



VALUE CREATION THROUGH SUPPLIER RELATIONSHIP MANAGEMENT PRACTICES

Lappeenranta–Lahti University of Technology LUT

Master's Thesis in Supply Management

Value creation through supplier relationship management practices

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ABSTRACT

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Master's thesis

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During the recent decades, organizations have increasingly prioritized the development of relationships with suppliers for countering growing competitive pressures and global disruptions. These challenges significantly impact firms worldwide, highlighting the importance of exploring strategies and methods to enhance and secure supply chains. Firms utilize a range of approaches to generate and maintain value within supplier relationships. In the changing environment of today's world, it's crucial to focus on generating value in supplier relationship management.

In this thesis, I conducted a qualitative research with open ended questions to gain extensive understanding on firms' practices below the surface. I analyzed the results with thematic analysis. Ultimately, four professionals contributed in this thesis and provided comprehensive input on the relevant topics. Questions were set in a way that mirrored respondents' perceptions and backgrounds with the topics.

After examining the empirical results, it can be seen that respondents highlight "soft" factors over else. There were heavy emphasis on factors such as interpersonal dynamics, methods for long-lasting collaboration, information-openness and trust. Also theoretical perspective was largely covered with respondents underlining the necessity of monitoring methods, SLAs, scorecards and overall mutual collaboration in monitoring and developing the relationship.

Tiivistelmä

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Viimeisten vuosikymmenten aikana organisaatiot ovat entistä enemmän asettaneet etusijalle suhteiden kehittämisen toimittajiin vastauksena kasvaviin kilpailupaineisiin ja maailmanlaajuisiin häiriöihin. Nämä haasteet vaikuttavat merkittävästi yrityksiin maailmanlaajuisesti, korostaen tarvetta tutkia strategioita ja menetelmiä toimitusketjujen parantamiseksi ja turvaamiseksi. Yritykset käyttävät monenlaisia lähestymistapoja arvon luomiseen ja ylläpitämiseen toimittajasuhteissa. Nykymaailman muuttuvassa ympäristössä on olennaista keskittyä arvon luomiseen toimittajasuhteiden hallinnassa.

Tässä opinnäytetyössä toteutin laadullisen tutkimuksen avointen kysymysten avulla saadakseni kattavan käsityksen yritysten käytännöistä. Analysoin tulokset teema-analyysin avulla. Yhteensä neljä hankintatoimen ammattilaista osallistui tähän opinnäytetyöhön ja antoi kattavan panoksensa relevantteihin aiheisiin. Kysymykset oli asetettu siten, että ne heijastivat vastaajien näkemyksiä ja taustoja aiheista. Empiiristen tulosten tarkastelun jälkeen havaittiin, että vastaajat korostavat "pehmeitä" tekijöitä eniten. Painotettiin muun muassa vuorovaikutussuhteiden dynamiikkaa, kestävän yhteistyön menetelmiä, avoimuutta tiedon jakamisessa ja luottamusta. Myös teoreettinen näkökulma oli laajasti esillä, vastaajien korostaessa seurantamenetelmien, SLA-sopimusten, pisteytysten ja yleisesti ottaen molemminpuolisen yhteistyön merkitystä suhteen kehittämisessä ja seurannassa.

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1 Introduction

Organizations' focus and interest in developing their relationships with suppliers have become increasingly popular during the past couple decades. Constantly growing competitive pressures and worldwide conflicts for instance Ukraine war, semiconductor crisis etc. cause significant damage to firms operating around the world. Therefore, it's crucial to examine ways and methods on how different companies cope with the existing challenges in securing and improving supply chain. Generally, firms do have a variety of approaches to implement in order to generate and maintain the value creation within their suppliers. However, in today's rather hectic and constantly changing world the need for identify the effective value creative methods and practices is crucial.

Over the years, the concept of SRM has been studied by various researchers. According to Schuh et al., (2014) most theories are regarding buyer-supplier relationships from the view of supplier segmentation, collaborative buyer-supplier relationship and monitoring suppliers with scorecards. Solely SRM has been examined quite a lot, but linking value creation and SRM will provide more narrow scope in that field. Ulaga (2001) states that value is multifaceted but can be seen as the sum of benefits gained and sacrifices made. In this thesis, the theoretical perspective is to examine both themes to gain more extensive understanding on what practices firms actually conduct in order to create value in SRM.

1.1 Background

As a general rule, It is said that around four-fifths of a company's revenue comes from one-fifths of its customerbase. A comparable situation occurs in procurement as well. In fact, for many businesses, around 20 percent of the suppliers may cover over 80 percent of the purchased materials and products. (Byrne, 2002) Researchers have been studying the aspects of effective purchasing for decades but only on a narrow scope understating the importance of value creation through supplier relationship management. (Hult et al., 2007)

In today's world, companies are progressively forming cooperative connections with their supply chain targeting enhancements operational efficiencies, adaptability and gaining a competitive edge. Commonly, these are collaborative relationships which involve a commitment to long-term cooperation with both parties working together to create value that can only be achieved through mutual cooperation. (Corsten & Kumar, 2005) focus has dominantly shifted from transactional unilateral business to collaborative and information sharing partnerships (Singh & Power, 2009). Moreover, Supply chain performance is influenced by collaborative relationships resulting in higher performance and efficiency. Information sharing, collaborative culture and bilateral communication have risen major topics in enhancing supply chain management. (Kumar et al., 2016) For the past twenty years, there has been increasing interest in studying the attributes of collaborative relationships. Focus has shifted towards the potential value creation which is generated by key partner relationships. Ultimately, according to the empirical evidence and recent studies, relationships are perceived to be the cause of competitive advantage as well as tool for differentiate value for stakeholders. (Miocevic & Crnjak-Karanovic, 2012; Wisner, 2003)

1.2 Research questions

In this study, the focus is in Supplier Relationship Management (SRM) practices and their role in value creation within a wide range of business environments and products. Primary research question revolves around identifying SRM practices that contribute in value creation in different contexts and determine key factors influencing value creation.

How to create value through SRM practices in a buyer-supplier relationship?

To comprehensively address this topic, there is also a series of sub-questions. These sub-questions aim to elucidate the main factors driving value creation, elucidate the challenges inherent to SRM and provide insights into the determination of SRM practices. The goal is to gain valuable insights to the field of relationships management and to deepen our understanding of the strategies that organizations may utilize in optimizing their SRM strategies. Also it's intriguing to gather knowledge on how organizations enhance overall performance in the supply chain. Through sub-questions the target is to gain more detailed information on what are the main factors behind value creation in practical, as well as how does different circumstances within company influence optimal SRM approaches and practices.

What are the value creative SRM practices?

What are the benefits of SRM?

What are the challenges of SRM?

1.3 Theoretical framework

Theoretical framework (Figure 1) offers holistic view on the main topics of the study. At the core of the framework is the understanding that collaboration between buyers and suppliers is pivotal for maximizing the value generated through SRM practices.

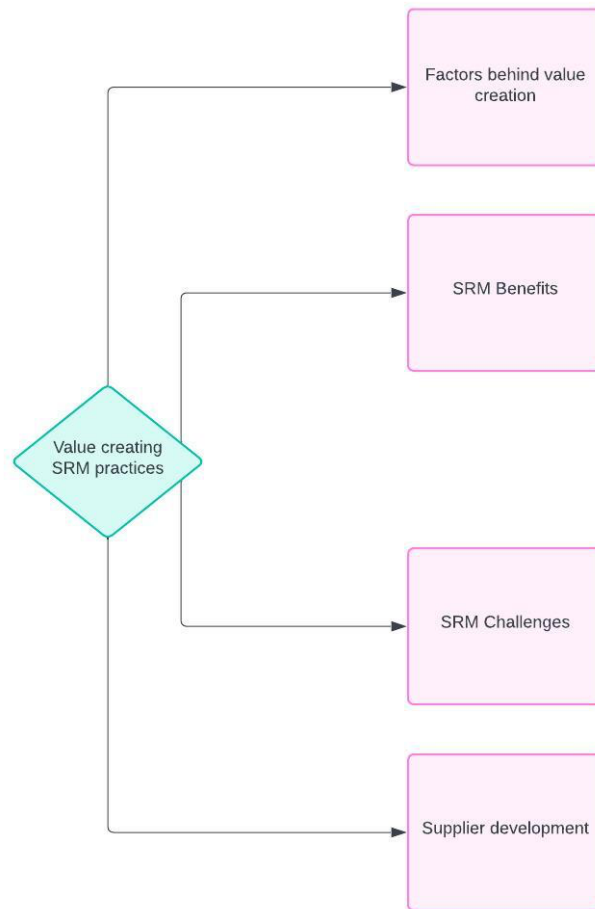


Figure 1 Theoretical framework

Framework above showcase the relevant themes regarding the topic. The main topic as well as main research question is about value creating practices that organizations have in place or in need to develop in. There are wide range of different challenges and benefits regarding SRM and its' implementation, maintation and collaborational issues. One of the most interesting part of the study is to deep dive into the factors that influence value creative SRM practices. Therefore, there is a heavy emphasis on that section to properly address the topic from all angles. Supplier development is closely related to value creation as well, therefore it's crucial to understand and find methods to implement any development activities to action.

1.4 Key concepts

Supplier relationship management (SRM)

Nowadays, especially Business-to-business clients are increasingly expecting flawless service from their suppliers, with a particular emphasis on the development of more integrated and cooperative partnerships with key suppliers. This demand for enhanced supplier engagement is at an unprecedented level. (Piercy 2009) For many companies, managing customer relationships and thus developing buyer-supplier relationships have become major priority over marketing activities. Companies are shifting focus and resources from marketing towards account strategic management. (Webster, Malter & Ganesan, 2005)

Nevertheless, SRM tends to have rather unclear and vague meaning. Mostly it's described as a concept of practices of managing and enhancing supply chain efficiency and relationship. The term can be chopped to few dimensions that cover the basic principles of developing buyer-supplier relationships such as supplier segmentation, collaborative buyer-supplier relationship and monitoring suppliers with scorecards. (Schuh et al., 2014)

Value & value creation

The concept of value is truly vague and thus varies depending on the context. In general, it refers to the importance, worth, or usefulness of something to stakeholders which can include customers, employees, suppliers for instance. Value is also considered a fruitful outcome of a relationship and often value is created through relationship in many stages. (Kähkönen & Lintukangas, 2018; Lindgreen & Wynstra, 2015; Forsström, 2005) It is often assessed in terms of the benefits it provides relative to the cost. According to Ulaga (2001) Value can be seen as a comparison between the benefits gained and sacrifices made. This understanding of value is a general view and can be implemented into any context. Value as a wider conception of cost that takes into account non-financial elements like time and effort.

Furthermore, value creation is the cornerstone of competitive advantage over rivalries. The object of value creation is to provide more value to the customer through more compelling offering than competitors. (Sirmon et al., 2007) Barney (1991) emphasizes that competitive advantage may occur when a value-creative strategy is taken place solely by one company and competitors do not have the same capability to generate value. Value creation is also

characterized as a collaborative process where the abilities of participating entities are merged to enhance the competitive edge of the collective group or individual members (Borys & Jemison, 1989)

Buyer-supplier collaboration

During the recent years, the phenomena of firms engaging in collaboration with their customers and suppliers has become a prominent subject of study in supply chain management (Singh & Power, 2009) Companies are forging partnerships with entities in their supply chain to enhance efficiency, adaptability and to pursue long-term market strength. Yet, it remains uncertain whether the advantages gained from these cooperative ties are sufficient to offset the higher costs they entail. (Nyaga, Whipple & Lynch, 2010) Additionally, firms in long-term relationship focuses on generating profits through relational exchange over short-term series of transactions (Ganesan, 1994) Relationships vary in depth, ranging from rather transactional ones to strategic, long-term partnerships characterized by mutual trust and collaborative efforts. (Nyaga et al., 2010; Corsten & Kumar, 2005)

1.5 Research methodology & limitations

This research is conducted by using qualitative methods for information gathering. Qualitative approach is well applicable when the goal is to gather thorough information on certain topics via open-ended questions. The aim of the study is to provide a holistic view on the surface of buyer-supplier relationships in both small and large companies. Information is gathered by conducting a semi-structured qualitative survey. The respondents are C-level decision-makers (CPO, CEO) who are the most acquainted with buyer-supplier practices and current state of their relationships. Respondents have had experience from the SCM field for over 20 years. Empirical evidence and study outcomes will be scrutinized from the view of presented theory to disclose any cohesion and correlation with different factors.

In this study, the main focus will be on value creation in buyer-supplier relationships. Some of the major topics assessed will be collaborative relationships, supplier segmentation, objective of relationships and surely value creation. Specifically, the topics discussed in this thesis are related to supplier relationships, not relationships in general. Buyer-supplier relationships will be examined rather on a collaborative level while transactional relationship

offers more shallow ground for study therefore the main focus is in collaborative relationships. SRM is quite circumspect subject to begin with and extremely bound to a certain context. The situations vary significantly in different industries, businesses and relationships in general so this study is examining empirical evidence in the light of company related context. Therefore, circumstances of the company and its' practices have to be considered as a whole rather than general rule. Moreover, the study is constructed from the view of buyers' thus it's obvious that majority of following theory and survey is discussing the topic from that point of view.

1.6 Structure of the study

In this chapter, the structure of the study is showcased. Introduction lays the foundation for the study, presenting the background and the pivotal research questions. It elucidates the theoretical framework, key concepts and outlines the methodology and limitations of the research, culminating in a structured approach to exploring value in buyer-supplier relationships. After introduction, there will be a literature review on key topics such as value and SRM. In value section, we delve into the components of value creation within buyer-supplier relationships. We analyse the challenges faced and the benefits reaped from these dynamics and eventually gain thorough understanding on what is value and how it's created. In the SRM section, we discuss the nuances of supplier collaboration, segmentation, and relationship practices, while also addressing the inherent challenges within these relationships. SRM chapter covers the main theories behind relationship management practices.

Methodology covers details such as research strategy, including the methods of data gathering and the structure of interviews conducted. It serves as the blueprint of the research design. In empirical evidence, the focus is on practices and their outcomes, this part of the study also examines how SRM practices is connected to value creation. It evaluates the SRM process in the case companies and the challenges and objectives of various practices. The target is to identify the value creating practices that different organizations have in place. In the final part of the study, we examine the empirical findings in the light of presented

theory. This section is dedicated to analysing the SRM practices showcased, examining their validity and reliability, and presenting the key takeaways of the research.

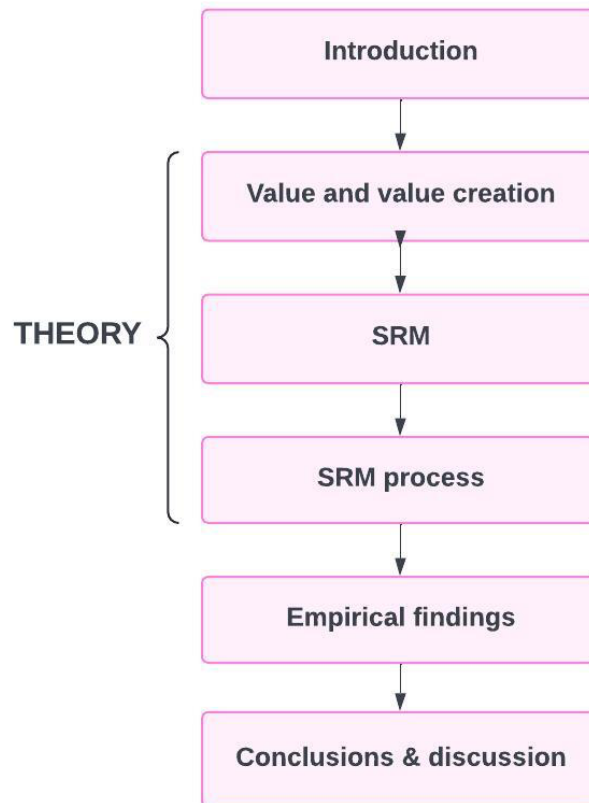


Figure 2. Structure of the study

2 Value and value creation

This chapter will shed light on the basics of value creation and co-creation in B2B relationships particularly within the framework of SRM. The focus is also on how modern organizations are transitioning to more networked approaches to generate value. The target of this chapter is to gain comprehensive understanding of what are the components of value and how does collaboration influence to value creation. In order to comprehend concept of value comprehensively, this chapter offers holistic view on the importance of collaboration and relationships providing stand for creating value.

2.1 Value as a concept

Value has many meanings and can be understood in various ways depending on the context. According to Walter, Ritter and Gemünden (2001) value can be seen “as a trade-off between benefits and sacrifices”. Wilson et al., (1995) defines value as competence, social rewards and information. Walter et al., (2001) also emphasizes the fact that it’s essential to presage the concept of value in order to fully understand the dimensions of business markets and how value is tied to it. Anderson and Narus (1999) consider value to be the fundamental element of managing business markets due to the primary importance of functionality and performance in these arenas. Flint, Woodruff and Gardial (1997) and Wilson (1997) furthermore explains that given the intrinsic significance of value in business markets it is crucial for companies to understand the mechanics and practices behind value creation. Forsström (2005) emphasizes the need to differentiate between the concept of value and the act of creating it. While value is an individual's judgment of the balance between the gains and costs involved, value creation is the collaborative effort where the involved parties leverage each other's assets to produce value. This creation process can be understood as the way in which the partners' strengths are integrated to enhance the competitive edge of the collective entity or of individual members within it.

Forsström (2005) further continues covering the topic from three perspectives which will deepen the understanding of different value characteristics. According to Forsström (2005) value can be defined by 1) the value of an single offering 2) Relationship value 3) Value created in a relationship. She further continues that the value of an single offering is often measured by using monetary units. Anderson et al., (1993) also specified the value of an offering by stating that value to a customer firm is essentially the financial estimate of the complete benefits, which includes economic, technological, and service advantages, as well as the social gains, against the price paid for a product. Furthermore, Ulaga (2001) and Forsström (2005) provided insights on values of relationship and propose that the concept and interpretation of value have now expanded, hence discussions now extend beyond just monetary aspects. Walter et al., (2001) suggests that in this context, sacrifice and benefit replace monetary units in measuring success. That said, Wilkinson and Young (1994) adds that the definition of relationship value is a complex task since in many cases the value

occurs in networks of relationships that the firm is connected to and value can be in many forms.

Moreover, according to existing literature by Lindgreen and Wynstra (2005) and Lindgreen et al., (2012) Value can be divided into two dimensions, the value of goods and services as well as the value of buyer-supplier relationships. Lindgreen et al., (2012) highlights that value is more often coming from relational exchanges than one-way transactional relationships. Dwyer et al., (1987) and Dyer and Singh (1998) state that value through relational exchange often requires using supplier relationship management as a source of competitive advantage whereas in transactional relationships value is increasingly tied to product differentiation and tailoring.

2.2 Value Creation through SRM

The idea of value creation stems from various areas of business studies. The capacity of networks of companies to generate value has been examined for many years, so it is not a recent development. (Kähkönen & Lintukangas, 2012) Given that nowadays companies operate within a business environment characterized by various relationships and networks rather than in isolation, the significance of supply management as a function that adds value to a company has been recognized. (Hartmann et al., 2012; Kähkönen & Lintukangas, 2012) Vargo and Lusch (2008) defined value creation as a primary goal of any exchange processes. Additionally, Harmsen and Jensen (2004) emphasize that creation of value entails the company's capacity to comprehend and transform the requirements of customers into exceptional and improved solutions. Barney (1991) further states that value creation and business goes hand-in-hand. Also clarifying that, the main objectives of business activities are the creation of value, the achievement of competitive advantage, and the improvement of a firm's performance (Barney, 1991)

Hughes (2008) conducted a comprehensive research on exploring different forms of potential value which can be achieved in buyer-supplier relationships. In the figure 3. there are variety of potential forms of value and how they're linked to either revenue contribution or bottom-line savings or both.

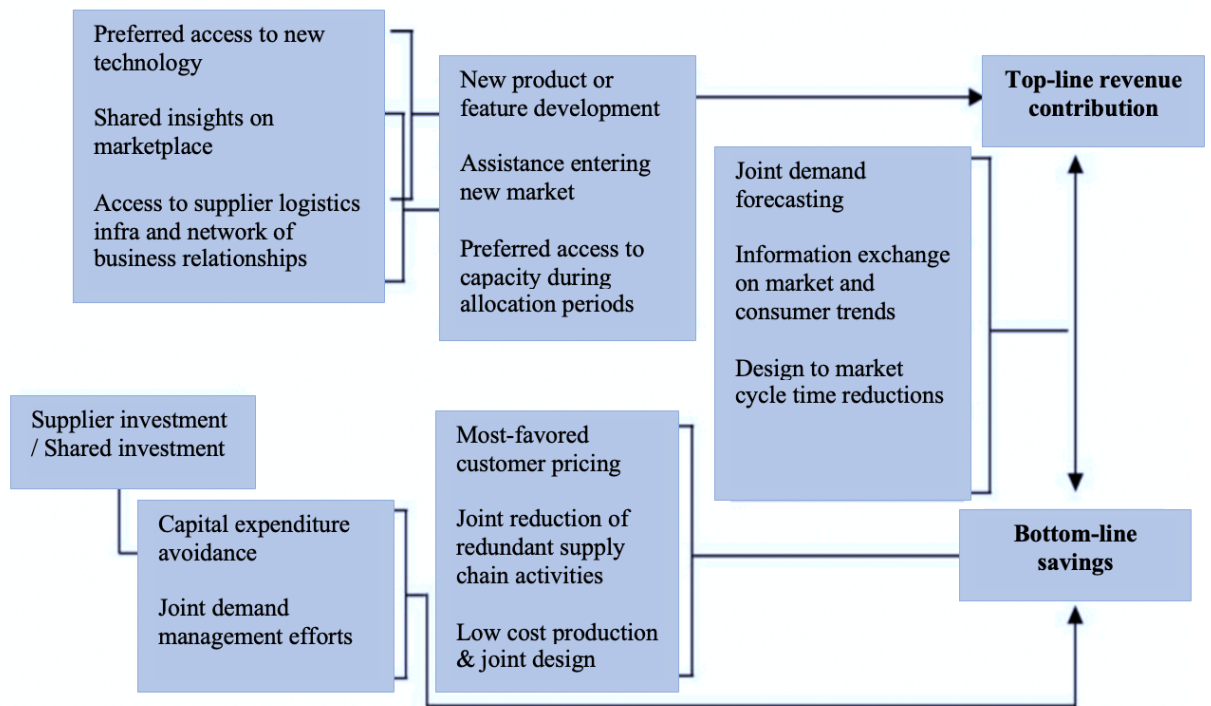


Figure 3 Different forms of value from buyer-supplier relationships. (Hughes, 2008) modified.

According to Hughes (2008) there are often various barriers holding back firms from evolving their conventional procurement activities within their key suppliers into more efficient partnerships and being capable of generating significant value for both entities. The essence of successful collaborative buyer-supplier relationships lies not just in the joint activities they utilize but also in their mutual perceptions and the nature of their interactions. In the figure 3. Hughes (2008) properly showcases the significant value components that can be viewed as a benchmark or potential for value to be generated. For instance, the key value factors contributing top-line revenue is openness in sharing valuable information which include information sharing regarding marketplace or access to new technology. Based on the common symmetrical information of the market and consumer trends, companies are able to make more accurate demand and market forecasts. Moreover, the bottom-line savings are in fact result of trust and collaboration in relationship. Bottom-line savings are eventually arising from multiple joint activities such as joint reduction of redundant practices in supply chain or reducing production costs through joint design. (Hughes, 2008)

Furthermore, collaborative relationships generally embrace values such as non-physical assets like skills, connections, expertise and innovations that can contribute a form of value that isn't easily quantified in financial metrics. Therefore, the ability of supply management to generate value is heavily linked to its proficiency in leveraging the resources and competencies of suppliers to produce benefits for customers, suppliers and the company itself. (Kähkönen & Lintukangas, 2018) Consequently in the figure 3. by Hughes (2008) showcases the same phenomena that values presented cannot be monetarily quantified but are monetized afterwards as a result of fruitful collaboration. Hughes (2008); Hammervoll and Toften (2010) also state the significance of collaboration in value creation. Nearly every business engages with a multitude of suppliers, often more than they may recognize. Genuine collaboration with these suppliers holds the key to unlocking substantial additional value. These instances present opportunities to fully realize the potential value that can be derived from collaborative efforts. Hughes (2008) presents some of the key attributes linked to value creation which are derived from collaboration. Key factors such as proper alignment of mutual planning and operations between partners, involving openness in information sharing, proper implementation of processes and thus coordinated decision-making. Moreover, substantial investments in terms of time, effort and capital from both collaborating parties in required. Lastly, Hughes (2008) states, collaboration efforts and value creation has a notable risk for exploitations and opportunistic behavior due to the fact collaboration requires sharing information and that may result in various competitive risks. Therefore, as Hughes (2008) explains, potential opportunities and decision on whom to collaborate with has to be comprehensively evaluated.

2.3 Value co-creation

The concept of value co-creation have become increasingly widespread in the recent discussion of B2B value research (Kohtamäki & Rajala, 2016). Value as a systemic property and the concept of value cannot be comprehended by concentrating solely on an individual level within a service ecosystem but rather large networks entailing variety of actors. (Corsaro, 2014; Tax, McCutcheon & Wilkinson, 2013) Value co-creation occurs when different entities engage through mutually beneficial interactions. In order to effectively navigate this networked value creation, managers within firms must grasp the collaborative

opportunities in the business ecosystems. Collaborative efforts involving multiple firms for value creation can influence competition, strategy formation and innovation. (Vargo & Lusch, 2008; Vargo & Lusch, 2016) Also Windahl and Lakemond (2006) suggest that it's more important to concentrate on systems that create value, wherein diverse actors collaborate to co-produce value, rather than solely focusing on the individual firm and its' capabilities. Amit and Zott (2001) add that in fact value creation is encompassed by individual core competences and specialized resources of a company which will be utilized into mutual value creation.

Lamming (1993) states that collaboration within a highly depended relationship between parties has potential to generate substantial value. Both buyers and suppliers actively contribute to value generation, underscoring the critical role of each party. Therefore, in supply management, it is essential to regard suppliers not only as collaborators but also as significant partners and facilitators in the overall process. Möller and Törrönen (2003) showcase a framework (Figure 4.) where the potential of supplier's value creation is comprised of three functions 1) efficiency, 2) effectiveness and 3) network.

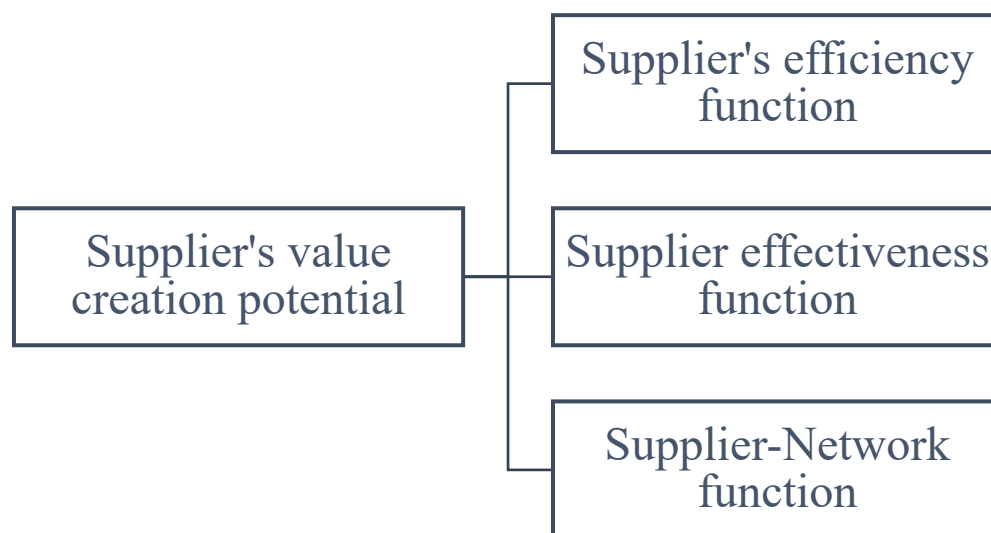


Figure 4 Supplier's value creation function. (modified from Möller & Törrönen, 2003)

In the figure 4. Möller and Törrönen (2003) suggest that efficiency involves the effective utilization of existing resources, essentially maximizing the output from the resources employed. Improved efficiency leads to reduced production or transaction costs. Enhancing efficiency can be attained through optimizing the operational processes of both the supplier

and customer as well as the interconnected exchange processes between them. Moreover, Möller and Törrönen (2003) explains that effectiveness pertains to an actor's capacity to innovate and generate solutions that deliver greater value to markets compared to existing offerings. Teece, Picano and Shuen (1997) note that value coproduction with research institutions and companies have become increasingly common. According to Möller and Törrönen (2003) supplier-network function covers linkages between crucial suppliers, government agencies and customers in general. Proper network between these stakeholders may provide necessary resources to develop and enhance business processes.

2.4 Transition from value chains to value nets

Porter (1985) presented the model of value chain, which has been the primary model for value creation within a company level activities. According to Porter (1985) a company ultimately gains competitive advantage over rivalries through excelling in activities such as marketing, production and support. However, according to Hines (1993) the Porter's model has been outdated due to the fact that it's mainly focusing on company level and thus overlooking the necessity of networks in value creation. Also Kothandaraman and Wilson (2001) emphasize that Porter's model scrutinizes value-adding activities without examining into the connections between the firms that are closely linked in the value chain. These connections, particularly the relationships among the actors, play a crucial role in value creation. Therefore, the viewpoint of the individual company is considered too narrow.

Every company is a component of a network dedicated to creating value. Some firms hold significant roles and wield influence in shaping the network, whereas others are in minor roles and are thus influenced by the network. (Kothandaraman & Wilson, 2001) The value net is characterized as a dynamic and adaptable network involving the relationships among its participants. Within this network, actors collaborate to generate value by integrating their distinct and value-enhancing resources and capabilities. Consequently, value net is specifically network of multiple actors where value is created by collaboration (Allee, 2003; Bovet & Martha, 2000) According to Bovet and Martha (2000) value net emerges around customers, capturing their actual choices in real time and sharing them with other participants in the value net. Activated by accurate customer demand, it can reliably and swiftly respond to changes in customer preferences. Moreover, Allee (2003) states that value

nets are also heavily future-oriented networks where intangible assets are the primary resources.

3 Supplier relationship management

Supplier relationship management (SRM) is a relatively vague concept and thus it has a variety of different definitions by researchers. Hughes (2008) stated that SRM is a comprehensive evaluation of suppliers' assets and capabilities combined with the determined objectives. The decision-making process regarding which activities to undertake with various suppliers. Also thorough planning and execution of all interactions with suppliers to optimize the potential value derived from these relationships. Singh and Power (2009) and Flynn, Huo and Zhao (2010) describe SRM as a vital business process governing the development and upkeep of relationships with suppliers. It has gained importance due to competitive pressures, the imperative of sustainability and risk consideration, the quest for cost efficiency to enhance competitiveness and the desire for closer ties with key suppliers for innovation. As an objective, significant benefits can be yielded through effective management of these relationships. According to Byrne (2006) SRM is also related to launching joint-product development programs as well as implementing a variety of joint process improvements that aim to reduce costs on both sides. Furthermore, Schuh et al., (2014) highlight the actual objective of SRM practices, it's not about having many broad supplier practices implemented, the ultimate target should be in effectiveness and how to actually improve and develop the relationship and generate more value. Schuh et al., (2014) continue that the fundamental of SRM is 1) influencing the behavior of suppliers 2) shaping the dynamics between two companies 3) leveraging the size of a company across multiple hierarchies and divisions.

Lambert and Schwieterman (2012); Hughes (2008) underline that SRM presents a possibility to increase the benefits of strategic sourcing and more conventional procurement practices. It entails establishing collaborative partnerships with key suppliers, aiming to cut costs, introduce new products through innovation and generate mutual value. This approach is

grounded in a mutual dedication to continuous cooperation and mutual success, ultimately benefiting both parties. Lambert and Schwieterman (2012) also divided SRM into strategical and operational dimensions. At the strategy level the objective is to identify key suppliers contributing company's success now and in the future. Subsequently, team in the strategical level makes decisions on how to proceed with key relationships and how to develop and maintain these relationships. Conversely, at the operational level the main focus is in segmenting the suppliers based on their value creation potential, identifying opportunities within the segment and measuring supplier's performance. Operational team is also responsible for implementing PSA where the aforementioned factors are being monitored.

Moreover, Schuh et al., (2014) note that although industries and objectives may vary significantly in the discussion of SRM, still the fundamental function and purpose of SRM is the same. Hughes (2008) also points out that the fundamental objectives of SRM are considerably similar to CRM (customer relationship management). Similar to the numerous engagements companies have with their customers, they also engage with their suppliers over time. These interactions, such as contract negotiations, purchases, logistics management and collaboration on product design are not isolated but collectively form a relationship. Furthermore, Dyer et al., (1998b) view SRM as an instrument for properly categorizing suppliers either to key suppliers or conventional ones and thus determining the correct approach to managing the depth of relationship. Therefore, as Lambert and Schwieterman (2012) defined, SRM provides an avenue to extend the advancements of strategic sourcing and conventional procurement efforts into reciprocal success.

Furthermore, Moeller, Fassnacht and Klose (2006) showcased a framework where SRM is divided into three phases 1) Out-Supplier Management 2) In-Supplier Management and 3) In-Supplier dissolution Management. According to Moeller et al., (2006); Gadde and Snehota (2000) The primary focus of Out-Supplier Management involves monitoring suppliers without existing relationships with the purchasing firm, known as out-suppliers. The goal of this approach is to maintain connections with the top suppliers in the market, emphasizing that the current state of a relationship may not be long-lasting. Also Hughes (2008) emphasizes the fact that effective supplier management requires constant evaluation and monitoring of current state of relationships and thus it's crucial to be aware of potential alternative suppliers. Wang et al., (2016) likewise proposed that adequate SRM strategy

encourage to cope with out-suppliers in order to maintain competitiveness of supply chain. Moreover, According to Moeller et al., (2006) the former out-supplier transitions to in-supplier when first agreement is made. Moeller et al., (2006) continue that In-supplier management the goal is to establish and sustain relationships with in-suppliers, aiming to improve the creation of value. It is acknowledged that suppliers possess varying potentials for enhancing value and, as a result, should be treated unequally. Gadde and Snehota (2000) added that relationships necessitate either high- or low involvement depending on the value creation potential. Therefore, for companies it's extremely important to identify these high-value relationships that require high-involvement since it's often costly and resource-consuming. Lastly, Moeller et al., (2006) examined the In-Supplier dissolution management where company prospect potential new suppliers due to the end of current supplier relationship. Generally, dissolution is rather common phase in relationships, yet may be complex task due to the sunken investments, resources and value. Alajoutsijärvi, Möller and Tähtinen (2000) further specified that relationship-exits can be done directly or indirectly. Direct exit often means ending the relationship through communication and is therefore quite straightforward for both parties. On the other hand, indirect exit is comprised of lack of communication where the buyer conceals their true intentions and alters the relationship dynamics in a manner that is likely to prompt the supplier to terminate the relationship voluntarily.

3.1 Supplier collaboration practices

Companies increasingly face challenges from competitive forces, urging them to enhance quality, delivery performance and efficiency while cutting costs. Consequently, companies are actively seeking methods to improve on their supply chains with a growing emphasis on systematically assessing the contributions of suppliers in their operations and thus develop the relationships. (Kannan & Choon Tan, 2006) Buyer-supplier collaboration is pivotal in enhancing the relationship and is largely incentivized by mutual benefits and common goals. Long-term collaboration is aimed in maximizing profits and create added value also in the future. (Ganesan, 1994; Wang et al., 2016) Moreover, buyer-supplier collaboration especially with key suppliers is considered to be a major factor in creating competitive advantage (Wisner, 2003). According to Trent (2005) collaborative relationships depict the highest level of connection between a buyer and seller which include various joint activities

such as strategy planning and profound sharing of resources. Hereby, the parties acknowledge that the derived value is significantly greater because of the collaborative relationship's existence. Hughes (2008) views collaborative relationships as an outcome of high-level of trust and common objectives.

Various researchers have been examining proper relationship bonding tactics, for instance (Baker, 1990; Yang et al., 2012) suggest that bonding tactics plays key role in managing relationships between organizations. Ibrahim and Najjar (2008) state that bonding tactics in a relationship encompass the psychological, emotional, economic, or physical connections that link and intertwine exchange partners, thus creating interaction and a sense of attachment. Wang et al., (2016) emphasize that in a joint project, when the buyer has numerous alternative cooperation options beyond the joint project, exerting greater influence, it may become challenging for the supplier to establish a long-term relationship with the buyer. Therefore, as the less influential party, the supplier company is often forced to driven tactics to hold onto the buyer company. Wilson (1995) showcased social bonds and structural bonds as tactics aimed at managing the buyer-supplier relationship. Firstly, social bonds refer to the level of mutual personal friendship and affinity between exchange partners, as defined by Wilson (1995). Social bonding tactics involve fostering interpersonal interactions and friendships to improve and maintain the buyer–supplier relationship. On the other hand, structural bonds is used to create obstacles for the termination of the relationship. (Wilson, 1995) Particularly, when use of irreversible investments, adjustments, and the utilization of shared technology increases between exchange partners, the development of structural bonds will also intensify. The ultimate goal for employing structural bonding tactics is raising the switching costs for the other party. (Wang et al., 2016)

Moreover, Wilson (1995) similarly presented a set of general tactics to be implemented in enhancing and indenting the relationship between suppliers (figure 5).

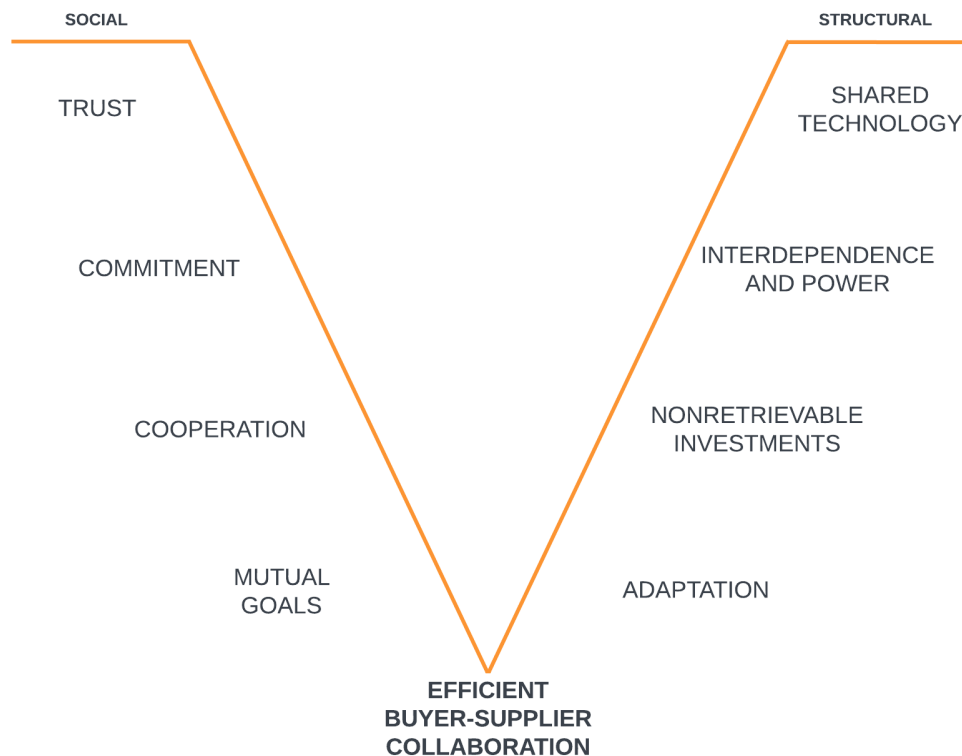


Figure 5 Collaboration practices (modified, Wilson 1995)

According to Wilson (1995) Trust is prerequisite for fruitful collaboration. Moorman, Zaltham and Deshpande (1992) defined trust as "willingness to rely on an exchange partner in whom one has confidence". Also Hughes (2008) underlines trust being the cornerstone of collaboration due to presence of information sharing and integration of processes. Wilson (1995) continues that also commitment plays key role in relationship progression. Commitment indicates the necessity of the relationship as well as willingness to allocate resources into it and continue it in the future. Hardwick and Ford (1986) point out that high commitment from parties implies they assume collaboration to generate value and benefits in the future. Anderson and Narus (1990) defined cooperation as "*similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time*". According to Morgan and Hunt (1994) cooperative behaviour ultimately lead to both parties receive the benefits and value of the relationship. Wilson (1995) sees that mutual goals can only be

accomplished through joint planning and mutual action, thus mutual goals are key incentive in continuing the relationship.

Additionally, Wilson (1995) presents some structural impediments in maintaining buyer-supplier relationship. Firstly, Vlosky, Smith and Wilson (1994) examined that shared technology can be held as key component in strengthening and indenting the relationship. Especially, in the later stages of collaboration when the technology is fully implemented and valued by other party it is considered to be major bond to the collaboration. Anderson and Weitz (1989) state that power dependence and yet power imbalance are relevant phenomena influencing the dynamics of relationship. Through power imbalance one party is capable to get other party operate in a way that they wouldn't normally operate. According to Wilson (1995) nonretrievable investments are investments in resources such as capital and equipment that cannot be recovered in case of termination. Therefore, these investments typically form a robust disincentive to end the relationship. Lastly, also adaptation in relationship occurs when parties have to modify its processes to better suitable in the mutual combination. Adaptations are considered to create a blockage for terminating the relationship due to already modified processes between the parties. (Hallen, Seyed-Mohamed & Johanson, 1991)

3.2 Potential benefits in SRM

In the world of fierce competition, the pressure to improve operations and processes is massive. In order to survive and prosper, collaboration with suppliers is inevitable. Below in the table 1. there is a comprehensive list of benefits that is highlighted by various researchers during the past decades. Most of the benefits showcased are related to the main themes in SRM such as effectiveness, improvement of processes, performance measurement and collaboration.

Table 1. Benefits of SRM.

Benefit	Source
Cost-effectiveness	Gadde & Snehota, 2000; Deloitte, 2015; Byrne, 2006; Hughes, 2008;
operational efficiency	Trent, 2015; Deloitte, 2015; Sheth & Sharma, 1997; Lintukangas, 2010
effective communication processes	Hughes, 2008; Deloitte, 2015; Lintukangas, 2010
mitigated risks in supply chain	Deloitte, 2015; Lambert & Schwieterman, 2012
ensured compliance	Deloitte, 2015; Byrne, 2006;
continuous improvement	Deloitte, 2015; Trent, 2015; Davis 1993; Byrne, 2006; Lambert & Schwieterman, 2012; Liker & Choi, 2004;
more efficient and effective supply chain	Sheth & Sharma, 1997; Deloitte, 2015; Hughes, 2008; Lambert & Schwieterman, 2012; Lintukangas, 2010
innovation	Trent, 2015; Byrne, 2006; Hughes, 2008;
new market ventures	Sheth & Sharma, 1997; Hughes, 2008;
Launching joint development programs	Byrne, 2006; Liker & Choi, 2004;
improved time-to-market efficiency	Hughes, 2008; Möller & Törrönen, 2003;
more efficient procurement processes	Byrne, 2006; Möller & Törrönen, 2003;
competitive advantage	Trent, 2015; Sheth & Sharma, 1997; Hughes, 2008; Lambert & Schwieterman, 2012; Cousins & Spekman, 2003;
Minimization of transaction costs	Lintukangas, 2010;
improved quality of an offering	Byrne, 2006;
flexibility and responsiveness	Lambert & Schwieterman, 2012;
Value Creation	Sheth & Sharma, 1997; Gadde & Snehota, 2000; Hughes, 2008; Kähkönen & Lintukangas, 2012;
Performance measurement	Davis 1993; Byrne, 2006;
Increased trust and collaboration	Hughes, 2008; Lambert & Schwieterman, 2012; Kähkönen & Lintukangas, 2012; Möller & Törrönen, 2003; Liker & Choi, 2004;
Openness in information sharing and improved knowledge	Lambert & Schwieterman, 2012; Hughes, 2008; Byrne, 2006; Kähkönen & Lintukangas, 2012; Möller & Törrönen, 2003; Liker & Choi, 2004;
New product offering development	Byrne, 2006; Hughes, 2008;
Faster cycle times and optimized inventory	Trent, 2015; Deloitte 2015; Park et al., 2010

SRM truly has wide range of diverse benefits, for instance Gadde and Snehota (2000) presented cost-effectiveness and value creation play significant roles in forming the value offering of SRM. Moreover, researchers such (e.g. Trent, 2015; Deloitte, 2015; Sheth & Sharma, 1997 and Hughes, 2008) argue that in a pursuit of making current processes and operations more efficient, SRM may offer some pivotal tools and practices to improve the performance of buyer-supplier relationship. According to Croxton et al., (2001) SRM and its' objectives is strongly mirrored by customer relationship management (CRM). Some researchers (e.g. Kalwani & Narayndas, 1995) have pointed out that sustaining established long-term customer relationships is more financially advantageous than actively pursuing new customers.

There is a strong correlation between strategic supply management and a company's competitive advantage as well as value creation. (Yeung, 2008; Trent, 2005; Sheth & Sharma, 1997; Gadde & Snehota, 2000; Hughes, 2008; Kähkönen & Lintukangas, 2012) The benefits of SRM are practically the result of remarkably increased competition. Due to the existing global competitive pressures, companies aim to lower prices, enhance quality, shorten cycle times and improve delivery efficiency through SRM (Trent, 2005). Additionally, Trent (2005) and Sheth and Arun (1997) emphasize that a crucial matter in establishing SRM benefits is to maintain a small supplier-base in order to achieve more efficient supplier involvement, co-planning, improved quality and reduction in costs. Lintukangas (2010) agrees that reducing transaction costs and enhancing efficiency stand as the primary concerns driving the integration tendencies of companies in the global business landscape. Additionally, when the suppliers evolve into a strategic differentiator and a core competency, there is a shift towards perceiving suppliers not merely as vendors but more as strategic partners. (Trent, 2015) Furthermore, adequate openness and information sharing between partners in supply chain is requisite for maintaining collaborative and innovative conditions and atmosphere. Trust is a key component in building efficient and collaborative relationships and hence information sharing and other joint development activities are crucial for founding long-term partnerships. (Lambert & Schwieterman, 2012; Hughes, 2008; Byrne, 2006; Kähkönen & Lintukangas, 2012; Möller & Törrönen, 2003; Liker & Choi, 2004) Additionally, further collaborative innovations and new market ventures as well as joint development programs create an advantage over rivalries. That said, to facilitate these aforementioned collaborative efforts, companies must've gain mutual understanding

in terms of openness of information-sharing and trust. (Trent, 2015; Byrne, 2006; Hughes, 2008, Sheth & Sharma, 1997)

Competitive edge is more often comprised of enhanced product innovations with suppliers. Hence, companies strive to recognize their strategically significant customers, maintain and strengthen positive business relationships with them and boost overall competitiveness by leveraging the synergy derived from mutual business activities. (Trent, 2015; Sheth & Sharma, 1997; Hughes, 2008; Lambert & Schwieterman, 2012; Cousins & Spekman, 2003) Hughes (2008) notes that in close product innovation activities with supplier there may occur animosities between the parties. However, ultimately these differences should be leveraged into more superior product offering in the end. Likewise Liker and Choi (2004); Byrne, (2006) and Hughes, (2008) highlight the importance of suppliers' contribution in enhancing product development and thus the effect on the final product offering. Furthermore, Lintukangas (2010) argue that the objectives of SRM can be divided into five categories which also positively correlate with the benefits showcased 1) minimization of transaction costs 2) value creation through internal resources and capabilities 3) gaining competitive advantage from cooperative relations 4) Reducing the risk of supply dependence and availability 5) diffusion of supply information between business units.

3.3 Challenges in implementing and maintaining SRM

In spite of the numerous advantages of SRM, forging strategic collaboration with essential suppliers can present significant challenges (Deloitte, 2015). According to Sohrabpour (2016); Monczka and Morgan (1997) commonly, the occurring challenges are derived from an unsuccessful integration of SRM. Below in the table 2. the aim is scrutinize potential obstacles regarding SRM. The challenges related to SRM is widely studied by multiple researchers and thus offer comprehensive insights on the topic.

Table 2. Challenges of SRM.

Challenge	Source
Costs of integration	Cousins & Menguc, 2006;
Lack of internal alignment	Hughes, 2008; Deloitte, 2015; Ellram, 1995; Forslund & Jonsson, 2007
Lack of commitment and initiatives	Deloitte, 2015; Lamming, 1993; Sheth & Sharma, 1997; Hughes, 2008; Ellram, 1995; Sohrabpour et al., 2016
Willingness to share key Information lacking	Hughes, 2008; Deloitte, 2015; Wang et al., 2016; Sheth & Sharma, 1997; Baker & Faulkner, 1991; Lee & Whang, 1999; Mohr & Sohi, 1995; Pohlen Coleman, 2005
Inflexibility and slowness	Deloitte, 2015; Oghazi et al., 2016; Das, Narasimhan & Talluri, 2006
Supplier lacking motivation to invest resources and involvement is low	Gadde & Snehota, 2000; Oghazi et al., 2016;
Lack of reaping reciprocal benefits and increase of uncertainty	Fink et al., 2007; Sheth & Sharma, 1997; Mohr & Sohi, 1995;
Need for diversity in supply chain	Olorunniwo et al., 2011; Sheth & Sharma, 1997
Lack of trust and respect	Trent, 2015; Sheth & Sharma, 1997; Hughes, 2008; Ellram, 1995; Lee & Whang, 1999;
Opportunistic behaviour and risks	Sheth & Sharma, 1997; Hughes, 2008; Mohr & Sohi, 1995;
Lack of thorough integration and implementation of SRM practices	Byrne, 2006; Liker & Choi, 2004; Hughes, 2008; Bemelmans, Voordijk, Vos & Buter, 2012; Monczka & Morgan, 1997; Sohrabpour et al., 2016
Lack of creative joint problem solving	Hughes, 2008;
Lack of interdependence and shared constructive expectations	Larzelere & Huston, 1980; Forslund & Jonsson, 2007
lack of performance measurement and tools implemented	Mohr & Sohi, 1995; Oghazi et al., 2016; Bemelmans, Voordijk, Vos & Buter, 2012; Faisal et al., 2007
lack of flexibility and responsiveness	Lambert & Schwieterman, 2012;
Lack of communication and common goals	Oghazi et al., 2016; Hughes, 2008; Liker & Choi, 2004; Larzele & Huston, 1980

Cousins and Mengue (2006) argue that the expenses associated with implementing integration are highlighted as a crucial obstacle. Hence, disorganized integration can result in additional costs, producing outcomes contrary to the firm's expectations. Additionally researchers such as (e.g. Byrne, 2006; Liker & Choi, 2004; Hughes, 2008; Bemelmans, Voordijk, Vos & Buter, 2012; Monczka & Morgan, 1997; Sohrabpour et al., 2016) emphasize that proper implementation is critical step to conduct and there is a risk of partial implementation of SRM due to unwillingness or incapability. Thus, the benefits of SRM are never put to use in a relationship. Pohlen and Coleman (2005) and Faisal et al., (2007) propose that willingness to share important information between parties as well as measuring the performance have to be highlighted to achieve efficient integration. Hughes (2008) also states that majority of companies tend to use the same performance metrics with the key suppliers than with the basic vendors with short-term focus. Therefore, also performance metrics should be aimed for long-term success and continuation of the relationship.

Moreover, Faisal et al., (2007) and Ellram (1995) continue that lack of trust and commitment are barriers for integrating SRM. Trust can be held as cornerstone in information sharing and implementation particularly when exchanging delicate information. Lee and Whang (2000) highlight that certain managers within firms may hesitate to disclose pertinent data to other party primarily due to a lack of trust. Sohan et al., (2001) and Neuman & Samuels (1996) showcase that distrust may create a fundamental barrier to the collaboration since the whole concept of long-term partnership is eventually built on trust. Hughes (2008) argues that without a high level of commitment to success, parties are often reluctant to share knowledge and proceed into long-term relationships. Deloitte (2015) and Hughes (2008) highlight that mutual commitment and involvement is crucial in establishing mutually beneficial relationships. They also state that mutual commitment is inevitable in joint problem solving and other developing activities.

Furthermore, shared perception of interdependence, mutual objectives and expectations of the future development are decisive components in SRM. Practically, this means collaborative product development, aligning technologies, reengineering processes for increased efficiency and similar activities for value creation. (Oghazi et al., 2016; Hughes, 2008; Forslund & Jonsson, 2007; Larzele & Huston, 1980). Dependence and supply chain diversity are significant barriers for collaboration typically when buyer is hesitant to limit

their supplier options due to concerns about dependency on a smaller pool of suppliers. This, in turn, contributes to a deficit in creating a trusting relationship. Additionally, uncertainties and changes may cause slowness and inflexibility in collaboration. (Sheth & Sharma, 1997; Das, Narasimhan & Talluri, 2006)

According to Hughes (2008) internal alignment is crucial for efficient collaboration meaning that all functional sectors have to operate in a coordinated manner to reap the mutual benefits. Also Deloitte (2015) shed light on the importance of alignment by stating that internal alignment require achieving alignment across all levels and also extending this view to all key suppliers.

4 SRM Process

Effectively navigating and overseeing supplier relationships along with the supply base poses a significant managerial challenge for companies (Forkmann et al., 2016). Scholars in this field have addressed SRM by concentrating predominantly on individual topics, such as purchasing strategy, collaboration, supplier selection and development. Intriguingly, these aspects should be examined from a comprehensive standpoint. When it comes to purchasing and associated activities, it is imperative that all of the sectors collaborate. (Park et al., 2010)

Successful management of supplier relationships necessitates restructuring of organizational processes in order to increase the value creation of supply base (Forkmann et al., 2016). SRM is a combination of diverse activities including setting up, improving, stabilizing and dispersing relationships within suppliers (Moeller et al., 2006) According to Trent (2005) SRM provides a general philosophy on how to manage supplier relationships and enhance them. However, not all supplier relationships are equal in value and thus it's crucial to achieve thorough understanding on what practices to use with certain suppliers as well as how to unleash the potential value. Also Hughes (2008) highlights that it's essential to identify relationships worth of the effort of implementing SRM practices further, since practices require close planning and considerable investments in effort and time.

To enhance the value derived from supplier relationships, SRM is structured based on a set of fundamental processes and thus require holistic view for thorough scrutinization (Deloitte, 2015). Park et al., (2010) and Deloitte (2015) suggest a SRM framework (Figure 6) which is comprised of four core processes: 1) Shaping the purchasing strategies 2) Supplier selection and segmentation 3) Collaboration and 4) Supplier assessment and development.

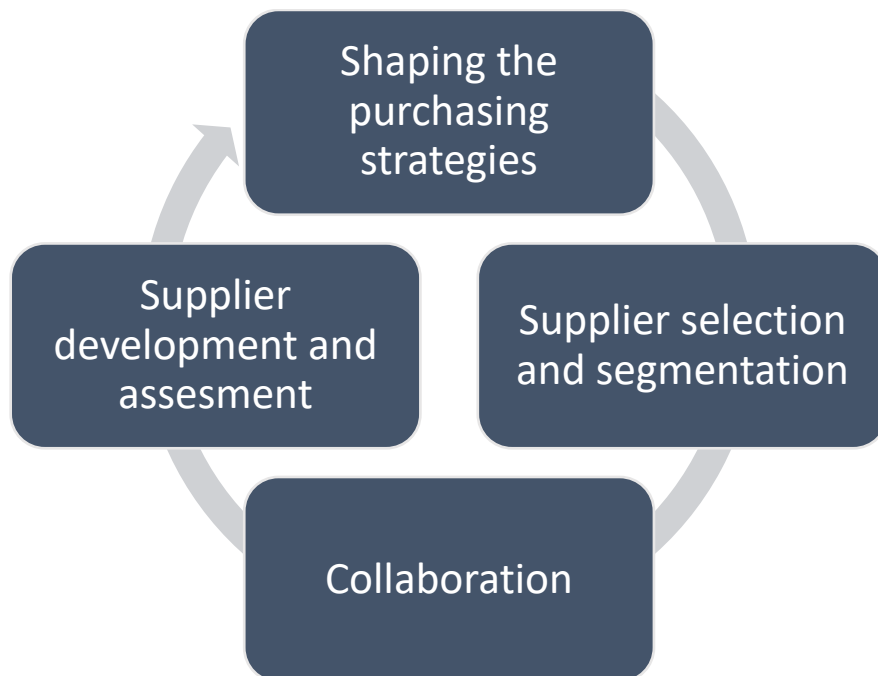


Figure 6 SRM Process framework (modified from Park et al., 2010; Deloitte, 2015)

4.1 Shaping the purchasing strategies

Firstly, it's crucial to determine which purchasing strategy is the most suitable approach for certain items and supplier relationship. There are two main categories of purchasing strategies. The first is the competitive approach, which centers around obtaining goods at the lowest price through competition among suppliers. The second is the cooperative approach,

where the supplier and buyer establish a strategic relationship and collaborate to generate value in long-term. (Chandra & Kumar, 2000) There is a remarkable difference in the characteristics in of these approaches. For instance, competitive approach is often used in low-tier vendors where there's low-level of trust and the amount of cooperation is slight to none resulting in fear of opportunistic behavior and exploits of leverage. On the other hand, cooperative approach aims for mutual success and continuation of the relationship. Key attributes associated with cooperative approach is high-level of mutual trust and transparency. (Hughes, 2008)

In the beginning of SRM process, Park et al., (2010) showcase a model of three steps to conduct classification and analyzation of the potential supply risk and criticality of the items. In the first phase, Park et al., (2010) propose a portfolio matrix (Figure 7.) by Kraljic (1983) where there are two variables: The level of supply risk and profit impact. According to Kraljic (1983) factors influencing supply risk are number of suppliers, demand, availability, make-or-buy opportunities and possibilities of substitution. Moreover, profit impact can measured by volumes, percentage of total purchase costs and impact on quality and overall business growth. Consequently, Park et al., (2010) clarify in situations of high supply risk, an approach centered on cooperation is employed. This strategy emphasizes relationship-building and involves Supplier Relationship Management (SRM) as a crucial component. Conversely, when facing low supply risk, a competitive approach is adopted. In this scenario, the focus is on making purchases that leverage existing buying power with the primary goal of cost reduction.

Kraljic (1983) and Park et al., (2010) propose several action plan for both low- and high risk materials described in the matrix (figure 7.). Approaches for non-critical items encompass systems contracting, efficient processing, standardization as well as consolidation. On the other hand, managing leverage items involves strategies such as leveraging power, driving profit, and capitalizing on volume due to the amount of suppliers an volume. On the contrary, items of high supply risk the main focus should be on enhancing and developing the relationship. Since there are no alternative suppliers and the items are strategically crucial. According to Deloitte (2015) it's important to ensure the continuity of these relationships and aim for improving operations and processes for greater value creation.

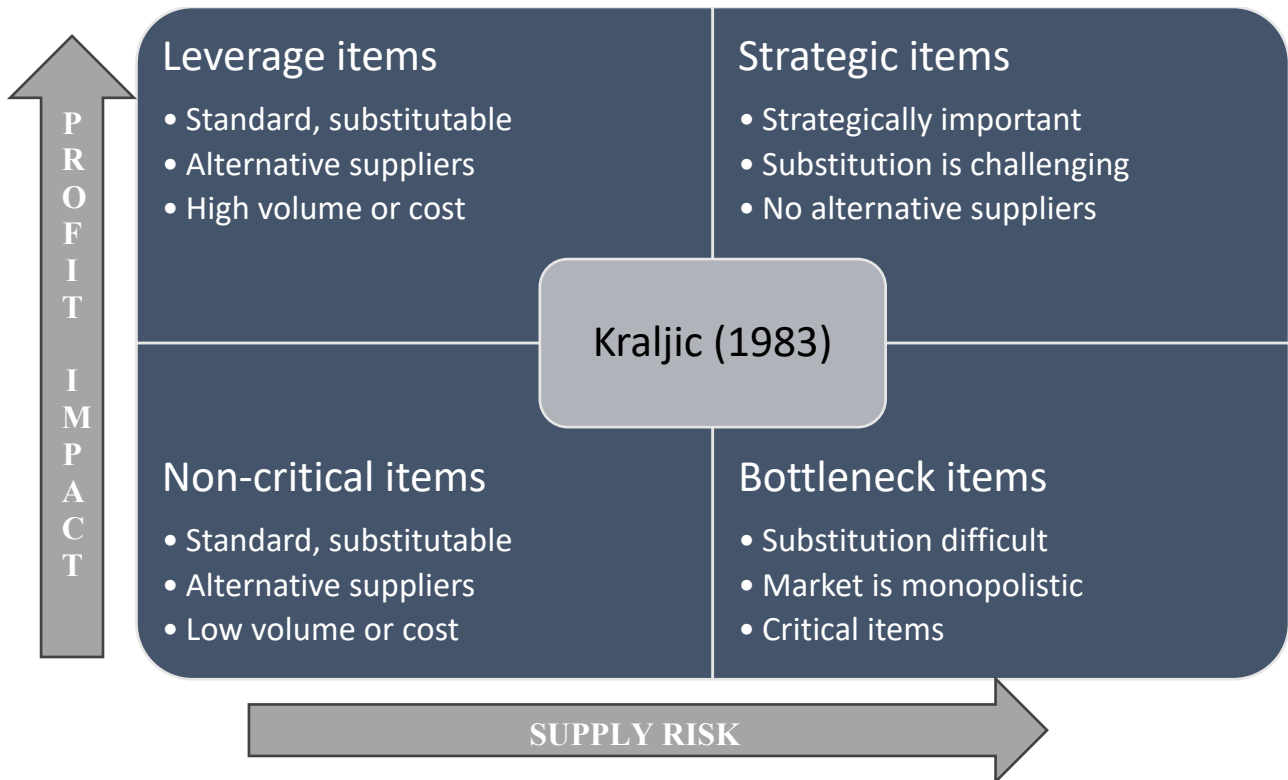


Figure 7. Kraljic portfolio matrix (Park et al., 2010)

4.2 Supplier selection and segmentation

Supplier selection process is crucial yet challenging task to conduct. In supplier selection and segmentation, the objective is to evaluate suppliers based on various criteria. This, however, is controversial due to the fact that suppliers have different characteristics and specialties and thus suppliers' may require an individual assessment criteria. (Park et al., 2010) Also Weber et al., (1991) state that it's crucial to identify which criteria is considered best in the supplier assessment. Moreover, Schniederjans and Garvin, (1997) emphasize the purpose of utilizing evaluation techniques for suppliers in the decision-making process to ensure their proper selection.

Park et al., (2010) showcase a framework where supplier selection is consisted of two different stages. During the initial stage a pool of suppliers is established. Here, suppliers

are registered and assessed based on criteria such as technological capability and financial status. In the second phase, the suppliers directly providing materials are assigned based on criteria including delivery, quality and cost. To further segment suppliers and identify key suppliers, Lambert and Schwieterman, (2012) propose a more comprehensive list of potential segmenting criteria:

- Profitability/growth/stability
- Technology
- Capacity
- Innovation
- Quality
- Volume purchased
- Level of criticality
- Compatibility/Process implementation
- Sustainability
- Supply Risk

Lambert and Schwieterman (2012) highlight the fact that based on the aforementioned criteria company determines which suppliers are worth of developing closer cooperative relationships and which relationships can be maintained at a standard level.

In addition to the criteria presented, Schuh et al., (2014) specify that necessary criteria for assessing a potential high-level strategic supplier should encompass factors contributing 1) growth 2) innovation 3) scope and 4) contribution. In consideration of a strategic supplier, one must recognize the capabilities of supplier to create value both to existing customers and new customers. Suppliers' technological innovations could also generate massive competitive edge for buyer company's services. Moreover, it's necessary that the scope of the potential collaboration is aligned with most business units and therefore relevant for many divisions in the company. Lastly, it is worth considering does the supplier have the right collaborative mindset to operate in other functional areas and is determined to reach long-term goals and generate mutual value. Furthermore, Lambert and Schwieterman (2012) propose a matrix (figure 7.) for segmenting suppliers which is based on Kraljic (1983) portfolio matrix. Horizontal axis represents supplier's potential to create value which is also

other hand, not all relationships are meant to deliver long-term value, but rather cause simplicity and efficiency. Regarding the different objectives of relationships, Park et al., (2010) showcased a framework of competitive and collaborative relationships (figure 9.)

	<i>Competitive strategy</i>	<i>Cooperative strategy</i>
<i>Focus</i>	Competitive bidding, system contracting, efficient processing	Collaboration, supplier development / partnerships
<i>Purchasing methods</i>	Short-term contracts, competitive bidding	Long-term contracts, partnerships
<i>Relationship</i>	Buyer dominance	Supplier dominance or strategic partner
<i>Key performance criteria</i>	Cost/price, materials flow management, functional efficiency	Long-term availability, cost management, reliable short-term sourcing
<i>Characteristics</i>	Many suppliers are available	Few suppliers available

Figure 9 The characteristics of competitive and collaborative strategies (Park et al., 2010)

In the figure 9. by Park et al., (2010) Strategies are classified into competitive and cooperative strategies: Competitive strategies are used to acquire goods at minimum price in order to maintain the efficiency and simplicity in the processes. Conversely, cooperative strategies aim at achieving mutually set long-term goals. (Chandra & Kumar, 2000) In competitive approach the focus is on maintaining efficient processes, system contracting and obtaining goods at minimum price. There are mainly short-term contracts to be used in order to maintain competitiveness and unlock itself from long and disadvantageous contracts. Moreover, the power dynamics is mainly towards buyer dominance due to the fact there are multiple suppliers available with the same offerings. Therefore, the key performance criteria is mainly formed around cost, materials flow and overall efficiency. (Park et al., 2010)

Conversely, cooperative strategy is used when the desired focus is in long-term benefits and supplier contributes buyer's core business and critical processes. In these relationships, the objective is in establishing long-term contracts and long-lasting partnerships. There are few suppliers often available thus the it's more supplier dominated relationship. Key performance criteria differ quite a lot from competitive strategies due to the criticality of the

solutions. The main goal is to secure long-term success with the supplier and develop the relationship in the future. (Park et al., 2010).

4.4 Supplier development and assessment

Supplier development involves enhancing the performance of suppliers. In this process, companies streamline their supplier base and enhance the efficiency of the remaining suppliers. (Park et al., 2010) Supplier development can be also defined as a buying firm's effort to enhance the capabilities and performance of the supplier in order to more efficiently meet buying firm's needs (Krause, Handfield & Scannell, 1998) In the existing literature, there are wide range of supplier development strategies with different methods examined by various researchers (Rezaei et al., 2015)

Wouters et al., (2007) and Wagner (2006) showcase the strategy of supplier assessment and feedback where buyers should routinely assess their suppliers with the aim of exerting pressure, encouraging experiential learning, offering support for enhancements as well as provide thorough feedback. Krause et al., (2000) emphasize the use of competitive pressure towards suppliers. This strategy is especially meant for non-critical products where buyer firm is willing to switch suppliers and thus is able to pressure the supplier. That said, Krause et al., (2000) also continue that also an effective strategy is supplier incentives. This encompasses considerations such as increased volumes, sharing realized cost savings, potential for future business and providing opportunities for global purchase contracts. Lorenzo and Lipparini, (1999) and Humphreys, Li and Chan (2004) embrace the tools of proper SRM to enhance the supplier efficiency. Through joint action and knowledge transfer supplier can increase its capabilities which would ultimately improve the performance mutually.

Sanchez and Rodriguez (2009) state that also plant visits as a strategy helps in evaluating the supplier's operational efficiency. Plant visits also induce more extensive information sharing between the parties. Rezaei et al., (2015) emphasize that two-way communication is a necessary strategy to keep expectations aligned. Research indicates that purchasing firms with proper supplier development initiatives tend to engage in more effective communication with their suppliers. Additionally, these firms invest more efforts in

developing activities like supplier evaluation, training and supplier incentives. (Krause & Ellram, 1997)

5 Empirical findings

In the empirical findings, results of the study are being discussed as well as uncovering the reasons behind methodological factors. The aim is also look for connections with previously showcased theory and the results of the study. Additionally, the respondents and their backgrounds are presented to showcase the reasoning and validation of their fit to this study.

5.1 Methodology and data gathering

In this study, I conducted a semi-structured qualitative survey with open ended questions that cover the themes from different angles. My approach was to gather extremely comprehensive information related to the topics, therefore I utilized open-ended questions survey and the objective was to find respondents who can fully understand the topics and thus provide thorough answers. That said, I dismissed the idea of increasing the amount of respondents due to the fact that there are not too many professionals that can fully cover the topics and give useful information. According to Denny & Wecksesser (2022) qualitative research is a useful method for uncovering the topics more in-depth. Also Eriksson and Kovalainen (2008) underline that qualitative research is a useful method for examining the phenomena as a whole including sub-contexts related to the topic.

I utilized thematic analysis on examining the results of themes and patterns discussed. Thematic analysis method is a great tool for qualitative analysis since the objective is to study how different topics interact with each other and is there certain consensus among the respondents. According to Clarke and Braun (2017) thematic analysis is especially useful in studying the perspectives, views and procedures of respondents, having the ultimate aim in understanding how the respondents think about the topics.

5.2 Respondents

In this empirical part, insights of SRM have been collected from the perspectives of four professionals with comprehensive experience in procurement and supply chain management across multiple industries. Each respondent has a lot of knowledge and expertise regarding SRM and relationships management. Ultimately, all of the respondents contributed via thorough answers and provided useful information about their practices in place and future development initiatives.

Respondent 1 is currently working as the CPO at a major Finnish insurance company. Respondent 1 has been working within procurement across different industries for the past 20 years. Having the main focus on indirect procurement and organizations partnerships in the supply chain.

Respondent 2 has over 20 years of experience in procurement. Especially working with Software as a Service (SaaS) offerings. Mainly responsible for key relationships and management and nurturing of partners in supply chain.

Respondent 3 has garnered extensive experience at prominent companies for over 20 years. Its' cross-category sourcing expertise and tenure as a Category Manager provide valuable insights into the nuances of procurement across diverse industries.

Respondent 4 has accumulated experience for over 25 years in purchasing, spanning telecom, HVAC and public healthcare sectors. Currently serving as a buyer for production raw materials in enzyme manufacturing, these insights offer a proper understanding of procurement challenges and strategies in those specific fields.

Looking at experience, it's needless to say that these respondents offer a comprehensive view of insights of SRM and value creation. Their diverse backgrounds and extensive experience provide valuable insights that enrich the discourse surrounding SRM practices provide an interesting viewpoint on the practices across different industries.

5.3 Value creation and definition of value

In the first section of the survey the aim is to map how is the concept of value perceived. Just as Kähkönen & Lintukangas, 2018; Lindgreen & Wynstra, 2015; Forsström, 2005 also emphasized that value is versatile concept and may often vary depending on the view and perception of a respondent. The question was set to gain information on how the respondents within their organization perceive value in the context of supplier relationship management. All of the respondent comprehend value quite similarly.

“To us, the value in partnerships management is in achieving the benefits or goals that were set on a particular partnership. Achieving or securing the benefits we were after is the value our partnership management efforts deliver.” - Respondent 1

Respondent 1 continue that managing partnerships isn't value itself but rather the outcome of fruitful cooperation. Also Nyaga, Whipple & Lynch (2010) stated that organizations are establishing collaborations with entities within their supply chains with the aim of improving efficiency and long-term market competitiveness ultimately resulting in value created through mutual cooperation. Additionally, according to respondent 1, through adept partnership management, and contributing to shape our brand identity both as a partner and as a customer. A positive reputation garnered through effective management undoubtedly enhances our appeal as a desirable partner or customer in the market, presenting an additional opportunity for indirect value creation.

Respondent 2 perceives the concept of value within supplier relationships with few major cornerstones which encompass sustainability, human-centricity and mutual success. These principles are evident in the management of supplier relationships, where a thorough examination of suppliers' backgrounds is conducted. The company endeavors to engage in partnerships exclusively with suppliers who align with these shared values. Moreover, respondent 2 highlights that value is more often generated already in the beginning stages of the relationship. The organization aims to create value within the supply chain by focusing on early value delivery to customers during the development of new products or services. This involves initiating with a smaller scope that customers can immediately benefit from and progressively expanding the service based on feedback. As both of the respondents have

related the necessity of collaboration behind value creation also Lindgreen et al., (2012) emphasize that value is more often coming from relational exchanges than one-way transactional relationships.

On the contrary, respondent 3 expresses that within their organization value within supply chain has not been associated clearly. Further continuing that value has somewhat vague meaning and especially within the supply chain, the concept has not gained too much popularity yet.

According to respondent 4 value is derived from factors such as reliability in product, delivery performance and service level agreements. Moreover, stating that value creation within the supply chain is linked to efficiency and performance. Thus, bilateral success and exceeding KPIs that are set in each supply chain initiatives is crucial in value creation. The concept of value is rather straightforward in this case and in organizational value is comprehended as the outcome of efficient operations and processes. Respondent 4 also highlights the fact that value to the customers is initially constructed in the supply chain. In order to provide superior value to customers, the entire value creation funnel from the beginning has to be effective and flawless.

The objective of the next question is to survey how different organizations pursue in creating value within the supply chain. There was a wide consensus between the respondents that partnerships and collaboration play key role. Respondents underline that proper communication, trust and common objectives are some critical factors in unleashing the value. Respondent 1 explains that they offer a wide range of partnership opportunities across various types, including service providers, sales partners, and various collaboration partners. As a result, the overall value generated within the supply chain varies depending on the type of partner involved. In particular, our relationships with sales partners are built on mutual benefits and value creation. Moreover, collaboration to develop customer offerings that leverage the expertise of both parties, benefiting not only the customer but also aligning with our own and our partners' objectives. Respondent 2 also emphasizes the necessity of managing partnerships and value is bilateral which is eventually derived from efficiently managed relationships.

“If supplier relationships are managed well, it benefits the personnel of the suppliers, the suppliers themselves, as well as our own company. When supplier relationships are well managed, time and money are not spent on resolving uncertainties with the supplier, but rather both parties' time is devoted to the work specified in the service agreement, resulting in benefits for both parties” - Respondent 2

Also Hughes (2008) and Lambert and Shwieterman (2012) underline, in managing partnerships it is crucial to acknowledge all the key components influencing the outcome of partnership. Such as trust, openness in information sharing and common objectives are some major factors behind successful partnerships management.

5.4 Value creation and SRM practices

In this chapter, the aim is to determine how different SRM practices have contributed in creating tangible value. All of the respondents perceive value creation from the point of view of efficient collaboration, trust and openness in information sharing. According to respondent 1 there have been multiple cases where openness and information sharing as well as well functioning communication has led to stronger and deeper collaboration. Also respondent 2 emphasizes the necessity of proper communication between the parties where any occurred bottlenecks in the processes or contracts can be tackled. Both respondents see extreme value in strong partnerships, where both parties are aware of focus areas, challenges and other parties' true capabilities. Respondent 1 also elaborates that open dialogue plays key role in finding mutual development points and potential synergies between the organisations. According to Respondent 3, through implementation of SRM practices one can secure and create long-term value within a partnership. More thorough and collaborative relationship offer a variety of opportunities such as implementing new technologies that will further increase efficiency and processes. Respondent 4 intensifies that during the covid-period there were instances where exceptional supplier relationship management contributed to increased business. High level communication resulted in tackling challenges in material supply and thus strengthened the relationship between the organizations.

Furthermore, respondent 1 intensifies that value can be created in securing the benefits and goals expected from the partnership, meaning systematic, goal-oriented managing of the partnership. Also through collaboration new opportunities may arise and harvest these occurred opportunities is another way of creating value. Respondent 1 considers that structured collaboration is the main factor in mutual value creation.

“Through regular, systematic governance and open collaboration, both parties have the possibility share their strategic direction and goals, and ideas for mutual value creation.” -

Respondent 1

Respondent 3 and 4 underscore the buyer-supplier power dynamics as a factor in value creation. Accordingly, it's important to know what's your position and how does the supplier perceives the dynamics. Subsequently, it's crucial to determine a strategy based on the power dynamics if they occur. Respondent 4 express that cooperation with a long-term supplier can bring value by pricing, planning, lead times and supply optimization. Both respondents 1 and 4 underline that cooperation may bring new business by referrals, therefore it's important to have a good reputation as a partner.

Furthermore, according to the respondents 1, 2 and 4 value creation influence firms' competitive edge. Accordingly, there are wide range of areas of enhancement.

“The advantages on our end may include enhanced service quality, increased efficiency, enhancements in customer offerings or services, or an overall improvement in the customer experience. Additionally, it could also result in gaining a competitive edge.” - Respondent 1

Respondent 2 agrees that when supplier relationships are in good order and collaboration it has a positive effect on productivity as well as companys' public image as a partner.

“When supplier relationships are in good shape it enchances productivity. Also from the supplier's perspective, our value as a company increases as cooperative and responsible partner. Ultimately it affects suppliers' willingness to collaborate with us and thus generate new fruitful partnerships” - Respondent 2

Furthermore, it is emphasized by also respondent 4 that efficient supply chain relationships will mirror to the quality and promise of the end-product. With proper management of supplier relationships sudden changes can be tackled and therefore customers can rely on the promise of delivery.

“Having solid supply from our suppliers enables us to both plan ahead and also move quickly in case there is a sudden demand change. Our customers can rely on our quality and promise.” - Respondent 4

5.5 SRM Practices and potential improvements

In the beginning of this chapter the objective is to map what is the current state of SRM practices in respondents' organizations. Subsequently, dive into the implemented practices as well as look for potential critical factors within the implementation of SRM. Respondent 1 describes that a partnership management program was initiated a year ago with the objective of standardizing the collaborative practices with external partners across our organization. The program's goal is to cultivate a company culture that promotes target-oriented partnerships management. Respondent 2 recounts that SRM initiatives have been in practice for over 10 years. Yet, there has been a significant increase in SRM activities and the practices have become more aligned with the company across all levels. Moreover, respondent 3 discloses that they've implemented a formal SRM program with a few key suppliers. According to respondent 4, suppliers are being assessed widely and key suppliers are identified. Supplier performance is being assessed and monitored but the information is rather scattered due to the lack of aligned SRM system. In general, the buyer is responsible for utilization of SRM approaches, yet some of them are aligned across the company e.g audits. Furthermore, respondent 1 highlights that there aren't always clear goals let alone measurable performance metrics, hence the practices may vary. However, respondent 1 continue that

“Our Partnership management program is a strategic initiative and hence it has good amount of attention and focus at every level of our organization.” - Respondent 1

These answers provide insight into previously showcased probable challenges in SRM by Hughes (2008) and Ellram (1995). According to Hughes (2008) and Ellram (1995) one common challenge in implementing SRM is lack of internal alignment. Just as respondents describe, there are rarely common organizational guidelines in SRM approaches with suppliers.

All of the respondents share that their currently implemented SRM practices vary based on the profile of the supplier. Suppliers are being segmented based on various factors and therefore according to the answers the main emphasis is on the key suppliers. Obviously, the emphasis is on the key suppliers where structured SRM practices are being largely utilized.

“in some parts of our organization, the partnership management practices are very focused and mature whereas in some parts any kind of systematic structured practices hardly exists.”

- Respondent 1

Further continuing that, now they've improved that by thorough segmentation with the aim of uncover the most important partnerships. Respondent 1 also emphasize that it's crucial to focus on these cooperations first and ensure they get the amount of focus they deserve as well as systematically manage these relationships in order to achieve desired results and outcomes.

According to respondent 2, The objective is to have relatively similar SRM practices, but this isn't always achieved because the company deals with vastly different types of suppliers. However, with the largest and most significant suppliers, we largely adhere to the same procedures and practices. Similarly, respondent 3 share that formal SRM practices are conducted with very few suppliers due to lack of resources and only focusing on the key supplier relationships. On the other hand, informal SRM practices are conducted with several suppliers and is managed basically case-by-case. Moreover, respondent 4 elucidates that there are different approaches to the suppliers, depending on factors like material criticality, contractual situation, competitor sourcing. The approach can vary from merely checking the price and sending the purchase order. Similarly, with key suppliers regular meetings and thorough cooperation is required and necessary.

Furthermore, respondents were inquired of what are some critical issues or processes that are currently lacking but could be improved through proper supplier relationship management. There was a consensus that implementation of SRM activities were truly lacking. Especially organization-wide developments tend to be lacking due to multiple factors. Respondent 1 discloses that the crucial aspect is establishing a shared understanding with our partner regarding the strategic objectives and benefits we aim to attain from our collaboration. Subsequently, it involves systematically guiding the collaboration across all levels—operational, tactical, and strategic. Currently, these processes may not be uniformly well-executed, and our objective is to correct this. Respondents 2 and 3 further continue that some of the major factors and bottlenecks in supplier relationships are availability, adequacy, and turnover of supplier personnel, professional competence in accordance with contract obligations, and general compliance with obligations. Moreover, follow-ups on the delivered services and development of the cooperation and service delivery are often lacking due to lack of resources and focused ownership. Also, respondent 4 underlines the need for follow-ups as a useful task for keep all the parties at the same page.

“a uniform system for performance follow-up would be helpful as at present the data is mostly there but scattered, which would require more effort to compile to follow up meetings.” - Respondent 4

Similarly to previous answers, respondent 4 clarify that a formal and uniform segmentation of the suppliers could help to have a more organized approach to our supplier management. It might also show any problems if time and resources were allocated poorly and unefficiently.

5.6 Segmentation of suppliers

Supplier segmentation plays key role in effective supply chain management and thus it's crucial step in selecting potential suppliers. All of the respondents recognized the criticality of this part and there are variety of different extensive methods in supplier segmentation. All of the respondents acknowledge that supplier prospecting has to be done as objectively as possible through utilizing multiple criteria. Respondent 1 showcases that there are multiple factors in the segmentation criteria

“The segmentation is done based on business criticality and relationship potential. Our segmentation criteria questions takes into account e.g. spend/sales, impact on core business processes or customer experience, vendor lock, alignment with our strategy, performance, competitive advantages, anticipated changes and further potential in the relationship.” - Respondent 1

Respondent 1's thorough insight on segmenting is in line with Ellram, (1995) and Forslund & Jonsson (2007) perceptions that suppliers' alignment with strategy, competitive advantages and common future goals is necessary to long-term collaboration. Respondent 2 exemplifies that suppliers will be drafted through competitive bidding. For new suppliers in the pool, there will be conducted a due diligence report in order to investigate the backgrounds. After due diligence, all of the suppliers will be scored based on relevant criteria. Commonly, The criteria include the supplier's ability to deliver service, responsiveness to our company's specified requirements, price when acquiring the service, transition phase costs, maintenance costs, supplier values, ethics, service levels as well as personnel competence. Both respondents emphasize the demand for accurate determination of objective criteria that cover major factors behind successful buyer-supplier relationship.

Respondent 3 highlighted that the criteria typically revolve around factors such as the alignment with strategic objectives, reliability and potential for innovation. Additionally, considerations may include regulatory compliance, market reputation, sustainability practices, and the supplier's ability to adapt to changing needs and technological advancements. In addition, respondents 1 and 2 also emphasized that suppliers' capability to adapt to changing needs plays a significant role. Respondent 4, on the other hand, has a slightly different approach to segmentation since respondent 4 is currently working as a buyer for production raw materials for enzyme manufacturing and thus the criteria differs than in suppliers within service providers. According to respondent 4, their approach prioritizes material quality above all else. When there's a need for a new material, they initially consult their current suppliers. With new suppliers, they conduct preliminary material testing. Upon approval, they verify that the supplier aligns with their standards, including certifications, adherence to codes of conduct, and sustainability practices. These criteria are regularly assessed to ensure ongoing compliance. Moreover, since the extensive

documentation requirements are so extensive, the approval process serves as a thorough evaluation of prospective suppliers' service levels as well. Moreover, Lambert and Schwieterman (2012) consent with respondents on multiple levels of segmentation criteria. For instance, technology, innovation, level of criticality, quality, supply risk and sustainability tend to be important in supplier selection across industries.

Furthermore, respondents 1 and 4 consent that power dynamics in the relationship will vary and different dynamics has to be considered in SRM. According to respondent 1, Selection of potential partners entail risk evaluations. As part of the process, they consider also the power of balance topic as it has an impact on the relationship. There has to be taken account of the power dynamics in partnership management. It's crucial to comprehend the position where your partner is at. Respondent 4 underlines, that the position you're in determines the playbook.

“cases where we are in a disadvantageous position to the supplier, and there we aim to maintain a positive relationship with them. In those cases our priority is in securing the supply.” - Respondent 4

Respondent 4 also concedes Kraljic (1983) portfolio matrix by stating that with more generic and major volume materials we have the negotiation advantage. However, also some major volume suppliers we consider key suppliers, so therefore the focus is not necessarily solely on price. Kraljic (1983) defined that products or services with low profit impact and low supply risk plays in favor of the buyer since there are multiple suppliers in the pool and the product is substitutable.

5.7 SRM Benefits in practice

Respondents were inquired about the primary benefits of implementing SRM practices. Ultimately, respondents shed light on few major concepts that wrap around SRM quite well which are efficiency, deeper and more cost-efficient collaboration and service level improvements. Respondent 1 stated that without proper SRM practices and relationship management, the end-results may not be satisfying.

“The efficiency in achieving the benefits and goals for which the partnership was originally established for. If you do not manage partners or the relationships or the performance, the end results may be random and incomplete in all aspects.” - Respondent 1

As articulated by respondents, one of the greatest advantages of SRM implementation is the enhancement of service levels and cost efficiency. Through close collaboration with suppliers, organizations can streamline processes, improve communication channels, and ensure the timely delivery of high-quality goods and services.

Furthermore, according to respondents 2 and 4 the establishment of a collaborative framework has minimized conflicts and enabled prompt issue resolution, thereby fostering a conducive environment for better partnership growth. Respondent 2 also highlighted the fact that continuous communication with cyclic meetings is needed to surpass service level targets. Moreover, continuous and thorough collaboration will decrease the risks of conflicts and bottlenecks and is a major factor in increasing the efficiency of relationships. As evidenced by respondents 1 and 4, successful price negotiations and a reduction in reclamations have translated into tangible financial benefits, bolstering the organization's bottom line and enhancing overall profitability. Therefore, by effectively managing supplier relationships, performance metrics and strategic objectives organizations can better ensure the realization of predefined goals and objectives.

Respondents were also inquired about how they measure or quantify the benefits and created value through SRM initiatives. In general, respondents provided valuable insights on what metrics they're used to measure success. Firstly, respondents 1, 2 and 4 emphasize the importance of measuring both progress and end results in their SRM initiatives. A key focus lies in defining benchmarks for success and establishing a roadmap to achieve these objectives. According to the respondents, the quantification of desired outcomes serves as a guiding framework, enabling organizations to monitor the predefined goals. Additionally, the measurement of monetary benefits, where applicable, provides tangible evidence of the value generated through SRM initiatives. Respondent 1 also underlines the utilization of balanced scorecards, to evaluate the performance of their partnerships consisting a wide range of qualitative and quantitative indicators. Respondent 2 states that general metrics measure contractual compliance, costs, quality levels, and the incidence of disruptions

within the supply chain. Through investigating the root causes of disruptions and deviations, organizations may better identify areas for improvement to enhance operational resilience. Respondent 3 discloses that in their organization, they've got no structured way of monitoring SRM initiatives.

Lastly, according to respondent 4, specific performance metrics such as On Time In Full (OTIF) and Purchase Price Variance (PPV) play an important role in monitoring the efficiency. According to Trent (2015) and Deloitte (2015) some of the greatest benefits of SRM is operational efficiency, effective communication processes and indeed value creation. Respondent 4's perception is aligned with Trent's view by stating (2015) "*These metrics provide insights into supply chain efficiency, cost management, and supplier performance, enabling organizations to identify opportunities for optimization and cost savings.*"

5.8 Challenges regarding SRM

Respondents view occurred challenges quite similarly regarding SRM and its' implementation. All of the respondents mention that major cause for challenges were lack of resources, time and competencies.

"The primary hurdles we've faced during the implementation and upkeep of SRM practices revolve around a shortage of competencies and tools." - Respondent 1

Further developing the necessary competencies is proving to be a significant challenge and a task that requires a long-term commitment. Thus, effective partnerships management demands considerable time and effort, investing in digital capabilities could prove advantageous. Respondent 2 highlights that issues come with people – volume and lack of resources in monitoring the transition process. Due to the organization's size and the involvement of several individuals in supplier relationship management at the operational level - in addition to the dedicated department - the rollout of common practices is a significant endeavor. Similarly, monitoring whether everyone in the organization conducts supplier relationship management according to jointly agreed procedures is also a considerable task.

Moreover, respondent 3 agrees that main issues come with lack of time and resources. The challenges faced in implementing and maintaining SRM practices primarily revolve around a lack of resources and time. These constraints have hindered the establishment of SRM with all desired suppliers, impacting the overall effectiveness of value creation through SRM. According to respondent 4 the problems may arise when involving internal stakeholders with already busy calendars.

“The challenges encountered in implementing and maintaining SRM practices are multifaceted. Internally, procurement typically operates smoothly, but engaging other internal stakeholders poses difficulties.” - Respondent 4

These Reasons include R&D's failure to recognize the value in collaborative meetings and production specialists' lack of available time. Externally, aligning requirements and expectations with suppliers can be slow and challenging, particularly if their processes or standards differ. Moreover, respondents shed light on how do these challenges impact to effectiveness of SRM. Respondent 4 states that internal challenges affect more on the level of deeper cooperation such as product development or innovation. On the other hand, external challenges can delay or even prevent value creation if the supplier is unable to meet the expectations. Lastly, respondent 4 highlights that

“The progress should be monitored and process adjusted or even called off if necessary.” - Respondent 4

According to respondent 1, The challenges undoubtedly affect effectiveness. Currently, it's necessary to exert effort to build competencies and capabilities, unlike if we already had a well-established team managing our partners. It's clear that we currently lack the capacity to fully capitalize on all available opportunities and extract maximum value from our partnerships. Respondent 1 also continue that the success of supplier relationship management hinges greatly on interpersonal dynamics. Ultimately, it is about individuals communicating effectively with one another rather than simply companies interacting. Therefore, the partnership's success and its ability to facilitate value creation depend greatly

on the individuals involved. Moreover, even with the right individuals, open communication remains paramount for fostering successful supplier relationships. Additionally, respondent 4 underlines the crucial role commitment in the relationships

“If the interest and level of commitment are not on mutual, or the expectations are based on false assumptions, the results are likely to fall short of the expectations or fail.” - Respondent 4

According to respondent 2, failure to adhere to common practices in supplier relationship management can lead to situations where suppliers fail to meet contractual obligations, resulting in decreased value production, delays, and issues with the supplier relationship. As an outcome, resolving conflicts or discrepancies consumes a lot of time and resources. Respondent 2 emphasizes that factors contributing to failure in supplier relationship management include poorly drafted service agreements, particularly in contexts where there are numerous service providers. This can lead to assumptions that certain tasks will be handled by the supplier, which may not be explicitly outlined in the contract. When these tasks are demanded, the supplier may refuse or request additional fees due to the absence of contractual clarity.

There is a consistent view among respondents that the main barriers identified include a lack of resources and time. Respondents emphasized the shortage of competencies and tools as a key challenge, highlighting the need for long-term commitment to developing necessary capabilities. Also the difficulties arising from organizational size, complicating the rollout of common practices and monitoring adherence to agreed procedures. Pohlen and Coleman (2005) and Faisal et al., (2007) also emphasize that lack of commitment may often lead to lack of resources and time. Also Lamming (1993) addresses that trust and common objectives are some of the key factors in establishing any successful SRM initiatives.

5.9 Supplier development

Supplier development is closely tied to managing supplier relationships successfully and to generate more value. All of the respondents underline that open discussion, continuous monitoring and mutually understood requirements are necessary factors in developing the

cooperation. According to respondent 1, in cultivating and improving relationships with suppliers, one strategy involves measuring and analyzing performance and collaboration. Additionally, they utilize the Balanced Scorecard as a tool to stimulate dialogue regarding areas of development and enhancement. Respondent 2 emphasizes the value of operational meetings.

"Regular operational, tactical, and strategic level meetings are held where we review the supplier's service level, quality, obligations" - Respondent 2

Moreover, they continue that any challenges or feedback raised by the supplier towards our company is also noticed in these meetings. Respondent 3 agrees that especially face-to-face meetings are needed in order to understand the ongoing situation and circumstances more clearly. Moreover, respondent 4 highlights that relationship and trust need to be built and actively maintained.

"Both parties need to know and understand the requirements, and open discussion is vital. While day to day business can run on emails, personal contact and F2F meetings are important. The approach needs to be adjusted according to each supplier – one size does not fit all." - Respondent 4

Furthermore, respondents tend to have a consensus on the priorities and where to pinpoint the most resources which is key suppliers that often provide business critical services. According to respondents 1 and 4, key suppliers are prioritized in various development initiatives. Segmentation of key suppliers is conducted, but the measures may vary due to the nature of the of the service provided. For instance, respondent 4 emphasizes that, it's good to note that the size of the supplier (volume or monetary-wise) may not be the deciding factor itself, but personal relationships can weigh significantly in these development initiatives. Accordingly, respondent 2 highlights that working with long-term suppliers makes it easier to operate and improve relationships and operations compared to those that change frequently. Also, often very large suppliers are more challenging since they have established practices that customers must adapt to, therefore the dynamics of the relationship may be an obstacle to any development initiatives. Thus, it is easier to align the interests of

both parties at the operational level with medium-sized suppliers where objectives and needs are more compatible.

Moreover, when it comes to challenges in supplier development, respondents underline that ultimately it is people business and thus interpersonal relationships affect remarkably.

“I suppose it’s people again, and also the power of balance plays a role here. You can identify areas of improvement with your partner, but if they do not have the interest or capability to make changes, you cannot push with a robe. Surely this goes both ways, however usually the one who suffers from the challenges is more keen on improving and investing efforts in development” - Respondent 1

Furthermore, respondent 2 points out that if supplier relationships are not led properly from the beginning, they may veer off course, and getting them back on track to align with the service agreement can be challenging. The supplier may have become accustomed to delivering services in a certain way, while the buyer has silently accepted it by not addressing the issues in a timely manner. Respondents 3 and 4 state that major obstacles are mainly regarding lack of resources, potential company cultural clashes and lack of incentive to develop already set up processes.

All in all, successful supplier development is intricately linked with effective supplier relationship management to maximize value creation. There was a huge consensus on open discussions, continuous monitoring and mutual understanding of requirements as well as openness in information sharing. Respondents highlighted certain strategies such as performance analysis, collaboration measurement and the use of tools such as the balanced scorecard to continuously develop and monitor the activities. Moreover, all of the respondents stressed the need for proactivity and mutual commitment to overcome obstacles and driving continuous improvement and development efforts.

6 Conclusions and discussion

In this chapter, the aim is first to compare the empirical results and the showcased theoretical information. It's interesting to find cohesion between the respondents' experiences and views with the evidence researchers have been conducted. Moreover, any controversies and differences are being scrutinized as well in order to determine the differences. Also, thorough discussive examination is crucial in summarizing the results of the empirical study and look for the value creative practices being utilized in different organisations. There will be heavy emphasis on the research questions to summarize the answers to each question.

6.1 Empirical results in light of presented theory

A comprehensive set of theory from a range of researchers were discovered in the beginning of the study. In this chapter, the objective is to compare the theory and empirical evidence and analyze if the empirical findings support or deviate from the established theories. In theory, SRM is described by Hughes (2008) as extensive evaluation of suppliers' assets and capabilities combined with set objectives. Also Singh and Power (2009) and Flynn, Huo and Zhao (2010) underline that SRM is crucial in developing and maintaining key supplier relationships. In order to cope with competitive pressures and enhance efficiency, it's needed to have pre-set SRM practices in place. Moreover, it's seen in the empirical study, that SRM is seen by respondents as a useful set of methods to monitor and maintain the ongoing and successful cooperation with suppliers. Apart from the theory, in practical respondents emphasized more soft values such as interpersonal relationships, the level of collaboration, trust and information sharing regarding SRM than KPIs and other monitoring activities. Also, in theory often the research wasn't specifically aimed towards key suppliers, rather any supplier relationships but empirical evidence indicated that there are heavy emphasis on critical key supplier relationships within the firms.

Benefits of SRM were examined theoretically in detailed manner, including different views from variety of SRM researchers. When comparing theory and empirical evidence, there is a massive support among the respondents for the main benefits of SRM. According to Trent

(2015), Lintukangas (2010) and Lambert & Schwieterman (2012) it can be argued that for instance some of the main benefits are increased competitiveness, improved efficiency, better communication and mitigated risks. Byrne (2006) underlines that through SRM practices the ultimate quality of an offering is often increased and the company may gain more advantageous reputation. This is what respondent 1 also emphasize, with well managed cooperation the benefits for both of the companies can be also in increased reputation. In general, respondents do highlight that some of the main factors in establishing fruitful cooperations is frequent communication, mutually set goals and open information sharing. Davis (1993) and Byrne (2006) have examined the use of performance measurement as part of SRM activities. This was also recognized among the respondents that the use of balanced scorecard and monitoring on set goals is crucial in efficient cooperations.

However, some of the benefits that weren't widely supported by empirical evidence was launching joint development programs and new product offering development. Byrne, 2006; Hughes, 2008 and Liker & Choi, 2004 showcased that one of the benefits of SRM is to develop joint activities and develop offerings further. This was recognized by respondents but was somewhat dismissed due to often lack of incentives, disbalance of priorities and power dynamics of the parties. Respondents stated that these kind of development activities are possible but often difficult to accomplish. For instance, Lamming (1993) and Sheth & Sharma (1997) listed that lack of commitment and initiatives were some major challenges regarding SRM.

Furthermore, some main barriers and challenges in SRM were lack of sharing key information, lack of achieving mutual benefits, and unwillingness to share information regarding ones' resources and capabilities. For instance, Hughes (2008) and Ellram (1995) stated that lack of commitment can be a crucial obstacle in building deeper cooperations. Gadde and Snehota (2000) and Oghazi et al, (2016) underline that in some partnerships suppliers' motivation to invest resources and involvement is low. This was also emphasized by respondents that in some cases this is true and mostly occurs in cooperations with "low value" relationships where incentives to monitor or develop the relationship is often low. On the other hand, with key suppliers this was mostly tackled due to mutual interest in developing the relationship. According to respondents, often in these cases both parties

recognize the value of relationship and thus is willing to allocate resources into development, monitoring and setting up mutual goals.

According to Walter, Ritter and Gemünden (2001) the concept of value can be perceived as a “trade of between benefits and sacrifices”. This conception is quite accurate and emphasized by respondents. In the empirical study, it can be concluded that the more potential value there is to gain, the more interesting the relationship is. Therefore, respondents often stated to key suppliers or relationships when examining the value creative practices with suppliers. Forsström (2005) divided value into three segments, which are value of an offering, relationship value and value that is created through relationship. Respondents mainly perceived value as relationship value, also value created via relationship was widely addressed. There was wide consensus that value derives from long-lasting relationships and there are many value generative phases in relationship. Additionally, Lindgreen et al., (2012) address that value is often created in deeper relational exchanges than one-way transactional relationships with low criticality products or services. Hughes (2008) agrees that generally value is hard to be monetarily quantified but are monetized along the cooperation as a result of fruitful collaboration. There was evident evidence within the respondents that they perceive the concept of value similarly. For instance, respondent 1 states that “*So managing our partners isn’t a value itself, but the end of the cooperation is.*”

6.2 Answers to the research questions

In this section, the results of the empirical study is profoundly showcased and discussed. It’s interesting to see how different concepts are tied together and which parts of theory are not heavily supported by empirical evidence. In the beginning, we are going through the results to the sub-questions and ultimately summarize the answers to the main research question in the end.

The first sub-question was:

What are the value creative SRM practices?

In the presented theory, according to a range of researchers value is extremely multifaceted concept and thus there may be multiple perceptions. There were wide consensus among the respondents that value is something to pursue and is created through fruitful and efficient

relationship. Practices are also somewhat relative to the industry and products itself. According to the results of the study, respondents working with software industry or with other intangible products highlight practices that are related to information sharing and communication rather than KPIs and scorecards. It's seen that also KPIs and SLAs play key role especially in software industry as well but main factors building an efficient supplier relationship is comprised of elements that are not numerical. However, respondents mentioned several key practices regarding value creation in SRM in general. One of the most common themes that was brought up was collaboration and trust. Researchers have also been scrutinizing the importance of the topic a lot, but in the empirical study, it actually gained more popularity and cruciality than others. Importance of mutually beneficial cooperation with both parties trusting each other was pinpointed heavily. It involves features such as open communication, information sharing and mutual incentives to build a strong cooperation. Effective communication is more or less key factor according to the study. Some respondents even emphasize the need for face-to-face meetings in order to develop interpersonal relationships as well. Moreover, it's crucial to identify and acknowledge any potential bottlenecks and challenges in the way. Without effective communication and information sharing, it would be extremely difficult to further improve and identify any bottlenecks or problems.

Moreover, according to the study, respondents tend to pursue building strong relationships and potential synergies which closely tied to effective communication. Supplier segmentation was part of establishing a value creative relationship. Segmentation is crucial in determining the processes or products that are most compelling in regards value creation. Respondents emphasize that key supplier partnerships are generally prioritized due to value creation opportunity and the criticality of a product or solution. Therefore, it's arther obvious to focus on these first and after the critical relationships are well set and in order, organizations can pursue in other initiatives with lower priority suppliers. For example, Kraljic (1983) showcased a portfolio model where criticality is determined based on profit impact and supply risk. This was recognized by respondents that suppliers within strategic items are prioritized over low profit impact suppliers.

Furthermore, it's seen that practices that are being used are mainly for strategic collaboration. According to the results, structured collaboration and governance practices

are important in fostering these relationships. Goals and directions have to be aligned in both organizations to unleash the full value potential. This goes hand-in-hand with acknowledging the occurring power dynamics between the parties. Respondents emphasized that it's crucial to know ones' position in deciding the best approach to the relationship. It's evident that in some cases supplier may lack incentive to improve and deepen the cooperation, so in those cases different approach has to be used. Lack of incentive was one of the primary reasons for blocking the potential value driven relationship.

The second sub-question is "What are the benefits of SRM?" In this part the focus is on summarizing how the respondents perceive the benefits of SRM practices. The research based theory was wide and comprehensive as seen in the benefits table previously. However, not all of the benefits were supported or mentioned in the empirical study by respondents. It's seen that respondents highlighted efficiency for instance. Efficiency comes with many forms and in variety of contexts such as operational efficiency and cost savings. Respondents viewed efficiency as an outcome of multiple factors such as improving communication, aligned processes and well-structured continuous collaboration. It's emphasized in the results that SRM ultimately brings companies closer. Since SRM require closer collaboration, it often results in building strong relationships. The results show that SRM heavily wraps around fostering trust and proper communication, these are also the factors that respondents mention important ones. Additionally, when efficiency is considered the end-goal it's more convenient to create monitoring steps and KPIs to track the state of the cooperation.

Moreover, according to the results of the study, service level improvements are on of the desirable benefits. By continuous cooperation, mutually set targets and KPIs as well as addressing the bottlenecks service level improvements can be achieved. Also respondents mention that organizations can better ensure their high-quality offerings and thus meet the expectations of customers. According to the results, there are also less conflicts when SLA is properly managed and organizations perceive others as partners rather than seller or buyer. Financial benefits is also one of the main benefits that SRM could bring. It's seen that through SRM one can gain edge on price negotiations, reduced rejections and enhanced supplier performance.

SRM also contributes to risk management according to the results. Reduced risks in supply chain and mitigation of risks related to the supplier continuity is important. Proactive management of suppliers is a way to tackle disruptions and also build resilience within the partners. One of the methods being used by respondents was supplier portfolio, where risks and criticality can be weighted. Respondents also heavily emphasized the need for measuring the results and performance overall. It's something that was mentioned critical and important to actually know the state of ongoing processes and partnerships clearly. Respondents use different success metrics, monitoring progress and reflect the outcomes in performance measurement practices. This goes along with tracking the creation of value, through performance measurement it's clear to see what is effective and how ultimately the value is derived in each stage of cooperation. SRM benefits are relative to the firm's business environment and industry. That is why all the benefits showcased in theory part are not recognized or supported by respondents.

The last sub-question was "What are the challenges of SRM?" Respondents listed multiple challenges regarding the implementation and maintenance of SRM. Firstly, lack of competencies and tools was mentioned being one major obstacle. In order to properly measure performance or develop relationships further, it requires certain level of digital tools and competencies in the organization. According to the respondents, they perceive that if there's lack of resources it may lead to barriers working with all the desired suppliers. One major challenge is also engagement of internal stakeholders. Especially, when implementing SRM, there may be some difficulties with active participation of internal stakeholders. It's crucial that also inside a company all the relevant stakeholders have to have similar expectations and willingness to invest time. In practical, the value of a certain cooperation and SRM implementation has to often be showcased internally in order to gain full commitment.

Different power dynamics is considered as relevant factor in SRM practices and cooperation in general. According to the respondents, there are situations where there's clear power imbalance and the other party is also reluctant to conduct any additional activities or development initiatives. Then, it's often better to choose more direct and straightforward strategy with the supplier and focus more on relationships that can be developed further. Moreover, aligning to suppliers' processes and standards may cause challenges. Since

differing processes often slow down the cooperation. Also common monitoring practices has to be in place, since continuous evaluation and different feedback mechanisms play crucial roles in efficient SRM. Interpersonal dynamics can cause issues if the chemistry lacks between the parties. All of the respondents emphasize that in the end, it's people doing business with people, not machines. Therefore, interpersonal relationships is extremely important in order to secure mutual trust, information sharing and all-around well functioning collaboration. If interpersonal dynamics is lacking and there are issues, it influences to the cooperation negatively, and upcoming challenges or bottlenecks may not be properly addressed and informed to each other.

Lastly, the aim is to properly address the main research question "How to create value through SRM practices in a buyer-supplier relationship?" In the beginning of the study, I figured that in order to solve this, we are going to have to dig deep into the theory and firms' current practices behind the surface. Despite the comprehensive theory on value creation in SRM, the outcome in real world is not that complex and thorough. Behind the theory curtain, there are wide range of professionals from different industries managing relationships. Firms do utilize a variety of methods and practices in order to develop relationships and make them more efficient. However, in the real world, professionals in the SRM field heavily emphasize interpersonal and cultural factors over others. The value creation in SRM is comprised of small things that firms conduct. It's about people doing business with people, and in that function interpersonal relationships and trust are the major factors. The ground for successful and long-lasting relationships is building trust and collaboration from the beginning. Also common objectives and shared perspective on current and future status is crucial. In today's world, firms want to seek partners that they can rely on even with altering circumstances. Strong relationships are truly worth the time and effort, and especially in supply chains good relationships with trustful partners is underlined. However, as discussed previously, there are also situations where collaborative relationship is not desirable or worth pursuing. Also the wide range of different practices to generate value is acknowledged in most firms, such as monitoring and development initiatives, KPIs and bilateral high level of information sharing and shared objectives for the cooperation. All in all, in reality firms do less activities according to research theory, but focus more on simple things and collaboration in order to create value for both organizations.

6.3 Future research avenues

As a topic SRM and value creation is definitely important and intriguing. There have been some studies around SRM in different contexts which is interesting to examine the topic from different perspectives. Perhaps, a new angle regarding SRM and value creation would be some specific field that none of the researchers have been studied before. With a narrow scope on some rather niche industry would be interesting.

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APPENDICES. Survey questions

General info:

-Background, expertise, role:

Supplier relationship management (SRM) Practices:

-In general, what is the current state of supplier relationship management in your organization?

-How would you describe the current SRM practices implemented in your organization? Are there different approaches with certain suppliers?

-In general, what are some of the critical issues/processes that are lacking but could be improved through proper supplier relationship management?

-How do you conduct supplier selection & segmentation? What kind of criteria is being used?

-How is different power dynamics recognized in supplier relationships? Does leverage / power disadvantage affect your SRM practices?

Value Creation:

-How would you define value? In your organization what is value in the context of supplier relationship management?

-How does your organization pursue in creating value within the supply chain?

-In your opinion, how can value be created through managing supplier relationships?

-In your opinion, how can effective SRM contribute to value creation for both the buyer and supplier?

-Can you provide examples of successful instances where SRM practices resulted in tangible value for your organization?

-How does created value influence to the firm's competitive edge?

Benefits of SRM:

-What, in your experience, are the primary benefits your organization has gained from implementing SRM practices?

-How do you measure or quantify the value created through SRM initiatives?

Challenges of SRM:

-What challenges have you encountered in the process of implementing and maintaining SRM practices?

-How do these challenges impact the overall effectiveness of value creation through SRM?

-Based on your experience, what are the factors contributing in failure in supplier relationship management?

Supplier development:

-How do you develop and enhance the relationships with suppliers?

-Is there a difference of which relationships are more thoroughly improved than others?

-In your opinion, what is the biggest challenge in supplier development?