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Exploring the development of a strategy and tactics to sweeten suppliers

– a case study of a European sugar producer

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Abstract

Buyer-supplier relationships can be important sources of value for both sides. From the buyer's perspective, suppliers can ensure the access to critical resources that the buyer needs for the production of its goods. With the EU market deregulation, the competition on the European sugar market increased, where sugar is produced from sugar beets. Sugar beet prices dropped and reduced the profitability of sugar beet growing. Sugar producers subsequently face an increased competition, also for accessing the critical resource sugar beets, which is determining for the company's survival. To ensure the access to sugar beets, sugar producers need to develop improved buyer-supplier relationships, that also hold under the new market circumstances.

Combining the crucial importance of the access critical resources with financial and labour resources relationship-development requires, shows that a structural approach of a strategy and tactics could contribute to improve the buyer-supplier relationships. The study therefore develops an analytical framework to deeply understand the often complex buyer-supplier relationships between a sugar producer and sugar beet growers. The frame unravels the relationship into interrelated elements. These depict the context the relationship is embedded in as well as the core of the relationship, that entails the interacting parties and the interaction process. At the same time this framework is used as a practical framework to offer a basis for developing a strategy and tactics for improved buyer-supplier relationships while taking both parties' important aspects into account.

A qualitative approach in combination with a case study design with an anonymised European sugar producer as case object was chosen to illustrate and analyse the phenomenon. Six sugar beet growers from Germany and Sweden were interviewed to review important aspects for supplier side of the relationship. Participant observations and a literature review contributed to addressing the phenomenon.

Analysed findings show that sugar producer's access to sugar beets is increasingly challenged since the EU market deregulation and the resulting increased competition for sugar beets. Sugar producers increasingly compete for growers while they can also choose to grow other crops other to sell the beets to other industries for other than uses. Interpreted findings also show that improving buyer-supplier relationships requires mutual profiting from the created value which implies to respond to the growers' needs, such as an improved fairness or communication. Therefore, a strategy and tactics need to take both parties' perspectives into account.

This study contributes to knowledge in Supplier Relationship Management as it offers a way of improving relationships with many and not just a critical few suppliers and specifically includes the supplier perspective, who is seen as an equally important party in the relationship. The study further offers framework that can be used to understand buyer-supplier relationships but also to develop strategies and tactics which can be useful for companies that are willing to improve the relationships and sweeten their suppliers.

Abbreviations

BSR	Buyer-supplier relationship
B2B	Business to business
DNZ	Dachverband Norddeutscher Zuckerrübenanbauer, grower association
EU	European Union
Grower	Sugar beet grower
IT	Information Technology
Processor	Sugar beet processor, sugar producer
SRM	Supplier Relationship Management

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1 Introduction

This chapter offers an introduction into the research topic and problem and shows the derivation of the aim and research questions as well as the delimitations and ends with an overview of the thesis structure.

1.1 Problem background

Buyers and suppliers are to varying degrees dependent on each other and more or less influence each other's success and economic survival (Huderek-Glapska & Nowak, 2016; Gummesson, 1996; Zolkiewski & Turnbull, 2002). Suppliers need buyers to ensure sales volumes (Ahimbisibwe, 2014) while buyers need suppliers to be able to produce and sell their products at a set quantity, steady quality and reasonable price (Appelfeller & Buchholz, 2011). Moreover, global factors like the economic crisis in 2008 increased the attention to procurement and costs (Appelfeller & Buchholz, 2011; Gebert, 2014; planet wissen, 2017). Furthermore, a buying company has to carefully decide on its suppliers and inputs by taking the risk of delivery failure and price volatility into account. Hence, not only major enterprises but also smaller companies started to adapt programs to optimise their procurement (Appelfeller & Buchholz, 2011).

The increased importance of procurement and the diverse interdependence between buyers and suppliers show that developing relationships between them becomes more and more crucial (Ahimbisibwe, 2014; Appelfeller & Buchholz, 2011; Vieira *et al.*, 2013; Zolkiewski & Turnbull, 2002), especially in business-to-business (B2B) markets (Huderek-Glapska & Nowak, 2016; Zolkiewski & Turnbull, 2002). Globalisation and its consequences of e.g. uncertainty, dynamic changes and increasing competition turned developing relationships into one of the key activities of today's companies (Hemmert *et al.*, 2016; Huderek-Glapska & Nowak, 2016; Zolkiewski & Turnbull, 2002).

Buyer-supplier relationships (BSRs) could reduce transaction costs for both parties, so the costs of transacting and negotiating when buying or selling a product (Brousseau & Glachant, 2002), by reducing uncertainty and increasing trust in each other (Huderek-Glapska & Nowak, 2016; Vieira *et al.*, 2013). Moreover, BSRs are increasingly used as a source for new product and process development (Inemek & Matthyssens, 2013; Liu, 2012; Revilla & Villena, 2012). However, the interdependence between parties can be of varying forms, where one party might be more dependent on the other than the other way around (Capon, 2009; Schmitz *et al.*, 2016). The symmetry or asymmetry of the parties is influenced by many aspects like e.g. the access to capabilities, knowledge and resources (Schmitz *et al.*, 2016). Therefore, one party might have to actively engage in developing the BSR and convince the other party to ensure to gain the needed access to e.g. resources which shows that developing relationships between buyers and their suppliers is not easy (Zolkiewski & Turnbull, 2002).

When looking at the food industry, one can see that BSRs at the primary production level often entail many farmers on the one side and a few food processors on the other side, leading to situation that the processor determines the relationship conditions (Bundeskartellamt, 2017). The described difference in size can also be found on the European sugar market where sugar beet growers (growers) face sugar food processors (processors). The situation in the European sugar industry is nevertheless distinctive. The European Union (EU) is the worldwide largest producer of beet sugar (European Commission, 2017b). Despite trading with a perishable product like other farmers, growers are less dependent on the food processor, the processors. Growers can decide on a yearly basis what to grow on their fields, to a certain extent even when

planning to fulfil a crop rotation (Diepenbrock *et al.*, 2016). Therefore, a processor faces competition not only from other processors but also from other crops' processors. Moreover, the contractual terms and the beet prices are negotiated annually by processors and growers' representatives, allowing the growers to connect to increase their bargaining power.

With predefined quality and quantity in mind, the growers can decide individually whether they want to sign the contract – half a year before he would actually seed the beets (Statista, 2014; Diepenbrock *et al.*, 2016). Consequently, many decentralised farmers connect against a centralised large-capacity processor that is dependent on getting access to one major input and has to fill its production capacities in order to be profitable (Werner Raupert, 2017). This can be visualised when looking at one of the biggest northern European sugar factories in Germany which is processing 2,3 million tons of sugar beets every year which is delivered by more than 2600 growers (Bendigs, 2013). Due to the high water content of more than 75% (Diepenbrock *et al.*, 2016) and the beet's low unit value, far transportation is inefficient and processors need their growers to cultivate as close to the factories as possible (Landesforschungsanstalt Mecklenburg-Vorpommern, 2005).

Next to these biological, logistical and operational restrictions, the market is also affected by politics. The European sugar market was subject to a production quota and a minimum price to ensure European food security and hence self-sufficiency. Already in 2005, the European Commission decided to stepwise reduce the minimum beet price until 2010 in order to increase competition and competitiveness (European Commission, 2005). This decision led to the close-down of many sugar factories across Europe (Reich, 2005; Cahill, 2010; Fratz, 2016). From September 2017 onwards, the institution further deregulated its sugar market and ended both interventions, the quota and the minimum price, to allow unlimited sugar beet production within the EU (Diepenbrock *et al.*, 2016; European Commission, 2016c). While uncertainty and competition are expected to increase, beet prices have already substantially decreased since September 2017 (Haß, 2017). This will probably reduce the attractiveness of growing sugar beets (European Commission, 2017b), which reinforces the growers and their beets as the weak point of the processors supply chain.

SFPs try to overcome these challenges by convincing the farmers with arguments for growing beets instead of other crops and for selling these beets to *them* to secure sufficient access to their main input and as key success factor. Sugar beets are e.g. seen as beneficial for the crop rotation and help nutrients accumulating in the soil (Diepenbrock *et al.*, 2016). Even though being a rather labour-intensive and sensitive crop, beets were a comparatively high yielding and profitable crop (Diepenbrock *et al.*, 2016). Besides, many processors offer considerable assistance services such as consulting and information databases as well as long-term contracting to increase the attractiveness of beets as well as develop strong BSRs (Landwirtschaftlicher Informationsdienst Zuckerrübe, 2018). However, with the market opening it can be questioned if these activities are sufficient for the processor to ensure the access to sugar beets as their major input and as the basis of all their products, in an increasingly volatile market with a decreased sugar beet price.

1.2 Problem statement

As a consequence of the new market orientation of the European sugar industry, processors might have to find new ways of developing BSRs that withstand the lower beet prices and the new market circumstances with an unknown future development. Therefore, instead of just being held together by a high profitability for both in a protected market environment, the

processor might have to improve the BSR to arrive at strong relationships. Such relationships could be characterised by a long-term orientation, where the parties respect each other and each other's interests. Moreover, compromises might be required, that include short-term (financial) sacrifices instead of picking every penny of profit.

When the willingness of improving relationships comes together with asymmetric interdependence, an active and targeted improvement of BSRs is especially needed to convince the other party. Such measures can be summed up as Supplier Relationship Management (SRM), which refers to all aspects around a buyer working together with a supplier (Appelfeller & Buchholz, 2011). SRM emphasises the complexity of BSRs and its multiple designs, as parties interact and relationships develop individually differently. However, SRM is criticised for having a focus on the buyer perspective with regards to what the buyer requires from the relationship and that the supplier has to react to that or will be exchanged (Čater & Čater, 2010; Cheung *et al.*, 2010; Gao *et al.*, 2005; O'Brien, 2014). Research around BSRs rarely takes the supplier perspective into account, recognising that asymmetric interdependence might also exist the other way around (Cheung *et al.*, 2010), which represents one aspect of the theoretical problem of the study.

SRM and research further suggest focusing on developing relationships with a few suppliers that produce the critical inputs of the buyer (O'Brien, 2014). However, in the food industry and also for the European sugar production, the same input might have to be produced by many farmers who grow them on their fields. This reveals not only the little existent research on BSRs with primary producers as suppliers in the food industry (exception e.g. Gorton *et al.*, 2015) but also that it might not be easily possible to develop BSRs by choosing only a few suppliers in order to e.g. secure the access to certain resources which reveals another aspect of the theoretical problem of the study.

Finally, theory also does not give an insight into how to actually develop improved BSRs with the many suppliers, as e.g. O'Brien (2014) emphasises on only monitoring suppliers that offer mass products of a low unit value, again assuming that they can be exchanged easily. However, when it comes to suppliers that are more important for the buyer, he suggests developing strategies as a structured approach to develop improved BSRs and tactics with regards to more tangible activities, which is also supported by Zineldin (2012). Nevertheless, both authors but also others (such as Ford *et al., 2011*) do neither offer ways to develop nor actual strategies and tactics that buyers can use to improve their BSRs. Therefore, this research gap shows another aspect of the theoretical problem that can be connected to the empirical problem as buyers may need their suppliers for various reasons. With an increase in competition but also with the detected value potential of BSRs, it is important for the buyer to develop and to know how to develop strategies and tactics for improved BSRs.

1.3 Aim and delimitations

The aim is to investigate and critically analyse the development of a strategy and tactics for buyer-supplier relationship management between a sugar food producer and sugar beet growers in the European Sugar Industry.

1. What characterises the importance for the **sugar food producer** to develop buyer-supplier relationships?

2. What characterises the importance for **sugar beet growers** to engage in buyer-supplier relationship with a sugar food producer?
3. How can a **sugar food producer develop strategy and tactics** to improve the buyer-supplier relationships with sugar beet growers?

To address the aim, a European sugar producer company was chosen as the case company which decided to remain anonymised in this study. It produced sugar in the key beet growing areas in Europe, sells sugar across the continent and will be introduced in a little more detail in chapter 2.3. The first research question is addressed by analysing the processors standpoint in the industry and the current market situation, especially after the market deregulation. Research question two is covered especially by data gathered from semi-structured interviews with growers from two central and north European countries, Germany and Sweden. The results from answering research question one and two combined feed into answering research question three.

The study does not focus on the influence that the worldwide cane sugar production has on the European beet sugar market. It also does not cover the potential export opportunities of beet sugar outside the EU, since it at least at the moment not profitable due to a lower worldwide sugar price (Zinke, 2017). Moreover, it is recognised that there are negative health consequences of a high sugar consumption but the topic is not further covered it in this study. Lastly, the study concentrates on how the processor can secure its supply and is not actively taking the processor's performance and potential influence on the demand side into account.

1.4 Structure of the thesis

The study is structured into six sections and starts with the introduction which is based on a narrative literature review (see figure 1). Chapter 2 depicts the methodology of the study which looks at the procedures and methods behind the data collection and analysis. It was chosen to show it before the theoretical framework to explain how the literature was collected before illustrating it. Thereafter, the relevant theories for the purpose of the study are presented, concluding at the study's conceptual framework. The collected empirical data are

figure 1. Structure of the thesis

presented in the next chapter to show the findings that are analysed and discussed in chapter 5. Lastly, chapter 6 summarises the conclusions of the thesis.

2 Methodology

Research could be seen as systematic critical investigation, which tries to understand a phenomenon (Mackenzie & Knipe, 2006). The methodology, so how this systematic investigation took place and the motivations behind certain decisions, are depicted in this section. First of all, the researcher's underlying paradigm is explained, afterwards the research approach, strategy, design and specific methods to collect and analyse data are shown. Finally, this chapter addresses quality and ethical issues.

2.1 Research paradigm

Each researcher has his own way of thinking and his own views about what compromises truth and knowledge (Kawulich, 2012). These views guide the researcher and influence his way of thinking, his beliefs as well as his assumptions about society and the world around him which can be summarised as his paradigm. As Grix states *"[…] all research takes place in a paradigm, whether it is explicitly stated or not"* (2005: p.171) which makes it important to be disclosed and kept in mind for the reader (Curtis & Drennan, 2013; Maxwell, 2013; McKerchar, 2008; Sefotho, 2015). Despite the paradigm's importance it remains a conflicting area which entails "*paradigm wars*" (Johnson & Onwuegbuzie, 2004). One could see e.g. the ambiguous or contradictory definitions and understandings as one front (Bryman & Bell, 2015; Johnson & Onwuegbuzie, 2004; Kuhn, 1962; Mackenzie & Knipe, 2006). Another but more controversial and complex front is the categorisation of research paradigms and its pillars and consequences (Bryman & Bell, 2015; Johnson & Onwuegbuzie, 2004; Mackenzie & Knipe, 2006; Maxwell, 2013; McKerchar, 2008; Sefotho, 2015). Due to the limited space, not every conflict can be settled in this thesis, however the own understanding and paradigm standpoint will be made clear.

One way of defining a paradigm in more general terms is to see it as "*a loose collection of logically related assumptions, concepts, or propositions that orient thinking and research*" (Mackenzie & Knipe, 2006). The researcher's paradigm can be closer understood by looking at its pillars, which are the underlying philosophical assumptions about epistemology and ontology (Bryman & Bell, 2015; Dudovskiy, 2017b; Sefotho, 2015). Ontology can be described as the nature of reality and what is real for the researcher, whereas epistemology refers to the nature of knowledge and how the researcher believes knowledge is created (Curtis & Drennan, 2013; Mackenzie & Knipe, 2006; McKerchar, 2008; Sefotho, 2015). When closer looking at ontology, one discovers that it does not only study what reality is but also what it entails and the relationships between objects (Hofweber, 2017). Broadly, one can distinguish between two directions where one, objectivism, perceives reality as exclusively and objectively existing – independent of its social actors (Bryman & Bell, 2015; Dudovskiy, 2017b). The other supported view of the researcher, constructivism, argues that multiple realities and its social phenomena exist that are continuously accomplished by social actors (Bryman & Bell, 2015; Kawulich, 2012; Patton, 2002). Therefore, transcendent realities do not necessarily have to be reflected (Mastin, 2018). Instead, research results depend e.g. on the cultural, locational and temporal context of conduct (Bryman & Bell, 2015).

Epistemological considerations particularly deal with the question whether the social world and natural science should be studied according to the same principles or not (Bryman & Bell, 2015). The positivist perspective argues that the social and the natural world can be studied in the same way; it therefore assumes that the social world can be studied in a value-free manner that reveals cause and effect (Bryman & Bell, 2015). In contrast to that, interpretivism (Kuhn,

1962) is critical towards applying the same methods to natural science and the social reality because it represents the view that people and their institutions are fundamentally different to natural study objects (Bryman & Bell, 2015). In this thesis, these differences and the distinctiveness of humans are also respected and accounted for. Human thinking is tried to be *understood*, interpreted and mostly put into a conceptual frame (Mackenzie & Knipe, 2006; Bryman & Bell, 2015). However, this requires interaction with the subject through social constructions like language, consciousness and other instruments in e.g. interviews and observations (Dudovskiy, 2017a; Myers, 2008). Interpretivism additionally allows not only to study in real depth but also to use multiple methods to reflect different aspects of an issue (Bryman & Bell, 2015; Dudovskiy, 2017a). Nevertheless, it has to be acknowledged that the created meaning and knowledge is subjective and dependent on contextual and cultural factors (Bryman & Bell, 2015; Dudovskiy, 2017a).

Both ontological and epistemological perspectives, constructivism and interpretivism, consider knowledge and understanding to be constructed and since there is not simply one reality, it needs to be interpreted (Mackenzie & Knipe, 2006; Patel, 2015). This study's research paradigm with its constructivist and interpretivist pillars does not only represent the researcher's worldview but also suits the research topic because affected persons get a chance to speak and motivate their opinions and behaviour (Creswell, 2006). Moreover, it allows a use of multiple methods to gain a deeper understanding of the phenomenon.

2.2 Research approach and mode of reasoning

To be able to adress the aim and answer the research questions, a fitting research approach needs to be chosen because it directs the research process and influences what methods will be used to collect and analyse data (Bryman & Bell, 2015). Research approaches can be qualitative, quantitative or a combination of the two, called a mixed approach (Rhodes, 2014; Bryman & Bell, 2015). A quantitative approach is used when something is to be measured and works mainly with numeric data and statistical tools to find relationships between variables (Creswell, 2006; Rhodes, 2014). For these reasons, but also because it mainly works with closed-ended questions, it is "*invaluable for measuring people's attitudes, their emotional and behavioural states […]*" (Shields & Twycross, 2003: p.24).

A qualitative approach in turn gathers information by focusing on describing a phenomenon to grasp its meaning (Bryman & Bell, 2015; Rhodes, 2014; Shields & Twycross, 2003). Its purpose is to gain a deeper understanding of how people understand an often complex human or social problem (Bryman & Bell, 2015; Creswell, 2006; Rhodes, 2014; Shields & Twycross, 2003). Supported by Bryman & Bell (2015) and Creswell (2006) this study applies a qualitative approach since the aim is to investigate and critically analyse a strategy and tactics for BSR management between a processor and growers in the European Sugar Industry. Therefore, it is required to study more flexibly, exploratory and in depth with open-ended questions to seek meaning in mostly text data to enable an understanding of the phenomenon (Shields & Twycross, 2003; Taylor & Bogdan, 1984). A qualitative approach does not only suit the study's aim but also connects with the philosophical orientation of the researcher as it allows to analyse and interpret peoples' behaviours, motives and interactions with others in their context (Creswell, 2006).

Interpreting peoples' behaviours and motives depends on the context, the people interviewed or observed but also the personal idiosyncrasies of researchers, including personal and cultural experiences (Creswell, 2006). Qualitative research is therefore criticised for being only limitedly generalizable and replicable but biased instead (Atieno, 2009; Creswell, 2006).

However, some phenomena require a holistic approach and cannot be understood through numbers and statistics (Chowdhury, 2015). Social problems are complex, must be seen in their context and analysed through the lenses of the interacting people to be able to gain a deeper understanding (Atieno, 2009; Chowdhury, 2015). Qualitative research is therefore seen as an appropriate approach to manage this complexity and context and to balance it with simplicity (Atieno, 2009; Creswell, 2006). Hence, to understand phenomena in depth, qualitative research is the suitable approach, especially for research fields that are new and underdeveloped (Eisenhardt, 1989), as it can be seen in the young Supplier Relationship Management which is the basis of this study. Lastly, trustworthiness criteria help assessing the research quality to reduce the risk of biases and to review issues around generalisability (see chapter 2.6) (Bryman & Bell, 2015).

A qualitative approach allows a certain flexibility in research processes instead of having to follow a predefined template like in quantitative research (Bryman & Bell, 2015; Maxwell, 2013; Robson, 2011). An iterative process including reoccurring data collection and analysis, developing and modifying theory with redefining the research questions is needed to be able to deeply explore phenomena in an open-ended way to generate meaning and understanding from them (Bryman & Bell, 2015; Eisenhardt, 1989; Maxwell, 2013). An inductive mode of reasoning contributes to that by allowing to investigate a phenomenon and seeing how it relates to existing theories. This offers room to see theories from a new perspective and reveals how these could be further-developed. Therefore, it is especially helpful for under-developed areas, like it is the case for this study (Creswell, 2006). Another mode of reasoning, which generally describes the relationship between theory and research, is deductive reasoning (Bryman & Bell, 2015). As it starts at an initial hypothesis drawn from a theory and tests it to accept or reject the theory, it is not contributing to understanding motives and complex phenomena in-depth (Bryman & Bell, 2015; Maxwell, 2013). To explore the development of a strategy and tactics in an under-developed research area, inductive reasoning can contribute to find new insights in this area and to strive to fill research gaps, since no theory could be found to cover the aim in its particular context.

2.3 Study design and choice of case object

A case study design was chosen for this study, which connects with a the chosen qualitative approach since it allows to study a complex topic in detail in a bounded setting or case like a specific situation or organisation (Bryman & Bell, 2015; Creswell, 2006; Stake, 1995). A case study design contributes to gaining a deeper understanding of a phenomenon of improving a BSR since it allows to take a detailed and close look at a case to analyse it in depth via multiple sources of information. A single instrumental case study type was chosen as it selects a suitable case based on a problem that the researcher wishes to investigate and illustrate with the case (*ibid.*). This is an appropriate type as this study looks at the problem of a missing structural approach on how to improve relationships with many crucial suppliers.

There are some challenges that come with a case study design (Bryman & Bell, 2015; Creswell, 2006). Some researchers argue that case studies are not generalizable and only reflect the case object's problems and views without knowledge contribution to other (Creswell, 2006; Flyvbjerg, 2006). However, it is also argued that case studies might not be statistically generalizable to a population but nevertheless analytically because cases could be generalized to existing theoretical propositions (Yin, 2003). Flyvberg (2006) adds that case studies have the potential to contribute to existing knowledge, especially by entering new or further-developing the existing theoretical areas. Some researchers argue that the case study's findings might be transferred to different groups, settings or contexts which can be described as transferability

(Polit & Beck, 2010). According to the authors, this potential needs to be evaluated by the conducting researcher and is fostered by offering detailed descriptions of the findings. In this study, it can be reasoned that the findings are applicable to other processors but also to other buyers in the food industry that face a decentralised production of their inputs or only a critical few inputs.

According to Creswell (2006) further challenges connected to a case study design are that a case object has to be chosen and how it can be chosen. Looking at the bounded setting of one case however allows to concentrate on it and study and examine it in depth to get beyond the complexity and gain a deeper understanding (Bryman & Bell, 2015; Creswell, 2006). Therefore, it is an important part and can be seen as an advantage of studying based on a case study design. Beyond that, Creswell (2006) offers several factors to keep in mind when choosing a suitable case object that can also contribute to a greater transferability (Polit & Beck, 2010). In this study, one kind of non-probability sampling, purposeful sampling was used to select a relevant and suitable case object and bounded setting to support answering the study's aim (Bryman & Bell, 2015). According to Creswell (2006), this allows to choose case objects that show an ordinary case, different perspectives and allow much and rich data to be accessed. In addition, Stake (1995) emphasises that the selection should be based on the opportunity to learn from the case.

The chosen processor as unit of analysis for this study is a suitable choice for answering this study's aim, since it is a typical sugar producer for the recently deregulated European sugar market, which can be seen as the bounded setting (Bryman & Bell, 2015). With regards to the market share, the chosen processor is one of the top 10 players within the EU (Statista, 2017). Like its competitors, it is active in several countries, especially in northern and central Europe. It also produces sugar for food and drinks mainly, but additionally sells non-food sugar for the chemical industry and biofuel production. The selected processor is a German corporation but decided to remain anonymous. Further ethical issues with regards to that are depicted in chapter 2.7. Instead of naming the case company, it is described to show its suitability for the thesis: Like its main competitors it is one of the top 10 players within the EU (Statista, 2017) with a focus on food sugar which is produced from sugar beets that are obtained from a broad grower base located in several European countries (Frankfurter Allgemeine, 2017). All sell their sugar across the European Union. In addition to that, an internship at the case company in 2017 enabled an easy access to much data within the editing time of the thesis (for other issues with regards to the relationship to the case company, see chapter 2.4.1 & 2.7). Therefore, the chosen processor represents a suitable choice, showing the industrial structure in combination with sufficient access to rich data to learn from the case.

In order to arrive at interesting findings with potential implications for theories, it is important to create advanced research questions to narrow down the aim (Bryman & Bell, 2015; Sandberg & Alvesson, 2011). Research questions further guide the literature search and contribute to decision-making about the data collection and analysis (Bryman & Bell, 2015). There are many potential sources of research questions. A combination of personal interest and gap-spotting led to the three research questions of this study (Bryman & Bell, 2015; Sandberg & Alvesson, 2011). Different kinds of research gaps exist. The first research question which looks at the challenges processors face to secure their supply and the second looking at the needs of the suppliers represent neglect spotting but for different reasons (Sandberg & Alvesson, 2011).

Studying the first question reveals that previous research did not consider buyers having to respond to many suppliers in order to secure their supply, as shown the context of the sugar

industry (O'Brien, 2012). Instead, it was assumed that buyers can more easily secure their supply by choosing among many suppliers and creating strong relationships only with a critical few of them. The second research question looks at the suppliers' perspectives as their views have not been sufficiently considered in SRM, yet. Moreover, it was of particular interest of the conducting researcher of this study to talk to growers and to include the primary producers, also in the process of strategy and tactics development. This indicates the transition towards the third research question, which combines the findings from the first two research questions and sheds light into the under-researches strategy and tactics development for improved BSRs.

2.4 Data collection

Data collection is an essential part of research and can occur in many different ways (Bryman & Bell, 2015). According to Creswell (2006) the use of a qualitative approach with a case study design has also implications for the data collection. Usually, extensive data are collected via multiple sources, such as interviews, documents or observations to gain a detailed understanding of the case and the phenomenon (Creswell, 2006; Stake, 1995; Yin, 2003). Data sources can be classified into primary and secondary sources (Krishnaswami & Satyaprasad, 2010). Primary data is collected first-hand by the researcher for the purpose of the immediate research project. Secondary data, on the contrary, were collected and compiled for other purposes than the immediate research project (*ibid.*).

2.4.1 Primary data

Primary data from semi-structured interviews and participant observations was collected for this study and literature reviewed (Bryman & Bell, 2015). The combination of participant observation and semi-structured interviews represents a good choice according to Bryman & Bell (2015). They argue based on the flexibility of these methods, which allow the researcher to stay open for new insights and ideas about potential theories that might emerge from it. This is in line with the study's qualitative approach, its inductive reasoning and case study design (*ibid.*).

Literature review

At the beginning of the study, a literature review was conducted to get an overview and an understanding of the existing theories around the research topic (Bryman & Bell, 2015; Creswell, 2012). In more detail, a narrative literature review was employed, also to be able to flexibly study the research area. It shows what is known, relevant and reveals potential inconsistencies in the theories and concepts (Bryman & Bell, 2015). As a consequence of the inductive mode of reasoning it is difficult to determine all theoretical aspects and search terms before having conducted the data collection, since theory should be the result of the study instead of the basis. Therefore, the flexibility of the narrative review and the iterative research process contribute to being able to gain a deeper understanding of the research topic and detect weaknesses in the theories (*ibid.*).

It was made particular use of key words such as *B2B relationships, buyer-supplier relationships, SRM, SRM in the food industry* were used in order to conduct the literature review. Various sources, like books, journal and newspaper articles were filtered for these words. Beyond that, company webpages and annual reports of the processors and its competitors, grower associations and European institutions were reviewed, also to gain an understanding of the different perspectives of the topic. Not only English but also German literature was reviewed, representing the mother tongue of the researcher. The most important and relevant aspects of the narrative literature review are depicted and contrasted in the respective theory sections.

As already indicated, the researcher of this study conducted an internship at the case company, which enabled the access to the data and helped understanding the view of the processor. To reduce the subjectivity of the impressions by the researcher, these gained insights were complemented with data from other sources, such as annual reports and company webpages to reduce the subjectivity of the impressions by the researcher. This study however has also wants to depict the growers perspective and therefore went beyond literature research.

Semi-structured interviews

Semi-structured interviews were conducted with the six interviewees due to their flexibility (Bryman & Bell, 2015). Non-probability, purposive sampling, in more detail quota sampling was used which searches for respondents based on a researcher's pre-determined characteristics. These characteristics can be found in the column two, three and four of table 1. The goal was to show different perspectives and find growers with different degrees of experience, different relationships towards the case company, indicated by the ownership rights, from different countries, with the focus on Germany as one of the main European growing areas. Grower associations were contacted and asked for contact details of suitable growers, resulting in interviewees that were unknown to the researcher as the interviewer. The detour via the grower associations was taken in order to keep the case company out of the process to avoid any potential influence on the results. Due to special data protection, the Swedish grower association was not allowed to forward any contact details and therefore, only one grower who was also active in the grower association could be found during the editing time. As the case company is a German corporation his external non-shareholder perspective was still contributing to the study, bearing in mind that the goal was not to derive a different strategy and tactics towards growers with different origins. Instead, these are to be developed for a processor who is active in several countries where the same European law applies for all, with the same or at least similar consequences.

An interview guide was developed with pre-determined topics that were to be explored as well as mostly open-ended sample questions that could be used to cover different directions within these topics (see Appendix). This guide was developed with an employee from the case company who was experienced in communication towards growers and therefore skilled in framing some questions, that were most likely be used for several interviews as it is often the case in semi-structured interviews (Bryman & Bell, 2015). His insights were supportive to arrive at meaningful answers by the growers, since the growers were about to talk about their feelings, such as trust and motivations. However, this employee only helped in formulating the questions and had no influence on the purpose of the questions to remain as much independent from the case company as possible. The interview guide can be found in the Appendix, whereas the key data around realisation of the interviews is illustrated in table 1.

table 1. Overview of the key data around the interviews and the important characteristics of the interviewees

Interviewee	Category	Ownership rights	Country of Origin	Date	Length
SBG-lt1	Long-Term grower	Shareholder	Germany	23.04.2018	65
SBG-lt2				25.04.2018	90
SBG-new	New grower			24.04.2018	75
SBG-out1	Not growing anymore			04.05.2018	30
SBG-out2		Not Shareholder		23.04.2018	90
SBG-lt3	Long-Term grower		Sweden	04.05.2018	35

Another aspect of the flexibility of semi-structured interviews is that during the interviews, the interviewer can follow-up on what the respondent said to dig deeper into one or an other direction (Bryman & Bell, 2015). This also differentiates semi-structured interviews from structured and unstructured interviews that either dictate the questions completely or risk important topics and new directions to be missed by accident.

Five out of six interviews were took place **face-to-face** at the farms of the German growers. Face-to-face interviews allow the interviewer and interviewee to communicate simultaneously in time and place. Next to verbal answers, the interviewer has the chance to notice additional information through non-verbal reactions to the questions, such as the body language (Opdenakker, 2006). Moreover, communicating at the same time allows the researcher to directly react to ambiguity, but also requires his full attention to detect such a lack of clarity. It also contributes to receiving more spontaneous answers by the interviewees, that can be of special use when asking for feelings and motivations like in this study (*ibid.*). Lastly, meeting the interviewees enables the researcher to create a comfortable interview ambience for the interviewees (Bryman & Bell, 2015; Opdenakker, 2006), which was realised by being open, gentle and giving time to the interviewees to think about the answers, by showing empathy and flexibility. On the other hand, face-to-face interviews can be resource-consuming as the researcher needs the time to visit or meet his respondents, who might not be located too close to each other, like it was the case for this study.

Due to the limited editing time and for environmental reasons it was decided not to travel to the south of Sweden for one interview, only. Instead, the semi-structured interview with grower-lt3 was conducted in a less personal context, via **telephone** (Bryman & Bell, 2015; Opdenakker, 2006). Telephone interviews are characterised not only by increasing the geographical access to respondents but also by still being able to communicate synchronously with regards to the time (Opdenakker, 2006). On the other hand, the researcher has only little access to social cues like accentuations while not having any access to reactions such as the body language. He also has a reduced influence on the ambience only (*ibid*).

It was decided to conduct the telephone interview despite its disadvantages, because the advantages of communicating directly in time were still preserved. To prevent distractions and positively influence the ambience, the interviewer asked for a calm space for the interview in order to allow both to concentrate and focus to offer valuable information on the one and grasp as much information with the connected meaning on the other side (*ibid.*). Most importantly, another perspective of a Swedish grower could be incorporated into the results. This improved the width and depth of information since Swedish growers deliver to a member company of the case company, a German corporation. Therefore, the Swedish grower cannot gain the crucial delivery rights by buying shares as the German growers can (For explanations, see chapter 4.1).

At the same time Germany is also the home country of this study's researcher. Therefore, conducting the interviews in the mother tongue helps to avoid a potential loss in meaning by translation (van Nes *et al.*, 2010). Nevertheless, there was one interview conducted with a Swedish grower who felt as comfortable as the researcher with speaking in English.

Transcription

With the permission of the interviewees all interviews were recorded by the author to allow subsequent transcribing of what was said, word by word (Bryman & Bell, 2015; Opdenakker, 2006). Transcribing is time-consuming, but helps the researcher to grasp all the important information that is communicated by the interviewees without losing points and with reduced

remaining risk that statements are misunderstood (Bryman & Bell, 2015). When planning to conduct a transcription, Opdenakker (2006) points out that a risk of it is that no notes might be taken at all during the interview, leading to a loss of non-verbal information. Therefore, he emphasises notes to be taken anyway, also to forestall malfunctioning of the recorder. The data was transcribed in the respective interview language to avoid a loss of data before conducting conducting the analysis.

Participant observation

According to Bryman & Bell (2015) participant observation refers to the *"[…] immersion of the observer in a social setting in which he or she seeks to observe the behaviour of members of that setting*" (p.281). It therefore contributes to a deeper understanding of the broader context and the European sugar market in this case, as described especially in chapter 4.1-4.3.
Beyond receiving an impression of the political, market and other important forces of the industry, the researcher can also learn about the people's activities and routines, when observing them more closely (Kawulich, 2012). Visiting the growers on their farms, meeting them in their natural environment and seeing how they work on the fields gave an impression of e.g. the importance of beet growing to the interviewer.

2.5 Thematic data analysis

After collecting and transcribing the data, it has to be analysed (Bryman & Bell, 2015). This can be challenging if there is a lot of data to be processed and interpreted, which is often the case when conducting a qualitative research approach with a case-study design. Thematic analysis can represent a remedy and help to find patterns in a big pool of information by reducing the data to key words and what the interviewees think of them (*ibid.*). This analysis approach is however barely defined and does not offer a guide or schedule of techniques for finding promising insights, which can be seen as a weakness but also as a benefit (Bryman & Bell, 2015; Nowell *et al.*, 2017). On the one hand, the approach does not leave enough room for analysing the language and can lead to inconsistent themes that do not coherently interrelate with all the other themes (Nowell *et al.*, 2017). On the other hand, the approach offers flexibility to the researcher who can adjust the analysis according to the gained information, again connecting with the study's inductive mode of reasoning. According to Nowell *et al.* (2017) it is particularly helpful to cover different perspectives of various research participants but consequently also requires a well-structured work of the researcher.

Themes and potentially also sub-themes are found in the rich data by clustering for e.g. repetitions of words, by recognising categories across the respondent's answers or by detecting contrasts or similarities in opinions (Bryman & Bell, 2015). In this study, no special software was used to find and determine themes but the interviewees' answers were inserted into a spreadsheet to be able to easily search and sort for themes. One example will be explained whereas an illustration can be found in Appendix II. One detected theme of the data analysis of this study was e.g. "more flexibility" which resulted from being repeated by many interviewed growers who additionally had different perspectives on how to achieve that wish from their side towards the processor. Some interviewed growers said that they wished for more flexibility with regards to transportation and harvesting conditions while one of them and another one also desired more flexible contracting with regards to prices, quantities and longer contracts durations.

2.6 Quality criteria

In qualitative research, quality criteria are rather different than the mathematical tests that can be used to evaluate quantitative studies where it is believed in one social reality (Bryman &

Bell, 2015). Therefore, the trustworthiness criteria are suggested to be used which consist out of four different criteria: credibility, transferability, dependability and confirmability.

The credibility criterion acknowledges that several social realities might exist and strives to evaluate if the study's findings are also acceptable to others (Bryman & Bell, 2015). This helps to determine if the research was conducted following good practice and if the respondents were correctly understood which can be examined by using the respondent validation technique. It checks the correspondence between the researcher's findings and the input given by the research participants (*ibid.*). In this study, the interviewed growers were informed about receiving a summary of their answers and a deadline of one week to check on the correct reproduction of their answers. Four out of six growers answered the researcher's e-mail and confirmed the correct repetition of their views.

Triangulation is another tool which contributes to credible findings (Bryman & Bell, 2015). Triangulation recommends using several different methods and data sourced to study a phenomenon. Conducting participant observation and semi-structured interviews contributed to receiving triangulated credible findings. It enabled the researcher to cross-check the findings through some immediate growers e.g. with information from journal articles and the media. Moreover, interviewing six growers allowed an additional degree of triangulation as e.g. the long-term growers might have similar perspectives but still several of them were interviewed who had similar impressions about the relationship with the processor, confirming the credibility of this study's results.

The second criterion of trustworthiness is transferability which also recognises the importance of the context in qualitative research (Bryman & Bell, 2015). It therefore suggests offering thick and rich descriptions of the findings (see chapter 4 of this study), to allow the reader to create his own judgement whether or not the findings can be of use for another context, too.

Dependability as a third criterion can be supported by finding someone who audits how reasonable and comprehensible the steps are that the researcher took in the research process (Bryman & Bell, 2015). It is stated that this is not a popular approach as it is a demanding job for the auditor to check all the researcher's actions for theory references to how the data is interpreted and filtered. One could argue that a supervisor could act as an auditor. Otherwise this study offers as much transparency about the references and taken steps in the research process as possible to allow the reader to create his own impression.

As a last criterion, confirmability admits that a certain degree of subjectivity is always remaining in qualitative research and also in connection with the interpretivist epistemological view (Bryman & Bell, 2015). Nevertheless, the researcher should show that he acted in good faith without preconceived opinions or ideas and question himself with regards to that during the entire research process. According Bryman & Bell (2015) it is generally increasingly expected of researchers to be reflexive and critical about the methodological decisions and their implications for the study. Therefore, the research steps are explained, questioned and reasoned in this study.

2.7 Ethical considerations

In a research process, not only the quality of the gathered data is important but also how this data is gathered and how people and information are treated during the study (Bryman & Bell, 2015). The interviewees were informed about the purpose of the study, the context of it and their choice to answer or not to answer any question. To reduce the potential of harm to a

minimum, the interviewees of the semi-structured interviews were anonymised with regards to personal data (*ibid*). All interviewees were informed about that but allowed the researcher to use data such as the distance to factories or years of experience in the sugar and sugar beet sector as this information only would not allow to trace back to them. Moreover, the case processor wished to be anonymised which is understandable in times of increasing competition as it could harm their image towards consumers or reveal insights that might be of use for competitors if they could connect it to the source. According to Bryman & Bell (2015) it is often challenging to anonymise qualitatively conducted research due to the thick descriptions and the importance of the context of the participants. Respondents could be identified by their way of communicating or the offered contextual factors. Therefore, the researcher was extremely careful about which information to publish and decided not to add the transcription of the semi-structured interviews as it was not possible to do so without risking to reveal the respondents' identities.

3 Theoretical framework

This chapter contains the theoretical framework of the study to allow the reader to gain a deeper insight into the topic. It does not only cover relevant theories but also further literature that was perused in a literature review. The chapter is completed by the conceptual framework.

3.1 From transactions to relationships

Traditionally, Marketing was defined as "*[…] the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges […]*" (Zineldin, 2012: p.36) with B2B marketing being one special area of application of it (Ford *et al.*, 2011). However, this definition and the connected marketing theory, according to Zineldin (2012), focus only on transactions, single sales and product features. Creating and maintaining relationships, which can be defined as "*[t]he way in which two […] things are connected and affect each other*" (Zineldin, 2012: p.46), was not always a topic. Companies simply did not have to rely on others for their own success. In today's globalising world though, success does not only depend on convincing people to buy or sell products anymore (Ford *et al.*, 2011; O'Brien, 2014; Zineldin, 2012). The ever-increasing competition requires fast adaptations and in the 1990s, companies realised that they had to connect with others and establish strong relationships with supply chain members to drive firm performance and ensure firm survival (Cheung *et al.*, 2010; Chicksand, 2015; Ford *et al.*, 2011; Forkmann *et al.*, 2016; Gullett *et al.*, 2009; Hemmert *et al.*, 2016; Kim *et al.*, 2010; Morgan & Hunt, 1994; O'Brien, 2014; Tseng, 2014; Yeung *et al.*, 2009; Zaefarian *et al.*, 2016). Such relationships would have the potential to create a value proposition that is demanded by the customers today and tomorrow by securing access to supply and/or sales markets (Ford *et al.*, 2011; Grönroos, 1990; Gummesson, 2011; Huderek-Glapska & Nowak, 2016; O'Brien, 2014; Yeung *et al.*, 2009). Zineldin (2012) therefore sees current B2B marketing as "*[…] an integrative activity that involves staff from different organi[s]ations and emphasi[s]es the building and maintaining of relationships over time*" (p.53).

Relationships are considered to be especially important in B2B marketing (Ford *et al.*, 2011; Zineldin, 2012). Purchases are one of many possible outcomes of interaction, which is often tailored to the particular business partner who needs individual solutions for its particular problems (Ford *et al.*, 2011). In more general words, strong relationships contain many episodes of interaction which may contain different kinds of exchange (Ford *et al.*, 2011; Zineldin, 2012). Not every interaction leads to an exchange of products and money as relationships develop in their own pace, interaction could also contain e.g. an exchange of information only (Ford *et al.*, 2011; Zineldin, 2012). However, every interaction is affected by and potentially also affects the overall relationship it is a part of as previous experience influences the parties' future actions (Ford *et al.*, 2011). Product exchange can occur, if both parties can agree on the terms of it, which is usually the case if both parties are better or at least not worse off than without the exchange (*ibid.*). Hence, building strong relationships, requires sufficient time and labour efforts in B2B markets but also has the potential to create substantial value for both parties.

3.2 Supplier Relationship Management

The importance of suppliers increased, after buyers recognised the value and the potential of relationships in the supply chain (Ford *et al.*, 2011; O'Brien, 2014). Companies first concentrated on building and improving relationships with customers, which refers to the so-called relationship marketing (Egan, 2004), and suppliers were viewed as adversarial and kept

at arm's length for a long time (and partly still today) (O'Brien, 2014). Only later, companies started to see value in building relationships with suppliers in order to gain access to knowledge and other resources to lastly to ensure and improve the value proposition towards the end customer as well (Ford *et al.*, 2011; O'Brien, 2014). Relationships with suppliers could therefore be seen as *device* to increase efficiency or to foster innovation in e.g. production processes, but also for innovative end products. Beyond that, they also became *assets* when ensuring the access to resources (Ford *et al.*, 2011; Ivens *et al.*, 2009). Therefore, the suppliers' role changed from subordinates to being recognised as a crucial part of the supply chain. They were not only seen as enabler to add value and as an assistant to reduce risk but finally also to contribute to the achievement of corporate goals (O'Brien, 2014). Hence, one could discover that the approach of relationship marketing was reinterpreted, shifted to an other part of the supply chain and reversed towards the other direction of it – towards the supplier.

Around the millennium, supplier relationship management (SRM) was finally developed (O'Brien, 2014). However, due to its relative novelty, much confusion still exists around its terminology and what it entails (Appelfeller & Buchholz, 2011; O'Brien, 2014). Appelfeller & Buchholz (2011) argue that SRM is strongly influenced by information technology (IT) and, in the past, also concentrated on such issues around the automation of procurement and attempts to improve delivery conditions by increasing product quality or reducing procurement costs. Today, the authors understand SRM as referring to all aspects around working together with a supplier (Appelfeller & Buchholz, 2011). Such a broad definition reflects the increasing breadth and complexity of the business area which can be traced back to e.g. the variety of episodes of interaction, including many different possible responses to various supplier needs via diverse communication channels (*ibid.*). Beyond that, SRM requires an organisation-wide approach (Appelfeller & Buchholz, 2011; O'Brien, 2014; Zolkiewski & Turnbull, 2002). Different departments and functions across the company, such as e.g. the purchasing, but also the operations management, product development and marketing department, are and must be involved for an effective implementation within the organisation and towards the suppliers (O'Brien, 2014; Zineldin, 2012). As a consequence of that, a cross-functional approach also has the potential of creating corporate benefits like synergy effects or competitive advantages, which improve the company's position compared to its competitors, e.g. based on innovation, increased sales growth with a better value proposition, reduced cost, improved efficiency, effectiveness and reduced supply side risk or at least help to understand it so it can be mitigated (Huderek-Glapska & Nowak, 2016; O'Brien, 2014).

According to Ford *et al.* (2011), supplier relationships are often complex, require several different factors that are different from relationship to relationship and dependent on the parties to finally improve the relationship. To be able to establish, manage and benefit from them, time and money need to be wisely invested, also because relationships need time to strengthen (*ibid.*). Such investments lead to mutual dependence and opportunity costs, as investments for other relationships are further limited. Sometimes, suppliers even have to be encouraged to collaborate more closely together as relationships do not only include direct costs but eventually also the risks of e.g. sharing sensible information and resources (*ibid.*). Therefore, an understanding of the partners' perspective and needs is required to find out how to respond to them to make both sides profit from a strong relationship (Ford *et al.*, 2011; Zineldin, 2012). Consequently, a relationship approach mostly comes with increased complexity and coordination in business processes across functions as well as adapted organisational structures and procedures. To turn these costly efforts into success, a strategy needs to be developed, which also includes the supplier's perspectives, to create and maintain strong relationships (Zineldin, 2012).

3.3 Developing a strategy and tactics for SRM

In order to sweeten suppliers or to build strong supplier relationships, companies need to develop a strategy (Ford *et al.*, 2011; Zineldin, 2012). A strategy can be referred to as an approach or a path how to achieve a goal (O'Byrne, 2016; Amtower, 2017). A goal in turn refers to a broad and general outcome that is to be reached (O'Byrne, 2016). Strategies need to be carefully developed (Amtower, 2017; Jeyarathmm, 2007). They need to take the competitive environment into account, hence the parties that can impact the company's success and the relationship towards the supplier (Ford *et al.*, 2011; Jeyarathmm, 2007; Zineldin, 2012). As relationships, by definition, immediately involve two parties, it is important to include the suppliers' needs, too, to enable them to benefit as well. Only mutual value gaining will lead to a strong enduring relationship over time (Cheung *et al.*, 2010; Zineldin, 2012). Therefore, it is important to take a deeper look into the relationship, its design and how the suppliers feel to be treated.

Once a strategy is defined, it needs to be backed up with tactics as they work in tandem to help achieving goals (O'Byrne, 2016; Owyang, 2013; Amtower, 2017). Tactics are actions that add up and contribute to successfully implementing the general and broad strategy by turning it into more tangible activities (Amtower, 2017; Godin, 2018).

Strategies around Supplier Relationship Management have so far concentrated on the buyer choosing with whom to pursue strong relationships (O'Brien, 2014), disregarding that improved and stronger relationships cannot be one-sided and involve two sides that need to profit (Zaefarian *et al.*, 2016). Moreover, many researchers in SRM are convinced that a buyer has to focus on a few suppliers to develop strong relationships with (O'Brien, 2014). Lastly, past research has also not developed real tactics, so actions for relationship improvement with many suppliers either.

3.4 The interaction model

According to Ford *et al.* (2011) the interaction process is at the core of a business relationship and therefore also key to understanding BSRs. It takes place between two parties and represents reoccurring episodes of interaction between these parties, which could entail e.g. information, product and money exchange. Already one interaction connects the interacting parties. However, reoccurring interaction is needed for a relationship as it has to go beyond a single transaction (Håkansson, 1982). However, a relationship cannot be described by the interaction process of two parties alone. It does not exist in isolation as it is influenced by its context. Håkansson (1982) strives to cover these different aspects of a relationship in his interaction model. It specifically depicts B2B relationships, as he found B2B relationships to often have an increased closeness and complexity and hence a different character than business to consumer relationships (Håkansson, 1982). This view is also supported by Tseng (2014), who argues that the long-term orientation of B2B relationships leads to increased complexity of interaction in between and within organisations. (Ford *et al.*, 2011; Zineldin, 2012).

For obtaining a full understanding of such complex B2B relationships, they must be unravelled, as it is done by the interaction model with its four elements (Ford *et al.*, 2011; Håkansson, 1982; Zineldin, 2012). Beyond the interaction process, these include the parties who interact, but also contextual aspects like the internal environment or atmosphere, looking at experiences the parties made with each other (Håkansson, 1982; Zineldin, 2012). The atmosphere influences but is also influenced by the interaction process, since positive or negative experiences might not be forgotten and influence general opinions and future expectations (*ibid.*). Lastly, the atmosphere itself and consequently also the interacting parties and the process are influenced

by the external environment which looks at factors such as the relationship's position in the supply chain.

Zineldin (2012) states that reviewing the interaction model and considering all of its interrelated constituents together is required to establish strong B2B relationships between buyers and suppliers. Therefore, it needs to be closer looked at and all elements are described in more detail in chapter 3.4.1 – 3.4.4.

3.4.1 The external environment: Porter's Five Competitive Forces

The interaction process cannot be analysed in isolation but must be seen in its context according to Håkansson (1982). The environment can have a major impact on relationships and therefore needs to be carefully monitored to diagnose and to be able to respond to changes – especially when bearing in mind the increasing rates of change in today's interactive and increasingly globalised and complex world (Ford *et al.*, 2011; Gummesson, 2011; O'Brien, 2014; Zineldin, 2012).

The widest context influencing the general relationship and its various episodes of interaction is the external environment (Håkansson, 1982; Porter, 1998; Zineldin, 2012). Håkansson (1982) choses to analyse it by looking at the internationalisation of the market which may indicate special language requirements, the position of the parties' relationship in the supply chain and the general social system with related trade barriers. He also depicts the market structure but concentrates on buyers and sellers and the concentration of both indicating the power balance, only (Håkansson, 1982).

Another way of analysing the competitive environment of a company is represented by the Five Competitive Forces model (Jeyarathmm, 2007; Porter, 1998). Michael Porter recognises with his five forces model that competition and pressure do not only have to stem from competitors offering the same products (Capon, 2009; Porter, 1998). Instead, other forces like buyers, suppliers and their bargaining power or the threat originating from new potential market entrants or substitutes drive competition, too. Key structural features can be assigned to each of these five forces and help to determine strengths but also potential sources of pressure for the firm (*ibid.*). Porter admits that also the industry's external environment is important for a company, however it affects all industry members and is therefore not included in his model (Porter, 1998).

Michael offers a simple model, offering a structured overview of the competitive environment that can be used as a starting point for industry analysis and for developing strategies for the individual firms within an industry (Dobbs, 2014; Porter, 1998; Recklies, 2015a; b). Furthermore, it offers a bigger picture than Håkansson's stated factors, as it offers an overview of several industrial forces that can have an influence on the relationship (Håkansson, 1982; Porter, 1998). According to Porter (1998), it also has the potential to indicate how sensitive different forces are and how they could react to e.g. political changes.

One of the five forces is the **threat of new entrants** which may threaten the company's market share (Porter, 1998). It depends on the barriers to entry the industry and what reactions a potential entrant might generate by other competitors (Capon, 2009; Porter, 1998). These entry barriers can be determined by looking at its major sources (*ibid.*). Economies of scale, which refer to "*[…] declines in unit costs of a product […]*" (Porter, 1998: p.7) might e.g. prevent companies from entering an industry as they would have to produce in large quantities as well to be profitable by distributing high fix costs on large production quantities. However, industry-

established companies might further own cost advantages independent of scale effects, which might be based on being situated in a favourable location or having profited from experience and learning over time (Porter, 1998). Another potential barrier source are high capital requirements that need to be made in order to compete in the market, especially if they are unrecoverable and due upfront (*ibid.*). The switching costs of customers to an other (new) product on the market might further influence whether a company might enter a market (Porter, 1998).

The **intensity of rivalry among existing industry competitors** describes the perceived pressure or opportunity by competitors to change and improve its position (Porter, 1998). Such moves can have a major influence on the company and other market participants. Whereas price battles might reduce the revenues for all, advertising battles could lead to the opposite. The degree of industry rivalry depends on several interrelated factors such as the number of existing competitors and their respective size which show how balanced competition is (*ibid.*). Furthermore, the pace of industry growth influences rivalry as a slowly growing market only allows expansion through cutting others' market shares which can take a lot of resources (Porter, 1998). Therefore, mature markets and competitors can increase rivalry (Capon, 2009). Another factor are high fixed and storage costs that the industry competitors may face and which affect the pressure to fill capacities and may lead to strong price cutting in case of excess capacities (Porter, 1998). Similarly, if capacity additions can only occur in large increments, their effect might disruptive to the industry. The lack of differentiation also plays an important role because a product that is nearly perceived as a commodity is often chosen based on its price which may consequently result intense price competition (*ibid.*). What could also aggravate the competition and the market's volatility are high strategic stakes which are present when firms are pressured to be successful in this particular industry. In addition, high exit barriers based on e.g. owning specialised assets that are difficult to sell may increase the competitors' rivalry (*ibid.*). If they jointly occur with high entry barriers, resulting profits might be high but risky. Finally, Porter and Capon point out that all competitors should be equally considered, independent of their origin, as the geographic distance does not play a major role anymore in today's globalised world (Capon, 2009; Porter, 1998).

As a third force, the **pressure from substitute products**, shows that competition might not only stem from competitors offering the same product but instead fulfilling the same or similar functions and needs (Capon, 2009; Porter, 1998). Substitutes limit the price a company may charge for its products as they allow consumers to avoid the product as a consequence (Porter, 1998). Special attention should be paid to substitutes that are trendy and therefore improve in their price-performance ratio (Capon, 2009; Porter, 1998). Additionally, substitutes produced by high-profiting industries need to be observed due to the possibility of bearing price reductions (Porter, 1998).

The **bargaining power of buyers** also influences the industry's competition according to Porter (1998) and reveals the interdependence between a company and its buyers (Capon, 2009). Strong buyers are able to pressure prices downwards, especially when a company is not active in many different industries. The power of buyers depends on many factors like the size of their purchase quantities compared to the company's production capacity, whether buyers can easily buy a similar product from other companies or face low switching costs (*ibid.*). Furthermore, if buyers earn low profits themselves, they might have a great incentive to expand their margins by pressuring their supplier. Besides, the threat of the buyers' own backwards integration might increase their power to reduce prices (*ibid.*). A buyer might also decide to exclude the product from his product portfolio to avoid paying high prices. Especially retailers may have immense

power over manufacturers if they are able to influence consumers' purchasing decisions (Capon, 2009; Porter, 1998). A more general differentiation between commercial and industrial buyers might also help analysing this force as e.g. B2B buyers tend to demand higher quantities and own higher bargaining power than individual end-consumers (Capon, 2009).

As a last force, the **suppliers' bargaining power** and their threat to increase prices or reduce quality can have a substantial influence on a company's profitability (Porter, 1998) and shows the interdependence between a company and its suppliers (Capon, 2009). It is further argued that suppliers can wield power e.g. if they are very concentrated in the industry or if their buyers cannot substitute for other inputs or if its products are not storable which would allow the buyer to hold inventory (Capon, 2009; Porter, 1998). What might further increase their power is whether they have the chance to vertically integrate forward which might additionally threaten their buying company (Porter, 1998).

When taking a step back after evaluating the five forces to consider the competitive environment the industry is embedded in, one realises the exceptional influence that governments and their policies can have (Porter, 1998): Governments can impose import tariffs. They can limit the freedom of action for buyers and suppliers or influence the role of substitutes by granting subsidies (*ibid.*). They can even directly influence the competitive structure by acting as buyer or supplier themselves. Porter therefore recommends to review government actions in order to reveal their potential effects on the five forces and finally the industry's competition (Porter, 1998). According to him, "*[…] no structural analysis is complete without a diagnosis of how present and future government policy […] will affect structural conditions*" (1998: p.29).

When finally considering the five forces collectively, including potential political influences, one can estimate the overall long-term profit potential of the industry (Porter, 1998). If the forces are rather strong and competition is intense, the different actors will tend to earn low returns. However, already one strong force like e.g. a cheaper substitute might substantially cut profits (*ibid.*). On the other hand, industries can also face mild competition and actors get the chance to earn higher returns (Porter, 1998).

Having analysed the five forces enables a company to identify its own strengths and weaknesses relative to other industry members which can in turn form a solid foundation but also represents a necessity for strategy development (Porter, 1998). In order to successfully compete and benefit from the profit potential in an industry, Porter suggests developing and following a so-called competitive strategy. Such a strategy would contain tactics either to offensively influence the industry's balance, to find the best position in the industry and defend it or to profit most from changes in the environment (*ibid.*). However, Porter does not consider targeted establishing and maintaining of relationships as a potential way to overcome weaknesses and as another strategy to successfully compete in an industry. Relationships to suppliers might e.g. lead to better input prices, less inputs for competitors and other advantages which could influence the company's position but also change the balance of power and profits in an industry (Zineldin, 2012). Hence, Porter does not see forces to connect as a possible solution and instead views them as opponents (Porter, 1998). One further has to keep in mind about the five-forces-model in general, that it only represents a screenshot of an ever-changing competitive situation, which cannot account for all possible changes and their outcomes (Recklies, 2015b). Nevertheless, the model offers a good overview to understand the industrial structure and its influencing factors, revealing the strengths and weaknesses of its embedded forces and their interrelations (Porter, 1998).

3.4.2 The internal environment: atmosphere

The internal relationship environment is influencing the buying and selling firms' operations more directly and refers to the atmosphere the different parties interact in (Håkansson, 1982; Zineldin, 2012). It discloses many different factors, such as trust and fairness, which will be depicted in this chapter. The specialty about the atmosphere element is that it shapes and is shaped by the general relationship. On the one hand, the atmosphere influences the interaction process and outcome (Håkansson, 1982). On the other hand, episodes of interaction and exchange can also influence the atmosphere of a relationship by e.g. having made a negative experience that changes the way the relationship is seen by one or both parties. Lastly, the atmosphere can also be influenced by the external environment of the relationship which could influence the parties' moods and their dependence on each other.

Håkansson (1982) states, that the atmosphere and its characteristics can be consciously planned and influenced but – in order to do so – must be actively managed to ensure to benefit from the advantages/ positive consequences instead of suffering from the disadvantages. Ford *et al.* (2011) support that view by stating that relationships are mixed blessings whose success depends on how companies cope with that (Ford *et al.*, 2011). Therefore, one has to understand what relationship characteristics are important to the parties and why but also how these characteristics can be fostered and what acts counterproductive. This is however complicated because three reasons. Firstly, the B2B relationship characteristics are more numerous and much more interrelated and multi-dimensional than Håkansson indicates with concentrating on almost dependency and uncertainty, only (Morgan & Hunt, 1994; Zaefarian *et al.*, 2016). Secondly, some characteristics might also turn out to be ambivalent as e.g. a closer relationship may economically lead to cost reductions of transaction costs, so the costs of using the market mechanism might be reduced by handling administration and negotiation more efficiently (Suh & Houston, 2010; Vieira *et al.*, 2013; Williamson, 1981; Yeung *et al.*, 2009; Zineldin, 2012). Closer interaction can also lead to reduced uncertainty and by increasing the control over the other party which in turn depends on the power balance between the parties (Håkansson, 1982). However, such an act might also turn against oneself and therefore, companies similarly face good cause for avoiding closeness. Lastly, due to the multidimensionality, relationship building and maintaining is a personal and individual process, that might be different across competitive environments, industries and relationships as it depends on the people involved. Research barely looked at the relationships between buyers and suppliers in the food industry. Due to the difficulties, one has to be careful with the transferability of other studies' consequences. However, one can give an overview about relationship characteristics that were found to be important in past research and check their role in the individual relationship.

According to Zaefarian *et al.* (2016) the quality of B2B relationships depends on atmospheric characteristics such as trust, commitment especially, but also satisfaction, conflict resolution and long-term orientation. Huderek-Glapska & Novak (2016) confirm the list and add adaptation, communication and cooperation. Moreover, Zaefarian *et al.* (2016) draw special attention to fairness which has not been sufficiently covered in B2B relationships according to them. Because of this statement but also because of this study's focus on a relationship between two very different parties, especially in size, fairness is closer looked at. These size difference make it also evident to closer look at dependence and power, which are also seen as important factors by Zineldin (2012) and Håkansson (1982). Trust and commitment are not only mentioned as important factors by Zaefarian *et al.* (2016) but as the most important factors by Morgan and Hunt (1994). Moreover, communication, cooperation, constructive conflicts and assistance were found to be connective factors to foster fairness, trust and commitment (Gullett *et al.*, 2009; Hemmert *et al.*, 2016; Jambulingam *et al.*, 2009; Morgan & Hunt, 1994; Zaefarian

et al., 2016; Zineldin, 1995)**.** Therefore, they are covered indirectly as well, allowing all together a good overview of the quality of a B2B relationship and its atmosphere based on the relationship quality characteristics.

According to Zaefarian *et al.* (2016) **fairness** is one of the key factors to build and maintain long-lasting relationships. One can differentiate between distributive, interactional and procedural fairness (Hemmert *et al.*, 2016; Jambulingam *et al.*, 2009; Zaefarian *et al.*, 2016). Distributive fairness refers to the perception whether the received positive and negative outcomes of a relationships are fairly shared between both parties which can be actively influenced by the parties if wanted. Procedural fairness depicts whether the party's interactional processes and practices are fair, so also whether open communication prevails the relationship (*ibid.*). Lastly, interactional fairness is present when the parties are treated honestly and respectfully during the interaction process. If unfairness is present in a relationship, its stability and performance are in danger according to Zaefarian *et al.* (2016).

Another characteristic that is discovered to be important in building strong relationships is **commitment**, which refers to the intention and desire to continue doing an activity or to maintain a relationship in this study's context (Morgan & Hunt, 1994; Rauyruen & Miller, 2007). Commitment might also include accepting short-term sacrifices to develop a strong relationship (Zaefarian *et al.*, 2016). Moreover, it can be increased by recruiting motivated personal that has the right tools to support the other party (Morgan & Hunt, 1994).

Strong mutual **trust** is mentioned as one of the most, if not the most (Morgan & Hunt, 1994; Day *et al.*, 2013; Zineldin, 2012), important relationship quality characteristic contributing to stable and strong relationships (Chicksand, 2015; Gullett *et al.*, 2009; Rauyruen & Miller, 2007; Stuart *et al.*, 2012; Vieira *et al.*, 2013; Yeung *et al.*, 2009; Zineldin, 2012). Trust can be described as a believe that one's vulnerabilities would not be exploited by others (Vieira *et al.*, 2013). Jambulingam *et al.* (2009) see trust as "*[…] the willingness to rely on an exchange partner on whom one has confidence.*" (p.308). This relates to Zineldin's (2012) definition who however goes beyond the individual and adds the organisational dimension and is therefore also applied in this study's B2B context. Trust consists of trust credibility which refers to a firm's ability to perform its tasks (Gullett *et al.*, 2009; Jambulingam *et al.*, 2009) and trust benevolence which looks at the other party's positive or hidden intentions (Jambulingam *et al.*, 2009). Benevolence was found to be especially important in long-term relationships and the connected willingness to accept short-term sacrifices to show respect for the other party's interest, referring to commitment in other words. On the other hand, Gullett *et al*. (2009) found credibility to be crucially important for trust-building.

According to (Gullett *et al.*, 2009) various opinions about trust and its antecedents exists and also Jambulingam *et al.* (2009) refer to it as a multidimensional concept. Rauyruen & Miller (2007) refer to the buyer's trust in suppliers only, but as the definition says, relationships contain two parties. This also accounts for trust which entails a trustor and a trustee with both parties taking both perspectives simultaneously (Vieira *et al.*, 2013). However, Hemmert *et al.* (2016) emphasise that, there is no literature about the antecedents of suppliers' trust in buyers and also their attempt to fill the gap only covers a small niche, with a focus on South Korean relationship between institutions and firms. Therefore, mostly general studies on B2B trust building and maintaining need to be used in this study and still – according to Stuart *et al.* (2012) considerable debate exists around how to build and maintain trust. Hemmert *et al.* (2016) name factors such as **assistance** in the other party's work, to contribute to trust-building. Gullett *et al*. (2009) name factors like honest and complete **communication** to be critical for building

trust. Such transparent information sharing is required to allow the supplier to figure out himself with little costs and effort what the buyer's real intentions are (Day *et al.*, 2013). What can be criticised about this study is the perspective the researchers take as they focus on the buyer's trust in the supplier (*ibid.*). However, relationships require mutual trust (Vieira *et al.*, 2013) which illustrates that the concept should not be seen as a one-way street. Lastly, what many researchers are able to agree on is that trust has to develop over time (Day *et al.*, 2013; Gullett *et al.*, 2009; Hemmert *et al.*, 2016; Vieira *et al.*, 2013). It is ultimately a subjective decision, if, when and how much people and organisations trust each other as both have their own perspectives on the relationship (Gullett *et al.*, 2009). To maintain trust over time, a firm should stick to its firm practices to give the other party the feeling of being listened to, continuity and knowing what to expect (Hemmert *et al.*, 2016).

Developed and maintained trust can lead to several positive outcomes (Stuart *et al.*, 2012; Vieira *et al.*, 2013; Yeung *et al.*, 2009; Zineldin, 2012). It allows open debates and **constructive conflict**, clear and honest communication and consequently close cooperation (Zineldin, 2012). This might also be the reason behind trust allowing constructive conflict to be solved in such open and honest discussions and can finally lead to increased inter-firm learning and new product development (Day *et al.*, 2013; Vieira *et al.*, 2013; Zaefarian *et al.*, 2016; Zineldin, 2012).

Opportunistic behaviour refers to "*self-interest seeking with guile*" (Williamson, 1975: p.255) and represents a substantial risk for a relationship (Bhattacharya *et al.*, 2015). Gorton *et al.* (2015) found that if a buyer acts opportunistically, suppliers reduce their investments is the relationship as they are scared of being used. This finding is especially interesting as the researchers are the only ones to be found to study BSR within the food industry between dairy farmers and dairies. Trust can therefore also lead to negative consequences for the quality of a relationship (Ekici, 2013; Laeequddin & Sardana, 2010; Liu, 2012; Schmitz *et al.*, 2016; Stuart *et al.*, 2012). Instead of lowering transaction costs, high trust in combination with reduced monitoring might also open room for opportunistic behaviour by one side as the other side blindly trusts (Day *et al.*, 2013; Stuart *et al.*, 2012). Furthermore, with too high and blind trust, the parties might avoid talking about negative information instead of openly talking about upcoming challenges and solving them as none of the two parties wants to disrupt the relationship (Day *et al.*, 2013; Liu, 2012). Beyond that, **constructive conflict** and its advantages might be hindered by close personal relationships (Day *et al.*, 2013; Jambulingam *et al.*, 2009; Stuart *et al.*, 2012; Yeung *et al.*, 2009). Nevertheless, depending on the industry's and the actors' characteristics, low levels of trust can result in a relationship's determination (Ekici, 2013). Hence, a certain level of trust seems to be needed (Gullett *et al.*, 2009).

Zineldin (2012) states that **interdependence** and consequently having a reason to connect is generally a prerequisite for relationships. Interdependence refers to parties' dependence on each other, whereas dependence can be described as a party's need to rely on an other party in order to pursue the own goals (Chicksand, 2015). According to Schmitz *et al.* (2016) there are different sources of interdependence where one is mentioned to be partner-inherent and covers the access to resources and capabilities that is connected to a specific partner. The authors also emphasise that there are different forms of interdependence which are symmetric and asymmetric interdependence. Therefore, similar to trust, also interdependence can be seen as a relationship characteristic that is a double-edged sword because the dependence between parties is often not symmetrically distributed (Gummesson, 1994; Schmitz *et al.*, 2016). Asymmetric interdependence can lead to negative relational outcomes, such as lock-in effects which can be seen as the heaviest form of dependence where one party faces high switching costs and has no

choice but to remain in the business relationship for company survival (Schmitz *et al.*, 2016). Hence, relationships require interdependence, but can be disturbed by strong asymmetric interdependence and lock-in effects.

The concept of interdependence is closely connected to the concept of **power** with similar causes and consequences (Schmitz *et al.*, 2016). Power depicts one party's ability to influence the other party's behaviour against his interests (Chicksand, 2015). However, the difference between the two is that power is about a party's general control over its resources and behaviour and dependence covers a party's ability to achieve its own desired goals (Ford *et al.*, 2011; Håkansson, 1982; Schmitz *et al.*, 2016). Similar to asymmetric interdependence can also asymmetric power lead to negative relational outcomes with one party dictating the other what to do and profiting more from the relationship (Chicksand, 2015; Gorton *et al.*, 2015; Kim *et al.*, 2010). Kim *et al.* (2010) studied both factors in B2B relationships in the telecommunication industry and found them to be dysfunctional and destabilising relationships with increased suspicion and conflict. Lastly, not only a firm's actions influence its power and dependence level towards others. These factors are also affected by the broader competitive environment in and the structure of the industry.

The complexity in relationships is also shown in the many interconnections between these different relationship quality characteristics. Jambulingam *et al.* (2009) find fairness to reduce the fear of opportunism by reducing the feeling of vulnerability and based on this to be a source of trust. More precisely, in his study, procedural fairness led to trust credibility, distributional fairness contributed to trust benevolence, which was also confirmed by Hemmert *et al.* (2016). Conversely, Zaefarian *et al.* (2016) found interactional and distributive fairness to be contributing to not only trust but also commitment. However, both studies depict completely different industries, the pharmaceutical and the Iranian car industry, and the results must therefore be treated with caution and tested in other contexts. As indicated by Zaefarian *et al.* (2016), trust and commitment are reported to be interrelated (Chen *et al.*, 2011; Ford *et al.*, 2011; Jambulingam *et al.*, 2009; Morgan & Hunt, 1994; Yeung *et al.*, 2009). Ford *et al.* (2011), Jambulingam *et al.* (2009) and Yeung *et al.* (2009) point out that trust increases a party's good intentions and consequently leads to commitment whereas Morgan & Hunt (1994) go as far as saying that trust is required for commitment. The authors also argue that both can be increased by increasing the information availability and quality and by avoiding taking advantage of the other party. All in all, Zaefarian *et al.* (2016) found that if a supplier perceives a buyer to be unfair, his trust will decrease and consequently also his commitment. Therefore, also a buyer would not be pleased with it since this would reduce the overall value generation potential.

3.4.3 The interacting parties

The model then closer looks at the interacting parties and their characteristics with regards to e.g. organisational size, structure, strategy, technological expertise, product offer and experience which influence how the parties face each other, including the balance of power, the flexibility in procedures and communication and the direction of the relationship in general (Håkansson, 1982; Zineldin, 2012). Beyond the organisational characteristics, it also looks at the characteristics of the individuals who represent the interacting parties (Håkansson, 1982). These individual contact persons may build up strong social bonds which influence the decisions made on both organisational sides (*ibid.*). The experience of exchange episodes influences attitudes and the corresponding behaviour towards the other party as well as the general direction and closeness of the relationship.

3.4.4 The interaction process

The interaction model depicts the interaction process itself which can contain reoccurring episodes of exchange, as already indicated in chapter 3.1 (Håkansson, 1982; Zineldin, 2012). Not only products and services might be exchanged, even though such exchanges are probably at the core of every business relationship (Håkansson, 1982). Instead, also information exchange takes place and is characterised by its content, width and depth of information that is required. Furthermore, financial exchange is another element of the interaction process (*ibid.*). Håkansson (1982) describes the quantity of money as a good indicator of the economic importance of a relationship. The last element, social exchange, so the experienced treatment of each other beyond formalities and legal provisions, plays an important role at reducing uncertainties between the parties. In the long run, it can contribute to interlocking the parties by building trust which may be achieved through positive personal experience and the successful execution of the other three elements (*ibid.*). In relationships with highly complex products or high financial payments, higher degrees of trust might have to be developed for creating strong relationships (Håkansson, 1982).

As indicated in chapter 3.4, a dynamic exists between the different elements of a relationship and its context. The interacting parties and the process are at the core of the relationship and influenced by all the contextual factors of the external, especially competitive and the internal environment. However, the interaction process also has the potential to influence the overall relationship with e.g. extremely positive or negative interaction experiences that are not forgotten. With an increased level of routinisation of the exchange episodes, the parties get a feeling of their responsibilities and what to expect from each other (Håkansson, 1982). These clear expectations might even become institutionalised over time, so not to be questioned by both parties and inter-organisational contact patterns gradually emerge with clear roles and contact persons. According to Håkansson (1982) not only institutionalisation but also adaptation is an aspect for strong B2B relationships. Product characteristics, financial terms or information and social routines might be adapted for cost reductions or to increase revenues.

3.5 The conceptual framework

The conceptual framework (see figure 3) of this study is based on the interaction model by Håkansson (1982). It unravels complex and individually different relationships into the distinct elements that are interrelated. The model therefore allows to look at the phenomenon of a BSR as a result of continuous interaction between two parties as the core of the relationship, represented by the interaction process and the interacting parties. These are influenced by the contextual factors from the internal and the external environment whereas the internal environment can also be shaped by the interaction process and the parties itself. Using this model helps to deeply understand relationships and Zineldin (2012) goes as far as stating that reviewing the interaction model and considering all of its interrelated constituents together is even required to establish strong B2B relationships between buyers and suppliers.

In contrast to Håkansson (1982), this study pays more attention to the competition in the external environment around the processor because of the increasing role and importance of it in today's globalising world. Competition can influence the scope of decision-making of a company, it is influenced by actions of other participants in and around the industry. Moreover, a BSR is not only influenced by the buyer and the supplier but also by other forces in their competitive environment, such as the threat of new entrants, the intensity of rivalry among companies and the pressure from substitutes. Instead, to gain a deeper understanding of the influential market environment, all of these identified five forces are required to be covered, which can go beyond immediate buyers and sellers (Jeyarathmm, 2007; Porter, 1998; Zineldin,

2012). Examples are the threat of new entrants or the intensity of rivalry that could jeopardise the access to resources through the suppliers. Getting an overview of various influencing actors also helps to cover consequences of disruptive events on the shape of the market and hence the embedded relationships. Therefore, Porter's model is applied to complement Håkansson's interaction model, offering a good overview of the environmental forces that potentially influence the buyer-supplier relationship, which is also supported by Jeyarathmm (2007).

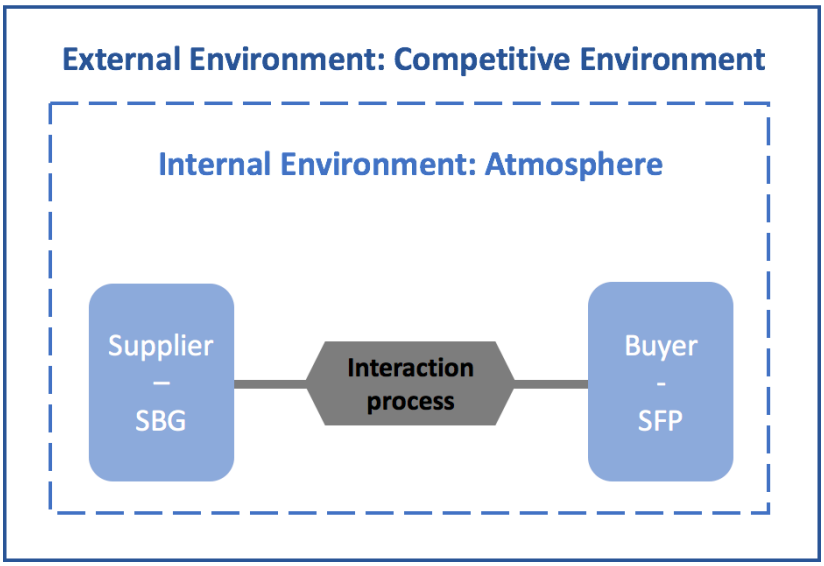

figure 2. The study's conceptual framework, developed based on Håkansson's interaction model (1982), illustrated by Zineldin (2012: p.42ff.).

As a next element, the internal environment, in other words atmosphere, is perceived to be important as it connects the external competitive environment with the immediate interaction process and the interacting parties. Whereas external forces can shape the BSR, it can usually not be influenced by the interacting parties and is therefore referred to as "*external*". The internal environment on the other hand cannot not only be shaped by the external environment but also by the interacting parties themselves. As it is shaped by the past interactional experiences in the relationship the internal environment further influences the interacting parties and the process, too. It entails important relationship quality characteristics such as fairness, which might increase the goodwill of the grower and the loyalty towards beet growing. Moreover, the characteristics of the interacting parties play an important role for the design of a relationship since it is them who conduct recurrent interaction episodes with each other or not. This is represented by the interaction process which summarises these episodes that might entail exchanges of e.g. information or products.

As mentioned in chapter 3.2 and by O'Brien (2012), it was often assumed that suppliers have to engage and encourage buyers for strong relationships to secure sales. Even with the development of SRM, buyers were assumed to be able to choose among suppliers and to concentrate on critical ones. However, some companies might not be able choose among them, when facing one critical input that needs to be produced decentralised and cannot be internalised by the processor. Therefore, the processor's perspective is depicted in this study to reveal what is important for the company with regards to the BSRs and potential challenges with regards to securing their supply. On the other hand, the suppliers' views were disregarded in research and theories since they were not perceived to be important and are therefore not covered either (e.g. O'Brien, 2012; Zaefarian *et al.*, 2016). This allows to use the conceptual framework not only as an analytical framework to understand a relationship from both

perspectives in its particular context but also as a practical framework to derive a strategy and tactics for the processor to improve relationships based on the needs of the growers, based on a deep understanding of the relationship and its context.

4 Empirical data

The Empirical data, containing secondary data and the primary data are presented in this chapter. As both parts are rather intertwined, they are structured by the conceptual framework from chapter 4.3 onwards, with the data from the interviews being clearly indicated according to the code they were given in table 1 (chapter 2.4.2). Before that, the sugar industry, sugar production as well as beet growing and the new political frame will be introduced.

4.1 Introduction to the sugar industry, sugar production & beet growing

Worldwide, 160 million tons of sugar are produced every year. Mainly, sugar is extracted from the plants sugar cane (80%) or sugar beets (20%) (Diepenbrock *et al.*, 2016). All sugar that is produced in Europe is white sugar based on the root of the sugar beet plant. The EU is with roughly 50% also the worldwide biggest producer of sugar beets (European Commission, 2016c).

Within the EU beets are grown in the northern part due to climate reasons (European Commission, 2016c). Despite breeding improvements, that also resulted in major yield increases, sugar beets are still rather demanding compared to other crops (Diepenbrock *et al.*, 2016). In order to reach high yields, sugar beets need at least five degrees Celsius to bud and later 15-25 degrees Celsius for perfect growing conditions. Moreover, light is highly required in order to arrive at high sugar contents (*ibid.*). A moderate need for water is furthermore required while longer terms of dryness negatively influence the yield and create the need for sprinkle irrigation in some areas. Due to its sensitivity to weeds, around four herbicide applications are required to enable the sugar beet to prevail (Yara, 2018). A crop rotation of at least three years is furthermore required in order to control the emergence of pests (Diepenbrock *et al.*, 2016; Yara, 2018). Therefore, the most competitive fields can be found in areas in the north of France, in Germany and Poland, who are also the biggest producers of beet sugar in the EU (European Commission, 2016c) and where most of the ten biggest processors, producing nearly all EU sugar, come from (Statista, 2017). The worldwide biggest sugar producer is also Europe's biggest sugar producer and creates nearly one third of the EU sugar consumption (European Commission, 2017b; Frankfurter Allgemeine, 2017).

The European sugar production had begun in the 18th century with sugar contents of 6% (Diepenbrock *et al.*, 2016: p.221). Today, sugar beets contain can consist up to 20% of raw sugar whereas the remainder is largely water (*ibid.*). Hence, seven kilograms of beets are required to produce one kilogram white sugar. Overall in the campaign of 2016/2017, 28.000 German growers roughly produced 22,5 million tons of sugar beets on 300.000 hectares which were processed by 20 sugar factories and resulted in 3,5 million tons of white sugar (Südzucker, 2018; Wirtschaftliche Vereinigung Zucker, 2018a). Sweden, on the other hand, has only one sugar factory and grew beets on 30.000 hectares resulting in more than 330.000 tons of white sugar in 2016/2017 (Wirtschaftliche Vereinigung Zucker, 2018c).

Most European processors are big in size and active in several European markets (Statista, 2017). Producing on a large scale that requires a stable processing with a perishable input influences the company structure. The case processor as is the German version of a corporation sells its shares to German farmers, only. With the shares, they receive a connected delivery right for the sugar beets. Every year, contract negotiations between the processor and grower associations take place to agree on the basis price for beets, the conditions of harvesting and

transportation as well as price premiums for high sugar contents and markdowns for high mud proportions. After the negotiations, the shareholders receive a contract draft with the maximum quantity they are allowed to deliver and the price and other delivery conditions that the processor and the grower association agreed on. The share-owning growers can decide individually whether not to accept the conditions and can also choose not to sign the contract, however with the consequence that they do not grow beets as individual renegotiations are not possible.

Sugar beets are seeded mostly in April and harvested and processed from September to January. As factories require a stable delivery during the entire harvesting campaign, beets are gradually harvested and delivered to the factories. Short storing on the fields might be necessary which exposes the beets to frost and moisture and increases the risk of mould and loss in value. Therefore, the negotiating teams also agree on the terms of compensation payments. After all, farmers can but do not have to make use of their delivery right to the given price and other conditions. In order to fill the production capacities and target anyway, a leftover quantity is tendered. Farmers can choose to apply for these quantities, however, the processor decides with whom it finally signs contracts. Moreover, they can choose to sign multi-year contracts. What still remains challenging for the grower is to forecast the weather conditions and the highly connected yield of the fields to see how many hectares he needs to assign to sugar beets in order to fulfil the contract (Diepenbrock *et al.*, 2016).

4.2 The change in the political frame of the sugar industry

As the SBP is situated and acts in the EU, the company and its suppliers are not only subject to the national but also the European law, whose influence in the agricultural sector is paramount (Capon, 2009; Koester, 2016). Especially the agricultural trade, market and price policy is under the responsibility of the Union's institutions (European Commission, 2016c; Koester, 2016). All activities and legislative initiatives of the EU in the agricultural sector can be summarised in the Common Agricultural Policy (CAP), which seeks to secure the European food security and safety while supporting the farmer's income (European Commission, 2016a). The CAP's key element is the direct payments to mainly farmers, including beet growers (Bundesministerium für Ernährung und Landwirtschaft, 2017a). It further entails the common market organisation which, in case of a market crisis, tries to provide a safety net in form of market interventions such as EU purchases and storage of products, quality and supply control measures (European Union, 2015).

As one of the CAP's market sectors, sugar is also subject to a sector specific policy, the EU sugar policy (European Commission, 2016c). In order to improve the Union's sugar self-sufficiency, a quota was introduced in 1968 accompanied by import tariffs and a support price for the grower, significantly above the world market price (European Commission, 2016b, 2017b). Over time, the support prices were gradually reduced by 36% (Deutsche Welle, 2005), especially from 2006 – 2010, as the CAP focused more "*on aligning European production with global markets*" (European Commission, 2017: p.2) which led to a closure of around 80 factories in Europe (European Commission, 2016b: p.2), a production reduction of 6 million tons of beets (European Commission, 2016b: p.2) and a decrease of German growers of more than 40% (Gramm *et al.*, 2013).

In 2013, the European Commission decided to completely end the quota system and the support prices from September 30th 2017 (European Commission, 2016c, 2017b) which made the EU sugar market one of the least regulated in the world (Deutsche Welle, 2017; Verband der hessisch-pfälzischen Zuckerrübenanbauer, 2014). Import tariffs have already been loosened

especially for developing countries since 2006 but remain substantial and an imposed export limit by the World Trade Organisation ended (Bundesministerium für Ernährung und Landwirtschaft, 2017b; Deutsche Welle, 2017; European Commission, 2016b; European Union, 2005). Therefore, the CAP next to the common market organisation, market observation and innovation, only supports the sugar sector with optional payments (2017: EU-wide €179 million) (European Commission, 2017a; b: p.2; European Union, 2015). However, Germany and Sweden have not chosen to issue them (European Union, 2015; European Commission, 2016c; Fernhout, 2018).

The long-term consequences of the market liberalisation are difficult to predict, however an increase in volatility is expected (Scheers, 2014). Furthermore, a decrease in prices is forecasted in the long-run (Deutsche Welle, 2017; Zinke, 2017). Whereas the EU average white sugar price per ton was around €500 in the season 2016/2017 (DNZ, 2018; European Commission, 2018), in this first liberalised season it has already fallen to a hitherto average of €411 (October – December) according to the European Commission (2018). In nearly all EU-member states the beet cultivation was increased and resulted in a considerable increase in sugar supply of more than one fifth (DNZ, 2017; Zinke, 2018: p.77) with magazine headlines such as "*sugar mountain pressures beet prices*" (Zinke, 2018: p.76). At the same time, the demand remained the same within the EU which makes the price drop unsurprising (Masson & Müller, 2017; Zinke, 2018).

With the increased production level, the EU might turn from a net importer into a net exporter of sugar (Masson & Müller, 2017) and profit an increasing worldwide demand of sugar (Deutsche Welle, 2017; Haß, 2017; Zinke, 2017; European Commission, 2016c). However currently, the worldwide sugar production is also increasing and leading to a worldwide sugar price that is even more under pressure (Zinke, 2018). Additional sales opportunities are consequently out of question, at least at the moment. Instead, the importance of competitiveness and costs will increase and lead some European countries to increase and others to stop growing sugar which can be seen as a consequence of production cost differences of up to 70% among the EU states (Bundesministerium für Ernährung und Landwirtschaft, 2017b; Haß, 2017; Zinke, 2017). With their evaluated medium competitiveness, the production quantities of Germany and Sweden are expected to rise and fall with the world market price (Haß, 2017; Zinke, 2017). All in all, not only the worldwide competition will increase but also the competition among EU members and further cut the sugar beet's profitability margin.

4.3 The competitive environment

The conceptual framework (see chapter 3.5) was used to organise the empirical data. Since this study explores BSRs in the context of the sugar industry, this chapter introduces the context of the sugar industry with particular focus on the competitive environment in the first instance. The nature and characteristics of BSRs in this context are presented subsequently with particular focus on one processor and its suppliers, the growers.

The interviewed growers all chronicled the structural change in the beet sugar market after several political interventions. Instead of **new entries**, many factories had closed down and others were acquired by processors. The factories' locations are carefully chosen because a continuous supply of beets needs to be guaranteed which is also why today competing processors and their respective growing areas mostly intersect on the fringe, only today.

The main **substitute** of beet sugar is cane sugar which is mostly produced in Brasil and India, who are also generally the biggest sugar producers worldwide (Thünen-Institut, 2018). What

two growers however criticised were the consequences of its cultivation for the human and the natural environment as they saw the labour and environmental protection laws as underdeveloped compared to their strict frame of how they are allowed to grow beets. Other sweeteners like Stevia are becoming more and more popular but are also controversially discussed and still account for a minority, only (Callahan, 2018).

With regards to **rivalry** between processors, a mixed picture was presented by the interviewed growers. While there is no competing processor in Sweden, three German growers also indicated that the case processor was the only viable processor they could sell to as others were too far away and would incur high transportation costs. On the other hand, two growers mentioned competing processors to be just as close as delivering to them would still be feasible with regards to transportation costs. Whereas grower-new argued that he would have considered the competing processor's offer without the access to the leftover quantity, grower-lt2 was not convinced by their offer but was waiting for his friends' experience. Nevertheless, since the market deregulation, both felt the increased effort of these processors to convince growers to grow for them. Grower-out1 sold all and grower-lt1 some of his beets to known biogas plants nearby. While grower-out1 had no other option, grower-lt1 avoided the small price that the processor pays for beets that go beyond his delivery right.

The sales volumes of sugar are stable within the EU and slightly increasing worldwide (Wirtschaftliche Vereinigung Zucker, 2018b). The vast majority of the produced sugar is **bought** by food-producing companies and retailers who in turn sell to consumers. grower-lt1 and grower-lt1 point out that the image of sugar in society is not good and worry about the development of future sugar sales. Moreover, three growers generally support but also worry about the society's growing claims for less use of herbicides which would result in declining yields but increasing work load.

As beet **supplier**, the interviewed growers decided to grow beets on their fields for several reasons, that can be found in table 2. Nearly all valued the beet's profitability, which in times of the quota was far above other crops (SBG-new), whereas half of the interviewed growers saw it as the most important reason for growing sugar beets. Half of the growers also saw the preceding crop effect of the beet as a significant factor to grow beets which supports other crops cultivation and yield. Moreover, the yield potential of the beet itself, which highly increased in the last decades as no other crop (SBG-lt1), was named as an important factor. Grower-lt1 pointed out that such yields and consequently high-quality soil are needed for the sugar beet to be profitable in today's market environment, which was also supported by grower-new. The two former growers mentioned tradition as their second most important reason. Furthermore, the beet was described as a fascinating and environmentally-friendly crop by two growers who put this as the most important motive to grow beets. Grower-out1 said, "*It is incredible to see how much potential lies in the beet*". Both growers see the beet as a great crop that produces a valuable product with relatively banal inputs and additionally adds to the performance of other crops (preceding crops effect). Other factors appearing in the lists of the growers referred to the willingness to accept the challenge of successfully growing the beet crop, the sense of belonging to a network of beet growers. Lastly, the Swedish grower mentioned the spread of workload over the season that results from the beet campaign lasting until late December or January.

table 2. Overview of the three most important reasons for each of the interviewed growers to grow beets; different shades indicate different frequently occurring factors.

Reason	SBG-lt1	SBG-lt2	SBG-new	SBG-out1	SBG-out2	SBG-lt3
1	Yield potential	Profitability	All-round talent	All-round talent	Profitability	Profitability
2	Preceding crop effect	Challenging and fun crop	Preceding crop effect	Tradition	Tradition	Preceding crop effect
3	Profitability	Social connections	Profitability	Yield potential	Yield potential	Spread workload

Nearly all growers emphasised the increased risk and costs that are incorporated in beet growing in comparison to other crops. This is due to the beets' sensitivity to weather but also because of high outlays for seeds and the specialised machinery that is needed, according to the interviewed growers. These specialised investments led also to the reluctance of grower-new to enter beet growing. Grower-out2 decided not to grow beets anymore because of the decreasing prices, that did not cover his production costs including sprinkle irrigation anymore. It was a painful decision for him as he was scared to tell his father, the former farm owner, and because he felt like beets should remain to be part of the regional landscape. However, he changed the farm focus towards biogas production with mainly corn, reducing his dependency on beet income.

All three long-term growers complained about the profitability. Grower-lt1 emphasised that the sugar beet price has to cover increased risk compared to other crops. All understood, that the processor is also dependent on the world market when it decides on the sugar beet price it can offer in negotiations with the grower associations. However, from their perspective the price could have been better. "*It comes all down to the basic price whether we produce beets in the future or not"*, says grower-lt1. On the other hand, other crops are also on a low profitability-level which led grower-new to the conclusion that the beet is still more profitable than other crops. Grower-lt1 said that it currently is the beets' and the processor's luck that other crops are also on a low-price level, which is supported by two other growers. At the same time the grower said that as long as the other crops do not become more profitable, also the processor will not increase the beet price.

All interviewed growers generated 10-20% of their income from sugar beets. They were all aware of the fact that the processor has one major input while they have several pillars to base their income on. They emphasised that the factories' capacities need to be filled and that the beets could not just be grown directly around the factory, only as there is already a high concentration of beets which results in lower yields.

All German growers seemed to be pessimistic about the future price development while grower-lt3 from Sweden was rather optimistic about the beet price to rise in the future. Grower-new was satisfied and said "*as a pig farmer I am used to suffer. If the beet price does not fall below 25 € per ton*". Nevertheless, all long-term and the new growers were rather sure to produce beets in the next five years. Grower-out2 said that, with a better price, he would think about starting to grow beets again.

4.4 The internal environment

To organise the empirical data, the conceptual framework (see chapter 3.5) was used. Since this study explores BSRs in the context of the sugar industry, this chapter depicts the atmospheric context or internal relationship environment between one processor and its growers.

The growers were asked whether they perceived the opportunities and risks as fairly distributed between the processor and them. Whereas grower-lt3 from Sweden and grower-new said yes, other growers did not support that view for several reasons:

SBG-lt1 and grower-lt2 complained that despite the **negotiations** where he mentioned that the grower associations have very little influence on the price. They could still only say yes or no to the offer and SGB-lt1 added "*they just ask me if I can do it for that price and even the quantity is not in my hands*". However, these factors, quantity and price, were crucial to them. Grower-lt2 admitted that for other crops, he had no influence at all on the price but he still thought that even with the negotiations the influence is too little to be evaluated as fair.

The growers had perceived the lack of influence on the price as particularly painful since the market deregulation and the following decrease in beet price. The processors tried to reduce costs by decreasing the beet's price and transportation costs. Hence, the growers did not only feel the cost pressure from the beet price perspective, which led grower-out2 to stop growing beet and search for another farm focus with a biogas plant, but also in other ways. First of all, logistic companies responsible for collecting the beets drastically decreased in their quality (SBG-lt1, grower-out1, grower-out2). Beyond that, to lower the transportation costs to the centralised factory locations, it is in the processor's interest to offer the leftover quantities to nearby growers, especially since the market deregulation and the sugar price drop which led to a shift in the allocation of leftover quantities.

Especially grower-out1 and two others showed their **unhappiness about the distribution of the leftover quantity to** their and many other grower's disadvantage, especially since the market deregulation. Despite gaining guaranteed delivery rights as shareholders, five growers used the chance to apply for **leftover quantities** – sometimes even to double their delivery rights. However, two of them and other nearby growers did not receive these quantities as too many farmers closer to the factories signed up for them. As grower-out1 did not own any shares, he was not able to produce beets for the processor anymore, "*They either cannot or do not want to bear the costs anymore*. He felt discarded as he had been growing based on this leftover quantity for the last 19 years, "*I am a little annoyed. The beet was always on this farm and this is a traditional beet area but it got completely excluded from the allocation of leftover quantities*". Moreover, he was disappointed as the processor decided so unemotionally while long-term beet growers from traditional growing areas had to face accomplished facts. Grower-lt2, who also did not receive any leftover quantity next to his guaranteed delivery right, said that he was "*angry and did not expect it*". Both received another offer by the processor, however with a much lower price. Whereas grower-out1 tore up the offer, grower-lt2 said that he had clear idea, "*I am not growing beets for this price, that is for sure*". Instead, he used the chance to grow something else and made peace with it. Therefore, grower-lt2 argued that transportation costs should play a role but the yield and a sustainable cultivation with a long-term crop rotation that is environmentally- and soil-friendly should be incorporated in the selection of leftover quantities, too. If such an approach would be implemented, he would even forgo a small portion of his beet price.

SBG-lt1, who was as far away to his (an other) factory as grower-lt2, received the leftover quantity he asked for and emphasised, "*without my additional leftover quantity I would be considerably less satisfied*." He added that he nevertheless found it was unfair that entire traditional beet growing areas were excluded while other farmers, who had never grown beets but were closer to the factories, started to grow now. Grower-lt1 said, "*they just want to ensure a continuous supply of beets – where the beet actually come from is not uninteresting for them*".

However, grower-lt2 and grower-out1 reported on some growers of leftover quantities that were closer to the factory and grew beets in a two-year crop rotation. Both complained that this is not sustainable and that they already have or will get problems with pests. Grower-lt2 is able to guarantee a four-year crop rotation but according to him "*the sustainable use of soil and resources seems to be at least secondary*". Grower-new concluded from the struggle that in the long run he would have to buy more shares to have ensured access to his desired delivery right, but admitted that this would be very expensive for him and not possible at once. This was no option for grower-out1, who could also buy shares to go on growing beets, but he said that just for being able to grow beets it would be too expensive to buy the shares.

All growers were asked about their perceived trust towards the processor. All answered that they found the case company generally trustworthy with regards to its reliability. All appreciated the processor to do what is promised with functioning processes and to always pay in time. On the other hand, processor-lt1 also said that he would immediately end a business relationship if his products were not being paid. Grower-out2 said that before the market deregulation trust was on a different level when the company stood by its input beet even more and worshiped it in the beet price. Grower-lt3 said "*I think they do what they can to pay us well*" and argued that he had to trust the processor as he did not have the capacities to review all of the processor's actions. However, he trusted other more and missed more transparency about how much profit is transferred from Sweden to the German shareholders.

Grower-lt1 and grower-lt2 doubted whether the processor payed as much as it could. Grower-lt2 explained "*In the past I thought that* [the processor] *wants the best for us growers, by now I see things more critical with regards to the pricing*" and referred to the insights he got since he had been little engaged in the grower association. He saw that office holder were active on several positions, also in the grower association and the processor, and was not sure if they acted more on selfish purposes instead of in the interest of all. Grower-out2 said that he was disappointed and that trust was lost, because of the insufficient communication the processor displayed at the time of the market deregulation. He complained that grower association and growers lacked information about the processor's plan how to precede, especially with regards to beet procurement areas, "*too little was communicated too late*". Connected to that, grower-lt2 reported from meetings with higher managers of the processor, just before the market deregulation, who denied that the price would decrease as a consequence of an unlimited beet production despite such remarks of growers. After the adjustment towards an unregulated market he expressed his surprise of the development and grower-lt2 believed that the managers knew that this would happen but did not say it. The new grower emphasised that he trusted the processor the most from all of his buyers and felt well treated, especially after last year's very wet campaign which led to a loss of earnings that the processor partly covered – beyond the contractual duties.

Much appreciated were also the contracts of different durations. However, grower-lt1 missed even more flexibility, not only with regards to price and quantity but also with regards to the length as he desired longer contracts to gain planning security. Grower-lt1 and grower-lt3 also missed flexibility, but instead for the harvesting and the transportation. Grower-lt3 complained that different kinds of harvesters are sent by the processor, who takes care of the harvest in Sweden, result in different mud proportions that reduce his beet price.

The interviewed growers perceived to receive sufficient assistance, both by the grower association and the processor. Especially grower-new emphasised, "*I feel well looked after*". He had the feeling that the processor does everything it does everything it can to get the best

possible beet price for the growers and added "*at least I have the feeling*". This view was also supported by grower-lt3 from Sweden. He added that he appreciated the open discussions with the processor.

After all, all active growers were rather sure that they would grow beets in the next five years and also had in mind to grow them for the processor. Grower-out1 and grower-out2 reserved to themselves to start beet-growing again if they receive leftover quantity again (SBG-out1) or if the price increases (SBG-out2). Grower-new even hoped for the next ten years.

4.5 The interacting parties & process

The conceptual framework (see chapter 3.5) was also used to organise the empirical data with regards to the interacting parties and the interaction process. Since this study explores BSRs in the context of the sugar industry, also the nature and characteristics of the core of the relationships, the parties and how they interact need to be presented.

The interviewed growers were between 36 and 65 years old and worked on family-owned farms. Whereas the new grower completed one season of beet growing and harvesting, the others have a long history of experience with beet cultivation of seven to more than 30 years. Beyond that, beets were grown on their farms for centuries, frequently for more than 50 years. They grew beets on three to 100 hectares and also grew other crops, while two additionally had livestock farming. Nobody had ever worked for the processor but five out of six interviewed growers were shareholders of the processor.

Whereas grower-new and grower-lt3 emphasised the natural profit-orientation of them and the processor, grower-lt3, grower-out1 and grower-out2 criticised the **increasing focus on the shareholder and** his dividend instead of the beet grower and the beet price. Three interviewed growers pointed out that the processor is engaged in the relationship but especially since the market deregulation shareholders had received priority treatment compared to other long-term growers. Even grower-lt2, one of the largest interviewed shareholders, had discovered that the processor focuses more and more on the shareholder and the dividends to pay out to them. According to him and two others, the focus should still be with the beet and not with the size of the dividend resulting in less pressure on the procurement and hence the beet price. At the same time, grower-out2 admitted that it is difficult to reproach the processor for it since it is common market economy behaviour. Grower-lt1 also identified that the profit for the processor mainly depends on the procurement of beets since it is the only major input. Therefore, he forecasted the processor to **reduce the beet price until growers are just on the edge** of being profitable and stopping to grow beets. According to grower-out2, the processor has its justified right to pay dividends and invest money in the future, however, he emphasised that there still has to stick enough money to the beet and had the feeling of being irrelevant und unimportant to the company. Grower-lt2 finally argued that the processor's sustained success will not come from pressuring beet prices downwards. After being asked about his actions as a manager of the processor, he said that he lacked a long-term vision of the processor that would include the growers, shareholders and non-shareholders explicitly, and work towards long-term sustained company success. This should include an environmentally-friendly cultivation as well as innovation towards supply and consumption to increase yields for the growers and to offer better products leading to increased sales volumes.

With regards to communication processes and the information offer of the processor for the daily beet growing issues, all interviewed growers were generally satisfied with the work of the processor and evaluated it as efficient and elaborate. They appreciate that the processors offer

from cultivation consulting to current information about pests and how to respond to them via multiple digital communication channels. Two growers (SBG-new and grower-out1) did not require all offered information on beet growing and also grower-lt3 added that he could not read all. On the other hand, grower-out2 had lacked clear communication at the time of the market deregulation about its consequences for the growers. He missed e.g. information about how much leftover quantity would be available.

SBG-lt1 criticised that he faced too many contact persons at the processor in case of questions, especially in times of the campaign. He lacked operational information around the pick-up of the beets which finally influences the quality of the beet and the connected financial outcome. Moreover, he complained about too little personal contact with the operational section of the processor. Grower-lt2 and grower-new contradicted him and emphasised that personal contact was possible, reliable and fast – especially for the processor's company size. Grower-lt3 further underlines the great relationship he has with the operational team at the factory and also grower-out2 shares this positive impression about the respective processor's team at the factory. Beyond that, grower-lt1 perceived a distance towards the management board that could do more than an occasional appearance on annual meetings according to him. Grower-out1 and grower-out2 confirmed this distance towards the management headquarter.

5 Analysis and discussion

This chapter depicts the analysis of the empirical findings with regards to the research questions, by using the conceptual framework. Moreover, it discusses the analysed findings the discussion and the analysed results.

5.1 The processor's important aspects towards the BSR

In order to answer the first research question of what characterises the importance for the processor to develop BSRs, the external environment and in more detail the competitive environment of the processor is analysed through Porter's five forces (1998). Special attention is given to the case processor's procurement of its major input, sugar beets, as well as the consequences of the EU market intervention. This also represents a starting point for developing a strategy and tactics in chapter 5.3.

5.1.1 The external environment

Several barriers to entry exist with regards to the European sugar market and therefore limit the **threat of new entrants**. New entrants could not only threaten the processors market position with regards to sales but also entice growers away from the processor and therefore need to be analysed, following Porter's theory (1998). Sugar as a staple food needs to be produced on low costs to ensure competitiveness in supermarket shelves. This requires a production on a large scale, also because of the chemical process of turning beets into crystallised sugar and can be illustrated by having only 20 factories in Germany which is the EU's second biggest producer of sugar. The production process further demands a stable and reliable supply of beets to avoid interruptions in processing them into sugar. Moreover, beets consist of more than three forth of water and in combination with being processed into a low-cost staple food, are expensive to be transported too far. Therefore, a new entrant would have to ensure such a sufficient and stable supply of beets and attract farmers, that are not too far away from the factory. Moreover, high capital requirements are needed upfront to build factories that convert sugar beets in a complex process into white sugar, emphasising even more, that the factories need to run reliably and process large quantities.

New entrants would have to incur high efforts and financial risks in order to enter the market, but if they do, they could represent a substantial risk for the beet procurement of the case processor. The response by established processors towards new entrants might be to increase the prices for growers and incur higher costs in the short-run to prevent new entrants to become well-established. They might also just own advantages based on their experience with the chemical process and the industry in general that already allows them to produce cheaper which would pressure new entrants' competitiveness even more. Lastly, efficient beet growing is only possible in some climate and soil regions in Europe. As the factories need to be rather close to the fields, their location is crucially influencing the company's costs. However, these locations might already be occupied by processors. With the politically intended world market orientation the beet price dropped and led to a concentration of beet growing and factory locations in high yielding areas that are needed to cover the production expenses. Lastly, instead of building factories, a company could try to purchase one from an existent processor. However, a well-established processor would probably not help new entrants to enter their market or would only give up factories which they find not to be profitable anymore.

The **intensity of rivalry** between processors in the European sugar market was very limited before September 2017 due to limiting effects that come with binding production quotas and

minimum prices. Only one processor company was and is active on the Swedish market, but different processors compete for their growers in many other European countries and also in Germany. As processors produce a cheap staple and mass product while having only one major input with a high water content, its procurement and transportation costs highly influence the companies' profitability. Beyond that, production capacities need to be filled, also to distribute the production costs on the largest possible production quantity. Due to this cost pressure only high-yielding fields can be used for beet cultivation. Therefore, within the EU sugar market rivalry towards the growers was not just politically but is also naturally and economically limited. This is further reinforced by the market's maturity and the very small growth on the sugar demand side, according to Porter (1998). Adding up these factors gives an indicator for why there are only a few processors left after many closed in the last decades. These however own big market shares which is shown with the biggest European processor producing one third of Europe's sugar demand.

With the market deregulation in 2017, the political limitation disappeared and some interviewed growers, living on the fringe of other processors' ranges, observed more processors to be active in attracting them to grow beets for these processors. These processors tried to increase their production, to assert their market shares and therefore represent an increased competition for the case processor and its beet procurement. On the other hand, other growers lived too far away from the processors rivals to be viable for them which confirms the crucial role of factories' locations and transportation costs. As another option, rivalling processors could also build new factories to gain access to other areas of beet growers and potentially new beet growers, but as indicated for the threat of new entrants, this must be well-considered due to the major financial risks they would face. After all, it is difficult to predict the long-term consequences of the market deregulation for the case processor and its rivals with regards to sales and procurement markets, half a year after the deregulation. It remains to be seen whether the increased competition for some growers is only a symptom of the transition period towards a free market or if they and others will be courted more intensely in the future. Nevertheless, at least for 2018 the sugar production increased essentially according to Haß (2017).

When generally looking at the European sugar market, processors face competition from **substitutes** that are mainly cane sugar and minimally also sweeteners that are however trendy, such as Stevia, and increase in their importance on the processor's demand side. These are not in the focus of the study and therefore not further depicted. However, processors also need to pay attention to substitutes on the supply side which could be the basis for being able to produce and sell sugar differently. Substitutes to beets could increase their procurement flexibility and independence with regards to beet growers. However, there is no alternative that can grow under European climate circumstances which leaves the processors with one option and one main input to produce their sugar which shows a certain level of dependence on growers to grow beets.

As a staple and storable product, sugar is sold EU-wide and now also worldwide. One can therefore assume that processors and its business **buyers** have a very limited influence on the prices of a global market, even though world market prices and EU-prices have not been completely harmonised, yet. The case processor tries to differentiate the staple product sugar and yield slightly higher prices by building additional brand value for the consumer. Moreover, it has the chance to sell its products to different industries such as the pharmaceutical industry despite its clear focus on the food industry. Furthermore, processors might face only little fear that the food industry tries to integrate backwards as costs would be too high and margins of the staple product sugar too low. On the other hand, sugar can be stored in contrast to sugar

beets and is sold EU-wide by the case processor. This implies that buyers, beyond ensuring to sugar in their shelves, also have the choice between at least some processors. Hence, a substantial imbalance cannot be revealed, also because of the orientation towards the world market in terms of prices that makes both more or less price-takers.

The interpreted results show, that growers are concerned about the image end-consumers have of sugar and conventional agriculture with its use of herbicides and how it will affect the future of beet growing. They expressed their increased attention on how to grow beets with as little environmental impact as possible by reducing the use of herbicides and keeping a multi-year crop rotation. Therefore, all in all one could assume that buyers might not have a strong influence on the sugar prices, but in the long-run might influence the way in which it is produced as already the suppliers perceived and reacted to their wish. Such increases in the quality and decreased in the use of herbicides e.g. would however increase the grower's production costs and require them to receive a higher beet price. It remains to be seen how this is reconciled with regards to pressuring world market prices and whether such "greener" products would find a ready market or if they would even become politically obligatory in the long-run.

With the market deregulation and the abolishment of minimum prices, not only the sugar price but also the beet price for the **suppliers**, the growers, essentially dropped based on the production quantity increase. The suppliers suffered from that as nearly all interviewed growers named profitability as one of their main reasons to grow the comparably demanding and sensitive crop sugar beets. Many also referred to the importance of the immediate beet profitability, instead of relying on the added dividends many receive for their shares. The only other way they have, when delivering to the processor, is to influence the beet's profitability on the cost side. They need the best soil and care for high yields and finally high contribution margins per hectare of beet. Otherwise beets do not seem to be profitable anymore, according to the interviewed growers, despite the beet's several advantages. These include indirect contributions to the profitability of other crops with the preceding-crop effect and for four growers their additional incomes as shareholders of the processor.

Despite the similarly currently low profitability of other crops, processors cannot lower the beet price indefinitely, which can be proved by the exit of one interviewed grower for missing profitability reasons. Growers require higher prices for beets than for other crops due to the increased care and risk that come with growing them. As all interviewed growers stated to generate 10-20% of their income from beets, switching towards other crops seems an option, if prices do not increase in the long-run. The interviewed growers know that the processor on the other hand has only one major input that needs to be obtained by many beet growers. Processors also have no chance to avoid the growers by integrating backwards as beets need a decentralised cultivation on fields and require a multi-year crop rotation by nature. Due to the high water content of beets and high transportation costs, the beets also need to be grown nearby the fixed factories and lastly, a steady delivery is needed to ensure a smooth efficient production, indicating the processor's relative dependence on the growers.

Compared to the processor, growers have several options to bypass the processor as a buyer. As indicated in the preceding paragraph, they can grow other crops in the short-run or also completely change their farm focus in the long-run. However, despite the importance of profitability, growing beets also comes with other advantages the growers mentioned, such as the preceding crop value and the emotions of following a tradition and being a beet grower. Next to bypassing producing beets, growers can also choose to grow beets but sell them to someone else. This does not necessarily require other processors to be nearby, as beets can also

be grown for biogas production. Biogas plants also need to be nearby as transportation costs would otherwise be too high. Moreover, the grower does not receive price premiums for high sugar contents but on the other hand also does not face markdowns for high mud proportions. Biogas plants are often owned by farmers, which leaves the beet selling farmer with one contact person of the same occupation and roughly the same size, on a similar eye level, which might sound attractive for them.

5.1.2 Summary of the processor's important aspects towards the BSR

Analysing Porter's five forces reveals that the processor faces challenges when to secure its critical supply of resources. Sugar beets are the major input for producing sugar and therefore the critical resource for processors, building the base of the company existence. Before September 2017 the sugar production was limited and minimum prices guaranteed, leaving limited room for competition. After the market deregulation, the case processor is seen to be torn between being a price taker on the demand or their selling side and increased competition for beets on the supply side. The sugar production did not only generally increase, but also the competition for beet growers in some areas, as the interviewed growers indicated. This competition is limited by the transportation costs of beets which are only to a certain degree bearable due to the beets' high water content and its transformation into a staple mass product, that is limiting the selling price that can be charged. Lastly, also the threat of new entrants is limited by that since production facilities are costly, need to run reliably to generate income and locations need to be carefully chosen for transportation cost reasons.

The processor has only one major input that has to be grown decentralised on the fields by many growers, whereas the growers grow other crops as well to fulfil the crop rotation and to spread their risk, resulting in comparably only one fifth of their income being generated by sugar beets. Moreover, growers reportedly can sell their beets to other available processors or to biogas plants. Finally, they can also switch to other crops and avoid growing beets completely.

The positive emotions of being a beet grower, a certain degree of connectivity, additional profits as shareholders and other advantages of beet growing will probably also in the future limit the danger of growers exiting beet growing. However, this applies only to a certain extent as shown by the long-term grower who stopped growing due to the little profitability, despite being a shareholder and feeling connected to the processor as well as the other growers who mentioned the beet's profitability as the most important factor.

All in all, the relationship between the case processor and the growers seems to be embedded in an external environment that is characterised by increased competition for sugar beets on several dimensions, which challenges the processors supply security. Increased rivalry could be discovered as well as the grower's potential to grow other crops or to grow beets for other uses despite sugar production. Nevertheless, it cannot be said how these factors develop in the future, since Porter's five forces represent a screenshot and its cannot be said how the sugar market develops in the future.

5.2 The growers' important aspects towards the BSR

Following Zineldin's definition of a relationship, it exists of two parties (2012). Nevertheless, SRM has so far concentrated on the buyer's perspective of the B2B BSR and therefore disregarded the suppliers' views. This can be particularly problematic with the dependence on only one major input that is produced by many decentralised suppliers that have to be approached. Therefore, it is helpful to look at aspects that are important for the growers that

were interviewed in this case study, also to reveal potential for improvement that the processor could take into account when developing a strategy and tactics to improve the relationship.

5.2.1 The internal environment

The internal environment draws special attention to the atmosphere of a relationship, that is characterised by e.g. experiences made in former interactions. There are many different relationship quality characteristics and some of them were chosen to be analysed in this study, based on a literature review (see chapter 3.4.2). Zaefarian *et al.* (2016) found **fairness** to be an important but not sufficiently covered factor by research. The growers indicated that they appreciated annual price negotiations between representatives of their grower associations and the processor but were unhappy about the little influence they finally have on the price they receive and the quantity they are allowed to produce. Despite being their most important factors, they can finally only decide to sign or not to sign the contract with the circumstances being given. This reveals a perceived lack of procedural fairness but indirectly also distributional fairness as it influences the distribution of profits between the growers and the processor. On the other hand, it has to be admitted that it is also difficult for the processor to work for more individual contract agreements with so many growers not only with regards to work efforts but also with regards to fairness. The risk is that growers perceive some growers to be better treated, resulting again in a problem of procedural fairness, only at a different spot in the relationship. This might also be a problem when developing more flexibility and individualised contract options, as wished for by some growers.

Since the EU deregulation, the growers perceived a shift of the allocation of leftover quantities away from traditional growing areas towards areas closer to the factories to minimise transportation costs (for an explanation of leftover quantities, see chapter 4.1). This resulted in one grower having to stop beet growing who was very upset after decades of beet growing. Two other growers also perceived procedural unfairness when reviewing that traditional areas were kicked out while others with worse soil and partly only two-year crop rotations with little or no experience in beet growing were able to grow beets less sustainable. It also does not add to fairness that one grower does not get the leftover quantity while another one with the same distance to the factory receives it, because he is delivering to an other factory. Leftover quantities were important for most interviewed growers, who partly doubled the area to grow beets beyond the guaranteed delivery rights that come with being a shareholder or made it clear that they would have contacted other processors without a share of the leftover quantity. Therefore, one cannot only see the importance of leftover quantities but when looking at their allocation, also a strong connection between procedural and distributional fairness. Hence, procedural and distributional fairness seem to be important aspects when growers think of the fairness in their relationships towards the processor, which is also confirmed by Zaefarian *et al.* (2016), who say that a lack can reduce a relationship's stability and performance.

The empirical findings showed that growers were interested in and striving for growing beets in the future with the processor as the customer but they had different views about the processor's **commitment** towards the relationship. Accepting short-term sacrifices was mentioned to be an important factor for commitment (Morgan & Hunt, 1994) but also contributing to stronger relationships in general (Zaefarian *et al.*, 2016). However, with the processors focus on transportation costs for the leftover quantity rather than long-term factors such as a long crop rotations and a sustainable use of the soil, growers perceived room for improvement with regards to commitment. Not every traditional growing area might be profitable in the future and not every grower close to the factor uses a crop rotation that is too short. Moreover, as a price taker on the demand side and with the increased pressure on prices

after the market deregulation, the processor has to keep at least one eye on the costs. Nevertheless, a German wisdom saying that "the profit lies in the purchase" might not only include immediate but also long-term costs, e.g. if pests develop from too short crop rotation. This would result in lower yields and more growers to be approached for the same quantity of beets. Therefore, such decisions about the distribution of the leftover quantities might be painful either way but need to be seen with a long-term orientation to contribute to fairness but also commitment.

The interpretation of the data also revealed that there was a solid level of **trust** in the processor's ability to perform its tasks, referring to trust credibility. As a contributing factor, one could mention the assistance that the processor offers for beet growing which confirmed by a broad base of interviewed growers. However, it was also indicated that since the market deregulation, trust was lost, which can be connected to several factors. Firstly, the communication was not perceived to be complete and honest. Staffing choices in the top management but also the profit distribution between Germany and other markets could not be comprehended. More importantly, the consequences of the market deregulation were not communicated sufficiently with regards to quality and timing. The processors strategies were not revealed and potential negative consequences played down according to some growers. Therefore, it could be observed that non-transparent acting and incomplete communication cannot only positively influence trust as indicated by Gullett *et al.* (2009) but also have a negative effect. They leave room for the growers' thoughts around hidden intentions and potential opportunistic behaviour of the processor which in turn threatens the growers trust benevolence into the processor.

Interdependence and **power** are also important factors that influence the internal environment the relationship is embedded in (Håkansson, 1982). They can be developed during the relationship by adapting to the other party and investing in the relationship in a way that cannot be useful for other relationships. However, such developments cannot be observed between the processor and the growers as processors can offer their assistance also to other growers and growers can decide on a yearly basis on what to grow. On the other hand, interdependence and power reveal the interconnection of the different elements of the conceptual framework as both factors can also stem from the external environment as shown when analysing the competitive forces. Despite its comparably big size, the processor needs its main input sugar beets, whereas the growers have several pillars of income and at least some a few other options to sell to. On the other hand, the processor needs many growers and could try to find others to produce at their offered price. However, this option only works up to a certain price, until not sufficiently enough growers sign up to fill the production capacities. Therefore, one could say that with a decreasing price the interdependence becomes more asymmetric with the processor as the weaker part. This also counts for power as the processor then would have to increase the beet price against its own interest or would lose growers and the access to beets as their critical resource.

5.2.2 The interacting parties

The interpreted findings show that the two parties of this relationship are different with regards to many dimensions. Firstly, the processor and the growers have rather opposing company structures. On the one hand, the investigated growers were family-owned and had a local company focus. They are anchored as their fields around the farm represent their income basis. The processor on the other hand is also anchored with regards to the production facilities but employs several thousand employees, is actively producing and selling in many countries and is owned by its German shareholders. These structural differences leave again room for the growers to perceive vulnerability as a small actor is facing a big one. It also opens up room for

doubts about unreasoned trust and the honesty of intentions on the other side which was expressed in several occasions. Growers doubted whether transportation costs were really unbearable for some regions with the leftover quantity and whether the beet price offered by the processor was as high as possible for the growers. This reveals the importance of communication to reduce the doubt and shows the influence it can have on fairness and trust, again.

Looking at the interacting parties also reveals potential differences with regards to the companies' strategies which might influence the overall relationship. The interpreted results show that the growers did not perceive to be personally important for the processor. Instead, their beets were important, but not where they came from. Connected to that, many interviewed growers disliked that the processor focused more and more on offering a good dividend to the shareholders and therefore pressured the beet price. Even the shareholders among the beet growers saw the beet price to be more than equally important than the dividend. It was emphasised that they earn money with the beets and that the crop itself had to pay off. From the processor's perspective this way offers the opportunity to see what the market can offer and to return leftover profits while making the growers as shareholders feel to be profiting twice. In other words, one could also argue that the processor is shifting some risk towards the growers, which could raise fairness issues, strengthened by the fact that not all growers are also shareholders and would receive dividends. Therefore, it can be questioned if this strategy of "dividend before beet" is contributing to strengthening relationships.

The interpreted findings also showed that growers lacked an understanding of the processor's market strategy to successfully compete under the new circumstances and what these implied for their beet growing, at least within sufficient time prior to the deregulation. One could also observe uncertainty about the future of leftover quantities and the treatment of non-shareholders in the future, again revealing how important it is to communicate completely and honestly.

Within B2B relationships, not only companies interact but also individuals within these companies, as stated by Håkansson (1982). Whereas the contact person on the grower-side is mostly the grower himself, he gets in contact with several people on the other side. Hence, the individual level of interaction should not be forgotten. The interpreted results show that there was a high satisfaction of the growers with the people they were in contact with, with regards to growing issues. Nevertheless, room for improvement could be seen at higher hierarchies as growers perceived a distance and interests and understanding between themselves and them. Therefore, social bonds can be perceived between growers and their contact persons with regards to functional issues but at least prejudices are existent at higher hierarchy levels.

5.2.3 The interaction process

When growers and the processor interact, it is mostly about the exchange of beets, money and information. In their daily routine, SGBs were generally satisfied with the processes of the processor and the smooth running of the interactions as e-mails were answered fast, money was always paid in time and beets collected as promised. Therefore, the interaction process, as the basis for strong relationship, can be evaluated to run smoothly. Nevertheless, growers mentioned desires with regards to less contact persons, more information and flexibility in harvesting and pick-up times. However, the processor will never be able to please every grower of the many thousands for all their factories. Therefore, the attention should probably be placed doing the best they can and with communicating and explaining made decisions. Allowing compromises to be made here and there can increase trust and the willingness to adapt on the

grower's side, too and could therefore represent an option to positively influence the relationship.

As some but not all growers reported to miss personal contact with the immediate contact people, improvements into this direction next to the indicated compromises could foster social exchange in the interaction process. Social exchange in turn has the potential to build trust and bind the growers more to the processor according to Håkansson (1982), based on the prerequisite that financial and product exchanges run smoothly. On the other hand, serving so many growers increasingly personally will require a lot of resources and therefore will only limitedly be possible. Even though some growers liked the idea of more personal contact, others emphasised that they felt (more than) sufficiently served, also with regards to the communication channels limit the way in which personal contact is possible, especially because growers also did not perceive a lack of information around beet growing. Despite the complexity of beet growing and an increased need for assistance that comes with complex products, the growers did not seem to perceive a substantial lack here. Hence, reaching for the advantages that come with increased social exchange via personal communication is especially costly for the processor as a company that faces many suppliers that feel well-informed about beet growing. Lastly, the processor's resource-consuming information offers around beet growing represent a certain degree of adaptation as indicated by Håkansson (1982) as an indicator for its willingness to be active in a strong relationship. However, it is not perceived like this because the growers know about the importance of the beet for the processor.

5.2.4 Summary of the growers' important aspects towards the BSR

To summarise the grower's important aspects, figure 3 was developed which opposes the growers' to the processor's important factors. Analysing the internal environment of the BSR from the growers' perspectives shows that there is room for improvement for some relationship quality characteristics, such as distributional and procedural fairness, trust and commitment. Fairness and commitment issues can be connected to the distribution of leftover quantities and the processor's trade-off between transportation costs and pleasing the growers with a long-term oriented use of soil, mirrored in multiple-year crop rotations. Growers also lacked a clear pledge to the paying beets well instead of concentrating on the paying out dividends.

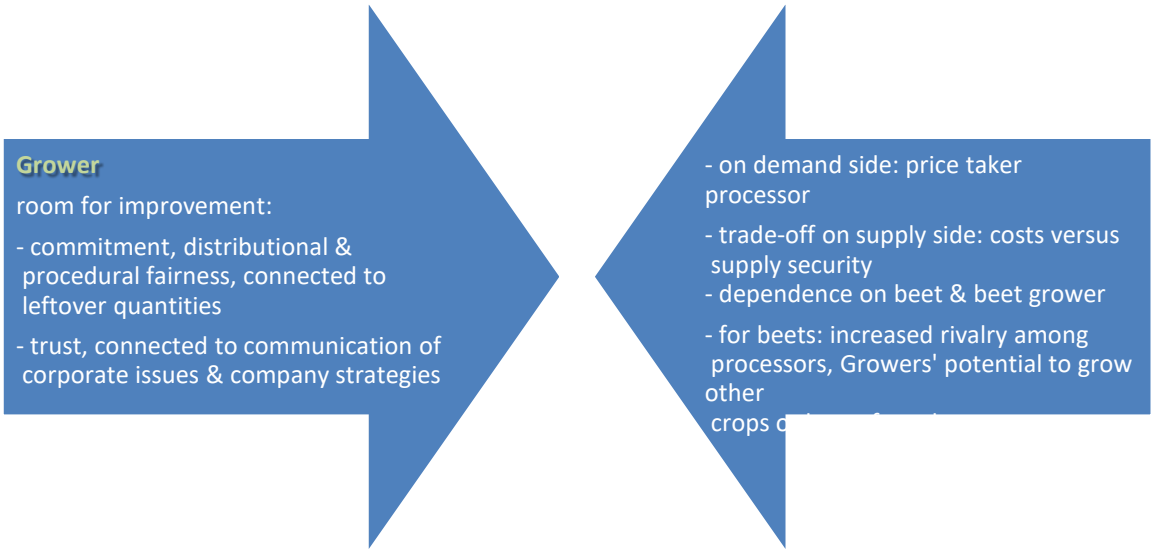

figure 3. Summary of analysed important aspects for the growers, contrasted with the processor's important factors (chapter 5.1.2)

Incomplete information about the processor's strategies and consequences from the market intervention further resulted in a loss of trust and perceived hidden intentions of the processor towards the growers. Growers also perceived a distance towards higher processor company hierarchies. All in all, they perceived the beet to be important for the processor, but not where and from whom it comes from.

5.3 Understanding the development of a strategy and tactics

To understand how a processor can develop a strategy and tactics to improve the BSR and to answer the third research question, one needs to make use of the analysed and discussed findings of the different elements of the conceptual framework. A deeper understanding of a B2B relationship as well as its context must be the basis for developing a strategy and tactics.

With the EU production quota and high minimum prices, the relationship between the processor and the growers was save as the profitability for both was out of question. The market deregulation however showed that the former loyalty of the growers towards the processor cannot be taken for granted anymore as sugar and sugar beet prices dropped and do not speak for themselves anymore and secure their supply. There is no limitation to sugar production anymore, leading to increased competition for sugar beets on several dimensions: increased rivalry could be discovered as well as the growers' potential to grow other crops or to grow beets for other uses beyond sugar production. Hence, long-term relationships with the growers are not protected by the laws anymore and the processor's supply security is challenged.

With only one major input, beets are highly necessary for the processor to fulfil its purpose and to remain in business. It is dependent on the growers' beets and has to adapt to the new market environment to find a way to secure the access in the future. One important way to do so is to strengthen the relationship with the growers, confirming Ford *et al.*'s (2011) and O'Brien's (2014) view of the increased importance of suppliers. As mentioned in chapter 3.1, relationships depend on the subjective perceptions of the parties and can involve different functions and hierarchy levels of a company. Håkansson (1982) states, a relationship can be consciously planned and influenced but – in order to do so – must be actively managed to ensure to benefit from the advantages/ positive consequences instead of suffering from the disadvantages. Combining this complexity with the crucial importance of the processor to gain access to beets shows that the objective of strengthening the relationships with growers requires a structured and carefully developed approach combined with more tangible activities. In other words, a strategy and tactics are required to achieve this goal of improved relationships, which determines the company's success and survival. These are also important because improving relationships will involve many functional areas, revealing a need for labour and financial resources, which should be wisely invested (Ford *et al.*, 2011; Zineldin, 2012).

Researchers like O'Brien (2014) also suggested to develop a strategy and tactics for improved BSRs. However, they emphasise to build and maintain relationships with a critical few suppliers for critical inputs, only. They do not offer recommendations companies with many suppliers that are similarly important as they produce the same good. The processor will always need to have many suppliers as their core input sugar beets must be produced decentralised on the fields. Growers with a higher distance to the factories, connected to higher transportation costs, will therefore also be required, especially when bearing in mind that a crop rotation needs to be fulfilled. The processor will at least in the near future also need the growers that are non-shareholders and produce based on the leftover quantities, as not all shareholders make use of their guaranteed delivery right. Hence, the processor should be very careful with treating

growers differently. Creating an even stronger focus on some growers should therefore be avoided, which is not in line with the theories offered by O'Brien (2014).

O'Brien (2014) also suggests focusing on the buyer's needs towards the relationship and disregards that and relationships, by definition, immediately involve two parties (Zineldin, 2012). Moreover, the value that can be created by BSRs should be distributed to both sides in order to arrive at long-term oriented and strong relationships. Strengthening relationships therefore also implies the processor to make a move towards the growers as it is also about their needs. A strong relationship could not be developed without incorporating their needs and what is important for them, confirming studies by Cheung *et al.* (2010), Zineldin (2012) and Zaefarian *et al.* (2016).

5.3.1 Developing a strategy and tactics for the case processor

In order to develop a strategy and tactics for the case processor in its context, the conceptual framework is not only used to analyse and understand the BSR and its context. It is also used as a practical framework, which indicates the important factors for both parties of the relationship.

To achieve the goal of improved BSR relationships, a strategy could be to *make the growers feel to be on an equal eye-level* (see figure 4). Implementing such a strategy would contribute to the understanding that the parties must mutually profit from the created value of the BSR to arrive at an improved relationship with long-term orientation. This strategy would also help returning the feeling to the growers that they are important for the processor and not just a stable supply of beets (Hemmert *et al.*, 2016). This will also include taking a step towards them and to show to accept bearable losses today, for the good of the growers and the relationship to have a secured supply of beets today and in the future. Even though the large processor might not have to accept compromises in relationships today for gaining sufficient access to beets, the supply of their major input is under growing pressure and might be further challenged as a consequence of the market deregulation. Moreover, relationships and the quality characteristics might need time to develop. To keep the growers away from rivals, selling beets to other industries or growing increasingly other crops, growers have to be sweetened. Therefore, processors may have to take a step towards an equal eye level and implement certain tactics to make the growers feel honestly, respectfully and fairly treated while not being used. They also need to feel to profit from the relationship in a similar way as the processor to reduce the power impression that comes with being a large organisation.

A contributing tactic to this could therefore be to improve the completeness and honesty of communication and information with regards to the future direction of the processor to reduce the growers' perceptions of hidden intentions of the processor and fearing its opportunistic behaviour. Even though honest statements could reveal too much of the internal processes, they contribute to feeling well-informed and also to trust-building and the processor could lead by example in the industry. Moreover, negative opinions and surprises of the growers could be reduced as the processor thoroughly explains decisions.

Another potential tactic to contribute to an equal eye level and finally to improved BSRs is to more actively include the growers of leftover quantities and the non-shareholders, hence to include all growers. This could entail to distribute the leftover quantities not only based on transportation costs but also other factors that could increase the perceived fairness. Growers who can guarantee a three- to four-year crop rotation could receive comparably more leftover

quantities. This would reduce the short-term dividends but could be in the long-term interest of the processor which strives for a supply security in the future, too.

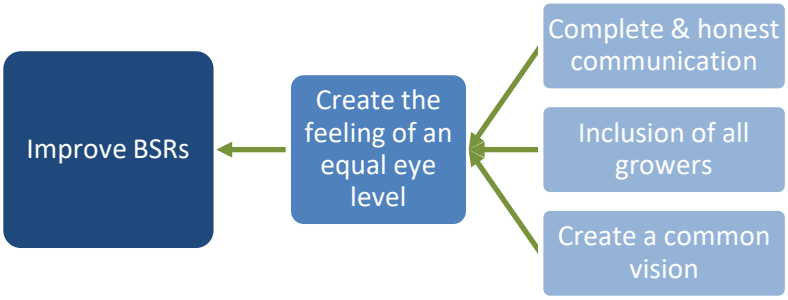

figure 4. Overview of the objective and the strategy & tactics that could contribute to it for the case processor in its context

Create a common vision between the growers and the processor could be seen as another tactic, which connects both parties. Since the findings showed that growers lacked a common perspective on the market, it would be contributing to an improved relationship if they exchange their views on sugar production and beet growing in the future and find a common vision to agree on. This could also reconnect the growers with higher hierarchies of the processor, who they perceived to have a distance to, based on the different backgrounds they have.

6 Conclusions

This chapter summarises the conclusions of the study, how they have contributed to answering the research questions and fulfilling the aim of the study (see chapter1.3). It ends with a look into areas for further research.

SRM was developed after detecting the value potential that lies in relationships within the supply chain and finally also in BSRs. However, improving BSRs through SRM has so far concentrated on the buyer's perspective, disregarding the needs of the suppliers and claimed for improving relationships with a few suppliers that produce critical inputs, only. Moreover, only limited insights were offered, also for companies, about how to understand the often complex B2B relationships and how to develop a strategy and tactics to improve BSRs. Therefore, the aim of the study was *to investigate and critically analyse the development of a strategy and tactics for buyer-supplier relationship management between a sugar food producer and sugar beet growers in the European Sugar Industry*.

As a first conclusion, the study found that BSRs can be unravelled into several interrelated elements that can be used as an analytical framework to gain a deeper understanding of the relationship in its context.

Connected to the framework, one can also conclude that using Porter's five forces model (1998) is an easy and structured option to analyse the competitive environment of the processor. It offers an overview, especially after the EU market deregulation, of the industry's competitive forces, and their influence on the processor's standpoint on the beet procurement towards growers.

Another conclusion is that the EU market deregulation resulted in an end of the politically granted endurance of the BSR between the processor and the growers that was based on minimum prices and production quotas. With the market opening, the competition on the European sugar market increased and resulted in a drop in sugar and beet prices, reducing the growers profitability and incentive for beet growing.

To secure the access to its critical resources, it can be concluded, that BSRs are important for the processor that needs to actively participate in their improvement. This is based on the dependence on the major input sugar beets which need to be produced decentralised on the fields. Beyond that, an increased rivalry among processors as well as the growers' option to grow other crops or to sell the beets to other industries require the processor to sweeten its suppliers.

A further conclusion is that such an attempt to sweeten suppliers is crucial for the company survival and comes with high consumption of labour and financial resources. Therefore, a structured approach of a strategy and tactics is required, in order to efficiently use these resources. This approach can be developed by using the conceptual framework as a practical framework which analyses the relationship in its context and uses analysed important aspects for the parties as a starting point for strategy and tactics development.

It can also be concluded that for developing improved BSRs, a processor has to take steps towards the growers, who ask e.g. for increased fairness and complete communication. Improving BSRs requires mutual profiting for both sides. Hence, a strategy could be to make

the growers feel to be on the same eye level and to accept short-term losses for granting the growers a little more money to secure the access too beets in the long run.

This study contributes to the understanding and improving of B2B relationships and especially BSRs. The identified framework does not only help to understand relationships in the respective context but also to develop a strategy and tactics that support buyers in sweetening their suppliers. BSRs are important for any buyer which is why the framework and its different elements could not only be useful for processors and the food industry but also for other sectors where many suppliers are to be sweetened.

The study further contributes to previous research by showing that SRM and improving long-term relationships can also be about mutual benefiting of the parties, instead of only focusing on the buyer and that suppliers need to please them. Moreover, the case showed that SRM might not necessarily involve focusing on a few suppliers as this might not be possible or wanted.

Lastly, the study contributes to understanding the consequences of politically decided market deregulations for the market and its participants. The increased competition created a need to develop improved BSRs and sweeten the suppliers, in order for the processor to secure the access to sugar beets, the reason of its existence. If the processor cannot ensure a sufficient beet supply, it will be pushed out of business in the long-run, despite being one of the big players in European sugar production. Therefore, the market deregulation challenges the European sugar industry and finally also the European food security with regards to the access of beet sugar as well as food safety, since non-European sugar production it out of hands of European quality controls. This reveals the importance of the BSR not only for the processor but also for the society.

6.1 Further Research

This study focused on investigating strategy and tactics development for the BSR between a processor and growers in the European sugar industry, a unique context. It is therefore suggested to check the implications for SRM by applying it to other industries, too, in order to confirm the gained insights and to further develop the young business area.

In order to gain an even deeper understanding how to influence the relationship quality, more research is needed in the area of relationship quality characteristics as this study based the choice on a literature review that had to rely on studies from different industries and cultural backgrounds. It would be interesting to see how such factors influence relationship quality factors and on which base one can decide which factors are important for a BSR.

Moreover, it might be important to go beyond improving BSRs but, bearing the increased competition and cost pressure in mind, to also develop strategies and tactics to properly end BSRs in a respectful manner that might allow restart relationships in better market circumstances, instead of leaving the BSRs as scorched earth as it could be seen in the disappointment of the growers who had to stop growing.

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Appendices

Appendix I: Interview guide

The semi-structured interviews were held in German and English. An English version can be found here, including categories and sample questions that were asked, depending on the respondents' answers.

Administrative Questions
How old are you?
For how many seasons have sugar beets been grown **on this farm**?
For how many seasons have **you** been growing sugar beets?
Have you always grown beets for the case processor? Are other processors nearby?
Are you a shareholder of the case processor?
When have you stopped growing sugar beets/sugar beets for the case processor?
On how many ha do you grow beets?
How far away is the factory you are delivering to?
Motivation
Why do you grow sugar beets? 3 main reasons
Why do you grow sugar beets for the case processor?
If available: Why don't you grow beets for other processors? Why did you switch to the case processor?
Why don't you grow sugar beets anymore? What has the case processor to do with this decision?
Relationship design
General
Please think about stable, long-term and successful relationships and now look at this scale which reaches from very poor to brilliant. Please show me where you see the case processor on this scale and why you see it there. What is going well with the case processor and what do you appreciate? What are you missing in the relationship with the case processor? What is not going so well? Where are the biggest conflicts and do you think the case processor is willing to solve them?
Now think about the (2) **best business relationship** you have with another buyer of your products. Who is it, where would you put him and why (which factors led you to choose this position)?
Where do you see room for **improvement** in the relationship with the case company?
Has your **rating recently changed**? If so, then why?
Have you **stopped delivering** to a buyer? If so, then why?
Are you **satisfied** with the relationship with the case company? Why/why not?
Have you ever considered **decreasing/increasing** the number of ha of beets? Or even thought about stopping growing beets? Why/why not?

Trust
Which buyer of your products do you **trust mostly** and why? Look at the scale: choose a position for the best one, is it the same buyer as the one you chose to be best? Why did you choose them?
Now determine the case processor's **position**. Do you trust them? Have you always? Why and why not?
Dependence
Do you see the case processor as an **important business partner** for your farm?
Do you perceive that the case processor sees **you** personally as an important business partner?
Fairness/justice
A liberated market offers opportunities and risks - is this **fairly allocated** between grower and processor? Where is it good/bad or even/uneven?
Do you think beet growers are treated equally/fairly **by the case processor**?
Where can the case processor **improve its fairness** towards the growers?
Should all growers be treated equally?
When looking at the scale and the **best buyer**, do you think he is better with regards to fairness than the case processor? If so, why?
Information Sharing
Do you think the case processor **shares all relevant information** that can be of use for you? Which information? (check with other side: green or economic/financial)
Do you perceive the case processor as an **honest** business partner?
When looking at the scale: Does the **best buyer** do a better job with regards to that or any other buyer? What do you like best?
Adaptation
Does the case processor show a **good understanding** of your farm situation? Do you perceive they **act accordingly**?
Do the case processor **employees** show a **good understanding** of your farm situation? Do you perceive they **act accordingly**?
Do you perceive that the case processor is in general engaged in **responding to the growers' needs**?
Do you think the future will require you to **adapt your beet growin**g?
Commitment
Do you think you will **still be growing** sugar beets in 1 or 5 years?
Do you have a **multi-year contract**? Why and why not?
Do you wish to **maintain the relationship** with the case processor?
Daily Routine & assistance
How do you **perceive the communication** with the case processor? (efficient?)
Relative to others, also on the scale: what are the differences? Positively and negatively?
Do you get the **help and suppor**t you need for the best decision-making about your

beet growing? Relative to others on the scale?
Summary
What do you see as the strongest connecting point between the case processor and you? What actions by the case processor support this connection most?
What do you see as the biggest weakness in the relationship between the case processor and you? What should be improved?
If you were a manager at the case processor: What would you improve first and **how**? Prioritise, please.

Appendix II: Illustration of the implementation of thematic analysis in this study

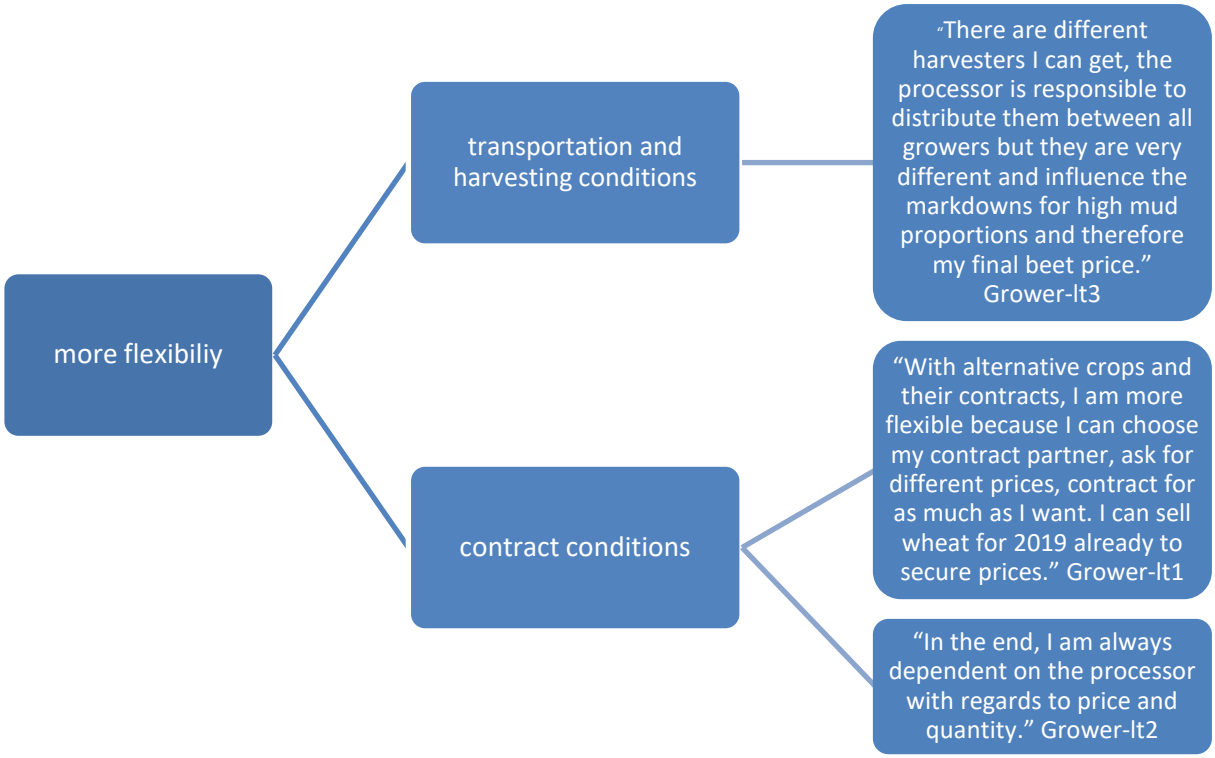

figure 5. Example of the thematic analysis process: theme (left), sub-themes and the citations they are based on.