BUILDING COLLABORATIVE RELATIONSHIPS BY UTILIZING STRATEGIC SUPPLIER RELATIONSHIP MANAGEMENT

Lappeenranta–Lahti University of Technology LUT

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ABSTRACT

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Building collaborative relationships by utilizing strategic supplier relationship management

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Keywords: collaboration, supplier relationship management, collaborative relationship, value creation, technical wholesale

In today's globalized and competitive era, companies should be able to serve their customers better. Companies operate in more dynamic conditions, and especially exceptional situations like Covid-19 pandemic cause disruptions to global supply chains. Therefore, companies should build close and long-term collaboration with suppliers in order to maintain competitiveness.

The aim of the thesis was to discover how supplier relationships based on close collaboration can be built by utilizing strategic supplier relationship management. The thesis examined the buyer's perspective in relation to its key suppliers. The thesis deals with the technical wholesale industry.

The empirical part of the thesis was carried out using a qualitative research method. The study was carried out as a case study of a company operating in technical wholesale industry. Interviews were used as the data collection method, in which six professionals from the case company participated.

The main results of the thesis revealed that through collaborative relationships, it is possible to increase sales and business, achieve a better competitive position, develop problem-solving capabilities and enhance risk management. Companies can take advantage of the collaborative relationship building process, which consists of implementing counterpart thinking, identifying factors of collaboration, and implementing the SRM framework. By carrying out the process, it is possible to build collaborative relationships, serve the end customer better and achieve a competitive advantage.

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Nykypäivän globalisoituneella ja kilpailukeskeisellä aikakaudella yritysten tulisi pystyä palvelemaan asiakkaitaan entistä paremmin. Yritykset toimivat dynaamisemmissa olosuhteissa ja erityisesti Covid-19 kaltaiset poikkeustilanteet aiheuttavat häiriöitä toimitusketjuihin. Tämän vuoksi yrityksissä tulisi rakentaa tiivistä ja pitkäjänteistä yhteistyötä toimittajien kanssa kilpailukyvyn säilyttämiseksi.

Tutkielman tavoitteena oli selvittää, miten tiiviiseen yhteistyöhön perustuvia toimittajasuhteita voidaan rakentaa hyödyntämällä strategista toimittajasuhteiden hallintaa. Tutkielma käsittelee ostavan yrityksen näkökulmaa suhteessa sen avaintoimittajiin sekä teknisen tukkukaupan toimialaa.

Tutkielman empiirinen osa toteutettiin kvalitatiivista tutkimusotetta hyödyntäen. Tutkielma toteutettiin tapaustutkimuksena teknisen tukkukaupan kohdeyrityksestä. Tiedonkeruumenetelmänä käytettiin haastatteluja, joihin osallistui kuusi kohdeyrityksen asiantuntijaa.

Tutkielman keskeisissä tuloksissa tuli ilmi, että tiiviiden yhteistyöhön perustuvien suhteiden kautta on mahdollista kasvattaa myyntiä ja liiketoimintaa, parantaa kilpailuasemaa, kehittää ongelmanratkaisukykyjä ja tehostaa riskienhallintaa. Yritykset voivat hyödyntää yhteistyön rakentamisen prosessia, joka koostuu vastinpariajattelun toteuttamisesta, yhteistyön tekijöiden tunnistamisesta ja SRM-viitekehyksen käyttöönotosta. Prosessin läpiviennillä on mahdollista rakentaa yhteistyöhön perustuvia suhteita, palvella loppuasiakasta paremmin ja saavuttaa kilpailuetua.

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1. Introduction

Companies today operate in a highly globalized and competitive era, which is why organizations have started to understand that to achieve and maintain a competitive advantage, they must offer the best customer value at the lowest possible costs (Hudnurkar, Jakhar & Rathod, 2014). Globalization progresses integration in supply chains, which in turn emphasizes collaboration and its deepening between the parties (Sosnowski, 2019). Collaborative measures and integration play a central role in the dynamic conditions of today's supply chains (Soosay & Hyland, 2015). Most recently, the COVID-19 pandemic caused rapid disruptions to global supply chains (Kähkönen, Evangelista, Hallikas, Immonen & Lintukangas, 2021). According to the theory of supply chain management, close collaboration between supply chain partners is needed to maintain competitiveness and companies cannot survive alone (Bodendorf, Xie, Merkl & Franke, 2022). Companies rely more and more on the fact that it is possible to achieve a sustained competitiveness through suppliers, because today the purchased materials account for the largest share of the companies' total costs (Kim, Lee & Lee, 2019). Deeper buyer-supplier relationships could help supply chains become more resilient as well as produce substantial value (Gutierrez, Kothari, Mazuera & Schoenherr, 2020).

Over the past decades, companies have found it necessary to search for opportunities to collaborate with partner suppliers outside their organizations to ensure the efficiency of their supply chain and respond to the needs of a dynamic market (Liao, Hu & Shih, 2021), as well as strive to strengthen their competitive position by utilizing the resources and expertise of their suppliers and customers (Liao, Hu & Ding, 2017). The attention is focused on finding ways to improve competitiveness through collaboration and several studies have shown strong evidence that the collaborative efforts of companies serve as an efficient strategy to respond to supply and demand uncertainties (Kim et al., 2019). Collaboration is one of the most used terms in supply chain management research (Liao et al., 2017).

Outstanding chains of suppliers are needed to maintain companies' competitiveness in global markets, where they play a significant role in responding to market disruptions (Corbos, Zamfir & Florea, 2013). The development and maintenance of supplier relationships has been recognized in the literature as a vital part of a company's competitiveness, and over the past decades, the strategic importance of collaborative relationships between customers and suppliers has been emphasized (Nagati & Rebolledo,

2013). According to Bag, Choi, Rahman, Srivastava & Singh (2022), a collaborative buyer-supplier relationship is essential for the company's success, and it improves the partners' joint measures and supports the achievement of common goals. Various academic studies have shown the benefits of collaboration with suppliers (Nagati & Rebolledo, 2013) and researchers' interest in collaborative buyer-supplier relationships has grown over the past two decades (Miocevic & Crnjak-Karanovic, 2012). Therefore, buyer companies should find ways to build and develop collaborative relationships with their suppliers.

Supplier relationship management (SRM) is a business process that provides the structure for how supplier relationships can be maintained and developed (Lambert & Schwieterman, 2012) and SRM programs can be drivers for promoting collaboration (Hughes, 2008). The dynamics of the global supply chain environment, such as changes in the demand patterns, inflationary pressures and currency fluctuations create conditions for supply uncertainty. Therefore, SRM has become crucial in the buyer-supplier dyad. (Amoako-Gyampah, Boakye, Adaku & Famiyeh, 2019; Zhang & Cao, 2018) Consequently, SRM is gaining growing interest to build a resilient supply chain (Shiralkar, Bongale & Kumar, 2022).

According to the traditional view, the benefits brought by the purchasing to the company arise mainly from the achieved savings, while in the modern and strategic understanding, the role and development of suppliers is emphasized as an important value-producing dimension in supply management (Kähkönen & Lintukangas, 2018). This modern view of value creation is founded on collaboration between buyers and suppliers (Stabell & Fjeldstad, 1998; Kähkönen & Lintukangas, 2018). According to Kähkönen and Lintukangas (2012) suppliers and the level of collaboration with them create the basis of the supply management’s value creation potential. Increased customer responsiveness has driven supply chain managers to consider even more opportunities to utilize collaboration in their customer value creation strategies (Soosay & Hyland, 2015). The value creation initiatives of collaborative relationships include relationship-specific investments, improvement of problem-solving skills, information sharing and willingness to combine complementary assets (Hammervoll & Toften, 2010; Kähkönen & Lintukangas, 2018). Thus, managing collaboration and utilization of SRM programs are important in order to create value.

1.1 Objectives of the study

Interorganizational relationships have been studied empirically in numerous social science disciplines (e.g., supply chain management, operations, strategic management, marketing and sociology) for various decades, and many scholars and managers are especially interested in vertical buyer-supplier relationships. Buyer-supplier relationships have gotten a lot of interest in several business research settings, and various theories and methods have been used to study these relationships as a phenomenon. (Autry & Golicic, 2010)

A growing number of researchers have studied collaborative buyer-supplier relationships (Kim et al., 2019). In the previous studies the importance of understanding the need of managing collaborative relationships and the perceptions of supply chain partners have been emphasized (Ambrose, Marshall & Lynch, 2010; Nyaga, Whipple & Lynch, 2010; Paulraj, Lado & Chen, 2008). However, the existing literature on collaborative buyer-supplier relationships is limited in certain aspects (Kim et al., 2019). Buyer companies work with an even smaller number of suppliers, and suppliers strive for longer-term relationships with their customers. This emphasizes the importance of successful collaboration practices, which have become critical in achieving competitive advantage. (Nyaga et al., 2010) Research focusing on the practices of relationships between buyers and their strategic suppliers would be critically needed in the future (Terpend, Tyler, Krause & Handfield, 2008).

According to Hughes (2008), despite the emergence of SRM, there are many obstacles that prevent companies from transforming traditional supplier relationships into effective collaboration that could generate significant value for both parties. Spekman and Carraway (2006) also state that despite academic research supporting the rationale for closer collaboration, some companies lack the ability to answer the critical questions needed to ensure a more customer-centric supply chain. According to Richey, Adams & Dalela (2012), based on an in-depth review of the existing literature, it can be concluded that there is only little guidance for companies operating in the retail sector to understand the importance of collaboration. This creates a research gap on how a retail company should take steps to take advantage of the potential benefits of collaboration (Richey et al., 2012). Retail and wholesale industries are very similar in their characteristics, which is why the research gap is also suitable for wholesale study.

Due to the research gaps and backgrounds mentioned above, the aim of this study is to examine how collaborative supplier relationships can be built and developed by utilizing strategic supplier relationship management. Thus, this study examines the buyer's perspective in relation to its key suppliers. This study will be conducted from the perspective of a case company that operates in the technical wholesale industry, which provides more empirical evidence on the subject under review.

1.2 Research questions

A main research question has been set for this study, which reflects the primary objective of the study. In addition to the main research question, two supporting research questions have been defined, both of which help to answer the main research question.

The main research question (MRQ) is:

> MRQ: "How can collaborative relationships be built and developed by utilizing strategic supplier relationship management?"

In addition to the main research question, there are two supporting research questions:

> Q1: "What are the objectives that companies have in terms of deepening buyer-supplier collaboration?"

> Q2: "How can companies take advantage of strategic supplier relationship management?"

This study also has managerial implications, as buyer companies can use the results of the study when building and developing collaborative buyer-supplier relationships. A growing number of companies are trying to rationalize their operations by collaborating more closely with key strategic suppliers (Nagati & Rebolledo, 2013). The better interconnectedness of global commerce, the growth of outsourcing and vastly specialized organizations have led to the fact that supply chain managers have to collaborate with other companies which expertise complements the skills and capabilities of the buyer company (Zacharia, Nix & Lusch, 2009). The managers of supply chain partners can use the research results in their own operations, as collaborative buyer-supplier relationships can lead to a competitive

advantage (Kim et al., 2019). According to Spekman and Carraway (2006), companies can re-invent their supply chain operations by focusing on the aspects required to create and maintain more collaborative buyer-supplier relationships and in this way maximize opportunities for competitive advantage.

1.3 Conceptual framework

The Figure 1 represents the conceptual framework applied in this thesis. The conceptual framework aims to introduce all the necessary key concepts of this study and illustrate the connections between them. The concepts presented in the conceptual framework move from broader entities to more detailed ones.

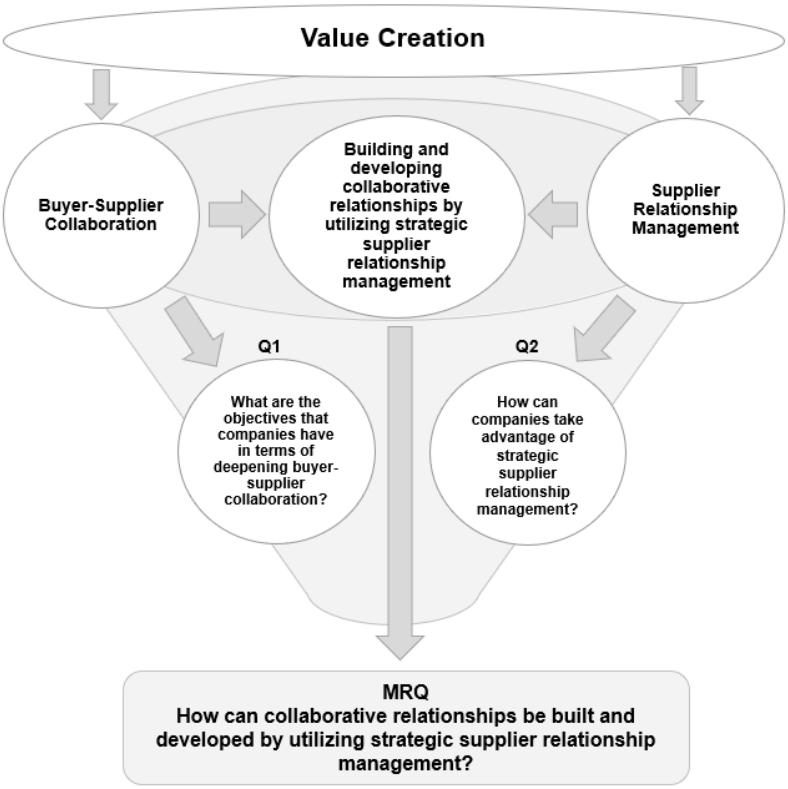

Figure 1. Conceptual framework

The supporting questions of the study are connected to buyer-supplier collaboration and supplier relationship management. These supporting questions and researched topics are guided in the framework to the objective of the thesis, which is solving the main research question. Value creation is centrally related to the main concepts in the conceptual framework and serves as a basis for research.

1.4 Limitations

There are some limitations to this study. The thesis is limited to deal with the case industry, which is the technical wholesale industry, in order to narrow down the broad topic. The study examines the buyer's perspective in relation to its key suppliers, so the thesis does not deal with collaboration from the point of view of the entire supply chain. Therefore, this study focuses on the vertical external collaboration of the buyer organization and it's its key suppliers, so horizontal collaboration is excluded from the thesis. However, internal collaboration and its importance in terms of implementing effective supplier collaboration are discussed. The study is carried out as a case study of a company operating in a technical wholesale industry, which is why the results of the study are not necessarily applicable to other industries or contexts. Buyer companies often have many kinds of supplier relationships, but this thesis mainly focuses on partnerships that have strategic importance for the buyer company.

1.5 Key concepts

Collaboration: Liao et al. (2021, 298) defines collaboration as "working with others to complete tasks and to achieve shared goals". Collaboration is a circular process where two or more people or organizations work together. It is more than just an intersection of shared objectives, as its characteristics include a deep, collective attitude to achieve common set goals. (Liao et al., 2021; Yung, Lee & Lai, 2009) Collaboration in the supply chain concept is defined as a partnership process where two or more companies plan and implement supply chain activities to achieve common goals and mutual benefits. Collaboration consists of information sharing, equality of goals, synchronization of decision-making, sharing of resources and alignment of incentives between supply chain partners. (Cao & Zhang, 2011)

Supplier Relationship Management: Supplier relationship management (SRM) functions as a business process that provides a structure for how relationships with suppliers should be developed and maintained. It involves developing partnerships with key suppliers to decrease costs, invent new products and co-create value. It is based on a joint commitment to long-term collaboration and mutual success. (Lambert & Schwieterman, 2012) SRM is the management of the firm's external resources, the objective of which is to connect the firm's internal supply organization with the external global supply market. Effective SRM includes forming a long-term vision for joint business activities, setting common objectives

with suppliers and maintaining a win-win approach in commercial negotiations. (Lintukangas, 2010)

Collaborative relationship: Collaborative relationships are based on a long-term approach in which each partner creates joint unique value that neither partner would be able to create separately (Corsten & Kumar, 2005). Nyaga et al., defines (2010, 106) collaborative relationships as “a long-term relationship where participants generally cooperate, share information, and work together to plan and even modify their business practices to improve joint performance.” In collaborative relationships, resources between partners are shared and merged to create a seamless customer experience (Haag, Sandberg & Sallnäs, 2021).

Value creation: According to (Sirmon, Hitt & Ireland, 2007), value creation begins from a company's point of view when it starts offering value to its customers. According to Borys and Jemison (1989), value creation refers to a process which objective is to combine partners' abilities in such a way that either one or more partners can improve their competitive advantage. The ability to create value in supply management consists of the capability to utilize suppliers' resources and capabilities, which aims to achieve unique results for customers, the company itself and its suppliers (Kähkönen & Lintukangas, 2018).

1.6 Data collection and methodology

The empirical part of this thesis was carried out using a qualitative research method. Qualitative research aims to study the purposes of the participants and the relationships between them (Saunders, Lewis & Thornhill, 2015, 168) and examine the researched topic as comprehensively as possible (Hirsjärvi, Remes, Sajavaara & Sinivuori, 2009, 161). Considering these factors, in this study it was decided to use a qualitative research method in order to get the most comprehensive picture of the studied subject. In addition, the research was carried out as a case study of a technical wholesale company, as case studies aim to explore the topic in depth in a specific context (Yin, 2009).

The main method in qualitative research is usually an interview (Hirsjärvi et al., 2009, 205). Six supply management professionals were interviewed in the case company. The interviewees work at different levels of the organization and in different positions, but all of them are responsible for supplier collaboration and the management of supplier relationships at some level in their job description.

1.7 Structure of the study

This study is divided into seven different main chapters. In the first chapter, the objectives, research questions, conceptual framework and limitations are opened. The chapter also highlights the definitions of the thesis' key concepts, the data collection plan and methodology. In the second and third main chapters, the theoretical background of the researched topic is presented. The chapters review the most central concepts of buyer-supplier collaboration and supplier relationship management. In the fourth main chapter, the thesis's methodology, data collection and analysis are presented, as well as the applicability and reliability of the thesis. The fifth main chapter presents the results of the thesis. The sixth main chapter answers the research questions and compares the theoretical framework with empirical findings. The last main chapter also includes key results, theoretical contributions and managerial implications as well as limitations and suggestions for future research.

2. Collaboration in relationships

In this chapter, the theoretical framework of the study is presented in terms of the theory of collaboration. The aim of the chapter is to provide a comprehensive picture of the different aspects of collaboration theory. This chapter examines the background of collaboration, the resource-based view, collaboration in the context of the supply chain, and buyer-supplier collaboration in the light of previous research.

2.1 Background of collaboration research

The understanding of the dynamics of competitive advantage and the role of procurement has developed to the point that suppliers and customers are no longer discussed of as being managed in isolation or considered as independent entities. Suppliers and customers are linked along the entire value chain, which aims to bring the raw material from its source of supply through various value-added activities to the end customer. (Spekman, Kamauff & Myhr, 1998) Companies have traditionally seen purchasing and supply management as support functions which characteristics include short-term supplier relationships and transactional buying (Kähkönen & Lintukangas, 2012). The types of exchanges between companies range from discrete transactions to relational exchanges, and in recent decades, companies have moved towards relational exchanges to achieve and maintain a competitive advantage (Fontenot & Wilson, 1997; Webster, 1992). Success can no longer be evaluated by a single transaction, but competition is assessed as networks of collaborating companies that compete with other companies throughout the supply chain (Spekman et al., 1998). The above-mentioned views are in line with Porter's (1985) views, according to which the most important source of competitive advantage will be the coordination of complex global networks of organizations (Spekman et al., 1998).

Many factors make competition difficult at the level of an individual company, such as the internationalization of the market, new technologies and the increasing speed of innovation. Because of this, the importance of planning and managing the interaction between companies has been emphasized. These factors have influenced the development of theories of interaction between companies, which aim to explain from different perspectives how a company can achieve a competitive advantage outside the boundaries of the organization and by creating relationships with other companies. (Chapman & Corso, 2005)

2.2 Resource-based view

One of the theories dealing with the interaction between companies is the resource-based view (RBV) (Wernerfelt, 1984). According to Kähkönen (2010), RBV is based on the work of Penrose (1959) and according to it, companies are sets of resources and how resources are utilized in a company affects the company's opportunities to grow. The RBV serves as an influential theoretical framework that contributes to the understanding of how firms can achieve competitive advantage, as well as how this advantage can be sustained in the future (Eisenhardt & Martin, 2000). Barney (1991, 102) defines in his article that ”a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors”. According to Sirmon et al. (2007), RBV specifically suggests that the foundation of value creation is built on the possession of rare and valuable resources. When resources lack of substitutes and are difficult to imitate, it is also possible to create sustainable value (Barney, 1991).

According to RBV, the company's key success factor is owning scarce and company-specific resources (Teece, Pisano & Shuen, 1997). According to Zacharia et al. (2009), collaboration between companies enables access to skills and resources that are not available within the company and are difficult to duplicate. Companies lacking from internal competitive capabilities or resources can take advantage of inter-company connections to overcome their deficiencies (Ahuja, 2000). Such resources and capabilities would allow companies in the supply chain to expand their capacity externally and offer more efficient services to their end customers (Richey et al., 2012).

Amit & Schoemaker (1993) define resources as stocks of available factors controlled or owned by the company that are converted into end products or services using the company’s bonding mechanisms and assets, such as technology, IT systems and trust between labour and management. Capabilities reflect a company's ability to utilize resources, typically in combination, using a company’s processes to achieve a set objective. They can be defined as intermediate products that an organization produces so that it can improve the strategic flexibility and productivity of its resources and create protection for its final product or service. (Amit, Schoemaker, 1993) According to Christmann (2000), RBV suggests that primarily differences in companies’ performance are caused by resource heterogeneity between companies. Better resource utilization can lead to better performance (Richey et al., 2012). Considering the points mentioned above, RBV can be

used as theory that explains why companies collaborate (Zacharia et al., 2009) and thus, it is used as a theoretical background of this study.

2.3 Collaboration in the context of the supply chain

When the supply chain perspective that extends across company and organizational boundaries began to take over the industry from the 1980s, the interest in the benefits of collaboration began to gather even more attention (Iloranta & Pajunen-Muhonen, 2018, 280). Often the concepts of collaboration and partnerships are best understood in the Japanese model of buyer-supplier relationships (Spekman, 1988; Vereecke & Muyelle, 2006). Just-in-time (JIT) manufacturing, based on Japanese models, became more common and it already required collaboration between companies to some extent. Various types of partnerships were the norm in business management at the end of the 1990s, and the forms of collaboration that attracted the most public attention were also visited in companies on the other side of the world. (Iloranta & Pajunen-Muhonen, 2018, 280) Collaborative efforts between partners were known to affect the efficiency of supply chains (Ellram & Cooper, 1990).

Collaboration as a topic has increased its popularity as part of the sourcing strategies of supply chain management (Spekman et al., 1998) and it has become a crucial element for the smooth performance of an effective supply chain (Zacharia et al., 2009). Although researchers have many views on how to define collaboration in the supply chain context, certain common features apply to the definitions (Soosay & Hyland, 2015). Many authors mention that the basis of collaboration consists of sharing benefits, rewards, risks, and information exchange (Barratt & Oliveira, 2001; Stank, 1999). Soosay and Hyland (2015) advocate that collaboration involves several companies or business units that strive for better results and benefits together in a relationship. Business units must create an appropriate level of trust, share important information, make decisions together, as well as, if necessary, integrate supply chain processes to achieve the desired improvements (Soosay & Hyland, 2015). Richey et al., (2012) states that, without effective collaboration between supply chain partners, it is difficult for a company to achieve effective supply chain management.

2.3.1 The scope of collaboration

The forms of collaboration in the supply chain can be divided into two primary types, which are described in Figure 2. Vertical collaboration includes external collaboration with customers and suppliers, and internal collaboration with internal functions of the organization. Horizontal collaboration, on the other hand, involves collaboration with competitors and non-competitors. (Barratt, 2004; Simatupang & Sridharan, 2002) Vertical collaboration is more common among, for instance, suppliers, intermediaries and retailers (Hingley, Lindgreen & Grant, 2015).

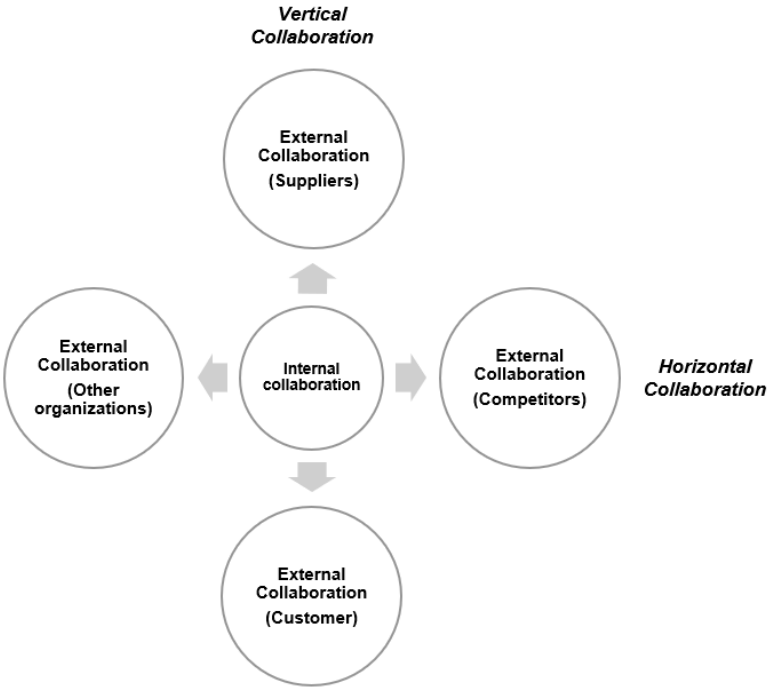

Figure 2. The scope of collaboration (adapted from Barratt, 2004)

Related to the upstream of the supply chain, there are several potential opportunities for vertical external collaboration, such as supplier relationship management, supplier planning, production scheduling, collaborative design and transportation (Barratt, 2004). Global supply chains require a considerable amount of vertical collaboration; however, interactive, two-way and genuine partnerships do not tend to occur naturally (Hingley et al., 2015; Robson & Rawnsley, 2001). The aim of this thesis is to find out how the buyer organization can build and develop collaborative supplier relationships; therefore, this thesis

focuses only on the vertical, external collaboration that takes place between the buyer organization and its key supplier.

2.4 Buyer-supplier collaboration

In the following paragraphs, the theory of buyer-supplier collaboration and its most central concepts have been delved into in more detail. The paragraphs examine different types of supplier relationships, collaborative buyer-supplier relationships and their characteristics, as well as the benefits of collaboration.

2.4.1 Different types of supplier relationships

In the past, interaction in buyer-supplier relationships was transaction-oriented and highly reactive (Spekman & Carraway, 2006). According to Wilson and Vlosky (1997), the characteristics of transaction-oriented relationships include e.g. short-term focus, repeated transactions, adversarial behaviour and stronger emphasis on price. The main contacts of the suppliers on the customer's side were the buyers, and there was no interaction with other parties of the buyer company. Buyers negotiated, managed contracts and the supplier base and were responsible for the incoming flow of goods. (Spekman & Carraway, 2006) Discrete transaction exchange can be described as relatively adversarial, as both buyer and supplier strive to achieve the best financial position (Webster, 1992). Shapiro (1985) has described this purchasing model as the traditional adversarial approach, where the primary goal is to minimize the cost of purchased goods and services. It often involves maintaining a large supplier base, changing suppliers regularly and building arms-length relationships and using short-term contracts (Spekman, 1988).

In relationships based on adversarial interaction, there was and still is an inherent tension between buyer and supplier, which is further intensified by the complexity of today's business environment (Spekman & Carraway, 2006). In today's rapidly changing and highly specialized business environment, a single company rarely has the necessary information for complex problem solving (Simatupang, Wright & Sridharan, 2002). Buyers are seeking to develop deeper, more collaborative relationships with a reduced number of suppliers than before (Spekman, 1988). According to the RBV, buyers seek to collaborate with suppliers to gain access to the knowledge or skills of other companies (Zacharia et al., 2009). Richey

et al. (2012) states that the goal of buyer-supplier collaboration is to implement better methods to problem solving so that the value created together is provided to customers. Buyers should identify and exploit new practices to create value with their suppliers, which requires a reorientation of the company's operations (Hughes, 2008).

However, not all buyer-supplier relationships should be based on collaboration, as it is acceptable and sometimes even necessary to take advantage of arm's length transactions, provided that the requirements for their use are met (Spekman et al., 1998). Some relationships may be optimally suited to an arm's length relationship, based purely on cost reduction, i.e., collaboration would not generate benefits or added value (Horvath, 2001; Lambert & Burduroglu, 2000). Due to the resource-intensive nature of collaboration, it is more beneficial for companies to focus on a small number of close supplier relationships, instead of collaborating with all suppliers (Barratt, 2004). When the buyer company has decided to develop the supplier relationship into a long-term collaborative relationship, often as the ultimate objective after several stages, the supplier can be called a strategic partner (Soosay & Hyland, 2015). Partnering with key suppliers, requires a fundamental change in how the organization sees suppliers and how they interact with them, as well as a high level of coordination across organizational boundaries (Hughes, 2008).

Barratt (2004) suggests that companies only need to collaborate externally with a few strategically important suppliers. Typically, suppliers that are bought from in high volume and at low cost are commodity suppliers that are fairly easy to replace and by most metrics are not sources of competitive advantage. Important suppliers, on the other hand, include suppliers that stand out for the quality of their products and services, their desire and capability to innovate, and for products and services that help the buyer company to differentiate itself from its competitors. (Hughes, 2008) According to Hughes (2008), it is these suppliers that act as sources of significant potential value for the buyer company.

Changes in end customers' demand requirements have developed the management of supplier relationships and purchasing actions (Kähkönen & Lintukangas, 2012). Competitive pressures have led to the need for partners to promote multi-level interaction, leverage skills when producing value for the customer, achieve integration across company borders and plan in the longer term, aiming for win-win solutions among all parties in the relationship (Spekman & Carraway, 2006). From the point of view of collaboration and the transition to collaboration, Spekman and Carraway (2006) have developed a framework for

managing tension that consists of three categories of elements. These categories are shown in Figure 3.

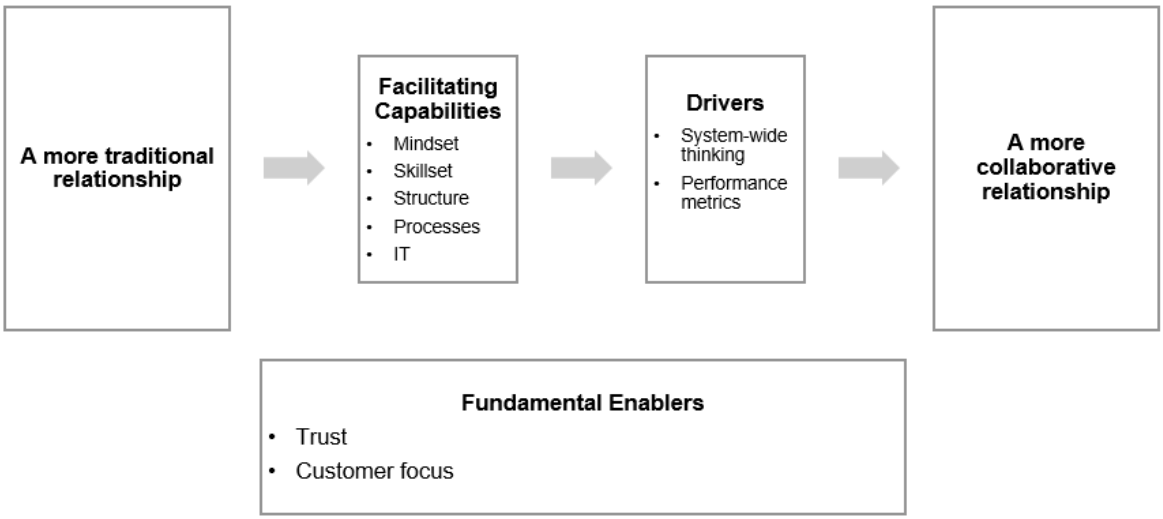

Figure 3. A framework for the transition to collaboration (adapted from Spekman & Carraway, 2006)

The first category consists of the company's facilitating capabilities, which are the company's competencies without which collaboration may be unattainable. The second category consists of drivers, which are elements that force the company to utilize its capabilities towards collaboration. The last category includes fundamental enablers that act as a unifying factor towards the transition to collaboration. (Spekman & Carraway, 2006)

2.4.2 Level of collaboration

Authors have identified different levels of collaboration in buyer-supplier relationships (Vereecke & Muyelle, 2006). According to Barratt (2004), collaboration includes three different levels, which are operational, tactical and strategic levels. Collaboration should not be based solely on relationships based on a close exchange of information. Instead, collaboration should be implemented in organizations and in the entire supply chain, also on a tactical and strategic level. (Barratt, 2004) Figure 4 shows the levels of collaboration in buyer-supplier relationships.

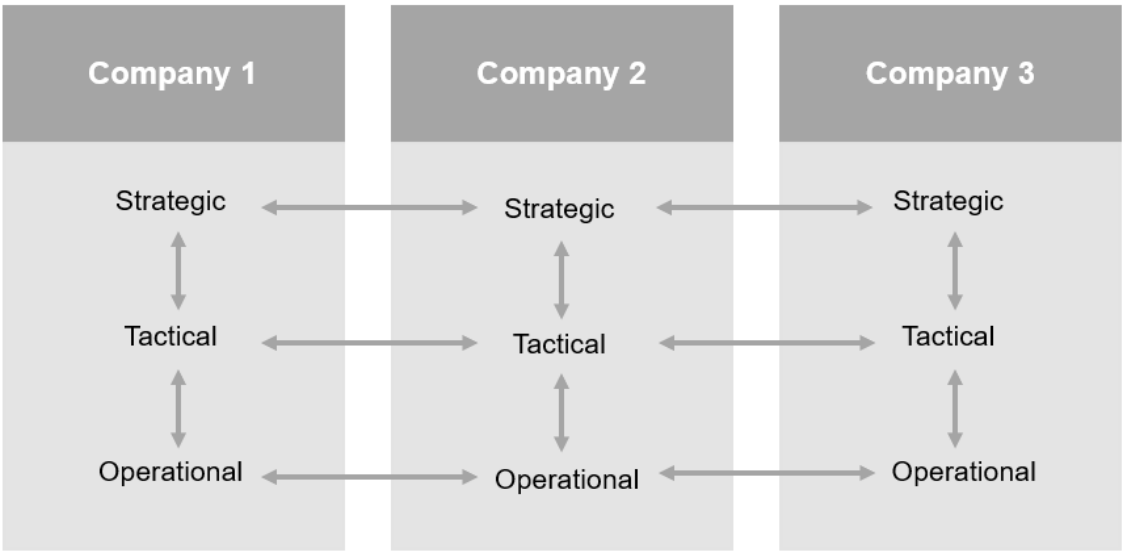

Figure 4. The level of collaboration (adapted and simplified from Barratt, 2004)

Operational collaboration focuses on improving the efficiency of transactions, but strategic collaboration requires shared or matching objectives between the buyer and the supplier (Vereecke & Muyelle, 2006). To achieve the goals of strategic collaboration, it must be supported at the operational level (Burnes & New, 1997). In the best case, strategic collaboration extends to all layers of suppliers (Iloranta & Pajunen-Muhonen, 2018, 315).

2.4.2 Collaborative buyer-supplier relationships

Today's literature emphasizes the development of collaborative relationships and relational governance, in contrast to the previously discussed traditional transaction-based focus of market governance (Corsten & Kumar, 2005; Lintukangas, 2010). Collaborative relationships between companies have received more attention recently (Samaddar, Nargundkar & Daley, 2006) and companies are increasingly trying to build them with their supply chain partners (Nyaga et al., 2010). The greater the uncertainty in the market, the more likely it is that companies will pursue to manage their operations through vertical integration and long-term collaborative relationships instead of short-term relationships (Soosay & Hyland, 2015; Tokman, Richey, Marino & Weaver, 2007). According to Richey et al. (2012), scholars have suggested that many company-specific factors influence closer collaboration in buyer-supplier relationships, such as strategic will, internal policies, relationship orientation, relationship-specific investments and open flow of information with partners. Deloitte's Global CPO Survey 2014 observed that the importance of supplier

collaboration and reorganization of existing relationships has been highlighted between the top procurement levels. According to the study, 34% of chief procurement officers plan to increase supplier collaboration in 2015. (Deloitte, 2015)

2.4.3 Characteristics of collaborative relationships

Collaborative relationships are based on a long-term approach in which each partner creates joint unique value that neither partner would be able to create separately (Corsten & Kumar, 2005). With long-term collaborative relationships, profits from many different transactions can be maximized through relational exchange (Ganesan, 1994). Typically, competitive transactions involve bidding processes and in which several suppliers compete and try to lower prices. Collaborative relationships, instead, take a long-term perspective and include the constant pursuit of reducing acquisition and operating costs. (Cannon, Homburg, 2001; Kalwani & Narayandas, 1995) Figure 5 shows the differences between the least collaborative- and most collaborative relationships according to Hughes (2008) study.

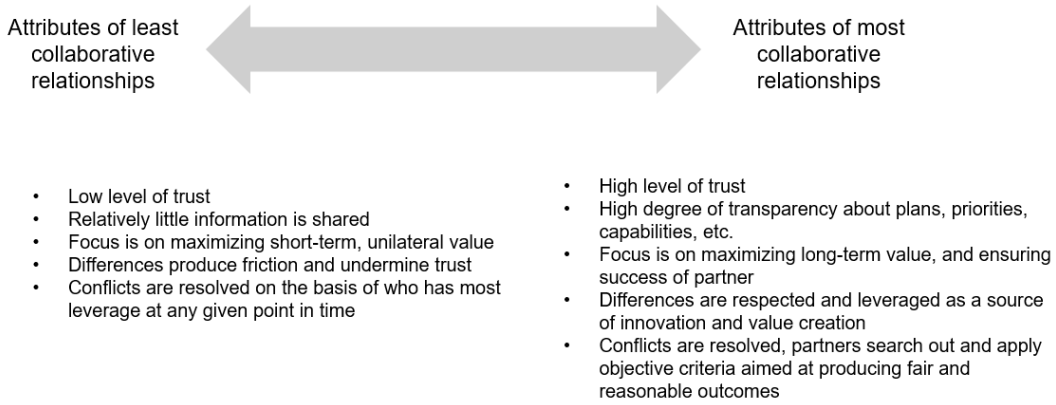

Figure 5. Comparison of least and most collaborative relationships (adapted and simplified from Hughes, 2008)

In their article, Soosay and Hyland (2015) have composed different characteristics of collaborative relationships, which according to various studies include mutual planning and decision-making in strategic and operational matters (Kim & Oh, 2005; Kumar & Banerjee, 2012), resources, processes, information and risk sharing (Moyaux, Chaib-draa & D'Amours, 2007; Ruel, Evrard-Samuel & Vignard, 2013; Yigitbasioglu, 2010) and joint

understanding, achieving mutual objectives and accomplishing ideal resolutions (Fawcett, Wallin, Allred, Fawcett & Magnan, 2011).

2.4.4 Benefits of collaboration

According to Iloranta and Pajunen-Muhonen (2018, 280), the benefits of collaboration are based on two simple observations. First, people who know each other and are in close interaction usually strive for the most effective and mutually beneficial conflict resolution. Second, a well-functioning group that strives for a common goal performs more efficiently than an individual in most tasks and situations. Working in different directions takes time and energy and causes additional costs. (Iloranta & Pajunen-Muhonen, 2018, 280)

In their article, Liao et al., (2017) lists the benefits of collaborative relationships, which include e.g. increased competitive advantage, more effective information flow management, information sharing and inventory level management, as well as supply chain alignment, risk management and improved business performance. According to Soosay and Hyland (2015), companies can benefit from collaboration in several ways, such as the efficiency of resource utilization, the development of new competencies and gaining a better position in the market. Vereecke and Muyelle (2006) have listed various other benefits in their article gathered from several different studies, which could include, for instance, reduced inventories, improved quality, efficient deliveries, reduced costs, shorter delivery times, greater flexibility, better sensitivity to market demands, better customer service and increased market share (Corbett, Blackburn & Van Wassenhove, 1999; McLaren, Head & Yuan, 2002; Mentzer, DeWitt, Keebler, Min, Nix, Smith & Zacharia, 2001).

It can be stated that successful collaborative buyer-supplier relationships are argued to bring considerable benefits (Vereecke & Muyelle, 2006) and the primary goal of their formation is to achieve a competitive advantage in the market (Mohr & Spekman, 1994). Close, long-term and collaborative buyer-supplier relationships based on partnership have been broadly accepted as one of the most central factors in achieving and maintaining a competitive advantage (Kim et al., 2019). Before discussing the effect of collaboration on competitive advantage, value creation in the context of supply management is discussed.

In their study, Kähkönen and Lintukangas (2012) deal with the value creation possibilities of supply management, which emphasizes the importance of buyer-supplier collaboration

and resources and abilities in the value creation process. The importance of value as a concept has been emphasized because supply management is responsible for the search for the most valuable suppliers and the delivery of materials, therefore supply management has a significant impact on value creation. In addition, the enhanced understanding that when organizations collaborate and merge their expertise and capabilities has increased study on the links between supply management and value creation. (Kähkönen & Lintukangas, 2012) In their research, Lakemond, van Raaij & van Weele (2004) examine the creation of value in buyer-supplier collaboration, and state that value is created in a network instead of an individual company (Kähkönen & Lintukangas, 2012). Core competences play a significant role in the creation of superior value, which an individual company only has a limited amount of (Lakemond et al., 2004). From the perspective of RBV, networks of relationships are the most important sources of value (Gulati, Nohria & Zaheer, 2000).

When an organization's strategy is based on value creation that differs from its competitors' strategies, the organization has the potential to achieve a competitive advantage (Barney, 1991). Kähkönen and Lintukangas (2012) points out in their study that competitive advantage arises from resources that create value and are unique, and a value-creating company achieves competitive advantage and thereby improved performance (Medcof, 2001), as well as value is created by combining complementary specialized abilities and resources (Amit & Zott, 2001). Both perspectives emphasize value creation through collaboration and resources (Kähkönen & Lintukangas, 2012). Kähkönen and Lintukangas (2012) suggests that companies should focus on creating added value for suppliers, customers as well as for the company itself, and recognize the importance of long-term collaboration, which includes trust-based information sharing and commitment.

Hughes (2008) points out in his article that according to a study done by Industry Week and IBM, more than 62 percent of purchasing managers pointed out that buyer-supplier collaboration was the most valuable way to decrease costs and increase profitability, thereby creating value. A significantly larger number of respondents emphasized the importance of collaboration in value creation instead of, for instance, global sourcing and spend analysis (Hughes, 2008). According to Gutierrez et al. (2020), companies with advanced purchasing organizations understand that buyer-supplier collaboration can find new ways to unlock significant sources of value. Buyer-supplier collaboration can include, for instance, the development of new innovative products, optimization of the supply chain, joint process planning, combining raw material purchases, as well as collaboration in

forecasting, planning and capacity management. These methods can increase the revenues and profits of both parties, improve the service level, reduce risks and strengthen the supply chain. (Gutierrez et al., 2020)

Both academics and practitioners are embracing the idea that long-term collaborative relationships between companies can improve business performance. A report published by Stanford University and Accenture states that organizations that have transformed into more collaborative relationships in their supply chain increased their market value by eight percent, while also being rewarded with a premium of 17-26 percent in their valuation. (Spekman & Carraway, 2006)

Daugherty et al. (2006) study concluded that companies operating in collaborative relationships were able to improve their service level, flexibility, visibility, as well as end customer satisfaction and reduce cycle times. Companies such as Hewlett–Packard, IBM, Dell, Procter & Gamble have aimed for cost reductions and a stronger competitive position by building long-term collaborative relationships with their suppliers (Cao & Zhang, 2011). Many companies such as Motorola and Xerox have mentioned that one of their biggest success factors has been close collaboration with a limited number of suppliers (Zacharia et al., 2009). Toyota has helped its supplier base achieve 140 percent more production per employee, achieve 50 percent fewer errors than its competitors, and reduce inventory by 140 percent by leveraging collaborative supply chain relationships (Spekman & Carraway, 2006).

Nyaga et al. (2010) states that although the benefits of collaboration are widely demonstrable, many companies struggle to achieve the preferred level of collaboration or anticipated benefits. Many collaborative programs have not lived up to expectations (Frankel, Goldsby & Whipple, 2002). This is influenced by critical details that are often overlooked in companies, such as matching needs and capabilities between organizations, clearly defining standards and objectives, and choosing the right partner (Daugherty et al., 2006). While many companies identify individual ways to implement successful buyer-supplier collaboration, companies still struggle to integrate the right approach into their procurement and supply strategies (Gutierrez et al., 2020). The next main chapter examines in more detail how the benefits of collaboration can be achieved through supplier relationship management.

3. Strategic supplier relationship management

In this chapter, the theoretical framework of the study is presented in terms of the theory of supplier relationship management. The aim of the chapter is to provide a comprehensive picture of the different aspects of supplier relationship management theory. This chapter examines the background of the importance of supplier relationship management, SRM capabilities and SRM framework in the light of previous research. The focus in on how SRM can be utilized in building and developing collaborative buyer-supplier relationships.

3.1 The concept of SRM and its importance in terms of collaboration

Although there is significant evidence of the importance and benefits of collaboration in the supply chain, most companies still do not seek to increase their collaboration with their suppliers. Suppliers are kept at arm's length, and management of strategic supplier relationships differs only occasionally and marginally from how commodity suppliers are treated. (Hughes, 2008) Supplier relationship management (SRM) is a business process that provides the structure for how supplier relationships can be maintained and developed (Lambert & Schwieterman, 2012) and it consists of collaboration and relationship building with the most critical and strategic suppliers that deliver great added value (Deloitte, 2015). However, Hughes (2008) states that despite the emergence of SRM, many companies face challenges in building strong collaborative buyer-supplier relationships from traditional purchasing relationships with key suppliers. Furthermore, SRM has no standard explanation and much of the SRM literature, as well as actual business practices, are unclear, inconsistent and occasionally at cross-purposes with collaboration (Hughes, 2008).

The importance of SRM has been highlighted as a critical business process, due to the need for companies to develop closer relationships with their key suppliers (Lambert & Schwieterman, 2012). Wagner and Johnson (2004) define key suppliers as suppliers which characteristics include very high requirements in terms of core competence management, market and technology leadership. Key suppliers are those suppliers that can offer the buyer company strategic inputs, such as raw materials, components or systems, where the majority of the offered inputs become core components of the buyer company's product offering (Miocevic & Crnjak-Karanovic, 2012). Ivens, Pardo, Salle and Cova (2009) definition summarize the diversity of key supplier definitions, according to which key suppliers are those that the buyer company has identified as strategically important

suppliers (Holmen, Aune & Pedersen, 2013). According to Holmen et al. (2013, 140) “key supplier relationships are characterized by interdependence, a collaborative spirit, and a long-term orientation”, which is why the relationships between buyer companies and their key suppliers can be described as collaborative buyer-supplier relationships presented in the previous chapter.

SRM can be considered a mirror image of customer relationship management (CRM), where companies aim to identify the most significant customers, maintain and develop relationships with them, and increase the company's competitiveness by applying synergies between companies (Lintukangas, 2010). Just as companies develop close relationships with key customers, the management of buyer companies should also consider creating close relationships with a small number of key suppliers (Lambert & Schwieterman, 2012, Lintukangas, 2010). Lambert and Schwieterman (2012) further defines that SRM involves developing partnerships with key suppliers to decrease costs, innovate new products and co-create value. It is built on a joint commitment to long-term collaboration and mutual accomplishments (Lambert & Schwieterman, 2012). Hughes (2008) defines properly understood and implemented SRM as an organized, enterprise-wide assessment of supplier’s capabilities and assets, determining actions to be taken with different suppliers, and planning and executing all interactions with suppliers to expand value creation.

In practice, the concept of SRM is often used to describe the expansion of interaction with key suppliers. The interaction expands from simple purchasing transactions to, for instance, joint development and research between the buyer and supplier, sharing of strategic market information and demand forecasting. SRM aims to eliminate low-value-added interactions, as well as include capabilities to manage more complex supplier interactions. Complex supplier interactions often need to be managed strategically, as part of an overall relationship, instead of being managed through separate supplier-facing departments, such as R&D, purchasing, finance and manufacturing. (Hughes, 2008) According to Lintukangas (2010), by implementing SRM, companies aim to reduce transaction costs, create value through internal capabilities and resources, achieve a competitive advantage from collaborative relationships, reduce supply dependence and availability risks, and spread supplier information between internal company departments.

3.2 SRM capabilities

The more important role the management of suppliers plays for the company, the greater ability the company should have to maintain relationships. In order for a company to be able to handle relationships, it requires the relational capabilities to manage and assess economic outcomes, understand the interactive character of the relationship, and understand the forces driving change. (Lintukangas, 2010) Amit & Schoemaker (1993, 35) defines capabilities as “information-based, tangible or intangible processes, which are firm specific and developed over time through complex interactions among the firm’s resources”. More precisely, capability means the company's ability to utilize its resources so that it can achieve the goals it has set (Kähkönen & Lintukangas, 2018). An organization's capabilities consist of the skills, competences and knowledge of individuals within the company, which is why competence is built on several dimensions and elements. Therefore, the structure of SRM capability should be identified in companies so that it can be developed. (Lintukangas, 2010)

According to research between buyers and suppliers, the factors that influence good relationships are communication, commitment, practices, ethical behavior and trust. These factors form the elements of SRM capability that can be used to maintain and manage buyer-supplier relationships. (Lintukangas, 2010) SRM capability functions as a firm's internal capability that seeks to promote accurate expectations of the future value of acquired capabilities and resources relative to other firms (Barney, 2012; Kähkönen & Lintukangas, 2018). By leveraging these practices and SRM relational capabilities, companies can create value and improve their performance (Kähkönen & Lintukangas, 2018) and by identifying and enhancing appropriate capabilities, it is possible to achieve changes in the company's performance (Lintukangas, 2010). Relationship factors forming SRM capability are presented in Figure 6.

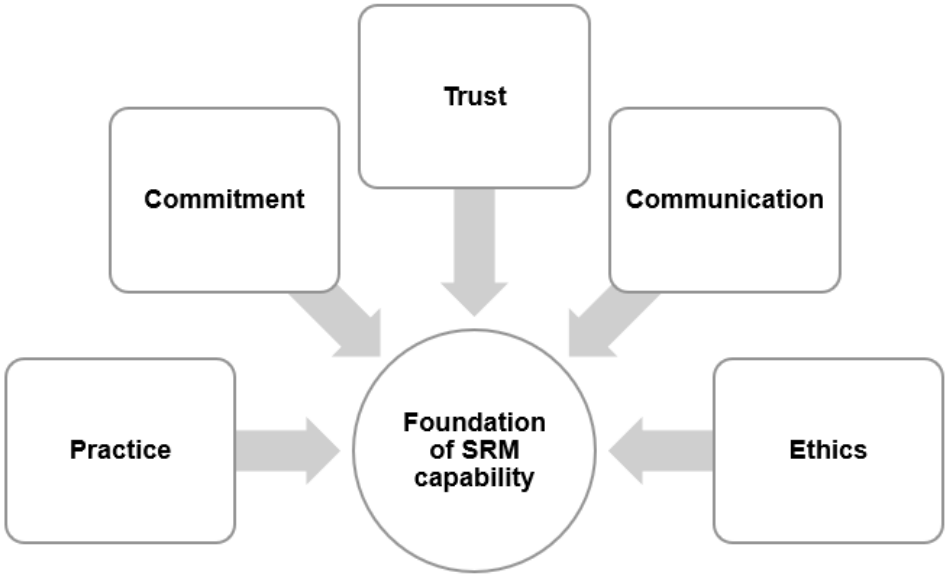

Figure 6. Relationship factors forming SRM capability (based on Lintukangas, 2010)

As presented in the previous chapter, companies that engage in successful long-term buyer-supplier relationships have the potential to achieve a competitive advantage. Therefore, companies should understand which factors affect their relationships with other companies. (Powers & Reagan, 2007) According to Powers and Reagan (2007), by identifying the relative influence of these factors, companies can focus measures on the most significant areas, which promotes the competitive advantage obtained from the relationship. Lintukangas (2010) suggests that managers should concentrate on the elements of SRM capability and their improvement in order to increase SRM capability in companies. Therefore, the factors that form the elements of SRM capability and their connections will be reviewed in more detail next.

3.2.1 Relationship factors

Ethical behavior has been found in studies to be good business, as companies that emphasize ethical values and social responsibility are usually more profitable than others. Profitability arises from the company's positive relationships with its partners. The critical nature of ethics is based on the societal, economic and business effects of ethical behavior. (Pettijohn, Pettijohn & Taylor, 2008) Pettijohn et al. (2008) states that based on these

arguments it can be concluded that ethical behavior is a critical problem from the managerial point of view, and management should lead the promotion of ethical behavior in companies.

Trust is created when the parties of the relationship consider each other credible and benevolent. Credibility indicates the belief of the parties in the relationship that the other party has the necessary capability to complete the agreed tasks, while benevolence reflects that the other party has motives and intentions that benefit the relationship. (Nyaga et al., 2010) Trust has to be built over a long period of time based on the experiences gained from another company (Zacharia et al., 2009), but trust can also be lost in an instant, as a result of even one misbehavior (Iloranta & Pajunen-Muhonen, 2018, 293). Purposeful collaboration promotes trust and openness, which improves the quality of business decisions and thereby encourages greater trust and closer collaboration. If the other party in the relationship takes advantage of the openness in the slightest, trust is lost and collaboration will be limited, in which case the benefits will also be lost. (Iloranta & Pajunen-Muhonen, 2018, 293)

Trust has been recognized as one of the key factors for successful relationships, whereas lack of trust is the main reason for failed relationships (Chen, Yen, Rajkumar, Tomochko, 2011). According to PwC (2013), SRM is established on building relationships, where trust is an essential enabler. However, their survey found that 50% of respondents reported that their relationship with key suppliers is not established on trust (PwC, 2013). The lack of trust drives the parties to a state where every transaction has to be audited, which creates additional costs (Chen et al., 2011). There may be significant differences in views on different aspects of the supplier relationship, even if trust is perceived as mutual and symmetrical. For instance, an individual employee or manager may have a considerably different perception of trust in relation to a certain supplier. The emergence of trust between organizations is influenced by many different factors, such as backgrounds, cultural differences, beliefs, the objectives of different parties, the balance of information between the parties, and measurement and control mechanisms. (Iloranta & Pajunen-Muhonen, 2018, 293) Factors affecting the creation of trust are shown in Figure 7.

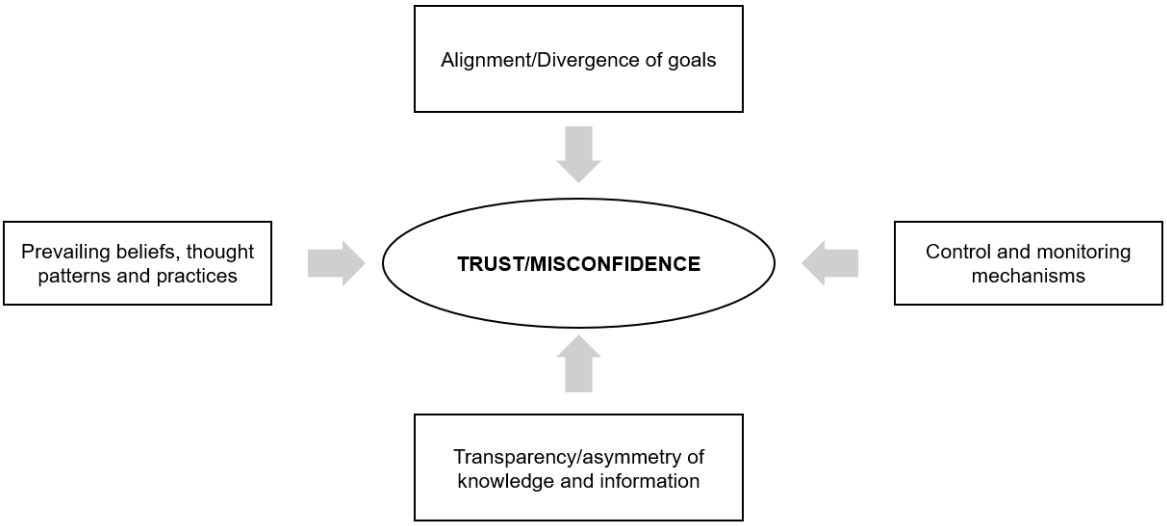

Figure 7. Factors influencing the creation of trust (adapted from Iloranta & Pajunen-Muhonen, 2018, 293)

Commitment is strongly linked to trust. Both trust and commitment contribute to the relationship between the buyer and the supplier, which makes it easier to build valuable collaboration. (Chen et al., 2011) Commitment can be defined as the partners' willingness to work intensively for a long-lasting and future oriented relationship, where the parties strive to build a relationship that can be maintained even in the face of unexpected challenges (Hudnurkar et al., 2014). According to Nyaga et al. (2010), a buyer-supplier relationship based on trust aims to ensure its continuity, which is why it can be assumed that trust influences commitment. In order for a relationship to develop into a sustainable one, it requires the commitment of both sides of the relationship and joint action to support the recurring exchanges (Chen et al., 2011). Commitment occurs when both parties in the relationship consider the continuation of the relationship so important that maximum efforts must be made for it in order for the relationship to last indefinitely (Powers & Reagan, 2007). Commitment plays an important role in the long-term success of the company, as partners are eager to invest resources and sacrifice short-term benefits in order to achieve long-term success. The partners' commitment to the relationship has a direct and positive effect on performance, which is why commitment is the key to achieving the desired results. (Chen et al., 2011)

Communication in inter-organizational relationships has been recognized as a key success factor in fostering strategic collaboration among companies (Paulraj et al., 2008).

Communication can be described as contacting and sharing information between supply chain partners in terms of frequency, direction, mode and influence strategy. Close inter-organizational relationships are usually based on free, frequent, balanced and two-way multi-level communication. (Cao & Zhang, 2011) Information sharing plays a key role in effective communication between companies, which positively promotes the quality of the partnership and the understanding of both parties (Chen et al., 2011). Information sharing is defined as the level of sharing critical information with partners, which can be, for instance, involving other parties in early phases of product design, planning future product development strategies, collaboratively preparing supply and demand forecasts or opening the books and sharing cost information. (Nyaga et al., 2010) Information sharing has been mentioned by various studies as the most essential driver in the trust-building process (Kwon & Suh, 2004) and it has also been found to encourage to commit to the relationship (Anderson & Weitz, 1992). According to Nyaga et al. (2010) increased sharing of information enhances the level of trust and commitment by decreasing uncertainty between parties of a relationship.

Practices can be defined according to PwC (2013) as best practices to achieve efficient SRM. Best practices can be defined as practices aimed at successfully establishing and enhancing an SRM program or developing and managing supplier relationships. Their enablers are strategy and governance, processes, structure, people, technology, performance management and risk management. (PwC, 2013)

3.3 SRM framework

According to Hughes (2008), the majority of SRM programs are launched insufficiently in companies, which is why those often end up in administrative activities, such as meetings and setting of scorecards, which do not promote collaboration and bring tangible benefits efficiently. While research has shown that properly implemented SRM enhances buyer's performance, there should still be a methodology for companies that guides them in the SRM process (Lambert & Schwieterman, 2012). Previous studies have dealt with SRM by focusing only on certain topics, and SRM is rarely dealt from a holistic perspective. The main focus has been on the perspectives of purchasing and supplier selection, instead of which the dimensions of SRM should be expanded to long-term relationships that aim for mutual growth. (Park, Shin, Chang & Park, 2010) Therefore, Park et al. (2010) in their study propose a framework for the implementation of SRM, which consists of purchasing

strategies, supplier selection, supplier collaboration and supplier evaluation. These kind of comprehensive SRM systems aim to promote strategic collaboration with suppliers (Park et al., 2010). Next, the modules of the SRM framework are presented, based on Park et al. (2010) model, which has been modified to suit the objective of this study. Modified SRM framework is presented in the Figure 8.

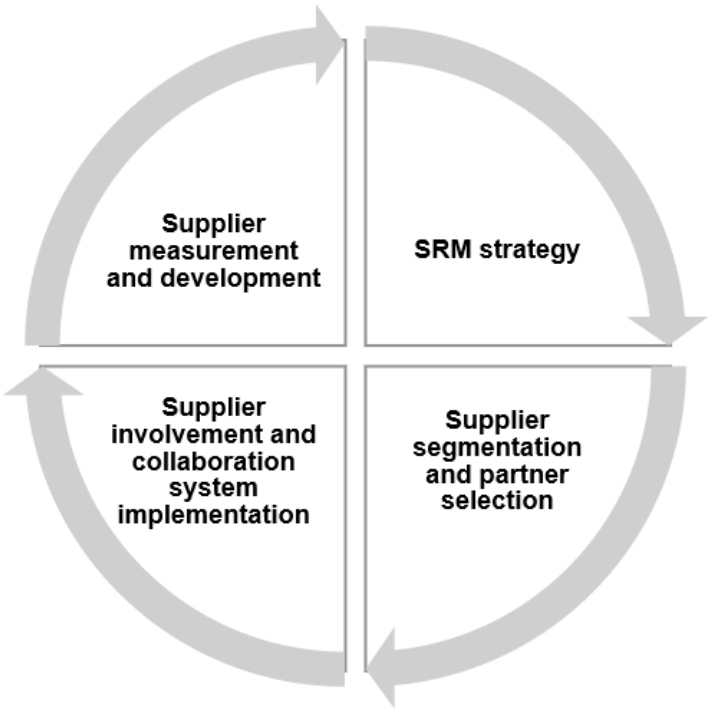

Figure 8. SRM framework (based on Park et al., 2010)

3.3.1 SRM strategy

In buyer-supplier collaboration, the most successful companies focus their operations on the relationship management procedures, but also on the analysis of practices, business processes and management systems, which allows efficient collaboration on both an individual and organizational level (Hughes, 2008). Therefore, one of the most critical success factors in achieving SRM goals is strategic coherence. The company's business operations and procurement should be coordinated internally so that the effects of SRM are in line with the achievement of business goals. (PwC, 2013) Kähkönen and Lintukangas (2018) bring out in their research that implementing a strategy to create value from the supplier network is a key task for those responsible for supplier relations (Harland, Zheng, Johnsen & Lamming, 2004) and that building supplier relations and the strategic role of

procurement is essential in creating value (Miocevic & Crnjak-Karanovic, 2012). Lambert and Schwieterman (2012) suggest that personnel responsible for SRM should review the company's strategy together with marketing, manufacturing and procurement strategies to recognize supplier segments critical to the company's success. The company's management should identify strategic issues, such as opportunities for value creation, issues of sustainable development and supply risks. These concerns should be included as part of the SRM strategy. (Lambert & Schwieterman, 2012)

3.3.2 Supplier segmentation and partner selection

The next module of Park et al. (2010) framework is supplier selection, but as this thesis focuses on strategically important supplier relationships, the second module deals with supplier segmentation. Deloitte (2015, 3) defines supplier segmentation as “the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM”. The defined criteria must be in line with the company's requirements and objectives. In addition, it should be decided which criteria will be used and how suppliers will be assessed based on the criteria. Companies should make a segmentation plan, which is utilized at the operational level to identify key suppliers. (Lambert & Schwieterman, 2012) Standard criteria such as quality, price and delivery are essential, but they may not be sufficient as the only criteria to be considered when planning to establish a long-term strategic partnership. Central to the partner selection process is establishing the strategic sources that would value most from of a closer relationship with a single supplier. (Spekman, 1988) According to Spekman (1988), the purchasing volume and quality of raw materials or components are vital areas that should affect strategic resource analysis.

In strategic partnerships, suppliers are aware of the long-term plans of the buyer company, so they are able to plan their own operations based on them. Suppliers may also often have extensive coordination responsibilities for the deliveries of the buyer’s projects. Such buyer-supplier relationships are expensive investments, which makes them carefully chosen and long-term. (Iloranta & Pajunen-Muhonen, 2018, 314–315) This leads to the need to choose suppliers that are at least competent, reliable and strong competitors, but many criteria that are useful in evaluation are difficult to express quantitatively (Spekman, 1988).

3.3.3 Supplier involvement and collaboration system implementation

As mentioned in the previous paragraph, in order to get the supplier to participate in the processes of the buyer company, it requires an effective collaboration strategy and information systems to support operations. With these, purchasing managers can collaborate internally as well as with suppliers. In order to achieve mutual benefits, an advanced method is required that combines the sharing of information between the buyer company and the supplier. (Park et al., 2010) According to Sheu, Yen and Chae (2006), a company's IT capabilities are a decisive factor in collaborative buyer-supplier relationships. In strategic partnerships, information and logistics systems may have been integrated to enhance collaboration (Iloranta & Pajunen-Muhonen, 2018, 315). Different collaboration practices and tools include, for instance efficient consumer response (ECR), continuous replenishment (CR), collaborative planning, forecasting, and replenishment (CPFR) and vendor managed inventory (VMI) (Vereecke & Muyelle, 2006). In the retail sector, a buyer company that utilizes a VMI system delegates decisions related to inventory management to a supplier that plans and defines order and production quantities. Such a system can enhance the efficiency of material flows between buyer and supplier, which promotes collaboration. (Sheu et al., 2006) Companies should use the collaboration tools that fit their own collaboration strategy (Park et al., 2010).

3.3.4 Supplier measurement and development

Iloranta and Pajunen-Muhonen (2018, 311) emphasize that different types of supplier relationships and needs require different measurement methods and metrics, although companies often measure their key suppliers with the same metrics as their commodity suppliers (Hughes, 2008). The framework of the metrics should be connected to the suppliers' impact on the buyer's profitability, as well as the buyer company should ensure that the supplier's performance metrics do not conflict with the metrics of other processes (Lambert & Schwieterman, 2012). Intensive and extensive measurement of suppliers requires time and resources, which is why a closer and more accurate measurement should be aimed only at key suppliers, where the investment will yield the most benefit. The metrics of suppliers of strategic product groups range from traditional metrics such as quantity, price, quality, and delivery time to very multidimensional metrics. These include, for instance, long-term benefits and profit impacts, new innovations, continuous improvement

of competitiveness and new operating models and business logics. (Iloranta & Pajunen-Muhonen, 2018, 311-313)

Even in companies that use more advanced measurement methods, such as scorecards with key suppliers, they also focus on easily measurable indicators and short-term goals. Instead of acting according to long-term metrics, short-term metrics limit collaboration and restrict investments. (Hughes, 2008) According to Iloranta and Pajunen-Muhonen (2018, 315), one of the issues is that even if the suppliers' weak performance is detected, they are not addressed, which does not promote the suppliers' performance. It would be advisable to use in-depth measurement, in which case the suppliers can be guided to develop and optimize their operations. (Iloranta & Pajunen-Muhonen, 2018, 315). In the field of wholesale and retail trade, it is possible for companies to monitor performance measurement through supplier profitability reports (Lambert & Schwieterman, 2012). It would be good to extend the monitoring and measurement to the development proposals of the supplier's resources and capabilities and even to the supplier's organization and management models (Iloranta & Pajunen-Muhonen, 2018, 315-316).

4. Research methodology

This chapter presents the methodology of this study in more detail. The aim of the chapter is to clearly show what kind of research approach was used in the study and to describe how exactly the research process was carried out. The chapter presents the study's methodology, data collection, data analysis, descriptions of interviewees, reliability and validity, and a description of the study's research context.

4.1 Methodology

A research design is a plan that shows how the researcher intends to answer research questions. It includes distinctly defined aims obtained from the research questions, specifying the sources from which data will be gathered, detailing how the data will be collected and analyzed, and a discussion of ethical issues. (Saunders et al., 2015, 163) Factors that influence the choice of a research design are the nature of the research problem, the questions to be answered by the research problem, as well as the individual experiences of the researcher and the research audience (Chali, Eshete & Debela, 2022). The first methodological decision in the research is to decide whether to proceed with a quantitative, qualitative or mixed methods research design (Saunders et al., 2015, 165).

Quantitative research explores relationships between variables, which are measured numerically while qualitative research studies participant's meanings and the relationships between them (Saunders et al., 2015, 168). When conducting qualitative research, theory is always required, and the theoretical content of observations is one of the cornerstones of qualitative research. This means how an individual understands phenomena, what kind of meanings are given to the phenomenon being studied, and what kind of tools are used in conducting the research. (Tuomi & Sarajärvi, 2018) According to Hirsjärvi et al. (2009, 161) the starting point of qualitative research is that it aims to describe real life. This includes the idea that reality is multifaceted, which is why qualitative research aims to study the subject as comprehensively as possible (Hirsjärvi et al., 2009, 161). There is no objective information in qualitative research, but all information is subjective in a manner that the scholar's choice about the research setting is based on his own understanding (Tuomi & Sarajärvi, 2018). The idea is to discover or uncover facts rather than to verify pre-existing views (Hirsjärvi et al., 2009, 161).

According to Hirsjärvi et al. (2009, 137) when choosing a quantitative or qualitative methods, one should think about which approach best brings clarity to the problems being addressed and that the researcher is the most convinced of the validity of the chosen approach and method. As mentioned earlier, the aim of this study is to find out how to build and develop collaborative buyer-supplier relationships in the technical wholesale industry. These factors lead this study towards qualitative research method in order to gain experiences, perceptions and views on the subject. More precisely, this research will be carried out as a case study.

Yin (2009) defines a case study as empirical study that aims for an in-depth study of present phenomena in a real-life context. The case study is especially suitable for situations where the boundaries of the phenomenon or context are not clearly apparent (Yin, 2009). Case studies can be used to assess phenomena in a specific context. In business research, this means gathering evidence where the phenomenon actually occurs, such as in companies. (Farquhar, 2012) In case studies, it is important to clearly highlight the reasons why it has been decided to carry out the study as a case study (Eisenhardt & Graebner, 2007). Barratt et al., (2011) have highlighted justifications in their article, which could be, for instance, a gap in the existing theory that does not sufficiently explain the phenomenon under study, the research is explanatory in the sense that it tries to answer the questions "how" and "why", the criticality of the actors and experiences and particularly the experiences of managers, which increase the practical significance of the results. Considering these factors, it is justified to carry out this study as a case study.

4.2 Data collection

In case studies, data can be collected from many different sources, such as interviews, archival data, survey data and observations (Barratt et al., 2011). According to Hirsjärvi et al. (2009, 205), interview has been the main method in qualitative research. In qualitative data collection, interviews are typically semi-structured, which means that they follow an interview framework, but are flexible and adaptable in structure (Farquhar, 2012). One of the main advantages of the interview as a form of data collection is that the data collection can be carried out flexibly, as required by the situation and taking the interviewees into account (Hirsjärvi et al., 2009, 205). If necessary, the interviewer can ask the interviewee the question again, correct misunderstandings and have a discussion. For the interviews, it is also possible to select persons who have wide knowledge and experience of the

phenomenon under study, in which case it is possible to obtain comprehensive information on the subject. (Tuomi & Sarajärvi, 2018)

Data for this study was collected from six interviews conducted during January 2023. The interviews were conducted remotely using the Microsoft Teams platform. The interviews were recorded and later transcribed. The interviews were 47-65 minutes long. A semi-structured interview form was used in the interviews. If necessary, the interviewer asked clarifying questions and tried to guide the discussion in such a way that the answers remain within the limitations of the research.

4.3 Data analysis

According to Hirsjärvi et al. (2009, 221), the analysis of the collected data is one of the most central core issues in conducting research. In this study, the content analysis method was used in data analysis. According to Farquhar (2012), the first step in analyzing qualitative data is to familiarize yourself with the collected data. Recorded qualitative material is most often written cleanly, which is called transcribing. Transcribing can be done from the entire material or, for instance, selectively according to themes. (Hirsjärvi et al., 2009, 222) In this study, all interviews were completely transcribed so that the entire material could be analyzed as precisely as possible.

The next step in the analysis was data coding. Coding aims to make the data manageable and interpretable in a meaningful way. With the help of coding, the data can be managed in such a way that it is possible to identify what is important in terms of the objectives of the research. (Farquhar, 2012) In this study, the coding of the data aimed to identify similarities in the answers of the interviewers and based on them, to classify the data into certain themes and to relate them to the conceptual framework and research questions. The themes identified based on the coding were used in the presentation of the results of the empirical part.

4.4 Interviewees

The interviewees work at different product lines and at different levels of organization and are extensively responsible for sourcing of different product groups for either B2B or B2C sales channels and numerous supplier relationships. The job descriptions of the interviewees include responsibilities in the case company for the category management,

sourcing and supplier relationships and their management. The job description of all interviewees includes deepening, developing and renewing supplier collaboration with regard to their own areas of responsibilities. The case company operates in the technical wholesale industry.

4.5 Reliability and validity

The research seeks to prevent errors, but still the reliability and validity of the results differ, which is why in all studies the purpose is to evaluate the reliability of the conducted research. Various different measurement and research methods can be used to evaluate the reliability and validity of research. (Hirsjärvi et al., 2009, 231) Hirsjärvi et al., (2009, 231) defines reliability as the repeatability of the results, in other words, the ability of the study to give non-accidental results, thus reliability can be verified, for instance, by two evaluators reaching the same result, in which case the result can be considered reliable. However, the application of this method is not essential in the context of this thesis, as this study is not intended to be implemented again.

Reliability refers to the truth of the data and the researcher's interpretation and presentation of it. By describing his or her experiences as a researcher and ensuring the research results with the participants, the researcher can increase the reliability of his or her study. (Cope, 2014) According to Saunders et al. (2015) validity assesses the capability of a study to evaluate what it was intended to evaluate. The methods and metrics used in research do not always correspond to the reality that the researcher imagines he or she is studying. For instance, the respondents answering to research questionnaires may answer the questions in the way they themselves interpret the questions, which is not necessarily in line with the author of the questions. If the researcher interprets the answers in a different way than the respondent has interpreted the questions, then the results cannot be considered valid. (Hirsjärvi et al., 2009, 231-232) This has been taken into account in the study, so that the data was collected through semi-structured interviews, in which case the interviewees had the opportunity to get clarifications and explanations from the interviewer on the questions, so that the interviewees would not misinterpret them and they would be able to answer them as intended.

This study can be considered a single case study, as the interview data was collected from a single case company. According to Yin (2009), one of the weaknesses of single case

studies is that they do not necessarily form a comprehensive basis for generalizing the results. A case study can, however, gather intensive and detailed information about a single case, where the focus is often on processes in relation to their environment (Hirsjärvi et al., 2009, 134–135), as in this study, the collaboration and SRM processes of a single case company were investigated in the specific research context. However, in the conclusions of the study and in the managerial implications, it should be taken into account that the study was carried out from a single case company point of view.

The reliability of qualitative research can also be increased with an accurate description of the implementation of the research. In interview studies, for instance, the conditions and places where the data were collected and the time spent on the interviews are described in detail. Reliability is also increased by the justification of the interpretations made by the researcher to the reader, which can be supported, for instance, by enriching reporting of the results such as with direct quotes from the interviewees. (Hirsjärvi et al., 2009, 232–233) These factors have been taken into account in the study in such a way that the research contains an accurate description of how the research was carried out, with which methods and platform the interviews were carried out and how long they lasted, and direct quotes from the interviewees have also been brought to the presentation of the results in the empirical part.

The challenges in the utilization of interview data can be reduced by using data collection methods that limit the bias. The most important thing is to make use of numerous and experienced interviewees who look at the phenomenon from various perspectives. This can mean, for instance, selecting interviewees in the organization from different hierarchical levels, functional areas, teams and geographical areas. (Eisenhardt & Graebner, 2007) For this reason, the interviewees were selected from different organizational levels, product lines, product categories and different sales channels of the case company. Brief descriptions of the interviewees are presented in Table 1.

Table 1. Brief descriptions of interviewees

Interviewee	Product Line	Position	Length of the interview
A	1	Sourcing Director	58 min
B	1	Sourcing Manager	54 min
C	1	Product Manager	47 min
D	2	Sourcing Manager	51 min
E	2	Product Manager	65 min
F	3	Senior Product Manager	58 min

The data collected from the interviews is presented in this study completely anonymously, which is why only the most essential background information about the interviewees is presented in terms of the reliability of the study. The thesis also discusses the case company completely anonymously. However, in the next paragraph, a short description of the case company's industry is presented, which serves as the research context of the study.

4.6 Technical wholesale industry as a research context

Technical wholesale is mainly B2B business (Kauppa.fi, 2023). It is responsible for the import and sales of products such as raw materials, parts, components, accessories, machines and systems. Technical wholesalers deliver product-related solutions and services to manufacturing industry and construction industry. The technical wholesale is responsible for ensuring the availability and quality of products necessary for the manufacturing industry and it plays a key role in developing the competitiveness of manufacturing and construction industry. (Tekninen.fi, 2023)

Technical wholesalers also import international know-how and they are able to enhance their customers' efficiency, which influences to the development of the manufacturing industry's competitiveness. The significance of services and solutions in the operations of technical wholesalers is increasing, and technical trade also exports the products of Finnish companies. Technical wholesale's key customers are the technology industry, especially the shipyards and mechanical engineering industry, the pulp and paper industry, the forest industry, and the construction, chemical and mining industries. (Kauppa.fi, 2023)

5. Building collaborative relationships in the technical wholesale industry

This chapter serves as the empirical part of the thesis. In this chapter, all the findings are reported based on the data collected from the interviews. The findings are presented by themes, which are buyer-supplier collaboration in the case company, supplier relationships based on close collaboration and supplier relationship management in the case company.

5.1 Buyer-supplier collaboration in the case company

The following paragraphs introduces the case company's supplier base and sourcing organization. Descriptions of how the company collaborates with its key suppliers and the different levels of collaboration in the company are also presented.

5.1.1 The case company's supplier base and sourcing organization

The case company has a very wide supplier base, due to the fact that the company's customers have many different needs that must be able to be met. A large number of suppliers are required to fulfill the company's customer needs. The company's supplier base includes collaborative as well as transaction-oriented or reactive relationship types, which a wholesaler must have. However, the company's operations and turnover are focused on suppliers with which the collaboration is close, and the collaboration is constantly being developed. Most of the turnover comes from a reasonably small number of suppliers with which the company actively collaborates. For instance, the suppliers can be divided according to the ABC analysis, where approximately 20% of the suppliers bring 80% of the turnover, 30% bring 15% of the turnover and the remaining 50% of the suppliers bring 5% of the turnover. The company's supplier base has thousands of suppliers and the suppliers are geographically located globally.

The case company's sourcing directors have categorized group suppliers. Group suppliers have a group-wide agreement, which means that the supplier has business not only in Finland but also with other country units of the company. In the categorization, the strategically most important suppliers of the company have been defined at the group level.

Product managers estimate that the geographic location of the supplier has an impact on how the supplier relationship is perceived. According to interviewee E, collaboration has more weight in global suppliers. The approach is also influenced by whether it is a warehouse or a direct supplier. In terms of warehouse suppliers, the collaboration is closer compared to direct suppliers that only deliver to projects.

The case company has an extensive sourcing organization, which includes country units and those responsible for group sourcing. More than 100 people work in sourcing organizations.

5.1.2 Collaboration with key suppliers

There are approximately 100 suppliers in the interviewee D's product line, with which the collaboration is more active. There are active contracts with these suppliers that are being updated, as well as goals that are set for collaboration:

“I personally think that active collaboration means e.g., the fact that we have a valid contract with suppliers, annual goals, a selection that is maintained and developed, marketing collaboration, regular development programs and growth goals."

- Interviewee D

Depending on the size of the product category, it can include approximately ten of suppliers with which active collaboration is carried out. From the ten suppliers, it is possible to distinguish the most significant suppliers according to size and turnover. However, turnover is not the only guiding factor in the company's determination of key suppliers. The company has a lot of different product areas, so the size of the market and demand varies for different products. For instance, there may be very critical and important suppliers in the middle class, with which there is a large market share. In such a situation, development and maintenance are equally required compared to large suppliers, which may be of a different type from the perspective of their market.

The case company has defined the main responsibilities for individual supplier relationships. At the product manager level, it is determined according to the purchase volume; whoever has the biggest volume from the supplier in question has the main responsibility for

contractual matters. In addition to that, group level definitions of responsibilities have also been made. An individual product manager is responsible for approximately 3–5 key suppliers with which the collaboration is close.

5.1.3 Levels of collaboration in the case company

The case company's own organization and the organizations of its suppliers have different levels. The company strives to collaborate with its key suppliers through counterpart thinking. For instance, if the collaboration between the company and one of its large suppliers is viewed, it includes the top management of both companies, as well as the case company's sourcing management and the supplier's business management. The sourcing director discusses from the group's perspective with the supplier's top management, the sourcing manager discusses with the supplier's business management, and the product manager discusses with the sales manager. According to interviewee F, the sourcing director and the sourcing manager are always present in the European level management (EMEA) meetings of the most important key suppliers:

"For a long time, we have had the policy that of course we want to know the management of Finland and the Nordic countries, but we also need to have a contact surface with EMEA, so that we can see and get these more strategic, high-level connections to supplier relations or supplier activities from there."

- Interviewee F

Collaboration with suppliers is also carried out through other departments of the case company. The field sales, marketing and logistics departments of the company and its suppliers communicate with each other. This is how collaboration is seen through counterpart thinking. Interviewee D feels that collaboration is comprehensive when all the different levels communicate with each other and intersect. The company's supplier collaboration can be illustrated as a pyramid (Figure 9).

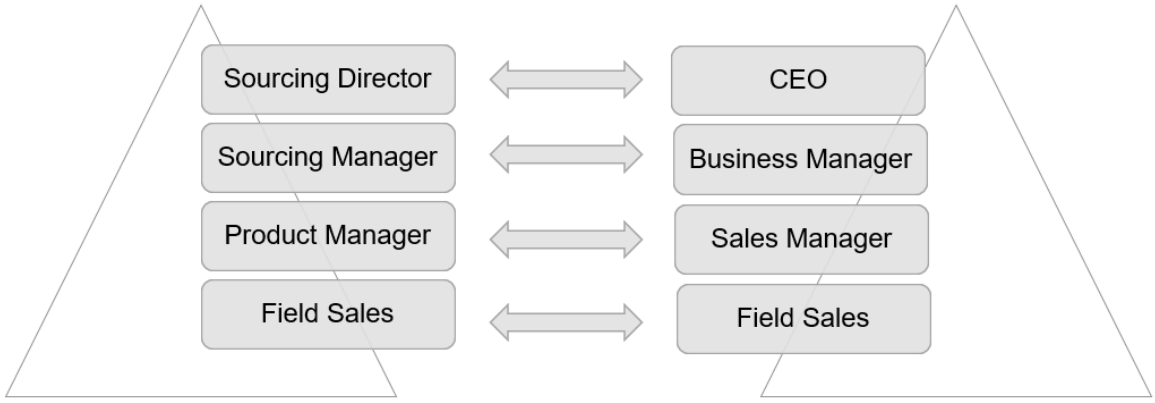

Figure 9. Pyramid of collaboration

The base of the pyramid is the collaboration of field sales, rising from the collaboration of the product manager level and the business management all the way to the collaboration of the top management. The parties of the collaboration know how to relate what they are doing much better when the collaboration is carried out through counterpart thinking and the parties know each other on different levels.

5.2 Supplier relationships based on close collaboration

In the following paragraphs, the factors driving the transition to closer collaboration and the benefits of collaborative relationships in the case company are presented. In addition, the case company's value creation and risk management through collaboration will be opened up in more detail.

5.2.1 Guiding factors in the transition to closer collaboration

According to all interviewees, the case company aims to move to closer collaboration with suppliers. According to interviewee A, the number of customers in the technical wholesale industry is very limited. When looking at the company's overall market, the manufacturing industry supplies products to the technical wholesale trade, which the wholesale trade sells to end customers. However, there are also suppliers on the market who sell their products directly to end customers, bypassing the technical wholesale trade, in which case the company competes together with its own partners against companies that operate directly. Interviewee A emphasizes that the importance of collaboration depends on the position of

the company in the entire value chain. The case company itself has the situation that it definitely wants to collaborate more closely with suppliers. The supplier's negotiating position towards the company is significant.

According to interviewee B, technical wholesale differs from, for instance, a grocery trade in that if the grocery store owns a cold chain, then the supplier is dependent on the buyer company. In technical wholesale instead, there is no best before date products, which is why suppliers of brand products can control the market, creating demand themselves with their own comprehensive sales organizations. In this case technical wholesale seeks to act as a logistical partner and its task is to respond to demand by providing the best possible logistical channels for it. For this reason, the company should collaborate more closely with suppliers, in order to serve end customers better.

According to interviewee D, the transition to closer collaboration is mainly driven by the opportunities seen in the commercial potential:

"As a rule, we see that when we are a company engaged in commercial activities, there where are opportunities to increase sales and business, that's where we want to go. In general, large suppliers have a wide range of products, through which there is also that market potential. There where we see opportunities, of course we also want to strengthen collaboration there."

- Interviewee D

In the case company, it may also be seen that its market share within a certain supplier is lower than what the company itself would like it to be. This means that one of the company's competitors is stronger with the supplier than the company itself is, which naturally acts as a motive for closer collaboration with the supplier so that the company's own market share in the overall market could increase. On the other hand, if you look at the matter from the perspective of new suppliers, which do not necessarily currently have commercial potential, but the company sees that they have potential to become bigger, then at that stage the company naturally wants to be at a very early stage in creating a relationship and deepening it. Then when a new and emerging product area starts to grow in terms of sales, the company is in a good position in relation to its competitors. This is seen as a good reason to start a closer collaboration in advance with a supplier that is still small at the moment.

The reasons mentioned above can be described as commercial reasons that guide the case company to deepen collaboration with its suppliers, but in addition to them there are also qualitative reasons. If the collaboration with the supplier is not close enough and it causes the company, for instance, logistical problems, problems with product information or price lists, then operational quality must also be developed. This can be one of the reasons for closer collaboration, through which working together is smoother and thus it is possible to increase the commercial potential.

5.2.2 The benefits of close collaboration

When looking at market dynamics from a wholesaler's point of view, there are customers and wholesalers with several hundred suppliers. Wholesalers and their suppliers compete for customers, so in the wholesale channel a balance in market dynamics guides the companies' operations. In order for a company to be successful, it must have good collaborative relationships with a wide range of suppliers, which enables it to offer customers competitive products, at a competitive price and with good availability. When a company has good collaborative relationships and close joint operations, it is able to keep up to date with the supplier about what is happening and what should be done in the company so that it is able to serve its customers better than its competitors.

The importance of close collaboration is highlighted precisely in how well the case company performs in relation to customers. Interviewee D feels that there is a full correlation between how close and good collaborative relationships the company has and how good the company's competitiveness is in the market. Competitiveness is also affected by other factors, such as the company's operational efficiency, logistics and cost structures. However, supplier collaboration plays a key role in ensuring that the company has good relations and competitiveness towards customers.

5.2.3 Value creation through collaboration

When a company operates through counterpart thinking, which is used to collaborate across organizations, it enables it to be more competitive in the direction of customers. From the point of view of value creation, the most important thing is what value the collaboration creates for the company's customers, so that the company appears as an attractive place to buy:

“When collaboration works, together the supplier and we are able to be the winning combination that creates value for the customer. Perhaps this is already the value chain itself. If it works and it is close and efficient, it creates for us the ability to be efficient and valuable in the market, and again for customers the value that they get the product they want at a good price, efficiently delivered and to the right place. That's how the value becomes most tangible.”

- Interviewee D

Interviewee F emphasizes that the sale of the products in his area of responsibility is not, for instance, comparable to the clothing business, where the selections change four times a year, instead, the collaboration is a long-term construction. When the case company understands the product development work of strategic suppliers and sourcing personnel visit factories, headquarters and research laboratories, then it is possible to see how the supplier develops the product industry. In the case company product specifications and development proposals are given to suppliers from Finland, and sometimes the products may end up in the supplier's production. In this way, the company brings out the needs of its customer base, even up to the supplier's product development. Interviewee E also feels that collaboration can affect the quality of products. The product manager must know how to tell the supplier why the company wants improvements in quality and how it also benefits the supplier.

In the follow-up meetings of the case company and its suppliers, the development of the company's market share from the supplier's sales is examined. According to interviewee A, if challenges are seen in the development of market share, it is easier to find out the causes of the challenges together with the supplier and to solve them when the collaboration is close. Interviewee C, on the other hand sees that when the company is a good partner, when problems arise, they are more easily fixed when there are good communication links with the supplier. Interviewee B also emphasizes that the company should act in an approachable manner, in which case it is easier for the supplier to talk about possible problems, in which case they will be solved together.

When collaboration is invested in, it creates reciprocity, and it is possible to get special conditions from suppliers. The case company sells marketing space for suppliers' products. According to interviewee E, when the collaboration is close, the supplier trusts that they

have received as much marketing space as the company has promised and they have paid, in which case it is possible to get more space the following year, and the company will also get more sales. When the case company shows the supplier a clear direction, then the supplier brings more benefits to the company. According to interviewee B, the supplier might offer the company a delivery lot to buy, for which they have excess capacity, in which case the company gets it at a lower price than the market price, which is a derivative of collaboration.

Wholesale is an availability business, where the case company must have the right quantity, the right product, available to the customer at the right time from the company's central warehouse. Interviewees C & B see one of the most important benefits of close collaborative relationships is that if the supplier has poor availability of their own products, they prefer to deliver goods to those customers with whom they have good collaborative relationships:

"I have noticed that the better relationship you have with the supplier, so if the supplier has to share scarcity, then you are the first one they prioritize, unlike the competitor who has bad relationships. If we take a pipe supplier, for instance, if it has 1,000 meters of pipe left and all the major competitors would like to buy it, because Finland has run out of the product. At that point, the supplier decides who to give it to and who gets to sell it. The way I see it is that the supplier would rather give it to the customer with whom the collaboration has worked well."

- Interviewee C & Interviewee B

According to interviewee E, in long supply chains it can be challenging to influence the supplier's availability, especially if it is a global supplier with a large organization. Collaboration can, however, promote the buyer company's influence on the supplier's operational capability. By getting in touch with the person responsible for customer logistics and supply planning at the supplier's end, it is possible to emphasize the company's wish and need, why it would be important to have availability for a certain period and what the supplier benefits from it. A key account manager operating in Finland probably has limited resources to influence availability, in which case the matter becomes better heard when the company, as a customer, tells it directly to the person responsible for decisions regarding logistics and production planning.

5.2.4 Risk management through collaboration

According to interviewee D, the importance of close collaboration was emphasized during the pandemic and in general in exceptional circumstances, when situations change. In exceptional situations and market disruptions, such as component shortages or cost pressures caused by the energy crisis, collaboration is important so that the company knows what the supplier's delivery capability is; for instance, are there risks of delays or supply interruptions. When a company has close and good collaborative relationships, it helps in anticipation and preparation. The case company's supply chain risk management through collaboration is visualized in Figure 10. In close collaboration, there are many levels of discussion, and the higher you go in the organization, the further you can see:

"An individual product manager can see a cycle of a week, two or a month, but top management looks at a year or two ahead. Of course, it's difficult in this world, but when we combine all of these, we have a view of what will happen six months from now: Should we react to it somehow, so that we have products available in the summer."

- Interviewee D

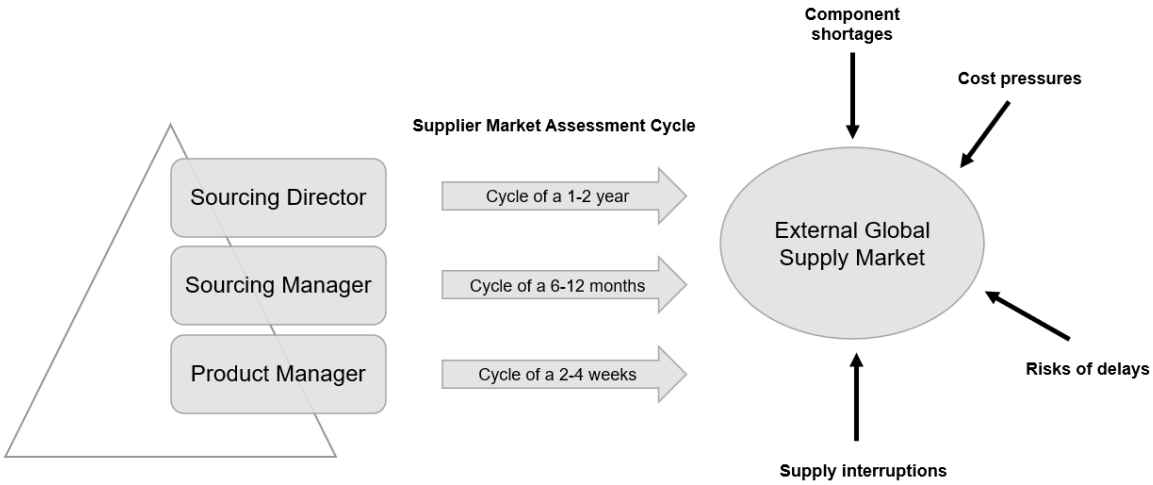

Figure 10. Risk management through collaboration in the case company

The collaborative relationship enables the case company to have information that enables it to react to future issues better than its competitors, which creates considerable value.

According to interviewee B, close collaboration is useful, for instance, if the supplier is at risk of running out of raw materials. The better the collaboration, the sooner the supplier will suggest that the company should, for instance, raise stock levels, if necessary, because there will be a shortage of raw materials in the next quarter. Interviewee D, on the other hand, sees that as a wholesaler, the company cannot rely solely on one supplier, but must have a sufficiently wide group of suppliers with whom it has close and good collaborative relationships. When a single supplier is in trouble, the company is not too vulnerable, but instead has alternative or parallel suppliers that can be used to meet customer needs in exceptional situations. Summary of benefits of deepening supplier collaboration in the case company is presented in Table 2.

Table 2. Summary of benefits of deepening supplier collaboration in the case company

The factors guiding the transition to closer collaboration and the benefits of collaboration
The transition to closer collaboration is guided by the company's position in the entire value chain and the significant negotiating position of its suppliers towards it
The most important motive for strengthening collaboration is the opportunities that the company sees in the commercial potential of suppliers
In the wholesale channel a balance in market dynamics guides the companies' operations and thus also the deepening of supplier collaboration
The most important benefit of collaboration is that it enables the company to be competitive in the market and thereby serve and thus create value for end customers
Solving demanding challenges and problems is more effective when the buyer-supplier relationship is close, and when the collaboration is invested in, it creates reciprocity
The collaborative relationship enables the company to react to future issues better than its competitors, which creates considerable value in exceptional circumstances

5.3 Supplier relationship management in the case company

This chapter delves more deeply into the processes and practicalities of the case company's supplier relationship management. The importance of SRM for the case company, the strategic interaction management model, the most important factors of collaboration and the utilization of the SRM framework will be reviewed in more detail.

5.3.1 The importance of SRM in the case company

According to all interviewees, SRM plays a very significant role in the case company. If the company did not have good suppliers, it would not have products to price, availability to

ensure, or capital to manage. Interviewee D sees that the fact that the company has effective collaborative relationships with suppliers, which are developed and improved all the time, is at the forefront of the company's basic operations. Interviewee C feels that SRM is exactly what is measured the most in difficult times, for instance during the pandemic it was highlighted which companies had really good supplier relationships, which is why they should always be kept in focus.

5.3.2 A model of strategic interaction management in the case company

Referring to the previously presented pyramid of collaboration, different issues are discussed there at different tables. Marketing discusses with marketing, logistics with logistics, sales with sales and management with management. The task of those who have the main responsibility for supplier collaboration in the company is to bring together all that communication and joint work and to be aware of it as a whole. The information from different areas forms a whole, and someone has to be on top of it and view it. In the case company, it is the sourcing unit. The core issues, challenges and opportunities of the various functions are refined into an action plan, progress and development areas, which are taken forward.

According to interviewee B, for instance, at the beginning of the year, the company prepares and sells marketing packages to suppliers that contain a certain number of activities. However, if one of the sourcing stakeholders has something to take care of in the direction of the supplier, for instance in relation to sustainability, then it is almost always the sourcing department that gives the impulse in the direction of the supplier. However, the sales department is closely involved in collaboration with sourcing. Stakeholders are invited to supplier meetings if they produce value for the collaboration, as the sourcing has always the commercial responsibility for negotiations.

Most of the interviewees feel that the participation of the SCM together with the sourcing in supplier meetings is particularly beneficial. The participation of SCM strengthens and tightens supplier collaboration. In some supplier meetings, future large customer projects are discussed, in which case it is important to know which products are delivered to the projects in order to increase the sales forecast. The sourcing unit is trying to get the SCM team to participate in supplier meetings more so that purchasing of goods would be easier

for everyone in the company. The volumes of strategic suppliers are large, which is why the company is looking for solutions that facilitate joint work.

According to interviewee D, through regular monthly or at least quarterly collaboration meetings, all different areas are reviewed with the supplier. This is how the overall management is done in the case company. In a way, collaboration is done through separate departments, but the whole is always clear in mind. Interviewee A emphasizes that collaboration should not be thought of only as a matter between the supplier and sourcing, but also as an internal matter between different departments of the buyer company. When the entire chain works and there is good internal collaboration in the company, it brings an efficient equation and added value to the supplier.

5.3.3 Examples of different interactions with key suppliers

According to interviewee A, the sourcing director always discusses with the top management of strategic suppliers. The sourcing director is at the top level from the group's point of view and is always involved with large suppliers in Finland when it comes to intimate and strategic collaboration discussions. In supplier meetings, topics such as marketing, supplier financing, sustainability, business operations, the background to price increases, sales development, new product launches and technology development are discussed at the top level. In the meetings, the parties try to understand in the best possible way through collaboration, how to get the most out of all the shared expertise.

According to interviewee B, there are weekly or monthly follow-up meetings with the biggest strategic suppliers. At the sourcing manager's level, collaboration is reviewed through sourcing, for instance by region. Personnel from marketing, logistics, sales and sustainability are sometimes involved in the meetings. Together with logistics and the supplier, it is discussed, for instance, how the company's purchasing process could be developed, for instance from the perspective of order quantities and pallet sizes. Sustainability issues are also very important to the company, which is why in the meetings it is discussed how the supplier can better adapt to the company's sustainability needs and reduce its carbon footprint.

According to interviewee E, interaction at the product manager level can be, for instance, visiting a supplier to build a selection. If the discussion takes place at the product level, then

it starts with the company telling the supplier what kind of selection it wants and the supplier telling what they have to offer, as well as going over quality, pricing, logistics and service issues. In addition to those, there are also quarterly meetings where daily matters are reviewed. They include, for instance, product management, availability and pricing. In addition to that, the product manager briefly plans what will be done together with the supplier in the next six months. The meetings also include a wide variety of open discussions, for instance about organizational changes in the field, sales or customer service:

"In my opinion, it is important to be up to date with changes on both sides. It can really matter a lot, if one person changes, then the supplier might be without a person to handle customer for half a year. If a supplier relies largely on one key account manager, it can be really risky for us as well, a lot of information is lost from there, due to which we have to adjust our operations."

- Interviewee E

5.3.4 The most important factors of collaboration

Trust

All interviewees feel that trust is the most important factor in collaboration. According to interviewee D, trust is in a way the starting point of everything. When a company has close collaborative relationships with suppliers, where the parties are deeply involved in each other's processes, people and practices are known, then the importance of trust is emphasized.

According to interviewee A, trust cannot be bought or received, instead it must always be earned. For instance, one of the case company's key suppliers had fallen into a crisis situation. Instead of trying to find an alternative supplier, the company approached the crisis as a problem shared by both parties. A joint crisis team was established, which helped to quickly gain visibility into the company's needs. The case company approaches all crises in such a way that when it is a partner with its suppliers, it tries to find solutions to them together. The fact that the company is ready to do extra work for the supplier's business creates trust.

Interviewee D feels that gaining trust is a relatively long process and has often found in the industry that collaborative relationships based on trust are the best possible. When collaboration is based on deep trust, issues progress well. Trust is also related to delivery reliability. When the supplier can be trusted to deliver as agreed, then the company's inventory can be reduced and the inventory turnover increased, which means that there is no need to commit that much equity.

According to the interviewees, the lack of trust causes uncertainty. Interviewee B points out that the case company's customers have many projects for which the sales unit sells products. If the supplier cannot be trusted, then the sales unit might, for instance, offer an alternative product to the customer. Interviewee F, on the other hand, sees that if the company cannot trust the supplier, then the supplier's products cannot be trusted either. Interviewee D concludes that if the company has agreed with the supplier that some things will be done together in a certain way and if this does not happen or it turns out that the trust has been betrayed in some other way, then it casts a certain kind of shadow over the whole.

Commitment

Interviewee E believes that today's key suppliers want to build long-term collaboration, in which case they also seek that the case company has similar views that meet with them. This leads to contractual matters, which may be really difficult for many suppliers at first, but when they are discussed many times and openly reviewed, it usually creates a consensus:

“You rarely need to go back to that agreement anymore, after the supplier gets to know our way of working, although those agreements can be really scary for some, but then a year from now they won't think about it anymore. That's how trust is created, these things are not done because of the contract but because of the business, both parties want to grow, develop and make a profit for the owners of the company.”

- Interviewee E

According to interviewee D, commitment is particularly required to jointly set goals, benchmarks and actions, which are the most essential things. In addition to that,

commitment to the distribution channel and way of working is required. If, for instance, it has been agreed with the supplier that the market will be served through a wholesale channel and it happens that the supplier decides to sell directly to end users bypassing the case company, then trust is lost and commitment is damaged. Interviewee F, on the other hand, sees that if a new supplier with a small volume commits to the company really well and it is reflected in all key figures, then the company will also give it more space in the entire selection and market.

However, according to interviewee D, it should be taken into account that no supplier can commit to just one customer, and neither can a customer commit to just a single supplier. Interviewee B points out that the company is aware of the fact that it is in a dominant market position, in which case it is practically impossible to make exclusive sales contracts with suppliers, excluding, for instance, the company's own private label brands. The supplier naturally also collaborates with competitors, but the more they commit to the case company's business, the more it also benefits the supplier.

Communication and information sharing

Most of the interviewees emphasize that communication and information sharing are related to the legal technical issues within which they are carried out. According to interviewee F, communication can be counted as one of the basic pillars of business. Interviewee D specifies that in terms of communication, it is really important that information moves in both directions and that the case company knows what the situation is commercially, operationally and logistically. It is definitely one of the cornerstones of the whole, without which the company is in the dark and cannot be as good as it could be.

According to interviewee B, when the case company has thousands of suppliers, the communication should be controlled to such an extent that the suppliers do not communicate about new products to all the company's sales personnel or product managers, instead it should be implemented centrally. The company does not yet have a clearly built model for this, but the better the information is transferred to the market, for instance about new products, the more the company benefits from it, when it is involved in the communication and does it in collaboration with the supplier. Interviewee C further illustrates what kind of information sharing the company has with its key suppliers:

“In the case of supplier X, what we do, when they are our own brand supplier, we are in a way their product development team. We get feedback from the field that, for instance, this product doesn't work, there is an error here and it needs to be fixed like this. We tell them (the supplier) that and they fix that product. When it comes to a brand supplier that has its own sales organization, we go through exactly the way that sales in Eastern and Western Finland develop in this way, and what could be the cause.”

- Interviewee C

Ethical behavior

Ethics, sustainability, acting according to legislation and the code of conduct are one of the cornerstones in the case company. The company has its own code of conduct and suppliers generally have their own integrity codes or similar, which are very often close to each other in terms of content. In relation to the previously mentioned information sharing, the company operates in accordance with competition legislation. Competition legislation plays a really critical role in the company's industry, which is why it should also be taken into account in transparency.

The case company's code of conduct also guides how the company's supplier representative should behave from an ethical perspective. Even if the opportunity arises, the supplier representative must never take advantage of, for instance, the supplier's ignorance. According to interviewee A, it can be, for instance, exploitation in the terms of the contract in such a way that the counterparty has not understood some point through which the buyer company would get financial benefit. In such a situation, trust is lost once and for all. In the company, similar activities are strictly prohibited under all circumstances.

Face-to-face interaction

In addition to the factors mentioned above, the importance of face-to-face interaction in building and developing collaborative relationships was emphasized in the interviews. According to interviewee E, not being able to talk to suppliers face-to-face during the pandemic has reduced the conversational connection, which has affected collaboration. Interviewee C, on the other hand, finds remote meetings to be useful, but emphasizes that,

in terms of collaboration, face-to-face meetings are always better, because then issues progress more efficiently. Interviewee B agrees that remote meetings make it easier in terms of time management, but it is also important to see the suppliers in person, which specifically creates that collaboration.

Interviewee A feels that face-to-face interaction is important due to the case company's industry and especially its long-term collaborative relationships. Considerable investments have been made in the company to maintain supplier relationships and there is a good foundation in the background, but collaboration will begin to fade if it is not maintained in the future. Interviewee F sees that even challenging situations may arise from remote meetings. If you compare a remote meeting with a meeting with a supplier on site in a conference room, all micro expressions, reactions and body language can be read face to face. In a remote meeting, the supplier may, for instance, have the camera turned off, in which case it is impossible to analyze how the negotiation is progressing at the level of personal chemistry. Summary of utilization of overall management and collaboration factors in the case company is presented in Table 3.

Table 3. Summary of utilization of overall management and collaboration factors in the case company

Managing collaboration as a whole and utilizing collaboration factors in strategic SRM
The sourcing unit manages all areas of collaboration of the different departments, which is why the internal collaboration plays a significant role in terms of the efficiency of the entire value chain
Trust from the supplier must always be earned, which is why it is important to put extra effort for the supplier, which creates deep trust and thus strengthens collaboration
Commitment is important in building a long-term collaboration, which is why it is important to openly review to the supplier the ways of working of the case company, which leads to a consensus
Communication and information sharing are one of the cornerstones of the whole and it is important to know what the supplier’s situation is commercially, operationally and logistically
From the point of view of ethical behavior, it is important to act according to the code of conduct and never abuse the supplier's ignorance
Face-to-face interaction plays a significant role in the technical wholesale industry, due to its long-term supplier relationships, and it especially creates value

5.3.5 Utilization of the SRM framework in the case company

The case company does not have a recorded SRM process that presents some specific theses or cornerstones for how supplier relationships should be managed. However, the

company's code of conduct determines the top-level guidelines and rules for how the company operates. They also guide the management of supplier relationships. According to the interviewee F, SRM consists of so many different areas, such as the legal side and matters related to corporate culture, that it is not possible to make a specific framework. However, the SRM way of thinking is implemented in the company, even though it does not have its own system. In the company, the sourcing management and the category leaders together form a vision of how the company wants to operate, which is based on the product manager level and the information that is available. The general strategy of the company comes from the top management, which everyone follows, and after that comes, for instance, product line-specific strategies.

SRM strategy

In interviewee D's product line, it is defined as part of the daily actions that the case company is a good partner that speaks directly and openly, that keeps its promises and expects the same from its suppliers. The case company does not want to operate in an old-fashioned way, so that the personnel would always have a negative attitude towards everything, instead, the company believes in positivity and a good spirit in collaboration, both externally and internally. However, it has not been recorded as an official SRM strategy, but it is more of an adopted way of working, which is openly communicated internally in the company. The company has received feedback from suppliers that it has competent personnel and an open and positive way of approaching things through opportunities instead of problems:

"It can also be seen in the fact that it is pleasant to do business with us, it builds that trust and commitment and strengthens collaboration. The fact that we are not always escalating things, which challenges and complicates collaboration, but instead we approach things constructively and positively. I would see it as our guiding factor in a way."

- Interviewee D

Most of the interviewees feel that the deepening of collaboration starts on a practical level from the person's own learning. Interviewee E believes that, for instance, a new product manager learns to deepen and develop supplier relationships through practical work and from his or her own supervisor and colleagues. Interviewee B, on the other hand, sees that

from the point of view of product managers or their supervisors, individuals themselves create how to collaborate better with suppliers.

Supplier segmentation and partner selection

The case company operates in a relatively established market, with suppliers that are cemented in a certain way. Large suppliers create demand in the market, so there are also situations where the company has to work with certain suppliers, even if the company does not necessarily want to collaborate closely. However, the suppliers have succeeded in creating a market and demand, which is why the company must be able to meet the demand. Interviewee B emphasizes that it is a company that has been in the industry for a long time, so it is relatively easy to identify which are the biggest and most potential suppliers. Interviewee A emphasizes that, for instance, the suppliers of his product categories are responsible for the critical systems used in construction, which include various hygiene requirements. Because of this, it is a very conservative industry and, for instance, only 5% of interviewee A's product selection is renewed per year.

According to interviewee D, the most strategically significant suppliers are identified based on the scope of the product selection, competitiveness and commercial potential. However, if it is a completely new product area, the way the company perceives the supplier's ability and the common desire to collaborate closely has more of an impact. According to interviewee E, it starts from knowledge of the market, from being aware of the market in one's product area, the possible shortcomings that the case company has and what the company wants. It requires a lot of demand analysis and competitor analysis. The choice of a partner supplier is traditionally based on the products, but it also requires a deeper investigation into which suppliers would be suitable. It is influenced by e.g., prices, customer service, field sales service, logistics, marketing and after sales and how all the different areas fall into place. The supplier may also be suitable in other ways, but it may not fit the company's strategy:

“We may see it, for instance, in the market situation (that it does not fit the strategy of the case company), in which case we try to look for something similar. However, if we see that the supplier in question could have potential, we will try it, but we do not build logistics

models, telecommunication links, negotiate contracts just for fun, which take a lot of time, unless we see, trust and want that supplier."

- Interviewee E

Information systems that promote collaboration

Today, companies have moved more and more to electronic commerce, which also has a very high strategic importance in the case company. The company uses information systems that promote collaboration and they are being developed all the time. They are partly related to the exchange of information, i.e., in what form and in what way the company exchanges and transmits information to the supplier.

According to the interviewees, the suppliers' IT capabilities play a significant role in terms of collaboration. Interviewee B feels that in a large business, which the case company also does, all information, such as purchase orders, invoices and order confirmations, should go electronically and strategic suppliers should have these things in order. According to interviewee E, if the supplier has, for instance, inefficient systems and they are not that capable in e-commerce, then product management can also be at a weaker level. According to interviewee F, the company always demands that the biggest suppliers have an EDI connection, because it is more cost-effective, and it can be integrated. Interviewee C also points out that without an EDI connection it will not be possible, for instance, to get factory products to any online store in the future, which is why it is required from suppliers that want to grow to a certain scale.

The case company has a supplier portal in the pilot phase, through which the suppliers' information is gathered in one form, thereby facilitating and speeding up the exchange of information on both sides. According to interviewee A, the contact information of the supplier's logistics person is maintained in the supplier portal, for instance, and through that the person is given information about how the collaboration in terms of logistics is working. This is a strategic policy in the company, which aims to strengthen collaboration between the company and its suppliers.

Supplier measurement and development

According to interviewee D, collaboration systems and supplier measurement are strongly related. For instance, sales reports, logistic performance and the quality of product information are exchanged and transmitted through information systems, through which the aim is to develop operations. If suppliers are actively communicated about the quality of their product information or logistical performance, it aims to improve and strengthen the chances of joint success. The company uses various metrics, through which the aim is to develop and improve collaboration and to obtain comparable statistics on how well suppliers are performing.

In the case company, for instance, the development of sales is measured at many different levels, such as monthly, quarterly and yearly, at the product area level, by sales area, by sales segment, by product group and through individual products. Measuring commercial performance is one of the fundamentals. In addition to that, delivery reliability is measured, how well the deliveries arrive on time and the general service level. The quality and extent of product data are measured, the analysis of which goes to the quality of product images down to the pixel level, i.e., it is measured how high-quality data the supplier is able to produce for the company. In addition, the company measures the correctness of pricing, the number of billing errors and the correctness of invoices. It is also possible to measure and monitor capital turnover, inventory turnover, almost everything that moves between the company and its suppliers, and thereby develop it.

Interviewee D emphasizes that metrics related to electronic commerce are naturally increasing these days, such as website clicks, product opens in online stores, moves from product open to shopping cart and similar metrics are strongly involved. Interviewee E adds that long-term benefits are measured, for instance, from the point of view of business development. Together with the supplier, the product manager evaluates the size and development of business and collaboration in the long term. According to interviewee F, innovations are also monitored, and the company already knows, based on long experience, from which suppliers they come the most. They can be monitored, for instance, by measuring how many novelties the supplier opens per year and how sales of novelties develop.

Interviewee D emphasizes that if development targets or shortcomings are detected, they must be addressed and moved forward so that the parties can perform better. It is a very central part of collaboration. According to the interviewee E, in terms of improving the

supplier's performance, it is important to be able to prove the shortcomings with the help of figures and concrete indicators. When you can present the supplier data and proof that there is a problem, the matter will be solved more easily. If the supplier is sent only ready-made reports with many different columns and issues, it is difficult for them to internalize in an urgent situation what they need to react to in the report, which is why clarity and simplicity are important in communication. Summary of the utilization of the SRM framework in the case company is presented in Table 4.

Table 4. Summary of the utilization of the SRM framework in the case company

Utilization of the SRM framework in the case company
The company has formed a vision and way of working for SRM, which is based on the fact that the company approaches things through opportunities instead of problems, speaks directly and openly and keeps it promises, which in turn strengthens collaboration
Strategic suppliers are identified based on the scope of the product selection, competitiveness and commercial potential as well as the basis of the supplier's ability and desire to collaborate closely
Information systems, such as the supplier portal, are used to promote and deepen collaboration, and strategic suppliers are expected to have high-level IT capabilities so that the exchange of information in collaboration is effective
Various metrics are used to collect comparable statistics on suppliers' performance, on the basis of which the aim is to present shortcomings with the help of concrete indicators and thereby develop and improve collaboration and promote joint success

6. Discussion

The aim of this thesis was to find out how collaborative buyer-supplier relationships can be built and developed by utilizing strategic supplier relationship management in the technical wholesale industry. Answers were sought for this research gap by studying the objectives of companies to deepen buyer-supplier collaboration and the means by which a company can utilize strategic supplier relationship management. In this chapter, the findings of the empirical section discuss with the previous studies presented in the theory, based on which the answers to the research questions are presented.

What are the objectives that companies have in terms of deepening buyer-supplier collaboration?

The objective of the first sub-research question was to find out what are the objectives for deepening collaboration in companies and the guiding factors for moving to closer collaboration. Empirical findings show that the objectives of the case company in terms of deepening collaboration are in line with previous studies. One of the most important findings is that without close collaborative relationships with suppliers, the case company would not be able to offer competitive products to its customers, which is completely in line with the resource-based view (RBV) (Ahuja, 2000; Richey et al., 2012; Teece et al., 1997; Zacharia et al., 2009). Empirical findings also highlighted that customer centricity also guides the transition to closer collaboration, which is also emphasized by many authors in theory (Haag et al., 2021; Richey et al., 2012; Soosay & Hyland, 2015).

Other factors, which emerged in empirical findings, are market dynamics in the wholesale industry and competitive pressures. Similar observations about market dynamics (Liao et al., 2021) and competitive pressures (Spekman & Carraway, 2006) were also highlighted in previous studies. Empirical findings show that the deepening of collaboration is also driven by motives to increase the company's own market share in the overall market and the opportunities to achieve a better position in relation to competitors from the perspective of new suppliers and product areas.

The interviews also revealed that the position of the technical wholesaler in the value chain in relation to the manufacturing industry affects the importance of collaboration. Case

company's suppliers have a significant negotiating position towards the company. In previous studies, however, this observation had not been highlighted as a guiding factor for the transition to collaboration. Based on empirical findings, however, it can be stated that large brand suppliers operating in the value chain have the power to steer the market by controlling demand, which seems to force technical wholesalers to collaborate more closely.

The interviewees emphasized that close collaboration promotes the solving of demanding challenges and problems, which can be considered one of the most important benefits of collaboration. Similar observations about the benefits of collaboration have been made in prior research in relation to conflict resolution (Iloranta & Pajunen-Muhonen, 2018), the development of problem-solving skills (Hammervoll & Toften, 2010) and the solving of complex problems (Simatupang, Wright & Sridharan, 2002) in buyer-supplier collaboration.

Close collaborative relationships also play a significant role in supply chain risk management. The results of the interviews revealed that the benefits of close collaboration are especially emphasized in uncertain times when situations change. This finding is supported by findings in previous studies about the benefits of collaborative relationships in uncertain times (Soosay & Hyland, 2015; Tokman et al., 2007) and the benefits of responding to supply and demand uncertainties (Kim et al., 2019). In the theory of buyer-supplier collaboration, risk management is emphasized as one of the key benefits of collaboration (Liao et al., 2017), which also according to empirical findings shows that the case company is able to react to future issues effectively through collaboration, which creates considerable value.

Empirical findings show that the case company, in close collaboration with its suppliers and by utilizing the counterpart thinking, is able to be the winning combination that is competitive in the market and thus brings value to the end customer. This is in line with the prior studies of value creation and RBV and based on all the above-mentioned findings, it can be stated that the main goal of building collaborative relationships is to achieve a competitive advantage in the market (Amit & Zott, 2001; Barney, 1994; Medcof, 2001; Mohr & Spekman, 1994).

How can companies take advantage of strategic supplier relationship management?

The objective of the second sub-research question was to find out how can companies take advantage of strategic supplier relationship management. In the theory of supplier relationship management, the importance of SRM is emphasized as a critical business process (Lambert & Schwieterman, 2012), which, according to empirical findings, also has a significant importance in the case company, and the development of collaborative relationships is a priority in the case company's basic operations.

The empirical results show that in the case company, collaboration is implemented through counterpart thinking, where the sourcing unit manages all areas of collaboration of the different departments, which is why the internal collaboration plays a significant role in terms of the efficiency of the entire value chain. Similar findings have been presented in previous studies, where, for instance, Hughes (2008) emphasizes that complex supplier interactions should be managed strategically as part of the overall relationship, instead of being managed through separate departments of the buyer company. Thus, the objective of the overall management is to bring together all the collaboration, be aware of the core issues and opportunities and refine it into a plan and development areas and take it forward.

Previous research on SRM has emphasized the importance of identifying and developing the structure of companies' SRM capabilities (Lintukangas, 2010), which is also strongly linked to RBV (Amit & Schoemaker, 1993). In the empirical findings, it became clear that the most important factors of good collaboration in terms of the case industry have been clearly identified in the case company, which were comparable to the factors presented in theory (Lintukangas, 2010). However, in contrast to the theory, the empirical findings emphasized face-to-face interaction as an additional factor, which plays a significant role especially in the technical wholesale industry. The fact that the case company has identified significant factors in its business can be defined as an important finding, because the prior research emphasizes identifying the most important company specific factors and focusing measures on them in order to promote the achievement of the competitive advantage sought from collaboration (Powers and Reagan, 2007).

According to empirical findings, trust is the most important factor in collaboration, which has also been identified as one of the key factors in previous studies (Chen et al., 2011). In the results of the interviews, it was emphasized that trust must always be earned and building it is a long process, related to which similar observations have been made in Zacharia et al. (2009) study. Empirical findings related to commitment are in line with previous studies, according to which commitment creates trust (Chen et al., 2011; Nyaga et al., 2010).

Instead, the theory does not emphasize the importance of openness, which is used in the case company to justify why commitment is required from suppliers.

In the prior studies of communication and information sharing, it has been emphasized that close collaborative relationships are usually based on open and two-way communication (Cao & Zhang, 2011), which was also emphasized in the empirical results, according to which information must move in both directions and the case company must always be up to date with the supplier performance. In relation to ethical behavior, the empirical results highlighted how supplier representatives in the case company act in collaborative relationships from an ethical perspective. This aspect of ethical behavior was surprisingly not emphasized in previous SRM research, which may be due to the novelty of corporate responsibility as a topic in general. As previously mentioned, the empirical findings emphasized the importance of face-to-face interaction in collaborative relationships in the technical wholesale industry, although this factor has not been emphasized in previous studies of SRM. This may be influenced by the fact that the factor has been taken for granted during the times before the pandemic, when remote meetings were not so common.

Regarding the SRM framework, the empirical findings indicated that the case company does not have an official SRM process and according to the interviewees, it is not possible to apply a specific model to the case company's operations. Previous studies, on the other hand, emphasize that companies should have some methodology in use that guides the management of supplier relationships (Lambert & Schwieterman, 2012) in order to implement SRM holistically (Park et al., 2010). The interviewees evaluated the SRM practices of the case company in the interviews based on the modified framework adapted from Park et al., (2010) study.

Previous studies of SRM emphasize that companies should have a strategy and relationship management procedures in effective buyer-supplier collaboration (Hughes, 2008; Kähkönen & Lintukangas, 2018; Lambert & Schwieterman, 2012; PwC, 2013). Taking this into account, according to empirical findings, the case company does not have an official SRM strategy. However, the case company has formed a vision and way of working for SRM, which is based on the fact that the company approaches things through opportunities instead of problems, speaks directly and openly and keeps it promises, which in turn strengthens collaboration.

Based on the empirical results, the case company knows precisely which criteria are used to identify the most strategically significant suppliers. Commercial potential and turnover are mainly the driving factors in the segmentation of suppliers, which is also supported by Spekman (1988) in prior study, which emphasizes the importance of purchase volume. In addition to the traditional criteria presented in theory, such as quality, price and delivery (Spekman, 1988), strategic suppliers in the case company are also evaluated with more diverse criteria. These include, for instance, competitiveness, the supplier's willingness to collaborate and commit, the supplier's suitability to the company's strategy and the compatibility of all different areas. Empirical findings also emphasize that in some situations the buyer company may have to collaborate with partners with whom it would not want to, but because of the supplier's position, it is necessary. Such an observation was not highlighted in prior studies of SRM.

In the empirical findings related to IT systems that promote collaboration, similar factors are highlighted as in previous studies. In the case company, IT systems are used to exchange information between the company and the supplier, which, according to the theory, requires an advanced method in order to achieve mutual benefits (Park et al., 2010). In the case company, information systems are used to promote and develop collaboration, which is also emphasized in previous studies as the objective of collaboration information systems (Sheu et al., 2006). Previous literature also emphasizes suppliers' efficient IT capabilities as a defining factor in collaborative relationships (Sheu et al., 2006), which the interviewees also emphasized as a basic requirement for strategic suppliers. The case company also utilizes integrated information exchange methods and channels in supplier collaboration, such as EDI connections and a supplier portal, which Iloranta and Pajunen-Muhonen (2018, 315) also emphasized as a key factor in enhancing collaboration.

In the interviews, it was revealed that the case company uses similar metrics to measure the suppliers' performance as those presented in previous literature. According to empirical findings, one of the most important areas of measurement is commercial performance, which Lambert and Schwieterman (2012) also presented in their study as typical measurement targets in the wholesale and retail industry. In addition, measuring operational performance plays a central role, but the case company also uses more multidimensional metrics, such as long-term benefits, business development and innovations. Similar metrics have also been presented in the study by Iloranta and Pajunen-Muhonen (2018, 311-313).

In the case company, one of the key parts of the collaboration is that deficiencies in suppliers' performance are addressed and based on development areas, efforts are made to improve the joint performance of both parties. This was highlighted as one of the general problems in measuring supplier performance in companies in Iloranta and Pajunen-Muhonen (2018, 315) study, but in the case company, supplier development has been identified as an important area. The interviewees emphasized the importance of presenting concrete and clear metrics in the development of collaboration, which was not emphasized in previous studies as a key factor in improving suppliers' performance. On the other hand, the theory emphasized the extension of measurement to the supplier's resources, capabilities, organization and management models (Iloranta & Pajunen-Muhonen, 2018, 315), which were not emphasized in the empirical findings as the operating methods of the case company.

How can collaborative relationships be built and developed by utilizing strategic supplier relationship management?

The aim of the main research question of this study was to find out how can collaborative relationships be built and developed by utilizing strategic supplier relationship management. Next, based on the answers to the sub-research questions, the answer to the main research question of the study is presented. Based on empirical findings, a process built on strategic supplier relationship management has been formed, which consists of three phases. These phases are the implementation of collaboration through counterpart thinking, the identification and development of company specific SRM capabilities (Lintukangas, 2010), and the implementation of the SRM framework (Park et al., 2010). By carrying out this process, it is possible for the company to build collaborative relationships with its suppliers and develop them. Next, the phases of the process are explained in more detail.

1. Implementation of collaboration through counterpart thinking

Implementing collaboration through counterpart thinking plays a very significant role in building collaborative relationships. The company is able to achieve numerous benefits through it, such as better customer satisfaction, increased market share, more advanced problem solving and more effective risk management. With the combination of these benefits, it is possible for the company to achieve a competitive advantage in the market. The key to implementing counterpart thinking is to ensure good knowledge and communication links between the levels of different organizations, as well as effective

internal collaboration in the buyer company. The sourcing unit must be responsible for managing the whole in such a way that the areas of collaboration of all the different departments are combined, key issues and opportunities are taken into account, so that the entire value chain works efficiently up to the end customer.

2. Identification and development of company specific SRM capability

In order for a company to be able to build collaborative relationships with its suppliers, it must also have advanced capabilities to implement good collaboration. Companies should identify which factors the company specific SRM capability consists of. In the technical wholesale industry, the most important factor in collaboration is trust, which is why companies should build trust with suppliers on a long-term basis, in which case it is possible to earn it. In the technical wholesale industry, face-to-face interaction is also a significant factor in collaboration, which is why special efforts should be made to promote it. Other important factors of collaboration are commitment, communication and information sharing and ethical behavior. By developing these company specific factors, it is possible to build collaborative relationships and thereby promote the achievement of a competitive advantage.

3. Implementation of the SRM framework

In order for supplier relationship management to be implemented comprehensively and thereby build collaborative relationships, it requires a framework and a vision that guides collaboration related activities in the buyer company. The frameworks presented in the theory of SRM should be applied according to the companies' industries and business, so that they meet the companies' own needs. In the technical wholesale industry, a four-module framework (Park et al., 2010) can be applied, which consists of formulating an SRM strategy, segmenting suppliers and choosing a partner, utilizing collaboration systems, and measuring and developing suppliers.

The SRM strategy plays a central role in guiding effective buyer-supplier collaboration. The key is to form a vision for the implementation of the collaboration, which is communicated to the persons responsible for supplier relationships of the buyer company. It should be based on modern operating methods, especially good partnership and openness, positivity and good spirit in collaboration and keeping promises. Competent sourcing personnel who approach things constructively and positively, through opportunities and not problems,

contribute to the strengthening of trust and commitment. This, in turn, promotes the building of collaborative relationships considerably.

When building collaborative relationships, it should be taken into account that the aim is to build relationships with suppliers who have the capabilities for in-depth collaboration. Therefore, strategic suppliers should be selected using multidimensional criteria in addition to traditional criteria, and the final decision on the selection should be made based on the compatibility of all different factors. The building of collaborative relationships can also be promoted by utilizing information systems, which is why suppliers should have sufficient capabilities for the integration of information exchange, and the buyer company should develop modern collaboration channels and tools. The measurement of suppliers also plays a key role in building collaborative relationships, which is why the performance of suppliers should also be measured using more multidimensional metrics. The established collaborative relationship should be developed based on the measurement of the suppliers by utilizing concrete data and figures. The process formed on the basis of this study can be described as a collaborative relationship building process, which is presented in Figure 11. This process can be used to gain and maintain a company's competitive advantage.

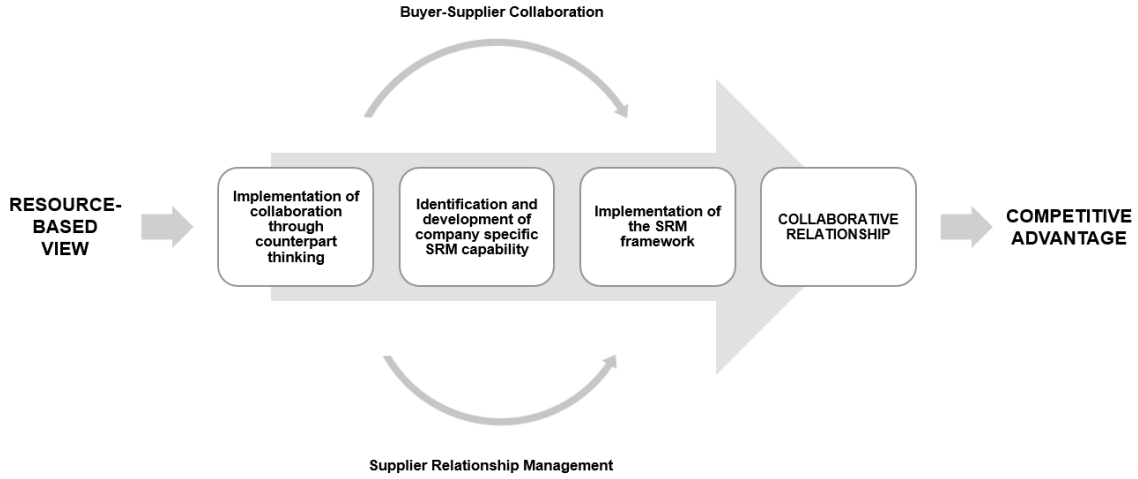

Figure 11. Collaborative relationship building process

7. Conclusions

This chapter presents the main results of the study. In addition to that, the chapter discusses the theoretical contributions of the study from the point of view of what kind of added value the study provided in light of the previous research. Managerial implications are also presented from the point of view of how companies can utilize the results of the study. In addition to these, the chapter reflects on the limitations of the study and suggests interesting future research topics, which were refined on the basis of conducting this study.

7.1 Key results

The objective of this thesis was to find out how collaborative supplier relationships can be built and developed by utilizing strategic supplier relationship management. The study was carried out from the buyer's perspective in relation to its strategic suppliers in the research context of the technical wholesale industry. The study sought to find out more precisely what companies aim for in deepening buyer-supplier collaboration and how companies can utilize strategic supplier relationship management. These questions were used to find an answer to the thesis' main research question.

The results of this study indicate many different reasons why the technical wholesale industry is moving to closer collaboration with suppliers, as well as many different benefits that a company can achieve through deepening collaboration. Findings show that the factors driving the transition to closer collaboration are customer centricity, market dynamics and competitive pressures. An interesting discovery was also that the position of technical wholesalers in the entire value chain and the ability of big brand suppliers to control demand in the market also guides the transition of technical wholesalers to deeper collaboration. Through collaboration, technical wholesale can achieve increased sales and business, a better competitive position, more advanced problem-solving capabilities and more efficient risk management.

The results of the study also highlighted various opportunities that enable technical wholesale companies to utilize strategic supplier relationship management. Findings show that counterpart thinking and management of the whole aim to combine all collaboration activities, on the basis of which an action plan is prepared analyzing the most important challenges and opportunities related to collaboration. One key part of strategic supplier

relationship management is also the identification of the company's SRM capabilities, where trust is the key factor in collaboration in the technical wholesale industry. The technical wholesale industry companies can also make use of different SRM frameworks presented in previous studies by adapting them to the company's needs.

In terms of the main objective of the study, the most central discoveries are related to the collaborative relationship building process formed in this study. The process consists of three phases, which are the implementation of collaboration through counterpart thinking, the identification and development of SRM capabilities, and the implementation of the SRM framework. Through counterpart thinking and management of the whole, collaboration and the entire value chain work effectively up to the end customer. By identifying and developing company specific SRM capabilities, the company is able to deepen collaboration more effectively. By adapting and implementing the SRM framework, it is possible to guide and develop the implementation of collaboration in buyer companies. By carrying out the process, the company is able to build collaborative relationships, serve the end customer better and thereby achieve a competitive advantage.

7.2 Theoretical contributions and managerial implications

In the theory section of this thesis, findings from previous studies were presented, according to which companies today have found it necessary to search for opportunities to collaborate with partner suppliers to respond to the needs of a dynamic market (Liao et al., 2021), as well as strive to strengthen their competitive position by utilizing the resources and expertise of their suppliers (Liao et a., 2017). Most recently, the effects caused by the COVID-19 pandemic (Kähkönen et al., 2021) have emphasized the criticality and significance of the topic of this study.

More specifically, this study sought to respond to the research gap presented in the introduction, which consisted of the need to find successful collaborative practices with strategic suppliers (Nyaga et al., 2010; Terpend et al., 2008), ways to build effective collaborative relationships (Hughes, 2008), provide answers how to ensure more customer-centric supply chains (Spekman & Carraway, 2006) and ways for companies operating in the retail sector to understand the importance of collaboration and to utilize it (Richey et al., 2012) and due to the similarity of the industries, it is also suitable as a research gap in the technical wholesale trade industry. In the discussion and conclusions of this study, the results were presented to fill this research gap. The results contribute to the understanding

of the buyer-supplier collaboration and supplier relationship management theory from the point of view of the technical wholesale industry, where no previous research was found. The results also show that the resource-based view can be applied to the technical wholesale context.

In addition, this study presented a number of concrete methods that companies in the technical wholesale industry can use in their own buyer-supplier collaboration and supplier relationship management and thereby build and develop collaborative relationships with their suppliers. The thesis dealt with the implementation of collaboration from the perspective of several different organizational levels, which is why the results can be used by personnel working at operational, strategic and tactical levels. The results can be used, for instance, by category managers, sourcing and supply chain managers and sourcing and supply chain directors when developing supplier collaboration and supplier relationship management actions and operations. Especially from the summary tables in the empirical part, personnel working with suppliers can find useful ways to enhance collaboration. For instance, a new, inexperienced category manager can familiarize himself with the results of this study and discover the areas on which he should focus in his work, as well as concrete ways to improve collaboration with suppliers in his own area of responsibility.

Particularly beneficial from the point of view of managerial implications is collaborative relationship building process presented in Figure 11. Sourcing units of companies operating in the technical wholesale industry can utilize the process as part of their overall sourcing strategy and use it as an SRM strategy, for instance. The process can be used by companies that are in the initial stages of collaboration and supplier relationship management development, but it is also suitable for companies that already have advanced SRM processes and models. The process and other methods presented in this thesis can also be applied in other industries, especially they are well suited to retail and other wholesale industries.

7.3 Limitations and suggestions for future research

The limitations of this study must be addressed. This study was carried out as a single case study, which is why it might not necessarily form a comprehensive basis for generalizing the findings. The data collected for the empirical part was collected from six different interviews, which can be considered a quite small number of interviewees. However, the interviewees were chosen from several different organizational levels and from different

product lines, but an even more comprehensive picture could have been obtained if the interviewees had been chosen from all organizational levels of the case company and from each different product line that the company has. However, this would have been impossible within the scope and schedule of the study. However, the study was carried out from the perspective of a leading company in its field, which supports the purpose of the case study to observe a certain environment. The results of the study could probably be better generalized if the interviewees had been selected from several different technical wholesale companies and the number of interviewees had been larger. The study was carried out in the research context of a technical wholesale trade, which is why the results of the study are not necessarily applicable to other industries. The results of the study could have been different if the interviews had also been conducted with suppliers.

As a future research proposal, similar research could be carried out from the supplier's side. The topic of the research would turn like a mirror image "Building deep customer relationships by utilizing key customer relationship management". Carrying out such a study would bring more insights and increase understanding in the field of buyer-supplier collaboration. The research could also be carried out using the views of both the buyer company and the supplier company and comparing them.

In addition, it would be possible to conduct further research on power and dependency in the management of technical wholesale supplier relationships. Based on the empirical findings of this thesis, it can be stated that the technical wholesale industry would offer an interesting opportunity to study how the negotiating position of suppliers affects technical wholesalers and how the position of different companies in the value chain of technical trade affects collaboration. In addition, it would be possible to conduct deeper research on the dependency of technical wholesalers on big brand suppliers and their market control capabilities.

The importance of face-to-face interaction in collaboration would offer interesting and topical future research opportunities. In particular, industries where sourcing is based on long-term supplier relationships would have the opportunity to study how remote meetings have affected the quality of collaboration during the pandemic. In addition, the results of remote negotiations and face-to-face negotiations could be studied more deeply from the point of view of their effectiveness.

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Appendices

Appendix 1. Interview form and questions

Background information

a) Who are you: Job title?
b) What kind of sourcing organization does the company have? How many suppliers does the company have?

Buyer-supplier collaboration

1) What kind of relationships does your company have with suppliers?
2) How many key suppliers does your company work closely with?
3) At what different levels does your company collaborate with suppliers?

Collaborative relationships

4) What factors have influenced the fact that your company's supplier relationships aim to move to closer collaboration?
5) Does your company have instructions for moving from the traditional supplier relationships towards collaborative supplier relationships?
6) What benefits does your company achieve from supplier relationships based on close collaboration (i.e., what do you aim for with supplier relationships based on close collaboration)

Supplier relationship management (SRM)

7) How significant role does supplier relationship management play in your own area of responsibility or in your product line?
8) How does strategic supplier relationship management differ from standard supplier relationship management?
9) How does the interaction expand from simple transactions to more complex interactions with key suppliers?
10) Are strategic interactions between key suppliers managed as part of the overall relationship or through separate departments?

11) How important are the following factors in building and developing relationships based on collaboration and thereby achieving a competitive advantage?
    a. Trust
    b. Commitment
    c. Communication and information sharing
    d. Ethical behavior
    e. Practices
12) Do you recognize other factors besides these?
13) Does your company use a methodology that guides the implementation of SRM?

14) Are the following modules in some form part of your SRM implementation and how could they be utilized in building and developing collaborative relationships?
    a. SRM strategy
    b. Supplier segmentation and partner selection
    c. Supplier involvement and collaboration system implementation
    d. Supplier measurement and development