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Power, Trust, and Commitment in buyer-supplier relationships

A Multiple Case Study in the Manufacturing Sector

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Abstract

Background: Due to increased global competitiveness many firms have started focusing on their core business and outsource sub-processes. Hence, firms are becoming more dependent on the performance of other parties. As a result, supply chain relationships is recognized as a crucial factor to succeed. In regards to this, the understanding of power in supply chain relationship is still limited as argued by scholars. Indeed, researchers are just beginning to explore power relationships within supply chain which is a frequent concern in management practice. Given that, it is relevant to shed light on direct effects of the different kinds of power on important relationship outcomes such as trust and commitment.

Purpose: The purpose of this study was to contribute to the literature surrounding power relationships within supply chain as well as critical relationship elements. Under these circumstances, it seeks to provide answers to the following research questions: (1) *“How do buyers build trust and commitment in a buyer-supplier relationship?”* (2) *“How do different kinds of power influence trust and commitment in a buyer-supplier relationship?”*

Method: A multiple-case study was conducted at two manufacturing companies i.e. Husqvarna Group and Beslag & Metall AB. The empirical findings were collected by conducting semi-structured interviews. Furthermore, a cross-case analysis was carried out to compare and identify similar patterns in both cases. Lastly, these patterns were analysed in order to answer the research questions.

Conclusion: The cross-case analysis revealed the important elements which are determinants in order to build trust and commitment in a buyer-supplier relationship. These elements are collaboration, co-operation, reliability, flexibility, open communication, regular

feedbacks, and quality and price guarantees. Furthermore, when it comes to the influence of different kinds of power on trust and commitment, it was found that reward, referent and expert power have a positive effect. On the other hand, coercive and legitimate power have negative implications.

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1. Introduction

This chapter introduces the main subjects. To begin with, the background information is described to provide context to the information and then the problem statement and purpose are discussed followed by the research questions

1.1. Background

Today's globalization has forced companies to seek effective ways to coordinate the flow of materials into and out of the company (Mentzer, 2001). With this intention, firms are exploring resources outside their own borders and building inter-firm relationships to compete successfully (Su et al., 2008). Hence, organizations are becoming more dependent on the performance of other parties. In supply chain relationships, all involved parties must ensure an effective management of the end-to-end process in order to deliver a valuable product or service for the market.

Under these circumstances, firms tend to develop strong relationships with their strategic suppliers because of the dependence on external resources and the uncertainty of supply and demand (Su et al., 2008). Supply chain relationships should create mutual benefits for all the involved parties in order to enhance the performance and satisfaction of the whole supply chain (Maloni and Benton, 2005) which may be achieved with high levels of trust and commitment (Nyaga et al., 2010).

Trust and commitment are defined as two critical elements for relationship success (Hunt and Morgan, 1994) and firms must know how to build trust and create an environment of commitment in their relationships to lift the supply chain as a whole (Maloni and Benton, 2005). Many scholars have indicated that power, ability of one firm to influence the intentions and actions of another firm (Emerson, 1962), affects these two important relationship outcomes (Fawcett et al., 2011; Ireland and Webb, 2007; Wu et al., 2004; Zhao et al., 2008).

When it comes to power relationship, it controls important elements in supply chain such as the relationship between buyers and sellers, integration within a supply chain, and overall supply chain performance (Bandara et al., 2017). A power target might have a higher share of the value that is created in the exchange between two organizations (Crook and Combs, 2007). Large parts of the literature have shown that less powerful firms in

supply chain are more dependent on others (Maloni and Benton, 2005; Reimann and Ketchen, 2017). Along these lines, it turns out that powerful firms tend to steer the relationships to achieve their own interests (Reimann and Ketchen, 2017).

1.2. Problem Statement

A recent study conducted by Reimann and Ketchen (2017) and published in a relevant journal “Journal of Supply Chain Management” indicate that there are research opportunities surrounding power relationships within supply chain due to researchers are just beginning to explore this stream. This study provides key concepts underlying the current literature by investigating power relationships in supply chain.

It is known that power tensions are caused by the imbalance of power and it influences directly affected the buyer's performance and satisfaction (Maloni and Benton, 2005). However, it is vague the understanding regarding how critical factors of a buyer-supplier relationship can be influenced by different kind of powers.

Given that, it is relevant to understand the precursors of critical relationships elements in order to understand the effects of power. Many researchers have identified trust (Kwon and Suh, 2004; Nyaga et al., 2010; Sahay, 2003) and commitment (Monczka et al. 1998; Nyaga et al., 2010; Palmatier et al. 2007) as two critical relationship factors. However, there is a lack of literature regarding how power can influence these two critical relationship elements according to a supply chain member’s perspective as well as how a supply chain member build these two elements in a specific supply chain relationship.

1.3. Purpose

Given that, this master thesis explores how trust and commitment can be built in a buyer-supplier relationship according to a buyer’s perspective, and how these two elements can be influenced by different kinds of power. With this intention, a multi-case study analysis is presented to investigate a buyer’s perspective.

In addition, the outcome of this research provides precursors that sustain or deteriorate supply chain relationships according to buyers.

This thesis addresses the following research questions:

- 1) How do buyers build trust and commitment in a buyer-supplier relationship?
- 2) How do different kinds of power influence trust and commitment in a buyer-supplier relationship?

2. Literature Review

The purpose of this chapter is to provide the theoretical background to the topic. Critical relationship elements such as trust and commitment are discussed. Additionally, power base and its different types are investigated as well as the influence of power on relationship satisfaction.

2.1. Introduction to Supply Chain

The impact of globalization on supply chains has affected the production of many goods and services by a variety of infrastructures, climates, and cultures (Simangunsong et al., 2016). In fact, it has forced companies to look for efficient ways to coordinate the flow of materials. Being that, firms have started focusing on their core business and outsourcing sub-processes (Sahay, 2003).

Supply chain can be defined as “*set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer*” (Mentzer et al., 2001, p.4). According to the same authors, there are three degrees of supply chain complexity. Firstly, direct supply chain which consists of a company, a supplier and a customer involved in the downstream and upstream flows. Secondly, extended supply chain that includes suppliers of the intermediate suppliers and customers of the immediate customers, all of them are involved in the downstream and upstream flows. Lastly, ultimate supply chain which includes all the organizations involved in all upstream and downstream flows. The *Figure 2.1* shows the three degrees of supply chain complexity.

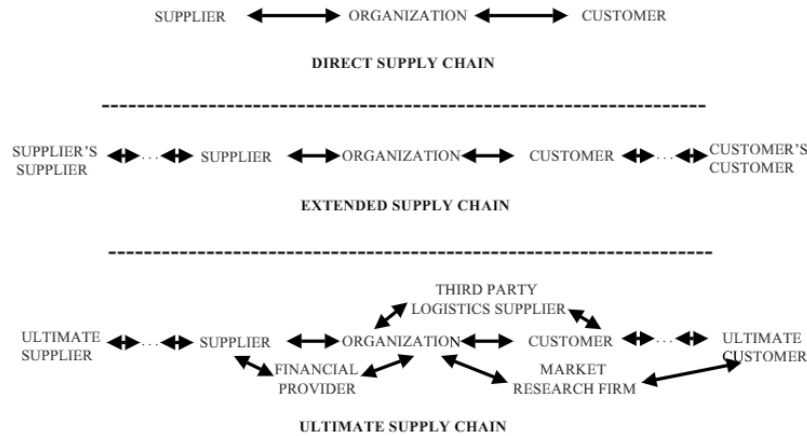


Figure 2.1 Types of channel relationships (Mentzer et al., 2001)

2.2. Buyer-Supplier Relationships

In today's global business world, firms rely on the relationship with external resources to compete successfully with the trend of globalization and transformation (Su et al., 2008). The ability to manage supply chain relationships has been recognized by many scholars as a relevant role in supply chain (Chen et al., 2011; Harland, 1996; Su et al. 2008). The supply chain relationships are established by firms when they want to achieve varying interests and contexts (Ireland and Webb, 2007). Here, both parties must allocate the resources effectively to maintain successful relationships (Ambrose et al., 2010).

In regards to this, a buyer-supplier relationship should be strong to enhance the performance throughout the chain (Maloni and Benton, 2000) and suppliers must be capable to provide exactly what buyers want (Moore, 1998). However, without a satisfied supplier, a buyer cannot be responsive and deliver a product or a service according to the customer's expectations (Benton and Maloni, 2005).

Ambrose et al. (2010) suggest that buyers and suppliers have significantly different perceptions of the dynamics and the strength of buyer-supplier relationships. With regards to exploring this features, Nyaga et al. (2010) indicate that *"suppliers are concerned with inputs to the relationship, such as information sharing, that enable them to improve their performance as well as to provide the buyer with the expected services"* (Nyaga et al., 2010, p. 110). As an example, the information sharing can increase supply chain efficiency by reducing inventories and smoothing production (Kumar and Pugazhendhi,

2012) and also improve performance depending on its quality (Marinagi and Reklitis, 2015).

In addition, Nyaga et al. (2010) conclude that buyers are more focused on trust and commitment which are related to relationship outcomes; on the other hand, suppliers are more concerned with inputs to the relationship which are related to collaborative activities. Supplier satisfaction occurs when buyers are willing to cultivate a beneficial relationship (Maloni and Benton, 2005). *“Suppliers should focus on demonstrating trust and commitment as a way to improve performance and buyer satisfaction since these are the outcomes that buyer’s value”* (Nyaga et al., 2003, p. 10).

In addition, the relationship success depends on the efforts made by supply chain partners (Kannan and Tan, 2006) and it is typically measured by the buyer’s perception of the supplier performance (Zaheer et al., 1998) or by the buyer’s future intentions with regard to relationship continuity (Ambrose et al., 2010). This implies that firms have to build collaborative relationships with their supply chain partners in order to achieve efficiencies, flexibility and sustainable competitive advantage (Nyaga et al., 2010).

Furthermore, Sahay (2003) points out that a buyer-supplier relationship with less power play and more value exchange will create more mutual benefits such reducing risks, enhancing the value delivered from each other and decreasing costs. As has been noted, a buyer-supplier relationship can be influenced by power and it can promote a better performance; however, the power holder should pay attention to a conscious and considerable use of power in order to avoid negative effects on the chain (Maloni and Benton, 2000).

2.3. Critical Elements of Buyer-Supplier Relationships

According to researchers, trust and commitment are critical elements to sustain relationships (Morgan and Hunt, 1994; Kwon and Suo, 2004) and both are strongly related to each other (Chen et al., 2011; Nyaga et al., 2010; Kwon and Suo, 2004). Kwon and Suo (2004) argue successful supply chain relationship requires commitment among supply chain partners, and trust is a critical element to sustain such commitment. Both influences the relationship satisfaction and performance (Nyaga et al., 2010). Also, they facilitate the establishment of productive collaborations and relationships (Ketchen and Giunipero, 2004).

A commitment-trust theory proposed by Morgan and Hunt (1994) has been used as a base of theory for many academic studies (Ambrose et al., 2010; Fynes et al., 2005; Nyaga et al. 2010, Sahay, 2003). This framework assumes that commitment and trust are the key elements to a successful relationship and its combination, not only just one or the other, promotes benefits such as greater efficiency, productivity, and effectiveness.

The authors use the following arguments to justify commitment and trust as a central element of relationship: “(1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically” (Morgan and Hunt, 1994, p. 22).

Morgan and Hunt’s framework suggest that the relationship commitment and trust can be developed when firms attend relationship by communicating valuable information, providing benefits, avoiding malevolently taking advantage of exchange partners and maintaining high standards of corporate values. They argue that these aspects allow firms to develop a competitive advantage maintain successful relational exchanges.

Given that, trust and commitment are reviewed in the following topics in order to provide a theoretical foundation and rationale for our analysis.

2.3.1. Relationship Commitment

Moore (1998) describes relationship commitment as an effort to maintain an ongoing relationship and ensure that it continues indefinitely. An indication of commitment occurs when “members are willing to make short-term sacrifices to maintain their long-term and stability relationship” (Wu et al., 2004, p. 323). Many researchers indicate that commitment is a key success factor that contributes to improving the supply chain relationship performance and satisfaction (Monczka et al., 1998; Nyaga et al., 2010; Palmatier et al., 2007). Morgan and Hunt (1994) argue that various literature on relationships indicate that “parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavour to develop and maintain this precious attribute in their relationship” (Morgan and Hunt, 1994, p. 23). Therefore, commitment can be considered as a critical element that is central to all the relational exchanges.

Based on previous studies, Wu et al. (2004) suggest that determinant marketing variables of supply chain management (i.e. idiosyncratic investments, dependence and product scalability) and behavioural determinants of supply chain management (i.e. trust, power, continuity, and communication of partners) can impact on supply chain management commitment and integration. In addition, the higher level of conflicts can decrease the commitment (Moore, 1998), as well as an ineffective line of communication may inhibit the trust-building process necessary for a successful supplier development effort and ultimate commitment (Kwon and Suh, 2004). Walter and Ritter (2003) has argued that collaboration between firms increase the commitment level of relationship. Gulati (2003) argued that length of relationships has positive effect on relationship commitment because the firm's satisfaction increases over time.

Zhao et al. (2008) examine the relationship among power and relationship commitment. This study classifies commitment in two different ways. Firstly, a normative commitment which is mutual and believes that a partner will not act opportunistically, and secondly instrumental commitment which occurs when a partner accepts the influence of another in hopes of receiving favourable reactions from another party.

2.3.2. Trust

Trust can be defined as one party's belief that its needs will be fulfilled in the future by actions undertaken by other parties (Anderson and Weitz, 1989). Several researchers have described trust as a key element in supply chain relationships (Chen et al., 2011; Handfield and Bechtel, 2002; Kwon and Suh, 2004; Morgan and Hunt 1994, Nyaga et al., 2010; Sahay, 2003). Trust has received a large amount of attention in the study of business relationships because it is seen as one of the most important factors in developing and maintaining fruitful relationships (Sahay, 2003). The level of trust impact directly the relationship and support the development of the partnership (Su et al., 2008). Without a foundation of trust, supply chain relationships can neither be built nor be sustained (Fawcett et. al, 2011).

Evidence of these concepts, it is presented in results of an empirical analysis conducted by Handfield and Bechtel (2002) that surveys manufacturing firms from different sectors. Their research suggests great levels of trust as a key element to explore opportunities for collaboration and information sharing on a regular basis. Additionally, it can improve

supply chain responsiveness with key-input suppliers even in a case where buyers do not have power control. When it comes to inefficient performance, Kwon and Suh (2004) argue that a poor level of trust leads to an excess of verification, inspections, and certifications of their exchanging partners.

Given that, the existence of trust can increase the probability of success (Fawcett et. al, 2011), facilitate greater commitment (Ireland and Webb, 2007), allow each party to believe that needs will be fulfilled in the future (Moore, 1998), decrease the transaction costs (Kwon and Suo, 2004) and endure supply chain relationships (Sahay, 2003).

A study conducted by Fawcett et al. (2011) present a dynamic systems model that elaborates on the process of building trust to improve collaboration, innovation, and competitive performance. The survey shows that the tendency to act opportunistically is prevalent and power-based negotiations are widespread; as a result, relatively few companies are able to leverage trust effectively. *“To achieve collaborative levels of trust, though, trust building initiatives must (1) have time to germinate, (2) deliver consistently positive outcomes, and (3) motivate necessary relational investments. If any of these components are missing, partners stop their progression toward breakthrough, collaborative trust”* (Fawcett et. al, 2011, p. 169). Given that, Fawcett et al. (2011) conclude that to pursue supply chain trust as a catalyst to collaborative innovation, managers should (1) cultivate a collaborative philosophy, (2) scan for value creation potential, (3) cultivate trust-sensitive talent, (4) establish trust-building organizational routines, (5) invest in trust's twin capabilities, (6) align initiatives, and (7) strategically signal your trustworthiness.

It is a common knowledge that trust needs to be developed over a period of time (Sahay 2003). After repeated exchanges, a relationship can progress and trust has the opportunity to develop into goodwill trust; however, it takes time to develop a transparent relationship and to establish a certain level of trust must be present between parties (Kwon and Suh, 2004). Morgan and Hunt (1994) find that opportunistic behaviour in channel relationship can reduce the level of trust.

The study presented by Nyaga et al. (2010) conclude that antecedents of trust (e.g., information sharing) are most important to suppliers while the outcomes of trust (e.g., satisfaction and performance) are most important to buyers. Under these circumstances, the conclusion of this research show that the perception of trust can differ between buyers

and suppliers. *“Trust has a significantly greater impact on commitment and satisfaction with the relationship for buyers than for suppliers”* (Nyaga et al., 2010, p. 111).

2.4. Power in Supply Chain relationships

In this section, it is analyzed power in relationships and its origin and possible influences. Furthermore, power is defined and different classes of power are discussed.

2.4.1. Definition of Power

In today's growing supply chains power is the emerging subject, yet it is still considered to be an underexplored area in supply chain management (Reimann and Ketchen, 2017). In regards to this, power tensions are always present in management business, but they have been neglected due to lack of knowledge. Along these lines, it is presented the meaning of power and what role it can play in supply chain relationships as well as how different sources of power influence relationships.

Power is defined as an ability of one firm to influence the intentions and actions of another firm (Emerson, 1962). Within this conception, power in supply chain is the extent of influence of one firm on another firm (Beier and Stern, 1969; Gaski, 1984).

Power is a perceptual construct that exists in the eyes of the firm that is influenced (Huo et al., 2017). A firm which is undergoing power execution is being in influencing stage where the powerful firm is forcing them to accomplish certain goals and provide certain outcomes.

As previously mentioned, supply chain consists of many firms that are interconnected, and dependence on mutual benefits is one of the aspects that is well noticed in modern supply chains. This dependence introduces power tensions among these firms. The powerful companies having more resources and capabilities can push changes onto other companies. The main reason for power tension is an imbalance of resources and mutual dependence. Along with this, there are other reasons behind power such as expertise, experience, and legitimacy (Zhao et al., 2008).

2.4.2. Classification of Power

There are two approaches to understand power in supply chain (Huo et al., 2017). One is based on the perspective of Resource Dependence Theory (RDT), which describes power as dependence asymmetry and deliberately activated and other is based on embeddedness perspective, which describes power as an outcome of joint dependence. Relationships play important role in joint dependencies of firms. In joint dependence, firms want to maintain relationships due to mutual benefits associated with it (Huo et al., 2017).

The first power bases come from French and Raven (1988), they have identified five types of power as reward, coercive, expert, referent and legitimate power (Maloni, 1997).

A study presented by Huo et al. (2017) classifies power in supply chains according to the source and need of activation. The author has purposed five categories of power which are differentiated as active and passive powers. Passive powers are possessed by a firm and can be used to influence others. While active power is activated in time of need; for example, coercive power is applied when a supplier fails to fulfill delivery and then the firm use its power to change the supplier. This will influence the relationship between two firms and hence it is important to know about different types of powers.

Power can be categorized by the need for activation. Activated power can be activated by intentions for deliberate use (March, 1966; Pfeffer, 1997), to support an anticipated outcome. Activated powers are defined as mediated powers in the literature. There are two types of activated power. Reward power is the provision of a positive outcome, in exchange for desired behaviour or outcome. Coercive power is the willingness to inflict negative consequences or results for nonfulfillment of a certain anticipated behaviour or outcome. (Gundlach and Cadotte, 1994; Kumar et al., 1995).

In contrast, passive power (non-mediated) is possessed (already present in the firm), rather than purposefully triggered (Brown et al., 1995; Ke et al., 2009). It is grounded on a firm's perceptions of another firm's power; thus, it is supposed as inherent to the other firm. Passive powers are considered as hereditary properties of a firm. There are three types of passive power. Expert power results from the acknowledgment of expertise to another firm (Branyi and Jozsa, 2015). It is worth saying here that information power is sometimes included as a type of passive power, the difference between expert power and information power is very delicate (Ke et al., 2009). Referent power is described as the longing to recognize with and be similar to a highly honoured/admired firm (Czinkota et

al., 2014; Frost & Stahelski, 1988; Raven et al., 1998). Legitimate power originates from the value that a firm is obligated to accept another firm's influence (Pfeffer, 1997; Sullivan & O'Connor, 1985).

These types of power exist within a formation of a supply chain, supporting or compensating each other. The *Figure 2.3* illustrates the types of power as mediated or non-mediated powers.

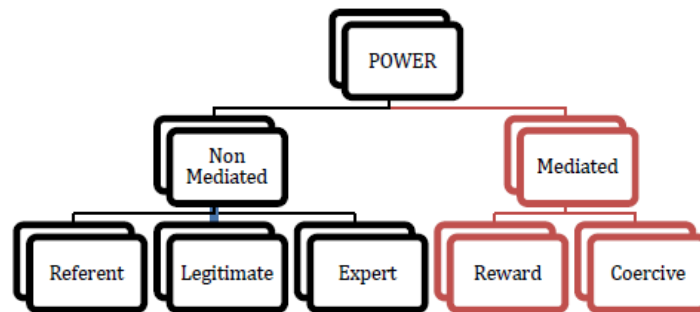


Figure 2.2 Types of power (Zhao et al., 2008)

Reward power

Firstly, defined by French & Raven (1959) as “*the ability of the power holder to administer positive valences and to remove or decrease negative valence*”. Simply it is ability to reward the target firm if a certain goal is accomplished. A firm operating in supply chain depend on each other to achieve the competitive advantages, the firm being more powerful promise positive outcomes. On accomplishment of targets the reward is generated, and hence it leaves a positive impact on relationships of both firms. In supply chain rewards can be viewed as reduced prices, faster shipments and better services (Maloni and Benton, 2005).

Coercive power

Coercive power exists when the customer has the ability to provide punishments. It is also termed as punishment power. It is defined as an ability to punish the target firm if a certain outcome is not achieved. Punishments can be of many types including penalties, switching/changing the buyer or supplier etc. This means that the customer is able to stop the business activities with the manufacturer (Flynn et al., 2010). Execution of coercive power results in bad impacts on firms relationships.

Expert power

Expert power takes place when the firm in supply chain has the knowledge, the expertise or the skills which are needed or desired by other firms (Zhao et al., 2008). Decision making becomes easy for that firm who has expert knowledge of the business in all fields. The source has a distinctive knowledge, information, and expertise that are valuable for other members of the chain. In supply chain context, firms lacking knowledge try to follow the firms with expertise in knowledge and business (French & Raven 1959).

Referent power

Referent power is the desire of one company to identify with another company (manufacturer and customer) for recognition by association (Maloni and Benton, 2000). It is also termed as identification power. Generally, the target allows influence by the source to maintain identification by the source. This power originates from respect, affection, and admiration of others. In supply chain context the partners may respect or admire other firm's business practices or services, by doing this a sense of being obligated to follow or obey the source firms is created. Long-term relations have naturally aspect of affection and admiration (Zhao et al., 2008).

Legitimate power

The legitimate power means the natural power that a company possesses (Flynn et al, 2010), whereby the target is of the opinion that the source has the right to obtain influence (Maloni and Benton, 2000). In this power, the source has the legitimate right to influence others behaviours. Role and position is the main source of legitimate power. Firms operating in higher scales with better power positions can easily influence other firms by using legitimate power. For example, powerful firms can force new checks and balance in the normal routines of the business because they have powerful role above the other firms. In worst conditions, the excessive use of legitimate power sounds like dictatorship.

2.4.3. Power and relationships

In a supply chain, the buyer-supplier relationships are greatly affected by power. Power plays an important role in supply chains and each source of power has a different effect on firm's relationships (Maloni and Benton, 2005). It is important for firms to know their own powers and influences in different scenarios. Managing power and coping with influences on relations is important for firms (References). A stronger buyer-supplier relationship will have positive effects on whole supply chain performance (Maloni and Benton, 2000). While an unbalanced power situation will lead to organizational distress and hence affect the relationship between the firms and these power tensions will translate in whole supply chain affecting the performance.

Relationships require a great deal of collaboration, coordination and information sharing. In a supply chain where tensions are present, firms are reluctant to some extent to collaborate and share information. One reason can be that sharing too much information with the partners can result in loss of power (Berry et al., 1994).

A study from Hanfield and Benchel (2002) concludes that powerful suppliers are not as responsive to buyer's demands, and have longer lead times, less reliable delivery performance, and lower levels of schedule responsiveness. This in return will influence the commitment of the buyer, hence affecting the relationship.

The non-mediated power base has a positive implication on the buyer-supplier relationship as compared to mediated power sources (Maloni and Benton, 2005). The influence of power on buyer-supplier relationships directly affect buyer's performance and satisfaction.

2.4.4. Power and Trust

Power and trust can be used to create cooperation in supply chain (Ballou et al., 2000). Ireland and Webb (2007) study these two elements and recognize that when firms manage these two elements simultaneously in supply chains, they become more fully committed to supply chain efficiency and effectiveness. Additionally, a balance of both elements within the supply chain mitigate risks associated with the behaviors underlying shared values among organizational partners. Given that, *“by understanding the dynamics of trust and power, firms can strategically adjust social relations to achieve desired*

outcomes” (Ireland and Webb, 2007, p. 487). It also implies that trust and power are relevant components for achieving competitiveness within socioeconomic relations.

Furthermore, a power holder must create an environment of trust to assure the target that competitive power sources will not be exercised (Maloni and Benton, 2000). Once a power holder act opportunistically by exercising coercion, the trust within the relationship will be mitigated. In fact, a relationship characterized by goodwill trust offset the need for non-coercive power and reject a role of coercive power (Ireland and Web, 2007).

Maloni and Benton (2000) investigate the effect of power on critical relationship elements by investigating the automotive industry. They propose that coercive and legitimate power have harmful effect on trust because they damage the relational orientation of the supply chain. These due to the fact the integration among supply chain members is affected negatively. On the other hand, the use of referent and expert power effect the relationship positively because high levels of trust are perceived when they are used. It promotes a closer relationship with the power holder which may affect the level of trust positively. In their research, the findings are not conclusive when it comes to reward power due to the fact that the target may mistakenly interpret rewards as an intention of coercion.

In addition, Maloni and Benton (2000) argue that expert and referent power bases indicate how power can be used to enhance supply chain relationships and it may be used to promote a better coordination and effectiveness. Given that, buyers have to recognize their own level of power and then develop their supply chain strategies.

2.4.5. Power and commitment

Influence of power on relationships commitment is very complex as argued by Chae et al. (2017). Use of power in supply chain relationships directly affects the channel relationship in which commitment is a key element (Brown et al. 1995). Proper power usage will positively affect commitment within the relationship, while the inappropriate use of power will negatively affect the commitment. Opportunistic behaviours lead to deterioration in trust and relationship commitment (Zhao et al. 2008).

Commitment in a relationship can be seen as an extrinsic commitment that means economic guarantees and relationships based on this commitment are short-term (Brown et al. 1995). This type of commitment involves usually reward power in form of economic

or other incentives, and coercive power in form of economic punishments (Brown et al. 1995). Zhao et al. (2008) argue that coercive power has a negative effect on relationship commitment which is based on the calculation of benefits and costs. On the same rational, Zhao et al. (2008) argue that reward power has positive influence on the supplier's commitment based on a calculation of benefits and costs.

Theoretical evidence shows that more powerful firms are likely to use mediated power more frequently (Gundlach and Cadotte, 1994). It is evident from the theory that excessive use of mediated power is likely to damage cooperation between supply chain members hence affecting negatively normative commitment (Skinner et al. 1992). Furthermore, Brown et al. (1995) argue that when buyer has more power than supplier, under this condition the use of mediated power by supplier is unacceptable and annoying to buyer and they try to hit back, which indeed negatively affect the relationship commitment. Therefore, it can be concluded here that if buyer use mediated power being more powerful than supplier, than it has positive influence on relationship commitment. It is due to the fact that suppliers tend to have a long term relation with the buyer. Furthermore, *"the use of mediated power is negatively associated with normative relationship commitment but is positively associated with instrumental relationship commitment"* (Brown et al., 1995 cited in Chae et al., 2017). Adding to that, Chae et al., (2017) also suggest to using coercive power in combination with reward power to minimize the negative effect.

On the other hand, the commitment can be seen as intrinsic commitment which involves values, affections, and impressions. Brown et al., (1995) argue that intrinsic commitment types are expected to be long-lasting and more persistent. And this type of commitment is usually influenced by non-mediated powers such as referent power, legitimate power and expert power. Research has shown that more powerful firms use non-mediated power to preserve their relationships (Brown et al., 1995). Skinner et al. (1992) argue that supplier use of non-mediated power increases the relationship normative commitment. Furthermore, Chae et al. (2017) argue that low levels of mediated powers in buyers will result in low levels of relationship commitment. A higher level of non-mediated power will affect the relationship commitment positively. Zhao et al., (2008) argue that non-mediated legitimate power has no effect on relationships commitment.

Maloni and Benton (2000) confirm a positive relationship between both expert and referent power and normative relationship commitment, while they argue that legitimate power is negatively related relationship commitment.

Zhao et al (2008) claim that normative relationship commitments improve (indicating positive affect) the firm's performance. While Brown et al. (1995) claim that instrumental relationship commitment has a negative effect on firm's performance (cited in Chae et al., 2017). Maloni and Benton (2005) discuss the importance of power awareness as well as recognition of power as a valuable approach for increasing the satisfaction of the entire supply chain. Furthermore, they suggested that the power holder must create an environment of trust to assure the target that competitive power sources will not be exercised that will damage the satisfaction between partners.

Skinner et al. (1992) argue that satisfaction has a positive relation with cooperation and collaboration and negative relation with conflicts (clashing environment).

In the absence of satisfaction members of supply chain are unable to create an environment of trust, commitment, and cooperation (Maloni and Benton, 2005). If buyer-supplier satisfaction is present, this results in loyalty (Anderson and Weitz, 1992) which in turn has a favourable effect on the strength and length of the relationship.

A relationship which has a persistent degree of satisfaction usually creates an environment where the trust-building process between the firms become much more beneficial (Kwon et al., 2004). In addition, a disproportionate or mismatched commitment arises due to an asymmetric distribution of power in supply chain and this may result in dissatisfaction, conflict, opportunistic trends, and subsequent decline of the relationship (Anderson and Weitz, 1992; Gundlach et al., 1995). In the same way, trust may be damaged by an unnecessary use of power by one firm that will result in declined satisfaction trends and hence affecting the relationship negatively.

3. Methodology

The third chapter explores the methods that were used during the study. It provides details of how the study was conducted and designed. The research approach is described as well as the important issues regarding trustworthiness and ethical considerations.

3.1. Research design

A research design is created to help researchers to explain how the data will be analysed and how this will provide answers to the central questions of the research (Easterby-Smith et al., 2015). The essence of this is to explain and justify what data is to be gathered, how and where from. Being that, the following lines of this section describe how the analysis was conducted and how answers were provided.

To begin with, we firstly defined a purpose for our thesis. As previously described in *Chapter 1*, the purpose of our thesis is to explore the buyer's point of view regarding building trust and commitment in buyer-supplier relationships and investigate how power influence these two critical factors in a buyer-supplier relationship. Next, we investigated the academic literature to identify the research gaps related to the field of study. Here, it was used credible academic sources within the topic which provided us an important knowledge. Then, we formulated two research questions which are presented in the *Section 1.3* in order to explore and fulfil the gaps found in the literature. Both questions begin with "how" which indicates the aiming to provide an explanation to certain events in their context. After creating the research questions, we collected the empirical data by conducting interviews with experienced employees who work in departments related to explored field. The aim of conducting face-to-face interviews was to collect different point of views to make our research credible and accurate. In order to analyse the collected data, we made a cross-case analysis to enhance the researches capability to understand how relationships may exist among cases. Lastly, we answered the research questions by analysing the empirical findings and exploring the theoretical framework.

3.2. Research approach

This thesis assumes an epistemological framework identified as social constructionism also known as constructivism. The idea of social constructionism focuses on the ways that people make sense of the world especially through sharing their experiences with others (Easterby-Smith et al., 2015).

With this concept, Easterby-Smith et al. (2015) argue that a social scientist should not only be to gather facts and measure the frequency of patterns of social behaviour, but also to appreciate the different constructions and meanings that people place upon their experience.

The same authors argue that this research approach is used when small numbers of cases are chosen for specific reasons. We carried out multiple interviews in two manufacturing companies and focus in depth what the employees who have a relationship with suppliers have to say. In addition, the empirical data collected is dependent on each respondent's point of view that implies that there may be different truths.

3.3. Case Study

According to Yin (2014), the choice of research strategy depends on the type of research question and research focus. Case studies are a suitable approach when it comes to investigating the social constructionism because case study interviews are made of words that describe human experiences (Easterby-Smith et al., 2015). The thesis explores how to build relationships elements and investigate how power affects them and these "how" questions is well-answered by using case study (Yin, 2014). Therefore, case study method is chosen to explore the research questions in accordance with above references.

Ridder (2017) defines case study research as a systematic study of a real-life phenomenon in-depth and within its environmental context and Yin (2014) argues that research design and existing theory is the starting point of a case study research. Along these lines, selecting the case is a complex task, but a clearer outline of the purpose of study helps in defining the selection criteria of cases.

Yin (2005) suggests that all case studies should have clear designs produced before collecting data, and these designs should cover main questions or propositions, unit of analysis, links between data and propositions, and procedures for interpretation of data.

The case study examines and observes in depth one or more organizational events over time. The choice of one case or multiple cases depends on the research design and intended learning outcome. To make our research credible and accurate, we examine two different companies. Being that, we use multiple case studies because it is more robust and convincing (Yin, 2014). Lastly, case studies are categorized depending upon the nature and purpose of the study. We chose exploratory case study to conduct our research and explore how trust and commitment are built and also how different kind of power influences these two elements in a buyer-supplier relationship.

3.4. Selection of Case Companies

Two large companies which part different supply chains are were selected due to the fact of investigating the buyer's perspective regarding the research questions. Given that, interviewees could mention the effect of the studied elements on its supply chain.

When it comes to the companies, the selected companies are Husqvarna Group and Beslag & Metall AB which are manufacturing companies who sources from various suppliers. Their supply chain may be fully influenced by their suppliers. It is worth mention that the interviewees of both companies are based in the facilities located in Jönköping, Sweden. Another reason for selecting these two companies is that both authors work for them. In reality, this facilitates the communication and information handling process during the interview phase.

The process of selecting interviewees from both companies was initiated with the precaution in order to select participants that have a considerable experience in the field and an understanding of the company's supply chain. We interviewed four experienced employees in each company and each interview took approximately thirty minutes.

3.5. Data Collection

The two types of data collection can be differentiated between quantitative or qualitative. Qualitative data can be defined as pieces of information gathered in a non-numeric form and by the interactive and interpretative process in which they are created; on the other hand, quantitative data can be defined by their numeric form and be analysed by quantitative methods (Easterby-Smith et al., 2015).

In order to collect qualitative data, researchers have to pay attention to what they consider worthy of attention (Stake, 1995). "*Qualitative research tends to be more explorative in nature and involves open-ended rather than pre-coded questions and responses*" (Easterby-Smith, 2015 et al., p. 376). The mode of data creation has an important implication for how data should be analysed, and it may be developed by the researcher (i.e. interviews must be prepared; pictures must be taken, and field notes must be written) (Easterby-Smith et al., 2015).

3.5.1. Interviews

Primary data is defined as the data collected directly by the researcher and it may be pulled by using methods such as interviews, surveys, and observations. These types of methods can lead the researcher to "new insights and greater confidence in the outcomes of the research, which is very useful for students wishing to use their research experience as a basis for subsequent careers in management consultancy" (Easterby-Smith et al., 2015).

Being that, to achieve the purpose of this master thesis we conducted a qualitative face-to-face interview in the company's facility to collect the data that captures the interpretation of the phenomena. All the participants received an information about the interviews prior to the meetings. As a result, the respondents had time to prepare for the questions.

The interviews were executed by using a semi-structured format that contains a list of questions that can be addressed in a more flexible manner (Easterby-Smith et al., 2015). This creates open dialogues and enables the participants to follow their personal perspective. We informed the topic to the buyer in advance and address questions in a

more flexible matter. The interviews were documented to check and recheck the data during the entire research. It is worth to say that there is no research bias in this study and the participants' answers were not influenced by the researchers.

The questions in the first section of the interview guide aim to obtain more information about the background as well as a clear understating about the company operations. These first questions also act as an “ice-breaker” that makes the response to feeling appreciated (Easterby-Smith et al., 2015). In the next section, the questions were created to understand the buyer's perspective regarding how they build trust and commitment in their relationship with suppliers and how power influence trust and commitment in this relationship. Lastly, towards the end, we asked the participants whether they have anything to add. The interview guide can be found in *Appendix 1* for more detailed information.

As each participant may interpret the terms “trust”, “commitment” and “power” in a different way, we have three starting questions in the beginning of each section to know whether all participants have the same understanding about the terms. In fact, with this approach, we could know the existence or not of different interpretations among participants regarding the three terms. The interview questions can be found in *Appendix 2* for more detailed information.

3.5.2. Secondary data

When it comes to secondary data, it refers to the data collected by someone else and can be found on sources such as archival data, books, advertisements, articles, company websites and government reports. The main advantages of secondary data are saving time, possible high quality and historical perspective; however, the disadvantage of secondary data is that it may not correspond to the research that we want to investigate (Easterby-Smith et al., 2015). As a result, when using secondary data, it is important to carefully review the quality of the source and classify whether it is relevant to the study.

Under those circumstances, the secondary data are used as a complement to obtain more information regarding the firms. In regards to this matter, the buyer's website is a valuable source that has relevant information regarding the firms.

3.6. Analysis of the empirical material

Qualitative researchers often face a common issue of condensing highly complex and context-bound information into a format that tells a story to fully convince others (Easterby-Smith et al., 2015). Being that, the empirical findings were transcript into written text to identify fragments, reduce complexity and eliminate possible mistakes. This process of qualitative data analysis is performed by summarising, categorisation and structuring of data to find patterns (Saunders et al., 2009). To ensure confidentiality, we excluded confidential information before the transcription phase. In fact, patterns were found after transcribing the data which helped us analysis of data.

According to Easterby-Smith et al., (2015), researchers have to prepare all the relevant data that has been collected systematically in the appropriate format and also store it to prevent unauthorized access. Based on this perspective, we archived and backed up our findings in a place that meets the standards of data protection.

We analysed the empirical data of both companies separately. The relevant arguments for our thesis were selected and quoted in *Chapter 4*. In order to analyse both cases, a cross-case analysis was used to facilitate a greater understanding of the events. According to Eisenhardt (1989), to examine the findings from more than one case (multiple case study) a cross case-case analysis is helpful in finding the differences and similarities.

3.7. Trustworthiness

Guba (1981) defines four quality criteria to ensure trustworthiness and these are credibility, dependability, transferability, and confirmability. All of these quality criteria were taken into account during our study. Credibility supports confidence in the “truth” of our findings, dependability shows that our findings could be repeated, transferability sustains that our findings can be in other context and confirmability reports our degree of neutrality.

In addition, our research was also based on Yin (2014) who identifies tests for judging the quality of research design. In general, the concepts that have been used for these tests

include trustworthiness, credibility, confirmability, data dependability (U.S. General Accounting Office 1990, cited in Yin, 2014). These four tests validity, internal validity, external validity and reliability which are explained below.

3.7.1. Construct validity

Construct validity is defined as “*establishing correct operational measures for the concepts that are being studied*” (Yin, 2005, p. 32). In regards to this thesis, this was ensured by conducting multiple interviews in relevant departments of both companies, identifying patterns that work as evidence for our research, and rechecking the findings with interviewees to confirm our interpretation. We used recognized research methods as well as great detailed description underlying thoughts.

3.7.2. Internal validity

Internal validity is defined as “*establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships*” (Yin, 2005, p. 32). However, this validity test is not appropriate for exploratory case studies, which is our case.

3.7.3. External validity

External validity refers to establishing the domain to which a study’s findings can be generalized. As a result, the findings can be applicable in other contexts. We used a detailed description of the research to ensure that our study can be used for further researchers which were a way to achieve external validity.

3.7.4. Reliability

Reliability refers to “*demonstrating that the operations of a study such as the data collection procedures can be repeated, with the same results*” (Yin, 2005, p. 32). In our thesis, the reliability is ensured by taking interviews in person and transcribing them as

valid text. All the gathered information was from reliable sources. The respondents are experienced employees and collected data was trustworthy. We investigated specific buyer-supplier relationships with clear open questions and the respondent's answers were according to a specific case with their suppliers in mind. It implies that if a similar study is conducted with the same perspective, purpose and buyer-supplier relations, it would most likely generate similar findings.

3.8. Issues of Ethics

There are many ethical challenges that have specific implications for qualitative research (Casey 2010). It is acknowledged in theory that ethics is subjective (Schwandt, 2000) and participants have different perceptions about ethical behaviour. Therefore, it is crucial that all participants are well informed beforehand (Berg 1995; Holloway and Wheeler 2002).

It was important to understand ethical implications of the study on the person being interviewed or the company itself. By its nature, a case study research has an intense interest in personal views and circumstances. The participants involved in the process are at risk of exposure and embarrassment if private details are disclosed (Stake, 2000). It is the responsibility of the investigator to make sure that there is no harm. That supports in building confidence among partners and results in qualitative knowledge sharing.

There are ten principles of ethical practices regarding protecting the interests of research subjects and integrity of the research community through ensuring accuracy which is described by Easterby-Smith et al., (2015). These principles are (1) include ensuring no harm to participants, (2) respecting dignity, (3) informed consent, (4) protection of privacy, (5) confidentiality of data, (6) anonymity of individuals, (7) declaring affiliations, (8) transparency, (9) validity, and (10) reliability. All these principles were strictly applied in the interview process and prior the interview the participants were informed about them.

In fact, maintaining confidentiality may be difficult in qualitative research due to the detailed descriptions used to illustrate the case an intense interest in personal views of the employees. However, confidentiality issues can be addressed at an individual level by

using no names to protect the privacy. As both authors work at the two companies, the ethical issues of transparency and trustworthiness are already known.

4. Empirical findings

The empirical findings obtained during the data collection process are presented in this chapter. Firstly, it is introduced the manufacturing company and the case description followed by the topic relationship with suppliers and lastly, it is reported the buyer's point of view regarding each topic.

To begin with, all of the respondents are experienced employees who work in Husqvarna Group and Beslag & Metall AB. In addition, all interviewees of these two manufacturing companies are located in Sweden. In order to protect their interest and primary data, the participant's identity will remain totally confidential. The collected information refers to the participants' experience as buyers who have a relationship with external suppliers. All information given arose from the conducted interviews with exception of the introduction which was taken from the company's website.

With this aligned, we proceed to the open questions. Here, we only present the relevant answers for our master thesis. Therefore, the interviews are reported in a compiled order which enables the reader to understand and follow our investigation. At the end of this chapter, we perform a cross-case analysis in order to find similar elements in both cases. This enables us to delineate the combination of factors as seek an explanation to the research questions.

4.1.Husqvarna Group

Husqvarna Group is among the oldest companies in Sweden and it is one of the world's largest producers of products for forestry, gardening and construction. Its products portfolio includes chainsaws, trimmers, brush cutters, cultivators, garden tractors, and mowers. These are sold under several brands via dealers and retailers to consumer and professionals in more than 100 countries. The company is a global sourcing actor that sources from suppliers worldwide that contribute to fulfill its sourcing vision. Its business is a brand-driven organization, with four separate reporting divisions that operate on the

principle of having strong, focused and empowered channels with all the functions needed in order to drive business towards its desired goals.

One of the Husqvarna Group's strategy is to maintain the world leadership in its products by providing customer benefits and exceeding customer satisfaction through the highest quality, latest technologies and cost-effective solutions made possible by utilizing the strengths of our supplier base. Husqvarna Group has a code of conduct based on universal core labour standards that aims at building and sustaining a long-term relationship with all stakeholders.

4.1.1. The Case Description

We interviewed Husqvarna employees that work in the purchasing department located in Huskvarna. The participants work in a division that operates globally which majority of its sales are generated in Europe and North America. The interview was based on the questions found in Appendix A.

4.1.2. Relationship with suppliers

In order to comply with the principles of the Husqvarna Group code of conduct, all new suppliers have to incorporate its set of rules. The company carries out regular audits of suppliers' quality and environmental work to make sure that suppliers are complying with terms. Husqvarna Group expects that suppliers shall communicate the code of conduct and environmental requirements to all contractors and co-workers that are involved in the production of its products. All suppliers must answer a questionnaire that is used as a follow-up in future audits and they need to be prepared to show the required documentation if requested. Under these circumstances, the suppliers shall comply with all relevant and applicable laws and regulations pertaining to environment, social and working conditions.

In order to achieve these needs and desires, Husqvarna Group supports a transparent decision-making process with their suppliers. Moreover, it encourages open communication channels, creativity, and continuous improvement to identify and solve problems. The company is always committed to working with suppliers to facilitate their

commitment in complying with Husqvarna Group code of conduct and environmental policy. It also coaches and mentors the suppliers to remove all non-value-added activities by treating them with honor and respect. A participant argued that *“education, training and workshops together with suppliers enable both to find common improvements”*.

Based on the win-win strategy, Husqvarna Group teams up with committed suppliers to leverage the strategic and operational capabilities of both organizations to achieve excellence. Suppliers that show progress towards meeting the sustainability goals are rewarded and recognized. This process stimulates cooperation and a long-term relationship.

In addition, to enhance the degree of cooperation, various forums are set up to address common agendas. Through extensive collaboration in areas of cost efficiency, supply chain flexibility, quality and innovation, it believes the coalition will harness the strengths around both parties and combine them to create significant and long-lasting benefits. According to the company’s perspective *“By being a responsible business, providing sustainable components and acting efficient and safe in your operations, a supplier will contribute to improving both your own sustainability performance but also our performance.”*

The general terms and conditions for sourcing of direct and indirect material as well as the code of conduct are published on Husqvarna’s website. As a result, all potential future suppliers have the necessary information before negotiating with the company. An onboarding process is always initiated by the Husqvarna sourcing department to evaluate the supplier based on a self-assessment template. Here, the company certifies that the supplier is aware of the restricted material list, code of conduct, supplier code of business ethics and managed system accredited.

When it comes to evaluation of supplier performance, Husqvarna uses a scorecard on a quarterly basis to provide an accurate and detailed data. This evaluation aims to give a transparent input to the suppliers as well as strengthen the collaboration between both parties.

4.1.3. Building Trust

In order to know whether the participants have a similar understanding regarding the meaning of trust, we firstly told a definition of trust to the participants. All of them agreed upon Anderson and Weitz's (1989) definition that argue trust as one party's belief that its needs will be fulfilled in the future by actions undertaken by other parties. With this aligned, we proceed and asked the participants the open questions to understand how trust can be built.

All respondents identified trust as a critical element in a business relationship. The participants argued that *"trust is an important factor to start a mutual cooperation"* and *"...without trust it is hard to establish a positive relationship and good performance"*. Furthermore, one of the Husqvarna's values is to seek the customer's perspective in all activities; with this goal set, participants really care about what product they will offer to their customers. According to them, the company relies on its providers and the existence of trust in a buyer-supplier relationship is an important element to ensure high levels of quality. According to a participant, *"...the quality that the suppliers deliver is an indicator that we can trust or not in this relationship"*.

For the interviewees, trust is a dynamic element that changes over time. According to the participants, the level of trust can increase over time if there is no conflict in the relationship. Another reason for developing trust was highlighted by a participant *"...information quality and respect lead to high levels of trust"*. Furthermore, a participant added that *"Trust can be developed by honoring the agreements and respecting the contracts which were established at the beginning of the relationship. These variables can be measured by establishing KPIs before signing contracts"*.

When it comes to trust deterioration, participants mentioned that trust can decrease if the supplier misuses the information or not comply with the requirements. All the respondents argued that it is important to promise only what you can perform, otherwise the level of trust will decline. A participant argued that *"From my perspective trust can be directly impacted if the supplier misuses the information given in confidence or fails to confirm terms."* and *"Trust decreases if the supplier does not meet specifications, delivery dates, and lead times"*. In addition, a participant also argued that *"Ineffective*

communication reduces the level of trust because it creates misunderstandings and possible problems”.

According to the participants, when they start a relationship with new suppliers the level of trust can be influenced by the supplier’s reputation in the market. According to them, this factor can influence the whole trust-building process.

A participant told that *“If we have a relationship with a supplier, it is because we trust its services”*. This is due to the fact that all suppliers must comply with the company’s mandatory requirements and sign a supplier contract to be qualified for a relationship with Husqvarna. According to a participant *“In order to start a relationship, our high-quality standards must be fulfilled by our suppliers. The supplier’s performance demonstrates whether they can deliver what was promised and this is tracked by us”*.

4.1.4. Building Relationship Commitment

Our chosen definition of commitment based on Moore (1998) *“relationship commitment is an effort to maintain an ongoing relationship and ensure that it continues indefinitely”* was given to participants and it was agreed by all of them. However, a participant extended the definition and emphasized the following *“...commitment supports a long-term strategy and allow the partnership to be strong which leads to innovation and improvements”*.

A participant mentioned relationship commitment as an important variable to ensure an effective supply chain *“Supplier commits to different aspects such as price, lead times, availability and flexibility. As a manufacturing company, we completely depend on our supply chain, and the first steps of it are out of our hands”*.

Respondents also mentioned in their answers that trust is as an important factor to develop relationship commitment. A participant mentioned that the supplier value plays an important role in relationship commitment *“The corporate values that guide the suppliers can influence the relationship commitment. The future of the relationship depends on each company values and priorities of each organization. Some suppliers are more active and it shows that they are engaged in the process”*.

Some variables that can increase the levels of relationship commitment were also mentioned by the participants *“It is important to communicate in advance if something will be modified. The way of supplier communicate demonstrates its commitment to the relationship”*. In addition, *“Live up to our requirements can build relationship commitment and improve both performances”*.

When it comes to commitment deterioration, participants mentioned that ineffective communication, poor service and low quality as a factor that deteriorates the relationship commitment.

4.1.5. Influence of Power

We firstly provided the participants with the definition of power in a relationship *“When a decision is induced based on one organization’s desire”*. All participants agree with this definition and understand that power in a relationship can be perceived when an organization has ability to influence of inducing desired actions from partners.

All the participants mentioned that Husqvarna is well-known in the market and the supply chain members respect their judgement. *“We are the leaders in this sector and it makes us to drive improvements”* and *“Suppliers see us a great partner that they want to build a relation”* were said by participants. This is called as referent power as argued in Chapter 2.

According to the participants, the fact of being a global company with a well-recognized reputation can increase its power in negotiations *“We are in the market for a long-time with a worldwide business. We have a great reputation, so we are able to change and choose another provider if we are not satisfied with the supplier’s performance”*. On the other hand, the participant also added that *“It can be complicated when you are dealing with changes and the relationship is ongoing”*. This is called as expert power as discussed, in Chapter 2.

The general terms and conditions for sourcing of materials signed by all Husqvarna suppliers have protected the company against unwanted power games. *“Before starting a relationship, we set an agreement between the parties and any specific plan such as increasing prices or changing sub-suppliers must be communicated in advance”*. Being that all supplier must follow all the regulations imposed by the terms. If the terms and

conditions are not complied, Husqvarna shall terminate the purchase order with immediate effect at no expenses to Husqvarna. As a result, when it is based on terms and requirements, the company has the right to tell suppliers how to act. This is called as legitimate power as discussed, in *Chapter 2*.

When it comes to the relationship with the suppliers, the participants mentioned that suppliers are incentivized to achieve the requirements. *“We reward our best suppliers in order to keep up the achievements”*. This is called as reward power as discussed in *Chapter 2*.

However, participants think that the supplier power can be higher if they control resources which are dominated by a small number of organizations *“Suppliers will have less power if they have more competitors. If we have more opportunities available in the market, we have more power to negotiate”*. Therefore, a supplier is somehow at buyer’s mercy if it has many competitors in the market.

An inter-organizational relationship based on trust and commitment is important due to the fact that *“...high levels of trust and commitment in a relationship are important when you share information with your external partner. An unexpected information disclosure can lead to the loss of power to other parties”*. Therefore, sharing information is an important aspect that should be considered to avoid power imbalance *“Organizations do not share information if the information disclosure is considered to be a loss of power”*.

When it comes to dependency, a participant argued that *“As a global manufacturing company, we depend on the supplier performance and any problem can cause a huge impact on our supply chain performance”* and *“requirements in the sourcing process protects from power influences”*.

4.2. Beslag & Metall AB

Beslag & Metall is a family owned company located in Ekenässjön in the region of Småland, which produces and delivers sheet metal parts to different kinds of businesses such as automotive industry, furniture industry and many other types of businesses. The company employs in the current situation about 225 people and its turnover amounted to over 505 million SEK in 2015.

They manufacture and treat simple and complex sheet metal components in larger series to customers requiring high quality standard and cost effectiveness. The production is made by pressing in automatic or hydraulic pressure machines and also including welding, assembly and surface treatment of sheet metal. The automatic or hydraulic pressure machines are imported from a well renowned production machinery manufacturers in Germany.

The company offers a wide spectrum of competence with specialist departments for welding, advanced assembly and surface treatment department. They also offer solutions in which they produce the whole chain of production.

In summary, Beslag & Metall AB assortment is a mix of fasteners, latches, hinges, handles catches, furniture fittings and some other special products as customer desires.

4.2.1. The Case Description

The maintenance department of Beslag & Metall AB is responsible for the general maintenance and production machinery service. To repair and maintain the machinery the availability of original spare parts (reserve parts) is vital, so there are important retailers that supply OEM products for these machines. We interviewed experienced participants who work in this department in order to collect the empirical data.

4.2.2. Relationship with suppliers

Beslag & Metall AB is one of the leading company in the metal sector in Sweden. Being that, the company have to ensure solid relationships with suppliers to meet business requirements are met. The company has many departments that work together to provide solutions to automobile and furniture industry in Sweden.

Beslag & Metall AB works with many suppliers that are spread from OEM to direct material suppliers. The buyer (Beslag & Metall AB) and its suppliers must share the same high standards for products which meet the international standards of quality and service.

The maintenance department works closely with suppliers of OEM parts in order to manage and maintain the production lines. Also, it monitors the quality of products supplied with an established set of KPIs.

Beslag & Metall AB has their suppliers as their strength as quoted by the interviewee *“We want to be leader in our sector by providing customer benefits and exceeding customer satisfaction, which is indeed possible to make by the strength of our valuable suppliers”*.

According to a participant, *“We want to have a relationship with suppliers that deliver values which meet our high standards”*. To maintain a good relationship evaluation of suppliers is important as exemplified *“Evaluation of suppliers is critical and it is continuous for long lasting relations”*.

Open communication channels are used to convey the need to a supplier. To minimize the risk of ambiguity is very important when you plan to sustain a business relationship. These arguments are well elaborated by the participants. According to the interviewees, there are many suppliers that retail OEM products so, it is important to reach the right supplier with right information.

Furthermore, when it comes to the selection procedure of suppliers in such a competitive environment the interviewee replied that *“To become a supplier they have to fulfil our requirements and meet high standards of quality. There are general requirements in which all of our suppliers have to comply with, and there are special requirements considering the special part of machinery”*.

A participant argued that *“If a supplier complies with our requirements, we intend to reward them and proceed with continuous business”*. Given that, the company aims to have a long-term partnership with suppliers that have a satisfactory performance.

4.2.3. Building Trust

Participants of the interview agreed upon Anderson and Weitz’s (1989) definition which describes trust as one party’s belief that its needs will be fulfilled in the future by actions undertaken by other party. To explore the element of trust in buyer-supplier relationship

the interview continued with specific open questions regarding trust in a buyer-supplier relationship.

Interviewees emphasized on how trust is important for a long-term relationship. They identified the importance of trust as “...*one of the most relevant factors. It is important to have trust because it is one of the basic requirements in every relation*” and “*It is a foundation to develop a relevant level of collaboration and information sharing*”.

Furthermore, participants were asked about building trusts in relationships and they replied, “*By regarding and respecting the legal agreements and conditions*”.

Also, participants elaborated the nature of trust in relationship “*To build a relation is a two-way process where both parties must overcome their egos in favor of business*”. It implies that a healthy relationship can start by adapting to the differences.

Another aspect of building trust through sharing information was explored by the participants “*Most important is suppliers understand our needs and this has been possible through sharing valuable information. And, this is how trust is built in relationships*”.

According to the interviewees, open communication is one attribute that lead to better understanding of the customer’s needs. Hence, it is a foundation to start strong business relationships. Furthermore, the answers of the interviewees emphasized on characteristics which lead to build trust among the partners. Participants named compliance, reliability and quality of service as important features that lead them to trust their supplier “*Compliance, reliability and quality of service helps us to trust our supplier*” and “*Respect is also important characteristic that lead us to trust*”. On the other hand, participants argued that trust can decrease if there are conflicts and misunderstandings in the relationship.

Over the time every relation gets weak or strong, and based on this we asked participants about the change of trust factor among relationships. They agree that trust can change over time and it develops through repeated exchanges “*We have long-term relationships with some suppliers and the level of trust has rarely changed over time*”.

We asked a follow up question to understand the reason why the factor trust has not been changed over the time and they identified that “*Suppliers are providing what we really*

need and hence we trust them and this is the reason we are having continuous business with them”.

Furthermore, we asked about key elements and procedures to build trust in a relationship, and participants replied that “...you cannot expect for good if you yourself are not doing good to them”, “Be open to supplier when formulating your demands, this will clarify all your needs and give them regard and respect to build a trustworthy relation” and “If you depend on you supplier than you have to believe on your supplier and always give feedback in an open way” was a reply from one of the participants.

About attributes of supplier, we asked about main characteristics which is important to build trust in relationships, the participants replied that “Reputation and experience in the industry plays vital role in building trustworthy relationships”.

“Also, we measure the performance of supplier overtime to make sure that the relationship is on right track” said by one of the participants.

Furthermore, we asked about what leads to not trust the suppliers. A participant elaborated that “If a conflict occurs and they are against the agreed terms and conditions then it leads to distress in relationship and hence damage the trust factor”. Furthermore they added that “If suppliers fails to deliver in time or delivers a bad quality equipment, then the trust factor is damaged”. Another participant added that “if a supplier is new in the market or have a bad reputation than it is hard to build trust in that relationship”.

4.2.4. Building Relationship Commitment

All participants agree upon Moore (1998)’s definition of commitment. Then, we continued asking questions to investigate commitment in a buyer-supplier relationship. Further definitions and point of views of other participants came as “When the supplier obliges to set rules of business named as terms and condition, then we say that there is commitment in relationship”. Other participant reported that “It is a kind of guarantee of both partners to ensure a healthy business relationship”.

It is important to note that supply chain is dynamic. It implies that new suppliers are coming in and new companies are establishing business. With this in mind, it is hard to sustain and stick to a supplier. This following sentence was emphasized by one participant

during the interview *“To attract more customers, it is important to have diverse solutions and services. Therefore, it is hard to depend on only one or a particular supplier”*.

Regarding building commitment in a relationship, the participants named some measures that help in building commitment *“By respecting the terms and condition that we both are agreed upon”* and *“Giving supplier long term business opportunity”*.

Furthermore, participants emphasized on importance of other forms of commitment such as price guarantee and quality commitment. Regarding the importance of commitment in relationship every participant agreed upon that *“It works as a base for long term business relations”*.

The question about how buyer see its commitment in the relationship revealed that *“We give them continuous feedbacks which show our commitment to the relationship”*. Another participant added that *“Supplier shows their commitment by providing post supply services”* and *“They are fulfilling our business needs with best quality and reliable service, so we see their commitment and desire for a better and long-term relation”*.

Another participant raised an untouched point in the discussion that *“In a relationship reliability is more important than cost benefits”*. Here, it is possible to argue that buyers show commitment to reliable and trustworthy suppliers.

We asked participants about the factors which can lead to commitment deterioration in a relationship. A participant added that *“we show commitment by giving them feedback and supplier show their commitment by reacting positively to the feedbacks by improving the quality or service”*. And commitment level decreases *“if feedbacks are not frequent and that is due to inefficient communication”*. Furthermore another participant added that *“if supplier still not change his behavior after provided feedbacks than it shows that supplier is not committed to us”* and as a consequence change of supplier takes place.

4.2.5. Influence of Power on buyer-supplier relationship

We firstly provided the participants with the definition of power in a relationship as *“when a decision is induced based on one organization’s desire”*. Again, all participants agree with this term.

A participant gave us an example of the effect of power on trust and commitment in relationships *“If a supplier is a unique expert in supplying OEM products and it starts raising the price of a product despite we have agreed terms than we are affected by the power of a supplier because they are the only OEM supplier. We believe and trust it due to its expertise”*. This is known as expert power as discussed in *Chapter 2*.

Another power perceived by buyer was elaborated by a participant as, *“We respect the decision of supplier as we think that they are expert in retailing OEM products and they have very good reputation in the industry”*. Being impressed by the esteem of supplier is an example of referent power.

Another participant added that *“We as a buyer have freedom to change the supplier but it is difficult when you are in middle of relationship and committed”*. The first participant added *“as we are a manufacturing company we cannot afford production stops”*.

On the other hand, Beslag & Metall AB as a buyer has power with its buying ability. This was elaborated as *“We use legitimate right like our buying power to stop buying from particular supplier, if we are not satisfied”*. We asked an additional question to explore the effect of power and participant added that *“Some suppliers change their behaviors if we try to push them with legitimate power”*.

The power mentioned above can also be exercised as coercive power (perceived by supplier). This power was exemplified by one of the participant as *“...if supplier increase prices which leads to distrust or due to other reason cannot oblige to commitment then we can change the supplier as punishment”*. This kind of power is reported in the *Chapter 2* as coercive power which results in form of punishment and penalties such as stopping business relationships.

“On the other hand, if our relationship has trust and commitment, then as a reward we continue long term business with our supplier” said by participant. According to a respondent, it can result in an increase of trust and commitment in a buyer-supplier relationship *“In return we definitely want the supplier to continue same high quality and reliability”*.

About the use of power and its effect one participant told that *“In general, excessive and unnecessary use of power can lead to discontinuity of relationship and this is true in every*

business, no one wants to lose business, so they discuss and come to solution before using power”.

Furthermore, regarding the effects of using of power the participants elaborated different outcomes which include lack of commitment, distrust, unreliability, poor quality, short-term business relations and lack of respect.

4.3. Cross-Case Analysis

The purpose of cross case analysis as defined in *Chapter 3* is to look deeper into the empirical data and find similar patterns which can lead us to understand the phenomenon of trust and commitment in buyer-supplier relationship. A cross-case analysis helps to better understand the phenomenon from more than one point of view which increases the credibility of the analysis.

Being that, the cross-case analysis presented in this section serve as the basis to our next chapter where we analyze the empirical findings. In the cross-case analysis, we examine and compare the perspectives of the two buyers i.e. Husqvarna Group and Beslag & Metall AB. As can be seen, this allows us to identify similar patterns that build trust and commitment in buyer-supplier relationships and to understand how trust and commitment are influenced by power.

4.3.1. Building Trust

The cross-case analysis led us to identify similar elements (patterns) across the two cases that help in building trust. The factors which appeared during the interviews in both companies as fundamental elements to build trust in a buyer-supplier relationship were collaboration, information sharing, respect, honoring the agreements, adapting according to the needs, open communication, compliance, reliability, quality and reputation. In the table below is only presented the similar or repeated elements found in both case companies.

Table 4.1 Factors of trustworthiness found in both cases

Collaboration
Transparency/Information sharing
Compliance
Reliability
Reputation

Starting from collaboration, as evident from the interview data that increased collaboration with the suppliers is helpful in building trust. As participants added that *“extensive collaboration in areas of supply chain flexibility, quality and innovation to create significant and long-lasting benefits”*. The other element which enhances trust within a relationship because the terms and conditions is transparency or valuable information sharing. As participants added that *“we share lots of information with open communication channels to convey our needs to the supplier and this helps them to understand what we want”*. It was also reported that *“being clear and transparent in this relationship helps us to build a trustworthy relationship and reduce misunderstandings”*. Another participant added that *“transparency is also evident from supplier’s side when they give us quotes for the products”* and this helps in building trust in relationship.

Another element of building trust was elaborated in interviews was compliance. As one participant said that *“In good healthy relationship both parties have to show their compliance towards agreed terms and conditions to ensure a trustworthy relationship”*. By communicating this, they mean that suppliers have to show commitment towards buyers and fulfil their obligations to ensure a trustworthy relationship. To strategically signal our trustworthiness *“we are always committed to work with our suppliers to meet common goals”* was a reply from another respondent. More towards suppliers’ compliance the participants argued that *“Suppliers are aware of our code of conduct and evaluation process.”* and *“there is a supplier program that helps us to establish a collaborative relationship”* which helps suppliers to understand our need and ease out their compliance towards us.

Reliability was also one of the similar pattern that was found during cross-case analysis. As said earlier that both companies are mainly relying on their supply chains to operate in the industry *“so a reliable supplier will be a trustworthy partner who fulfills our needs”*

as said by one of the participants. In addition, reputation and competence in the industry were highlighted because it reduces supply chain risks. As participant added that “*reputation plays as a vital role in building trust in our relationships*”.

Trust deterioration

Furthermore, we also investigated the similar factors that count for trust deterioration in buyer-suppliers relationships. These factors are less or inefficient communication, longer lead and delivery times, bad quality of service, conflicts of interests and bad reputation.

The common patterns that we found in the cross-case analysis are presented in the table below.

Table 4.2 Factors of trust deterioration found in both cases

Less communication
Conflicts
Bad quality of service or product
Bad reputation
Late deliveries

According to the participants, open and frequent communication increases the level of trust, so the lack of communication results in trust deterioration. “*Less communication leads to ambiguities*” as argued by respondent, and “*thus harming the trust factor in relationship*” confirmed by another respondent.

Next, we discovered the element of conflict that mitigate trust. “*Conflicts of interests occurs when suppliers (or buyers) have different priorities*” was added by one interviewee which confirms that trust may be damaged.

Furthermore, bad quality was also mentioned by the participants that deteriorates the trust in the relationship. It was seen that producing high quality product is a priority for both companies.

Adding to that bad reputation of supplier harms the trust factor in relationship as said by on the participant that “*if the previous history of supplier is not good than the relationships will not be trustworthy and uncertain*”.

Lastly, late deliveries were the pattern that was confirmed in both companies that plays a major role in deteriorating the trust factor in relationships. As one of the participant added that “*we are a production company and we cannot afford production stops waiting for equipment from the suppliers*”. This is fact the affect directly the buyers supply chain and it has been measured by both buyers as a key performance indicator.

4.3.2. Relationship Commitment

We examined the empirical findings by cross-analysis to find common patterns which are related to building commitment in a buyer-supplier relationship. In both cases companies argued that respect, regard, co-operation, availability, flexibility, trust, engagement, continuous feedbacks, open communication, social bonding and reliability helps in building relationship commitment. Two participants viewed commitment with different perspectives like price commitment and quality commitment. In the *Table 4.3*, we reported only common patterns found in both case companies that build commitment in a buyer-supplier relationship are presented.

Table 4.3 Factors that build relationship commitment found in both cases

Reliability
Quality and Price Guarantees
Co-operation
Communication and Feedbacks
Social Bonding (Relationship length)

Reliability is one of the relevant elements in building relationship commitment. As one of the respondent added that “*a reliable supplier of OEM equipment is important for our production lines*” and hence “*buyer prefers reliable supplier for long term relationships*” argued by another participant.

Secondly, the empirical data revealed that stable prices of products from the supplier, increase the level of commitment. As a respondent mentioned that “*guarantying the same price for longer period of time shows that supplier has a solid business and are committed to the agreements*”. Another participant mentioned that

“getting the same high-quality product every time from a supplier makes us to commit to this business relationship”.

Also, the interviews show that co-operation in the business also increase the commitment level of relationship. As respondents added that *“cooperation shows that you are committed to progress”* and *“there are some areas of expertise where supplier need us and both are committed to create an environment of co-operation to achieve goals”.*

Adding to this participant of the interviews mentioned open communication as a vital factor to help in building relationship commitment. It was argued that *“with clear transfer of information we achieve mutual benefits”* and this leads to commitment due to following argument *“because we are committed with particular supplier so we share valuable information to achieve the goals”.* Representatives from both case companies mentioned that frequent feedbacks and evaluation routines shows the great interest of the other members and hence strengthen the relationship commitment which is achieved by open communication channels.

Lastly empirical data revealed that length of relationship greatly affects the commitment level. Long relationships show higher level of commitment. As interview shows that *“we are in business with particular supplier since very long and the length of time has increased commitment level from both sides”.* Personal relations also effect the commitment of the relationships as a participant sustained that *“we are committed to one supplier because they respect us, comply with our business needs and prioritize our orders because I personally know the supplier and have good terms with him”.*

Relationship Commitment Deterioration

To identify the factors that harm relationship commitment, we asked questions to the participants that reveal inconsistent attitude of supplier harm the factor of commitment in the relationship. Furthermore, the participants of the interview process confirmed that delayed deliveries and rapid fluctuations in price of product harm the relationship commitment. Additionally, three participants argued that less or no feedbacks and incompetent quality lead to commitment deterioration. Lastly, the patterns of the empirical data show that lack of respect and unsatisfied service leads to commitment deterioration.

In the *Table 4.4* the similar factors that deteriorates the commitment in relationship are presented.

Table 4.4 Factors of commitment deterioration found in both cases

Inconsistent behavior
Non-compliance
Bad quality
Lack of communication
Lack of feedbacks

Inconsistent behavior is considered as a major factor that harms relationship commitment. As one participant said that *“non-serious attitude of supplier causes damage to our commitment with that supplier and we stop doing business with them”*.

Similarly non-compliance from supplier side is viewed as factor that causes commitment deterioration. It was revealed that *“as we rely on our supplier, and if supplier do not show regard and respect to our needs than commitment is not present in relationship”*. The bad quality of products was named as a factor that mitigate relationship commitment.

When it comes to lack of communication, it shows no pledges in the relationship and hence there is no commitment. As on participant mentioned that *“if there is no communicating, it might be that there is no interest in doing business”*. Furthermore, in regards to the supplier’s side a participant added that *“a prompt feedback shows commitment”*.

4.3.3. Influence of Power on Trust and Commitment

We cross examined the interview data collected in both the case companies to recognize the patterns that provide us with an understanding of the influence of power on trust and commitment. After the in depth interviews, we found that power has visible effect on trust and commitment, which can produce a positive or negative effect on relationships depending on the type of power.

Among the five bases of power, the influence of reward power *“rewarding is part of a strategic relationship that has great levels of trust and commitment”* as argued by a participant. This kind of power involves paying rewards to the suppliers who comply with

the promised quality and service. *“We reward suppliers if they achieve higher level of quality and compliance”* was argued by a respondent when we asked about influence of reward power.

Furthermore, the participants argued that *“the presence of expert power in supplier leads to build trust in the relationship”*. Given that, the interview data revealed that trust and commitment are positively influenced by referent power of suppliers. The expertise of suppliers stimulates buyers to believe in them and then establish positive relationships. A respondent added that *“if supplier is in the field for long term we get impressed by their expertise and rely on them”*. As buyers, both companies want to see good reputation and credibility of their suppliers. *“If a supplier is well renowned in this business then we have confidence in that supplier”* was argued by one interviewee. This is known as referent power and it has positive effect on relationship with increased trust as confirmed by one respondent.

In the interviews, some negative implications of power on trust and commitment were observed by participants. The cross-case analysis confirmed that use of coercive power has negative impact of trust and commitment *“which leads to unreliability and dishonesty in the relationship”* as confirmed by one of the respondents. Participants confirmed that implication of *“coercive power may be seen as an opportunist behavior”*. In regards to the negative influence of power on relationships, the participants argued and confirmed that *“lack of satisfaction in the buyer-supplier relationship”* and also *“it evolves lack of respect which result in deteriorating trust and commitment”*.

The influence of legitimate power in buyer-supplier relationship was also noticed in some interviews. Participants revealed that the use of legitimate power usually is connected to satisfaction. The respondents added that *“if we are not satisfied with the quality of product then we stop buying from that supplier and this is our legitimate right”*. Furthermore, it was elaborated that *“if a supplier fails to comply with set agreements than the business with that supplier is terminated using legitimate right”*.

Furthermore, the empirical findings from both companies revealed that collaboration and co-operation increase trust and commitment, hence increasing satisfaction. As one of the participants argued that *“open communications with productive feedbacks helps suppliers to deliver the value we demand”* and this enhances the relationship and *“we feel satisfied and want to develop long term relationships with that supplier”* added another

participant. To achieve competitive advantages and to perform well in the supply chain “we prefer to build relationships with the suppliers who can satisfy us by complying with our needs” argued by another respondent.

5. Analysis

This section analyzes the empirical data. The analysis is designed by comparing the literature review with the empirical findings. The analysis presents the relevant factors to build trust and commitment within buyer-supplier relationship and also how power influence these two elements within relationships. The analysis is divided in themes and is performed according to the buyer's perspective.

RQ1: How do firms perceive and build trust and commitment in a buyer-supplier relationship?

5.1. Trust and commitment

As previously investigated in *Chapter 2*, trust and commitment are critical elements to sustain supply chain relationships (Morgan and Hunt, 1994; Kwon and Suo, 2004) that are related to each other (Chen et al., 2011; Nyaga et al., 2010; Kwon and Suo, 2004). It is evident from the theory that high levels of commitment are a good support to build trust (Kwon and Suo, 2004). The former statements are confirmed by the interviewees who support that both factors are strongly related to each other. A buyer is more likely committed to a supplier that they trust to have superior products and services. In addition, a buyer may be more committed to a supplier whose respect the contract terms. These characteristics facilitate the establishment of productive relationships (Ketchen and Giunipero, 2004) and promote benefits such as greater efficiency, productivity and effectiveness (Morgan and Hunt, 1994).

When it comes to Morgan and Hunt's framework, the findings reveal that buyers may opt for long-term relationships with trust and commitment instead of looking for attractive short-term alternatives. In addition, buyers tend to leverage strategic programs to develop and establish a collaborative relationship with committed and trustable suppliers. This cooperation preserves relationship investments and create benefits to each party based on a win-win strategy. Furthermore, the presence of both elements reduces the belief that their partners will not act opportunistically.

In addition, Morgan and Hunt's framework suggest activities that lead to improved commitment and trust. These activities are as follow: communicating valuable information, providing benefits, avoiding malevolently taking advantage of exchange

partners and maintaining high standards of corporate values. All the factors were said by the participants as factors that affect trust or commitment. These two critical elements were analysed separately in the thesis and valuable communication was the unique activity reported by interviewees on both sides.

Based on these conceptual pillars, the two critical elements of relationships are separately analysed in the following topics.

5.2. Building Trust

When the data referring to trust were analyzed, it became possible to know that the employees of the two companies have the same point of view regarding how trust is built in a buyer-supplier relationship. It is worth to mention that the perception of trust can differ between buyers and suppliers (Nyaga et al., 2010) and this research is based on the buyer's perspective.

As mentioned in *Chapter 2*, various definitions of trust have been used in several academic studies. In order to have participants at the same line of thought, we asked them whether they agree with a definition of trust provided by us. All participants agreed with the definition based on Anderson and Weitz's (1989) "*one party's belief that its needs will be fulfilled in the future by actions undertaken by other party*". Some of them added some sentences that do not influence the meaning.

The analysis of the interviews show that all participants perceive trust as a critical factor to establish a long-term and successful buyer-supplier relationship. These findings are also in consonance with researchers that indicate trust as factor to increase the probability of success (Fawcett et. al, 2011), facilitate greater commitment (Ireland and Webb, 2007), allow each party to believe that needs will be fulfilled in the future (Moore, 1998) and endure supply chain relationships (Sahay, 2003).

A buyer that trust in a supplier will be more satisfied with the relationship and will put more effort toward ensuring its continuity (Nyaga et al., 2010). In the same way, according to the participants a buyer that trusts in an external party will view the risk of external party's opportunism as minimum and this can improve to collaboration and develop strong partnerships.

After conducting a research in different sectors, Handfield and Bechtel (2002) argue that high levels of trust can improve supply chain responsiveness and create opportunities for collaboration and information sharing. In fact, the findings show that collaboration and information sharing leads to mutual opportunities and innovative solutions. A party identifies what can be improved when it has access to information; however, some information can only be accessed with a certain degree of trust.

When a certain level of trust is established in a relationship, the buyers are more confident to share information with suppliers. This allows both parties to act and react swiftly to changes. Again, aligned with Fawcett et al. (2001), the act of building trust can improve collaboration, innovation and competitive performance.

Previous researchers have exposed elements to explore collaborative levels of trust building initiatives in order to develop a sustainable competitive advantage. As noted in our literature review, Fawcett et al. (2001) argue that managers should consider seven approaches to pursue supply chain trust as a catalyst to collaborative innovation. Many participants argued that the companies focus on building and developing trust with their suppliers. We noticed three of seven in Fawcett et al.'s arguments in the buyers' answers. These are strategically signal your trustworthiness, align initiatives, and scan for value creation. These findings show that the buyers are aware of possible initiatives to collaborate and increase trust.

When interviewees talked about elements which may lead to trust their partner, the participants mentioned transparency or information sharing and respect. The factor "transparency" can be justified due to the fact that buyers are interested in accurate information to adjust their plans properly. As described by the participants, information sharing can increase supply chain efficiency by reducing inventories and smoothing production (Kumar and Pugazhendhi, 2012). In order to improve the communication, feedbacks are constantly provided, databases are integrated and audit monitoring visits are made. The information quality was found also as an important element due to the fact that the quality of the exchanged information is a mediator for the supply chain performance (Marinagi and Reklitis, 2015). In addition, respect enhances trust within a relationship because the terms and conditions will not be neglected, but complied. As it was previously described, these two buyers have a lot of terms and requirements to protect their business and reduce the risk of supply chain disruptions.

The research also revealed that trust can progress and develop after repeated exchanges. In the same lines, Kwon and Suh (2004) argue that trust can be developed to goodwill trust after repeated exchanges. It was seen that trust and commitment will be created as a natural output if a supplier can maintain a relationship with a buyer. According to the participants, the partner's reputation in the market should stay solid otherwise it might disturb the trust building process and the relationship can be discontinued.

On the other hand, participants also identified factors that deteriorate the level of trust in a relationship. The factor lack of communication and misunderstanding were indicated by many participants. According to the respondents, lack of trust among supply chain partners results in inefficient performance. Indeed, Kwon and Suh (2004) indicate that this inefficiency is caused by excess of verification, inspections and certifications of their exchanging partners.

5.3. Building Relationship Commitment

The importance of buyer-supplier relationship commitment is very considerable in supply chain (Maloni and Benton, 2000). Relationship commitment as defined by Moore (1987) is an effort to maintain an ongoing relationship and ensure its continuity. All the participants agreed upon this definition and also added some other valuable insights to importance of commitment in a buyer-supplier relationship. In simple words according to buyer's perspective commitment can be seen as continuous business with one reliable supplier.

As previously mentioned in *Chapter 2*, many researchers indicate commitment as a success factor that contributes to improve the supply chain relationship performance and satisfaction (Monczka et al., 1998; Nyaga et al., 2010; Palmatier et al., 2007). Similarly, this argument is evident on the primary data as well.

Commitment can be seen in various forms in a buyer-supplier relationship. From buyer's perspective, a buyer wants to see supplier's commitment in price of products, delivery times, lead times, availability and flexibility. A supplier who shows commitment in these factors receive a continuous business in return. This indeed is connected with the buyer's satisfaction. If buyers are satisfied with the supplier which is aligned with the aspects mentioned above than there is a positive influence on relationship commitment. As

argued by in theoretical background that business that involve better commitment in relationships are well performing in the supply chain.

Furthermore, Crotts et al. (2001) believe that the factors that influence commitment include performance satisfaction, quality, price, communication, cooperation, adaptation, and social bonding. The empirical data confirm that commitment in buyer-supplier relationship can be build or enhanced by cooperation, open communication, adaptation and satisfaction.

Cooperation, an activity presented in the primary data, enhances and builds commitment. The cooperation among supply chain members plays as fundamental base for building relationship commitment (Chen et al., 2011). Furthermore, primary data revealed that efficient cooperation leads to better performance of overall supply chain. Morgan and Hunt (1994) have particularly emphasized on active information sharing among supply chain players to ensure long term relationships. Walter and Ritter (2003) argue that collaboration increase trust and commitment in buyer and supplier. In addition, our findings support that respect and regard are important inputs to maintain relationship commitment.

Communication plays an important role in developing healthy relationships (Dwyer et al., 1987). Open and valuable communication was one of the important aspects that were brought up by the participants in the previous phase of data collection. In a buyer-supplier relationship as depicted by primary data, frequent sharing of vital information between buyer and supplier exposes higher level of commitment towards relationships. According to the buyers' point of view, when buyers are committed to share relevant information, suppliers are encouraged to commit to the relationship in return.

Willingness of buyers to continue business with specific supplier shows positive influence on commitment (Chen et al., 2011). This is an evident form found in the interviews that buyers want to continue business with suppliers who fulfill their needs. Furthermore, it is in mutual benefits for both the parties to show commitment towards each other. The willingness also refers to adaptation in many stages of a business. If buyer or supplier is committed in a relationship than they naturally adapt and adjust their position to needs to continue a relationship.

Personal bonds (social relationships) also play important role in enhancing relationship commitment. Crotts et al., (2001) have portrayed social bonding as the most important

factor explaining buyer's commitment to suppliers. Social relationships create an environment for mutual benefits and have strong influence on relationships ties. Furthermore, in the next section, influence of personal and social bonds on relationships will be discussed in detail with concept of power.

In addition, personal contacts with suppliers positively influence relationship commitment and also ensure long term relations. The empirical findings support that length of relationships has a positive effect on relationship commitment. Dwyer et al., (1987) clarify this influence by arguing that over time partners know each other very well and it includes each other needs and expectations; thus, a healthy and committed relation is evolved. The length of relationship increases the confidence of partners and thus positively influencing trust and commitment (Gulati, 2007). Additionally, it can be stated as a finding that, relationship length can be considered as a measure of commitment level in buyer-supplier relationship.

RQ2: How does power influence trust and commitment in a relationship?

Satisfaction with relationship (Trust, Commitment, Power)

As previously described in *Chapter 2*, the nature of trust and commitment lead to improved satisfaction (Nyaga et al., 2010) which plays a vital role in long term relationships between firms. Without trust and commitment, supply chain members may not be satisfied with the relationship (Maloni and Benton, 2005). The empirical findings confirm that satisfaction with the relationship is related to degree of trust and commitment. According to the buyers, the presence of both elements has a greater impact on relationship satisfaction. A buyer may be more satisfied with a relationship when its needs of monitoring suppliers are reduced. It implies that the decrease of transaction costs caused by trust and commitment lead to greater satisfaction.

Along these lines, it was found that buyer seems to be driven by satisfaction with results and performance. In fact, buyers constantly measure supplier performance with indicators. When the expected satisfaction and performance are not achieved, a buyer may, in turn, discontinue or invest less in the relationship. Being that, in accordance to Moore (1998) suppliers must be capable to provide exactly what buyers want.

In addition, a buyer may understand that it cannot be responsive and deliver a product or a service according to the customer's expectations without a satisfied supplier (Benton and Maloni, 2005). As a result, buyers tend to strengthen channels that develop supplier satisfaction and this strategy was evident clear in the empirical findings. Buyers may team up with suppliers to leverage capabilities of both organizations. The buyer's willing to cultivate a mutual beneficial strategy leads to improved supplier satisfaction (Maloni and Benton, 2005) and supplier performance (Nyaga et al., 2010). Both companies have programs to sustain strong relationship with suppliers to create positive results.

Kwon et al., (2004) indicate that trust-building process between firms are conducive when a persistent degree of satisfaction is created. In reality, the participants state that satisfied buyers tend to adopt collaborative and cooperative strategies which effect the trust-building process positively. In addition, the findings support that satisfied buyers demonstrate their commitment with suppliers in order to establish a long-term relationship.

Researchers indicate that satisfaction has positive relation with cooperation and collaboration (Skinner et al., 1992) and negative relation with conflicts (Skinner et al., 1992). These findings are in accordance with our investigation that report collaboration and cooperation as factors that build relationship commitment and highlight conflict as an element that deteriorates trust.

When it comes to power, Maloni and Benton (2005) indicate the importance of power awareness as well as recognition of power as a valuable approach for increasing the satisfaction within supply chain. According to them, a power holder must sustain an environment of trust to assure the target that competitive power sources will not be exercised. The empirical findings show that power-affected supply chain buyer-supplier relationship has a significant effect on buyer satisfaction and performance. No matter who is the power holder, it may be attempted to manage its own power influences for increasing the satisfaction of the whole supply chain. Otherwise, a disproportionate or mismatched commitment may be increased which leads to dissatisfaction, conflict, opportunistic trends, and subsequent decline of the relationship (Anderson and Weitz, 1992; Gundlach et al., 1995). In a similar way, trust may be damaged by unnecessary use of power that will result in declined satisfaction trends which negatively affects relationships.

It was also found that the nature of trust and commitment in supply chain relationships can yield satisfaction to all members of the supply chain, including the power source. In general terms, if a power holder aims to promote satisfaction, it should promote a strategy that build trust and commitment in the relationship.

These findings highlight the relevance of commitment and trust to sustain the relationship satisfaction when there is a power imbalance in supply chain relationships.

5.4. Influence of Power on Trust

Ireland and Webb (2007) researched trust and power in strategic supply chains and argued that a balance of both elements within the supply chain offset uncertainty and risks associated with the behaviours underlying shared values among organizational partners. In fact, this argument is also supported by our empirical findings which shows that according to the participants' perspective high levels of trust lead to favorable attitudes towards a collaborative relationship with mutual benefits. It implies that the perception of fairness increases with trust which reduces the chances of using power dynamics to act opportunistically.

Aligned with the previous arguments that sustain trust as a key element to a buyer-supplier relationship, it was also found that the use of power without a minimum level of trust can deteriorate a business relationship. This perception is caused due to the fact that without trust the relationship might be seem as a manipulation to achieve only one-party interest. These variables are related to each other and parties tend to accept the power actions of other parties when the relationship is based on trust; as a consequence, it facilitates the collaboration within the supply chain. *“By understanding the dynamics of trust and power, firms can strategically adjust social relations to achieve desired outcomes”* (Ireland and Webb, 2007, p. 487).

The participants argue that the frequent act of punishing the target firm when a certain outcome such as quality, delivery time or price is not met may undermine trust within the relationship. The findings indicates that coercive acts harm the ability to integrate with suppliers. In addition, the balance of trust and power makes firms to become more committed with the objectives which sustain supply chain efficiency and effectiveness. Within this context, Ireland and Web (2007) indicates that in the relationship characterized by goodwill trust, the long-term incentives for cooperation completely

negate a role of coercive power and an excessive use of coercive power may undermine trust in a relationship.

According to the empirical data, the use of expert power was found to hold a significant positive influence on levels of trust. The power target apparently values the expertise and will be naturally drawn to a closer relationship with the source. The same result was also found by Maloni and Benton (2000) when they investigated different kind of power influences in the automotive industry were investigated. Here, it was argued that the expert power holder has the influence to promote integration of the supply chain. However, manufacturing companies have to understand what expertise the supplier value and then leverage this expertise incentives. When buyers are the power holder, this kind of power makes supplier to embrace sharing information because the partners hold the expertise and it can be seen as an opportunity to team up. These characteristics increase the level of trust in the relationship and also support supply chain integration.

The same is also valid to referent power and reward power which support trust in a relationship. It was found that referent power stimulate the supplier to comply with the idea of sharing information. Additionally, when a buyer rewards a supplier, it promotes incentives for the supply to comply with terms. It decreases the supplier anxiety caused by the uncertainties and stimulate trust by having collaboration. A party may be more willing to collaborate with high level of competence partner.

It is worth to mention that our findings differs from Maloni and Benton (2000) who argue that the results are inconclusive when it comes to the effects of reward power on relationships. This is due to the fact that the target may mistakenly interpret rewards as an intention of coercion.

Lastly, the legitimate power may have a negative effect on trust due to the fact that once it is necessary to use legitimate power the relationship is already deteriorated. It implies that suppliers are not complying with the requirements, so the buyer has to push the other party in order to deliver the expected result. Maloni and Benton (2000) confirm that the use of legitimate power damage the relational orientation of the relationship.

5.5. Influence of Power on Commitment

It is important to firms to understand how their power affect relationship commitment. After gathering the primary data, it was evident that both companies are aware of their powers as well as suppliers' powers. To analyze the empirical findings with reference of theoretical background, it is explored the influence of different kind of powers on relationship commitment.

By the analysis of interview data, it is evident that expert and referent power have positive effect on relationship commitment. The buyers consider reputation, expertise and esteem of suppliers as the main reason for this positive effect. In presence of competitors (other suppliers in the market) reputation and experience of retailing OEM products count very much in retaining the commitment in the relationship. This effect is also confirmed by Maloni and Benton (2000) that indicate non-mediated expert and referent power as a positive factor within supply chain relationships. This increases the commitment level of buyer-supplier normative relation (Zhao et al., 2008).

The above-mentioned powers are referred as non-mediated because they are present in the source (suppliers) which cannot be activated by them. However, buyers can get influenced by them. Furthermore, Maloni and Benton (2000) argued that these powers effected relationships have indeed positive effect on performance and satisfaction. This was also confirmed by our findings that expose the confidence in suppliers as a factor to develop a better understanding and long-term relationship. In fact, the level of buyers' commitment increases if suppliers are expert and have well established reputation.

Zhao et al. (2008) argue that the use of different powers will have different influence on relationship commitment. The use of legitimate power by buyers will negatively affect the relationship commitment because buyers have legal right to end a partnership if desired conditions such as quality and price are not met. With this power, a buyer has the chance of discontinuing relationship commitment with a supplier. As depicted in the empirical findings, the use of legitimate right such as stopping buying with an unreliable supplier affects a buyer-supplier relationship negatively. It is also evident in the theoretical background provided by Wu et al. (2004) that legitimate power is negatively related to relationship commitment.

On the other hand, mediated power sources are manipulated by nature because they are activated in time of need. Our empirical findings revealed that the reward power has a positive effect on relationship commitment. This empirical finding oppose to Maloni and Benton (2005) who investigated the automotive industry and conclude that the rewards power has limited effects on relationship commitment. According to them, the power target may mistakenly interpret a reward as an intention of coercion. However, in our study case, the use of rewards sustain the nature of satisfaction and commitment from suppliers. Hence, reward power enhances supplier' commitment which may increase its performance, quality and services. This kind of power works as a positive feedback from the buyer that shows increased commitment and satisfaction in the relationship. According to our empirical findings, by activating the reward power, a power-relationship may be shaped and suppliers feel more committed to provide better services.

Relationship commitment can be classified as normative or instrumental (Brown et al., 1995). Normative relationship as deafened in earlier section is mutual and ongoing relationship based on commitment and sharing. According to Flynn et al. (2008), coercive power has a negative influence on normative relationship commitment. This negative correlation is also confirmed by Maloni and Benton (2005). Our empirical findings also revealed that buyers use coercive power by issuing penalties and punishments to suppliers if quality, price and delivery times are not met. Given that, suppliers have to change their behaviours and be committed to all requirements. Indeed, aligned with our findings the relationship commitment can be damaged by the use of coercive power (Maloni and Benton, 2000).

6. Conclusion

The following chapter concludes the study with discussion based on empirical findings and theoretical framework. The aim of this chapter is to justify our research purpose by providing answers to the research questions. Furthermore, this chapter provides an overview of limitations of the study along with the possibilities of future work.

6.1. RQ1: How do buyers build trust and commitment in a buyer-supplier relationship?

After detailed interviews in the two manufacturing companies, it was evident that trust and commitment are the most important criteria for long-term sustainable relationship. Trust and commitment is strongly related to each other.

The cross-case analysis presented in *Section 4.3* covered all the findings that came up during the interview. We have found factors that are important to build trust and commitment in buyer-supplier relationship. Collaboration, transparency, information sharing, compliance, reliability and reputation were the main precursors that are argued as important to build trust in buyer-supplier relationship. While reliability, quality insurance, price guaranties, co-operation, feedbacks (with open communication channels) and social bonding were the discovered precursors that help in building commitment in a relationship.

The theoretical framework presented in *Chapter 2* seems quite aligned with the empirical findings about building trust. Kumar and Pugazhendhi (2012) argue that information sharing increases the level of trust between firms. Kwon and Suh (2004) confirm that collaboration between firms in terms of repeated exchanges of resources, increase the trust factor in relationship. Handfield and Bechtel (2002) also confirm the above factors as reasons for increased trust.

Furthermore, factors that build relationship commitment were also confirmed by the theoretical framework drawn in *Chapter 2*. Marinagi and Reklitis (2015) argue that quality of products improves firm's performance which indeed increase the level of commitment towards supplier. Nyaga et al. (2010) confirm that suppliers are concerned

with inputs to the relationship, such as information sharing and feedbacks that shows greater commitment of buyers towards them. Crotts et al. (2011) support that satisfaction, quality, price, communication, co-operation, adaption and social bonding are the important and relevant factors which help in building relationship commitment. Walter and Ritter (2003) also argue that collaboration increases both trust and commitment in buyer-supplier relationship.

6.2. RQ2: How do different kinds of power influence trust and commitment in a relationship?

Power is defined in *Chapter 2* as the ability of one firm to influence the intentions and actions of another firm (Emerson, 1962). It has a significant effect on supply chain relationships and each kind of power has a different influence on trust and commitment. The empirical findings revealed that different influences of the five different kinds of powers presented by French and Raven (1988).

Reward power

Reward power has a positive influence on trust and commitment. Rewards in general increase the motivation level of suppliers and it acts as a catalyst to boost the trust and commitment level in relationships. From a buyer's perspective, giving rewards to suppliers shows their trust towards suppliers and in return, suppliers become committed to relationship providing high-quality solutions. Rewards from buyer's side can be exemplified as a long-term business strategy in relation to suppliers. Indeed, it is an outcome of satisfaction as argued by Anderson and Weitz (1992) that the presence of buyer-supplier satisfaction results in loyalty which results in long-term relationships.

Coercive power

Coercive power negatively impacts on trust and commitment according to buyers. Maloni and Benton (2000) and Ireland and Web (2007) has argued that use of coercive power harms the trust factor in a relationship. Use of punishments and penalties from the suppliers or buyers have a negative impact on relationship commitment. As a negative

power base, the use of coercive power worsens the co-operative business relationships Zhao et al. 2017.

Expert power

Expert power influences trust and commitment positively. Maloni and Benton (2000) have confirmed this effect in their research. Buyers get inspired by the reputation of the supplier and expertise which leads them to trust on their abilities. Hence, it increases the commitment level of buyers to keep doing business with the supplier. Presence of expert power adds value in business transactions which enhances the relationships between buyer and supplier.

Referent power

Referent power has a positive influence on trust and commitment in a buyer-supplier relationship. When a buyer holds this power, it can stimulate the supplier to comply with the idea of sharing information. As it was found in the cross-case analysis, information sharing is one the precursors of building trust. Maloni and Benton (2000) argue the positive outcomes of referent power while Zhao et al. (2008) argue that it increases the commitment level of buyer-supplier normative relation.

Legitimate power

Legitimate power has a negative impact on buyer-supplier relationships. Maloni and Benton (2000) and Ireland and Web (2007) argue that the use of legitimate power has a negative effect on the trust factor in a relationship because they damage the relational orientation of the supply chain. Buyer and supplier are tied in set rules and regulations which involve the nature of the business. A buyer can demand the required service or product according to the contracts. However, if a supplier fails to deliver the results, a buyer may push it with legitimate power. Once it is necessary to use this power, the relationship may be already deteriorated.

6.3.Limitation

The first limitation of this study is the shortage of time. We were bound by time limits, so we decided to study only two aspects of buyer-supplier relations. The relationships

have many aspects which can be explored and will definitely give a better understanding of the field, but due to limited time it was not possible.

A second limitation is the number of companies which were interviewed. In order to better understand trust and commitment in relationships, it would have been more effective if we interview more companies of different sectors. The scope of this thesis was limited to two manufacturing companies which mean that data collected cannot cover different buyer experiences. Furthermore, we were limited to two manufacturing companies based in Jönköping region.

Thirdly, interviews taken during the study was limited to focal persons. We consider this as a limitation because due to the limited access, we were not able to record and analyze more perspectives.

Lastly, the interviews were limited to one party perspective. It would be interesting to interview more supply chain members such as the suppliers. The current data only deal with one specific party which limits the results.

6.4. Future research

Firstly, future research can expand the scope of the thesis. It would be relevant to interview more supply chain members to evaluate their perspectives regarding power, trust, and commitment. By expanding the scope of this study, we can understand the effect on the whole supply chain. Also, it would be relevant to compare and evaluate the buyer of different sectors.

There are more critical elements of buyer-supplier relationship to be studied such as cooperation, collaboration, and quality which are also important to be considered. This will allow to review and explore different effects in buyer-supplier relationship. It would give us a better understanding of relationships dynamics. Furthermore, the influence of power on these elements can be studied more in detail.

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Appendix

Appendix 1: Interview guide

Before starting the interview, the following topics must be stated to the participants:

Procedures: Provide a brief description of the research project, stating the purpose of the study as well as the ethical considerations

Safety: Ensure no harm to the safety of interviewees

Confidentiality: Anyone involved in an interview or focus group must be offered the option of remaining anonymous.

Permission: must get consent from all present before recording an interview or focus group.

Appendix 2: Interview questions

1. Interviewees background

- a) Name:
- b) Responsibilities:
- c) Experience:
- d) Time on the current work place:

Buyer-supplier Relationship

Could you please describe how is the relationship with the suppliers that you work with?

Trust

Could you please describe the importance of trust in a buyer-supplier relationship?

How does supplier's or buyer's power affect trust in a buyer-supplier relationship?

How can you build trust in a buyer-supplier relationship?

How has trust been affected over the time?

Relationship commitment

Could you please describe the importance of commitment in a buyer-supplier relationship?

How can you build commitment in a buyer-supplier relationship?

How has commitment been affected over the time?

Power

How does power affect trust and commitment in a buyer-supplier relationship?

A series of follow up questions were also asked to obtain more information about the phenomena.