

Workshops as a tool for interactive buyer seller development

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ABSTRACT

Buyer seller interaction has been recognized as a potential area to generate both innovations and quality improvements (Axelsson et al, 2005) and one way to gain such advantages is to engage in supplier development activities (Krause, 1999; Krause & Scanell, 2002). Drawing upon interaction theory value can be created through activity links (e.g. JIT, concurrent engineering etc.), resource ties (i.e. optimal use of other parties resources), and actor bonds (i.e. the social bonds between actors) (Håkansson, 1982; Håkansson & Snehota, 1995) the potential to increase the value for both involved parties in a buyer seller relationship is evident. Studies of supplier development has often been focused on the manufacturing industry, this case investigates buyer seller interaction in the service industry (Wynstra et al, 2006). Further supplier development has focused on the why and what questions (Krause, 1999; Larsson, 2005), the how questions however, has not been addressed in the same extent.

A theoretical field focusing a lot on the how question is strategy as practice (Jarzabkowski & Spee, 2009). When examining how actors create strategy in other research workshops has been proven to be a valuable tool for strategy development processes (Hodgkinson, Whittington, Johnson & Schwarz, 2005). In the case studied here a service provider has invited their customer to a series of three workshops aiming at increasing interaction in the relationship to get a better understanding of each other, create learning and to ultimately increase innovation in the relationship.

The purpose of this paper is to describe and analyze how workshops can be used as a tool for supplier development activities aiming at increasing development in the buyer seller relationship.

Keywords: workshops, buyer seller relationship, interaction, supplier development, strategy as practice

INTRODUCTION

Buyer seller interaction has been recognized as a potential area to generate both innovations and quality improvements (Axelsson et al, 2005) and one way to gain such advantages is to engage in supplier development activities (Krause, 1999; Krause & Scanell, 2002; Larsson, 2005). Drawing upon interaction theory value can be created through activity links (e.g. JIT, concurrent engineering etc.), resource ties (i.e. optimal use of other parties resources), and actor bonds (i.e. the social bonds between actors) (Håkansson & Snehota, 1995; Ford et al, 1998) the potential to increase the value for both involved parties in a buyer seller relationship is evident. Studies of supplier development has often been focused on the manufacturing industry, this case investigates buyer seller interaction in the service industry (Wynstra et al, 2006). Further supplier development has focused on the why and what questions (Krause, 1999; Larsson, 2005), the how questions however, has not been addressed in the same extent.

In other research focusing on the how question, workshops has been proven to be a valuable tool for strategy development processes (Hodgkinson et al, 2005). In the case studied here a service provider has invited their customer to a series of workshops aiming at increasing interaction in the relationship to get a better understanding of each other, create learning and to develop their relationship and to innovate and solve problems jointly.

The purpose of this paper is to describe and analyze how workshops can be used as a tool for supplier development activities strengthening the buyer seller relationship.

RESEARCH METHOD

This research is based upon a case study of a development project organized by a seller (ISS) of services and two buyers (Forsmark and Oskarshamn) within the nuclear power industry. According to Yin (2009) the case study is an appropriate method to answer how and why questions when investigating a contemporary phenomenon. Using as single case design as in this research is recommended since it is a specific environment of interest that creates a specific context that is hard to separate from the parts investigated (Yin, 2009).

The research is based on several sources of data. Firstly an extensive empirical interview material, in all 24 interviews was collected setting the stage and providing input for the three workshops. Secondly observations, recordings (audio and video), documentation and short interviews from the three workshops. Thirdly, planned for August 2012 a set of follow up interviews. The development project has been organized on the initiative of the supplier and has included broad based participation, ranging from managers to blue collar workers, from both the buying firms and the selling firm. The workshops have been developed and moderated by researchers from the Jönköping International Business School.

Since the case investigated involves researchers acting as moderators and facilitators of the workshops the research can to some extent be labeled action research (Gummesson, 2000). One of the strengths of action research is that it gives the researchers access to data that the researcher otherwise might find it hard to get (Gummesson, 2000).

Since the purpose is to investigate how workshop can be used it is also planned to be a follow-up phase with in-depth interviews of participants to investigate the impact a year after completing the workshop series. The interviews are scheduled for August 2012

THEORY

Supplier development

The term supplier development was in scientific journals first used by Leenders (1966) but has since received a lot of attention by researchers in the supply chain management field (e.g. Krause, 1999; Krause & Ellram, 1997; Larsson, 2005). Supplier development is a fruitful way for firms to strengthen a buyer seller relationship (Ibid.), however Krause notes that most firms working with supplier development have short-term performance goals rather than long-term goals such as capability increase and joint development of solutions (Krause, 1999).

It should be noted that previous supplier development projects studied have been initiated by the customers (e.g. Krause, 1999; Larsson, 2005), and here we have a case initiated by the selling firm.

According to Krause (1999), commitment, relationship continuity, and communication can be considered to be the antecedents of supplier development and they are all necessary for development to be achieved. Furthermore, top management involvement and commitment is considered crucial aspects in such projects as well as the supplier development activities are considered a strategic activity (Krause & Ellram, 1997). In line with these thoughts Moss-Kanther (1994) argues that a successful buyer seller relationships must meet eight criteria, namely; individual excellence, importance, interdependence, investment, information, integration, institutionalisation and integrity.

It is also noted that supplier development activities can be more or less proactive to its nature (e.g. Krause & Ellram, 1997), where proactive development can be seen as development as a part of the purchasing strategy (Larsson, 2005). For proactive supplier development interaction is a prerequisite for a successful outcome. Within the purchasing literature a commonly used approach is the interaction/network approach developed by the IMP-group (e.g. Axelsson & Easton, 1992).

An interaction/network approach

“We are now entering the era of ‘supply chain competition’ .The fundamental difference from the previous model of competition is that an organization can no longer act as an isolated and independent entity in competition with other similarly ‘stand-alone’ organizations. Instead they need to create value delivery systems that are more responsive to fast-changing markets and that are much more consistent and reliable in the delivery of that value requires that the supply chain as a whole be focused on the achievement of these goals.

(Christopher, 1998:28)

This quotation highlights the importance of not viewing the firm as an island (Håkansson & Snehota, 1995). An indeed the claim that there is a need for interaction between buyers and sellers is not new. Håkansson and others argued already in the early 80s that there is a strong need for buyers and sellers to interact (Håkansson, 1982). The reasons for interaction might vary but among the reasons found uncertainty reduction is one of the main reasons for buyers and sellers to interact (Ford, 1980; Davis, 1993). Interaction can also result in significant value creation (Möller & Törrönen, 2002). Through interaction a buyer and a seller develops

way to handle problems and over time routines will develop that both decrease uncertainty and can set a basis for further value creation since trust will be established (Ford, 1980; Håkansson, 1982). To understand interaction the ARA network model can be used distinguishing between firstly actors connected through bonds, secondly resources and thirdly resource ties and activities and activity links to better describe the interaction that takes place (Håkansson, 1987; Axelsson & Easton, 1992).

The interaction approach uses the interaction as a unit of analysis where the actors are the one that drives the interaction. Looking at a more recent theoretical perspective, strategy as practice, there is a focus on the actors here called practitioners and how they really act and interact (Whittington, 1996).

Strategy as practice

Originating from Whittington's early work (1996) the strategy as practice field has emerged as an important field focusing on the doing of strategy aiming at answering questions on who develops strategy, what they focus on and with which help and how they do it, and thereby putting a lot of emphasis on the human actors involved in strategy (Jarzabkowski & Spee, 2009).

Looking at the research parameters of the field strategy as practice literature the investigation of practitioners, practices and praxis emerge (Jarzabkowski & Spee, 2009). Practitioners are the ones that create strategy, in the strategy as practice literature (mainly managers and consultants), practices refers to social, symbolic and material tools whereas praxis refers to the activities used to form strategy (Jarzabkowski & Spee, 2009).

When investigating practice and praxis one method to create strategy that has emerged is strategy workshops that has become a more and more common practice in strategy development (e.g. Hodgkinson et al, 2006; Schwarz and Balogun, 2007).

Workshops as a tool

In the strategy as practice literature strategy workshops has been studied before and is seen as valuable tool for increasing interaction centered around strategic problems (Hodgkinson, Whittington, Johnson & Schwarz, 2006; Schwarz and Balogun, 2007)

Jarzabkowski and Seidl (2008) has made a taxonomy with four kinds of discussion which could occur in a workshop, namely; free discussion, restricted free discussion, restricted discussion and administrative discussion. It is argued that the kind of discussion will be determined by the structure of the workshop and that the impact of the workshop will be decided by a combination of structure and discussion (Jarzabkowski & Seidl, 2008).

In a workshop there are different roles that can be utilized namely those of a workshop sponsor to legitimize the workshop, a facilitator that plans and designs the workshop, participators, recorder who records the groups work and the role of the observer that listens and learns (Gottesdiener, 2002).

Whether or not the facilitator should be neutral (i.e. a consultant) or part of the organizations might vary but arguably has an effect on the workshop (Hodgkinson et al, 2006). It should be

noted however that in the strategy as practice literature both internal and external consultants are regarded as practitioners (Jarzabkowski & Spee, 2009).

When looking at the participants some surprises occur when it is noted that external stakeholders as well as internal stakeholders below middle management rarely are included in strategy workshops (Hodgkinson et al, 2006), even though a broad based participation can be seen as a success factor (Moss-Kanther, 1994). It should also be noted that previous studies in the strategy as practice perspective has had an internal firm focus and as only external actor included consultants. In supply chain management however, it has been recognized that the suppliers are of great importance for strategic development (e.g. Christopher, 1998) and the term extended enterprise is quite frequently used (Dyer, 2000).

To conclude Schwarz and Balogun (2007) notes that more research on workshops is needed but see clear links between successfully managed workshops as an important part of the strategic work in the involved organizations.

RESULTS

This case involves actors from the nuclear industry which is an interesting and fascinating industry, and indeed few industries have been as debated as the nuclear power industry (Wahlström, 2011). When investigating challenges for the nuclear industry a number of challenges comes up, one being to keep and maintain competence over the lifespan of a nuclear reactor, often including two generations of workers (Wahlström, 2011), and another is the increased use of subcontractors to save cost and make more efficient use of resources (Kettunen et al, 2007). Not any actor can get contracts in the nuclear power industry, actors involved has to fulfill a lot of different demands. In order to ensure safety in the operations a power plant is managed through “*an extensive set of rules and guidelines such as license conditions, technical specifications, management control procedures, maintenance programmes, work instructions and quality systems*” (Kettunen et al 2007:429) and external contractors must certify their operations before they are allowed to work within the industry (Kettunen et al, 2007).

The case investigated here started with the seller (ISS) contacting researchers at the Jönköping International Business School (JIBS) to get help in developing their relationship with the two buying organizations Oskarshamn and Forsmark. It was decided to set up a project with a literature study, a number of in-depth interviews and three workshops with participants from all involved organizations. The workshops was planned, partly based upon the literature study and the in-depth interviews and moderated by the consultants/researchers from JIBS.

The actors involved were as workshop sponsors two representatives from ISS headquarters, as facilitators three researchers from JIBS, as participants a broad based participation from the three organizations involved, thereby securing a lot of necessary competences (resources). All workshops were recorded (audio and video) by the facilitators. The role of the observer was shared by the workshop sponsor and a researcher from JIBS. In terms of practitioners as the term is used in strategy as practice literature there was top management representatives from all three organizations as well as consultants, in this case from academia. Below is a short description of the activities performed in the workshops.

Workshop 1 Oskarshamn

The first workshop took place at the nuclear power plant in Oskarshamn. The theme for the workshop was to identify barriers for value creation in the buyer seller relationship. During this workshop the participants were divided in groups and asked to identify barriers for value creation as well as to explain the identified barriers to the other participants. The workshop started with the consultants giving a 30 minutes introduction to the work which was followed by a 2½ hour group discussion. The workshop was concluded with reflections from the consultants as well as the participants group by group.

The barriers identified was grouped in six groups; unclear boundaries, communication and information, lack of integration on a strategic level, lack of common holistic view, lack of long term economic planning and ineffective access process.

Workshop 2 Forsmark

The second workshop followed the same structure as the first but focus had now shifted from the relationship between ISS and Oskarshamn to the relationship between ISS and Forsmark. The workshop took place at the nuclear power plant of Forsmark.

The barriers identified was grouped in six groups; poor knowledge about the contract between the parties, no common view upon budgets and financial aspects, daily operations take all time, which gives no time for strategic development, poor experience feed-back, poor knowledge about each other's core businesses, poor knowledge about each other's management structures and organization.

Workshop 3 Arlanda

To conclude the workshop series as third workshop was held at Stockhom Arlanda Airport. The theme for this workshop was how to overcome the barriers identified in workshops one and two and to come up with ideas on how to further deepen the buyer seller relationship.

During the third workshop the group was divided for the first half with sellers (ISS) in one group and the buyers (Oskarshamn and Forsmark) in another. After this session the groups were again divided, this time after the location (Oskarshamn and Forsmark) creating two groups with both the buyers and the sellers included.

A number of suggestions on how to overcome barriers and strengthen the relationships was the results of the third workshops. These achievements are well illustrated by the following two quotations:

"We see ISS as a part of our external company that is of a strategic importance to us"
(Senior manager at a nuclear power plant)

"We will invite ISS to our management meetings to improve communication and interaction between us"
(Senior manager at a nuclear power plant)

It was clear to all of us present that the participators of the workshop took on the tasks with enthusiasm and really contributed to the discussions and the outcome. An example of this is illustrated by the following quota:

"The workshops has been well organized and have been well worth the time spent"
(Senior manager ISS)

When the third workshop was concluded with a debriefing session between the consultants and the head quarter representative of ISS mainly discussing the outcome of the workshops.

DISCUSSION

This case illustrates several important aspects of buyer seller relationships. Using the workshop method to meet and interact in solving problems and overcoming barriers is one way to strengthen a relationship (Ford, 1980; Gottesdiener, 2002; Moss-Kanther, 1994; Krause 1999) and we see a need to include suppliers in strategic work.

Further the case illustrates that within a buyer-seller relationship a lot of strategic discussion can take place and there is indeed important practitioners (Jarzabkowski & Spee, 2009) to be found also among external parties, such as suppliers. Contrary to the claims of Hodgkinson et al, (2006) we see the in this case involvement of both external stakeholders as well as internal stakeholder representing a variety of functions and level as a success factor in the workshop thus making a contribution to the strategy as practice field.

It also illustrates that the customer is not the only actor that can take initiatives in the relationship, even though literature suggest that they most often are the initiating party (Krause & Ellram, 1997).

The use of external facilitators from academia seems to be one of the success factors in this project which is in line with the thoughts of Hodgkinson et al (2006) since they quickly could introduce the participants to workshop and stimulate them to contribute.

Even though it in this case is clear evidence of workshops being a well functioning tool to facilitate supplier development and to increase buyer seller interaction more research in the area of workshops is needed (Schwarz and Balogun, 2007) especially studies that further explore the use of suppliers and or customers in the strategy making process.

CONCLUSIONS

Workshops seem to be a well functioning tool to facilitate supplier development and to increase buyer seller interaction. The inclusion of the strategy as practice perspective to gain more insights in this field is highly relevant and can be combined with the interaction perspective to give a better understanding of firstly actors (practitioners) and secondly to the interaction through practices and praxis answering the how question, e.g. how do we create a common strategy.

The use of external facilitators of the workshop is likely to be even more important in a workshop with both internal and external actors than in an internal workshop.

Finally, more studies of strategy workshops, including buyers and sellers are suggested, linking strategy as practice perspective closer to the IMP perspective.

MANAGERIAL IMPLICATIONS

The case studied here shows that workshop is a well-functioning tool for development of buyer-seller relationships and a great platform for strategic discussions. Such strategy

discussion need to include both participators from the buying firm as well as from the selling firms since the success of any strategic decisions will rely upon the actions from both parties.

To avoid suspicion between the actors involved it is recommended to use an external facilitator of the workshop. Such facilitator could be a consultant or an academic researcher acting as a consultant.

FURTHER RESEARCH

This paper still represents work in progress. One aim is to get a better understanding also of the impact of the workshops held. Therefore a number of follow-up interviews will be conducted in August 2012. In the follow-up interviews success factors, potential draw-backs etc. will be further identified. The strategy as practice perspective need to be deepened especially with a connection to supply chain management.

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