

The effects of supplier awards on the relationship of buyer and supplier: a multiple case study of winners and non-winners

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ABSTRACT

Due to their amount of applications in practice, supplier recognition programs seem to be an important mechanism used by buyers to reward their suppliers. However, research about supplier awards is still in its beginnings and little is known about the effects that stems from these awards. Motivation theory and the emerging body empirical literature suggests that awards can significantly affect motivation and in turn corporate performance, though not always in the intended direction (Gallus & Frey, 2016). Awards can also destroy value for both, winners and non-winners, due to unintended motivational effects (Deci et al. 1999) as well as social comparison costs (Larkin et al., 2012). Since all these papers focus on awards on an employee level, further investigation needs to be made whether these findings are also valid on a corporate level for supplier awards. Moreover, it remains unclear how motivation is expressed in such a context and when and under which conditions it occurs. In addition, it has been investigated whether awards might be used to stimulate preferential resource allocation (Schiele, 2012) through the concept of reciprocity (Falk & Fischbacher 2006).

In order to explore the effects of supplier awards on the buyer-supplier relationship, a multiple case study of winners and non-winners of supplier awards has been conducted. In total, seven cases have been studied including four winners, two non-winners and one award issuing firm.

Findings suggest that supplier awards tend to stimulate recipient's motivation on different dimensions, but stronger in the post-award period. Interestingly, supplier awards can also result in negative outcomes. Evidence shows, that it can occur that a supplier decreases in performance after winning an award, possibly due to unintended motivational effects. Moreover, the status of the issuing firm seems to matter, even though a comparison between high and low status awards has not been realized. Preferential resource allocation plays an important factor in the context of supplier awards, whereas preferential treatment takes place in the pre-award period and the award compensates for it (reciprocity). Finally, there is weak evidence for an opportunistic use of the award due to higher supplier dependency. The research contributes to the literature by showing the effects of supplier awards. From a practical view, it contributes by explaining managerial implications from a buyer's as well as supplier's perspective. In the end, limitations and suggestions for future research are mentioned.

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1. INTRODUCTION

This master thesis aims to explore the effects of corporate supplier awards on the relationship of buyer and supplier.

1.1 The Application of Supplier Awards in Practice

Nowadays, many well-known companies have implemented new or significantly enhanced supplier recognition programs. In a survey conducted by *Purchasing Magazine*, almost a half of the respondents indicated having some means for rewarding their suppliers (Stundza, 2006, p.15). A look on the biggest industrial companies in Germany reveals that 13 out of 30 firms already have a supplier award as part of a supplier recognition program in place.¹ This indicates that supplier awards seem to have a practical relevance in supplier management. In the early 90s the traditional buyer-supplier relationship has fundamentally changed: Competition from offshore producers, technological and shortened product life cycles forced buyers to stronger engagement and more collaborative approaches with their suppliers (Spekman, 1988). Therefore, it is reasonable that in industries where supplier's contribution on firm's success is really high due to potential of innovation and cost savings (such as automotive, machinery and other production areas), awards are common practice and serve as a tool to manage strategic suppliers effectively. In press releases, firms explain that awards are a way to honor great performance of suppliers and to strengthen strategic partnership with these.² Often the award is issued on a supplier day, where the buying company invites all its suppliers and honors the best ones in a festive manner. During this research, many firms have been visited and almost all described the award gala as a big event with a lot of excitement for the suppliers involved. One firm even compared the award to the well-known Oscars which underlines the importance of this event. Supplier awards honor suppliers with outstanding performance in a certain category. The range of categories for supplier awards is very broad and differs from industry to industry, but typically includes aspects such as innovation, quality, collaboration and cost excellence.³ However, the way how firms set up a supplier awards might differ in several ways which was further explored while investigating this topic. Even though, awards have a high practical relevance which can be seen from the amount of applications, literature about supplier awards is still in its beginnings.

¹ The list is based on the TOP 500 ranking published by the German newspaper *Die Welt*. The figure size is displayed as a function of revenue, profit and amount of employees.

² This information was retrieved from the press release of the Daimler AG Supplier Award 2016 (Daimler Website).

³ These examples are taken from the supplier awards that have been analyzed as part of this research.

1.2 Research Gap: Supplier Awards in the Literature

Despite the numerous applications of supplier awards in practice, the literature on supplier awards itself is not really advanced. A search on *Scopus* reveals that there are only a few publications in relevant purchasing journals which cover the topic “supplier awards”.⁴ Searches for potential synonyms such as “supplier certification” lead to more results, but were mainly about quality certificates such as ISO 9000 which do not cover the focus of this research. Fynes et al. (2008) found that winners of supplier awards increased income by a significant amount in comparison to firms that did not win an award. They argue that the positive feedback that stems from these awards motivates the suppliers to perform better. As a consequence, more firms began to realize that “awards based on relationship management outcomes in terms of improved business performance are the way to forward.” In their research, supplier awards only played a minor role and only served as a mediating variable in their model. It remains unclear under which conditions supplier awards stimulate motivation.

Furthermore, most of research has been conducted about awards effects on an individual employee level, whereas collectivism for corporate awards has not been taken into account.

In recent literature on this topic, several effects that awards can have on recipient and non-recipient have been outlined. Motivation theory and the emerging body of empirical literature suggests that awards can significantly affect employee motivation and in turn corporate performance, though not always in the intended direction (Gallus & Frey, 2016). The reasons for increasing motivation and performance are diverse and will be discussed in more depth in the following literature review. However, an important shortcoming of awards literature so far has been the neglecting of the value destruction issue. It has been found that awards may destroy value instead of capturing it. This value destruction can occur not only for non-winners but also for award winners due to unintended motivational effects (Deci et al. 1999) as well as social comparison costs (Larkin et al., 2012). Besides motivational effects, other effects that seem to be related to supplier awards are enhanced competition and its ability to create role models (Gallus & Frey, 2016) that management can use in the context of buyer-supplier relationship to steer the behavior of non-winners of the award.

As one can see, the literature on awards in general is rather comprehensive, but as mentioned earlier this does not account for supplier awards. It is questionable whether effects that have been examined for employee awards on an individual level are also applicable and valid for supplier awards on a firm-level. In this research, it is going to be investigated what effects supplier awards have on winners of an award and non-winners which are often titled as

⁴ Information based on a search on *scopus.com* in February 2017.

nominees in the context of supplier awards. For this research, the term nominee will be used equally to the term non-winner. The reason for this is that a nominee is a firm that has been nominated for the award but did not win it in the end, whereas a non-winner could also be any other supplier that has not won the award (without a nomination).

The aim of this research is to answer the underlying research question: *What effects do supplier awards have on the buyer-supplier relationship?*

The question is quite broad in its sense, therefore sub questions have been developed to help answering the question in its full existence. The sub question concerning firm status is based on the assumption that award effects might differ not only in regards to winners and non-winners but also in regards to firm status and reputation.

The following set of sub questions are going to be addressed to further elaborate on the research question:

- 1.) How do supplier awards affect the motivation of the winning/non-winning firm?*
- 2.) Does the winning of supplier awards lead to reciprocal behavior and is the favor returned in terms of preferred resource allocation?*
- 3.) How do the effects of supplier awards differ if the awards stems from a high or low status firm?*

From this study, it is expected to obtain more insights on the issue of supplier awards by presenting first-hand insights about the effects on winners and non-winners. This study aims to add to current literature by outlining how motivation is expressed and when motivation takes place. From the current literature, it is left vague how awards contribute to motivation and whether awards stimulate motivation in the pre or post award period. Furthermore, we extend the view by analyzing in what way preferred resource allocation plays a role in this context and whether awards can be used as a mechanism to achieve preferred customer status that helps firms to get preferred access to resources or other relational rents. These rents can be innovation resources, better prices or capacity that might be used to achieve competitive advantage in their market (Schiele, 2012). In the end, the findings will be discussed on basis of the theoretical considerations. This bears not only theoretical but also practical implications, since managers need to know how supplier awards will potentially affect their suppliers as well as what to consider when setting up an award program.

2. LITERATURE REVIEW

In the following part, a brief review of award literature will be given in order to outline the different effects of supplier awards.

2.1 Type of Awards: Discretionary and Confirmatory Awards

In order to discuss awards in their full existence, a distinction between the two basic types of awards needs to be made.

Discretionary awards are given *ex post* for outstanding behavior and often come as a surprise. In contrast to confirmatory awards, they allow to recognize effort and performance more broadly, without the need to exactly quantify the underlying activities. They are less likely to crowd out their recipients' intrinsic motivation since the criteria on which the awarding decision are based are not clearly defined and rather vague. These criteria are also well-known as soft-criteria. A good example for a discretionary award is account management. Evaluating the account management practices of a firm often relies on how one firm perceives the services and support of the other firm. Often these aspects are rather difficult to assess by using numbers but rather rely on personal experiences in the day-to-day business.

Discretionary awards seem to be better in signaling the wish to enter a special relationship and recognize the recipient much stronger than confirmatory awards (Gallus & Frey, 2016).

In contrast, confirmatory awards are highly automated and are based on clearly defined criteria in a set time frame. The risk of crowding out for these type of awards is much higher because the recipient can adjust his behavior/performance to achieve a high score on the different criteria. For instance, if an award is based on clear measurable indicators for quality, a firm that would engage in receiving this award might put all its capabilities and resources to achieve a high score for these criteria at costs of other things. This phenomenon is also known as "*gaming the award system*" and describes a situation in which a firm engages in strategic gaming behavior in order to win the award which leads to negative outcomes (Gubler et al., 2016). The difference in type of awards can have important implications for the supplier awarding process itself and needs to be carefully considered when designing a supplier recognition program. Supplier awards can be categorized into different aspects of outstanding performance which differ from firm to firm. In recent literature, industrial awards such as national and state quality awards have been frequently discussed. The majority of industrial awards are not quality awards but operational awards or product innovation awards (Azadegan & Pai, 2008). It is important to consider that industrial awards do significantly differ from supplier awards because latter are assigned by the

individual firms whereas industrial awards are often assigned through institutions.⁵ Furthermore, taking a look at recent supplier award categories, a huge diversity of awards in different categories can be distinguished. In regards to these categories, it is assumed that some categories such as “cost excellence” rely more on defined criteria and tend to be confirmatory, whereas awards for innovation more on soft-criteria and are therefore of discretionary nature.

2.2 Effects of Awards

As already indicated earlier, purchasing literature has not analyzed the direct effects of supplier recognition programs in depth. The literature does often provide an evaluation of awards in general (often focusing on HR practices and employee awards). Therefore, its implication in the field of purchasing is not verified and requires further analysis. In the following part, the different effects that have been analyzed in recent literature will be outlined and will be theoretically transferred to the context of supplier awards in the context of purchasing.

2.2.1 Motivation and Performance

Awards seem to positively influence the behavior of both, recipients and non-recipients of awards (Gallus and Frey, 2016). “Awards as nonfinancial incentives, provide a valuable means for motivating people because they can sharply increase award winner’s social recognition and status” (Shi et al., 2017). In order to discuss motivational aspects, a clear distinction between intrinsic and extrinsic motivation needs to be made. Whereas intrinsic motivation refers to doing something because it is inherently interesting or enjoyable, extrinsic motivation refers to doing something because it leads to a separable outcome (Ryan & Deci, 2000). For supplier awards, the question arises whether supplier’s motivation is stimulated for the purpose of winning the award (extrinsic motivation) or because they really want to perform better in order to strengthen the buyer-supplier relationship (intrinsic motivation). Evidence shows that intrinsic motivation is an important source of employee and organizational performance and is crucial for organizational success in many sectors (Weibel et al., 2010). This means that someone who is intrinsically motivated will probably perform better than someone who is unmotivated, considering that both have equal skills and capabilities. Intrinsic motivation also distinguishes itself from extrinsic motivation because it results in high-quality learning and creativity and is often associated with a high degree of personal engagement (Ryan & Deci, 2000). Awards are nonmaterial extrinsic rewards, similar to verbal reinforcements (Atkins &

⁵ See for instance “World Procurement Award”, an association which awards companies for excellence in purchasing and procurement on an annual basis through neutral judges (represented by professionals from the field of purchasing and procurement).

Parker, 2012). It has been stated that awards are less likely to crowd out intrinsic motivation compared to monetary rewards, instead they are rather supportive to it (Frey, 2006) because “they recognize the recipients’ competence and draw attention to their achievements and thereby enhance intrinsic motivation.” (Gallus & Frey, 2016). Awards might be used to stimulate supplier’s motivation and thereby increase their performance which in turn also positively will affect the buying firm and can have substantial implications for an effective supplier performance management. On the other hand, awards may also negatively impact the motivation of their recipients and non-awarded subjects. Motivation crowding-out can occur under certain conditions, for instance when a substantial amount of money is added to the award, when it is based on clearly defined measurable performance criteria beforehand and when the award is given on a regular basis and in high frequency (Gallus & Frey, 2016). As mentioned earlier, discretionary awards are therefore less likely to crowd out since criteria are left rather vague. For non-recipients of awards, demotivation is a potential cause of awards. The risk of demotivation is especially high in case of confirmatory awards with high *ex ante* performance criteria on a limited range of dimensions because many subjects may feel they have no chance of winning and give up (Gallus & Frey, 2016).

2.2.2 Role Models and Social Comparison Costs

Interestingly, it has been found that awards can also be used to create role models. This can have a positive effect on non-awarded subjects by motivating them to emulate the desired behavior of the role models. According to Coff and Kryscynski (2015) role models represent norms that others may internalize even if incentives can not be aligned. In case the criteria for certain contributions can not be defined, measured or identified *ex ante*, awards can serve as a representation of these *ex post*. In addition, awards may help to maintain a corporate culture built on these norms and behaviors for which the award has been given (Schein, 2004). By implication, this means the buying can use an award as a tool to decide on a recipient to become a role model for other suppliers of that firm. Hereby, the award may clearly indicate what the firm expects from its suppliers and what seems to be important in order to become a preferred supplier. If non-winning firms want to belong to the preferred suppliers, they need to follow the winners example. One destructive effect of awards which needs to be mentioned in regards role modelling because it represents the opposite, are social comparison costs. They come into play when subjects that do not win an award react envious and engage in retributive behaviors. The risk of social comparison increases with the following factors: the less clearly the criteria are defined *ex ante*, the less other can observe the performance *ex post* and the more

frequently the awards is given to the same subject (Gallus & Frey, 2016). Originally, also the monetary value of the award has been mentioned as a factor for social comparison but it is estimated to not be applicable on a corporate level.

2.2.3 Competition

One reason for firms to award suppliers is because awards stimulate competition, highlight outstanding performance and help to improve the bottom line (Barrat & Hatton, 2004; Hagen, 2000). Because of the fact that an award is a recognition for outstanding performance, many firms want to receive an award because it displays expertise and improves reputation (Hayward et al., 2004) which can be used to achieve a competitive advantage. In accordance with that, goal setting theory suggests that awards provide a tangible objective that can enhance the competitive spirit of an organization (Locke, 1996; Linderman et al., 2006). As one can see, theory implies that awards increase competition, however it has not been discussed under which conditions supplier recognition programs might be more or less competitive. First of all, the status of the buying firm that awards the supplier should matter. Supplier recognition programs by high status firms are probably more coveted by the suppliers than programs of low-status firms. Therefore, competition for these awards is assumed to be much stronger. Moreover, it appears that awards can also have an unintended effect on their recipients due to their ability to reinforce overconfidence. This effect is especially distinct if the subject is awarded several times in short frequency (Gallus & Frey, 2016). As for other effects, frequency of the award seems to play an important role for the competition dimension too. “An award needs to remain scarce to prevent inflation from reducing its value.” (Gavrila et al., 2005)

2.2.4 Preferential Treatment and Reciprocal Behavior

An important aspect which has not been discussed in recent literature is the effect of supplier awards on the preferred customer status. According to Schiele et al. (2012) “a supplier awards a buyer with preferred customer status if this customer is perceived as attractive and if the supplier is currently more satisfied with this customer than with alternative customers. As a consequence of this satisfaction, a supplier reacts by providing privileged resource allocation to this preferred customer.” The term preferential resource allocation is rather broad in its sense and can be referred to many different kinds of resources such as preferential capacity allocation in bottlenecks or collaboration in regards to innovations (Schiele, 2012). Moreover, being a preferred customer can at the same time have an impact on supplier pricing behavior (Schiele

et al., 2011; Bew, 2007). In their literature review on the preferred customer status, Hüttinger et al. (2012) summarize that the most important impact of preferential treatment is of strategic nature and leads to competitive advantage through the creation of relational rents. “As privileged access to the best suppliers provides the firm with competitive advantages, preferred customers should outperform their competitors.” (Hüttinger et al., 2012). Firms are trying to get access to supplier’s resources that their competitors do not get from them in order to achieve a competitive advantage. Among others, the preferred customer status is one way to ensure this preferential treatment. The three key concepts that have been found to influence preferential treatment are customer attractiveness (Hald et al., 2009; Ramsay & Wagner, 2009), supplier satisfaction (Benton & Maloni, 2005) and finally the preferred customer status (Steinle & Schiele, 2008). Last can be interpreted as the mirror of the preferred supplier notion (Trent, 2005). The underlying idea is to establish a preferred customer-oriented supply strategy that aims to influence the supplier’s behavioral intentions in such a way that the supplier awards selected customers with more favorable treatment than others (Hüttinger et al., 2012). Preferred customer status implies explicitly a strategic prioritization by suppliers and is expressed as preferential behavior towards the customer.

The concept of reciprocity can help to understand how this is working in a buyer-supplier context and how awards relate to this. According to Falk & Fischbacher (2006), reciprocity is a behavioral response to perceived kindness and unkindness. It can be described as a social rule that says someone should repay what another person has provided for them. A firm that gives an award to a particular supplier communicates to that firm that it is a preferred supplier. In return, they expect reciprocal behavior from that supplier by becoming preferred customer and getting access to resources that other customers do not get. Therefore, supplier awards can be interpreted as a preferred customer-oriented supply strategy that aims to establish a preferred customer status.

2.2.5 Buyer Dependency

Buyer dependency is the last effect that will be taken into consideration in the context of supplier awards. Buyer dependency is defined as a circumstance in which a supplier has increasing level of power over the buyer, such that the supplier may have little motivation to withhold the exercise of this potential power.” (Petersen et al., 2008). Theoretically, supplier awards increase buying firm’s dependency on the supplier because an award signals the wish to enter a special relationship with the recipient (Gallus & Frey, 2016). This probably enhances the suppliers position also in terms of power. For instance, phasing out the supplier who recently

won an award seems to be really difficult and inconsequential. Furthermore, the recipient might also take advantage of the award and charge higher prices for his products. The award confirms the recipient's competences and symbolizes that this supplier is of strategic value for the buyer. The supplier might use this knowledge about the award in an opportunistic way. Evidence for these actions are given through a social experiment by Pulles (2017) in which award winners tend to charge higher prices for their products in comparison to non-winners in the post award period.

2.3 Contingencies

Contingencies that are assumed to mediate the effects occurring from supplier awards are status of the award issuing firm, as well as type of award as mentioned earlier.

2.3.1 Status of Award Issuer

In order to fully assess supplier awards effects, it is important to take the buying firm's status and reputation into consideration. Theoretically, it is assumed that corporate status and reputation might have a mediating effect on effects of supplier awards. For instance, a supplier award released by a low-status company to a high-status firm might only have small effects, whereas vice versa the effects might probably be much stronger. Corporate reputation has been defined as a perceptual representation of a firm's overall appeal compared to other leading rivals (Fombrun, 1996). Therefore, the status is not only displayed by a comparison between buyer and recipient but also between buyer and other competitors that conduct business with the recipient. This might even play a bigger role if that competitor also awards that supplier in a supplier recognition program because then the original award loses its uniqueness and might experience a decrease in value. In general, a firm's reputation is influenced by several factors, such as financial performance, company size, media exposure, advertising expenditures and type of industry (Cable & Graham, 2000; Fombrun, 1996). Even though these factors can be assessed by simple means of measurement, also the perceived status of the recipient buying firm needs to be taken into account which consists of a subjective assessment of the supplier. A closer look on how status and reputation might mediate the effect of supplier awards will be achieved by putting it in the context of *Social Identity Theory* which can be used to explain how organization status influences supplier award's effects and why status really matters in this process. The foundation for this can be found in *Social Identity Theory* (SIT) which suggests that individuals classify themselves into social categories based on group membership (Dutton et al., 1994). It is known that corporate reputation reflects an

organization's social status and provides information about how the company is perceived relative to its competitors. Organizational affiliation reflects social status of members of the organization, as well as potential members (Dutton & Dukerich, 1991). The underlying principle in regards to supplier awards is that an award by extension can be seen as a symbolic creation of a group membership. A firm that awards its suppliers communicates indirectly that this supplier belongs to their closest partners and is of highly strategic value for the firm. By implication, a recipient of a supplier award identifies itself with the awarding company based on the external perception that company, e.g. an award of a high-status firm might lead to higher identification and in turn to a stronger supplier award effect with that firm. Additionally, a positive view of group belonging also depends on comparisons to other groups (McKeown et al., 2016). Based on this, it seems that a supplier awards effect does not only depends on the awarding firm's status but also on the fact whether the firm has received other supplier awards from other firms recently. The effect of a supplier award might decrease in case the recipient has received an award by another company, which is of a higher status than the first company.

3. RESEARCH METHODOLOGY

3.1 Research Design

Given the literature, research on supplier awards is still in its beginnings and requires further investigation and exploration. The research is of exploratory nature and hence calls for qualitative case research in order to develop theoretical implications. Case study research is a method that has been extensively used in management to investigate the decisions and behavior of groups and individuals as well as within inter-company relations (Barrat et al., 2011) (Dubois & Gadde, 2002). Moreover, it has been developed to examine complex problems with a view to identifying theoretical implications from a theory-building perspective and is appropriate in new topic areas (Eisenhardt, 1989). One of the central questions in case study research is the number of cases which should be taken into consideration. Some scholars have argued that a single-case study sufficient and preferable because it can show the impact of a large number of powerful and active contingent relations and the way they operate (Siggelkow, 2007). In other words, a single case study is appropriate to gain a deeper view into diverse relations of a particular case. However, the single-case study also comes with its downsides because it lacks relevance when it comes to theory building purposes. In this research, multiple cases will be

used because likely to create more robust theory due to its ability to augment external validity and help guarding against observer bias (Voss et al., 2002).

3.2 Data Setting

Explanation of Cases

In order to examine the effects that supplier awards have on winners and non-winners for theory-building purposes an adequate amount of cases needs to be selected. One case compromises one firm, either winning or not winning the award. In total seven cases have been analyzed from which four were winning firms, two were non-winning firms and one case was with a firm which issued an award. The last interview was done in order to get insights on both sides (winning and non-winning) from the issuer’s point of view.

Search Strategy

The firms have been found using a search engine using search terms such as “supplier award”, “supplier award nominees” or “supplier award 2016”. The selection of participants takes place according to the criteria whether the firm has received or has not received a corporate supplier award in the last three years. Firms that were involved in supplier awards more than three years ago are not relevant due to the advanced time. This is because it is assumed that effects have already diminished and/or the firm cannot give information on the case anymore.

In **Table 1** the descriptive statistics of the cases can be found. In general, it can be seen that firms that issue awards are in our sample of a relatively high status compared to the recipients because no low-status award issuers have been identified. In the data no large diversity in the status of the issuing is given which makes it not possible to control for status of the firm. It can be argued that awards tend to be rather used by high status firms.⁶

Award Winner Case									
Award	Case	Year	Industry	Size Winner / Non-Winner	Size Issuer	Award	Status Issuer	Interview(s)	Length
“Supplier of the Year Award – Logistic”	1	2016	Logistics	580 employees, revenue of 56 Mio. EUR	11,500 employees, revenue of 3.9 Bln. EUR. -4% turnover		High	1 interview with Head of Marketing and Management Systems	32:56 minutes

⁶ This observation is also in line with what the author has found during his online search.

“Supplier of the Year – General Requirements and Performance”	2	2016	Connection Technology	250 employees, revenue of 70 Mio. EUR	306,000 employees, revenue of 40.58 Bln. EUR -17% turnover	Very High	1 interview with Head of Purchasing	51:20 minutes
“Supplier Award – Account Management”	3	2016	Machinery	450 employees, revenue of 35 Mio. EUR	6,000 employees, revenue of 1.8 Bln EUR -10% turnover	Medium	1 interview with Head of Sales	28:08 minutes
“Supplier Award – Innovation”	4	2016	Automotive	3900 employees, revenue of 488 Mio. EUR	282,488 employees, revenue of 153 Bln EUR. -20% turnover	Very High	1 interview with Managing Director	32:50 minutes
Award Issuer Case								
“Supplier Award”	5	2016	Food	20 employees, revenue of 3 Mio. EUR	350 employees, revenue of 145 Mio. EUR -15 % turnover	Medium	1 interview with Head of Purchasing, 1 interview with award winning firm’s owner	16:38 minutes, 31:12 minutes
Award Non-Winner Case								
“Supplier Award”	6	2016	Machinery	60 employees, revenue of 15 Mio. EUR	14.800 employees, revenue of 3.77 Bln EUR. -15 % turnover	High	1 interview with owner of non-winner	12:15 minutes
“Supplier Award – Service”	7	2016	Machinery/Engineering	10 employees, revenue of <10 Mio EUR	11,500 employees, revenue of 3.9 Bln. EUR. -4% turnover	High	1 interview with owner of non-winner	17:39 minutes

Table 1: Descriptive Tables of Cases

3.3 Data Collection

Data collection will take place through semi-structured in depth interviews with respectively one representative (in most of the cases the Head of Sales) of the firm that has either received an award or not. The interview for the award giving firm has been conducted with the Head of Purchasing. After the interview has been conducted, the interviews were transcribed within a short period of time and confirmed by the interviewee to enhance research quality. Semi-structured interviews are conversations in which someone knows what he/she wants to

find out about and a set of questions to ask, and topics to be covered are prepared. The conversation is free to vary and can change substantially between different participants (Miles & Gilbert, 2005). In contrast to fully structured interviews in which the researcher has much more control, semi-structured interviews have more of a conversational character and allow the researcher to dive deeply into a topic and adjust the conversation when needed. It is sufficiently structured to address specific topics related to the phenomenon of study, while leaving participants to offer new meanings to the study focus (Galletta, 2013). In order to answer the research questions, semi-structured interviews seem to be an effective way to gather the data that is needed. Since literature on supplier awards is not extensive at this moment in time, the semi-structured interviews help to explore further dimensions of supplier awards that give new insights to the study. In order to attain these insight, the interviews “incorporate both open-ended and more theoretically driven questions, eliciting data grounded in the experience of the participant as well as data guided by existing constructs in the particular discipline.” (Galletta, 2013)

3.4 The Interview Protocol

This research follows the lead of Galletta (2013) who proposed to divide semi-structured interviews into three segments (see **Figure 1**): (1) the early part of the interview is intended to elicit from the participant the central narrative that will give the interview direction and depth. In this segment, the questions are open-ended in order to create space for the participants to narrate their experiences. It is described as “the richest and most proactive source of data as it is the narrative that is in place before the use of more theoretically shaped questions follows.” (2) The middle segment of the semi-structured interview should be designed to pursue your topic of study in more depth with the participant. It is important to tie on the narrative that has been shared in the opening segment and extract data of greater specificity and broader contextual levels. The questions in this segment can be described as narrower than the first set of questions and fit in the context of the opening narrative. (3) The final segment of the interview protocol offers and opportunity to return to points in the narrative that are still in need for exploration. Moreover, questions that reflect the theory of the study should be included here. “In this way, the data that are grounded in lived experience and those addressing theory might converse.” (Galletta (2013). As one can see, the final segment benefits from and builds on the data emerging from earlier questions in the interview. Through this procedure, meaning making takes place as the interview progresses. For the purpose of the research, three different set of interview protocols have been developed: one for the winning firms, one for the non-winning

firms and one for the issuing firm. The full interview protocols for the winners can be found in the appendices.

1. Opening Segment	2. Middle Segment	3. Concluding Segment
<p>1.1 Establish level of comfort and understand participants rights</p> <p>1.2 Move into road questions that create openings for participant to begin to speak for his/her experience</p> <p>1.3 Probe for clarification when necessary</p> <p>1.4 Note meaningful junctures in story to which you will return later for greater exploration and depth</p> <p>1.5 Support the flow of the narrative with probes that guide its direction as it relates to research topic</p>	<p>2.1 Attend to nuances in the narrative thus far</p> <p>2.2 Shift into questions that are more specific as they relate to your research question</p> <p>2.3 Come back to narrative material as it connects with specific questions</p> <p>2.4 Further explore participant's responses noted as meaningful in the opening narrative</p> <p>2.5 Extend probes beyond clarification to meaning making on the part of the participant toward the research topic</p>	<p>3.1 Pose questions that reflect theoretical considerations - offer participant to explore opening narrative in relation to theory-driven questions</p> <p>3.2 Return to stories and metaphors that require further explanation</p> <p>3.3 Look for opportunities to explore contradictions</p> <p>3.4 Work towards a sense of wrapping up and indicating to participant that the interview is near completion</p> <p>3.5 Ask for final points and additional thoughts</p>

Figure 1: Segmentation of semi-structured interviews (Galletta, 2013).

3.5 Conceptualization and Operationalization

Based on the theory, a set of questions has been developed which are going to serve as a guideline of the interview that incorporates the theoretical concepts explained earlier. In the table below, an operationalization of the theoretical concepts can be found.

Concept	Definition	Operationalization
Confirmatory Award	“Confirmatory awards are bestowed at regular intervals with defined performance criteria and the awards is always given to whoever was the best performer.” (Welpel et al., 2014)	-Award based on clearly measurable criteria, so called hard criteria.
Discretionary Award	“Discretionary awards rely on on broad performance evaluations and may be used ex-post to honor outstanding performance.” (Gallus & Frey, 2016)	-Award based on soft criteria which are not clearly measurable and rely on rather broad evaluation.

Motivation	- "Motivation energizes and guides behavior towards a particular outcome." (Sansone & Harackiewicz, 2000)	<u>Pre-Award:</u> -Firms motivation to win the award. (extrinsic) -Firms willingness to improve performance to win award. (extrinsic) -Firms behavior and performance towards issuing firm (intrinsic).
Intrinsic Motivation	-Intrinsic motivation refers to doing something because it is inherently interesting or enjoyable to do.	<u>Post-Award:</u> -Firms motivation to win the award again. (extrinsic) -Firms behavior and performance after award has been issued (intrinsic).
Extrinsic Motivation	-Extrinsic motivation refers to the act of doing something because it leads to a separable outcome. (Ryan & Deci, 2000)	
Preferred Customer Status	- "A firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation." (Steinle & Schiele, 2008)	-Preferential allocation of resources in a preferential way, after award has been won. For example, prices, innovation or capacity resources.
Reciprocity	- Reciprocity is a behavioral response to perceived kindness and unkindness. (Falk & Fischbacher, 2006)	-Resources are located in a preferential way after the award has been issued.
Buyer Dependency	- "A circumstance in which a supplier has increasing level of power over the buyer, such that the supplier may have little motivation to withhold the exercise of this potential power." (Petersen et al., 2008)	-Supplier willingness to use award in an opportunistic way to charge for instance higher prices.

Table 2: Operationalization and Conceptualization of Concepts

3.6 Data Analysis

In order to analyze the interviews, the software NVivo has been used. NVivo is a software that enables the researcher to analyze qualitative data. The interviews have been recorded during the interview sessions and were transcribed afterwards. The analysis of the data takes place by structuring the interview, organizing the data through coding and drawing conclusions by searching for patterns (Holloway, 2017). The researcher follows a more inductive approach since codes stem mainly from the transcript without a prior star list of codes. In the appendices, the extracted codebook including example quotes for the different codes can be found **(Appendix C)**.

4. RESULTS

4.1 Overview of Results

In the following, the results of the semi-structured interviews will be presented. In order to capture the effects of the award, it will be distinguished between pre-and post award period, whereas pre-award period refers to the time before the award took place and post-award period to the time after the award has been issued. An overview summarizing the broad findings is presented in the table below (**Table 3**).

Case	Win/ Non	Type of Award	Pre-Award Motivation and Performance	Post-Award Motivation and Performance	Pre-Award Preferential Treatment	Post-Award Preferential Treatment	Buyer Dependence	Other/ Remarks
1	Win	Confirmatory	High level, not particularly due to the award.	-Keep the high level. -Employees more motivated.	Capacity and Financials	-	-	-Award symbolizes strategic partnership between firms.
2	Win	Discretionary	High level, not particularly due to the award.	-Motivation to intensify work with buyer. -No Motivation to win award again.	Low Prices	-	Taking price adjustments into consideration.	-Signals to competition that firm is preferred. -Visible for other purchasing units within issuing firm
3	Win	Both	High, no performance adjustment possible due to short time frame.	Small degree of motivation increase, but no room for further improvement	Low Prices	-	Emotional dependence.	Increasing mood after tough negotiation in pre-award period.
4	Win	Discretionary	High level, not particularly due to the award.	-Motivation to intensify work with buyer in products and projects. -Keep performance level.	-Slightly preferential treatment product innovation	-	-	Potential to become less motivated because award is not solely given on performance measures but with strategic intend.
5	Win	Confirmatory	Incentive to perform better.	Some supplier keep level, some supplier decrease performance.	-Slightly preferential treatment product innovation.	-	-	Winners increased account management and became more attentive.
	Non	Confirmatory	Incentive to perform better.	Increase performance to win award in two years.	-	-	-	-
6	Non	Discretionary award.	High, but no performance	Keep the level.	-	-	-	Firm was one of many nominees.

			adjustment because of award.					
7	Non	Discretionary	-	Motivation to intensify work in projects. -Keep level.	-	-	-	-Competition became jealous. -Increased brand awareness. -Does not perceive being only nominated as a lose.

Table 3: Overview of Main Results

4.2 The Effect of Supplier Awards on Motivation

“The purpose of the award is to give our supplier an incentive to perform better.” (Interview Case 5). Motivation is one of the most fundamental concepts when discussing supplier awards. After coding the interviews, we find in 7 out of 8 interviews cover the topic motivation, in total having 26 references displaying motivational aspects. In general, there is a consensus that awards stimulate supplier’s motivation for award winners but how motivation is expressed differs between cases and between pre-and post award period.

4.2.1 Motivation and Performance of Award Winners

Pre-Award Period

Case	Motivation	Performance	Explanation/Quotes	Remarks
“Supplier of the Year Award – Logistic” (1)	High, but not particularly because of award.	High, but not particularly because of award.	<i>“We knew that we are good (...) because we were already under the finalists in 2015.”</i>	Indication that firm has been on a high performance level before. Regarding motivation, no observation has been made that it changed prior to the award.
“Supplier of the Year – General Requirements and Performance” (2)	High, but not particularly because of the award.	High, but not particularly because of the award.	<i>“In order to supply to firms YX you need to have a certain status (...)which will be determined via an audit.”</i>	The firm is subject to audits, meaning that performance needs to be on a high level to participate in the award.

“Supplier Award – Account Management” (3)	High, but not particularly because of the award.	High, but not particularly because of the award.	“We did not do anything explicit besides our daily work.”	The firm indicated that due to the intervals of the award it is not possible to increase performance beforehand.
“Supplier Award – Innovation” (4)	High, but not particularly because of the award.	High, but not particularly because of the award.	“Besides our daily work in which we deliver a good performance we did not do anything special. Also you cannot influence the awarding.”	For another award that this firm has won, motivation and performance can be related directly to the award and its scoring system.
“Supplier Award” (5)	Motivation increase.	Performance increase.	“For the supplier it is motivation (...) we have suppliers which see it as an incentive to perform better prior to the award and which try to keep this level afterwards.”	-

Table 4: Motivation and Performance Effects for Winners (Pre-Award)

The link between between supplier awards and performance is not as clear as proposed in the literature. Surprisingly, three winners indicate that there was no particular increase in motivation to perform better ex ante issuing the award.

This is to a certain degree contradicting with the literature, where awards are described as a mechanism to foster motivation and in turn corporate performance (Gallus & Frey, 2016). One reasonable explanation for this seems to be the infrequent and unexpected timing of the supplier award programs that have been analyzed. “Since we knew that we have been nominated, we did not do anything in particular to win the award besides our daily work. Due to the interval it was not possible to increase performance beforehand.” (Interview Case 3). One firm indicated that they knew about the award but they did not anything in particular besides their daily work, since “the awarding can not be influenced.” (Interview Case 4). For this firm, the award was based on soft-criteria which were unknown to the firm. In such a case, the firm can not take any measures to perform particularly well and thereby improve their chances of winning. Interestingly, this firm received also another award which was based on clearly defined and measureable criteria which were known and published in a supplier ranking

system. Therefore, it was their “goal to perform very well in this scoring system because you want to be good.” (Interview Case 4).

In one case, an increase in motivation performance in the pre-award phase has been noted. The issuing firm indicated a recognizable increase in performance prior to the award. Moreover, many suppliers try to keep the high level after winning the award. “We have suppliers which see it as an incentive to perform better (...) and which try to keep this level afterwards.” (Interview Case 5).

Post-Award Period

Case	Motivation	Performance	Explanation/Quotes	Remarks
“Supplier of the Year Award – Logistic” (1)	Increase in employee motivation.	Keep the high level.	“It is noticeable that the employees feel increased in value and motivated to keep this high level.”	The firm is also more willing to engage in collaborations, but this is restricted to contracts.
“Supplier of the Year – General Requirements and Performance” (2)	-Motivation to intensify work with buyer in product and service offerings. -Increase in employee motivation Doubt that award can be won again.	Keep the high level.	- “The employees in the field service which are managing the account have to intensify the treatment.” - “Internally, it was an important signal to our employees.” - “I don’t think that firm YX wants a screw supplier to win the award again.”	-The award made the supplier more known in the award firm which made it possible to expand their business in the buying firm. This positively affected their motivation. -Firm wants to increase their product offerings now that they became known in the firm. -Firm does not think that they can win award again which is a potential risk of demotivation.
“Supplier Award – Account Management” (3)	Increased motivation to continue current course. Doubts that award can be won again.	Keep high level Questionable whether service level can be kept in the future.	- “It motivates because it shows that we are good positioned as a company.” - “If the pressure is rising one has to think	-Confirmation that the way they operate currently is good. -Firms doubts that service levels can be kept in the future due to price pressure.

			<p>whether it is worth the effort in services.”</p> <p>-“Defending the award is not possible because of the soft facts (...) We do not think that we can win the award again because we already won it once .”</p>	<p>-Firm does not think that they could win award again which is a potential risk of demotivation.</p>
<p>“Supplier Award – Innovation” (4)</p>	<p>Motivation to intensify work with buyer joint projects and product offerings.</p> <p>Doubts that award can be won again.</p>	<p>Keep high level</p>	<p>- “We are trying to present a bigger portfolio than before.”</p> <p>- “The question is whether such an award can be won again (...) I would put a question mark here.”</p>	<p>-Became more known in the purchasing department of the buyer.</p> <p>-Since criteria are soft and unknown, firm thinks that buyer uses award with strategic intend and winning again is not possible.</p> <p>-Firm has won another award which was based on a scoring system accessible for every supplier the motivation to perform better to win award again is higher.</p>
<p>“Supplier Award” (5)</p>	<p>Motivation to keep level.</p> <p>Some suppliers are assumed to decline in motivation.</p>	<p>Keep high level.</p> <p>Some supplier declined in performance.</p>	<p><i>“We have suppliers who really see the award as an incentive beforehand to perform better and keep this level afterwards. But there have been suppliers in the past who declined after they have won the award and performed badly.”</i></p>	<p>-Firm observed decreased performance in delivery quality and quantity for some winners.</p>

Table 5: Motivation and Performance Effects for Winners (Post-Award)

One major expression of motivation and the positive link between awards and motivation is that award winners tend to be more motivated to intensify work with the award issuer post-award. Two out of five award winners mentioned that they are more motivated to intensify the work with their customer after winning the award. This intensification mainly covers the offering of a more extended product portfolio and new business opportunities with that customer, better service quality as well as collaborative projects in the future. Especially the first point was mentioned frequently. A typical example is that the field staff has been more motivated to arrange new business opportunities with that particular customer, *“also to think out of the box of our own products.”* (Interview Case 2). One of the reasons for this motivation is due to the difference in firm sizes between issuer and recipient. The two cases in which this motivation to intensify the work with the customer took place, the recipient indicated that the award made their firm more visible in the purchasing department of the award issuing company. *“The supplier of the year award opened doors to us which remained previously closed for us”* (Interview Case 2). Interestingly, this phenomenon occurred in the cases where the award issuer’s status was classified as really high (mainly due to firm size), whereas the opposite accounts for the receiver. One reason for that is because firm status is a function of firm size, these firms tend to be really big while having different purchasing departments in place as part of their organizational structure. After receiving the award, these firms became more known throughout the issuing company which enabled them to realize more business opportunities with that firm. *“In the perception of the central purchasing department, we have now appeared (...) we will now be recognized because of the award which increases our chances to sell our products here”* (Interview Case 2). For another case in which motivation was expressed, a direct link between status and reputation of the issuing firm is given *“it is our goal to strengthen the collaboration because it is from an image perspective and solvency a wonderful customer.”* (Interview Case 1).

Looking at the actual performance of award winners after the award has been issued, it has been found that all indicated that there is no or only little possibility to further improve performance after the award has been won. In most of the times, the reason for this is that firms that won an award are already on a high performance level which is also why they won the award. Therefore, further improvement seems difficult or not doable for the winning firm. A typical quote that describes this phenomenon is the following: *“At the moment it is not recognizable that we performed better because we are already very good”* (Interview Case 1). Therefore, a supplier award’s ability to increase performance is questionable, however it might at least be a way to motivate suppliers to keep the current performance level.

Another important finding in regards to supplier motivation and performance in the post-award period is that a firm in the food industry experienced a substantial decrease in performance. *“We have suppliers who really see the award as an incentive beforehand to perform better and keep this level afterwards. But there have been suppliers in the past who declined after they have won the award and performed badly.”* (Interview Case 5). The issuing firm reported that there have been situations in which suppliers performed badly after they had won the award. Especially in regards to quality as well as delivery quantity, which is among others one of the most important conditions in the food production industry. As a criterion, delivery quantity is also relevant for the award, which enables the firm to directly compare the delivery quantity pre- and post-award period. The firm reasoned that this decrease occurred due to a bad harvest which decreased the production quantity. The supplier then has to decide which of his customer receives the full quantity and is therefore treated in a preferential way.

Risk of motivation crowding-out for discretionary awards

As indicated in the literature review, the effects of supplier awards are assumed to differ in regards to the type of award. The most important difference in effects between the awards is that for the winner of discretionary awards a potential risk of motivation crowding-out can be observed in two cases. *“The question is whether one can win such an award again (...) the issuer may look out for another innovative supplier. This supplier must not be more innovative than we are, but he may give the award to another one because he knows about the motivational effects of the award.”* (Interview Case 4). As one can see, the suppliers have the impression that discretionary awards which are based on soft-criteria which are often not communicated to the supplier beforehand, leave enough space for the award issuer to award a supplier in a selective way. The issuer has therefore the possibility to award a supplier with a strategic intend, even though the supplier might not be the one with the best performance. This is risky because it can result in a decrease in motivation of the supplier since no actual top performance might be required to win the award.

4.2.2 Motivation and Performance of Award Non-Winners

Pre-Award Period

Case	Motivation	Performance	Explanation/Quotes	Remarks
“Supplier Award” (5)	Award an incentive to performance better.	Increase Performance.	See explanation winners.	Same observation as for winners beforehand.

“Supplier Award” (6)	High, tries to continuously hold a high level of performance.	High, but not particularly because of award.	“We did not adjust performance. We try to keep a constantly high level.”	-No observation regarding an increase or decrease in motivation has been made. Firm indicate that award did not influence the level of performance or motivation.
“Supplier Award – Service” (7)	-	-	“We are absolutely motivated. We are ambitious to deliver a good work (...).”	-No observation regarding an increase or decrease in motivation or performance prior to the award has been made. Motivation in general is high and cannot be attributed to pre or post period.

Table 6: Motivation and Performance Effects for Non-Winners (Pre-Award)

The effects of supplier awards on non-winners seem to be weaker prior to the award. Case 5 is the only case in which an increase in motivation and performance has been observed by the issuer prior to the award. For the other cases, not changes in motivation and no measures to increase performance prior to the award have been observed.

Post-Award Period

Case	Motivation	Performance	Explanation/Quotes	Remarks
“Supplier Award” (5)	Award an incentive to performance better.	Increase in performance and better account management.	“For many it was an incentive to perform better, so that they would be on the stage in two years to win the award.”	Suppliers put more effort into account management activities.
“Supplier Award” (6)	-	Keep level.	“We did not introduce any measures to increase performance because that would be not possible.”	Non-winning was not perceived as losing.

“Supplier Award – Service” (7)	Motivation to intensify work.	Keep level.	“We have better access now (..) in the long-term we can do more projects.”	-High motivation which is not attributed to award. -Non-winning was not perceived as losing.
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Table 7: Motivation and Performance Effects for Non-Winners (Post-Award)

The post-award period reveals that an award can enhance motivation. The issuing firm in case 5 indicated that for many firms it was motivation to perform better to potentially win the award in two years. Another important aspect is that it has been indicated that no frustration has been observed for the non-winners. *“Frustration by the loser did not occur.”* (Interview Case 5)

In case 6, again no changes have been observed besides that the firm wants to keep the current level of performance since no improvements are possible currently. The reason for these little effects in pre-and post award period might be that the firm was only one of many nominees (in total 32). Therefore, ambitions to win award might be lower since chances also decline as there are more nominees. In the last case, it has been found that the nomination increased the motivation to intensify work in projects. As for the winners, nominated small firms tend to get better access to the buying firm which increases their motivation to do business with that firm (Interview Case 7). Overall, the effects for non-winners are rather positive than negative and do not deal with frustration or being unmotivated. The reason why the effects of not winning an award are rather positive than negative is because being nominated for an award (non-winning) is not per se perceived as losing. Two of the non-winning firms indicated that they felt happy about the fact that they were nominated for the award (Interview Case 6 and 7).

It has been observed that their nomination was perceived as a success within the companies. *“I was happy to win the award (...) it is a great thing to become nominated by such a big company in such a big forum.”* (Interview Case 7)

4.3 Preferred Resource Allocation

One important aspect of this study is to investigate whether awards lead to a preferred resource allocation based on the idea of reciprocity. Receiving something which is of value (such as an award) should lead to returning the favor (preferential treatment). Since non-winners do not receive anything, the concept does theoretically only apply to award winners.

“I think the award was a consequence that we went down with the prices prior to the award. The compensation took virtually place in advance. We paid in advance and then fortunately

won the award.” (Interview Case 2). In the interviews with the award winners, preferred resource allocation in the pre-award period has been found in all winning cases, however with some differences in their nature. In case 2 and 3, a drastic decrease in prices has occurred prior to the award. The price decreases are mainly attributed to pressures by the buying firm. For instance, in case 3 the winning firm faced immense price pressures prior to the award which resulted in tough negotiations with the buying firm. As a consequence, the mood in the firm towards the buyer decreased. In the interview, it was explained that customer attractiveness went down as well, because of the low profit margins that came with these price decreases. However, interestingly the mood went up again after the award was surprisingly won. *“These negotiations are not easy. Therefore, it was surprising that we won the award (...) The award has influenced the mood of the staff. One should not ignore this effect since competition got tougher because we produce in Germany.”* (Interview Case 3). Besides the preferential treatment in regards to prices, findings also show preferential treatment for capacity allocation as well as innovation prior to the award (See Case 1 and 4).

4.4 Supplier Dependency

There is no actual support that an increased supplier dependency between award winners and buying firm leads to the actual charge of high prices. The potential to do so is there, since awards in general seem to have the potential to increase dependency. However, firms in general cannot use this dependency in an opportunistic way due to several circumstances. One firm indicated that they are thinking about using the dependency that came with the award to charge higher prices. However, it has been indicated that one should not overdo things here. Regarding the question whether the award gives the ability to charge higher prices due to a higher dependency, the interviewee responded that *“we will think about positioning ourselves strategically differently the next time (...) But one should not overdo things here”* (Interview Case 2). Price adjustments due to an increased supplier dependency resulting from the award are potentially possible but this ability is only limited and should be handled carefully. In case 3, the firm indicated that no dependency which can be used in an opportunistic way is given because their products are exchangeable. But the firm also indicated that the award contributed to *“(...) a slightly increasing emotional dependency. If company YX would suddenly phase us out, they would be in a public relations crisis.”* (Interview Case 3.) The award tends to increase supplier dependency in general, though they are not using it to charge higher prices. However, the award gave them a saver position as a supplier in the buying company in general. In the other cases, no actual support for for a higher dependency attributed to the award has

been observed. A reasonable explanation which might hinder the buying from becoming dependent on the supplier was given in case 4. Concerning the issuer, it has been stated that *“these firms usually have more than one supplier for a product group to possibly switch suppliers to be less blackmailable.”* (Interview Case 4). In this case, the award was given by a big firm with a highly mature purchasing functions in place including a well developed purchasing strategy. Having an alternative supplier available might diminish the ability to charge higher prices which stems from the award. Overall, supplier dependency seems to be something worth taking into consideration but other effects tend to be more dominant.

4.5 Remaining Findings

Besides the effects that have been described and analyzed so far, awards have been found to affect other dimensions. Since this study also aimed to explore the topic, further aspects of awards will be explained in more depth. After coding the interviews, a strong portion of the interviews deals with emotions that surround the award. In general, we find that the winning of an award is something emotional to the firm. Winners indicate that they felt *“very happy”* (Interview Case 1) about winning the award (which was often perceived as surprising) and that the ceremony itself was really impressive (Interview Case 2). In addition, there is a high degree of suspense involved in many awards which underlines the emotional character that awards have. Award seem to have a positive influence on the recipient’s mood which has been found in many cases. In one case, the award contributed to improve the mood of the staff which has been described as bad prior the award (Interview Case 3). Interestingly, for the non-winner’s similar observations have been made. Since only being nominated for an award is not per se perceived as loosing, non-winner express similar feelings and emotions. However, also jealousy has been observed. Interestingly, one of the non-winner experienced jealousy by one of their competitors which again shows that being nominated means a success for many firms. *“I received comments from competitors which did not like that we were on stage and not others.”* (Interview Case 7). This finding supports the competitiveness involved in supplier awards. As described in the literature, awards serve as a mechanism to foster competition (Barrat & Hatton, 2014). Further evidence suggests that awards also have a signal effect on competitors, however not by fostering the competitive spirit as hypothesized in the literature. One winning firm noticed that its competitors *“have the opinion that there is no way to get into the account in the next time.”* (Interview Case 2). This might potentially indicate a decrease of the competitive spirit since firms might surrender and give up on the customer.

5. DISCUSSION

5.1 Overall Conclusion

Coming back to the central research question asked in the beginning of what effects supplier awards have on the buyer-supplier relationship, the most distinct one is of motivational nature. It can be concluded that supplier awards are a potential way to stimulate recipient's motivation though not always in the intended direction, which is in line with the current stream in literature (Shi et al., 2017; Gallus & Frey, 2016). In one case, the award winners decreased in performance which may attributed to unintended motivational effects as described in the literature. This study provides evidence that value destruction may also take place in the context of awards. The reasons why a decline in performances have occurred are not perfectly clear, however as previously suggested, it could be either due to the high frequency of the award (reducing the signal's distinctiveness) or the reinforcement of overconfidence (supplier declines in motivation because he thinks he is in a save position) (Gallus & Frey, 2016). Both explanations are applicable because the award in the case is given in high frequency, plus the firm indicated that there are firms that have won the award many times. For non-winners of awards, these motivational aspects are partly similar. Interestingly, not winning an award (being only nominated) is in two out of three cases perceived as a success. No frustration on side of the nominees has been observed. If this would have occurred, motivation might have been expressed differently or even in a negative way.

The main question in the beginning was how supplier awards affect the motivation of winning and non-winning firms. The main source of motivation can be found in the status of the firm, even though it was not able to control for differences in status in the sample. Firms argued that the award positively affects them via the image and status of the issuing firm which is supportive for SIT (Social Identify Theory). SIT hypothesized that firms develop a group belongingness with the award issuing firm. Theoretically, the better the status and image of the award issuer the more likely the firms develops a belongingness. This seems to be an adequate explanation of how firms are affected by the issuing firm's status.

Extrinsic vs. Intrinsic Motivation

One of the central questions which has been raised earlier was to answer how firms express their motivation after winning/not-winning a supplier award. Earlier, it has been argued that extrinsic motivation does relate to the award, whereas intrinsic motivation to activities that are enjoyable to do (Ryan & Deci, 2000) and are more desired since it leads to better organizational performance. In this case study, motivation has been expressed

as an incentive to perform better prior to the award in order to win the award or motivation to intensify work and realize further business opportunities with the issuing firm afterwards. Based on these observations, one can argue that first mentioned is more of extrinsic nature because the expressed motivation refers to the winning of an award. The second can be interpreted as intrinsic motivation because it does not solely focus on an external reward but rather on enhancing the business relationship. Intensifying work does potentially lead to a long-term business relationship between buyer and suppliers and does not solely focus on winning an award again in first place. Awards are an effective way to stimulate this type of motivation. The reason for that appears to be the difference in size between buyer and supplier. It has been found that awards open doors and small supplier that get awarded become more known in the purchasing units of big firms. This motivates suppliers to make use of these new opportunities to intensify the work with the buyer. This ‘appearing on the radar’ phenomenon has been observed independently in many of the cases (even for one non-winner).

Type of Award

As hypothesized in the literature, a difference in effects between the type of awards has been found. Discretionary awards seem to be better in signaling the wish to enter a strong relationship with the recipient (Gallus and Frey, 2015). For three discretionary awards that were analyzed motivational increases which are more of intrinsic nature have occurred. There is evidence that the issuer’s wish to enter a special relationship with the recipient does foster intrinsic motivation. The literature suggests that discretionary awards are less likely to crowd-out intrinsic motivation. In contrast, this study provides evidence for this crowding out phenomenon since a majority of winners of discretionary awards indicated that they do not believe that winning an award again is possible. An explanation for this discrepancy is that the literature refers to intrinsic motivation prior to the award, whereas this study more on extrinsic motivation in the post-award period. Not being able to win the award again as a potential risk of being unmotivated does relate to the award and is therefore of extrinsic nature. On a second glance, the findings are not contradicting to the literature but rather supportive.

In comparison, confirmatory awards which are based on clearly measurable criteria have a stronger tendency to increase extrinsic motivation if these criteria are (somewhat) known to the suppliers beforehand. This is an important point to consider but is only applicable if the criteria and the award are fully known to the supplier (e.g. through a supplier ranking system) or somewhat known by experience.

In conclusion, type of award is an important variable to take into account because there is

support that discretionary awards are better to foster intrinsic motivation and a tendency of confirmatory awards to foster extrinsic motivation has been found. Finally, transparency of the award program seems play an important role. In our case setting, pre-award motivation is in general quiet low, which can be attributed to the fact that criteria or even the award have not been communicated to the firms in advance. This finding can not simply be attributed to the variance in type of awards because even though an award is of confirmatory nature does not necessarily mean the criteria are transparent. In the one case (Case 5), which provides evidence that a confirmatory award can potentially lead to higher pre-award motivation, the supplier had already experience because the award is issued on a two years' basis and a lot of experience has been gained about criteria. One could argue that if firms want to increase motivation beforehand then the award and criteria should be made more transparent.

Preferential Treatment

Preferential treatment as reciprocal behavior after the award has been issued has not been observed. Instead, firms tend to allocate resources in a preferential way to the customer prior to the award and then win the award in return. This finding supports the idea of reciprocity as hypothesized in the literature in a different way. Preferential treatment (*perceived kindness*) from the supplier takes place before the award and afterwards an award (*returning the favor*) is given to compensate for that. For the non-winners these kind preferential treatments prior to the award have not been observed. Considering that non-winners did not allocate resources in a preferential way, one could say that preferential treatment does increase a firm's chances to win the award.

Supplier Dependency

Regarding supplier dependency, observations have been made that awards might potentially increase dependency between buyer and supplier. However, only one interviewee indicated having some means to use the dependency to charge higher prices. In general, supplier dependency is present even without an award since the recipients are strategically important anyway but this does also account vice versa for buyer dependency from the supplier perspective. In our data setting, large buying firms tend to award smaller suppliers. First mentioned often represent large customers (on average making up 12% of the supplier's turnover), meaning a buyer dependency is already given through the large volumes that the supplier generates with their customers. In conclusion, it is doubtful whether winning and award creates a higher supplier dependency which can be used in an opportunistic way.

However, the dependency that comes with an award can give firms a safer position in the buying firm and might be used to charge higher prices if the circumstances are suitable.

5.2 Managerial Implications

Managerial implications from a buyer's perspective

A general implication is that firms can use awards to foster performance and motivation of its suppliers. Especially in the post-award period, awards can lead to motivation increases, whereas there is only little evidence about these effects prior to the award. When setting up an award, there are several things that management needs to consider in order to successfully capture the effects of an award. First of all, management needs to decide which type of award to use for assessing its suppliers. The discretionary awards are better to signal a special relationship which tend to increase intrinsic motivation of suppliers resulting in outcomes such as an intensification of the business activities. However, since these awards are also based on soft-criteria which are hard to measure and often seem haphazard for outsiders, they also increase the risk of motivation crowding-out. Supplier feel that the buyer is using the awards with a strategic intend by choosing a discretionary procedure which gives them freedom to award a supplier that they want to win. This bears risks because positive effects of award might diminish in the long term. It is managements task to ensure that even though the the procedure is discretionary, transparency is somehow ensured. A suggestion is to disclose all relevant criteria (hard-and soft criteria) after the award has been issued. Thereby, the supplier could retroactive see which criteria have been considered for the award.⁷ But awards can also destroy value leading to an decrease in performance and motivation of suppliers. In accordance with the literature, it is suggested that a high frequency awarding (reducing the signals distinctiveness) needs to be avoided as well as awarding a supplier multiple times (reinforcing overconfidence). As a side note, the awarding should not be solely used for the award itself but also for a general assessment of the suppliers. The awarding firm in our setting also used the procedure for a general assessment of their current supply base to identify weak suppliers which require further improvement or can be phased-out. Thereby, the firm is killing two birds with one stone. Moreover, an award can be used as a mechanism to reward firms for preferential treatment by the supplier that took place beforehand. Nowadays, acquiring resources from suppliers in a preferential way is important for firms. Preferential treatments often incorporate high efforts from a supplier's perspective. Therefore, it is suggested that firms need to compensate the

⁷ This procedure of disclosing the selection procedure is already used in practice. A typical example is the "Dürr Supplier Award 2016" which releases information about the supplier assessment after the award has been given to ensure transparency.

suppliers for these efforts. Supplier awards seem to be an effective way to honor the suppliers for their efforts, whereas suppliers appreciate this gesture.

Another aspect is that buying firms should take into consideration that awarding a supplier has the potential to increase dependency on that particular supplier. Though the evidence for an opportunistic behavior of the winning suppliers is rather weak, firms need to be aware of the risks that stem from such a dependency. For instance, phasing-out a supplier that has recently won an award seems inconsequential and can potentially lead to public relation crisis.

Managerial implications from a supplier’s perspective

From a supplier’s perspective, an award can be used to increase business opportunities. Especially, if the supplier is rather small in comparison to the buyer, winning an award can create new business opportunities such as joint projects or a surplus in sales because it makes the winning firm more visible in the buying firm. In addition, firms get some internal and external from benefits from receiving a high status award. Several explanations on how status affects the recipients (firm perspective) can be classified in internal and external benefits (**Table 8**). However, winning a high status award can also bear some risks as it makes competitors potentially jealous which does to a certain degree also display the frustration of other non-winners. Furthermore, an award has the ability to strengthen the suppliers position in the buying firm which can be of high value for the supplier. Finally, allocating resources to the buyer in a preferential way seems to be an important factor which decides about the winning of an award. Supplier which allocate resources such as innovations or capacities in a preferential way are more likely to be of strategic value for the buyer and are therefore more likely to win an award.

Internal Benefits	External Benefits	Risks
-Employee motivation	-Improve own image	-Jealousy from competitors
-Confirmation of own competencies	-New customer acquisitions	

Table 8: Observed Benefits and Risks of Winning High Status Awards

5.3 Limitations and Outlook

One limitation of this study is that a control for firm's status was not possible due to restrictions in the data set. Most of the cases incorporate a setting in which a high status firm awards a supplier with a relatively lower status. Even though, status seems to matter, it is not possible to compare between different status combinations between award issuer and recipient. One issue why this comparison has not been realized is that no setting has been identified in which a low status firm awards a high status firm. In general, awards are mostly used by big firms such as OEMs with a high status, whereas award recipients tend to be smaller first-tier-suppliers. There are doubts whether settings in which low status firms award high status firms can be identified. However, in order to understand the picture of how status relates to the effects of awards, one might look of how effects differ in settings of lower status differences.

Even though, the study did not find evidence for a change in price policies after an award has been won, one should further investigate this topic because a perceived dependency has been found in several cases. In order to explore this phenomenon, future studies should look at actual pricing behavior in the years after the award has been issued. In this research, awards have been issued quiet recently, meaning that supplier might have not exploited this opportunity yet.

Another important remark for upcoming studies on this topic is to incorporate suppliers which have not even been nominated for an award. In this study, non-winners have been considered as firms which have been nominated for the award but did not win it in the end. However, besides this group and the winners, there is a third group of supplier which can potentially offer new insights: Suppliers that have not even been nominated for the award. There is reason to believe that these suppliers are the true non-winners since they are not even mentioned. What if there is a supplier which has been left out in the procedure? One could only assume the frustration and demotivation of such a supplier. Therefore, it is advised to take these group of supplier into consideration in future studies to see how the award affected them. Finally, one needs to consider is that all cases in this study are located in Germany. Probably awards are also subject to cultural dimensions and have different effects in different cultures. According to Hofstede (1980), Germany is a culture that is driven by achievement, success and competition. Potentially in such a culture, awards will have a stronger position since they are a symbol of achievement and success in comparison to other countries. Further research on supplier awards is needed to get a more complete picture of the topic.

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7. APPENDICES

In the following the interview protocols that have been designed can be found. In total three different protocols have been created: one protocol for award winning firms, one protocol for non-winning firms and one protocol for the award issuing firm. In the end, the codebook of the researcher is published to show how the data has been structured.

APPENDIX A: INTERVIEW PROTOCOL WINNER

1. Opening Segment: Introduction of the purpose of the research

1.1 Establish a level of comfort and explain the purpose of the research

- Introduce yourself to the interviewee and appreciate the time for the interview.
- Explain the purpose of the research. State that there is no contact or relationship with the award giver, and the results will not be communicated to any other third person, firm or entity but will be published online aggregated and anonymized. The results are solely used for academic purposes. The information discussed are confidential. Finally, ask for allowance to record the interview.

1.2 What is your function in the firm and what are you responsible for?

1.3 What is your company doing and in which industry are you mainly operating in?
(Optional, to clarify things and to have some degree of small talk)

- Who are your customers and what kind of needs to you observe?
- What is your strategy and how do you market your products?

2. Opening Segment: describing the case and exploring the topic

2.1 Could you tell me something about the supplier award that you have won?

- Category

- Name
- Criteria
- Setting (Supplier Day, Company Visit.)

2.2 Before we continue, I would like to ask a few questions about the relationship that you have with that particular firm.

- For how long are you doing business with that buyer already? (Relationship length)
- What is your turnover with that buyer as % of overall turnover? (% turnover)
- What is the reputation of the buyer in the industry? (Reputation)
- How do you perceive the status of that buyer? (Status)

3. Middle Segment: Going deeper into motivational aspects

3.1 How do you feel about winning the supplier award?

3.2 Did you know about the award beforehand and have you done anything specific in order to increase your chances of winning?

- What exactly did you do to increase your chances of winning? (Examples)

4. Concluding Segment: Exploring the effects of supplier awards

4.1 Did you experience any changes in the relationship with your customer after you have won the award?

- What exactly changed in your relationship?
- What went well, what went worse in the relationship?

4.2 How did winning the award affect your performance towards that firm? Example?

- What efforts did you take to perform better?

4.3 Do you feel obliged to repay for the award?

- Did you change your pricing strategy with that customer? (Examples)
- Do you allocate other resources such as innovations or capacity in a preferential way to that customer? (Examples)

4.4 Do you think the buyer is more dependent on you since your competencies have been confirmed with the award?

- What is the reason for this?
- What are the consequences? (Prices)?

APPENDIX B: INTERVIEW PROTOCOL AWARD NON-WINNER

1. Opening Segment: Introduction of the purpose of the research

1.2 Establish a level of comfort and explain the purpose of the research

- Introduce yourself to the interviewee and appreciate the time for the interview.

- Explain the purpose of the research. State that there is no contact or relationship with the award giver, and the results will not be communicated to any other third person, firm or entity but will be published online aggregated and anonymized. The results are solely used for academic purposes. The information discussed are confidential. Finally, ask for allowance to record the interview.

1.2 What is your function in the firm and what are you responsible for?

1.3 What is your company doing and in which industry are you mainly operating in?

(Optional, to clarify things and to have some degree of small talk)

- Who are your customers and what kind of needs to you observe?
- What is your strategy and how do you market your products?

2. Opening Segment: describing the case and exploring the topic

2.1 Could you tell me something about the supplier award that you have been nominated for?

- Category
- Name
- Criteria
- Other Nominees and Winner
- Setting (Supplier Day, Company Visit.)

2.2 Before we continue, I would like to ask a few questions about the relationship that you have with that particular firm.

- For how long are you doing business with that buyer already? (Relationship length)
- What is your turnover with that buyer as % of overall turnover? (% turnover)
- What is the reputation of the buyer in the industry? (Reputation)
- How do you perceive the status of that buyer? (Status)

3. Middle Segment: Going deeper into motivational aspects

3.1 How do you feel about the fact that you have been nominated for the award?

3.2 Did you know about the award beforehand and have you done anything specific in order to increase your chances of winning?

- What exactly did you do to increase your chances of winning? (Examples)

3.3 How do you feel about the fact that you did not win the award in the end?

- Do you see this as a motivation to perform better in the future or rather as a frustration since your work has not been honored in a rightful way? Why?
- Do you feel that firm X is the rightful winner of the award? Why?

4. Concluding Segment: Exploring the effects of supplier awards

4.1 Did you experience any changes in the relationship with your customer after the award has been issued?

- What exactly changed in your relationship?
- What went well, what went worse in the relationship?

4.2 In the end you did not win the award but someone else did. Are you now going (or did you already) improve (or change) your performance towards that customer? Why?

- What efforts did you take to perform better?
- In order to improve yourself, do you look at firm that won the award to see what firm X (winner) expects?

4.3 Do you think you need to treat the customer in a different way in order to improve your position? Why?

- Did you change your pricing strategy with that customer? (Examples)
- Do you allocate other resources such as innovations or capacity in a preferential way to that customer? (Examples)

4.4 Do you think the buyer is less dependent on you as a supplier, now that you did not won the award?

- What is the reason for this?
- What are the consequences? (Do you need to charge lower prices to strengthen your position with that buyer?)

APPENDIX C: THE CODEBOOK

The codebook below has been extracted from the software NVivo 11 for Windows. The last column including example quotes has been added to ensure transparency.

Name	Description	Sources	References	Example Quote
Award Situation	Information about award and its setting.	7	8	“This award 2016 incorporated five categories of which one was for account management (...) We have been nominated with four others, and invited were approximately 100 suppliers.” (Case 3).
Business Relationship	Insights about business relationship and how it changed.	6	14	“I think in the long-term, we are going to do more business with company YX.” (Case 7).
Competition	Insights on competitive actions and competition relating to the award in general.	3	5	“In general we have the feeling that they have the opinion that there is no way to get into the account in the next time.” (Case 2).

Name	Description	Sources	References	Example Quote
Dependency	Observations explaining the phenomenon of supplier dependency.	6	8	“Our products are exchangeable, therefore dependency is not bigger.” (Case 3).
Emotions	Feelings of how firms perceived the award winning/non-winning.	7	12	“A little bit of happiness was perceptible.” (Case 6)
Evaluation	Insights on how the award has been evaluated.	8	11	“The suppliers are evaluated by company YX. The criteria are known to us. Actually it is about criteria such as quality, punctuality, packaging etcetera (...).” (Case 5, 2nd Interviews).
Motivation	Motivational aspects.	7	26	
-Pre Motivation	Motivational aspects in the pre-award period.	3	4	“It is the goal to perform very well in this scoring system because you want to be good.” (Case 4)
-Post Motivation	Motivational aspects in the post-award period.	7	15	“It is recognizable that our employees feel more motivated to keep the current performance.” (Case 1)
-Less Motivation	Being demotivated and risks of potential demotivation.	4	5	“YX wants to motivate its suppliers. Therefore, we doubt that we can win the award again because we already won it once.” (Case 3).
-General	General expressions of motivation in post and pre award period.	2	2	“We are absolutely motivated. We are ambitious to deliver a good work (...).” (Case 7).
Performance	Insights on performance of suppliers.	8	22	“We are not going to change our quality

Name	Description	Sources	References	Example Quote
				strategy because it is already very demanding.” (Case 4).
Preferential Resource Allocation	Preferential resource allocation and reciprocal behavior.	4	8	“We have design elements which are developed exclusively for one customer.” (Case 4).
Status and Reputation	Insights on how the firm sees the awarding firms status and why it matters in the context of awards (in addition to case descriptions).	4	5	“If you are going on stage for YX, it is of high value and of attraction.” (Case 1).