that there are three different supplier tiers. The first tier consists for instance of foamers, the second tier of component suppliers, and the third tier of raw material suppliers. The relationship is most intense with the first-tier suppliers and gradually weakens towards the lower tiers. Interviewee 11 mentions that there is a difference between local and global suppliers. She also mentions that there is no exact plan on how to manage suppliers. Interviewee 7 confirms this, by mentioning that there is no set process on how to manage suppliers at the case company. Interviewee 2 does not manage his suppliers differently. Interviewee 4 does not segregate the suppliers in her category. Instead, the focus is solely on non-performing suppliers. This performance is mainly measured based on cost or flexibility depending on the product type. If performance is not according to expectations and does not improve quickly, new suppliers are sources.

According to interviewee 6 big suppliers are sometimes handled by different internal teams. It is important to have clear communication with the supplier in these situations. Additionally, interviewee 6 mentions that before collaborating with a supplier it is a useful strategy to determine how often it will be used in future. If it is a supplier used for a single request, a different strategy might be used compared to a supplier that is used for the ongoing operations. As a side note, it is stated that a single request supplier can grow into a longer-term collaboration.

The printed materials category can be used as an example to illustrate the fast-changing nature of the organization. The responsible person for this category is changed every 3 to 6 months where the responsibility includes both operational and strategic topics. This impacts the SRM process and SD projects as there are many handovers where information and knowledge are lost. There is one supplier, which has been the main printing materials supplier for the majority of the case companies existence. The supplier sees the relationship as a strategic partnership, whereas from the buyer's point of view this is unclear and changes rapidly.

Benefits

Interviewee 1 mentions that the focus of SRM is normally on total spending and efficiency, but the focus should be on value creation. Furthermore, he adds that ideally joint value is created. Joint value creation is something that is sought after in the printed materials category, where the researcher made practical observations during the research period. Interviewees 2, 3, and 5 state that supply risk reduction is a benefit of SRM. Being able to manage the supplier base through SRM provides structure and consistency. This is aligned with the earlier mentioned statement of Kumar Pradhan & Routroy (2014, 209) where they argue that outsourcing to focus on the competitive advantage increases supply dependencies and therefore risks. Better managing the suppliers helps to reduce this supply risk. Interviewee 3 argues that onboarding several suppliers can reduce dependency and risk. Not fully depending on one single supplier enables alternative options in case of unforeseen issues.

Another topic that was mentioned during several interviews is the ability to utilize the supplier's capabilities. Better knowledge availability is mentioned as a benefit. Interviewee 4 mentions that suppliers can provide industry insights that can help on a strategic level. This knowledge and insight can be linked to the performance and capability improvements mentioned by Hughes & Wadd (2012, 22). Utilizing the expertise of suppliers can be an effective way to improve several aspects of collaboration and operation. Interviewee 8 argues that close collaboration with a supplier can provide crucial information regarding external factors that are not directly visible to the buying firm. This could be raw material price increases or government regulations that impact the supply of goods. As the supplier is the expert in his field, they know best and can advise. Having a closer relationship increases the willingness of the supplier to share these insights. Interviewee 5 notes that SRM can yield better knowledge availability, confirming the statement of the other interviewees. Interviewee 1 mentions obtaining supplier capabilities as one of the benefits.

Interviewee 4 mentions an interesting fact, by stating that a supplier's capabilities can be utilized for other areas of the buying firm. As an example, expanding into a new market

by utilizing the supplier's distribution network is given. Interviewee 1 notes that supplier knowledge can be used during the product development phase. With the printed materials category, the supplier is frequently involved regarding the product specifications. The supplier advises on the best materials to use and the best production method. This can result in better prices or lead times.

Price and costs improvements are mentioned frequently by the interviewees. Interviewee 5 mentioned that the price can improve due to more supplier willingness because of a good relationship. Once a supplier is more invested in a relationship, it will try harder to retain the collaboration. Furthermore, interviewee 5 mentions that a good relationship with the supplier can result in cost savings projects. Cost savings projects are buyer-supplier projects where cost improvements are targeted. At the case company, this is frequently applied by engaging in co-designing or re-designing products. A well-known method is replacing one component material with a cheaper alternative, without lowering quality standards. Interviewees 1 and 9 mentioned co-designing products directly as a benefit of SRM. The possibility for a lower cost of goods as a benefit of SRM is also mentioned by interviewee 8.

Interviewees 9, 10 and 11 all mention the possibility of achieving a more competitive price through SRM. Price and cost can be related to process improvements. Interviewee 5 mentions lower costs, better prices, and improved working capital terms. Interviewee 3 argues that a better price can be achieved if multiple suppliers are onboarded. Although this is also mentioned as a benefit of SRM, it is slightly different from what some of the other participants mean.

There are several benefits mentioned by the interviewees that can all be categorized as performance improvements. Interviewee 2 mentions that capacities can be increased through SRM. Informing your supplier about future needs like capacity enables them to seek the fulfilment of these needs. Furthermore, according to interviewee 2, better lead times and reduced complexity can be achieved. Interviewee 3 argues that having multiple suppliers enables the buyer to trigger performance improvements due to the created

competition. Additionally, he mentions that quality can be improved due to the same reason. Quality is also mentioned by interviewee 10.

According to interviewee 5, practising good SRM results in more possibilities at the supplier with short-term urgent requests. This is not necessarily caused by having alternatives available, but rather by an increased willingness from the supplier to put in some extra effort. Furthermore, interviewee 5 sees process improvements as a benefit of SRM. This is similar to what some of the other interviewees have stated. Interviewee 6 mentions that through good SRM the suppliers can better fit the needs of the buyer. For the printed materials category this is also the case. A closer relationship enables both parties to discuss and align requirements, creating a situation that works better for all involved. Interviewee 7 mentions improvements in communications which results in work getting done more efficiently. As an added benefit, these improvements create a more pleasant work atmosphere. Interviewee 8 argues that a better customer service level can be achieved as well as increased efficiency. Interviewee 11 mentions that through SRM a better relationship can be built. Interviewee 5 also mentions a better relationship as a benefit of SRM.

Interviewee 4 notes that knowing your suppliers can yield certain benefits. Applying pressure is given as an example. Furthermore, SRM can function as a tool to extend the supplier base for other categories. Sourcing together with the supplier is also mentioned as one of the benefits. Interviewee 8 mentions finding a matching partner as one of the benefits. Having these matching partners can affect several other aspects mentioned earlier. These partners can be used to address and secure future demands the buying firm might have. Interviewee 8 makes an interesting comment stating that resource management is a benefit of SRM. He also notes that time is limited and that defining the supplier base can support managing these limited resources. Tanskanen & Aminoff (2015, 128) mention resource management as an SRM challenge and Cox (2004) also points out that having limited resources can be a challenge. Interviewee 8 makes the argument that limited resources are a frequent or constant issue and that SRM forces the buyer to address it. As such, one can argue that resource management is a benefit of SRM.

Increasing flexibility is mentioned by interviewee 9. As stated earlier, having closer collaboration with a supplier gives them more incentive to support with ongoing queries. As an example, the short-term decrease of planned production orders caused by forecast fluctuations is given. A supplier who is more invested in the relationship is more willing to support, as he has more to lose.

The interview results indicate several benefits regarding SRM within the case company. The overall results of the empirical findings regarding the benefits of SRM are displayed in table 1. Several interviewees mention aspects related to risk reduction as well as getting access to and utilizing supplier's knowledge. Additionally, different aspects are mentioned regarding price and cost improvements. Lastly, numerous people mention aspects related to performance improvements as benefits of SRM. Most of these mentioned benefits can be linked to the performance and capability improvements mentioned by Hughes & Wadd (2012, 22) and Dalvi & Kant (2015, 653). According to Li et al. (2012, 356) updating the supplier performance capabilities and performance is one of the main objectives of SD. Krause et al. (2007, 530) mention cost, quality, delivery time and reliability, and flexibility as competitive priorities which are also raised by several interviewees.

The aspect of competitive advantage as mentioned by Kumar Pradhan & Routroy (2014, 209) and Li et al. (2012, 356) is also mentioned during the interviews. Supplier knowledge is utilized to address missing capabilities and obtain performance improvements. Furthermore, it is mentioned by the interviewees that SRM can contribute to risk reduction. Li et al. (2012, 356) mention long lasting relationships as a result of SRM. Although several interviewees mention relationship improvements, long-lasting cooperative relationships as a result of SRM are not mentioned as such.

Table 1 SRM Benefits - Empirical findings

Benefits	Mentioned by interviewee number
Risk reduction	1 – 2 – 3 – 5
Supplier knowledge	1 – 4 – 5 – 8
Price and cost improvement	1 – 3 – 5 – 9 – 10 – 11
Performance improvement	2 – 3 – 5 – 6 – 7 – 8 – 10 – 11
Extending the supplier pool	4
Finding matching suppliers	8
Improved resource management	8
Increased flexibility	9

Challenges

Interviewee 1 argues that supplier engagement is one of the main challenges of SRM. The promise of volumes in exchange for certain performance improvements or a certain engagement can help with this. Furthermore, he argues that the size of the buying firm impacts the ability of the buying firm to get its suppliers onboard and engaged. Creating supplier understanding regarding the SRM program that a buying firm runs is also part of this challenge. Interviewee 2 also mentions supplier willingness as a challenge of SRM. Interviewee 7 mentions that not asking too much of a supplier is difficult and that if a misjudgement is made, they can get discouraged. Furthermore, he adds that it is important and challenging to keep the supplier close to you and onboard. Interviewee 3 adds to this by stating that the buyer-supplier power balance needs to be understood and that the buyer should not squeeze the supplier unnecessarily. She also mentions the importance of trust between the buyer and supplier.

Interviewee 10 mentions that it is important and challenging to find a common goal or common SRM playground with the supplier. Interviewee 4 also mentions that it is challenging to keep the supplier onboard. She mentions that it is therefore important that there is an alignment on the common goal and that an agreement is reached on how to achieve this goal. Interviewee 3 notes the importance of considering both the buyer and supplier's interests. Creating a win-win situation can help with supplier engagement. Interviewee 8 mentions that there are different stakeholders, both internal and external. He notes that a balance must be found between all the different interests to create a win-win situation.

This in turn can help with supplier involvement. He also argues that it is vital to manage the expectation from both sides. According to Park et al. (2010, 502) creating a win-win situation is particularly applicable to a collaborative strategy.

Another challenging aspect mentioned is buyer-supplier communication and information sharing. Interviewee 1 mentions that there is a need to understand your category including volume developments. Interviewee 2 warns against sharing misinformation with the supplier. As an example, wrong forecast levels are mentioned, which in turn can lead to wrong stock levels. Providing an accurate demand forecast is also mentioned by interviewee 4. She also argues that for effective communication politeness and knowing when to push and when not is required. Interviewee 3 mentions communication as well as providing the supplier with reliable visibility of the future as a challenge of SRM. Interviewee 7 mentions that he uses e-mails as the main method for information sharing. Miscommunications and inefficient processes are a result. Furthermore, access to information is affected, which also impacts performance. Interviewee 10 mentions that sharing the correct product specifications can be a challenge. Interviewee 11 points out that missing face to face meetings as well as time zone differences can affect the communication with the supplier. Interviewee 10 also mentions the difficulties in maintaining an appropriate relationship with the supplier because of cultural or geographical differences.

For the printed materials category the communication and information sharing provides challenges as mainly Excel and e-mail are used. Providing the supplier with accurate forecasts and a clear overview of the future direction of the collaboration is also challenging as situations change quickly within the case company. Within the case company decisions are taken quickly and decisions are changes at a high speed. However, when dealing with suppliers, it is important to provide clear information on decisions so that the supplier can work towards this new situation to provide the best possible support.

According to interviewee 4, the internal structure of the buying firm can influence the communication with the suppliers. Having different teams and departments contact the

same suppliers directly causes miscommunication and confusion. She also argues that a missing internal structure could be a reason for this as well as the high level of efflux amongst employees. Interviewee 3 also links politeness to effective communication, stating that practising this can help in getting better results. Interviewee 6 has an interesting perspective on communication with suppliers when different internal stakeholders are involved. She argues that having multiple faces to the supplier causes communication and evaluation challenges. Different stakeholders, even from within the same organization, can and will have different goals. These different goals can cause a conflict of interest, which in turn can lead to mixed signals towards the supplier. Interviewee 9 also mentions an internal conflict of interest, but one that happens within the procurement department. She mentions that there is a strategic and an operational part when dealing with suppliers. The operational side has an interest in keeping a good relationship with the supplier as he or she needs to collaborate with them on a day-to-day basis. The strategic side has other interests like getting a better price in negotiations and will therefore be willing to act tougher on the supplier. This is an internal struggle that is hard to overcome when the operational and the strategic side are managed by the same person. However, even if both areas are managed by different people, it can still pose challenges.

The other conflict of interest aspect interviewee 6 mentions is the transition of a supplier from being handled by a local team to being handled by the global procurement team. This often happens once the importance of a supplier for the organization increases. As the local team started the collaboration with the supplier a certain level of reluctance in letting go and protective behaviour can occur. Furthermore, she adds that a global procurement team is generally more experienced to deal with suppliers and will be tougher in negotiations. This can cause some internal unrest, resulting in the buying firm effectively eating themselves up from the inside when dealing with suppliers.

Interviewee 3 points out that data management and IT systems are challenges of SRM. Providing the correct data is important when collaborating with a supplier. Having the right IT system and setup is therefore important. Interviewee 2 mentions IT system

integration. The argument here is that aligning the buyer and supplier's IT system is crucial for effective and efficient information sharing. Interviewee 1 mentions technical issues related to outdated or non-matching IT systems that can make collaboration more difficult.

Transparency is mentioned by interviewee 2 as well as by interviewee 3. Supplier cost price is given as an example. The supplier does not give such detailed information about their business easily. Interviewee 5 adds that even in an open book construction, you cannot see what the supplier is paying, only what he is charging you.

According to interviewee 5, there is an increased dependency when working closely with suppliers. This dependency can be challenging to manage as it can lead to opportunistic behaviour from the supplier. Furthermore, the supplier can exploit the positive relationship for which getting access to certain information is given as an example. Opportunistic behaviour is also mentioned by Blonska et al. (2013, 1295) as one of the challenges of SRM. Blonska et al. (2013, 1295) argue that this is mainly caused by the specific buyer investments that cannot be redeployed with other suppliers, which is not mentioned by the interviewees as such. However, based on the observations made and the interview results the increased dependency appears to be a result of having a limited number of suitable suppliers that have sufficient capacity to fulfil the buying firm's needs.

Interviewee 6 adds another element to this challenge, by stating that supplier dependency can negatively affect the price and negotiations. She also mentions that there is an increased risk to be negatively impacted by risks the supplier is exposed to. These risks are not always directly apparent for the buying firm, which makes them harder to manage. There is also an increased risk of not developing other suppliers due to the limited resources available for SD. Interviewee 9 notes that having few suppliers combined with low volumes result in low leverage which increases the dependency on the supplier. Interviewee 10 mentions that a recovery plan can help when something unexpected goes wrong.

Dependency and risks also create challenges with the printed materials category. The category has one main supplier that has been working together with the case company for +-6 years. During this time, the category was managed by several different people at the case company, of which most are no longer working at the case company. However, on the supplier's side, the same people have been in place for the majority of this time creating a huge advantage for the supplier. As a result, there is an increased dependency as more and more tasks and responsibilities are moved from the buyer to the supplier. This increased dependency and the fact that this is the only supplier increases the risks. Furthermore, there is an increased integration between the IT systems and the processes of the buyer and supplier increasing dependency.

Interviewee 4 mentions that the case company has a fast-changing nature, which means that there is a need for increased flexibility on the supplier's side. Furthermore, she argues that because of this fact, it is difficult to establish long-term contracts. Interviewee 7 notes that it is challenging to make sure the suppliers can keep up with this fast-changing pace. Not being able to commit to long-term contracts impacts the SD possibilities and the supplier engagement.

The overall results of the empirical findings regarding the challenges of SRM are displayed in table 2. Lambert & Schwieterman (2012) mention that the best possibility for strategic value-adding is a long-term strategic collaboration. What becomes clear from the interview results is that these long-term collaborations are hard to come by at the case company. One important aspect of these long-term collaborations is the number of resources required to start and maintain a strategic collaboration. High resource consumption and missing supplier capabilities are mentioned by interviewee 2. He argues that these can limit the SRM progress. As an example, supplier payment terms are mentioned. If a supplier does not have enough financial strength to offer certain payment terms, it can harm the relationship. Interviewee 4 mentions resource limitations as a challenge of SD. Cox (2004) argues, like interviewee 2, that resources can limit what is realistically achievable with a supplier relationship.

Other challenges mentioned by some of the interviewees are lack of performance and price increases. Interviewee 2 mentions that it is challenging to make sure the actual supplier performance matches the agreed one. Interviewee 9 argues that lacking supplier performance can be a challenge. Furthermore, he mentions challenges involved with supplier price increases. Price increases are also mentioned by interviewee 4. Interviewee 10 mentions price negotiations regarding this topic and interviewee 1 argues that price cost modelling is a challenge. These points can influence the prices agreed upon with the supplier. According to interviewee 6, it is critical to draw the right conclusions when making SRM and SD decisions. One must weigh the evaluation parameters correctly to come to the right conclusion and make the right decision as the impact of the decision on the business is significant. This is in line with the statement of Tanskanen & Aminoff (2015, 128) about organisations needing to be selective when choosing their strategic collaborations due to high resource requirements. Interviewee 8 argues that different vendor policies need to match with the top management views as SRM is a strategic approach. Interviewee 9 notes that finding good and matching alternative suppliers is challenging.

Table 2 SRM challenges – Empirical findings

Challenges	Mentioned by interviewee number
Supplier engagement	1 – 2 – 3 – 4 – 7 – 8 – 10
Communication & information sharing	1 – 2 – 3 – 4 – 6 – 7 – 10 – 11
Transparency	2 – 3 – 5
Dependency & risk	5 – 6 – 9 – 10
Case company's agility	4 – 7
Supplier resources and missing capabilities	2 – 4
Lack of supplier performance & price increases	1 – 2 – 4 – 10
Supplier selection & supplier fit	6 – 8

5.5 Supplier development and supplier relationship management implementation at the case company

Within the case company, each category is handled by different people and there is a high level of freedom regarding how to manage that category. As a result, there are different views and approaches regarding SD and SRM. Interviewee 1 develops suppliers through competition or online bidding. Furthermore, he focuses on what can be improved now to get the quickest result. The interviewee mentions that value can be driven through a yearly SRM discussion with the strategic suppliers. The idea is that during this event, potential improvement projects which aim to drive value are identified. However, this is currently not done at the case company. Other possibilities for SD mentioned by the interviewee are sharing savings creating a win-win situation and monitoring the performance to see where improvements can be realized. An important side note made by interviewee 1 is that, depending on the product, the focus of SD should first be speed and only later costs.

When it comes to SRM, interviewee 1 mentions that several tools can be used to gain process efficiency. One way to approach the subject is by defining what the supplier should be in future and including this into the company's target. Then use frequent assessments to track the supplier's progress. Another influencing factor for SRM is the company's size. Larger organizations will have more leverage over the supplier. Interviewee 1 mentions that the case company is not there yet regarding SRM and SD from a maturity point of view. He states that the company is still defining which suppliers are the ones to work with long-term. As the organization's direction still changes a lot it is not possible to make this assessment yet. The company is therefore not engaging suppliers in cost optimization projects.

Interviewee 2 argues that the focus points regarding SD are working capital, price, and payment terms. He furthermore adds that there is a clear need for transparency in information sharing and that it is important to create understanding from the supplier to get them onboard. One of the more common areas where SD is applied is co-designing a product to lower costs and reduce complexity. The supplier will have higher outputs,

which in turn will decrease the costs. A win-win situation is created as the supplier will keep some of these savings for himself. Potential trigger points for SD are cost-level, lead-times, and quality.

SRM is applied through negotiations and contracts with the suppliers. Interviewee 2 mentions that supplier willingness is a requirement for this. Additionally, the ease of the supplier to manage the supply chain influence the implementation of SRM programs. Stakeholders that are involved when it comes to SRM are the supplier, the buyer's sales department, the buyer's logistics department, the buyer's research and development (R&D) department, the buyer's procurement department, the buyer's warehousing department, the buyer's production department, the buyer's finance department, and the insurance departments.

Interviewee 3 mentions that she does not have a clear overview of the SD process because her role is mostly operational. From an operational point of view, daily communication is used when supplier performance needs to be improved. When the price is too high, a benchmark is used in combination with a cost breakdown. She also mentions that suppliers are frequently challenged on their performance, which is in line with the organization's challenging the status quo nature.

According to interviewee 3, the onboarding of new suppliers is the focus of the case company. She mentions that depending on the category, different stakeholders will be involved. As nothing is steady within the case company, due to its fast-changing nature, long-term relationships with suppliers are hard to achieve. Furthermore, interviewee 3 is not aware of any SRM programs as such. Additionally, she argues that paying the suppliers in time is required to get them engaged.

Interviewee 4 explains that new suppliers are, in most cases, initially sourced by the R&D department. Procurement is involved afterwards which is too late. Furthermore, she mentions that the supplier's input is used when developing a product, leading to a co-

design situation. Interviewee 4 also mentions that a new supplier is sourced when there is a performance shortcoming that cannot be improved or overcome by the current supplier. Resource limitations are mentioned as a constraint for SD and the SD process is done on a more ad-hoc basis. However, lack of performance is not the only criteria for sourcing alternative suppliers. Supplier region, supplier history and supplier capabilities are given as examples of other criteria. The supplier onboarding process is straightforward starting with a non-disclosure agreement (NDA) followed up by assessing received samples. She mentions that the own organization's needs should be considered first, and the supplier needs second. However, creating a win-win situation for both is desired.

According to interviewee 5 suppliers are developed by slowly giving them more volume. If a supplier is not performing according to expectations, corrective measures are taken to improve this. Interviewee 5 has regular meetings with his suppliers which leads to continuous improvement. When cost savings are achieved, the supplier is not given a share directly. However, interviewee 5 argues that the supplier will not mention all of the cost savings achieved. As a result, both buyer and supplier have a benefit creating a win-win situation. When it comes to SRM programs interviewee 5 mentions that regular strategic meetings with suppliers are required and supplier performance should be tracked. Furthermore, supplier top management should be involved. From the buyer's side, top management should only be involved with the bigger and more important suppliers.

Interviewee 6 mentions that SD is currently not done as such. She argues that the current suppliers have been working with the case company for a long time and it is therefore not required to develop them to meet fundamental shortcomings. Quality performance is developed together with the supplier, but this is limited by travel restrictions caused by a pandemic. Currently, the supplier's quality performance is judged based on their golden samples, as access to actual supplier production sites is extremely limited. Another aspect regarding SD at the case company is the professionalization of the flow of information from a system point of view. Here, still, some benefits can be achieved. Furthermore, she mentions that information sharing with the supplier can support him with getting a better price with his own suppliers.

Another SD activity that is performed by the case company is design to cost initiatives. The idea here is to design the product cheaper, while still maintaining the same quality levels. As an example, the use of cheaper alternative materials is given. Production improvement initiatives are also taken to lower overall costs. Interviewee 6 states that there is a clear need to go to the supplier's production site to see what they are doing there and initiate follow-up actions based on the findings of these visits.

When it comes to SRM, interviewee 6 mentions that there is not a choice and that it must be done. It is not just beneficial, but essential. Within the case company, there is a cost-initiatives program that digs deeper into certain cost savings projects. However, these initiatives vary and are not always linked to one of the categories. Negotiations with tier one and tier two suppliers also take place as well as audits. When sourcing new suppliers, internal alignment is required to match the supplier's requirements. For instance, there should be alignment between procurement, demand planning, and the markets to communicate correct demand projections. Capacity is an important aspect of supplier management according to interviewee 6. It can be used, amongst other things, to give the supplier certain securities. There is also room for improvements when it comes to the SRM process, as quality involvement is limited, and the structure can still be improved. Standardizing the requirements could help in determining if a supplier is a match. Another aspect to consider is supply chain transparency.

Interviewee 6 mentions that the case company should use more parameters when choosing and developing suppliers. Delivery reliability, the total cost of ownership, price stability and price reliability are mentioned as examples. Furthermore, she adds that several other things should be considered when evaluating and categorizing suppliers. However, this is currently not the priority at the case company. Interviewee 6 argues that the evaluation process should be the baseline for SD. Is a stable collaboration with synergies like common training desired, or rather keeping the supplier at a distance and using them as a backup? SD indicates how the supplier should be treated. However, interviewee 6 makes an important side note regarding SD. She mentions that SD should

be the second step that determines if and how a supplier should be developed, but that the supplier should already meet 80% of the requirements. SD can be used to enable those last 20% to achieve the perfect match.

Interviewee 7 mentions that improvement initiatives can come from both the supplier and the buyer. Co-designing a product and make to cost initiatives are part of the SD process. Internal alignment with the case company's stakeholders takes place before improvement projects are executed. As an example, quality issues are mentioned, where the supplier is asked to improve its performance. When internal stakeholders propose improvements, joint meetings are used to implement those. Stakeholders for these meetings are the supplier, procurement, and the relevant internal departments. Having a project-level overview is mentioned as important for SRM.

Interviewee 8 mentions the importance of using different teams to go over SRM proposals as they frequently have a high impact on the organization. He explains that, based on previous experiences, companies normally categorize the suppliers into four different tiers. Suppliers in the first tier are those with the highest level of collaboration and there is the least amount of interaction with the tier four suppliers. Interviewee 8 mentions that this process is also used at the case company, but it is not so clearly defined. He adds to this by saying that SD should come from strategic procurement and that multi-year strategies can be used per commodity to determine the direction of the SD initiatives. Furthermore, there is a central role for top management when it comes to SD as they should be the initiator.

According to interviewee 8 finance has an important role when it comes to SRM. They can promise things like payment term increases or discounts which can have a big impact on a company's performance. Another department that should be involved in SRM, is supply chain management. Working together with suppliers in a certain way or changing certain approaches can impact the actual supply chain and how it should be managed. Procurement should be involved as they are the point of contact for the supplier. Interviewee 8 mentions that HR and IT can be involved depending on the level of

discussion with the supplier. Lastly, top management involvement from both the buyer and the supplier is mentioned.

The product category managed by interviewee 9 is new and there is therefore not much done regarding SD. Pain points are highlighted when performance is not meeting the requirements and sourcing is mainly done in Europe to improve flexibility. As for cost savings, not much is done either, as volume leverage is currently missing. For the sourcing activities, she mentions that it is mainly done based on the product specifications. It is therefore important to know what is required beforehand. She also mentions that, in the beginning, capacity is more important than price. However, a certain price is the desired outcome of a potential buyer-supplier collaboration. When it comes to SRM, interviewee 9 mentions that it is not done yet as such. She is still struggling to find the right point of contact for this internally and externally. This could be explained by the fact that the category was recently launched.

Interviewee 10 mentions that for the development of new suppliers, first a non-disclosure agreement (NDA) is signed. After that, the product portfolio is shared, and then product specifications and samples are shared. During this phase, it is important to make sure that the product always meets the quality standards. Another thing mentioned is designing products together with the supplier. Interviewee 10 mentions that due to a pandemic, supplier visits are not possible. It is therefore difficult to assess the quality standards of the suppliers. Additionally, supplier visits can be used to determine if a supplier is trustworthy as well as for building connections. It is also important to know who is in charge of the supplier and to understand the supplier's capabilities and expertise. Interviewee 10 mentions that using samples to determine if a supplier meets the requirements is popular and commonly used. She is not aware of the SRM topic within the procurement team or the case company but mentions that this could be related to her short time working for the case company.

According to interviewee 11, trade fairs and online sources can be used to find new potential suppliers. She also argues that mimicking the big competition can help identify

which suppliers should be used for SD. For new and not so well-known suppliers, the R&D department is involved to communicate the product specifications. After this, the sampling process is initiated, followed by a test production run. Costs are considered at the end. Interviewee 11 argues that everyone manages suppliers differently depending on their style. She also mentions that she did not encounter any SRM programs in her previous roles outside of the case company.

The integrative framework provided by Park et al. (2010, 496) has several aspects when it comes to SRM and SD. The collaborative phase is divided into both a product development stage and a production stage. Both these stages are mentioned by interviewees as well as creating a win-win situation. However, this win-win situation is not always clearly defined within the case organisation as mentioned by interviewee 5. Additionally, Park et al. (2010, 496) mention that the supplier should be involved early on to ensure effective collaboration. During the interviews, it is mentioned that suppliers are involved in the development stage, but no clear answer is provided if this involvement could be considered early. Lambert & Schwieterman (2012) argue that information sharing is crucial, which is also mentioned multiple times during the interviews. Park et al. (2010) mention that evaluation is important during the production stage when collaborating with a supplier. This aspect is only mentioned by a limited number of participants as well as supplier assessment.

Krause & Ellram (1997, 21) give a rather broad definition to SD by stating that: “*any effort of a buying firm with its supplier to increase the performance and/or capabilities of the supplier and meet the buying firm’s supply need*”. A large number of interviewees mention performance improvements being addressed together with the supplier. Khan & Nicholson (2014) differentiate between short- and long term performance improvements. During the interviews, short-term process improvements are primarily mentioned, which could be explained by the fast-changing nature of the organization.

Park et al. (2010, 505) suggest a three-step system to determine the strategic importance of different products. During the interviews, this is hardly mentioned and for most

categories, there is no clear answer as to what the strategic importance of that category is. One explanation for this can be the fact that all categories are managed differently and by different people. It is therefore not clear what the strategic importance of one product is in regards to the others.

The final step in the integrative framework proposed by Park et al. (2010, 507) is continuous improvement. This aspect is mentioned by interviewee 5. However, continuous improvement is out of scope for the thesis and therefore mentioned only briefly.

5.6 SRM and strategic procurement

Interviewee 1 mentioned that speed and cost are the focus of the case company. Due to the fast-changing nature, finding the right strategic suppliers is difficult. He adds by saying that the role of procurement should be to create a multiyear strategy per category, including SRM into this strategy. Ideally, a situation is created where joint value-adding activities are conducted together with the supplier. These value-adding activities then contribute to the overall business performance. The interviewee also mentions that the supplier is made ready to contribute to the company's goals. SRM can influence the quality and profitability performance of a business.

Interviewee 2 mentions that SRM is always related to strategic procurement. Strategic procurement investigates different sourcing options and covers the topic of developing existing sourcing options. SRM is all about how you manage these sourcing options. Furthermore, interviewee 2 mentions that ideally the strategy is based on getting improved costs, the best quality, within time delivery at the best possible location. Interviewee 3 mentions co-designing products regarding SRM and strategic procurement. She also mentions transparency and emphasises the importance of a buyer-supplier relationship as everything is built on that. Lastly, she argues that the supplier choice can influence the strategy. As an example, international expansion is mentioned.

According to interviewee 4, there are currently no strategic managers. Everything is performed by procurement managers, of which most of them take care of the operational as well as the strategic side of a category. She mentions that SRM is related to strategic procurement but cannot define how. It is possibly related to the benefits and challenges of SRM. She adds to this by mentioning that there is no clear structure or strategy and that everyone has their strategy or style regarding SRM. There is also a continuous improvement aspect when it comes to a sustainable relationship with the supplier.

According to interviewee 5, SRM is more on the strategic side. Price negotiations and process improvements are mentioned as an example. Furthermore, SRM can be useful on an operational level as performance improvements can be achieved. Interviewee 5 states that SRM has a more central role in the organizations he previously worked for and explains that SRM is harder to achieve in the case company due to the level of efflux of employees. The current focus is on getting the product required and not a strategic relationship. Long-term supplier relationships are not a priority as suppliers are switched quite frequently and the organization has not been around that long.

Interviewee 6 mentions several things regarding SRM and the strategic procurement activities. She states that, in a sense, everything done with suppliers is part of SRM. Cost savings initiatives, negotiations, and evaluating suppliers are given as examples. She also mentions that SRM is used to determine which suppliers should be build up and which ones should be let go of. Additionally, SRM can support in getting an overview of dependencies and market competition, as well as providing a price overview. It also helps in finding a good supplier fit for a partnership, while not completely taking away competition for the supplier. Interviewee 6 makes the side note that SRM activities are completely different depending on the industry. This can impact the focus and the desired outcome. As an example, the automotive industry is mentioned, where things tend to be steady. This makes it easier to negotiate long-term contracts of +-10 years, which as a result make the supplier choice more important. The case company operates short-term where things get done and change quickly. Long-term commitments are therefore less

likely to happen. With long-term commitments, the buyer is also more willing to invest in the relationship. So, the timeline of an organization is essential for SRM.

Interviewee 7 mentions that SRM is a major strategic procurement activity. He argues that better relationships improve supplier performance. He also emphasizes the importance of segregating strategic tasks from daily operational tasks. Buyer and supplier employees that work with each other daily have a shared interest in a good collaboration as they depend on one another for daily challenges. Therefore, it is better to have someone else who is further away from the operations take on strategic topics like price negotiations.

According to interviewee 8, strategic procurement is about future-proofing your supply chain and being more organized when managing suppliers. SRM has a big role in that as there are resource limitations involved. SRM is also important for reaching the strategic objective of an organization. Interviewee 9 argues that SRM is related to strategic procurement activities in different aspects. Reliability, flexibility, working capital reductions, quality, and customer demand fulfilment are given as examples. She also mentions that strategic partners think along with you and invest in the relationship.

Interviewee 10 argues that the procurement strategy determines the direction of the organization. The strategy determines what products will be sold and as a result what products need to be sourced. SRM is about answering if the supply chain of today, is the supply chain that is needed in future. Interviewee 10 mentions that an overview of the current supplier base is missing. As a result, certain consolidation possibilities are not available. The procurement strategy also indicates if new suppliers need to be sourced or current suppliers need to be developed. Additionally, the procurement strategy can indicate how suppliers should be dealt with. Interviewee 11 mentions that, in her previous job, the strategic and operational procurement was done by the same employee. This ensures end-to-end procurement.

The integrative framework provided by Park et al. (2010, 496) has several aspects amongst which SRM and purchasing strategy. Most of the interviewees are unsure what their purchasing strategy should be or how their category relates to the purchasing strategy. Some mention aspects like cost or performance, but long-term goals are hardly mentioned. Furthermore, no collective classification or product segregation is mentioned for the categories. The same is true for the printing materials category, where it is unsure how the procured items relate to the purchase strategy and what type of collaboration should therefore be targeted.

6 DISCUSSION AND CONCLUSIONS

This chapter contains a summary of the result of the thesis and provides suggestions for future research. The main research aim is to investigate how SRM is applied within the existing network of the case company. Furthermore, the main research question “What is the role of SRM in strategic procurement?” is answered, by answering the sub-research questions.

The main research question of this research is: “What is the role of SRM in strategic procurement?”. What becomes clear from the theory is that SRM mostly serves a strategic goal that allows firms to improve supplier performance and capabilities, which in turn improve the competitive advantage. The integrative framework provided by Park et al. (2010, 496) states that the procurement strategy dictates the direction of the SRM process, which consists of supplier selection, collaboration (supplier involvement), supplier assessment and development, and continuous improvement. When it comes to assessing supplier relationships, several models can be used. However, most of these models use supply risk, financial impact, or product characteristics as assessment criteria. Cox (2004, 349) argues that buyers should target what is realistically possible instead of what is ideally desired as an outcome of supplier collaborations. It becomes clear that SD can be used proactively or retroactively, where using it proactively is better suited for strategic topics. One important side note is the need to carefully select suppliers for close collaborations due to high resource requirements. Porter’s strategies suggest that an organization must choose between targeting a narrow or broad market segment. Furthermore, it must decide whether to compete based on low-cost or uniqueness. Although the empirical data does not clearly show what the strategy of the case company is, there are signs that they focus on a broad market segment with a focus on low-cost.

The first sub-research question is “*What are the benefits of SRM?*”. Within the theory, most benefits can be linked to performance and capability improvements, competitive

advantage improvement, and buyer-supplier relationship improvement. According to Hughes & Wadd (2012, 22), SRM enhances supply chain performance through collaboration for both the supplier and buyer if done right. Krause et al. (2007, 530) mention that within manufacturing industries there are four competitive priorities important when considering the end market. These priorities are 1) cost, 2) quality, 3) delivery time and reliability, and 4) flexibility. Kumar Pradhan & Routroy (2014, 209) argue that manufacturing firms need to focus on core competencies and therefore need to outsource non-core activities to achieve competitive advantage. As SD programs targets long-lasting more cooperative relationships, a buyer-supplier alliance can be the result of such a program (Li et al. 2012,356).

Within the case company, multiple benefits related to SRM are mentioned. Several interviewees mentioned that risk levels can be reduced when working closely with suppliers, which is also mentioned by Kumar Pradhan & Routroy (2014, 209). Furthermore, getting access to supplier knowledge is frequently mentioned. The case company can get industry insights and other influencing factors that are not apparent. One interviewee mentions the possibilities of using a supplier's capabilities in other areas, like retail expansion by utilizing the supplier's distribution network. The supplier's capabilities can also be utilized to improve product quality. By having a better relationship with the supplier, price and cost improvements seem to be possible at the case company.

Performance improvements are mentioned as benefits in the case company. These include, but are not limited to, improved capacities, improved lead times, reduced complexity, and improved quality. Additionally, increased willingness from the supplier is mentioned to support with urgent short-term requests. Interviewee 8 makes an interesting point by stating that through SRM, better resource management is forced on the buyer and as such beneficial. Similar to Krause et al. (2007, 530), increased flexibility is mentioned as a benefit for the buying firm. The interview results show a variety of benefits mentioned by different interviewees. This can be explained by the fact that each interviewee has their views regarding SRM and applies its own style.

The second sub-research question is “What are the challenges of SRM?”. Several things are mentioned as SRM challenges within the literature. Hughes & Wadd (2012, 26) mention that relying too much on competitive pressure can result in smaller value creation. According to Tanskanen & Aminoff (2015, 128) as well as Cox (2004), SRM and SD come with high resource consumptions which force the buying firms to be selective in their strategic supplier selection. Blonska et al. (2013, 1295) mention that relationship-specific buyer investments are required when dealing with SD programs. This adds to the previously discussed high resource consumption, and opportunistic behaviour from the supplier can be a result of such a situation. Li et al. (2012, 354) mention certain influencing factors that can impact the SD outcome. One key factor, which is also mentioned by Krause & Ellram (1997, 21-25) is top management support. As SD influences multiple areas of an organisation and deals with the strategic and long-term needs of an organisation, top management needs to be involved.

Li et al. (2012, 363) also mention supplier evaluation and supplier strategic objectives, stating that a lack of these aspects influences the willingness of a supplier to invest. Furthermore, effective communication is mentioned as a key aspect in motivating suppliers. Krause & Ellram (1997, 21-25) add to this by stating that the quality of the collaboration can be improved via two-way communication spanning over different departments. Furthermore, Li et al. (2012, 355) mention the need for clear strategic goals as well as a long-term commitment. Krause & Ellram (1997, 21-25) argue that supplier evaluation is needed to point out weaknesses and areas for improvement. Li et al. (2012, 355) mention that trust can be a cheaper alternative compared to contracts as dependency and risk increases between buyer-supplier. Furthermore, having alignment between the buyer’s and supplier’s management regarding strategic objectives increases success chance.

Several aspects regarding supplier engagement are mentioned during the interviews. Promises of volume have been used to improve supplier involvement and supplier performance. Furthermore, creating understanding from the supplier regarding the SRM program improves supplier engagement. Buyer-supplier power balance and not misusing

a position of strength is also mentioned by several interviewees. Having a clear common goal and creating a win-win situation is perceived as necessary and challenging within the case company. There is also an element of managing expectations from the supplier, as well as expectations from internal stakeholders.

Communication is mentioned as a key challenge. Difficulties with clear communication and accurate information sharing are mentioned by the interviewees. Understanding internal volume developments and sharing misinformation severely influence supplier collaboration. There is a clear need to share accurate visibility with the supplier regarding the future. Communication difficulties are also experienced due to the lack of face to face meetings and the use of E-mails.

Miscommunications also occur due to having multiple faces towards the supplier, by having different teams contacting them. The high level of efflux amongst employees adds to this. Different stakeholders within the same organisation have different goals at times. As a result, internal alignment is missing, causing a conflict of interest. Another conflict of interest occurs when the strategic and the operational part of a supplier collaboration are dealt with by the same person. Both roles have different priorities and therefore different outcomes which conflict with one another. The operational part needs to collaborate with the supplier in future and will therefore be less harsh. The strategical part needs to meet certain targets and does not need to collaborate with the supplier daily, which allows for tougher behaviour.

Increased dependency and increased risk with closer collaborations are mentioned by the interviewees matching the findings in the theory. Interviewee 5 mentions opportunistic behaviour from the supplier in these close collaborations. This dependency can also negatively impact price negotiations and there can be risks for the buyer that are only visible to the supplier. High resource consumption and not developing certain suppliers due to resource limitations are other mentioned risks. Some interviewees struggle with supplier selection and managing a lack of performance from the supplier.

The third sub-research question is “How can suppliers be assessed?”. Partida (2012, 84) argues that organizations should assess current suppliers frequently to identify any needs for performance improvement. According to Cox (2004, 346-347) depending on the circumstances, each supplier relationship should be managed differently. He argues that companies should target what is realistically possible rather than what is desired. Furthermore, Cox (2004) offers several matrixes for the assessment of a supplier relationship. Kraljic (1983, 112) introduced a method for classifying product types based on the impact of a supply item on the profit and the supply risk of an item. According to Montgomery et al. (2018, 193), the Kraljic matrix enables companies to classify commodities in a way that they can adjust their supply strategies which reduce the supply risks and maximizes the value for the firm. Gelderman & Van Weele (2003, 207) mention that each of the different Kraljic matrix categories requires a different approach.

Fisher introduced a modified version of the Kraljic matrix. The main difference is that the items are classified into a functional or an innovative item group, where each group has different characteristics. The model then proposes either lean or agile supply. Selldin & Olhager (2007, 49) argue that one of the limitations of Fisher’s model is that in practice it will not always be possible for manufacturers to construct the perfect supply chain.

Drake et al. (2013, 5) propose a lean and agile purchasing portfolio model which is like Fisher’s model, which is also based on lean and agile product attributes. Drake et al. (2013, 5) do not propose specific supply strategies, but rather give characteristics of what purchasing strategies should include. The impact on cost, quality, time, and flexibility are the main drivers to determine the importance of a product.

Interviewee 1 argues that frequent assessments to track a supplier’s progress towards its targets can be used. A price breakdown is used to challenge and assess the supplier when the price is too high. Furthermore, suppliers are challenged frequently on their performance. Interviewee 5 mentions that the supplier performance should be tracked and that frequent supplier meetings can be used to improve performance and initiate continuous improvement.

According to interviewee 6, the quality performance of suppliers is assessed based on their golden samples as access to supplier production sites is severely limited. She states that a more elaborate supplier assessment is required, which is currently not done as it is not the priority. To do this, different parameters can be used. For example, delivery reliability, the total cost of ownership, price stability and price reliability are given. Interviewee 7 mentions that internal alignment is used to determine improvement projects related to supplier performance. Quality standards are also mentioned as important assessment criteria by interviewee 10. However, it is noted that due to the pandemic and travel restrictions, supplier visits are extremely limited, which makes assessing this part difficult. Samples are currently primarily being used for this assessment. Interviewee 9 mentions that pain points are highlighted when performance requirements are not met and follow-up actions are taken together with the supplier.

The fourth sub-research question is “How can suppliers be developed?”. Krause et al. (1998, 52) describe a 10-step process for SD and they distinguish between proactive and retroactive SD. They also state that supplier pools are frequently used with SD and management should categorize strategically important products and services. Khan & Nicholson (2014, 1215-1217) argue that the perception of SD can differ between buyer and supplier. They argue that the first stage of SD is more transactional and therefore not perceived as SD from a supplier’s point of view. They suggest a 3-step approach that starts with information gathering followed by relationship development. Blonska et al. (2013, 1295) warn for reluctance from the suppliers to invest, negatively impacting the benefits for the buyer. Krause et al. (2000, 34) mention that supplier performance can be improved through 1) supplier assessment, 2) providing suppliers with incentives for improved performance, 3) instigating competition among suppliers, 4) direct involvement of the buying firm’s personnel with suppliers through activities such as training of supplier’s personnel. Krause & Ellram (1997, 21-25) mention several critical elements that should be considered when developing suppliers. Amongst these are top management support, the use of cross-functional teams, the total cost of ownership versus the price, providing long-term perspective, and lack of commitment.

Interviewee 1 mentions that suppliers can be developed through competition. Furthermore, he mentions that suppliers can be developed through sharing savings and monitoring the performance to see where performance improvements can be achieved. Additionally, he mentions that the case company is not there yet from a maturity point of view. Interviewee 2 focuses on working capital, price, and payment terms with SD. He also mentions creating a win-win situation to motivate the supplier and argues that cost-level, lead-times, and quality are potential trigger points. Interviewee 3 uses daily communication to improve supplier performance. According to interviewee 4 SD is performed on a more ad-hoc basis. She also mentions that a new supplier is sourced if performance cannot be improved. Interviewee 5 mentions that suppliers are developed by slowly giving them more volume. Another point of view is given by interviewee 6, who mentions that SD is currently not done as such. She mentions that the case company has been working for a long time with most of the current supplier base and therefore no shortcomings are there to be solved. Interviewee 6 does mention design to cost initiatives which could be classified as the proactive SD Krause et al. (1998, 52) described in their research. Interviewees 7 and 10 also mention these cost initiative projects. Additionally, interviewee 6 mentions the importance of the evaluation process when it comes to SD. Interviewee 8 argues that SD initiatives need to come from top management and that first-tier suppliers have the highest level of collaboration.

The fifth sub-research question is “How can SRM programs be implemented?”. Hughes & Wadd (2012, 25-26) provide several principles that can support SRM and value-adding. Organizations should focus their SRM effort on areas with the greatest potential in terms of value creation or risk reduction. Resources for SRM should not be applied too broadly or put into the wrong project or else the results will be unbeneficial. Furthermore, suppliers should be treated with professionalism and respect. Value creating opportunities and ways to influence suppliers can be revealed by understanding their capabilities, culture, organizational structure, business models, and strategies. According to Hughes & Wadd (2012, 25-26) resources should be used to create a mutual understanding between buyers and suppliers of how the firms work. High levels of trust stimulate efficient information-sharing and transparency. As a result, it is more likely new value-adding business opportunities are discovered and innovative solutions are implemented

successfully. Supplier feedback should be gathered to assess the buying company's performance and track supplier benefits. Buying firms should be open to supplier suggestions and ideas.

Hughes & Wadd (2012, 27) mention four practices that can help maximize supplier value and support with SRM. These are 1) related to multi-year joint business plans, 2) use balanced two-way scorecards, 3) use joint performance reviews and improvement initiatives, and 4) using formal governance. Lastly, change management is mentioned as a difficult aspect of SRM implementation. However, as stated in the introduction chapter, change management is out of scope for this research.

Interviewee 1 mentions that value can be driven through a yearly SRM discussion with the strategic suppliers. Furthermore, process efficiency can be increased by defining and including supplier requirements in the strategy. Frequent assessments can be used to assess and correct supplier progress. Interviewee 2 mentions that SRM is applied through negotiations and contracts with the suppliers. Additionally, the ease of the supplier to manage the supply chain influence the implementation of SRM programs. According to interviewee 5, regular strategic meetings with suppliers are required and supplier performance should be tracked as well as supplier top management involvement. Interviewee 6 mentions the use of cost-initiatives programs and negotiations with tier one and tier two suppliers to further SRM. The use of financial aspects like payment term increases or discounts is mentioned by interviewee 8 as well as the use of cross-organizational teams.

This research focused on the role of SRM in strategic procurement within a specific organization. Several aspects could be considered for further research. The conducted interviews used for this research are rather short having lasted 30-45 minutes each. Further research could include follow-up interviews to gain more in-depth information and to filter out any inconsistencies better. Furthermore, future research could focus more on the strategic part, as for this thesis the focus was more on SRM. Other interesting aspects for further research are including different departments within the case company

and looking at it from a supply chain point of view by including multiple suppliers. Including other companies from different e-commerce industries could also provide interesting insights and results.

LIST OF REFERENCES

Anon (2003) *How to determine the supplier relationship management model*. Vol. 3. New York: Institute of Management & Administration.

Blonska, A., Storey, C., Rozemeijer, F., Wetzels, M., & de Ruyter, K. (2013) Decomposing the effect of supplier development on relationship benefits: The role of relational capital. *Industrial marketing management*. 42, 8, 1295–1306.

Brandmeier, R. A. & Rupp, F. (2010) Benchmarking procurement functions: causes for superior performance. *Benchmarking : an international journal*. 17, 1, 5–26.

Cox, A. (2004) The art of the possible: Relationship management in power regimes and supply chains. *Supply Chain Management: An International Journal*. 9, 5, 346-356.

Dalvi, M. V. & Kant, R. (2015) Benefits, criteria and activities of supplier development: a categorical literature review. *Asia Pacific journal of marketing and logistics*. 27, 4, 653–675.

Das, T. K. & Teng, B.-S. (2000) A resource-based theory of strategic alliances. *Journal of management*. 26, 1, 31–61.

den Butter, F. AG. & Linse, A.K. (2008) Rethinking Procurement in the Era of Globalization. *MIT Sloan management review*. 50, 1, 76–80.

Dubois, A. & Araujo, L. (2007) Case research in purchasing and supply management: Opportunities and challenges. *Journal of Purchasing & Supply Management*. 13, 170-181.

Drake, P. R., Myung Lee, D. & Hussain, M. (2013) The lean and agile purchasing portfolio model. *Supply chain management*. 18, 1, 3–20.

- Gelderman, C. J., & Van Weele, A. J. (2003). Handling measurement issues and strategic directions in Kraljic's purchasing portfolio model. *Journal of Purchasing and Supply Management*. 9, 5, 207–216.
- Halinen, A. & Törnroos, J-A. (2005) Using case methods in the study of contemporary business networks. *Journal of Business Research*. 58, 1285-1297.
- Hella, 2021. Supplier Integration. [Web page]. [Cited 2021-05-25]. Available: <https://www.hella.com/hella-com/en/Supplier-Integration-1889.html>
- Hughes, J. & Wadd, J. (2012) Getting the most out of SRM: supplier relationship management (SRM) can deliver powerful business benefits. For companies to realize those benefits, though, SRM needs to be comprehensively understood and implemented. The core principles and change management practices offered here can guide that process. Caution: There's a lot more involved than buying a software package. *Supply chain management review*. 16, 1, 22–29.
- Kähkönen, A-K. (2011) Conducting a Case Study in Supply Management. *OPERATIONS AND SUPPLY CHAIN MANAGEMENT*. 4, 1, 31-41.
- Ketokivi, M. & Choi, T. (2017) Renaissance of case research as a scientific method. *Journal of Operations Management*. 32. 232-240.
- Khan, Z. & Nicholson, J. D. (2014) An investigation of the cross-border supplier development process: Problems and implications in an emerging economy. *International Business Review*. 23, 6, 1212-1222.
- Kim, E., Nam, D. & Stimpert, J.L. (2004) The Applicability of Porter's Generic Strategies in the Digital Age: Assumptions, Conjectures, and Suggestions. *Journal of management*. 30, 5, 569–589.

- Knudsen, D. (2003) Aligning corporate strategy, procurement strategy and e-procurement tools. *International journal of physical distribution & logistics management*. 33, 8, 720–734.
- Kraljic, P. (1983). Purchasing must become supply management. *Harvard Business Review*. 61, 5, 109–117.
- Krause, D. R. & Ellram, L. M. (1997) Critical elements of supplier development The buying-firm perspective. *European Journal of Purchasing and Supply Management*. 3, 1, 21-31.
- Krause, D. R., Handfield, R. B. & Scannell, T. V. (1998) An empirical investigation of supplier development: Reactive and strategic processes. *Journal of Operations Management*. 17, 1, 39-58.
- Krause, D. R., Scannell, T. V., & Calantone, R. J. (2000) A Structural Analysis of the Effectiveness of Buying Firms' Strategies to Improve Supplier Performance. *Decision sciences*. 31, 1, 33–55.
- Krause, D. R., Handfield, R. B. & Tyler, B. B. (2007) The relationships between supplier development, commitment, social capital accumulation and performance improvement. *Journal of operations management*. 25, 2, 528–545.
- Kumar Pradhan, S. & Routroy, S. (2014) Analyzing the performance of supplier development: a case study. *International journal of productivity and performance management*. 63, 2, 209–233.
- Lambert, D. M. & Schwieterman, M. A. (2012) Supplier relationship management as a macro business process. *Supply Chain Management: An International Journal*. 17, 3, 337-352.
- Li, W., Humphreys, P. K., Yeung, A. C. L., & Cheng, T. C. E. (2012) The impact of supplier development on buyer competitive advantage: A path analytic model. *International Journal of Production Economics*. 135, 1, 353-366.

Moeller, S., Fassnacht, M. & Klose, S. (2008) A framework for supplier relationship management (SRM). *Journal of Business-to-Business Marketing*. 13, 4, 69-94.

Montgomery, R. T., Ogden, J. A. & Boehmke, B. C. (2018) A quantified Kraljic Portfolio Matrix: Using decision analysis for strategic purchasing. *Journal of purchasing and supply management*. 24, 3, 192–203.

Park, J., Shin, K., Chang, T. & Park, J. (2010) An integrative framework for supplier relationship management. *Industrial Management & Data Systems*. 110, 4, 495-515.

Partida, B. (2012) The value of supplier category management: supplier category management programs add value in many ways, as the best-practice companies have shown. Shorter lead times and closer supplier relationships are just the beginning. *Supply chain management review*. 16, 4, 82–84.

Partida, B. (2017) Strategic supplier relationships benefit procure-to-pay and beyond. *Supply Chain Management Review*. 21, 4, 43–45.

Oghazi, P., Rad, F., Zaefarian, G., Beheshti, H. & Mortazavi, S. (2016) Unity is strength: A study of supplier relationship management integration. *Journal of business research*. 69, 11, 4804–4810.

Selldin, E. & Olhager, J. (2007) Linking products with supply chains: testing Fisher's model. *Supply chain management*. 12, 1, 42–51.

Seuring, S. A. (2008) Assessing the rigor of case study research in supply chain management. *Supply chain management*. 13, 2, 128–137.

Stuart, I., McCutcheon, D., Handfield, R., McLachlin, R., & Samson, D. (2002) Effective case research in operations management: a process perspective. *Journal of operations management*. 20, 5, 419–433.

Tanskanen, K. & Aminoff, A. (2015) Buyer and supplier attractiveness in a strategic relationship — A dyadic multiple-case study. *Industrial Marketing Management*. 50, 128-141.

Tarafdar, M. & Qrunfleh, S. (2017) Agile supply chain strategy and supply chain performance: complementary roles of supply chain practices and information systems capability for agility. *International journal of production research*. 55, 4, 925–938.

Tebboune, S. & Urquhart, C. (2016) Netsourcing Strategies for Vendors: A Resource-based and Transaction Cost Economics Perspective. *Journal of information technology*. 31, 1, 32–47.

Voss, C., Tsikriktsis, N., & Frohlich, M. (2002) Case research in operations management. *International journal of operations & production management*. 22, 2, 195–219.

Wagner, S. M. (2011) Supplier development and the relationship lifecycle. *International Journal of Supply Chain Management*. 129, 2, 277–283.

APPENDICES

APPENDIX 1: Interview questions

1. Information about the interviewee.
 - a. Current role and department?
 - b. Time spent at the current company?
 - c. Time spent in current role?
 - d. What is your SRM background (e.g. previous jobs)?

2. How do you currently manage your supplier relationships?
 - a. How are suppliers segregated?
 - b. How are product portfolio's categorized?
 - c. What different strategies are used for specific types of suppliers?

3. What are, for you, the benefits of SRM?
 - a. Are these benefits currently being achieved through SRM? If no, why not?

4. What are, for you, the challenges of SRM?
 - a. How do these challenges influence the SRM process and the SRM outcome?
 - b. What actions have been taken to tackle these challenges?

5. How are suppliers developed in your organization?
 - a. What are the methods used to determine which suppliers should be developed and what the desired outcome is?

6. How are SRM programs currently implemented?
 - a. Which stakeholders are involved?

7. How does SRM relate to the strategic procurement activities?

APPENDIX 2: Interview results

All interviews took place during the period 30.06.2021-07.07.2021

Results questions 1: Information about the interviewee.

Interviewee 1	<p>Role: Procurement team lead</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 9 months</p> <p>Time at current role: 9 months</p> <p>SRM background: 11 years in procurement before the current position at different multinational corporations.</p>
Interviewee 2	<p>Role: Procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 2 years</p> <p>Time at current role: 2 years, but handled different categories within the procurement department</p> <p>SRM background: 5 years in procurement before the current position</p>
Interviewee 3	<p>Role: Junior procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 2 months</p> <p>Time at current role: 2 months</p> <p>SRM background: 1 year in procurement before the current position</p>
Interviewee 4	<p>Role: Procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 1 year and 10 months</p> <p>Time at current role: 6 months (before junior Procurement manager)</p> <p>SRM background: 2 years in procurement before the current position</p>
Interviewee 5	<p>Role: Procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 8 months</p>

	<p>Time at current role: 8 months</p> <p>SRM background: 1 year in procurement before the current position</p>
Interviewee 6	<p>Role: Head of Procurement & Quality</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 6 months</p> <p>Time at current role: 6 months</p> <p>SRM background: 10 years and 4 months in procurement before the current position</p>
Interviewee 7	<p>Role: Junior procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 4 months</p> <p>Time at current role: 4 months</p> <p>SRM background: 2 years in various marketing and project management positions.</p>
Interviewee 8	<p>Role: Procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 5 months</p> <p>Time at current role: 5 months</p> <p>SRM background: 5 years in procurement</p>
Interviewee 9	<p>Role: Junior procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 9 months</p> <p>Time at current role: 4 months</p> <p>SRM background: 1 year and 6 months in supply management</p>
Interviewee 10	<p>Role: Senior procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 1 month</p> <p>Time at current role: 1 month</p> <p>SRM background: 7 years in procurement</p>

Interviewee 11	<p>Role: Procurement manager</p> <p>Department: Procurement & Quality</p> <p>Time at case company: 1 month</p> <p>Time at current role: 1 month</p> <p>SRM background: 3 years and 10 months in procurement</p>
----------------	---

Results questions 2: How do you currently manage your supplier relationships?

Interviewee 1	<ul style="list-style-type: none"> • Working on applying the purchasing chessboard of Kearney for the springs category. The procurement strategy was more structured and better defined at previous organizations. SRM is also better defined. • SRM is about aligning buyer and supplier processes to the same goal. • Usually, the focus with SRM is on total spending and efficiency, which can be used for categorization. However, the focus should be on value instead. • The total cost of ownership (TCO) and SWOT analysis are mentioned as possible methods. • Segmenting products based on cost drivers (e.g. textiles) • At supplier level, differentiate per product type • SRM is different for each category.
Interviewee 2	<ul style="list-style-type: none"> • Segregation is done based on purchased items. Four categories: 1) Foam, 2) Packaging, 3) Fabrics, 4) final packaging. • Has not differentiated suppliers in terms of managing them differently.
Interviewee 3	<ul style="list-style-type: none"> • Only one supplier, which results in higher dependency. Do not put the same eggs in the same basket. • Products are differentiated based on product components. • Maybe not long enough at the case company to make an assessment, but long-term collaboration should be desired.
Interviewee 4	<ul style="list-style-type: none"> • Currently, suppliers are not segregated. Only focus on non-performing suppliers. • Suppliers only developed when necessary (e.g. lack of capacity) • Suppliers developed, but more ad-hoc.

	<ul style="list-style-type: none"> • Performance measured on quality, flexibility, delivery accuracy. • If expectations are not met, a new supplier is onboarded. • Depending on the product type, costs or flexibility are considered the most important.
Interviewee 5	<ul style="list-style-type: none"> • For the slatted frames category, there is currently one supplier • For the pillow category, there is currently one supplier. A more special product, which increases the dependency on the supplier. • Topper cover 2 suppliers. One overseas for the bulk of the demand. The other supplier is located locally to react to short-term demand increases. Local supplier considered a partner and used for co-design. • For new product development, current suppliers are always asked first for their expertise.
Interviewee 6	<ul style="list-style-type: none"> • Segregation of the suppliers is done based on category. But also big suppliers that belong to different categories. • Supplier segregation is influenced by the size of the supplier and what they provide. • Different tiers of suppliers. Tier 1 suppliers (e.g. foamers), tier 2 suppliers (e.g. components), and tier 3 suppliers (e.g. raw materials). All three tiers are being talked to, where tier 1 is the closest supplier, tier 2 a bit less, and tier 3 the least. • The product portfolio is divided into finished goods and components. • Tier 3 suppliers at arm's length. Tier 1 and 2 more close collaboration. • Big suppliers are tackled by different internal teams. Important to have the internal teams communicate as one face to the supplier is not possible. By doing so, advantages can be achieved (e.g. bundle volumes) which then increase the buyer power. • Another strategy is determining if a supplier will be used for a single request or ongoing operations. Single requests can also be the start of a longer-term collaboration if the performance is well. Also, different negotiants used there, as the dependency is still low. • If regular deliveries are received, there is always some form of dependency (e.g. booked capacities). As a result, internal alignment is required between the operational and strategical sides. Conflict of interest between the

	<p>operational and strategical sides. Operational one has a higher incentive to work closely together compared to the strategical one. Strategical one does not care that much about the day to day business, so this one can be harsher in negotiations.</p> <ul style="list-style-type: none"> • Should involve more parameters when choosing and developing suppliers. Parameters like delivery reliability, the total cost of ownership, price stability and price reliability. • Many things to consider when evaluating and categorizing suppliers, but currently not the priority. • Evaluation should be the baseline for SD. Do we want stable collaboration and look for synergies like common training or do we not invest too much and just keep them around as a backup? How to treat the supplier. SD is the second step that determines if and how a supplier should be developed (e.g. they match 80 % of requirements and the last 20 % is achieved via SD).
Interviewee 7	<ul style="list-style-type: none"> • No set process on how to manage suppliers at the case company. Not sure what to say and whatnot. • Communication issues, as everything is done over emails. • Finding the right information is difficult due to emails. Taken steps to standardize email communication • Has a weekly meeting to discuss open topics and improve communication. • Politeness and respect are important factors. • Important to recognize supplier achievements.
Interviewee 8	<ul style="list-style-type: none"> • In previous positions, segregation was done based on spend. 20% of vendors are responsible for 80% of the spending. Not the case for strategic materials • SRM is about managing your resources across all your vendors (time and effort) • Top management should be involved with SRM as SRM can contribute to the overall company strategy. Alignment with top management required • Usually, there is not enough time to work closely with all the suppliers. At previous organizations, they would consolidate multiple commodities to few suppliers to leverage cost and reduce the supplier base. • For day to day vendors, you should use some KPI checks. • For strategic vendors, more close collaboration is required. Top management discussions.

Interviewee 9	<ul style="list-style-type: none"> • Segregation is done based on products. • For beds, the target is to have a good, better, best portfolio • Only a few suppliers which increase vulnerability and risks (prone to price increases) • High dependency on one supplier, so here more engaged into the partnership. Trying to increase flexibility by increasing supplier stock levels • Considering dual sourcing, but not used yet
Interviewee 10	<ul style="list-style-type: none"> • Segregation is done by product category • No rule of thumb on how to engage with suppliers. Every person and relationship is different. • Suppliers are treated differently depending on if a long-term or short-term relationship is targeted. (e.g. costs or willingness to help) • Conflict of interest with the supplier (e.g. price) • Products grouped based on their nature (e.g. components and raw materials)
Interviewee 11	<ul style="list-style-type: none"> • No exact plan on how to manage suppliers. • Communication is key • Difference between global and local suppliers • Suppliers segregated based on commodities and materials used This also applies to the product portfolio. • At the case company, most contracts and PO's are short term (several months). With a yearly PO or longer contracts, a better price could be achieved. This also helps in maintaining a supplier relationship.

Results questions 3: What are, for you, the benefits of SRM?

Interviewee 1	<ul style="list-style-type: none"> • The target of SRM should be value or savings. • Supplier involvement during product development. • You want to create joint value • Getting certain supplier capabilities • Co-designing
Interviewee 2	<ul style="list-style-type: none"> • Lower costs • Increased capacity • Better lead-time • Reduced supply risks • Improved working capital terms • Better price

	<ul style="list-style-type: none"> • Improved payment terms • Reducing complexity
Interviewee 3	<ul style="list-style-type: none"> • Decreased dependency if multiple suppliers are onboarded. • Reduced risks if multiple suppliers are onboarded. • Better price if multiple suppliers are onboarded. Able to challenge it. • Better performance if multiple suppliers are onboarded. Able to challenge it. • Better quality if multiple suppliers are onboarded. Able to challenge it. • Having a reliable supplier (reduce risk)
Interviewee 4	<ul style="list-style-type: none"> • Knowing the supplier better can yield certain benefits. For instance, it is easier to apply pressure. • It can function as a supplier base extension which can be useful for other categories • Good suppliers can give industry insights • Cost benefits. Suppliers will consider the relationship before raising prices • Sourcing together with the supplier • Using supplier's capabilities to improve other areas of the organization. E.g. expand to other markets.
Interviewee 5	<ul style="list-style-type: none"> • Better relationship • Better knowledge availability • Better communication • Process improvements • A better price due to more supplier willingness • Cost savings projects • Higher security • More possibilities with short-term urgent requests
Interviewee 6	<ul style="list-style-type: none"> • You must engage in SRM, so there is no choice as soon as you have suppliers. Not just beneficial, but essential. • Currently, room for improvements as quality is not involved much, not structured enough, involve quality KPI's, • The supplier will better fit your needs • Standardize requirements and see which supplier matches and which does not. • Supply chain transparency
Interviewee 7	<ul style="list-style-type: none"> • Communication improvements. Work gets done faster and fewer miscommunications. • The main thing is to have an overview of the project.

	<ul style="list-style-type: none"> • Better performance leads to less friction, which makes the collaboration more pleasant.
Interviewee 8	<ul style="list-style-type: none"> • Utilizing the expertise of suppliers for non-core business components. • Finding a matching partner for collaboration. • Can be utilized to address future demands for the buying firm • Via suppliers, you can understand better where the market is going. • Close collaboration vendors can provide crucial information regarding external factors that impact costs (e.g. government regulations) • Lower costs of goods possible due to close collaborations • Helps manage the time as not all vendors are treated equally • Helps manage the company's resources as certain decisions regarding vendors have already been made. • Better customer service level possible • Efficiency increases • Payment term increases
Interviewee 9	<ul style="list-style-type: none"> • Increased flexibility • Co-design for products • Exchange of information and samples is easier • Price improvements • Production schedule decreases possible due to forecast changes. As a result, inventory levels did not increase too much. Positive impact on cost and working capital.
Interviewee 10	<ul style="list-style-type: none"> • Achieving on time and correct delivery • Achieving the target price • Achieving the target quality • Possibilities to work together to reduce costs for both buyer and supplier
Interviewee 11	<ul style="list-style-type: none"> • Competitive prices • Able to build a long-term relationship • Able to engage in cost-saving activities (e.g. delay shipments to lower inventory levels and working capital)

Results questions 4: What are, for you, the challenges of SRM?

Interviewee 1	<ul style="list-style-type: none"> • Supplier engagement. Making promises of volumes in exchange for certain performance improvements can help with supplier engagement. Business size impacts this as well. • There is a need to understand your category incl. volume development. • Create supplier understanding regarding the program. • Company sizes influence SRM success. • Technical issues with outdated or non-matching IT systems. • Cost price modelling. • Being aligned with your supplier on the goals.
Interviewee 2	<ul style="list-style-type: none"> • High resource consumption • Missing capabilities • IT system integration • Making sure the actual supplier performance matches the agreed one. • Supplier willingness • Supplier resources and capabilities can limit SRM progress (e.g. not able to offer better payment terms) • Misinformation from buyers (e.g. wrong forecast leads to wrong stock levels) • Lack of transparency in the supply chain
Interviewee 3	<ul style="list-style-type: none"> • Communication • Transparency (e.g. in supplier cost price) • Politeness (soft skills) • Trust • Understanding power balance and not squeezing them • Providing the supplier with reliable visibility regarding the future. • Confidentiality (not sure if applied here with components) • Data management and IT systems • Considering both the interests of buyer and supplier
Interviewee 4	<ul style="list-style-type: none"> • Flexibility is caused by the agile nature of the organization. Therefore, long-term relationships are hard to establish. • Giving an accurate demand forecast. • Internal structure missing. Different teams contact the supplier directly, which causes miscommunication and confusion. A high level of efflux amongst employees influences the internal structure. • Resource limitations for SD

	<ul style="list-style-type: none"> • Communicating effectively. Being polite and pushy when required. • Aligning on a common goal and reaching an agreement that suits this goal • Managing supplier price increases
Interviewee 5	<ul style="list-style-type: none"> • Increased dependency • Opportunistic behaviour • A supplier can exploit the positive relationship (e.g. getting access to certain information) • If cost-sharing with an open book is done, you do not know what the supplier is paying. Only what he is charging you.
Interviewee 6	<ul style="list-style-type: none"> • Drawing the right conclusion • Weighing the evaluation parameters correctly because they have a huge impact on the business • Increased dependency from suppliers, which is bad for the price and negotiations • Increased risk to not develop other suppliers due to company limitations (e.g. available volumes, available resources, available capacity) • Increased risk to be affected by supplier's dependencies • Not having one face to the supplier causes challenges in communication, evaluation. Different internal stakeholders (e.g. quality, procurement, production, marketing, logistics, accounting) with slightly different goals. • Suppliers are often started by a country team and later moved to procurement once they become more important. The country team sometimes gets into a supplier protection mode as procurement tends to be tougher with negotiations. Too many stakeholders can cause a company to eat itself up when dealing with suppliers.
Interviewee 7	<ul style="list-style-type: none"> • Communication issues, as everything is done over emails. • Finding the right information is difficult due to emails • Keeping the supplier close to you and in the same boat • Not asking too much at one point to get them discouraged • Making sure the supplier can keep up with the fast-changing nature of the case company
Interviewee 8	<ul style="list-style-type: none"> • Different vendor policies need to connect with management as SRM is a strategic approach. • SRM is a strategic approach that includes different internal stakeholders with different demands. It is important to find a balance between the different interests of all involved parties.

	<ul style="list-style-type: none"> • Managing expectations from both sides
Interviewee 9	<ul style="list-style-type: none"> • Increase dependency. Few suppliers and low volumes result in a low leverage • Conflict of interest. The day to day contact has more interest in close collaboration with the supplier compared to the person taking care of the strategic part. This creates an internal conflict of interest • Lacking supplier performance • Finding good and matching alternative suppliers • Managing supplier price increased
Interviewee 10	<ul style="list-style-type: none"> • Recovery plan in case something goes wrong • Price negotiations • Production specification sharing • Finding common goals or playgrounds • Hard to keep an appropriate relationship due to cultural or geographical struggles.
Interviewee 11	<ul style="list-style-type: none"> • Missing face to face meetings that can support relationship building • Time zone differences due to geographical locations

Results questions 5: How are suppliers developed in your organization?

Interviewee 1	<ul style="list-style-type: none"> • Through creating competition or online bidding. • Focusing on what can be improved right now. • Not done at the case company, but what can be used to drive value is a yearly SRM discussion with the strategic suppliers to identify possibilities to drive value. As a result, several potential improvement projects are identified. • Savings sharing can be used. • Monitoring of performance. • Depending on the product, first SD focuses on speed and then later focused on cost.
Interviewee 2	<ul style="list-style-type: none"> • Focus points are working capital, price, and payment terms • Transparency in information sharing • Creating understanding at the supplier to get them onboard • Development usually with the product (co-design). Done to lower costs and/or reduce complexity. • As a result, the supplier will have higher output, which results in cost savings. The supplier will keep some of these savings for himself, resulting in a win-win situation.

	<ul style="list-style-type: none"> • Cost level, lead times, and quality are trigger points for SD.
Interviewee 3	<ul style="list-style-type: none"> • Interviewee 3 is part of the operational side of the operation. Hence, there is no clear answer to this question. • There is a clear onboarding process for suppliers. • For the operational SD, daily communication when there is a need for performance improvement. • If price is too high, benchmark performed, and cost breakdown used. • Challenge the suppliers on their performance. This is in line with the nature of the company.
Interviewee 4	<ul style="list-style-type: none"> • New suppliers for new products initially sourced by the R&D department. Procurement involved too late. • Co-design when developing products • If a shortcoming is noticed, and the supplier cannot improve/overcome it, a new supplier is sourced. • For current products and suppliers, new suppliers can be sourced based on other criteria. E.g. region, supplier history, supplier capabilities. After that, NDA is signed, and samples are requested. • If a supplier is underperforming and SD is not worth the resources, new suppliers are sourced.
Interviewee 5	<ul style="list-style-type: none"> • If a supplier is not performing well enough, corrective measures are taken to solve the shortcomings. • Suppliers are developed by giving them more volumes slowly. • Continuous improvement is a result of regular meetings. • When there are cost savings achieved, the supplier does not get a direct part of this. However, they will probably have not mentioned some savings, so it is a win-win after all.
Interviewee 6	<ul style="list-style-type: none"> • Not yet done. There are currently suppliers that have been working with the case company for a long time, so there is no need to develop them. • Quality performance is developed with suppliers • Currently developing suppliers based on their golden samples as there is limited access to the actual supplier production sites (corona) • Professionalizing the flow of information from a system point of view. • Information sharing with the supplier so he can achieve better prices with his suppliers

	<ul style="list-style-type: none"> • Design to cost initiatives. Design the product cheaper while not giving in on quality. • Production improvement initiatives to lower the costs. • There is a need to go to the suppliers to see what they are doing there and taking follow-up actions based on the results.
Interviewee 7	<ul style="list-style-type: none"> • Improvement initiatives can come from both the buyer and the supplier. • Co-designing or make to cost. • Internal stakeholders are aligned with the supplier before improvement projects are executed. • E.g. quality issue and then the supplier is asked for improvements (retroactive approach)
Interviewee 8	<ul style="list-style-type: none"> • Using different teams to go over SRM proposals is important as it has a high impact • Normally 4 different types of suppliers. Tier one highest collaboration with most intense contact. Tier 4 has the least amount of interaction. At the case company, this is also done in one form or another, but it is not that clear. • SD should come from strategic procurement. Multiyear strategy can be used per commodity to determine the direction • Top management should be the initiator of SD.
Interviewee 9	<ul style="list-style-type: none"> • The category managed by this employee is new, therefore not much done with SD. • Highlighting pain points when performance is not sufficient • Sourcing in Europe to increase flexibility • Cost savings is not done much, as the volume leverage is still missing • Sourcing based on specs and knowing what you need beforehand. (Information availability) • In the beginning, capacity is more important than price, but a certain price is the desired outcome
Interviewee 10	<ul style="list-style-type: none"> • For the development of new suppliers, first NDA signed, product portfolio shared and then samples/product specs shared. Always making sure the product meets quality requirements • Designing products together. Always making sure the product meets quality requirements. Co-designing • Due to the pandemic, no supplier visits are possible, which makes it hard to access the quality standards.

	<ul style="list-style-type: none"> • Supplier visits can be used to determine if a supplier is trustworthy and to build a connection. • Important to understand supplier capabilities, their expertise, and who is in charge • Samples are a popular way to determine if a supplier meets the expectations
Interviewee 11	<ul style="list-style-type: none"> • Trade fairs and online sources can be used to find potential suppliers. • Mimicking the big competition can help to identify which suppliers to use for SD. • For new not well-known suppliers, the R&D department is involved to communicate the specs. Then sample process was initiated. Followed by a test production run. In the end, costs are considered.

Results questions 6: How are SRM programs currently implemented?

Interviewee 1	<ul style="list-style-type: none"> • SRM tools for process efficiency can be used. • One way to do it is to define what you want your suppliers to be in the future and include this into the company targets. Regular assessments to track if the supplier is on target. • The case company is not there yet from a maturity point of view for SRM and SD. They are currently at the stage where they are defining who is the right supplier for the long term. They are not in the process of engaging suppliers in projects to get to optimized costs. The reason for this is that they do not know with which suppliers they want to work long-term as the direction of the business changes a lot.
Interviewee 2	<ul style="list-style-type: none"> • Through negotiations and contracts • Supplier willingness needs to be there • The ease of the supplier to manage the supply chain influences the implementation. • Supplier, buyer's sales department, buyer's logistics, buyer's R&D department, buyer's procurement, buyer's warehousing, buyer's production department, buyer's finance, and the insurance department.
Interviewee 3	<ul style="list-style-type: none"> • Onboarding of new suppliers focuses on the case company. • Different stakeholders per category involved

	<ul style="list-style-type: none"> • Nothing is steady within the case company due to its fast-changing nature. As a result, long-term relationships are hard to achieve. • The interviewee is unaware of any SRM programs as such. • Paying the supplier on time is required to get them onboard with SRM programs.
Interviewee 4	<ul style="list-style-type: none"> • Always consider your own organization's needs first, and the suppliers need come second. However, always trying to create a win-win situation.
Interviewee 5	<ul style="list-style-type: none"> • Regular strategic meetings with the supplier • Supplier top management involvement • Buyer top management involvement with bigger suppliers • Supplier performance tracking
Interviewee 6	<ul style="list-style-type: none"> • Cost initiatives program where the case company digs deeper into the costs. • Negotiating tier 1 and tier 2 suppliers. • Audits • Internal alignment between the operations teams to match the supplier requirements (when sourcing new suppliers) • Capacity is a big thing for supplier management. Used to give the supplier security
Interviewee 7	<ul style="list-style-type: none"> • When internal stakeholders propose improvements, joint meetings are set up between these departments, procurement, and the supplier.
Interviewee 8	<ul style="list-style-type: none"> • Finance has an important role in SRM as it can promise things like payment term increases, or discounts in return • The supply chain should be involved as SRM can impact this area. • Procurement as they are in direct contact with the supplier • Depending on the level of discussion, departments like HR or IT can be involved. • Vendor top management involvement • Buyer top management involvement
Interviewee 9	<ul style="list-style-type: none"> • Not done yet • Struggle to find the right point of contact for this internally and externally
Interviewee 10	<ul style="list-style-type: none"> • Not aware of this topic within the team and organization. Could be related to the short time working for the case company.

Interviewee 11	<ul style="list-style-type: none"> • At previous companies, no SRM programs existed. No set training or programs. • It depends on the person's style on how to handle suppliers.
----------------	--

Results questions 7: How does SRM relate to the strategic procurement activities?

Interviewee 1	<ul style="list-style-type: none"> • Speed and cost are the focus of the case company. Case company struggles in finding the right suppliers for strategic relationships because company direction changes a lot. • The role of procurement is to create a multiyear strategy per category and SRM is part of that plan. • Ideally, suppliers would be in a quadrant where there are joint value-adding activities taking place. This value-adding contributes to the overall business performance. • SRM can contribute to the quality and profitability of the business. The supplier is made ready to contribute to the company's goals.
Interviewee 2	<ul style="list-style-type: none"> • SRM is always related to strategic procurement. • Strategic procurement investigates different sourcing but also looking into developing the existing sourcing. • Ideal strategy based on getting improved costs, with the best quality, at the right time and best location.
Interviewee 3	<ul style="list-style-type: none"> • Co-designing when developing products. • Transparency. • Everything is built on the buyer-supplier relationship. • Supplier choice influences the strategy (e.g. for international expansion)
Interviewee 4	<ul style="list-style-type: none"> • Currently no strategic managers. Everything is performed by the procurement managers. • SRM relates to strategic procurement but cannot define how. Possibly related to question 3 and 4. • Everyone has their style and there is no clear structure/strategy regarding SRM. • Supplier relationship management has a continuous improvement aspect when it comes to a sustainable relationship.

Interviewee 5	<ul style="list-style-type: none"> • SRM is more on the strategic side with price negotiations or process improvements • SRM can also be useful for operational performance improvements (e.g. advancing an order) • At previous companies, there was more focus on SRM. In the case company, good SRM is harder because of the level of efflux of employees. • The focus is on getting the product rather than a strategic relationship. • Long-term relationships are not a priority at the case company as they switch suppliers quite frequently and the organization has not been around that long (+- 10 years)
Interviewee 6	<ul style="list-style-type: none"> • Everything you do with suppliers is SRM. • Design to cost initiatives • Negotiating and evaluating suppliers. • Getting an overview of dependencies, market competition. • Determining which supplier to build up and which to let go • Overview of the competition • Price overview • Finding a good fit or good partner while competition is not completely gone • Depending on the industry, SRM is completely different. (different focus, different outcome) • Case company operates short-term. Things get done and change quickly. With long-term collaborations, the buyer is more willing to invest. • The timeline of your organization is essential for SRM
Interviewee 7	<ul style="list-style-type: none"> • SRM is a major part of strategic procurement. Better relationship improves supplier performance. • Important to have negotiations with a separate person and not your daily point of contact. Better to have someone else push in negotiations
Interviewee 8	<ul style="list-style-type: none"> • Strategic procurement is about future-proofing your supply chain and being more organized in how to manage your supplier base. • SRM plays a big role in that as resources are limited and vendor expectations need to be managed. • SRM is important to reach the strategic objectives
Interviewee 9	<ul style="list-style-type: none"> • Reliability • Flexibility • Working capital reduction • Quality

	<ul style="list-style-type: none"> • Customer demand fulfilment • Partners think along with you and invest in the relationship
Interviewee 10	<ul style="list-style-type: none"> • Procurement strategy determines the direction of the organization. It tells what products will be sold and what products need to be sourced. SRM is about answering if the SC of today, is the SC that is needed in future. • Currently lacking an overview of the current SC and the current supplier base. This prevents consolidation possibilities. • Based on the procurement strategy it can be determined if new suppliers need to be sourced or developed. • The strategy can let you know how to deal with the suppliers
Interviewee 11	<ul style="list-style-type: none"> • In the previous job, strategic and operational procurement was done by the same person. End-to-end procurement.