Buyer-Seller Relationship in Public Procurement

A Case Study in the Defense Industry from the Sellers Perspective

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Preface

This thesis is written as my bachelor thesis in the Bachelor Programme in International Business Administration at Luleå University of Technology. The hard work put in to this thesis during ten weeks of the spring term 2015 has been truly interesting and has provided me with a deeper knowledge in the Buyer-Seller Relationship in Public Procurement and an increased skill in academic writing.

I would like to show my sincere gratitude and appreciation to the persons who have helped me during the process of writing and making this possible. First of all I would like to thank my supervisor for this thesis, Assistant Professor Mana Farshid for her support and guidance through the thesis. Furthermore, I would like to give a special thanks to my close fellow students that has provided me with motivation and inspiration during tough times. I would also give special thanks to all the respondents and the organization SAAB, without them this thesis would not been possible to complete.

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Sebastian Rosander
Abstract

This thesis aims to study the buyer-seller relationship in public procurement from the perspective of the seller. The study has described how a company in the defence industry defines their relationship with governments. With the use of a frame of reference together with open-ended face-to-face interviews and through data analysis the study was able to describe and to some content explains the buyer-seller relationship in public procurement. In conclusion companies defines their relationship with governments as long-term relationship, the study also showed that trust upon the supplier had an impact when choosing products. Lastly education of the customer is too an extent needed in order to get an understanding of the customer’s requirement.

Keywords: Buyer-Seller, Relationship, Public Procurement, Defence Industry, Seller
Sammanfattning


Nyckelord: Köpare-Säljare, Relation, Offentlig Upphandling, Försvars Industrin, Säljare
Table of Contents

1. Introduction .................................................................................................................. 1
   1.1 Background ............................................................................................................... 1
   1.2 Problem Discussion ................................................................................................. 3
   1.3 Purpose of Research and Research Question ....................................................... 4
   1.4 Outline of the Whole Thesis .................................................................................... 4

2. Literature review .......................................................................................................... 6
   2.1 An Analytic Framework for Public Procurement .................................................. 6
   2.2 Different Procurement models ............................................................................... 7
   2.3 Buyer-Seller Relationship ...................................................................................... 8
   2.4 Buyer-Seller Relationship in Public Procurement .................................................. 10
   2.5 Buyer-Seller Relationship in the Defence Industry ............................................... 13
   2.6 Diagnostic Cube .................................................................................................... 13
      2.6.1 Positions within the Diagnostic Cube ................................................................. 15
   2.7 Frame of reference .................................................................................................. 20
      2.7.1 Buyer-Seller Relationship in Public Procurement Framework ........................ 20

3. Methodology ................................................................................................................ 22
   3.1 Research Purpose .................................................................................................... 22
   3.2 Research Approach ................................................................................................. 23
   3.3 Research Strategy .................................................................................................... 24
      3.3.1 Choice of Case Study ......................................................................................... 25
   3.4 Data Collection ........................................................................................................ 26
   3.5 Sample Selection ...................................................................................................... 27
      3.5.1 Instruments ........................................................................................................ 28
   3.6 Data analysis ............................................................................................................ 29
   3.7 Quality Standards: Validity and Reliability ............................................................ 29
   3.8 Methodology Overview .......................................................................................... 31

4. Empirical Data ............................................................................................................. 32
   4.1 Public Procurement ................................................................................................. 32
   4.2 Buyer-Seller Relationship ...................................................................................... 33
   4.3 Buyer-Seller Relationship in Public Procurement .................................................. 35

5. Data Analysis ............................................................................................................... 38
   5.1 Type of public procurement .................................................................................... 38
   5.2 Type of buyer-seller relationship in public procurement ........................................ 39
   5.3 Type of buyer-seller relationship in the diagnostic cube ........................................ 40
   5.4 Trust upon the Supplier and Education of the Customer ........................................ 41

6. Conclusion ................................................................................................................... 43
   6.1 RQ: How do companies define their buyer-seller relationship with governments? ......................................................................................................................... 43

7. Recommendations ........................................................................................................ 45
   7.1 Recommendations to practitioners ......................................................................... 45
   7.2 Recommendations to Theory .................................................................................. 45
   7.3 Recommendations for Further Research .................................................................. 46

Reference list ..................................................................................................................... 47

Appendix A ......................................................................................................................... Interview Guide - Swedish
Appendix B ......................................................................................................................... Interview Guide - English
List of Figures

Figure 1-1: Outline of the Thesis .......................................................... 5
Figure 2-1: Analytic Framework for Public Procurement Source: Schapper, Veiga Malta and Gilbert (2006) p. 16 .................................................. 6
Figure 2-2: Diagnostic Cube Source: Wang and Bunn (2004), p. 100 ......... 14
Figure 2-3: Emerge frame of reference .................................................. 21
Figure 3-1: Methodological Path ......................................................... 22
Figure 3-2: Summary Methodological Path .......................................... 31
Figure 5-1: SAABs Position in the Diagnostic Cube ................................ 41
List of Tables
Table 2-1: Fourfold Typology of Public Procurement ........................................7
Table 2-2: Matrix of Government/Business Relationship ........................................9
Table 2-3: Purchasing Characteristics and Buyer-Seller Relationship in the Public and Private Sector ........................................................................................................11
Table 3-1: Distinctions between quantitative and qualitative data .........................23
Table 3-2: Key Facts SAAB AB ...............................................................................25
Table 3-3: Case Study Tactics for Four Design Test ...............................................29
Table 5-1: SAABs position in the Fourfold Typology of Public Procurement .........38
Table 5-2: SAABs Position in the Matrix of Government/Business Relationship ..........................................................39
1. Introduction

The first chapter of this thesis will introduce the reader into the background of the chosen topic. It will provide a discussion about the buyer-seller relationship in business-to-government markets. After the discussion part I will provide the reader with the purpose of this research and the research question. The study will be narrowed down within the specific area and the final stage of the study will be a presenting outline of this thesis.

1.1 Background

The fact that buyers and sellers have a relationship is not something new, relationships between buyers and sellers have been around since humans start to trade goods and services (Wilson, 1995). These relationships have over the decades developed in a natural way where buyers and sellers developed trust and friendship, supported by quality within the delivery of services and products (Wilson, 1995). Relationships are generally dynamic in forms of quasi-organizations with comprising complex systems of interaction dimensions (Wong, Wilkinson & Young, 2010).

The buyer-seller relationship is a complex situation and relationships do not function by themselves (Grönroos, 1994). As McInnes (1964) said already five decades ago, “the existence of a market relation is the foundation of exchange not a substitute for it” (p.56)

Håkansson and Wootz (1979) states that the need to interact with a specific buyer or seller depends on the inverse proportion of the number of alternatives. If there is many alternatives the need of interaction is low, but the need is increasing with the decreasing number of alternatives.

Holmlund and Törnroos (1997) defines relationship with the concept of interaction as; “Relationship is defined as an interdependent process of continuous interaction and exchange between at least two actors in a business network context.” (p.305)
Public procurement can be traced a long way back in time, as far as 2400-2600 B.C. In Syria the earliest public procurement can be found, written on a red clay tablet. Other evidence can show that procurement includes the development of the silk trade between China and a Greek colony back in 800 B.C. (Thai, 2001).

Thai (2001) states that environmental changes have or will have an impact on the government procurement theories and practices. The movement towards deregulations, paperwork reduction, government reengineering and performance leads to a new concern about the regulations of costs.

Public procurement stands for a great share of the public sector’s budget, it is not unusual that the purchasing volume and value is at the same level as private counterparts or even higher in many cases (Stentoft Arlbjørn & Vagn Freytag, 2012). The objectives for public procurement, and thus also for the public sector is much wider than for a single company (Murray, 1999; Larson, 2009). The objective includes to effective deliver a wide range of public services, health, education, defense, law and order, transportation and environment. Organizations in the public sector has therefore a much wider scope of private companies in the terms of diversity and needs of customer being served (Erridge, 2007). Unlike procurement in private sector, the context and process of public procurement is more complex (McKevitt & Davis, 2013).

As the procurement gets more complex, the more comprehensive the procurement gets, the fewer seller gets and even more fewer are the buyers. Usually there is only one buyer per nation, in areas such as defence, highways, health etc. (Caldwell & Howard, 2014) A combination of different circumstances will make the defence procurement to take a leading role in the shaping of the modern defence capabilities and platforms in 2010s.
1.2 Problem Discussion

Studies from Wang and Bunn (2004) and Cannon and Perreault Jr (1999) show different types of buyer-seller relationship depending on their level of cooperation. Different relationship types require different types and degrees of investments and produces different outcomes in buyer-seller relationship. Getting a better understanding how each relationship type fits within all different relationship types becomes a strategic issue for marketing and procurement managers (Cannon & Perreault Jr, 1999).

Cannon and Perreault Jr (1999) states that even though their studies have enhanced knowledge about buyer-seller relationship the subject is still far from nature. A more effective buyer-seller relationship will help both parties to be more efficient, manage uncertainty, enhanced product development and market orientation by better knowledge of customers and their needs (Cannon & Perreault Jr, 1999).

Temple (1994) suggests that economic theories should be used in order to get a better understanding for the buyer-seller relationships in the defence industry. In order to manage a complex and unnatural contracting situation that occurs in the defence industry.

Buyer-seller relationships have shown to be a rich resource for developing sustainable competitive advantage (Meehan & Wright, 2013). Further research is needed to fill gaps in buyer-seller relationships especially within supplier skills (what to do) and competence (how to do it) (McKevitt & Davis, 2013).

Wang and Bunn (2004) highlight the differences in buyer-seller relationship within the public and private sector based upon their objectives, approach, accountability, disclosure rules and procedural details. These differences are something that is easy to assume, the goals for private sector is clear; profit or economic purpose, no limited authority to act, no need for open developments, limited responsibility for their actions and oversight through market mechanisms that signals of financial results (Nutt & Backoff, 2003).
These assumptions are not valid in public organizations or in organizations with significant amount of publicness (Nutt & Backoff, 2003), which is in line with the research of Murray (1999) that demonstrates that the goals of public sector (local government) differ from those in private sector. Van Der Wal, De Graaf and Lasthuizen (2008) describes the complexity within public sector; Accountability and making sure that there is no corruption within the public organizations is significantly more important than the economic purpose.

Therefore an improved knowledge about the level of cooperation within government/business relationships may hold much potential to increase public procurement efficiency and effectiveness (Wang & Bunn, 2004). For future research Cannon and Perreault Jr (1999) suggest that a in depth analysis within buyer-seller relationship from the sellers point of view.

1.3 Purpose of Research and Research Question
Based on the problem discussion above the purpose of this thesis is to get an in depth improved knowledge about the level of cooperation within government/business relationship in defence procurement.

• RQ 1: How do companies define their buyer-seller relationship with governments?

1.4 Outline of the Whole Thesis
In this section, I will present a disposition of this research. The start of this research was the background and a problem discussion within the chosen topic. The discussion led into the purpose of the research and the specific research questions.

Chapter Two contains a literature review related to the specific research questions. It will explain in depth the buyer-seller relationship and how it can be implemented in the public procurement process. It will also handle an in depth analysis on the different levels of relationships that will occur in this situation.
Chapter Three includes the methodology used for this research. It will include the procedure of the research question, the approach for the research, the procedure for the data collection, the sample selection and the data analysis. In the end it will be a discussion about the reliability and validity of the research.

Chapter Four provides the research with the gathered data.

Chapter Five contains the analysis of the found data. The data will be compared with what the literature to investigate if the theory is applied in the real world.

Chapter Six includes the conclusions for this research

Chapter Seven will give some recommendations for practitioners, theory and for future studies within the area.

Figure 1-1: Outline of the Thesis
2. Literature review

This chapter will provide the reader with an in depth review over the literature considering Public Procurement, Buyer-Seller Relationship and Buyer-Seller Relationship in Public Procurement. In the end of the chapter there will be a frame of reference to give an understanding for which literatures this study will rely on.

2.1 An Analytic Framework for Public Procurement

Organizations and governments can recognize an appropriate scope of public procurement where they are able to balance the process, performance and the strategic imperatives. Only when this is done it is possible to develop the performance measures, skills, incentives, management and organizational skill tool to deliver the expectations that the community has (Schapper, Veiga Malta & Gilbert, 2006). How these different elements and how they work together can be shown in Schapper, Veiga Malta and Gilberts’ (2006) figure below.

![Analytic Framework for Public Procurement](image)

Figure 2-1: Analytic Framework for Public Procurement

Source: Schapper, Veiga Malta and Gilbert (2006) p. 16
This model shows how process management will handle the simple off-the-shelf purchasing, the other side of the models show how performance management will handle more complex procurements, for example alliance contracting and construction. Strategic management has its focus on inter alia, broader reforms such as process re-engineering, outsourcing and restructuring (Schapper, Veiga Malta & Gilbert, 2006).

Managing public procurement would look hard at the first, since it looks like you need some parts from each element, but this is something that’s not usual in practice. Practitioners of procurement usually just respond to their requirement of their own organization and will generally identify their role from the terms as process management / complex procurement vs. strategic procurement / simple procurement vs. performance management. This is policy depended based on the fact if they are in a smaller or bigger organization (Schapper, Veiga Malta & Gilbert, 2006).

2.2 Different Procurement models

Uyarra and Flanagan (2010) developed a fourfold typology of public procurement based on different markets and how they work together in public procurement.

Table 2-1: Fourfold Typology of Public Procurement

<table>
<thead>
<tr>
<th>Dedicated market</th>
<th>Specialized production process</th>
<th>Standard production process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimental procurement</td>
<td>(E.g. specialized technical equipment)</td>
<td>Adapted procurement (E.g. customized software, social services)</td>
</tr>
<tr>
<td>Generic market</td>
<td>Technological procurement</td>
<td>Efficient procurement</td>
</tr>
<tr>
<td></td>
<td>(E.g. waste management, transport)</td>
<td>(E.g. office supplies)</td>
</tr>
</tbody>
</table>

Source: Adapted from (Uyarra & Flanagan, 2010), p. 136.

The dedicated market includes products that are aiming for fulfilling the needs of a particular customer or type of customer, and therefor they are associated with bigger market uncertainty (Uyarra & Flanagan, 2010).
The generic market on the other hand is product that is more predictable, that enables firms to plan investments and the allocation of resources in advance. These products therefore appeal to a larger number of potential buyers (Uyarra & Flanagan, 2010).

Specialized production process focus on specialized products that are associated with a bigger need for customers’ requirements and technologies, these products have a greater uncertainty of future profits (Uyarra & Flanagan, 2010).

Standard productions processes are associated with products that got a higher predictability of outcome. The simplification and routinization are arising the learning and economy of scale (Uyarra & Flanagan, 2010).

In table 2-1 we can see the outcome of these four different forces:

**Efficient procurement** of standardized products serving a generic market,

**Adapted procurement** are addressing specific demand niches but using known production methods and practices,

**Technological procurement** is supporting new technical solutions to generic needs,

**Experiential procurement** adopting technical solutions to dedicated markets (Uyarra & Flanagan, 2010).

The main challenge is to understand the tradeoffs in each situation and have a strategy for it. Different buying situation will need different buyer-seller relationship (Uyarra & Flanagan, 2010).

**2.3 Buyer-Seller Relationship**

The literature shows several types of buyer-seller relationship, Cannon and Perreault Jr (1999) used six different connectors to develop an empirical taxonomy; information exchange, operational linkages, legal bonds, cooperative norms, and relationship specific adaptations by buyers and sellers. Håkansson (1982) shows in their interaction model that an industrial market relationship involves four different episodes when two parties, product or service exchange, information exchange, financial exchange and social exchange.
Wang and Bunn (2004) chose to focus on the information exchange and cooperative norms to define the level of buyer-seller relationship in public procurement and the contract implementation, which can be show in table 2-2.

**Table 2-2: Matrix of Government/Business Relationship**

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cooperative Norms</strong></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Arms-Length Relationship</td>
<td>Collaborative Relationship</td>
</tr>
<tr>
<td><strong>Information Exchange</strong></td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>


**Cooperative norms:**

As shown in Figure 2-2, Wang and Bunn (2004) choose to focus on the cooperative norms and information exchange. To dig in deeper in this area Cannon & Perreault Jr (1999) defines cooperative norms as the expectations the exchanging parties have on the outcome. This does not affect only on one party, both parties needs to behave in a manner that both agree to, this to be successful in their cooperative. For example two firms need to be flexible to changing conditions and need to work together to treat problems that may occur (Cannon & Perreault Jr, 1999).

Purchasers may be inflexible to changing conditions and have difficulties facing the supplier due to the implementation of a contract is the sole responsibility to a supplier (Wang & Bunn, 2004). In order to understand the desirable objects of the contract, public purchasers need to understand the importance of cooperation with the supplier, and then they will be more responsive to suppliers’ requests (Wang & Bunn, 2004).
Buyer and sellers do not always share the same norms, this is something that is more common in public buying situations. This is something that can be explained by the lack of cooperative norms among government purchasers (Wang & Bunn, 2004).

**Information exchange;**

Cannon & Perreault Jr (1999) defines information exchange as the expectations of open sharing of information that may be useful to both parties. A more open sharing of information indicates the willingness to share important information, in practice this adapts to showing early stages of products design, sharing information about cost etc. (Cannon & Perreault Jr, 1999). When having a more open sharing of information, the chances of realizing the benefits from the relationship is greater (Anderson & Weitz, 1992).

From the buyers perspective it is needed to get information from the seller to better understand the development of the contracts implementations (Wang & Bunn, 2004). From the sellers perspective they need information from the buyer to get better understanding of their needs to be able to adapt to the buyers situation and needs (Wang & Bunn, 2004).

**2.4 Buyer-Seller Relationship in Public Procurement**

Public procurement often involves different types of activities and different organizations at variety levels, the addressing of all aspects towards government procurement is extremely complex (Wang & Bunn, 2004)

Wang and Bunn (2004) show the differences in buyer-seller relationship within the public and private sector in a table based upon their objectives, approach, accountability, disclosure rules and procedural details.
## Table 2-3: Purchasing Characteristics and Buyer-Seller Relationship in the Public and Private Sector

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Private Sector</th>
<th>Impact on buyer-seller Relationship</th>
<th>Public Sector</th>
<th>Impact on buyer-seller Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Profit</td>
<td>Competitive advantage by differentiation or cost strategies resulting from close relationships building</td>
<td>Support the functions of service agencies; execute social-economic policies</td>
<td>Facilitate the exchange process</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>Increase revenue and/or decrease costs</td>
<td>Reduce uncertainty; improve functions; long-term or strategic significance</td>
<td>Competition, efficiency, fairness, openness</td>
<td>Contracting performance; competition and fairness perceived by public</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Less</td>
<td>Flexible arrangements; allows for short-term sacrifice to achieve long-term benefits</td>
<td>Periodic inspections and audits by various administrative agencies</td>
<td>Evaluate the performance by each contract; no promise for future contracts</td>
</tr>
<tr>
<td><strong>Disclosure Rules</strong></td>
<td>Confidentiality between buyers and sellers</td>
<td>Strategic arrangements; allows expansion and commitment stages in relationship building process</td>
<td>Public scrutiny, especially award-price</td>
<td>Avoid personal involvement; less flexibility and freedom</td>
</tr>
<tr>
<td><strong>Procedural Detail</strong></td>
<td>Best match to organizational needs</td>
<td>Creative development of personal relationships</td>
<td>Rooted in laws and executive orders</td>
<td>Difficult to contact users or decision makers; focus on price or value is based on single transaction</td>
</tr>
</tbody>
</table>

Objectives differ from buying organizations, in business-to-business environments the purchasing process is a way to get a competitive advantage (Wang & Bunn, 2004). Meanwhile in public agencies the purchasing process is a way to execute the social-economic policies (Wang & Bunn, 2004).

Approach in the public procurement often uses the criteria of openness, fairness, competition and efficiency. Meanwhile in the business-to-business environment you are looking for to reduce uncertainty, long-term relationships, improved functions and strategic significance (Wang & Bunn, 2004).

Accountability is something that is at a high level within public procurement, which on the other hand in business-to-business appears to have lesser importance since the flexibility of long time arrangements with suppliers and the long time orientation (Wang & Bunn, 2004).

Disclosure rules regarding information differs in a big way between the public sector and private sector. In the public sector the whole process needs to be entirely transparent, economical and equitable for the general public. In the private sector on the other hand it is most commonly to have confidentiality between to two partners (Wang & Bunn, 2004).

Procedural details for the public procurement is rooted in laws and orders which are extremely detailed. In business-to-businesses market businesses choses the one that fits best to their requirements in their organization. This makes it difficult for many companies to know who the decision-maker is and who’s the actual end user of the product (Wang & Bunn, 2004).
2.5 Buyer-Seller Relationship in the Defence Industry

According to Temple (1994) one way of defining a buyer-seller relationship during the contracting phase in the defence industry is to use traditional economic terms. The existence of a perfect market or when perfect competition occurs is when the product is homogenous in nature, there are a large number of buyer-sellers, it is a freedom for exit and entries in the market, buyer and sellers have a perfect information, sales and purchases of each buyer or seller is insignificant due to the total amount of transactions on the market, there is not any conspiracy between the buyers and sellers in the market, consumers maximizes the total utility and sellers on the other hand maximizes the profits on the market, the material is transferable (Temple, 1994).

When one or more of these things are absent, the market is imperfect to some degree. If the number of buyers or sellers decreases parties can expect greater influences on the market (Temple, 1994).

2.6 Diagnostic Cube

The first step of understanding the buying-selling process in public procurement is to label the government/business relationship (Wang & Bunn, 2004). Through different types of relationships Wang and Bunn (2004) developed the “Diagnostic Cube”, a taxonomy to diagnose the relationship structure and guide business and governments to choose or adjust to an appropriate type of relationship during the contract implementation. The cube is focusing on three situational factors, the result uncertainty, product complexity and the terms of the contract that can be shown in figure 2-2 (Wang & Bunn, 2004).
Figure 2-2: Diagnostic Cube

Product Complexity:
McQuiston (1989) research shows that higher product complexity requires more information to make a good evaluation of the suppliers in purchasing situations. The degree of complexity of the product will require different relations patterns, especially within the quantity and quality of the information exchanged and the different collaborations levels (Wang & Bunn, 2004).

Term of Contract:
Wang and Bunn (2004) states that since the length of contracts in public procurement differs a lot, from more than ten years to just a few days, the length of the buyer-seller relationship differs a lot. This makes it reasonable to conclude that the contracting period will influence the roles of the buyer-seller in their relationship (Wang & Bunn, 2004).

Results Uncertainty:
The uncertainty of the outcome of a contract can be referred to the ease of measuring the contracts outcome. Government procures to benefit the public, so the best result of a contract lies without the control of the buyer or seller in public procurement (Wang & Bunn, 2004).
They result uncertainty during public procurement can be highlighted in several ways, e.g. fluctuating demand patterns and uncertain performance expectations, this is just a few factors that can be manifested from both governance agencies and public beneficiaries (Wang & Bunn, 2004).

The result uncertainty affects the market in a way that makes it hard to take advantage of scales of economies due to the prediction of market, is the prediction too large or too small for this certain period (Wang & Bunn, 2004). This affects the governmental agencies in a way that they need to either collaborate with business seller or on the other hand supervise the development of contractors (Wang & Bunn, 2004).

2.6.1 Positions within the Diagnostic Cube

Wang and Bunn (2004) shows in their Diagnostic Cube figure 2-2 that public procurement contracts can be described based on three different situational factors, the combination of these three factors can create 8 different propositions of relationships for government and businesses.

Position 1: Collaborative (Evolutionary) Relationship

Wang and Bunn (2004) show in cell (1) in the Diagnostic Cube the relationships when the contracts have high result uncertainty and high product/process complexity and the contract term is long.

David L and McDaniel, Jr (2004) describes that collaborative relationships are by nature a social construction, and if a relationship is successful or a failure may be due to the social context. It is not always the quality of the relationship that describes its success.

Due to this business sellers needs to understand the changing needs of government buyers and the government buyers needs to understand new solutions for the task (Wang & Bunn, 2004). The implementation of this process requires that both parties share cooperative norms and that a frequent information exchange is done (Wang & Bunn, 2004). Information exchange is the crucial part to maintain a good relationship and is a needed element of learning in relationship (Liu, Tsou & Chen, 2011).
Because of the long period of this type of contracts both parties will need to be involved in several repeated interactions. This will lead to the need of an evolutionary, collaborative government/business relationship in this contract situation (Wang & Bunn, 2004).

**Position 2: Recurrent Relationship**

Cell (2) in the Diagnostic Cube has contracts with a long contracting period, low product/process complexity and a low result uncertainty. Business seller follows the requirement of standard products and services and there is no complex process involved (Wang & Bunn, 2004). In these situations there is no need to exchange information in an intense way about the procedure or results during the implementation process. Thus this does not mean that the different parties don’t communicate with each other (Wang & Bunn, 2004).

Donaldson and O’ Toole (2000) describes the recurrent relationship as a hybrid form between pure discrete and bilateral relationships. The relationship is open and elements of reciprocity and temporal duration tends to be involved in the relationship, but the relationship is not seen as so strong between the parties involved (Donaldson and O’ Toole, 2000). Donaldson and O’ Toole (2000) keeps on focusing on that the partners concentrate more on the operational issues than the strategic ones.

Wang and Bunn (2004) mean that the different parties need to exchange information regarding quantity and delivering data. But the importance of frequency, intense and open information sharing is lesser than in cell (1) (Wang & Bunn, 2004). Because of the nature of the long-term contract the parties involved will need to have a repeated exchange process and therefore they need to understand the beneficial for maintaining a relationship to achieve mutual objectives. In other ways the result of the contract will be damaged. In this situations contracts in cell (2) requires a recurrent government/business relationship (Wang & Bunn, 2004).
Position 3: Supervisory Relationship (Result-Focused)

Relationships in cell (3) have high result uncertainty, low product/process complexity and long-term contract period. The opportunity for business sellers to fulfill the contract without having a heavy involvement from the government is due to the non-complexity of products and services (Wang & Bunn, 2004).

The high result uncertainty is not in the control for any of the parties in this contract situation and therefore it is high uncertainty concerning the ultimate result, and are created when programs involves multiple public beneficiaries or when the procurement requirements keeps changing during the period of the contract (Wang & Bunn, 2004). Demand patterns may change and discourage business suppliers if the government chooses to “guide” different contractors in how the process and the details are supposed to work. Unnecessary restraint for business seller may occur due to the process based on supervision, and in these situations government purchasers will focus on the ongoing development and require information from the business sellers (Wang & Bunn, 2004).

Wang and Bunn (2004) states that when government acts like supervisors, they do not need to share the same cooperative norms with the business sellers because it is not hard to find alternative suppliers due to the low product/process complexity. Recent public procurement reforms advocate share-in-saving contracts where government’s focus is on results instead of the detailed procedures in procuring services (Wang & Bunn, 2004).

Position 4: Supervisory Relationship (Process Focused)

Wang and Bunn (2004) states that cell (4) requires as in cell (3) a supervisory relationship, but this relationship has it focus on the process instead of the result. The contract in this situation has a long-term contract period with low results uncertainty and a high product/process complexity. In this situations government and business seller agree on the ultimate results because of the lesser uncertain results (Wang & Bunn, 2004).
The challenge instead lies within the long-term contract because the ultimate results cannot be show in the early stages, government usually need to supervise the implementation process to keep the contract on right track (Wang & Bunn, 2004). The differences with contracts in cell (4) and (1) are mainly that governments supervise contractors to get the results (Wang & Bunn, 2004).

**Position 5: Collaborative (Interimistic) Relationships**

Lambe, Spekman and Hunt (2000) define the interimistic relationship as close, collaborative, fast developing and short-lived exchange relationship. Cell (5) focus on contracts that has short-term contract periods with high results uncertainty and a high product/process complexity, and once again due to the high uncertainty concerning the specifications or the ultimate solutions business sellers need to understand the changing needs for the government buyers (Wang & Bunn, 2004).

Because of the nature of interimistic relationship, there is less time to fully develop the rational governance mechanisms that is assumed in the evolutionary relationship. Instead the interimistic relational exchange relies more on a non-relational mechanism than it does on the enduring relational exchange (Lambe, Spekman & Hunt, 2000). Due to the high product/process complexity, an uncertainty regarding the results is created even more because of the product/process complexity itself and has high risk of achieving desirable performance (Wang & Bunn, 2004).

Wang and Bunn (2004) states that contracts in cell (5) is different form cell (1) in ways regarding length period and that both parties has to be involved in repeated interaction. This creates a problem where it is not possible for attributes of cooperate relationship, as trust needs to be developed in an evolutionary style (Wang & Bunn, 2004). Wang and Bunn (2004) mean that the nature of the contract is required to a highly collaborative relationship as for the same reasons that is relevant to cell (1) and the contract situation there. Both parties within this kind of contract situation will face a very time pressured situation to develop a collaborative relationship, therefore contacts in cell (5) requires a interimistic government/business relationship (Wang & Bunn, 2004).
**Position 6: Arms-Length-Relationships**

The most common contract situation is found in cell (6) and represent the contract situation that has low complexity regarding the product/process, results uncertainty is low and the contracting period is short (Wang & Bunn, 2004). Hoyt and Huq (2000) states that the investment in assets with minimal information exchange and that the transactions often involve low levels of trust with minimal collaboration is characterized by arm-length relationships.

This is in line with Wang and Bunn (2004) that states that this contract situation is very simple and that the situation does not call for any deep relational exchange. Therefore during the implementation of the contract there is no need for more than a pure arms-length relationship (Wang & Bunn, 2004).

**Position 7 and 8**

Cell (7) and (8) share a lot of similarities with the contracting situation with cell (3) and (4). The contractors in cell (7) deals with simple products or services and are generally able to meet the different requirements in the contract, in cell (8) on the other hand the contractor has a product or service that is complex, but the performance can still be achieved with certainty (Wang & Bunn, 2004).

Since that the situations is very similar to those in cell (3) and (4) Wang and Bunn (2004) suggest that government buyer supervise the implementation process. This is something that might not be cost-effective for the focal contract and in situations like cells (7) and (8) supervisory government/business relationships are not warranted (Wang & Bunn, 2004).

If government should use interimistic government/business relationship or arms-length government/business relationship to deal with the business suppliers depends on many different factors, e.g. knowledge about the business supplier, importance of the procurement, and so forth made it impossible for Wang and Bunn (2004) to make any clear suggestion for matching the different contract situations.
2.7 Frame of reference

A conceptual framework explains the key factors, constructs or variables – the main things that should be studied and how they affect each other, either presented graphically or in a narrative form (Miles & Huberman, 1994). During this phase of the study the presenting of theories that will be used to connect the research question, how do companies define their buyer-seller relationship with governments.

2.7.1 Buyer-Seller Relationship in Public Procurement Framework

There are different types of purchases done by governments according to research done by Uyarra and Flanagan (2010) and Schapper, Veiga Malta & Gilbert (2006). This study will rely on Uyarra and Flanagan (2010) fourfold typology for public procurement to understand that the markets differ in public procurement depending on if the product has a specialized production process or a more standardized production process. Since Wang and Bunn (2004) defines that the relationship differences between business-to-business markets and business-to-government markets found in table 2-2 to be extremely complex, the knowledge about the different markets in business-to-government markets will be very important for this study.

Focusing on the buyer-seller relationship Cannon and Perreault Jr (1999) and Wang and Bunn (2004) research is aiming to get an understanding how the linkage between the Information Exchange and Cooperative Norms and how they are affecting the Buyer-Seller relationship into different relationship types. Cannon and Perreault Jr (1999) and Wang and Bunn (2004) studies will give this study guidance to be able to understand what effects the different information exchange and cooperative norms has on the Buyer-Seller Relationship.

Examine the Buyer-Seller Relationship in Public Procurement, Wang and Bunn (2004) developed a taxonomy to explain the most suitable relationship for business/governments depending on product complexity, result uncertainty and term of contract. This will be used to see if the literature is agrees with the real world and how companies define their relationship with governments. Down below in figure 2-4 the graphically conceptual framework is presented.
RQ 1: How does companies define their buyer-seller relationship with governments?

**Figure 2-3: Emerge frame of reference**
3. Methodology

This part of the thesis focuses on the methodology used in this study. The different methodological perspective is mentioned together with the choices made. The discussion about how to increase the validity and reliability is brought to discussion and the final part of this chapter will conduct an overview of the chosen approach. In figure 3-1 the methodological path is presented.

![Methodological Path Diagram](image)

**Figure 3-1: Methodological Path**

3.1 Research Purpose

Yin (2014) states that there are three different ways to conduct research, descriptive, exploratory and explanatory. Descriptive research often aims to describe or to portray an event or situation, and is more likely to works as an extension or a forerunner or even a piece of exploratory research (Saunders, Lewis & Thornhill, 2009).

Saunders, Lewis and Thornhill (2009) explains that the exploratory research is useful when trying to clarify the understanding of a problem, when trying to explain what is happening and trying to see the phenomenon in new light. Explanatory research on the other hand tries to establish the causal relationship between different variables, by studying a problem or situation (Saunders, Lewis & Thornhill, 2009).
The purpose of research is: to get an improved knowledge about the level of cooperation within government/business relationship the purpose of this thesis is mainly descriptive. In order to describe how the buyer-seller relationship works in public procurement and to describe how the sellers are defining their relationships with governments. The descriptive angle will also try to describe important factors that are affecting the relationship. In the end of the thesis the authors own conclusion is presented which makes this study to have some influences from the exploratory research.

3.2 Research Approach
Data can either be quantitative which is generally gathered through structured questions and/or depended on numbers a statistic method is used to analyze data. On the other hand qualitative data is generated from the broad answers to different specific questions asked in either interviews, questionnaires, through observation or from available information (Sekaran & Bougie, 2010; Saunders, Lewis & Thornhill, 2009).

Saunders, Lewis and Thornhill (2009) summarize the distinct differences between quantitative and qualitative data gathering in a table, which is show in table 3-1.

<table>
<thead>
<tr>
<th>Quantitative Data</th>
<th>Qualitative Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Based on meanings derived from numbers</td>
<td>• Based on meanings expressed through words</td>
</tr>
<tr>
<td>• Collection results in numerical and standardized data</td>
<td>• Collection results in non-standardized data requiring classification into categories</td>
</tr>
<tr>
<td>• Analysis conducted through the use of diagrams and statistics</td>
<td>• Analysis conducted through the use of conceptualization</td>
</tr>
</tbody>
</table>

Source: Saunders, Lewis and Thornhill (2009) p. 482
Qualitative data often uses more narrative not numeric information (Yin, 2014) and that this thesis will have a descriptive purpose, the use of qualitative data will be most suitable. This can be justified by that this thesis will have an in-depth view and is trying to describe the buyer-seller relationship in public procurement the data will be based on meanings express in words form respondents interviewed.

3.3 Research Strategy

According to Yin (2014) there are five major methods to use for research and they all got advantages and disadvantages depending on; the research question asked, the level of control the research has over the study or if the study has its focus on a contemporary event; experiment, survey, archival analysis, history or case studies (Yin, 2014).

Yin (2014) explains that a case study tries to answer the questions of how and why. With the use of this method the researcher doesn’t require to control the behavior event, but it needs to focus on contemporary events (Yin, 2014). According to Saunders, Lewis and Thornhill (2009) case studies are used to do research on empirical investigations that focus on a contemporary phenomenon in its real life situation.

This thesis aims to answer a question of how, without the control of the behavioral events. The focus instead will be on the contemporary event, in its real life situation, which sets the field conditions for the use of a case study strategy and therefore the choice was made to do a case study.

According to Yin (2014) the primary value in developing case studies lies between single- and multiple-case study designs. All are in need for a decision, whether to use a single case or multiple cases. Singles-case studies are justified by either having a case that is critical, unusual, common, revelatory or longitudinal (Yin, 2014). Multiple-case studies, that is, more than one case, which may be used to find out if the findings from the first case occur in other cases (Saunders, Lewis & Thornhill, 2009).
Based on Yin (2014) and Saunders, Lewis and Thornhill (2009) different theories, this thesis will be a single-case study and this due to the fact that the defence industry has an unusual or unnatural contracting situation according to Temple (1994).

### 3.3.1 Choice of Case Study

As discussed in chapter one the need for research done in the buyer-seller relationship with the point of view from the seller, in public procurement the criteria for the selection is already mentioned, it is needed to be a company that sells to governments.

To make the selection and contacting phase easier because of the time limit for this study and to be able to generate a good relationship with a specific company of choice, a Swedish company was selected. Since there are not many larger companies that have a large portfolio of products and with great experience with relationship with governments there was one specific company did match the requirements, SAAB AB. In the table below some key facts about SAAB AB can be found.

#### Table 3-2: Key Facts SAAB AB

<table>
<thead>
<tr>
<th></th>
<th>Employees in 2014</th>
<th>Sales in 2014</th>
<th>Order Bookings in 2014</th>
<th>Order backlog, end of 2014</th>
<th>Operating income in 2014</th>
<th>Earnings per share before dilution in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in 2014</td>
<td>14,716 People</td>
<td>23,527 MSEK</td>
<td>22,602 MSEK</td>
<td>60,128 MSEK</td>
<td>1,659 MSEK</td>
<td>10,86 SEK</td>
</tr>
</tbody>
</table>

Source: Adopted from (SAAB AB, n.d.)
To get a better understanding how the relationship with business to government occurs this study will has the focus within SAABs market area, Asia Pacific, to get closer to the customer and different governments. The different departments of SAAB and countries that this case study will cover is; Thailand, Malaysia and Indonesia. SAAB AB covers a lot of different product and services this study will focus on one of their core businesses, fighter aircraft and airborne surveillance systems.

The choice of countries was based on the emerging market they are in and due to that they all have or had declared that they will procure fighter aircraft and/or airborne surveillance system in the near future. Thailand has procured 12 fighter aircraft from SAAB, Malaysia has declared that they will procure fighter aircraft and so has Indonesia as well.

3.4 Data Collection
Saunders, Lewis and Thornhill (2009) focuses on that data collection can be gathered either by primarily and/or secondary sources. When using primarily data the researcher is collecting own data, and when using secondary sources the researcher collects data from existing sources (Saunders, Lewis and Thornhill, 2009). This thesis will rely on primarily data collection due to the fact that researcher will collect own data.

Primary data can be collected from several different sources which all of them has strengths and weaknesses (Yin, 2014). The use of interviews for this thesis was selected and the strengths and weaknesses will be discussed below.

**Interviews** strengths lies within the possibility targeted focus directly on the case study topic and provide different explanations as well as the personal views (Yin, 2014). The weaknesses on the other hand can regarding to Yin (2014) be bias to poorly constructed questions, response bias, poorness due to inaccurate recall and reflexivity (interviewee gives answers that the interviewer want to hear). Even though its weaknesses, Yin (2014) states that interview are good for case studies since they are guided conversations instead of structured issues. Insight about a matter is given by interviews and this allows the researcher to discuss opinions in depth (Yin, 2014).
Saunders, Lewis and Thornhill (2009) states that a personal interview, face-to-face enables the possibilities to ask more complex questions compared with e.g. telephone interviews. In order to be able to ask more complex question, the use of face-to-face interviews will be conducted to ensure that the complexity of question will not affect the answers from the respondents.

According to Yin (2014) interviews may be developed in three different ways, namely open-ended, structured and focused. Open-ended interviews are used when the researcher can ask key respondents in a matter or the respondents’ opinion about the event (Yin, 2014). Structural interviews are used when the researcher is following a formal questionnaire that contains every single question to be asked (Yin, 2014). The focused interviews is used when the researcher is interviewing the respondent for a short period of time, this might still be open-ended questions but is more likely to follow a structure of questions (Yin, 2014).

Bared this information the interviews held will follow the open-ended type of questions to keep the conversation going and be able to collect the respondents own opinion in the questions and to collect important factors around the asked questions.

**3.5 Sample Selection**

To be able to answer the research question and it purpose Saunders, Lewis and Thornhill (2009) recommends using a judgmental sample in order to meet the objectives for the study. According to Saunders, Lewis and Thornhill (2009) the judgmental sample often is used for smaller samples sizes in case studies, which make it the most approvable method to use in this study.

The judgmental choice of respondents was made together with key-persons at the different market area offices. This in order to be able to get the right people to answer the interviews and the research question, how companies define their relationship with governments (Saunders, Lewis & Thornhill, 2009).
The respondents interviewed are all employed at SAAB and have been working for SAAB more than 5 years. All respondents have been stationed in the different market areas for 1 year or longer. The respondents have all worked with SAAB and building relationships with the customer during their time in the market area office and are therefore will be able to answer complex question in the subject. In total there will be five interviews held, two in Malaysia, and two in Thailand and one in Indonesia.

The respondents in Malaysia:
- Vice President, Head of Malaysia (Swedish)
- Director Marketing and Sales, Malaysia (South African)

The respondents in Thailand:
- Head of Major Campaigns (Swedish)
- Head of Business Development (Swedish)

The respondent in Indonesia:
- Deputy Head of Indonesia (Danish / Indonesian)

The choice of respondent is based on the size of the offices and the knowledge about the areas and together with key-person at each office. Only one interview was conducted in Indonesia, since the market area office is newly opened and due to the fact that the Head of Major Campaigns in Thailand is active in all areas and can answer questions regarding Indonesia, Thailand and Malaysia.

3.5.1 Instruments
An interview guide was developed in both English and Swedish, since both languages are used when conducting the interviews. The interview guide was based on the frame of reference developed in chapter two, and followed its structure in order to be able to answer the research question. The interview held was open-ended, face-to-face to make the conversation more open and to make sure that the complexity of the questions didn’t affect the respondents’ answers. When conducting the interviews the respondents got short information about the purpose of this thesis and it’s topic before starting the interview. The interviews were transcribed in order to get a better understanding of what was said during the interviews.
3.6 Data analysis
Miles and Huberman (1994) state that the most commonly used analysis is done with words. There are two different types of analysis used in cased studies, within case displays and cross case displays. Miles and Humberman (1994) explains the display as a visual format that is presenting information in a systematic way, this to make the user draw valid conclusion and take needed actions.

The within case analysis collects data to be compared with previous theory in order to identify the differences and similarities. In order to systematically structure collected data, Miles and Huberman (1994) suggest using matrices as a visualized tool to make it easier to compare and analyze the data collected.

This research has conducted a within case analysis, and the data collected was analyzed and compared with previous theory presented in this thesis. The analysis followed the structure developed in the frame of reference to make it easier to follow. Matrices as a visualized tool, to make it easier to understand the collected data, are used due to the recommendation from Miles and Huberman (1994). The data will be analyzed against the different theories connected to the emerged frame of reference found in figure 2-3.

3.7 Quality Standards: Validity and Reliability
Yin (2014) describes that four types of test has been commonly used to establish quality in empirical social research and thus case studies are a part of this larger body the tests are relevant for case study research. The four different tests can be show in table 3-3: Case Study Tactics for Four Design Test.

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case Study Tactic</th>
<th>Phase of Research in which Tactic Occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Validity</td>
<td>• Use multiple sources of evidence</td>
<td>Data Collection</td>
</tr>
<tr>
<td></td>
<td>• Establish chain of evidence</td>
<td>Data Collection</td>
</tr>
<tr>
<td></td>
<td>• Have key informants review draft case study report</td>
<td>Data Collection Composition</td>
</tr>
<tr>
<td>Reliability</td>
<td>• Use case study protocol</td>
<td>Data Collection</td>
</tr>
<tr>
<td></td>
<td>• Develop case study database</td>
<td>Data Collection</td>
</tr>
</tbody>
</table>

Source: Adapted from Yin (2014) p. 45
Construct Validity – According to Yin (2014) this is the hardest part when doing a case study, to be able to use the correct operational measurements to the right content and concept being studied. Yin (2014) suggests two steps for the investigator to be able to meet the test of constructed validity:

1. Define the terms of a specific concept and to relate them to the original objectives of the study and
2. Identify the operational measures that match the concept, by for e.g. citing published studies that make the same matches.

In order to increase constructed validity there are three tactical ways of working, as is shown in table 3-3, *Use multiple sources of evidence, establish a chain of evidence and have key informants to review drafts of the case study* (Yin, 2014).

In order to construct validity interviews are used to collect data, and the use of a tape recorder together with notes is used during the interviews. Discussing with key-persons in the different market areas offices and the judgmental selection was put in when identifying the right persons to interview for this thesis. Five interviews were held in order to control the use of multiple sources of respondents and by this establish a chain of evidence.

However some interviews are held in Swedish since it is the mother language for many of the employees, but also some interviews are held in English since some of the employees don’t have Swedish as their mother language. The interviews conducted in Swedish were translated to English, which can include the risk of translations errors.
Reliability – Yin (2014) claims that by demonstrating the operations of a study, such as data collection procedure, it will be able to do the same test again and get the same result. The objective is to make sure that the researcher follows the same procedure during the whole research, to make it be able for an investigator to get the same findings and draw the same conclusion and to minimize the bias (Yin, 2014).

In order to increase the reliability for this study, the study has mapped out the procedures involved in this study by detail. As a first step of this the creation of a clear research question that can guide this study was developed based on earlier studies. The other steps used in order to collect data regarding the research question are presented in this methodology chapter.

3.8 Methodology Overview

In figure 3-2 below the summary of the methodological path is presented.

![Figure 3-2: Summary Methodological Path](image-url)
4. Empirical Data

In the previous chapter the methodology was discussed and set. In this chapter the empirical data collected from the different market areas for SAAB will be presented. The collected data is based on the frame of reference found in chapter two. The empirical data is presented in a manner that addresses the research question.

4.1 Public Procurement

The respondents within all the different market areas SAAB has, agreed upon that the market situation that SAAB work in is a complex, difficult or complicated market. The challenges were expressed in different ways but no one was even near to present it as an easy and understandable market. The Vice President, Head of SAAB Malaysia expressed himself: “Defence Procurement is generally a complex market”, meanwhile the Deputy Head of SAAB Indonesia described the market with one word: “Difficult”. The traditional way of doing business differs from country to country and according to the respondent this is culturally rooted in the countries. It’s a different system, a different way of doing business than what Europeans are normally used to do.

The respondents had several different dimensions of risks within the market, but the main line was the political risks and that the companies acting on the market don’t always have the same regulations, which add risks to not succeed. Corruption is an issue in some countries in Southeast Asia and the Director of Marketing and Sales in Malaysia expressed that SAAB is very strict on how they do business, they do it openly, they do clean businesses, so when competing with business that isn’t limited by the same rules, it’s difficult.

For SAAB there is a very advanced production process behind their products and a high technology behind the product itself. The respondents expressed that when facing a very niche market, with not many people understanding the process behind, it require much education, a long-term education and gets very hard to market the product. Head of Major Campaign expressed it: “Many times it is good enough system that applies for the customer”.

32
The outcome of the product is predictable for the customer, Head of Business Development expressed “The customer often ask for system that somebody else already has”. Since SAAB is very transparent with how the products work and what is to expect from the product it is to their advantage. But once again the respondents mentions that this often requires education of the customer about the product and how to maintenance the products.

“Customers in the starting position only have a fairly rudimentary knowledge of what the possibilities really are. With that included, there is a fairly large portion of educational activities in the marketing phase” – Head of Major Campaigns, SAAB.

The respondents from SAAB did all express that their aircrafts and surveillance systems are standardized products but to an extent adopted to fit the customer’s needs and operational differences. Vice President, Head of SAAB Malaysia explained it as: “A radar is a radar, a missile is a missile, an aircraft is an aircraft, but then you have a little extra around the product, that’s adapted. Maintaining system, logistics and partners are unique for each country”.

4.2 Buyer-Seller Relationship

According to the respondents the information exchange with the customer is very open and transparent and straightforward. The information exchange starts quite early in the relationship, even though the information exchange is very open and good there are some restrictions in what type of information that is shared with the customer. But generally deep information about how the product is working and what you can use it for is shared frequently and SAAB is trying to answers as many question about the products as possible. Head of Business Developments’ idea of this is “My understanding is that the customer is interested in the product, what the product can do and the performance on a functional level. But the customer is less interested in how the product is structured technically, at the component level”
The respondents all agreed that the information about cost and how the process behind the products, is not shared with the customer to the same extent. Even though SAAB always has a vague feeling about the cost they try to avoid sharing it, because in the end it is all about the customization and how many products the customer wants and when in the time they want them. Getting the right information about the customer needs and requirements can sometimes be quite hard, since in many cases SAAB has to be the one educating the customer, about what’s available and what the products can do.

The respondents feel that SAAB has a great advantage due to their openness, transparency and their straight-forwarded and deep information exchange about their products towards the customer. This gives SAAB the opportunity to prepare themselves and their partners to adapt the solution to the customer, and it gives SAAB more time to gain knowledge about the customers need.

The general approach is that there is a big difference between how you work and how you look at things in Sweden and the different countries of Southeast Asia. Most of the meetings and ways of working are more an ad hoc situation and business meetings that should had it focus on one thing, did end up in a completely different way and didn’t even bring up what you’ve should had talked about.

The general aspect from the respondents was that these countries rely very much on trust in the relationship when doing business, even in public procurement. Head of Major Campaign summed up the trust aspect in a good way:

“It's really so that sale assumes a position of trust more than a product position, but then it has to be a balance in that. If we, as opposed saying how we could make in our part of the world, we would never the less try and find the best product for the minimum allowance. While this is not necessarily the case here, a great feature is that you have a trust relationship and the customer feels that they can trust the supplier” – Head of Major Campaigns
In order to deal with the different ways of doing business the Vice President, Head of Malaysia said: “The reason that SAAB has chosen to have expatriate staff, is precisely to deal with the differences here”. So the adaption in order to share the same cooperative norms is a must and SAAB has started their different market areas offices just due to the fact that they have to adapt their ways of working.

The Director of Marketing and Sales in Malaysia summed everything with the quotation: “When in Rome, do as the romans do”, meanwhile the Deputy Head of SAAB Indonesia relied upon the expression: “Customer is king”. Therefore it becomes a duality for SAABs market areas offices to work in one way towards the customer and in the other way towards the business area back in Sweden.

Within the adaption process the respondents also expressed that they need to adjust their ways to work to the laws and different regulation regarding, hours to work, days a week to work and the salary level in each country. Another thing SAAB does to adopt and get a better understanding of the way of working and thinking in each country is to employee local inhabitants.

4.3 Buyer-Seller Relationship in Public Procurement

For SAAB, with a huge portfolio of different defence products, the contracting terms differs a lot. But for their fighter aircrafts and airborne surveillance systems the general contracting period and delivery time is sometimes somewhere between 5-10 years, with the possibility for new contracts for maintenance and providing spare parts. But all the respondent agreed that SAABs relationships and contracts terms are definitely long-term with their customers.

The Director of Marketing and Sales in Malaysia expressed: “A long-term relationship is as it is with any relationship, there is ups and downs you can’t like each other all the time, you know there will be disagreements and then you carry on”. For SAAB it is extremely important to have a good relationship with the customer and the relationship and the information exchange with customer is normally intensified when in contracting and in delivery phase. But contact with the different parts within the customer changes over time, the customers’ operational part during delivery time and while in the marketing and sales phase it is with the customers’ contracting part.
The respondents highlighted the importance to have a good contact with the customer during the delivery phase, since if that is done in a good way there is an opportunity for upsell. More of the same thing, more of customization, more maintenance or higher educations for their staff, even for SAAB the classic aftermarket is really important, as it is for all branches.

For SAAB the information exchange doesn’t get affected due to their products complexity, they just get in contact with people with higher level, if the customer brings experts then SAAB has to bring their experts in order to understand each other on the right level.

Often there is a mutual respect from the partners when working together, the customer as SAAB experiencing it enjoys working with them and they know that when SAAB is coming they will be able to ask SAAB questions and that SAAB is willing to help them.

The uncertainties that might occur for SAABs customer is more on the understanding level, since most of the time the English language is used to communicate, but English isn’t any of the parties mother language and when dealing with high technical solutions it can be quite hard for the customer to understand. And even if the customer understands SAAB needs to educate the customer in what ways they can use the product. SAABs big challenge is to give the customer an understanding of the big picture and that sometimes requires a lot of education. Uncertainties can also occur since its much money included, the decision is important and there is several steps to be taken by the customer, and that is something SAAB need to respect.

The respondents want to characterize their relationship as very good, and that SAAB has built up a very good relationship in the different parts in Southeast Asia. But they would still like to describe the relationship as complicated, and sometimes the question appears, quoting Deputy Head of Indonesia: “Who is the customer?”

And the customer can occur in different shapes in forms of different departments or agencies.
The relationship with the customer relies much on trust and is something that SAAB is working hard to develop and the general thought is that SAAB has a very fine and good relationship. But they are still working on to get an even deeper relationship with their customers, SAAB is on their way but they still has some more steps to take.

The respondents gave the picture that SAAB is in their marketing areas to stay for the long-term, to sell more products. Quoting Deputy Head of SAAB Indonesia: “Our objectives are to cultivate a strong relationship, to cultivate a long-term relationship. I think industrial relationship is a part of SAABs DNA”. Head of Major Campaigns view was: “To build up trust, to build a good relationship so that the customer gets a good experience”.

SAAB needs to stay for the whole lifecycle of their products, to be able to help with maintenance, repairs, education and mid-term updates. Since some of SAABs products lives up to 30-40 years and sometimes even more due to the technology enhancement, SAAB wants to be a part of the whole lifecycle. Quoting Head of Business Development “Our products are used over decades, so hopefully the relationship with the customer lasts at least as long” SAAB hopefully has the possibility to sell more product during the lifetimes of their other products.
5. Data Analysis

This chapter will analyze the data presented in previous chapter. The data was analyzed through a within case analysis and compared with the frame of reference conducted in chapter two.

5.1 Type of public procurement

In the theory provided by Uyarra and Flanagan (2010) they presented a fourfold typology of public procurement depending on the type of market and the production process behind the products procured in the markets. Efficient procurement, adapted procurement, technological procurement and experiential procurement were identified based on the market and production process.

Table 5-1: SAABs position in the Fourfold Typology of Public Procurement

<table>
<thead>
<tr>
<th></th>
<th>Specialized production process</th>
<th>Standard production process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated market</td>
<td>Experimental procurement</td>
<td>Adapted procurement</td>
</tr>
<tr>
<td>Generic market</td>
<td>Technological procurement</td>
<td>Efficient procurement</td>
</tr>
</tbody>
</table>

Source: Adapted from (Uyarra & Flanagan, 2010), p. 136.

According to what the respondents answered during the interviews they describe SAABs customers to be in a complex and niche market with standardized products that in some extents could be adapted to the customer’s needs. Compared with what Uyarra and Flanagan’s (2010) fourfold typology of public procurement the answers from the respondents from SAAB are in line with an adapted procurement. The adapted procurement according to Uyarra and Flanagan (2010) is addressing specific demand niches but using known production methods and practices.
5.2 Type of buyer-seller relationship in public procurement

The theory provided by Cannon and Perreault Jr (1999) and Wang and Bunn (2004) explained that the linkage between information exchange and cooperative norms would have an impact on what shapes of a relationship would occur in. In is the case with SAAB and the different governments as customers, SAAB has a high exchange of information, even in an early stage of the relationship. With the restriction of company classified information and some of the cost regarding the product, since a lot of the costs lie in the adaptations of the product around the core product. The case with SAAB also agrees to Liu, Tsou and Chen (2011) that states that the information exchanges are a crucial part to maintain a good relationship.

Wang and Bunn (2004) described a problem in public procurement that buyer-sellers might not always share the same cooperative norms, which are in line with the case with SAAB, the ways of doing business differs and the norms are different from country to country. SAAB is trying to overcome this by opening up local offices and employing local inhabitants to get a closer connection to the customer and to better understand the customer. SAAB is working hard to be able to adapt and share the same cooperative norms.

Table 5-2: SAABs Position in the Matrix of Government/Business Relationship

<table>
<thead>
<tr>
<th>Cooperative Norms</th>
<th>Information Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>Recurrent Relationship</td>
</tr>
<tr>
<td>LOW</td>
<td>Arms-Length Relationship</td>
</tr>
</tbody>
</table>

Source: Adopted from Wang & Brunn (2004), p. 96
Based on the respondents answer SAABs relationship is in line with a collaborative relationship according to Wang & Bunns (2004) Matrix of Government/Business Relationship.

Wang and Bunn (2004) stated that when addressing governments it can be very complex, it involves different types of activities and different organization at variety of levels. The theory is in line with what SAAB describes, sometimes the question appears, who is the customer and sometimes the customers occurs as several different organizations.

5.3 Type of buyer-seller relationship in the diagnostic cube

Wang and Bunn (2004) developed a taxonomy to recommend different relationships to buyer-sellers in public procurement based on three different situational factors, the result uncertainty, product complexity and terms of contract.

According to Wang and Bunn (2004) the result uncertainty can occur in several different ways: fluctuating demands, uncertainties regarding performance and that the government is procuring for the public benefit. In the case with SAAB the result uncertainties for their customer’s lies in line with the theory and something that SAAB has a very big respect for. Therefore is SAAB there for the long-term, helping and educating the customer in order to get their trust and minimize the customers result uncertainties.

The respondents for SAAB agreed that their products are very complex, but the complexity hasn’t changed their information exchange. It just occurs on different levels, if the customers bring experts, SAAB needs to bring expert to be able to share the right information. This is in line with theory where Wang and Bunn (2004) state that the degree of complexity requires different relation patterns.

According to the respondents the contracting terms varies a lot when procuring, from a year to multiply years. When speaking about SAABs more advance defence products like fighter aircrafts and airborne surveillance systems it is normally somewhere between 5 to 10 years for their delivery contract.
The respondents’ answers about SAABs relationship with governments as their customers, is in line with Wang & Bunns (2004) diagnostic cube and the Collaborative (Evolutionary) Relationship due to that the high product complexity, high results uncertainties and due to the long-term contracts, which can be shown in figure 5-1.

5.4 Trust upon the Supplier and Education of the Customer

The choice of products was according to the respondents not always based on the best product to the best price. The respondents felt that the customers sometime made their decision based on trust upon them as a supplier. This can be matched with the study made by Valtakoski (2015) that highlights the trust as a central role in the buyer-seller relationship and that organizational level trust matter for buyer-seller relationships initiations.
In order to understand the customers’ requirements the respondents all agreed that there is an amount of education to the customer during the marketing phase. Bell and Eisingerich (2007) research that shows that customer education has a positive impact on the relationship and loyalty of the customer.
6. Conclusion

A data analysis of the data collected in this thesis was presented in previous chapter. This chapter will focus on the conclusion made on these findings and the research question posed in chapter one will be answered.

6.1 RQ: How do companies define their buyer-seller relationship with governments?

The purpose of this study was to get an in-depth knowledge about how companies cooperate with governments and how companies define their buyer-seller relationship with governments. The results drawn upon this study should be seen against the background of research methods used and the use of the frame of reference. SAAB as the case study company defined their relationship with their customer as a good, long-term relationship.

The result of this study shows that relationships in the defence industry between the seller and governments are long-term relationship. This is based on that the seller’s intention with the relationship is to be available during the whole lifetime cycle for their products, which can be up to 30-40 years or in some case even more.

In line with theory from Wang and Bunn (2004) the relationship can be described as a collaborative relationship, since in this study it is shown that the seller has to educate the customer about the products, adapt their ways of working, but also gain their trust in order to sell products. SAAB defined that the objectives with the relationship is to cultivate a strong relationship, to cultivate a long-term relationship and to gain the customers trust.

Another interesting conclusion that might be highlighted is that in this area, the choice of products doesn’t always rely on the best product to the best price. The choice was made more on the relationship to the supplier and the trust upon the supplier.
Through this study the amount of education from the supplier to the customer seems significant and a must in order to get information from the customer regarding their requirements. According to Bell and Eisingerich (2007) education of the customer has a positive impact on the relationship and the loyalty of the customer.
7. Recommendations

The previous chapter provided the conclusions based on the findings of this research. This chapter will provide with recommendations to practitioners, recommendations for theory and recommendations for further research.

7.1 Recommendations to practitioners

The relationship in the defence industry is of long-term character, and much of the relationship is based on trust and education. However, there are some recommendations for practitioners that are interested in getting more knowledge about the area.

- The openness of sharing information with the customer will give companies more time to get knowledge about the customers need, to offer a solution with higher competitiveness
- By operating after the expressions “Customer is King” and “When in Rome, do as the romans do” will increase the possibilities to share same cooperative norms to a bigger extent
- Opening a local office and employing local inhabitants will increase the understanding on how to work in a new area
- Gaining trust in the relationship with the customer will most likely increase the possibilities to do business
- Educating the customer will be required, in order to get them understanding the complexity of the systems and in order to get information about their needs and requirements

7.2 Recommendations to Theory

As seen in the data analysis chapter, the theory fits very well with the findings in this thesis. The thesis is deductively formulated regarding the purpose and research question and the thesis has described and started to explain how buyer-seller relationship towards governments in the defence industry looks like from the sellers perspective.
The contribution of this thesis is an empirical investigation how theory relates to the reality and how SAAB defines that their relationships with governments are long-term. The limited amount of studies combining buyer-seller relationship towards governments provides a foundation for further research.

7.3 Recommendations for Further Research
There are some few suggestions for further research based on this study. Since there were some topics this study did not bring up, which was identified during the data collection. There are also other aspects from the same type of study that should be investigated. Following a brief presentation of them:

• Do the same study with a larger amount of companies
• Do the same study from the buyer’s (customer’s) view
• Do the same study on different companies in a different branches
• Do a study on how trust has an impact on the buyer-seller relationship in public procurement
• Do a study on how education is affecting the buyer-seller relationship in public procurement
Reference list


Appendix A

Intervju Guide

Allmänt

Respondentens namn:

Respondentens position:

Offentlig Upphandling

1. Hur skulle du beskriva marknaden ert företag befinner sig i?
   a) Hur skulle du beskriva riskerna inom marknaden?

2. Hur skulle du beskriva produkt processen bakom era avancerade
   försvarsprodukter, exempelvis stridsflygplan och luftburet
   övervakningssystem?
   a) Är utfallet för produkten förutsägbar?
   b) Är produkten på något sätt anpassad till kunden?

Köpare-Säljare Relationen

3. Hur skulle du beskriva informationsutbytet med kunden?
   a) Har ert företag djupa informationsutbyten angående kostnader, utveckling
      mm. i ett tidigt skede i relationen med kunden?
   b) Tillgodoser kunden er med information angående deras behov?
   c) Hur har detta påverkat er relation med kunden, till er fördel eller till er
      nackdel?

4. Delar ert företag och kunden samma kooperativa normer?
   a) Hur har dessa kooperativa normer utvecklats?
   b) Har ert företag anpassat ert sätt att arbeta på för att dela era kooperativa
      normer?
   c) Tror du att det är nödvändigt att dela kooperativa normer med era kunder?

Köpare-Säljare Relationen i Offentlig Upphandling

5. Hur ser kontrakts situationen ut för avancerade försvarsprodukter, exempelvis
   stridsflygplan och luftburet övervakningssystem?
   a) Har detta påverkat relationen med kunden på något sätt?

6. Hur skulle du beskriva ert företags produkts komplexitet?
   a) Hur har detta påverkat informationsutbytet med er kund?
b) Tror du att produktens kompexitet har minskat eller ökat informationsutbytet med er kund?

7. Finns det någon osäkerhet gällande resultatet för kunden vid upphandling av avancerade försvarsprodukter, exempelvis stridsflygplan och luftburet övervakningssystem?
   a) På vilka sätt uppstår dessa osäkerheter

8. Hur skulle ert företag karaktärisera er relation med kunden vid upphandling av avancerade försvarsprodukter, exempelvis stridsflygplan och luftburet övervakningssystem?
   a) Vad är objektiven med dessa relationer?
   b) Hur långt är förhållandet med kunden vid upphandling av avancerade försvarsprodukter, exempelvis stridsflygplan och luftburet övervakningssystem?
Appendix B

Interview Guide

General information

Name of the respondent:

The respondent’s position:

Public procurement

1. How do you describe the market your company is in?
   a) How would you like to describe the risk within the market?

2. How would you describe the production process behind advance defence products, e.g. fighter aircraft and airborne surveillance systems?
   a) Is the outcome of the product predictable?
   b) Is the product in any way adopted for the special needs for the customer?

Buyer-Seller Relationship

3. How would you like to describe the information exchange with your customer?
   a) Does your company share in-depth information about your product regarding cost, development etc. in an early stage of the relationship with your customer?
   b) Does the customer provide you with information regarding their needs?
   c) In what way has this affected your relationship, to your advantage or disadvantage?

4. Do you and your customers share the same cooperative norms?
   a) How has this cooperative norms developed?
   b) Have your company adapted your way of working in any way to share the same cooperative norms in any way?
   c) Do you think that chairing cooperative norms with your customer is necessary?
Buyer-Seller Relationship in Public Procurement

5. How does your contracting terms look like for your companies advance defence products, e.g. fighter aircraft and airborne surveillance systems?
   a) Have this in some way affected you relationship with the customer?

6. How would you describe your company’s product complexity?
   a) How have this affected your information exchange with your customer?
   b) Do you think that the complexity of your product has decreased or increased your information exchange with your customer?

7. Is there any result uncertainty for your customers in any way regarding purchasing advance defence products, e.g. fighter aircraft and airborne surveillance systems?
   a) In what way does this uncertainty occur?

8. How would your company characterize your relationship with your customer when procuring advance defence products, e.g. fighter aircraft and airborne surveillance systems?
   a) What are the objectives with these relationships?
   b) How long is the relationship with your customer when procuring advance defence products, e.g. fighter aircraft and airborne surveillance systems?