The influencing factors on preferential resource allocation in a natural factor market characterized by scarcity

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Abstract

The field of strategic supply chain management has shown that buying firms can obtain a competitive advantage on a scarce factor market by convincing the suppliers to sell their scarce resources to them. If the buying firm receives more of the input materials, then its competitors receive less and therefore the buying firm’s output is larger allowing them to sell more products. It is not known to literature yet on what basis the suppliers decide to whom they sell in a scarce market. Therefore, purchasers lack a set of factors that they can use to convince the supplier to sell the scarce resources to them. Factor market literature lacks an explanation of why buying firms perform heterogeneously even though they have the same supplier base. Previous work has failed to address the problem from the suppliers’ point of view. This study takes the framework of supplier value theory to understand what suppliers value in buyers and what makes them decide which of the buyers to sell to. To determine those factors, this article reports the results of a multiple case study on the Austrian timber market. The Austrian timber market is a scarce natural factor market, where suppliers have a choice who to sell to. The multiple case study was conducted as seven semi-structured interviews. The interview questions are based on previous research on supplier value factors. The study reveals that there are differences between firm sizes in the decision making process. It also shows that measurement accuracy and market price stability build trust, which evolves into long-term relationships with suppliers. Suppliers sell their scarce resources more willingly to buyers with long-term relationships. Hence, this study contributes to literature by showing that supplier value theory is a better explanation for the decision making process on a scarce market than factor market theory. Furthermore, it impacts strategic purchasing by giving purchasing managers a set of factors that are important to suppliers that need to be satisfied in order to obtain scarce resources.
1 Introduction

Every production company relies on a variety of raw material inputs to fulfill their corporate purpose. In the past decades, it has become increasingly difficult for companies to secure the natural resources because of increased competition and scarcity (Cleveland, 1991). This is because economic growth entails that more companies compete over the same finite resources. This leads to an increased dependency on suppliers and supply networks; an observation made by recent publications (Cao & Zhang, 2011; Choi & Krause, 2006). This dependency increases the power of the suppliers in the market (Lindwall, Ellmo, Rehme, & Kowalkowski, 2010). This power shift can also be observed in the Austrian timber industry (Marchner, Pulles, & Zunk, 2016). Contrary to the assumption of homogeneous resource allocation (Barney, 1986), heterogeneous firm performance was observed among the saw mills. Understanding why some firms perform better than others can help purchasing managers to improve the performance of their own department. This is an important question to address because the scarcity of many natural products drive buyers of such resources into financial trouble, when they fail to procure enough inputs to keep their production at optimum capacity. This is not just the case in the Austrian timber industry, but also the German timber industry (Riedel, 2016) and many others. It is also entirely possible that natural catastrophes lead to a shortage of inputs which must be addressed by the purchasing manager. In the United States such an event bankrupted a Washington saw mill, when they could not adequately react to the shortage (Kramer, 2015).

Looking at the resource-based literature, Barney (1991) points out that firms cannot buy sustained competitive advantage on the market. According to him, sustained competitive advantage must be found in resources already controlled by the firm. Furthermore, Barney (1986) claims that brief moments of competitive advantage can occur because of superior expectations of resources’ future value or mere luck. Both of which would not explain the sustained heterogeneous firm performance observed on the Austrian timber market. This
phenomenon has also been observed by Dyer and Hatch (2006) when Toyota entered the American market. They gained a competitive advantage despite the fact that the automobile suppliers were available to all competitors. Superior relationships with the suppliers helped them to generate a competitive advantage. Literature indicates that indeed privileged access to suppliers can reap competitive advantages (Pulles & Schiele, 2013). Classical resource-based theory cannot explain this phenomenon because it maintains that a situation where a firm gains a competitive advantage from factors outside the firm is impossible. A lack of explanation is disadvantageous because it means the factor market can be influenced by purchasers but they do not know how. A fairly recent stream of literature called supplier value theory (Ramsay & Wagner, 2009) may be a better lens to look through.

Hence, there is need for conceptual analysis of supplier value as a possible explanation for a current gap in the strategic supply chain literature. This gap is based on the fact that factor market theory predicts homogenous resource allocation in a market where all buyers have access to the same suppliers. In the Austrian timber market, saw mills have access to the same foresteries selling them timber. But there are still some saw mills with great performance such as Schweighofer Group and many that went bankrupt partly due to lack of input resources such as Heckenbichler, Leiße, Kern GesmbH and many more. Therefore, the purpose of this study is to understand how suppliers decide to whom they give their product in a scarce natural factor market. The study uses the lens of supplier value theory to understand heterogeneous firm performance.

The phenomenon will be observed through the lens of supplier value theory (Ramsay & Wagner, 2009). This theory contains factors that analyze buyer-supplier relationships from both an economic and relational perspective. The economic perspective allows for the analysis of fact-based factors or the rational decision making of suppliers (Fiocca, 1982). While the relational perspective allows for the analysis of social factors (Ellegaard, Johansen, & Drejer,
Supplier value theory can therefore help to decide which of these factors are the most important in determining to whom the suppliers sell. Supplier value theory itself is based in customer attractiveness (Ellegaard & Ritter, 2007), supplier satisfaction (Essig & Amann, 2009) and preferred customer status (Steinle & Schiele, 2008). Customer attractiveness, supplier satisfaction and preferred customer status describe the three stages of supplier satisfaction. Customer attractiveness must be present before the supplier engages in any activities with the buyer (Cordón & Vollmann, 2008). Supplier satisfaction is a result of ensuing good business relations between buyer and supplier (Leenders, Fearon, Flynn, & Johnson, 2001). Finally, preferred customer status can be attained by the buyer through strong bonding with their supplier (Blonska, 2010). This final stage will then result in preferred resource allocation (Bew, 2007). Simply put, the buyer will get the desired resources first. In case of a scarce market this means they will be the only ones getting any of the timber. Supplier value theory could therefore offer an explanation as to why some saw mills get the timber while others do not. More broadly speaking this study is positioned in the factor market rivalry stream of strategic supply chain management. It attempts to show that the homogeneity assumption of factor markets is incorrect. This study shall show that the outcome of factor market rivalry can be influenced by purchasers. The study tries to show that the lens of supplier value yields the adequate tools to analyze scarce factor markets and influence supplier decision making.

The aim of this study is a first attempt to show that supplier value theory is a better explanation for heterogeneous firm performance than factor market theory. Hence, this study uses insights from supplier value theory to analyze buyer-supplier relationships. These insights have been formulated to pose questions in a semi-structured interview. This study looks at seven individual case studies in the Austrian timber market. The Austrian timber market has been chosen because of the scarce natural resource of timber. This is especially problematic for saw mills that need to acquire timber to stay operational. For the first time, this approach
looks at the supplier side, testing the motivations of forest owners and managers from small firms with one employee and 380 hectares of land to the national association of forestry of Austria with over 1,100 employees and close to a million hectares of land. The case studies included inspection of operations, customer contact and an extended, semi-structured interview aimed at finding the antecedents of supplier value that suppliers of natural resources in a scarce market value the most.

The three key findings of the study are the positive effect of long-term relationships, an urge for market price stability and the need for measurement accuracy. These three factors are based on the supplier value framework and show an underlying element of trust. Successful long-term relationships in dependent buyer-supplier relationships can only be established once there is trust (Camarero Izquierdo & Gutiérrez Cillán, 2004). Trust can be established by the buying firm by measuring accurately, agreeing on quality and cooperating with the supplier. In this scarce market trust can also be gained by helping to smooth market prices in times of calamities. From these observations it becomes evident that building trusting, long-term relationships with the supplier is a prerequisite for preferred resource allocation. Additionally, over the course of the study a pattern emerged that differentiates the preferences of suppliers based on their size. This study will therefore contribute to literature by showing that the supplier value framework offers a better explanation than classical factor market theory for how supplier decide whom to sell their timber to in a scarce market. Furthermore, it will give guidelines for purchasing professionals for how they can improve their relationship with suppliers to obtain the scarce resources.

The remainder of this paper will discuss the relevant factor market theory and the supply chain theory, which is the framework of this study. It will continue to show the methodology of the multiple case study and present the results. Finally, the implications for the literature as
well as purchasing professionals is discussed. Each of the three deciding factors is discussed individually as well as the differences between firm sizes. A brief conclusion is given.

2.1 Factor market theory literature review

It was long believed that there is no advantage to be gained on the factor market since buyers would have access to essentially the same supply base (Ramsay, 2001). In fact in his early works Barney (1986) suggested that benefits drawn from an otherwise homogenous market need to be the product of superior expectations held by the buying firm for the future value of the resource bought. The difference observed in the Austrian timber market cannot stem from superior expectations because the timber is a commodity input for saw mills. Timber has to be treated as a commodity because it lost all differentiation across its supply base (Gereffi & Korzeniewicz, 1994). Since the timber originates from the same geographical region, which is Austria, the difference in quality between two trees of the same kind is negligible. As a result, purchasers cannot have different expectations for timber bought from different suppliers.

Furthermore Barney (1986) claims that the competitive advantage could be the result of mere luck. While this may very well be, some saw mills on the Austrian timber market consistently outperform their competitors. They benefit from a sustained competitive advantage. Luck, per definition, is not sustainable. Hence, this theory does not explain the heterogeneous performance. Barney (1991) later argues that a sustained competitive advantage can only be gained if the acquired resource is valuable, rare, in-imitable and non-substitutable in nature. These characteristics are at the basis of the resource-based view (RBV). Barney has been criticized because his claim that these resources need to be valuable is ultimately tautological in nature (Priem & Butler, 2001). Every resource a buying firm requires for production would be considered valuable by that firm. Apart from that, timber as a commodity resource would not be in-imitable or non-substitutable. Since timber does not substantially differ between suppliers, the RBV fails to explain heterogeneous firm performance on the Austrian timber market.

The question remained of why then some of the buying firms perform better on the factor market than others with the same supplier base (Takeishi, 2001). Competitive advantage is a relative
notion (Peteraf, 1993). Thus the resources obtained from a shared supplier base are more likely to turn into a competitive advantage if they are of higher quality or quantity (Capron & Chatain, 2008; Hult, Ketchen, & Arrfelt, 2007). For a scarce natural factor market, the notion of quantity is especially important. Bell (2015) argues that competing firms can inhibit the flow of natural resources to competitors by supply chain interdiction. Buying up large quantities of the scarce natural resource in a factor market prevents competitors from attaining these resources. The lack of these resources prohibits them from producing larger quantities of their end-product regardless of product market communality. This means obtaining less timber on the factor market can severely limit them in their production. Companies that obtain more of the resource will then reap scarcity rents on the product market (Capron & Chatain, 2008). For the competing firms this ultimately means that “the competitive balance shifts in favor of those who are aware of and motivated to capture rivals’ resources and to absorb and redeploy these resources to advance their own position vis-à-vis rivals” (Markman, Gianiodis, & Buchholtz, 2009, p. 432). These publications offer an explanation why some firms are able to reap a competitive benefit on the factor market.

The question remains how firms are able to continuously obtain the scarce resources that provide them with a sustained competitive advantage. The relational view postulates that resources that lead to competitive advantages do not necessarily need to be internal (Dyer & Singh, 1998). Buyer-supplier relationships can therefore yield relational rents. These are defined as “a supernormal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through the joint idiosyncratic contributions of the specific alliance partners.” (Dyer & Singh, 1998, p. 662).

In conclusion, the presence of heterogeneous firm performance on the Austrian timber market shows that Barney’s factor market model is incomplete at best. Literature shows why some firms can outperform others based on Bell’s notion of supply chain interdiction and Markman’s suggestion to capture rivals’ resources. What is still unknown is how the buyers get the suppliers to give them the sought-after resources. The relational view offers the insight, that the advantage may be generated because of the buyer-supplier relationship. This study attempts to analyze the buyer-supplier relationship through the lens of supplier value.
2.2 Literature review supplier value

It was shown in the previous part that the resources-based view maintains that none of the buyers should have a competitive advantage. Yet firms on the Austrian timber market are performing heterogeneously. Therefore, there must be another explanation than the resource-based view. A recent stream of literature has termed the theory of supplier value (Ramsay & Wagner, 2009). Supplier value is the collective term for customer attractiveness, supplier satisfaction and preferred customer status (Hüttinger, Schiele, & Veldman, 2012). All three will be explained in detail.

Customer attractiveness is the first condition for supplier value to evolve (Schiele, Calvi, & Gibbert, 2012). Fiocca (1982) has laid out the basic framework for customer attractiveness by enumerating the various fact-based factors that lead to customer attractiveness such as economic factors and market growth factors. Based on this it would seem that larger firms have a competitive advantage over smaller firms when it comes to attractiveness (Williamson, 1991). This lack of economic prowess can, however, be compensated for by technological superiority and modes of interaction that consider risk factors and possible cooperation (Christiansen & Maltz, 2002). The attractiveness of common benefits for both engaging firms has also been discussed and supported by Cordon and Vollmann (2008). The first ones to combine customer attractiveness theory with social factors were Ellegaard and colleagues (2003). They argued that inter-personal relationships and social competencies such as behavior and communication would largely influence the attractiveness of a customer. Later, authors integrated social exchange theory and came to the conclusion that trust, commitment, and emotions need to be included in the framework (Ellegaard & Ritter, 2006, 2007; Tóth, Thiesbrummel, Henneberg, & Naudè, 2015). Hald, Cordón, and Vollmann (2009) support this finding adding that customer attractiveness can be achieved through perceptual approaches. They also find that customer attractiveness influences the buyer-supplier relationships
performance. Kovacs, Spens, Hovmøller Mortensen, Vagn Freytag, and Stentoft Arlbjørn (2008) share Hald’s opinion that customer attractiveness can be influenced. They propose a set of managerial actions to improve customer attractiveness. Despite the fact that these factors are known to literature, Aminoff and Tanskanen (2013) recognize that firms’ understanding of what makes them attractive is surprisingly poor.

Customer attractiveness is the ex-ante condition for supplier value creation (Schiele et al., 2012). Customer attractiveness is made up of a set of factors that determine how attractive the potential buyer is to the supplying firm (La Rocca, Caruana, & Snehota, 2012). It therefore represents the expected value of the relationship. Supplier satisfaction is an ex-post factor in maintaining the elevated value creation in the dyadic relationship. Supplier satisfaction is the expression of keeping a supplier in a good buyer-supplier relationship (Maunu, 2003). It therefore represents the perceived value of the relationship. Many papers tend to take a very practical approach to supplier satisfaction. They suggest managerial factors such as planning, forecasting, delivery and long-term time horizons (Essig & Amann, 2009; Leeders, Johnson, Flynn, & Fearon, 2006; Maunu, 2003; Whipple, Frankel, & Daugherty, 2002). Others suggest that social factors play a role. Nyaga, Whipple, and Lynch (2010) find that information sharing, trust and commitment lead to improved satisfaction and performance. Paul, Semeijn, and Ernstson (2010) add to this, stating that such commitment can be achieved through supplier development. Supplier satisfaction results in an increase of performance and it can be influenced strategically. Therefore Ramsay, Wagner, and Kelly (2013) propose that supplier value and supplier satisfaction are valuable concepts to understand supplier behavior. The supplier satisfaction factors are the responsibilities of many departments, not only the purchasing department. Supplier satisfaction, therefore, can be seen as a cross-functional, interdisciplinary strategy and hence an indicator of organizational maturity (Schiele, 2007).
While a supplier can be satisfied with many of its customers’ cross-departmental managerial functions, not all of them will receive preferential treatment. Preferred customer status encompasses the preferential allocation of materials, early access to newly developed product ideas and opportunities for the reduction of cost (Bew, 2007). The benefits for preferential resource allocation so far have been named as a positive effect on supplier innovativeness and benevolent pricing behavior (Schiele, Veldman, & Hüttinger, 2011), better quality and services (Moody, 1992), and cost saving of between 2-4% (Bew, 2007). Moody (1992), Bew (2007), and Blonska (2010) pointed at social factors such as early involvement, responsiveness, and communication.

In analyzing the existing literature on the topic Hüttigner, Schiele and Veldman (2012) found that the preferential allocation of resources relies on a process in which customer attractiveness is established first. Supplier satisfaction builds on customer attractiveness, once some deals have been made. Finally, the relationship blossoms into a preferred customer dyad. While in the earlier stages economic value is still of great concern to the supplier, they theorize that the further along the relationship goes, the more important the relational quality becomes. Therefore, it seems logical to conclude that social factors are an important factor in the allocation of resources.

Overall, supplier value covers a wide range of factors that could possibly explain differences in performance. It has been shown that attaining preferential resource allocation can lead to improved performance. Preferential allocation is a function of preferred customer status (Pulles, Schiele, Veldman, & Hüttinger, 2016). Preferred customer status is preceded by customer attractiveness and supplier satisfaction. The concept of supplier value summarizes customer attractiveness, supplier satisfaction and preferred customer status. Its indicators could therefore serve as an explanation of why some buying firms on the Austrian timber market perform better than others. Using the framework of supplier value to analyze the buyer-supplier
relationships on the Austrian timber market can show what separates the actions of successful buyers from the others.

3 Methodology

The gap shown in the literature review into Factor Market Theory is a lack of understanding how suppliers decide who to sell their resources to. The literature shows that heterogeneous performance exists due to a competitive advantage gained by the preferential allocation of resources. The Technical University of Graz has found that these imbalances exist in the scarce natural factor market of timber in Austria, as well (Marchner et al., 2016). This provides an analyzable research setting to understand why suppliers act the way they do.

This study is based in the strategic procurement of scarce resources. However, since the question is how suppliers decide to whom they give their resources, an interview with the suppliers will provide the information needed. This is a remarkable feature of this study since many strategic supply chain papers investigate the buyer side rather than the supplier side (Armstrong & Shimizu, 2007; Chen, Paulraj, & Lado, 2004; Su, 2013). As has been noted in the literature, qualitative research is the indicated method for understanding a problem from the perspective of the individuals under study (Pratt, 2009). Here the pivot point of the buyer-supplier relation is an understanding of why the supplier allocates his resources the way they do. Hence, they should be the subject of investigation. Therefore, seven case studies have been conducted with the suppliers of timber on the Austrian timber market. The case studies are arranged according to suggestions from Yin (2003) to accommodate for explorative qualitative research.

3.1 Design

To understand how suppliers decide to whom they will give their scarce resources the case studies were divided into two parts. First, the interview partner at the supplier firm would show the operations of the firm, indicating key factors and differences to competitors, number
of employees, amount of timber sold per year and facts about the operations. The interview partner was free to reveal what they saw fit during this part of the case study.

The second part of the case study is a semi-structured interview. In part 2.2 it was established that supplier value would be the lens to use for this study. Therefore, the indicators for supplier value were studied. The indicators were also printed out and brought along to every interview to be able to guide the conversation to reveal the important factors of supplier value (see appendix B). The identifying factors from the supplier value framework were derived from a literature review by Hüttinger et al. (2012) and split up into customer attractiveness, supplier satisfaction and preferred customer status. Additionally, Ramsay and Wagner (2009) identify 48 indicators of supplier value that were added to the list. Pulles et al. (2016) identify seven more factors for customer attractiveness and eight factors for supplier satisfaction that have also been studied and included in the list.

This allowed the interviewer to effectively guide the interview to reveal the underlying dimensions of supplier value in the suppliers’ decision who to sell to. The general structure of the interview was based around the question

“For what reasons have you decided to supply one of your buyers with timber rather than their competitors?”

See appendix A – Question list

Interview partners were asked to think back to a contingency where they did not have enough timber to supply for all the demand. They were then asked which of the buyers they finally gave the timber to and based on which reasons. They were specifically asked to identify key factors. Their answers would be contrasted with the literature review on supplier value and it was made sure that the interview partner understood which of the factors his answers would pertain to.
COMPETING FOR SCARCE RESOURCES

3.2 Context

The present research was conducted in a market for a relatively simple, homogeneous, highly mobile resource in an environment of intense competition; the Austrian timber industry. It was shown that, according to current literature, none of the sawmills should be able to yield a competitive advantage on the basis of the timber supply alone. The present research examines seven interviews with seven forests (timber suppliers) for indicators of supplier value. The presence of heterogeneous resource allocation in the Austrian timber market shows that a competitive advantage can be gained under certain circumstances, which were analyzed in detail. This was made necessary by the fact that many sawmills went bankrupt in the past decades due to a lack of timber inputs. In order to survive, purchasers at sawmills in Austria need to adopt a new strategy.

“Over the past decade, we witnessed an intense structural adjustment process, a dying of sawmills. It was breathtaking. Especially because the larger ones bought all the wood so the smaller ones could not get any.”

Respondent 3

The firms interviewed unanimously said that markets are in favor of the supplier. Timber is a scarce resource and there is competition for their product.

“There is so much demand, we simply cannot supply for it all.”

Respondent 3

Despite the obvious price advantage of the suppliers in this market initially, 6 out of 7 respondents claimed that the price paid was the most important factor in deciding how to allocate the timber.

“It is the monetary factor, indeed, the economic perspective, which is the deciding aspect of who gets what.”

Respondent 1
This did not seem to align with the fact that there is a general price regulation in form of the saw log index. The industry generally sticks to it.

“The saw log index, which is a course calculated globally and weighted according to their presence in the market, generates an interesting saw log index for the industry.”

Respondent 4

The interview partners were made aware of this fact. Hence, the interview partners reconsidered their answer, stating that in fact, often they receive offers for the same price. The interviews then proceeded to inquire what factors helped to decide in these cases where prices were the same. These factors we then compared to the factors from the supplier value framework. These supplier value framework factors are the results of this study. They are presented as direct quotes form the interviews in the results section. In summary, the market described by all interview partners is a natural factor market characterized by scarcity and a fixed price index with decision factors different from pure price reasoning.

3.3 Sampling

The cases of seven suppliers in the Austrian timber industry have been analyzed. To achieve this the forests and their respective forestries have been visited and inspected. To this end, forest owners all over Austria have been called up in the spring of 2016. They were asked if they wanted to participate in an interview coupled with a visit and inspection of their operational processes. They were briefly informed that this study would be a cooperation of the University of Twente and the Technical University of Graz. They were told that the outcome of the study would help to better understand the timber market in Austria. They were promised anonymity if they wanted. Theoretical sampling was used due to its recognition of the need to collect enough data to find the underlying categories and relationships that connect them (Coyne, 1997). Multiple case theoretical sampling is not based on the uniqueness of a single case but rather focuses on building a theory among a set of cases (Eisenhardt &
Graebner, 2007). Multiple comparison groups were used based on geographical, economical and management factors including comparisons of size, turnover, location and management style (see table 1). This enabled to adjust and control the data collection process for diversification (Glaser & Strauss, 2009). The most important selection criterion is that firms act on a supplier-led, scarce market. A second important criterion is that they show noticeable differences based on the categories in table 1. By maximizing the differences between respondents, the variety of strategic similarities among the groups was increased (Glaser & Strauss, 2009). The relevant questions from the question list (appendix A) were selected based on the case. They always served the purpose of advancing the theory. The interview partners were all either the owners or managing directors of the forest property. In the two largest cases included in this study, the author spoke to the regional director and the head of sales respectively. The interview partners were relevant to the study because they are all closely involved with the firms’ customers. This was made sure of prior to the research. All of the interview partners had either an academic background in sales or owned the business. This ensured that they had a good understanding of the decision making mechanics they use to determine who to sell to.

The sequence of each interview was adapted according to the outcome of the previous interviews. The aim was to contrast the seven cases. In contrasting these cases the aim was to find communalities in what makes suppliers decide who to sell their resources to, based on the supplier value framework. To achieve this, the sequence of questions had to be modified throughout the data collection process to represent the information gained from previous interviews. The Sampling was done up to theoretical satisfaction, which, due to the similarities in the industry, was reached at seven cases total (Martin & Turner, 1986). The forests are all in close geographical proximity and the timber they sell is therefore bound by similar market
COMPETING FOR SCARCE RESOURCES

This means that after seven different interviews no further relevant information could be extracted by conducting more interviews.

As per the suggestion of Anteby (2008), it should be stated that the author, who also lead the interviews has had no previous relationship with the subjects of the interviews or any employee of any of the companies.

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
<th>Case 5</th>
<th>Case 6</th>
<th>Case 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of timber sold (m²)</td>
<td>4,123,469</td>
<td>2,387,755</td>
<td>125,000</td>
<td>80,000</td>
<td>7,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Turnover (.000)</td>
<td>404,100</td>
<td>234,000</td>
<td>~11,250</td>
<td>~7,200</td>
<td>~450</td>
<td>~135</td>
</tr>
<tr>
<td>Number of employees*</td>
<td>2621</td>
<td>1133</td>
<td>148</td>
<td>18</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Location</td>
<td>Headquarters in the North, forests all over Austria and Bavaria</td>
<td>Headquarters close to Vienna, forests all over Austria</td>
<td>North-west, extremely mountainous</td>
<td>South, slightly mountainous</td>
<td>North, 70km from Vienna, relatively flat</td>
<td>North, mountainous</td>
</tr>
<tr>
<td>Management style</td>
<td>Hierarchical, central</td>
<td>Hierarchical, central</td>
<td>Hierarchical</td>
<td>Project Management</td>
<td>Central</td>
<td>Private</td>
</tr>
<tr>
<td>Interview partner</td>
<td>Director North Austria</td>
<td>Head of sales</td>
<td>Managing director</td>
<td>Managing director</td>
<td>Manger</td>
<td>General manager</td>
</tr>
<tr>
<td>Perceived power on the market</td>
<td>Very high</td>
<td>Very high</td>
<td>High</td>
<td>Pooled resources, high</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Table 1: Multiple comparison groups

*Full-time employees

3.4 Data analysis

Each case study started with a visit to the production facilities. Notes were used to document the visit. Afterwards, the interview was conducted. The interview was recorded digitally and transcribed the same day with additional notes concerning gestures, facial expression and events that happened during the interview that may have influenced the answers. The interview is semi-structured, meaning that it does not follow a strict sequence of questions. Rather it focuses on asking relevant questions that lead to the revelation of decision making factors from the supplier value framework to answer the central question.

The transcribed interviews were then analyzed with the qualitative data analysis tool Atlas.ti. A codebook was created from the previous analysis of the factors of supplier value.
The book contained a specific code that consists of the sub theory i.e. customer attractiveness, supplier satisfaction or preferred customer status, a sub field and the indicator itself; example: preferred customer status – relational quality – strong bonds. In total there were 46 indicators for customer attractiveness, 36 indicators of supplier satisfaction, 25 indicators of preferred customer status and Ramsay’s (2009) 48 general indicators of supplier value, as well as additional indicator from Pulles et al. (2016) (see appendix B). Each of the indicators was defined according to its theoretical basis. Their definitions were written down in the code book (see appendix C).

4 Results

The purpose of the study is to see whether the framework of supplier value can be applied as a lens to understand heterogeneous firm performance on a scarce natural factor market. As mentioned before, respondents were asked to think back to a situation in which they did not have enough timber to supply all their potential buyers. These contingencies not only helped them remember but it created a specific context that made their answers more authentic.

The contingencies the respondents chose are listed in table 2.

<table>
<thead>
<tr>
<th>Respondent 1</th>
<th>Saw mills from Eastern Europe and the Northern African countries try to buy Austrian timber. Who will this be given to; the local mills with long-standing contacts or the new ones? Prices are usually the same, since they are set by indices. -- „Everyone always talks about going global. But we also have the possibly to create value locally and keep it in the area. Why shouldn’t we do so. Above all if it makes sense from an economic point of view.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 2</td>
<td>Swiss stone pine is a very special kind of timber, very rare and highly sought after. When timber of this great quality is cut, competition for the pieces arises. -- „Swiss pine cone was not an issue for the last 10 years. We burned it. Nobody wanted it. Suddenly, Swiss pine cone is modern. People want pine cone furniture. Demand and prices explode!” „So, in the beginning, we chose to give the pine cone timber to the supplier that we had for many years.”</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Rare and valuable timbers, such as Swiss stone pine are cut. Send this to the saw mills and create boards or create more value by giving it violin makers?</td>
</tr>
</tbody>
</table>
In general, large saw mills in Austria and from abroad compete over timber.

“In the past years the pine cone really underwent a boom.”

“That’s always the question; sell to the Finns or Austrian saw mills?”

**Respondent 4**  
Keep selling to Austrian saw mills or sell aboard to Romanian and Italian saw mills?  
Paper industry, bio fuel industry both want the same kind of timber (blind-sided).  

“Many saw mills went bankrupt because they were not paid by Italian buyers.”  

“His saw mills are empty, he can make helicopter landing zones from his saw mills in Romania. At this moment, for reasons I suppose are known to you, it is very hard for him to get timber in Romania. He has the most modern saw mills in Europe but way too few resources.”

**Respondent 5**  
Keep supplying the local saw mills or accept offers from abroad?  

“The situation in Austria is relatively good. In most European countries, the timber industry is even more competitive.”

**Respondent 6**  
Prices for paper industry and bio fuel industry are almost the same. Who do I sell to?  

“Of course there is some competition between the paper and bio fuel timber industry. This is often perceived as a disadvantage from the paper industry.”

**Respondent 7**  
She could sell the timber for a high price to different customers, but sticks to the one saw mill her ancestors already supplied.  

“I have my long-term buyers, I work with them and we will sit together once a year or maybe twice when there is a lot of volatility […] what good is it if others pay 3€ more?”

<table>
<thead>
<tr>
<th>Table 2: Contingencies</th>
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<tbody>
<tr>
<td>Asking this question was important because it was necessary to make sure that respondents talked about similar situations. If the contingencies differed too much, their decisions who to sell to may have been affected by their circumstances. It is noteworthy that the contingencies in the study show similarities in that they all involve either a special kind of scarce timber or timber as a scarce resource in general. In all seven cases the respondents had to choose between a variety of domestic and international buyers. The underlying contingencies were therefore similar enough to allow for an analysis of the factors that drove the respondents to sell to one buyer rather than their competition.</td>
</tr>
</tbody>
</table>

After stating the contingencies the firm had to deal with, they were asked to identify the factors that helped them decide who to give the timber to. Based in the framework of supplier
value all the respondents identified at least three important factors; (1) long-term relationships, (2) market price stability, and (3) measurement accuracy. During the analysis of the data it also became clear that there is a significant difference between the sizes of the firms when it comes to the factors they employ. All of these will subsequently be explained in detail.

4.1 Long-term relationships

Every respondent identified long-term relationships as an important factor in the decision-making process. The reasons varied from firm to firm but all of the reasons were rooted in the supplier value framework. For respondent two it was important to have these long-term relationships because that would grant them access to the board of directors which would build strong bonds and trust. The mode of interaction was important to him, too.

“That’s also a factor; how did the client act in the past? Ideally we are in close contact with the board of directors.”

Respondent 2

He continued to explain that in a contingency where he has to decide who to sell the timber to he would always prefer buyers with a long history or long-term interaction to new entrants.

“There are clients we know and we supply them. The rest has to live with what is left.”

Respondent 2

Respondent six supported the element of trust. He elaborated on it, adding the fact that long-term relations are more likely to help one another out in what supplier value theory calls action oriented crisis management.

“That’s why we always need saw mills with whom we’ve been in a long relationship. That way we can say ‘listen, we’ve supplied you with timber for 10 years now whenever you needed it, now we need you. So please buy these 300 or 500 m³ now as a sort of compensation for the fact that we’ve always been loyal. […] That’s a fact. I tell them that with every deal we make. I tell them, alright, you will get this many m³ of timber
now, but I just want to say that when we have a storm damage or something like that you will buy the timber form us then …”

Respondent 6

He felt that this message is better received by buyers he has dealt with frequently. He added that he could also better estimate their trustworthiness. It was important to him to rely on this buyer for situations such as the one mentioned above. Hence, just like respondent two he prefers these buyers to new relations.

“It’s a fact that we’ve been dealing with these people for many years”

Respondent 6

Respondent seven – the smallest one in the study – concurs. Not only does she sell to the buyers with a long-standing relationship she only sells to one buyer. She sells to the same saw mills that her father and her grandfather before her sold to. She says she can trust them, that she can rely on them and that there is a feeling of loyalty that her ancestors have imbued in her.

“I have long relationships with my buyers. I’m doing this for over forty years now.”

Respondent 7

Another factor are quid-pro-quo situations that inspire loyalty. Respondent five claims that these can only grow in long-term relationships. These situations later reap benefits for the buyers as well as the supplier.

“When a professional relationship lasts a while, there are bound to be some natural disasters like storms, snow and others. That is a pretty good indicator for us to remember how the business partner behaved back then. If he behaved well, we will also make sure he is treated well maintaining the same conditions”

Respondent 5

Upon asking what he meant by treating them well he revealed that some buyers will diminish the prizes artificially when a calamity such as storm, snow or bug infestation happens. He stresses that those buyers who are loyal, who will not artificially diminish prizes even when
they could, those buyers will in turn get preferential resource allocation when the tables are
turned. Meaning, the loyalty in a long-term relationship will be rewarded. Respondents also
focused on the fact that these long-term relationships are established most easily in local
clusters.

“I can tell you that 98% of our timber will go to the different saw mills within a radius
of 80km. [...] So we can sell everything regionally. We have a very well working buyer
basis, small saw mills, medium saw mills, with whom we can realize the short-hall
timber idea.”

Respondent 1

Respondent one took pride in the fact that they could sell everything regionally. He mentioned
that they had several projects to keep the logistics sustainable. Shorter delivery routes mean
less of a carbon footprint. He mentions that they are interested in a strong local buyer base
since that would strengthen the entire supply chain. Respondent 3 supports the local cluster
claim.

“We really care for those local saw mills. That’s also just a certain diversification
among the buyers.”

Respondent 3

Respondent five supports the claim that supplying local saw mills and thus strengthening them
would strengthen the entire supply chain.

“It’s a question of the local supply chain and the stability of the entire industry and it
is a sustainable competitive advantage to the entire Austrian timber industry to have a
competitive local buyer landscape.”

Respondent 5

4.2 Market price stability

Timber is a natural resource. As such it is harvested in nature. Nature is subject to
change and brings with it a lot of risks.
“The timber prices are volatile. They have always been. It depends on certain framework conditions, which are characterized by storms and calamities in the forestry sector. Meaning when there is suddenly an oversupply of timber on the market that feeds back into the price range. Above all it’s the calamities that dominate the volatile behavior of the timber market.”

Respondent 1

Respondent one points out what all respondents said about the price behavior on the timber market. It is volatile. The problem is that even though the market has been described as a supplier’s market the event of a calamity such as storm, wind, snow or bugs can lead to an oversupply. Once the trees have been cut, they cannot remain in the open for a long time. They would deteriorate. When wind or snow are a heavy burden on the trees, they will fall and need to be sold immediately. The fact that for a short time there is an oversupply lowers the prices. It is worse even that the suppliers cannot hide the fact that there is an oversupply, because calamities are usually common knowledge. There are news reports about it. Because everyone is aware of it, some forestries make the situation worse by panicking, which further decreases the timber price on the market.

“Those are the actions that are not really transparent. They are characterized by panic. We know this from the stock exchange, a slide in the stock exchange course, as a result of panic.”

Respondent 1

Respondent 2, head of sales at his firm, is aware of this issue. He suggests that instead of playing dice with the price where sometimes the saw mills win big because of calamities and most of the time the supplier makes big deals because of scarcity, it would make more sense to smooth out the volatility. This reflects the business competences suppliers are looking for in buyers.
“If the saw mill industry constantly has to pay the highest prices than we call that the valley of blood and tears. Of course, we want a little more money where there is acute scarcity. But the question is when you overdo it and how much you want to overheat the market. Well aware that tomorrow there could be a calamity and then the market will turn around instantly. Of course, our partner will have to think the same thing through; how extreme is my strategy going to be? Can we smooth out the issue of price volatility or are we treating this like stock exchange; up and down?”

Respondent 2

The idea is, he says, that they will sell to those clients that promise to help them out, when there is a calamity. It is a form of risk management that involves selling the scarce resources at their disposal to the client that has proven trustworthy and reliable in calamity cases. Generally, this strategy seems to work for respondent 2 and the other respondents are aware of the success.

“Generally, when the timber market price goes down because of an oversupply and you think you can hold the price with force – that’s what the [respondent 2] did, I guess he told you. They took all possible actions to counter this effect.”

Respondent 4

Respondent 5 has observed the same kind of reasoning. He also decides for those buyers that he knows will prove reasonable during the next calamity. This predictable decision process establishes trust and close relationships.

“It really makes a difference in situations when someone is on the ground and the other triumphs because of natural conditions – this happens a lot, that’s very normal in the forestry sector. [...] It really is very volatile. And I remember how they acted. And I also assume that my business partners also notice how we act in these situations. You always meet twice.”

Respondent 5
Respondent 4 says that this is the reason they supply many smaller saw mills, as well. According to him, the smaller ones are extremely grateful and glad to help out.

“So we are trying to supply the smaller firms as well, because if we have some timber available because of calamities or rather if we are the victims of that then the smaller ones really help to get rid of the timber in a decisive manner.”

Respondent 4

He continues to elaborate.

“The smaller [firms] are really good in this case. In these structures, they really do remember. You used to help me. Now I am going to help you.”

Respondent 4

The idea therefore is to keep the prices relatively stable. To counter the effect of calamities, which would usually result in volatility the firms rely on their buyers. In good times, they supply those buyers that they know will help them by paying reasonable prices in bad times. Therefore, prices do not get too high during scarce times and they do not fall too much in times of calamities. Suppliers are looking for trustworthy, loyal buyer they can implement this kind of strategy with.

4.3 Measurement accuracy

The reason that these long-term relationships are so important is to build trust as has been mentioned by the respondents. Trust then becomes the basis that other problems are solved on, as well. Respondent seven phrases a problem she has this way.

“Everywhere they will take the measurements at the saw mill. That’s why I feel at the mercy of them because I can’t control it. If they say this timber is bad quality, what can I do? I would have to be right there and tell them this is not bad timber, it’s good. So ultimately I just have to blindly trust them.”

Respondent 7
Respondents said that the actual quantity and quality of the timber they deliver to the saw mills is determined by machines at the saw mills’ facilities themselves. While the machines are standardized, there are still many floating factors. The quality is one of these issues. There are different categories of timber quality. Higher quality timber means a higher price per m³. Naturally, the saw mills are interested in claiming relatively low quality, while the foresters are interested in claiming relatively high quality. Therefore, the foresters rely on the honesty and fairness of the saw mills. Additionally, it makes a difference in weight. For example, whether the timber is measured the instance it arrives at the saw mill facilities, or later, when the timber had a chance to dry. When it dries it loses water and therefore weight. The buyer pays less for the same amount of timber.

“It entails that indeed the measurement methods are solid. That everything is being sorted correctly. That the timber, once we supply it, doesn’t lie around much and instead is being measured as fast as possible. That there is the possibility to store the timber at the saw mill. So that we can say we will store 300, 400, 500 m³ of timber in the storage, so that one of our foresters can be there during the goods acceptance procedure.”

Respondent 4

Because it would mean an economical advantage to the saw mills if they claimed lower quality and lower weight, the larger respondents have organized people who will randomly check the measurements at their clients. The less problematic this procedure is, the more likely they are to sell their scarce timber to the customer. This builds a positive reputation for the buyer that the suppliers act on accordingly. A bad reputation for measurement accuracy means that they will not be supplied with timber anymore.

“The quality of the acceptance of the goods of the supplier. How are they accepting the timber, how satisfied are we with the acceptance procedure?”
He was asked to be more detailed about what that entailed.

“As a standard procedure, we have people that go to our customers for the goods acceptance procedure. That’s on a random basis. They just show up in the morning and tell them ‘you’ve had this many truckloads of timber yesterday, they will be measured today, I’ll be here and supervise.’ He will then instantly make a complaint if something goes wrong.”

Respondent 2

Respondent one claims that the idea of “controlled trust” has worked best for them.

“[We have people who] show up at the saw mills regularly, to check if the calibration checks out and if there is nothing fishy going on. He checks if the measurements the customer gives us are correct. And then it is a sort of controlled trust to see what’s going on. This has worked really well for us.”

Respondent 1

Respondent one also says that customers that are trustworthy and do not try to deceive during the goods acceptance procedure will be preferred. He mentions that, based on long-term relationships, customers they have done business with for a while are accustomed to the procedure. These customers can be dealt with more easily and are therefore preferred.

“We will look at if they are especially finicky with the acceptance. If they constantly doubt the quality and volumes we claim. That makes my people nervous because for them it means a much greater effort. […] That’s why here it is the case that we have long-term customers, really business relations that last many years because then we know exactly how they produce works, and what kind requirements they have.”

Respondent 1

To automate much of the good acceptance procedure, the Austrian timber industry has agreed on the FHP standard. This is an ERP system for everyone involved in the timber industry to track shipments, qualities, volumes, invoices and much more. It is also a good tool for
performance feedback on both sides. The adoption of this system hence increased the reliability of data in the industry and customers using this system are preferred to those who do not.

“Almost all of the saw mills and timber industry now uses that FHP data standard. It was a really long process, because the saw mills really didn’t like to surrender that kind of information. But in the end, we finally did it and it is a really good indicator for us now.”

Respondent 3

In the end, suppliers prefer customers they can trust. Even though they will do random checks on their shipments they still need to rely on the honesty and fairness of their customers. Those customers that have proven to have traits like fairness, reliability, honesty and trustworthiness are now preferred over new entrants, because the suppliers feel this is necessary in a market were the customers take the measurements of the goods. Respondent seven has summarized this in a sentence.

“There is no advantage for me if they pay 3€ more but the measurements are bad. It’s a huge issue of trust.”

Respondent 7

4.4 Size matters

During the investigation, another fact came to light. There is a considerable difference between firms of different sizes. Table 3 shows the seven cases sorted by the amount of timber sold per year in descending order. Since this study investigates which one of the buyers will get the scarce timber resource, sorting the firms by the amount of that scarce resource sold per year seems like the adequate indicator.

The factors derived from supplier value theory (see 3.4 data analysis and appendix B) were then split up into hard factors and soft factors. This study defines hard factors are those that are measurable in quantitative terms. They are economic factors based on mathematical considerations. ‘Rational/predictable’ actions are in here since rational actions of the buyers
would refer to mathematical considerations of the buyer. Soft factors, on the other hand, are those factors rooted in social exchange theory, feelings or intuition. ‘Cluster membership’ is considered a part of soft factors because the reasoning behind choosing patterns in clusters for the respondents were based on strong bonds, long-time relationships and strengthening the landscape of local buyers. Therefore it pertains to the domain of preferred customer status (Steinle & Schiele, 2008) rather than mathematical considerations.

There are eight hard factors and eight soft factors in total. These 16 factors were chosen to represent the eight most frequent factors from both sides.

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
<th>Case 5</th>
<th>Case 6</th>
<th>Case 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of timber sold (m³)</td>
<td>4,123,469</td>
<td>2,387,755</td>
<td>125,000</td>
<td>80,000</td>
<td>7,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

**Hard factors**

- Price
- Price stability
- Logistics/delivery
- Financial probity
- Rational, predictable
- New markets
- Distribute to minimize risk of non-payment
- Measurement reliability

**Soft factors**

- Long-term relationships
- Communication
- Cluster membership
- Strong bonds/reciprocity
- Loyalty/Trust
- Create value
- Cultural compatibility
- Personal trust

Table 3: Contingency factors

Table 3 shows that large firms, i.e. firms with large amounts of timber sold per year, value hard factors a lot more than smaller firms. Case one and two check on almost all the hard factors while case five, six and seven check on barely any of them. Soft factors are considered by both large and small firms. All cases consider between five and six of the eight soft factors. For smaller firms, personal trust and cultural compatibility seem to play a larger role than for larger firms. Long-term relationships, cluster membership and strong bonds on the other hand are unanimously important to firms of all sizes.
4.5 Three important factors and a firm size difference

The seven cases were analyzed based on the framework of supplier value as its factors (see appendix B). The three overarching concepts that every respondent valued in a buyer are long-term relationships, market price stability and measurement accuracy. Respondents said that they would grant buyers the timber at their disposal when they have been in a long, trusting relationship that allows them to smooth out market price volatility and that functions as a basis for trust in terms of measurement accuracy. Each one of these three factors is based on the framework of supplier value and its factors. Long-term relationships emerged from the factors of loyalty, trust, strong bonds, action oriented crisis management, geographical proximity, cluster membership, long-term interaction and the mode of interaction. Market price stability is necessary because of the volatile timber market and emerged from the factors of business competence, predicable decision process, trustworthiness and risk and uncertainty factors. Measurement accuracy emerged from the factors of the buyers’ behavior, information exchange, loyalty, trust, fairness, long-term interactions and performance feedback.

Finally, an analysis of the size of the firms showed that the smaller the firms, the less they are interested in hard factors. Furthermore, it shows that large and small firm are equally highly interested in soft factors. This supports the three factors mentioned above, which are all based on soft factors.

5 Discussion

From the results of the study it has become evident that there are three factors that influence the decision of suppliers on the Austrian timber market whom they give their resources to; long-term relationships, market price stability, and measurement accuracy. It has also been shown that the factors market price stability and measurement accuracy are largely dependent on long-term relationships. The factor long-term relationships is a summary of the underlying supplier value theory concepts of strong bonds, action oriented crisis management,
mode of interaction, geographical proximity, cluster membership, long-term interaction, loyalty, and trust. Blonska (2010) found that these strong bonds are a result of relational capital which leads to preferential buyer benefits. This means she supports the claim that the supplier sells his resources to a buyer with strong bonds. Moody (1992) states that crisis management and commitment are traits that would get a buyer preferred customer status. This study has shown that suppliers will sell to those buyers who have proven reliable during calamities or crises. The mode of interaction refers to communication (Maunu, 2003), the structure i.e. direct contact with the buyers (Essig & Amann, 2009), the reaction i.e. feedback and openness (Forker & Stannack, 2000) as well as the level and quality of information exchange (Ghijsen, Semeijn, & Ernstson, 2010). The mode of interaction has been identified as an antecedent of supplier satisfaction and is therefore part of the supplier value framework (Hüttinger et al., 2012). The study has shown that suppliers are indeed more likely to sell their resources to buyers who give the supplier the opportunity for direct contact, who gives them feedback and exchanges information. Steinle and Schiele (2008) have pointed out that it is easier for buying firms to access a supplier in their own regional cluster than to attempt global sourcing. Indeed, this study has shown that suppliers prefer to sell to saw mills in their cluster, selling up to 98% within 80km. Geographical proximity and cluster membership are both considered substantial antecedents of preferred customer status (Hüttinger et al., 2012). Being geographically close to the supplier can establish a long-term relationship, which in turn grants preferential resource allocation. Respondent seven said she supplies the same saw mill as her ancestors, which are close by and with whom she has had a long-standing relationship. The bedrock of long-term relationships with all its facets of strong bonds, loyalty and so forth is trust. Rousseau, Sitkin, Burt, and Camerer (1998) suggest that the concept of trust progresses throughout a relationship. While trust is initially build on self-interest (agency) it will later be based on the interest of the broader collective (community). They call this calculative trust and relational trust. Calculative
trust emerges when the trustor perceives that a beneficial action will arise. Relational trust emerges from repeated benevolent actions and reciprocated care over time (McAllister, 1995). This study observes calculative trust in the sense that buyers and suppliers have to rely on one another in case of calamities. The study also shows signs of relational trust where smaller local saw mills are supplied to keep the collective of the Austrian timber industry competitive.

The factor *market price stability* is a summary of the underlying supplier value theory concept of *risk and uncertainty factors, business competence, predictable decision process, and trustworthiness*. As shown in the results, the timber market is very volatile because of calamities. Christopher (2000) argues that supply chains are particularly threatened by volatile markets. He states that supply chains need to be agile to meet the customers’ demand. In the Austrian timber market this agility is expressed by the need to swiftly sell off and transport the timber after an environmental calamity. These environmental factors can force a market that is normally characterized as a supplier market to rapidly drop prices. Prestemon, Pye, and Holmes (2001) found that salvage gluts after large scale calamities will drive down prices. This affects even the owners of undamaged goods and they will have to weigh the promise of future price rebounds against the immediacy of revenue needs. Prestemon and Holmes (2000) showed in their study that these price drops can go up to 30% in a very short timeframe. Hoffmann, Schiele, and Krabbendam (2013) suggest that environmental uncertainties, such as these calamities, are moderated by supply risk monitoring, management and mitigation. Suppliers invoke the business competence (Essig & Amann, 2009) of their buyers to effectively manage the volatility on the market. They do so by making sure that they will sell the timber to those buyers who have helped them during a calamity. They consider it help when buyers still pay them good prices for the timber instead of putting pressure on the price. The buyer therefore needs to engage in a predictable decision process (Bew, 2007). This allows the supplier to rely on the fact that the buyer will indeed purchase at fair prices during a calamity to keep up this
reciprocal relationship. Trustworthiness again plays a big role in this factor. Berg, Dickhaut, and McCabe (1995) suggest that reciprocity is accounted for in the trust that is extended to the counterpart. This reciprocity is needed in situations where the supplier has to rely on the buyer to still pay them fair prices in case of a calamity. (Brazee & Mendelsohn, 1988) suggested that forest owners adapt their harvesting patterns to counter these fluctuations. It is, however, easy to see that this technique also relies on forecasts and artificially keeps prices up. They state themselves that this would increase the present value of expected returns but it does not change the present situation. That is why forest owners in the Austrian timber market yearn for market price stability and they achieve this through the fact that they will only sell the scarce timber resources to buyers that vow to help them keeping prices stable in calamity situations.

Finally, the factor of measurement accuracy is based on buyers’ behavior, long-term interactions, information exchange, performance feedback, loyalty, trust, and fairness. This factor is based on the fact that the quality and quantity of the timber delivered will only be determined at the saw mill facilities. This situation can enable fraud on the buyers’ side. The fraud triangle is usually applied to financial fraud (Turner, Mock, & Srivastava, 2003). It also finds some application here. The fraud triangle states that fraud risk is encouraged when any of these conditions are met; incentive, opportunity, attitude. The saw mills do have a financial incentive for being dishonest with the measurement of the timber. The fact that the measurements are being done at the saw mills gives them the opportunity to commit fraud, as well. The attitude toward fraud is why the buyer’s behavior is so important to the suppliers in this scenario (Ellegaard & Ritter, 2007). Fraudulent behavior in the past or suspicious behavior in the present will not be tolerated by the suppliers. That is why to them the exchange of information (Christiansen & Maltz, 2002) and performance feedback (Rozemeijer, 1998) matter. The spectrum of how the suppliers react to this threat is fairly large. Respondent one and two use their power to mandate that they have some of their people supervise the
measurement procedure at the saw mills. Respondent three said that an ERP system helps and respondent seven is entirely at the mercy of her buyer. The ERP system that was mentioned here, which is used by the majority of the Austrian timber industry is FHPDAT. It has been the subject of studies. It has been shown that this ERP system improves the interoperability by means of introducing standards (Blattert, Lemm, Ehrhardt, & Seeling, 2012). Appelhanz (2013) supports this claim in her study. It is easy to see why suppliers prefer buyers that have implemented the standardized FHPDAT system. The standards for weight, time of measurement, quality and so forth introduce an element of reliability to the measurement process. Despite the advantages of such standards, there is still an element of trust that the suppliers need to show in their buyers. Buyers therefore need to earn the trust. This can be achieved by a long-term relationship where they have proven reliable and also by allowing the supplier to send their own people to test the measurement process. Lewicki, McAllister, and Bies (1998) showed in their study that trust is multidimensional and it is possible to have a sentiment of trust and distrust as the same time. Respondent one calls this phenomenon ‘controlled trust’. The inherent tension of the relationship is alleviated by the fact that the buyer allows the supplier to be present during measurements. This in turn builds trust on the supplier side. This trust then makes the supplier more likely to allocate the timber to the trustee.

Differences between the strategies of large and small firms have long been known to literature (Dean, Brown, & Bamford, 1998). This study shows that large firms tend to value hard factors more than smaller firms. This means they are paying more attention to financial details such as price differences and the distribution of payment risk. This may be because the corporate culture of a large firm is significantly different from that of a smaller firm. Transactions between multiple individuals are always hierarchically mediated and monitored. This means there are quantifiable rules that the sales manager of large firms needs to follow (Kreps, 1996). Small firms on the other hand tend to be driven in an entrepreneurial style. Many
COMPETING FOR SCARCE RESOURCES

decisions can be made by an individual (Sadler-Smith, Hampson, Chaston, & Badger, 2003). This may lead to a decision basis that is rooted in inter-personal connections rather than rigid corporate rules. Covin and Slevin (1989) claim that the frequency of reporting is positively associated with decision making procedures. This suggests the more the sales person must report to his superior the more likely that person has to follow certain decision making processes. In the majority of cases these decision processes are linked directly to financial ratios and performance (Zimmerman & Yahya-Zadeh, 2011). In terms of the soft factors, large and small firms seems to employ them equally frequently to make decisions. What does stick out is the fact that the two largest firms in this study do not value personal trust, cultural compatibility or the creation of a valuable end-product. Personal trust is a very subjective factor that is not expected to be found in decision making that involves many stakeholders. Corporate governance dictates that the decision maker be held responsible for his decisions. These need to be justified in terms of the return on investment (Shleifer & Vishny, 1997). Since the two largest firms in the study have stakeholders they are responsible to, it is logic that they do not base decisions on personal trust. Furthermore, cultural compatibility does not influence the decision-making process of the larger firms, either. In a globalized world larger firms have less of an issue with cultural compatibility since the teaching of cross-cultural competence and its antecedents are widely adopted among globally selling firms (Johnson, Lenartowicz, & Apud, 2006). This competence enables the two largest firms in this study to deal with cultural differences, ipso facto eradicating the need to make cultural compatibility a decision factor. Conversely, it is interesting to observe that both large and small firms value long-term relationships, cluster membership and strong bonds. These soft factor criteria in the decision making process could be a result of the fact that the Austrian timber industry is characterized by long-standing traditions (Johann, 2007). Many hotspots of the industry have long ago been
observed as clustering. I.e. there is a large cluster supported by universities and institutions in Styria (Tödtling & Sedlacek, 1997).

Long-term relationships can only be established once there is trust. Trust can be gained by measuring accurately, agreeing on quality and collaborating with the supplier. Trust can also be gained by helping to smooth the market in times of calamities and in times of scarcity. From these three factors, it becomes evident that building trustful, long-term relationships with the suppliers is a precondition for preferred resource allocation.

5.1 Contribution to literature

One important part of the results of this study is the fact that the three stages of supplier value have been used as a single body of indicators. They have been divided up into soft and hard factors and have been treated as possible explanations for preferred resource allocation. In fact, these three concepts are different from one another and describe individual stages in the buyer-supplier relationship. Customer attractiveness has been defined as a positive expectation from the supplier of the relationship with their customer (Schiele et al., 2012). As such it is the factor that helps establish good relationships and chronologically the first that must be established. Supplier satisfaction then is the next step on the ladder. When the buyer-supplier relationship is meeting or exceeding the expectations formed in the customer attractiveness stage, supplier satisfaction is achieved (Schiele et al., 2012). So expected value of a future relationship is important to customer attractiveness, whereas perceived value of a current relationship is the definition of supplier satisfaction (Pulles et al., 2016). However, a clear distinction between the two is still a challenge to current students (La Rocca et al., 2012).

This study has taken a resources-based approach to the study of buyer-supplier relationships in natural factor markets because these interactions are increasingly viewed from strategic perspectives (Esper & Crook, 2014). These theories claim that through the successful combination, access to, development and utilization of strategic resources the focal firm can
attain a competitive advantage (Hitt, 2011). This study has shown that a resource that is not strictly valuable, rare, in-imitable and non-substitutable according to Barney (1991), can yield a competitive advantage in a scarce market if the focal firm can manage to attain preferential resource allocation by gaining preferred customer status through customer attractiveness and supplier satisfaction. That is what was termed supplier value. Therefore, this contributes to the resource-based stream of literature, since it examines competition for supplier resources, which are of a strategic nature in the timber industry as seen with many other papers (Ellegaard & Koch, 2012; Ellram, Tate, & Feitzinger, 2013; Monczka, Trent, & Callahan, 1993; Pulles, 2014). In the second part of the literature review the proposition was made that supplier value theory can explain the difference in firm performance better than Barney’s factor market theory could. Supplier value can also provide a set of factors that influence the suppliers in their decision making. By showing that the factors that suppliers use to decide who to sell their timber to can be explained using the supplier value framework this study has shown that supplier value theory offers a better understanding of the factor market. More than that, due to the fact that literature has shown the benefits of preferred customer status (Bew, 2007), the sustained competitive advantage observed on the Austrian timber market is consistent with supplier value theory.

Furthermore, due to the significant influence of soft factors, this study contributes to social exchange theory (SET) literature, which focusses on explaining relational exchanges by relational mechanisms (Blau, 1964; Thibaut & Kelley, 1959). The transactions that are important to all factors of supplier value include not only the material goods themselves but also intangible values (Homans, 1958), such as trust, loyalty and long-term relationships. The central idea to SET is reciprocity, the giving and receiving of relational benefits (Lambe, Wittmann, & Spekman, 2001). Customer attractiveness and supplier satisfaction have been used as relational mechanisms in different studies looking at supplier resource allocation
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(Ellegaard, 2012; Kovacs et al., 2008; Tóth et al., 2015). Yet the literature is still missing an answer to the question how suppliers decide, based on the indicators of supplier value. This study has shown that soft factors are indeed valuable to suppliers. Trust, loyalty, long-term relationships and reciprocity are all factors that lead a supplier to sell his scarce resources to a buyer.

As mentioned earlier, a key concept of factor market rivalry is the fact that being aware and motivated to capture rivals’ resources is a major factor of competitive advantage. This concept was understood by researchers to pertain to physical resources but can, more broadly be applied to the findings of this research, as well. Buyer-supplier relationships are intangible resources, vital to capturing the physical resources necessary to create a competitive advantage. Therefore, the players on the market must be aware of the buyer-supplier relationships their competitors are building and why they result in preferred resource allocation. This research has shown that under the specific circumstances of a fixed price index, scarce natural resource market the main deciding factors among many competitors who meet these requirements are indicators of preferred customer status. Therefore, the claim that was made initially holds true. Supplier value theory is indeed a better explanation than the resource based view introduced by Barney (1991) for the heterogeneous performance of Austrian saw mills on the timber market.

Finally, it is noteworthy that the concept of trust – calculative and relational – in buyer-supplier relationships, has been the focus of a few studies already. Doney and Cannon (1997) discussed the importance of trust between a salesperson and the buying firm from a marketing perspective. Selnes (1998) discusses the importance of trust in relationships marketing. More recently Hill, Eckerd, Wilson, and Greer (2009) state that literature has been focused on the performance outcomes of trust in buyer-supplier relationships but not the breakdown of trust. Largely absent from the buyer-supplier trust literature, however, is an examination of trust in
the buyer on scarce markets. Therefore, this study also adds to the buyer-supplier trust literature in explaining the benefits that arise from trust in the buyer, rather than trust in the supplier.

5.2 Managerial implications

Literature provides many ways for managers to ameliorate their relationship with suppliers (Autry & Golicic, 2010; Lascelles & Dale, 1989; Paulraj, Lado, & Chen, 2008). Companies can reap many benefits from these relational improvements such as early access to new technologies, total quality insurance, and supplier development strategies. However, there is no framework yet, that describes how suppliers decide which of their buyers will receive their scarce resources. This study has shed some light on the factors that sawmills purchasers need to consider if they want to receive preferential treatment. For a long time literature indicated that there are no such factors at all. Ramsay (2001) analysed many influential works of his time, like Dierickx and Cool (1989), Barney (1991) and Peteraf (1993). He concludes that many authors refute the idea that firms can gain a sustained competitive advantage based on purchasing activities. However, it is noteworthy that literature has found imperial evidence for a positive relationship between strategic purchasing and firm performance (Carr & Pearson, 1999). They later also found evidence for a positive influence on firm financial performance (Carr & Pearson, 2002). Hunt and Davis (2008) state that the resource advantage theory of competition as a foundation for purchasing strategy can indeed lead to a sustained competitive advantage. Heterogeneous firm performance on the Austrian timber market (Marchner et al., 2016) due to the procurement of scarce resources supports the claim that the right strategies can yield a sustained competitive advantage for sawmills. This study has shown that the suppliers value loyalty, trust, strong bonds, action-oriented crisis management, geographical proximity, cluster membership, long-term interaction, the mode of interaction, business competence, predictable decision process, and risk and uncertainty factors, buyers’ behavior, information exchange, fairness, and performance feedback. The findings of this study
can help strategic purchasers to build capabilities to influence their suppliers. These factors are multidisciplinary and need to be trained at all levels of purchasing. Schiele (2007) states that the maturity of a purchasing organization is directly linked to the success of that organizations. Maturity analyzes the organization on multidisciplinary levels such as planning, structure, process, human resources, and controlling. A truly mature purchasing organization therefore must teach the three fundamental principles of the this study in all areas. In planning, purchasers must be made aware of the smoothing of market prices. They need to plan their demand and procurement such that it allows for the additional inventory gained during calamities. In terms of the structure it is important to always build an interface with the sales personnel from the supplier. This helps to build trust during the measurement of the timber. Suppliers also like to be in regular contact to build strong bonds and re-assure the loyalty of the buying firm. In process, purchasers must engage in supplier development and make an effort to standardize functions such as timber quality evaluation or the billing through FHPDAT systems. Human resources needs to make sure they have the right person for the contact with the supplier firm. It is not a simple buying task. The purchaser has to be schooled in negotiations tactics, she needs to be able to establish trust and reliability predict volatile movements in the market. Finally, in controlling the buying firm needs to integrate the FHPDAT ERP system, list commodity codes for standardization and monitor the social contact with the supplier frequently.

The information gained in this study helps professionals in procurement and purchasing strategy understand why some buyers get the scarce resources, aiding them in constructing schemes to employ with their respective suppliers, to gain a competitive advantage.

5.3 Limitations and future research

This study has borrowed from existing theories, particularly the supplier value and Relational Theories which may have introduced a bias (Willig, 2001). This could have lead the
researcher to misinterpret some answers due to the researcher expectancy effect (Finkelstein, 1976). An ambiguity in responses that was not addressed with an immediate question may have been misinterpreted ex-post. Even more strikingly, the interviewer could have introduced subtle hints to influence the answers according to the demand characteristics effect (Orne, 1962). These effects were somewhat mitigated by the fact that in the spirit of an inductive study, the author did not know what to expect from the outcome. The interview partners are all trained professionals and have no reason to make false or influenced statements about their decision-making process.

The presence of the researcher in all case studies limits the study towards the representativeness of the interpretation of the operations by the interview partner (Anderson, 2010). Social desirability may have played a role in answering some of the questions, leading to the respondents over their contribution to profits or their position on the market (Grimm, 2010). Furthermore, the respondents were guaranteed confidentiality and anonymity of their responses, since some of the information given could severely impact their competitiveness on the market. This makes presenting the data in a concise and accountable way more difficult (Anderson, 2010).

Especially in the study of general factors, an attempt was made to assign frequencies to the mentioning of certain factors. This would in and by itself lead to the omission of rare but potentially important phenomena (Atieno, 2009). However, by introducing an urgency score and contrasting the results with the individual cases, all the issues should theoretically have gotten the same attention in the analysis. Nevertheless, it is not impossible that some important yet infrequent factors have been neglected due to the large amount of information gained from the interviews.

Finally, qualitative research is widely regarded as being ungeneralizable. Human experience and intuition, as well as interpretation of the findings often turn the phrase
subjective study (Myers, 2000). There is also no way to statistically test the validity or
reliability of the study (Atieno, 2009). This study should not be understood as one to prove a
concept. This inductive, theory building study is an attempt at finding out what drives a supplier
to allocate more resources to one buyer than to another. It does not claim generalizability
beyond the scope of the study but it creates reason to believe that similar factors may affect the
decisions of other suppliers. These claims must be verified by operationalizing the concepts
and conducting statistical research without doubt.

This paper is purely exploratory so far and needs extensive future empirical prove. This
exploratory study has shown that the deciding factors for competition on scarce factor markets
can be found in the supplier value framework. A number of testable hypotheses can be derived
from the outcome of this study.

H1: Saw mills that measure accurately win the competition for scarce resources more
often than those that do not.

H2: Saw mills that contractually keep timber prices tables win the competition for
resources more often than those that do not.

H3: Calculative trust turn into relational trust when the initial condition of
measurement accuracy and price stability are maintained.

H4: The size of the firm determines the amount of hard factors the supplier considers
before selling to a buyer.

The above are examples for quantitative studies that must be conducted to show that
the three factors found in this study really lead to preferred resource allocation. For content
validity for future research, this paper suggests definitions of the different criterions. Construct
validity needs to be contrasted with the supplier value framework. Further research must
establish generalizability of the factors to other scarce natural resource markets such as gold,
iron ore, crude oil and water.
6 Conclusion

It was shown that a lack of understanding of the heterogeneous performance in procuring timber of saw mills on the Austrian timber market is disadvantageous. It is clear that some saw mills on the Austrian timber market gained a sustained competitive advantage. But the classical resource-based view of factor markets could not explain how they gained this advantage. This study used the framework of supplier value theory instead. It found that larger firms value hard factors such as the price or risk distribution more than the smaller firms. However, the soft factors were valued equally by small and large firms. Three factors were very important throughout the supplier landscape. (1) The buyers need to be honest and reliable in the measurement process. Furthermore, (2) in times of calamities the buyers need to help smooth the market price of the timber instead of artificially lowering the prices. These two factors create calculative trust between buyer and supplier, which can evolve into relational trust if repeated. Relational trust then leads to (3) long-term relationships. Buyers that have been in long-term relationships with the suppliers can expect preferred resources allocation.

This study therefore shows that supplier value theory offers a better explanation for this market than the classical resource-based view. Indeed, the relational soft factors in this study, which are derived from supplier value theory, explain how suppliers make the decision whom to sell their scarce resources to. This should be a lesson to purchasing professionals. Purchasing is not an easy task in scarce markets. A reverse marketing strategy is important in these markets. Purchasers need to sell their company as trustworthy, reliable and honest to the upstream partners if they want to be successful in procuring scarce resources.
In diesem Interview geht es um die Verteilung von natürlichen Rohstoffen, in Ihrem Falle um das Holz. Uns interessiert warum einige Abnehmer bei der Verteilung von natürlich Rohstoffen quantitativ bevorzugt werden. Wir benötigen dabei weder Namen, noch Firmen. Uns geht es hierbei vornehmlich um die zwischenmenschlichen Beziehungen und Handelsstrukturen die Einfluss auf das Netzwerk und damit die Verteilung nehmen.

Zentrale Frage: Aufgrund welcher Gegebenheiten haben Sie sich dazu entschieden Ihrem Kunden einen höheren Anteil Holz zu verkaufen, als seinen Mitbewerbern?

Können Sie mir bitten den Markt beschreiben, in dem Sie verkaufen? Welche Art von Kunden haben Sie dort?

Können Sie sich bitte noch einmal zurückversetzen und sich an die letzte Handlung mit diesem Kunden erinnern? Aus welchen Gründen haben Sie genau mit diesem Kunden gehandelt?

Gab es andere Kunden, die an diesem Geschäft interessiert waren? Wie viele andere Kunden haben Sie denn?

Wie schränkt das Kontingent an Holz, das Sie zur Verfügung haben, die Anzahl an Kunden ein, die Sie mit der angefragten Stückzahl bedienen können? Reicht Ihr Kontingent immer aus, um alle Kunden zu bedienen?

Wenn nicht, wie entscheiden Sie, wem Sie das Holz verkaufen?

In der Vergangenheit gab es so einige Engpässe, was die Holzlieferung angeht. Erinnern Sie sich, welche Art von Handel Sie dort betrieben haben, mit wem und warum?

Oh, Sie meinen also ...

Wenn ich Sie richtig verstanden habe, dann meinen Sie ...

Einfach gesagt wäre das also ...

Gibt es noch anderen Faktoren, von denen Sie danken, dass sie wichtig sind?

Das ist interessant. In der Literatur finden wie auch Hinweise auf. Erkennen Sie das wieder?

Entschuldigen Sie, wenn ich noch einmal drauf zurückkomme. Wenn Sie die drei wichtigsten Punkte benennen müssten, die Sie dazu veranlasst haben ein Geschäft mit diesem Kunden zu machen. Welche wären das dann?

Allgemeines:

- Wie groß ist der von Ihnen zu verwaltende Forst?
- Sind Sie selbst der Eigentümer? Wie sind die Eigentumsverhältnisse?
- Wie lange besteht die Verwaltung bereits? Bzw. wann haben Sie diesen Forst aufgekauft?
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- Wieviel Holz produziert Ihr Forst etwa durchschnittlich pro Jahr?
- Betreiben Sie den Forst aus wirtschaftlichen oder allgemeinwürdigen Zwecken?
- Zu wieviel Prozent (geschätzt) wird das Holz an industrielle Unternehmen weiter verkauft?
- # employees
- Ist die Anfrage nach Holz in Ihrer Verwaltung größer als das Angebot, dass Sie zu Verfügung haben?
- Turnover

Bevorzugte Abnehmer:

- Gewähren Sie bewusst einem Ihrer Abnehmer einen höheren Anteil an dem von Ihnen produzierten Holz? Wenn ja, warum?
  - Wie wichtig sind Ihnen dabei finanzielle Aspekte?
  - Achten Sie dabei auf die Effizienz des Handels?
  - Wie wichtig sind Ihnen die Handelsbeziehungen und die Kommunikation?
  - Wie haben Sie Risiken und Unsicherheiten Hand?
  - Achten Sie auf den Ruf Ihrer Kunden?
  - Zahlen Ihnen dieser Abnehmer einfach mehr Geld als die anderen?
  - Kennen Sie sich persönlich?
  - Haben Sie zuvor schon miteinander gehandelt?
  - Haben Sie gemeinsame Projekte zur Verbesserung Ihrer Produkte?

Kundenverhältnis:

- Wie würden Sie das Verhältnis zu Ihren Abnehmern im Allgemeinen beschreiben?
- Wie oft interagieren Sie mit diesem Kunden?
- Glauben Sie mit diesem Kunden oft eine win-win Situation zu haben?
- Glauben Sie dieser Kunde vertraut Ihnen und ist ihm dieses Vertrauen mehr wert als niedrige Preise?
- Setzt der Kunde realistische Ziele/Erwartungen?

- Kennen Sie Strukturen und Firmenkultur Ihrer Abnehmer?
  - Planungsvermögen
  - Innovation
  - Kapazität
  - Markanteil
  - Vertrauenswürdigkeit
  - Fühlen Sie sich fair behandelt?

- Arbeiten Sie mit ihren Abnehmern zusammen?
  - Forschen Sie zusammen an der Verbesserung von Zucht Methoden, oder anderen wissenschaftlichen Projekten?
  - Planen Sie gemeinsam Kapazitäten, Lieferungen und Bedarf?
## Appendix B

### Supplier value framework indicators

#### Drivers of customers attractiveness

<table>
<thead>
<tr>
<th>Market growth factors</th>
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<tbody>
<tr>
<td>Size</td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
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<tr>
<td>Growth rate</td>
<td></td>
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<tr>
<td>Influence on the market</td>
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<tr>
<td>Barrier to entry or exit</td>
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<tr>
<td>Access to new customers/markets</td>
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<table>
<thead>
<tr>
<th>Risk factors</th>
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<tbody>
<tr>
<td>Risk sharing</td>
<td></td>
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<tr>
<td>Standardization of product</td>
<td></td>
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<tr>
<td>Dependence (single source)</td>
<td></td>
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<tr>
<td>Level of transaction specific assets</td>
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<tr>
<td>Demand stability</td>
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<tr>
<td>Patent protection</td>
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<tr>
<td>Level of integration</td>
<td></td>
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<tr>
<td>Political risk</td>
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<tr>
<td>Market stability</td>
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</table>

<table>
<thead>
<tr>
<th>Technological factors</th>
<th></th>
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<tbody>
<tr>
<td>Customers' ability to cope with changes</td>
<td></td>
</tr>
<tr>
<td>Depth of skills</td>
<td></td>
</tr>
<tr>
<td>Types of technological skills</td>
<td></td>
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<tr>
<td>Commitment to innovation</td>
<td></td>
</tr>
<tr>
<td>Knowledge transfer</td>
<td></td>
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<tr>
<td>Supplier training of field visits</td>
<td></td>
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<tr>
<td>Early R&amp;D involvement and joint improvement</td>
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</table>

<table>
<thead>
<tr>
<th>Economic factors</th>
<th></th>
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<tbody>
<tr>
<td>Margins</td>
<td></td>
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<tr>
<td>Price/volume</td>
<td></td>
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<tr>
<td>Cost elements</td>
<td></td>
</tr>
<tr>
<td>Value creation</td>
<td></td>
</tr>
<tr>
<td>Leveraging factors (economies of scale, experience, etc)</td>
<td></td>
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<tr>
<td>Capacity utilization</td>
<td></td>
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<tr>
<td>Negotiating pressure</td>
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<table>
<thead>
<tr>
<th>Social factors</th>
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</thead>
<tbody>
<tr>
<td>Possibilities for extensive face-to-face contact</td>
<td></td>
</tr>
<tr>
<td>Supplier participation in internal teams</td>
<td></td>
</tr>
<tr>
<td>Tightly personal relationships</td>
<td></td>
</tr>
<tr>
<td>Familiarity</td>
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<tr>
<td>Similarity</td>
<td></td>
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<tr>
<td>Compatibility</td>
<td></td>
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<tr>
<td>Behavior</td>
<td></td>
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<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>Information exchange</td>
<td></td>
</tr>
<tr>
<td>Output factors (trust, commitment, adaption, long-term interactions/loyalty reliability)</td>
<td></td>
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</tbody>
</table>

#### Drivers of supplier satisfaction

<table>
<thead>
<tr>
<th>Technical excellence</th>
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<tbody>
<tr>
<td>Early supplier involvement</td>
<td></td>
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<tr>
<td>Technical competence</td>
<td></td>
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<tr>
<td>Supplier development</td>
<td></td>
</tr>
<tr>
<td>Response to supplier requests and suggestions for improvement</td>
<td></td>
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<tr>
<td>Joint relationship effort</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Supply value (purchasing)</th>
<th></th>
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<tbody>
<tr>
<td>Profitability</td>
<td></td>
</tr>
<tr>
<td>Bargain position</td>
<td></td>
</tr>
<tr>
<td>Substantial volumes</td>
<td></td>
</tr>
<tr>
<td>Long-term time horizons</td>
<td></td>
</tr>
<tr>
<td>Adherence to agreements</td>
<td></td>
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<tr>
<td>Cooperative relationships</td>
<td></td>
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<tr>
<td>Commitment to supplier satisfaction</td>
<td></td>
</tr>
<tr>
<td>Dedicated investments</td>
<td></td>
</tr>
<tr>
<td>Reward-mediated power sources</td>
<td></td>
</tr>
<tr>
<td>Non-mediated power sources (expert, referent and traditional legitimate)</td>
<td></td>
</tr>
<tr>
<td>Recommendations</td>
<td></td>
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<table>
<thead>
<tr>
<th>Mode of interaction</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>Structure (availability of direct contact in the buying firm, definition of roles and responsibilities, communication media)</td>
<td></td>
</tr>
<tr>
<td>Reaction (politeness of employees, openness and trust, commitment, reciprocity, feedback, conflict management, speed)</td>
<td></td>
</tr>
<tr>
<td>Information (level of info exchange, quality of information, accuracy and timeliness)</td>
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<table>
<thead>
<tr>
<th>Operational excellence</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecasting/planning</td>
<td></td>
</tr>
<tr>
<td>Order process</td>
<td></td>
</tr>
<tr>
<td>Time scheduling</td>
<td></td>
</tr>
<tr>
<td>Billing/delivery</td>
<td></td>
</tr>
<tr>
<td>Payment habits</td>
<td>Required effort needed for delivery</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Support</td>
<td>Business competence</td>
</tr>
</tbody>
</table>

**Driver of preferred customer status**

<table>
<thead>
<tr>
<th>Economic value</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High purchase volumes</td>
</tr>
<tr>
<td></td>
<td>Total cost as a basis for purchasing price</td>
</tr>
<tr>
<td></td>
<td>Lost cost to serve the customer (overhead cost, delivery cost, service requirements, customization)</td>
</tr>
</tbody>
</table>

**Relational quality**

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>Trust</th>
<th>Commitment</th>
<th>Satisfaction</th>
<th>Customer attentiveness</th>
<th>Respect</th>
<th>Fairness</th>
<th>Strong bonds</th>
</tr>
</thead>
</table>

**Instruments of interaction**

<table>
<thead>
<tr>
<th>Early supplier involvement</th>
<th>Involvement in production design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier development</td>
<td>Quality initiatives</td>
</tr>
<tr>
<td>Schedule sharing</td>
<td>Response to cost reduction ideas Communication and feedback</td>
</tr>
<tr>
<td>Action oriented crisis management</td>
<td>Simple and coordinated business processes</td>
</tr>
<tr>
<td>Predicable decision process</td>
<td></td>
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</tbody>
</table>

**Strategic compatibility**

<table>
<thead>
<tr>
<th>Strategic fit</th>
<th>Shared future</th>
<th>Geographical proximity</th>
<th>Cluster membership</th>
</tr>
</thead>
</table>

**Pulles supplier value**

<table>
<thead>
<tr>
<th>Customer attractiveness</th>
<th>Supplier satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Known for open and quick info sharing</td>
<td>Customer accounts for large share of turnover</td>
</tr>
<tr>
<td>Known to create win-win situation</td>
<td>Customer pays high prices to us</td>
</tr>
<tr>
<td>Is of substantial size</td>
<td>Trust matters more to customer than direct profit in the relationship</td>
</tr>
<tr>
<td>Compensates suppliers for taking risks</td>
<td>Customer manages realistic expectations</td>
</tr>
<tr>
<td>Good reputation for trustworthiness and fairness</td>
<td>Customer guarantees a continuous income flow</td>
</tr>
<tr>
<td>Known for short time between offer and sale</td>
<td>Customer helps us to innovate</td>
</tr>
<tr>
<td>Present in growth markets</td>
<td>Top management commits to relationship by being accessible</td>
</tr>
</tbody>
</table>

**Ramsey**

**Sources of supplier value**

<table>
<thead>
<tr>
<th>Finance</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall profit</td>
<td>Supplier learning opportunities</td>
</tr>
<tr>
<td>Revenue elements</td>
<td>Low modification rate</td>
</tr>
<tr>
<td>Cost elements</td>
<td>Appropriately trained staff</td>
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**Overall trading relations and communication**

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Appendix C

Code book with quotes

Preferred customer status – relational quality – strong bonds

Investments in supplier development have a direct effect on relational (trust and commitment) and cognitive (shared future) capital. This, in turn, positively influences structural capital (strong bonds), leading to preferential buyer benefits.

(1) These are the companies; we can make a Euro more somewhere else, but still, we supply them and then I expect that we also get something in return. (Und diese Unternehmen; jetzt könnten wir zwar irgendwo anders einen Euro mehr bekommen für das Ganze aber trotzdem wir fahren dort hin und ich erwarte mir natürlich dann, dass die Lieferung auch umgekehrt ist.)

(2) And then even in harder times we have good business partnerships with them. And that helps a lot. (Und die sind meistens dann auch in Zeiten, wo es schwierig ist, haben wir zu denen eigentlich gute Partnerschaftliche Beziehungen. Die haben uns auch geholfen)

Preferred customer status – relational quality – trust

Investments in supplier development have a direct effect on relational (trust and commitment) and cognitive (shared future) capital. This, in turn, positively influences structural capital (strong bonds), leading to preferential buyer benefits.

(1) Yes, the dimensional decrease, it’s about what the wood looks like. So we have to say, alright we trust you with doing the right thing. But in exchange we would like the data. (Ja die Dimensionsabzüge, es geht halt darum wie es ausschaut, das Holz. Da muss man dann halt sagen, gut wir vertrauen euch, dass ihr das halt richtigmacht. Aber wir wollen dafür im Austausch die Daten haben.)

(2) It’s of no use if someone pays me 3€ more but his measurements are bad. That really comes down to trust. (es nutzt mir nichts, wenn der mir 3 Euro mehr zahlt und dann ist es bei der Abmessung schlecht. Das ist eine sehr große Vertrauenssache.)

Preferred customer status – relational quality – fairness

The components that lead to trust and consequently to attraction can be classified as benevolence (built by loyalty and support) and integrity (dependent on shared values, fairness and reliability)

(1) That’s why we try to be present as often as possible and evaluate. So we look at, what does the wood look like, how is the sorting process organized who one of us is present and what does the sorting process look like when the customer is on his own. Usually this is quite reliable. Very seldom there’s need for discussion. But controlling is still an important aspect. (Und deswegen versuchen wir da so viel wie möglich anwesend zu sein und wir werten das dann aus. Also wir schauen uns einfach an, ok wie schaut das Holz aus, wie schaut das Sortieren aus wenn jemand von uns da sitzt. Und wie schaut das Sortieren aus, wenn nur der Kunde alleine dort sitzt und das passt eigentlich ganz gut. Das ist selten, das man wirklich Diskussionsbedarf hat. Aber da ist auch die Kontrolle wichtig.)
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(2) I cut the tree beforehand and maybe I’ll even cut the logs with special measurements and if the customer then tells me ‘I don’t need it anymore’ I have to sell the logs to other customers for a discounted price. (Weil ich ja den Baum vorher schon umschneide vielleicht auch auf Stücke schneide, die eine bestimmte Form haben für diesen Kunden und wenn er dann sagt ‘ich brauche es nicht mehr’ muss ich das Holz in der Regel dann zu Minderpreisen an einen anderen Kunden verkaufen.)

Preferred customer statuses – relational quality – loyalty

The components that lead to trust and consequently to attraction can be classified as benevolence (built by loyalty and support) and integrity (dependent on shared values, fairness and reliability)

(1) There are those customers who we know, and we supply them first. The rest has to take what’s left. (es gibt Kunden die kennen wir und die bedienen wir und der Rest muss mit dem Leben was übrig bleibt.)

(2) There’s a natural disaster somewhere. There are huge quantities of wood. That’s when I need business partners that can and do help me. (Irgendwo passiert wieder irgendwas, eine Naturkatastrophe. Da gibt es riesen Mengen Holz. Dann will ich natürlich Partner haben, Geschäftspartner haben, die mir dann auch helfen können und auch helfen wollen.)

Preferred customer status – strategic compatibility – geographical proximity

They argued that “achieving preferred customer status is easier for firms located in the same regional or national cluster than it is for foreign firms attempting to access a remote supplier” (Steinle & Schiele, 2008, p. 3). As a consequence, geographical proximity between the buyer and supplier and cluster membership are considered to be substantial antecedents of preferred customer status.

(1) We have a very effective customers landscape, large as well as small saw mills, medium sized ones, too. This way we can incorporate the idea of “wood proximity”. (haben wir eine sehr intakte Abnehmerstruktur, also große wie auch kleine Sägewerke, mittlere Sägewerke, wo wir eigentlich das Holz der kurzen Wege will ich es jetzt mal nennen tatsächlich umsetzen können.)

(2) About 98% of our wood is delivered to saw mills within a radius of 80km around our forests. We have a relatively large saw mill in this region, it’s actually right in the middle of the forest. (ich kann sagen 98% unseres Holzes geht in einem Radium von maximal 80km rings um den Forstbetrieb an die Sägewerke, an die verschiedensten. Wir haben sowohl ein relativ großes Sägewerk hier in der Region, was eigentlich mitten im Forstbetrieb ansässig ist.)

Market stability

(1) Especially when the market is going up and down; how does the customer react? Is he trying to smooth the waves? (Aber gerade wenn der Markt schwankt rauf und runter; Wie agiert das Unternehmen? Versucht er genau das irgendwie zu glätten?)

(2) The only problem really is that the prices are volatile. (Das einzige Problem ist halt, dass die Preise dann volatil sind.)
Supplier value – risk and uncertainty – financial probity

Financial soundness of the buying firm in terms of liquidity as well as paying bills on time. Based on Russill (1997).

(1) We have a customer selection process where we check the customers finances in detail. (also wir haben einen Kunden Auswahlverfahren wo genau die Finanzen gecheckt werden.)

(2) And the second point is, of course, we have to check the creditworthiness of the customer in terms of payment risk. (Und das zweite ist natürlich auch, natürlich, man muss beachten welche Bonität er hat. Im Sinne des Zahlungsrisikos.)

Supplier satisfaction – supplier value – profitability

Economic factors, such as expectations for margins, were identified by Fiocca (1982), Ellegaard and Ritter (2006, 2007), Hald et al. (2009) and Ramsay and Wagner (2009) as essential variables for determining attractiveness. These expectations concerning profitability and substantial volumes must be fulfilled by the purchasing function of a company to achieve supplier satisfaction in the course of interaction.

(1) Yes, so it really is the monetary, the economic reason, that’s the most important point in who gets what. (Genau und deshalb ist das schon tatsächlich das monetäre, das wirtschaftliche, das ist für mich das maßgebliche, wem ich da was gebe.)

(2) In all of these decisions in the end the price is the most important. (Man entscheidet natürlich in den ganzen Überlegungen, ist im Endeffekt der Preis)

Preferred customer status – strategic compatibility – cluster membership

They argued that “achieving preferred customer status is easier for firms located in the same regional or national cluster than it is for foreign firms attempting to access a remote supplier” (Steinle & Schiele, 2008, p. 3). As a consequence, geographical proximity between the buyer and supplier and cluster membership are considered to be substantial antecedents of preferred customer status.

(1) The local saw mills, or the local manufacturers are really close to our hearts. ( Uns liegen diese lokalen Sägewerke schon sehr am Herz. Oder die lokalen Verarbeiter.)

(2) There are customers that I want to support. Not only because of long-term business relations but also for strategic reasons. Me: What kind of reasons? Him: For example to keep a small saw mill alive to avoid the development toward an oligopoly or monopoly. (Dass es Kunden geben kann, die man unterstützen möchte. Nicht nur aus Gründen einer langfristen Geschäftsbeziehung sondern aus strategischen Gründen. Ich: Ja, was für Gründe könnten das sein z.B.?
Er: z.B. ein kleines Sägewerk am Leben zu halten, um zu vermeiden, dass wir uns zu einem Oligopol oder Monopol entwickeln in der Endstruktur.)
Customer attractiveness – social factors – tight personal relationships

As defined by Ellegaard et al. (2003)

(1) We have a kind of celebration, where all the customers are invited and where we all meet. They all know one another. (Wir haben dann schon mal so eine Art Fest sage ich jetzt mal, wo dann auch alle Kunden mal im Jahr einladen, wo alle zusammenkommen. Die kennen sich alle)
(2) There is immense personal trust (gibt es großes persönliches Vertrauen)

Supplier satisfaction – operational excellence – billing/delivery

Supplier satisfaction is also determined by factors on the ‘operational level’. Essig and Amann (2009) divided this dimension into questions about the order process (e.g., adherence to arrangements) and billing/delivery (e.g., payment procedures).

(1) Obviously, where there are constantly conflicts about paying their bills. What’s particularly bad is if we find out they have the money, but he doesn’t pay because he doesn’t want to. (Klarerweise wenn permanent eine Rauferei da ist, dass er seine Rechnungen bezahlt. Was ganz besonders schlimm ist, ist wenn wir drauf kommen eigentlich hätte er die Bonität aber er zahlt halt nicht, weil er nicht zahlt.)
(2) Delivery quality of the customer’s side. How is the shipment being received, how satisfied are we with the delivery process? (Übernahmequalität des Abnehmers, wie wird dort das Holz übernommen, wie zufrieden ist man mit der Übernahme.)

Supplier satisfaction – operational excellence – business competence

Overall business competence as defined by Essig and Amann (2009)

(1) We have mechanisms in place, telling us of objective the customer is in rating the material, that he gets. (Da haben wir auch Mechanismen wie gut oder wie objektiv versucht der Kunde dieses Material zu bewerten, was er bekommt.)
(2) Every years we try it, we make nice plans, but everything turns out to be different. Because the market is different and we have to react quickly. (Man versucht jedes Jahr, wir machen zwar immer schöne Pläne, aber dann machen wir was ganz anders. Weil der Markt ist dann anders und wir müssen reagieren auf den Markt.)

Customer attractiveness – Pulles – win-win situation

A situation in which both parties are better off when cooperating than they would have been when taking alternative actions.

(1) Having two customers, between whom I can pick the one that reaps the greatest value form the log I sell is advantageous for both sides of the deal. (Wenn ich drei Abnehmer habe, wo ich mir den aussuchen kann für den dieses Eichenbloch am wertvollsten ist, dann ist es für beide ein Vorteil.)
(2) Therefore we always need saw mills that have been our clients for a long time. That way we can say, listen, we supplied you for ten years, we you needed me, I was there. Now I need you. Please take these 300 or 500 thousand meters from me. Sort of as a quid pro quo for my loyalty. (Daher brauchen wir immer Leute oder Sägewerke mit denen wir lange in Verbindung sind, das wir sagen ,du pass auf, jetzt haben wir dir 10
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Jahre das Holz geliefert, als du es gebraucht hast, und jetzt brauche ich dich. Und dann nimm mir bitte 300, 500 tausend Meter ab, sozusagen als Gegenleistung, dass ich dir treu war’. Das ist so.)

Supplier satisfaction – operational excellence – forecasting/planning

In particular, the attendant modes of interaction (e.g., information sharing) and operational excellence (billing, delivery, forecasting and planning) appear to be major prerequisites for supplier satisfaction in practice-oriented papers (Essig & Amann, 2009; Leenders et al., 2005; Maunu, 2003; Whipple et al., 2002)

(1) The saw mill has the advantage that we commit to a delivery profile. So we say, alright, you get this much every month and we of course try to stick to this profile. (Genau, und der Säger hat den Vorteil wir commiten uns ja zu gewissen Lieferprofilen, also wo wir sagen ok, du kriegst jedes Ende des Monats so und so viel und das versuchen wir dann natürlich auch einzuhalten.)

(2) So they sit together frequently and make a forecast for each month. (Das heißt Sie setzen sich dann öfter mal zusammen und machen dann ein Forecasting, also dass Sie sagen montasgenau.)

Supplier satisfaction – operational excellence – required effort need for delivery

As defined by Essig and Amann (2009)

(1) Yes, that is the advantage. That’s it. That balances the advantage. Wood production is a great logistical process. The tree needs to be cut, it needs to get from the forest to the road, and from the road to the saw mill. To get to the road you need a funicular. Those need to be freed up, otherwise they are full of wood. That’s why it is so important to us, that we can tell the freight crew when to go where so we can ensure the flow of wood. This way we can steer the whole process and otherwise we’d have little influence. They would abuse our funicular as an external storage and we would suffocate in wood. We don’t want that. We want the wood out of the forest as quickly as possible. (Ja, aber der Vorteil. Es ist so. Das wiegt den Vorteil auf. Weil die Holzernte oder die Holzerzeugung ist ein einziger Logistikprozess. Der Baum muss umgeschnitten werden, er muss vom Wald zum Forststraße gebracht werden und dann von der Forststraße ins Sägewerk. Und damit sich das an Forststraße – das sind teilweise Seilbahnen, die müssen dann immer ausgeräumt werden, sonst sind die zu mit Holz – und deshalb ist es uns wichtig, dass wir für den Frächter sorgen können; wann er wohin fahren soll, damit der Holzfluss gewährleistet wird. Und so können wir den ganzen Prozess steuern und sonst haben wir da wenig Einfluss. Der Säger optimiert sich das nämlich sonst. Der missbraucht das dann als Außenlager und unsere Seilbahnen ersticken im Holz. Das wollen wir nicht. Wir wollen das Holz so schnell wie möglich aus dem Wald draußen haben.)

(2) When I deliver to three different parties, I need three logistics companies. Controlling all that is a lot of work. (Wenn ich auf drei verschiedene Partien, dann muss ich wieder drei verschiedene Frächter haben und das alles zu kontrollieren das ist alles immer mehr Arbeit.)

Preferred customer status – relational quality – commitment
Investments in supplier development have a direct effect on relational (trust and commitment) and cognitive (shared future) capital. This, in turn, positively influences structural capital (strong bonds), leading to preferential buyer benefits.

(1) Purely from a sales point of view I can tell you there are customers who've been our customers in bad times, so we will keep supplying them in good times. (also rein Verkaufstechnisch sage ich es gibt Kunden die sind in schlechten Zeiten unsere Kunden gewesen und deshalb lässt man die natürlich auch in guten Zeiten nicht fallen.)

(2) The mill has the advantage that we commit to certain delivery profiles, where, for example we say alright, you will get this many logs every end of the month, and we will stick to it. So if he needs 5,000m of logs, he will get 5,000m. (Genau, und der Säger hat den Vorteil wir commiten uns ja zu gewissen Lieferprofilen, also wo wir sagen ok, du kriegst jedes Ende des Monats so und so viel und das versuchen wir dann natürlich auch einzuhalten. Also wenn der jetzt dann 5,000m Holz will dann soll der da 5,000m kriegen.)

Supplier satisfaction – mode of interaction – communication

Maunu (2003) described a conceptual framework with nine supplier satisfaction dimensions grouped under two headings: business related dimensions and communication-related dimensions.

(1) What influences the relationship? What influences the relationship? How was the service? How do we interact. We always need the measurement list from them and there are mills where this happens promptly, we get the information into our systems, we can make the invoice, and then there are mills, where it doesn’t work at all. (Das beeinflusst die Beziehung. Was beeinflusst da die Beziehung? Wie ist der Service? Wie begegnet man sich. Wir brauchen dann immer die Abmaßlisten von denen und da gibt es halt Werke da funktioniert das prompt, das kriegen wir in unsere Systeme überspielt, wir können die Abrechnungen machen, und es gibt Werke, wo das nicht hinhaut.)

(2) He can’t take over anything by himself. We are always there, because there have always been discussions. Depending on how frequently we deliver, there is always one of our employees there, dealing with the company, trying to get everything under control. (also alle darf der sowieso nichts übernehmen. Wir sind immer dabei, weil es halt immer zu Diskussionen geführt hat. Da ist wirklich jeden Tag oder je nachdem wie stark wir dort liefern, jeden Tag ein Mitarbeiter dabei von uns. Schläft sich vor Ort mit den Übernehmern herum und versucht halt das Ding irgendwie in den Griff zu kriegen.)

Supplier satisfaction – mode of interaction – information

Level of information exchange, quality of information, accuracy and timeliness

(1) Of course we get the measurement lists. We can check for the plausibility of the claims at any time. (Natürlich kriegen wir dann die Vermessungslisten. Wir können das dann auch auf Plausibilität jeder Zeit nachschauen. Stimmt das wirklich.)
(2) So we said, alright, how can we best make this data accessible to the other partners. (Dann haben wir halt gesagt ok, wie können wir jetzt diese Daten verwenden und dem anderen Partner zur Verfügung stellen?)

**Supplier satisfaction – operational excellence – payment habits**

*As defined by Essig and Amann (2009)*

(1) They pay on time, I’ve never had trouble with that. (Die zahlen pünktlich, da habe ich nie Schwierigkeiten)

(2) Then of course the payment habits are a reason. The best price is not really helpful if you need to wait for months to get the money. That’s of course a factor, as well. (dann ist natürlich auch die Zahlungsmodalität natürlich mit ein Grund. Denn es hilft der beste Preis nicht wenn Sie Monate lang auf das Geld warten müssen. Das ist natürlich auch ein Faktor.)

**Supplier satisfaction – supply value – adherence to agreements**

*Supplier satisfaction is also determined by factors on the ‘operational level’. Essig and Amann (2009) divided this dimension into questions about the order process (e.g., adherence to arrangements) and billing/delivery (e.g., payment procedures).*

(1) The most important points are stipulated in the contract. (Im Vertrag sind die wesentlichen Punkte geregelt.)

(2) I tell them with every sale I make. I tell them, listen you get the wood now, but I need to add, if there’s a storm damage or something like that, then I expect you to buy that wood from me and don’t tell me get out. (Das sage ich auch bei jedem Abschluss, bei jedem normalen Abschluss sage ich ,passen Sie auf, Sie kriegen jetzt, weis ich wie viel hundert Festmeter, aber ich möchte schon dazu sagen, dass wenn wir mal einen Sturmschaden haben und so weiter, dann erwarte ich von euch schon, dass ihr mir auch das Holz abnehmt und nicht dann zu mir sagt schleich dich!‘)

**Supplier satisfaction – supply value – cooperative relationships**

*In line with Wong’s assumption, buyers and suppliers in cooperative relationships expressed greater satisfaction than their counterparts in competitive relationships.*

(1) Together with our customers design marketing campaigns and kick start the sales, make it more modern. (mit auch gemeinsamen Marketing Maßnahmen mit unseren Abnehmern wieder anzukurbeln, modernen zu machen.)

(2) Then it’s not all about getting every last Euro. It’s about getting the market share and later we will split the gains. (Da geht es dann auch nicht darum, dass jetzt der letzte Euro rausgeholt wird sondern schon, dass wir erst mal den Markt bekommen und dann verteilen wir das.)

**Customer attractiveness – economic factors – price/volume**
Adopting a supplier focus, Hald et al. (2009) derived four components for increasing the expected value in their conceptual model: price/volume, growth, access to new buyers and competency development.

(1) That’s why we don’t have a problem selling large quantities but the price is still very volatile. (Und deshalb haben wir kein Absatz Problem an sich in der Menge aber eben diese Preisvolatilität.)

(2) That’s why to me the monetary, the economic is the important factor in deciding who gets what. (Genau und deshalb ist das schon tatsächlich das monetäre, das wirtschaftliche, das ist für mich das maßgebliche, wem ich da was gebe.)

Customer attractiveness – economic factors – value creation

Value creation is regarded as the essential purpose for a supplier engaging in a relationship (Walter et al., 2001). According to social exchange theory, suppliers are likely to intensify cooperation with customers that best fulfil the purpose of value creation by increasing rewards and decreasing costs associated with serving these customers (Thibaut & Kelley, 1959). Thus, buyers aiming to influence their position as a customer among their leading suppliers should account for the suppliers’ purpose of value creation and contribute to this priority from the onset of a relationship.

(1) A few years ago we had beautiful spruces. We sold the logs to an instrument builder who turned them into violins. (Wir haben ein paar Jahren mal ein Transport Geschäft gemacht. Da haben wir Instrumentenholz, da haben wir sehr schöne Fichten gehabt und die haben wir dann an einen Instrumentenbauer verkauft.) We thought to ourselves if we sell this to the big saw mills now, they run it through the mill, turn it into timber and that’s it. The tree took 150 years to grow and that would have been such a waste. (Denn da haben wir schon geschaut, wenn wir das jetzt den großen Sägewerken verkaufen, der schießt das da ein und dann macht er hinten Kanthölzer raus und fertig. Und der Baum, der war da 150 Jahre da bis er so groß war, wie er jetzt ist und das wäre wahnsinnig schade drum.)

(2) When I have three customers, and I can pick the one that creates the most value with the logs, that’s an advantage for both of us. (Wenn ich drei Abnehmer habe, wo ich mir den aussuchen kann für den dieses Eichenbloch am wertvollsten ist, dann ist es für beide ein Vorteil.)

Customer attractiveness – social factors – information exchange

Whipple, Frankel, and Daugherty (2002) empirically tested the effect that information sharing between trading partners has on the overall dyad’s satisfaction. They found that an increase in the amount of operational information exchanged has a positive impact on alliance satisfaction. However, their study also revealed differences in the perception between the dyadic partners. Whereas buyers appear to value the accuracy of the information exchanged, the additional critical factor impacting supplier satisfaction was the timeliness of the information exchange. As information and its early provision are particularly essential to a supplier’s internal planning processes, it has a direct impact on the satisfaction experienced by the supplier.
We need the acceptance forms from them and there are mills which will promptly mail them to our systems, so we can create the invoice, and then there are those mills where it doesn’t work as well. (Wir brauchen dann immer die Abmaßlisten von denen und da gibt es halt Werke da funktioniert das prompt, das kriegen wir in unsere Systeme überspielt, wir können die Abrechnungen machen, und es gibt Werke, wo das nicht hinhat.)

It was a relatively long process, because the mills didn’t really want to give us all that information. But in the end it work and now these are a great source of information for us. (Das war ein relativ langer Prozess, weil die Sägewerke natürlich nicht so gern rausgerückt sind mit diesen Daten. Aber das haben wir dann doch so weit gemacht und das ist für uns schon ein super Hinweis.) [talking about implementing FHP]

Supplier satisfaction – mode of interaction – reaction

The paper industry; there is a lot of fiber wood, a lot of paper wood, and they knew how to use a monopoly, and in my point of view they went overboard with it. (Die Papierindustrie; es gibt viel Faserholz, viel Papierholz, die haben schon gewusst wie man mit einem Monopol umgeht und hat das dann aus meiner Sicht etwas übertrieben.)

Depending on how reliable he was in the past, how difficult it was to do business, or what the relationship looked it, I’ll make him on offer or not. (Je nachdem wie verlässlich er in der Vergangenheit war, wie schwierig die Abwicklung mit Ihm ist oder die Kundenbeziehung macht man mit dem ein Geschäft oder nicht.)

Supplier value – risk and uncertainty – supplier independence/power

The relationship that suppliers and buyers have towards power is extremely complex, however, in general suppliers will tend to prefer, where possible, to retain their own independence while trading with dependent buyers. Dependence and power are also affected by a host of factors too numerous to include here. Suffice it to say that both concepts may be discussed indirectly, for example, in terms of numbers of competitors vying for a given customers business (Fiocca, 1982).

The customer should have a problem, in case we decide not to supply anymore. (Also der Kunde soll ein Problem haben, wenn wir nicht mehr kommen.)

They told we they couldn’t keep buying the wood we supplied to the price that we agreed on, I’m only the retailer. So I had deduction of 20€ per cubic meter. I can’t afford that for 100 cubic meters. They said force majeure and goodbye. (Sie haben gesagt wir können das Holz, das sie liefern, was wir vertraglich vereinbart haben zu dem Preis nicht mehr weiter verkaufen, ich bin ja nur Zwischenhändler. Daher habe ich einen Abschlag von 20 Euro pro Festmeter. Das kann ich mir bei 100 Festmetern nicht leisten. Naja, force major und auf Wiedersehen.)

Customer attractiveness – risk factors – standardization of product

Degree to which the product delivered by the supplier is preferred to be standardized, as opposed to customized.
(1) *One saw mill cuts the thin logs, the other cuts the thick one. Everyone needs a different technique.* (Also der eine Säger schneidet die dünnen Bäume, der andere schneidet die ganz dicken Bäume. Da braucht jeder eine bestimmte Technik.)

(2) Almost all of the saw mills and timber industry uses the data standard FHP. (aber die allermeisten Sägewerke und die Holzindustrien, die verwenden diesen Datenstandard von FHP.)

(3) That was one of the first things we implemented; the standard delivery in dry weight. (Das war eine der ersten Geschichten, die wir gesamt gemacht haben, das war diese Standardübernahme, also diese Übernahme in Trockengewicht)

**Customer attractiveness – social factors – behavior**

*Following social exchange theory, Ellegaard and Ritter (2006) stressed that attraction, like value, is concerned with costs and rewards but also involves the social and behavioural elements of relationship development.*

(1) They [the timber industry] are very down to earth. They try to treat one another in a normal fashion and work together, fairly and friendly. (aber es sind sehr, sehr bodenständige Leute, die versuchen doch irgendwie normal miteinander umzugehen und gemeinschaftlich, freundlich oder zumindest korrekt miteinander zu arbeiten.)

(2) There are tensions and friction, and sometimes even I have to intervene, to get everything back in order, but it’s a hard business and it has to be possible to still be able to talk regularly about vacations without resorting to aggressive behavior. (Da gibt es Spannungen und Reibungen und hin und wieder muss auch ich eingreifen um die Geschichte wieder ins Lot zubringen, aber es ist ein hartes Geschäft aber es muss schon noch so sein, dass man hin und wieder auch einfach ganz normal über den Urlaub plaudern kann, ohne das beide irgendwelche Aggressionen mitbringen.)

**Customer attractiveness – social factors – familiarity**

*The authors conducted 54 interviews among barristers and solicitors to explore the conceptual framework and found that there are additional determinants of attraction. More specifically, the authors identified familiarity as a necessary condition for attraction to occur (Harris et al 2003, p.12).*

(1) We know each other well. Thus a lot of times I know what the customer needs, or at least I think I do. (Man kennt sich untereinander. Daher weis ich sehr häufig was die Kunden brauchen, oder ich glaube es halt zu wissen.)

(2) As a standard procedure we go to the customers and have our people sit with them during the delivery process. (wir fahren standardmäßig zu Kunden und setzten dort auch bei der Übernahme hin und wieder auch Leute hin)

**Preferred customer status – instruments of interaction – quality initiatives**

*In her paper, Moody (1992) presented the results of a survey undertaken by the Association for Manufacturing Excellence, in which suppliers were asked to name the characteristics of a ‘best customer’. The following factors were considered most important: early supplier involvement, mutual trust, involvement in product design, quality initiatives, profitability,*
schedule sharing, response to cost reduction ideas, communication and feedback, crisis management and commitment.

(1) Response to FHP data exchange: That helps the saw mills, too because we can react a lot better to changes in quality and they get products. (Was glaube ich schon auch der Sägeindustrie hilft, weil wir dadurch reagieren können und sie einfach eine bessere Ware kriegen.)

(2) They need to get some feedback. There is no use in locking at the process ourselves and then don’t act on it. (Er muss ja feedback haben. Es nutzt ja nichts, wenn wir uns das anschauen für uns, und es dann gut sein lassen.) [measuring logs]

Supplier satisfaction – technical excellence – joint relationship effort

As defined by Nyaga et al. (2010).

(1) Of course, we sometime try to support our customers. They want to get a share of a certain market with a certain product, and that’s sometimes very difficult, but we want to change things. (Natürlich versuchen wir auch, gerade unsere Kunden manchmal auch zu unterstützen. Also ich will jetzt einen bestimmten Markt erobern mit einem Produkt, das sowieso schwierig ist und bitte helft mir wir wollen da jetzt die Dinge anders.)

(2) Sometimes there are problems with wrong deliveries, the logs might be cut to short, and know we instantly know. There’s an instant alarm and we can react immediately. (Manchmal kann es Probleme geben mit Fehllastfuhren, dass das Holz nicht zu kurz abgeschnitten ist oder so was und da merkt man das sofort. Das gibt sofort einen Alarm und man kann sehr schnell reagieren drauf)
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COMPETING FOR SCARCE RESOURCES


