Central Purchasing at Stora Enso – A Survey of the Supplier Relations

Beatrice Antell and Emma Heijl

The purpose of this study is to investigate the suppliers’ view of their relation to Stora Enso. The study focuses on the relation between the central purchasing unit of Stora Enso and the suppliers but also gives indications of how the overall interface between Stora Enso and the suppliers works. The purpose is explored through a number of research objectives, which are presented below.

Areas essential for the functioning of the central purchasing unit:
- The overall organisation of Stora Enso’s purchasing activities
- Stora Enso’s cross-functional purchasing teams
- The internal coordination and communication
- The relational bonds between Stora Enso and the suppliers

Important goals and visions for the central purchasing unit:
- Minimising the Total Business Cost
- Being an attractive partner to the suppliers

Currently discussed issues within the central purchasing organisation:
- The potential for closer cooperation between Stora Enso and the suppliers
- The professionalism of Stora Enso’s purchasers

Stora Enso is well organised for purchasing but the centrally coordinated cross-functional teams are not working as well as they could. The internal coordination has improved lately but the central purchasing unit’s mission to optimise for Stora Enso as a whole often creates tension within the organisation, as a result of the mills being profit centres. The internal communication is not efficient, and the suppliers are strengthening their bonds with the mills by taking over the responsibility for certain information flows. The central purchasing unit and the cross-functional teams have the responsibility but not the authority to carry out their task of identifying and reducing the Total Business Cost. Stora Enso is an attractive customer for their suppliers, mainly because of the big volumes they represent. The current negotiation strategies are not advantageous for the introduction of collaborative supplier relations but other factors in the relation between the suppliers and Stora Enso speak strongly in favour for such a strategic change. When it comes to professionalism and business moral the suppliers give the central purchasing unit a very positive evaluation.

Keywords: Purchasing, central purchasing, supplier relations, purchasing organisation, supplier survey, Stora Enso, professionalism, cooperative relations, cross-functional teams, total business cost
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- A Survey of the Supplier Relations

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ABSTRACT

The purpose of this study is to investigate the suppliers’ view of their relation to Stora Enso. The study focuses on the relation between the central purchasing unit of Stora Enso and the suppliers but also gives indications of how the overall interface between Stora Enso and the suppliers works.

A pre-study of Stora Enso’s organisation, the function of the central purchasing unit and its interrelations with, and dependence on other parts of Stora Enso has been performed. The result of the pre-study, together with an exploration of the goals and visions of the central purchasing unit, has led to the formulation of a number of research objectives, which are presented below.

Areas essential for the functioning of the central purchasing unit:

- The overall organisation of Stora Enso’s purchasing activities
- Stora Enso’s cross-functional purchasing teams
- The internal coordination and communication
- The relational bonds between Stora Enso and the suppliers

Important goals and visions for the central purchasing unit:

- Minimising the Total Business Cost
- Being an attractive partner to the suppliers

Currently discussed issues within the central purchasing organisation:

- The potential for closer cooperation between Stora Enso and the suppliers
- The professionalism of the central purchasing unit’s purchasers

The suppliers’ view of these issues is investigated through questionnaires, personal interviews and telephone interviews.

Stora Enso is well organised for purchasing and having a centralised purchasing function gives Stora Enso a superior purchasing power. The cross-functional purchasing teams are very important for the performance of the central purchasing unit but they do not function as well as they could due to insufficient goal-congruence and the team members’ lack of motivation. The internal coordination has improved lately but the central purchasing unit’s mission to optimise for Stora Enso as a whole often creates tension within the organisation, as a result of the mills being profit centres. The internal communication is not efficient, and the suppliers are strengthening their bonds with the mills by taking over the responsibility for certain information flows.

The central purchasing unit and the cross-functional teams have the responsibility but not the authority to carry out their task of identifying and reducing the Total Business Cost.
Cost. The strict price focus in negotiations and the lack of trust and information sharing between Stora Enso and the suppliers also make it difficult to reduce the Total Business Cost. Stora Enso is an attractive customer for their suppliers, mainly because of the big volumes they represent. Other factors that do normally decide if a buying company is considered as an attractive partner are not characteristic for Stora Enso.

According to the observations that can be made of the present negotiation strategies they are currently not advantageous for the introduction of collaborative supplier relations. Many other factors in the relation between the suppliers and Stora Enso speak strongly in favour of such a strategic change, in case Stora Enso would decide to take that step. When it comes to professionalism and business moral the suppliers give the central purchasing unit a very positive evaluation. The only exception is regarding the negotiations, but this can also be a result of a very successful win-lose negotiation strategy.

It is difficult to separate the relation between the suppliers and the central purchasing unit from the relation to Stora Enso as a whole. The interface between Stora Enso and the suppliers is complex and the performance of the central purchasing unit is in high degree decided by the actions of other Stora Enso units. Only a few of the above mentioned issues could be influenced or changed by the central purchasing unit alone.

Included in the purpose of this study is also to develop a tool that Stora Enso can use to replicate the study. The report therefore contains a survey handbook, a questionnaire template, and an interview guide.
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PREFACE

Performing this Master’s thesis at Stora Enso Purchasing has been an interesting journey. We have had the privilege of experiencing the work of a large multi-national company from within. To study the relation between Stora Enso and its suppliers has been a unique opportunity and the knowledge we have procured is likely to have large influence on our future work. The time we have spent at Stora Enso has been a period of constant learning.

“Non omnia possumus omnes”
VERGILIUS (†19 B.C.)

Like Vergilius said “Non omnia possumus omnes” or, freely translated, “We can not all know everything”. All knowledge can not be acquired by literature studies and true understanding comes from experience. We would therefore like to take this opportunity to thank some people that have shared their knowledge with us and provided us with precious information. Your help has been a valuable contribution to the completion of this Master’s thesis.

First of all we would like to thank Stora Enso Purchasing and above all our advisors Johan Dingertz and Åsa Wallén. We would also like to thank the Category Team Coordinators at the time: Svein Gunnberg, Ulla Heinonen, Lothar Lichtenthäler, and Ilari Valkeinen, and also the other employees at Stora Enso Purchasing that have all been so kind and helpful. A special thanks to Natalie Sheerin who always provided us with needed information and material. Thank you also to Stora Enso’s Sales department in Stockholm that shared their coffee breaks with us and taught us the opposite perspective on purchasing.

Through our work we have also come in contact with employees from other parts of Stora Enso. We would like to thank them for their very kind reception and their contribution to this Master’s thesis.

We would like to thank our opponent, Henrik Hagberg, for his patience, the constructive criticism and the concrete improvement suggestions. Thank you also to Professor Staffan Gullander, our advisor at Linköping University.

Last but not least we would like to thank all the suppliers for their time and engagement when participating in the survey. Thank you also to Professor Björn Axelsson, Stockholm School of Economics, Svante Axelsson, CEO of SILF Competence, and tech. lic. Seth Jonsson, Linköping University who shared their purchasing knowledge and gave us useful advice.

Linköping Sweden, October 2004

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1 INTRODUCTION

The introduction chapter gives the background and purpose of the study. Directives from Stora Enso are presented as well as delimitations. A specification of the contents of this report is found in the end of the chapter.

1.1 Background

Today paper prices are low and the margins in the paper industry are decreasing in spite of augmenting production volumes. The cost of direct material represents a large portion of the total cost in the paper industry and in order to increase profitability many companies focus on getting better performance from their suppliers. The pressure on the suppliers to reduce costs is already high, and further pushing the margins might risk the stability of the supply market. To reduce purchasing costs and increase the value in the production with other means than by further pushing down the prices is currently an important strategic challenge. With this in mind, Stora Enso is beginning to consider new ways of achieving cost reductions in their supplier relations. The strategic discussions include the possibilities of obtaining mutual savings and value creation through active and conscious management of supplier relations and eventually through closer supplier cooperation.

Stora Enso has both centralised purchasing and decentralised operative purchasing at mill level. Ordering and materials management are done locally. Since the central purchasing is not involved in the running activities, evaluating the purchasing unit's performance presents some difficulties. The performance of the central purchasing unit is not only dependent on its own capabilities but also on the activities of many other Stora Enso entities. There is an interest, both from the Stora Enso Group management and from the central purchasing management, to find ways of evaluating the central purchasing activities.

The discussions between the Stora Enso Group management and the management of the central purchasing unit have now led to an attempt to evaluate the supplier relations. This initiative is the reason for this study. To study the suppliers' view of their relation to the central purchasing unit is a way of evaluating the purchasing performance, which is otherwise difficult to measure. A positive spin off from such an assessment can also be to find indications of how to develop and get more value out of supplier relations.
1.2 Purpose

The purpose of this study is:

To investigate the suppliers’ view of their relation to Stora Enso.

Included in this purpose is also the task of developing a tool that Stora Enso can use to replicate the study.

1.3 Purpose Discussion

Since this study is commissioned by the central purchasing unit, Stora Enso Purchasing, the study will depart from, and focus on, the relation between the suppliers and this central unit. Stora Enso Purchasing will from now on be referred to as SEP.

The meaning of the term “relation” is very broad, referring to all mutual dealings between two entities. A business relation does not have one single characteristic but depends among other things on the internal capacity of the companies, on their business environment, and on the strategic goals they have set for their activity.

A common description of the basic tasks of a purchasing function is the following:

- Buy items at the right price
- From the right source
- At the required specification
- In the right quantity
- For delivery at the right time
- To the right customer

(Monczka et al. 1998; van Weele, 2002)

These tasks can be considered as general strategic prerequisites for a purchasing organisation. As the purpose is to study the supplier relations of Stora Enso, with focus on the central purchasing unit SEP, these basic tasks will be taken for granted and not investigated as such. They will however be used to illustrate the complexity of the studied purchasing organisation.
INTRODUCTION

Figure 1-1 represents an approximation of how the different purchasing tasks might be influenced by different units within Stora Enso. The purchasing activities of the different Stora Enso units are closely interlinked to each other. The responsibility for most of the tasks is shared between two or more units. In the figure above there are no tasks that SEP alone can completely decide over. The supplier relations of one Stora Enso unit depend consequently not only on its internal capacity but also on the activities and goals of the surrounding entities. In order to study SEP’s supplier relations the goals, the current activity and the organisation of the central purchasing function itself must first be explored as well as its interrelation with, and dependence on, other functions within Stora Enso. These areas will be investigated in a pre-study. The results from the pre-study will form the basis for a number of research objectives that will be used to achieve the purpose of this study.

1.4 Directives from Stora Enso

The SEP management has given the following directives for the study:

- The study shall include a survey of Stora Enso’s suppliers. The survey shall cover the suppliers that make business with SEP and may include all of these, or a subgroup.

- It shall be possible for SEP to repeat the survey and the report must therefore contain parts that can be used as tools for this purpose.

- It is an explicit wish from the SEP management that professionalism matters shall be included in the study.

1.5 Delimitations

Through discussions with the SEP management we have made some initial limitations that influence the scope of the study:
Since the study is commissioned by SEP it is the relations between this unit and its suppliers that are the main subject for the study. This leads to the delimitation that purchasing activities or activities that influence the central purchasing at other levels of the Stora Enso Group will not be studied. Purchasing connected activities on mill and divisional level will not be included in the field study. Even though the activities of these levels are interesting and all purchasing activities are closely linked to each other, the aim of the study is to look mainly at the supplier relations of SEP. The intention of this approach is to get an evaluation of the suppliers’ view of SEP and as a consequence get indications of how the overall supplier interface works.

*Purchasing activities at mill and divisional level are not to be investigated.*

In general the distinction is made between two kinds of purchases: those of items continuously needed in production or in maintenance and those of capital equipment (Noordewier, 1990). The focus of this study is the repetitively used items and the selection is further limited to include only the direct material needed in production. Investments and Maintenance, Repair and Operations, commonly referred to as MRO, and IT, purchasing areas that also are conducted by SEP, are thus excluded. The main reason for this is that the purchases of these items are organised in a way that differs considerably from the purchases of direct material.

*Only the purchases of direct material will be studied.*

To get a consistency in the results it is important that the contact between the studied suppliers and SEP is organised in a similar way. The products that are subject to global agreements are all the responsibility of so called Category Teams, led by SEP. Regional agreements can also be negotiated by SEP but the interface between SEP and the supplier may then vary from case to case.

*Only suppliers of products that are subject to global purchasing agreements negotiated by SEP will be studied.*

The study is delimited geographically to Europe. The main reason for this choice is that the purchasing activities in the USA and China are organised in a slightly different way than the purchases in Europe.

*The study will include only suppliers that deliver to Stora Enso mills in Europe.*
1.6 The Contents of the Report

To give an overview of the structure of the report the contents of the different chapters will be described in the following section.

Chapter 1, Introduction: The introduction chapter gives the background and purpose of the study and is essential for the understanding of the scope of the report.

Chapter 2, Performing the Study: This chapter describes the research approach of the study and the different phases that have led to the completion of the report.

Chapter 3, Pre-Study: The understanding of this report requires some knowledge of Stora Enso and SEP. This chapter deals with the company: its organisation and functions. For those unfamiliar with the company and its purchasing processes we recommend reading this chapter. Those already familiar with the organisation may still find part 3.8 “Interesting Areas for Further Investigation” interesting since it presents some questions, and possible problem areas, regarding SEP’s activity that have been identified as important to include in the survey.

Chapter 4, Frame of Reference: The Frame of Reference contains theories on purchasing that serve as a theoretical frame for the analysis of the empirical data. This chapter gives examples of how the activities of SEP can be related to current research issues.

Chapter 5, Specification of Task: The Specification of Task explains the reasoning that has led to the choice of research questions that will be investigated in the survey.

Chapter 6, Method of Work: This chapter describes the method that is used to perform this study and contains information on the design of the field study as well as a discussion about the problems and risks that are related to the choice of method and subject of study.

Chapter 7, Empirical Results: This chapter gives a condensed description of the data collected in the survey. For those that desire exact statistical values for all questions the whole questionnaire is also present in Appendix 3.

Chapter 8, Analysis: This chapter departs from the research questions and analyses the empirical findings with the help of theories from the Frame of Reference.

Chapter 9, Discussion and Recommendations: The essence of the analysed questions will be presented in this chapter. The influence of the findings on Stora Enso’s purchasing activities will be discussed and some recommendations based on the previous analysis will be presented.
2 PERFORMING THE STUDY

This chapter gives a description of the scientific and methodological approach of this study. The different phases of the study are described and the structure and ambition of the pre-study are discussed.

2.1 The Scientific and Methodological Approach of the Study

Carefully choosing both the scientific approach and the methodology for a study is an important aid in the academic work. Different models have different drawbacks and benefits and are more or less suitable depending on the situation and purpose.

2.1.1 Scientific Approach

There are two main branches of scientific approach: hermeneutics and positivism.

Positivism

Positivism emphasises the objectivity of the observer. Only facts shall be included in a scientific study so the observer must be careful not to let subjective values such as the own emotions and attitudes colour the study. (Patel & Tebelius, 1987)

Hermeneutics

The hermeneutic approach accepts the reality as a combination of facts and emotional experiences. Subjectivity is a part of all understanding, thus personal experiences and attitudes are included in the observations. (Patel & Tebelius, 1987)

The Choice of Scientific Approach

One of the aims of this study is to give objective input to Stora Enso and a positivistic attitude is the best choice when striving for objectivity. The study could probably also be done with a hermeneutic approach but the results would then be different. The approach will be discussed more thoroughly in the next section “Methodological Approach”.

2.1.2 Methodological Approach

The methodological approach decides the way observations and data collection are performed. Björklund and Paulsson (2003) and Arbnor and Bjerke (1994) define three main approaches: the actor’s view, the analytical view, and the system view.

The Actor’s View

The actor’s approach focuses on understanding of reality as a social construction. Observations are influenced by the actions and previous experience of the observer. Knowledge is dependent on the individual and coloured by the social setting. (Arbnor & Bjerke, 1994)
The Analytical View
The analytical view tries to find causal connections. Reality can be regarded as a system that can be divided into subsystems and where the parts equal the whole. Knowledge is independent of the individual and thus of objective nature. (Arbnor & Bjerke, 1994)

The System View
The system view is the approach that today dominates economical research in Scandinavia. The approach is close to the analytical when it comes to the ambition of objectivity but has some determining differences. The main difference is that the system view admits that the parts do not necessarily add up to the whole. This approach visualises the importance of the relations between subsets in a system. Knowledge is not independent as in the analytical view, but dependent on the system. The parts must therefore be explained according to the characteristics of the whole. To explain a situation, the overall picture must be mapped out. The system approach does not try to define clear causal relations, but accepts finality relations (where there is a correlation between two entities but not necessarily a clear cause-effect relation) as a more appropriate way to explain a system. This is a consequence of the insight of reality being complex and that one incident can have many different effects (multi finality) and that a certain effect can depend on several different causes (equi finality). (Arbnor & Bjerke, 1994)

Our Choice of Methodological Approach
As we have earlier discussed, the central purchasing unit is dependent on the activities of other units in the company. The central purchasing can therefore be described as a system with internal capabilities, whose actions are influenced by environmental factors that can not be changed by the unit itself. To understand the activity of the central purchasing unit we must also take into account the characteristic of its environment. The studied system is complex and contains relations on many levels; this makes finality relations, as opposed to definite cause-effect relations, most accurate to describe the system.

All the above mentioned factors make the system view suitable for our study. Our choice is confirmed by Persson et al. (1991) who state that the system approach is appropriate when analysing relationships inside or outside a company.

The system approach allows both hermeneutic and positivistic attitudes. The combination of a positivistic and systematic approach gives a study with an analytical ambition that at the same time takes into account the system’s influence on the studied object.
2.1.3 System Analysis

A necessary condition when analysing a system is that it can be described in a relevant way (Abnor & Bjerke, 1994). Churchman (1978) has developed a system analysis where five variables are used to describe the system. Churchman’s model for system analysis has served as a framework for this study.

The System Goals are the real goals for the system. It can be difficult to identify these overall goals since other more operative goals can be used in the daily work. In a well functioning organisation the operative goals should be aligned to the overall goals but that is not always the case, thereof the difficulty of identifying the real goals of the system. To get an indication of how well the system works, it is important to find ways of measuring the performance of the system.

The System Environment and Solid Restrictions are factors external to the system that affect how the system works but can not be controlled by the system.

The System Resources are the tools the system uses to perform its tasks. The system can (in contrast to the resources decided by the system environment) use the resources to change and improve the system performance.

The System Components are the subsystems that create the system. The subsystem’s goals do not necessarily correspond to the goals of the system.

The System Management designs the system considering the above-mentioned factors. The management determines goals for the system components, the use of the resources and governs the performance of the system.

2.2 The Making of the Report

The purpose and background of this study were established through discussions and interviews with the SEP management. Thereafter followed an iterative loop (Figure 2-1) where four important parts of the report were worked with simultaneously: the pre-study, the frame of reference, the specification of task and the method description.

The pre-study (see also section 2.3) contains a description of Stora Enso’s purchasing activities and provides the background information that was needed to specify the research objectives that are investigated in this study. The description was established through nine interviews and through informal discussions with Stora Enso employees and through studies of company material.

The frame of reference was developed mainly through literature studies. Three interviews were also performed with purchasing experts in order to deepen our purchasing knowledge and relate current research to the activities of Stora Enso.
The specification of task and the method description were also developed through literature studies and through academic discussions. The time from the establishment of the Purpose and Background to finishing the loop was approximately seven weeks.

The field studies that followed included personal interviews, telephone interviews and questionnaires. After the field study the gathered material was compiled and structured. The quantitative data was re-coded into a file for statistical analyses and the interview answers were organised and regrouped to form a descriptive text. The interview results were combined with the statistical results from the questionnaires to form the empirical base for our analysis.

During the last phase the empirical results were analysed and a revision of the report was performed. The analysis of the material was based on the theories discussed in the frame of reference. The analysis finally led to a discussion about the influence of the findings on Stora Enso’s purchasing activities as well as a discussion about issues that could be interesting for Stora Enso to explore in the future.

### 2.3 The Necessity of a Pre-study

One of the reasons for Stora Enso to let university students lead the research is that they want the study to be more objective. The purchasing management has been very careful not to steer the work in any predetermined direction. The first task was therefore to make a rather extensive pre-study in order to identify the areas that are essential to investigate. The ambition and structure of this pre-study is described below.

The purpose of the study is very wide and as concluded earlier the term “relation” can include almost all contact between two companies. It is therefore not achievable to study all possible aspects of the supplier relations. The task had to be delimited by choosing which areas of Stora Enso’s supplier relations that should be studied.
A description of the organisation and activity of the central purchasing unit and how it is influenced by other units within Stora Enso forms the basis of the pre-study. Much information was retrieved from Stora Enso’s internal documentation. To get a more complete view interviews were performed with key persons in different positions that are connected to the purchasing activities of Stora Enso.

In order to determine the areas that are most important to consider the goals, policies and other strategic documents for Stora Enso’s purchasing activities and supplier relations were studied. Both the directives that are issued by the Stora Enso Group management and the directives that are specific for SEP’s management were taken into account. Representatives from SEP’s management were interviewed in order to further clarify the goals and priorities of the central purchasing.

Based on the description of the purchasing activities and the study of the company goals we have made our own independent conclusions about which aspects that are interesting to study. The results of the pre-study have lead to the formulation of a number of research objectives that are used to achieve the purpose of this study.
3 PRE-STUDY

This chapter deals with the organisation and function of SEP and other parts of Stora Enso that are involved in the purchasing activities. The final section (3.8) of this chapter presents a number of areas for further investigation that will have a large focus further on in the study.

3.1 Introduction

The complexity of the studied area and the broad purpose make a pre-study necessary. Through the pre-study a number of aspects that are important for the performance of the central purchasing will be identified. These aspects will later on be used to formulate the research objectives that will be investigated in the field study. All information in this chapter has, unless other reference is given, been gathered through internal web pages, internal reports, Stora Enso Annual report 2003, and interviews with SEP employees.

3.2 The Group

Stora Enso is an integrated paper, packaging, and forest products company. The production is mainly publication and fine papers, packaging boards and wood products. Stora Enso is ranked as No 1 both in the world and in Europe according to production capacity of paper and board. Stora Enso has 11 % of the capacity on the European market and main competitor in Europe is the Finnish company UPM. Stora Enso has 4.4 % of the world capacity. Nearest after on the global market is International Paper, which is active mainly in the USA and not so big in Europe. It is the European market that is the focus for our study: the main competitors can be seen in Figure 3-1.
Figure 3-1: Leading paper & board producers in Europe (Stora Enso)

Stora Enso was formed when the Swedish company STORA and the Finnish company Enso merged in 1998. Stora Enso’s activity is in Europe, North America and Asia. Stora Enso’s head office is located in Helsinki (Finland). Stockholm (Sweden) also has head office functions and there is an international office in London (Great Britain). Important regional offices are located in Düsseldorf (Germany) and Chicago (USA). The Stora Enso Group employs 43 000 people in more than 40 countries. Stora Enso’s customers are mainly publishers, printing houses, merchants and also packaging, joinery and construction industry world-wide.

The sales in 2003 were 12.2 billion Euro and the operational profit 583.1 million Euro. In recent years the Group has had a profitability target of 13 % ROCE (Return On Capital Employed) a goal that has not been reached in later years. The ROCE of 2003 was 4.6 %.
Stora Enso was reorganised in 2003 to fit the strategic principle of being operated and managed as one industrial group. Today the organisation is formed around Stora Enso’s three core product areas; Paper, Packaging and Forest Products (Figure 3-2).

Stora Enso’s strategic goal is to increase the value of the company through profitable growth. This will be achieved by having world-class facilities, continuous performance improvement and first-rate management resources maintained by targeted capital expenditure, mergers and acquisitions. This strategy is mirrored in Stora Enso’s work with “Mission, Vision and Values” concepts.

The Mission, Vision and Values are the over all objectives of the Group. They were created when Stora Enso was formed as a company and has not changed since the merger in 1998. Every department in Stora Enso has their own Mission, Vision and Values derived from the corporate objectives (Figure 3-3).
Mission
We promote communication and well being of people by turning renewable fibre into paper, packaging and processed wood products.

Vision
We will be the leading forest products company in the world
We take the lead in developing the industry
Customers choose us for the value we create for them
We attract investors for the value we create
Our employees are proud to work with us
We are an attractive partner for our suppliers

Values
Customer focus - We are the customers' first choice
Performance - We deliver results
Responsibility - We comply with principles of sustainable development
Emphasis on people - Motivated people create success
Focus on future - We take the first step

Figure 3-3: Mission, Vision, Values (Stora Enso)

3.3 Stora Enso Purchasing, SEP

3.3.1 Activity Overview
SEP belongs to the corporate support function of Stora Enso. This means that SEP provides a service for the other units of the Group. Corporate Support consists of four functions: Purchasing, R&D, Environment and Energy (Figure 3-4).

Figure 3-4: Organisation of the Corporate Support (Stora Enso)
SEP is a cost centre, principally financed by the business units through a quarterly fee. SEP is responsible for coordinating the Stora Enso Group’s purchases in the areas of binders, pigments, chemicals, paper machine clothing, packaging, MRO (maintenance, repair and operations), IT, and investments. The overall aim for SEP is to achieve cost efficient purchasing on a global scale. The total expenditure coordinated by SEP is approximately 1700 million euro (investment activities not included) on an annual basis. SEP administers about one third of the total expenditure of Stora Enso.

SEP establishes corporate purchasing strategies and makes corporate purchasing agreements on behalf of Stora Enso. According to SEP’s internal goals they should also promote purchasing policies and encourage knowledge sharing within the Stora Enso Group. They should also develop concepts and tools for improvement of purchasing and provide sourcing intelligence and market analyses.

Products being purchased are classified as global, regional or local (mill). Global products are coordinated by SEP for the entire group. Regional products are coordinated for one or several countries. The agreements are valid for the units in the region considered. Each mill negotiates agreements for local products.

3.3.2 History

The SEP organisation was created after the merger of STORA and Enso in 1998. In STORA the central purchasing and transportation function had formerly been one unit. The purchasing was mainly price-focused. Enso had a tradition of some networking and cooperation in purchasing. Most purchasing matters were all the same handled at mill level. Following the merger Stora Enso contracted consultants to develop the new central purchasing function. SEP was organised then as it still looks today.

3.3.3 Organisation

The Purchasing Executive Committee, PEC

The governing forum for SEP is the Purchasing Executive Committee, PEC. PEC consists of representatives from the North American unit SENA and from the different business units: Paper, Packaging and Forest Products (see Figure 3-5). PEC monitors SEP's activities and business plan and approves the purchasing strategies and targets. PEC also fills the role of anchoring strategic purchasing decisions at product level as well as at corporate executive level. The chairman of PEC is the Senior vice Executive President that is also responsible for Corporate Support. The Senior vice Executive President reports to Stora Enso’s Deputy CEO and is accordingly the link between SEP and the corporate executive management.
SEP Legal Structure
SEP formally comprises four different legal entities, one for each region: Continental Europe, North America, Nordic-Sweden and Nordic-Finland, but is operating globally as one unit. The SEP team in Europe consists of 18 people and the SENA Purchasing team in North America consists of 10 people. The employees are located in Düsseldorf, Germany (Continental Europe), Wisconsin Rapids, USA (North America, SENA Purchasing), Stockholm, Sweden (Nordic-Sweden) and Helsinki and Kemi, Finland (Nordic-Finland). Each entity has its own regional purchasing manager.

3.3.4 Category Teams

Organisation and Objectives
The global purchases of binders, pigments, chemicals, packaging and paper machine clothing are done by SEP using so-called cross-functional teams. Cross-functional team is the term for a team of people from different departments that are gathered to achieve specific tasks (Monczka et al.1998). Stora Enso refers to these teams as Category Teams. There are ten Category Teams and every team manages the purchases of a specific product type (Figure 3-6).
Figure 3-6: SEP’s organisational structure including the Category Teams (Stora Enso)

The teams have been operating since the year of 2000. A Category Team Coordinator, employed by SEP, coordinates each Category Team. The teams consist of 6-8 representatives from the mills, appointed by the business units. The Category Team Coordinator has the possibility to suggest members, but it is PEC that makes the final decisions. The mill representatives mostly work with production, R&D and mill purchasing and are often in work leading positions. Each member of the Category team represents not only their mill but also their product area, and has the responsibility of coordinating the discussions and the information transfer in their business unit. The Category Team members also have the responsibility of keeping in contact with, and informing the mills in the same region that do not have any member in the same Category Team. It is seen as an advantage to have team members from many different regions in order to cover an area that is as big as possible.

Not all mills are interested in having a member in a Category Team. It has in some cases been difficult to gain acceptance for the Category Team work from the mills in Continental Europe. The Nordic regions are rather well represented in the Category Teams. Almost all Finnish mills are represented in a Category Team. The participation of the Swedish mills is good but somewhat weaker than the Finnish participation.
The representatives are employed by their mill and do not receive any extra compensation for working in a Category Team. When the Category Team structure was defined there were two main aspirations for the organisational outcome: to give more transparency between mills and SEP and to contribute with competency to the SEP organisation.

The two key operational tasks of the Category Teams are to develop sourcing strategies for their products and to contribute to the knowledge and best practice sharing between mills, divisions and regions. The Category Teams are hereby a catalyst for process improvements. In the sourcing strategy development the mill representatives can contribute with performance data and experience from the production. The executive ambition for the Category Teams is high: “The category team is a key driver of improvement initiatives”.

**The Work of the Category Team Members**
Communication among team members is mostly done by e-mail or telephone. Meetings are held approximately every two months. The Category Team members’ tasks are mostly to gather data and in other ways prepare the negotiations. The usual estimation is that an active team member puts around 10% of his or her time on team tasks. The degree of involvement differs among the participants and some members participate in meetings more frequently than others. It is not unusual that team members only participate in some of the yearly meetings and otherwise avoid involvement. The key persons at mill level that are suitable for a position in a Category Team are a somewhat rare resource. There are many other work groups that demand their attention. SEP does not have any particular incentives, except the possibility of influencing the global purchases, to offer for joining a Category Team. The Category Team is present at negotiations for purchases of global products. The team members do not always have purchasing training. SEP has been thinking of offering the Category Team members some training but time and resources have been limited.

### 3.3.5 Focus on the Total Business Cost

One important goal for the central purchasing activities and one of the desired outcomes of the work in Category Teams is a reduction of the Total Business Cost. SEP defines the Total Business Cost as: \( \text{Purchasing price} + \text{Purchase costs} + \text{Process costs} \).

According to this concept the full cost of using a product or a service should be taken into account when considering a purchase. The purchasing price is not the only parameter to consider but indirect purchasing costs such as materials handling, inventory, quality control and administration must be seen to. (van Weele, 2002) At Stora Enso the implications one product has on the process costs, such as increased need
for service, or effects on the need of other products is also an important parameter that
can be difficult to foresee. SEP should work in order to minimise the Total Business
Cost in the global corporate purchasing. Through the cross-functional structure the
hope is that the team shall be able do identify the cost drivers for each product and
thereby find ways to reduce the Total Business Cost.

### 3.3.6 The Mills

The mills have traditionally had a lot of independence. Historically, they have been their
own companies. Following the consolidation of the business the mills have instead
become more specialised subunits of the Group. Even if they are today stripped of some
of their former functionality, as corporate functions have taken over administrative
tasks, the spirit of decentralisation is still very noticeable. The mills are profit centres
and responsible for their own purchasing costs. They influence the processes of the
central purchasing through their representatives in the Category Teams and by
approving or disapproving suppliers and products.

Not all mills are interested in having representatives in the Category Teams and all mills
can not be represented in all teams. The Category Team members should therefore stay
in contact with the mills within their region that do not have a representative of their
own. It is often the same mills that are interested in having representatives in the teams.

Each mill has its own purchasing unit, which administers the purchases of local
products. The purchasing is organised in different ways depending on the mill. Usually
the purchasing manager of the mill is subordinated to the economy function or
materials administration. The SEP regional managers have meetings with the mill
purchasing managers about four times a year. A mill has supplier contacts in many
different areas. The mill management may meet regional sales representatives to discuss
product development or trends in the production. Mill engineers meet the local sales
representatives or, in the case of problems in the production, the supplier’s technical
service team.

Finding new materials or new suppliers is a sensitive matter since the production
process does not allow too much experimenting. The fixed costs are high and getting a
stop in the production caused by a material change is not desirable. It is vital for the
individual mill to keep the production running in order to maintain a reasonable profit
margin. Using a well known but expensive material can therefore appear as more
advantageous compared to the insecurity in switching to an untested equivalent. The
production management has a large influence in the process of choosing suppliers and
materials. It decides whether to go for an alternative or not. In the ideal case the
production management suggests two or three different products and leaves SEP the
task of finding the best price among them. SEP does not have the specific knowledge of the production and technology in order to make technical specifications. The general form of the corporate purchasing agreements leaves the individual mill the independence to specify those details.

3.4 Mission, Vision, Values and Goals

As all units of Stora Enso, SEP has its own mission, visions and values derived from the Stora Enso equivalent. These mission, vision and values are guidelines that SEP can use to guide their organisation and business.

3.4.1 Vision

The most important demand from the Stora Enso Management group for the purchasing activity is that no mill is to be out of supplies at any time and that the production is to be kept running. When this prerequisite is fulfilled there is also Stora Enso’s overall vision regarding purchasing to take into account. The vision reads: “We are an attractive partner for our suppliers”. This vision has been extended by SEP to form a vision document that is specific for the central purchasing. The vision for SEP reads: “We are an attractive partner for our suppliers and a significant contributor to the success of Stora Enso”. For SEP being “an attractive partner” does not necessarily imply partnership, but to act in a way that brings value also to the supplier.

3.4.2 Mission

The SEP mission is:

“To optimise all purchasing activities of Stora Enso by coordinating the advantages of our company's size and the competences of our divisions, mills and suppliers in order to minimise the company's Total Business Cost”

The mission is reflected in the goals and the current focus on reducing the Total Business Cost.

3.4.3 Values

SEP’s values describe the work attitude that is promoted within the central purchasing organisation.

- Contribute to the general performance of Stora Enso
- Act professionally
- Be a demanding but fair customer
• Be a respected resource
• Have focus on ethical, social and environmental issues
• Feel joy and pride
• Honour creativity and openness
• Humbleness with sharp ears

3.4.4 Goals

SEP has also formulated more focused goals for their activities to work from. SEP's goals are to:
• Be better than the company’s best competitor in terms of efficiency, services and quality in the purchasing areas
• Contribute to the general performance of Stora Enso by utilising Stora Enso’s global presence
• Reduce Total Business Cost
• Provide world-class agreements
• Balance secure supplies with alternatives and flexibility in order to promote long term competition
• Possess concurrent market and supplier competence

The goals reflect the changes in the business environment. One of the most discussed and promoted goal for SEP right now is to reduce the Total Business Cost.

By working with policies and the “Mission, Vision, Values”- documents SEP believe they are moving in the right direction. The SEP purchasing policies and goals are distributed in the organisation mostly through discussions. There is also a set of presentation material that the Category Team Coordinators can use to inform and initiate discussions in their teams.

3.5 Professionalism

To “Act professionally” is one of SEP’s values. It is very important for the SEP management that their purchasers act professionally. To act professionally means for SEP to have good business knowledge and excellent negotiating skills. Cost reduction and optimising for Stora Enso as a whole and to be aware of SEP’s mission is also a part of what SEP regards as being part of the professionalism concept.
According to SEP, to act professionally also means that the purchasers should know the supplier well and should be well prepared for every negotiation. The purchasers should have excellent knowledge of the product, the production technique, the market, and the network of suppliers where Stora Enso is an actor. SEP’s purchasers shall focus on the agreements and the prices, and never let personal interests influence their decisions. SEP’s purchasers shall be regarded as very competent in performing their profession. Aspects such as neutrality, treating the suppliers equally, acting in a consistent way within the different parts of SEP, and creativity in developing SEP’s functions are also included in the notion of acting professionally.

**Moral and Ethics**
To act in a moral and ethical way is included in SEP’s notion of professionalism. SEP has therefore created moral and ethic business values for their employees to follow. These values are described in the folder “How to do business with Stora Enso”. These values are spread by the SEP organisation in the same way as the mission, vision and values. Some mills, mostly in Sweden, have also formulated their own business moral and ethics documents that they distribute to their suppliers.

- Stora Enso employees shall follow laws and regulations applicable in the countries where we source or work
- SEP employees shall refrain from having significant share or options in supplier companies, where conflict of interest can occur
- SEP employees shall pay their own travel and accommodation costs when visiting or meeting suppliers
- Suppliers visiting Stora Enso they shall be considered and treated as guests
- Gifts to SEP employees are not accepted, if not minor
- Entertainment of the SEP employees’ families paid by suppliers is not accepted
- SEP employees shall only accept work, which can be conducted in a professional way
- SEP employees shall not participate in suppliers advertising or promotion material
- Alcohol shall normally not be consumed during working hours. In professional related after-work contacts with colleagues or suppliers where alcohol is consumed this shall be limited to moderation
3.6 The Supplier Market

The supplier markets where SEP is an actor can have varying complexity. Some product areas have over-capacity and it is easy to get purchasing volumes whereas other product types have a more limited supply. According to SEP the general trend is the tendency of consolidation. This has led to a market structure with both large customers and large suppliers. Today most paper companies buy from almost the same suppliers. For Pulping and Bleaching Chemicals there are for example three companies that stand for about 90% of the supply world-wide. Even though some product types are more limited in supply SEP, because of their company size and the large volumes they buy, do not believe that the availability of supplies will be a problem for them. In order to improve the security of future deliveries SEP works hard to get the mills to have at least two possible suppliers for every product. The suppliers are mostly located in the areas where Stora Enso has the majority of its mills i.e. in Finland, Sweden and Germany.

3.7 Future Issues for SEP

In this section some strategic issues that are currently discussed in SEP but that have not yet been fully implemented will be described.

Local and Regional Coordination
A constant challenge is to coordinate activities at local and regional level in order to lower administration and transaction costs (costs connected to a purchase but not depending on the purchasing price). Much focus is put on the information flow and best practice sharing between the mills, SEP and the Category Teams in order to find Total Business Cost reductions. Today information is not always easily accessible and the data formats of purchasing and production records from different units are not compatible. Stora Enso has in the so-called SEAAP project initiated the work of bringing together the different information systems within the Group and eventually introducing a business administration system that can be used globally.

Supplier Segmentation and Cooperation Strategies
One issue in SEP’s strategy discussions is the segmentation of suppliers and how to apply different purchasing strategies for different categories. In some product categories the work of analysing the suppliers according to Kraljic’s (1983) principles for supply management has been started. According to these principles the supplier market is divided into segments according to two dimensions: the importance of the purchase and the complexity of the supply market. Depending on their relation to these two dimensions the products are then classified as strategic, bottleneck, leverage or non critical. SEP’s supplier segmentation is performed according to the adapted Kraljic model that can be seen below (Figure 3-7). The aim is to eventually evaluate the
supplier strategies for each segment and also to consider the possibilities of partnership relations for certain chosen categories. Closer cooperation with key suppliers and more long-term commitment are today interesting issues for SEP.

![Figure 3-7: Kraljic's supplier segmentation adapted by SEP](image)

**To Act our Size**

In the discussions about the long term strategies and the future of the central purchasing there is the general belief that SEP has already done much of what is possible when it comes to reducing the purchasing prices. The question is now how to take the next step in order to maintain a competitive position. The credo “Act our size” illustrates the ambition of further coordinating the sourcing activities of Stora Enso to gain the full advantages of the Group’s heavy global presence. One controversial issue is how much that can or should be coordinated or standardised and to which extent paper products are to be regarded as commodities. Should purchasing be considered as a service function or have a more strategic role?

### 3.8 Interesting Areas for Further Investigation

During our study of Stora Enso and its purchasing activities some important areas that are interesting to study have been identified. These areas will later be in focus when formulating the research objectives that will be investigated in the field study. These areas are presented in the following sections.

**The Category Teams**

Today SEP has very little influence on the composition and work of the Category Teams. The Category Team Coordinators have difficulties getting interested and experienced members and they have no or little possibility of steering the work of the
individual member. Having teams with the right mix of competencies, and members with enough time and interest for the work is a difficult matter. Since there is no monetary or other compensation for the Category Team members there is no real way of requiring active participation or making sure that tasks are performed.

The individual team members do not always have motivation to support a solution that is supposed to be optimal in a global perspective but that does not directly benefit the home mill. SEP is not always appreciated locally at the mills (central governance is not at all times regarded as an asset), and it is unclear which influence the team members have on the purchasing process at mill level.

**Total Business Cost**
The mission of minimising the Total Business Cost is somewhat abstract. There is no definition of how the Total Business Cost can be identified. Today the effect of a specific purchase on the Total Business Cost cannot be measured since there is insufficient coordination of information and no reliable metrics for measuring.

**Interaction between SEP and Other Parts of Stora Enso**
Although the mills are responsible for their own costs, as a consequence of the need for coordination within the Group, they cannot decide completely over all of them. This is sometimes problematic and a potential source of conflict. The purpose of SEP is to optimise the purchasing in a group perspective, which is not always in the interest of the individual mill. The mills are supposed to use the corporate purchasing agreements when dealing with suppliers and making call offs. In some situations the mills have refused to use the agreed supplier and purchased their products from somewhere else. This scenario is not a very common one but it is difficult to monitor the amount of backdoor selling and neglecting of corporate agreements. If a mill does not take the agreed volume from a certain supplier this complicates the situation for SEP and may strain the supplier relation.

According to internal audits SEP has not been the most popular service unit in the Stora Enso organisation but they have improved in later years. SEP has difficulties reaching the business units with information regarding agreements negotiated by SEP and the Category Teams.

### 3.9 SEP’s Supplier Relations According to the System Analysis Model

The pre-study makes it possible to place the investigated area into its context. System analysis has been used to structure this study and Churchman’s model for system analysis (see section 2.1.3) will be used below to describe the studied area.
The goal of the studied system (Figure 3-8) is to coordinate and optimise the purchasing activities of Stora Enso in order to minimise the company’s Total Business Cost. The system’s surroundings have a large influence on the system and SEP can not by them self govern the studied system. The divisions and the mills have a relation to the supplier that affects the relation between SEP and the suppliers. The division managers are members of PEC, the instance that create the strategies that define SEP’s task and the mills are responsible for the local purchasing activities that involve the suppliers dealing with SEP. The external environment, e.g. the conditions of the supplier market and legal constraints, also has strong influence on the system.

The system resources are used to carry out the system’s objectives. System resources are for example SEP’s staff function and the Category Teams that handle the negotiations between the suppliers and SEP. Other resources that are important for the performance of the system are time, information systems and financial resources. The components of this system are all kinds of interaction that exist between the suppliers and SEP, for example negotiations and other meetings. It is important to handle the system components well so that the performance of the whole system can be improved. The system is governed, not only by SEP, but also by PEC and other management instances at Stora Enso that have requests on the performance of the system.
4 FRAME OF REFERENCE

This chapter contains theories from previous research that are interesting for the description and evaluation of the purchasing activities of Stora Enso. The presented theoretical issues will serve as a framework for the analysis of the empirical data.

4.1 Purchasing Performance

The following section highlights the function of purchasing today and briefly describes the trends that have lately influenced purchasing strategies. Different ways of determining and measuring purchasing performance will be discussed.

4.1.1 Purchasing’s Role in the Organisation

The recessions of the 1980s and 1990s have forced enterprises to cut costs and increase operational efficiency in order to be competitive. Since the conjuncture has made it difficult for firms to pass increased costs on to their customers through price increases, this has necessarily led to a stronger focus on cost reductions. (Cousins, 1999) The pressure on sales prices has also led to a shift of power in some markets: from a seller’s market to a buyer’s market. As a consequence the role of the purchasing department becomes more important than it was earlier. (van Weele, 2002) With these two effects in mind it becomes evident that the downturn of the economy can be seen, not only as a hard time for the purchasing department, but in the same time as an opportunity for the purchasing function to gain in strategic importance (PSC Executive Board, Jan 2001).

The purchasing value in relation to the total cost of goods sold is approximately 50 % for manufacturing companies in general (van Weele, 2002). Of course this number depends on the business and the manufacturing process. The purchasing value of the paper industry as a whole is higher than the average for manufacturing companies and lies around 70 % (Axelsson & Laage-Hellman, 1991). Note that the term “purchasing value” refers only to the invoice value and does not take into account other costs that the procurement gives rise to. The relation between different cost drivers in purchasing will be discussed later on in this chapter.

A popular statement in purchasing literature is that “a Euro saved in purchasing is a Euro more in operating income.” A reduction of the direct materials cost will directly affect the sales margin, which in turn improves the company’s return on net assets. (Gadde & Håkansson, 1998; van Weele, 2002) Van Weele and van der Vossen (1998) use a DuPont calculation to show the possible outcome of a 2 % reduction of the purchasing cost for some major international companies. For a company (Heineken)
whose purchasing cost is 42% of the turnover, the increase in return on net assets would be approximately 15%. With this in mind it seems rather natural that many companies have turned their attention towards cutting purchasing costs in later years. To bear in mind is also that the cost of direct materials is only a small part of the total costs incurred by purchasing.

### 4.1.2 Direct and Indirect Purchasing Costs

Noordewier (1990) classifies purchasing costs into the categories: invoice (purchasing price), possession, and acquisition costs. He defines purchasing performance as the minimisation of these three costs. For repetitively purchased items, as opposed to investments, the possession and acquisition generally dominates the cost equation, the invoice costs being relatively less important in size. The costs incurred in the purchasing process that are not directly linked to the purchasing price are by a number of theorists (Williamson, 1979; Hill 1988 among others) referred to as transaction costs.

Gadde and Håkansson (1998) present an “Iceberg Model” which illustrates the “hidden”, or indirect, costs of purchasing (Figure 4-1). The hidden costs of the Iceberg Model correspond to the possession and acquisition costs discussed by Noordewier (1990). These indirect costs may be connected to a specific supplier, i.e. costs for maintaining the relation and for interacting and adapting processes. Some costs, such as administrative systems, organisational adaptations and communication systems, are rather connected to the purchasing organisation as a whole. (Gadde & Snehota, 2000)

![Figure 4-1: The Iceberg Model (Håkansson, Gadde, 1998, p. 56)](image_url)

A practical example of the use of the Iceberg Model is given by Kodak that has used a similar model to represent the different costs to take into account at purchasing decisions. Kodak’s estimation is that the indirect costs amount to 2.5 times the direct purchase price (Avery, 1996 through Håkansson & Gadde, 1998). The purchasing price
is subsequently only a small part of the costs that should be considered at a purchasing decision.

4.1.3 Measuring Purchasing

One attempt to define purchasing performance is by breaking it down into the terms purchasing efficiency and purchasing effectiveness (van Weele, 2002). Effectiveness is defined as the extent to which the set goals are being met, whereas efficiency is defined as the amount of resources needed to attain the previously determined goals. Axelsson and Laage-Hellman (1991) make a distinction between measuring purchasing achievement in absolute terms and measuring the ratio of output versus input. This is directly comparable to van Weele’s definition of effectiveness and efficiency. What kinds of measures that are used to evaluate the purchasing performance are dependent mainly on how management views the role of purchasing. Depending on if that role is seen as mainly administrative or strategic, the evaluation focus shifts from quantitative (efficiency) measures to more qualitative (effectiveness) measures. (van Weele, 2002)

Measuring Purchasing Efficiency

Many traditional measures of purchasing performance focus on process efficiency, e.g. the average cost per invoice or the average spend per purchasing employee (PSC Executive Board, Jan 2002). Average prices in the agreements can be compared to earlier levels but according to S. Axelsson this kind of measure should not be used too frequently since it might lead to an excessive price focus.

One easily accessible tool for measuring purchasing efficiency is the one of comparing actual costs to that of budgeted costs (Axelsson & Laage-Hellman, 1991). It can however be difficult to know what a reasonable result is. The relevance of budget measures depends on the reliability of the budget. There is the possibility of using historical data but there is no guarantee that the former performance gives an accurate picture of real capacity. Another possibility is benchmarking. (Anthony & Govindarajan, 2003) One weakness of benchmarking is the difficulty to know what is “right” even when measuring against a comparable company (Axelsson & Laage-Hellman, 1991).

We have earlier discussed the relation of price to the total purchasing cost. Since the purchasing price is just a small amount of the total costs connected to purchasing it becomes obvious that measuring purchasing is not only about evaluating direct purchasing costs. In purchasing literature there seems to be no scarcity of efficiency measures. Even if there are many efficiency measures that take also the indirect costs of purchasing into account there is still a lack of accurate metrics focusing on the total cost of activities. (Axelsson & Laage-Hellman, 1991) Lately there has however emerged an interest of measuring the contribution of the purchasing function to the total business
value and to give the metrics a stronger linkage to corporate strategy (PSC Executive Board, Jan 2002).

Measuring Purchasing Effectiveness
Another problem when it comes to evaluating purchasing performance is that there is no simple way to measure purchasing effectiveness. To be able to measure purchasing effectiveness the strategic goals as well as the operational targets have to be clearly defined. Even if the targets are visible there is not always an obvious way to transform the targets into measurable units. Evaluating purchasing performance is an important issue for many companies but still today there is no general measuring approach that gives consistent results. Many purchasing managers rely mainly on their own experience and intuition when judging the performance of their organisation due to the lack of a best practice for measuring. (van Weele, 2002)

One way of measuring purchasing effectiveness is the purchasing audit. This can be done by internal or external assessment, i.e. by letting suppliers or different actors within the own company give a subjective rating of the performance of the purchasing department. (van Weele, 2002)

4.2 The Business Relation
This chapter describes different aspects of the relation between interacting companies. The reasons and effects of closer cooperation are discussed and some examples that determine the supplier’s perception of the quality of the business relation are presented.

4.2.1 Relational Bonds
Relations depend on the bonds developed between the interacting companies. Hammarkvist et al. (1982) make the distinction of five different types of bonds: Technological, social, economical and legal, time dependent and knowledge dependent bonds. Economical and legal bonds are the most general and exist between all companies doing business together (Hammarkvist et al. 1982). The other bonds can be compared to the three dimensions of involvement, defined by Gadde and Snehota (2000): coordination of activities, adaptations of resources and interaction among individuals. Interaction among individuals gives rise to social bonds and coordination of activities includes time dependent bonds. Technological and knowledge dependent bonds come from the mutual adaptation of resources.

Manufacturing firms have a need to specialise their productions. For a supplying firm this gives a certain dependence on the buyer since the specialisation makes buyer market limited. (Hammarkvist et al. 1982) For the supplier there is always the risk that a
business partner will take advantage of this situation (Monczka et al. 1995). A supplier is therefore in general motivated to strengthen the bonds between the companies, since this lessens the risk of the customer to change supplier (Hammarkvist et al. 1982).

4.2.2 Trust and Personal Interaction in Business Relationships

Relationships between firms depend to a large extent to purely interpersonal factors (Monczka et al. 1995). Juridical and economical agreements do not always cover all possible cases but the parties depend on the honest intentions of the other. All components in a relation can not even be decided by contracts but depend on voluntary behaviour. It is therefore important that the parties trust each other. (Hammarkvist et al. 1982) Trust is built primarily through social interaction, which shows the importance of good personal relations for the development of the business relation (Gadde & Håkansson, 1998). According to Williamson (1990) many of the costs of a relationship are not related to the business transaction itself, but are created when the companies are trying to protect themselves from opportunistic behaviour of their partner.

Information sharing is a function that relies on social interaction. When a relationship lacks trust the companies have little incentives to share technology and cost information that could lead to joint benefits (Monczka et al. 1998). Personal networks serve as important channels for knowledge to disseminate both internally and between companies. (Hammarkvist et al. 1982) Information sharing is to a large extent dependent on voluntary behaviour; it can be dictated by agreements but it would be very difficult to control to what extent the supplying firm adheres to this. (Monczka et al. 1995)

4.2.3 Relationship Strategies

The characteristics of the relation between buyer and supplier depend to a big extent on the expectations of the buying firm. The supplier may adapt to these expectations and work in order to establish different bonds depending on the interests of the buying company. Different strategies give different degrees of involvement. (Hammarkvist et al. 1982)

Some research in the 1980s and 1990s has recommended closer supplier cooperation as a decisive contributor to company success. To suggest close relationships or partnership as the superior solution is however likely to be oversimplifying. Developing supplier relations is resource intensive and can only be justified when the relational benefits exceed the costs of involvement. (Gadde & Snehota, 2000) This connection is also predicted by transactional cost theories that state that firms will develop relations when the costs for doing so are less than the transactional costs. (Monczka et al. 1995) Even
though inter-firm collaboration is desirable, the amount of time and resources an
industrial buyer can put on each supplier is limited. A company is most likely to pay
time and attention to its most important business partners. (Frazier & Rody, 1991)

Two sorts of benefits can in general be drawn from developing closer relationships: cost
benefits and revenue benefits. Cost benefits are savings on costs of operations related to
the collaboration. (Gadde & Snehota, 2000) Examples of such benefits are joint
development programs or integrated logistics operations, which according to
Hammarkvist et al. (1982) would require the development of both time and knowledge
dependent bonds and, depending on the degree of involvement, in some cases also
technological bonds. Revenue benefits, like improved quality in production, are more
difficult to measure (Gadde & Snehota, 2000). In order to get positive pay off from
relational investments the relations must be of a certain length (Hammarkvist et al.
1982).

4.2.4 Collaborative Relationships

During the 1980s and 1990s there was a shift from purchasing to supply management.
Following this perspective more importance is put on inter-linkages between firms and
less on innate capabilities. Closer relationships between buyer and supplier have been
more and more recommended instead of the earlier arms-length principle. (Gadde &
Snehota, 2000) Closer relationships are not always the given solution and adversarial
strategies are still common, especially in the process industry (Jonsson).

The inspiration for the change from the traditional arms-length principle came from
Japanese management principles, which according to western research showed how
closer inter-firm relationships could improve information sharing and mutual trust; and
how joint efforts could lead to innovative process and product technology. One
argument is that an adversarial supplier strategy, where suppliers are forced to intense
competition against each other, leaves little incentives or economical means, for the
supplier to invest in product development and long term productivity. (Monczka et al.
1998) If the supplier has to stand for the development expenses itself, there is also the
risk that he will be motivated to spread the technology to other customers as well, in
order for the investment to pay off (Jonsson). Short term contracts and competitive
supplier strategies encourage the suppliers to maximise profit as quickly as possible.
(Monczka et al. 1998) To push prices and reduce the suppliers’ margins may also give
negative side effects in the form of lower quality and service (S. Axelsson).

The shortcomings of the traditional adversarial supplier strategies led to the shift of the
1980s and 1990s to more collaborative relationships (Monczka et al. 1998). A
collaborative relationship is, according to Monczka et al. (1998), characterised by a
limited number of suppliers for each purchased item and often long term contracts. The supplying and buying company work together to solve the problems that may arise for either company. The information exchange is open both in operational and strategic matters. Joint efforts are made to improve the supplying company’s performance and there is a win-win approach to sharing the rewards of the business. Both parties maintain a long term commitment and take to cooperation to solve problems instead of, for example letting go of a supplier that experiences a temporary production problem. There must also be a strategic alignment and negotiation strategies must reflect the relational strategies (Jonsson). In order to change from an adversarial to a more collaborative relationship there must be a gradual improvement of the trust between the companies and a change in how the buying company views its suppliers. (Monczka et al. 1998) To change strategy takes time and it is difficult to make people change their attitude (Jonsson).

Monczka et al. (1995) draws the conclusion from previous research that the trio of communication, collaboration and coordination is an important factor that leads to close relationships. This association can also be regarded from a different perspective since close and stable relations enable the establishment of routines and channels for distributing information (Hammarkvist et al. 1982). Close relations also give the possibility of better knowledge of the business partner and thus enables a better cooperation and collaboration (Hammarkvist et al. 1982).

4.2.5 Negotiation Strategies

Negotiations take up an important part of the purchaser’s time. Compared to retail purchasing the industrial purchaser often has a longer agreement term and more intense relations with the suppliers. The industrial buyer has to take into account reliability, quality and service and a change of supplier can be difficult and be preceded by a long selection process. According to van Weele (2002) these characteristics make a number of the hardest and most price focused negotiation techniques less suitable for industrial purchasing negotiations. Van Weele defines negotiations as “a process, aimed at solving problems experienced by two or more parties, in such a way that the interests of all parties involved are served” (van Weele, 2002, p. 294). This view presupposes that neither party is so powerful that it can dictate the rules for the business deal, in which case there would not be a negotiating situation (van Weele, 2002).

Parties with power are likely to use it at some time during negotiations. Weather to do this or not should be planned beforehand, when preparing the negotiation. If a buyer wants a longer term relationship with a supplier then power techniques are less appropriate since the level of competition in such a negotiation will lessen the supplier’s
interest of making efforts to deliver special advantages that are not available for other customers. (Monczka et al. 1998) Personal interaction is an important component in business relations and too much use of power tactics may destabilise the social contracts (Jonsson). Power tactics can also be an effective negotiation technique when used properly (Monczka et al. 1998).

The traditional negotiation approach has been so called win-lose negotiations where the purchaser’s objective is to beat the opposite party (Monczka et al. 1998). This approach is an example of adversarial relationship strategies. A more collaborative approach gives rise to what Monczka calls win-win negotiations (Figure 4-2). The notion of win-win negotiations reflects van Weele’s (2002) mutual problem solving definition of the negotiation concept. In a win-win situations the parties work together in order to find solutions and value adding. This negotiation approach is not applied in all situations. Kraljic’s model for supplier segmentation (1983) can be related to the choice of negotiation strategy (see also Figure 3-7). According to Kraljic the relational strategy should be adapted depending on the strategic importance of the purchased item and the complexity of the supplier market. In purchases of commodity items that are available from many sources competitive bidding is the common procedure. (Monczka et al. 1998)

Win-win attitudes works best if the purchased item is of a certain strategic importance and the two parties have a trustful and collaborative relationship. To use a win-win tactic can be unsafe if one is not sure that the opponent has the same ambition and is willing to accept a cooperative offer and does not take advantage of the situation by using an adversarial position. According to Frazier & Rody (1991) a firm with high power in an industrial dyad relationship is likely to be important enough to the other party to successfully use non coercive strategies. It is less likely that the opponent company will try to retaliate if it lacks status and other business alternatives. (Frazier & Rody, 1991)
Figure 4-2: Negotiation approaches (Monczka et al. 1998, p. 509)

4.2.6 The Suppliers’ Assessment of the Buying Firm

Monczka et al. (1995) examine the factors that influence the rating a supplier gives the buying company. In the empirical research they found that the percentage of sales, one of the most important objective measures of dependence, was negatively correlated to the supplier’s overall satisfaction. The amount of the supplier’s sales that goes to the specific buyer compared to the total business has thus a negative impact on the overall assessment of the buying company. The subjective measures of dependence, e.g. the supplier’s perception of its importance to the buying firm, on the contrary influenced the assessment positively. The suppliers view can thus be influenced by psychological measures. The buying firm can to some extent improve the supplier’s assessment of the relation simply by letting the supplier feel appreciated and actively expressing that they are an important business partner. (Monczka et al. 1995)

The duration of the relationship is generally considered to improve the relation, since it takes time to establish personal relations and networks. The bonds between the companies can also be supposed to become stronger since the chance that the companies have had time to adapt resources and gather knowledge of each other’s companies becomes bigger. (Gadde & Håkansson, 1998) This is however not supported by the research of Monczka et al. (1995) that shows a negative empirical correlation between the number of years of cooperation and the overall rating of the relationship. Monczka et al. give the possible explanation that longer relationships makes the supplier take the buyer for granted and no longer value the relation as much.

Not so many studies have looked at satisfaction with profit, maybe because a monetary agreement can be regarded as explicit since it forms the prerequisite for most business
relations. Satisfaction with the economical terms does however also positively influence the rating of the overall relation. The satisfaction with the economical terms of an agreement is also important for the continuation of the relationship and for the trust in the buying firm. (Monczka et al. 1995)

The most important determinant for the rating of the relationship is the suppliers’ perception of the buying firm’s cooperative behaviour (Monczka et al. 1995). Different aspects of cooperative behaviour will be discussed in the next section “Cooperative behaviour”.

4.2.7 Cooperative Behaviour

Cooperative behavior from the part of the buying company is one of the most important determinants of the suppliers’ assessment of the buyer. The costs for closer cooperation can be big and in order to develop a closer cooperation between two companies there must be monetary incentives that surpass the cost for having a closer relationship. (Gadde & Snehota, 2000)

There are however ways of improving the cooperation without making expensive relational investments. The research of Monczka et al. (1995) shows that more cooperative behaviour from the part of the buyer will improve the supplier’s assessment of the relation. He concludes that the cooperative behaviour is not necessarily related to the actual degree of involvement but depends on subjective perceptions. Therefore there is not necessarily the need to engage in a closer relationship or develop more resource demanding bonds between the companies in order to improve the supplier’s valuation of the relation. The cooperation factors can on the contrary often represent things that are of no or low cost for the supplier. Attitudes and behaviour, such as behaving ethically, using supplier policies, and showing a willingness to listen and adapt are examples of cooperative behaviour that improves the perceived quality of the relation.
4.3 Organisation

This section highlights the organisational structure’s impact on purchasing. The advantages and disadvantages of centralised and decentralised organisational structure will be discussed. The concept of cross-functional purchasing teams will be described and there will be a short discussion about profit centres and goal congruence.

4.3.1 Getting Organised for Purchasing

The kind of organisational structure a company chooses for purchasing has a large impact on the purchasing work. How purchasers act depends both on their training and the environment in which they work. A purchaser located among purchasers gets other values than if he or she is being located among production planners and technicians. There is a two-way relation between organisational structure and mode of work. On the one hand the organisational structure of the company affects the way of working, on the other hand the organisation is a result of how the company works: both regarding the business environment and the character of the supplies. (Gadde & Håkansson, 1998) Other important factors affecting the structure of the organisation is the structure of the buyer network (Gadde & Håkansson, 1998) and the management’s view of the purchasing function (van Weele, 1994).

4.3.2 Centralised Purchasing Structure

A centralised purchasing department gives the opportunity of specialisation within the supplier market. A negative impact is that the contact with the departments that actually use the products gets more complicated. In this way purchasing gains the advantage of specialisation but risks becoming less integrated in the whole organisation. By making purchasing a speciality, the purchasing department can achieve status and, if functioning well, it can reach a power position within the company. This condition applies also to the relation with suppliers. (Gadde & Håkansson, 1998) According to van Weele (1994) the major advantages of centralised purchasing are the improved conditions for negotiations and possibilities of achieving better prices, service and quality from suppliers (van Weele, 1994). A central buying group can handle all the organisational supply requirements and thereby make it easier for the buyer and seller to present their objectives and work together efficiently (Killen & Kamauff, 1995). A further advantage is the simplification of the efforts towards product and supplier standardisation. A problem that often occurs is that business unit managers believe that they are able to reach better contracts by themselves and will act individually. This will eventually undermine the position of the centralised purchasing department. (van Weele, 1994)
Centralised purchasing departments are often used when the purchase cost is a very high percentage of the product cost or budget, when a majority of the operating units use the centralised items, and when management feels the need of closer control of the purchasing activities. (Killen & Kamauff, 1995)

According to Gadde and Håkansson (1998) centralised purchasing involves a considerable amount of communication within the organisation as well as with the suppliers. This creates long lines of communication which causes long delays and a greater risk for errors (Killen & Kamauff, 1995). Better information flows enable resource coordination of time dependent functions such as production planning, storage and logistics. (Gadde & Håkansson, 1998)

4.3.3 Decentralised Purchasing Structure

Decentralised purchasing means centralised purchasing at the local level. One advantage with this structure is that the local manager, who has the most information about the situation, makes the decisions. A natural consequence is that the decisions can be made faster. (Killen & Kamauff, 1995) The purchasing manager can also have a closer cooperation with the local suppliers, but at the same time the contacts are poorer with the global suppliers (Gadde & Håkansson, 1998).

One disadvantage with this structure is that different business units can negotiate with the same supplier and get different agreements for the same product. If the supply is limited the business units can also compete for the same resources. (van Weele, 1994) Decentralised purchasing needs a manager who has a more general knowledge of the products and has the competence to purchase a wide range of products. Decentralised structure is attractive for groups with business unit structure where each business unit purchases products that are different from those of the other units. (Gadde & Håkansson, 1998)

4.3.4 Centralised Versus Decentralised Purchasing Structure

The choice between centralisation and decentralisation will always be a compromise. A company that is fully decentralised can not have exclusively centralised purchasing activities. An important task for the purchasing department is therefore to eliminate the disadvantages with the chosen organisational structure. (Gadde & Håkansson, 1998) Most large companies in the Nordic region are decentralised in their operative work and have a central unit for coordination and developing of purchasing (Figure 4-3).
The problem with this type of organisation is the difficulty of balancing the responsibilities and authority of the central unit on the one hand and of the operative units on the other hand. (Axelsson & Laage-Hellman, 1991) If the purchasing value is a dominating part of the total costs for the business units, then the consequences of not letting them make independent purchasing choices would be unreasonable. (Gadde & Håkansson, 1998) Having an organisation with centralised purchasing and decentralised operative work often leads to challenges for the central unit in exercising influence without having the formal authority. To facilitate this situation companies can take some organisational initiatives such as creating a strategy board for purchasing on executive level, developing cross-functional buying teams and identifying and distributing beneficial case studies. Other facilitating factors are implementation of user-friendly tools and processes, as well as measuring and comparing corporate purchasing policy fulfilment across divisions. (PSC Executive Board, Jan 2002) There is no single way to get organised for purchasing in a multi-plant environment (van Weele, 1994) but the most successful with spend coverage and compliance are the purchasing organisations that reflect the overall company structure (PSC Executive Board, May 2004).
4.3.5 Cross-functional Teams

Cross-functional teams are often developed when the business decisions are large and complex. The teams consist of people from different departments that are gathered to achieve specific tasks. The team duties are often assigned in addition to their regular work. Such a team is in general more likely to arrive at good solutions than one person or department acting individually. Cross-functional teams are especially useful for tasks that directly affect the company’s competitive position. These kinds of teams have become standard when making important strategic and tactic purchasing decisions. (Monczka et al. 1998)

The functionality of the cross-functional teams and how these teams are led can have a great impact on how the organisational goals are achieved. There are several factors that may influence the team performance such as the team size, the reward structure, the individual and combined teamwork effort, and the members’ commitment to reach the team goals (see also Figure 4-4). Other factors that have an influence are team performance strategies: both goals that are defined by the team itself and outside performance expectations. Performance feedback is also important for the team to work well. The development of team togetherness does also support the team performance. (Monczka et al. 1998)

<table>
<thead>
<tr>
<th>Team Size</th>
<th>Team Performance Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge and Skills of Members</td>
<td>Performance Expectations</td>
</tr>
<tr>
<td>Team Cohesiveness</td>
<td>Performance Feedback</td>
</tr>
<tr>
<td>Accuracy and Openness of Team Communication</td>
<td>Team Longevity</td>
</tr>
<tr>
<td>Team Reward Structure</td>
<td>Executive Management Support</td>
</tr>
<tr>
<td>Team Leadership Ability</td>
<td>Availability of Required Resources</td>
</tr>
<tr>
<td>Team Authority/Independence</td>
<td>Supplier Involvement</td>
</tr>
<tr>
<td>Member Commitment to Team Goals</td>
<td>Support of Others External to the Team</td>
</tr>
<tr>
<td>Individual and Combined Team Work Effort</td>
<td>Team Empowerment Guidelines</td>
</tr>
<tr>
<td>Complexity of Assigned Task</td>
<td>Goal of Team-Defined versus expected</td>
</tr>
<tr>
<td>Team Member Personalities</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 4-4: Factors that can influence cross-functional team performance (Monczka et al. 1998, p 152)*

Cross-functional teams can with proper management break down communication barriers between functions, which can result in greater cooperation and increased effectiveness. Other benefits are improved decision quality and better implementation of the decisions. A cross-functional team brings greater knowledge and skills together at
one place and can therefore result in faster identification and resolution of problems and improved goal achievement. The time to completed assignment is reduced and new innovative ways and methods are often developed. (Monczka et al. 1998) Today cross-functional buying teams are rather common, especially when a more cooperative and deeper relation to the supplier is sought after (B. Axelsson).

However, the cross-functional team approach does not always lead to success. Teams need careful management, clearly understood goals, motivated team members, open and equal exchange between the members, and adequate resources and information to be successful. Crucial for the team success is also the ability for the team to schedule team meetings, select new members, control internal team processes, and influence the surrounding organisation. (Monczka et al. 1998) A result of the team structure is that the members are also employees of a division and have their loyalty with their regular place of work. The team members work in the teams when they are needed but the time that can be spent in the teams depends in part on the decisions made by the division management. This leads to somewhat conflicting interests: the team managers want full attention to the teams and the division managers want full focus on the projects at the divisions. It is the division management that makes the priorities among the resources he or she controls. The team managers have consequently less authority over the personnel than the division managers. This conflict of interests can create tensions within the organisation. (Anthony & Govindarajan, 2003)

### 4.3.6 Profit Centres

A business unit, also called a division, is an organisational structure responsible for all the functions involved in producing a specific product line. The contrary is called a functional structure. A responsibility centre whose financial performance is measured in terms of profit is called a profit centre. Business units are in most cases created as profit centres. Some of the advantages of profit centres are that both the quality and the execution of decisions can be improved because of the managers’ closeness to the point of the decision. The profit consciousness will also improve since the managers will constantly seek ways to increase the profit. However, the benefits from profit centres can only be fully realised if the business unit manager is as autonomous as the president of an independent company. A company divided into fully self-governing units would lose the advantages of size and synergy. Business unit structures represent a trade-off between the advantage of having independent business units and the gains of corporate coordination. How these trade-offs are made heavily affects the effectiveness of the business unit organisation. The constraints from corporate management can be divided in to three types:
- Those resulting from strategic considerations
- Those that exist because uniformity is required
- Those resulting from the economies of centralisation

Constraints can also arise from the need of internal coordination, especially regarding marketing, sourcing, and product decisions. These three kinds of decisions are the most important way for the business unit manager to control his or her profit centre. (Anthony & Govindarajan, 2003)

### 4.3.7 Goal Congruence

It is the task of the senior management of an organisation to formulate the group goals and the group strategy that states how these goals shall be obtained. The group strategy is thereafter specified in detail on all hierarchical levels (Figure 4-5). (Bengtsson & Skärvad, 2001)

![Strategy on different organisational levels](image)

*Figure 4-5: Strategy on different organisational levels (Bengtsson & Skärvad, 2001 p. 14)*

Even though each hierarchical level can have its own strategy document, the demand for strategic consistency is clear. However, it is not always clear exactly what the senior management wants the organisation to achieve. An organisation is a complex entity and the goals can be subject for differing interpretations. The individual members of the organisation also have their own personal goals that are not necessarily consistent with those of the organisation. (Aniander et al. 1998; Anthony & Govindarajan, 2003) To
ensure high goal congruence the management control system should therefore see to
that personal goals coincide with the organisational goals (Anthony & Govindarajan,
2003). In order to do this, each department must know how his or her business unit fits
the overall organisation scheme and thereafter determine the necessary activities to
achieve the objectives. Finally, authority and responsibility to accomplish each task must
be assigned. It is essential for the department to make the right people available for the
task and to make sure that these people know their role in the organisation and what
part they are responsible for. These people must be properly trained and to complete the
task the right resources must be available at the right time and at the right place. (Killen
& Kamauff, 1995) The strategy defines the critical success factors for the company and if
these factors are measured and rewarded, the employees will be motivated to achieve
them (Anthony & Govindarajan, 2003).
4.4 Purchasing Professionalism

This section presents different aspects of purchasing professionalism; special considerations for central purchasing units will be highlighted. Business ethics as a part of the professionalism concept will also be discussed.

According to SILF’s model of professionalism (Figure 4-6), the professionalism concept can be divided into four categories: business skills, general skills, human skills and professional skills (SILF Competence, 2004).

Business skills mostly regard knowledge of the company and the supplier environment. Professional skills reflect the purchaser’s skilfulness and knowledge of negotiations, contracts, and legal matters. Human skills correspond to the purchaser’s personality that influences the purchasing work. Language, IT and project management are viewed as general skills that can be helpful knowledge for purchasers. (SILF Competence, 2004) Centralised purchasing demands more conceptual thinking of the purchaser (B. Axelsson) and requires even more of the knowledge and skills presented in the SILF model. SILF (2004) has left a gap in the model between “Purchasing technique” and
“Supplier development” under “Professional skills”. This is an opportunity for the user of the model to add more skills that they find important for purchasing professionalism. (S. Axelsson) Another important skill that is not marked in the model, but that can in many cases be very beneficial to have, is knowledge of the suppliers’ manufacturing process. This knowledge can help the development of the supply process. (Jonsson)

One part of the human skills that must be given extra importance when talking about a central purchasing unit is what is in the SILF model called “Influence and communication”. This label includes both communication skills, and as will be mentioned later, principles for business ethics. According to Bakka et al. (1993) communication is the basis for all kinds of organisation. Well functioning communication is even one of the prerequisites for an efficient purchasing function. (Gadde & Håkansson, 1998) The demand on a centralised purchasing function is especially high when it comes to communication abilities since it must coordinate various internal actors as well as intercompany information flows (S. Axelsson; Gadde & Håkansson, 1998).

Self-assessment tools connected to a reference scale are the most widely used measurement of purchasing professionalism. It is important that the reference scale has a large range in order to differentiate the results of the purchasing employees. (S. Axelsson) A common way of evaluating professionalism is by letting external consultants assess the employees (B, Axelsson; S. Axelsson).

4.4.1 Business Ethics

Ethics comprise moral principles or values guiding our behaviour. In the industry, ethical policies can be used as guidelines for social principles involving justice, fairness and business relationships (Monczka et al. 1998). Purchasers are often exposed to temptations. Examples of this can be Christmas presents delivered to the purchaser’s home address or vacations offered in connection to a visit to a supplier’s office. (van Weele, 1994) In the SILF model of professionalism, purchasing ethics is a part of the label “Influence and communication” (S. Axelsson). IFPMM (International Federation of Purchasing and Materials Management) has developed a Code of Ethics that is used in business. It is generally known and cited by among others van Weele. The code of ethics is reproduced in Figure 4-7.
IFPMM Code of Ethics

Precepts
Members shall not use their authority or office for personal gain and shall seek to uphold and enhance the standing of the purchasing and materials management profession and the Federation by:
A) Maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the organisations in which they are employed.
B) Fostering the highest standards of professional competence amongst those for whom they are responsible.
C) Optimising the use of resources for which they are responsible so as to provide the maximum benefit to their employers;
D) Complying with the letter and the spirit of:
   I) The laws of the country in which they practice.
   II) The Federation’s ‘guidance’ on professional practice as outlined below and as may be
       III) Contractual obligations.
E) Rejecting and denouncing any business practice that is improper; and
F) Enhancing the proficiency and stature of the profession by acquiring and maintaining current technical knowledge.

Guidance
In applying these precepts, members should follow the guidance set out below:
A) Declaration of interest. Any personal interest, which may impinge or might reasonably be deemed by others to impinge on a member’s impartiality in any matter relevant to their duties, should be declared to their employer.
B) Confidentiality and accuracy of information. The confidentiality of information received in the course of duty must be respected and should not be used for personal gain; information given in the course of duty should be true and fair and not designed to mislead.
C) Competition. While considering the advantages to the member’s employer of maintaining a continuing relationship with a supplier, any arrangement, which might in the long term prevent the effective operation of fair competition, should be avoided.
D) Business gift. To preserve the image and integrity of both the member and the employer, business gifts should be discouraged. Gifts, other than items of very small intrinsic value should not be accepted.
E) Hospitality. Moderate hospitality is an accepted courtesy of a business relationship. However, the recipients should not allow themselves to reach a position whereby they might be or might be deemed by others to have been influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than a recipient’s employer, through the recipient’s expense account, would be likely to provide in return.
F) When in doubt of what is acceptable in terms of gifts and hospitality, the offer should be declined or advice sought from the member’s superior.

(IFPMM)
5 SPECIFICATION OF TASK

In this chapter the purpose of the study is further discussed and divided into specified questions, which give a more detailed presentation of the task and the coming data collection.

5.1 Answering the Purpose of the Study

The purpose of this study is:

*To investigate the suppliers' view of their relation to Stora Enso.*

Included in this purpose is also the task of developing a tool that Stora Enso can use to replicate the study.

As earlier mentioned (section 1.3, Purpose Discussion) the focus of the investigation is the relation between the central purchasing unit SEP and the suppliers. The term relation is very broad and depending on the perspective of the researcher, different aspects of the relation can be investigated. The scope of our purpose is very wide and the objective is therefore to give a general description of the most important aspects of the overall relation.

The conditions for the relation are constantly changing and the areas that could be interesting to investigate change as well. We have chosen to focus on a number of areas that are today essential for the central purchasing function. These areas have been identified through the pre-study covering the current activity and organisation of the central purchasing function and its interrelation with, and dependence on, other functions within Stora Enso. The goals and visions for the supplier relations and the purchasing activities have been explored in order to clarify the priorities of Stora Enso’s and SEP’s management. The subjects that are currently in focus in the strategic discussions have been investigated in order to identify areas that are of interest for the development of the purchasing function. Combined with literature studies and discussions with purchasing experts the pre-study has given rise to a number of research objectives that will lead to the achievement of the purpose of this study.

By including both the goals of Stora Enso’s and SEP’s management, the current strategic discussions, and the areas that have been identified as crucial for the functioning of the central purchasing function, the study will cover the issues that are essential to get an overall picture of the relation and thus achieve the purpose of the study. The reasoning that has led to the establishment of the research objectives will be described below, in section 5.2.
Considerations when Interpreting the Results
The supplier relations of Stora Enso are influenced by several restrictions inflicted by for instance technical restraints, market conditions and cultural differences. Since this study is based on a survey that describes the relation on a more general level it does not take such restrictions into account. Each relation between the individual supplier company and Stora Enso is unique and different restrictions must be taken into account from case to case. The restrictions will influence the applicability of our recommendations and will have to be taken into account by Stora Enso when using this study.

Since the study gives an overall picture of the relation the empirical results can be used to make other analyses than the ones that have been performed in this study. Many different aspects of the relation are closely interrelated to each other. The aspects that are covered in this study can give indications of how other parts of the relation, that are not in focus in this study, work as well.

5.2 The Research Objectives

According to Hammarkvist et al. (1982) the relation between interacting companies can be defined by five different types of bonds. These bonds form the conditions for the relationship. Since the work of SEP is highly dependent on the existing relation between the suppliers and different units of the Stora Enso Group it is important to study these bonds. The objective is to gain some understanding of the basic conditions for SEP’s work. This leads us to the research question:

Which relational bonds exist between Stora Enso and the suppliers?

SEP’s “vision” declares that: “We are an attractive partner for our suppliers and a significant contributor to the success of Stora Enso”. This phrasing is in part taken from the only part of the Stora Enso Group’s Vision document that concerns purchasing. Even if this statement is not translated to any specific business goals we find it interesting to follow up. A vision is not necessarily reality, and a company’s strategies are not defined by such a metaphysical document as a vision statement. The vision should however have some connection to the long term strategy and it is therefore worthwhile to explore the implications of the vision. When trying to describe the suppliers’ view of their relation to Stora Enso and SEP, the vision of being an attractive partner is an interesting starting point. The question we would like to focus is therefore:

Do the suppliers regard Stora Enso as an attractive customer?
SEP’s mission is “to optimise all purchasing activities of Stora Enso by coordinating the advantages of our company's size and the competencies of our divisions, mills and suppliers in order to minimise the company's Total Business Cost”. This mission statement is also transferred to one of SEP’s business goals, namely to “Reduce Total Business Cost”. It is not always easy to transform targets into measurable units but this is necessary to be able to measure the performance (van Weele, 2002). The difficulty of this task is illustrated by Axelsson and Laage-Hellman (1991) who note that there is a lack of metrics that focus on the total cost of activities. One of the tasks given to SEP by the Group management is to aim at reducing Total Business Cost in the purchasing acts. What Total Business Cost is, how it can be achieved or how it can be measured is however not defined. It is therefore not possible to study to which extent the goal of minimising Total Cost has been reached. What can be done is to study if the goal has been conveyed to the suppliers, if the suppliers believe that the goal is possible to reach given the relational circumstances, and if the suppliers are currently working together with the different Stora Enso units in order to actually achieve reductions of the Total Business Cost.

How is the goal of reducing the Total Business Cost pursued in Stora Enso’s supplier relations?

Stora Enso’s return on capital employed has been weak in later years but to increase the margin by trying to further reduce purchasing prices is a short term action that does not seem to be sufficient to change the trend of low profit. To put additional pressure on the suppliers’ margins might even risk the stability of the supply market (PSC Executive Board, Jan 2002). An important strategic challenge is how to augment value in the production without increasing the cost. One long term strategic possibility that has been discussed is the one of finding ways of creating value through closer supplier cooperation. We will study the potential for closer cooperation on the basis of the current relationship. Both the possible motivation of the suppliers and the prospects for Stora Enso to succeed in the implementation of such a strategic change will be considered. The resulting research question is therefore the following:

What is the potential for closer cooperation with the suppliers given the current characteristic of the supplier relations?

What kind of organisational structure a company chooses for purchasing has a large impact on the purchasing work. However, the selected structure of organisation is a result of how the company works both regarding the purchasing techniques and the character of the suppliers. (Gadde & Håkansson, 1998) Stora Enso has chosen a model for their purchasing organisation that serves their purchasing strategy. Our question is if
the suppliers think that Stora Enso is well organised to interact with the suppliers and if the organisational model suits the business environment. This leads to the following question:

*What is the suppliers’ view of Stora Enso’s purchasing organisation?*

The Category Teams are one of the main resources for making the system work in SEP’s desired direction. The Category Teams are crucial for the function of SEP and the teams are considered as key drivers of improvement initiatives. The Category Teams are important for the spreading of knowledge and purchasing information within the Stora Enso organisation and are essential for the work with reducing the Total Business Cost. According to Monczka et al. (1998) cross-functional teams like the Category Teams are more likely to arrive at good solutions than one person or department acting individually. However, having the cross-functional team approach does not always lead to success. The team members have to be motivated, the goals have to be clearly understood and the ability of selecting new members is crucial for the team performance. (Monczka et al. 1998) There have been some indications that the Category Teams do not always work as SEP wishes them to do. All negotiations between SEP and the suppliers are carried out by the Category Teams. The Category Teams are consequently a very important part of the interface between SEP and the suppliers. The importance of the Category Teams to the relation between SEP and the suppliers leads us to the following research question:

*What is the suppliers’ view of the Category Teams?*

Stora Enso has the organisational form of a business unit structure. Business unit structures represent a trade-off between the benefit of having independent business units and the need of following corporate constraints (Anthony & Govindarajan, 2003). Having a both centralised and decentralised purchasing organisation adds complexity to the task of balancing the responsibilities and authority of the central unit on one hand and the operative units (the business units) on the other hand (Axelsson & Laage-Hellman, 1991). It has been recognised that the mills do not always follow the corporate purchasing agreements made by SEP. It is essential for Stora Enso that the whole organisation works in the same direction regarding purchasing decisions. For that reason it is interesting to investigate the suppliers’ view of Stora Enso’s internal coordination. This results in the following question:

*What is the suppliers’ view of the coordination between SEP and other parts of the Stora Enso organisation?*
Centralized purchasing involves a considerable amount of communication within the organisation (Gadde & Håkansson, 1998), and the long lines of communication can cause information delays and a greater risk for errors (Killen & Kamauff, 1995). The problem with the information spreading from SEP within the organisation has already been identified at Stora Enso. It is therefore interesting to investigate if this problem has also been recognised by the suppliers and if it is affecting SEP’s purchasing work.

*What is the suppliers’ view of the communication between SEP and other parts of the Stora Enso organisation?*

The professionalism of SEP’s purchasers is one of the areas that SEP has explicitly asked us to study. To “Act professionally” is one of SEP’s values and professionalism is seen as a very important issue within SEP. Centralised purchasing demands more conceptual thinking of the purchaser (B. Axelsson) and requires deeper purchasing knowledge and skills (S. Axelsson). To focus on and develop professional purchasing skills is therefore necessary for a centralised purchasing unit. The following question will be investigated:

*Do the suppliers regard SEP as professional?*

Since a part of our purpose is to develop a tool for Stora Enso to use to follow up the study we will evaluate the results of each survey technique. Personal interviews, telephone interviews and questionnaires all have advantages as well as disadvantages. To give a recommendation to Stora Enso for the further use of supplier surveys we must evaluate the results from the different data collection techniques with respect to the quality of the collected information, how easy the method is to use and the preferences of the respondents.

*What are the advantages and disadvantages for Stora Enso with the chosen data collection techniques?*
6 METHOD OF WORK

This chapter presents the method of work that has been used when preparing and performing the field study.

6.1 The Research Direction of the Study

Since this study includes a field study comprising interviews and questionnaires it is useful to apply the techniques for market research described by Lekvall and Wahlbin (2001). They define four main research directions, depending on the kind of result that is expected from the study. The directions are: descriptive, explanatory, predictive and exploratory. Due to the nature of the purpose the two directions that are of interest for this study are mainly the descriptive and the explanatory direction.

- **Descriptive** studies have the ambition of describing facts and the state of things within a specific research area.

- **Explanatory** studies have the objective of both describing the reality and, based on the description, explaining it by revealing causal or finality relations.

Making the difference between an explanatory and a descriptive study is not always an easy matter. Most descriptive studies have some explanatory ambition and all explanatory studies must be based on descriptive sections. One essential difference between the two methods is that the explanatory study usually focuses on a limited set of variables, whereas the descriptive study may have a broader scope. (Lekwall & Wahlbin, 2001)

_The Choice of Research Direction_

The purpose of this study as well as the rather broad scope gives a natural descriptive direction. As stated by Lekwall and Wahlbin (2001) combinations of the descriptive and explanatory approach are common in scientific studies. This is characteristic also for this study since it is mainly descriptive but contains some explanatory elements.

6.2 The Technical Approach

In order to get the expected result from a study it is important that the techniques chosen for the collection of data are aligned to the methodology (in this study a positivistic system approach).

The technical approaches can be divided into two main dimensions:

- The depth of the study
- The kind of the data collected
Data can be quantitative or qualitative and the study may be either broad or limited to a number of cases. In marketing research it is common to use combinations of the different types of data and study techniques. (Lekvall & Wahlbin, 2001)

**The Choice of Technical Approach**

The directives for this study make a broad study the natural choice, since this enables us to cover as many suppliers as possible. The technique of using a broad study with the ambition of observing the reality, and not to influence or alter it as in experimental studies is commonly called a survey technique (Lekvall & Wahlbin, 2001).

Data is collected in three different ways: by personal interviews and telephone interviews, where data will be of mainly qualitative form, and by questionnaires, where the data will be of mainly quantitative form. This choice will be explained more in detail in the next section “The Collection of Data”. The data must be treated and analysed according to the chosen dimensions (here a broad study with both quantitative and qualitative data). Numerical operations can be performed on the quantitative data from the questionnaire but when treating the qualitative information descriptive methods must be used.

### 6.3 The Collection of Data

Data can be collected by two main techniques: observation techniques and question techniques. Observation techniques could have been interesting as a complement to this study but we have chosen not to use them. The purpose of this work is in part to study attitudes and opinions, which according to Lekvall and Wahlbin (2001) can not be made by observational methods.

There are three main ways of using question techniques that could be suitable for the study: Questionnaires, telephone interviews and personal interviews.

- *The personal interview* offers almost unlimited possibilities when it comes to the choice of questions. Different aids, such as pictures and diagrams, can be used to explain questions that would otherwise be difficult to use. The control over the interview situation is good and the personal interaction makes it possible to register the respondent’s motivation and the care with which the questions are answered. The personal interaction also contributes to motivating the respondent to answer the questions carefully. The depth of the collected information can be improved by the use of probes or resulting questions. A drawback is that personal interviews are expensive and time demanding, which makes it difficult to cover big selections. (Lekvall & Wahlbin, 2001)
• **Questionnaires** are less reliable than personal interviews and give limited possibilities in the choice of questions. It is however a cost efficient technique which is also easy to repeat in order to study changes over time. Questionnaires also offer better anonymity for the respondent. Loss of information is a bigger problem for questionnaires than for interviews since the control of the respondent is low. Respondents may skip questions, answer ambiguously or fail to send back the questionnaire. One can not know how motivated and careful the respondent is when answering. (Lekvall & Wahlbin, 2001)

• **Telephone interviews** are a compromise between personal interviews and questionnaires. The telephone interview has most of the personal interview’s advantages when it comes to dynamic question techniques but is much less resource demanding. The personal interaction is however limited such as the possibility of using different visual aids. (Lekvall & Wahlbin, 2001) For the telephone interviews the risk for informational loss and lessened motivation is somewhat bigger than for the personal interviews (Patel & Tebelius, 1987).

**The Choice of Data Collection Technique**

The relations that are studied are complex and it is important that the gathered information has a certain depth. The nature of the relation between buyer and supplier also makes the survey somewhat sensitive. The respondents may be reluctant to give straightforward answers on all issues. In such situations a personal interview is appropriate (Andersson, 2001).

Limited resources, both time and money, make it difficult to use personal interviews to cover a large sample. This study includes a combination of techniques in order to cover a selection that is as big as possible. Questionnaires are sent to all suppliers that are not interviewed and the data collected in this way is used to complete the information from the interviews.

Since the purpose of the study includes the task of developing a tool that SEP can use for a future follow up it is interesting to use telephone interviews as well. Telephone interviews are common in industrial supplier and customer surveys. Personal interviews can be considered too resource demanding and the depth of information that can be gathered through questionnaires is limited. Telephone interviews can therefore be a useful compromise. All three techniques are used with the double purpose of:

1) Covering a big selection

2) Evaluating the techniques against each other
Since the study shall be practical to use for follow ups a description of the different techniques and how to use them is included in the form of a small handbook. The handbook also contains information and practical tips on how to perform surveys. It can be found as an appendix to this survey (Appendix 1).

6.4 Preparing the Study

6.4.1 The Selection of Respondents

The selection of respondents for the different types of studies is made on the basis of deliberate choice, not by statistical methods. The number of suppliers is relatively limited and all suppliers within the geographical and functional delimitations of the study have been contacted. All suppliers that are not participating in a personal or telephone interview are included in the questionnaire survey.

The criterion that is used for the selection of suppliers to interview is purchasing invoice value. To classify according to Total Business Cost would of course be even more interesting than to look simply at the invoice value but that is today not possible. The reason for the choice of selection criterion is partly pragmatic. The suppliers representing the biggest volumes are the most interesting for Stora Enso to survey. The classical rule of ratio, 80/20, states that it is most important to look at the large costs, since trying to eliminate the small ones may not pay off. One other reason for this choice is that the suppliers representing the biggest volumes are also the ones that are most frequently interacting with Stora Enso and have contact at several different hierarchical levels and in different regions. They are consequently the ones that are likely to present the most complex relational situation.

6.4.2 Informing the Respondents

It is important that the respondents are well informed about the conditions of the study before they take part in it: both in order to follow the norms of ICC/ESOMAR, the International Code of Marketing and Social Research Practice, that can be found at http://www.esomar.org/ and in order to minimise information loss since the respondents will be better prepared for the study. (Lekvall & Wahlbin, 2001)

A letter from the SEP manager explaining the purpose of the study, the use of the results and the expectations on the suppliers’ cooperation, as well as a letter from us explaining the conditions and contents of the study has been sent to all suppliers participating in the survey. Both letters have been written following the advice of Patel.
and Tebelius (1987) on how to inform respondents about a survey, which can be found in the Survey Handbook (Appendix 1).

**Sources of Error**

Since the selection of suppliers is not a statistical sample but includes all respondents in the intended populations, inferential errors are of minor importance. The risk of information loss is connected to the design of the interviews and questionnaires, as will be discussed later in this chapter. By carefully informing the respondents about the conditions for the survey the risk of information loss due to respondents that chose not to participate is reduced.

### 6.5 Validity and Reliability of the Study

The questions of validity and reliability are important to consider.

- **Validity** tells if the method used for the study really measures what it is intended to do. There is no definite way to decide if a method is valid or not, a logical analysis of the instrument is one way of avoiding the biggest mistakes. (Lekvall & Wahlbin, 2001)

- **Reliability** is a measure of the stability of the chosen method. A reliable study shall resist influence of chance events and produce the same result each time it is used. (Lekvall & Wahlbin, 2001). The reliability can be influenced by variations in the interview situation: the interaction with the interviewer, the personality of the respondent, distractions in the surroundings or unclear questions. (Lekvall & Wahlbin, 2001)

**Sources of Error**

The special characteristics of the relation between buyer and seller and Stora Enso’s size on the market can influence the validity of the answers since respondents might give answers that are coloured by their business expectations. To enhance validity it is important that the questions are objective and that the respondent is not tempted to give false answers. Guaranteeing anonymity is another important factor to ensure that the supplier tells the truth without too many restrictions. In order to test the questionnaires validity from a logic point of view we have let the sales department of Stora Enso evaluate the questions.

Reliability of the answers is another difficult matter in the study. The design of the study is of utmost importance for the reliability of the results. To minimise the risks of variations between the different cases we have been very careful when designing the questionnaire and formulating the interview questions.
6.6 The Interviews

6.6.1 Preparing the Interviews

The preparation of the personal interviews and the telephone interviews are more or less the same. The informational letters were followed by a telephone call to give more information and decide on a time and date for the interview. In some cases interviews could be performed with additional persons, besides the main contact person, in order to get information from different organisational levels. A total of eleven personal interviews and five telephone interviews have been performed. All the interviews were performed in June 2004 and all of the suppliers were located in Sweden, Finland and Germany. The telephone interviews were performed during the same period.

6.6.2 The Interview Design

The form of an interview is decided according to two dimensions:

- Level of standardisation
- Level of structure

Standardisation refers to the freedom of the researcher in choosing phrasing and order of the questions. Structure refers to the respondents’ possibility of answering freely or according to present alternatives. (Patel & Tebelius 1987)

The interview used in this study is standardised and follows an interview guide with questions formulated in advance to assure consistency between the different interview cases. The interview guide can be found in Appendix 2. A shorter version of the interview guide is used for the telephone interviews (In Appendix 2 the questions that are used for the telephone interview are marked with a T.). Also probes and resulting questions have been prepared in advance. To use probes is a way of encouraging the respondent to give more inclusive answers without steering the direction of the conversation. Examples of probes are: short questions like “how do you mean when you say...”, “why do you think...” or simply a nod or an encouraging sound that lets the respondent feel that he is allowed free scope to talk more. (Andersson, 2001)

The level of structure is low since the interview contains almost exclusively open questions. In some cases an incidence technique is used: by asking about specific events instead of generalised proceedings the chance of getting accurate answers is somewhat bigger (Lekvall & Wahlbin, 2001). The personal interview contains 25 questions, including 2 background questions and 3 follow up questions about the survey. The estimated time for the interviews is 1 ½ hours. The answers are registered by taking notes during the interview. The telephone interviews contain a selection of the
questions that are most central to the study. The length of the telephone interviews is approximately 30 min.

Sources of Error
In an interview situation problems with loss of information is a not a big risk (Lekvall & Wahlbin, 2001). No special preventive measures have been undertaken. The risks are rather connected to our own relative lack of experience when it comes to interview techniques. To decrease this risk we have studied method literature (a resume of this can be seen in the Survey Handbook) and constructed a detailed interview guide that will help us minimise variations between the different interview cases. There is also the possibility that the suppliers take the opportunity of presenting answers that are politically coloured. As mentioned earlier asking specific and objective questions and guaranteeing anonymity is a way of reducing this risk. Since this might not be enough the results have been presented to persons with expert knowledge in purchasing in order to get an objective evaluation.

6.7 The Questionnaire

6.7.1 Preparing the Questionnaires
The preparation of the questionnaires differs from the interviews in the respect that the informational letters and the questionnaires are sent to respondent on the same occasion. The respondent will thus not have the same possibility to prepare for the survey or ask questions about it. Each questionnaire sent has a control number, in order to control which suppliers that have failed to answer and need to be reminded. The numbers are not used to track individual answers. A total of 66 questionnaires were sent out by e-mail in the beginning of June and were followed by two reminders, also by e-mail. The first reminder was sent after two weeks and the second after four weeks, in the beginning of July. The suppliers could choose to return the questionnaire by e-mail or by post.

6.7.2 The Questionnaire Design
Since the control over the respondent is low and there is no way of verifying how the questions are interpreted it is very important to design the questionnaire in order to minimise information loss. The instructions to the questions must be instructive and easy to understand. The phrasing has to be clear, not too long and not possible to interpret in different ways. When performed in a language that is foreign to the respondent it is also important not to use unusual words. It is also important that the phrasing is not in any way offensive or leading. (Patel & Tebelius, 1987) When designing the questionnaire we have been careful to take into account the above
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mentioned recommendations for questionnaire construction. We have also tried to make the layout and questionnaire design as intuitive as possible.

The questionnaire contains both structured and open questions. Since open questions require more efforts for the respondents to answer the answers are likely to become less comprehensive than they would have been in an interview situation (Andersson, 2001). We have therefore be careful not to use too many open questions.

The scale that is used as the base for our questionnaire is a graphical interval scale with seven steps (Figure 6-1). Interval scales are to prefer if you are going to treat data with numerical operations. In order to get deeper information on some issues and also to get more variation for the respondent some other question types have been included in addition to the interval scale type. For more information about the design of questionnaires we refer to the Survey Handbook (Appendix 1).

![Totally disagree](1) (2) (3) (4) (5) (6) (7) Totally agree [No opinion](8)

Figure 6-1: The questionnaire interval scale (Antell & Heijl)

The questionnaire contains in all 59 questions:
7 open questions requiring short or number answers
3 open questions requiring more extensive text answers
29 structured questions using a graphical interval scale with 7 steps
5 structured questions using an ordinal scale
10 nominal scale multiple choice questions
3 ranking questions.

Sources of Error
For the questionnaires the main risks are connected to loss of information due to the design and consequent interpretation of the questions. This risk has been minimised by evaluating and testing the questionnaire carefully before using it. Persons that are experienced in survey techniques have examined the questions. The complete questionnaire has also been tested on the sales department of Stora Enso in order to get an evaluation of the contents and comprehensibility from a supplier's point of view before launching the study. The risk of misinterpretations is however difficult to eliminate completely and we have to be careful when analysing the answers in order to find possible faults in the questionnaire construction.
6.8 The Method used to Investigate the Research Questions

In an interview with low structure the respondent is free to formulate the answers. This makes it difficult to predict exactly which information that will be collected from each question. All questions in the interview are related and answers to one question may encompass the subject of another, the indications that we have given below about which interview questions that are used for the analysis of each research question is therefore only indicative. Some of the questions in the questionnaire have also been included just to give us background information about the suppliers and are not used in the analysis. The questions used in the survey can be found in Appendix 2 and 3.

The Relational Bonds between Stora Enso and the Suppliers

We will not explore all possible bonds but look quickly into the technical and social bonds, and also some into the knowledge and time dependent bonds. Since SEP itself is a central unit and not really involved in the running activities we do not find it useful to look for other than social bonds between SEP and the supplier. SEP will therefore not be considered in this discussion.

Since the duration of the relation and the economical (and other) importance of the buying company to the supplier is important for the formation of bonds we shortly examine also those issues. We will gather information about where contact is made to see on which levels there might be social bonds. In order for two companies to develop bonds the consequent possibilities of savings must be greater than cost for developing and maintaining the bonds. (Gadde, Snehota, 2000). To shed some light on this matter we will include a question about transactional costs.

The questions that are used are: In the questionnaire nr 5 and 6 about the duration of the relation; nr 16 and 17 about resource dependence, nr 34 about the intensity of the contact and nr 55 that relates to economic importance. In the interview we will use nr 1 and 2 that are about the duration of the relation; nr 12 that asks about the intensity in the contact and also indirectly nr 16 that asks about joint projects.

Stora Enso as an Attractive Customer

To find the answer to the question about Stora Enso as an attractive customer we will ask the suppliers to give examples of what they find important in a good business relationship and how this applies to Stora Enso and SEP. They will be asked to take the example of one of their current business relations when describing the characteristic of a good business relation. According to Monczka et al. (1995) the most important determinant for a supplier’s rating of the relation to the buying company is cooperative behaviour. We will therefore study different components of cooperative behaviour, such as information sharing, willingness to listen and adapt and use of supplier policies.
Other aspects that influence the rating, such as economic satisfaction and trust, will also be studied indirectly through the interview questions that are related to the overall relation. The percentage of the supplier’s sales that go to the buying company is also important for the rating. We have chosen not to include this factor since we believe the suppliers may be unwilling to provide that data.

The questions that are used are: In the questionnaire nr 15, 19, 27, 31 and 45 that relate to cooperative behaviour; nr 8, 9, 10, 12 and nr 14 that relate to communication and information sharing behaviour; nr 54 that asks explicitly if Stora Enso as a group is an attractive customer. In the interview we will use a question that asks the respondent to define a good business relation (nr 13) and nr 22 that asks explicitly if Stora Enso is attractive as a customer.

**Reducing the Total Business Cost**

Since Stora Enso has no defined way of measuring the Total Business Cost we will carry out this investigation mainly by asking the suppliers to give their opinion of the work of identifying the Total Business Cost. This will only give a subjective view of the matter so we will also include factors that are fundamental to make the search for minimised Total Business Cost possible, such as information spread between mills and mill compliance to the Group strategies. We will also see if the characteristic of the current relation, as well as SEP’s focus in negotiations, reflect the goal.

The questions that are used are: In the questionnaire nr 25, 26, that relate to the characteristic of the relation, nr 19 that asks about joint improvement efforts, nr 41 about mill compliance. In the interview we will use question nr 10 that relates to coordination between SEP and the mills and nr 16 and 17 that relates to joint improvement and the search for Total Business Cost.

**The Potential for Closer Cooperation with the Suppliers**

In order to study the potential for closer cooperation we will use two different approaches. One is to put explicit questions in the survey about the suppliers’ opinions on the possibilities of closer cooperation. The other is to study factors that current research predicts are fundamental for collaborative relationships. According to Monczka et al. (1998) information sharing behaviour and joint efforts of improvement are important for a closer relationship. Mutual trust is essential to build a collaborative relationship, but this is a more sensitive and subjective matter, which we will explore indirectly by asking more general questions about the relationship. According to Jonsson the relationship strategy must correlate to the negotiation strategy. We will therefore ask the suppliers about SEP’s negotiation approach.
The questions that will be used in the questionnaire are: 15, 18, 19, 22, 27, 31 that relate to cooperative behaviour; nr 8, 9, 10, 12 and 14 that relate to communication and information sharing behaviour; question nr 20 and 21 that are explicit questions about the possibilities and obstacles for closer cooperation; nr 26 about the focus in negotiations. In the interview we will use question nr 13 that relates to cooperation and the quality of the relation.

**Stora Enso's Purchasing Organisation**

To study the suppliers’ view of Stora Enso’s purchasing organisation the main approach will be to ask the suppliers to give their overall impression of the organisation as a whole. They will also be asked to compare Stora Enso’s organisation to that of other companies in the business. If SEP fits the overall purchasing organisation will be investigated as well as if Stora Enso’s purchasing structure fits the suppliers’ organisations.

All organisational questions in the questionnaire and in the interviews will give an indication of what the suppliers think about Stora Enso’s purchasing organisation. Questions directly concerning the purchasing organisation in the questionnaire are nr 37 and 44. In the interview question nr 6 will be used.

**The Suppliers’ View of the Category Teams**

The Category Teams are regarded as essential for SEP’s function and it is therefore important to investigate the suppliers’ view of the Category Teams in as much detail as possible. The pre-study gave an indication of possible problem areas and the suppliers will be asked questions focusing these issues. To estimate how the Category Teams actually are functioning the suppliers will also be asked to compare Stora Enso’s Category Teams to other purchasing teams in the business.

The questions that will be used in the questionnaire are: nr 38, 39 and nr 40. The technique in the interviews will be to put as general and objective questions as possible in order not to lead the interviewee in any direction. Question nr 11 in the interview is concerning the Category Teams.

**The Suppliers’ View of the Coordination between SEP and Other Parts of the Stora Enso Organisation**

To investigate the internal coordination between SEP and other parts of the Stora Enso organisation the suppliers will be asked questions regarding the problems that have been indicated in the pre-study. An important factor is the problem that sometimes occurs when the mills do not follow the corporate purchasing agreements negotiated by SEP. Another approach to this issue is to investigate the influence and executive power SEP has on the purchasing decisions in order to get an indication of SEP’s internal position.
Questions concerning internal coordination in the questionnaire are 35, 36, 41, 42 and 43. In the interview nr 7-10 will be used.

*The Suppliers’ View of the Communication between SEP and Other Parts of the Stora Enso Organisation*

A central purchasing function has high responsibility when it comes to coordinating the internal actors as well as the inter company information flow (S. Axelsson; Gadde & Håkansson, 1998). The purpose of this research question is to investigate if the suppliers have recognised any problems when it comes to the information spreading from SEP to other parts of the Stora Enso Group and to let them give their opinion on the current situation.

The internal communication will mainly be investigated through the interviews in question 9 and also indirectly in question nr 10. The question that will be used in the questionnaire is nr 13.

*The Suppliers’ View of SEP’s Professionalism*

SEP does not have a clear definition of what they consider as professionalism. It is up to the employees to interpret “Act professionally” in their own way. The view of the SEP management is that professionalism has to do with knowledge, business ethics and negotiation skills. Cost reduction and optimising for Stora Enso as a whole is also regarded as professionalism. SILF (2004) divide purchasing professionalism into four categories; “Business skills”, “Professional skills”, “Human skills” and “General skills” (see section 4.4, Purchasing Professionalism). Since SEP does not have a definition of their own of professionalism we will depart from SILF’s model when investigating the suppliers’ view of SEP’s professionalism. We will also focus on the areas of the professionalism concept that SEP’s management has described as important to them. Communication is an important part of a purchasers work and well functioning communication is one of the prerequisites for an efficient purchasing function. (Gadde & Håkansson, 1998) Communicative skills will therefore have a larger focus in this study.

Questions concerning professionalism in the questionnaire are nr 3-5, nr 43 and nr 45-52. Question nr 51 investigates the suppliers’ awareness of SEP’s business moral and ethical policies. Question nr 3 and 5 are related to communication and corresponding questions in the interview are question nr 8, 10 and 11. The professionalism questions in the interview (nr 18-21) are more general. Question nr 18 gives the interviewee the opportunity to speak freely about SEP’s purchasers’ professionalism, this to make sure not to miss any part concerning the suppliers’ impression of the SEP employees’ skills.
The Advantages and Disadvantages for Stora Enso with the Chosen Data Collection Techniques

One part of the purpose of this study is to develop a tool for SEP to be able to repeat this study. The advantages and disadvantages for Stora Enso with the chosen data collection technique will be investigated not so much by asking questions to the suppliers but mainly by evaluating the quality of the information collected through the three different techniques. Practical matters such as the resource demands for the different techniques will also be considered. In both the questionnaire and the interviews the suppliers are also asked if they would be willing to take part in a future follow up of this study and if they in that case prefer questionnaires, telephone interviews or personal interviews.

The questions used are question nr 14, 24 and nr 25 in the interviews and question nr 58-61 in the questionnaire.

6.9 Criticism of the Survey Results

This section contains a discussion about the accuracy of the survey results. The design of the questionnaire is criticised and a number of suggestions for improvement are made.

6.9.1 Criticism of the Interview Results

The interviews worked out well and no specific questions caused any problems. One slight difficulty is that the nature of the survey makes it inviting for the respondent to associate further and give answers that do not really correspond to the question that was asked. In such situations we have been careful to use neutral probes and resulting questions that were prepared in advance to steer the respondents.

6.9.2 Criticism of the Questionnaire Results

When constructing the questionnaire we deliberately made the choice of using some other scales than interval scales at questions where we wanted to get qualitative answers. Most of these questions served their purpose well but some did not work out so fine due to misinterpretations.

Question nr 7

Question nr 7, where the respondents where asked to distribute 100 % among different means of communication was in many cases only answered by putting crosses in front of one or several alternatives. In the first reminder around 10 respondents received a version of the questionnaire were this question was corrupt and could only be answered
by putting crosses, but this did not influence the result since already too many had
answered the question incorrectly. This question could not be used in the analysis.

Question nr 23
Question nr 23 “In comparison to the total costs for your company, estimate what
percentage are production costs” is regarded as sensitive or confidential by many
companies. Since the answer rate did finally turn out to be around 40 % we have not
included this question in the analysis.

Question nr 34, 35 and 36
Question nr 34, 35 and 36 caused some trouble mostly due to a somewhat unlucky
order of the questions and also due to instructions that could be misinterpreted. In
question 34 the respondents were asked to put crosses in front of different alternatives
in order to depict where there is most contact between their company and Stora Enso.
The instruction read “… Put one cross for the places where contact is made. Put an extra cross
(XX) if contact is more frequent and more crosses the higher the frequency. ” This question was
predicted to give a qualitative result and our opinion is that it served its purpose. The
problem that arose was that the scales of the two following questions were “backwards”
compared to the scale of number 34.

In the two questions that followed the respondents were supposed to rank different
alternatives “from 1 and upwards”. Our intention was that the rank 1 is the most
important; the rank 2 the second most important and so on. This was in some cases
interpreted differently. Some respondents made a note in the questionnaire that they
had interpreted the scale the other way round. We also identified 5 answers that deviated
very much from the general pattern. We believe that these respondents have used the
scale differently. These 5 answers were not determining for the result of the question, it
still showed a clear tendency, but we have still chosen to interpret this question very
carefully.

Question nr 57 and 59
Question 57 “Did you find it meaningful to fill in this questionnaire” and nr 58 “Are
you willing to take part in a future follow up of this survey” did only have yes/no as
answer alternatives. It had been more appropriate to use the seven step interval scale for
these two questions.
7 EMPIRICAL RESULTS

This chapter presents the empirical data from the supplier survey. The data has been collected both through interviews and through questionnaires. The first section includes a description of the collection of this material.

7.1 Introduction

The studied system is complex and the empirical findings that explain the research objectives are closely interrelated. Cooperative behaviour is for instance important both for the potential for closer cooperation and for the attractiveness of the buying company. The negotiation tactics influence both the rating of a buying company’s professionalism and the characteristic of the overall relation, including attractiveness and potential for closer cooperation. The different sections of the empirical results correspond to the research objectives that are discussed in the analysis chapter but a one-to-one relation between the research objectives and the sections in the empirical results is not possible. The focus in this chapter is to present the findings in such a complete and logic way as possible.

7.2 The Survey

A total of 66 questionnaires were sent out and 48 were returned. This gives an answer rate of 73 %, which can be considered to be a very good result. The answer frequency was lowest among the suppliers of pigments and paper machine clothing (50 % and 60 % respectively) and higher for the suppliers of chemicals, binders and packaging (80-90 %).

The variation of the mean values in the questionnaire is not very high. The rating varies between 6.5 and 4.2, which are both values that are above the neutral rating 4 on the seven-step interval scale. In order to get a reference point we sometimes use a constructed value that we refer to as the “mean rating of the questionnaire”. What we call the mean rating of the questionnaire is the mean value of all the questions that use the 1-7 scale. This “total rating” is 5.2.

The majority of the suppliers that negotiate with SEP are chemical suppliers. As a natural consequence most of the suppliers answering the questionnaire are chemical companies (55 %). The percentage of suppliers of the various product types that answered the questionnaire can be seen in Figure 7-1.
Interviews (personal and telephone) were made with three pigment suppliers, three chemical suppliers, three suppliers of paper machine clothing, two suppliers of binders and two suppliers of packaging materials.

The suppliers’ opinion is that the questionnaire, and the answer alternatives provided in the questionnaire, describe the actual relationship between the supplying company and Stora Enso to some degree. The mean value of this question is 4.8, which is below the mean rating of the questionnaire. Most (85 %) of the suppliers answering the questionnaire found it meaningful to fill in the questionnaire. The suppliers that took part in an interview have in almost all cases found it very meaningful to discuss the topics initiated. Some also saw this as an invitation from SEP to have these kinds of discussions more directly with them in the future. All interviewees would like to take part in any future follow up of the survey and preferably in a personal interview. The suppliers answering the questionnaire were in general more positive towards questionnaires than interviews.

### 7.3 Relational Bonds between Stora Enso and the Suppliers

The absolute majority of the suppliers have made business with Stora Enso, STORA, Enso, or some other part of Stora Enso for 10 years or more. As many as 60 % of the supplier relations date 20 years or more back in time. The products sold to Stora Enso are in 60 % of the cases standard products that the suppliers also sell to other customers.
The remaining 40% of the products are modified or considered unique for Stora Enso. When it comes to modification of production equipment to specific Stora Enso products a majority of the suppliers have modified their production equipment to some extent and 13% state that they have modified it to a large extent or bought special equipment (see Figure 7-2). The suppliers are ready to adapt to irregularities in Stora Enso’s production. When necessary some suppliers even deliver to Stora Enso on weekends; a service they would not provide to all customers.

![Specialization of products for SE](image1)

![Modification of production equipment for SE](image2)

**Figure 7-2: Specialised products and/or modified equipment (Question nr 16 and 17 in questionnaire) (Antell & Heijl)**

All interviewed suppliers describe their relation to the Stora Enso mills as good or very good. The contact surface is of course very broad and how good the relation is depends on time and location.

The interface between a supplier and Stora Enso is normally rather complex and involves a large quantity of people. Most of the supplier representatives answering the questionnaire have regular personal contact with about 10 to 20 people at Stora Enso, but the numbers vary from 1 to 100. The mean number of persons from each supplier company that is in contact with the Stora Enso organisation is 12, but also here the numbers vary between 1 and 100. Social bonds exist at many organisational levels. Most contact between the suppliers and the Stora Enso Group is made at mill level, mainly with R&D, production or mill purchasing people, but there are many people interacting on all hierarchical levels. An example of the interface between a supplier company and Stora Enso can be seen in Figure 7-3.
TRANSACTIONAL COSTS

The questionnaire respondents were asked to choose three factors they thought represented the most important cost drivers (outside production costs) influencing the purchasing price when doing business with Stora Enso from a list of preset alternatives (Figure 7-4). Transport, storage, and logistic planning together represent more than half of the answers given (56%). R&D appears as an important factor as well as after sales support. Opinions that were expressed under the free alternative “other” were for example: that the market conditions are unstable and that technical service resources are “wasted” in projects when mills do not comply with the agreed purchasing action.

Figure 7-3: The interface between Stora Enso and the Supplier Company (Interview question nr 12) (Antell & Heijl)

**Figure 7-3:** The interface between Stora Enso and the Supplier Company (Interview question nr 12) (Antell & Heijl)
7.4 Stora Enso as an Attractive Customer

The Characteristic of a Good Business Relation
When asked what they think characterises a good business relation, the interviewees all gave similar answers. Honesty, openness and reliability were most highly valued. Other things that were emphasised where long term thinking, stability and to set mutual goals and together find out how to reach them.

Many of the interviewed suppliers rate their relation to Stora Enso and SEP as good, some even as excellent. All the interviewed persons thought that Stora Enso is an attractive customer and when asked to name a reason they answered, without exception, that it is mainly because of the purchased volumes. The question about Stora Enso’s attractiveness as a customer was given a high rating also in the questionnaire; the rating is 6.5, which is actually the highest in the whole questionnaire.

Possible Improvements of the Relation to Stora Enso
The major problems in the relation that were, in varying importance, presented by most interviewees were unpredictability when it comes to volumes and an unwillingness to reveal long term strategies. The general opinion is that more long term planning and better possibilities of predicting volumes would improve the relation.

A majority preferred longer contracts. Almost all of the interviewed persons expressed a wish for more common long term planning and more strategic discussions at management level, even when longer contracts might not be an option. Many suppliers
expressed the concern that the short term perspective makes it difficult or not enough rewarding to develop and implement optimal production planning or tailored logistic systems. One supplier summarised the concerns of many of the interviewees: “Stora Enso is quick to change and it is difficult to predict the relation; we have to be careful with resources and volumes”. Some of the interviewed persons thought that the frequent change of people in SEP and Category Teams, as well as the general short term perspective, makes good personal relations difficult to maintain.

Information Sharing
The information sharing gets a rather low rating in the questionnaire. Both to what extent SEP gives relevant feedback and how well goals for the relation are communicated get low scores (4.5 and 4.8 respectively). An illustrative quote from the interviews is: “It is difficult to get feedback about business, either this is policy, else it is because SEP is not properly informed by other units”.

7.5 The Goal of Reducing the Total Business Cost
Most suppliers state that they are actively seeking cost reductions in the cooperation with Stora Enso. There is however some dissatisfaction when it comes to the possibilities of creating value in Stora Enso’s production. Many suppliers are disappointed that SEP looks mostly to price and not, as much as the suppliers would like, to the possibilities of paying more and getting more value.

The general opinion is that Stora Enso acts inconsistently when it comes to optimising the Total Business Cost. The majority of the interviewed persons were aware of Stora Enso’s ambitions to optimise the Total Business Cost but did not think that Stora Enso today really works to find those possibilities. In the questionnaire both the question about SEP’s focus in negotiations (Figure 7-5) and the question about the characteristic of the supplier relations, optimising Total Business Cost is given less than half the amount of answers compared to purchasing price focus.
Focus in negotiations

<table>
<thead>
<tr>
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<tr>
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</tr>
<tr>
<td>Quality</td>
<td>18</td>
</tr>
<tr>
<td>Minimising the TBC of SE’s production</td>
<td>17</td>
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<tr>
<td>Security of delivery</td>
<td>15</td>
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<tr>
<td>Service</td>
<td>6</td>
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<tr>
<td>Joint improvement</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
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Figure 7-5: The characteristic of SEP’s focus in negotiations (Question nr 26 from questionnaire) (Antell & Heijl)

Product trials and other joint projects are constantly going on at the mills but results from successful product trials on mills are not always communicated. The mills are also in some cases reluctant to let the supplier take measurements in order to find the impact of a product change in Stora Enso’s production. The suppliers recognise that the mills have to strive to optimise their own results and can not have the same ambitions as SEP when it comes to finding mutual benefits and cost savings on a regional or global basis. The interviewed persons thought it is obvious that SEP can not decide when it comes to changes in the production but that such things must be initiated by the Category Teams or by project groups.

Some suppliers commented on the possibility of standardisation. The opinion was that standardisation should be possible in Stora Enso’s production but that SEP does not have the authority to decide such things. Some suppliers also expressed opinions similar to the following quote: “There is an understanding at SEP that the cooperation could be developed to find cost savings and mutual benefits. This insight has not reached the mills.”

7.6 The Potential for Closer Cooperation with the Suppliers

Possibilities and Obstacles for Closer Cooperation
Almost all (90 %) of the respondents agree with the statement that there are interesting possibilities for closer cooperation between their company and Stora Enso. The rating of how well Stora Enso makes use of the supplier’s capabilities is somewhat lower; a quarter of the respondents state that their capabilities are not utilised to any larger extent.
When the questionnaire respondents were asked to choose alternatives that they thought represented obstacles for a closer cooperation with Stora Enso the answers where relatively evenly distributed (Figure 7-6). Organisational and market structure got the highest answering rate and both received 17% of the answers. Lack of time, culture differences and the characteristic of the current relationship were given medium importance. Very few thought that there were no obvious areas for cooperation. The answers received under the free alternative “other” were that Stora Enso’s supplier strategy is unclear, that purchasing lacks power of decision, and that the Stora Enso mills lack time for trials.

![Figure 7-6: Obstacles in the interface between the Stora Enso Group and the supplier that could hinder a closer cooperation (Question nr 21 from questionnaire) (Antell & Heijl)](image)

**Obstacles for closer cooperation**

- Organisational Structure: 16.5%
- Market structure: 16.5%
- Lack of time: 14.3%
- Culture differences: 12.1%
- Characteristic of current relationship: 11.0%
- Trust for the other company: 8.8%
- Lack of knowledge about each others production: 5.5%
- No hope for improved profits: 4.4%
- No obvious areas of co-operation: 2.2%
- Other: 8.8%

Cooperative Behaviour

The questionnaire results evaluate SEP’s cooperative behaviour as a bit less positive than the mean rating of the questionnaire, but still positive (average 4.9). SEP’s willingness to listen to opinions and information from the supplier is rated as good but the willingness to actually change in order to facilitate the work of the supplier is rated neutrally.

When it comes to partnership strategies both interview and questionnaire answers were unanimous in the respect that Stora Enso is primarily a price buyer. A few suppliers observed that SEP lately has signalled a change towards partnering strategies but that Stora Enso does not seem willing to make an opening toward such a relation. As one supplier said: “To develop partnerships somebody has to take the first step but the strict price focus makes relations tense.”
7.7 Stora Enso’s Purchasing Organisation

Stora Enso’s purchasing organisation is apprehended as better or as well organised as other purchasing organisations that the suppliers come in contact with. Stora Enso is recognised as one of the first that introduced central purchasing and the general opinion is that they are clearly on their way of being well organised for purchasing. In the questionnaire the overall organisation of Stora Enso’s purchasing activities is given a rather good rating (5.3) that is a bit over the mean rating of the questionnaire.

According to many of the suppliers, having a centrally organised purchasing gives Stora Enso a superior purchasing power. It also gives Stora Enso an opportunity to coordinate the strategic moves of their purchasing decisions. A positive effect for the suppliers is that they need to visit and talk to fewer people regarding purchases. Some suppliers think that the interface between their company and Stora Enso has become more impersonal since the purchasing was centralised: “Now you just meet a team that is price focused”. The interviewed suppliers did not think that the contents of the business has changed in any special way since the centralisation and they also declared that all larger groups they deal with have centrally coordinated purchasing in some way. The suppliers also adjust their organisation to fit the ones of their larger customers.

The general opinion is that SEP facilitates the suppliers’ work with Stora Enso; in the questionnaire this question is evaluated to 5.1, which is slightly below the mean rating of this questionnaire but still a positive result. The suppliers of paper machine clothing tend to evaluate Stora Enso as a whole as more effectively organised for purchasing than the suppliers of pigments.

7.8 The Category Teams

All interviewed suppliers think that the Category Teams are very important for SEP and the purchasing work of Stora Enso. The suppliers also think that the Category Teams make the work of SEP more efficient and that they have an important task in gathering information from the mills. The general opinion is also that the Category Teams could be improved in many ways, for example the communication between the mills and the Category Team members.

The suppliers generally think that the Category Teams are useful in some way also to their work and that they contribute with competence in the exchange between the companies. The mean value of this question is 5.2. The cross-functional knowledge facilitates the cooperation between the supplying company and Stora Enso and more information is accessible during negotiations thanks to the Category Teams. The suppliers also prefer teams with cross-functional knowledge to teams with only
commercial members. The suppliers experience that it is negative when the members in the Category Teams are changed. It takes time to get to know one another and for the team members to understand how the negotiation works. This is also according to the suppliers slowing down the work of SEP. When asked how the Category Teams of Stora Enso work in comparison to other purchasing teams, the suppliers had slightly varying opinions. Two interviewed product types are rather negative towards the Category Teams they are in contact with. They think they are too large and that other teams get the same negotiation result with fewer people. They also feel that the Category Teams are not very efficient and that teams that are better prepared and give the impression of having discussed before meeting the supplier are better teams. 54 % of the suppliers answering the questionnaire think that Stora Enso’s Category Teams work much better or better than other purchasing teams they are in contact with. 25 % think they work as well and only 15 % think they are worse than other teams.

Some of the Category Team members are regarded as more enthusiastic than others. Examples of comments are: “Some of them only seem to sit by” and “The Category Team members are not always there and when they are there, they can leave early”. Some of the Category Team members have also complained to the suppliers about not liking their work situation with the Category Team. According to the questionnaire results the suppliers of paper machine clothing tend to think that their Category Team representatives are good representatives of the mills (6.7) while the suppliers of binders tend to think that they are not as good representatives (4.6). The mean value of this question is 5.2. The suppliers have also noticed that the members of the Category Teams are very attached to their own mill and not very interested in what is going on at other mills. The general pattern is that the suppliers would like the Category Team members to be more active and spread information within the Stora Enso organisation about their work and about the results they get from trials with the supplier. Some suppliers would like to have more presentations to the Category Team members that work at mills that are not currently buying from the supplier.

7.9 Coordination between SEP and Other Parts of the Stora Enso Organisation

The majority of the suppliers answering the questionnaire think that the Category Teams or the SEP management have the most influence on Stora Enso's global purchasing decisions. There are also many suppliers that think that the mills, mostly production and R&D, have much influence on these decisions. When it comes to executive power 84 % consider SEP and the Category Teams to be the most important for Stora Enso’s global purchasing decisions. The remaining 16 % the majority think
that the executive power resides at mill level. The interviewed suppliers are more uncertain about who has the most influence and who has the executive power concerning Stora Enso’s global purchasing decisions. Regarding the most influence on the decisions, the answers vary from “the mills” (“SEP has no influence on the purchasing decisions”) to “the Category Team”, “PEC” or “the Group management”. Some suppliers simply say, “I do not know”. Who has the executive power seems to be unclear for most of the interviewed people and very clear for some of them. “It is the mills and SEP has to listen to them” and “The Category Team, the mills do not have much power”. Others say, “Good question, there are some strong mill managers that have a lot to say about things...” and “It is unclear who has the executive power, it seems to be undisciplined”.

It is clear that the mills do not always follow the corporate purchasing agreements negotiated by SEP. The situation has improved during recent years but the problem still exists. The opinion among the suppliers is that if the mills want to buy from someone else, they will do that and that there is still a “power game” going on between central purchasing and the mills. As one supplier described the problem: “The interest of the business units comes before the interest of the whole group and it is the Group management that has to create an acceptance among the mills regarding the chosen organisational form. It is not easy”. The general supplier attitude is that the mills have their own will and that old contacts and the degree of service and involvement from the supplier have great influence at the mills. Some of the interviewed suppliers observed that the mills do not like when SEP makes the decisions and that the mills sometimes feel run over. It is rather common that the mills do not take the negotiated volumes, but this mostly has to do with production stops and insufficient production planning. Seen over a longer period of time the volume usually becomes more accurate, but in a short perspective there are always fluctuations compared to the decided volume. According to the questionnaire results the chemical suppliers tend to think that the mills follow the corporate agreements to a larger extent than the suppliers of pigments, but there are no major differences among the product types. The suppliers’ general opinion is however that SEP is rather well anchored at the mills (the question was evaluated to 5.0) but that it could be improved.

7.10 Communication between SEP and Other Parts of the Stora Enso Organisation

The information spread from Stora Enso as a whole is in general consistent. SEP has a problem reaching the mills with information regarding the results of negotiations. The suppliers have also recognised that the demand for this type of information has
increased within Stora Enso. The information flow is slow and even slower to the mills not having a representative in the negotiating Category Team. The communication with Nordic and German mills is in general regarded as better and as more accurate than communication with mills located in Continental Europe. The suppliers dealing with the pigment Category Teams tend to be a little more positive than the others. The relation between the suppliers and the Stora Enso mills seems to be very close and friendly in most cases; sometimes even so friendly that the suppliers have taken over the responsibility to inform the mills when there is a lack of information from SEP. The mills are also providing the suppliers purchasing information in exchange.

Some suppliers expressed the opinion that there should be clearer directives from the Stora Enso senior management concerning supply strategies and product related projects. Mills do not always work in the direction intended by corporate strategy and projects in the production are slow and seldom initiated centrally. Sometimes suppliers find that they have put in efforts in projects that were initiated locally and later not approved of on the corporate level.

7.11 The Professionalism of SEP

The mean values of the questions connected to SEP’s professionalism are high compared to other questions in the questionnaire. The mean rating of the whole questionnaire is 5.2 and the mean rating of the questions connected to professionalism is 5.7. The lowest rating (4.5) is the one regarding SEP’s knowledge of the supplier company’s manufacturing process. The interviews gave the same result; the knowledge of the manufacturing process is good enough but it is much appreciated when the purchasers from SEP pay extra interest in the production. The suppliers of paper machine clothing think that SEP has poorer knowledge of the manufacturing process than the other suppliers and their mean value in the questionnaire for this question is no more than 3.3 (the lowest for any group in the whole questionnaire). The knowledge of the supplier company as a whole is in general regarded as better. The suppliers think that the SEP employees’ knowledge has improved in later years. Some of the suppliers thought that SEP seems to have an efficient business intelligence function: “they must have created a good data base with information about the suppliers”. The general opinion is that SEP’s purchasers’ anchoring at mill level could be improved. In the questionnaire their knowledge of the needs of Stora Enso gets a positive evaluation (5.6).

Communication

The suppliers are in general content with the communication with SEP. In the questionnaire 83% of the respondents state that communication with SEP is as easy or
Easier compared to other customers. The questions related to communication issues are rated somewhat below the mean rating of the questionnaire, but still positive. The respondents give a very high rating (5.6) to communication efficiency.

The results from the interviews confirm the questionnaire answers and show that most suppliers are satisfied with the information flow and the communication with both SEP and other Stora Enso units. The communication is described as efficient with both formal and informal contact. Representatives from SEP are easy to reach and give quick and accurate answers. In general the suppliers think that SEP's system works well: that everybody seems to know their role and that it is easy to find the right person to speak to. Some suppliers also gave positive remarks on the information routines and the document standards used by SEP. Some suppliers expressed a wish to use extranets or other electronic platforms in the communication.

**Communication Efficiency in Negotiations**

The negative remarks on communication issues mostly concern negotiations, which a majority of the interviewees find too time consuming. The questionnaire results show that 31% finds that negotiations take more time than necessary. A very common remark is that Stora Enso has too many people present at the meetings. The interviewees describe two different scenarios that they feel are a result of the numerous people from Stora Enso. One case is that it makes discussions take too much time, in the other case the interviewees question the use of having so many people present since only a few of the representatives participate in the discussions. The practises of having more than one day negotiations is also questioned. The suppliers feel that they are kept waiting and that it is only at end of the negotiations that Stora Enso takes them seriously. Some also find that they are kept waiting outside the meeting room before the meeting eventually starts. “SEP buys time in order to get answers from all suppliers.”

**Negotiations**

The purchasers from SEP are normally well prepared for negotiations and normally negotiate in a professional manner. These questions receive the rating 6.1 and 5.9 respectively in the questionnaire. The interviewed suppliers give a picture of purchasers that are very aware of their target and that are very focused on price. SEP negotiations are described as tough. Terms like “hostile”, “aggressive”, “unpleasant” and even “shocking” are used to depict how negotiations have been some years ago. The majority think that the negotiation style has improved very much in later years. For the current situation only very few still experience that SEP negotiations are more aggressive than can be considered legitimate. The majority describe the negotiations today as tough, or very tough, but fair. To squeeze the suppliers hard and to play them against each other is seen as typical for SEP, but most of the interviewees acknowledged that this is “the
name of the game”. The interviewees admit that SEP “plays the game well” and that the impressive buying power has resulted in heavily reduced prices (for examples of other supplier comments see Figure 7-7). Most companies think that the purchasing culture of Stora Enso Purchasing enables a polite, respectful and constructive business relationship. This question is given the rating 5.8 in the questionnaire. About 10% of the suppliers answering the questionnaire do not think that SEP negotiates in a professional manner and that the business relation is not very polite, respectful or constructive. Concerning these questions there is a tendency that the suppliers of pigments are more negative than the other suppliers.

“You never know what is going to happen at negotiations with Stora Enso.”

“SEP is a price buyer so the attitude during negotiations can be rather aggressive, but it is a part of the game that SEP plays very well.”

“It is hard discussions, but that is the way it should be.”

“Tough.”

“The atmosphere during negotiations is rather ok. The rules of the game are clear even though the messages are unreasonable.”

“The toughest negotiations I have been involved with. Brutal but effective.”

“They know how to create a threat. They know how to get what they want. Tough but fair.”

“Mostly professional, sometimes arrogant.”

“They can talk power language.”

“Difficult meetings. They feel proud when they have squeezed a supplier and can brag about it.”

“They mainly act correct. There are many purchasing techniques, but there are selling techniques also.”

“They know many tricks of the book.”

Figure 7-7: Supplier comments about SEP’s negotiations collected from the interview results.

Moral and Ethics
Two thirds of the suppliers answering the questionnaire have in some way, orally or in a document, been informed of the policies of SEP regarding business moral and ethics. Almost all of the interviewed suppliers state that they have seen or been presented documents of this kind but they are uncertain about the exact nature of the document.
Some of them have been given policy documents from Stora Enso mills. The general opinion is that written moral and ethical policies are important and that all larger groups should have this kind of documents. It also facilitates the work of the supplier and gives them the rules of the game. The business moral and ethical policies are much appreciated.

If the interviewed person has not at all been presented any business moral and ethical policy documents from SEP or is uncertain about having seen them, they have during the interview been shown the SEP document “Doing business with Stora Enso” (see section 3.4.1). The supplier’s opinion is that the interpretation of the statements in this policy document differs within the Stora Enso Group: from mill to mill and from country to country. Some suppliers expressed the opinion that: “If Stora Enso as a whole played after the same rules it would be easier.” Several suppliers have indicated that the mills do not in every aspect follow the policies presented in the document. Also the questionnaire result indicates that Stora Enso as a whole sometimes does not act according to the same business values, this question is evaluated to 4.9, which is in the lower section of the questionnaire answers. The supplier opinion is that SEP follows the business moral and ethical policies to a very high extent. The mean value for this question is 6.4, which is the second highest rating in the whole questionnaire. There were some exceptions where suppliers found that SEP’s professionalism is lacking. These exceptions concerned the purchasing techniques that are used in some negotiations. More about this matter can be read earlier in this chapter under the segment “Negotiations”.
8 ANALYSIS

In this chapter we will analyse the results of the empirical research in the light of the theories that were presented in the Frame of Reference.

8.1 The Relational Bonds between Stora Enso and the Suppliers

The relation between Stora Enso and the suppliers is in most cases of very long duration. Longer relations give the relational bonds time to develop and strengthen (Gadde & Håkansson, 1998). This seems to be confirmed by the strong bonds between the Stora Enso mills and the suppliers.

The social interface is complex and approximately 12 persons, sometimes as many as 100, from the supplier company are frequently interacting with the Stora Enso organisation. Although we have not focused our study on the relations on mill level, it becomes evident that there are strong and important social networks at this level and the social bonds seem to be of great importance.

The suppliers are more dependent on Stora Enso than the reverse. The impact of changed volumes over time has a large impact on the suppliers’ production and many of them are willing to adapt to temporary irregularities in Stora Enso’s production. Stora Enso however does not need to adapt to the time restraints of the suppliers in the same extent, since the suppliers adapt their deliveries instead. Transport, storage and logistic planning are important cost drivers for the suppliers when doing business with Stora Enso so it could be useful to develop time dependent bonds e.g. by logistic and production planning coordination. The above mentioned cost drivers are usually seen as rather easy to attend to and to look for possible cost savings in these areas is could pay off for Stora Enso.

These findings can be summarised as following:

- The relational interface is very complex and the relation between Stora Enso and the suppliers depends on interaction on many different levels.
- The social bonds between Stora Enso and the suppliers are strong at local level.
- The suppliers are dependent on Stora Enso and adapt their production but because of their size and importance Stora Enso does not have the need of adapting in return.
8.2 Stora Enso as an Attractive Customer

Stora Enso as a whole is regarded as an attractive customer, as confirmed by both questionnaire and interview results. The personal relations to both SEP and Stora Enso as a whole are described as very good. What is interesting is that if evaluated against factors that previous research predicts as decisive for the suppliers’ rating of a customer, the picture of Stora Enso is not as good.

According to Monczka et al. (1995) cooperative behaviour is the most important determinant for the suppliers’ rating of the buyer. The rating of the cooperative behaviour depends to a large extent on factors that do not represent any additional costs for the buying company and does not necessarily imply a closer cooperation. The cooperative behaviour of SEP is rated as moderate: they listen to the suppliers but their willingness to change is not so high. A general opinion among the suppliers was that there is a lack of information sharing between SEP and the suppliers: notably when it comes to feedback on business and strategic discussions.

A negative influence on the rating is, according to Monczka et al. (1995) the percentage of sales to the buying company compared to the total sales of the supplier. Economic satisfaction is also predicted to be important for the rating. We have not studied this question in the survey but we can still conclude that Stora Enso represents big volumes and values for many suppliers and is also much focused on cost and price pressure. This should consequently influence the rating of Stora Enso as an attractive customer negatively.

According to Monczka et al. (1995) it is also important to let the supplier feel appreciated and to highlight their contribution. The adversarial negotiation strategy (see section 4.2.5 in the Frame of Reference) of SEP is in direct conflict to this. SEP is still evaluated positively on some issues that previous research gives as important for the buyer’s attractiveness: they get a very high rating on questions related to business ethics and purchasing policies.

Why is Stora Enso then considered as an attractive customer? The most evident answer is: volume. Volume is the reason most suppliers gave as an explanation to why they find Stora Enso to be an attractive customer. The buyer market is limited and Stora Enso represents such big purchasing volumes that many suppliers are more or less dependent on doing business with them, even if the margins should be non satisfactory.

Another reason we believe to be important for the rating of Stora Enso as an attractive customer is the relation between the mills and the suppliers. Although we have not explicitly studied the relation between the mills and the suppliers, the picture of a close relation and strong social bonds has appeared. The cooperative behaviour at local level is
probably high and might balance the less cooperative behaviour of SEP. It seems quite
natural that there should be more opportunities for cooperative behaviour in the
running business. Strategic discussions take place at local level and cooperation with a
specific supplier is given more importance by the individual mill than on central level.

These findings can be summarised as following:

- The cooperative behaviour, such as information sharing and willingness to change, is weak.
- The competitive supplier strategy and negotiation tactics prevent Stora Enso from being rated as an attractive customer according to the factors that are normally considered to be important.
- Close cooperation and strong social bonds at local level balance the central adversarial strategy.
- The attractiveness of Stora Enso as a customer resides mainly in the important purchasing volumes and Stora Enso’s importance in the business.

8.3 The Goal of Reducing the Total Business Cost

The difficulty of measuring the total cost of activities was earlier discussed in the Frame of Reference (Axelsson & Laage-Hellman, 1991). The purchasing price is only a small portion of the total cost, the hidden or indirect costs being of dominating importance. SEP and the Stora Enso management have taken this into account when setting the goal of “Reducing Total Business Cost” for the activities of the central purchasing. The lack of accurate metrics mentioned by Axelsson and Laage-Hellman is however characteristic also for Stora Enso. The goal of SEP is to minimise the Total Business Cost, but how to identify the Total Business Cost of a purchase and the measures that could be taken to reduce it, is not yet defined.

The suppliers express that SEP is inconsistent in the ambition of reducing the Total Business Cost, that the focus is on reducing the purchasing price and that Stora Enso is not ready to make the necessary adaptations in order to find the drivers of Total Business Cost. To further reduce costs, or to find ways of creating value, it is likely that products or procedures have to be changed. This is however at cross purpose with the use of win-lose negotiation tactics and the strict price reduction focus, that according to Monczka et al. (1998) leaves little incentives and financial possibilities for the supplier to invest in product, or relational, development.

The search for Total Business Cost is also influenced by two related factors: information sharing and joint improvement efforts. Information sharing and joint
improvements are both dependent on the amount of trust between two companies since what rewards will come from such efforts is dictated by social contracts rather than legal (Monczka et al. 1998; Hammarkvist et al. 1982). Both factors seem to be an issue today. According to the suppliers the information about successful trials at one mill are not always transferred to other mills, and Stora Enso as a whole is reluctant to communicate the results of such trials to the supplier, in order not to raise the prices. Some suppliers did also express that Stora Enso can be unpredictable in business and that the suppliers have to be careful with their volumes and the resources invested in product trials as well as technical support at Stora Enso mills.

SEP’s situation encloses a paradox: they have the responsibility of reducing the Total Business Cost but do not seem to have enough authority to impose the changes in the production that should be needed in order to do this, nor the possibility of measuring what the Total Business Cost is, or when it is reduced. Identifying and reducing the Total Business Cost is a difficult task that requires extensive collaboration and coordination in Stora Enso’s production. Resources at mill level must be coordinated and maybe to some extent standardised. SEP and the Category Teams have limited influence when it comes to changes in the production and it is therefore difficult for them to be the main driving force behind an effort of reducing the Total Business Cost. Much hope is put to the Category Teams. Today there seems to be some trouble for the Category Team members both when it comes to time and motivation and when it comes to gaining enough influence at mill level. The function of the Category Teams is addressed in more detail in section 8.6.

These findings can be summarised as following:

- The strict price focus makes it difficult to change products or procedures in order to reduce the Total Business Cost.
- Internal competition makes the mills reluctant to spread information about successful trials to other units.
- Lack of trust and information sharing between Stora Enso and the suppliers hinders mutual improvement.
- SEP and the Category Teams have the responsibility but not the authority to carry out the work of identifying and reducing the Total Business Cost.

8.4 The Potential for Closer Cooperation with the Suppliers

We have earlier discussed both the relational bonds between Stora Enso and the suppliers and the cooperative behaviour of SEP. Both these issues are important when
considering the potential for closer cooperation. According to Hammarkvist et al. (1982) a supplier is in general motivated to strengthen the bonds to the buyer. In Stora Enso’s case this view is also supported by Frazier and Rody (1991) who state that a firm with high power in an industrial relationship is likely to be important enough to the other party to be able to successfully use a cooperative approach. This probably applies to Stora Enso’s suppliers in particular since the volumes involved are so important. It seems likely that the suppliers would adapt more to Stora Enso if asked to; most express a wish for more joint planning and development, but probably not without being given more extensive business guarantees since augmenting the dependence represents a risk for the supplier. Since developing relational bonds is resource demanding, both parties must expect to obtain increased benefits as a consequence of the closer cooperation (Gadde & Snehota, 2000).

Stora Enso’s suppliers produce products of different strategic importance and are situated within markets of varying complexity. Which relational strategy that is optimal can therefore vary. Stora Enso has discussed the possibility of initiating closer cooperation with strategic suppliers. The negotiation strategy must be aligned to the overall relationship strategy (Jonsson) and if efforts of closer cooperation had been initiated this should have had a visible impact also on SEP’s negotiation techniques. We were expecting to find differences in negotiation tactics between different supplier groups but have not observed any such distinction. That a group the size of Stora Enso does not use a supplier segmentation to differentiate their relational strategy is somewhat surprising. Today the negotiations are adversarial and letting the supplier feel insecure about the future business is part of the game. The suppliers do almost without exception describe the negotiations in the same way: tough and competitive. The company expectations on SEP seem to be mainly to reduce purchasing prices. As long as the main focus lies on price decreases and not on mutual value creation or total cost reduction, then an adversarial relationship strategy is traditionally the right choice (Monczka et al. 1998).

Even though Stora Enso is seen as fair and honest the company is rated as a rather unpredictable business partner. Trust is an important factor in a collaborative relationship since there are many components in a relation that can not be regulated by contracts. Openness and information sharing, which are prerequisites for collaboration, are two examples of factors that are difficult to control but depend on the companies trust for each other. (Hammarkvist et al. 1982) Both parties must also trust each other when it comes to sharing the benefits of the joint business. Today the information sharing both within Stora Enso and between Stora Enso and the suppliers needs improvement. It takes time to change from an adversarial to a collaborative strategy and
the trust between the companies must be increased gradually. (Monczka et al. 1998) The strategic change must involve a change of the buying company’s view of the suppliers and people’s attitudes can be very difficult to change in these matters. It is not always sure that the same people are best suited for all strategies. (Monczka et al, 1998; Jonsson)

One factor that speaks in favour of a possible closer cooperation is the long business tradition that has given rise to strong social networks and knowledge dependent bonds between the Stora Enso mills and the suppliers. It is even possible that the local bonds between mills and suppliers are strengthened when put under pressure from SEP. There are examples of how mills and suppliers are “helping each other out” when they are not comfortable with the directives from SEP. If the willingness to cooperate at local level could be channelled into coordinated development projects instead of leading to diversification, much could probably be won. Today joint development efforts are constantly going on at mill level but not always in the direction intended by the corporate strategy.

Finally we can conclude that the indications of the potential for closer cooperation are divided. The non cooperative strategy at central level speaks against a more collaborative relationship, whereas the strong social networks and knowledge dependent bonds at local level are favourable to such a strategic change.

These findings can be summarised as following:

- The strong social networks, the long business tradition and Stora Enso’s power relative the suppliers are favourable for a successful cooperative approach.
- The negotiation strategy must be aligned with the relational strategy but is today at cross purpose with a cooperative supplier relation.
- The trust and openness between Stora Enso and the suppliers is not always good. These factors need to be increased gradually to make a cooperative relation work.
- Stora Enso’s supplier strategy does not seem to be differentiated for supplier segments of different complexity and strategic importance.

8.5 Stora Enso’s Purchasing Organisation

Like most large Nordic companies today (Axelsson & Laage-Hellman, 1991) Stora Enso has a centralised unit for purchasing coordination and a decentralised unit for operative work. The suppliers consider Stora Enso to be one of the first of having centralised purchasing, and by being first they have come far organising their purchasing activities. Stora Enso is regarded as well organised for purchasing but most of Stora Enso’s
competitors are today also having centralised purchasing and are organised in a similar way. The competitive advantage of being first is therefore small and shrinking. Having both centralised and decentralised purchasing organisation means compromising between corporate and local interests. Continuous work to eliminate the disadvantages with the chosen organisational structure is essential for improvement of the purchasing organisation. (Gadde & Håkansson, 1998) It is important to keep the balance between centralised and decentralised purchasing (Axelsson & Laage-Hellman, 1991) and most large companies are struggling to manage this situation. Stora Enso is not unique in this respect. The company that can eliminate weaknesses with the organisational structures interfering have benefits to gain (Axelsson & Laage-Hellman, 1991).

Having centralised purchasing gives Stora Enso a superior purchasing power that is beneficial in many cases. The price is not only reduced, the suppliers are also very much dependent on Stora Enso. Centralised purchasing also means fewer people interacting and this facilitates the exchange both for Stora Enso and the suppliers. It is very difficult to see how Stora Enso can go back to having only decentralised purchasing. Stora Enso is today such a large customer for the suppliers that they are in many cases adjusting their purchasing organisation to fit the one of Stora Enso. Having corresponding structures makes Stora Enso’s organisation work better in the relation to the supplier. However, having only centralised purchasing is not an alternative. It is impossible for the central purchasing unit to handle the technical specifications and local contacts.

These findings can be summarised as following:

- Stora Enso is well organised for purchasing.
- Centralised purchasing gives Stora Enso a superior purchasing power.

### 8.6 The Category Teams

Cross-functional teams like SEP’s Category Teams are according to Monczka et al. (1998) very common in organisations that are large and complex. Cross-functional teams are also more likely to arrive at good solutions than one person or department acting individually (Monczka et al. 1998). SEP relies much on the performance of the Category Teams and the suppliers confirm the teams’ importance. The team members are regarded as crucial for the internal communication at Stora Enso. They contribute with competence and make the negotiations more efficient. The cross-functional structure of Stora Enso’s teams is more appreciated among the suppliers than buying teams that are only commercial. It is obvious that SEP has come far in developing their purchasing teams and the suppliers’ opinion is in most cases that SEP’s Category Teams function better or as well as other purchasing teams they come in contact with.
However, it is clear that the Category Teams do not function as well as they could. The Category Team members work in the teams when they are needed but the time spent in the teams depends in part on the decisions made by the division management, who makes the priorities among the resources he or she controls (Anthony & Govindarajan, 2003). The possibilities for the members to spend time doing Category Team work is limited. This is something they do in addition to their regular workload, and an estimation is that a Category Team member spends about 10 % of his or her working time on team tasks. This is not very much time for purchasing considering how important SEP, PEC and the suppliers think the Category Teams are. The Category Team members are tied to their actual working place, and can not be motivated to support decisions that are not in line with the best interest of the mill. To ensure unanimity the goals have to be clear and the same for everyone on the team (Monczka et al. 1998). The ability to measure the team goals and reward the team performance influence the team members’ motivation to perform their tasks. If the team goals are measured and rewarded they will also be achieved. (Anthony & Govindarajan, 2003) It is therefore essential to have a reward system that is in line with the efforts the management would like the team members to place on their assigned task. It is also the management’s responsibility to make sure that the Category Team members are properly trained to perform their tasks to assure that the team functions at its very best. (Killen & Kamauff, 1995)

Cross-functional buying teams are rather common in the business today (B. Axelsson) and the competitors have started to use central buying teams similar to the ones of SEP. The competitors are closing up from behind and SEP might not have much better purchasing teams than other companies in the future. Cross-functional teams can be very helpful when making important strategic and tactic purchasing decisions and cross-functional teams can have a large impact on how the organisational goals are achieved. The teams must however be carefully managed and have clearly understood goals and motivated team members to lead the company to purchasing success. (Monczka et al. 1998)

It is obvious that the suppliers would like to have a deeper connection to the Category Team members for their own benefit and not only to improve the cooperation with Stora Enso. The suppliers would like the members representing mills that use their company product to promote it to team members not using the product. Some suppliers would like to have more presentations to the Category Teams when all members are present, especially to the ones that are not using the supplier product.

These findings can be summarised as following:
• The Category Teams are very important for SEP’s function both internally and in the interaction with the suppliers.

• The Category Teams are well functioning, but they do not function as well as they could.

• There are strong indications of lacking motivation and insufficient goal-congruence among the Category Team members.

8.7 Coordination between SEP and Other Parts of the Stora Enso Organisation

As most business units, Stora Enso’s business units are profit centres. The business unit structure often includes trade-offs between the benefits of having completely independent business units and the need to follow corporate constraints such as the necessity of coordinated actions. (Anthony & Govindarajan, 2003) SEP’s task is to optimise for Stora Enso as a whole and use the size of the Group to gain purchasing advantages. Since Stora Enso’s business units are profit centres they are responsible for their own economic performance. The purchasing value does heavily affect their profit, and it is naturally frustrating for the business unit not to have full control over this spend. According to Gadde and Håkansson (1998) the consequences of not letting the business units make independent purchasing choices are unreasonable if the purchasing value is a dominating part of their total costs. This statement by Gadde and Håkansson highlights the tensions that can arise when corporate expectations on coordination and benefits of scale conflicts with the individual business units’ profit interest. According to van Weele (1994) a normal problem in these situations is that the business unit managers believe that they are able to reach better contracts by themselves and will act individually, a problem that has been identified within Stora Enso. The position of the centralised purchasing department will eventually be undermined if this is done continuously (van Weele, 1994).

It is difficult to balance the responsibilities and authority of the central unit on the one hand and of the operative units on the other hand (Axelsson & Laage-Hellman, 1991). The problem with mills not following the general purchasing agreements is still a reality, but has improved in later years. This indicates that SEP’s position has not been totally undermined and is instead even beginning to strengthen. However, the suppliers do not have a clear picture of who influences and makes the purchasing decisions at Stora Enso. The most common opinion is that SEP is the decision maker, but also that the mills can neglect the corporate purchasing agreements when they feel that SEP is not moving in their desired direction. The purchasing strategy in a company has to be
accepted at all levels (Bengtsson & Skärvad, 2001) and the senior management has to make sure that this strategy is not interpreted in different ways (Aniander et al. 1998; Anthony & Govindarajan, 2003). All managers have to know where they fit in the overall purchasing strategy to be able to determine the necessary activities to accomplish the purchasing goals (Killen & Kamauff, 1995). Good management control systems must be created so that the employees’ individual goals are not a cross purpose with the organisational goals (Anthony & Govindarajan, 2003). Stora Enso is not unique in any way regarding this problem. All larger companies struggle with these kinds of problems, but that the competitors have the same problems does not mean that Stora Enso should not try to get better.

SEP is a service unit that provides low prices and sourcing alternatives to the mills. A natural way to bring down the purchasing costs for the company as a whole would be to make as many mills as possible buy the same products. The business units are right now competing with each other in some situations because of the profit centre situation (a fact that has been pointed out by the suppliers). A mill with a higher profit is more likely to continue its business. This makes the mills anxious to profile themselves and make better products with the mill’s own “individual extra quality touch”. This does not correspond to SEPs wish of purchasing a smaller range of products in a larger volume to bring down the purchasing costs. It is hard for SEP as a service unit with much responsibilities and not so much authority to get hearing for this kind of changes. The corporate purchasing strategy must be very clear since SEP and the mills can not both decide which way to go.

These findings can be summarised as following:

- The internal coordination has improved but there are still problems with mills not following the corporate agreements.
- The mills are competing with each other, which is not beneficial for the Group when focusing on the optimisation of the corporate purchasing.
- SEPs goal to optimise for Stora Enso is not always in the interest of the individual mill and this creates tensions. There is a lack of purchasing goal-congruence within the Stora Enso organisation.

### 8.8 Communication between SEP and Other Parts of the Stora Enso Organisation

A problem with centralised purchasing is the long lines of internal communication, which can cause delays and a greater risk for errors (Killen & Kamauff, 1995). It is obvious that SEP has a problem reaching the mills and the divisions with information.
This is a two-way communication problem that does not only depend on SEP. The relation between the suppliers and Stora Enso’s mills is deeper than between the suppliers and SEP as a natural consequence of most interaction being made at this level. The suppliers have identified the information problem and some have also taken on the responsibility to inform the mills themselves. This creates an even stronger bond between the mills and the suppliers, which can extend the tension between SEP and the mills. The mills become more loyal to the suppliers, which is only to the advantage of the suppliers and not to Stora Enso. If the mill does not have a representative in the negotiating Category Team the information spread is even weaker. It is the Category Team members’ task to inform the mills in their area and it is SEP’s responsibility to make sure that the team members are aware of this assignment. As stated before, the tasks that are measured and rewarded are the ones that will be done (Anthony & Govindarajan, 2003).

Effective communication between the mills and SEP is crucial for the functioning of the centralised purchasing. Better information flows enable resource coordination of time dependent functions such as production planning, storage and logistics. (Gadde & Håkansson, 1998) This flow of information has improved in later years but the information channels within the organisation have to be improved. It is a key factor for the performance of the whole company. The SEAAP project in progress can hopefully give further possibilities in this area.

These findings can be summarised as following:

- The internal communication is not efficient, and the suppliers are strengthening their bonds with the mills by taking over the responsibility for certain information flows.

### 8.9 The Professionalism of SEP

Centralised purchasing demands more conceptual thinking of the purchaser (B. Axelsson) and requires even more knowledge and skills than decentralised purchasing (S. Axelsson). SEP is regarded as very professional and their employees’ knowledge of the purchasing environment and the suppliers is very good. It is also in most cases beneficial for the purchaser to have great knowledge of the supplier’s manufacturing process (Jonsson). This knowledge is somewhat weaker among SEP’s purchasers. Since SEP only negotiates general agreements for Stora Enso it can be understandable that the knowledge of the suppliers’ manufacturing process is weaker than the knowledge of the supplying company as a whole. Detailed knowledge of the production might not either be as essential as at the local level where the technical specifications are done. However, the suppliers appreciate it when SEP pays interest in the suppliers’ manufacturing
process and better knowledge of the suppliers’ production can lead to improved supply decisions. The suppliers’ opinion is that SEP’s purchasers’ knowledge of the suppliers as well as of their own company’s needs has improved in later years.

The demand on a centralised purchasing function is high when it comes to communication skills since it must coordinate both various internal actions and as intercompany information flows (S. Axelsson; Gadde & Håkansson, 1998). There is no doubt that the suppliers regard SEP’s purchasers as very professional communicators. It is easy to reach SEP’s employees and the communication is considered to be efficient. The only exception is regarding negotiations that the suppliers in some cases think are too time-consuming. This is in line with Stora Enso’s negotiation strategy why this could indicate that the negotiation strategy is well functioning. On the other hand the negotiations might actually take more time than necessary.

SEP’s purchasers are professional negotiators and their behaviour during negotiations creates a pattern of a very conscious negotiation strategy. SEP has many people present during negotiations, which gives superiority in numbers. They gather many suppliers at the same time and let them wait so they can be played against each other. SEP “threats” the suppliers by taking purchasing volumes from them unless the price is right. SEP knows how to talk “power language” and take advantage of the size of the own company to push down prices. SEP changes people in the negotiating Category Teams so that the supplier does not get close to the team members and can create social bonds. This is an adversarial negotiating strategy that Monczka et al. (1998) would call a win-lose strategy. The suppliers’ opinion is that the negotiation style has improved in later years, which indicates that SEP’s purchasers have improved their negotiation skills.

It is unclear exactly what business moral and ethical policy documents the suppliers have actually seen, but they have all been presented some sort of document. The suppliers’ opinion is that SEP’s employees follow the policies they have issued to a very high extent. The only exception in this matter is regarding the way negotiations are performed. SEP has a negotiation strategy that the suppliers in general experience as tough. In some cases SEP has been a little too tough. The people representing the supplying companies are only human beings and some can take more roughness than others. To be the losing part in a win-lose negotiation might not always be very personally rewarding.

SEP’s business moral and ethics gathered in “How to do business with Stora Enso” follow IFPMM’s “Code of Ethics”, which is the purchasing ethics guide that is recommended in the business. Both “How to do business with Stora Enso” and the IFPMM “Code of Ethics” can be apprehended as rather general and give the reader
freedom to interpret in their own way. Stora Enso is a large company located in many different parts of the world and a more detailed business moral and ethics guide can be hard to apply to the whole Group. The suppliers think that it is very good that Stora Enso has this kind of document and welcome them. However, it has become clear that Stora Enso as a whole does not completely follow the purchasing moral and ethics. The implementation of purchasing policies within the Stora Enso is therefore not very well functioning.

These findings can be summarised as following:

- SEP’s employees are very professional.
- SEP’s employees are following their business ethics to a very high extent. There are some exceptions regarding the negotiations, but this can also be a result of a very successful win-lose negotiation strategy.
- Stora Enso as a whole is not acting in accordance to the same business ethical policies.

8.10 The Advantages and Disadvantages for Stora Enso with the chosen Data Collection Techniques

According to Andersson (2001) interviews are to be preferred when the survey touches issues that are complex or sensitive. The results from the survey confirm this theory. The information received from the interviews is much more multifaceted than the data that can be collected through questionnaires. The questionnaires have given ratings on the performance of SEP but these ratings would have been less useful without the interview results as comparison material. Many of the suppliers that participated in a personal interview were pleased over the initiative from Stora Enso, whereas some questionnaire respondents seemed mostly irritated to receive a form to fill in. Many suppliers feel a great interest in discussing and developing their relation to Stora Enso and are very willing to provide opinions, comparisons and descriptions. If the goal with a supplier survey is to improve the supplier relation or to investigate complex problems then personal interviews is definitively the superior alternative over questionnaires.

A very important factor to consider is however anonymity. It is difficult to conclude from this study, which influence the guarantee for anonymity has had on the quality of the answers. Some suppliers found it very important to remain anonymous, whereas others felt it was less important. The low answer frequency on the sensitive question about the relation between production costs and total costs in the production (nr 23) in the questionnaire indicates that not all suppliers relied on the guarantee of anonymity. If SEP personnel would perform the survey then it would not be possible for the suppliers
to remain anonymous. It is possible that personal interviews would then give less informative answers than questionnaires, which are normally considered as an inferior technique when investigating complex and sensitive issues. (Andersson, 2001)

Questionnaires is a tool that is difficult to handle, the questions must be very specific and serve a special purpose for the surveyor if the answers shall be useful. Questions that can be answered in any other way (by business intelligence, self assessments or internal audits) than through a supplier survey should not be included in the questionnaire. We believe that if SEP would like to investigate a very specific and limited problem area a questionnaire could be functional. SEP would be able to construct more precise multiple choice and open questions that could produce interesting data. As a consequence of the broad purpose our questionnaire has a wide and rather general scope. The questionnaire did however serve its purpose very well for the simpler issues such as professionalism and communication and information efficiency. Questionnaires also have the advantage of letting the respondent remain anonymous.

The telephone interviews worked out very well. The two dominating problems with telephone interviews are the time limit and the access problem. It is difficult to maintain the interest of the respondent much more than 30 minutes during a telephone interview (Andersson, 2001). A telephone interview must therefore be very precise, in order not to waste precious time. Since we performed the telephone interviews after the personal interviews we were able to narrow down the questions to the most interesting ones, and thus make the interview more specific. We still felt that the result became more general than was the case in the personal interviews. It is possible that telephone interviews performed by SEP personnel would be more efficient since a phone call can be made longer and the personal interaction will be better if the persons talking already know each other. Otherwise the limited personal interaction during a telephone call makes it difficult to motivate the respondent to give open and complete answers. The disadvantage is however the same as for personal interviews: that the respondent can not remain anonymous.

The access problem becomes evident when the interviewed persons are busy and travel much. It is in theory easier to plan a telephone meeting but such decisions are easily overridden by more important activities that have higher priority.

These findings can be summarised as following:

- Questionnaires are a difficult tool that must be very specific to give good results.
- Personal interviews give better information quality and are appreciated by the suppliers.
• Telephone interviews give somewhat less inclusive information than the personal interviews and must be limited in time.
• The possibility of anonymity for the respondent is an important matter that has to be considered when choosing survey technique.
DISCUSSION AND RECOMMENDATIONS

This chapter highlights important parts of the analysis. The ambition is to clarify the most interesting findings from the analysis and to discuss their influence on Stora Enso’s purchasing activities.

9.1 The Research Questions

The Relational Bonds between Stora Enso and the Suppliers
Since Stora Enso has an advantage of size and power the suppliers adapt to Stora Enso rather than the reverse. This is advantageous for Stora Enso but there is also the risk that possibilities of optimisation and resource saving are overlooked since Stora Enso is not forced to adapt to the suppliers’ conditions of work. When the suppliers adapt their volumes to irregularities in Stora Enso’s production this might create bullwhip effects further down the supply chain.

- Resource savings can be overlooked since Stora Enso is not forced to adapt to the suppliers.

Stora Enso as an Attractive Customer
Stora Enso is considered to be an attractive customer but mainly because of the important volumes they represent and not when it comes to other factors that normally determine the attractiveness of a buying company. It is likely that the chosen supplier strategy prevents this rating from improving. Provided that this strategic trade off is a deliberate choice, this is not necessarily negative. If the gains with this supplier strategy are considered as more important than what is lost in terms of relational values, then attractiveness, at least not all aspects of it, is maybe not a goal that is interesting to achieve.

Using a more cooperative approach is all about getting more value out of the supplier relations. Some drawbacks of an uncooperative behaviour are decreased information exchange and lessened motivation for the supplier to deliver special advantages to the buying company. It is likely that the suppliers’ impression of Stora Enso’s cooperative behaviour could be improved by rather simple means without interfering too much with the current negotiation tactics. Still acting “tough” but a bit more “fair”, to listen to the suppliers, give feedback and offer more strategic discussions and planning opportunities are examples of how the cooperative behaviour can be improved.

- Being an attractive customer is not necessarily a relevant goal for Stora Enso. Behaving uncooperatively might however hinder a productive search for joint improvements and cost reductions.
DISCUSSION AND RECOMMENDATIONS

- Improving the cooperative behaviour can be done without spending expensive resources and would not necessarily interfere with a competitive negotiation strategy.

The Goal of Minimising the Total Business Cost

Minimising the Total Business Cost requires coordination and standardisation of the production resources of Stora Enso. Reducing the Total Business Cost can therefore not be limited to be a purchasing problem but is a strategic question at corporate level.

Considering the lack of influence and authority it is possible that the central purchasing and the Category Teams are not the most apt of bringing together such an endeavour. Other regional collaboration projects that make use of local competence could also be an option.

- Reducing the Total Business Cost is a strategic question at corporate level and not only a task for the central purchasing.

- The central purchasing does not have enough influence to take the responsibility of the Total Business Cost. Other constellations could be more efficient for identifying the drivers of the Total Business Cost.

The Potential for Closer Cooperation

Stora Enso’s competitive supplier strategy and negotiation tactics seem to be successful. An adversarial negotiation strategy is however at cross purpose with an ambition of closer supplier relations. The negotiation strategy is an important part of the overall relational strategy and it takes time to change the relationship and build trust between two companies in order to make a closer collaboration functional.

Today there are no indications of a differentiated supplier strategy but SEP uses more or less the same approach towards all suppliers. It could be useful for Stora Enso to perform a supplier segmentation and differentiate the supplier strategy accordingly. Stora Enso would not necessarily benefit from closer supplier cooperation in all product areas but if a closer cooperation would be chosen for some of the supplier segments then the chances for Stora Enso to succeed are good since Stora Enso is likely to be important to the supplying company and therefore have a relational advantage.

- Stora Enso’s power and importance in the business make it likely that a cooperative approach towards chosen suppliers would succeed. It can however take time to implement the strategic change since trust and attitudes are only changed gradually.

- Stora Enso could benefit from performing a supplier segmentation and differentiating the supplier strategies accordingly.
Stora Enso's Purchasing Organisation
There is not any universal solution for how to get organised for purchasing in a multi-plant environment (van Weele, 1994) but having both centralised and decentralised purchasing is very beneficial for Stora Enso. To create a balance between centralised and decentralised purchasing, Stora Enso has implemented some of the measures that are recommended by the PSC Executive Board, such as using cross-functional teams and creating a strategy board for purchasing (PEC) but more could be done. Stora Enso is considered as well organised for purchasing, but very much depending on being the first of having coordinated purchasing in a central unit. In order not to lose a potential competitive advantage Stora Enso should continue the improvement of their purchasing organisation.

- If Stora Enso shall maintain their organisational first-mover advantage more initiatives must be taken to improve the balance between Stora Enso’s centralised and decentralised purchasing.

The Category Teams
The Category Teams are important for the functioning of SEP but the teams do not work as well as they could. The Category Team concept is good but the teams’ performance is lacking because of insufficient motivation and goal congruence. The team members are employed by the divisions and the time they can spend on central purchasing is limited. Participation in a team needs to become more attractive and the team activities need to be organised so that the teams can gain more importance at mill level. Stora Enso has been one of the first paper companies to develop a central purchasing structure using Category Teams. Such a first mover advantage is of course only temporary if the efforts are not continued. SEP should focus on the development of their Category Teams. Monczka et al. (1998) have gathered 21 important factors that influence the cross-functional team performance (Figure 4-4). SEP could use these kinds of checklists to assure high team performance.

- The Category Teams are one of SEP’s most important resources. The teams are clearly not functioning as well as they could and efforts should be made to improve the team performance.

Internal Coordination between SEP and Other Parts of the Stora Enso Organisation
The overall strategy concerning purchasing must be clear to everyone in the organisation. Efforts leading to goal congruence should be in focus because of the tensions that today exist between SEP and other parts of Stora Enso. The ambiguity when it comes to the distribution of purchasing authority has a negative effect on the purchasing performance and undermines the impact of the centralised purchasing.
• Good management control systems must be created so that the employees’ individual goals are not a cross purpose with the organisational goals.

• It is the Group management’s role to make sure that the purchasing strategy is clear on all levels of the organisation.

**Internal Communication between SEP and Other Parts of the Stora Enso Organisation**

The problem with information spreading from SEP to the mills must be solved. The slow information flow impairs the purchasing effectiveness and creates unnecessary tensions between SEP and the mills. When communication between SEP and the mills is insufficient the bonds between the mills and the suppliers are likely to strengthen, to the disadvantage of the internal coordination.

• Improvement of the information flow between SEP and the mills should be developed in order to improve performance of the central purchasing.

**The Professionalism of SEP**

SEP is seen as very professional. SEP’s purchasers act in accordance to their business moral and ethics and are seen as very good communicators. The only exception concerns negotiations, where some suppliers have the opinion that SEP acts a little too tough and aggressive. This is of course the suppliers’ view of Stora Enso’s behaviour during negotiations and this could also be seen as a sign of a very successful and conscientious adversarial negotiation strategy.

Conducting this survey with a focus on professionalism is one way of assessing if SEP is in line with their desired professional direction. To further develop the purchasing skills of their employees it could be beneficial for SEP to decide what level of purchasing skills that is appropriate for an SEP employee. The SILF-model (2004) (see Figure 4-6) can be used to ensure a development of useful purchasing skills and make SEP’s employees even more professional.

Stora Enso as a whole does not completely act in accordance with the same business values. Forcing business moral and ethics on the organisation may not be the best way of implementing policies but the organisation could be encouraged to formulate their own business ethical policies having IFPMM or “How to do business with Stora Enso” as a ground.

• SEP’s purchasers are very professional and SEP should continue the learning process in the same way as before.

• Stora Enso as a whole does not signal the same ethical business values, and efforts should be made to assure that all parts of the organisation act in the same way.
DISCUSSION AND RECOMMENDATIONS

The Advantages and Disadvantages for Stora Enso with the Chosen Data Collection Techniques

Interviews are resource demanding but they give a deeper kind of information than questionnaires. We believe that if Stora Enso wants to follow up this study they should select a limited number of suppliers to interview. A reasonable selection would be according to the supplier segmentation, when it is complete. We believe that an evaluation in the form of a personal interview would be worthwhile for strategic suppliers. If a personal meeting can not be arranged a telephone meeting is the second best choice. We can not predict how the loss of the possibility of being anonymous will affect the quality of results of personal interviews performed by SEP. This is something that has to be taken in consideration by SEP. Questionnaires could also be a very useful and resource efficient tool but the questionnaire has to be short and very specific to serve its purpose well. The main advantage of questionnaires in Stora Enso’s case is the possibility for the respondent to remain anonymous. If a follow up would be made using a questionnaire that is based on the one used in this study there is also the advantage of having the possibility of comparing the results directly to the statistical results from this study.

- Interviews give better information quality and could be worthwhile for strategic suppliers.
- Questionnaires offer better anonymity to the respondent and can be very useful if they are short and well constructed.

9.2 The Suppliers’ View of their Relation to Stora Enso
   – A Conclusive Summary

The suppliers’ view of their relation to Stora Enso has now been mirrored through a selected number of research questions, focusing the central purchasing unit SEP. As stated in the introductory chapter the intention of this approach has been to get an evaluation of the suppliers’ view of SEP and as a consequence also get indications of how the overall supplier interface works. This approach has been fruitful and the result of the study has been a description and evaluation of some of the most important aspects of the relation between Stora Enso and the suppliers.

Below we will highlight some findings we believe are essential for Stora Enso to consider:

- The supplier relations of Stora Enso are in general rated as well functioning. The problems Stora Enso and the suppliers are experiencing in the relation are mostly related to Stora Enso’s choice of organisational structure. Successfully balancing
the central and local purchasing requires careful management and constant efforts of improvement.

- SEP’s purchasers are seen as very professional and competent but the negotiation technique is regarded as tough and is at cross purpose with a more cooperative behaviour. The competitive negotiation approach is likely to lessen the suppliers’ motivation to invest in joint improvement efforts.

- Stora Enso does not differentiate their supplier strategies. A supplier segmentation could be a step towards better adapting the relational strategy to the characteristics of the different markets and as a result get more value out of the supplier relations.

- The relational bonds that exist between the mills and the suppliers are strong. It is very important that the internal communication is well functioning, otherwise the suppliers will get an informational advantage and the impact of the central purchasing will become undermined.

- The corporate purchasing strategies must be clear at all levels of the Group. There is today a lack of purchasing goal congruence within Stora Enso which creates tensions between the central purchasing unit and the mills. This is unfavourable both to Stora Enso’s purchasing power and to the objective of minimising the Total Business Cost.

- SEP and the Category Teams have the responsibility of identifying and reducing the Total Business Cost. To do this resources at mill level have to be coordinated and standardised to a larger extent. SEP and the Category Teams do not today have the authority and influence to initiate such changes.

Many of the problems we have presented in the analysis are related to the size and organisational structure of the Stora Enso Group. They are problems that exist in most organisations with a similar size and business structure. The evaluation that SEP and Stora Enso get from the suppliers is generally very good and in comparison to other companies, Stora Enso handles their structural problems neither worse nor better. That the competitors are likely to have the same problems is however not a reason not to try to improve the own performance.

Everything in the relation between SEP and the suppliers can not be influenced by SEP itself. The relation between SEP and the suppliers is only a part of the complex interface that exists between Stora Enso and the suppliers. We have chosen to illustrate this situation in a symbolic figure (Figure 9-1) below that represents our research questions and their position in the studied system. Each piece of the puzzle corresponds to an
important factor for SEP’s function that has large influence on the suppliers’ view of their relation to Stora Enso. What can be seen in the core of the puzzle is the parts of the relation that depends only on SEP’s internal capacity and that SEP itself can influence. The puzzle pieces surrounding the core are areas that SEP can not decide over but that are dependent also on the activities of other parts of the Stora Enso organisation. These areas are however very important for SEP’s functioning and SEP has much to gain from working actively with, and trying to influence those areas as well.

9.3 A Tool for Following up the Survey

A part of the purpose is to develop a tool for Stora Enso to use in future follow ups of this study. The report has been structured with this in mind, which has resulted in the Survey Handbook that can be found as an appendix. The Survey Handbook contains useful information for the preparation and execution of both interviews and questionnaires.
Three different survey techniques have been used and their advantages and disadvantages for Stora Enso have been discussed. The evaluation can provide useful background information for Stora Enso when choosing which techniques to use in a follow up.

A template document for questionnaires has been developed that can be reutilised by Stora Enso. The template contains ready-to-use scales of different types where the questions can be replaced. The text in the template can be protected so that the respondents are not able to alter the text or layout but only fill in their answers. This template has been given to Stora Enso in digital form. We have also developed an interview guide that could be used in coming studies.

9.4 Issues for Further Studies

In all studies you come across information and knowledge that you have to leave behind for another investigation. In this section we will present some interesting issues that we believe would be beneficial to look into in coming studies.

Culture Differences
Even though we have not included geographical and cultural issues in this study it has become apparent that they are of great importance. Stora Enso is a global company and this naturally leads to some intercultural divergence. In our interviews we have seen tendencies of how misunderstandings that are due to cultural differences disturb Stora Enso’s internal activities. There are differences between the Nordic and the European region and even differences within the Nordic region. It is easily done to neglect the culture differences between the neighbouring Nordic countries, but they are in some areas quite significant. SEP is today divided into regional offices, which is politically correct but maybe not optimal when it comes to handling culture differences. We believe it could be interesting for Stora Enso to work more actively with cultural issues. For SEP’s purchasers, having cultural understanding is part of being professional. To offer seminars on intercultural communication and to encourage staff to rotate between different regional offices are possible ways of improving the intercultural understanding.

Developing the Category Teams
The Category Teams have an important role when it comes to carrying out SEP’s strategies. In this study we have not had the opportunity surveying the Category Team members’ opinions. We believe it would be beneficial to make an assessment of the team members’ attitudes and try to develop the team structure accordingly.

The Relation between SEP and Other Parts of Stora Enso
To perform its task SEP is very dependent on receiving information and maintaining good relations with the mills. The mills also need information from SEP to carry out
the local purchasing activities. During our study it has become evident that the communication between SEP and the mills is not functioning at its best. The SEAAP system that will be implemented in the near future can probably solve some of the communication problems but an investigation of the relations between SEP and other parts of Stora Enso's organisation can still be interesting. Possible areas to explore could be what kind of communication that is needed, between which parties information flows, and the function and adequacy of the internal information network.

**Reward System and Management Control**

A common problem in organisations that have both centralised and decentralised purchasing is that the distribution of authority and responsibility between local and central units becomes diffuse. In Stora Enso’s case we have a centralised purchasing structure along with relatively self-determining business units. To gain advantages of scale the activities of the different units have to be coordinated to some extent. Since the objective of a profit centre is to see to its own profit maximisation it can be difficult to gain a strategic congruence where all entities of the Group work in the same direction. A corporate reward system that makes its more attractive for the individual profit centres to optimise for the whole group could be a step towards higher goal congruence.

**Cooperation with SENA Purchasing**

Even though this study has been limited to the purchasing activities in Europe we have during our study also received information regarding the suppliers’ view of SENA purchasing. This information indicates that SENA purchasing is not fully integrated in the central purchasing activities. It would be interesting to investigate if it would be advantageous to tie SENA purchasing closer to SEP’s activities in Europe and in what way this could be done. There have also been indications of differences in the function, some to the advantage and some to the disadvantage of SENA purchasing. It is very possible that a best-practice sharing between SENA purchasing and the European part of SEP could be beneficial.
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Jonsson, Seth, Licentiate of Technology, Linköping University, Stockholm 2004-08-12 at 10.00

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Dingertz, Johan, Senior Vice President, Stora Enso Purchasing
Gunnberg, Svein, Regional Coordinator SEP Sweden
Heinonen, Ulla, Category Team Coordinator, Chemicals
Lichtenthäler, Lothar, Regional Manager, SEP Continental Europe
Nyberg, Alf, Material manager, Stora Enso Packaging Boards, Enocell Pulp Mill
Stade, Yngve, Senior Executive Vice President; Corporate Support
Valkeinen, Ilari, Regional Manager, SEP Finland
Wallén, Åsa, Manager Business Intelligence, Stora Enso Purchasing
APPENDIX 1

SURVEY HANDBOOK

In this guide we will describe how to design and use three different survey techniques: questionnaires, personal interviews and telephone interviews. The description is a summary of the theory we have found useful when preparing and performing the supplier survey for Stora Enso. This small practical “handbook” is focused on the special conditions that exist in business relationships and leaves out some information that might be relevant in other kinds of surveys.

Considerations when Using Surveys

Drawbacks and Advantages of Questionnaires and Interviews

Questionnaires
Questionnaires are useful when many respondents are to be contacted. The cost for using questionnaires is low compared to other survey techniques and if the questionnaire is well structured documentation and analysis of data is rather easy. The risk for data loss, i.e. persons failing to answer the whole or parts of the questionnaire, is relatively big.

Personal Interviews
Personal interviews are normally more time consuming and more expensive than questionnaires. Interviews give the possibility of getting deeper and more thorough information. As a consequence, analysing the complex answers from open interview questions may be more difficult than treating questionnaire data.

Telephone Interviews
Telephone interviews can be regarded as a middle alternative. They have the cost advantage of questionnaires and the possibility of collecting more complex answers that is typical for interviews. The possibility of personal interaction in this interview form is more limited than in a personal interview. This puts restrictions both on the length and the contents of the interview.

(Lekvall & Wahlbin, 2001)

Confidentiality Assures the Quality of the Answers

Confidentiality of the answers is not only a matter of survey ethics and security for the respondent but also a quality guarantee for the collected information. It is important to assure the anonymity of the respondent when handling data and also to carefully inform the respondents about the conditions of the survey. When questions concern sensitive matters the respondent is likely to hide or modify important information if he believes
that telling too much may be harmful for the relation. Even if the investigator promises complete anonymity the respondent may still be hesitant to answer freely. (Andersson, 2001) This has been apparent in the interviews we have performed. Although we have very carefully informed the suppliers about the confidentiality policy of our survey, most suppliers still assumed that their answers would be communicated directly to Stora Enso without any anonymity for the individual.

Of course confidentiality is not necessary when performing a survey. If the information that is to be collected is dominated by facts and not of sensible nature there might not be the need to offer the respondent anonymity. However, the respondent must be informed about how answers will be treated and which level of confidentiality he can expect.

**Careful Information to the Respondent Gives Higher Response Rates**

For all kinds of surveys the respondents must be well informed. The reason and goal for the survey must be explained, as well as who has ordered the survey. The respondents should be informed of how the answers will be used and which level of anonymity or confidentiality that is offered. In the case of interviews it is recommended that information be sent out beforehand. For questionnaires the information might be attached to the form. If possible, the letter should describe what use the respondent can have from participating in the survey and not only tell what use the surveyor will have of the study.

The information should include:

- Who is performing the survey
- Who has ordered the survey
- The reason for the survey
- How answers will be used
- How the respondent has been chosen and why he is contacted
- The level of confidentiality and anonymity

(Andersson, 2001)

**Questions Should be Formulated to get Honest and Accurate Answers**

Questions must be formulated in a simple and unambiguous way. The language must not be too complicated and the questions shall not contain multiple issues. It can be tempting to ask about several things in one question to reduce the length of a interview
or questionnaire but this makes it difficult both to answer and to analyze the question. (Lekvall & Wahlbin, 2001)

Example: Do you find the technicians competent and nice?

Questions must not evoke defensive responses.

Example: Do you have problems delivering on time?

A better way of getting this information might be to ask if there are some deliveries that are more complicated than others and maybe ask a resulting question about delivery time. (Andersson, 2001)

There is sometimes a tendency for the surveyor to underestimate the difficulty of the questions. It is important that the respondent has the right knowledge to give an accurate answer. Most persons dislike answering “I do not know” and, if asked to, will invent opinions for things they do not have knowledge of. A way of avoiding “nonsense” answers is to ask opening questions that situate the respondent's knowledge of the matter. (Andersson, 2001)

Example: “Do you work with…” “Have you experienced…”

Using Questionnaires for (Supplier) Surveys

Distributing Questionnaires Takes much Time
Some of the drawbacks are that although questionnaires are quick to distribute, receiving the answers may require a lot of time (Lekvall & Wahlbin, 2001). When distributing a questionnaire at least two reminders should be planned in advance. The respondent must also be given enough time to answer. (Andersson, 2001)

Questionnaires Give the Possibility of Letting the Respondent Remain Anonymous
One advantage of questionnaires is that they can offer anonymity to the respondent. Some kind of identification on the questionnaires, e.g. a number, might be useful in order to keep track of which respondents that have answered. (Lekvall & Wahlbin, 2001)
When distributing questionnaires by e-mail the anonymity is a more complicated matter. The respondents should be given the possibility of answering by post in order to maintain their anonymity.

Information Must be Detailed when Using Questionnaires
Information must be especially explicit in questionnaires since there is no possibility for the respondent to ask the interviewer for more information. In addition to information about the survey there must be instructions about how questions should be answered, in which order, where they shall be sent etc. Some specific questions may require individual explanations. (Lekvall & Wahlbin, 2001)
The Questionnaire Should be Kept Short and Simple

When using questionnaires the control over the interview situation is weak. It is difficult to know how carefully, or in which order, the questions have been answered. The risk for loss of data is also rather big. The best way to reduce data losses is to have a questionnaire that is well designed and not too long. If the questionnaire is too long the respondent may lose interest, fill in some parts carelessly or choose not to participate. It is difficult to give a strict rule for how long a questionnaire can be since the interest and motivation of the respondents may vary. In general the more interested and motivated the respondent, the longer the questionnaire can be. (Lekvall & Wahlbin, 2001) Suppliers are usually very motivated to comply with the requests of a major customer and the risk for data losses might therefore be smaller than usual. It is still worthwhile to keep the length of the questionnaire reasonable. It can be tempting to include some extra questions “when you are at it” but the quality of the answers deteriorates and the respondent may become irritated if feeling the obligation to answer a questionnaire that is too long. (Andersson, 2001) As somebody at Stora Enso said concerning the supplier survey: “We want the supplier to be content after the survey too.”

Formulating Questionnaire Questions Requires Extra Care

Since questionnaires do not offer any possibility to give extra explanations to a question it is very important that the questions are distinct and unambiguous. The value of simple and straightforward can not be overrated. The respondent should always be given the alternative “Do not know” for knowledge questions or “No opinion” for attitude questions. (Lekvall & Wahlbin, 2001)

Questions can be open or multiple-choice. Open questions should be used very restrictively in questionnaires since it is demanding for the respondent to give descriptive answers in written. The answers are likely to become less comprehensive than they would have been in an interview situation. (Andersson, 2001)

Do always try out the questionnaire on several persons before distributing it to the actual respondents.

The Scale Decides the Use You can Have of the Data

There are mainly four types of scales: nominal, ordinal, interval and quotient. We recommend using interval scales as much as possible. Interval scales make it possible to statistically manipulate data. If you are only interested in calculating frequencies of different alternatives or collecting facts and qualitative descriptions other scales can be used. Sometimes it may be desirable to alternate between different types of questions to prevent the respondent form choosing mechanically the same alternative in all questions.
Nominal scales are multiple-choice questions where there is no order of preference between the different alternatives. It is important that the alternatives are exhaustive and distinct from each other. Nominal scales can be used for classifying answers or to calculate frequencies. Other statistical manipulations are not possible.

Example: Housing

- Single household
- Family household
- Lodger

The example is not exhaustive: other alternatives, such as cooperative living or households with more than one family, are missing. The question is also not distinct. A lodger can in the same time have a single household. To guarantee exhaustiveness there is the possibility of adding an alternative such as:

- Other________________

(Lekvall & Wahlbin, 2001)

Ordinal scales are multiple-choice questions where the alternatives can be arranged in an order of preference.

Example:

- Very good
- Rather good
- Neither bad nor good
- Rather bad
- Very bad
- No opinion/ Do not know

There is no real constant scale in ordinal questions: for one respondent the distance between “Very bad” and “Rather bad” may differ from the view of another respondent. Since there is no way of knowing the absolute value of the individual alternatives, other statistical manipulations than calculating frequencies should be performed with caution. Letting the respondent rank different alternatives is also to be considered as an ordinal scale since the distance between the statements ranked as 1 and 2 may be very different for different respondents. (Lekvall & Wahlbin, 2001)

Interval scales are scales where the distance between the alternatives is numerically defined but that does not have a natural zero point. A graphical representation can give interval properties to the question.
Example:

<table>
<thead>
<tr>
<th>Very bad</th>
<th>□ □ □ □ □ □</th>
<th>Very Good</th>
<th>□</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is recommended to give an odd number of alternatives in order to allow the respondent to give a neutral answer. The scale can be of the type (1,2,3,4,5,6,7) or go from negative to positive (-3, -2, -1, 0, 1, 2, 3). Interval scales have better mathematical properties than nominal and ordinal scales and can be used for most statistical calculations. (Lekvall & Wahlbin, 2001)

A quotient scale is a scale with interval properties that do also have a natural zero point. Sales, volume or number of employees are variables that can be measured by a quotient scale. (Lekvall & Wahlbin, 2001)

**Using Interviews for (Supplier) Surveys**

*Interviews Give More and Deeper Information*

The possibilities of gathering information in a personal interview are more or less unlimited. Questions can be thoroughly investigated and the risk for information loss is minimal. While questionnaires offer limited possibilities of using open questions, interviews can take advantage of all sorts of questions. Multiple-choice questions can be useful in cases where exact comparisons to other respondents are needed. (Lekvall & Wahlbin, 2001) The possibility of personal interaction between interviewer and respondents makes the interview situation more dynamic. If the survey covers information that is complex or sensitive then personal interviews are to prefer. (Andersson, 2001)

The interview might be standardised, and follow an interview guide with specific questions and resulting questions that are formulated in advance, or be freer and in the form of a discussion of a broader subject. If the results from different interviews are to be compared it is an advantage if the interview is standardised. (Lekvall & Wahlbin, 2001) The interviews we have performed have been standardised, i.e. all questions and their order have been prepared in advance. Even the resulting questions must be prepared in advance to assure comparability between different interviews.

*Careful Information Improves the Quality of the Interview*

An informational letter sent out in advance may improve the respondent's motivation to participate; especially if it describes the possible benefits the participation can give the respondent. Even if a letter is sent out it is important presentation of the survey also when starting the interview. If the respondent is not sure of the conditions,
confidentiality, how answers will be used etc, there is the risk that the interview will not get as good results as it should.

**Be Well Prepared in Order to Get Relevant Information and Avoid the Beginner’s Mistakes**

If the person conducting the survey is inexperienced, performing a correct personal interview is much more difficult than constructing a questionnaire. Results may be spoiled if the interviewer is not conscientious about the special conditions for conducting interviews. (Andersson, 2001) If the interview is standardised we recommend preparing an interview guide containing already formulated questions, a description of what information is to be collected for each question and also possible probes and resulting questions for each question to use if the answer does not right away give the wanted information. In every day speech it is almost a reflex to ask leading questions, e.g. “That must have been uncomfortable?”, “You didn’t like that, did you?” This must absolutely be avoided in interviews. Resulting questions should be as neutral and open as possible so that they do not influence the answer in positive or negative direction. (Ekholm & Fransson, 2001)

As we have already discussed, small variations in the formulation of a question may lead to totally different answers. In normal speech it is common to ask several questions in a row or to give quick or leading questions. Performing an interview requires discipline on the part of the interviewer. (Ekholm & Fransson, 2001)

**Techniques to get Accurate and All-inclusive Answers**

One common beginner’s mistake is to be too quick to ask questions. Usually the first answer that a person gives to a question is rather short. When given time to consider again, most respondents give information that is much more ample. When sensing that there is more information to collect it can be tempting to ask resulting questions right away. Resulting questions might disturb or influence the answers. The best way to get detailed answers is just to wait and let the respondent take the initiative. Most people dislike silence and will intuitively try to complement their answers. (Andersson, 2001) It is important that the pause does not get uncomfortable. The interviewer should keep eye contact with the respondent and maybe give an encouraging smile or nod. (Ekholm & Fransson, 1992)

If a small pause is not enough, so called *probes* can be used to make the respondent give a more comprehensive description. A probe can be just an encouraging expression and a nod or a “mmm”. Other probes can be short questions: “How do you mean” (Ekholm & Fransson, 1992)

There is a risk that the respondent tries to give general answers that he believes represents also his colleagues or that he tries to give a “mean” answer that might not
reflect reality. A useful technique is to use specific questions rather than general ones, i.e. to ask “Was the last negotiation performed in a constructive manner”, rather than “Are the negotiations usually performed in a constructive manner”. When describing a real event it is more probable that information will be accurate and detailed. When making a generalisation you often tend to ignore uncomfortable exceptions. (Lekvall & Wahlbin, 2001)

A more elaborated version of the specific question is the so-called critical incident technique. Instead of asking “Do you usually have controversies with your customer”, asking the respondent to describe the last time some kind of problem arose might be more rewarding. It can be uncomfortable for the respondent to give critical opinions about a customer. Asking about specific incidents gives the respondent the possibility of describing an event without having to make direct personal statements. In this way more and hopefully more truthful information can be collected. (Ekholm & Fransson, 2001)

Documenting Should be done Without Disturbing the Respondent or Losing Information

Answers can be recorded on tape or the interviewer may take notes. Recording the answers may seem comfortable but transforming an audio registration to text is hard work. Six hours of documentation for a one-hour interview is not unreasonable. Many persons might also feel uncomfortable at the idea of being recorded. Even if a person consents to being recorded this may affect the answers since the person might, consciously or unconsciously, give less open answers. Other alternatives are that the interviewer, or an assistant, acts as secretary during the interview. (Lekvall & Wahlbin, 2001) We chose to take notes during the interview and to complement them directly afterwards. Especially important statements should be written down word for word. A good help in the analysis is to take the habit of noting the behaviour of the respondent, e.g. pauses, intonation or expressions (Andersson, 2001).

Telephone Interviews

Telephone interviews can be compared to personal interviews. One drawback of telephone interviews is the lack of control over the interview situation. (Lekvall & Wahlbin, 2001) Stress or a turbulent environment can have a harmful influence on the quality of the answers. To avoid this one can arrange for a telephone meeting. This might be as difficult as arranging a personal meeting, or even more difficult since most people would prioritise a telephone call less than a scheduled meeting. The information that is communicated through body language and expressions is lost in telephone interviews and it is not possible to create the same personal contact that arises in a personal meeting. The limited possibilities of personal interaction make the telephone
interview less suitable when dealing with sensitive or complicated matters (Andersson, 2001). Telephone interviews are however a more cost efficient way of performing a survey than personal interviews. To make the interview easier for the respondent the questions can be sent in advance. (Lekvall & Wahlbin, 2001)
APPENDIX 2

THE INTERVIEW GUIDE

Introduction
1. How many years have you personally been working with Stora Enso/STORA/Enso? (T)
2. How many years has your company been working with Stora Enso/STORA/Enso? (T)

Communication
3. In which way do you usually communicate with representatives for SEP? (PROBE FOR: How much e-mail, telephone, in person, post etc.)
4. Do you find the communication with SEP efficient compared to other customers? (T)
   - Why/Why not?
   (PROBE FOR: Easy/Hard to get in contact with, Unnecessary meetings, Frequently enough.)
   - Do you find the negotiations efficient?
   - Why/Why not?
5. Is there something you would like to change in your communication to SEP? (T)
   - Why?

Organisation
6. Stora Enso’s purchasing organisation is both centralised (SEP) and decentralised (Mill purchasing). There are both advantages and disadvantages with such an organisation. What advantages and disadvantages have you noticed in your contact with SEP?
   - Does Stora Enso’s purchasing organisation function better or worse than other costumes?
   (PROBE FOR: Type of organisation, In what way.)
   If they have encountered a better organisation:
What makes this purchasing organisation different from the one of Stora Enso?

7. Who has the most influence on Stora Enso’s global purchasing decisions? (T)

8. Who has the executive power regarding Stora Enso’s global purchasing decisions? (T)

9. What is your impression of the coordination between different parts of Stora Enso?
   (PROBE FOR: Is the information unanimous, Well functioning information-flow.)

10. What is your impression of the coordination between SEP and the mills? (T)
    (PROBE FOR: Anchoring, How the corporate purchasing agreements are followed.)

11. Cross-functional purchasing teams are a modern form of purchasing that can have both advantages and disadvantages. In your opinion, how well does SEP’s purchasing teams, The Category Teams, function? (T)
    (PROBE FOR: Influence, their contribution.)
    - Do they facilitate the cooperation?
    - Do they contribute with competence?
    - Do they function better or worse than your other customer’s cross-functional purchasing teams?
    - Why, do you think?

Relation

12. Can you visualise what parts of Stora Enso have regular contact with different parts of your company? (The drawing guide seen below is used to answer this question)
<table>
<thead>
<tr>
<th>STORA ENSO</th>
<th>SUPPLIER COMPANY</th>
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</thead>
<tbody>
<tr>
<td>Group Management</td>
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<tr>
<td>SEP Management</td>
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<tr>
<td>SEP Category Teams</td>
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<td>Mill manager</td>
<td></td>
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<tr>
<td>Mill purchaser</td>
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<tr>
<td>Other mill employees: _________</td>
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<tr>
<td>Other: ______________________</td>
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- Which part of Stora Enso’s organisation is your company most frequently in contact with?

13. If you think of a customer to whom you consider having a good business relation. What is characteristic for that relation?
   - Does that relation differ in any way from the relation to Stora Enso?

14. Are there any areas in your relation to Stora Enso you would like to improve? (T)

15. What was the most recent proposal of change you gave SEP?
   - How did Stora Enso handle the proposal? Why do you think that is?
   - Why do you think it turned out that way?
   (PROBE FOR: Cooperative behaviour.)

16. Does your company work together with Stora Enso to find mutual improvements and cost reductions? (T)
   (PROBE FOR: Does SEP work to minimise the Total Business Cost.)

17. What is SEP’s focus in negotiations?
   (PROBE FOR: Is the supplier aware of SEP’s goal of minimising Total Business Cost.)
**Professionalism**

18. What impression do you have of SEP’s purchasers? (T)

   (PROBE FOR: Well prepared, Knowledge of the supplying company and its production, Knowledge of Stora Enso’s needs.)

19. How do SEP’s purchasers act during negotiations? (T)

20. Have you had the possibility of seeing SEP’s business ethical policy documents? (T)

   (Show the document “How to do business with Stora Enso” to the supplier)

```
“How to do business with Stora Enso”
- Stora Enso employees shall follow laws and regulations applicable in the countries where we source or work
- SEP employees shall refrain from having significant share or options in supplier companies, where conflict of interest can occur
- SEP employees shall pay their own travel and accommodation costs when visiting or meeting suppliers
- Suppliers visiting Stora Enso they shall be considered and treated as guests
- Gifts to SEP employees are not accepted, if not minor
- Entertainment of the SEP employees’ families paid by suppliers is not accepted
- SEP employees shall only accept work, which can be conducted in a professional way
- SEP employees shall not participate in suppliers advertising or promotion material
- Alcohol shall normally not be consumed during working hours. In professional related after-work contacts with colleagues or suppliers where alcohol is consumed this shall be limited to moderation.
```

21. Do you think SEP acts in accordance with the business ethical policies? (T)

**Conclusive Questions**

22. Is Stora Enso an attractive customer to your company? (T)

   - In what way?

23. Do you think that it could be beneficial for your company that this study is performed?

24. Is there something else in your company’s relation to Stora Enso that we have not asked about that you would like to discuss? (T)

25. Would you consider taking part in a follow up of this survey? (T)
Thank you for taking the time to fill in this questionnaire. In order to get useful results that can benefit your company’s future relation with Stora Enso, it is important that all questions are answered, so please do not skip any questions. We are interested in your personal experiences and impressions of the relation between your company and Stora Enso Purchasing. As stated before, all information you give will be treated as confidential and only be presented to Stora Enso in aggregated form.

The e-mail contains a questionnaire number. Please fill in this number in your questionnaire. The number makes it possible to keep your answers anonymous, since your name will not have to be connected to the document. We can also keep track of the answers and avoid bothering you with unnecessary reminding letters, and instead send reminders exclusively to the numbers that have not yet answered. The list connecting questionnaire numbers to supplier names will be destroyed as soon as the survey is completed.

Please return this questionnaire no later than the 14 of June.

You have two choices for filling in this questionnaire:

- By saving the word document, typing the answers directly in the file and sending it back by e-mail
- By printing out a copy, filling it in, and sending it to the return address below

Beatrice Antell
EKI, Linköping University
581 83 Linköping
Sweden

Instructions

The questions are answered by putting a cross (x) in the box next to the answer you have chosen. All questions are not constructed in the same way.

The questions mostly refer to Stora Enso Purchasing. When questions refer to other parts of the Stora Enso Group this is stated in the question.
**Background Information**

0. Your questionnaire number:_____

1. What is your title:_____

2. For which product group/groups do you make corporate agreements with Stora Enso Purchasing:
   *If you have contact with several product groups, and would like to give different answers for different groups in the questionnaire, please feel free to make notes about this at the questions concerned.*

3. What is your sales turnover in the segment/segments chosen above: **165 MEUR**

4. How many persons does your company employ in the segment/segments above: **1300**

5. Number of years you personally have been working with Stora Enso/STORA/Enso: **13**

6. Number of years your company, or part of your company, has been selling to Stora Enso/STORA/Enso

---

**Graphs:**

- **Chemicals:** 54.17%
- **Binders:** 18.75%
- **Pigments:** 10.42%
- **RMC:** 6.25%
- **Packaging:** 10.42%

- **Sales Turnover Distribution:**
  - 0-2: 2.08%
  - 3-5: 2.08%
  - 6-10: 2.08%
  - 11-20: 35.42%
  - >21: 58.33%
Communication with Stora Enso Purchasing

7. Which means do you normally use to contact SEP
   Please allocate 100% among the following alternatives.
   42.2 % by e-mail
   24.0 % by telephone
   28.4 % in person
   5.2 % by mail
   0 % other: _____

8. Communication with Stora Enso Purchasing is efficient (information is adequate and exchanged in a reasonable amount of time)
   Mean = 5.64
   Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion

9. More frequent contact with Stora Enso Purchasing would be beneficial for your company
   62.5 % yes
   33.3 % no
   4.2 % no opinion

10. Communicating with Stora Enso Purchasing, compared to your other customers, is:
    0 % much easier
    33.3 % easier
    50.0 % as easy
    12.5 % more difficult
    4.2 % much more difficult
    0 % no opinion

11. Negotiating with Stora Enso Purchasing requires more time than should be necessary
    Mean = 3.56
    Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion

12. Stora Enso Purchasing gives relevant feedback to you on your company’s performance
    Mean = 4.48
    Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion
Information Flow

13. The information you get from Stora Enso Purchasing is consistent with the information you get from other parts within the Stora Enso Group

Mean = 4.95

Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] No opinion [ ]

14. When needed, it is easy to get relevant information from Stora Enso Purchasing

Mean = 5.23

Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] No opinion [ ]

15. Stora Enso Purchasing listens to opinions and information from your company

Mean = 5.53

Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] No opinion [ ]

Cooperation

16. The products your company sells to the Stora Enso Group are:

![Bar chart showing the distribution of product types: Same products 63.2%, Modified products 23.5%, Unique products 13.2%]

17. Has your production equipment been modified specifically to suit SE requirements:

![Bar chart showing the distribution of equipment modification: Not at all/no unique products 41.3%, To some extent 45.65%, To a large extent 6.52%, Special equipment 6.52%]
18. Stora Enso Purchasing makes use of the capabilities your company can offer
Mean = 4.41

To a very small extent 1 2 3 4 5 6 7 To a very big extent

19. Stora Enso Purchasing works actively with your company in order to find mutual areas of improvement
Mean = 4.33

To a very small extent 1 2 3 4 5 6 7 To a very big extent

20. There are interesting possibilities for closer cooperation between your company and the Stora Enso Group
Mean = 5.89

Totally disagree 1 2 3 4 5 6 7 Totally agree

21. What obstacles in the interface between the Stora Enso Group and your company could hinder a closer cooperation
Put a cross in front of all the factors you believe are obstacles.

Organisational Structure 16.48
Market structure 16.48
Lack of time 14.29
Culture differences 12.09
Characteristic of current relationship 10.99
Trust for the other company 8.79
Lack of knowledge about each others production 5.49
No hope for improved profits 4.40
No obvious areas of co-operation 2.20
Other 8.79
22. When doing business with the Stora Enso Group the most important cost drivers that influence the sales price are (not counting production costs): 
*Put a cross in front of the three factors you believe are the most important cost drivers.*

- Transport: 27.48%
- R&D: 19.08%
- Storage: 15.27%
- Logistic planning: 12.98%
- After sales support: 11.45%
- Administration: 3.82%
- Marketing: 2.29%
- CRM: 2.29%
- Packaging: 0.76%
- Other: 4.58%

23. In comparison to total costs for your company, estimate what percentage are production costs: \( \times \)

**Relation**

24. Stora Enso Purchasing clearly communicates their goals for the relation with your company

*Mean = 4.77*

Totally disagree 1 2 3 4 5 6 7 Totally agree No opinion
25. Which of the following characterise the supplier relations of Stora Enso Purchasing:

\textit{Put a cross in front of the three most important factors.}

- Purchasing price focus: 31.00%
- Long-term contracts: 27.00%
- Focus on long term total cost: 15.00%
- Strategic alliances: 15.00%
- Joint development efforts: 12.00%
- Ethical behaviour: 11.00%
- Flexible contracts: 10.00%
- Short term contracts: 7.00%
- Mistrust: 3.00%
- Hostility: 2.00%
- Other: 1.00%

26. Which of the following best characterises Stora Enso Purchasing’s focus in negotiations:

\textit{Put a cross in front of the two most important factors.}

- Price: 39.00%
- Quality: 18.00%
- Minimising the TBC of SE’s production: 17.00%
- Security of delivery: 15.00%
- Service: 6.00%
- Joint improvement: 3.00%
- Other: 1.00%

27. Stora Enso Purchasing is generally willing to make changes in order to facilitate the work of your company

\textit{Mean = 4.18}

- Totally disagree
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- Totally agree

28. What could make your company benefit more from the relation to Stora Enso Purchasing: _______
29. What was the last suggestion for a joint improvement your company gave Stora Enso Purchasing (If your company has not given any suggestions for change, put a cross here: □ and skip the following question.)

30. How did Stora Enso Purchasing follow up this suggestion:____________________

31. Stora Enso Purchasing encourages development of the relation with your company
Mean = 5.05
Totally disagree □ □ □ □ □ □ □ Totally agree □ □ □ □ □ □ □ No opinion

Organisation

32. How many persons within the Stora Enso Group are you regularly in contact with:
Mean = 13.46

33. How many persons within your company do you believe are regularly in contact with representatives from the Stora Enso Group: Mean = 11.61

34. There is frequent contact between your company and representatives from the following organisational levels of the Stora Enso Group:
This question aims at visualising where the most frequent contact between the Stora Enso Group and your company is made. Put one cross for the places where contact is made. Put an extra cross (xx) if contact is more frequent and more crosses the higher the frequency.

<table>
<thead>
<tr>
<th>Your company</th>
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<tbody>
<tr>
<td>Stora Enso Group Management</td>
</tr>
<tr>
<td>Stora Enso Purchasing Management</td>
</tr>
<tr>
<td>Stora Enso Purchasing Category Team</td>
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<tr>
<td>Mill manager</td>
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<td>Mill purchaser</td>
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<tr>
<td>Other mill employees: _____</td>
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<td>Other:_____</td>
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35. Who has the largest influence on the purchasing decisions of the Stora Enso Group (in the purchase of your products):
Rank the levels from 1 and upward.
1: 0% 2: 0%  Stora Enso Group Management
1: 11% 2: 29%  Stora Enso Purchasing Management
1: 55% 2: 18%  Stora Enso Purchasing Category Team
1: 11% 2: 13%  Mill manager
1: 8% 2: 13%  Mill purchaser
1: 16% 2: 26%  Other mill employees:
1: 0% 2: 0%  Other:
36. Who has the executive power over the global purchases made by Stora Enso Purchasing (in the purchase of your products):

_Rank the levels from 1 and upward_

1: 5% Stora Enso Group Management
1: 37% Stora Enso Purchasing Management
1: 47% Stora Enso Purchasing Category Team
1: 5% Mill manager
1: 0% Mill purchaser
1: 5% Other mill employees:
1: 0% Other:

37. Stora Enso Purchasing facilitates your company’s business with the Stora Enso Group as a whole

**Mean = 5.07**

Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion

1 2 3 4 5 6 7

38. The Stora Enso Purchasing Category Teams are good representatives of Stora Enso’s mills

**Mean = 5.37**

Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion

1 2 3 4 5 6 7

39. Stora Enso Purchasing’s Category Teams contribute with useful competence in the exchange between your company and the Stora Enso Group

**Mean = 5.18**

Totally disagree □ □ □ □ □ □ □ Totally agree □ No opinion

1 2 3 4 5 6 7

40. Compared to Purchasing Teams of your other customers, Stora Enso Purchasing’s Category Teams work:

14.6 % □ much better
31.3 % □ better
25.0 % □ as well
14.6 % □ worse
0 % □ much worse
10.4 % □ no opinion

41. The Stora Enso mills comply with the corporate agreements your company makes with Stora Enso Purchasing

**Mean = 5.42**

To a very small extent □ □ □ □ □ □ □ To a very big extent □ No opinion

1 2 3 4 5 6 7
42. The work of Stora Enso Purchasing is well anchored among the mills of the Stora Enso Group
   **Mean = 4.96**

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43. Different parts of the Stora Enso Group act in accordance with the same business values
   **Mean = 4.95**

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**Professionalism**

45. Stora Enso Purchasing possesses good knowledge about your company as a whole
   **Mean = 5.32**

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46. Stora Enso Purchasing possesses good knowledge about your company’s manufacturing process
   **Mean = 4.47**

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47. Stora Enso Purchasing possesses good knowledge about the Stora Enso Group’s own needs
   **Mean = 5.64**

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48. Stora Enso Purchasing purchasers are normally well prepared for negotiations
   **Mean = 6.11**

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49. Stora Enso Purchasing normally negotiates in a professional manner
   **Mean = 5.89**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] [ ] No opinion

50. The purchasing culture of Stora Enso Purchasing enables a polite, respectful and constructive business relationship
   **Mean = 5.83**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] [ ] No opinion

51. I have been informed of the purchasing ethics of Stora Enso Purchasing (Orally or in the form of a policy document, e.g. “Doing business with Stora Enso”)
   72.9 % [ ] yes
   27.1 % [ ] no

52. Stora Enso Purchasing acts in accordance with the general codes for purchasing ethics (National laws, Contractual obligations, Gifts, Hospitality, No personal gain etc.)
   **Mean = 6.41**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] No opinion

**Business**

53. Your company ranks customers according to:
   - 17.0 % [ ] Length of relation
   - 17.6 % [ ] Customer’s importance in the industry as a whole
   - 17.0 % [ ] Sales volume
   - 4.6 % [ ] Profit
   - 19.6 % [ ] Profit/volume
   - 22.9 % [ ] Future potential of relation
   - 0.7 % [ ] Other: [ ]
   - 0.7 % [ ] Does not rank customers

54. The Stora Enso Group is an attractive customer to your company
   **Mean = 6.46**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] No opinion
55. Doing business with the Stora Enso Group secures your company’s long term margin  
   **Mean = 4.82**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] [ ] No opinion [ ]

**The Questionnaire**

56. It was possible to accurately describe the actual relationship between your company and Stora Enso using the alternative answers provided in this questionnaire.  
   **Mean = 4.83**

   Totally disagree [ ] [ ] [ ] [ ] [ ] [ ] [ ] Totally agree [ ] [ ] [ ] [ ] [ ] [ ] [ ] No opinion [ ]

57. Did you find it meaningful to fill in this questionnaire?  
   87.2 % [ ] yes  
   12.8 % [ ] no

58. Are you willing to take part in a future follow up of this survey?  
   89.6 % [ ] yes  
   10.4 % [ ] no

59. In a future follow up, would you prefer to participate by:  
   22.2 % [ ] filling in a questionnaire  
   13.3 % [ ] taking part in a personal interview  
   2.2 % [ ] taking part in a telephone interview

**Further comments:**

Thank You!